

American Composites Manufacturers Association
Testimony for the United States International Trade Commission

Investigation No. TA-131-040

***WTO Environmental Goods Trade Negotiations:
Advice on the Probable Economic Effect of Providing Duty-Free Treatment,
Second List of Articles***

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Testimony of Dan Coughlin
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Chairman Broadbent, Commissioners, and Commission staff, thank you for the opportunity to testify before you today. My name is Dan Coughlin. I am the Vice President of Composites Market Development with the American Composites Manufacturers Association.

ACMA represents more than 3000 manufacturers of fiber reinforced polymer composites (or FRP) and their raw material suppliers that manufacture products in a wide range of industries. FRP composites are combinations of tough and durable polymer resin with super strong glass or carbon fiber reinforcements. Composites manufacturing technologies combine the fiber reinforcements and polymer resins using processes that cause the materials to chemically bond and take the shape of the final product. Our members manufacture composite materials that are widely used in key markets like energy generation and delivery, transportation and marine infrastructure, automotive and truck, pollution control, recreational boating, and defense among many others. The composites industry value chain contributes over \$45 billion to U.S. economy growing at more than 6.5% annually and employing nearly three quarters of a million people.

We understand that the ITC endeavors to advise the US Trade Representative, before year-end, as to the probable economic effect of providing duty-free treatment for imports of certain EGA “second list” products on (i) industries in the United States producing like or directly competitive products, and (ii) consumers. As a US-based association representing the composite product industry, ACMA’s position is that the economic benefit of increasing exports to foreign markets by reducing tariff barriers to access will outweigh the effect of providing duty-free treatment for imports of the same products.

The EGA will reduce the costs of the flow of products with important environmental benefits, demonstrating a net positive impact for U.S. companies and the public at large as well as those of other party countries. Overall, ACMA favors the participation of the U.S. in the Environmental Goods Agreement and, in particular, the EGA second list's inclusion of ACMA members' products, described today consistent with 2015 Harmonized Tariff Schedule nomenclature as requested by the Commission. Certain of ACMA members' products are classified in two provisions: first, subheading 3917.29 covering "tubes, pipes hoses and fittings of other plastics" and, second, subheading 3926.90, covering "other articles of plastics," depending on product-specific technical specifications. Both subheadings were proposed for EGA coverage on the "second list."

ACMA respectfully requests that the Commission support the second list's inclusion of both the 3917.29 and the 3926.90 product categories in the EGA. ACMA's members have sought to export composite utility poles to several of the EGA party countries over the years but have been met with prohibitively high tariffs such as the 15% rate in Costa Rica. The reduction or elimination of tariffs on products like these will increase profitability and grow jobs in the U.S. while simultaneously accomplishing needed environmental goals.

To the extent U.S. companies currently export composite tubes and pipes, they do so under subheading 3917.29 – rigid tubes, pipes, and hoses of plastic not otherwise specified or included (NESOI). According to the U.S. Census Bureau's Foreign Trade Statistics, U.S. exports of these products in 2009 were valued at \$197M and, in 2010, by over \$226MM. This 15% increase over just one year demonstrated the export growth potential, which would be magnified if the EGA reduced or eliminated the significant tariff barriers to foreign market access.

To the extent U.S. companies currently export composite utility poles, depending on the technical specifications of the individual product they do so under either code 3917.29 – rigid tubes, pipes, and hoses of plastic NESOI or code 3926.90 – other articles of plastic NESOI. According to Census’s Foreign Trade Statistics, the latter category alone accounted for \$3.5B in exports in 2009, and \$4.3B in 2010.

For many markets in which the composites industry participates, the tariff levels of the United States vis-à-vis other EGA party countries is decidedly uneven. ACMA’s members are eager to compete in the global market on a level playing field. In many markets there is a very low or non-existent inbound tariff for composites manufactured in other countries and sold into the U.S. For example, the 2015 Harmonized Tariff Schedule provides a low 3.1% general rate of duty for pipes imported into the U.S. classified in subheading 3917.29, Harmonized Tariff Schedule of the United States (HTSUS), with a near-negligible 0.6% special rate of duty for Korean imports and duty-free treatment under several preferential trade programs such as the US-Australia FTA, NAFTA, and DR-CAFTA. Similarly, FRP composite utility poles imported within subheading 3926.90, HTSUS, are subject to a 5.3% general rate of duty, with a 3.1% special rate for Korea and duty-free treatment under other trade preference programs.

By contrast, our trading partners have higher tariffs on these products, making it difficult for U.S companies to participate in those economies. The general duty rates generally range from 3.9-6.5% for these two tariff lines, with EGA countries such as Costa Rica assessing prohibitive 15% general rates of duty on certain composite products including those classified within subheading 3926.90

I will now briefly discuss the environmental merits of our products.

Composite tubes and pipes are widely used in pollution control operations, water and wastewater handling and treatment, and desalination. Because of their material composition, these products are environmentally inert and pose no negative impact to their contents or the surrounding environment. At the same time, composite polymers are highly resistant to corrosion, making them ideal for use in the highly corrosive environments mentioned above. Over the last few decades, advancements in composite technologies have been a game-changer in environmental remediation. Compared to conventional metals and woods, composites consistently perform better, last longer, require less maintenance, and have lower overall lifecycle costs.

The international community has prioritized efforts to expand global access to clean water. American companies have proven and cost-effective composite technologies that can address this issue around the world, and will benefit from a level playing field.

Composite utility poles have been manufactured since the 1950s and have advanced significantly since their initial introduction in Hawaii. Many composite poles installed in the 1960's are still in use today after 50 years of service. Like the composite tubes and pipes discussed previously, composite utility poles are environmentally inert. They require no treatment with toxic coatings and cause no leaching into the ground and groundwater. This makes them ideal for use in environmentally sensitive locations like rural and agricultural areas, watersheds, coastal areas, and around public schools and parks.

I will now move on to the economic benefits related to the composite product categories nominated for the EGA.

Currently, FRP composite utility poles constitute 0.5% of the overall utility pole market, which in the US is 5MM to 6MM poles per year. Based on strong industry performance and the specific

product benefits of composite utility poles, the industry targets growth toward 5-10% of the utility pole market within the next ten years for a domestic market of FRP utility poles of between \$300MM and \$500MM per year. Based on current global demand for utility poles of \$28 billion, the growth in the use of composites poles represents a global market of between \$1.4B and \$2.8 billion in new sales. This translates to between 5,000 and 10,000 new jobs in the composites industry. With the inclusion of composite utility poles in the Environmental Goods Agreement, ACMA's members are better positioned to grow jobs and revenue at home.

In summary, the current system of higher outbound tariffs and lower inbound tariffs provides more opportunities for foreign companies to participate in the U.S. market than it does for U.S. companies to participate in foreign markets. The EGA will make strides toward equalizing commercial opportunities and ultimately create export opportunities in new markets for the composites industry's environmentally-beneficial products. ACMA's members are eager to compete and grow on a level playing field in global trade.