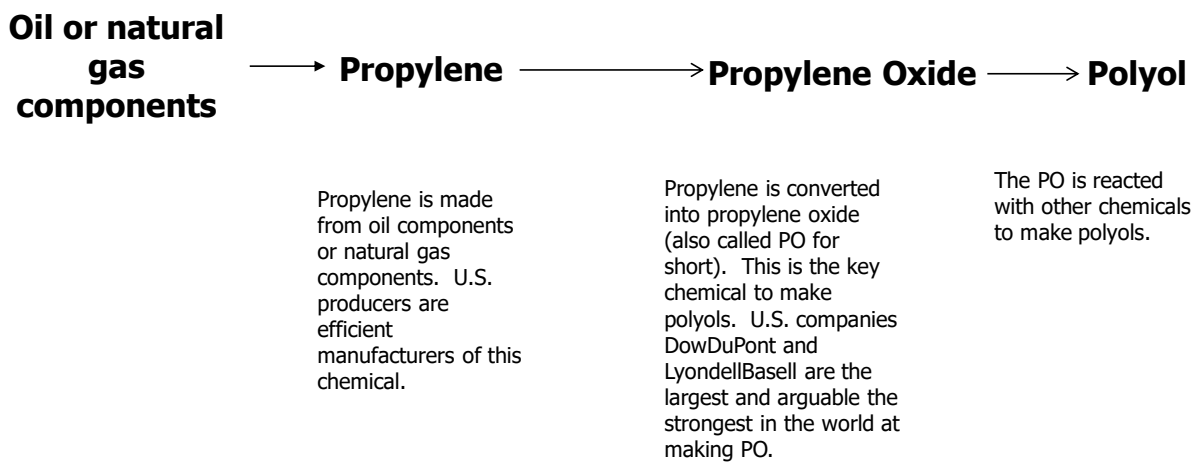
My name is Mark Bradley, and I run a company called K2 Urethanes, LLC. Thanks for letting me comment at this hearing as I am concerned about some of the materials under investigation. Specifically, I am concerned about the addition of polyether polyols HTC code 3907.20.0000 to this trade action.

My company sells the polyether polyols mentioned above, and other polyurethane chemicals from China and other countries to U.S. customers. If the tariff is imposed, then my company will suffer and could be put out of business.

Polyether polyols are used to make numerous products in the construction market, the automotive market, the furniture, and bedding industry. Domestic producers serve most of the market. The approximate size of the domestic market is 2.1 billion pounds. Chinese imports represent only 2.1% of the market according to industry statistics.

U.S. producers of polyols exported about 173 million pounds of polyols to China in 2017 according to USITC data, while China exported only 44.5 million pounds to the U.S. Stated differently, Chinese imports into the U.S. are only 25.7% of the U.S. exports to China. Therefore, a polyols trade dispute with China will disproportionately hurt U.S. producers by a considerable amount.

The figure below shows a schematic for making polyols. Polyols are made from propylene oxide (abbreviated PO) and other chemicals, but PO (HTS code- 2910.10.00) is the most important and the costliest feedstock. Moreover, two U.S companies, DowDuPont and LyondellBasell Industries are the two largest PO manufacturers in the world with a combined global market share of about 45%. They are also the technology leaders. Huntsman Chemical, an American company, also owns excellent technology. PO is exported from the U.S. across the world, with China being the third largest export market in 2018 (about 73 million pounds). There are almost no PO imports into America. Moreover, LyondellBasell is building the largest PO plant in the world in Texas. Presumably, they will want to increase PO exports to China from this new site. Section 301 tariffs on Chinese polyols will bring retaliation on polyol imports into China, but duties may be levied on PO.



The U.S. polyols producers are among the strongest in the world and have an outstanding cost position in the North American market. The U.S. producers dominate the U.S. market due to cost strength, supply chain strength, and ability to develop new products. Imports represent a niche opportunity for overseas producers. Chinese producers of polyols products serve mainly their domestic market but look overseas to sell and help their profitability as international prices are higher at times. Chinese technology is the same as that used in North America and Europe. However, unlike PO technology, polyols technology is older and somewhat ubiquitous. Additionally, Chinese producers have bought overseas technology, but there is no pressure on U.S. companies to "give" or provide their technology to Chinese companies.

In summary, polyols production technology is easy to get from many companies around the globe. Producers gain an advantage by having a low-cost position and provide excellent service. The main components of cost are the raw materials which are related to oil price, fixed cost, and supply chain costs. U.S. producers are advantaged due to the low energy costs from shale fracking. Furthermore, the U.S. plants are large and have a low fixed cost per unit output. The U.S. producers have an important supply chain advantage due to their proximity to the market.

Our company’s role is to help the Chinese, and other overseas producers gain access to the U.S. market. We provide a service as we know the customers and markets. In short, we facilitate imports from China and other countries. For us, this is an essential service in this global market. The tariff will limit, if not stop our ability to sell Chinese polyols. This action will hurt our customers access to the global market.

To summarize, polyols are not related to China's acts or actions about technology transfer. Moreover, this duty will hurt U.S. producers of polyols, hurt customers, hurt our business, and not achieve the goals of this trade action. Furthermore, the Chinese may retaliate with tariffs on higher-value products such as PO. We request that this category not be subject to the proposed duty for the reasons outlined above. Thank you for your consideration.