

MISCELLANEOUS TARIFF BILL: HELPING U.S. MANUFACTURERS THROUGH TAX CUTS

HEARING BEFORE THE SUBCOMMITTEE ON TRADE OF THE COMMITTEE ON WAYS AND MEANS U.S. HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS SECOND SESSION

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**MISCELLANEOUS TARIFF BILL: HELPING U.S.
MANUFACTURERS THROUGH TAX CUTS**

THURSDAY, APRIL 14, 2016

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:11 p.m., in Room 1100, Longworth House Office Building, the Honorable Dave Reichert [Chairman of the Subcommittee] presiding.
[The advisory announcing the hearing follows:]



WAYS AND MEANS

CHAIRMAN KEVIN BRADY

Chairman Reichert Announces Hearing on the Miscellaneous Tariff Bill: Helping U.S. Manufacturers through Tax Cuts

House Ways and Means Trade Subcommittee Chairman David Reichert (R-WA) announced today that the Subcommittee will hold a hearing on the "Miscellaneous Tariff Bill: Helping U.S. Manufacturers through Tax Cuts." The hearing will focus on the U.S. manufacturing and economic benefits of providing temporary tariff relief on imported finished goods and raw materials not produced in the United States and the goal of establishing a process in the House for consideration of such legislation in a manner that is consistent with House Rules. **The hearing will take place immediately following the Trade Subcommittee Organizational Meeting at 2:00 pm on Thursday, April 14, 2016, in room 1100 of the Longworth House Office Building.**

In view of the limited time to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select "Hearings." Select the hearing for which you would like to make a submission, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Thursday, April 28, 2016**. For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at <http://www.waysandmeans.house.gov/>.



Chairman REICHERT. The subcommittee will come to order. Welcome to the Ways & Means Trade Subcommittee hearing on the Miscellaneous Tariff Bill. Before hearing from our witnesses, I would like to make a few points.

Since 1982, Congress has considered bipartisan legislation to temporarily suspend or reduce tariffs on certain imported products and make technical corrections to U.S. tariff laws through legislation known as the Miscellaneous Tariff Bill, or as we will refer to those, as MTBs, because Miscellaneous Tariff Bill is a mouthful.

The MTB is designed to boost the competitiveness of American manufacturers by lowering the cost of imported inputs, and in some cases finished goods, without harming domestic firms that produce competing products. Just as companies in my home State of Washington have relied on MTBs, I know that many of my colleagues will share stories from their own districts.

Our manufacturers have used the savings from past MTBs to strengthen their competitive edge, support the creation of domestic manufacturing jobs, increase U.S. production, and contribute to the economic growth of the United States. But since the last MTB expired in 2012, American manufacturers of all sizes have been hurt because there is no process in place to cut their costs and help them compete.

Beyond dollars, the expiration of the MTB has cost our manufacturers domestic jobs and undermined their competitiveness. We owe it to our manufacturers and to the economic health of the United States to find a solution, and I believe we have.

I am very pleased that the ranking member, Mr. Rangel, and so many of our colleagues have joined with Chairman Brady and me yesterday in introducing legislation to establish a bill to strengthen the MTB process. Our bill delivers a regular, predictable legislative process for the temporary suspension and reduction of tariffs that helps our manufacturers and their employees, and it is also consistent with the rules of the House and upholds our strong ban against that word we all love to hear, earmarks.

The process will begin by having our companies petition the Internal Trade Commission—International Trade Commission, excuse me—instead of having individual Members of Congress introduce bills. It will be a model of transparency. It gives the American people the ability to see the whole process all the way through. And at the end, we will fully comply with the publication requirements in the House rules.

I am very pleased that our solution has such strong bipartisan and bicameral support and makes good on the commitment made by the conferees on the Customs Bill to find such a solution.

And I will again yield to Mr. Rangel if he has any further statements that he would like to make before we go to the witness testimony.

Mr. RANGEL. No, Mr. Chairman. I am anxious to hear from the witnesses.

Chairman REICHERT. Okay. Thank you, Mr. Rangel.

The first witness that we have with us today is Mr. Leib Oehmig, president and chief operating officer for Glen Raven. Our second witness is Ms. Dawn Grove, legal counsel for Karsten Manufacturing. Our third witness is Ms. Brooke DiDomenico—close

enough? DiDomenico—production manager for Nation Ford Chemical. Our fourth witness is Mr. Matt Schreiner, global leader of Gore-Tex Footwear Innovation at W.L. Gore & Associates.

Before recognizing our first witness, let me note our time is limited. So please limit your testimony to five minutes. And we are going to ask the members to adhere to a three-minute rule today, as I said earlier, instead of the five-minute rule because of a possible vote.

So Mr. Oehmig. You have five minutes.

**STATEMENT OF LEIB OEHMIG, PRESIDENT AND CHIEF
OPERATING OFFICER, GLEN RAVEN, INC.**

Mr. OEHMIG. Chairman Reichert, Ranking Member Rangel, and distinguished Members of the Subcommittee, it is an honor to appear before you today as the subcommittee considers Miscellaneous Tariff Bill reform and the economic benefits of providing tax cuts on imported products that are not available in the United States.

I serve as president and chief operating officer for Glen Raven, Incorporated. Glen Raven is headquartered in Glen Raven, North Carolina, where the company was originally founded in 1880, and today remains under the same family ownership as its founder.

Glen Raven employs more than 2700 associates globally, with approximately 75 percent of those associates located in the United States. We operate five manufacturing facilities in North and South Carolina, along with 12 distribution facilities in 11 States.

Innovation has been a driving force throughout our company's history. For instance, Glen Raven is credited with the invention of pantyhose in 1958, the innovative use of geo-textiles for building roads across America, and finding new ways textiles can bring clean water around the world.

Today Glen Raven is most well-known for its Sunbrella brand of fabrics. The Sunbrella brand covers a family of performance fabrics for the furniture, shade, marine, and automotive industries. Our Sunbrella portfolio of products drives innovation throughout the industry and supports thousands of U.S. jobs in research and development, design, and manufacturing.

The essential raw materials for Sunbrella are solution-dyed acrylic fibers. These fibers ceased to be available in the United States in 2005, so Glen Raven now imports these fibers and pays a 4.3 percent duty or tax on the value of these imports. These taxes make us less competitive in the global marketplace, where we are already confronting tremendous headwinds, including slowing global economic growth, currency challenges, and a rapidly changing regulatory environment.

Solution-dyed acrylic fabrics are highly technical in that the coloring occurs during the manufacturing process for these fibers. Therefore, the color actually becomes part of the polymer. In traditional textiles, fibers, yarns, or fabrics are dyed after they are manufactured, and as a result, the color is only on the surface.

The net effect is that solution-dyed acrylic fabrics are created from yarns fully permeated with color versus only having color on the surface. Sun, wear and tear, even bleach will not affect the color or performance of Sunbrella fabrics.

In order to sustain Glen Raven's position as an industry leader and driver of innovation, we must have competitive access to these essential fibers, which are simply no longer produced in the United States. In the past, Glen Raven has effectively addressed the 4.3 percent import tax on acrylic fibers through the enactment of MTBs.

Since the expiration of the last MTB in 2012, import taxes on acrylic fibers have cost Glen Raven millions of dollars that otherwise would have been invested in new jobs, research and development, design, and other innovative activities.

Further, when you consider the productivity cost to the U.S. economy, the impact is substantial. According to a study by the National Association of Manufacturers, since the expiration of the last MTB, U.S. companies have faced a \$748 million tax hike on manufacturing, and an almost \$1.9 billion economic loss to the U.S. economy.

As I mentioned earlier, U.S. companies are already facing tremendous headwinds as we strive to compete in a global economy. A \$748 million tax hike on raw materials and intermediate products that are not even produced or available in the United States is simply unwarranted.

In closing, I know this Subcommittee and the Ways & Means Committee have long recognized the need and justification for MTB. On behalf of Glen Raven and our associates, I thank you for recognizing the importance of the MTB, but also urge you to move forward with a new and reformed process that will provide a level of certainty and predictability.

Most companies make investment decisions on a five- to 10-year horizon. For a medium-sized company like Glen Raven, when there is uncertainty about whether taxes will be imposed on our raw materials or whether there will be a process to provide us with relief, it significantly complicates our decision-making regarding where to invest and produce our fabrics.

I hope Congress will work expeditiously in a bipartisan and bicameral manner to pass a new MTB process. I know for Glen Raven this is one of the most impactful actions Congress can take to spur investment and job growth.

Thank you for the opportunity to present these perspectives. I will be happy to answer any questions the subcommittee may have.

[The prepared statement of Mr. Oehmig follows:]

**Statement of Leib Oehmig
to the
House Committee on Ways and Means Subcommittee on Trade
U.S. House of Representatives
Hearing on the Miscellaneous Tariff Bill:
*Helping U.S. Manufacturers through Tax Cuts***

April 14, 2016

Chairman Reichert, Ranking Member Rangel, and distinguished members of the Subcommittee, it is an honor to appear before you today as the Subcommittee considers miscellaneous tariff bill reform and the economic benefits of providing tax cuts on raw materials and intermediate products that are not produced or available in the United States.

Introduction

I serve as President and Chief Operating Officer for Glen Raven, Inc. Glen Raven is headquartered in Glen Raven, North Carolina, where the company was originally founded in 1880, and today remains under the same family ownership as its founder. Glen Raven employs more than 2700 associates globally with approximately 75 percent of those associates located in the United States. We

operate five manufacturing facilities in North and South Carolina, along with 12 distribution facilities in 11 states.

Innovation has been a driving force throughout our company's history – for instance, Glen Raven is credited with the invention of panty hose in 1958, the innovative use of geotextiles for building roads across America, and finding new ways textiles can bring clean water around the world. Today, Glen Raven is most well known for its Sunbrella® brand of fabrics – the Sunbrella® brand covers a family of performance fabrics for the furniture, shade, marine, and automotive industries. Our Sunbrella® portfolio of products drives innovation throughout the industry and supports thousands of U.S. jobs in research and development, design and manufacturing.

Glen Raven has been manufacturing our Sunbrella® line of products since 1961. In 1994, Glen Raven broke ground on a one million square foot vertical ISO 9001 and 14001 certified manufacturing operation in Anderson, South Carolina. This is a state-of-the-art manufacturing plant where solution-dyed acrylic fibers are processed on one end of the facility and finished rolls of Sunbrella® fabrics emerge on the other end. This operation is also home to one of our major research and development centers and testing labs and is a landfill free facility. Most recently, in 2014 Glen

Raven invested an additional \$13.5 million in the Anderson manufacturing center where we created 10 additional jobs and now employ 690 associates.

Glen Raven is also a proud member of the National Association of Manufacturers (NAM). The NAM (www.nam.org) is the largest industrial trade association in the United States, representing more than 14,000 small and large manufacturers in every industrial sector and in all 50 states. The NAM leads industry efforts supporting the passage and implementation of a transparent, regularized and predictable MTB process that will benefit manufacturers like Glen Raven, as well as many others in industries ranging from agriculture and chemicals to electronics, machinery and beyond.

Need for a Miscellaneous Tariff Bill Process

The essential raw materials for Sunbrella® fabrics are solution-dyed acrylic fibers. Solutia, the last U.S. manufacturer of solution-dyed acrylic fibers, closed its U.S. operations in 2005. Since 2005, Glen Raven has imported these fibers and currently pays a 4.3 percent duty or tax on the value of these imports. These import taxes on acrylic fibers are taxes that we do not pay anywhere else in the world where we manufacture nor do our competitors pay such a tax – this is the result of either an available domestic supply

or other countries having eliminated the duty. These taxes make us less competitive in the global marketplace where we are already confronting tremendous headwinds, including slowing global economic growth, currency challenges and a rapidly changing regulatory environment.

Solution-dyed acrylic fabrics are highly technical in that the coloring occurs during the manufacturing process for these fibers. Therefore, the color actually becomes part of the polymer. In traditional textiles, fibers, yarns, or fabrics are dyed after they are manufactured, and as a result, the color is only on the surface. The net effect is that solution-dyed acrylic fabrics are created from yarns fully permeated with color versus only having color on the surface. Sun, wear and tear, even bleach will not affect the color or performance of Sunbrella® fabrics. In order to sustain Glen Raven's position as an industry leader and driver of innovation, we must have competitive access to these essential fibers, which are simply no longer produced in the United States.

Because of the warranties offered on our Sunbrella® products – ten years for marine and awning fabrics and five years for furniture fabrics – the fibers used in the manufacturing of our fabrics must be solution-dyed and meet stringent performance specifications. Our warranties are the best in the industry and solution-dyed

acrylic fibers are essential for Glen Raven to sustain this commitment and continue to innovate and build upon the success of the Sunbrella® brand.

In the past, Glen Raven has effectively addressed the 4.3 percent import tax on acrylic fibers through the enactment of MTBs. Since the expiration of the last MTB in 2012, import taxes on acrylic fibers have cost Glen Raven millions of dollars that otherwise would have been invested in new jobs, research and development, design and other innovative activities. Further, when you consider the productivity costs to the U.S. economy, the impact is substantial. According to a study by the National Association of Manufacturers, since the expiration of the last MTB, U.S. companies have faced a \$748 million annual tax hike on manufacturing and an almost \$1.9 billion economic loss to the U.S. economy.¹ Additionally, the MTB package passed by Congress in 2010 was estimated to support 90,000 domestic manufacturing jobs, increase U.S. production by \$4.6 billion and expand U.S. GDP by \$3.5 billion.² As I mentioned earlier, U.S. companies are already facing tremendous headwinds as we strive to compete in a global economy. A \$748 million annual tax hike on raw materials and intermediate products that are not

¹ National Association of Manufacturers (2013). *NAM Releases New Economic Impact Numbers on the MTB* [press release]. Retrieved <http://www.nam.org/Issues/Trade/MTB/NAM-Releases-New-Economic-Impact-Numbers-on-the-MTB/>

² National Association of Manufacturers (2013). *NAM Releases New Economic Impact Numbers on the MTB* [press release]. Retrieved <http://www.nam.org/Issues/Trade/MTB/NAM-Releases-New-Economic-Impact-Numbers-on-the-MTB/>

even produced or available in the United States is simply unwarranted.

Conclusion

In closing, I know this Subcommittee and the Ways and Means Committee have long recognized the need and justification for the MTB. On behalf of Glen Raven and our associates, I thank you for recognizing the importance of the MTB, but also urge you to move forward with a new and reformed process that will provide a level of certainty and predictability.

Most companies make investment decisions on a five to 10 year horizon. For a medium-sized company, like Glen Raven, when there is uncertainty about whether taxes will be imposed on our raw materials or whether there will be a process to provide us with relief, it significantly complicates our decision-making regarding where to invest and produce our fabrics – especially when neither Glen Raven nor our competitors confront these taxes anywhere else in the world.

I hope Congress will work expeditiously, in a bipartisan and bicameral manner, to pass a new MTB process. I know for Glen Raven, this is one of the most impactful actions Congress can take to spur investment and job growth.

Thank you for the opportunity to present these perspectives. I would be happy to answer any questions the Subcommittee may have.

Chairman REICHERT. Thank you for your testimony.
Ms. Grove.

**STATEMENT OF DAWN GROVE, CORPORATE COUNSEL,
KARSTEN MANUFACTURING CORPORATION**

Ms. GROVE. Thank you, Chairman Reichert, Mr. Rangel, members of the House Ways & Means Trade Subcommittee, Congressional staff, and guests. Thank you. Thank you so much for the opportunity to come and tell you how the Miscellaneous Tariff Bill really does encourage and preserve U.S. manufacturing, and can even create it.

I am Mrs. Dawn Grove—I have been married to the love of my life for 21 years—and I am corporate counsel with Karsten Manufacturing. We are the parent company of Ping and foundry Dolphin. Ping is one of the top three golf equipment brands in the U.S. We have 831 employees in Arizona, and we have been making premium custom-fit golf equipment there for the past 57 years. The company was started in my grandfather's garage, and we love the idea of making things in the USA.

Nearly 60 percent of our workforce has been with us for 10 years or more, and 30 percent with us for 20 years or more. I have only been there 18 years, so I am a relative newbie. We are very excited that several of our Ping golf pros may be selected for the U.S. and other countries' Olympic teams when golf returns to the summer Olympics in Rio.

So Karsten Manufacturing is the only major golf manufacturer that has its own foundry in the U.S., and we used to be able to source our club heads from a number of different foundries. But those have since left the U.S. and fled for more business-friendly shores.

We do still maintain our foundry. We do cast club heads. We have bought titanium furnaces to try and cast titanium club heads as well, even though that is not done anywhere else. But we simply cannot meet our demand or do that in a globally competitive way on a regular basis for the majority of our product. We do assemble the majority of our product and design it all in Arizona in the U.S.

We have no choice but to source certain components and certain club heads from other countries in order to protect the jobs that we have in Arizona and the families that depend on our employees. And as much as we have a passion for making premium custom-fit golf equipment with quality and innovation and fabulous service, we also have a passion for doing so in the USA.

Most every other golf equipment manufacturer has sent their production of golf clubs abroad, and you might wonder why that is. And one of the reasons is the tariffs and the way they incentivize that. Unbelievably, the U.S. golf equipment manufacturers are faced with a higher tariff rate to bring in a component part than we are to bring in the whole golf club. And so the industry has responded accordingly.

Why does our Federal Government penalize us in this way? We do not know. I do not think it is intentional. There are mistakes that happen in the harmonized tariff schedule. But I understand it is very difficult to fix, and it even takes an act of Congress to do a Miscellaneous Tariff Bill for a temporary fix.

So passage of the Miscellaneous Tariff Bill is not simply a special deal for us or others, actually not that at all in the golf industry. It is, rather, a way to help end the punishment for manufacturing here rather than abroad. So we literally have an inverted tariff—higher percentage rate for the component than we would pay to bring in the whole club.

And if you could just allow me to tell you a quick story of how the MTB actually worked to bring manufacturing to the U.S., we have for decades built our golf carry bags that hold the golfer's clubs in the U.S., but at some point we realized that because the bag flats were not available here, and even though our bags were quite successful, we could not globally compete in bags without taking it elsewhere. And so in the late 1990s, with lots of tears and consternation, we opened a bag manufacturing plant in Mexico.

At some point, another golf bag manufacturer requested an MTB to take that 7 percent tax, that tariff on the golf bag flat, down to zero. Well, we are always looking for a way to bring manufacturing back to the U.S., and when we saw that, we thought, that is the difference that could be made and we could do it in the U.S. again.

And so, literally, we closed our bag manufacturing plant in the U.S. [sic] and we trained workers in Arizona to make our bags there, and we have done it ever since. Now that tariff has gone back up to 7 percent. So we have literally moved our whole production to another area and done all sorts of things to lessen the costs.

It is very challenging, and it would mean a great deal to us if you were able to shepherd this across the finish line and get the MTB passed, let my family know that you appreciate our commitment to the U.S., and that you care about manufacturing. Thank you.

[The prepared statement of Ms. Grove follows:]

Testimony for House Ways & Means Trade Subcommittee, 4-14-16
Dawn Grove
Corporate Counsel
Karsten Manufacturing Corporation

A wise person once said, "The greatest mistake is to stay down after falling." The Miscellaneous Tariff Bill fell out of use in December 2012 and has stayed down these three and a third years since then. I am confident the MTB need not stay down any longer and am so pleased for this opportunity to tell you how these tariffs have directly impacted our ability to manufacture in the U.S.

Good afternoon, my name is Dawn Grove, and I am Corporate Counsel for Karsten Manufacturing Corporation, the parent company of PING and foundry, Dolphin. PING is one of the top three golf equipment brands in the U.S. and provides over 800 jobs in Arizona that people want to hang onto -- nearly 60% of our workforce has worked with us for over 10 years, and nearly 30% of our workforce has worked with us for over 20 years. I've only worked at Karsten for 18 years, so I'm relatively new. We are a closely held, private family business started by my grandfather in his garage and have been passionately designing and manufacturing custom fit premium golf equipment in Arizona for the past 57 years. In February, PING's G driver was the #1 selling driver model in the U.S. We are very excited that it looks promising that many of our PING players may be asked to join the U.S. or other countries' Olympic teams when golf is added to the Olympics later this year.

Karsten Manufacturing is the only major golf equipment manufacturer to maintain its own foundry in the U.S., Dolphin, Incorporated, which has spent decades casting PING golf club heads from molten metals. Many years ago, several U.S. foundries were available to cast the club heads PING designed, but these foundries have all fled the U.S. for more business-friendly shores. Foundries that remain are no longer willing or able to cast club heads, especially for titanium golf clubs.

Although we have bought titanium furnaces and explored how to cast our needed club heads in the U.S., we had no choice but to source club heads from other countries in order to protect the jobs of our employees in Arizona and their families that depend on us. While my

family has a passion for innovation, quality and service in golf, we also have a passion for manufacturing in the USA, and have consciously made the choice to remain in the U.S. out of patriotism, although most every other major golf equipment manufacturer has decided to produce their whole golf clubs in other countries.

Why? One of the obvious reasons is that, unbelievably, U.S. golf equipment manufacturers are faced with a higher tariff rate for importing golf club heads than the tariff rate to import an entire competed golf club. These tariffs effectively penalize and create a competitive disadvantage for those golf equipment manufacturers who wish to keep production in the U.S. The majority of the golf equipment industry followed this incentive and built their golf clubs wholly abroad. We patriots at PING stayed here. PING is required to pay a higher tariff rate for importing component parts of golf clubs—and providing jobs to U.S. workers assembling golf clubs at PING—than the tariff rate we would pay to import a golf club wholly manufactured overseas.

Why does our federal government penalize us in this way? We doubt it was intentional, mistakes in tariff schedules can happen. However, we were advised that changing the Harmonized Tariff Schedule to correct this error would be too costly and unlikely to ever happen. And that it would take an act of Congress to fix it, even temporarily, through the MTB process. Nonetheless, the golf industry as a whole attempted to resolve this via several bills within the Miscellaneous Tariff Bill and indeed proposed a solution that at least would have reversed the curse on U.S. manufacturing of golf equipment, but that MTB failed to pass in 2012, and none has been passed since. The fact that others in the golf industry worked on this, shows there is an appetite for more golf equipment manufacturing to return to the U.S.

Passage of a new MTB is not some special deal for us or others in the golf industry. Rather, it could simply help end the punishment for manufacturing here rather than abroad.

Allow me to tell you a story of how the MTB has and could work to encourage U.S. manufacturing. For decades, we have made beautiful and practical golf bags for golfers to organize and carry their clubs. Only when it became painfully obvious that despite great success of our bags

and applying every non-quality related cost-cutting measure possible, we no longer could compete globally while manufacturing bags in the U.S., did we reluctantly move our bag production to Mexico in the late 1990's. We re-trained our U.S. bag workforce to make golf clubs instead so that we would not need to eliminate any jobs. And then a different golf bag manufacturer who still produced golf bags in the U.S. sought an MTB to take the bag tariff rate from 7% down to 0% for import of the necessary bag flat component unavailable in the U.S. While we had not sought or participated in that reduction request, we realized that 7% difference could make the difference between being able to competitively manufacture bags in the U.S. or not. So subsequent to President Bush signing the MTB that eliminated import duties on incomplete golf bags that would be assembled in this country, we closed our bag production facility in Mexico and trained numerous workers to begin bag production at our primary manufacturing facility in Arizona. As the MTB's were renewed by President Obama, our bag production continued to thrive. That is how the MTB is supposed to work to encourage manufacturing here in the U.S.

However, with the falling down of the MTB in 2012, that 7% penalty for U.S. bag production has returned. At first, I had great hope that Congress would enact a new MTB and encouraged my family to be patient while the process for renewal worked out. During this time, we have made every efficiency change possible without sacrificing quality, literally changing the design of our golf bags and moving the entire bag production into a different building with a more efficient layout for constructing the bags. But months have turned into years with no tariff relief, and we have to once again consider all our options so that we can continue to compete globally.

Each day that passes without a temporary Miscellaneous Tariff Bill or some other easier new process for fixing the tariffs that penalize U.S. manufacturing, limits our ability to make products and provide jobs here while competing on the global playing field. The golf club hard goods industry as a whole was hit especially hard during this recession and has contracted 30% over the past 7 years. We have needed to grow market share every year for the past 5 years just to maintain basic revenues so that we can keep taking care of our employees and their families that depend on them.

Please restore the MTB or create a process to correct tariffs that harm U.S. manufacturers, and let me tell my family that their commitment to the U.S. matters to Congress, and that Congress will not make the mistake of allowing the MTB to stay down because you really do care about U.S. manufacturing.



Chairman REICHERT. Thank you for your testimony, and we do hope this moves quickly. There will be a markup next week, so that is the next step in the process. So progress is happening. So with your help and your input, we appreciate your support and your testimony today.

Ms. DiDomenico, please.

**STATEMENT OF BROOKE DIDOMENICO, PRODUCTION
MANAGER, NATION FORD CHEMICAL**

Ms. DIDOMENICO. Good afternoon, Chairman Reichert, Ranking Member Rangel, and fellow committee members. My name is Brooke DiDomenico. I am a chemical engineer and a production manager at Nation Ford Chemical. We are specialty chemical manufacturer located in Fort Mill, South Carolina. I am here on behalf of my company along with other domestic manufacturers and ask for your support in passing a revised process to allow manufacturers to petition for the removal of import tariffs on items not available to us from domestic sources.

We are active members in both the National Association of Manufacturers and the Society of Chemical Manufacturers and Affiliates, both of which also support passing the Miscellaneous Tariff Bill.

NFC is a small, family-owned chemical producer. We have been in business for over 35 years and employ approximately a hundred individuals at our facility. My plant produces products that impact the daily lives of Americans in countless ways, ranging from intermediates that are consumed in the USA, to productions of dyes that are used to color the food you eat and brighten the paper you write on, as well as a variety of other specialty chemicals, plastics, and naturally derived products that are sold both here and abroad.

NFC is the sole domestic producer of colorants for the M18 smoke canisters used by the U.S. Army and PANA, an additive used in jet engine lubricants that is literally in every jet aircraft flying today for both military and commercial use. If NFC were no longer in business, these products would be manufactured and imported from the Far East.

As a toll manufacturer, many customers rely on NFC to make over a hundred specialty products that are only made at our plant. Many U.S. companies have shut down because of unfair competition from the Far East. The MTB is one step to help level that playing field.

NFC, by necessity, must import some of the chemicals we need to support our production. Prior to the expiration of the previous MTB and the end of 2012, NFC has historically filed requests for several raw materials to be included in the MTB. The elimination of these duties has a large impact on the ability for our company to compete against imported goods. We currently spend over \$100,000 annually on these duties, which is money that would have been reinvested in the company for growth and job creation.

Domestic manufacturing as a whole has faced an annual tax hike of almost \$750 million, an over \$1.8 billion economic loss to the U.S. economy, according to an analysis done by the NAM. One specific example for us is the import of Dianil, which is a raw material used to manufacture a purple pigment at our facility. The pigment,

called Violet Pigment 23, is manufactured at our plant in Fort Mill, South Carolina under a toll agreement for Sun Chemical.

Because of the expiration of the MTB, up to \$600,000 annually will be paid in duties on Dianil alone. Since Sun Chemical purchases the raw material, this impact is in addition to the \$100,000 I referenced for NFC-purchased raw materials. Therefore, the higher import duties affect not only NFC but also Sun Chemical and their downstream customers.

This product has a very low profit margin, and the addition of these duties has made it even harder for us, the only domestic manufacturer of this important colorant, to compete against imported Violet Pigment 23. The elimination of the tariff on imported Dianil would allow NFC and Sun Chemical to be more competitive with Violet Pigment product that is currently being imported from foreign producers. This imported volume could all be manufactured domestically at our plant if we were able to lower the price.

Since the MTB is only applicable to materials that are not manufactured domestically or available in sufficient quantities, it would not have a negative effect on domestic manufacturers. The MTB package considered by Congress in 2010 was estimated to support 90,000 domestic manufacturing jobs, increase U.S. production by \$4.6 billion, and expand U.S. GDP by \$3.5 billion.

NFC therefore strongly urges the Ways & Means Committee to support the Miscellaneous Tariff Bill. Thank you for your time and consideration.

[The prepared statement of Ms. DiDomenico follows:]

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Testimony for Public Hearing
United States House Committee on Ways and Means
Miscellaneous Tariff Bill Subcommittee
April 14, 2016

Brooke DiDomenico
2300 Banks St
Fort Mill, SC 29705

Re: Comment of Nation Ford Chemical Regarding Impact of MTB Legislation
on Competitiveness and Growth

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NFC therefore strongly urges the Ways and Means Committee to support the Miscellaneous Tariff Bill.

Thank you for your time and consideration.

Sincerely,

Brooke DiDomenico



Chairman REICHERT. Thank you for your testimony today.
Mr. Schreiner.

**STATEMENT OF MATTHEW E. SCHREINER, GLOBAL LEADER
FOR GORE-TEX FOOTWEAR INNOVATION, W.L. GORE & ASSO-
CIATES**

Mr. SCHREINER. Good afternoon. Thank you, Mr. Chairman and Members of the Committee, for the opportunity to testify on this important trade topic. My name is Matt Schreiner, and I am the global leader for Gore-Tex Footwear Innovation at W.L. Gore & Associates, headquartered in Newark, Delaware. I have been at Gore for more than 20 years, and currently I am responsible for new product development and innovation globally for our Gore-Tex footwear business.

Introduced in 1978, Gore-Tex technology revolutionized outerwear and footwear that could be both durably waterproof as well as breathable. For the first time, outdoor enthusiasts could be completely protected from the elements without having to endure sauna-like conditions inside of their jackets and shoes due to the buildup of heat and humidity.

We are a privately held company founded in 1958. We employ approximately 10,000 associates worldwide; 6,000 of those are working in the United States. Our products find application in a wide range of industries, including electronics, military and consumer apparel, medical devices, and polymer processing.

We are a proud member of the National Association of Manufacturers, which is leading industry efforts supporting MTB process that will benefit manufacturers like us. We are also active in the OIA, AAFA, FDRA on trade issues, including matters relating to MTBs. Clearly, MTBs are extremely important to all four groups.

Virtually all of the thousands of products Gore makes are based on just one material, a versatile polymer material known as ePTFE, which we engineer to perform a wide variety of functions. In our Gore-Tex fabrics products, we create these polymer membranes in one of our Maryland facilities, which we subsequently laminate to textiles. These rolled good composites are eventually built into the finished apparel products, including outerwear and footwear.

We sell our laminates and other functional components, like seam-sealing tape and gaskets, to some of the world's most well-known outdoor brands, including Brooks, Danner/LaCrosse, Marmot, Merrell, The North Face, Outdoor Research, Saucony, Wolverine, and Under Armour. Collectively, Gore and these partners create valuable innovation in technology that allows outdoor enthusiasts to enjoy their favorite outdoor activities.

As a company and a brand, the success we have enjoyed to date derives from the extensive investments we make here in the United States, principally within our Maryland and Delaware campuses. It is here that we combine the essential ingredients of value creation in our products, such as fundamental materials R&D, product design and development, process engineering, prototyping, testing, and market research. Even though the assembly of our footwear is done internationally, the highest value is created in the

U.S. and resides principally in our membrane, which is manufactured in Maryland.

Performance footwear providing protection against the elements using coated or laminated textile fabric such as Gore-Tex fabrics is subjected to duty rates as high as 37.5 percent. By comparison, the average consumer good has a duty rate of only 1.3 percent.

Across the value chain, these tariffs pose significant economic disincentives for us, our customers, and footwear retailers, and they effectively narrow the choice and access of the U.S. consumer to the most technologically advanced footwear available. By contrast, consumers in other parts of the world are not subject to this onerous tariff, allowing them to purchase, at a much lower price, a broader range of innovative products designed in the U.S. by American workers.

The MTB process greatly reduced these economic barriers and allowed the market to reflect the consumer demand for waterproof and breathable hiking boots and shoes. Brands added our technology more broadly across their product lines, and footwear retailers sold a wider range of styles at better price points.

As a result, our sales revenue rose dramatically, and we continued to invest with confidence in our U.S.-based product innovation programs that we believed offered significant growth potential. Incidentally, this occurred at the time of a recession, and the positive effect certainly helped to secure American jobs in our U.S. facilities.

I thought it might also be instructive to the committee to share with you one recent example of how the high footwear tariffs actually hampered the introduction of a new technology into the U.S. market.

In late 2012, shortly after the MTBs expired, Gore unveiled Gore-Tex Surround technology. This is a new footwear innovation platform that we had been heavily investing in for years. With this innovation, we extended the breathable functionality of our footwear to include the sole of the shoe, dramatically increasing performance. The technology can be applied to a wide range of nearly every type of footwear that we work with today on the market.

For new and innovative products, the up-front costs to produce and sell are typically much higher than for more established products. Our launch of this new technology coincided with the expiration of the MTBs, and the resulting duties of 20 to 37.5 percent essentially priced this technology out of the market. As a result, this innovation was introduced only to the European and Asian markets by non-U.S. brands, which allowed these brands effectively a first-to-market advantage.

While U.S. footwear brands have since introduced the technology, they still have some catching up to do with their international competitors. And because of this lag, U.S. consumers still experience a limited choice of product featuring a technology developed by an American company.

The MTB is a critical and effective tool for manufacturers like us to seek duty relief on high-value products. We are supportive of the new proposed MTB process because for Gore, MTBs have directly incentivized our investments in new and innovative technology,

they have helped secure American jobs, and they have increased our global competitiveness.

The MTB also helps ensure that the U.S. consumer can continue to enjoy their favorite outdoor activity while remaining comfortable and well-protected from the elements. Thanks for considering my remarks here today.

[The prepared statement of Mr. Schreiner follows:]

Good afternoon. Thank you for giving me the opportunity to testify before you today on this important topic. Let me first introduce myself. My name is Matt Schreiner. I am the Global Leader for GORE-TEX® Footwear Innovation and have worked for the company for 20 years. I am responsible for new product development in our global GORE-TEX footwear portfolio. In this capacity my role is to ensure that we are bringing to consumers relevant and exciting new technologies in a manner that creates value for our customers, retailers and ultimately the consumer who wears our products.

Founded in 1958, W. L. Gore & Associates, Inc. is a privately-held company headquartered in Newark, Delaware. From our humble beginnings in the basement of Bill and Vieve Gore's house, Gore today has approximately 10,000 Associates inventing, making, marketing and selling innovative, technologically advanced products; 6,000 of our Associates are employed here in the United States. Gore has been granted more than 2,000 patents worldwide in a wide range of industries, including electronics, military and consumer apparel markets, medical devices, and polymer processing.

We are a proud member of the National Association of Manufacturers (NAM), the largest industrial trade association in the United States, representing more than 14,000 small, medium and large manufacturers in every industrial sector across all 50 states. The NAM leads industry efforts supporting the passage and implementation of a transparent, regularized and predictable MTB process that will benefit manufacturers like ourselves, as well as many others industries including those represented on this panel today.

Gore also plays a leading role in Outdoor Industry Association (“OIA”) and that organization’s Trade Advisory Committee, which focuses their efforts on pursuing a balanced trade agenda, meaning we pursue a level-playing field for both U.S. manufactures and importers who are unable to make products within the United States’ borders.

In addition, we work closely with the American Apparel and Footwear Association (AAFA) and the Footwear Distributors and Retailers of America (FDRA) on various trade issues, including matters relating to MTB. MTBs are extremely important to the membership of all four of these associations; NAM, OIA, AAFA and FDRA.

Virtually all of Gore's thousands of products are based on just one material, a versatile polymer called ePTFE (expanded polytetrafluoroethylene), which we engineer to perform a wide variety of functions. Consumers know us best for ePTFE’s inclusion in apparel and footwear products, under the GORE-TEX brand which provides a unique combination breathability and waterproof protection. We sell finished performance apparel products directly to consumers through our brands GORE RUNNING WEAR®, GORE BIKE WEAR® and SITKA® Gear for hunting. We also sell our GORE-TEX component technology to some of the world’s most well-known outdoor brands including Arc'teryx, Brooks, Danner/LaCrosse, Marmot, Merrell, The North Face, Outdoor Research, Patagonia, Salomon, Saucony, Wolverine, and Vasque. These partnerships deliver an extensive array of high quality, high performing products to consumers for a variety of outdoor recreational activities.

Collectively, Gore and these partners are global leaders in innovation and technology that enable and enhance the experience of outdoor enthusiasts who enjoy activities such as camping, fishing, hiking, running, hunting, mountain climbing, cycling and snow sports. Our success as the market leader and a global innovator of performance textiles, apparel, footwear and accessories derive from extensive investments we make in the United States. We create high value for the finished products through our research, product development and design, process engineering, testing and analysis, patenting and market research conducted in the United States, principally within our Maryland and Delaware campuses. Our commitment to invest in innovation coupled with our ability to execute across increasingly complex and dynamic value chains enables us to successfully compete on a global scale.

As the GORE-TEX brand is known for its high quality and innovative products, there are only a limited number of factories in the world capable of manufacturing GORE-TEX footwear to our high quality standards. Currently, all of these facilities are located overseas.

In 2006 our customers approached us and voiced concerns about excessive tariffs on performance footwear. Under the U.S. Harmonized Tariff Schedule (HTS), performance footwear providing protection against, water, oil, grease, chemicals, or cold or inclement weather using coated or laminated textile fabrics -- including GORE-TEX fabrics -- is subject to duty rates as high as 37.5%.

These high U.S. tariffs are disincentives for Gore, our customers that manufacture or sell performance footwear, and for the end consumers -- outdoor enthusiasts. The average consumer

good has a duty rate of 1.3%, whereas footwear is taxed on average at 11%; for our segment of the market tariffs range from 20% to 37.5%. These hefty tariffs create an economic barrier to providing American consumers the most technologically advanced footwear. Without these onerous taxes, consumers in the European and Asian markets can purchase from a broader range of innovative products designed in the United States by American workers at a much lower cost.

When in effect, the Miscellaneous Tariff Bill (MTB) process greatly helped alleviate these economic barriers and allowed the market to reflect demand for various styles and heights of waterproof breathable hiking shoes and boots. Moreover, consumers were able to select from a wider variety of innovative designs and styles at better prices.

Following the implementation of the MTB, we observed that our customers were able to add our technology more broadly across their product line and deliver a wide range of innovative styles at better price-points for outdoor enthusiasts. As a result, Gore experienced a healthy rise in sales revenue and confidently continued to invest in our U.S. product innovation programs. This occurred about the time of the recent recession, and helped to secure American jobs.

It is important to understand that the waterproof breathable protective function in GORE-TEX footwear is provided through a bootie insert around which the shoe is assembled. Gore delivers to select factories all of the components (textile/membrane laminates and sealing elements) needed for this bootie and the high-value intellectual property essential for the assembly and integration into the finished shoe. To ensure quality and performance, Gore tests each and every footwear design to ensure the finished product meets the stringent specifications for the GORE-

TEX brand. Much of this testing is conducted in our labs in Elkton, Maryland by our U.S. footwear team.

The reduced duties under the MTB served as an incentive for Gore to increase our investment in developing new innovative technologies that would improve and expand waterproof breathable footwear into other footwear categories. To date, this technology is found in trail running, hiking and hunting boots, and it is rapidly expanding to broader categories including running, kids, and casual.

An example of how these high tariffs hamper introduction of new technology into the US market was recently demonstrated in the launch of our newest footwear innovation. In late 2012, Gore unveiled GORE-TEX SURROUND™ technology, a new innovation platform. Instead of providing the water-proof breathable functionality only through the shoes' upper, GORE-TEX SURROUND technology is configured to also include breathability through the sole of the shoe. Designed for use in warmer temperatures, GORE-TEX SURROUND technology improves footwear comfort beyond what could be previously achieved using only the upper of the shoe while still keeping feet dry in wet conditions. This technology has been adopted not only by brands for hiking and other outdoor activities, but also brands that offer dress and casual shoes.

As with any new and innovative product, the upfront costs to produce and sell at retail are much higher than for more established products. Coupled with 20% to 37.5% import tariffs, the total costs are even higher. The 2012 simultaneous release of this new technology alongside the expiration of the MTB essentially priced GORE-TEX SURROUND™ footwear out of the U.S.

market. As a result, GORE-TEX SURROUND™ was introduced only to the European and Asian markets, giving these brands a first to market advantage. While U.S. footwear brands have since introduced the technology into their collections, they remain behind their Europe and Asia Pacific competitors. Consequently, the U.S. consumers still experience a limited choice of product featuring this breakthrough technology developed by an American company.

The MTB is a critical tool for U.S. manufacturers like Gore to seek duty relief on high-value products. We are supportive of the new proposed process; we need a reliable and certain path that will ensure that our continuous innovations reach American consumers. For Gore, the MTB process has directly incentivized our investments in new innovative technology, helped secure American jobs, and increased our global competitiveness, while also benefiting outdoor enthusiasts.

Thank you for considering my remarks today.



Chairman REICHERT. Thank you all for your testimony, and the people on the panel here, members will have questions. And reminder to the members that we will hold everyone to three minutes.

So the testimony, of course, I think that everybody listened to. And I was very interested in hearing how—this really made it clear to me that American families are really the ones who ultimately pay the price as a result of these tariffs. And regardless, though, whether these tariffs are on inputs used in manufacturing or on the products that they buy in the stores, the customer ends up paying the bottom line.

So Mr. Schreiner, in the Pacific Northwest, we like to consider ourselves to be the outdoor enthusiasts that you described in your testimony. And this is a great story of how the MTB impacts your business and how it impacts your customer. And I was just wondering if you could just go into that in a little more depth on how MTB would benefit your consumers and reduce prices on store shelves, even when duties are suspended on inputs, components, or semi-finished products.

Mr. SCHREINER. Sure. Chairman Reichert, in fact, two customers of ours are based in the Pacific Northwest, Brooks Sports as well as Nike. So we enjoy nice business with both of those world-class footwear organizations.

To add our technology to a shoe generally affects the consumer at about a—requires about a \$15 to \$25 upcharge, depending on how it is incorporated into the finished shoe. The tariffs, 37.5 percent tariff on that, can add anywhere from an additional \$12 to \$17. So it becomes a pretty dramatic, and what we believe, an onerous tax to the end consumer purely to provide the—to pay the tariff back to Treasury.

So obviously, what that does for us as a high-value component brand is it limits, sometimes, the range of product that we can be found in at retail. It forces some of our customers to down-select to less expensive technologies that do not originate in the U.S., despecifying Gore-Tex, for example, for a much less expensive alternative that may be sourced somewhere closer to the point of footwear assembly offshore in the Asia Pacific region.

Obviously, that affects our business and it affects our ability to manufacture the membranes, which are essential components for this finished footwear.

Chairman REICHERT. Thank you.

Mr. Rangel.

Mr. RANGEL. Thank you. It is a real comfort for us to be doing something where the witnesses are pleased that we are helping to improve competition with U.S. firms.

Mr. Oehmig, I understand that your subdivision, Sunbrella, is having a 65 or 70 percent clearance on fabric. But I do not see anything that those of us from urban communities can use it for.

Mr. OEHMIG. Yes. In terms of use of the fabric?

Mr. RANGEL. I do not know. Anything that is 70 percent discounted, I am interested in. But I have no clue as to what Sunbrella would do for an urban dweller.

Mr. OEHMIG. When you mentioned a 70 percent discount, what—

Mr. RANGEL. I read someplace that you are having a clearance sale on your stuff there at Sunbrella. You better check it out back home.

[Laughter.]

Mr. OEHMIG. Well, we are about value-added. We hope we are not discounting, so I do not know where you saw that. We need to look into that for sure.

Mr. RANGEL. Okay. We welcome the Mexican jobs coming back to the United States. We appreciate it.

For Ford Chemical, I am glad that you recovered from that severe fire that you have suffered and you are back in business and competitive.

And that shoe technology, is that just for outdoor shoes, or dress and casual shoes?

Mr. SCHREINER. Dress and casual.

Mr. RANGEL. Is that on the market already?

Mr. SCHREINER. Dress and casual as well.

Mr. RANGEL. Is it online?

Mr. SCHREINER. Oh, yes. You can find it online for sure.

Mr. RANGEL. In your dress shoes. Thank you for your testimony. We like to be partners with you in your success. Yield back.

Chairman REICHERT. Ms. Jenkins.

Ms. JENKINS. Thank you, Mr. Chairman. Thank you to the panel.

According to a case study by the National Association of Manufacturers, the Bayer facility, located in Kansas City, which is just miles from my district, employs about 625 people, the majority of which are involved in the manufacturing, handling, and sales of ag crop production products containing imported materials.

Bayer in Kansas City also supports upstream local suppliers of goods and services, and for every imported material utilized, it is estimated that seven to eight locally sourced raw materials and packaging goods are consumed. These advanced crop production products produced in Kansas City help ensure high-quality, high-yield crops that provide affordable nutrition and clothing for people in the U.S. and around the entire world.

As part of a multinational corporation, the Kansas City site is in competition with Bayer's foreign locations and third party manufacturing for new and expanded capacity investment. Considering most foreign manufacturing locations operate in a duty-free environment, the Miscellaneous Tariff Bill will help Bayer in Kansas City remain a competitive option for creating and keeping manufacturing jobs in the United States.

But let's not forget that the MTB will also help much smaller businesses stay globally competitive. In 2010, Kansas Global conducted a survey of member companies in 10 counties located in South Central Kansas and found that approving the MTB would have provided approximately \$3 million in savings over a two-year period.

Now, some of these companies are larger companies, but most are like Ken Gebhart's Celestaire, which is the only domestic seller of analog navigational equipment in the U.S. Celestaire is a three-person company that averages about \$800,000 in annual sales, but more than half of those sales come from exports. Getting the MTB

approved will help Ken compete against companies in Japan and Germany.

Approving the Miscellaneous Tariff Bill will help manufacturers in the U.S. and will help create and save jobs. And I am excited that we are finally moving forward with this, Mr. Chairman. I yield back.

Mr. BOUSTANY. Thank you, Mr. Chairman. I really appreciate this hearing.

I want to thank you all for your very compelling evidence you have given us for why we need to do this. And it is high time that we act and move forward, and that is exactly what we are going to do. We have got a bill, and hopefully we will get this done. We are way behind in getting you relief.

I was really interested in the family business angle on this and your stories about companies, home-grown, family-owned, multiple generations. That is the country we want to see continue.

And Ms. DiDomenico, your testimony with regard to the chemical industry is very compelling to me particularly because in my home State, Louisiana, we have a very robust chemical, petrochemical, and plastics industry. And this indeed is extremely important to us there. In fact, I think in Louisiana in the petrochemicals production category, we rank second nationwide.

For our companies to be able to grow, expand, create jobs, export, now with new export opportunities arising, getting this MTB issue fixed and taken care of is critically important. So I want to again thank you.

And of course with Gore, I am very familiar with products in a different product line than what you have taken care of for the most part, on the medical side. And I certainly want to—your company has been one of the bright spots in American innovation over time. And so we want to ensure that you continue to innovate and have all the inputs necessary to do so.

Mr. SCHREINER. Thank you.

Mr. BOUSTANY. So I do not really have any particular questions. I just want to thank you all for being persistent, for being patient with Congress. Sometimes things move very, very slowly.

And Mr. Chairman, I want to thank you and your leadership on this, Mr. Tiberi's leadership, Mr. Rangel, for moving this forward. And I will yield back.

Chairman REICHERT. Thank you.

Mr. Smith, you are recognized.

Mr. SMITH. Thank you, Mr. Chairman, and thank you to our witnesses. I appreciate your expertise and insight on these very important issues. I know, representing agriculture, agricultural producers have really suffered, I think, a lot of the brunt of some upside-down policy, if that is the right term. And I am encouraged that we have a path forward.

Mr. Schreiner, not only do I represent agriculture, but some retail as well, a fairly well-known retailer named Cabela's. And I know that they have your products. And we know that addressing the problems that we are facing will actually add some value, and I think that that is good for our economy in general.

Can you explain a little bit how that might be carried out?

Mr. SCHREINER. Sure. I would be happy to, Congressman Smith. Cabela's is both a very important customer of ours, and in the value chain, they are a very important retailers for many of our customers. You see, we sell directly in some cases to retail brands like Cabela's, who make their own Cabela's branded apparel and footwear, but we also sell to a number of the primary hunting brands that sell through that retail channel.

So as a customer, Cabela's obviously would benefit from the Miscellaneous Tariff Bill because they would be able to continue to source—bring products in that can only be manufactured, for the most part, offshore for the type of footwear that they produce, and they would be able to offer those products at a more reasonable price point for their consumer, and they would be able specify higher technology in those products, which they might not be able to afford to do when the tariffs are in place.

And the same benefits would accrue as well to the brands that sell through Cabela's as a retailer. So we work very closely with Cabela's on a number of levels. And I have not talked to them specifically about their position on this, but I would be willing to bet that they as well would be extremely supportive of the Miscellaneous Tariff Bill.

Mr. SMITH. All right. Thank you very much. I yield back.

Chairman REICHERT. Mr. Kind, you are recognized.

Mr. KIND. Thank you, Mr. Chairman. Thanks for holding this hearing. And I want to thank the witnesses for your testimony today.

Ms. Grove, let me ask you, and I want you to think about this answer very carefully before you give us a response, but can you reassure our committee today that Jordan Spieth was not using a Ping club when he shot No. 12 at Augusta last Sunday?

Ms. GROVE. Did you see that our player Lee Westwood actually won second place? He came very close. And Bubba Watson has won two of the last four Masters tournaments. But we really felt for Jordan Spieth. He is an excellent player. Really sad for him having a tough moment.

Mr. KIND. He did. Do you want to call out any competitor's club at this time?

[Laughter.]

Ms. GROVE. No, thank you.

Mr. KIND. Let me ask the panel, just generally, just a couple of generic questions.

The only way this is going to work, obviously, politically is if we are not supplanting or replacing any domestic product line that is available. That is one of the criteria to moving forward with the ITC request. Are you aware—have you seen—an instance where a certain product was manufactured as a result of the absence of it being in the United States because of the MTB barrier that existed? Or a company saw a need, high tariffs, and decided to make something here domestically as a consequence? You are not aware of any instance off the top of your heads?

Well, let me ask you, has your company felt any pressure to possibly move a product line to another country in order to avoid the MTB tariffs? I see a couple of heads nodding.

Mr. OEHMIG. We have got a global platform, and so we feel the pressure to move product lines from the U.S. But we are committed here, as I said before. Seventy-five percent of our associates are here. It is where our company was founded. We have a huge commitment here in infrastructure. It is the largest market and most important market.

And so we are obviously resisting those temptations, and quite frankly, we are paying the penalty. I mean, we continue to invest here. We have had three significant capital projects this past year. We just pushed away from the docks on a \$20-plus million capital expenditure that will benefit North Carolina. So we continue to pay that price.

But we just imagine the level of investment that we could be making if we were not having to pay the duties.

Mr. KIND. That is right. Ms. Grove, did you nod your head as well?

Ms. GROVE. Yes. That really is an issue, that we could make it cheaper somewhere else and not have to pay this accelerated amount for the completed—for the component part as opposed to the completed product.

I want to say, too, that the ITC is very thorough in the way it vets. I remember with the golf bag flats that at one point they said they were not going to do the MTB because there was a supplier of those flats in the U.S. And I said, please, tell me who that is. And they said, well, no. It is an anonymous process. And I was worried about it at first.

But we eventually found out that it was a sales guy in Georgia who was representing a company that made them in China. So once we figured that out and realized, no, there really was no domestic production, we moved on. But it is a very thorough process.

Mr. KIND. Okay. Great. Thank you.

Thank you, Mr. Chairman.

Chairman REICHERT. Thank you.

Mr. Paulsen.

Mr. PAULSEN. Thank you, Mr. Chairman. And I want to thank everyone for being here as well today. This is an issue that is really essential to American manufacturing, which is what your testimony has been so compelling to hear.

As well as in my home State of Minnesota, but I do remember being in Arizona just a few years ago and hearing the Ping story. And this issue was raised about when are we going to have action on this issue from a real American success story. And so it is great to hear your testimony here again today.

And so we have heard the statistics. You have all shared them. But it really does bear repeating, Mr. Chairman, because if you think about since the last MTB bill expired back just a few years ago, we have seen another \$748 million in higher taxes for American domestic manufacturing. You have American manufacturers every year have now had an almost \$2 billion hit to our economy because of this.

In the MTB package back in 2010, it was found to support, as was mentioned, 90,000 jobs right here in the United States, increased production of \$4.6 billion, and expanded our economy by about \$3.5 billion. These are significant numbers, and it is a pretty

good bang for your buck, if you think about it—thousands of jobs, billions of dollars going into the economy, for a few million dollars in lower tariffs that does not impact negatively any other American manufacturer or domestic importer.

And a perfect example in Minnesota is a company called Knitcraft, a domestic sweater manufacturer. They are in Minnesota. They used to buy the wrinkle-free specialized mercerized cotton that it needs to make its sweaters from American producers. But eventually higher costs and overseas competition drove the U.S. cotton producers out of business so they did not have that source in the market.

So Knitcraft was forced to turn to an Italian supplier to get the inputs needed to manufacture and then sell their sweaters. But of course that came at a price—higher tariffs, of course, on those inputs. And they got hit twice. They got hit once by the inputs on the tariffs on the cotton they imported from Italy, and they also got hit on new tariffs on their sweaters that they sold in Canada.

And so when Knitcraft was sourcing their cotton from the United States, their sweaters did not face a tariff in Canada due to trade agreements between the two countries. But when the inputs started coming in from Italy, the company lost the duty-free treatment of their products north of the border.

So I am really encouraged by today's hearing. I have one quick question I want to ask the panel, and maybe just a couple can respond quickly. I understand that the tariffs on certain finished goods are lower than the tariffs on inputs needed to manufacture these finished goods. And we already heard the Ping story.

But anyone else? How does that put our manufacturers at a competitive disadvantage, and how do MTBs help to counteract this competitive disadvantage? Because again, higher tariff on your finished good versus a lower tariff on the input. Anyone?

Mr. SCHREINER. Yes. I do not have a good perspective on that, unfortunately, at this stage, Mr. Paulsen. I apologize. But I can say in your State we work very closely with one of the major manufacturers in your State, 3M, with their Thinsulate insulation.

Mr. PAULSEN. Right. Correct.

Mr. SCHREINER. Right? And like us, 3M brings a lot of their innovation, and a lot of that process occurs in their labs and in their facilities in Saint Paul. So they—I think for competitive reasons they source and do some of their manufacturing for certain higher volume commodity products offshore. But I would argue, similar to us, a lot of the jobs that are created in building that high-value content into those products is because of a lot of people in Saint Paul.

Chairman REICHERT. Thank the gentleman. His time is expired.

Mr. Neal.

Mr. NEAL. Thank you, Mr. Chairman. I am supportive of this initiative and have been. I want to just use a few minutes of my allotted time to call attention to something I think is fairly consistent here now. And there is frequently the complaint from our friends, and I do mean our friends, on the other side about the tyrant at the White House who is always usurping congressional authority. But he usurps it because there is not even a fight.

And I have opposed expanding authority for the executive, regardless of who sits in the chair. So we now have the line item veto, balanced budget amendment to the constitution, and we now have to ask for water resources reform and development. We have a moratorium on earmarking. And to get around all of this, we come up with these arguments to artificially get us to where we are today.

Now, we all support what these people have done. It is terrific. But the way we are doing this, as opposed to the way we used to do it, we are surrendering our institutional prerogatives and responsibilities. And I have seen it happen time and again, and then in the next breath complain about the executive who takes our authority.

There is a good reason that Congress is mentioned as the first branch of government, and it is actually to oversee the executive. So here, in order to get past this kind of once again chicanery, we decide that we are going to come up with this artificial mechanism to accomplish an end for good people who now have waited a long time to see this happen when this could have been done the way it was once done in Congress, through what we call the regular order.

So I support the legislation. It is a benefit to our manufacturers. These are all nice stories that everybody told today. But I want to tell you, at some point the executive does become all-powerful because the legislative branch does not stand up for its institutional responsibilities and prerogatives. And I think there is a profound inconsistency with what we do.

To our panelists: How long have you waited for this legislation to be passed?

Mr. OEHMIG. 2012. I mean, we were hugely disappointed when it expired. I mean, it was very impactful on us then from a planning perspective. So we have certainly been——

Mr. NEAL. So four years?

Mr. OEHMIG. Yes.

Mr. NEAL. Ma'am?

Ms. GROVE. On the golf bag flats, it has been just those few years. But on the golf clubs, we have not had that relief yet. So we proposed it, but at the time we proposed it and got the whole golf industry involved and, happy to say, came up with something that worked, the MTB was not being considered any more. So we have waited for decades.

Mr. NEAL. Decades.

Ms. DIDOMENICO. Yes. We have also been waiting four years, and we have been here every year asking for this bill to pass.

Mr. SCHREINER. Yes. Similar, and prior to 2012. The uncertainty of it consumes an awful lot of customer conversations when we could be talking about more productive things about how to drive more innovation and how to create more jobs.

Mr. NEAL. Mr. Chairman, there is a time when this would have moved through the Congress on a bipartisan basis without having to resort to the gimmickry that we have now to get around promises that were perhaps ill-considered when they were made. I yield back my time.

Chairman REICHERT. Thank you, Mr. Neal. I have just been here about 11 years, and I remember those days. So I just look like I have been in Congress 40 years. I had a career before this.

[Laughter.]

Chairman REICHERT. But also point out that I just became the chairman in December and look where we are today, Mr. Neal.

Mr. NEAL. Would the gentleman yield?

Chairman REICHERT. I will yield.

Mr. NEAL. You can undo it right now and we will make like we did not even notice.

[Laughter.]

Chairman REICHERT. Well, I know that Mr. Neal and folks on his side of the aisle recognize that there are some of us on the Republican side of the aisle that agree wholeheartedly with the views that he has just expressed. And some of us have been vocal about that. And the next gentleman that you are about to hear from, Mr. Kelly, I know is in that group, too.

So Mr. Kelly, you are recognized. I hope, anyway.

Mr. KELLY. Thank you, Chairman.

But I want to thank all of you for being here. So much of what we talk about when we are in session is policy. But what we do not talk about is the people that the policy affects. So you showing up, you are the face of what it is that we have to address. It is not just some kind of an ideological discussion or a debate. It is about how we are harming you in a way that makes you uncompetitive in a global economy.

And so every one of you—and I was looking through it. Mr. Oehmig, you talk about Sunbrella and the fact that you can no longer buy the fabric you need because—you cannot buy it state-side because it is not produced stateside. Right? So you have to get it from outside?

Mr. OEHMIG. That is correct.

Mr. KELLY. And Ms. DiDomenico, you talk about Dianil. Right? And, I mean, this is stuff that—you use these things to make colors. So is this Dianil only available from certain sources?

Ms. DIDOMENICO. Yes. There are only a few sources, and they are all overseas.

Mr. KELLY. They are all overseas. Okay.

So we go to Gore-Tex, and what you talked about, I was trying to understand, and maybe you can help me on this. You talked about a versatile polymer called ePTFE. I have absolutely—I see it—it is kind of bracketed, what it is, but I will not even try to say it. Where do you have to get that material?

Mr. SCHREINER. That material is produced domestically.

Mr. KELLY. It is produced domestically?

Mr. SCHREINER. Yes.

Mr. KELLY. Okay. And Ms. Grove, on the—

Mr. SCHREINER. The feed stocks for that material as well are produced domestically.

Mr. KELLY. Yes. And Ms. Grove, your company produces golf clubs. But you are in a global economy. We are all fighting for the same thing. I am an automobile dealer, and on the side of every new car is what they call a Monroney label. But also on the Monroney label, in addition to each item—and, by the way, the cost

on any particular car is the same no matter whether you buy it in Detroit, where it is produced, or whether you buy it in Miami. It is the same price. They have equalized the pricing on it—but also, in addition to that, is the content of how these products are made. It is the end product.

Now, there are a lot of people that make small things that go into the end product of a big thing—that you put out in the market. And I think what we are trying to get to is, why would your own government make it harder for you to be successful? Especially when all the revenue we derive is from people who are successful. It just doesn't fit, and I am not sure I understand.

Maybe, Mr. Neal, you have been here a lot longer, and maybe, Mr. Rangel, you have, too, and Sheriff, you and I have been together here for a couple years. I am just trying to think. So if you really wanted to make yourself globally competitive, and you wanted to be on the shelf at the same price as other people, and you wanted to be able to building buildings, and you wanted to be able to invest in equipment, and you wanted to be able to hire people and train people and provide all these wonderful revenues, we have to make you equal, at least being on a level playing field. Why would we make it harder for you?

And so I am with you, Mr. Neal. I mean, it is just bizarre. So the people we rely on for all the revenue, we are going to make it harder for them to be successful, and then we are going to hold them accountable for wanting to leave. It does not make sense.

Listen, I am out of time. But I think also, not only—am I out of time? You are out of time, too. You need a government that is going to respond to make sure that you can compete globally. And if we think this is a problem or we cannot get through because it has some kind of political implication, let me just say, too often politics interfere with policy that is good for people.

Thank you all for being here. You are the face of America, and you are the face of people who provide every single penny that this government uses to provide all these wonderful services to folks. So thanks so much.

Chairman, thank you.

Chairman REICHERT. You are welcome. We always let Mr. Kelly go a few minutes extra.

[Laughter.]

Mr. Tiberi, do you have—

Mr. TIBERI. Yes. Thank you, Mr. Chairman. Thank you for your leadership on this.

And Mr. Neal, you are starting to convince me on some of these issues. I will yield.

Mr. NEAL. It has been a long haul.

[Laughter.]

Mr. TIBERI. But I want to challenge your narrative here on one issue. So if we had not given up our authority on earmarks, I still doubt that that would have had any impact on this Administration on the overtime rules that I just met with a group of small businesses on, or the fiduciary rule, which you are quite familiar with, or the power plant rules, or the immigration rules, or the EPA rules, or the Waters of the USA rules.

Mr. NEAL. Right.

Mr. TIBERI. And I could go on. So I do not know that that would have stopped them from doing what they are doing, which is—

Mr. NEAL. Would the gentleman yield?

Mr. TIBERI. Yes, I will. Go ahead.

Mr. NEAL. There is a slow encroachment of executive authority that dates to the founding of the country.

Mr. TIBERI. Great.

Mr. NEAL. And every time that we forfeit the responsibility, they take more. But in this instance here—and the cases, by the way, you have used as an example on the DOL rule, I was willing to challenge my own administration.

Mr. TIBERI. Yes. You were one of the few.

Mr. NEAL. We need to do that from time to time.

Mr. TIBERI. I agree. I agree.

Mr. NEAL. I mean, that is congressional authority.

Mr. TIBERI. So Ms. DiDomenico, you clearly understand, based upon your testimony, the challenges that we have had here internally in dealing with this rule. But we also have, and I think there would be bipartisan agreement, that even within this own body, there is a lot of misunderstanding of what an MTB is, including a notion that cuts on businesses like those of you who are here today on these tariffs—or tax cuts on American business, essentially—somehow will increase Congressional spending. And some believe that this is also an earmark.

Can you, in layman's terms, expand upon your testimony and tell Members of Congress for the record why you may not believe that?

Ms. DIDOMENICO. Yes. By the money that we would save on these duties, we would be able to employ one or two more people just for one raw material alone. Then you compound that for all the other raw materials that we are purchasing, and we could employ many more people, invest back in our company, and that money, through income taxes and other ways, would go back to the government. So to say the government is losing out on revenue, I do not think that is a true statement.

And to say that it is an earmark, we do not think that is the case because although one company may submit the MTB, there could be several other manufacturers that are using that same product. So we also do not feel that it is an earmark.

Mr. TIBERI. Thank you so much. My time is expired. Thank you, Mr. Chairman.

Chairman REICHERT. Thank you.

Mr. Holding.

Mr. HOLDING. Thank you, Mr. Chairman. Mr. Chairman, I want to thank you, and I want to thank the subcommittee staff for working hard to come up with the MTB that we are here to talk about today.

This particular issue, the MTB issue, is one of the principal reasons that I sought to join the Ways & Means Committee and become the first Republican in 30 years from North Carolina to serve on the Ways & Means Committee. It is an important issue for North Carolina.

And Glen Raven, Mr. Oehmig, the CEO of Glen Raven, it is an honor for me to have you all here today. Glen Raven is a North Carolina institution. And Mr. Chairman, I would point out that

this is a 130-year-old American textile company. The textiles have taken hits over the years, but it is companies like Glen Raven and the family behind Glen Raven that have embraced innovation and made the commitment and sacrifices that ultimately are paying off today with a thriving company.

So Mr. Oehmig, a quick question to you. I understand Glen Raven has recently announced some exciting changes and investments into your Sunbrella design and manufacturing operations in North and South Carolina. So if you could just share briefly a few more details about this and how an MTB would support and enhance these efforts.

Mr. OEHMIG. Yes. Thank you, Congressman. As mentioned earlier, I mean, we have continued to invest heavily in Sunbrella even despite paying the tariffs. It is the growth engine for our business. We have a thriving textile industry in the U.S., but it is driven by innovation and product differentiation and really continuing to separate ourselves.

And so for us in the U.S., I mean, we continue to invest in assets. We continue to expand our manufacturing capabilities. We recently realigned one of our plants in Western North Carolina in an area that badly needs the employment. We saved 175 jobs there aligning that with the growth engine of our business, being Sunbrella. So we are certainly expanding there.

And we have some of the most well-known furniture designers and fabric designers from around the world that are now coming to North Carolina because they want exclusive designs, and they want to collaborate with us on their design activities.

And so in order to do that, we have, as I mentioned earlier, announced an investment that we are executing now of more than \$20 million to create a design center that will be a source of pride for North Carolina, and obviously a source of opportunity for job creation as we are bringing in customers and prospective customers from around the world.

Mr. HOLDING. Thank you very much. I yield back.

Chairman REICHERT. Thank you all for your testimony and for taking time out of your busy schedule to be here. And I want to just end on this note, Mrs. Graves. I appreciate your comment about the thoroughness of ITC. I think that is one question that some members have come to me about. I think it is great to hear from the private sector as to what your—at least your opinion is of that process.

And as we look at this piece of legislation, recognizing that the process begins with the private sector coming to ITC with a request, a review and analysis occurring, recommendations then being made by ITC to Congress through the Ways & Means Committee, another review process by the chairman and the committee members, cannot add to that recommendation but can subtract from it. Adding to would then, of course, enact the earmark rule. So we cannot do that.

And then it goes to the floor for a vote. And the Senate, of course, through their rules on their side of the legislative body in processing legislation, it would go through a similar process.

So the final, to Mr. Neal's point that he was making earlier—I understood what he was trying to say. But the final say is held in

the hands of Congress, not in the hands of the President. The review process, the public presentation of the ITC recommendation, sits right here in the Ways & Means Committee. And that process starts with the chairman sharing that information with the public and then moving forward with legislation.

So I appreciate everyone's participation today. And again, thank you so much for your testimony, and look forward to next week's markup and a vote soon. This hearing is adjourned.

[Whereupon, at 3:10 p.m., the Subcommittee was adjourned.]

[Submissions for the record follow:]

Public Submission of

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**United States House of Representatives
Committee on Ways and Means
Trade Subcommittee**

**Hearing on the Miscellaneous Tariff Bill: Helping U.S. Manufacturers through
Tax Cuts
April 14, 2016**

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**In Defiance of Global Economics:
Small Thinking in Congress on Tariff Reform Impedes Investment and Growth**

By Daniel Ikenson

Introduction

On April 13, 2016, House Ways and Means Committee leadership and 15 other members of Congress introduced *The American Manufacturing Competitiveness Act of 2016 (AMCA)*, a bill to reform and reinvigorate the stalled Miscellaneous Tariff Bill (MTB) process. MTBs are legislative vehicles through which Congress provides temporary suspensions of import duties on certain qualified products typically used as inputs in U.S. manufacturing operations. The last MTB afforded importers about \$750 million in annual tax relief.

In a Ways and Means Committee statement released with the *AMCA*'s introduction, Chairman Kevin Brady (R-TX) said: "This bipartisan bill will empower American manufacturers to compete around the world, create new jobs at home, and grow our economy."¹ Ranking Member Sander Levin (D-MI) added: "The MTB is a critical tool that supports American manufacturers and workers, and I'm pleased that we're finally moving forward with this legislation."² President Obama similarly described the *Manufacturing Enhancement Act of 2010* – the last MTB to pass Congress – as a tool to strengthen manufacturing, create jobs, and help U.S. companies compete.³

Despite their widely recognized benefits, the MTB in 2012 was derailed by GOP infighting over the question of whether duty suspensions constitute "earmarks," and has remained off-track ever since. The new legislation purports to resolve the problem by assigning to the U.S. International Trade Commission the role of an intermediary. Rather than continue to allow duty suspension requests from constituents directly to their Members and Senators, the legislation requires those requests to be made to the USITC, which will determine whether the statutory criteria are met. Presumably, inserting an objective, disinterested, third party into the process will provide enough of a buffer between the

¹ United States House of Representatives Ways and Means Committee, "Bipartisan Members Introduce American Manufacturing Competitiveness Act of 2016: Strengthens MTB Process, Upholds House Earmark Ban," Press Release, April 13, 2016, <http://waysandmeans.house.gov/bipartisan-members-introduce-bill-to-strengthen-miscellaneous-tariff-bill-process/>.

² Ibid.

³ President Barack Obama, The White House, Office of the Press Secretary, "Remarks by the President at the Signing of the Manufacturing Enhancement Act of 2010," August 11, 2010.

constituent requests and Congress to make the distinction between duty suspensions and earmarks more obvious.

If one has low expectations about how Congress can make the United States a more attractive option for manufacturers to establish and maintain operations, then *AMCA* represents a laudable – though mostly cosmetic – effort to end a GOP semantics battle and restore the status quo. But Congress should be thinking bigger – much bigger – than the *AMCA*. Congress should aim to eradicate important deterrents to investment in U.S. manufacturing by eliminating, permanently, all duties on intermediate goods and revise the antidumping law to forbid the imposition of “remedial” duties when the costs of such action to downstream industries are estimated to exceed the benefits to the petitioning industry.

The Miscellaneous Tariff Band-Aid

At great expense to producers, consumers, and taxpayers, the U.S. government maintains “protective” tariffs on thousands of imported products, including many items not even produced domestically.⁴ To mitigate these costs, since 1982 Congress has passed eight so-called Miscellaneous Tariff Bills, which temporarily suspend duties on certain, “non-controversial” products – usually intermediate goods, such as chemicals, electronic components, and mechanical parts – that are not manufactured domestically, but are needed by U.S. producers to generate their own output. Though limited in impact by its temporary nature, the “no domestic production” requirement, and the caveat that the suspended duty not reduce tariff revenues by more than \$500,000, the MTB does provide some cost savings to U.S. producers. The last MTB provided an estimated \$748 million of import tax relief.⁵ Importantly, but sadly, the MTB is one of just a few U.S. trade policies that recognizes the importance of imports to the U.S. economy.

Two Congresses came and went without producing a MTB mainly because of disagreement among Republicans over whether the underlying duty suspensions that get bundled into the broader bill would violate their 2010 pledge to oppose earmarks. In 2012, then-Senator Jim DeMint (R-SC) – an otherwise ardent free trader – led a successful effort to derail the MTB process in the 112th Congress, declaring duty suspensions to be earmarks because they provide only a “limited tariff benefit” – defined under House GOP rules as benefiting ten or fewer entities. The 113th Congress failed to take up the issue of

⁴ For a list of all imported product classifications and their official tariff rates, see the U.S. Harmonized Tariff Schedule, <https://hts.usitc.gov/current>.

⁵ United States House of Representatives Ways and Means Committee, Press Release, April 13, 2016.

duty suspensions, and early efforts to revive the MTB process in the 114th Congress by way of the 2015 Customs Bill fell short when the language was stripped in the House-Senate conference committee process.

The American Manufacturing Competitiveness Act of 2016 is an effort to reconcile the MTB process with the Republican ban on earmarks so that duty suspensions can resume. The crux of the bill descends from De Mint's proposal in 2012 to insert the U.S. International Trade Commission into the process so that individual duty suspension requests don't go directly from constituents to Members and Senators, but are vetted first by a disinterested, objective third party. Though the bill seems to do nothing about weeding out duty suspensions with "limited tariff benefits," the insertion of the USITC into the process presumably puts enough distance between constituents and Congress to moot concern over whether duty suspensions are earmarks at all.

The effort to resuscitate a long-standing vehicle for lightening the burden of import duties is laudable. Its derailment, which probably cost importers \$3 billion (and the economy even more) over four years, however, was an unnecessary setback.⁶

Myopic Misgivings about Miscellaneous Tariff Bills

Although *AMCA* provides resolution to the GOP impasse, it is important to see why this debate was unnecessary in the first place. First, duty suspensions will nearly always have more than ten beneficiaries – meaning they defy the earmark definition – because the number of importing entities is likely to increase after a duty is suspended, and the entities in the supply chains of these importers will benefit, too. The number of beneficiaries is not static.

Second, and crucially, it is the duties – not the measures to suspend them – that are the real earmarks. Duties enshrined in the U.S. Harmonized Tariff Schedule constitute transfers from consumers and consuming industries to specific, chosen producers. Those duties were obtained through a process that included earmarking, logrolling, and other forms of backroom dealing. Efforts to suspend those duties today are intended to return the tax landscape to a state of neutrality. That objective clearly differs

⁶ Figure based on \$748 million annual cost, quoted in House Ways and Means Committee Press Release, April 13, 2016, multiplied by four years.

from measures that would channel resources from the national treasury to projects that benefit a limited few in a particular congressional district.

Under the MTB process, the suspension of import duties on qualified products is an outcome available to anyone, and the suspended duties provide benefits to everyone in the downstream supply chain all the way to the final consumer. The fundamental failure to make this connection – to recognize that there are dynamic, but not immediately observable benefits that will accrue to the economy – helps explain why Congress struggles to see the bigger picture.

Given that duty suspension of qualified products is available to all, the only conceivable sense in which one might consider the benefits limited is that not everyone has equal access to the process. Some import-consuming companies have the wherewithal to make the formal requests – previously to their Members or Senators; prospectively to the USITC – while other companies do not.

Accordingly, *AMCA* aims too low. Why require formal duty suspension requests at all? Why not make them automatic? Why not have the USITC do an assessment of the entire Harmonized Tariff Schedule to identify all items that meet the statutory requirements for duty suspension? Why have such restrictive criteria at all? Congress can and should do much more about costly tariffs than what is proposed in *AMCA*.

House Ways and Means Trade Subcommittee Chairman Dave Reichert (R-WA) points out that since the last MTB expired in 2012, American companies have faced an annual \$748 million tax hike on manufacturing. That may be true, but since 2012 U.S. Customs has collected roughly \$43 billion annually in tariff “revenue,” approximately \$26 billion of which was from duties on intermediate goods.⁷ In other words, *AMCA* fixes \$748 million (less than 3 percent) of a \$26 billion problem.

Congress should be thinking bigger about what it can do to eliminate costly, investment- and production-diverting import duties.

⁷ Calculated from data extracted from the U.S. International Trade Commission’s Interactive Tariff and Trade DataWeb, <https://dataweb.usitc.gov/> and U.S. Customs and Border Protection, “Fiscal Year 2014 Report to Congress,” November 24, 2014, <http://www.cbp.gov/sites/default/files/documents/ADCVD-Outstanding-Collections-Report-FY14.pdf>.

Attracting and Retaining Investment is the Proper Policy Goal

Although trade barriers have been reduced considerably since the end of the World War II, U.S. policy continues to reflect an intolerable amount of protectionism, including tariffs assessed on approximately one-third of all U.S. imports.⁸ Eliminating – or at least reducing – these burdens should be a congressional priority because duties raise the cost of production, reduce investment and hiring, dissuade foreign companies from establishing operations in the United States, and encourage existing producers to relocate to countries where the burdens are less onerous.

Trade liberalization is about expanding markets across national boundaries and broadening the scope for specialization and economies of scale – the essential ingredients of wealth creation. Although the public often thinks of improved access to foreign markets as the conveyor of trade's benefits, the primary mechanism through which the benefits are channeled is imports. Of course it means more customers for U.S. exports, but it also means more competition for U.S. consumers' dollars, greater variety, better quality, more innovation, a wider number of sources for raw materials and intermediate goods, as well as greater scope for supply chain collaboration. When trade barriers come down, the factory floor can span borders and oceans, enabling production to be organized in new and more efficient formats, expanding the global production possibilities frontier to create more wealth and higher living standards.

In most tradable industries, global production sharing has become the norm. About half of the value of all U.S. imports in 2015 consisted of industrial supplies, other intermediate goods, and capital equipment – the purchases of U.S. producers, not end-use consumers.⁹ According to estimates from the World Trade Organization, intermediate goods (excluding oil and fuels) account for about 60 percent of the value of global trade.¹⁰

In order to compete more effectively at home and abroad, U.S. companies (and the U.S. operations of foreign-headquartered companies) need access to imported inputs at world market prices. Production costs in the United States must be competitive. Yet, under U.S. tariff policy, many imported inputs are

⁸ See the U.S. Harmonized Tariff Schedule, <https://hts.usitc.gov/current>.

⁹ Bureau of Economic Analysis, U.S. International Trade in Goods and Services, Exhibit 6. U.S. Exports and Imports of Goods by Principal End-Use Category, February 2016.

¹⁰ World Trade Organization, "International Trade Statistics 2013," https://www.wto.org/english/res_e/statis_e/its2013_e/its13_highlights4_e.pdf.

subject to duties – even when there are no domestic suppliers to “protect.” These taxes raise production costs, deter investment, and chase producers offshore, where they can access needed inputs at market prices. The consequence of all of this is reduced economic output and job loss or suppression.

In the 21st century global economy, where capital is mobile and businesses have options regarding where they locate production, distribution, and research and development activities, governments are competing to attract job-creating, value-added investment in their economies. Public policies – including tariffs and other trade policies that increase the cost of production – are on trial, and the verdict will be found in the investment flow data.

For now, there is more investment in U.S. manufacturing than there is in any other country’s manufacturing sector. But what matters is whether the rate of investment growth is sufficient to keep up with the growth in demand for manufacturing output and the supply of qualified labor. Nibbling around the edges with small, temporary tariff reprieves via legislation like the *AMCA* is an inadequate gesture that does little to put the United States in a better position to win more investment location decisions going forward.

Congress Should Be Thinking Bigger on Tariff Policy

In 2014, U.S. Customs collected nearly \$45 billion in duties, taxes, and fees levied on imports, with approximately \$27 billion collected on imported intermediate goods, which amounts to nothing more than a tax on U.S. value creators.¹¹ Duties on products such as magnesium, saccharine, polyvinyl chloride, and hot rolled steel may please their domestic producers, who are freed to raise prices and reap larger profits. But those same duties are costly to U.S. producers of auto parts, food products, paint, and appliances, who consume those products as inputs in their own manufacturing processes. Current U.S. tariffs elevate the interests of certain producers over the interests of others. Oddly, it tends to be the lower value-added, basic materials producers who are protected at great expense to the higher value-added, intellectual property-, capital-, and export-intensive industries, which tend to contribute more to GDP and employ more and higher-skilled workers.

¹¹ Calculated from data extracted from the U.S. International Trade Commission’s Interactive Tariff and Trade DataWeb, <https://dataweb.usitc.gov/> and U.S. Customs and Border Protection, “Fiscal Year 2014 Report to Congress,” November 24, 2014, <http://www.cbp.gov/sites/default/files/documents/ADCVD-Outstanding-Collections-Report-FY14.pdf>.

Meanwhile, U.S. antidumping actions are more than a dispute between a domestic industry and its foreign competition. They reveal conflicts of economic interests between the duty-seeking U.S. industry and its U.S. customers. Those customers – usually other U.S. producers – are given no quarter under the law. If the petitioning industry can demonstrate that it has suffered “material injury” on account of less than fair value imports, duties are imposed regardless of the impact on these downstream consuming industries and the economy at large. That is hardly a recipe for rational policymaking – that is, policymaking in the national economic interest.

Last decade, 80 percent (130 of 164) of all U.S. antidumping measures were imposed on intermediate goods, raising the costs of production on U.S. producers who need those inputs to make their own downstream products. Yet the statute forbids the administering authority from considering the downstream impact. These restrictions clearly raise the costs of production for these producers, rendering them less competitive at home and abroad. In one-third of these cases, the petitioning industry obtaining relief consisted of a single company – a monopolist. In many cases, the U.S. producers move their operations to Canada, Mexico or other saner shores.¹²

During the financial crisis and subsequent recession in 2009, as G-20 governments were reassuring each other that they would not resort to beggar-thy-neighbor protectionism, the Canadian and Mexican governments took an entirely different tack, slashing duties on imported intermediate goods. Each government properly recognized import duties as business costs and, since business revenues were projected to plunge on account of the global economic contraction, chose to limit the adverse impact on their businesses by reducing their import tax burden. That logic is universal, and does not only apply in times of economic recession.

Recognizing that downstream import-consuming industries account for a greater share of U.S. GDP, employ more workers, pay more taxes, and are more innovative than the protected firms in upstream, raw material-producing industries, Congress should permanently eliminate import duties on all intermediate goods, regardless of the existence of domestic production. Import duties are taxes on U.S. producers and consumers for the benefit of some – and sometimes for the benefit of nobody. Any government seeking to minimize irrational policies and hoping to be a magnet for investment in value-

¹² Daniel Ikenson, “Economic Self-Flagellation: How U.S. Antidumping Policy Subverts the National Export Initiative,” Cato Trade Policy Analysis No. 46, May 31, 2011.

added activities should avoid needless taxes on downstream industries. That includes the U.S. government.

Congress should establishing a policy of zero tariffs on intermediate goods and reform the antidumping law to require the administering authorities to conduct an analysis of the economic costs of prospective antidumping duties on downstream industries. The statute should instruct the authorities to deny imposition of duties if the estimated costs are deemed excessive or disproportionate to the estimated benefit conferred upon the petitioning industry. These would be meaningful reforms that would go a long way toward bolstering U.S. attractiveness, now and into the future, as a destination for both U.S. and foreign direct investment, which will be a major determinant of economic growth in the 21st century.

It's time for Congress to start thinking big on tariff reform.





HEARING ON THE MISCELLANEOUS TARIFF BILL: HELPING U.S. MANUFACTURERS
THROUGH TAX CUTS

Statement for the Record

Huntsman Corporation is a major chemical manufacturer with dozens of sites in the United States and many more around the world. In the U.S., we manufacture a number of products that require raw materials to be shipped from outside the country due to a lack of availability domestically.

We urge Congress to develop a fair, transparent, and bipartisan process for considering the Miscellaneous Tariff Bill (MTB) that will strengthen American manufacturing by lowering costs, creating more jobs at home, and saving money for American consumers.


By suspending import duties on materials essential to manufacturing, but unavailable from domestic sources, passing the MTB would allow many U.S. manufacturers to lower costs and expand domestic production. According to the National Association of Manufacturers, the most recent duty suspension legislation enacted in 2010 supported 90,000 jobs and expanded the gross domestic product by \$3.5 billion.

At Huntsman, many of our products operate with narrow profit margins, and duties on raw materials can be a deciding factor on whether we will be able to manufacture in the U.S. or whether, for these products to be viable, we need to find alternative routes to market. In some cases, we are actually considering discontinuing products altogether due in part to the inefficiencies created by these duties. From our perspective, these duties on the raw materials operate as an *arbitrary excise tax* on the end products, since there are not domestic alternatives for the raw materials.

We and other manufacturers make critical decisions regarding our supplies and manufacturing every day. As such, speed is important, and we encourage Congress to quickly pass a bill that will allow for consideration of what should be a non-controversial, non-partisan MTB.

Sincerely,

Troy M. Keller
Huntsman Corporation
Vice President, Government Affairs
10003 Woodloch Forest Drive
The Woodlands, Texas 77380
Tel. 281-719-6000
Fax. 281-719-4045

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Statement for the Record

National Association of Manufacturers
733 10th Street, NW, Suite 700
Washington, DC 20001

House of Representatives Committee on Ways and Means
Subcommittee on Trade hearing
on "Miscellaneous Tariff Bill:
Helping U.S. Manufacturers through Tax Cuts"

April 14, 2016



Statement for the Record**House of Representatives Committee on Ways and Means
Subcommittee on Trade****Miscellaneous Tariff Bill:
Helping U.S. Manufacturers through Tax Cuts****April 14, 2016**

The National Association of Manufacturers (NAM) is pleased to provide the following statement to the House of Representatives Committee on Ways and Means, Subcommittee on Trade, on "Miscellaneous Tariff Bill: Helping U.S. Manufacturers through Tax Cuts."

The NAM is the nation's largest industrial association and voice for more than 12 million women and men who make things in America. Manufacturing in the U.S. supports more than 17 million jobs, and in 2015, U.S. manufacturing output reached a record of \$2.17 trillion. It is the engine that drives the U.S. economy by creating jobs, opportunity and prosperity. The NAM is committed to achieving a policy agenda that helps manufacturers grow and create jobs. Manufacturing has the biggest multiplier effect of any industry and manufacturers in the United States perform more than three-quarters of all private-sector R&D in the nation – driving more innovation than any other sector.

The NAM leads industry efforts to advance the competitiveness of manufacturers in the United States through many trade initiatives, including seeking the elimination of border taxes on inputs and other products not produced or available in the United States. Such tariffs undermine U.S. competitiveness and Congress has long addressed these harmful distortions in the tariff code through the enactment of Miscellaneous Tariff Bills (MTBs).

While Congress had effectively addressed these distortions through the enactment of MTBs with strong bipartisan support for three decades, Congress has not renewed MTBs since the U.S. Manufacturing Enhancement Act in 2010 expired on December 31, 2012. Since then, businesses in the United States have faced an annual \$748 million tax increase on manufacturing and the U.S. economy has suffered a \$1.875 billion economic loss, according to an analysis by the National Association of Manufacturers.

As a result, manufacturers, especially small- and medium-sized manufacturers, in industries ranging from agriculture and textiles to chemicals, electronics, machinery and beyond, have seen their costs rise for inputs not produced in the United States, undermining American competitiveness and the ability of these companies to innovate and retain and create manufacturing jobs in the United States.

Consider the example of Lasko Products Inc., an electric fan manufacturer based in West Chester, Pennsylvania. The MTB would allow Lasko to compete against low-cost imports of household electric fans from China. Lasko is the last American manufacturer of portable oscillating fans and has been able to stay in this business with the MTB program and heavy investment in capital equipment and tooling.

Another illustration is Bayer CropScience, based in Research Triangle Park, North Carolina. Since the expiration of the last MTB at the end of 2012, Bayer has seen the cost of its manufacturing increase tens of millions of dollars due to the loss of duty relief.

Yet another example is Milliken & Company, based in Spartanburg, South Carolina. Milliken employs 6,000 men and women in the United States and manufactures polypropylene clarifiers and nucleators used in the packaging, food storage and container markets. Because the raw materials needed are not produced in the United States, Milliken had relied on the MTB process to reduce its overall costs and improve its global competitiveness. Thanks to past MTBs, Milliken had been able to add jobs in South Carolina and grow its chemical business.

Lasko, Bayer and Milliken represent just a fraction of the manufacturers and their employees who would benefit from the MTB. The NAM has been advocating for reform of the MTB process to create a transparent, regularized and predictable MTB process that would correct these tariff distortions that place an unnecessary and anti-competitive tax on manufacturers across the United States.

Manufacturers are, therefore, strongly encouraged by the bicameral and bipartisan introduction of the "American Manufacturing Competitiveness Act of 2016" that will set in place a new MTB process. The House version of the legislation was introduced by House Ways and Means Committee Chairman Kevin Brady (R-TX) and Ranking Member Sander Levin (D-MI) and Trade Subcommittee Chairman Dave Reichert (R-WA) and Ranking Member Charles Rangel (D-NY), with original co-sponsors including Representatives Pat Tiberi (R-OH), Earl Blumenauer (D-OR), Tom Reed (R-NY), Bill Pascrell (D-NJ), Jim Renacci (R-OH), Danny Davis (D-IL), Mark Walker (R-NC), Jim Clyburn (D-SC), Mick Mulvaney (R-SC), Michael Doyle (D-PA), Tom McClintock (R-CA), Sanford Bishop (D-GA), Todd Rokita (R-IN), Joseph Courtney (D-CT) and Rod Blum (R-IA). The Senate version was introduced by Senate Finance Committee Chairman Orrin Hatch (R-UT) and Ranking Member Ron Wyden (R-OR), with original co-sponsors including Senators Rob Portman (R-OH), Claire McCaskill (D-MO), Richard Burr (R-NC), Bob Casey (D-PA), Pat Toomey (R-PA) and Sherrod Brown (D-OH).

This legislation sets in place a new transparent process by which manufacturers and others can seek the temporary elimination of tariffs on products not produced in the United States by petitioning the U.S. International Trade Commission (USITC), which will conduct an analysis of whether the products are eligible for the duty-elimination. The House Ways and Means Committee and the Senate Finance Committee, with input from the administration, will review the preliminary report on the petitions for duty suspensions and reductions assembled by the USITC, and will have the ability to eliminate products that they find are not eligible.

For manufacturers, this relief is long overdue. The NAM, therefore, strongly urges Congress to consider and work expeditiously and jointly to pass this new MTB process to eliminate distortions in the U.S. tariff code that are undermining the competitiveness and growth of manufacturers throughout America.

April 14, 2016

Representative Kevin Brady
Chairman, House Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady,

On behalf of our organizations, we write in support of your legislation, the "American Manufacturing Competitiveness Act of 2016," which would revise and improve the process for consideration of Miscellaneous Tariff Bills (MTBs). For years, MTBs served as an imperfect, yet effective means to reduce unnecessary tariffs on selected goods and materials that are not produced domestically.

By cutting or eliminating tariffs on raw materials and other products, MTBs helped create economic benefits for consumers while bolstering the competitiveness of American companies. In fact, according to the National Association of Manufacturers, passage of a MTB would provide the U.S. with \$1.875 billion of economic growth annually.

There are also strict rules as to what is eligible for tariff relief. There could not be domestic production of the imported good, the estimated cost of the waived or reduced tariff could not exceed \$500,000 and it had to be implementable by the U.S. Customs Service at the border. The International Trade Commission (ITC) was the arbiter of whether a proposal met the criteria.

Though its economic benefits are clear, since 2010 the MTB process has been halted by concerns about earmarks. Specifically, a provision in the rules of the House of Representatives prohibits the passage of a "limited tariff benefit" that affects fewer than 10 companies – a threshold triggered by many previous MTBs. Your legislation would wisely allow Congress to achieve the positive economic effects of an MTB without violating the ban on earmarks.

The revised process in your bill would require companies to file petitions for tariff relief directly to the ITC instead of to individual Members of Congress. The ITC would carefully analyze these requests and report its recommendations to Congress. Congress could exclude products from the ITC proposal, but could not add to it. This would ensure that all enacted tariff reductions were thoroughly vetted by both the ITC and Congress.

These important procedural changes should serve to eliminate any concerns about the parochialism and unethical behavior that were endemic to the earmarking process. Additionally, they add unprecedented



transparency, as all correspondence between businesses, the ITC, and Congress would be made easily available to the public in real time.

Again, we applaud you on creating a revised MTB process that increases transparency, avoids the pitfalls of earmarking, and sets the table for economic growth. Our organizations are pleased to endorse your bill and hope it will be swiftly enacted into law.

Sincerely,

Brandon Arnold, Executive Vice President
National Taxpayers Union

Grover Norquist, President
Americans for Tax Reform

Norman Singleton, President
Campaign for Liberty

Jeffrey Mazzella, President
Center for Individual Freedom

Tom Schatz, President
Council for Citizens Against Government Waste

Lisa Nelson, CEO
Jeffersonian Project

Lori Sanders, Outreach Director and Senior Fellow
R Street Institute

Karen Kerrigan, President and CEO
Small Business and Entrepreneurship Council

Steve Ellis, Vice President
Taxpayers for Common Sense

David Williams, President
Taxpayers Protection Alliance



Comments on the American Manufacturing Competitiveness Act of 2016
By Nufarm Americas, Inc.
April 2016

We applaud the introduction of the “American Manufacturing Competitiveness Act of 2016” (H.R. 4923 and S. 2794), new legislation that would create a reformed Miscellaneous tariff bill (MTB) process. This new approach is vitally necessary to avoid unwarranted import tariffs on imported goods that are not produced domestically.

My name is Tom Lyons, and I am Vice President of Operations at Nufarm Americas Inc. (“Nufarm”), a U.S. manufacturer and processor of crop protection products such as herbicides, insecticides, fungicides and plant growth regulators. I am writing today to encourage the broadest possible support of the MTB reform legislation in Congress and across the government.

As a leading supplier of crop protection products for American farmers, Nufarm maintains its U.S. headquarters and two manufacturing plants in the Chicago area. Together, these two Illinois sites provide 122 jobs in the greater Chicago area, 55 of which are manufacturing jobs. In the past few years, we have also completed tens of millions of dollars in capital expenditure improvements for our Chicago plants as a demonstration of our commitment to U.S. manufacturing, despite appreciable economic headwinds in Illinois. Nufarm additionally maintains a research and development site in Morrisville, North Carolina, which also houses the company’s regulatory and marketing teams. Nufarm employs 24 people at its Morrisville, NC location.

We support passage of trade legislation that includes MTB reform for the reason that current policy introduces unnecessary and unjustified cost into Nufarm’s U.S. manufacturing activities that could be eliminated through the MTB. Manufacture of many of Nufarm’s products requires chemical compounds that are not produced in the U.S., and that are subject to import tariffs when imported. For example, one of Nufarm’s key products, MCPA Acid, is subject to a 6.5% tariff upon import. This tariff does not protect domestic producers as MCPA Acid is not produced in the U.S. The tariff raises production costs for U.S. producers such as Nufarm, who are then compelled to pass on costs to distributors and crop growers through higher prices when possible.

For many years, Congress addressed the unnecessary tariff costs by passing periodic MTB legislation. Unfortunately, Congress has not renewed the MTB since the final duty reductions and suspensions from the 2010 MTB expired at the end of 2012. As a result, manufacturers have seen their input costs go up undermining American competitiveness in trade as well as in U.S. job retention and creation. Nufarm has experienced specific adverse impact by paying duty on MCPA imported into the U.S. for processing and re-export to Canada with no

way to avoid the duty at import or to recover the duty upon re-export. Obviously, this greatly reduces the competitiveness of U.S. processing and threatens jobs.

Nufarm has been active in and supportive of the MTB process for over 20 years, including advocacy for MTB reform. There is no defensible reason to continue adding unnecessary cost into Nufarm's (or others') U.S. based production activities, and the new proposed MTB legislation is poised to address this issue. The time has come to reshape the process in a less political framework beginning administratively in the International Trade Commission, moving on through analysis and public comment, and culminating in a legislative recommendation to Congress.

I greatly appreciate your time and consideration of this most important issue to my company. Should you wish to hear further information regarding Nufarm's operations and the effects of tariff legislation, I would be most happy to discuss this issue further.

Sincerely,

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April 28, 2016

The Honorable Kevin Brady
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Re: H.R. 4923, *American Manufacturing Competitiveness Act of 2016*.

I am providing these comments in support of the *American Manufacturing Competitiveness Act of 2016*. They are not submitted on behalf of any clients, but instead reflect my own views after 35 years as an international trade attorney, including over 5 years at the U.S. International Trade Commission, and 21 years as an adjunct professor at George Mason University.

In my private law practice I have represented a number of domestic manufacturers, most of them small businesses, that rely on imported materials for their production activities. While some of them were able to take advantage of the traditional tariff suspension process and some were not, all found it to be cumbersome and confusing. The absence since 2012 of even this flawed process has saddled such companies with unnecessary, additional costs.

The *American Manufacturing Competitiveness Act* provides a vastly improved procedure for temporary suspension of anti-competitive tariffs. It addresses the two chronic problems in the previous ad hoc approach: unpredictability, and the perception of undue political influence in choosing the beneficiaries of legislation.

That a tariff suspension process is appropriate is noncontroversial. While tariffs serve both protective and revenue-raising purposes, the former does not

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The Honorable Kevin Brady
 April 28, 2016
 Page 2

apply when there is no domestic production of a product competitive with imported items. This puts U.S. manufacturers that must import materials at a cost disadvantage, with no concomitant benefit to a domestic industry.

There are two features of the Harmonized Tariff Schedule that must be taken into account in devising an effective suspension process:

- Tariff rates on parts and materials tend to be higher than on finished goods.
- Tariff provisions, while detailed in coverage, generally are broader in scope than the specific item that a manufacturer needs to import.

Additionally, to ensure that the tariff relief is beneficial to domestic producers, the process must provide mechanisms to:

- Permit importers to apply and demonstrate their eligibility.
- Confirm there is no domestic production of the item for which suspension is sought.
- Make certain that the importer receiving the benefit will in fact use it in domestic production activities.

H.R. 4923 meets each of these requirements. The International Trade Commission has the investigative and research capability to serve as a gatekeeper and evaluate the merits of each application. It also has the tariff expertise to craft appropriate classification provisions that are administrable by U.S. Customs and Border Protection. Armed with the Commission's disinterested advice, Congress will be in a position to weigh the merits of proposed suspension measures.

For these reasons, I support enactment of H.R. 4923.

Very truly yours,

/s/

George W. Thompson

