

**PROPOSED DETERMINATION OF ACTION PURSUANT TO
SECTION 301 OF THE TRADE ACT OF 1974 IN RESPONSE TO
CHINA'S ACTS, POLICIES, AND PRACTICES RELATED TO
TECHNOLOGY TRANSFER, INTELLECTUAL PROPERTY, AND INNOVATION**

**HEARING TESTIMONY
SUPPORTING STRONG, COMPREHENSIVE ACTION TO ADDRESS CHINA'S UNFAIR PRACTICES
FILED ON BEHALF OF AMTEX MACHINE PRODUCTS, INC.**

SEAN KEOGH, OPERATIONS MANAGER

My name is Sean Keogh and I am the Operations Manager of AmTex Machine Products, Inc. Thank you for the opportunity to provide this testimony on behalf of AmTex and the US OCTG/API steel coupling industry. I have been involved in the couplings business for over 20 years. As the largest independent US OCTG coupling manufacturer, AmTex urges you to include OCTG couplings in the Section 301 relief.

AmTex is located in Houston, Texas and all we do is produce couplings. We currently have about 330 workers. That is less than half of what we had in 2014. Even now, when the oil and gas industry is at the beginning of a recovery, we are operating at under 35% of our capacity. The reason is simple – low priced Chinese imports of finished couplings have an unfair advantage because of Chinese government policies. These are the same policies that justified including OCTG on the Section 301 list.

Because we only produce couplings, we are particularly sensitive to the impact that Chinese couplings have on the US market and our export opportunities. Traditionally, the bread

and butter of the coupling market were the American Petroleum Institute J55 and K55 couplings. The J and K segment accounts for approximately 30% to 35% of the US market. These commodity type couplings are now almost exclusively supplied by imports, primarily from China. We, and the other independent coupling producers, cannot come close to the prices offered by subsidized Chinese manufacturers for these couplings.

Chinese imports are no longer satisfied with just dominating the J and K specifications. In addition to now offering and selling in the alloy (N/L80 and P110) market, we are now also seeing Chinese producers compete in the semi-premium and premium coupling space too. With changes in drilling technology and techniques, the oil and gas industry is increasingly moving to proprietary threads and couplings. The pipe mills and oil and gas engineers invest heavily in research and development to bring new technology to challenging drilling and extraction environments. We invest to obtain licenses for those patented designs to produce these semi-premium and premium couplings. Once we obtain the license, we should have opportunities to sell these couplings globally. But the Chinese have flooded the South American and Middle Eastern markets with their reverse-engineered couplings. As a result, the Chinese government programs are not just impacting our US sales, they are also taking away export markets and our ability to help reduce the US trade deficit.

I mentioned that we are currently operating at low levels of capacity utilization. That is true for the entire industry. We estimate that the entire industry is probably operating at around 40% to 50% its available capacity. I raise this because the US industry has more than enough capacity available to meet 100% of US demand for OCTG couplings. If it weren't for the Chinese imports that benefit from the Chinese programs you are seeking to address, we would be

looking to double our workforce. That is an additional 300 to 350 well paid US manufacturing jobs at just our company.

The final point I'd like to make is that it would be simple for CBP to administer Section 301 duties on couplings. Couplings are specifically provided for under two tariff subheadings 7307.92.3010 and 7307.92.3030. Simply adding these two classifications would further encourage China to address the programs and policies that are impacting the entire OCTG industry. Couplings are at the heart of the OCTG industry because you cannot do much with OCTG without connecting it together and it's the couplings that provide those connections. Any Section 301 relief given to OCTG should include OCTG couplings.