



Investigation No. 332-565
American Manufacturing Competitiveness Act:
Effects of Temporary Duty Suspensions and Reductions on the U.S. Economy

Pre-hearing Brief from the American Chemistry Council
March 21, 2019

The American Chemistry Council (ACC) appreciates the opportunity to appear at the April 8 public hearing on the effects of temporary duty suspensions and reductions on the U.S. economy. ACC represents a diverse set of companies engaged in the business of chemistry. An innovative, \$526 billion enterprise, we work to solve some of the biggest challenges facing our nation and our world. The business of chemistry drives innovations that enable a more sustainable future; provides 529,000 skilled good paying jobs—plus over four million related jobs—that support families and communities; and enhances safety through our diverse set of products and investments in R&D. ACC and its members are committed to fostering progress in our economy, environment and society.

Tariff elimination is a core priority for the business of chemistry. U.S. chemical manufacturers compete and succeed when tariffs are zero and trading costs are low. In order to compete in the United States and globally, chemical manufacturers must be able to import certain chemicals, feedstocks, and raw materials that are not available in this country. ACC companies were active Miscellaneous Tariff Bill (MTB) petitioners, as they viewed the MTB petition process as a critical opportunity for enhancing the competitiveness of the U.S. chemicals sector by reducing the cost of many essential imports.

As our testimony will demonstrate, the MTB Act of 2018 is providing significant benefits to U.S. chemicals manufacturers. Although 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, 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. The duty suspensions and reductions are continuing to make a meaningful commercial difference for companies importing products under MTB tariff lines.

The MTB Provides Tariff Relief for Chemical Manufacturers

The MTB temporarily reduces or eliminates tariffs on 1,667 products produced outside of the United States. In addition to savings from 2018, U.S. businesses will save an estimated \$1.1 billion in import taxes over the coming 3 years (2019-2021). An estimated \$642 million - 66% of the total savings - 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 – irrespective of whether a company requested tariff relief for a specific product. Table 1 details the benefits for chemicals, plastic/plastics products, and chemicals and plastics further.

TABLE 1: FUTURE SAVINGS FROM MTB, 2019-2021

Category	Number of Products Covered	% of Total	Tariff (Import Tax) Savings	% of Total
All Products	1,667	NA	\$1.1 billion	NA
Chemicals	928	56%	\$556 million	51%
Plastics/Plastic Products	163	10%	\$85 million	8%
Chemicals and Plastics	1,091	66%	\$642 million	59%

The U.S.’ China Section 301 Tariffs Undercut the Benefits of the MTB

Prior to the enactment of the MTB on September 13, 2018 the Administration, acting on its authority under Section 301 of The Trade Act of 1974, imposed additional tariffs at 25 percent on \$50 billion in imports from China through two different tariff lists (see USTR List 1¹ and List 2²). These tariffs impact \$2.2 billion in imports of chemicals and plastics. On September 17, 2018 the Administration imposed an additional Section 301 tariff of 10 percent on almost \$200 billion in imports from China, including \$12.8 billion in chemicals and plastics (see List 3³).

These Section 301 duties on imports from China are *additional* tariffs. U.S. consumers ultimately bear the cost of the existing most favored nation (MFN) tariffs in the U.S. harmonized tariff system PLUS any other tariffs imposed by the U.S. Administration, which include the China Section 301 tariffs. While the MTB may suspend or reduce existing MFN tariffs, it does not suspend or reduce these additional tariffs.

ACC’s analysis, detailed in Table 2, indicates the Section 301 additional tariffs severely undercut the benefits of the MTB, not just for chemicals and plastics, but all products in the MTB that U.S. companies import from China. 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

¹ <https://ustr.gov/sites/default/files/enforcement/301Investigations/List%201.pdf>

² <https://ustr.gov/sites/default/files/enforcement/301Investigations/List%202.pdf>

³ <https://ustr.gov/sites/default/files/enforcement/301Investigations/Tariff%20List-09.17.18.pdf>



the chemicals and plastics covered by the MTB are also on the China Section 301 Lists. 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.

TABLE 2: U.S. IMPORTS COVERED BY THE MTB ACT AND SECTION 301 TARIFF LISTS

Category	Number of Products Covered by the MTB	Number of Products on the MTB and on the 301 Tariff Lists	%
Total HTS Codes*	689	476	69%
...Chemicals	345	255	74%
...Plastics/Plastic Products	47	41	87%
...Chemicals and Plastics	392	296	76%

*This figure reflects the count of unique HTS codes.

U.S. Chemical Manufacturers are benefiting from the MTB (or should benefit from it)

As a part of our testimony, we hope to provide stories from ACC members on how they are using and benefiting from the MTB. Here are two examples:

- For one product of an ACC member, the MTB has resulted in positive production volume and lowered costs. It has allowed this company to shift to U.S. assets, enabling an increase in domestic production. 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 our member manufactures in the United States. In general, the ratio of the proportion that is domestically produced to the material which must be imported is 8 to 1. Its customers use this material combination to manufacturer polymers that are used in wide range of industrial goods applications, such as big rolls used to transport steel sheets in steel mills; wear parts on agricultural equipment; parts used for oilfield production equipment; and little rollers used for escalators or elevators. There is no domestic production of this material, so 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 Recommendation for the Next MTB

We recommend that the MTB duty suspensions should also apply 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.

Conclusion

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.

