Section 301 Hearing, May 16, 2018, Panel 10, Testimony of Mike Gray of the Valmet Corporation

Thank you for the opportunity to participate today and present the views of Valmet Corporation. My name is Mike Gray, and I am the Sr. Vice President of Valmet's North America Capital Business operations. Valmet is the leading global developer and supplier of technologies, automation and services for the pulp, paper and energy industries. Valmet's technology offerings include pulp mills, tissue, board and paper production lines, as well as boilers for power plants engaged in energy production.

We are headquartered in Finland and have fifteen U.S. locations in a number of states. We supply our U.S. customers, with papermaking machinery and energy products, employ 1,200 U.S. workers, and generate revenues for local communities. We have production facilities in the United States, Finland, Sweden and China. In our Chinese facilities, we produce components of machines that are imported into the United States for assembly and installation by thousands of U.S. workers.

Valmet shares the Trump Administration's commitment to combatting China's violations of intellectual property rights, forced technology transfers, and other policies that harm U.S. companies and workers. Taking into account our mutual commitment, Valmet respectfully urges USTR to remove from its tariff target list machinery for pulp, paper and tissue making; products of pulp and paperboard; and certain boiler machines. As I discuss here, tariffs on these products will cause disproportionate harm to U.S. interests, and will not be effective to obtain the elimination of the Chinese acts, policies, and practices found to be in violation of Section 301.

Duties on these products will impact U.S. consumers and jobs, and result in decreases in revenues for Valmet's numerous U.S. facilities, impacting investors and local governments.

As to impact on consumers, we would need to modify our supply chains, causing disruption and increased costs to our customers and, in turn, the end consumers of the products made by our equipment. For an industry that relies on long-term planning, these effects will be particularly acute. As a result, demand for our product offerings will decrease, impacting U.S. workers and our revenues.

We or our customers, employ thousands of U.S. workers each year to assemble and install our equipment. In total, the duties will put at risk approximately 6,000 direct and indirect jobs a year across the United States.

Revenues will decrease in Valmet's facilities in the U.S. and China, impacting rates of return of investors and tax revenues of the local communities. According to a first estimate based on our three-year strategy, the annual impact of the tariffs will be in excess of $ 50 million on our sales.

The magnitude of these impacts will not be offset by increases in domestic production. These products are not currently produced in the United States. Restarting production would require the building of special facilities with significant foundations and equipment, specialized training, significant capital investment, and would take multiple years.

What's more, the increased duties will not address concerns articulated by USTR. As a company with seven wholly-owned production facilities in China and two joint-ventures with Chinese entities, we can speak to these concerns with substantial experience.

As to technology transfer, we do not transfer our sensitive technology to Chinese companies, including our JV partners. High-tech components of our pulp and papermaking machinery which are produced in China are produced in Valmet's wholly-owned facilities in China with a majority being produced in Finland. No high-tech components are produced in Valmet's Chinese JVs. High-tech components of our boiler machinery are produced in Finland and imported directly into the United States.

As to licensing practices, we have only licensed technologies to our wholly-owned Chinese enterprises and JVs in China, and in the latter case, we licensed the technologies by choice and on market-based terms.

As to Chinese outbound investment, our company has not previously been approached by Chinese investors that seek to acquire our business.

As to cyber-theft, our business confidential information has not previously been stolen by the Chinese government. On a global level, we are in constant discussion about ways to counter the risks of cyber-theft.

In short, the concerns USTR seeks to address do not apply to our operations in China and to our knowledge, do not apply to those of our largest competitors, both of which have wholly-owned production sites in China. Tariffs on the paper and energy products will only cause a disproportionate impact on U.S. interests, including on jobs and consumers, as I described above.

Thank you again for this opportunity to present our views on a matter of serious concern to our company, and I look forward to your questions.