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Oral Testimony for USTR Public Hearing on U.S. Objectives for Negotiations on Proposed Trade Agreement with the United Kingdom

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The American Chemistry Council (ACC) appreciates the opportunity to testify today on the U.S. chemical industry's priorities for potential trade negotiations between the United States and the United Kingdom (UK).

Trade in chemicals is a strong feature of the U.S.-UK trading relationship, totaling \$5.7 billion in 2017. U.S. exports of chemicals to the UK were \$2.8 billion in 2017, and U.S. imports of chemicals from the UK were \$2.9 billion. A significant portion of U.S.-UK chemicals trade is to related parties – 54 percent of chemical imports from the UK, and 39 percent of chemical exports to the UK. The significant volume of trade between related parties is due to the highly integrated and efficient nature of the U.S. and UK chemical manufacturing supply chains.

We believe a U.S.-UK trade agreement would achieve concrete and tangible outcomes for chemicals manufacturers in both markets. To that end, ACC is pleased to share with you today an overview of our recommendations and objectives for a successful trade agreement with the United Kingdom.

1. **Tariff Elimination and Market Access:** According to ACC analysis, a trade agreement that eliminates U.S. tariffs on chemical imports from the UK could save U.S. chemical manufacturers \$88 million per year. Eliminating UK tariffs on chemical imports from the U.S. would reduce tariffs paid in the U.K by \$84 million. The cost savings from the elimination of tariffs would help boost economic and job growth.

As part a comprehensive tariff elimination plan, ACC also encourages the U.S. to eliminate its Section 232 tariffs on steel and aluminum imports from the United Kingdom. Any potential UK retaliatory tariffs targeting chemicals would limit the ability of U.S. chemical manufacturers to access the UK market. We also urge both countries to avoid the imposition of quotas of any kind on imports of UK steel and aluminum, which would impede the construction of chemical manufacturing plants in the United States.

2. **Regulatory Cooperation:** The goal of regulatory cooperation is to explore opportunities for creating efficiencies within and between regulatory systems while maintaining high



levels of protection for human health and the environment. Regulatory cooperation should not undermine or weaken regulatory mandates. Rather, it can help to ensure that those mandates do not result in unnecessary barriers to trade. ACC would encourage the U.S. and UK to build on progress already made on talks related to regulatory cooperation during the Transatlantic Trade and Investment Partnership (TTIP) negotiations. The U.S.-Mexico-Canada Agreement (USMCA) and the ongoing U.S.-Canada Regulatory Cooperation Council (RCC), both of which have created a distinct track for regulatory cooperation for the chemicals sector, are informative models.

3. **Rules of Origin for Chemical Substances**: Chemical manufacturers will benefit from duty-free trade only if the rules of origin for chemical substances are flexible, simple, and transparent. We recommend that the United States build on the rules of origin outcomes of the USMCA, in particular by ensuring that the chemical reaction rule is available to traders for conferring origin and avoiding regional value content requirements.
4. **Digital Trade**: Digital trade based on the free flow of data across borders is critical to chemical manufacturers. State-of-the-art provisions on promoting data privacy, enabling open cross-border data flows, prohibiting data localization requirements, and strengthening cybersecurity while respecting intellectual property rights will be critical. We recommend that the U.S. and UK take the best in class digital trade outcomes of the USMCA as their starting point and build on and strengthen them where possible.
5. **Trade Facilitation**: ACC recommends that the U.S. and UK pursue a World Trade Organization (WTO) Trade Facilitation Agreement “plus” approach to customs and trade facilitation efforts in their bilateral negotiations. This includes promoting digital trade; targeting infrastructure projects to remove bottlenecks on the movement of exports; modernizing transport security requirements; and harmonizing clearance procedures.
6. **Dispute Settlement**: Chemicals manufacturers in the U.S. rely on enforceable state-to-state dispute settlement in trade agreements. We urge both the U.S. and UK to accept investor-state dispute settlement provisions for all sectors without limitations on the claims that investors can make on specific investment protections.
7. **Duration of the Agreement**: A U.S.-UK trade agreement that stands the test of time will help ensure maximum predictability and certainty to investors and traders. ACC supports making improvements to the agreement as international trade evolves, but recommend avoiding the inclusion of timeframes for an early termination or sunset of the agreement.
8. **Addressing Sources of Marine Litter**: The U.S. and UK can play a strong role together in promoting better waste management capacity for used plastics in all countries. Trade in used plastic enables efficient processing of those materials, while creating valuable new materials and products and business opportunities. We recommend that the U.S.-UK trade agreement build on the marine litter language in the USMCA Environment Chapter.
9. **Addressing Trade-Distorting Practices**: Lastly, the U.S. and UK must work with like-minded governments to address trade-distorting practices by other countries. ACC and its



members stand ready to assist the Administration in the creation of a coalition of allies in the WTO to protect and enforce WTO trading principles around the globe.

We look forward to working with USTR and interagency leaders and staff to achieve success in the negotiations with the United Kingdom. Thank you again for the opportunity to provide input on behalf of ACC members and the business of chemistry in the United States.

