Hearing Before the
U.S. International Trade Commission

U.S.-EU Trade Agreement: Advice on the Probable Economic Effect of Providing Duty-Free Treatment for Currently Dutiable Imports

Investigation Nos. TA-131-044 and TPA-105-005

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Good morning. My name is William Foley. I am the Chairman of the Board and Chief Executive Officer of Libbey Inc.

Libbey is a leading global manufacturer and marketer of glass tableware products – the leading manufacturer of glass tableware in the Western Hemisphere, and among the largest in the world. Libbey owns and operates two glass manufacturing plants in the United States, one in Toledo, Ohio, and one in Shreveport, Louisiana. Libbey sells its glass tableware products to customers in over 100 countries primarily in the foodservice, retail and business-to-business markets. In 2017, Libbey had consolidated sales of $782 million.

Low-value glass tableware products have historically been treated as import-sensitive and, consequently, U.S. tariff rates on these products have been generally higher than average U.S. tariff rates. In prior trade agreements, low-value glass tableware products have been accorded extended periods for tariff reduction or elimination. Most recently, in the TPP agreement, low-value glass tableware products were accorded a 10-year tariff elimination period.

It is critical to the domestic industry's ability to continue to invest in plant, technology and training that treatment of glassware as import-sensitive be maintained. Immediate or too rapid tariff elimination would seriously threaten the domestic industry's ability to adapt to new competitive conditions.

Over the past 20 years, increased imports of glassware products have gained more than 50% of the U.S. market despite declining U.S. consumption, and there has been a persistent trade deficit in glassware.

The companies operating within the European Union are major sources of glass tableware products that are imported into the United States. Imports are currently subject to U.S. Most-Favored-Nation duty rates.

Import data compiled by the North American Import Classification System (NAICS) for "other pressed and blown glass and glassware" show that 3 EU countries were among the top 10 sources of glassware imports in 2017. Germany was the second largest, France the fifth largest, and Italy the sixth largest source of glassware imports in 2017. Imports of glassware from Germany, France, and Italy accounted for 17.4% of total U.S. imports in 2017. Twenty-one of the 27 EU members, not including the UK, were among the top 41 import sources of glassware in 2017. U.S. imports of glassware from all of the EU counties accounted for 26.2% of total U.S. imports.

The same trend is observed in import data for glass and glassware products of HS heading 7013. Again in 2017, nineteen of the 27 EU member countries were among the top 40 sources of U.S. imports, of which imports from Germany, Italy, France, Poland, and the Czech Republic were among the top 10 sources of glassware imports, making up 18.9% of total U.S. imports. As a group, 27 EU countries comprised 25.8% of all U.S. imports of glassware products of HS heading 7013.

Moreover, should Turkey become an EU member in the future, its imports would benefit from any tariff preferences in a U.S.-EU trade agreement. Turkey is a major producer of glassware and was the 8th largest source of glassware imports of HS heading 7013 to the U.S. in 2017.

Should duty-free treatment be accorded to glassware imports from all of the EU countries pursuant to a U.S.-EU trade agreement, glassware imports to the U.S. from the EU would likely increase significantly , with a consequent significant adverse impact on the import-sensitive U.S. glassware industry generally and on Libbey in particular.

Over the past 20 years, as glassware imports have increased, the domestic industry has experienced a corresponding loss in employment. For the glassware industry as a whole, U.S. Census data show a continuing decline in the number of employees and production workers in the glassware manufacturing sector, with a 63% decline in employment between 1997 and 2016.

Most U.S. manufacturers have struggled with several going through bankruptcy in the last decade. A once robust U.S. industry has been appreciably diminished.

If tariffs on glassware were eliminated, EU glassware manufacturers would be poised to flood the U.S. market. EU glassware manufacturers include some of the world's largest producers. For example, Arc International, a French company, owns the world's largest glass-production plant. Libbey competitors in the EU include Arc, VICRILA (a Spanish company), and dozens of other EU glass tableware manufacturers.

Libbey believes that current EU members have about 3.5 times the installed capacity (in tons) of all U.S. glassware manufacturers combined. EU manufacturers also possess a certain amount of installed but idle capacity which could be brought back on line if they gained more advantageous access to the U.S. market. Based on press reports, it is also the case that excess capacity in some EU countries has been maintained through state aid to maintain employment. For instance, companies in France, Belgium, and Spain have all been supported through state funding. In addition, some EU countries with glass tableware producers (e.g., Bulgaria, Poland, and the Czech Republic) have the advantage of income levels and wage rates lower than the U.S. and have relatively high installed capacity. EU countries would be able to take advantage of greater U.S. market access if tariffs on import-sensitive glass tableware products were to be eliminated.

Past investigations by the U.S. International Trade Commission regarding the economic effects of reducing significant U.S. import restraints have found that tariff elimination for all glass and glassware imports would have a negative, not positive, effect on the U.S. glassware industry.

For example, in its August 2009 report, the Commission concluded that the direct effects of tariff removal on glassware imports would be a reduction in import prices, increased imports, falling domestic output and employment, and a decline in economic welfare. In the August 2011 report, the Commission reached similar conclusions, finding that tariff liberalization for glass and glass products would result in increased imports, a decline in the price of imports, a decline in output, a decline in employment, and a net welfare loss. The Commission's further updates in December 2013 and September 2017 again estimated that tariff liberalization would have the same negative impact identified earlier on the industry producing glass products -- increased imports, lower prices and reduced domestic production.

In summary, Libbey believes that providing duty-free treatment to glassware imports from the EU would likely result in increased imports, lower prices, lessened domestic output, a decline in industry employment, and other negative economic effects to the U.S. glassware industry, including potentially the end of U.S. production as we know it. Thus, if an FTA proceeds, any reduction or elimination of tariffs should be done over the longest possible time period to minimize the adverse effects on the domestic industry.

Thank you for the opportunity to appear today and testify on behalf of Libbey. I would be pleased to answer any questions.