



November 12, 2020

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

Re: Initiation of Section 301 Investigations Concerning Vietnam (85 FR 63737 and 85 FR 63639)

Dear Ambassador Lighthizer:

The American Chemistry Council appreciates the opportunity to submit public comments to assist the Office of the United States Trade Representative in its Section 301 investigations concerning Vietnam: 1) Initiation of Section 301 Investigation: Vietnam's Acts, Policies, and Practices Related to Currency Valuation (85 FR 63737); and 2) Initiation of Section 301 Investigation: Vietnam's Acts, Policies, and Practices Related to the Import and Use of Illegal Timber.

The U.S. chemical industry is a \$565 billion dollar enterprise, supporting more than 25 percent of U.S. gross domestic product (GDP), and providing 544,000 skilled, good-paying American jobs, with production in nearly every state. Thirty percent of these jobs are export dependent. And because over 96 percent of manufactured goods are touched in one way or another by chemistry, the chemicals industry is the foundation for American manufacturing.

For the first time in decades, the United States enjoys a competitive advantage in chemicals production, made possible by affordable domestic natural gas, the industry's primary feedstock. Since 2010, the United States has gone from one of the most expensive places to produce chemicals to one of the world's lowest cost producers. Chemical manufacturers in the United States have announced approximately \$207 billion of investment in new chemicals production capacity. Nearly 70 percent of that capacity stems from foreign direct investment. In recent years, the chemical industry has accounted for a significant portion of construction spending in U.S. manufacturing as announced projects have been completed. Much of the new capacity is intended for export, reflecting investors' belief that the United States is a superior platform from which to serve the global marketplace with innovative materials and products.

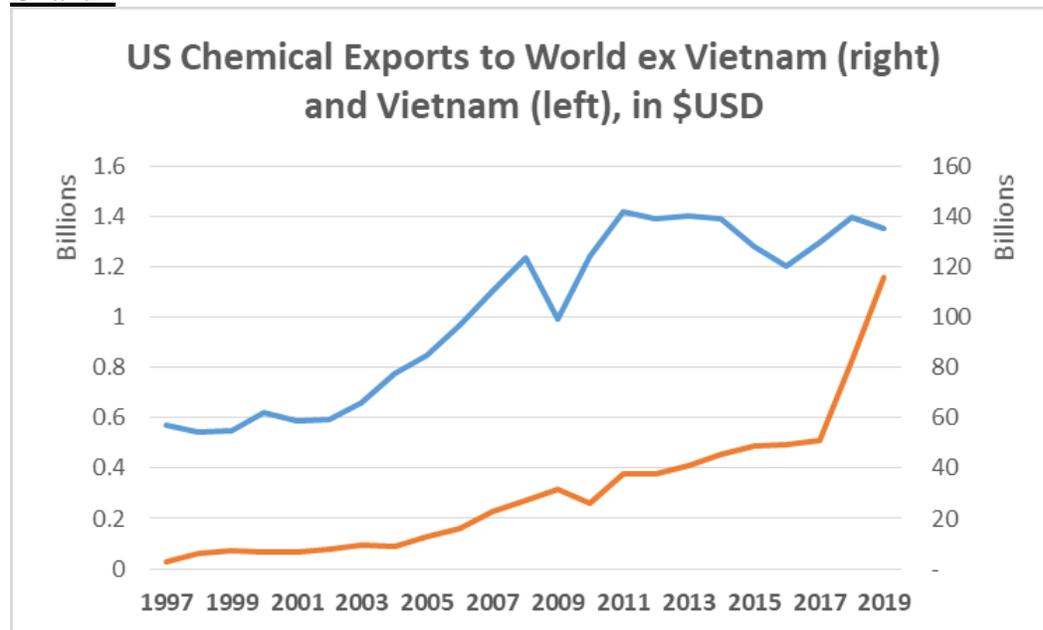
Today, American chemical manufacturers produce 14 percent of the world's chemicals. We are one of the top exporting industries in the United States, accounting for 10 percent of all U.S. exports, which amounted to \$136 billion in 2019. The U.S. trade surplus in chemicals was \$35 billion in 2019.



Keep Vietnam Open to Exports of U.S.-Made Chemicals

Smart trade policy can help U.S. chemical manufacturers enter high growth markets such as Vietnam and increase their exports. While U.S. chemical exports to Vietnam represent just 0.9 percent of total U.S. chemical exports to the world, they have grown much faster than exports to other parts of the world (see Chart 1 below). U.S. chemical exports to Vietnam have been accelerating in recent years, growing 62 percent year-over-year (Y/Y) to \$824 million in 2018 and 41 percent Y/Y to \$1.1 billion¹ in 2019. An estimated 7 percent of U.S. chemical exports to Vietnam are to related parties.

Chart 1



Imports of Chemicals from Vietnam Enhance the Competitiveness of U.S. Chemical Manufacturing

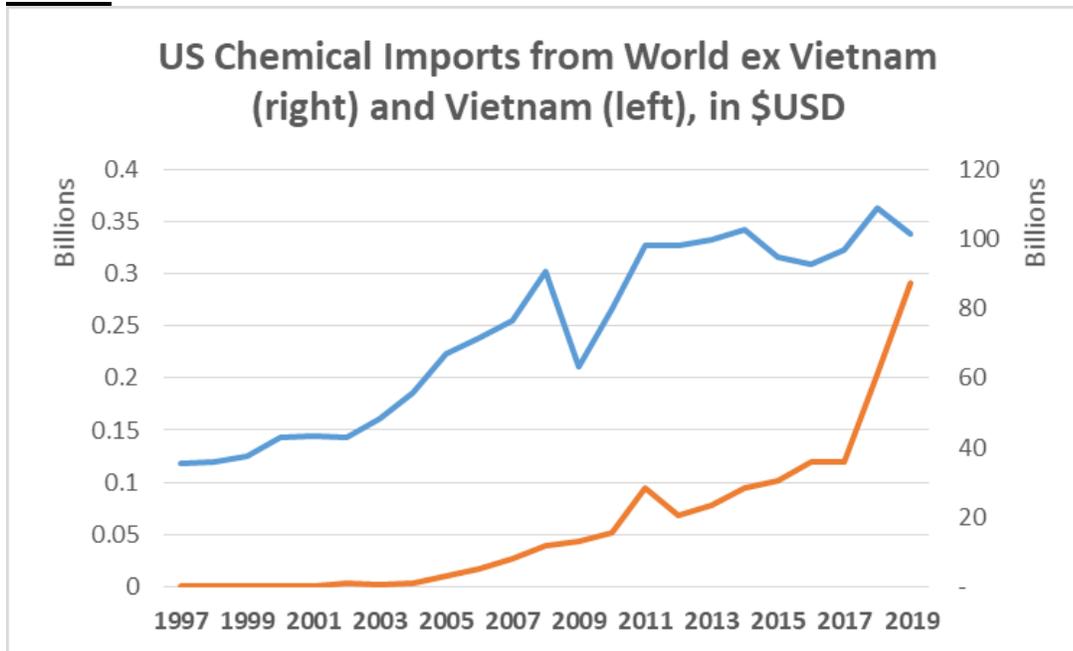
The U.S. chemical industry also benefits from importing raw materials and building block chemicals from Vietnam. In an already uncertain trade policy environment, the COVID-19 pandemic has placed great pressure on supply chains around the world. U.S. chemical manufacturers that import from Vietnam use those chemicals to manufacture and supply competitively-priced chemicals to downstream users across a range of sectors in the United States and around the world.

U.S. chemical imports from Vietnam have risen strongly since 2017. While these imports represent less than 0.5 percent of total U.S. chemical imports from the rest of the world, they have grown much faster than imports from other parts of the world in recent years (see Chart 2 below). U.S. chemical imports from Vietnam have also been accelerating in recent years,

¹ U.S. exports of chemicals to Vietnam in 2019 were 18 times higher compared to U.S. exports of chemicals to Vietnam in 2000.

growing 70 percent Y/Y to \$204 million in 2018 and then 43 percent Y/Y to \$292 million² in 2019. About 60 percent of US chemical imports from Vietnam are from related parties.

Chart 2



Imposition of Section 301 tariffs on imports of chemicals from Vietnam would raise costs for U.S. chemical manufacturers and limit the availability of key inputs to chemical manufacturing. This would have an effect across supply chains and eventually raise costs for downstream industries and ultimately consumers.

The U.S. Chemical Industry Should Not Be Collateral Damage in Another Trade War

We caution the Administration against taking unilateral trade actions to respond to Vietnam's practices on currency and illegal timber. We recognize that if the Administration determines that these practices are unfair barriers to trade, then it may choose to levy additional tariffs as a means of changing Vietnam's practices. That said, our industry and the U.S. manufacturing sector should not be collateral damage in yet another damaging trade war. The U.S. chemical industry is concerned that Section 301 tariffs on imports of chemicals from Vietnam may increase the costs of chemicals used as inputs in U.S. chemical manufacturing, thereby further weakening the competitiveness of our industry (and potentially our collective response to the ongoing COVID-19 pandemic).

Furthermore, retaliation by trading partners against exports of U.S.-made chemicals and plastics is not theoretical:

² U.S. imports of chemicals from Vietnam in 2019 were 400 times higher than U.S. chemical imports from Vietnam in 2000.

The Honorable Robert Lighthizer

November 12, 2020

Page 4

- China has retaliated against \$11 billion in exports of U.S.-made chemicals and plastics in response to the U.S. Section 301 tariffs on \$370 billion in imports from China.
- The European Union, India, and Turkey have retaliated in total against \$1 billion in exports of U.S.-made chemicals and plastics in response to the U.S. Section 232 tariffs on steel and aluminum.
- Under the ongoing Large Civil Aircraft dispute at the WTO, the European Union – as authorized by the WTO Dispute Settlement Body - imposed countermeasure tariffs on \$217 million in U.S. exports of chemicals and plastics on November 11, 2020.
- The European Union has also threatened to retaliate if the U.S. imposes Section 301 tariffs on imports from France and other EU member states to address digital services taxes imposed by the EU, France, and other member states.

Conclusion:

In light of the above, ACC would not support unilateral actions under Section 304 of the Trade Act of 1974, such as additional tariffs, that could spark a trade war and lead to Vietnam imposing retaliatory tariffs on exports of U.S.-made chemicals. We urge the Administration to avoid placing any additional tariffs on imports of chemicals - no matter the tariff level - to lessen the probability that Vietnam will retaliate against U.S.-made exports of chemicals. We also urge the Administration to work with our industry to find new export opportunities in markets around the world in order to remedy the loss of market access in China, the European Union, India, and Turkey. ACC would be happy to serve as a resource as USTR completes its investigation and considers a possible course of action.

Sincerely,



Ed Brzytwa
Director for International Trade
American Chemistry Council