



## Testimony from the American Chemistry Council

### Section 301 Public Hearing on Enforcement of U.S. WTO Rights in the ongoing Large Civil Aircraft Dispute

May 9, 2019

The American Chemistry Council (ACC) appreciates the opportunity to testify today on the Enforcement of U.S. WTO Rights in the ongoing Large Civil Aircraft Dispute.

ACC represents a diverse set of companies engaged in the business of chemistry. An innovative, \$553 billion enterprise, we work to solve some of the biggest challenges facing our nation and our world. Our mission is to deliver value to our members through advocacy, using best-in-class member engagement, political advocacy, communications and scientific research. We are committed to fostering progress in our economy, environment and society.

The business of chemistry drives innovations that enable a more sustainable future; provides 529,000 skilled good paying jobs—plus over four million related jobs—that support families and communities; and enhances safety through our diverse set of products and investments in R&D.

We commend the Administration for its efforts to address European Union subsidization of its large civil aircraft industry, which the World Trade Organization (WTO) found to be inconsistent with the EU's WTO commitments. We urge both sides to reach a negotiated outcome at the WTO as soon as possible to avoid the imposition of countermeasures. Chemicals should not be included in the U.S. and EU countermeasure lists, however, for the following reasons.

In short, planes cannot get off the ground, fly safely, or fly efficiently without a number of products that chemistry makes possible. The state-of-the-art planes that Boeing and Airbus manufacture contain components made with chemicals essential to aerodynamics, light weighting and structural strength – from lightweight plastics that can withstand high mechanical stress, temperature extremes, and a hostile environment, to polycarbonate windshields that deliver optical clarity and impact-resistance. Chemistry is also essential to seats and seat belts, wheels and brakes, fuels, coatings, paints, lubricants, and electronics – the list goes on.

The success and export potential of the U.S. chemical industry is closely tied to that of the civil aircraft industry. U.S. chemical manufacturers sell to companies that contribute to the production of civil aircraft in both the United States and the European Union. Higher tariffs on civil aircraft and components for civil aircraft in both markets would raise prices for those goods, weaken demand for civil aircraft, and ultimately lead to less demand for U.S.-made chemicals.

Our initial analysis of the proposed U.S. and EU countermeasure lists indicates that the chemical industry is again in the crosshairs of yet another set of possible tariff actions. The chemical



products listed in HTS Chapter 33 are essential oils and resinoids and represent about 3 percent of the \$11 billion total value of imports listed. The U.S. imported an estimated \$365 million worth of these products from the EU in 2018.

The proposed EU list of products covers a range of traded goods, including \$3 billion in traded chemicals and plastics (5 products in Chapter 29, 5 in Chapter 30, 1 in Chapter 32, 15 in Chapter 33, 16 in Chapter 35, 4 in Chapter 38, and 22 in Chapter 39). Chemicals and plastics represent 15% of the total value of U.S. exported goods that are covered by the EU's tariff list.

We are working with our members to determine the specific impacts of U.S. and EU tariffs on these products on their businesses. The U.S. tariffs could result in more limited availability of specific inputs made in the European Union and therefore lead to higher prices in the United States. But the most extreme effects could be dire. If the tariff rates go up to the maximum level allowed, which is 100 percent, this could effectively block U.S. chemical manufacturers from accessing the EU market for the products on the EU list. U.S. chemical manufacturers seeking to maintain access to the EU market may decide to move production and jobs out of the U.S. into the EU, the Middle East, or Asia.

The EU countermeasures would lead to another harmful market closure for U.S. chemical manufacturers. For reference, China's Section 301 retaliation targets \$11 billion in exports of U.S.-made chemicals; Canada's Section 232 retaliation targets \$2.5 billion in U.S.-made chemical exports; the EU's Section 232 retaliation targets \$500 million in U.S.-made chemical exports; and Turkey's Section 232 retaliation targets \$170 million in U.S.-made chemical exports.

For the last several years, the U.S. chemical industry has sought – and continues to seek – greater market access around the world to take advantage of the historic expansion of chemical manufacturing capacity in the United States. We are most assuredly not seeking new tariffs or closed markets. We respectfully request that the United States and the European Union eliminate their chemical tariffs in their ongoing bilateral trade agreement negotiations and remove chemical tariffs from their respective countermeasure lists under the Large Civil Aircraft dispute.

Thank you again for the opportunity to testify today. We look forward to offering a written submission by May 28 and serving as a resource for the Section 301 Committee.

