

**Comments on Significant Trade Deficits  
Related to Executive Order 13786 of March 31, 2017**

The Plastics Industry Association (PLASTICS) hereby submits the following comments on significant trade deficits related to the Executive Order 13786 of March 31, 2017. PLASTICS' comments cover U.S. trade in plastic products (HTS 3916-3926); resins (HTS 3901-39015); molds for plastics (HTS 848071 and 848079); and machinery for the production of plastics (HTS 8477).

The U.S. plastics industry directly employed 954,000 workers in 2015. When suppliers to the plastics industry are included, the total number of workers is estimated at 1.75 million.

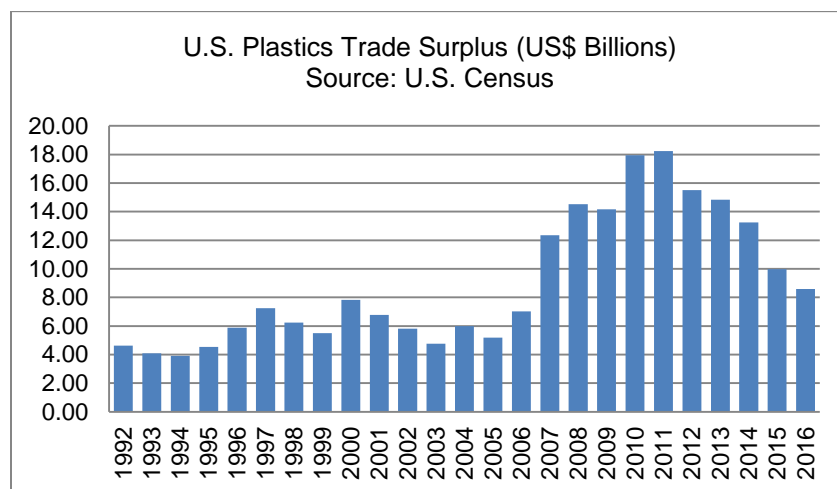
We are presenting our comments on U.S. trade in plastics in three parts:

1. Trade with the rest of the world
2. Aggregate trade with U.S. Free Trade Agreement (FTA) Partners
3. Trade with U.S. FTA Partners by major product categories.

1. Trade with the rest of the world

The U.S. plastics exports in 2016 totaled \$ 61 billion. If \$1.0 billion dollar of exports supports 5,279 jobs<sup>1</sup>, the U.S. plastics industry supported over 320 thousand jobs in 2016. In an industry where the hourly median wages in plastic materials and resin manufacturing (NAICS 325211) and plastic materials (NAICS 3261) rose 30.2 percent and 22.6 percent, respectively over a ten-year period, it is to the best interest of the U.S. economy that trade in plastics is sustained.

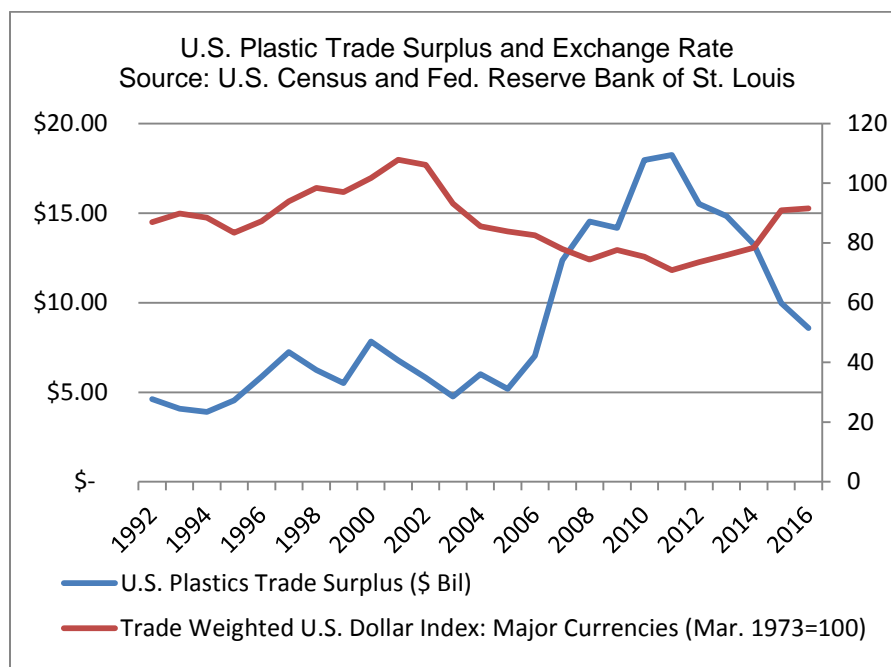
In 2016, the U.S. enjoyed an \$8.6 billion trade surplus with the rest of the world. However, last year's surplus was 53 percent lower compared to five year ago. U.S. trade surplus in plastics has continued to decline since 2011 as shown in the chart below.



One convenient explanation for the decrease in the trade surplus is the strengthening of the U.S. dollar vis-à-vis the major currencies. A negative relationship between U.S. trade surplus and the U.S. dollar can

<sup>1</sup> See Rasmussen, C. "Jobs Supported by Exports 2015: An Update" Office of the Trade and Economic Analysis, International Trade Administration, Department of Commerce. April 8, 2016.

be observed in the chart below. As the U.S. dollar started to strengthen in 2011, trade surplus in plastics started to fall. U.S. trade partners are quick to cite a strong dollar as a reason for lower U.S. exports.



Notwithstanding the strengthening U.S. dollar, data also reveal that the U.S. had a long-standing trade deficit with some countries in the plastics trade. We feel that both tariff and non-tariff barriers are at play causing persistent trade deficit with other countries. Otherwise, such trade deficits would be cyclical or transitory as opposed to persistent. The table below is a list of countries where the U.S. had a trade deficit in plastics of over \$100 million in 2016.

U.S. Trade Deficit in Plastics		
	2016 (\$ Billion)	5-Year Change
China	\$ 9.96	28%
Germany	\$ 2.14	23%
Taiwan	\$ 1.12	43%
Japan	\$ 1.01	42%
Korea, South	\$ 0.70	246%
European Union	\$ 0.62	650%
Italy	\$ 0.51	26%
Israel	\$ 0.38	372%
France	\$ 0.35	155%
Austria	\$ 0.35	1%
Sweden	\$ 0.20	72%
Switzerland	\$ 0.20	-1%
Thailand	\$ 0.16	1044%
Oman	\$ 0.15	7%
Source: U.S. Census, PLASTICS		

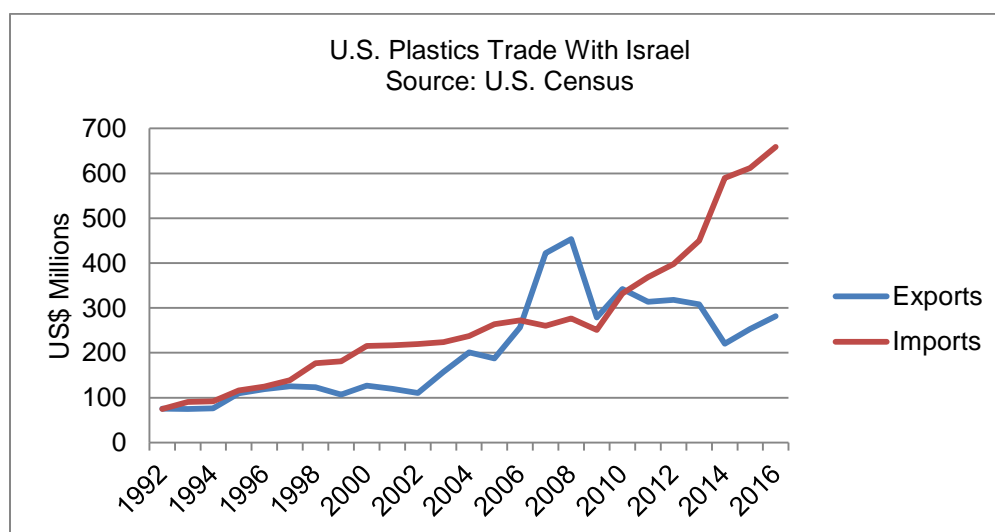
Trade data from the U.S. Census dating back to 1992 show persistent U.S. trade deficit with China. The deficit ballooned to \$10.0 billion last year – a 320 percent increase since China joined the World Trade Organization in 2001. Moreover, since China abandoned the fixed exchange-rate policy in July 2005, U.S. trade deficit continued to climb. In 2016 it was 44 percent higher than in 2005. Rising trade deficit does not reflect fair trade relations between China and the U.S. The common complaints by U.S. businesses – including those in the plastics industry – with regard to trading with China includes government subsidies, intellectual property rights [violation], lack of transparency, and other non-tariff barriers that continue to place U.S. business at a disadvantage. It is necessary that our relations with China improve.

In addition to China, the U.S. also had persistent trade deficits (from 1992-2016) with Germany, Italy, Japan, Taiwan, Austria, Sweden and Switzerland. Tariff and non-tariff barriers continue to challenge U.S. plastics manufacturers in improving their share in these markets. In the last five years, our trade deficit with Thailand grew the largest, followed by the European Union, Israel and Korea.

## 2. Aggregate trade with U.S. FTA Partners

The U.S. has a \$16.3 billion trade surplus with the 20 FTA partner countries. However, on a per country basis, the U.S. has a trade deficit with four of the 20 countries, namely: Bahrain (\$20.4 million); Israel (\$376.6 million); South Korea (\$698.3 million); and Oman (\$152.9 million). That is a \$1.25 billion trade deficit with all four countries combined. The plastics industry – and the U.S. economy as a whole – missed out on a total of \$1.25 billion exports and lost 6,599 jobs that could have been supported through exports.

With respect to the U.S. free trade agreement with Israel, plastics exports continue to dwarf plastics imports, resulting in a widening trade gap since the FTA in 1995 except in 2007 through 2010.



With South Korea, from 1992 to 2012, the U.S. had a trade surplus in plastics with that country, except in 1998, 2004 through 2006, and 2009. It is rather disconcerting that since the enforcement of the U.S. - Korea FTA in 2012, U.S. trade deficit in plastics increased 246 percent. In a similar case, since the U.S. - Oman FTA in 2009, U.S. trade deficit with Oman continued to increase, while previously the U.S. enjoyed a trade surplus from 1992 to 2006. The U.S. had a trade surplus with Bahrain from 1992 to 2013. When the U.S.- Bahrain FTA entered into force in 2006, U.S. trade surplus rose 484 percent (from 2006 to 2013). However, for the last three years the U.S. had a trade deficit with Bahrain.

We support a thorough review of our trade relations with these four FTA partners with the goal of a more balanced trade between the U.S. and all FTA partners.

#### 4. Trade with U.S. FTA Partners by major product categories

In 2016, the U.S. had a \$713.7 million trade deficit in molds for plastic with Canada, Singapore, South Korea, and Australia, and a \$116.3 million trade deficit in plastic products and plastics machinery with Israel. The over \$830 million total trade deficit comes at a cost to the industry and the macro economy. It translates into 4,382 jobs foregone.

In sum, we support a review of trade relations with countries where the U.S. is currently experiencing trade deficit, particularly with FTA partners and countries where U.S. trade deficit has been persistent. While the U.S. had argued for “managed” trade in the past as opposed to “free” trade, an anti-free trade stance will not bode well with our trading partners and as a consequence will negatively impact the U.S. economy. While we understand the trade relations need to be reviewed from time to time given demographic shifts, technological advancement, and financial innovation, the goal should be to preserve our trade relations with countries where we have a surplus – Mexico and Canada are the largest U.S. export markets for plastics representing 28 percent and 21 percent of our total exports to the rest of the world.

If the U.S. is serious about reinvigorating manufacturing jobs, the U.S. government should pursue policies that will make our industries competitive such as ensuring that market access of U.S. plastics are unencumbered. Industries that currently have trade surplus – such as the plastics industry – are job creators generating export revenue and sustaining U.S. economic growth.