Testimony of Ed Jenkins, Impak Films US LLC
USTR Section 301 Hearing, July 24-25, 2018
PET Film (HTS 3920.62.00)

Good Morning. Thank you for the opportunity to be heard today. My name is Ed Jenkins. I'm testifying on behalf of Impak Films US LLC, a United States importer of PET Film. PET film is categorized under HTS 3920.62.00. I have been employed by Impak Films for 7 years as the Business Director in the United States. Prior to Impak Films, I managed the Americas Labels business unit for Innovia Films that manufactures coated polypropylene films for use in industrial and retail markets. Before Innovia, I managed a range of specialty chemical businesses to include coatings, catalysts and purification technologies. I hold a Bachelor of Science degree in Chemistry and a Master's in Business Administration.

Impak Films sources commercially available polyester film, also called PET Film, and sells exclusively to the flexible packaging industry, predominantly for food products. Impak has also co-developed products with manufacturers to meet specific customer and market requirements. PET film is used in a number of applications, including the manufacture of flexible packaging used to package condiments, produce, dairy, pet foods, and many other consumables. Given my limited time here today, I would like to focus on certain products within the PET Film category used in the flexible packaging industry and why the imposition of

tariffs on these products would not be effective to meet the stated goals of Section 301. Section 301 is concerned with changing China's policies and practices with respect to advanced technologies, technology transfer, intellectual property, and innovation. However, such advanced technologies are not involved in the production of PET film for flexible packaging. I will also explain the disproportionate harm to U.S. interests should tariffs be imposed on these products.

I will start with an overview of the distribution of PET film for food packaging. Impak sources PET film from film manufacturers in China and sells to converters in the United States. Converters are companies that specialize in combining raw materials, such as PET film, sealants, adhesives and inks to create new products. American Packaging, Printpack, and Bemis are some examples of converters based in the United States. In addition to these large companies, there are numerous small and medium sized converters in the U.S. that are impacted by the proposed tariffs. Our customers manufacture flexible packaging from the PET film we sell them, and they sell the packaging to producers of consumer packaged goods (which I will refer to as CPGs). Some well-known CPGs are General Mills, Nestle, and Kellogg. The CPGs use the flexible packaging to package food and other consumables that are sold to retailers, and then ultimately to U.S. consumers.

I wish to emphasize that the end-users here are U.S. consumers, who will be adversely impacted by the imposition of these proposed tariffs. I strongly believe

that U.S. consumers will ultimately pay the duties that are being proposed as these costs are passed through the flexible packaging industry.

Impak sources a particular kind of PET film, known as PVdC coated PET film, in China because this product is not manufactured in the United States. PVdC is either a water-based or solvent based coating applied to plastic films. The coating increases the barrier properties of the film, which reduces the permeability or pass through of oxygen and moisture. This coating is essential because it extends the shelf life of the food inside the packaging. One of our customers, a converter of PVdC coated PET film, supplies packaging to a U.S. based producer of automobile air freshener products. The PVdC coated films used in the packaging must meet stringent performance requirements to deliver the quality and shelf-life of the air fresheners. . Over the past 15 years, our customer has evaluated numerous products from a range of suppliers globally but has only been able to identify two manufacturers, both in China, that can achieve the performance requirements of the application. Outside of China, there are no known manufacturers in the U.S. or globally who can meet the requirements. With years of experience, the Chinese manufacturers now have the know-how and capacity to supply our customer. Should the tariff on PET film go into effect, the Chinese PVdC coated PET films will become prohibitively expensive and our customer will be forced to again seek other sources. Even if such sources can be

identified, which is unknown, our customer will be forced to spend considerable time and money to conduct extensive testing of new manufacturers' products in the hopes that they will ultimately qualify. In the absence of a lower cost alternative PVdC PET film, these costs will be passed on to the CPGs and ultimately the consumer.

Another customer requires PVdC-coated PET film to package condiments. The coating in this product incorporates a unique primer that provides high-bond strength to the PET, and is necessary to ensure easy tear properties for individual portion packs of salad dressing, ketchup, mustard, and other condiments. There are only two qualified sources for this product. One of them is a manufacturer in China. With the imposition of high tariffs, our customer will be forced to rely on only one source, a result it has sought over the years to avoid because a sole supplier has every incentive to increase prices. This customer too has conducted several rounds of testing over 12 years and has confirmed a significant failure rate of PVdC coated PET films due to the low-coating bond strength of other manufacturers' products. Even if our customer was able to find a new manufacturer, which is an unknown, it would take at least a year to identify and qualify such a new manufacturer. The process would be time-consuming and expensive. These expenses will be absorbed by the converters in the United States.

I would like to use the remainder of my time to explain why the imposition of tariffs on these products would not be effective to meet the goals of Section 301. The tariffs pursuant to Section 301 are intended to eliminate or otherwise resolve unfair practices in China related to technology transfer, intellectual property, and other discriminatory practices that restrict or burden U.S. commerce. The tariffs would be ineffective because the manufacture of coating films is not in the realm of any such advanced technology. The coating equipment is sourced from European and Asian equipment manufacturers and is readily available globally. Since the production of PET film for flexible packaging does not involve technology-related negotiations with Chinese companies, there is no opportunity to undermine U.S. companies' control over technology in China in this industry. The Chinese manufacturers of the PVdC coating PET film products have developed specialized knowledge with respect to the products I discussed based on their years of production experience and several rounds of testing to meet our customers' specifications. Neither we, nor our customers, have been forced by the Chinese manufacturers or the Chinese government to share any intellectual property, enter into restrictive licensing agreements, required to form joint ventures or otherwise limit competition. We have, however, assisted several of the coaters with testing protocols and guidance to ensure the products are produced in accordance with FDA Food Safety and other regulatory statutes, as well as our customers' product

requirements. In short, the unfair Chinese practices with which the Administration is concerned does not impact the film products sourced for the flexible packaging industry. So, imposing tariffs on these products will not change Chinese practices.

That concludes my testimony. Thank you again for the opportunity to be heard today and I welcome any questions.