

Testimony of Jim Anderson, CEO, Moly-Cop USA
Before the Section 301 Committee
May 17, 2018

Good afternoon, my name is Jim Anderson. I am the CEO of Moly-Cop USA. I greatly appreciate the opportunity to testify today about why steel grinding balls from China should be included in the list of products subject to additional duties.

Moly-Cop USA is the largest U.S. producer of steel grinding balls and other grinding media. We produce steel grinding balls at our facility in Kansas City, Missouri, which has been part of the community since the 1920's and provides critical manufacturing jobs. The facility now accounts for about 50 percent of U.S. grinding media production capacity and recently received a \$13 million upgrade. We are proud to have one of the world's most productive grinding media production facilities.

Steel grinding balls are made from high carbon, alloy steel bars for maximum abrasion resistance and hardness. We proudly source almost all high carbon, alloy steel bars from U.S. steel producers. As a result, Moly-Cop USA supports many steel production jobs.

It is also important to keep in mind that Moly-Cop USA's steel grinding balls are a critical input to the U.S. mining industry. Steel grinding balls and other grinding media are used in the copper, gold, iron ore and other mining industries to break-up ore extracted from the ground to help liberate the constituent minerals. Therefore, domestic mining companies depend on the availability of steel grinding balls and other grinding media to produce these important inputs for the U.S. economy.

Considering all of this, it is critical that imports of Chinese steel grinding balls be subject to additional duties. Chinese steel grinding balls imports have increased about 66% since 2015, capturing a growing segment of the U.S. market. This directly impacts Moly-Cop USA's sales

because U.S. demand for steel grinding balls is relatively flat. Thus, the capture of market share by Chinese imports directly leads to lost sales by Moly-Cop USA. Moly-Cop USA is now operating at around 60% capacity utilization.

There is no question that this is the result of the Chinese government's encouragement and support of steel grinding ball producers. China entered the steel grinding ball market relatively recently, but then rapidly increased its production quality. Chinese producers achieved technical capabilities in a few years that took Moly-Cop USA decades to develop. This can only be explained by Chinese government support.

Moreover, we have reason to believe that Chinese steel grinding ball producers acquired information about Moly-Cop USA's production processes and technology. While we do not know if the Chinese government was directly involved, the acquisition of Moly-Cop USA's know-how by Chinese steel grinding ball producers reflects the Chinese government's overall encouragement to obtain foreign technology through any means.

Another indication of Chinese government support is China's massive production overcapacity for steel grinding balls. Moly-Cop USA estimates that China now has about 50 percent of global grinding media capacity. This is more than three times China's domestic demand and could meet about 90 percent of global demand. There can be no market-based explanation for this situation.

Finally, the Chinese steel grinding ball industry's rapid expansion and overcapacity is directly linked to China's massive levels of support to its steel industry. This Committee knows all too well that the Chinese government directs and controls virtually all aspects of the Chinese steel industry by providing various subsidies and other forms of support. China's national, provincial, and local governments continue to intervene and provide support to the Chinese steel

industry, such as through tax incentives, grants, preferential loans, and subsidized inputs. These policies are coordinated through numerous economic plans and include developing downstream steel products such as steel grinding balls.

Adding steel grinding balls to the list of products to be subject to the proposed additional 25 percent duty would directly address these unfair trade practices and their adverse impacts on the U.S. economy. The specific HTS numbers were provided in Moly-Cop USA's May 11th comments. This would be a practicable and effective means to counter China's unfair practices by mitigating the unfair competitive advantage of Chinese steel grinding ball imports. We also do not believe that imposing additional duties would cause disproportionate economic harm to U.S. interests because sufficient production capacity should remain to meet demand.

Thank you again for the opportunity to speak and I'd be happy to answer any questions.