Testimony of Billy Milligan, Commercial Metals Company

Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation
Section 301 Committee Hearing
May 15, 2018

Good morning. My name is Billy Milligan, and I am the Director of Marketing of Commercial Metals Company. I appreciate this opportunity to appear before you today to express our support for the duties on certain Chinese-origin products being imposed under Section 301, and to request that the U.S. Trade Representative add steel fence posts to that list of products. These steel products are classified under HTS number 7326.90.86.

First, I'd like to provide you with some background on our company. CMC is one of the world's most technologically advanced and efficient steel producers as well as the largest producer of steel fence t-posts in the US. We pioneered the micromill technology, which enables us to produce steel products – like fence posts and other steel products – very efficiently and at a globally competitive cost. The American steel industry, as a whole, is as modern and competitive as any in the world. We can provide the United States with nearly all the steel products a modern industrial economy needs. However, unfair steel imports from China have long caused serious damage to our industry and inhibit our ability to compete with these government-subsidized imports in the United States.

As USTR detailed in its Section 301 report, these imports from China have been fueled by Chinese government policies, including Made in China 2025, and unfair trade and other practices by the Chinese government and Chinese producers. CMC is pleased that the U.S. Government is seeking to address these unfair practices through the imposition of an additional duty of 25 percent on a list of Chinese-origin products, including many steel products. However, we request that USTR also include steel fence posts (HTS number 7326.90.86) on the list of Chinese-origin products to be subject to the duty.

According to official statistics maintained by the U.S. International Trade Commission, imports from China under this HTS number accounted for nearly $1.4 billion in 2017. These imports have had a devastating effect on U.S. manufacturers and their workers. We estimate that currently, Chinese-origin fence post imports have increased by 82% since 2009 and command over 20% of the U.S. market.

USTR has explained that the list of products on which Section 301 duties are being imposed is dependent on a number of factors. First, the duties will be imposed on products that benefit from Chinese industrial policies, including Made in China 2025. For decades, the Chinese steel industry has benefited from policies of the Chinese government, including five-year plans specific to the steel industry and Made in China 2025, which addresses the steel sector in the *Technological Roadmap*

for Made in China 2025 Priority Sectors. Thus, steel fence posts, like other steel products, are a strong candidate for inclusion on the Section 301 list.

At the same time, the additional duty on these products is not likely to cause disruptions to the U.S. economy, as there are multiple U.S. sources and alternative, non-Chinese import sources for these products. CMC and other manufacturers produce fence posts in the United States. There are also significant imports under HTS number 7326.90.86 from other trading partners, including Mexico, Canada, Germany, Japan, Taiwan, Korea and Malaysia. CMC also is not aware of any other legal or administrative constraints affecting this tariff line.

Therefore, we request that USTR add steel fence posts to the list of Chinese products subject to the 25 percent Section 301 duty. Unfair imports of these products from China have had a significant effect on CMC's profitability, employment, and ability to invest. In response to the flood of imports over the past several years, CMC has been forced to close 30 U.S. locations since 2008, and to reduce our workforce by 4,000 jobs. Imports have also adversely affected our ability to make new investments, causing us to put expansion plans on hold.

We cannot allow China's industrial plans, technology transfer policies, cyber-enabled theft and illegal government subsidies to cause further injury to our U.S. manufacturing industries. CMC greatly thanks USTR and the other government agencies involved in the Section 301 investigation for taking steps to address China's

unfair trade and related practices. We respectfully request that USTR also add steel fence posts, classified under HTS number 7326.90.86, to the list of products subject to the Section 301 duty. Thank you, on behalf of CMC and our more than 7000 American workers.