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**Draft Submission: Southwire: Section 301 Hearing**

*Testimony: May 15, 2018*

- Southwire is North America's leading manufacturer of wire and cable used in the transmission and distribution of electricity. Southwire is a family-owned business based in Carrollton, GA. Of our 7,500 employees, more than 2,500 people work at seven U.S. manufacturing and distribution facilities located in six states where Southwire manufactures products that are affected by the gaps in the Section 301 list.
- Southwire manufactures a central component of the U.S. electric grid – electric cables, including high voltage bare aluminum cables classified under HTS 7614.10.1000 and 7614.90.2000, respectively, medium voltage copper and aluminum cables classified under HTS 8544.60.4000 and HTS 8544.60.6000, respectively, and low voltage copper and aluminum cables classified under HTS 8544.49.3080 and HTS 8544.49.9000, respectively.
- In order to protect U.S. national security and ensure the reliability of the electric grid, Southwire requests the addition of these two products to the 301 list.

- As the Department of Commerce noted in its January 17, 2018, *Section 232 Report*, "aluminum transmission cables…power the nation, delivering electricity from power-generation facilities across long-haul transmission grids for distribution at the regional, state, and local level."
- These cables are the very skeleton of the U.S. electric grid, without which electricity would not be able to move from power plants and generation facilities to homes and businesses. Commerce specifically recognized Southwire as a "major manufacturer" of these products. Maintaining the US production of these cables ensures the security and reliability of the nation's electrical grid.
- While USTR included other types of cables on the Section 301 list, it failed to include high voltage bare aluminum and medium voltage aluminum cables. As a result of this omission, the scope of the tariffs imposed under Section 301 contains a massive hole that Chinese producers will exploit to gain further market share at the expense of American producers.
- Chinese manufacturers already pose a substantial threat to the US industry. Chinese imports have increased and are sold at prices that severely undercut US prices. In our confidential written submission we demonstrate that Chinese producers persistently undersell Southwire by substantial margins.
- As a result, Chinese producers have captured an increasing share of the US cable market.

- The problem is further exacerbated by the fact that the primary aluminum that Southwire uses as an input to produce cables is covered by the 232 measure but the scope of 232 does not include these cables.
- Southwire is the sole U.S. producer of aluminum rod used to manufacture cables and, as a result, recognizes that U.S. primary aluminum production cannot increase by enough to fully supply the U.S. market. Therefore, Southwire must import primary aluminum to round out our supply needs.
- Southwire purchases a majority of its primary aluminum from domestic sources. Prices in the US have risen significantly as a result of the 232 measure and the sanctions imposed on Russian aluminum.
- Thus, while our costs have risen, we largely remain unable to increase prices because of the intense competition from Chinese imports.
- The hole in scope of the Section 301 tariffs will incentivize Chinese producers to increase their low-priced shipments of finished products and combined with the impact of the additional tariffs and sanctions on Southwire's raw material costs, pose a threat to the existence of a significant portion of our business.
- If this situation persists, Southwire will likely be required to reduce its workforce by as much as 35 percent, or 2,500 people. It will also likely be required to shutter all or a part of seven of its U.S. facilities located in six states.
- The solution to this problem is simple. We urge USTR to <u>add</u> high voltage bare aluminum cables classified under HTS 7614 and medium voltage aluminum cables classified under HTS 8544.60 to the list of products subject

to the Section 301 tariffs. USTR already has included other cables on the 301 list and we ask that USTR keep these cables on the list.

- Thank you for your time and attention to this important matter. I would be happy to answer any questions you may have.