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**Oral Testimony for USTR Public Hearing on U.S. Objectives for Forthcoming U.S.-Japan Trade Agreement Negotiations**

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The American Chemistry Council (ACC) appreciates the opportunity to testify on the U.S. chemical industry's priorities for a potential trade agreement with Japan.

The success of the U.S. chemicals industry hinges on our ability to engage with global markets. U.S. chemical exports last year reached \$130 billion, accounting for 10 percent of all U.S. exports and 9 percent of all global chemicals exports. Thirty percent of our workforce is in export-dependent jobs, and even more are dependent on imported inputs and intermediate goods.

A trade agreement between the U.S. and Japan could precipitate a larger package of U.S. trade agreements with the EU, UK, and other markets that could provide substantial benefits to U.S. chemical manufacturers. We would ask that the Administration open markets through its trade agreement program to facilitate the export of U.S.-made chemicals around the world.

To that end, ACC and our members have identified eight priorities for a beneficial trade agreement with Japan. I will summarize them briefly for you today, while a more detailed account can be found in our public comments. In several instances, ACC recommends that the U.S. and Japan draw inspiration from the newly-inked U.S.-Mexico-Canada Agreement (USMCA), while avoiding some of the pitfalls of the agreement.

**The first priority for ACC and our members is the immediate elimination of tariffs on all chemicals trade between the U.S. and Japan.** With nearly \$12 billion in total chemicals trade between the U.S. and Japan annually – a significant portion of which is between related parties – U.S. chemicals manufacturers stand to benefit from additional duty savings.

**Our second priority for the trade negotiations is enhancing regulatory cooperation and implementing good regulatory practices for chemicals.** The U.S. and Japan both recognize the value of a science- and risk-based chemical regulatory system. The sharing of chemical safety data and information can help create greater efficiencies for both regulators and the regulated community, while continuing to ensure that human health and the environment are protected. We recommend that the two countries draw from the sectoral annex on chemical substances in the proposed USMCA as a model for this provision.



**Our third priority is optimizing the rules of origin for chemical substances.** Again, we recommend that the U.S. look to the rules of origin outcomes of the USMCA as a starting point for a potential free trade agreement with Japan.

**Trade facilitation is the fourth area of concern for ACC and its members.** We recommend that the U.S. and Japan pursue a World Trade Organization Trade Facilitation Agreement “plus” approach to customs and trade facilitation efforts.

**In the same vein as trade facilitation, our fifth priority is facilitating digital trade.** To both facilitate and protect digital trade, ACC recommends that the U.S. and Japan start with the digital trade outcomes of the USMCA, building upon and strengthening them where possible.

**Our sixth priority is for the U.S. and Japan to agree to binding and enforceable dispute settlement procedures.** We urge both parties to accept investor-state dispute settlement provisions for all sectors without limitations on the claims that investors can make on specific investment protections. We would expect these protections to be the highest standard protections in the world

**Our seventh priority is agreeing to a trade agreement that can stand the test of time.** Chemical manufacturers and our investors thrive under conditions of maximum predictability and certainty. We support making improvements to a U.S.-Japan agreement as international trade evolves, but we would strongly urge against provisions regarding early termination or sunseting.

**Finally, ACC recommends that a U.S.-Japan trade agreement include provisions to address the ongoing issue of plastic waste in our oceans.** There is a global need to support infrastructure development to collect, sort, and process used plastics. We recommend that the U.S. and Japan use a potential trade agreement as a way to build on the marine litter language in the USMCA Environment Chapter. We also recommend that the U.S. and Japan use the agreement to promote global and regional cooperation in facilitating trade in used plastics.

We look forward to working with USTR and interagency staff across all eight priorities as you prepare for the negotiations ahead. Thank you again for the opportunity to provide input on behalf of ACC members and the business of chemistry in the United States.

