Testimony of Drew Clock – Galata Chemicals

- Good afternoon. My name is Drew Clock, Vice President and General Manager with Galata Chemicals, LLC. Galata is a major U.S. producer of tin stabilizers at our production facility in Hahnville, Louisiana.

- I welcome the opportunity to appear today to discuss Galata's request that the final Section 301 list of products include tin stabilizers.

- Tin stabilizers are used in a range of products, many of which are made from polyvinyl chloride or PVC. Yet Galata and other U.S. producers are being decimated by China's protectionist policies and its low-priced, subsidized imports of tin stabilizers.

- Increasing tariffs on imports of Chinese tin stabilizers is consistent with the Section 301 findings. It will help show China that its trade policies – and its attempt to develop and dominate the entire production chain for higher-value products such as tin stabilizers – are no longer acceptable to the United States.

- U.S. imports of Chinese tin stabilizers have increased significantly. Importers not only undersell Galata's prices by substantial margins, they are doing so at prices well below what reasonably should be Chinese producers' costs of production.

- In its written submission, Galata used actual price quotes from importers along with different cost models based on the LME and Shanghai Metal Market to demonstrate how Chinese imports depress domestic price levels and take U.S. market share. Galata also highlighted examples of major lost customer accounts as a result of China's mercenary trade practices.

- These practices reflect China's broader intention, as found by USTR, to dominate its domestic market and become a global leader in a wide range of technologies. In particular, as USTR emphasized, nonferrous metals are among the sectors China has identified for international expansion.

- Tin is a nonferrous metal, like aluminum. The Department of Commerce found in its recent Section 232 investigation on aluminum that, quote: "China's industrial policies encourage development and domination" of the entire production chain. And, quote, "China imposes an excise tax that creates a disincentive for the export of primary aluminum" products.

- China does the exact same thing with tin. Tin is by far the largest input by value in tin stabilizers. China has the world's largest tin reserves and produces the most tin. Yet China unfairly restricts exports of tin ore and concentrates, as well as other primary tin products, through steep excise taxes on exports.

- As a result, China has not exported any tin ore and concentrates whatsoever for the past 5 years, and very little unwrought, unalloyed or alloyed tin.

- In contrast, China exports thousands of tons of tin stabilizers, including to the U.S. The annual volume of Chinese exports is increasing dramatically, too. U.S. imports under the main tariff listing rose 62% during the past 5 years and by 52% over the past 3 years.

- China encourages and facilitates these increasing export volumes of higher-value products by rebating the VAT on exports. Once again, this is just what Commerce found regarding aluminum in the Section 232 investigation. China, quote, "provides tax rebates on exports of semi-finished or finished" products.

- Thus, as Commerce found with aluminum, U.S. imports of tin from China are not in the form of unwrought tin, but largely in the form of higher-value tin stabilizers.

- In conclusion, Galata continues to lose significant business and market share as a direct result of unfairly priced Chinese competition. Increasing tariffs on tin stabilizers would help eliminate China's protectionist acts, policies and practices, as called for in USTR's Section 301 findings. China could not as easily protect its tin reserves and primary tin products, while subsidizing the export of higher-value tin stabilizers. Importers of Chinese product would also be forced to compete in the U.S. market on a more equal basis.

- I welcome any questions from the panel and will gladly provide additional written documentation, if requested.