



September 6, 2018

The Honorable Robert Lighthizer
United States Trade Representative
Executive Office of the President
600 17th Street, N.W.
Washington, DC 20006

Ref. Docket Number USTR-2018-0026

Extension of Public Comment Period Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

Dear Ambassador Lighthizer:

The Plastics Industry Association (PLASTICS), the only organization representing every segment of the plastics supply chain, expresses our concern on raising the level of additional duty in the proposed supplemental action from 10 percent to 25 percent in the July 17 notice.¹

The underlying basis of our opposition to higher tariffs on plastics industry's products remains the same as articulated in our previous comments. PLASTICS would like to reiterate:

"While the U.S. plastics industry cannot corroborate that these acts, policies and practices have occurred or been enacted, or that they are unreasonable or discriminatory and burden or restrict U.S. commerce as identified in the USTR Docket No. USTR-2018-0005, they may well exist in other industries and warrant actions from the USTR, particularly on intellectual property issues. However, it would be a mistake if other industries who have not experienced such acts, policies and practices will be negatively affected consequently."²

After a thorough analysis of the plastics industry's products in the annex of the July 17 notice (hereafter referred to as Annex), we would like to make the following points:

First, while the U.S. plastics industry is cognizant of the fact that the U.S. has a trade deficit with China on the plastics products, plastics machinery, and plastics molds in the Annex, our concern is the approach that imposing higher import duties could further diminish our industry's exports to China through retaliatory measures by the Chinese government – in response to U.S. actions. U.S. exports of plastics products listed the Annex to China grew from \$114 million in 2000 to \$1,005 million last year. Our industry's objective is to further grow our share in the Chinese market.

¹ Federal Register / Vol. 83, No. 137 / Tuesday, July 17, 2018 / Notice

² PLASTICS previously submitted comments on the USTR's determination that China's acts, policies, and practices under investigation are unreasonable or discriminatory and burden or restrict U.S. commerce, and are thus actionable under section 301(b) of the Trade Act of 1974 (19 U.S.C. 2411(b)).

If the U.S. intends to level the playing field by way of tariffs, it seems intuitive that imposing the same tariff rates China imposes on imports would be fair. The average tariff applied by China on imports of plastics and articles thereof (HTS 39) is 10.2 percent, four times more than the average tariff applied by the U.S.³ Moreover, some of the products in the Annex, are part of the U.S. plastics industry supply chain. The inability of the U.S. plastics industry to access them – or at higher prices due to tariffs could impair our industry’s ability to compete in other markets. On the domestic front, higher tariffs will generate negative consumption effects because of higher prices, thereby reducing consumer welfare – all else equal. In total, imposing higher import duties has a direct adverse effect on the plastics industry through higher costs of production inputs, and indirectly by way of lower consumption of plastics products, which equivalently lowers industry revenue.

Second, we applaud USTR for including the recyclable plastics materials in the products targeted for higher tariffs. China has succeeded in using standards as a convenient tool to ban the import of recyclable plastics materials into the Chinese market by way of the Agreement on Technical Barriers to Trade Agreement administered by the World Trade Organization.⁴ However, China continues to export these products into the U.S. market – duty free.⁵ We urge USTR to revisit this issue with China to ensure that trade of recyclable materials continues—for economic and materials sustainability and environmental protection reasons. There currently is no reciprocity with China on recyclable plastics materials trade, and this must change.

Recyclable Plastics Materials Banned into China	
HTSUS subheading	Product Description
3915.10.00	Waste, parings and scraps, of polymers of ethylene
3915.20.00	Waste, parings and scraps, of polymers of styrene
3915.30.00	Waste, parings and scraps, of polymers of vinyl chloride
3915.90.00	Waste, parings and scraps, of plastics, nesoi

Lastly, recognizing that China’s export to the U.S. of plastics listed in the Annex has grown from 19.0 percent in 2000 to 42.0 percent in 2017, and the U.S. trade deficit on these products continues to increase, we urge President Trump to pursue trade negotiations in earnest with China’s Xi Jinping. Prolonging the uncertain outcomes of the ongoing trade conflict with China could have far reaching unfavorable effects on the U.S. economy.

Respectfully,



William R. Carteaux
President & Chief Executive Officer

³ Based on data from International Trade Center (ITC) – a joint agency of the World Trade Organization and the United Nations.

⁴ China – Notification to the World Trade Organization Committee on Technical Barriers to Trade G/TBT/N/CHN/1233 – Environmental Protection Control Standards for Imported Solid Wastes as Raw Materials – Waste and Scrap of Plastics.

⁵ Based on HTS 3915 – waste, parings, and scraps of plastics data from the International Trade Center (ITC) – a joint agency of the World Trade Organization and the United Nations.