



January 6, 2020

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

Re: Comments of the American Chemistry Council on *Notice of Determination and Request for Comments Concerning Action Pursuant to Section 301: France's Digital Services Tax (84 FR 66956)*

Dear Ambassador Lighthizer:

The American Chemistry Council appreciates the opportunity to submit comments on possible trade actions that the Administration may take in response to France's digital services tax (DST), including additional tariffs of up to 100 percent on imports from France and possible restrictions or fees on imports of services from France. Given that your proposed remedies could have a significant negative impact the business of chemistry in the United States, we would like to offer our perspectives for your consideration.

The U.S. chemical industry is a \$553 billion dollar enterprise, supporting more than 25 percent of U.S. gross domestic product (GDP), and providing over 542,000 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 and plastic production, made possible by affordable domestic natural gas, the industry's primary feedstock. The United States has gone from one of the most expensive places to produce chemicals to one of the world's lowest cost producers. Since 2010, chemical manufacturers in the United States have announced approximately \$204 billion of investment in new chemicals and plastics production capacity. More than 60 percent of that capacity stems from foreign direct investment. In 2016 and 2017, the chemical industry accounted for nearly half of all construction spending in U.S. manufacturing. 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.

Today, American chemical manufacturers produce 15 percent of the world's chemicals. They are one of the top exporting industries in the United States, accounting for 10 percent of all U.S. exports, which amounted to \$140 billion in 2018. The U.S. trade surplus in industrial chemicals was \$31 billion in 2018, and that surplus is estimated to grow to nearly \$50 billion by 2024.



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As producers of key inputs into nearly every manufacturing process in the U.S., we understand how critical access to global supply chains is to the competitiveness of our industry and all of our manufacturing customers downstream. As U.S. manufacturers have grappled with higher tariff rates on imports into the United States and on U.S. exports to key trading partners, the U.S. manufacturing sector has fallen into recession and we've seen demand for chemicals deteriorate. We are concerned that additional tariff actions by the Administration could lead to additional costs on manufacturing chemicals in the United States and cause U.S. trading partners to retaliate against U.S. exports of chemicals and plastics. Further U.S. trade actions and retaliation will only undermine this historic competitive advantage.

We urge the Administration to avoid placing any additional tariffs on imports of chemicals and plastics - no matter the tariff level - to lessen the probability that our trading partners will retaliate against U.S.-made exports of chemicals and plastics. We also urge the Administration to work with our industry to find new export opportunities in markets around the world in order to make up for the market access U.S. chemical manufacturers have lost in China, the European Union, India, and Turkey.

ACC estimates that possible additional tariffs on the eleven products in Chapters 33 and 34 of the U.S. Harmonized Tariff System will impact \$931 million in imports.¹ These products are important for the production of both U.S.-made chemicals and products containing U.S.-made chemicals in the United States.

A high degree of integration exists across the transatlantic chemicals industry. Between France and the United States, 60% of chemicals imports are between related parties. As such, U.S. chemical manufacturers who also have presence in France are likely to use French manufacturing-related services (e.g., engineering, information technology, management consulting, finance, and insurance) and conduct cross-border research and development (R&D). Given the close U.S. and French commercial and investment ties, we encourage the Administration to avoid the imposition of fees or restrictions on French exports of manufacturing-related services and R&D services.

The American Chemistry Council appreciates the Administration's efforts to combat unfair trade practices. As you advance your efforts, we ask that you keep in mind the interests of competitive, export-oriented industries such as the U.S. chemical sector. We are happy to serve as a resource for you regarding the impacts of any remedies you decide to use to address France's digital services tax. And we look forward to working with you and USTR staff to keep open existing markets and open up new markets to exports of U.S.-made chemicals and plastics around the globe.

¹ HTS 3304.10.00 - Lip make-up preparations; HTS 3304.20.00 - Eye make-up preparations; HTS 3304.30.00 - Manicure or pedicure preparations; HTS 3304.91.00 - Beauty or make-up powders, whether or not compressed; HTS 3304.99.50 - Beauty or make-up preparations & preparations for the care of the skin, excl. medicaments but incl. sunscreen or sun tan preparations, nesoi; HTS 3401.11.10 - Castile soap in the form of bars, cakes or molded pieces or shapes; HTS 3401.11.50 - Soap, nesoi; organic surface-active products used as soap, in bars, cakes, pieces, soap-impregnated paper, wadding, felt, for toilet use; HTS 3401.19.00 - Soap; organic surface-active products used as soap, in bars, cakes, pieces; soap-impregnated paper, wadding, felt, not for toilet use; HTS 3401.20.00 - Soap, not in the form of bars, cakes, molded pieces or shapes; HTS 3401.30.10 - Organic surface-active products for wash skin, in liquid or cream, contain any aromatic/mod aromatic surface-active agent, put up for retail; and HTS 3401.30.50 - Organic surface-active products and preparations for washing the skin, in liquid or cream form, put up for retail sale, nesoi.

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Best regards,

A handwritten signature in black ink, appearing to read "Edward J. Brzytwa III". The signature is fluid and cursive, with a prominent initial "E" and a long, sweeping underline.

Ed Brzytwa

Director for International Trade

American Chemistry Council