



Ms. Lisa R. Barton
Secretary to the Commission
U.S. International Trade Commission
500 E Street, SW
Washington, D.C. 20436

December 29, 2015

RE: TRANS-PACIFIC PARTNERSHIP AGREEMENT: LIKELY IMPACT ON THE U.S. ECONOMY AND ON SPECIFIC INDUSTRY SECTORS (INVESTIGATION NO. TPA-105-001)

ORAL PRESENTATION

Thank you for the opportunity to testify before you today. My name is Greg Skelton, and I am Senior Director of Regulatory and Technical Affairs at the American Chemistry Council (ACC). ACC represents the leading companies engaged in the business of chemistry, one of the largest manufacturing sectors of the U.S. economy. The chemical industry is an \$800 billion dollar enterprise, supporting nearly 25% of U.S. gross domestic product (GDP), and providing over 800,000 skilled, good-paying American jobs, with production in nearly every State. The American chemical industry produces 15 percent of the world's chemicals, and accounts for 14 percent of all U.S. exports, amounting to \$191 billion in 2014.¹

That is the current situation. But in my testimony today, I want to look forward. The shale gas revolution, which has resulted in increased supplies of low-cost natural gas, has been a game changer for U.S. chemical manufacturers. To date, this has resulted in announced investment of \$158 billion in new or expanded production facilities, 64% of which is foreign direct investment². Despite the recent drop in oil prices, this is likely to lead to significant increases in U.S. chemical production that cannot be consumed domestically. A recent ACC report projects that gross exports of specific key chemistries directly linked to shale gas, such as polymers,

¹ American Chemistry Council, 2015 Fact Sheet on U.S. Chemical Trade By The Numbers

² American Chemistry Council, Notes on Shale Gas, Manufacturing and the Chemical Industry, December 3 2015



plastics resins, and specialty chemicals will more than double, from \$60 billion in 2014 to \$123 billion by 2030, with several Trans-Pacific Partnership (TPP) markets becoming leading net export destinations for U.S. shale-gas derived chemical products³.

ACC and its member companies have been strong and consistent supporters of robust and comprehensive trade agreements. The growing competitive advantage of U.S.-based chemical production, and its positive impact on the competitiveness of the broader manufacturing sector – more than 96% of all manufactured goods rely on chemistry – makes initiatives such as the TPP even more important. TPP has the potential to eliminate punitive tariffs and taxes, and provide new market opportunities for U.S. chemical exports.

ACC is pleased with the TPP's outcomes with respect to reducing or eliminating tariffs on chemicals trade, and in particular with the large majority of lines that would go to zero upon entry into force. Although tariffs on chemicals with TPP partners are relatively low for certain chemistries, for other chemistries, tariffs are as high as 25 percent, particularly for plastics.⁴ Removing these remaining barriers will help to reduce the costs of production for U.S. chemical manufacturers and expand exports. ACC analysis shows that the TPP agreement has the potential of generating \$1.2 billion in export growth of U.S. manufactured chemicals following its implementation.⁵

ACC also strongly supports the objective of pursuing closer regulatory cooperation between the U.S. and TPP countries. For the chemical industry, a growing lack of regulatory coherence, particularly as governments amend or develop new chemical regulations, is increasing the costs of moving goods across borders. The emphasis signaled in TPP on addressing regulatory divergences, promoting efficiencies and burden sharing, and pursuing greater transparency within and between regulatory systems will result in cost savings for governments and industry alike, while maintaining high levels of protection for human health and the environment. ACC particularly supports the establishment of an ongoing mechanism under TPP to advance regulatory cooperation. As tariffs and other “traditional” trade barriers are addressed, regulatory

³ 2015 Nexant Report: Fueling Export Growth U.S. Net Export Trade Forecast for Key Chemistries to 2030

⁴ 2015 ITC Publication: TPP and Opportunities for the U.S. Chemical Sector

⁵ American Chemistry Council, Keys to Export Growth for the Chemical Sector, 2013



barriers to trade will become an increasingly important focus in future trade agreements, and TPP sets a useful baseline for future efforts in this regard.

For the chemical industry, and for the broader U.S economy, the TPP has the potential to provide a significant boost to growth and job creation, which in turn would promote innovation and strengthen the international competitiveness of U.S. exporters. Success in today's global economy requires continued and effective engagement with trading partners on a level playing field. TPP makes important progress in delivering new opportunities in the growing Asia-Pacific market for U.S chemical producers.

ACC welcomes the opportunity to work with the U.S. government to ensure that the TPP delivers on its promise.

Thank you again for inviting me here today. I look forward to your questions.



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