

Testimony of Patricia Phillips

On behalf of SNP, Inc.

**Washington, DC
July 24, 2018**

Good afternoon, Chairman, and the Section 301 Committee.

I am Pat Phillips, President of SNP, Inc., a small, women-owned and family-operated U.S. specialty chemical manufacturer based in Durham, North Carolina and founded by my father, a World War II veteran, in 1961. We supply synthetic and natural rheology modifiers and customized coating formulations to the paper, packaging textile industries, and other industrial markets.

On behalf of SNP's twenty employees, I thank you for the opportunity to appear before you today.

SNP respectfully requests that USTR remove alginic acid classified under the U.S. harmonized tariff schedule subheading 3913.10.00 from the proposed list of products subject to the Section 301 tariffs.

Alginic acid is a naturally occurring compound found in the cell wall of certain types of seaweed. These brown algae seaweeds are exclusively harvested and manufactured into alginic acid outside of the United States, with the majority of global production occurring in China. SNP imports the alginic acid to be manufactured into specialty chemicals, which are used in papermaking, paper coatings, textiles, printing, and certain specialty industries.

While SNP is supportive of the goals USTR and the Administration have outlined in various reports detailing China's aggressive and discriminatory policies, today, I'd like to outline three reasons why alginic acid should be excluded from the list of proposed tariffs.

First, a tariff on alginic acid will cripple SNP. Our family is proud that we have grown our small business to serve as the largest industrial supplier of alginic acid in the U.S. and there are no other domestic suppliers like SNP. Seventy-five percent (75%) of our production would be impacted while providing our foreign competitors who supply U.S. customers with a competitive advantage. Because our foreign competitors would not be subject to the tariff, it is unlikely that SNP would be able to pass our costs along to our customers if we want to remain competitive. Simply said, a tariff on alginic acid would threaten the existence of SNP.

For approximately the last 40 years, SNP has been able to provide the U.S. manufacturing industries with the alginate products necessary to meet U.S. consumer demand for green paper and textile products. Alginic acid is a sustainable and natural alternative to many petroleum-based synthetic polymers. For example, our alginic products' very unique natural properties make it a critical component to the papermaker trying to achieve compostability and recyclability for the environment. As U.S. manufacturers seek to make green products, demand for alginate-

based coatings have significantly increased. However, the proposed tariff jeopardizes our ability to supply our U.S. customers.

Second, alginic acid is not available from any other supplier outside of China in the quantities needed to supply SNP's U.S. customers. China is the principal area for where the majority of the brown algae seaweeds are naturally grown and then manufactured into a limited supply of alginic acid. SNP is unaware of any U.S. based harvesting and manufacturing of seaweed into the alginic acid necessary to create our products. Therefore, developing a U.S. manufacturing capacity and sufficient domestic seaweed supply is technically and economically infeasible.

Lastly, a tariff on alginic acid will not be effective in curbing China's "Made in China 2025" industrial policy. Specifically, the majority of the USTR and Administration's reports focus on Chinese investment and development of advanced technology industries. In particular, alginic acid is not among the list of advanced technologies, such as information technology, robotics, and agricultural machinery, among others, that are targeted by Chinese government policies. As such, we believe that targeting these tariffs on alginic acid will not curb China's predatory policies.

In conclusion, SNP respectfully requests that alginic acid be removed from the Section 301 tariff list. Our family is working hard to continue to grow and invest in our small business that my father started 57 years ago. The proposed tariff will not accomplish the desired purpose, but will severely damage SNP and threaten our very existence as the only U.S. supplier of these products.

Thank you for your consideration. I welcome any questions the Committee may have.