UNITED STATES TRADE REPRESENTATIVE

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301 COMMITTEE

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SECTION 301 TARIFFS PUBLIC HEARING

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MONDAY
AUGUST 27, 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 9:29 a.m., William Busis and Megan Grimball, Co-Chairs, presiding.

PRESENT
WILLIAM BUSIS, Chair, U.S. Trade Representative
MEGAN GRIMBALL, Chair, U.S. Trade Representative
SARAH BONNER, Small Business Administration
MARIA D'ANDREA-YOTHERS, Department of Commerce
WENDY DONG, Department of Commerce
SARAH GILLESKI, U.S. Department of Agriculture
CAROL HENNINGER, Department of State
JULIA HOWE, U.S. Trade Representative
BENJAMIN LEVIN, Department of State
MAUREEN PETTIS, Department of Labor
ADAM SULEWSKI, Department of Homeland Security
TIMOTHY WINELAND, U.S. Trade Representative
AMY ZUCKERMAN, Department of the Treasury

STAFF PRESENT
BILL BISHOP, International Trade Commission

WITNESSES PRESENT

BRAD ALLSHOUSE, Fabrix, LLC
AYMAN AWAD, Trend Intermodal Chassis Leasing, LLC
SHAWN BAIER, Metabolic Technologies, Inc.
DANIEL BAUM, Hailiang America Corp.
JAY BERKOWITZ, Arnold's Office Furniture
CHRISTINE BLISS, Coalition of Services Industries
FRANK CARVAJAL, Cali Bamboo, LLC
JAMES CHENEVEY, Earthlite, LLC
CURT CHRISTIAN, Home Furnishings Resources Group, Inc.
BRIAN COHN, Multi Parts Supply USA, Inc.
KATIE CONOVITZ, twelveNYC
JOHN CROWLEY, National Association of Waterfront Employers
DAVID FENIGER, American Posts, LLC
CAMILO FERRO, One Earth Packaging
GRANT GAWRONSKI, Gates Corporation
GARY GILBERT, Gilbert & Associates
ART HAMILTON, Hailide America, Inc. and Hamilton International, LLC and TSI Yarns, LLC
GUY HARARI, Adisseo
RYAN HOLT, Fur Commission USA
GREGORY HUSISIAN, Alps Electric, Inc.
THOMAS KIERNAN, American Wind Energy Association
LARRY KOLB, TSI USA, Inc.
RICARDO LARA, Elite Lighting
STEPHEN LOVELL, US Valve, LLC
ANITA MACHHAR, Art Guild of Philadelphia, Inc.
JAY MALAVE, Diamond Motorz Trailer Sales, Inc.
RALPH MALLOZI, General Tools & Instruments, LLC
JOHN McLEMORE, Masterbuilt Manufacturing, LLC
BRIAN MICHAELSEN, JMF Company
REBECCA MINKOFF, Rebecca Minkoff, LLC
NEIL MOONEY, Orion Group, LLC
CHARLIE MUDD, RC trailer Sales and Service Co., Inc. and Total Trailer Co.
MARCIE REA, Fur Information Council of America
SCOTT RUNNELS, Hale Trailer Brake & Wheel, Inc.
NICK SARGENT, SnowSports Industries America
FRANK SONCALA, ILoca Services, Inc.

MIKE STATECZNY, Coalition of Energy Equipment Manufacturers

JOHN TREE, Valudor Products, LLC

PAUL WELLBORN, Wellborn Cabinet, Inc.

DENSIL WILLIAMS, Climate Engineering Companies

MARK YOKOM, Appvion

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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 United States Trade representative, in conjunction with the Interagency 301 Committee, is holding this public hearing in connection with the 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 18, 2017. Since that time, the Trade Representative has determined to take two actions in the investigation.

On June 20, 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 6, 2018. On July 16, 2018, USTR published a Federal Register Notice imposing an additional duty of 25 percent on products from China within an annual trade value of approximately $16 billion effective August 23, 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 17, 2018, USTR published a Federal Register Notice seeking public comment on a proposed 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 was initially 10 percent. On August 7, 2018, USTR published a Federal Register

Notice announcing that the Trade Representative was considering a 25 percent rate of additional duty for the supplemental 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 6, 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 rest of the session, I will provide some procedural and administrative instructions. The hearing is scheduled for six days including today, Monday, August 27th. We have 46 panels of witnesses with over 350 individuals scheduled to testify. The provisional schedule has been posted to the USTR website. We have five panels of witnesses scheduled to testify today. We will have a brief break between panels and a 30-minute break for lunch.

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

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

As noted, post hearing comments, including any written responses to questions from the Section 301 Committee are due September 6, 2018. The rules and procedures for written submissions are set out in the July 17th Federal Register Notice. Given the number of witnesses and t6he schedule, we request that witnesses, when responding to questions, be as concise as possible.

We likewise ask witnesses to be understanding when and if the Chair asks that a witness conclude a response. Witnesses 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 to the USTR website and on the Federal Register docket as soon as possible after the conclusion of this 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 you would introduce yourselves, please?

MR. SULEWSKI: Adam Sulewski, U.S. Department of Homeland Security.

MS. DONG: Wendy Dong, U.S. Department of Commerce.

MS. HOWE: Julia Howe, Office of the

U.S. Trade Representative.

MR. LEVIN: Ben Levin, Department of State.

MS. GILLESKI: Sarah Gilleski, USDA.

MS. PETTIS: Maureen Pettis, Department of Labor.

MS. BONNER: Sarah Bonner, U.S. Small Business Administration.

CHAIR GRIMBALL: And I am Megan Grimball from the Office of the United States Trade Representative.

MR. BISHOP: Madam Chairman, our first witness on this panel is Neil Mooney with Orion Group, LLC. Mr. Mooney, you have five minutes.

MR. MOONEY: Good morning to the Committee. Thank you for letting me testify this morning on behalf of two small related Ford Lauderdale companies. The Section 301 tariffs have as they're stated purpose remediating improper trade practices by Chinese enterprises related to technology transfer, intellectual property, and innovation. U.S. industry focus is to be on Chinese industrial plans such as Made in China 2025.

I will tell you how much the flooring section action -- the flooring Section 301 action threatens to hurt my American clients, its U.S. employees, and other U.S. interests but makes no contribution whatsoever to the above-stated 301 purpose.

First, the proposed tariffs on flooring will not cure any discriminatory practices of the Chinese government. The manufacturing process for tile and flooring has existed for centuries. No trade secrets, technology, or intellectual property are forcibly shared in this industry. In fact, Chinese manufacturers readily pay patent royalties of 5 to 12 percent of their sales to U.S. patent holders, which I might mention is significantly more than what is paid by U.S. or European manufacturers. The only IP violation I've seen alleged by U.S. manufacturers is that, quote, Chines competitors have copied entire product catalogs and have shipped tile in boxes falsely marked as boxes of U.S. producers. Assuming that is true, counterfeiting violations are not remedied with tariffs but by civil enforcement.

Second, the existing market has already been carefully federally tariff-adjusted by the United States International Trade Commission and the U.S. Department of Commerce. The proposed 301 tariffs will interfere with those agencies' prior determinations and impair an existing federal remedy on flooring duties.

Third, the flooring industry is not one of the 10 sectors of the Made in China 2025 program or any other industrial initiative in China. In fact, Chinese laminate flooring is already losing U.S. market share due to rapidly increased Chinese labor costs and Chinese environmental regulation. Competition from Chinese manufacturers in flooring is not a genuine unfair trade concern. Chinese competition has actual benefits to the United States in, for example, the following ways.

First, American consumers receive certified environmentally responsible products from China. They are improved every year due to competition among global sources of flooring which the tariffs intend to eliminate. Two, Americans obtain an affordable basic consumer product beneficial to middle and lower income families. And three, American companies owning patents and other intellectual property receive a steady income stream and royalties and certification payments from Chinese flooring manufacturers based on their sales, both of which the proposed tariffs would reduce.

The proposed 301 tariffs severely hampering Chinese competition will give a few domestic manufacturers near monopoly power in pricing and will limit consumer choice severely. They would increase home building and refurbishing prices making housing less affordable to the average American. They are a purely gratuitous tax increase which would increase U.S. unemployment and the cost of living without attaining a single one of the stated policy purposes.

If the subheadings listed in Exhibit 1 -- and that's my Exhibit 1 to my comments which I've submitted to you -- if those subheadings are not excluded entirely, my clients urge the USTR to at least exclude new PVC flooring classified under tariff subheadings 3918.10.10, 3918.10.20, and 3918.90.10 for the following reasons. These products would allow my client to continue to sell approximately 40 percent of its current sales. It would have a shot at remaining in business. Secondly, U.S. and worldwide production other than in China cannot satisfy the U.S. demand in those products. And third, these products are covered by a so-called "one click patent" owned by an American company, Mohawk Flooring, which would maintain its royalty revenues.

Thank you very much and I remain available for any questions.

MR. BISHOP: Thank you, Mr. Mooney.

Our next witness is Brad Allshouse with Fabrix, LLC. Mr. Allshouse, you have five minutes.

MR. ALLSHOUSE: Hello and good morning. My name is Brad Allshouse and I appreciate your time and consideration today. My company is Fabrix and we are a U.S. importer and manufacturer in collaboration with innovative construction materials.

We are here today to voice our opposition to the proposed 25 percent tariffs on products categorized under HTS 5903.90.3090 and 5603.14.3000.

We import coated, woven, and non-woven membranes which are categorized under those tariff codes and which are used in residential light commercial construction. These products are specifically used as water-resistant membranes for roofs and exterior walls. Fabrix is a U.S. based company that I started in 2010 out of necessity after the severe economic downturn that began in 2008 and lasted well into 2011. At this time, a friend and I decided to go into business together to manufacturer and sell these two types of products. I have 30-plus years of experience selling these products in the building industry. My experience and well-established customer relationships, along with my business partner's expertise in manufacturing and product development was a natural conduit to start our own company.

As a result, Fabrix formed to be used as the importer of record for the company he started, Innovative Construction materials, which manufactures these membranes in China. We found it necessary to build the manufacturing plant overseas because of the type of equipment that is required to produce these goods. The machinery requires a large footprint, is an extremely expensive and labor -- very labor intensive. In my 30 years of experience in this industry, there have only been a handful of companies that have attempted to manufacture similar products. However, due to the substantial investment of capital that is required and the cost structure versus return on investment, all but one manufacturer shut down operations upon realizing that it is simply not a profitable venture in the U.S.

This type of manufacturing is not attractive due to the costs which includes the large number of higher wage employees required and due to the amount of time it takes to manufacturer the coated and non-woven membranes. For example, it can take up to one month just to make one container of wovenscrim raw material for the membrane substrate. To my knowledge, the remaining small U.S. manufacturer that does produce coated woven membranes does not focus his production on these products due to the inability to make the extremely lightweight fabric that is needed, especially at the cost required. So there are simply no options to source this type of product in substantial quantities here in the U.S.

In addition, the task of sourcing these particular types of specialized niche membranes in other countries would be very onerous because they are simply not widely available. It would also cost considerable time and money to qualify new suppliers to meet our quality control standards. The U.S. has very stringent testing and building code requirements requiring us to be extremely selective and to conduct extensive testing to ensure compliance with U.S. building codes. For example, it would take upwards of one year to conduct the necessary testing and to obtain the necessary approvals of a new supplier. In addition, it would cost approximately $100,000.00 to complete the approval and qualification process.

Due to these requirements, it quickly became critical to our success that we build our own operation so that we could trust and control the entire process and supply chain. We have also spent vast resources obtaining our own U.S. building code reports that follow ICC-ES evaluation rules and regulations. Our manufacturing facility must undergo rigorous and extensive quality control procedure audits every quarter to meet the necessary approval requirements. A third-party quality control organization, Intertek, visits our plant every three months on an unannounced visit to inspect our manufacturing practices. Intertek's laboratory also performs our independent third-party testing to ensure that we meet all U.S. building code requirements and specifications.

I also wish to emphasize that the imposition of the proposed tariffs on these types of products would not be effective to meet the goals of Section 301, which is to pressure China to change its policies and practices with respect to advanced technologies, technology transfer, intellectual property, and innovation. Although we operate a manufacturing plant in China, we have not been required or approached by any entity in China or the Chinese government to share any of our IT or R&D technology. We do support the goals -- general goals of 301 as innovation has been vital to our own success. To differentiate ourselves, we spent considerable time and expense to protect our IP by filing our U.S. patents, two U.S. patents which have been granted. However, we have not been required to disclose this information to any entity in China.

Finally, the building products industry has been extremely price-sensitive historically. It is a very commoditized industry. Builders, contractors are extremely price conscious due to the cost of competing and bidding on projects with numerous other competitors all bidding on the same work. The environment gets even worse when housing starts are currently at half today, when economic times are at their peak.

As you can see, the proposed 25 percent tariff on our products will result in economic harm to our business and o your customers. It would have undoubted ripple effects throughout the U.S. housing and construction industry. Most manufacturers in this industry attempt to reach 40 percent gross margins before any costs are subtracted, which result in single-digit net margins that are extremely common. If you factor in the proposed 25 percent tariff on a 40 percent gross margin before any costs are deducted, most companies would be left with negative profit.

The additional burden would ultimately have to be passed down through the distribution channel. We are a small independent manufacturer. We, too, would ultimately have to pass this tariff on to our U.S. distributor customers at a price increase by necessity, and they in turn are expected to pass their costs on to retail stores outlets.

In a recent publication of the National Association of Homebuilders, NAHB --

CHAIR GRIMBALL: Please conclude, Mr. Allshouse.

MR. ALLSHOUSE: Okay.

CHAIR GRIMBALL: Your time has expired.

MR. ALLSHOUSE: Yes, no problem.

Thank you.

MR. BISHOP: Thank you, Mr. Allshouse. Our next witness is Katie Conovitz with twelveNYC. Ms. Conovitz, you have five minutes.

MS. CONOVITZ: Hello. Good morning. My name is Katie Conovitz and I am the founder and --

MR. BISHOP: Pull your mic a little bit closer, please? Thank you.

MS. CONOVITZ: -- I am the founder and CEO of twelveNYC. twelve NYC is a global product development company that collaborates, curates, and creates on-brand, custom and private label merchandise. Originally from the Midwest, I founded twelveNYC in 2005 in Brooklyn with a $5,000.00 personal investment. My vision was to disrupt and reinvent the promotional and packaging industry. We are proud to be a woman-owned business with a team of more than 30 employees and growing. In addition to our office in Brooklyn, we have offices in Austin, London, Hong Kong, and Shenzhen. This year we ranked number 21 of 50 fastest growing women-owned companies.

As a mother of four and a daughter of a Vietnam veteran, I am proud of my personal humble beginnings and incredible hard work that I put into growing my business and creating jobs in the United States.

We are here today to seek the removal of products classified under 4202.92.45, which includes cosmetic bags and secondary packaging among other items, and 3923.10.90 which relates to packing materials such as plastic and acetate containers that we use to package fragrance. We do not believe that the proposed tariffs on these products will pressure China to change its practices with respect to advanced technologies and innovation, because the production of these products does not involve any level of advanced technology.

However, imposing the proposed tariffs on these products would result in severe economic burden to small businesses like my own, our customers and ultimately U.S. consumers as these costs are likely to be passed down.

Over the past 13 years, we have established a supplier network in China of reliable, experienced suppliers who enable us to partner with leading brands such as Estee Lauder, Macy's, Kohl's, and SoulCycle. My company works with these brands to create products that tell their story. Our largest category of products is bags such as cosmetic and tote bags. However, we also curate jewelry, stationary, water bottles, and much more. We import products from China because China is the only market where we can source a large variety of materials we require and produce products within realistic time frames and realistic budgets.

In addition, the Chinese factories enable us to manage our costs given our profit margins. Our average price per unit in China is two to three dollars FOB. Being able to control costs is very important to our success because our projects and the products we offer to our customers are based on sales incentive. Our projects are budget-driven and we work on very tight margins, so we do not have the ability to absorb such significant increases in the cost of materials.

We have worked with domestics manufacturers in recent past on small runs of cosmetic or canvass tote bags. However, we found their pricing to be too prohibitive. In addition, our domestic options have extremely limited manufacturing capabilities, and the material availability is even more constrained. There are simply no domestic factories with infrastructure and capacity needed to support the type of manufacturing we require. In contrast, the Chinese factories have the capacity to supply a monthly output of 250,000 units. We are unaware of any other supplier network globally with this production capacity. The Chinese manufacturers are able to supply us with a great variety of materials we require in sufficient quantity and this allows us to continue to provide our innovative ideas, products to our clients, and it separates us from our competition.

We also source products from China because other countries do not have the level of infrastructure and supplier resources. And importantly, all of our factory partners in China have participated in an extensive and costly audit process. Should tariffs become effective on the products we buy from China, these materials would become prohibitively expensive and we would be forced to seek alternative sources. We would need first to find alternative producers who may be capable of supplying the large variety of materials we require.

Even if such sources are identified, we would be forced to spend considerable time and money to conduct extensive testing and auditing in hopes that the new supplier will ultimately qualify. Beyond the immediate harm to my country should the -- my company should the tariffs be imposed on these plastic products, we expect the proposed tariffs would have a ripple effect throughout the supply chain and the economy at large.

First, we simply could not absorb a 25 percent tariff and continue to do business as usual. We would have to offset our costs by passing them down to our customers and they would likely pass them on to the U.S. consumer. On a more macro level, the level of volume would heavily impact our domestic fulfillment centers, warehouses, and transportation services. We expect the additional tariffs at the proposed 25 percent level would lead to a sharp decline in demand and would have a direct impact on the U.S. based entities within the supply chain that play an important role in distribution.

Finally, I'd like to reiterate that the proposed tariffs on these products would likely be ineffective because these products are simply not within the realm of advanced technology. The administration announced that the proposed tariffs are intended to pressure

China to end their unfair practices with respect to technology transfer, intellectual property, and other discriminatory practices that burden U.S. commerce. Although we support the broad goals of USTR to protect U.S. businesses and intellectual property, we respectfully urge Section 301 Committee to strongly consider whether ours are the types of products that are involved in China's unfair practices. We urge you to consider the unlikeliness of --

CHAIR GRIMBALL: Please conclude.

MS. CONOVITZ: -- of the proposed tariffs in light of the imminent harm it would result in small to medium business like my own. Thank you.

MR. BISHOP: Thank you, Ms. Conovitz. Our next witness is Art Hamilton with Hailide America, Inc., Hamilton International, LLC, and TSI Yarns, LLC. Mr. Hamilton, you have five minutes.

MR. HAMILTON: Thank you for this opportunity to represent my companies at this historic hearing. Please know that in the interest of time, I'm summarizing some of my arguments.

I support the Administration's objectives of addressing and eliminating China's unfair intellectual property practices. However, imposing an additional tariff in certain inputs to the textile manufacturing industry is unlikely to deter that behavior and will quite possibly have the opposite effect. It is more likely to cause irreparable harm to my companies and my customers. My companies and the manufacturers I sell to are small to medium-size businesses already struggling to compete globally. I request the removal of 10 Harmonized Tariff codes which are included in my written testimony.

None of the products for which I seek removal from the list has a nexus to the technology transfer, intellectual property and innovation bases for this Section 301 action. These are commodity products that have been in commercial production for decades. The first category, polyester two and polypropylene tow; there are no U.S. manufacturers for polyester or polypropylene tow for the flock industry in the U.S. The tow produced in the U.S. is not suitable for use in the production of flock. A temporary tariff of even 25 percent is unlikely to induce any company to undertake the expense of running a separate line just for these two potential customers.

China is effectively the only source. Import statistics from OTEXA shows that 96 percent of polyester tow is imported from China and 100 percent of polypropylene is imported from China.

This proposed tariff will not only increase U.S. manufacturing costs but will incentivize non-U.S. processing. Manufacturers can import raw materials from China and convert into finished goods in Europe. These products are then imported to the U.S. duty free by passing U.S. manufacturers. Our customers in this market have grown their business by competing with European and Asian manufacturers of flock.

On Friday, you heard more about this in detail from my customer, Claremont Flock. Although not on the witness list, Andy Honkamp, my customer from Cellusuede, is attending with me today to underscore the seriousness of this issue. He has also submitted comments.

The second category is high tenacity polyester industrial yarn. There is insufficient U.S. production to cover the demand for Berry Amendment products let alone the demand for -- total demand for product in the U.S. According to the respected resource firm, PCI, there is an estimated 9,000 metric tons of production capacity in the U.S. Estimated demand exceeds 165,000 metric tons. These capacity shortages are not likely to provide incentive to invest the money and the two years needed to build a plant, to add capacity and view uncertainty surrounding tariffs.

In China, high tenacity yarn is

produced on state-of-the-art production equipment which is manufactured in Germany and Japan. Suppliers -- as an example, all polyester airbags produced in the U.S. are manufactured with imported yarn. Airbag fabrics are also produced in Canada, Mexico and Europe, all of which pay a lower duty on yarn. Only imported high tenacity polyester yarn is qualified for the use in leading airbags. As U.S. weavers already pay tariffs on imported yarns, the additional tariff will render U.S. weavers of airbag fabric noncompetitive to offshore producers.

Third category, nylon industrial yarn in type six. Type 6 high tenacity nylon is not produced in the U.S., while type 66 is produced here. Although contained in the same HTC code, both products differ chemically. Type 66 has a significantly higher cost and is largely used in different end products. The tariff would not be a sufficient incentive for U.S. producers to establish new facilities for Nylon 6 as production is expensive and economically feasible on a large scale.

Fourth category, polyester tire cord fabric. There is insufficient U.S. production to meet domestic demand. Current U.S. demand for polyester tire cord fabric is estimated at 120,000 metric tons while current production is estimated at 30,000 metric tons. All is produced with imported yarn.

The fifth category is fully drawn polyester yarn and POY polyester yarn. These products are manufactured in the U.S. but domestic manufacturers are mainly focused on more expensive, lower volume specialty uses which require prices that will push our costs higher and force our customers out of these markets. There is no significant unused capacity in the U.S. and a temporary tariff is not sufficient incentive substantial money and the two years to create new capacity.

These are price-sensitive markets that cannot handle increases of the magnitude proposed. U.S. manufacturers will be forced to pay higher prices resulting in higher costs and less competitiveness. U.S. manufacturers will lose market shares cost increases driving price because the same increases will not appear in other countries. This will likely adversely --

CHAIR GRIMBALL: Please conclude, Mr. Hamilton.

MR. HAMILTON: Thank you.

MR. BISHOP: Thank you, Mr. Hamilton. Our next witness is Ryan Holt with the Fur Commission USA. Mr. Holt, you have five minutes.

MR. HOLT: Good morning. My name is Ryan Holt. I am a mink farmer from Salt Lake County, Utah. I'm here today on behalf of the Fur Commission USA of which I am an officer and a board member. The Fur Commission is a national nonprofit association representing the U.S. mink farmers.

I am here today to ask that fur products, or more specifically, the tariff category covering fur apparel and accessories classified under Harmonized Tariff Schedule

Number 4303.10 as well as the category covering other fur articles under Harmonized Tariff Number 4303.90 be removed from the list of products which the U.S. Trade Representative has proposed an additional 10 to 25 percent duty.

The Fur Commission is concerned the additional duty currently proposed on finished fur apparel could put the U.S. mink farmers out of business, in large part because China has retaliated against that duty by imposing a 20 percent tariff on U.S. raised mink pelts exported to China. Many farmers rely exclusively on their export markets, and China is overwhelmingly our largest export market. The U.S. mink farming industry is deeply reared in American agricultural history. Most of the mink farms in operation today in the U.S. are third and fourth generation small family farms.

My own mink farm was started by my grandfather and father over 50 years ago. We have run that farm as a family business, and I am proud to say that all of my children have worked on that farm. The mink farming community is representative of local agriculture and in our case, virtually of our revenue is derived from exported sales. The U.S. mink farming would be threatened by the proposed tariffs.

Garments imported from China containing U.S. raised mink would become uncompetitive. Even more devastating to this sector would be the retaliatory 20 percent tariff that China would impose on the import of mink skins from the United States. China is, by far, our largest export market and I estimate that 80 percent of your production is exported to China.

Production of fur in the United States is a highly regulated, environmentally sustainable products process that makes large contributions to our country's agricultural economy. National codes of practice and operating guidelines provide an assurance that farm fur-bearing animals are well-cared for. Mink farmers recognize that they have a responsibility to preserve and protect the land which they work and then provide the highest quality care for their livestock.

The Fur Commission works in conjunction with other animal welfare groups to ensure that the latest and most up-to-date research on animal health and welfare is available to mink ranchers in a timely fashion. Our country's 245 mink farms are spread across 22 states. Last year these farms produced 3.3 million pelts at a volume of $130,000.00, in part because of the healthy and humane conditions of which these furs are grown and the quality of the feed they are given. U.S. grown furs are some of the most sought after by manufacturers of fur garments both domestically and internationally.

Production of finished mink products and apparel relies on a global supply chain. While mink are raised here domestically, nearly all of the mink furs raised in the United States are sent to China for manufacture into finished product. There is little or no capacity in the U.S. to manufacturer fur products and apparel, certainly not enough to sustain our farms. If a retail consumer wants to purchase a U.S. fur, it would be purchasing a product that will have some element of Chinese production in its manufacture.

Importantly, Chinese shoppers are one of the largest and most rapidly growing consumers of products made from U.S. grown mink. Our industry has spent years developing that market. The proposed U.S. tariffs and resulting retaliatory tariffs threaten a critical expert market for U.S. mink farmers of the U.S. grown mink that is sent to China for manufacturing into finished goods. A steadily growing amount, more than half, stays in China to satisfy that market's rapidly growing demand. The imposition of China's retaliatory tariff, however, will virtually end that market and hand it over to our European competitors.

The Fur Commission supports the Administration's efforts to eliminate China's intellectual property rights violations and cyber intrusion. However, mink farmers are becoming the inadvertent victims in the ongoing trade dispute. The Chinese government has proposed a 20 percent retaliatory tariff on top of the existing 10 percent tariff for importing U.S. mink skins. This puts U.S. produced mink at 20 percent competitive disadvantage to European-grown mink. We are a small sector. We account for only five percent of the global mink capacity. Our products could fully be replaced with mink skins from Europe if the Chinese retaliatory tariffs are imposed.

Even if the tariffs are only temporary, that breeding process is complex and goes on for generations. Once a farmer pelts out of his business, there is no middle ground. Meanwhile, the U.S. proposed -- the proposed U.S. tariffs combined with the Chinese tariffs make U.S. grown mink prohibitively expensive for competition in the domestic market. An American consumer who wants to purchase an item from U.S. grown mink would not be able to do so at a competitive rate in the face of the new tariffs from both United States and China.

The Administration must create a most appropriate Section 301 list that avoids harm to domestic agricultural exports and supports American family farms.

MR. BISHOP: Thank you, Mr. Holt. Our next witness is Marcie Rea with the Fur Information Council of America. Ms. Rae, you have five minutes.

MS. REA: Good morning. My name is Marcie Rae and I'm a fur retailer from Amarillo, Texas. I'm here today on behalf of the Fur Information Council of America, or FICA, of which I'm the current Chairperson. FICA is the largest fur industry association in the United States and represents fur retailers and manufacturers across the country who account for over 80 percent of fur trade sale -- excuse me -- U.S. fur sales. FICA provides the public with information on the fur industry, wildlife conservation, and responsible animal care to which the fur industry is committed.

I'm here today to ask that fur products, or more specifically the tariff category covering fur apparel and accessories classified under Harmonized Tariff Schedule Number 4303.1000 as well as the category covering other fur articles under Harmonized Tariff Number 4303.9000 be removed from the recent list of products for which the U.S. Trade Representative has proposed an additional 10 to 25 percent duty. Imposing these tariffs will harm fur retailers and make fur apparel, including apparel made from U.S. grown furs, noncompetitive in the U.S. market.

FICA is concerned that the current proposed tariffs will harm its members, most of whom are small business owners like myself. Of the approximately 1,100 fur retailer in the United States, the vast majority, approximately 85 percent, are small family-run businesses that have been passed down through the generations. I am the proud owner of one such small business, Marcella Furs and Leather, which I started 15 years ago. I founded this business out of the love for our product, and I am immensely proud of my business, my employees, and the products that we provide to our customers.

The fur industry has a long history in the United States dating back to our forefathers. Fur-bearing animals have been raised on mink farms across North America since shortly after the Civil War. These days the production of fur products is highly dependent on a well-established global supply chain, however. As Mr. Holt has testified, production of fur in the United States is a highly-regulated, humane and environmentally sustainable agricultural process. As a retailer, I can honestly say that American mink is the finest in the world, and it is highly sought after by Americans, worldwide consumers, and especially China.

However, while the U.S. has extensive fur farming capabilities, nearly all of the mink bred and raised in the United States are sent to China for dressing and manufacture into finished products. There is virtually no capability in the U.S. to manufacture fur products and apparel to meet the growing demand. As a fur retailer, our products have evolved dramatically since the classic full-length mink coat. Fur, and particularly mink, is used in the production of outerwear, hats, shoes and apparel. Fur may be dyed, sheared, and cut to adorn every kind of garment. Fur remains a dominant presence on the fashion runways as well.

If an American consumer wants to purchase a fur product, it will likely have some element of Chinese production in its manufacture, even if the mink is originated from a U.S. fur farm. Because of the global nature of the supply and production chain, imposing an additional duty on fur garments manufactured in China would place fur garments, particularly those produced with American mink, at a distinctive competitive disadvantage in the U.S. and global market.

As you have already heard from Mr. Holt, American mink has been proposed for a retaliatory tariff by the Chinese government. We believe this is a direct response to the decision to include fur garments on the U.S. list. Thus, a fur garment containing American mink will double -- will face double liability, a 20 percent Chinese tariff on the value of the mink, a 10 to 25 percent on the value of the garment returning to the U.S. This is a threat to the livelihood of the mink farmer as well as the family-owned furrier.

With over $1.5 billion in retail sales, the fur industry makes a substantial contribution to the U.S. economy. The fur industry in the U.S. provides full-time employment for over 32,000 workers and seasonal or part-time employment for more than 150,000 additional workers in farming, wildlife management, manufacturing, and retail sectors. The proposed tariff would substantially harm small fur retailers like myself. Sixty-two percent of all fur garments imported into the United States over the last five years came from

China. Many of those garments were produced with American fur.

For the cost of our products to increase by 10 to 25 percent in addition to the higher cost of the Chinese retaliation, it's a terrifying prospect. Our businesses cannot support these cost increases. FICA remains supportive of the Administration's efforts to confront and eliminate China's intellectual property rights violations and cyber intrusions. However, there is no nexus between fur products grown in the United States and finished in China and the problem at hand. These tariffs will harm our members who import fur apparel in the absence of domestic manufacturing capabilities.

In conclusion, FICA respectfully urges the Administration to remove fur apparel and clothing accessories from the list of items proposed for increased tariffs. The harm will be felt disproportionately by American retailers and fur farms and will not create the desired leverage to encourage China to modify its unfair trade practices. Thank you for your attention. I'm happy to answer any questions.

MR. BISHOP: Thank you, Ms. Rae. Our next witness is Nick Sargent with Snowsports Industries America. Mr. Sargent, you have five minutes.

MR. SARGENT: Good morning. My name is Nick Sargent, President of SnowSports Industry of America based in Park City, Utah. SIA is the trade association for the U.S. winter sports industry representing manufacturers, suppliers, retailers of winter sports product. Our industry generates $73 billion in consumer spending annually and last winter season, between August 2017 through March 2018, the specific goods in question generated over $779 million in retail sales.

The USTR has specifically asked for comments on whether imposing additional duties on particular products would cause disproportionate harm to the U.S. economic interest including small and medium size business and consumers. I can say with absolutely certainty that this will be the case for ski gloves, hats, headgear, safety helmets, and sports bags included on the proposed tariff -- 301 tariff list. I've spent the last weeks talking to our members in gauging potential impact of their business. In every single case, from large manufacturers to local retailers, I heard a great deal of concerns. These products are their livelihoods and I'm here on their behalf of communicate this concern to you.

We are industry selling widely-recognized outdoor brands through specialty and community-based retail shops, and they are the backbone of our industry. Our economic vitality depends on the tight margins throughout our supply chain in selling our products at a fair price to consumers each season.

With even a slight increase in price, the sustainability of our industry is in jeopardy because of the price increase to consumers is fully expected to drive a decline in spending, which will ripple across local communities and tourist-dependent resort towns throughout the United States. A 25 percent or even 10 percent increase in price on these products would certainly challenge even the most determined participant.

Like many of our members, I live in a mountain community, Park City Utah, and I also grew up in a similar mountain community in Stowe, Vermont. Both of these communities, in large part, are dependent on winter tourism and dollars that winter vacationers spend each season supporting our local economies, specifically the small business that depends on a strong sale through each very short season that bridges them to the next season.

These seasonal dollars support the families behind these small businesses for their entire year. However, with these tariffs and the increased price that will certainly follow, I'm afraid the small business and jobs in these communities will be in jeopardy.

Furthermore, there is no U.S. production of these products of interest. Thus, removing these products from the USTR list would not boost U.S. productivity and jobs and effectively reach your intended outcome. Additionally, manufacturers in these industries, such as The North Face, Burton Snowboards, Giro helmets, which were here last week, are consistently assessing their supply chains, trimming costs to price these goods for retailers and consumers across the country. If there was an alternative to China, they would be using it already.

Finally, it is my understanding that the proposed additional duties are intended to pressure the Chinese government to eliminate certain acts, policies, and practices that the United States have determined to be harmful to economic interests. Examples are industrial policies in support of China's efforts to rely exclusively on high tech goods manufactured in China, theft of intellectual property for U.S.

companies, and related acts, policies and practices.

The products of interest to SIA are not the type of products that are the target of Chinese acts, policies or practices. Thus, the imposition of additional duties of these products would not aid the goal of China eliminating such acts, policies and practices.

Snowsports Industries of America and our members strongly oppose a tariff on ski gloves, hats, headgear, safety headgear, helmets, and sports bags. All the HTS codes are in my exhibit as well. And we urge you to remove these products from the USTR list. Doing so will protect U.S. business and jobs. Thank you for your time this morning.

MR. BISHOP: Thank you, Mr. Sargent. Our final witness on this panel is Anita Machhar with the Art Guild of Philadelphia, Inc. Ms. Machhar, you have five minutes.

MS. MACHHAR: Thank you. Good morning. My name is Anita Machhar. I am the

Director of Legal Affairs and part owner at Art Guild. Art Guild is a provider of retail display fixtures in the U.S., particularly in the U.S. flooring industry. Headquartered in New Jersey, we have additional locations in Nevada, Delaware and New York. Our retail displays are imported under HTS Number 9403.20.00, which is in the, quote, other, category under the general tariff classification for furniture. Retail display fixtures, however, are actually not furniture item but rather are custom display units that are used by companies to showcase and launch their products.

I am here today to provide testimony about why imports of retail display fixtures should not be targeted for additional duties. By way of background, Art Guild was incorporated in Pennsylvania in 1965 after having been in business for several decades prior. We employ about 260 people, all of whom are based in the United States. We are approximately $90 million in sales in 2017, with 40 percent of that revenue coming from our retail display fixtures division. All of these clients are based in the United States.

We are a concept-to-completion business, which means that our clients rely on us to design, engineer, and produce the display units they require in order to present their products to the public. We work with our clients' specific needs and specifications to design and engineer a display, create a prototype, and then once approved, mass produce the final product. We hire vendors both in the United States and in China to mass produce the custom components for the display. Many of our displays are produced domestically when possible but production capability in the United States is decreasing. For this reason and others which I am about to discuss, we often have no choice but to rely on vendors in China to best serve our customers.

First, while our ultimate product is custom-made, the production numbers of displays our customers need could range from hundreds to thousands. The manufacturing of the thousands of displays that Art Guild may need in a relatively short period of time is simply beyond the capacity of U.S. manufacturers, especially at peak periods like Christmas or Easter. Conversely, when Art Guild's clients require a relatively small run, say for a realtor or a test run, U.S. manufacturers, which are moving towards automation, cannot fulfill those smaller request cost effectively without increasing the price of each unit by two or three times.

The Chinese companies we work with invest in the making of a special took specifically designed for the unique display that Art Guild has designed and engineered. Once this tool is created, thousands of consistently high-quality products can then be produced quickly and cost-effectively. U.S. manufacturers often cannot handle the capacity that a company like Art Guild requires on a consistent basis at a consistent price point and a consistent quality.

Consistency and reliability are essential for our business in order to contract with and fulfill our clients' needs.

For instance, just in the past year or two, Art Guild, which is constantly seeking new domestic vendors, contracted with a U.S. manufacturer to provide custom fixtures for a very large retailer for about 2,500 units. These were supposed to have been delivered this coming October but has now been delayed until at least March of next year. Accordingly, Art Guild is faced with paying the large retailer significant penalties under our contract.

In another situation, Art Guild's client was in need a very short run -- very short turnaround on his product and willing to pay almost double per display in order to meet his deadline. But the domestic manufacturer was completely unable to meet the production requirements as it had promised and what it did produce was not of the quality Art Guild and its clients require.

As is evident from these two examples, building a reliable network of vendors does not happen overnight, and we do not have the luxury of instantly hiring new vendors in countries other than China. We have established relationships with four Chinese companies over a decade. These companies understand our needs with regard to quality of work and timeframe. We have also been able to contract with them for consistent pricing so that no matter how large or small the run, the price per display remains the same plus they already have the tools created that we would need for our reorder business and know how to use those tools. Many times they also have custom patterns and materials that are of significant value to us and our clients.

In order to replicate the kind of years-long business relationships we have with these Chinese vendors, Art Guild would need to invest several more years with other foreign entities. We are not a startup company but in order to suddenly move our business to another country would essentially force us to incur significant startup-type costs and time and cause us to lose much of our current business and opportunities for future sales in the meantime. This is simply not feasible and could cause Art Guild's division to simply collapse, forcing us to close down, incur significant costs -- layoffs and cause a ripple effect for our entire company.

The proposed tariffs at either 10 or 25 percent will have a serious impact on the bottom line of our company. We have prices in place that are guaranteed with our clients for at least the next year or two that have been based on our estimated costs. With the imposition of a tariff, cost of production increases significantly and our business would be unsustainable as a result. Given that the cost of our material that we use in the U.S. has also gone up -- it's our understanding that steel is up about 30 percent, aluminum up 90 percent, the timing of this tariff is even more problematic.

Based on all of these reasons, Art

Guild respectfully requests that imports of retail display fixtures are not targeted for additional tariffs. Thank you for your time and attention to my testimony. I am happy to answer any questions.

MR. BISHOP: Thank you, Ms. Machhar. Madam Chairman, that concludes direct testimony from this panel.

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

MS. GILLESKI: Mr. Mooney, could the products that your companies work with be sourced in the U.S. or in other third countries?

MR. MOONEY: No. As a general rule, no -- no, they cannot. The reason for that is that there is a very -- the very limited number of machines capable of producing the footwear -- the flooring at issue, and those machines are all located either in the U.S. where they are used to make a standardized pattern or in China where they are used to make custom patterns. And my client is a manufacturer of custom flooring so its own patterns will not be produced in the United States due to a lack of machinery, and that machinery is not available for purchase at this time worldwide.

MS. GILLESKI: Thank you.

MR. SULEWSKI: Hello. This question is for Ms. Allshouse. You had testified that Fabrix has a production facility in Florida. Do you sell the imported coated, woven, and non-woven membranes directly or use them as input in products you manufacturer in Florida, and are there comparable or substitute products you could use?

MR. ALLSHOUSE: I don't believe I stated that we have a facility in Florida. We have building code approvals for Miami-Dade County in the State of Florida but we do not have an operation in Florida.

MS. BONNER: This question is for Ms. Conovitz. You testified that non-Chinese suppliers such as those in Vietnam do not have the capacity to produce and deliver for your company competitively at this time. In your view, could those -- these non-Chinese suppliers increase their capacity to meet your demand? If so, how long would it take for them to adjust?

MS. CONOVITZ: I think that's a two-fold question. Our business is we handle everything from ideation to the point of delivery, and every single project we do is custom and we start from scratch. So, you know, our -- the -- we go in with a different variable and different parameters to each new opportunity. And, you know, we have -- we are -- I will be in India in October, you know, pursuing, you know, additional resources. We have started the process of, you know, looking within, you know, Vietnam, as I mentioned, and we do, you know, always look for resources within the U.S. to help with very specific needs.

But the reality of 98 percent of our business is not just about the actual labor and about the actual facility for manufacturing. It's really also about all of the extraneous details that go into it, so whether its materials or trims or threads or cartons or all of the extraneous infrastructure that goes into rolling up one of our projects. So I think that you're looking at, you know, really from an infrastructure standpoint, three to five years.

Also, you know, it's an -- it would be an incredible cost -- investment from a cost standpoint and also from a time standpoint. We are -- we have had relationships that, you know, exceed 10 years at this point with suppliers that are incredibly reliable and allow us to really be incredible responsive to what the retail world is expecting now, which is turnaround times that are just incredibly -- you know, we're talking 30 to 50 days from concept to counter and, you know, our Chinese partners are really the only people that allow us the opportunity to be competitive and continue to be creative but also have a deliverable within the incredibly tight feasibilities that we're handed.

MS. DONG: Mr. Hamilton, you testified

that China is the major, if not only, supplier for many of the products that you import. Do suppliers from other countries have the capacity to increase production?

MR. HAMILTON: Could you repeat that last part? I'm sorry.

MS. DONG: Sure. So do suppliers outside of China have the capacity to increase their production?

MR. HAMILTON: Do they have the capacity to increase their production?

MS. DONG: yes.

MR. HAMILTON: Most of the product -- in the case of, say, polyester and polypropylene tow, it is such a small industry that nobody really is interested in making it outside of China. In the case of high tenacity polyester industrial yarn, there is capacity outside of China, but China is over 70 percent of the world's production, and they're over 80 percent of the imported product into China. So the time it would take to ramp up that production would be over two years, and the loss to the U.S. industry would be quite great. So the short answer is yes, but when you look at the details, it would do incredible harm to the -- to my customers and to the market.

MS. DONG: Thank you.

MR. LEVIN: This question is for Mr. Holt and Ms. Rae. Actually, I have two questions. First, just a clarifying question. In both of your statements, you referenced some concern about Chinese tariffs. Am I correct in understanding you were referring to anticipated tariffs in the future?

MR. HOLT: They've announced a retaliatory tariff on mink pelts going into China.

MR. LEVIN: Oh. My other question is you both testified that the U.S. mink farmers export the vast majority of their products in China. Could you please elaborate why you believe mink cannot be processed in the U.S.?

MR. HOLT: There is no capability in

the U.S. for manufacturing these products. There's very small manufacturer in New York that's left. All of these manufacturing facilities have been moved overseas because of the consumption in the country. We are not able to compete manufacturing in the United States and import into China because of the capabilities of the Chinese to produce. The labor, costs as well as the other manufacturing costs that happen in China are so disproportionate to anything that the U.S. has been able to manufacturer. This goes back well over 40 years as the fur industry moved out of the United States because of labor as well as restrictions on abilities to manufacture in the United States. So that -- for that reason, the bulk of the manufacturing has moved into China as well as the overwhelming bulk of consumption of North American goods, the U.S. goods specifically have achieved substantial monetary advances over other domestic products in the same realm. We participate in an auction system where there's no ability for us to regulate any kind of additional pass-through back to any supplier, because we're are the origin. We grow the product. We have to deal with the ability of the auction house to get us our premium, the problem being that if, as our statement said, that -- the U.S. only produces five percent of the global supply, so for China, our main consuming market to ignore the U.S. supply would not even come into play in their system, because they would go to Copenhagen or Helsinki to purchase their raw product and bypass our market completely which would, in essence, because of the nature of farming -- it's an annual business; it's not something we can adjust to monthly -- it would -- in essence, it would put the farming community out of business. There would be no more production in the United States if this was to occur.

MS. REA: On the manufacturing end, too, if I might add, there are, as he said, very few manufacturers here in the United States. This would, in essence, probably put them out of business as well, and that would go down the supply chain all the way to the retailer.

MR. LEVIN: Thank you.

MS. PETTIS: Mr. Sargent, I have a question regarding sourcing. You had said that there's no production at all of all these different products of interest that you have named regarding bags and the headgear and all that.

MR. SARGENT: In the United States, that's correct.

MS. PETTIS: There's absolutely none. And so -- and there's no possibility of any other types of sourcing other than China at all?

MR. SARGENT: No, unfortunately, not. The cost of manufacturing the material is prohibitive here in the U.S. and due to the fact that there is no manufacturing that would be competitive if there was. And again, as I mentioned, the margins are so small, we have to source in Asia, specifically in China, and that's due to the ability to turn around design for products. It's a one turn commerce cycle here in the U.S. It's dependent on the winter so that's why, again, it's a -- those tight margins and the tight turnaround on manufacturing.

MS. PETTIS: So basically, all of the inputs themselves are all from China. Is the design also from China or is that something that's done in the United States?

MR. SARGENT: There's plenty of design here in the United States but all the finish work is in Asia and in China.

MS. PETTIS: Okay.

MR. SARGENT: And then that manufacturing for samples and fitting and so on and so forth happens in China as well.

MS. PETTIS: Okay. Thank you very much.

MR. SARGENT: Thank you.

CHAIR GRIMBALL: Ms. Machhar, I have a few questions for you. You mentioned in your testimony that there were a handful of U.S. vendors that could provide the services that your company requires. About how many venders are there in the United States?

MS. MACHHAR: Unfortunately, I don't have that specific number. I could get that to you in post-hearing submissions if you'd like.

I know that we, ourselves, we do have at least about 15 or 20 vendors domestically.

What happens is that, those vendors themselves have limited equipment themselves or limited employees and they themselves may just get overwhelmed with the variety of requests they get for manufacturing different materials that we might need. Whether its metal, wood, plastic, aluminum, something like that.

For instance, one of those two examples I gave, what had happened was, the second example, the product was actually simple, it's just that they had been completely over-committed. And that's why they failed to produce what we needed, the quality we needed and on time.

CHAIR GRIMBALL: Has your, for

particularly large orders, has your company ever considered, I guess, dividing those orders between different vendors in the United States to see if that would increase the timing of the manufacturer process, perhaps giving a thousand, putting in an order for a thousand to this vendor, a thousand to another vendor instead of --

MS. MACHHAR: Well, it -- I'm sorry, did you finish your question?

CHAIR GRIMBALL: Yes.

MS. MACHHAR: Okay, sorry.

CHAIR GRIMBALL: Go ahead.

MS. MACHHAR: The thing is, our products are not -- they're not just these mass-produced products, they're --- every product is different. Every requirement that the client might have might be different.

To launch one product they might need five different materials, to launch another product they might need three different materials.

And so, it's all custom. We engineer it here, we design it here. So, and sometimes we do, the tool might be created in China but the production is here.

Sometimes the tool is created here but the production is in China. It really just depends on when it's happening, what is being produced, what is being done.

So we definitely try to work as much as we can, with as many domestic manufacturers as we can. But at least 60 percent of our business, I mean, our manufacturing portion of the business, has come from China, simply because we've had relationships that we've establish over ten years with four companies that we can rely on. We know that they know us, we know the product they're going to produce and we know the costs they're going to produce it at.

And then those manufacturers themselves may have tools. So the tools can be a big thing. So investment of time and tools.

Especially for our reorder part of the

business, which is about 50 percent of the sales that we generate a year. Because once you have that tool, that's when you can produce it quickly.

And to invest time and money to make another tool, because we can't necessarily get those out of the Chinese -- out of China, because of, one, the government, or two, that they might own the tools. And that could be the problem.

So we work, we do try to do what you're saying as much as we can, but you can't always divide the actual manufacturing itself. It usually goes to one or another because of considerations or tools or things like that.

CHAIR GRIMBALL: And just to clarify, this special tool that you are speaking about, and the one that you spoke about in your testimony, this intellectual property is often times owned by that particular manufacturing plant so it's not something that can be transferred --

MS. MACHHAR: No, no, no. The

intellectual -- so, in the U.S., we design, I'm sorry if I misspoke, we design the product, we engineer the product.

The tool may or may not need to be created, depending on what the product is. What a tool does is if, basically, if you have component parts, imagine a display, like, you go to a Home Depot and you see tiles on a rack, that display could be freestanding, it could be attached to a wall.

Those component parts, we need to design, engineer. And actually, we assembly it all back in the U.S. too. They come to us either partially or fully disassembled. And then we put it together here, we install it here.

And so, those component parts, that might need a tool. So, if this one wall panel might need a special tool that can crank it out, that tool we invest in China.

And I could get back to you on whether they own that tool. I think sometimes, when -- sometimes they do. They put their own investment money in making that tool, but I think it's still leased back to us. But I can find out more details if you want, on that question.

CHAIR GRIMBALL: That would be good to know to clarify that point. Thank you.

MS. MACHHAR: Okay, thank you.

MR. BISHOP: We release this Panel with our many thanks and we invite the members of Panel 42 to please come forward and be seated.

CHAIR BUSIS: So, we're rotating our U.S. -- our Chairs. My name is Bill Busis, I'm the Chair of the Section 301 Committee. Mr. Bishop, you may call the first witness.

MR. BISHOP: Mr. Chairman, our first witness on this Panel is David Feniger with American Posts, LLC. Mr. Feniger, you have five minutes.

MR. FENIGER: Good morning, Chairman and distinguished members of Section 301 Committee. My name is David Feniger, president of American Posts in Toledo, Ohio.

I once again appreciate the

opportunity to testify before you today and respectfully request that HTS Subheading 7326.90.86 remain on the updated Section 301 tariff list and that a 25 percent tariff does --- be imposed.

My testimony today, supported by the information provided in my business confidential comments, aims to demonstrate that a 25 percent duty is not only appropriate, but necessary to address China's unfair trade practices and will not cause disproportionate economic harm to the U.S. consumers.

For years, my company has tried to fight unfair Chinese manufacturing, labor and trade practices while that has systematically put out three of my remaining U.S. competitors and left me the only last standing u-post manufacturer in the U.S. And struggling to stay in business with only 15 percent of the U.S. market share.

The fact is that 85 percent of steel u-posts used by American gardeners and farmers, has regrettably been lost to our only competitor, the Chinese. And we have been able to increasingly leverage -- who have been able to increasingly leverage unfair trade practices.

Unfortunately, this competitive disadvantage was what we faced before the rise in U.S. steel prices. Since enactment of Section 232 our situation has become even more complicated.

We proudly use one hundred percent American-made steel in the manufacturing of our steel u-posts, and we support the 232 tariffs. However, while we're starting to see steel prices level off, the fact remains that since January, U.S. hot roll prices have increased by more than 35 percent, yet our Chinese competitors' costs have remained the same.

This is because our Chinese competitors are able to circumvent the steel tariff by shipping a Chinese-made steel u-post as a finished steel product, not subject to the tariff, even though over 70 percent of its contents and value are attributed to a steel mill article that is subject to the tariff.

The catch-22 can be resolved if we ensure downstream finished steel products, like this, are subject to the same 25 percent tariff as the underlying steel used. Again, with only 15 percent of the current market and operations running at only 35 percent capacity, we simply won't be able to continue to compete in the market dynamics unless conforming measures, like this, are promptly and strictly implemented.

And this action would be very timely, as the buying season is currently taking place for this kind of a product.

But I firmly believe that the administration stands strong with decisive implementation of the 25 percent tariff on steel u-posts. We will start receiving orders from U.S. retailers, giving American farmers and gardeners a choice between buying Chinese or spending an additional ten to twenty cents to buy steel posts proudly bearing the American flag.

We are already starting to see promising signs, but the U.S. must follow through with -- on these actions.

In anticipation of this, American Posts has a detailed plan to ramp production quickly to meet new U.S. ordered demands, if the duty is imposed. While we don't believe U.S. retailers will stop buying Chinese products altogether, we do believe there will be an increase in orders.

We are positioned to quickly hire our current workforce of temporary employees that already know our machinery and get our capacity up to at least 90 percent quickly. We also have a plan to put into place new equipment in the next six to nine months and add an additional 50 to 60 workers to increase our capacity even more.

In closing, while I deeply respect that many companies have come before you over the last six days explaining how this tariff may harm American jobs, I am here to submit that not taking action is what has already led to hundreds of thousands of high-quality American jobs leaving our country.

To say that my employees and I were relieved that the USTR expanded Section 301 lists includes our HTS, is an understatement. A 25 percent duty must be applied to us, to make it where we are more competitive in this industry.

If the Committee is interested in taking a more targeted approach, we respectfully request a 25 percent tariff on our ten-digit HTS Code, 7326.90.8635, which covers our fence posts directly.

And if for some reason no Section 301 duties are imposed on HTS, we strongly request that the administration take other actions to equalize the treatment of downstream fabricated steel products made with raw steel, subject to Section 232 tariffs.

On behalf of my employees and our wonderful suppliers, and other companies that were in support of Section 301 who all join me in calling for a 25 percent tariff on the HTS code, I once again thank you for your time and consideration of this request.

CHAIR BUSIS: Mr. Bishop, before we go to the next witness, just some sort of book keeping here. So, the next six witnesses, as I understand, are all going to testify on trailers, and so they will present their testimony and then we will have some combined questions for the trailer group of witnesses.

We also have a change in testifiers and Mr. Mudd is Witness 6 and Witness 8. I would ask that Mr. Mudd, when he testifies, go from 6 and then follow up with his further testimony. And I'd also ask him to keep in mind to try and combine the testimony as much as possible, given that it's the same witness who's on the Panel talking about the same thing.

Mr. Mudd, could you clarify how it is that you are both Witness Number 6 and Witness Number 8?

MR. MUDD: The dealers --

CHAIR BUSIS: Turn --

MR. MUDD: The dealers that are --

MR. BISHOP: Wait. Wait one second, you're not on.

MR. MUDD: Okay. The two companies that I am testifying for are dealers for Vanguard National Trailer Corp., and I'm president and CEO of Vanguard National Trailer.

They were scheduled tentatively to come last week, and when the schedule changed to today, neither of them were able to make it today. These are small businesses, and their schedules didn't allow them to be here and so I offered to testify on both of their behalf.

CHAIR BUSIS: So are you -- so you're Vanguard, which is a company which sells trailers?

MR. MUDD: We manufacture the trailers, and RC Trailer and Total Trailer are independent dealers that exclusively sell our equipment.

CHAIR BUSIS: Okay. Where do you manufacture the equipment?

MR. MUDD: In Monon, Indiana and Trenton, Georgia.

CHAIR BUSIS: Okay. Okay, I got it. All right, let's proceed as we stated. Thank you.

MR. BISHOP: Mr. Chairman, our next witness is Ayman Awad with Trend Intermodal Chassis Leasing, LLC. Mr. Awad, you have five minutes.

MR. AWAD: Thank you. My name is Ayman Awad and I am president of Trend Intermodal Chassis Leasing, LLC.

I'm here speaking on behalf of Trend Intermodal Chassis Leasing, LLC. The company was formed in 2013 and is located in Kearney, New Jersey.

We're engaged in leasing intermodal chassis to transportation companies on the east coast. I'm here to urge the administration to remove chassis classified under HTSUS 8716.39.00 which would list our proposed products subject to the 25 percent tariff.

Intermodal chassis represent inland equivalent to shipping vessels handling imports or exports, and are critical to this countries transportation industry.

The impact of limiting the sourcing of chassis will have extreme financial consequences on our company as well as our end users, which consist of other small businesses.

Trend relies on imports from China because there are insufficient U.S. producers and third-country suppliers to meet our demand. There are four U.S. manufacturers supplying the U.S. market and only three are within the east coast geographical range: Cheetah Chassis, Hercules Industries and Pro-Haul. The fourth is Hyundai in Tijuana, Mexico.

Trend has been procuring chassis from Hercules since the inception of our company, but the production space availability is limited due to their commitment to a few large clients. Cheetah was not a viable option as the positioning of the chassis to our Newark, New

Jersey facility was an issue.

The three U.S.-based manufacturers only have a total annual capacity of approximately 16,000 units for both marine and domestic 53-foot chassis. This represents less than one third of the annual demand for chassis.

Hyundai's Mexico facility is not a viable option for our northeast market, due to the prohibitive trucking cost of the chassis. The impact of the proposed tariff on Trend would cause severe economic harm.

We purchased over 700 chassis in 2017 with most of them from CIMC, which imports from China and a small portion from Hercules in New Jersey.

If the 25 percent tariff is imposed, we will for sure have to limit our procurement program and raise rates on our lessees, which in turn will have to be reflected in the trucking rates offered to shippers.

Furthermore, this Panel respectfully did not evaluate safety considerations when they included chassis in the list of products -- to include in the list of imports, subject to the tariffs.

CIMC's production is essential for the upgrading of the chassis fleet operating on our streets and highways. The chassis industry went through a crucial change in logistics and operations at the beginning of this century.

It was initiated by the ocean shipping lines, which additionally were the suppliers of the chassis to their shippers and consignees.

From 2006 onward, they declared that they would no longer supply chassis and trucking companies would have to provide the chassis, with the tractors, to the shippers. That transitioned resulted in a few years of instability and reluctance to order and replace existing chassis fleets.

It was not until 2011/2012 that the trucking companies started to recognize that they would prefer to upgrade the chassis fleet to avoid the inefficiencies of the existing aging fleet, such as single mode loading chassis, five spoke wheels, antiquated tube type bias tires, manual slack adjusters, non-ABS and lack of LED lights and automatic tire inflation systems.

The current pace of replacement of the older chassis will require an output of 50,000 units for marine chassis and 15,000 to 20,000 for domestic 53-foot chassis.

Without CIMC's production, this will cause a major setback and force us to continue to rely on the aging and worn out fleet, which in my view raises the risk on our highways to our overall transportation system.

We also need to consider the chain reaction of having a limited supply of chassis that will increase the potential bottleneck effect on our marine terminals, and could pose constraints on our overall review and processing of loads by the TSA.

I sincerely urge you to reconsider imposing any duty on chassis as the impact of limiting sourcing of chassis could cause massive inefficiencies in the flow of cargo, which will result in longer transit times and backlog at terminals and rear ramps. Thus, for the foregoing reasons, Trend respectfully requests that USTR remove chassis under HTSUS 8716.39.00, from the list of products subject to the proposed 25 percent tariff.

I will be glad to answer any of your questions. Thank you.

MR. BISHOP: Thank you, Mr. Awad. Our next witness is Scott Runnels with Hale Trailer Brake & Wheel, Incorporated. Mr. Runnels, you have five minutes.

MR. RUNNELS: Good morning, Committee. My name is Scott Runnels. I am the Delmar, Delaware branch manager speaking on behalf of Hale Trailer Brake & Wheel.

Hale Trailer is a full service semi-trailer dealership headquartered in Voorhees, New Jersey. We have over 375 employees working out of 12 branches up and down the east coast, from Maine to Florida.

Hale Trailer has a full range of semi-trailers for sale. In addition, we maintain an extensive fleet for rental on either a short- or long-term basis.

We also have facilities in each of our branches providing trailer and truck servicing, as well as retail parts business.

I am here to urge the administration to remove chassis, trailers and trailers parts classified under HTSUS, Subheading 8716 and 8708 from the list of proposed products subject to 25 percent tariff.

A principal concern of ours is the tariff on a particular type of trailer, the intermodal chassis. Chassis are a critical component in the transportation industry, allowing for the transport of ocean containers from ports over U.S. roads to their final destination.

In recent years there have been concerted effort to increase the safety of intermodal chassis fleets in the U.S. in order that our highways be safer.

Hale Trailer relies on purchasing intermodal chassis from CIMC Intermodal Equipment, which is manufactured in China. CIMC is the leading provider of intermodal equipment in the United States, supplying a large portion of the market.

While there are a few smaller manufacturers, there is only one other major provider of chassis in the U.S., and those chassis are built in Mexico. Delivering that product to the east coast is cost-prohibitive.

It is only CIMC that delivers directly to the east coast ports in significant numbers. If tariffs increase the cost of chassis from China by 25 percent, there will be insufficient U.S. producers and third-country suppliers to meet our demand without drastic price increases.

The impact of the proposed tariffs on Hale Trailer would cause severe economic harm. The proposed tariffs would result in a substantial increase in the price of new chassis, which could significantly negatively impact our sale on new chassis to our customers.

In addition, we would be unable to add new chassis to our rental fleet in large numbers if the price increases dramatically. As a result, the growth of our business could be negatively impacted.

More importantly, perhaps, as the cost of chassis increases, intermodal chassis fleets traveling over U.S. roads age. As the fleets age, they are more expensive to maintain, or worse, safety is compromised.

Finally, Hale Trailer believes in free and fair trade, however, we do not believe that imposing tariffs on chassis, trailers and trailer parts will achieve those goals. Hale Trailer respectfully requests that USTR remove these products from the list of products subject to the proposed 25 percent tariff.

I would be glad to answer any of your questions. Thank you.

MR. BISHOP: Thank you, Mr. Runnels.

Our next witness is Jay Malave with Diamond Motorz Trailer Sales, Incorporated. Mr. Malave, you have five minutes.

MR. MALAVE: Thank you so much. Good morning, thank you for having me.

My name is Jay Malave, I am the president and CEO of Diamond Motorz Trailer Sales. I am here speaking on behalf of the Diamond Group of companies.

We are a family owned and operated semi-trailer dealership serving the southeast since 2002. Our corporate headquarters are located in Greenville, South Carolina.

We currently have 27 families working with us, as we like to refer to our team of employees. Most of them have been with us over ten years and we continue adding families to our family.

I am here to urge the administration to remove trailers and trailer parts, classified under HTSUS 8716.39.00.90 and .50, 8708.70.45, and 8708.30.50, from the list of proposed products subject to the 25 percent tariff.

The transportation industry is always under constant overhaul, as you all know. Let us not forget that America runs on trucks.

We have been successful at keeping our customers on the road to success because we can be relevant to the industry. An added tariff will only trickle down to our end users which will ultimately pass it on to the millions of American families that work as hard as we do.

The trailers that I am here to advocate for are fully assembled in the U.S. with American employees like myself, and the ones that I employee. We are proud of what we do and proud of being able to serve our customers and local communities that ultimately transport and enjoy these goods.

The Diamond Group of companies relies on import of trailer components from China. The trailer industry is already operating at capacity to try to keep up with the demand.

These tariffs will impact the

industry, resulting in the creation of a deficit in equipment availability. Furthermore, it could also help to create monopoly in the industry.

It is important to note that as a trailer distributor, we are bound by geographic limitation and exclusive areas of responsibility. There are no available U.S. manufacturers or even third country manufacturers for us to represent.

The sale of the trailer is based on quality, specificity and availability of the product. We have suffered significant price increase due to aluminum and steel tariffs recently imposed, making our products, at times, higher than our competitors'. Therefore, we must find our niche in order to stay relevant.

The impact of the proposed tariffs on the Diamond Group of companies would cause severe economic harm to our local community and our families. We would no longer be relevant nor competitive within our industry.

Furthermore, we would have to downsize approximately 43 percent of our workforce. Every department from sales, parts, and service, every aspect of our organization would be directly impacted by this.

Finally, there is no silver bullet solution here. The proposed tariffs would not achieve the administration's policy objectives.

Trailers and trailer parts are not high-technology products or industry that the USTR identifies as being of concern in its investigation.

The Diamond Group of companies believes in free and fair trade. However, the imposition of these tariffs will not achieve those goals.

As you probably already know, the transportation industry is very delicate. It's affected by many variables worldwide. Changes should be made in small course corrections and not through massive disruptions.

That's the forgoing reasons the Diamond Group of companies respectfully request that the USTR removes trailer parts from the list of products subject to the proposed 25 percent tariff. I'll be glad to answer any questions that you may have. Thank you.

MR. BISHOP: Thank you, Mr. Malave. Our next witness is Densil Williams with Climate Engineering Companies. Mr. Williams, you have five minutes.

MR. WILLIAMS: Good morning. My name is Densil Williams, I am the Chief Operating Officer of CIMC USA. I am here to speak on behalf of Climate Engineering Companies who was unable to attend today.

CIMC USA is a holding company for Vanguard National Trailer, CIMC Reefer Trailer and CIMC Intermodal Equipment.

Climate Engineering is a dealer who operates one of 93 dealer locations across the country and purchases refrigerated trailers for resale from Vanguard Trailer.

We will all be dramatically affected by the proposed tariffs on trailers and trailer parts. Climate Engineering and CIMC USA are

American companies whose primary business are the sales and manufacturing of dry van highway trailers, container chassis, and temperature-controlled van trailers.

On behalf of Climate Engineering, I urge the administration to remove trailer and trailer parts classified as 8716 and 8708 from the list of proposed products subject to the 25 percent tariff.

These products are vital to the United States economy for the highway and intermodal transportation of goods from soup to ice cream, clothing to cars, and houses to the furniture used in this room.

The CIMC USA companies, which serve small businesses such as Climate Engineering, rely on imports from China because there are no other sources of supply available to us for the parts we must have to build the chassis, dry van trailers and temperature-controlled trailers. I'd like to emphasize that point, there are no other sources of supply for us.

Further, there is simply not enough capacity to produce and supply container chassis, dry van trailers and temperature-controlled van trailers in the United States, to meet current and projected future demand. In fact, the current lead time for our products exceed 12 months for delivery from date of order, and these are stretching out.

Customers are forced to run older, less efficient equipment. The trailers produced by CIMC companies and purchased for resale by Climate Engineering are not high technology, it's a very mature product.

Climate Engineering has current orders that cannot survive a substantial increase in cost, nor can Climate Engineering survive without recouping a substantial cost increase.

CIMC USA has no other sources but China. This puts both Climate Engineering and CIMC USA in a no-win situation.

This is due to the structure of the trailer manufacturing industry and the dealership networks with which they work. First, trailer manufacturers are vertically integrated from component manufacturing to assembly.

CIMC USA is not able to source components from other trailer manufacturers because the components other manufacturers produce are used for their own products.

Second, many trailer components are specialized designs made specifically for each manufacturer's trailer. A trailer door made by another manufacturer won't work in a Vanguard door. It has to be a custom door.

The industry is simply not structured to allow Climate Engineering and CIMC USA to source parts from other manufacturers. Furthermore, dealers such Climate Engineering cannot source trailers from other manufacturers because they're a dealer for Vanguard.

Other manufacturers already have dealer networks in place for their trailers and would not sell to a competitor's dealer. As an illustration, it would be like having a Ford dealership selling Buicks.

If companies such as Climate Engineering are unable to purchase trailers from Vanguard, they would not be able to source them elsewhere and would lose business. Thus, the impact of the proposed tariffs would cause severe harm, not only to our companies but also to the many dealers, such as Climate Engineering, that rely on our supply.

Our end customers would also suffer economic harm. Our companies and dealers could also lose their businesses entirely.

Finally, the proposed tariffs would not achieve the administration's policy objectives. Trailer and trailer parts are not high-technology products or industry.

Climate Engineering and CIMC USA believe in fair and free trade, however, imposing tariffs on these products will not achieve these goals.

We ask that you take these facts into consideration and remove these products under

8716 and 8708 from the list of products subject to the tariff. I'll be very happy to answer your questions, and thank you very much.

CHAIR BUSIS: So, before Mr. Mudd starts, we will give him time to speak for both those companies. I would say that, the witness who just spoke testified that Vanguard and CIMC are related, they're all a Chinese company.

You're speaking on behalf of Vanguard, which are Chinese companies -- it just sounds to me like this is a bunch of witnesses on behalf of a single Chinese company, so you may want to consider addressing that as you go through your testimony. Thank you.

MR. BISHOP: Thank you, Mr. Williams. Our next witness is Charlie Mudd on behalf of RC Trailer Sales and Service Company, Incorporated and Total Trailer Company. Mr. Mudd, you have a total of ten minutes.

MR. MUDD: Again, my name is Charlie Mudd, I'm president and CEO of Vanguard National Trailer Corp. Vanguard National Corp is an

American company.

I am here to speak on behalf of RC Trailer, who was unable to attend the hearing today due to the schedule change from last week. RC Trailer is a dealer who exclusively purchases trailers from Vanguard, and as a result, will be significantly impacted by the proposed tariffs on trailer and trailer parts.

Vanguard National Trailer Corp. is a manufacturer of semi-trailers for the United States freight transportation industry. From headquarters in Monon, Indiana, Vanguard operates factories in Monon, Indiana and Trenton, Georgia.

We are the largest employer in both White County, Indiana and Dade County, Georgia, with over 700 United State citizen employees whose jobs didn't exist before Vanguard was started in 2003.

Vanguard is one company in the global network of trailer manufacturers in the CIMC Vehicle Group that serves customers and dealers such as RC Trailer. On behalf of RC Trailer, I'm here to urge the administration to remove trailers and trailer parts classified under HTSUS 8716 and 8708 from the list of proposed products subject to the 25 percent tariff.

Vanguard National Trailer Corp. is structured to source certain specifically, specially fabricated trailer parts and components from CIMC Vehicle Group's sister companies in China. These are specifically-designed rear frames, bumpers, couplers and structural parts.

This is how the CIMC Vehicle Group is structured globally. Vanguard was established in 2003, set up to source in this way and without the capability to fabricate these trailer parts locally.

Vanguard has worked with its Chinese sister companies for more than 15 years to perfect the design and structural integrity of these parts. These parts are necessary components for the assembly of our semi-trailers.

Their design is proprietary to Vanguard and their structural integrity is essential to the safety and utility of the trailers for the freight transportation industry and customers such as RC Trailer.

As a dealer for Vanguard, RC Trailer relies on imports from China because there are insufficient U.S. producers and third country suppliers to meet Vanguard's specific demand. There are no United States-based suppliers for the specific components that Vanguard sources from its Chinese sister companies.

Other semi-trailer manufacturers are structured to fabricate the same parts for their own products. They do not sell these components to other semi-trailer manufacturers, and especially not the proprietary design components required by any other manufacturer.

Vanguard really operates in the same way, except our fabrication department is not in the next building, it's in China. And that fabrication department provides components for other CIMC Vehicle companies globally.

Vanguard National Trailer Corp. sells

its products directly to high -- or to larger national private and for-hire trucking fleets in the United States and to regional, local, and private and for-hire trucking fleets through a network for independent dealers such as RC Trailer.

The Vanguard website lists 93 dealer locations across the country. The impact of the proposed tariffs on RC Trailer and its supplier Vanguard National Trailer Corp. would cause severe economic harm to RC Trailer, Vanguard, Vanguard's direct private and for-hire national trucking fleet customers, as well as the Vanguard network of independent trailer dealers and the hundreds of smaller trucking fleets in every corner of the United States that rely on our dealers for their equipment.

The implementation of a 25 percent tariff on trailer parts will raise the cost of Vanguard's semi-trailers far above the market pricing. RC Trailer, Vanguard and Vanguard's other dealers cannot continue operations absorbing the cost increase.

Vanguard's customers and Vanguard's dealer customers cannot operate equipment at a price that is too high for their cost structures. Vanguard currently has an order backlog scheduled into November of 2019.

The entire U.S. semi-trailer industry is booked into at least the third quarter of next year. If the 25 percent tariff is implemented on trailer parts for Vanguard customers and dealers, they will not be able to source equipment from any other supplier for quite some time, causing great economic hardship.

While all Vanguard customers will be impacted, the most severely affected companies will be the Vanguard dealers, such as RC Trailer, and the hundreds of smaller U.S. trucking companies that rely on our semi-trailers to operate. Vanguard's 700 jobs and thousands of jobs across the country with smaller companies will be impacted.

Also, any impact on the freight

transportation industry in the U.S. --

CHAIR BUSIS: Excuse me, I just have to interrupt.

MR. MUDD: -- impacts the larger economy ---

CHAIR BUSIS: I have to interrupt for one second. You just talked about Vanguard's 700 jobs? I thought you were testifying on behalf of the small dealer.

MR. MUDD: I am. I was using the global Vanguard's jobs, the dealer's jobs, the dealer's customers' jobs will all be impacted by this.

CHAIR BUSIS: Okay. Okay, it's gratifying to hear the dealer cares about other companies' jobs. Go ahead.

MR. MUDD: Finally, the proposed tariffs on trailers will not achieve the administration's policy objectives regarding intellectual property.

RC Trailer and Vanguard National Trailer believe in free and fair trade, however, these tariffs will not achieve those goals and will only result in significant harm to U.S. companies, employees and consumers.

In conclusion, we ask that the USTR remove products under HTSUS 8716 and 8708 from the list of products subject to the proposed 25 percent tariff. I'll be glad to answer your questions.

In consideration of your request to avoid reputation, on behalf of Total Trailer, another dealer for Vanguard, I'd simply emphasize that the radiated effect of the tariffs on the supplier, the manufacturer, Vanguard Trailer, will have impact on our dealer network and the hundreds of trucking companies that our dealer network serves across the country. Thank you.

CHAIR BUSIS: Okay, so our next witness is Mr. Soncala. Am I saying that right?

MR. SONCALA: Yes.

CHAIR BUSIS: So your testimony also has a big CIMC on the top, so are you also associated with the big Chinese company CIMC?

MR. SONCALA: Yes. I am CIMC's CEO and President of their CIMC Intermodal Equipment, manufacturers of intermodal chassis and distributors of intermodal chassis throughout North America.

CHAIR BUSIS: Okay. All right, so more CIMC. Okay. Go ahead.

MR. SONCALA: My name is Frank Soncala and I am President and CEO of CIMC Intermodal Equipment. I am here speaking on behalf of ILoca Services, Incorporated, who was unable to attend the hearing today.

CIMC Intermodal Equipment provides chassis and trailers to ILoca Services, one of our premier chassis dealerships in the Chicago marketplace, servicing railroads, marine container haulers and over the road for-hire and private trucking companies.

On behalf of ILoca Services, we urge the administration to remove chassis and trailer parts classified under HTSUS 8716 and 8708 from the list of products subject to the proposed 25 percent tariff.

Chassis and trailers are critical components of our transportation networks, moving goods from U.S. ports to U.S. customers.

To illustrate, I have included images of chassis and the role they play in our economy. ILoca Services relies on imports from China because there are insufficient U.S. producers and third-country suppliers to meet U.S. demand.

In particular, U.S. demand for chassis has been increasing in the recent years because of the need to update fleets and meet new regulatory requirements. But U.S. production of chassis is already at capacity, with no excess capacity to absorb the growing demand.

Moreover, supply from third-country sources is limited. For example, a producer of chassis in Mexico recently announced that it did not intend to increase its capacity.

Thus, imports from China are necessary to serve the U.S. market. The cost of expansion to over -- to cover 40,000 chassis of both domestic and marine would cause a great delay over the next 18 months and beyond.

Other trailer type original equipment manufacturers are already sold out into the second quarter of 2019, and they are producing higher value trailers at a much higher profit margin than that of a marine or domestic 53-foot chassis.

I have included a chart with my testimony that shows CIMC Intermodal Equipment's estimate of U.S. demand for chassis to illustrate the gap between U.S. demand and supply from U.S. producers and third-country sources.

As you can see, the majority of chassis come from China. There is simply not enough capacity for U.S. producers and third-country suppliers to meet this high demand for the U.S. chassis.

The impact of the proposed tariffs on customers such as ILoca and us would cause severe economic harm. The estimated cost of 25 percent tariffs on CIMC's projected sales of chassis from fourth quarter 2018 through the end of 2019 would amount to millions of dollars, which could be passed on to customers such as ILoca.

This would be U.S. dollars that will not be used for salaries, bonuses or capital improvements. This is because the companies affected by these tariffs, ILoca and CIMC Intermodal Equipment, are U.S. companies. U.S. companies.

And they are managed and they are operated by U.S. employees. We are a consumer-oriented -- and every consumer-oriented company in the United States that is being taxed and damaged by this tariff.

Prices in the United States will rise, the cost of doing business will soar. Finally, crisis in chassis and trailers are not high-technology products that USTR identified as being of concern in its investigation.

We understand that one company has made certain allegations about U.S. chassis production and CIMC. The allegations are without merit and will be addressed in our written comments.

ILoca Services and CIMC Intermodal Equipment believes in free and fair trade. However, imposing tariffs on these products will not achieve those goals. Instead, it will cause massive delays at our ports leading to efficiency and safety concerns when the containers cannot be moved properly due to a grave shortage of chassis.

The administration correctly excluded intermodal containers from the list of products subject to tariffs in List 2. The same reasons for excluding those containers apply to chassis and trailer parts.

In conclusion, we respectfully request that USTR remove chassis and trailer parts under HTSUS 8716 and 8708 from the list of products subject to 25 percent tariff. I will be glad to answer any of your questions. Thank you very much for this opportunity to address you.

MR. BISHOP: Thank you Mr. Soncala.

Mr. Chairman, that concludes direct testimony from this Panel.

MS. DONG: Thank you. My question is for Mr. Feniger.

In your testimony, you indicate that the 232 tariffs have made domestically-produced downstream products, such as steel posts, less competitive in the U.S. market. You also stated that imports from China of U.S. -- I'm sorry, of u-steel posts account for 85 percent of the U.S. market.

Since the 232 tariffs were imposed, have you seen an increase in imports of u-steel ports from China?

MR. FENIGER: I would have to -- I don't know that answer off the top of my head, I would have to give that to you in a post-hearing submission.

And it was in the mid-season when all this was going on. I would know more going into next season, after the buying season ends in September.

MS. DONG: Thank you. And then also, as a follow-up, if tariffs were imposed on u-steel posts, will you be able to increase production to meet the current demand?

MR. FENIGER: Yes. As stated in my, I think I read it correctly, is that we would be able to immediately take on 40 percent of the U.S. market share right away, and then in the next six to nine months after -- we already have a detailed plan in place, we would be able to take on 80 to 90 percent of the U.S. market share.

CHAIR BUSIS: We will now have -- thank you, Mr. Feniger, we'll now have some combined questions for the chassis witnesses.

MR. SULEWSKI: Hello, this question is for Trend Intermodal Chassis Leasing, Mr. Awad. You testified that alternative sourcing for the 53-foot chassis is limited due to the limited domestic capacity and high trucking costs for chassis produced in Mexico.

Can you please elaborate why you

believe that U.S. producers could not increase production?

MR. AWAD: The production facilities that are available right now, which are Cheetah, Hercules, have been existing for a very long time, and the production assembly lines have been set and have not been upgraded.

And I understand so because the investment to increase production and put an additional assembly line is very expensive. From paint booths, from glass booth, from all the jigs required and the space, and the facility needed.

And they see the risk and the feasibility on actually putting the investment in such production line, okay, while they have no assurance of market space. So that resulted over the years, okay, of shortage of production space that is not available for us currently.

Combined all the three manufacturers that supply us in the northeast, which are Hercules and Cheetah, are running at full capacity right now and cannot meet the demand.

CHAIR BUSIS: I think we're interested in all the chassis witnesses on the same question, instead of asking them separately. If they have anything to add to that.

I'll ask a follow-up then. Is it -- one of the witnesses testified that these are not a high-technology product. Basically, it's I guess a steel frame with some wheels and so on.

Does it require complex machinery to increase a production line?

MR. SONCALA: I can answer that. To increase a production line in any of our competitors' facilities, they also are manufacturing, in their same buildings, the trailers that go over the road.

With their long lead times now going out into the future of almost the third quarter of 2019, and a trailer product is a lot higher value as far as the cost goes and their margins are better on it, they're not paying any attention to increasing a chassis line. So, the chassis lines are having --- to capacity.

And if you at the trailer body builders' reports for the last five years, they report how many chassis each and every one of these companies have made. And every one of them bottom out or top out.

Let's say they top out at a specific number, right within each other, for every one of those years. They are not reinvesting into their equipment, they are not putting more plants into phases.

CIMC Intermodal Equipment has a plant in Southgate, Florida, and we also have a plant in Emporia, Virginia, one of the highest unemployment areas in the United States.

And at this moment we are over 100 employees in Emporia, Virginia, putting together chassis for the Norfolk Southern Railroad. Fifty three-foot chassis being assembled, 5,551. No one else in the United States can do that, both by the amount of property they need to put together and about the manpower. You cannot get more manpower unless you go into places where you have to put up a new building and do an investment in communities, like we have been doing.

And we're doing that with American money made from American railroads, American trucking companies, America's shippers and haulers across the United States.

We also have built into our product a ten-year warranty that no one has because we do KTL coating instead of painting. And the reason we do that is because our entire factory is zero emissions, something that we want to bring to the United States in the very near future.

Twenty-five percent put on a company that is looking to -- that is the world leader in trailers, chassis and heavy-duty vehicles. The world leader. Seventeen different countries we manufacture in. We cannot let America not have more manufacturing of this high caliber and zero emission factories being built here.

MR. MUDD: May I add to that?

CHAIR BUSIS: Wait. Before you get to

that, just so I'm clear, because it's confusing.

So, the witnesses seem to be wanting to import complete chassis from China without additional duties, but CIMC produces complete chassis in the United States, is that right?

So why would duties on complete chassis harm --

MR. SONCALA: No. We produce complete chassis in the -- the marine chassis type. In the domestic chassis in the United States they all come in at 53-foot lengths. So we do assembly here of those. They come in in parts.

CHAIR BUSIS: So what is the assembly? How much value added is done by the assembly?

MR. SONCALA: Well, there's two values added. Everything that comes in on a marine chassis we inspect and do all the finishing touches because coming across on the water, in an open container, which they call a flat rack, there is a lot of damage and a lot of materials that get hurt. So we redo those materials when they get into our factories in the United States.

On the other hand, the 53-foot chassis come over in the same condition, but we have to assemble them right here in the country. So it's two different types of manufacturing, but it all ends up that we have to inspect and re-certify everything that comes off of the boat.

CHAIR BUSIS: Mr. Mudd, go ahead. Please.

MR. MUDD: So the -- I wanted to address your question with regard to the machinery required for it.

With both the semi-trailer equipment and the chassis equipment, the number one concern is the safety of these vehicles running up and down the highway. The precision that we have to work with to make sure that the parts that we import are of the safety quality that we need is assisted by the quality of the machinery used, the robotic welding that's done on the chassis frames. When you have 40, 45, 50,000 pounds of product going down the highway on a semi-trailer and you're driving in your car, you want that piece of equipment to be safe.

So, CIMC has invested heavily in robotic welding equipment and KTL painting processes to have the precision necessary to assure the safety of the equipment here.

So, the answer to your question is, there is significant investment that's required in specialized machinery to assure the safety and quality of the trailers and chassis that we do the final assembly of here in the United States for our networks of dealers and customers.

CHAIR BUSIS: I'm going to press you a little bit further on this manufacturing. As you all know, we've been told that the chassis are 90 percent steel.

China has, as you know, massive over-capacity in steel, massively low prices that's being addressed now through the Section 232 action. But that puts manufacturers like Mr. Feniger who use steel at a disadvantage, because they have a higher steel cost where the Chinese competitors do not.

What are the policy implications of not imposing duties on the steel on the chassis when it comes across the border as a chassis, when the U.S. producer would have to pay duties on that steel?

MR. SONCALA: Well, I for one can tell you, since the majority of our product is steel, in China, in the past two years, 20 percent of their steel mills have been shut down due to pollution and the move to having the cleaner environment and air.

So, the prices of steel and the availability of steel has gone up very much. The availability has gone down and the prices have gone up.

Just like it did in the United States when we closed our steel mills because they couldn't put the cost of cleaning up. Now we have specialty steel mills in the United States making specialty steel, not making the steel that we use particularly in chassis or some of the other areas in our trailers or chassis.

So I think the cost very, very -- is very, very -- isn't the issue here. My sales people go out there and they lose bids all the time to the competitors when it's in the competitive market to a U.S., American-built product, because we cost more.

We cost more because we have more shipping costs coming in from across the ocean. We have more preparation costs putting it together. We're paying for materials that are also going up in price.

And putting another 25 percent on top of that is going to start to have the customer, who wants this product, who knows this product, who buys it because of its quality and its assurance of safety, to go, I can't afford to buy another -- a 25 percent price on a chassis, so I can buy only three chassis now instead of four, or only two chassis now instead of five.

It all depends on the consumer and how they're going to look at it. And I really truly believe that we're doing ourselves a disservice in this country for a lot of jobs, for all these companies that depend on transportation.

And we'll address all of that in our written comments as we go forward to the September 6th deadline.

CHAIR BUSIS: Okay. Do you have anything? All right, I think we've -- we're done with this Panel. Thank you so much --

MR. SONCALA: Thank you.

CHAIR BUSIS: -- and I understand, please don't take my questions as hostile, I'm just trying to understand --

MR. SONCALA: No, don't take my tone as hostile, I'm passionate. I'm passionate. I've got families, I've got people with mortgages, I've got people that are Americans that are living a better life because our company has made it better for them in many, many ways.

So, I appreciate the chance to be able to be in this forum and please take into consideration that this is a necessary product. It's not high-tech, and it's something that should be taken off. Thank you very much.

CHAIR BUSIS: Thank you.

MR. BISHOP: We release this Panel with our many thanks and invite the members of Panel 43 to come forward and be seated.

MR. BISHOP: Madam Chairman, our first witness on this panel is Shawn Baier with Metabolic Technologies, Incorporated.

Mr. Baier, you have five minutes.

MR. BAIER: Thank you very much for your time today, I appreciate it.

My name is Shawn Baier and I'm the Chief Operating Officer of Metabolic Technologies, also known as MTI. I am also an owner of the company.

MTI supports this administration's objective to rectify the unfair acts, policies, and practices found by the USTR to discriminate and burden U.S. commerce, in particular, the forced or pressured transfer of technology and the intellectual property rights from the U.S. to Chinese companies. MTI supports the objective of ensuring a level playing field in global trade.

MTI, nonetheless, urges the U.S. Trade Representative to not include HTSUS Subheading 2918.19.90 on the listing of subheadings for which additional tariffs may be imposed pursuant to Section 301 of the Trade Act.

MTI's most valuable product falls under this subheading. It is the product beta-hydroxy beta-methylbutyrate. From here on out, I will call it the initials HMB so I don't have to say that mouthful.

From a standpoint of what it is and how it falls under this category -- subcategory, it is a carboxylic acid that is used as an ingredient in the subsequent U.S. manufacture of dietary supplements that are primarily used for nutritional support of muscle health. HMB is not associated with the four categories of China's acts, policies, and practices that the USTR found to be unreasonable or discriminatory. In addition, HMB is not within one of the ten strategic industries that the USTR concluded benefit from China's Made in 2025 industrial policy. Subsequently, imposition of duties will not be particular or effective -- I'm sorry -- practicable or effective in eliminating the four Chinese acts, policies, and practices.

As a bit of background, MTI is a research-driven company, an American company found in 1990 by two university professors. It is the typical tech transfer and entrepreneurial story that we have a lot of times in the university setting. In other words, it is a classic example of American ingenuity and its successful commercialization.

The research of these two professors led to the discovery of HMB and its uses in dietary supplements around the world. MTI, of necessity, outsources manufacturing of its HMB in a factory in China and that China manufacturer is actually a U.S. -- that facility is actually U.S.-owned by two individuals, one of which is Mr. Larry Kolb on the panel here with me today.

As this is the manufacturing location

for this particular product, where the company's high standards, affordability, and capacity can be met, subsequent to its manufacture, HMB is sold to U.S. supplement brands through patent and trademark licenses by MTI and the U.S. companies further manufacture the imported HMB into finished dosage capsules and flavored powdered drink mixes. Over 30 supplement brands of the product exist in the United States, which benefit millions of U.S. consumers and also add to the profit of the U.S. supplement manufacturers.

This setup in the dietary supplement industry is typical and it supports the existence of hundreds of U.S. dietary supplement manufacturers, as well as their employees, that purchase raw ingredients from around the world, including China, and subsequently manufacture by blending and otherwise combining them into finished products for consumer use.

MTI owns the IP rights to this technology. MTI's IP has never been the target of acquisition attempts by Chinese companies or cyber theft. As the focus of this Section 301 proceedings is the forced or pressured transfer of U.S. technology from U.S. companies and the acquisition by Chinese companies of cutting edge technologies and intellectual property through the acquisition of U.S. companies, it is critical to note that there is no connection between MTI's product and the harms that the USTR needs to remedy. This is the primary criteria for determining whether tariffs should be implemented on HMB manufactured in China and in this industry, the harmful acts, policies, and practices of China do not occur.

There is nothing to be gained by imposing Section 301 duties on this product and it will clearly cause disproportionate harm to U.S. economic interests.

MTI supplies approximately 95 percent of all HMB imported into the United States for use, specifically in the dietary supplements. The economic impact of a 10 percent, let alone a 25 percent additional cost would be passed on directly to the consumer. In addition, the U.S. dietary supplement manufacturing companies, particularly those that highly depend on this ingredient, will suffer most likely with cutting backs of jobs or even ceasing to offer the product altogether.

MTI cannot readily find alternative sources to manufacturing HMB if tariffs were imposed. There is not significant, if any, source of HMB in the United States. Even if MTI were to begin exploring its manufacture in the United States, a process that would take an extremely long period of time, the cost of production would easily be double that of our current manufacturing costs and, thus, economically infeasible. This would be well beyond that 25 percent tariff.

MTI is primarily a research-driven development company and it employs individuals in the United States in that capacity. They are not low-paying jobs but, rather, high-end research jobs. Also, they are jobs that deal with marketing, supply chain, product planning, finance, and sales. These jobs that represent the realities of the current framework in international trade in the dietary supplement industry has evolved over decades.

By imposing tariffs on MTI's products, which happen to be manufactured in China because no other supplier can handle the company's required capacity, the United States runs the risk of causing the very long-term damage it seeks to avoid: we alienate ourselves from the very international trade system we created which benefit advanced American industries such as the dietary supplement industry.

I, therefore, urge you to make the right choice and eliminate this tariff category from the scope of the proposed additional tariffs and, if not the category, the individual product HMB.

Thank you. I sincerely appreciate your time today.

MR. BISHOP: Thank you, Mr. Baier.

Our next witness is Christine Bliss with the Coalition of Services Industries.

Ms. Bliss, you have five minutes.

MS. BLISS: My name is Christine Bliss and I am the President of the Coalition of Services Industries. I appreciate the opportunity to testify before the Section 301 Committee on the additional 10 to 25 percent duty on up to $200 billion worth of U.S. imports from China, pursuant to the Section 301 Investigation against China.

CSI is the leading industry association devoted exclusively to helping America's services businesses, including digitally-enabled services to compete internationally. CSI represents a broad spectrum of U.S. service sector, including distribution, express delivery, financial services, media and entertainment, telecommunications, and information and communication technology services.

When considering the impact of tariffs

on goods and goods producers, it is critically important to also take into account the impact of those tariffs that may occur on services. Services, including digitally-enabled services are a part of and enable manufacturing, agriculture, and nearly every sector across the economy. Services are also a key part of supply chains that also run the gamut across most every sector in the U.S. economy.

Services allow all businesses to be more productive, reach more customers in more foreign markets, and ultimately support a better livelihood through higher wages and greater opportunities.

China is a hugely important market to services. It was the second largest services export market in 2017, with a $56 billion total in U.S. services exports and a $38 billion in services trade surplus. China has, thus, become one of the fastest growing markets for U.S. services.

But despite this growth in services,

widespread barriers continue to impede U.S. services providers' operations to China, including discriminatory regulations in areas such as data flows, cloud computing, telecommunications, and also equity cap limitations or investment bans, and licensing restrictions. The overall level of services trade and investment in China could be far greater if these barriers were removed.

And that's why we want to make clear that CSI absolutely recognizes the importance of the U.S. effort to eliminate the barriers that are the target of the Section 301 investigation, including technology transfer requirements, and we also see this effort as part of a broader effort to remove barriers in services investment, which is critically important. But we are concerned that the escalation in use of tariffs pursuant to Section 301 could undermine, rather than promote, services, trade, and investment in China and also undermine existing efforts to eliminate trade barriers overall.

U.S. services providers are already experiencing adverse Chinese actions in response to the actual imposition of U.S. tariffs and the threat of escalation of those tariffs.

Increasing U.S. tariffs on Chinese imports is also adversely affecting the services providers as they act as key players within global supply chains that are impacted by these tariffs. CSI understands that the administration drafted List 3 with the assumption that products could be sourced elsewhere outside of the United States but the idea that component supply lines can be shifted overnight simply is not realistic.

The List 3 product lines of concerns to CSI, we have highlighted roughly 87 different lines of products and these are significant imports to service suppliers who offer things such as cloud computing services and use data centers at facilities across the United States. There are also items of inputs for items used for everyday household use and in connected home systems. There are items used for writers and building app network systems, and there are many other integral components.

Tariffs on these products would raise supplier's costs, raise services providers' costs, and costs to American businesses and consumers. We, therefore, urge the administration to refrain from imposing an additional 10 to 25 percent duty on these products.

In conclusion, CSI and its members stand ready to work with USTR and the administration in crafting a comprehensive and transparent approach to ensure that the full spectrum of Chinese market access barriers are addressed in a manner that demands broad systemic change, as well as addressing near-term problems. Close cooperation with our international partners is also an essential element for success.

We appreciate the opportunity to present our views. Thank you.

MR. BISHOP: Thank you, Ms. Bliss.

Our next witness is James Chenevey

with Earthlite, LLC.

Mr. Chenevey, you have five minutes.

MR. CHENEVEY: Members of the Section 301 Committee, thank you for the opportunity to testify today.

MR. BISHOP: Pull your mike a little bit closer for me, please.

MR. CHENEVEY: My name is Jim Chenevey. I am the President and CEO of Earthlite.

Founded in 1987 and headquartered in Vista, California, Earthlite has been producing professional massage therapy tables and other massage equipment for more than 30 years. Indeed, after decades of building up the company, I'm proud to be able to say that Earthlite is the number one brand in massage and the largest manufacturer in the United States in our industry.

The proposed Section 301 tariffs put all that hard work at risk. The tariffs would really hurt our small company, a company built and owned by hardworking Americans. Indeed for us, these tariffs may lead to layoffs.

While Earthlite supports the administration's effort to strengthen the protection of intellectual property, I am here to testify that the inclusion of massage therapy tables, massage therapy chairs, and their parts and accessories on USTR's Section 301 List 3 would have the unintended effect of harming a U.S. company, would do nothing to protect U.S. manufacturing jobs, and will not be an effective way to influence Chinese high tech policies.

Massage therapy products that Earthlite sources are classifiable under various tariff subheadings under HTS Headings 9403, 9401, and 5903. We will provide the committee a complete list of the affected subheadings in Earthlite's written comments.

I am here to request the removal of massage therapy tables, massage therapy chairs, and their parts and accessories from the proposed Section 301 List for several reasons.

First, as I noted at the outset and cannot stress enough, tariffs on massage tables, chairs, and their parts, and accessories would be devastating to the company that I have worked hard to build over many years and to our 150 U.S. employees.

We estimate that the proposed Section 301 tariffs would cost us in excess of $1.5 million per year. We don't have that kind of money just laying around. Indeed, that amount of money is significant enough that it could cost -- it could seriously compromise the financial health and viability of our business and the jobs of our U.S. workers.

There is no viable U.S. supplier of these products and limited supply outside of China. It is also worth noting that we depend upon our China supply chain to re-export value-added products into more than 100 countries around the world. Our industry is very competitive and a 25 percent tariff will make our products more costly versus our European and

South Asian competitors. It will force us to move more of our manufacturing offshore for these markets, in order to avoid the tariffs.

We export about 20 percent of our total production and this is a high growth area of our business.

Second, increased costs for massage therapy equipment would harm individuals receiving the benefit of massage therapy. The health benefits of massage therapy, an effective alternative to traditional medical care are proven. Studies of the benefits of massage demonstrate that it is an effective treatment for reducing stress, pain, and muscle tension. Additionally, studies have found massage therapy to be helpful for anxiety, digestive disorders, headaches, insomnia, and certain injuries.

The cost of health care in the United States is already high compared to the cost of health care around the rest of the world. Americans spend twice the per capita of other developed nations on health care. The unintended impact of these Section 301 tariffs, as proposed, would be to add financial strain on average Americans who are simply seeking certain health benefits.

Third, and I realize that I am stating the obvious, massage tables and their parts and accessories are not high tech items. They are not the sort of products that benefit from China's high tech ambitions. They are not part of the Belt and Road Initiative. In fact, we think that imposing tariffs on such things as massage tables runs counter to the administration's objectives. It would only encourage Chinese companies to migrate to manufacture more expensive higher tech products, the sort of products USTR is attempting to target with the 301 Investigation.

Earthlite respectfully submits that massage therapy tables and chairs like those imported by Earthlite are not medical devices and are not those high technology products in strategic sectors related to the Made in China

2025 plan.

For these reasons, Earthlite respectfully asks the administration to remove the tariff subheadings covering massage therapy tables, massage therapy chairs, and their parts and accessories from its proposed list of products subject to Section 301.

Thank you again for the opportunity to testify today. We will supplement this testimony, as necessary, with the submission of post-hearing comments.

And I look forward to answering any questions that you have.

MR. BISHOP: Thank you, Mr. Chenevey.

Our next witness is Curt Christian with Home Furnishing Resources Group, Incorporated.

Mr. Christian, you have five minutes.

MR. CHRISTIAN: Thank you.

Good morning. My name is Curt Christian. I am the founder and the CEO of Home Furnishings Resource Group located in Nashville, Tennessee.

Thank you for the opportunity to appear before you and tell you how this Section 301 action will hurt my company, my family, and my employees as well.

I am here to oppose the proposed 10 to 25 percent additional tariff on essentially home furnishings and student housing furnishings. The HTSUS Subheadings are listed in my request for hearing as there are too many to enumerate here.

My company's core business is designing, manufacturing, and supplying custom furniture for student housing dorms, classrooms, common spaces, and cafeterias. We have several warehouses across the United States. We have design, engineering, warehousing, purchasing, accounting, administrative, and customer service, and installation department all located in the United States.

Our design team works closely with universities and university housing providers to develop custom furnishings for students. We outsource the production from reliable manufacturers in China and also in other countries in Asia due to the affordable price and high quality workmanship, fast production, and speedy shipments. We then contract with hundreds of installers around the United States to install the furniture into these dormitories and universities.

I've been in the furniture business since 1992 and all my manufacturing was done here in the United States. I started with six employees and bootstrapped my business, ended up with 250 employees, and we were a family -- almost no turnover ever and all of my employees, by the way, were documented workers paying taxes. And because our government allowed the Chinese furniture imports without any type of regulation, I was forced out of business in 2005 and lost basically everything.

I had to close my manufacturing in the United States. I had to scrap several million dollars' worth of manufacturing equipment and lay off 250 people. And I could have also filed personal bankruptcy and saved and kept a few million bucks in my pocket but I chose to do what I believed to be the right thing and I paid everybody off, my vendors, my bank loans, everything.

Since then, I had to learn how to source primarily in China because that's where the infrastructure was for the types of products I do and I had to be able to compete to survive in this industry in Asia, specifically China. It took me 13 years to recover from that complete loss and regain my commercial success.

Today, my company employs 35 full-time employees in Nashville and contracts with over 250 subcontractors throughout the United States to supply over 200 different colleges and universities in the United States.

We have three warehouses in the United States that I, personally, guarantee. And if my government is going to impose an additional 25 percent tariff on furniture products, my government is going to put me out of business for the second time.

It is not possible to create another manufacturing company here in the United States in such a short time and certainly with the price constraints that there are in manufacturing here. In other words it isn't possible to just switch to other countries and suppliers so quickly. It takes years to develop this supply chain and I couldn't do it that quickly.

My business has also many contracts already for next year because we operate a year ahead and I've got guaranteed pricing to these universities and colleges and these proposed tariffs would certainly put my company out of business at 25 percent, specifically. And of course, it would mean putting about 285 hard-working Americans out of their jobs.

The proposed tariff will also harm our higher education system as a result of increased tariffs on campus furniture and student housing furniture. Universities will have to pay more, obviously. The tariff will also lead to higher tuition costs, higher room and board costs, and consequently, the cost of education will be raised and increased, which affects all of us, in my opinion.

There is no intellectual property involved in the manufacturing of furniture, our furniture, specifically. The products we import from China are not covered by any patents. The copyrights and design, if any, are owned by us and the knowhow, and design, and customized operation are performed in the U.S. The furniture industry is not one of the ten sectors of the Made in China 2025 program or any other --

CHAIR GRIMBALL: Mr. Christian, I think you have a ways to go but please conclude shortly.

MR. CHRISTIAN: Okay. I just request that USTR exclude furniture products with HTSUS Subheadings listed in our request from the Section 301 list.

However, I would like to say this: If

that cannot be done, I propose that it would be wise to just at least do a tiered tariff, three to five percent a year for maybe five years. That would allow all of us manufacturers to react and essentially accomplish your stated goal.

MR. BISHOP: Thank you, Mr. Christian. Our next witness is John Tree with Valudor Products, LLC.

Mr. Tree, you have five minutes.

MR. TREE: Thank you.

Ladies and gentlemen of the committee, I am happy to come here before you today in my civilian capacity as the CEO of Valudor Products, LLC, which is referred to as Valudor. We are located in San Diego, California and we are distributor of specialty chemicals.

I say in my civilian capacity because I also serve in the Air Force Reserve in the rank of brigadier general and have, for over 28 years, worn a uniform. And I have worked with many members of your colleagues in what we refer to as the interagency. It is part of the Government departments.

So in my civilian capacity, I would like to tell you that we are a supplier of dry water-soluble chemicals used by American farmers and by domestic U.S. fertilizer manufacturers who produce fertilizers for American farmers and for export to other countries. It is important to note that the chemicals listed under this HDS codes are not manufactured in the USA or are manufactured in substantially smaller quantities than required for domestic U.S. consumption.

The simple fact is that these non-Chinese origin imports of the above-listed specialty chemicals are not sufficient to supply the U.S. fertilizer industry. Accordingly, the proposed 25 percent tariffs would be fully paid by American fertilizer manufacturers and American farmers, and furthermore, American water-soluble fertilizer exporters would be placed at a competitive disadvantage by having to pay higher prices for raw materials than their overseas competitors.

For example, Valudor imports Chinese monohydrate salts of manganese, zinc, and iron sulfate to farmers and fertilizer manufacturers in California, Florida, Alabama, Georgia, Minnesota, and other states. Manganese sulfate monohydrate granular is not manufactured in the United States at all and is only produced by two countries in the world, China and Mexico. The Mexico factory is sold out and cannot supply any additional volume. This means that sugarcane growers in Florida and bean growers in California will have no other choice but to bear the full impact of tariffs on manganese sulfate classified under HTS 2833.29.5100.

Zinc sulfate powder is made by one factory in the United States and one factory in Mexico. In the past, Valudor has reached out to both non-Chinese factories in order to source zinc sulfate for our clients and for our own production needs in California. Last year, the Mexican factory could not supply any quantities, due to lack of inventory but the U.S. factory helped us out and supplied sizable quantities of domestically-manufactured zinc sulfate.

However, in 2018, the U.S. factory informed Valudor that they are sold out of zinc sulfate powder and do not expect to be able to supply it into the foreseeable future. The Mexican factory also cannot supply any product, due to lack of available production capacity.

Accordingly, we have no other choice but to continue to source zinc sulfate in China and to charge California almond growers and Iowa soybean growers whatever tariffs are applied to HTS 2833.29.4500, further adding to their financial difficulties as the result of Chinese retaliatory tariffs on their crops.

Ferrous sulfate monohydrate classified under HTS 2833.29.2000 is also not manufactured in the United States. In the past, we contacted manufacturers in Malaysia and the Czech Republic to source their ferrous sulfate monohydrate for our customers. Malaysian manufacturers could not supply due to lack of supply but the Czech factory agreed to supply one truckload per month. We agreed to take it, even though it is not sufficient for our customers. They supplied for two months and then stopped due to lack of available production capacity. Now we have no other supply worldwide, other than from China and we would have no other choice but to pass along whatever tariffs are applied for these American farmers.

We also supply water-soluble phosphates to American fertilizer manufacturers and farmers: monoammonium phosphate, which is HTS 31.40.0010; diammonium phosphate, which is HTS 2105.30.0000; and monopotassium phosphate, which is HTS 2835.24.0000. There is no water-soluble phosphate production for fertilizer use in the U.S.

In the past, Valudor also sourced these products from Russia but the Russian manufacturer ceased operations in 2017 and is not expected to restart production in the foreseeable future.

Our Israeli competitors faced severe production disruption in 2017 and 2018 due to the shutting down supply of one of their main ingredients, anhydrous ammonia, based on the Israeli national security concerns. I understand they partially resumed their operation at a limited capacity, while the anhydrous ammonia supply situation is not expected to be resolved for years to come.

Our Mexican and Belgian competitors also faced limited production capacity and could not satisfy U.S. demand in the absence of Chinese water-soluble phosphate supply.

As a result, our customers, including California greenhouse tomato growers would have to pay a 25 percent tariff on their water-soluble phosphate ingredients, putting them at a disadvantage to their Canadian competitors exporting greenhouse tomatoes to the U.S. market and paying much lower prices for their Chinese water-soluble phosphates that they source from Canadian importers.

CHAIR GRIMBALL: Mr. Tree, your time has expired. Conclude shortly.

MR. TREE: Yes, I've just got the last part.

The bottom line is that the proposed Section 301 duties on products our company imports from China would have harmful impacts on the domestic fertilizer industry that will be disproportionately borne by small and medium businesses, as well as by consumers. These chemical compounds have been known and available for more than 80 years and none of them are included in the Made in China 2025 program.

The implementation of Section 301 duties on the above-listed chemical products would only harm American companies, harm American exports, and further hurt American farmers who are already suffering from the retaliatory tariffs on their crops.

Thank you.

MR. BISHOP: Thank you, Mr. Tree.

Our next witness is Larry Kolb with

TSI USA, Incorporated.

Mr. Kolb, you have five minutes.

MR. KOLB: Thank you.

My name is Larry Kolb and I am the Cofounder and President of TSI USA. TSI supports the administration's objective of rectifying the unfair acts, policies, practices found by the USTR to discriminate and burden U.S. commerce, in particular, the forced or pressured transfer of technology and intellectual property rights from the U.S. to Chinese companies.

TSI supports the objective of ensuring a level playing field in global trade. TSI, nonetheless, urges the U.S. Trade Representative not to include Subheading 2932.99.90 on the list of subheadings for which additional tariffs may be imposed, pursuant to Section 301 of the Trade Act.

One of TSI's main products is glucosamine, which falls under Subheading 2932.99.90. Glucosamine is amino sugar naturally present in the shells of shellfish. It is used as a single ingredient or as part of a multi-ingredient dietary supplement by approximately 8.5 million U.S. consumers. In many instances, it is the first line of anti-inflammatory or pain relief in joint health category.

Sales in the United States market at the retail level are approximately $900 million. Common U.S. brands that contain glucosamine are such brands as Osteo Bi-Flex, Move Free, Triple Flex, along with mass retail market and club store brands such as Walgreens, CVS, Walmart, Costco, and Sam's Club.

Subheading 2932.99.90 HTSUS has two statistical breakouts, one of which is 2932.99.9010, which specifically provides for glucosamine, its salts and esters. Glucosamine is furthermore listed on the pharmaceutical appendix to the HTSUS in recognition of its important health benefits for U.S. consumers.

U.S. trade statistics show that over the last five years the majority of goods imported under 2932.99.90 from China consist of glucosamine, which is 2932.99.9010. Thus, the inclusion of 2932.99.90 on the 301 list will primarily impact glucosamine.

Glucosamine is not associated with the four categories of China's acts, policies, and practices that the USTR found to be unreasonable or discriminatory. In addition, glucosamine is not within one of the ten strategic industries that the USTR concluded would benefit from China's Made in China 2025 industrial policy. Consequently, imposition of the duties would not be practical or effective in eliminating the four acts, policies, and practices.

As a bit of background, TSI is an American-owned company founded in 1996 specializing in the formulation, manufacture, and distribution in the U.S. of innovative and functional health products' ingredients which are subsequently manufactured in the United States into dietary supplements for U.S. consumers.

TSI has transformed itself into a thriving company with overseas offices and distribution in 20 countries around the world. TSI sells ingredients to many of the small and mid-sized U.S. tablet/capsule manufacturers who, in turn, employ thousands of U.S. workers for the manufacture of these very important dietary supplements for health benefits.

Glucosamine production involves processing of the chitin from the shells to shellfish to remove and purify the glucosamine molecule and TSI, out of absolute necessity, outsources its manufacture to China. Production of that ingredient actually began in China in the early '90s, using a relatively old crude chemical extraction and synthesis process developed by the Chinese, solely. And therefore, there has been no theft of any U.S. IP or any technologies as a part of this glucosamine process. Apart from being cost-prohibitive in the United States, this production process also creates a tremendous amount of waste water that requires treatment and removal and any attempt to replicate this supply chain in the United States, we believe, would violate our environmental policies and very, very difficult to recreate.

Although a newer production process has recently been developed and used in a limited fashion, TSI owns the patents to this, along with our Chinese partner, and again, there has been no theft of U.S. IP or technology. TSI jointly owns one of its glucosamine manufacturing plants in China and wholly owns a second manufacturing plant also in China. It regularly exercises its ownership rights and encounters absolutely no restrictions, pressure, cyber threat or any other stated concerns with regard to intellectual property.

Other market sources for glucosamine outside of China a limited and cannot satisfy the demand of U.S. producers for glucosamine-based products. There is nothing to be gained by imposing 301 duties on this product and it will clearly cause disproportionate harm to U.S. economic interests. The economic impact of these tariffs will be passed on directly to the

American consumer. In addition, the U.S. dietary supplement manufacturing companies, particularly those that are highly dependent on this ingredient will suffer, most likely cutting back on jobs or even discontinuing the product altogether.

I, therefore, urge you to make the right choice and eliminate this tariff category from the scope of these proposed additional duties.

Thank you very much for your time and I'll answer any questions after this session.

MR. BISHOP: Thank you, Mr. Kolb.

Our final witness on this panel is Paul Wellborn with the Kitchen Cabinet Manufacturing Association.

Mr. Wellborn, you have five minutes.

MR. WELLBORN: I would like to say thank you for letting me come and speak to you today. I would also like to thank President Trump and Mr. Lighthizer for their leadership in this issue, and my friend, Mr. Perry Hooper, who was Chairman of the Trump Victory Fund in Alabama.

I asked you to keep us on the 301 schedule and level the playing field with China by increasing our duties to 160 percent.

My name is Paul Wellborn. Our industry codes are 9403.40.90.60, number two is 9403.60.80.81, 9403.90.70.80. I'm President of Wellborn Cabinet in Ashland, Alabama. I've been building cabinets for 60 years. My father started building homes in the 1930s. My brother and I built our first kitchen in 1958. We continued building kitchens as long as he was building homes. My wife and all five of our children, and some of their husbands and wives, work in our company, and many of our grandchildren. We have a total of 1,500 employees. We go from saw mill all the way through to delivering cabinets coast-to-coast on our own trucks, one kitchen or trailer load at a time.

For 30 years, I've watched China

decimate the textile and furniture industry, as spelled in John Bassett's book, and anyone is welcome to read it, I'm sure you may have Bassett furniture here. We need to know our history or we will -- we are doomed to repeat it.

Eighty-nine of the furniture manufacturing is gone; 120 to 140 plants have been closed. Entire communities have been devastated and lives shattered -- bankruptcy, government subsidies increase. Some of these folks had worked in these plants all their life.

Just a few weeks ago, a cabinet plant near us in Auburn, Alabama had to close their doors; 445 people told to go home at 10:00 in the morning. The plant had been there approximately 20 years.

The exact same thing is happening to our industry. First, they want to make your labor-intensive parts for less than your labor and material costs. Once they're in the door, they will take your designs, work methods, and start building your product for you for much less than you can make it for. At this point, you are becoming a distributor for China furniture or cabinetry.

Lastly, they build warehouses in the U.S. and bypass some of the American manufacturers and distributors. I have a letter with me that's wanting us to distribute China cabinets. I don't have anything against Chinese people but I'm here to save American jobs.

Our customers report getting 40 to 45 percent beat in their price in the field now since the warehouses have been put up in the northeast of Chinese cabinets. Every week we are asked to cut prices and to keep some of the business. We've never had this like this before. Many of our customers are having to pick up imports just to compete.

Recently, the Department of Commerce found China dumping and subsidizing hardwood and plywood. Duties were set at 200 percent. A lot of plywood is used in China-imported cabinets but this tariff is circumvented when they put the plywood into an RTA cabinet, also known as a flat pack.

We've always competed with domestic manufacturers and we are not against imports but research shows China dumping at 140 percent and subsidizing at 20 percent. Please consider increasing duties to 160 percent to level the playing field so our domestic manufacturers can continue to compete fairly.

China currently owns about 25 percent of our industry. At the rate Chinese imports are growing, 45 percent in the last two years, our industry would be devastated within the next three to five years. I'm not here for myself so much, even I'll be all right. My family will be all right. But what about those people that work in those factories, if they are closed down? I'm sure the CEOs --

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

MR. WELLBORN: Okay -- CEOs and attorneys will be all right that oppose our plan.

But I would like you to please strongly consider our request and help us keep America first. Thank you.

MR. BURNS: Thank you, Mr. Wellborn.

Madam Chairman, that concludes direct testimony from this panel.

MS. BONNER: Mr. Baier, are there any comparable or substitute products for HMB out there?

MR. BAIER: Comparable in terms of like other manufacturing or --

MS. BONNER: That you could use in the manufacturing of your products, like substitutes?

MR. BAIER: No, beta-hydroxy beta-methylbutyrate is an actual synthesized compound. So there is no replacement other than the actual product.

We have done manufacturing in the United States as well as in Europe but, unfortunately, the volumes that we need and the quality and the specifications that we need cannot be met in either the U.S. or Europe.

That's why we work with this U.S.-owned Chinese manufacturing to hit those marks and hit that capacity.

MS. BONNER: And is any of this class issues or importation caused by the subject of FDA regulations or other issues with imports or is it just production capacity?

MR. BAIER: It is a quality issue for sure. And we are -- not to be too long here, but in the supplement industry we also have the ability to do what's called a self-affirmed GRAS. It is a safety margin that is set. It basically means that it's generally regarded as safe. That's what the initials stand for. But what's important about that is that it's based off the manufacturing of the specific product they do safety testing. So any residual solvent or anything in that compound itself is tested and vetted by a third party panel of toxicologists and experts in the field.

And what we've done is work with our manufacturer to make sure that our manufacturing specifications and the certificate of analysis on each lot matches what is required. And if we were to pick up and move to say the U.S. or another country in manufacture, we would have to start that regulatory process all over, which just the safety studies alone could take three to five years.

So it really isn't easy to make that shift over and it's a very specific and safe product that we manufacture with our partner, TSI.

MS. BONNER: Okay, thank you.

MR. BAIER: Thank you.

CHAIR GRIMBALL: I have a follow-up question.

So your company's decision to manufacture in China, is that based on the manufacturing process being done efficiently in China or is it the actual raw materials that go into your supplement? Because I think that you mentioned in your testimony that raw ingredients are available from several other countries throughout the world.

MR. BAIER: That's correct.

CHAIR GRIMBALL: So could you explain? One, I guess, could you identify those other countries? And then two, answer my question about manufacturing in China versus the ingredients being available.

MR. BAIER: The raw inputs are readily available. The issue is is when you put those together, the actual process of manufacturing is very specific to the technology that we use and that we have. But then, again, it's related to -- the technology isn't related to IP or technology transfer. What it relates to is the safety and quality that our specifications set. So our specification is what requires that specific manufacturer to make it which, again, is a U.S. company that owns that that manufactures and has the facility in China.

I hope I answered your question.

CHAIR GRIMBALL: Thank you, you did.

MR. BAIER: Okay, thank you.

CHAIR GRIMBALL: Well actually, I don't think you spoke about the other countries where your raw ingredients are sourced from.

MR. BAIER: They are available worldwide, the raw ingredient. The actual inputs are available worldwide. It is the manufacturing that is very specific to that manufacturing facility.

CHAIR GRIMBALL: Thank you.

MR. BAIER: Thank you.

MS. BONNER: This question is for Ms. Bliss.

CSI has requested the removal of more than 75 HTS tariffs lines from the proposed list. What is the basis for CSI's position that U.S. or third-country suppliers could not supply a significant portion of U.S. demand for the products in these tariff lines?

MS. BLISS: Thank you. Actually by my count, I think we've listed maybe 87 product lines, just to be clear. And maybe just for the sake of brevity, since there are so many products on our list, perhaps two of the most important lines on the list are 8473.30, which pertains to circuit boards, and 8517.62.00.

And on the one hand, the circuit boards are a core part of data centers, which are critical to the operation of most any internet services that are being provided by service suppliers, by internet services companies, and used by companies across the spectrum. And so in that area, those circuit boards are also heavily basically commoditized low-end products at this point. They are not critical to China's 2025 list.

But to get to your question about are they -- is it possible to turn to an alternative U.S. supplier, the answer that I've gotten from my member companies is no. They say that there are a few companies in the U.S. but they primarily do very small volume runs and they say that would tend to happen if a high duty were imposed on circuit boards that are coming in from China would be the manufacturers would then turn around and finish them in the United States would be likely to move their operations outside of the United States so that they would not be subject to the 25 percent duty, rather than staying in the United States and absorbing the additional cost.

But anyway, the bottom line, the answer to your question is no, there would not be sufficient supply in the United States.

Turning to the other critical product line, product lines, 8517, 8517.62, my members have also told me that in that regard there would also not be a sufficient alternative supply in the United States, that their primary suppliers are in China or are located in China. And they explained that what tends to happen with these transmission devices is that they are often adjusted to be very specialized and to be inoperable with other kinds of products that companies are competing against. And so they say that it would be very, very difficult to shift production and, if they were required to do that, to shift to alternative suppliers, that it would be a fairly lengthy process, taking at least a year or more to accomplish.

So I'm just taking those as two examples out of the 87 product lines but they did make the overall comment that, by and large, they are not able to turn to a U.S. supplier as an alternative that is really commercially feasible, certainly not in the short-term.

MS. BONNER: Okay, thank you. If you have further, you can submit a post-hearing comment regarding -- you specifically talked about U.S. -- if there was third-country suppliers. Thank you.

MR. LEVIN: Mr. Chenevey, I have two questions for you.

Your third high-level point in your statement was that tariffs would cause Chinese companies to shift manufacturing to other products. I'm wondering how dependent currently on U.S. imports is the Chinese manufacturing industry?

MR. CHENEVEY: I'm sorry. Maybe you could clarify the question because I'm not sure I understood.

So you asked me how dependent Chinese imports into the U.S. are -- I'm sorry. Could you --

MR. LEVIN: Yes, not a problem.

The Chinese manufacturing industry that you suggested would shift to producing different products, how dependent on U.S. imports is that industry?

MR. CHENEVEY: Not very at all and thank you for the question.

So you know to try to explain it, that point, it's really about the -- our company sells products that range from $100 to $10,000. And obviously, as you go up in price of our products, our treatment tables and chairs, they become more sophisticated. What we're really talking about here and what impacts my industry and my particular company is that the lower end, the very highly-competed products that are more commodity-like.

So the way that it hurts us is you know with higher tariffs on these products, the lower end products, we use certain components as in puts into the higher value-added ones. And to make those less competitive on a global basis invites my European competitors into the marketplace even greater, as they have their own supply chain that is set up in Europe, and in Africa, and in Russia.

MR. LEVIN: Thank you. And that actually leads me just to my second question which is you directly sell the massage therapy products that you import from China or do you incorporate them into other products?

MR. CHENEVEY: Both. So we have components of assemblies that come in and then we have completed product that we sell. The completed product are mostly at the lower price points that we compete directly against other China manufacturers.

MR. LEVIN: Thank you.

CHAIR GRIMBALL: And just a follow-up question. Did you say that your European and South Asian competitors they are importing fully assembled products or components from other countries in Europe, Africa, and Russia?

MR. CHENEVEY: They are importing fully completed products but they also have a supply chain. Like many of use subassemblies, steel frames and subassemblies things in the higher value-added products, the more expensive treatment tables that we might supply to a healthcare facility or to a hotel.

And then they will -- so what happens is if my tariffs go up by 25 percent on those components that are categorized under accessories in 7403 -- I'm sorry -- 5903 and 9403, my competitors aren't facing that tariff. And they are able then to import into the U.S. without that negative affect and they effectively become more price competitive with us.

CHAIR GRIMBALL: So is it the case that these facilities in these other countries are owned by your competitors such that you could not tap into them yourself?

MR. CHENEVEY: Correct.

CHAIR GRIMBALL: Okay.

MR. CHENEVEY: So one of my major competitors is in Germany. He has a factory in Tunisia, where he does a lot of the welding and some of the more labor-intensive tasks on his products. And then I have an Italian competitor who is very effective who is importing steel parts components from Poland and they have their own.

And it's geographic location, as well, as they have the control of the inputs that challenge us.

CHAIR GRIMBALL: It would be helpful if in your post-hearing submission if you could give us some detail about whether your company would be able to move production to some other third country that is able to either assemble components or completely assemble the product, what obstacles may or may not be faced by your company.

MR. CHENEVEY: We'll gladly do that. In short, there is some opportunity, as the manufacturer. We have looked in countries in the past to try to see if we can put together a supply chain to decrease our dependence on China. And to this date, we haven't been but we'll address it in our post comments.

Thank you.

MS. DONG: My question is for Mr. Christian.

So in your testimony you had reference to outsourcing production to manufacturers in Asia, including China. I was wondering if you could please elaborate on what other manufacturers in Asia that you outsource from.

MR. CHRISTIAN: Well I have imported from Indonesia, Malaysia, and Vietnam. Currently, we still import probably 20 percent from Vietnam, specifically, any wooden product, bedroom product but most of our manufacturing is in China because the nature of our products is primarily metal, actually, and we spent many, many years teaching them how to make it to the quality. And there's just not the infrastructure -- believe me, I would love to do more business in Vietnam and Malaysia. It's a much more pleasant place to go for me but they just don't have the infrastructure of the raw materials that China has. So that's why we're primarily in China.

MS. DONG: Thank you. And then as a follow-up question, you mentioned doing the tiered tariffs over the next five years. Is that five-year timeframe kind of what would be needed if you were to look at altering your supply chain to Asia or back to the U.S.?

MR. CHRISTIAN: That's a great question.

I think we could probably do it within a couple years. Certainly, three I think we could move to other countries. But it would certainly take at least two years to three years just because there is a lot of engineering involved, and training, and also finding the right factories, which there are very few currently in those other countries because we're constantly looking.

MS. DONG: Thank you.

MR. CHRISTIAN: Certainly.

CHAIR GRIMBALL: Mr. Tree, you testified that domestic and non-Chinese suppliers that you have contacted have faced supply shortages and are unable to meet U.S. demand. Is there a global shortage for the chemicals that you mentioned in your testimony and do the Chinese suppliers face a similar shortage?

MR. TREE: Yes, ma'am. To answer your question, there is not a global shortage when you take China's capacity into the equation. When you remove China from the equation or if you add 25 percent duty onto their exports into the U.S. market, then yes, there is a dramatic shortage.

So that's why it's important to note in my testimony I only called out nine HTS codes. So we import over 200 HTS codes and we have gone through enough for the last two months and systematically reviewed every single one to see what other source of supply, what substitutable things can we do around the globe. So as opposed to coming in here and giving you all 200 things, we're trying to ask for Chapter 28 and 29 to just be taken off the list.

We gave you our top nine. These are like rifle shots, like sniper shots of the things that are the most critical to import for the U.S. fertilizer and farmers that don't have any other solution globally.

That's why in my testimony I identified we've gone out and looked at Russia, and Israel, Mexico, the little Asian countries that was just cited, Indonesia, Vietnam, all of them and the nine HTS codes here are the ones that we say these are the must have off the list and we can get by.

Sure, I would like all the Chapter 28 and 29 off the list. Just let the record say I'd like them all off but nine codes out of hundreds would be the ones that would help us do our job of importing these products into the farmers and fertilizers that need it here in the U.S. that don't have any other source of supply.

CHAIR GRIMBALL: Thank you.

MS. PETTIS: I have a question for Mr. Kolb. You have testified that there are no U.S. producers of glucosamine. And are there non-Chinese third-country suppliers; and, if so, do they have the capacity to increase supply?

MR. KOLB: Yes. The answer is yes, primarily out of China. As I mentioned in my testimony, the process and everything was developed in China. We were an importer -- a distributor of glucosamine to begin with and then because China was the predominant country, that's why we started investing and creating joint venture relationships and wholly owning facilities to up the standards to what we feel is a pharmaceutical-type standard or GMP standard that the American consumer would be safe to consume.

As a result of that, we were not unique. Eight-five percent, thereabouts, of the imports are from China. The other two countries are Vietnam, primarily, and India; a very, very small amount from India.

I hope I answered your question.

MS. PETTIS: And I just want to, as a follow-up, you talked about you know the type of process and everything and that if you were to do it in the United States, you'd have some environmental challenges.

Are you facing environmental-type standards in China to produce this?

MR. KOLB: It very, very much increased standards over the last two years. We have had to up the ante in our facility significantly to adhere to the new food laws in China. We see it similar in the United States, insofar as that it's very close in terms of environmental impact on our chemical manufacturing facility in China. There's not that big of a gap anymore.

To replicate that here would be a tremendous amount of time, a tremendous amount of cost, and it would obsolete our facility there and I don't know if we could even do it.

MS. PETTIS: Okay, thank you very much.

MR. SULEWSKI: Hello. This question is for Mr. McGill, just a clarifying question. You had asked in your testimony for increasing duties to 160 percent. Are you referring to antidumping countervailing duties or are you referring to the 301 duties that we are talking about in this hearing?

MR. WELLBORN: I'm referring to research that we've done, our company's done, studies that have been done that show that we need that to level the playing field, to go to 160 percent on the 301.

I'm sorry, I can't hear real well but I hear it -- 301.

MR. SULEWSKI: All right, thank you.

CHAIR GRIMBALL: And just a follow-up

question. Is it your position that a 10 or 25 percent tariff would have no effect on Chinese behavior, at this point? Do you think there might be any change in Chinese behavior at the 25 percent level?

MR. WELLBORN: Yes, ma'am, that would certainly help. There's no question that it would help us some but, like I said, the studies have shown that the price of cabinets that come in are so low that we have to -- we need the 160 percent.

CHAIR GRIMBALL: Mr. Bishop, that concludes our questions.

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

CHAIR GRIMBALL: We will take a 30-minute break and we will reconvene at 1:05.

MR. BISHOP: We stand in recess until 1:05. Thank you.

(Whereupon, the above-entitled matter went off the record at 12:32 p.m. and resumed at 1:05 p.m.)

CHAIR BUSIS: Mr. Bishop, we will introduce the panel after the witnesses testify for this panel, so I think you can call the room to order and the first witness. Thank you.

MR. BISHOP: Mr. Chairman, our first witness on this panel is Gregory Husisian on behalf of Alps Electric, Incorporated. Mr. Husisian, you have five minutes.

MR. HUSISIAN: Thank you. As Mr. Bishop mentioned, I am Greg Husisian from the law firm of Foley & Lardner here on behalf of Alps Electric North America, Incorporated.

This is the second time Alps North America has come before this Committee. We've previously demonstrated how Alps North America needs its Chinese factories to provide electronic parts and components it just cannot get elsewhere, and how the U.S. electronics and automotive industries use these products to add enormous value and to support high-paying jobs in the United States.

We're here again for List 3, where the

stakes are much magnified. The products that we are here about would seem to be exactly the types of products the U.S. Trade Representative should exclude based upon the criteria in the Section 301 Federal Register notices.

The USTR said it would take into account whether imposing increased duties would be practicable or effective to eliminate China's acts, policies, and practices. Alps never has seen any pressure to share its intellectual property.

Alps' products are also not the kinds of high-tech products that are being targeted in the China 2025 Plan, or the kind of high-tech, next-generation products that are being targeted by the Chinese government.

The USTR said it also would consider whether maintaining or imposing additional duties on a particular product would cause disproportionate economic harm to U.S. interests. Yet, the Alps products, which are electronic components that are relied upon by myriad U.S.

companies that add substantial value in the United States, dwarfs the value of the Alps components, meaning that the tariffs on Alps North America will have a vast multiplier effect, harming myriad U.S. electronics and automotive companies.

The USTR also said it wanted to know whether tariffs would impact small- or medium-sized businesses. With Alps Electronic's switches and components being used throughout the electronic and automotive industries, the impact will be felt by companies of all sizes.

Finally, the USTR said it wanted to minimize the harm to consumers. Well, what consumer doesn't use automotive or electronic products? With these ubiquitous products being used by consumers every day, the consumer impact is obvious.

Now, the final List 2 contained only five deletions. I do not know why there were so few adjustments. Thousands of companies have spent hundreds of thousands of hours preparing and participating in these hearings and preparing comments underscoring the dire stakes presented by the 25 percent tariffs on a proposed $250 billion in annual trade. We trust the U.S. Trade Representative and this Committee will be putting equal effort into carefully reviewing these submissions, given the stakes.

Now, Alps North America is here today concerning four tariff lines: 8517.62.0050, 8708.94.7550, 8536.69.8000, and 8537.10.9170. This group of electric synchros and transducers, steering wheel parts, electric plugs and sockets, and electrical controls sounds like a Radio Shack close-out sale. But products like these are the bedrock in which the U.S. electronics and automotive electronic industries are built. There is no way to hit these products with substantial tariffs without inflicting huge collateral damage on the vibrant U.S. automotive and electronics industries.

Now, Alps North America imports almost $40 million in these products annually. At a tariff rate of 10 percent, the impact from List 3 alone would be $4 million per year. At a potential 25 percent, it would be a back-breaking $10 million per year. When added to the List 1 and 2 tariffs, total tariffs could total between $25 million and $30 million a year, each and every year, for Alps North America.

Absorbing tariffs of this magnitude is impossible and would threaten the jobs of hundreds of U.S. Alps employees. Passing them onto customers would be a Section 301 dagger that would impair the competitiveness of two of the most vibrant industries in the United States, thereby giving substantial advantage to non-U.S. competitors.

If you want to increase the U.S. trade deficit, hamstringing these two industries would be a great place to start.

Now, if you look at these four tariff lines alone, in aggregate, we are looking at over $20 billion of imports for these products. So Alps is just one company out of many that is looking at tariffs here, but you are looking at a huge tariff increase in the billions of dollars.

These tariff lines, these bedrock products of these bedrock products that people are using in their automobiles and electronics, they are everywhere, and hitting these tariff lines is going to hit countless industries. It is really going to have a big impact, these four tariff lines.

Alps North America accordingly urges the USTR to take its own words to heart. If the USTR considers whether the products have, in fact, benefitted from unlawful Chinese practices, whether the tariffs will disadvantage U.S. manufacturers, and truly consider the impact on U.S. consumers, it will be plain that imposing tariffs on any level of these four tariff lines would be exactly contrary to the goals of the entire Section 301 process.

I welcome any questions that the Committee may have.

MR. BISHOP: Thank you, Mr. Husisian.

Our next witness is Thomas Kiernan with the American Wind Energy Association. Mr. Kiernan, you have five minutes.

MR. KIERNAN: Thank you, and I want to thank the Office of the U.S. Trade Representative, all of you, for the opportunity to appear before you this afternoon.

As was mentioned, my name is Tom Kiernan and I'm the CEO of the American Wind Energy Association, the U.S. trade association for the wind industry in our country. We represent more than 1,000 member companies and over 100,000 jobs spread across all 50 states.

While we very much appreciate the Administration's actions to target unfair trade practices, we respectfully request that specific wind-related products not be included in the final List 3, as their inclusion would seriously harm U.S. manufacturing, rural communities, farmers, and ranchers.

My submitted written testimony includes a complete list of products that we request be struck from the final list. It also includes a list of four priority product codes for removal, and those are 8412.90.90, 8483.40.50, 8483.10.50, and 8483.90.50.

AWEA estimates that if the tariffs on List 3 products are finalized as proposed, the cost of wind energy will increase by up to 5 percent, putting up to 24 percent of future wind development and tens of billions of dollars of investment in the United States at risk.

This would be on top of cost increases to the already implemented tariffs from Lists 1 and 2, as well as those on steel and aluminum. The potential increase in the cost to wind energy, and, in turn, the potential reduction of future wind deployment, will eliminate up to 21,000 American jobs, mostly in rural America, where they are desperately needed.

Two, it will put thousands of domestic manufacturing jobs at risk as the wind industry reduces U.S. manufacturing of wind components in states like Colorado, Texas, and Ohio.

And, three, it will devastate already struggling farming and ranching families in states like Kansas, Oklahoma, North Dakota, and South Dakota that count on turbine land-lease payments as a drought-resistant cash crop.

In brief, wind energy produced on American soil is an American success story. We produce a majority of the value of a wind project here in the U.S., including a significant share of wind component manufacturing and 500 wind-energy-related factories across this country.

By increasing the cost of our imported components, the proposed tariffs will increase the cost of wind energy, reduce U.S. manufacturing, and eliminate thousands of American factory jobs. In addition to eliminating those thousands of factory jobs, our nation will have fewer farmers and ranchers who benefit from earning roughly $10,000 per year in land-lease payments by hosting each wind turbine on their land.

At a time of low commodity prices,

many farmers and ranchers are not solvent without the revenue that comes from wind turbines on their property. While some might suggest that the tariffs will have just a short-term impact, tell that to a farmer or rancher that is going through bankruptcy because they won't be receiving revenue from leasing a small part of their land for a wind turbine.

On behalf of the wind industry and the U.S. interests dependent on it, we respectfully request that the USTR ensure that wind-industry-essential products are struck from the final List 3 of products subject to Section 301 tariffs.

Thank you again for the opportunity to appear before you today, and the wind industry looks forward to ongoing consultation with you and your colleagues on this matter. Thank you very much.

MR. BISHOP: Thank you, Mr. Kiernan. Our next witness is Mike Stateczny with the Coalition of Energy Equipment Manufacturers. Mr. Stateczny, you have five minutes.

MR. STATECZNY: Thank you, Committee members, and thank you for holding this Hearing today and for allowing me to testify on behalf of the Coalition of Energy Equipment Manufacturers, CEEM. My name is Mike Stateczny and I am CEO of Newcastle Stainless Plate based in Newcastle, Indiana, America's heartland.

CEEM is a coalition of U.S. fabricators that manufacture highly specialized process industry components that are necessary to produce, store, transport, and refine oil and gas and related products, as well as other critical applications vital to the functioning of an advanced economy.

The latest Section 301 tariff list that was announced on July 17th for an additional $200 billion of duties against China includes 22 products that are significant to fabricators who build these mission-critical components.

These products are various types and primary components of pressure vessels, heat exchangers, and other process industry modules.

The corresponding HTS codes for these products are in the copies of the documents submitted concurrent with my testimony.

U.S. fabricators that manufacture these critical components for the energy-related and refining industries have been hit especially hard in the last few years by unfair competition from foreign competitors, especially China. Heavily subsidized Chinese corporations have begun dumping fabricated energy equipment prices that are sometimes below the cost of the materials for the same equipment manufactured in the United States.

This is an intentional effort on the part of Chinese corporations, sponsored by their government, to avoid the duties that are already in place on steel products by importing a finished product that is not subject to those tariffs. This has made it nearly impossible for U.S. companies to compete in the open market for fabrication jobs, many that are being utilized within a few miles of U.S. manufacturing facilities.

This has also resulted in a substantial loss of high-paying jobs in the manufacturing sector, especially in the areas of offshore oil and gas production and in refining operations. This will only continue to happen, and get far worse, unless the federal government intervenes in a meaningful way.

To that end, it is critical that the specific issues of energy equipment fabricators be addressed in the overall plan, including the Section 301 action, to combat discriminatory practices of many of our foreign trade competitors.

We feel it is appropriate to include process industry components that are critical to our national security and energy independence within the scope of the expanded Section 301 petition that is under consideration.

Failure to do so could literally wipe out all the U.S. fabricators that manufacture this equipment, thereby eliminating the ability to domestically produce these highly specialized components.

It is also important to note that many of the technologies emanate from U.S.-based companies that inadvertently export these designs and other intellectual property in the procurement process, to the detriment of our own manufacturing infrastructure.

The ability to design, engineer, and fabricate components critical to our national security and energy independence is of paramount importance in relation to U.S. innovation.

China's discriminatory practices have decimated our ASME-qualified companies with dumped, subsidized, and predatory pricing practices. There remain roughly 6,000 companies operating within this space that produce these components that are critical to U.S. energy independence and to our economy. While this is half the number of companies that existed only a few years ago, we still have the capability to meet most, if not all, current U.S. demand.

However, if the predatory trade practices of China and other foreign countries are allowed to continue, this will not be the case, and the United States will lose the ability to manufacture these critical components. We simply cannot let our U.S. manufacturers be further harmed by the mercantilist practices of a command economy and potential military rival.

Having to rely on foreign governments to supply the U.S. energy and refining sector with components that are vital to their operations is not in the best interest of the United States and removing China as a threat to our manufacturing capability should be an imperative priority.

Again, thank you for allowing me to appear before you today to provide my remarks regarding the proposed Section 301 determination and the need to have process industry components included in the final list of products. I will be happy to answer any questions that you have at this time or later in the panel.

MR. BISHOP: Thank you, Mr. Stateczny. Our next witness is Gary Gilbert with Gilbert & Associates. Mr. Gilbert, you have five minutes.

MR. GILBERT: Thank you. Members of Section 301 Committee, thank you very much for the opportunity to testify today. My name is Gary Gilbert and I have been an executive in the maritime and logistics industry for four decades, holding senior positions in Sea-Land Service, FedEx, and Hutchinson Port Holdings.

Sea-Land, the inventor of containerization more than 60 years ago, created a revolution in transportation by placing a box on a ship and then on a chassis for delivery. Containerization is essentially a conveyor belt for the United States' growing volume of global trade.

Containerization is the moving warehouse for much of America's manufacturing and retail sectors. Chassis are not a high technology product or industry that the USTR identifies as being of concern for its investigation. But to curtail one of the components to the U.S. vital supply chain exposes an industry to vulnerable disruption.

Our industry had a stark wake-up call in October of 2002 when a labor dispute on the West Coast of the United States led to a ten-day port closure. According to Robert Perry, President of the Federal Reserve Bank in San Francisco at that time, the estimated cost to the United States economy for this shutdown was a billion dollars a day for the first five days, and rising to $2 billion a day every day after.

Having stated the actual worst-case scenario, let's look at what is facing the industry today. The U.S. chassis population is about 500,000. Each year, new equipment must be added to the national fleet for retiring equipment and to fulfill the need of increased container volume.

At present, container volumes are increasing two to four percent per year and the major chassis production from China averages at

40,000 per annum. And the combined capacity of Mexico and United States is 20,000.

This overall production capability barely keeps up with the annual demand for new chassis. Without the demand being fulfilled, this vital part of the supply chain will hurt the overall efficiency of growing U.S. commerce.

With the tariff application to chassis, and thus a major price hike, equipment providers will have to recalculate their yield projections. Predictably, they will order less equipment and this will have a debilitating effect on the commerce of the United States.

During my recent 15 years as senior vice president of Hutchinson Port Holdings, part of my responsibility was the total security and safety of all 52 ports in 26 countries for Hutchinson Port Holdings. Hutchinson Port Holdings is the world's largest global port operator, handling 84 million containers in 2017.

So, with such experience, I can state that U.S. marine terminals will be significantly affected if there is a marked decrease in chassis. This is because containers are not being efficiently picked up due to a chassis shortage. When a chassis population of a terminal rises, their inefficiencies multiply.

The marine terminals of the United States are cornerstones of the national maritime domain awareness, MDA. It is these terminals where U.S. Customs and Border Patrol inspects the cargoes entering the United States. U.S. CBP does this through a layered level of security that includes radiation portals to scan the containers, X-ray technology to view the containers' contents, and physical examination at the terminal.

Terminal congestion will seriously impede U.S. CBP's vital mission in protecting our ports and supply chains. And as the U.S. chassis fleet ages and is not replaced with new equipment, an issue of safety to the public must be a major consideration on our roads and highways.

In conclusion, the application of a new 25 percent tariff on chassis will decrease their availability to U.S. commerce. This will drive inefficiency and cost into the U.S. supply chain. Creating an environment of an aging chassis fleet will be a safety challenge, and lastly, the lack of chassis in a marine terminal will congest U.S. marine terminals and impede the work of U.S. CBP to keep our parts and flow of goods safe.

For these reasons, I would respectfully request that the container and chassis and components entering into the United States be removed from the annex to the USTR's July 17th, 2018 Federal Register notice.

Thank you for allowing me to comment on this vital component of the U.S. supply chain and I'm available to answer questions you might have.

I also would have some information, if you would like to discuss it that wasn't in my testimony, about the need for U.S. cranes to be imported into the United States for the vital use of the increasing size of container ships that the U.S. is deepening harbors for, put $2 billion into raising the Bayonne Bridge, but the cranes will be a problem for all U.S. ports. And I'd be happy to comment on that later. Thank you for your time.

MR. BISHOP: Thank you, Mr. Gilbert. Our next witness is Mark Yokom with Appvion. Mr. Yokom, you have five minutes.

MR. YOKOM: Good afternoon. My name is Mark Yokom. I'm the chief counsel and secretary of Appvion Operations, Inc. I appreciate the opportunity to be here today.

Appvion is headquartered in Appleton, Wisconsin, which is about an hour south of our beloved Green Bay Packers. It has paper coating and converting operations in Appleton, in West Carollton, Ohio, and a pulp and paper mill in Roaring Spring, Pennsylvania. We have about 1,220 employees in the United States.

We support the Administration's

objective of addressing and eliminating China's unfair and harmful intellectual property practices. We also support the inclusion of thermal paper and carbonless paper on the list of products subject to additional 25 percent duties that appear on List 3.

Chinese producers of lightweight thermal paper have been found by the U.S. Department of Commerce to be receiving subsidies and to be dumping into the United States. Appvion believes, however, that the Administration's objectives will not be served by placing a duty on a number of critical chemicals imported from China and used by us in our coatings for thermal and carbonless paper.

Our coatings are made from highly engineered, proprietary recipes and our ability to produce them is dependent upon access to critical raw material inputs.

As a general matter, we seek to source as many of our inputs as possible in the United States, but in recent years this has become a challenge as U.S. suppliers have shut down and reduced production. For certain of our critical inputs, the only source is China.

Thermal printing is a rapid printing technology widely used in commercial applications such as point-of-sale and ATM receipts, travel tickets, gaming tickets, and shipping labels. What that means is whenever you're asked at the pump if you want the receipt, please say yes.

Thermal paper is a highly engineered product in which paper is coated with a thermal sensitive layer that reacts in the presence of heat to create the printed image. The chemicals we source from China are indispensable to the formulations we use because they're applied onto the paper, and it is these specialized recipes that determine the image color, scanning characteristics, and longevity of the image.

Carbonless paper is used in multi-part business forms, such as expense reports, medical forms, and delivery receipts. Carbonless paper has a micro-encapsulated dye or ink on the back side of the top sheet that includes the chemicals we source from China. When pressure is applied from writing or impact printing, the dye capsules rupture and react with other coating materials to form the permanent mark, duplicating the markings made to the top sheet.

List 3 contains seven HTS numbers that cover inputs we purchase from China, covering chemicals used in our color former thermal developer and sensitizer formulations and in the contents of the microcapsules for carbonless paper. Without access to these chemicals, we'll be unable to produce thermal and carbonless paper that are the core of our business, for most of these chemicals can now only be sourced in China.

For two of the chemicals we do buy some from domestic sources, but they cannot supply us enough to satisfy our production needs.

Appvion is one of only two thermal paper producers in the United States and our primary competitors for thermal paper are located in Germany, Korea, Japan, Spain, and Finland.

Producers in these countries would not be subject to the 25 percent increase in cost for these material inputs that Appvion would face if these tariffs were to go into effect.

Because of the fierce competition that we face from our offshore competitors in the U.S. and third-country markets, we would be unable to pass any of the increased production costs onto our customers, putting us at a crippling competitive disadvantage. Undeniably, these tariffs would harm us and benefit our foreign competitors.

We emerged from a grueling eight-month Chapter 11 restructuring process in June as a lean and agile company with a bright future. Unfortunately, at the same time, we've been managing approximately $100 million in unprecedented inflationary costs for raw materials and transportation since late 2017 that we have not been able to fully pass on to our customers.

A 25 percent duty on these necessary

chemical imports from China would be extremely detrimental to our bottom line. The duties are unlikely to deter the misappropriation of intellectual property and forced technology transfer by Chinese companies or the Chinese Government. Notably, the chemicals we purchase from China are not part of the Made in China 2025 Plan or any other Chinese industrial policy.

Appvion respectfully urges the Committee to remove these seven HTS Codes from the retaliation list: 2818.30.0000, color former; 2909.49.1500, thermal sensitizers; 2930.90.2900, thermal developers; 2932.99.9000, color former; 3204.19.4000, color former; 3204.19.5000, color former; and 3824.10.0000, resin. Thank you.

MR. BISHOP: Thank you, Mr. Yokom. Our next witness is Ralph Mallozi with General Tools & Instruments, LLC. Mr. Mallozi, you have five minutes.

MR. MALLOZI: Thank you, and thank you for the opportunity to testify today. My name is Ralph Mallozi and I am the president and CEO of

General Tools & Instruments. General Tools was founded in 1922 and is based in Secaucus, New Jersey. The company is a leading designer and developer of specialty hand-tools and instruments that are sold at retail for consumers and professionals alike.

These hand-tools are used in an array of industries and trades that range from precision measuring, inspection, woodworking, home remodeling and restoration to facility maintenance, electrical contracting, plumbing, auto-mechanics, and consumer electronics. The company has created many jobs in the United States, with a presence in New Jersey, North Carolina, Illinois, Massachusetts, California, and Tennessee.

Our hand-tools are simple items such as digital calipers, angle-finders, mechanical pickup tools, electric range-finders, miniature tweezers, files, magnets, and other simple precision tools which have been available for decades around the world.

These products, although simple, help the average American homeowner or tradesman with simple home improvement repairs and jobs, refurbishments, and remodeling efforts. General Tools ensures individuals have high quality equipment at an affordable price point.

The U.S. government is considering imposing an additional 10 to 25 percent duty on the import of these products into the United States pursuant to Section 301 of the Trade Act. I'd like to explain to the Committee that imposing such duties would not be practical or effective to eliminate China's acts, policies, and practices; would cause disproportionate economic harm to U.S. interest, including U.S. consumers; and would have a significant negative impact on General Tools including, in particular, General Tools' U.S. operations.

First, General Tools manufactures these products in China and then imports them into the United States. Although General Tools protects some of its products with utility patents or design patents, none of these have been misappropriated by China.

Additionally, these simple product designs have been widely available for decades worldwide and produced in China for more than 20 years. The retail value of these products on average is below $100 per tool and usually costs less than $30.

Our consumer base includes do-it-yourself consumers, craftsmen, tradesmen, and remodeling professionals. Implementing tariffs on these products will have a devastating effect on this market and would not be practical or effective in eliminating China's acts, policies, and practices related to U.S. intellectual property.

Second, General Tools cannot absorb a 10 to 25 percent price increase in these codes, which would affect over 400 different SKUs within the company sold at retail. As a result, General Tools would be forced to pass its additional costs onto its consumers, which, as previously mentioned, includes do-it-yourselfers, consumers, craftsmen, tradesmen, and remodeling professionals.

Any substitute product available in the United States are high-end professional tools and instruments which are far more expensive, sometimes five to ten times as much more expensive, than the tools manufactured by general tools. They are not the products geared towards tradesmen and do-it-yourself individuals.

In the past, General Tools has reinvested capital infrastructure and innovation in the United States to develop new tools. Additional tariffs would halt this at reinvestment.

Third, additional duties on these everyday tools will have a meaningful negative impact on General Tools, especially on its U.S. operations. General Tools has been considering ways to help offset these additional costs, however, it would be most likely the company would be forced to increase prices in direct proportion to percentage of the tariff imposed.

If U.S. consumers are unwilling or unable to afford this price increase for the market, then the market for these products will slowly close. To counterbalance this negative consequence, General Tools has considered other countries to source these products from, such as Taiwan. However, the massive infrastructure required to develop and manufacture these products would require significant capital expenditure and time to develop.

We would have to invest millions of dollars to create facilities to manufacture these products in the United States, which is not a feasible expenditure in relation to the actual profit generated from this price range.

General Tools would be even more deeply affected in that we've signed a $6 million deal with QVC, but if these imports are hit with a 25 percent tariff, the U.S. government would actually profit more than General Tools selling its own products. And in this case, General

Tools would actually lose money, as we cannot pass that increase along.

For these reasons I discussed, General Tools respectfully requests that the multitude of subheadings to be covered in our formal comments on these simple tools be removed from the list of the tariff subheadings subject to the additional 10 to 25 percent duties pursuant to Section 301.

I appreciate the opportunity to testify and look forward to any questions or comments the Committee may have.

MR. BISHOP: Thank you, Mr. Mallozi. Our next witness is Stephen Lovell with U.S. Valve, LLC. Mr. Lovell, you have five minutes.

MR. LOVELL: Thank you for allowing me to testify today. My name is Stephen Lovell. I'm president of U.S. Valve, LLC. U.S. Valve, LLC is headquartered in Rutherford, New Jersey, with a manufacturing location of Linthicum, Maryland. We have approximately 18 employees in the United States.

We are a leading manufacturer of check

ball and specialty valves for industrial and commercial customers in a variety of markets, including hospitals, water and waste-water treatment, power generation, oil and gas, and firefighting apparatus.

The majority of our check valve products are produced in our manufacturing facility in Maryland in the U.S.A. The majority of our ball valve products are produced in our U.S.-owned facility in China and are imported under a number of subheadings of the U.S. Harmonized Tariff Schedule. Our factory in China is owned by the same group of U.S.-based investors that owns U.S. Valve, LLC.

Today I will focus on our medical ball valve assemblies that are specifically designed for medical gas pipeline applications in hospitals.

Gases handled by our valve assemblies include oxygen, nitrous oxide, surgical vacuum, breathing air, and waste anesthesia gas. The valves that we supply are vital to U.S. hospitals in that they provide the ability to isolate sections of the hospitals' medical gas distribution systems, especially in the event of a fire, gas leak, pathogen outbreak, or other unanticipated event. Medical ball valve assemblies are currently classified under Subheading 8481.80.1085.

Imposing additional duties on these products, one, would not be practicable or effective to eliminate China's acts, policies, and practices; two, would cause disproportionate economic harm to U.S. interests, including varying small and medium-sized businesses and consumers, as well as the U.S. healthcare industry; and three, would have a negative impact on U.S. Valve, including in particular U.S. Valve's U.S. operations.

For more than 15 years, we've had U.S. engineers developing the technology behind the production and design of these products. We continue to develop innovations to the products today. Confidential drawings of our products are closely guarded by our facility managers in China. In addition, the medical ball valve manufacturing facility in China is owned by our U.S. parent company.

Further, we regularly monitor valves in the industry to evaluate whether our technology has been misappropriated, particularly our technique of forging brass pressure-containing parts as opposed to casting. U.S. Valve is not aware of any misappropriation of intellectual property in China related to U.S. Valve's medical ball valves.

Finally, technology relating to medical ball valves is not considered particularly high-tech and not part of the Made in China 2025 program.

For these reasons, imposing additional duties on these products would not be practicable or effective to eliminate China's acts, policies, and practices.

Second, U.S. Valve simply cannot absorb a 10 to 25 percent increase in cost for those medical ball valves, which constitute 40 percent of our business. Accordingly, U.S. Valve would be forced to attempt to pass the costs along with the associated duties in the supply chains in the United States for these products.

In particular, U.S. Valve would attempt to pass the cost to its OEM customers, who, in turn, would pass the cost onto its small- and medium-sized companies that distribute and install the products at hospitals throughout the United States. The end result would be a 10 to 25 percent increase on medical ball valves for thousands of U.S. hospitals that depend on our products every day.

In turn, this could result in possible disruption to the supply of our products to U.S. hospitals or force such customers to purchase inferior products. For example, we are the only one of these companies in the industry that forges the brass parts, including on our medical ball valves, instead of casting them. This technique decreases the porosity of the product and vastly lowers the likelihood of gas leakage or the spread of bacteria.

Ultimately, the increased costs of hospital expenditures due to the tariffs would increase the already skyrocketing healthcare costs in the United States.

Third, additional duties on medical ball valves would have a meaningful negative impact on U.S. Valve and its 18 employees in the United States. As I mentioned before, we derived 40 percent of our revenue from medical ball valve sales. The additional tariffs would significantly impact the financial health of our company.

Our products have mission-critical applications in U.S. hospitals, and the innovative forging techniques behind our products help to ensure the safety of injured and sick patients across the United States. The increase in tariffs will impact our ability to continue to develop new methods to improve our products.

Moving manufacturing operations for

our valve products outside China would cost a significant amount of money and time and would not be practical, given the size of our companies.

For the reasons I discussed, U.S. Valve respectfully requests that Subheading 8481.80.1085 be removed from the list of tariffs subject to additional 10 to 25 percent duties pursuant to Section 301.

That concludes my testimony. Thank you again for allowing me to testify today and I welcome any questions the Committee may have.

MR. BISHOP: Thank you, Mr. Lovell. Our final witness on this panel is Brian Cohn with Multi Parts USA, Incorporated. Mr. Cohn, you have five minutes.

MR. COHN: Good afternoon. I am Brian Cohn, president of Multi Parts Supply USA, Inc.

This is my first visit to directly petition my government. Frankly, I'm upset myself for not having understood the power of doing this for List 1, but I thank you for this opportunity to be heard on an issue of truly grave importance to my company.

Multi Parts is a family-owned company that sells into the automotive aftermarket. We supply both to manufacturers and national packagers, which, in turn, sell to major aftermarket retailers and regional warehouse distributors.

Our written comments will include a full list of Multi Parts' imports impacted by the List 3 tariffs, but these products include such items as break parts, fuel pumps and regulators, timing components, and water pumps.

Our products are not glamorous but they are essential to American consumers. Multi Parts' products are used by everyday people that need an affordable option to keep their cars on the road running safely and reliably, whether they choose to fix their own vehicles or have them serviced at independent repair shops.

Not only do we help U.S. consumers extend the lives of one of their most valuable assets, we help make that vehicle an economically viable option for second, third, and even fourth owners.

To serve the U.S. market, Multi Part maintains two purpose-built facilities in China and the United States. The two facilities work hand-in-hand. The facility in Florida performs R&D and product qualification, while the wholly-owned facility in China assembles products, tests them, custom-packages them, and ships them to the United States for distribution. These two facilities are both essential to allow Multi Parts to service the aftermarket needs of its customers.

Each of the factors the USTR has stated it is considering supports excluding the types of products imported by Multi Parts.

First, Multi Parts has never seen any Chinese pressure to share its intellectual property or been forced to enter into any joint ventures. The replacement of automotive parts sold by Multi Parts are simply not the high-tech goods China has identified in its China 2025 Plan.

However, it has taken us many years, and what is for us a tremendous amount of investment, to develop and qualify the thousands upon thousands of unique products we must apply to cover the myriad combinations of vehicle makes, models, years, and options in each product category we supply.

For example, we do not sell a brake hose assembly, we have developed thousands and thousands of different assemblies, each with a different combination of end fittings, brackets, in order to fit everything from a 1962 Ford Falcon to a 2016 Toyota Corolla.

Attempting to duplicate this meticulously-built supply chain to produce this kind of broad-range, low-volume production at the level of quality required for safety-critical applications would be exceedingly difficult, if not outright impossible.

Second, the tariffs on Multi Parts'

imports would cause disproportionate economic harm to U.S. interests. Multi Parts partners with numerous manufacturers and distributors who will also suffer from the onerous 25 percent tariffs proposed on Multi Parts' imports from China.

Third, the tariffs would most certainly harm small- and medium-sized businesses, Multi Parts being a prime example. We are a family company and I consider every one of our team members as part of that family.

I'm truly proud of the business we have created and, most especially, of the good-paying jobs with full benefits that we provide in areas such as engineering, marketing, sales, and management. These tariffs put all of those jobs at severe risk.

Finally, the burden of the Section 301 tariffs on our products will be passed on to the ultimate vehicle owners. For low and middle income consumers, stretching out the value of their automobiles is vital, and high-priced dealership parts and service are simply not an option for many.

The replacement and aftermarket parts sold by Multi Parts are a safety net for these consumers, helping them prolong the life of the car that allows them to get to work, run their errands, drop off their children, and live the treasured American life of mobility. The Section 301 tariffs on our aftermarket products threaten Americans' ability to keep their cars running safely and reliably.

The impact of these tariffs on Multi Parts and on our customers would be catastrophic. We at Multi Parts are sympathetic to the goals of the USTR in seeking to remedy any Chinese IP abuses. But Multi Parts and its customers, as well as the ordinary Americans who rely on our products, are just innocent bystanders in this international trade war with China.

So we ask the USTR to seek to minimize the collateral damage on a family-owned company like Multi Parts, and the low and middle-income consumers who rely on us to provide reliable, safe, and economical aftermarket parts for their automobiles. Thank you.

MR. BISHOP: Thank you, Mr. Cohn. Mr. Chairman, that concludes direct testimony from this panel.

CHAIR BUSIS: We will reintroduce the Section 301 Committee before we proceed with questions. Adam?

MR. SULEWSKI: Adam Sulewski, U.S. Department of Homeland Security.

MS. ZUCKERMAN: Amy Zuckerman, Department of Treasury.

MS. D'ANDREA-YOTHERS: Maria D'Andrea-Yothers, U.S. Department of Commerce.

MR. WINELAND: Tim Wineland, USTR.

MS. HENNINGER: Carol Henninger, State Department.

MS. PETTIS: Maureen Pettis, Department of Labor.

MS. BONNER: Sarah Bonner, U.S. Small Business Administration.

CHAIR BUSIS: And Bill Busis, USTR. Adam, first question?

MR. SULEWSKI: I don't mean to mispronounce your name. Husisian? Thank you. Mr. Husisian, you had stated in your testimony that the electrical parts identified are the, quote, polar opposite of high tech.

To explore that a little, would it be correct to consider any of these products described as components in the increasingly sophisticated entertainment consoles and driver safety systems that we're seeing in cars today?

MR. HUSISIAN: Yes, a lot of the parts that Alps makes are capacitive panels, which are the touchscreen panels, switches, electrical distribution parts. They're the bedrock components that allow consumer electronics to work.

So they're not products that people think of using, but they're ones that they do use, primarily in consumer electronics, in home goods, and in automobiles.

So, while you guys are playing Section 301 bingo and putting together the biggest Sudoku ever from all these HTS charts, behind them are very real products. And they are goods that consumers use every day, and in particular, are used by industries that add a lot value in the United States that's far, far greater than the value of these very low-margin touch panels and switches, which sometimes can sell for only a few cents and often for only a few dollars.

MR. SULEWSKI: Thank you. And, separately, have the products you described today changed significantly over the last ten years? And is there a market for any of these products in countries other than China?

MR. HUSISIAN: It's a mix. Some of the products are very stable: capacitors and things like that. Some of them are products that they haven't changed much, but others have changed quite a bit as semiconductors have gotten better, and the need to interface with these products has gotten to be more ubiquitous.

Among other reasons why the products have changed is they've multiplied a great deal, because instead of just being in a television or the familiar consumer products, we see that products all over, whether it's refrigerators or products you wouldn't think of as normally having this, have added these electronic parts and components.

The problem with moving it outside of China, it's not just a matter of moving from one factory to another. That's a very strange concept to begin with. If someone were to say to you it's okay if the cost of living in your house goes up by 25 percent because you can always --

CHAIR BUSIS: I need to stop you there. So, the production moved to China, right? It wasn't in China 20 years ago, was it?

MR. HUSISIAN: It often wasn't anywhere.

CHAIR BUSIS: Right. So it did move there at some point, so it's really not all that strange. We're going to have the next witness now. Thank you.

MS. HENNINGER: Mr. Kiernan, does the U.S. wind-related manufacturing industry export finished products to other countries or are these products mainly used for the construction of new wind energy projects in the United States?

MR. KIERNAN: I believe the vast majority of what we produce in the United States of wind turbines and the parts is used in the United States. There may at times be some exporting out, but I'm pretty confident that's a small, very small, percentage of what we do. The vast majority of what manufacturers use is here in the United States.

MS. HENNINGER: And to what degree do currently operating wind farms depend on imports from China? If, for example, a repair to a turbine were required, is there a market for repair or replacement parts in the United States?

MR. KIERNAN: The majority of the value of a wind farm here in the U.S. is made in the U.S. So a majority is here. Yes, there are some components, as I alluded to or mentioned in my oral testimony and written testimony, there are some components that are imported from other countries; and that is our concern with List 3 and, frankly, also List 1 and 2, that there are some important components that we do import. And increasing the price of those will increase the price of wind energy.

I should also mention the energy industry is extraordinarily competitive and price-sensitive. So I mentioned a five percent increase of the cost of wind energy. That translates into a significant loss, if you will, of market share, and hence why we're sensitive to what's on List 3 and ask that those key products be removed.

MS. ZUCKERMAN: Mr. Stateczny, you support increased tariffs on some 22 HTS Codes related to industry components necessary to produce, store, and refined gas. In your opinion, how would the imposition of these tariffs affect consumers and users?

MR. STATECZNY: I think it's very clear that a number of multinational companies have taken full advantage of dumped, subsidized, and otherwise supported imported product. And it's my sense that, more often than not, those cost savings go right to the bottom line of the multinational corporation.

There have been countless instances of refinery outages where the price of gas goes up immediately and, yet, when there's a refinery modification that results in that refinery becoming more efficient, it doesn't necessarily translate to an advantage to the consumer.

And I would also add, listening to my esteemed colleagues here, I mean, obviously the horses are already out of the barn. For so much of our manufacturing base, and in a lot of mission critical applications, we're now dependent on China.

And what we're trying to really articulate as an energy coalition is we can't allow that to happen. If we can't fabricate pressure vessels, heat exchangers, and other process industry modules here, we're not going to be energy-independent, irrespective of how efficacious the shale gas play is or wind power becomes. Because we will simply be dependent on -- and the case of China -- and they are the 800-pound gorilla in the room. I was just in Morgan City, Louisiana and saw three of their vessels, and these vessels weigh hundreds of tons.

So it's not just the fabricators, but it's the steel companies, like ours in Newcastle, Indiana, and ArcelorMittal and Nucor, that make the plate that are losing out as well.

So, in summary, usually whatever cost savings are achieved by importing these low-priced, heavily-subsidized vessels, it stays within the multinational corporation.

CHAIR BUSIS: Do you have a sense of the degree to which, if at all, your Chinese competitors benefit from low-cost steel and aluminum available in China?

MR. STATECZNY: Oh, there's no

question. I mean, there's absolutely no question. The last time I testified here, back in May, we gave an example whereby -- and in this particular case it was actually the Koreans -- they actually sold finished and processed modules to a refinery in Billings, Montana for less than the price that our fabricator could buy the steel from in the United States.

So it's a huge issue. Having said that, there are antidumping and countervailing duties on Chinese plates and on Chinese steel. There is virtually no Chinese steel coming into this country. It's all now coming in as downstream manufactured product, and we have to start looking at downstream manufacturing and what we're going to do to protect those industries.

It's great, you know, the steel industry looks like it's getting the relief it needs; and I'm a lifer in the steel industry, 37 years. But now we have to make sure that we have a market three years, five years, and for generations to come.

CHAIR BUSIS: Thank you very much.

MR. WINELAND: Thank you. Mr. Gilbert, I wanted to explore a little bit the question of demand with you. You talked about the two factors, one being the retirement of aged equipment as there's demand for new equipment, as well as fulfilling the need for increased container volume. Could you tell me what the useful life of the average chassis is?

MR. GILBERT: I believe it's pushing 25 years, with refurbishment. And if we keep refurbishing them and putting re-treads on, I think you'll see that it's going to become a major problem.

MR. WINELAND: And if you could give some sense, maybe just a ballpark estimate, of how many of the current fleet of chassis are at or near the end of their useful life? Is there a way you could quantify that with a ballpark percentage?

MR. GILBERT: I really can't. I don't

have that, but I could refer them back to you with written testimony.

What I would say to you, though, is if we limit the access and egress of the terminals and we move the population on the ground for grounded containers from an efficiency of about 1.5 containers high and we start moving them to 2.5 and 3.5, at 3.5 we end up with gridlock.

It's the same thing as the Legos. If you need the bottom one, you have to move them three times to get to the bottom one. And with the aging equipment that we have now, and CBP with their X-ray machines, there's fewer and fewer X-ray machines because they have not invested in them.

So for us to get as a terminal operator to those imaging machines, we can't go to 2 high, 3 high, and gridlock at 3.5 high.

MR. WINELAND: And then, finally, you mentioned I think Mexico and China and the United States in your testimony. Are there any other countries where chassis are produced?

MR. GILBERT: I don't believe that they're produced to come to the United States. They are significantly produced in the E.U. but I don't know them to be brought here. They have some very specialized issues in the E.U. for their safety with their bicycle rack protection underneath them and also with some of the other peculiar things to the E.U.

MR. WINELAND: Okay, thank you.

MR. GILBERT: Thank you for your help.

MS. D'ANDREA-YOTHERS: Mr. Yokom, what percentage of your company's business are U.S. chemical manufacturers currently able to support?

MR. YOKOM: Of the seven codes we're talking about today, I would say probably less than five percent.

MS. D'ANDREA-YOTHERS: And has your company explored with U.S. suppliers the possibility of increasing their production of the chemicals that you need?

MR. YOKOM: Yes, of the two that we can source domestically, we have talked with them and they're giving us everything they can. And there's really no opportunity -- I shouldn't say there's no opportunity, but it's an extremely difficult prospect for any U.S. suppliers to emerge, just for the cost involved in starting a new plant, not only the infrastructure but the permitting involved.

And then we would have to qualify those chemicals and then we would have to qualify them with our customers. So, I think a conservative estimate, if somebody came tomorrow and said we're going to start a plant, we would not be able to sell our product with those new chemicals for five to seven years.

MS. D'ANDREA-YOTHERS: Thank you.

CHAIR BUSIS: And a follow-up is, your seven tariff codes, do you know whether the chemicals you import make up all the products identified under each of those codes or whether they are a subset? Like the color former in 19.5000, is that entire tariff code color former or is it just certain products within it?

MS. D'ANDREA-YOTHERS: I think it's a subset. We are going to submit written comments that will have the full descriptors of those codes, but I think on a few it will be all-encompassing, but then a few others it will be a subset.

CHAIR BUSIS: Okay. If you could address that in your written comments. Thank you.

MS. D'ANDREA-YOTHERS: Yes, sir.

MS. BONNER: This question is for Mr. Mallozi. Mr. Mallozi, for the products that you discussed in your testimony, are any of them produced in a country outside of China?

And, either way, has your company explored producing or restructuring its processes to produce in any other third country other than the U.S. or China?

MR. MALLOZI: Yes. General Tools' products are typically what you'd consider a value brand. So that's where I mentioned most of those products that are produced in other countries are at five to ten times the cost.

An example I can give you is an electrical range-finder. Those are produced in Germany, but the majority are produced in China. But the ones produced in Germany are produced and sold for $1,500 versus one that we would sell to a DIY consumer for $50 with much less features and value than a professional would use.

We've looked at other countries to produce, and those costs would be much greater than what either tariffs or our current cost structure are, and ultimately would limit that value to the consumer, which is what the general brand has been known for for over 100 years.

MS. BONNER: Just a clarifying point there. You mentioned products made in Germany. Those are not from your company, right?

MR. MALLOZI: No, those are the professional high-end pieces of equipment.

MR. WINELAND: Mr. Lovell, a question for you about valves. You discussed the unique nature of the medical valves. Is China the only producer of this type of valve? Perhaps more specifically, is your company there the only producer, or are there others?

MR. LOVELL: The medical ball valve is a specialty item. It's kind of a niche market. So when we entered the market maybe 15 years ago, we designed a valve assembly, not just the valve. It's a valve with other parts attached to it that would specifically address a problem that the industry had been having with leaking valves. So we designed a valve specifically for that, and we set up the plant in China 15 years ago specifically to produce this product line.

We looked at manufacturing in the United States but the cost was higher than the price point that the potential customers were giving us at that time. We've looked at it more recently and the same problem exists.

MR. WINELAND: Do your valves require any kind of approvals from the FDA or any other organization?

MR. LOVELL: NFPA 99, the National

Fire Prevention Association has a guideline or specification that covers the design of those products.

MR. WINELAND: Thank you.

MS. PETTIS: I have a question for Mr. Cohn. You had testified that in your Florida facility you do R&D and product qualification, while you actually assemble the products and everything in China. What would it take to undertake shifting production from your Chinese plant, say, to go to your Florida plant? Or is that even feasible?

MR. COHN: I don't believe it's feasible. As I mentioned, we are in the aftermarket, and that requires us to make a very, very broad range of products at very low volumes. One of the main reasons that our products are produced in China is the incredible availability of sub-suppliers who can make virtually every component that one can imagine for an auto part, in relatively small volumes. I'm talking sometimes runs of 100 parts to a large run might be a few thousand parts.

That's compared to, let's say, an original equipment manufacturer who would be making hundreds of thousands of the same SKU and can set up an entire factory to do that.

Our supply chain is very, very complex. We have to spend a lot of resources to engineer each component, to qualify it, to ensure that its meeting safety standards, because many of our products are safety-critical applications. And we have seen just no way to duplicate that in the United States.

MS. PETTIS: Thank you very much.

CHAIR BUSIS: Mr. Bishop, if you could please release this panel and call the next?

MR. BISHOP: We release this panel with our thanks, and we invite the members of Panel 45 to come forward and be seated, please.

(Pause.)

MR. BISHOP: Mr. Chairman, our first witness on this panel is Bryan Michaelsen with JMF Company. Mr. Michaelsen, you have five minutes.

MR. MICHAELSEN: Thank you. My name is Bryan Michaelsen. I'm the president of JMF Company. JMF Company is headquartered in Bettendorf, Iowa, with additional locations in Illinois and California, and has been in business for 71 years.

JMF is a distributor of rough plumbing commodities primarily internationally sourced. The specific products of concern are in subheadings 7412.10, refined copper fittings, and 7412.20, which are essentially brass fittings used for tubes and pipes.

JMF is a Tier 1 distributor viewed by customers in the same way that a domestic manufacturer would be viewed from a supply chain perspective. JMF sources these commodity products exclusively from China. JMF's customer base for these commodities is primarily independent wholesalers and mid-sized retailers commonly referred to as farm trade or farm trade retailers.

It is important to note that JMF distributes a diverse product offering across many rough plumbing product categories. Our ability to bundle different product categories together for these wholesaling retail customers delivers a strong value proposition.

This value proposition is critical to their success and long-term viability. The need for a single-source solution for their products to meet minimum order quantities, prepaid trade allowances is critical and they do not have the ability to buy large quantities generally.

That's what JMF offers. So JMF allows these business partners to be competitive and to offer the American consumer a true option based on service with a comparable price point.

If additional duties are applied to these subheadings, JMF will be forced to pass the increase directly to our customer base. This will be devastating to their ability to compete in the marketplace. Many of these customers are competing against multi-store wholesalers, large big-box retailers, all dominated by U.S. manufacturers of these commodity products.

Copper fittings is a perfect example. Tariffs on these products will hurt those most in need of the competitive support. The primary cost driver of these commodities is the global cost of copper, which is the underlying commodity. This cost, along with the fabrication cost to manufacture the copper into a fitting, essentially, is the total product cost. The commodities in question are low-margin items and the price is driven by pure supply and demand.

Tariffs will drive prices up, and price escalation is not warranted or needed on these commodities. The economic impact of the tariff will be felt in the housing market quickly, with higher costs to products used in residential construction.

Applying the same tariff duty across these commodities as all the products in the listings really does not have the equivalent impact. It is a much higher penalty since the global copper price dominates the overall product cost of these particular items. Other listings can absorb this across their supply chain more efficiently. With our products, the tariffs immediately will be passed on to the consumer and overall market prices will rise. Essentially, the additional tariff will be an immediate tax to the American consumer.

JMF also employs 232 employees. Many of these employees are directly involved in the packaging and distribution of these commodities. It's foreseeable that JMF may lose customers due, in part, to their inability to compete, and then will have lost some employment of these workers.

The subheading 7412.10 for copper fittings is primarily dominated by three large domestic manufacturers, and it is true that these three manufacturers could support the entire U.S. market. However, this would eliminate options for many customers, who will not get the same service or the price in which they receive today from suppliers like JMF Company.

Imports in this subheading have existed for many years from China and other countries. If protection was needed, it would have been evident by now by a much larger market share of imports. This is not the reality and the big three really own the market on copper fittings. The imports from China in this subheading represent only four 1000ths of 1 percent of the total imports from China in 2017.

In subheading 7412.20, this is used primarily for brass fittings and this is a much more fragmented market. It's different. There is much less domestic manufacture of this product category and the U.S. manufacturing could not support the entire market. China manufacturers dominate this particular category. The imports from China in this subheading represent three 100ths of 1 percent of all the imports from China in 2017.

The desire to alter China's unfair trade practices and to impact its own protectionist ideas will not be influenced by additional tariffs on these products. The impact to influence is too small, but the impact to the U.S. consumer will be great. These products are priced primarily based on global metal commodity prices and the price of copper.

There is no significant technology that would be protected and the cost-to-benefit ratio of adding tariff duties to these specific subheadings is too great for the U.S. consumer and its economy.

I respectfully ask that subheadings 7412.10 and 7412.20, specifically the subheading 7212.20.0035, be removed from the tariff listing. Thank you.

MR. BISHOP: Thank you, Mr. Michaelsen. Our next witness is Ricardo Lara with Elite Lighting.

Mr. Lara, you have five minutes.

MR. LARA: Thank you. My name is Ricardo Lara, representative for Elite Lighting. On behalf of Elite Lighting and all its employees, we want to express how the proposed tariffs will impact our company, workforce, customers, and the U.S. consumer.

Elite is a United States manufacturer of high quality lighting goods, which has served all across the United States for 19 years and counting. If I may add, located in Commerce, California.

Elite Lighting prides in being a great example of an innovative manufacturing company in the United States, which is a contributor of over five billion dollars that the lighting industry contributes annually towards the U.S. economy.

Elite Lighting employs over 250 workers. Our goal is to strive in our product innovation, quality, and be as competitive as possible.

This has allowed us to currently increase our workforce and contribute to a lower unemployment rate in the U.S. Our plan on growth as a company would be impacted with the proposed tariffs increase, and create an unstable workforce for the lighting industry overall.

We work with large and small home builders and developers across the country. Lighting is unique in that it touches everyone's life every day, from our office buildings, department stores, hospitals, local parks, our homes, and so much more.

Imposing 10 to 25 percent tariffs increase on the lighting industry will create a rapid effect -- a ripple effect in increase of costs from manufacturers like Elite Lighting all the way to its consumers.

Which is why we're requesting the Committee to review and exempt the HTS numbers 9405.10.40, 9405.10.60, 9405.10.80, 9405.40.40, 9405.40.60, 9405.40.84, 9405.91.10, 9405.91.30, 9405.91.60, 9405.92.00, 9405.99.20, 9405.99.40, and 8414.90.10.

In conclusion, we request that the USTR Committee, Ambassador Lighthizer, and President Trump see other alternatives and remove the HTS numbers stated, which will impact the U.S. consumer in more ways than many other industries combined.

Thank you for your time. Now I will be happy to address any questions.

MR. BISHOP: Thank you, Mr. Lara. Our next witness is Daniel Baum with Hailiang America Corporation.

Mr. Baum, You have five minutes.

MR. BAUM: Good afternoon. Thank you for allowing me the opportunity to testify. My name is Daniel Baum. I'm the Senior Vice President of Sales for Hailiang America Corporation.

Hailiang America Corporation is headquartered in Rowland Heights, California, and we have our sales offices in Leesport, Pennsylvania. Warehousing locations, we have in Pennsylvania, Texas, Florida, Iowa, and Arizona.

Hailiang is an America -- is an international importer of rough plumbing products to plumbing wholesale and HVAC wholesale markets. And they're primarily commodity products.

We are categorized as a Tier 1

distributor of these products in line with a domestic manufacturer. As such, Hailiang America is in direct competition with domestic manufacturers to sell the wholesale distribution channels, the rough plumbing and HVAC products.

We currently employ ten employees in three different locations within the United States. And our employees are directly involved in the sales and distribution of the specific commodities in the tariff subheadings 7412.10.00 and 7412.20.00.

In addition to those direct employees, we utilize third-party public warehousing and logistical labor and are a significant shipper of goods with an estimated shipping weight of roughly 15 million pounds annually.

The additional tariffs will have an impact on our ability to maintain our workforce and utilize these domestic services. As well as, we become less competitive with the implemented tariffs.

The potential loss of customers may

bring a loss of employment, not only within our organization, but also with the service providers and our supply chain partners as well.

Hailiang America sources commodity products exclusively from China. We do have limited domestic sources as we compete directly with domestic manufacturers.

Hailiang America plays a significant role in offering the consumer an option based on quality, service, and product availability. Many of the products that are subject to the tariffs have limited domestic suppliers or limited domestic production capabilities.

Those are very limited as to being able to meet the current demand of the market. And should our products be not available in the marketplace, there should -- there may be product shortages.

Availability of our products allows the market price to remain competitive in line with global commodity pricing. Disruption of the products will cause those product shortages I described, and lead to significant cost increases to the manufacturer of finished goods in the construction industry and ultimately higher prices to the consumer.

Tariffs will also create fewer sourcing options and create superficial price levels. Our products, consisting primarily of copper and brass, are low profit margin items, and the price is ultimately driven by global metal values and supply and demand.

Other products in the subheading listing have much higher margin, and the tariff can be absorbed across the supply chain more efficiently. We -- with our products, the tariff will immediately be passed on to the consumer, and overall market pricing will rise.

Essentially the additional tariff will be an immediate tax on the American consumer. By allowing the market for these items to freely flow, it forces our domestic competitors to constantly improve their processes, services, and promote consistent pricing throughout the U.S.

market.

They must improve to compete against technological improvements in China. And we as the distributors of Chinese goods are at a disadvantage to domestic manufacturers, as we must pay a significant freight cost to land those products in the United States.

So in summary, our concerns are U.S. employees will be impacted by additional costs on these products, potential loss of employment, affecting our direct employees and those of our service providers and supply chain partners.

These products are strictly commodity driven and market driven. And having companies like Hailiang America source these commodities from China keep the domestic market pricing competitive and beneficial to U.S. consumers.

These commodities are also produced and imported from manufacturers in other countries, and this additional duty would give them the unfair advantage over Hailiang America supply -- the Hailiang America supply chain.

Thank you for allowing me the time to express our opposition to the proposed tariffs.

MR. BISHOP: Thank you, Mr. Baum. Our next witness is Grant Gawronski with Gates Corporation.

Mr. Gawronski, you have five minutes.

MR. GAWRONSKI: Good afternoon. My name is Grant Gawronski, and I'm President of the Americas for Gates Corporation. Thank you for the opportunity to testify today.

Gates was founded in 1911, and our global headquarters are located in Denver, Colorado. Gates is a leading manufacturer of application specific fluid power and power transmission solutions.

We manufacture hoses, belts, and related critical components, including water pumps, that are used daily by U.S. consumers in passenger and commercial vehicles, agricultural and industrial equipment, and more.

Gates employs 3,900 people across the U.S., and we have a manufacturing presence in 16 states.

My testimony will focus on the water pumps that Gates manufactures in China and distributes into the U.S. Water pumps are classified under subheading 8413.30.9090 of the Harmonized Tariff Schedule.

Water pumps are sold through a distribution channel of U.S. automotive parts distributors such as NAPA and O'Reilly's, who then resell to U.S. state and local government agencies, as well as family owned mechanic shops and individual consumers.

More than 70 percent of the water pumps are imported into the U.S. There is simply not enough U.S. production to meet today's demand.

Section 301 of the Act proposes to place an additional 10 to 25 percent duty on imports of water pumps from China into the United States. Imposing such duties, one, would not be effective to eliminate China's acts, policies, and practices towards U.S. intellectual property.

Two, would cause disproportionate economic harm to U.S. interests, including small and medium sized businesses, consumers, and local and federal U.S. government entities. And, three, would have a significant negative impact on Gates, including Gates' U.S. operations.

Gates entered the water pump market by purchasing a controlling interest in a Chinese manufacturing facility in Yantai, China. The underlying technology associated with this product is not high-end technology, the high-end technology that the United States has become known for.

Gates does not have any patents or pending patent applications for water pumps under this import classifications. We are not aware of any significant patents or patent applications that have been filed for water pumps in the United States in recent history.

For these reasons, imposing additional duties on this product would not be effective to achieve the stated purpose of these tariffs, which is to eliminate China's acts, policies, and practices related to misappropriation of U.S. intellectual property.

Second, Gates cannot absorb a 10 to 25 percent increase in costs for this product. As a result, 100 percent of the increase in cost would no doubt be passed on to the end customer.

Additionally, local and federal government entities will absorb these increased costs when purchasing replacement parts for U.S. postal service delivery trucks, first responder and law enforcement vehicles, refuse and service vehicles, and the sizable fleets operated by many different government entities.

Gates is already struggling to produce a sufficient number of water pumps in its Chinese facility to meet the increasing demand driven by the growing number of aged vehicles on the road. And this tariff would only exacerbate the supply constraint as well as cost for our customers.

Third, additional duties on water pumps would have a meaningful negative impact on

Gates. Gates cannot absorb the cost of a tariff internally, and therefore will pass 100 percent of the cost of this tariff increase to its customers.

If U.S. consumers are unwilling or unable to afford this price increase, then Gates will be forced to reconsider the feasibility of continuing to provide this inexpensive but necessary product.

Manufacturing water pumps in the United States would require constructing new facilities, at a cost of tens of millions of dollars, and would take Gates at least a year and a half to begin production.

Even if feasible, the cost to make a U.S. made water pump would be up to 80 percent higher, and therefore the price could be as much as twice as what it costs today. If this path was our only alternative, Gates would be forced to exit the water pump business.

To conclude, Gates respectfully requests that subheading 8413.30.9090 be removed from the list of tariffs subject to additional 10 to 25 percent duties.

I appreciate the opportunity to testify, and I look forward to any questions or comments the Committee may have.

MR. BISHOP: Thank you, Mr. Gawronski. Our final witness on this panel is Guy Harari with Adisseo.

Mr. Harari, you have five minutes.

MR. HARARI: Thank you for the opportunity to appear before you today to state our case. My name is Guy Harari, and I am President and General Manager of Adisseo North and Central America, headquartered in Alpharetta, Georgia.

I'm here today to request the exclusion of HTS subheading 2930.90.46, DL hydroxy analogue of DL-methionine from the final list of products subject to the proposed 10 or 25 percent tariffs for goods made in China.

We had planned to appear previously when the tariffs were 10 percent, and at 25 percent the request is urgent.

The imposition of these tariffs will not cause -- will not only cause disproportionate negative consequences on Adisseo, but more importantly on America's poultry, swine, and ruminant farmers at a time when they are already facing 25 percent retaliatory tariffs for their export -- exported meats in several important markets.

Adisseo is one of the world's leading experts in feed additives. We are a group of companies with global production facilities in Europe and China that design, produce, and market nutritional solutions for sustainable animal feed.

With 2,100 global employees, we serve customers in over a hundred different countries. Our methionine facility in Nanjing, China supplies the U.S. market.

Our products are used to supplement nutritional, safe, and certified feed to the U.S. farm and agricultural industry for the livestock.

Adisseo offers one of the most essential amino acids, methionine, as well as a complete range of vitamins, enzymes, antioxidants, and probiotics for livestock feed.

Methionine is an essential amino acid, meaning it is not produced by the body, but comes from the diet. While methionine is found in raw foods, it is insufficient to cover the needs of livestock. Thus, requires the use of synthetic sources.

Methionine is a building block for protein synthesis. It is an antioxidant, and is involved in stimulating the immune system.

It is effective in improving the growth of poultry and swine. That is why all animal farmers are using methionine as one of the must include amino acid supplements.

There are two concentrations of the methionine: DL-methionine 99, called powder methionine and DL-hydroxy analogue of DL-methionine, called liquid methionine.

In China Adisseo produces the liquid.

This product is present in liquid form to minimize dust emissions, handling, storage space, and to maximize ease of dosage and accuracy when mixing with feed.

Many of the largest poultry farms in the United State are using our methionine. U.S. companies that may be impacted include Cargill, Tyson, Pilgrim's, Perdue, Koch Foods, Sanderson Farms, Wayne Farms, Mount Aire, George's, Foster Farms, and Peco.

The increased costs in the methionine will have a direct and substantial impact on these food providers. Adisseo is the second largest producer of methionine used in the U.S. agricultural industry.

There are other suppliers of methionine such as Novus, located in Houston, which manufactures only liquid methionine, and Evonik in Mobile, Alabama, a German company which manufactures only powered methionine.

However, the overall U.S. market will be impacted negatively due to the limited producers. These manufacturers do not have the capacity to absorb the quantity of methionine being supplied from China.

Insufficient supply puts farmers' flocks and herds at risk. Farmers are already facing very tight margins. And adding 10 to 25 percent custom duties on essential amino acids may force a farmer to make choices to either not have access to the required volume of methionine for perform -- growth, or to increase the costs of poultry and pork meat costs and egg costs.

It is important to know that 57 percent of the costs associated with buying poultry stem from feed. Nearly a third of the U.S. methionine market is imported.

China is the largest supplier of liquid methionine and the second largest supplier of dry. The 25 percent tariff will add millions in additional costs for this essential feed additive.

If we look to the steel market, which put in place 25 percent tariffs, we see that not only imported goods, but U.S. made steel prices increased by over 30 percent.

So the impact of this tariff is not just on imported Chinese methionine, but will be on all poultry, egg, and pork industry farmers, regardless of the methionine source, as well as on the consumers who will be disproportionately negatively impacted.

We strongly urge the USTR to remove HTS subheading 2930.90.46, DL-hydroxy analogue of DL-methionine, from the final list of products subject to the proposed 10 or 25 percent tariffs for products made in China.

Thank you again for this opportunity to appear before you today, and I welcome any questions you may have.

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

CHAIR BUSIS: Maria?

MS. D'ANDREA-YOTHERS: Okay, this question is actually for Mr. Michaelsen and Mr.

Baum. You both testified that rough plumbing commodities are manufactured in countries other than China.

Is it possible to source these commodities from non-Chinese sources?

MR. MICHAELSEN: Yeah, I'll take the first stab at that. The answer is yes and no.

I think JMF has a history of sourcing a lot of these products. And we just picked out two. By the way, there's tons, there's a lot of different products.

We used to source copper fittings from South Korea as a matter of fact. And what happens is sometimes the large domestic manufacturers, who I described a little bit, although I didn't think it right to name them, actually acquire ownership in that.

And much like Hailiang America, JMF competes directly with these manufacturers, right. So that puts our ability to source products from other countries, limits them a little bit. Right?

And then in addition to that, within these product categories are -- we've got 25,000 different parts that we're trying to inventory, source, and distribute.

And in order to find a reliable supply chain that actually makes sense from a cost perspective, it's very difficult to do.

So we've got a very solid supply chain right now out of China. In fact, we tried to source -- we tried to move our brass fittings to India about three years ago.

And after nine months we gave them two containers. Said here's a PO. After nine months they said, no. Can't do it. It's just too much. It's too complex.

So the answer is yes and no. And to move it just doesn't make a lot of sense for us.

MR. BAUM: My -- can you hear me? My comments will be very similar to the JMF representative.

We have the increased competition from a domestic supplier who bought a Korean manufacturer, one of the primary manufacturers of copper fittings is our competitor. And so they have the ability to kind of control that pricing structure within an import and a domestic.

So it puts at a little bit of a disadvantage because now we're competing with basically a control of pricing for import and domestic.

Some of our products we have difficulty in trying to source here in the U.S. because of EPA concerns. We have a brass product that back in the beginning of 2014 there were changes made to the Safe Drinking Water act, which reduced the allowable amounts of lead that you were allowed to have in brass.

That caused a lot of manufacturers globally to stop production because the material costs became extremely high, and also the yield became extremely low.

So we found a single source that allows us the copper fittings, allows us the brass PEX fittings. The majority of those fittings come from China.

Now there are plans in the works for if the tariffs are implemented, they'll move to other countries to be able -- to be able to supply at a certain price level. So I think including additional tariffs may just chase manufacturers from China to another country that may have low-cost products as well.

MS. D'ANDREA-YOTHERS: Thank you.

CHAIR BUSIS: You both mentioned you're Tier 1 distributors. Could you describe what that means in your industry?

MR. MICHAELSEN: Yeah. I think that -- I think when we say that, we -- when I say that, I'm trying to describe our company in a sense that how the customer, our customers and our competitors would view us.

So a Tier 1, I certainly would describe domestic manufacturers as a Tier 1 supplier. JMF Company is on par with those distributors because they distribute their products, although they do manufacture maybe a significant portion of what they sell.

We sell the exact same products. They're commodities. They're the exact same products, and we are the first step away from the manufacturer.

So we're the distribution arm so to speak, or the sales and marketing arm of the traditional Tier 1 supplier. That's what I'm describing there.

MR. BAUM: Yeah. I would say that we base that statement on the volume that we sell in the marketplace. We are as the same tier as the three domestics.

And we sell to primarily -- our markets are the plumbing wholesale channels, the HVAC wholesale channels. And then we have master distributors who also sell to those channels.

MR. SULEWSKI: This question is for Mr. Lara. Has Elite explored substitutable non-Chinese sources for its products?

MR. LARA: I -- currently right now it has -- it does some business out from Canada and

Mexico. Although the majority part of what's been done in the development process is done in China.

If we were to try to move completely out of China, it would not be possible right now in the lighting industry. It would really handicap the whole industry in general.

MS. BONNER: Mr. Gawronski, you testified that approximately 70 percent of water pumps across the country are imported into the United States. Do you know what the percentage of water pumps imported to the U.S. are from China specifically?

MR. GAWRONSKI: I do not know the number. But I am not aware of any manufacturers outside of China.

The vast majority of what is imported comes from China. Additionally, in that 30 percent that is, quote unquote, manufactured in the U.S., much of that is assembled, meaning that they import casted components and do the assembly in the U.S.

I don't however have a breakdown of that 30 percent of exactly how much is from casted components.

MS. BONNER: That's very interesting. You did mention that there's a supply constraint right now that your own company is facing with wanting to meet more demand.

In solving that, would there potentially be another market where you could also be sourcing these water pumps and bringing them in from another place?

You only addressed the U.S. in your testimony. So we're also looking at third countries.

MR. GAWRONSKI: Yeah. For Gates that would not be an option for us. And the reason is that no matter what country we put it into, it would take tens of millions of dollars of investment into a low tech product, and we just wouldn't be interested in that. The constraint that we have is primarily driven by casting component suppliers and the environmental chase that is on in China and other countries right now for plating.

So many casting suppliers have been shut down. As they come up, obviously we get back into business.

But we are a little bit constrained right now because of the fact that there is a crackdown so to speak on plating for casters inside of China.

MS. BONNER: Thank you.

MS. PETTIS: Mr. Harari, I have a question for you. And I know I'm going to mispronounce this nice chemical.

What is the sales market share in the U.S. methionine market? And if -- what do you expect as an increase in price if the duties go into effect?

MR. HARARI: Methionine is a global market. There are a reduced number of global producers around the globe, eight global producers.

Our current market share in the U.S.

is around 20 percent. An increase in duty of 25 percent will have a tremendous impact because domestic prices will go up significantly, 25 percent or more.

MS. PETTIS: And you expect -- basically I think, you know, as I understood your testimony is that simply because it is a global commodity that everyone else will automatically raise their prices?

MR. HARARI: In a global market, in a commodity market, that's normally what happens. Domestic producers will take advantage of barriers and raise prices.

And of course will put domestic producers in a difficult situation. Normally large poultry producers, chicken is the main market for methionine. Ninety percent goes to chickens.

Domestic producers, normally they would want to have two suppliers. If they get restricted to one supplier, not only will it put at risk their own business and supply, but they will be paying a much higher cost.

MS. PETTIS: Okay. Thank you very much.

CHAIR BUSIS: Mr. Harari, do you have a sense of what percentage of chicken feed costs is accounted for by this amino acid?

MR. HARARI: Feed constitutes about 60 percent of chicken costs. Methionine is used at about five to six dollars per ton of feed.

A ton of feed is probably around three hundred dollars.

CHAIR BUSIS: That sounds like about one and a half percent is what you're saying.

MR. HARARI: That would be the impact for the consumer. But the impact for the exporters, you know, the U.S. is one of the largest exporters of chicken and competes in a very tight competitive global market.

The U.S. exports 20 percent of its chicken to the global market. So that would have a significant impact in their competitive position.

CHAIR BUSIS: And what is the feedstock used for making this amino acid? Like in the Chinese plant, what do they start with?

MR. HARARI: Chemical products like propylene, methanol, sulfur, very basic chemicals that are derived from oil. It's a very complex integrated facility.

A state of the art plant would have about 50 subunits and would cost about $500 million. It's a very, very complex product to manufacture.

CHAIR BUSIS: And where does the nitrogen come from in the product?

MR. HARARI: From propylene.

CHAIR BUSIS: Propylene, okay. That's a basic chemical feedstock?

MR. HARARI: Yeah.

CHAIR BUSIS: Okay. Yes, we can release this panel. Thank you.

MR. BISHOP: We release this panel with our thanks, and we call forward our final panel of the hearing. Panel 46, please come forward and be seated.

Madam Chairman, our first witness on this panel is Jay Berkowitz with Arnold's Office Furniture.

Mr. Berkowitz, you have five minutes.

MR. BERKOWITZ: Good afternoon. Thank you for hearing my testimony today. My name is Jay Berkowitz. I'm the CEO of Arnold's Office Furniture, LLC.

We are located just outside of Philadelphia, PA. Arnold's is a family-owned company that has been in business for almost 90 years.

We were founded in 1929. For most of our history we had sold pre-owned office furniture liquidated out of buildings in the three state area surrounding Pennsylvania.

In 2016, my partner and I, who is my son today, many years ago it was my father, decided to change our business model to importing new office furniture from China.

In doing so, we never displaced jobs

here in the U.S., as we liquidated furniture, used furniture, from buildings. So we weren't manufacturing anything.

In fact to the contrary. We have created new jobs. Eighty percent of our revenue comes from a proprietary office furniture system which was designed by the company that we buy it from in China.

It is the only system like it in the world. The technology is the intellectual property of this company. And we have a long term contract for the exclusive distribution here in the United States.

The remaining 20 percent of our revenue is made up of office chairs, desks, et cetera, purchased here in the United States.

Today Arnold's is a nationwide supplier of office furniture. For the last two years we have doubled our sales each year.

We now employ 350 people, 50 in our offices on our direct payroll, and another 300 people out -- outside installation contractors.

These people, the 50 in our office support 150 people. And the 300 outside installation people support another 900 people so to speak.

My company works on approximately a 5 percent margin. We could not possibly survive a 10 to 25 percent increase in costs of goods.

Our customers would never allow us to raise our prices as much as 25 percent all at one time. We would be forced to close the business after close to 90 years.

Arnold's Office Furniture is not part of the problem. We are part of the solution. By purchasing our products from China, we are creating more jobs now and faster than any other time in our 90-year history of our company.

Our five-year business plan is to build the company to a $200 million dollar company that employs over 300 more people. Inside the company -- 300 more people inside the company, and over a thousand out on the road.

I've been in business for almost 43

years this year myself -- for myself. So I've been in the business community for a long time.

I don't know of many businesses, if any, that can sustain a 25 percent cost of goods and survive. And I've talked to a lot of people in the community. And this is all we've been talking about for the last couple of months.

The global economy was created many years ago. Both the loss of jobs and IP issues have been a problem and a risk for a very long time.

This 25 percent tariff could not possibly be fixed overnight. It will only force many companies out of business.

A problem created over many years has to be unwound over the same period of time. Maybe it can be done in a less period of time, but it certainly can't be done all at one time.

It won't work. We request that the office furniture codes named in the letter that we sent in be removed from the Section 301 tariffs.

Office furniture is a commodity so to speak. It's not part of any intellectual property issues here in the United States.

I want to thank you for your time today.

MR. BISHOP: Thank you, Mr. Berkowitz. Our next witness is Rebecca Minkoff with Rebecca Minkoff, LLC.

Ms. Minkoff, you have five minutes.

MS. MINKOFF: Thank you for the opportunity to testify before this Section 301 Interagency Commission. I am here today as the founder of Rebecca Minkoff, a woman's lifestyle and accessories brand carried in over 900 points of distribution worldwide, but also as a representative of both the broader $12 billion U.S. handbag and luggage industry and the consumer and retail sector, which represents roughly one quarter of the economy of the United States.

When I started my fashion business in 2005, we were in a sixth-floor walkup apartment.

Less than a decade later, we had crossed 100 million in annual sales, and more than twice that amount at retail value.

And we have been recognized as one of the fastest growing and most innovative brands in the fashion industry. Today our family business supports more than a hundred other American families and sells handbags, apparel, and accessories to hundreds of thousands more. We are one of the top brands in some of the top department stores in the United States.

We acknowledge the challenges posed by doing business in China. Businesses like ours face a critical threat from bad actors in the region.

Although we will open our first stores in China this year, intellectual property pirates there registered our trademark in certain categories years ago and now use their Rebecca Minkoff trademarks to claim to sell legitimate products outside of the U.S.

Legal authorities in the region have

been slow to acknowledge and punish trademark pirates, commonly called trademark squatters. These squatters threaten our ability to grow our business.

We've had some of the most prominent partners threaten to stop doing business with us over the risk of this theft from our intellectual property.

We applaud the multi-pronged effort to reduce this threat to American businesses like ours. The Council of Fashion Designers of America recently sent a delegation to China to meet with the authorities about this issue, and those authorities are beginning to privately acknowledge this problem and to take steps to address this long term threat to global business.

However, an additional 25 percent tariff on leather handbags made in China will only hurt American brands, American consumers, and our honest partners in the region.

The tariffs punish the wrong people, including the American consumer, and leave the playing field wide open for bad actors to continue to sell fake products using our IP.

The problem isn't Chinese manufacturing. Handbags aren't high tech. There's no specialized IP, no threat to U.S. security from letting other countries manufacture in this category.

On the contrary. Over the past 20 years, the American consumer has come to depend on China for high quality, competitively priced, contemporary handbag manufacturing at scale.

We've spent more than a decade building our supply chain in China, and we can't recreate it overnight.

We started our business with a purely domestic supply chain. Going back to that model could triple our costs and would severely limit our ability to select raw materials and hardware, requiring us to cross-border supply chain for all of our raw materials.

Even if the American consumer were willing to accept substantially higher prices and fewer options, the domestic supply chain we were able to develop would only accommodate a small fraction of our annual production volume.

There are no U.S. manufacturers who can absorb even a meaningful fraction of the volume of the more sophisticated international producers.

Although the Committee has heard from at least one domestic bag manufacturer, our external business partners have told us that their current capacity roughly equals the annual handbag sales volume at one of the Nordstrom's stores in Tyson's Corner.

A domestic supply chain does not exist. While we applaud the efforts to encourage U.S. brands to diversify their supply chain, production cycles for our business mean that it will take nine to 12 months at the very earliest for us to identify and integrate new sources of supply at higher costs and with lower quality control around the world.

There is no short term solution other

than higher pricing. When it comes to handbag tariffs, it inevitably means higher prices and ultimately fewer choices for the American consumers.

Higher prices will disproportionately affect buyers of smaller American brands like ours because larger international brands will be able to use outsized influence to both ensure their non-Chinese suppliers accept their production orders first.

In closing, the opportunity to start and grow a business like ours is part of the American dream. As we work to diversify our supply chain over the long term, we hope the Administration will focus on Chinese trademark squatters without instituting additional punitive tariffs that will hurt emerging American brands and American consumers, and exacerbate rather than resolve the challenges we face in China.

Thank you.

MR. BISHOP: Thank you, Ms. Minkoff. Our next witness is John McLemore with

Masterbuilt Manufacturing, LLC.

Mr. McLemore, you have five minutes.

MR. McLEMORE: Good afternoon. My name is John McLemore. And thank you for the opportunity to testify today.

I am the President and CEO of Masterbuilt Manufacturing, headquartered in Columbus, Georgia. Masterbuilt was founded in 1973 in our backyard by my father, Dawson McLemore. I am the second generation, and my son is third.

The first product that we built in our backyard was a fish cooker and a plant stand, products built for our own personal use.

We now manufacture electric and propane fryers, barbeque grills, smokers, and accessories and employ 150 people.

I'm here today in opposition of Section 301 tariffs that the U.S. is considering imposing on these products. We are in support of the Administration's efforts to end China's unfair practice towards intellectual property rights, but we do not feel that our products' technology are at risk of IP theft. In fact, we have received IP protection through Chinese patents, ensured by our company.

We are also in opposition because approximately 80 percent of Masterbuilt's products are affected by the proposed tariffs. Our products are affected in the printed testimony that I provided to you.

I think we have 11 codes. As you can see from the list our electric and gas smokers and grills are affected by these tariffs.

We also oppose this because the tariffs do not affect the entire barbeque industry. Pellet and charcoal products are not on any of the lists.

Most of the Masterbuilt products are electric and/or propane that are on this list. Our electric and propane products compete head to head with charcoal and pellet fueled products.

I compete already with challenges, and this will make it impossible for me to compete because it creates an unfair and uncompetitive disadvantage in the industry.

We object to any tariffs. However, if tariffs are imposed on products affecting the barbeque industry, they should be imposed on all products rather than just some.

Masterbuilt is also concerned that if tariffs go through, we will be forced to ship production to the U.S. or other countries. And if that happens, folks, we simply will need time, at least two and a half to three years or more.

If the tariffs go through, Masterbuilt and other companies in the industry will need time to seek alternatives to sourcing and balance -- to compensate and offset the setup costs.

Not only will the tariffs significantly raise our costs, shifting sources to other countries may also increase costs. These costs will simply be absorbed by the U.S. customer.

Our products are complex. They have strict certifications, quality requirements. We must have the right infrastructure to place products and do them safely. We cannot just simply buy them anywhere.

We -- if we cannot fairly compete or have time to shift manufacturing, Masterbuilt will be forced to lay off employees.

You heard from one of my competitors last week, Char-Broil. Both Masterbuilt and Char-Broil are two iconic well-known brands in our industry, and we're both in Columbus, Georgia.

We employ over a hundred employees together. This will negatively impact our city. Even though we compete with Char-Broil and others, we stand together with our competitors and retailers in opposing these tariffs.

Folks, in closing Masterbuilt is my life. And it's probably everybody's life that you've heard up here, so many people testifying.

This is all I have ever done since I was eight years old. I started with my dad in my backyard. My son is now third generation in our company.

And while we want to survive this and understand how we can help with this process, it's not something that we can do overnight. And you've heard that multiple times.

It didn't happen overnight. We cannot solve it overnight. Please, do not have these tariffs go through to negatively affect my company, my family, my employees.

We have amazing people who do -- and 150 just in Columbus in my company alone. This tariff is not something that is going to help us.

And as everybody has said here today, we're asking that you don't pass them to go through. Thank you.

MR. BISHOP: Thank you, Mr. McLemore. Our next witness is Frank Carver -- Carvajal, sorry, with Cali Bamboo, LLC.

Mr. Carvajal, you have five minutes.

MR. CARVAJAL: Thank you. Hello, my name is Frank Carvajal. I am the Vice President of Operations at Cali Bamboo. Thank you for granting me the time to testify today.

Cali Bamboo, which is headquartered in San Diego, California, imports and distributes building materials --

MR. BISHOP: Pull your mic a little closer, please.

MR. CARVAJAL: Yes, sir. Cali Bamboo, which is headquartered in San Diego, California, imports and distributes building materials made primarily of bamboo.

Founded in 2004, the company started by selling bamboo fencing. Today we have expanded beyond fencing to include bamboo flooring, decking, and plywood.

This year we are on track to sell over $125 million worth of building materials. Our company employs 137 U.S. based employees.

Our products are distributed through Lowes, U.S. flooring dealers, specialty retail stores including Petco and True Value, and we sell direct to consumers across the United States.

Here are some highlights of our company. Cali Bamboo has been named to Inc. 5000's list of fastest growing companies for ten consecutive years.

Cali Bamboo was placed 49th amongst the 100 fastest growing private companies by the San Diego Business Journal. The company has been named the top workplace by the San Diego Union Tribune for four straight years.

And Cali Bamboo gives back to the community, including programs such as Habitat for Humanity, the Humane Society, Surfrider Foundation, and Rady Children's Hospital.

All of the bamboo building products that Cali Bamboo imports are from China. Those products are classified under a number of subheadings in the U.S. Harmonized Tariff Schedule, including those listed on this testimony.

I'd like to explain how imposing additional duties on these products, one, should not apply to these HTS codes and would not be practicable or effective to eliminate China's acts, policies, and practices.

Two, would cause disproportionate economic harm to U.S. interests, including small and medium sized businesses and consumers. And, three, would have a significant negative impact on Cali Bamboo's U.S. operations.

So first, USTR's Section 301 report that Chinese policies and practices force U.S. innovators to hand over their technology and know-how as the price of doing business in China.

China also uses non-economic means to obtain U.S. technology, such as using state owned funds and companies to buy up American businesses and imposing burdensome intellectual property licensing requirements in China.

USTR's report also found that the Chinese government sponsors the outright theft of U.S. technology for commercial benefit. Cali Bamboo agrees that these practices are an existential threat to America's most critical comparative advantage and the future of our economy, our intellectual property, and technology.

The products Cali Bamboo imports into the United States from China do not have any U.S. innovation, technology, or intellectual property assigned to them.

In fact, the original patent for strand woven bamboo was applied for in China in 1988 by Mr. Fu Qi of the Longyou Panel Factory.

In 1992, an industry standard for strand woven bamboo was issued by China National Forest Department. These products are builders products manufactured with bamboo materials.

Second point. Cali Bamboo cannot absorb an additional 10 to 25 percent duties on imports of bamboo from China. As such, Cali Bamboo would be forced to pass those costs along to its customers listed in the testimony.

Many of the U.S. flooring dealers and speciality retail stores to which Cali Bamboo sells its products are small to medium sized businesses. Additional costs with the tariffs would have a disproportionate impact on those businesses.

Also, U.S. consumers will be forced to pay more for the products. This would have a disproportionate impact on U.S. consumers.

Third and final. Chinese bamboo, phyllostachys edulis, also known as moso bamboo, is the most commonly used bamboo species for industrial bamboo manufacturing in the world.

Over 90 percent of the world's moso bamboo species is grown in China. Over 77 percent of Cali Bamboo's sales are derived from products made with moso bamboo materials.

The species, plantations, technology, innovation, manufacturing infrastructure to source bamboo building materials reside in China. Cali Bamboo cannot source its demand for these products from the United States or any other country.

The implementation of these tariffs will cause severe economic harm to our company and could force the loss of 137 jobs in the

United States.

Our pricing structure makes our products affordable to the U.S. consumer. To impose any tariff to our product would make them unaffordable, driving us to become uncompetitive.

For these reasons, we respectfully request that the HTS subheadings covering bamboo building products be removed from the list of products subject to duties. Thank you.

MR. BISHOP: Thank you, Mr. Carvajal. Our next witness is Camilo Ferro with One Earth Packaging.

Mr. Ferro, you have five minutes.

MR. FERRO: Thank you. Thank you for the opportunity to testify today. My name is Camilo Andres Ferro and I am the owner and President of One Earth Packaging.

One Earth Packaging is a business-to-business wholesaler and distributor of compostable products in several vertical markets, such as hospitals, universities, restaurants, and other retail businesses. We are concerned about the inclusion of HTS Code 3923.29.00, other bags and sacks made from polymers other than ethylene.

The proposed 25 percent tariffs on compostable bags will have a disproportionately negative impact on our customers which are U.S. businesses. These U.S. businesses will bear the burden of these additional costs, which will ultimately infringe on their growth and profitability.

Composting is a rapidly growing industry that is providing sustainable jobs nationwide, while reducing waste in our landfills to then be repurposed for agricultural use. Increasing environmental concerns of plastic pollution and zero waste goals being implemented by elected officials, including governors and mayors across the country have allowed for small businesses like One Earth Packaging to offer compostable solutions to address these concerns. Compostable products, like the cups that are laid out in front of us today, our drinking water cups.

As cities and states push for sustainability, legislation is redefining the shopping bag options in the market from limiting the use of what type of bag can be used at the point of sale to even the composition of the bag itself. Due to this legislation, in the shopping bag industry, there are only the following bag options that are being allowed throughout our cities across the country: thick plastic bags between 2 ml. and 4 ml., paper bags, cloth bags, or compostable bags.

One Earth Packaging imports and innovative alternative that meets these newer mandates that are being implemented nationwide. Not only do compostable bags provide consumers with their intended use as a carrier, they also educate customers/consumers on what composting is, all while leaving no negative residue or imprint behind in the environment. Simply put, compostable bags provide us with the means to further develop zero waste goals and initiatives.

The compostable bag industry is in its

infancy stage and is just starting to gain momentum and awareness in the United States. The 25 percent tariff will not only hinder the growth of the compostable bag industry but also impede these zero waste programs. For example, Kroger, the grocery store giant, just announced last week the company will be phasing out plastic bags from its operations. I can assure you they are not the first company to do so and will not be the last. This is a current trend that is taking place across businesses in diverse markets. These 25 percent tariff increases will make it impossible for One Earth Packaging to compete against our European competitors that are currently importing compostable bags.

Along that, these 25 -- this 25 percent tariff on these products will not incentivize China to change its acts, policies, and practices. It would only make it more expensive for American businesses and consumers to follow a green sustainable lifestyle.

In finalizing the list of affected

products, the USTR should be certain that the items subject to retaliatory duties are those which most greatly impact China with the lowest impact on the U.S. and its citizens.

We agree the administration should address China's discriminatory practices towards intellectual property rights, however, do not believe imposing punitive tariffs on compostable bags will convince China to change its behavior. Instead, 25 percent tariffs on compostable bags will only hurt our company, our customers, and consumers.

In conclusion, One Earth Packaging respectfully requests that the HSTS Subheading of 3923.29.00 be removed from the list of products subject to the proposed modification. The proposed modification, although intended to impose penalties upon China would have unintended consequences for small U.S. businesses, such as One Earth Packaging and a large and growing segment of sustainable U.S. businesses.

Compostable bags are not subject to

nor have they benefited from any involuntary tech transfers and they are outside the scope of acts policies, and practices of the Government of China related to technology transfer, intellectual property, and innovation.

Thank you for your time and your leadership and also giving me the opportunity to stand up for my business of over ten years.

MR. BISHOP: Thank you, Mr. Ferro.

Our final witness on this panel is John Crowley with the National Association of Waterfront Employers.

Mr. Crowley, you have five minutes.

MR. CROWLEY: Thank you very much. I thank you for your time.

Given the time you've spent, I'm going to highlight that which exists in the written comments provided.

I am the President of the National Association of Waterfront Employers, which represent marine terminal operators and stevedores. The key mode for traffic in and out of this country and country are ports. There has been a great deal of attention by the Congress and the administrations over time to increase productivity. The productivity of all U.S. cargo includes exports and also includes national defense goods.

The engine for those ports are the marine terminal operators and the stevedores, who hire labor, who devise innovative practices, and buy new equipment. The new equipment is particularly important to maintain competitive capability across the globe, in view of the increased capacity and design of shipping today.

The key element for the equipment are the cranes, whose only reasonable source is manufacture in China. This is the subject of the codes for which we are addressing you today.

The Ship-to-Shore cranes are those of which you see high above the ports and they uniformly depend upon this one single Chinese manufacturer, which is a global situation without a reasonable alternative anywhere throughout the global system.

In addition, equipment is key in moving, both expeditiously and smartly, the cargo within a container yard within a yard. And finally, the equipment that is order does not necessarily mean the entire crane, and its software, and its motor are made in China. Those are individual decisions made by individual operators for what is the best service of their innovation within the terminal.

So in conclusion, in order to maintain a competitive edge globally, to grow, and modernize, and maintain that position for all U.S. cargo, we urge the -- to not include the codes cited in our written submission.

Thank you very much.

MR. BISHOP: Thank you, Mr. Crowley.

Madam Chairman, that concludes direct testimony from this panel.

MS. D'ANDREA-YOTHERS: This question is for Mr. Berkowitz.

Can you talk about how long your

contracts are for and whether they include minimum purchases?

MR. BERKOWITZ: Yes, can you repeat the last part of your question?

MS. D'ANDREA-YOTHERS: Okay. How long your contracts are for and whether they include minimum purchases.

MR. BERKOWITZ: Yes. The current contract is for five years, starting in 2018, and it's an exclusive contract for the entire United States, and it includes escalating minimum quantities.

MS. D'ANDREA-YOTHERS: And another part of the question: When your contracts end, do you have domestic sources for your product?

MR. BERKOWITZ: One more time with the last part.

MS. D'ANDREA-YOTHERS: Okay. Are there domestic sources for your product?

MR. BERKOWITZ: There are no domestic sources for this product because it is intellectual property of the factory that is in

China that is owned by the company that belongs -- it belongs to the company in China.

Could we, eventually, one day manufacture the product? That's a possibility.

MS. D'ANDREA-YOTHERS: Okay, thank you.

MR. BERKOWITZ: You're welcome.

CHAIR GRIMBALL: This next question is for Ms. Minkoff.

You described sort of a situation that is the quintessential focus of these 301 Investigations, which is, to use your term, trademark squatting. Could you give us an idea of the amount of loss that your business has suffered due to the use of your trademark by Chinese companies?

MS. MINKOFF: I can get that exact numbers for you. I don't have that exactly to hand and it would be almost impossible, given that it is happening in China and we don't have a way to track their sales. It would be I wouldn't want to throw out a number that is false but I can get you as close as possible specifics following this that can be part of the written testimony.

CHAIR GRIMBALL: Okay and just a few more questions.

You mentioned in your testimony that, initially, your supply chain for your products was a domestic-based supply chain but later on you made a decision to move that supply chain to China. Can you give us an idea of the factors that went into that decision-making process?

MS. MINKOFF: Yes, of course. As we began to expand as quickly, there actually are no U.S.-based factories that can handle the capacities that we produce. And also when you do make it domestically, you actually still have to import almost all the product. So we were importing from ten different sources, where in China we have that factory imports everything for us, the hardware, the leathers. So it's all right there for the factory to use and for us to be able to react quickly to orders; whereas, here, it is a puzzle that you have to mastermind and, sadly, it doesn't exist anymore here today and hasn't existed for almost 20 years.

CHAIR GRIMBALL: And for all of the items in your accessory line, all of them are made in China. Are there any products, wallets, perhaps, belts, if you make them, that might be made somewhere else where, I don't know, some manufacturing system might be in place that you could consider moving some of your other products to?

MS. MINKOFF: We could consider it but, again, at minimum, it will take 12 months to establish a new supply chain, go through the rigorous quality testing, testing for the right labor laws, making sure that this is a factory that can handle the type of quantities that we are at today.

So yes, it's possible but not at least for 12 months.

CHAIR GRIMBALL: Thank you.

MR. WINELAND: Mr. McLemore, you said

in your testimony you talked about sourcing certain components domestically would be cost prohibitive. And it sounds like then some components might be available to be sourced domestically. You also talked about the challenging time, the time lag in shifting.

Could you elaborate on your testimony about your ability to source more of your components domestically?

MR. MC LEMORE: I sure can. Setting the manufacturing up, as you probably have heard many, many times, it's not as easy when you've got a pretty complex product. So the supply chain that we have will have one main factory and then sub-factories surrounding that factory within say 100-mile radius. For us to establish that is cost-prohibitive here. Not only is it very, very expensive to set the manufacturing up but the tooling process is also very expensive. So we have to rely on an established manufacturing facility that already has the infrastructure, they are capable of surviving the audits from all of our top suppliers. They survive the audits that Masterbuilt puts on them for safety restraints and/or constraints.

It is also difficult for us because when you tool a product -- earlier I said that it would take two and a half to three years to set a manufacturing facility up, including the sub-factories. That's a minimum. When Masterbuilt comes out with a new product, it takes us 12 to 18 months with an established factory to get a new product on the market through all the certifications, the UL, CSA, ETL, InterTech that holds us to a very tight standard.

So it's not only the infrastructure setup that is cost-prohibitive or at least very difficult, but it is a mathematical impossibility for us to do it in a very short time period. If we started today, two and a half to three years would be not missing any deadlines to get a factory set up and the expense to do it.

Earlier you asked a question about MOQs, minimum order quantities. That's also a big factor for us. If you don't have the right minimum orders set up, it makes it very difficult as well.

All of that just kind of makes this a very difficult and very challenging process.

MR. WINELAND: Thank you. And just to -- could you clarify whether you do have any production facilities here in the United States?

MR. MC LEMORE: No, sir, at this time we do not.

MR. WINELAND: Okay, thank you.

MS. PETTIS: I have a question for Mr. Carvajal.

In your testimony you mentioned that over 77 percent of your sales are derived from products made with moso bamboo materials. I believe that you said that 90 percent of the moso bamboo is in China.

MR. CARVAJAL: Yes.

MS. PETTIS: Can you discuss what the other 23 percent of your sales are and also why the moso bamboo is the most common bamboo?

MR. CARVAJAL: Sure. So I'll answer your first question. We also import eucalyptus flooring from China that has a lot of the green characteristics that are found with bamboo. It is strong. It is also strand-woven. A very similar process; different species. We import cork flooring from Portugal. But with those two products, you are limited on your color, your diversity, and your customer demand. That's probably the last five to ten percent.

We also import rigid vinyl flooring because we are in the flooring space. So that's complementary to our consumer bases.

MS. PETTIS: Okay.

MR. CARVAJAL: And then to answer your second question, why is moso bamboo the right species, so we look at four main features for bamboo. And we've analyzed the world's largest exports -- or imports to the United States, what countries they come from, what species of bamboo and we've been doing a lot of testing around it because we want to model out a situation in the future where we could no longer buy from China if something were to happen in China.

So number two on the list is a species called balcooa from India. And then it kind of goes down from there. We have Southeast Asian species, blumeana, and then a fourth species, vulgaris from China.

We test all of these different species. The moso bamboo -- so let me just start off by the strength. It's 360 percent stronger than the next one on the line. It's unheard of but the type of bamboo, the environment it grows in -- bamboo in the world primarily grows in hot, humid areas. The region of China that this moso bamboo grows is a very unique area in the world. It's the pyramid between Shanghai and if you were to just go 400 to 500 miles south of Shanghai, and then I'm going to say west about 300 miles, that's the core. You get a cold wet winter and you have a warm hot summer, and wet springs. That environment, along with the soil -- these bamboo forests grow natural, in a natural environment. So the soils have higher natural carbon.

In the United States, if we try to grow this same bamboo species, which it does grow in South Carolina, it's not as strong. The test results show weakness and it's because the soils in the United States have already been eroded. The winters aren't as cold as they need to be to create that moisture. And even the wind direction -- in China, the wind is coming from the northeast and in the U.S., the winter winds are coming from the northwest. That makes a huge difference on the moisture level.

All of that contributes to the strength, the moisture level, the density, and the shrinkage that this product makes. Because that is so superior, you can make it into wood flooring. You can make plywood paneling and it holds up. You can make fencing.

And we have flooring -- we've been in the industry since 2004. We have a 25-50 year warranty on our products. We feel that strongly that it can hold up for that long. We advertise our products as the world's hardest floors because we've done tests, and tests, and tests.

We even had our factory import product from India and tried to mimic and create this same type of flooring and they couldn't do it. It fell apart. It didn't pass any of the tests.

We've even looked at exporting the product to Vietnam and making it there but the natural humidity levels in Vietnam destroys the raw material. And then you're also talking about country of origin rules. Does that then violate the U.S. country of origin rules?

So we're kind of trapped with this product. If we want to sell bamboo products or bamboo species, this is the only product and species we feel comfortable putting our name behind.

MS. PETTIS: Well, thank you very much.

MR. CARVAJAL: You're welcome.

MS. BONNER: I have a question for Mr.

Ferro.

Mr. Ferro, could you please tell us a little bit more about possible other sources for your products for these compostable bags? Are you able to find them domestically or another like a third country? Is there some reason why you can only get them from China or is there another source?

MR. CARVAJAL: Yes, so thanks for the question. Domestically, we have looked at the current manufacturers that focus on shopping bags, it being either paper or plastic. Because that's what they know and that's what they've used, that's what they're going to stick to.

When we look at shopping bags, specifically, there is less than five major competitors in the marketplace that create the plastic bags and those same competitors have been buying paper manufacturers. So for them to use their machines to create compostable bags, it doesn't make business sense for them or they don't want to convert their manufacturing process to do compostable bags domestically.

Internationally, we have looked at other options, specifically in Europe because Europe is about ten years ahead of us on composting and zero waste goals. We've looked into that but it's very competitive, very price aggressive, and, quite frankly, they source a lot of their compostable bags from the Asian countries for the 10 to 15 years ahead that they've been doing it because they've been doing it for such a long time.

MS. BONNER: So we have U.S. domestic producers of these bags for retail and there is push, you talked about, from the various counties, and states, and governments to move towards using compostable bags.

You don't see market pressures maybe encouraging them to move towards working with you on this bag?

MR. CARVAJAL: I would like to think so but, unfortunately, they are not because when we look at the legislation across the country, they are giving them the three options: either the thick plastic, the paper, or the compostable.

If you're a plastics company, you're going to stick doing the thick plastics that you've been doing. The same thing with your paper companies; you're going to stay doing the paper manufacturing process. If you're a compostable bag, which is the newest innovation in the plastics industry, they just haven't caught on. And we're one of the few doing it now, selling it in a domestic landscape.

MS. BONNER: Thank you.

MS. HENNINGER: Mr. Crowley, your written testimony describes various types of cranes at the ports.

Are any of these cranes manufactured in the United States?

MR. CROWLEY: The Ship-to-Shore cranes are not. They are entirely manufactured in China.

Some of the smaller handling equipment will be, as well as some of the motor and software components of all the equipment will be manufactured, designed, and kept up within the United States technology.

MS. HENNINGER: You also mentioned in your statement that there are smaller yard cranes available from Europe but it's cost-prohibitive to bring to the United States.

Are those costs higher from Europe than from China?

MR. CROWLEY: Well, they are because of manufacturing quantities. And I can probably give you a better answer, more complete answer in terms of the cost breakdown in a follow-up but time has shown that they continue to be more expensive from an experience standpoint.

I'll follow up with that as to a more detailed response.

CHAIR GRIMBALL: A quick follow-up question.

Is there a difference between the Ship-to-Shore cranes, I think the yard cranes that you mentioned, and cranes that you might see at a construction site around the D.C. area? Are those all the same type of cranes and are those sort of cranes that we might commonly see in construction, to your knowledge, are they also manufactured in China?

MR. CROWLEY: I have no knowledge as to where the local construction cranes are manufactured.

There are various differences in cranes, though. The cranes for the Ship-to-Shore purposes exist on a track so they are continuously mobile, both side-to-side, in and out, and up and down. So they are fairly complex in their mechanical movements and to time within an overall perspective of cycling the cargo through the gates. That's where then the software and the motors come in for handling purposes.

But to my knowledge, there are so many different fashions of cranes that it's unlikely, in my estimation, that they would be similar in nature.

CHAIR GRIMBALL: Thank you.

Well, if there are no more questions, I would like to thank all of the witnesses. I thank my interagency colleagues for your participation throughout this six-day hearing.

And I declare these hearings adjourned.

(Whereupon, the above-entitled matter went off the record at 3:29 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: USTR 301 Committee

Date: 08-27-18

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

Court Reporter