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**Oral Testimony for USITC Public Hearing on
American Manufacturing Competitiveness Act:**

Effects of Temporary Duty Suspensions and Reductions on the U.S. Economy

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The American Chemistry Council (ACC) appreciates the opportunity to testify today on the effects of temporary duty suspensions and reductions on the U.S. economy. ACC represents a diverse set of companies engaged in the U.S. business of chemistry. Chemicals touch on 96 percent of all manufactured goods. From life-saving medical devices to air bags and solar cells, from child safety seats to clean drinking water, chemistry is at the heart of our economy. ACC and its members are committed to fostering progress in our economy, environment and society. To fulfill that commitment, we need greater tariff relief in the United States and globally.

U.S. chemical manufacturers must be able to import certain chemicals, feedstocks, and raw materials that are not available in this country. With this necessity in mind, ACC member companies actively took advantage of the new Miscellaneous Tariff Bill (MTB) petition process. Through the MTB duty reductions and suspensions, chemical companies can make the same chemistries at reduced cost. They can then reinvest cost savings in new innovations and R&D, create new jobs, or pass them on to our numerous downstream customers.

As you know, The MTB Act of 2018 temporarily reduced or eliminated tariffs on \$1.1 billion in products produced outside of the United States. ACC estimates that \$642 million, or 66 percent of the total savings from the MTB, are associated with chemicals and plastics/plastic products. The benefits from this relief will extend beyond the petitioners. All companies and importers can benefit from tariff relief for any products included in the MTB Act of 2018.

It's important to note that the additional tariffs that the Administration imposed over the past year have undermined the competitiveness of U.S. chemical manufacturers and their ability to employ global supply chains. Under Section 301 of the Trade Act of 1974, the Administration imposed steep additional tariffs – or taxes – on \$15 billion in imports of chemicals and plastics from China (List 2 - a 25 percent additional tariff on \$2.2 billion in imports; List 3 – a 10 percent



additional tariff on another \$12.8 billion in chemicals and plastics imports). These duties on imports from China are additional tariffs, on top of the most favored nation (MFN) rate currently in place.

69 percent of the products covered by the MTB are also on the China Section 301 Lists. For chemicals and plastics, the percentages are higher. 76 percent of the chemicals and plastics covered by the MTB are also on the China Section 301 Lists. Although the MTB may suspend or reduce existing MFN tariffs, it does not suspend or reduce these additional tariffs. Our assessment is that for the firms benefitting from the MTB the situation would have been much worse had the MTB not been enacted in 2018.

For U.S. chemical manufacturers importing these products, the MTB is lessening the pain of the Section 301 tariffs. However, the MTB does not mitigate the China Section 301 tariff burden that many U.S. chemical manufacturers face. I can offer you two examples today from our members to illustrate these negative impacts.

For one ACC member, the MTB has helped reduce costs for one of its products and resulted in positive production volume. This has allowed the company to shift U.S. assets and produce more of the product in the United States. Any further duty reductions would yield similar trends and shifts for its U.S. operations.

Another ACC member imports a material under an MTB line. This material is a necessary component for a polymer system that the company manufactures in the United States. Its customers use this material combination to manufacturer polymers that are used in wide range of industrial goods applications. Most of the materials needed to create the polymer system are produced here in the United States but some are imported. For this polymer system, the ratio of materials manufactured domestically to materials imported is approximately 8 to 1. Since the imported material is not produced in the United States, and must be imported, the MTB duty reduction makes a meaningful commercial difference for this company. However, the China Section 301 tariff of 10 percent on this material negates the positive impact of the MTB.

ACC and our members are eager to support next steps to strengthen the tariff relief provided by the MTB. We would recommend that the MTB duty suspensions be applied to any Section 301 or Section 232 additional tariffs that the Administration imposes on imports from U.S. trading partners. This would ensure that U.S. chemical manufacturers receive the full benefit of the MTB reductions and suspension, as opposed to a partial benefit.

The MTB is a valuable tool for enhancing the competitiveness of the U.S. chemicals sector and the downstream industries that rely on the chemistries that ACC members produce. As the USITC staff prepares for the next MTB petition process, ACC and our members look forward to engaging and serving as a resource. We thank the Commission for the opportunity to testify.

