Statement of the Glass Packaging Institute and Anchor Glass
Delivered by Paul Rosenthal, Kelley, Drye & Warren
USTR Section 301 China Hearing
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My name is Paul Rosenthal and I am appearing here today on behalf of the Glass Packaging Institute ("GPI") and its member companies. GPI is the trade association representing the North American glass container industry, which produces an array of consumer product packaging options for a variety of industries, including food, beverage and cosmetics. Anchor Glass, who is not a GPI member, joins this statement, in furtherance of lending support to the industry position. Anchor Glass is a domestic producer of glass container products headquartered in Tampa, Florida with glass container manufacturing facilities in six states.

Over 90 percent of the domestic glass container manufacturing industry's highly-skilled, hourly workforce is organized under the United Steelworkers. As the majority of U.S. glass container plants are located in lower socio-economic areas of the country, the pay and benefits earned by these valued employees are much higher on average when compared to nearby jobs and careers.

GPI seeks the inclusion of glass container products in the list of products to be subject to additional duties in the amount of 25 percent under the Administration's Section 301 action. These products can generally be defined as glass containers intended for the conveyance or packing of beverages and other liquids or food materials and are classified under HTS subheading 7010.90.50.

While glass container products may not fall within the advanced technology priority sectors of Made in China 2025, which was a criterion for inclusion on USTR's proposed list, glass production employs advanced technology and is extremely capital intensive. Chinese producers of these products have benefited from an export-oriented industrial policy that has caused considerable harm to U.S. producers over time. For this reason, they are similarly situated to other products that have been included in the Section 301 action, and should be considered for the application of additional tariffs to address the trade-distorting actions of the Chinese government.

For example, there is considerable evidence that Chinese glass container manufacturers have for decades been supported by various government subsidies that lower both the cost of production and raw material inputs and have received benefits for oil, coal, electricity and soda ash. Independent researchers have determined that specific subsidies in the amount of $4.8 billion have been provided to the flat glass industry segment (used in automotive and window applications) between 2004 and 2008. These scholars have extrapolated that subsidies to the entire glass industry may have totaled $30 billion for the same time period.

These government subsidies have resulted in massive exports that target the United States. The United States is China's largest export market by far for glass container products, and such exports have grown significantly in recent years, expanding in volume by 38.5 percent from 2013 to 2017. Exports from China to the United States in 2017 (532,288 metric tons) were more than four times as large as those to China's second largest export market, Indonesia (117,838 metric tons). The contrast between Chinese exports to the United States and those to Europe is notable, as no European country even appeared among the twenty largest markets for exports of Chinese glass container products in 2017. By some industry accounts, these exports even may be understated, as there is credible evidence that some imports from Canada may actually be of Chinese-origin.

China's highly subsidized, export-oriented glass container exports, which have deliberately targeted the U.S. market, have had a substantial, negative impact on U.S. producers. GPI's comments provide detailed, extensive examples of these serious consequences, and I would like to briefly highlight a few:

- As Chinese import volumes have been increasing, their prices have fallen by 13.1 percent;
- GPI member companies report that Chinese food and beverage bottle prices are selling between <u>20 to 45 percent below domestic</u> prices, and that they have either lost business, or had to lower prices substantially to keep business from being lost to Chinese imports; and finally
- Between 2005 and 2018, GPI member companies have reported 10 plant closures, attributed to competition from Chinese imports, resulting in estimated job losses of 3,500 workers.

It is clear that if the Chinese government does not cease its support for its glass industry, there will be more plant closures and job losses. The glass industry urges the Administration to negotiate an end to Chinese government targeting of the glass industry. Understanding that the Chinese government will not reach the same conclusion on its own, we urge you to impose increased tariffs on glass container products to create the leverage needed to address these concerns. Inclusion of these products is appropriate in the context of this Section 301 action because they would counter the impact of China's unfair gains in the U.S. glass container market as a result of an industrial policy and provide much needed support to domestic producers who have been hurt by the Chinese government policies. Moreover, U.S. customers will not be significantly impacted by the tariffs since there is latent capacity to produce in the U.S.

On behalf of the Glass Packaging Institute, in association with Anchor Glass, I want to thank you for allowing me to speak here today. I'm happy to answer any of your questions.