

**Testimony of Eric Norris, FMC Corporation
Before the
Committee on Finance
United States Senate**

Hearing on U.S. Preference Programs: Options for Reform

March 9, 2010

Chairman Baucus, Ranking Member Grassley, and members of the Committee, thank you for inviting me here today to discuss the operation of U.S. trade preference programs.

My name is Eric Norris, Global Commercial Director at FMC Specialty Chemicals' Lithium Division, based in North Carolina.

FMC is a 126-year-old, diversified U.S. manufacturing company. It is a leading producer of value-added lithium materials for industrial and consumer use, including for lithium batteries such as those used in electric vehicles.

As a member of the Coalition for GSP, my testimony today will focus on the importance to FMC of the Generalized System of Preferences, or GSP program. We strongly urge the Committee to take into consideration the detrimental effect that limitation of the GSP program would have on U.S. manufacturers when considering options for reform of U.S. trade preferences.

FMC's Lithium Business Relies Upon GSP Program

FMC Specialty Chemicals is a global supplier of value-added lithium products. In recent years, growth has been driven by increased use of lithium ion and lithium polymer batteries. FMC is increasingly optimistic in regard to future use of lithium ion technologies in hybrid-electric and all-electric vehicles. We are also pleased to see that Congress has recognized the valuable role lithium has in the future of transportation.

The GSP program is key in allowing FMC to use economical sources of lithium raw materials in its U.S. manufacturing operations from deposits we developed in the Andes Mountains in Argentina. FMC's domestic supply of lithium was exhausted in the 1990's, and the company now sources all of its lithium raw material needs from its wholly-owned subsidiary in Salta, Argentina. Approximately 75% of the world's supply of lithium currently comes from continental brine solars located in the Andean Mountains in Argentina and Chile, with much of the rest being produced in China. Lithium recovery in the United States is not currently economical, though the U.S. does have significant potential lithium sources.

Once imported, FMC's lithium facility in Bessemer City, North Carolina processes these lithium materials from Argentina into value-added lithium products for domestic sale and for export. FMC is the only integrated domestic manufacturer of lithium products. Approximately 300 jobs in North Carolina are directly tied to this lithium manufacturing.

Consequences of Limiting GSP Program Beneficiaries

The additional cost of importing lithium carbonate and lithium chloride from Argentina without the GSP tariff preference would place FMC at a competitive disadvantage. FMC's major competitors in the U.S. market source their lithium from Chile, which has duty-free benefits under the U.S. FTA. The GSP program, and specifically the duty-free benefits for lithium raw materials from Argentina, allows FMC's U.S. operations to sustain U.S. manufacturing of downstream lithium products.

The imposition of a 3.7% MFN duty on FMC's lithium carbonate and chloride imports from Argentina may not seem terribly significant on its face, but the consequences for our business would indeed be felt. The removal of GSP benefits would result in additional costs to the company not borne by FMC's foreign competitors. Increased duty costs ultimately must be passed on to domestic and global customers at the risk of lost sales. A loss of the GSP benefit, therefore, would diminish the competitiveness of FMC's lithium products versus those of its offshore rivals. To put this in perspective, prices for lithium have declined over 20% in 2009, putting significant additional pressure on our cost control.

FMC may have to consider moving downstream lithium production facilities closer to export markets if the GSP preference were to be removed. The GSP preference for lithium carbonates and chloride from Argentina is necessary to ensure that FMC's U.S. manufacturing of value-added lithium products is on a level playing field with foreign competitors, since, to reiterate, our domestic competitors source from Chile.

GSP Program Has Worked Well

In FMC's experience, the GSP program has worked as intended. In part because of the GSP tariff benefits, FMC made a significant capital investment in Argentina. From its inception in 1997, FMC's facility in Argentina has exported to the United States duty-free under the GSP program. This has contributed greatly to the economic development of the rural Salta region, where FMC is a major exporter and employer.

The checks and balances built into the GSP program have also worked as intended in the case of lithium from Argentina. As mentioned, the supply of lithium carbonate and chloride is extremely limited on a worldwide basis. In the

2006 GSP Annual Review, FMC faced the loss of tariff preferences due to the GSP rule that calls for the removal of products from the program when a single country supplies over 50% of U.S. imports of a particular item. Since nearly all lithium carbonate and chloride is sourced from either Chile or Argentina, U.S. import levels are split roughly 50-50 between the two countries.

After FMC petitioned the GSP Subcommittee and the U.S. International Trade Commission in 2007, the President granted a Competitive Need Limit (CNL) waiver for lithium carbonate and chloride from Argentina. This decision recognized the importance of this duty-free trade to both the U.S. and Argentine economies. There are no other GSP beneficiary countries that export or are capable of exporting lithium carbonate and chloride to the United States. While extremely significant to FMC, U.S. import levels of lithium raw materials from Argentina do not come close to the dollar-value threshold for GSP beneficiary countries.

This example demonstrates that the GSP program is currently designed well. It removes a country's GSP benefits for products where there tariff benefits are no longer necessary, but allows for flexibility and a closer evaluation of circumstances in individual cases such as ours. In our view, this balanced approach should be kept.

Renewal of GSP Program Would Help U.S. Manufacturing

At a time when the U.S. economy recovery remains uncertain and maintaining domestic jobs is a priority, Congress should not allow preference programs that benefit U.S. manufacturers to expire. While we recognize the goal of expanding the benefits of these programs to lesser-developed countries, the preferences for more advanced developing countries should not be cut without ample consideration of the effects on the U.S. economy. The removal of GSP eligibility for lithium carbonate imports from Argentina, for example, would disproportionately harm a U.S. company, and do nothing for other GSP beneficiaries.

Indeed, the higher costs associated with the tariff would ultimately work their way down to our customers and U.S. consumers, and jeopardize U.S. manufacturing jobs. In conducting its review of reforms to U.S. preference programs, the Finance Committee should take into account the implications on U.S. business. We appreciate your consideration of these views.

I would be pleased to answer any questions.