July 5, 2022

Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Re: Comments for the Notification of Potential Termination of Actions under Section 301 - Docket ID No. USTR 2022-0007 – *Support for 25% Tariffs on Glass Containers*

In response to the May 2nd letter sent to the Glass Packaging Institute (GPI) as a domestic stakeholder industry in the Sec. 301 List 3 tariff tranche, the association <u>offers the following perspective and comments in strong support for keeping the current 25% tariff on glass containers</u> (HTS Code 7010.90 and its sub-categories).

Our position and request remain consistent with both written and oral testimonies provided to the USTR in both May of 2017 and August of 2018.

U.S. Glass Container Industry Background & Footprint

GPI is the North American trade association for the glass food and beverage manufacturing companies, glass recycling and other partners and suppliers to the industry. The industry works closely with local and state governments throughout the country on issues surrounding sustainability, recycling, energy and greenhouse gas emissions goals and mandates.

U.S. glass container plants are highly regulated, Title-V permit required operations. Greenhouse gas emissions are regularly monitored by the EPA, and in states like California, and in coming years, Oregon and Washington, emissions controls are required as part of participation in Cap and Trade programs, making them among the most transparent and efficient in the world. The average US produced bottle or jar is also made of nearly 30% recycled glass, helping to reduce GHG emissions and energy use at the plant.

Of the approximately 14,500 hourly workforce members supporting the country's 44 food and beverage glass container plants, about 90% are organized, with 3-year contracts under the United Steelworkers (USW) umbrella. These careers often pay considerably more than the average median salary and benefits in the towns and cities where they are located. Collectively, the country's glass container plants manufacture nearly 28 billion bottles and jars each year.

Consumer packaged goods companies choosing glass for their food or beverage products have direct contractual arrangements with North American glass container manufacturing companies, or large, third-party distribution networks. These contractual obligations are routinely met by their supporting glass container manufacturing companies.

In addition, and as we testified prior to the tariffs being put into place, glass containers of all sizes are produced in the U.S., North America and countries across the globe. Glass produced for these primary end markets are not unique to Chinese-based manufacturers, can be and are sourced throughout North America and elsewhere.

Sec. 301 Tariff Implementation & Impact on the Glass Container Industry

In 2011, the domestic and broader North American glass container industry began to witness a steady and unprecedented rise in glass container imports from China. From 2016 to 2018 alone, imports of all Chinese glass food and beverage containers rose by 32%. This influx was compounded by earlier year double-digit increases the same glass container categories.

As a result, and due to the opportunity provided, GPI provided testimony before the USTR in May of 2017 and again at the August 2018 public hearing, requesting a 25% tariff be placed on all Chinese glass container imports. The Sec. 301 investigation at that time included glass containers (at an initial 10% tariff) which was increased to 25% the following year. Glass containers are underneath "List 3" of the tariff duties, imposed by the USTR.

The tariffs have had a positive effect, both in terms of reducing imports from China, and allowing our domestic and North American member companies to more fairly compete for business from food and beverage customers. The 750ml (standard wine/spirits) sized bottles, food jars of all sizes and beverage containers have largely seen a positive and stabilizing impact on production since the 25% tariff was instituted.

Chinese Glass Container Footprint

As previously highlighted in our testimony before the USTR, very little remains known about the direct greenhouse gas emissions, energy use, production, recycled glass use, and raw materials sourcing utilized to manufacture Chinese glass bottles and jars. This is in contrast to glass bottles produced in the United States, North American and the majority of countries around the world. Further, emissions from Chinese glass container plants are not monitored in the same fashion as those in the U.S. Emissions from domestic glass container plants are regularly monitored and reported to the U.S. EPA, and in many instances, local permitting authorities.

The plant of production for many Chinese glass containers plant is also often unknown, with the identifying "punt" mark on the side wall or bottom of the bottle or jar absent. This identifying mark, important in instances of potential recalls, defects and similar circumstances is absolutely critical for the regulatory and consumer marketplace.

The U.S. is home to the world's largest deposit of trona, located in Wyoming. Soda ash, a critical manufacturing input in the production of glass containers, is produced from these deposits. Chinese glass container manufacturing companies utilize synthetic soda ash production for their bottles and jars, a much more energy intensive and emissions producing process.

Further, the U.S. government has to remain vigilant to protect against Chinese government rebates to its synthetic soda ash producers, as price distortions and unfair competitive market advantages occur as a result. The 25% tariff is also beneficial in this perspective, and supportive of the domestic glass container manufacturing industry.

Chinese Glass Container Imports Have Collectively Increased Over the Past 12 Months

Despite the initial and helpful decrease of empty, imports of glass container imports from China when the 25% tariffs took effect, the past year has seen a double digit increase in the number across all beverages size and end market categories.

China's COVID-19 production restrictions, internal port challenges and labor issues have not slowed this increase, as the data below from the U.S. International Trade Commission Database (USITC).

For the primary wine and spirits bottled category (7010.90.5019 - 750 ml), 7 months in 2021 saw in increase in imports shipments greater than 20 percent, and YTD (through April), increases in this category are up another 13.95%. Increases for all Chinese food and beverage glass container increased 7.28% in 2021, and are up another 11.40% YTD (through April 2022).

Eliminating, or even reducing the tariffs would provide an unnecessary and unwarranted incentive, likely to increase these imports.

Broader Benefits of Keeping the 25% Tariff in Place on Glass Containers

U.S. ports, particularly those located on the West Coast (where similar to other goods, the majority of imported glass containers enter the country) continue to contend with backlogs, workforce and labor challenges, alongside unloading an influx of raw materials and other finished goods. As Chinese origin glass containers and other goods enter through these stressed ports, the 25% tariff on glass containers imported from China remains a small, but important piece of leverage that should remain in place.

Domestic glass container manufacturing companies continue to support both their workforces, and make voluntary and required facility investments to reduce energy use and improve connected efficiencies at their plants. Keeping the 25% tariff on Chinese glass is an easy way for the U.S. to demonstrate their support of these efforts, and help ensure their continuance in the future.

GPI and its member companies look forward to additional opportunities to engage with the Administration, USTR and all stakeholders on glass container bottle and jar import related issues and concerns. Please reach out to me with any questions you may have, or to follow up on our comments.

Thank you for your consideration.

Sincerely,

Scott DeFife
President