American Chemistry Council

Ed Brzytwa
Director, International Trade

Oral Testimony for USTR Public Hearing on Proposed U.S. Tariff Action against China under Section 301 of the Trade Act of 1974

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The American Chemistry Council (ACC) appreciates the opportunity to testify on the Administration's proposed trade action against the People's Republic of China (PRC) under Section 301 of the Trade Act of 1974. On behalf of chemical manufacturers producing goods in the United States, we respectfully request that the Administration remove all the chemicals and plastics products from the U.S. List 2, which includes a significant number of products in HTS Chapter 39, three tariff lines in Chapter 27, three in Chapter 34, and two in Chapter 38.

We are making this request for two important reasons.

First, the inclusion of chemicals and plastics on List 2 is has the potential to harm America's manufacturing renaissance and is counterproductive to U.S. economic interests. The tariffs on $2.2 billion in imports of chemicals and plastics from China will hurt the U.S. chemicals industry's ability to do business in the United States. It will put at risk nearly half of the $194 billion in announced investments in chemicals manufacturing that have been announced over the past decade. Costs in the U.S. will go up, not just for our member companies, but also the downstream industries that buy U.S.-made chemicals, including farmers and manufacturers. These tariffs will weaken the competitiveness of the U.S. chemicals industry and the U.S. as a whole.

Second, the chemicals and plastics appearing on List 2 invite retaliatory tariffs from China, and by virtue of that retaliation, inadvertently give China the upper-hand over our growing industry. Let me explain. Due to shale gas and lower costs to produce and export chemicals, U.S. chemical manufacturers are competitively advantaged compared to Chinese producers if there are no U.S. tariffs and China does not retaliate.

China knows that chemicals are used in almost every manufacturing activity here in the United States and chemicals are essential to creating the downstream products that are consumed domestically and exported. As such, China's tariffs will hit the U.S. chemicals industry, not once, but twice, since demand for chemicals by manufacturers that make products containing chemistry will drop. China's retaliation against U.S.-made chemicals will also make it prohibitive to supply China's large and growing demand for chemicals.

We believe China may have targeted U.S. chemicals exports because it is an area where the United States is poised to grow the most. 54 out of the 114 products on China's List 2 are chemicals, plastics, and plastics products. These products are largely basic chemicals, plastic resins, specialty chemicals, and finished forms of plastics (e.g. films, sheets, and other plastic products).

China is already retaliating against the U.S. tariffs listed in Annex A to the Federal Register Notice. Its corresponding list of retaliatory tariffs will impact $5.4 billion in exports of U.S.-made chemicals to China. China's List 2 is a clear signal that it will retaliate again if the USTR applies a 25 percent tariff on the products in Annex C. That China has included these products on its tariff list is a recognition of the competitiveness of the U.S. chemicals industry and the challenge it poses to China's own fast-growing chemicals industry.

That is why chemicals, arguably more than any other products, do not belong on the front lines of this trade war. We therefore strongly urge the U.S. government to rescind existing tariffs and avoid imposing new ones, thereby preempting additional retaliation by China.

ACC supports efforts by the Administration to resolve concerns with China, but we strongly believe that these long-standing problems should be addressed through constructive negotiation and enforcement at the World Trade Organization where possible, rather than through the blunt instrument of tariffs that could make the world's most important economic relationship even more difficult. There is ample evidence that tariffs lead to higher costs for downstream producers, higher prices for consumers, fewer jobs in downstream industries, and less economic growth, investment, and innovation in the United States.

Imposing increased duties on the products in Annex C of the Federal Register notice would not be practicable or effective to obtain the elimination of China's acts, policies, and practices. In fact, these duties, if applied, would cause disproportionate economic harm to U.S. interests, including small and medium-sized enterprises and consumers.

We have included impact stories from our members in our public comment and anticipate offering more such stories in our public comments for the $200 billion list, which hit the entire spectrum of chemicals and plastics products of interest to the business of chemistry in the United States.

I thank you for your time and look forward to your questions.