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U.S. Chamber of Commerce | 美国全国商会

CHEMICALS Fact Sheet[1]

COSTS OF DECOUPLING

Reduced Revenue, Economic Activity, and Jobs: China's tariffs on U.S. chemical products reduce demand, cut revenue, and lead to job and output losses in the U.S.

- If China maintains existing tariffs on U.S. chemicals and has difficulty finding alternative suppliers, U.S. output losses would reach $10.2 billion and job losses would reach 26,000.
- If China maintains existing tariffs on U.S. chemicals and finds alternative suppliers with relative ease, U.S. output losses would reach $38 billion and job losses would reach 100,000.

Increased Sourcing and Supply Chain Costs: U.S. tariffs on Chinese chemical products increase costs for U.S. chemicals firms, forcing them to raise prices on U.S. goods that are passed on to consumers.

- The cost of securing new suppliers that meet quality and technical specifications is significant.
- The cost of moving plants and equipment to a new location is often prohibitively high.
- U.S. manufacturers are considering shifting jobs, deferring investments or switching them to other regions, or simply closing U.S. facilities.

Reduced Capital Expenditures, R&D, and Global Competitiveness: As the price of doing business with U.S. chemicals firms increases due to tariffs and policy uncertainty, and U.S. technological advancements slow due to reduced capital expenditures and R&D budgets, U.S. competitiveness will diminish as foreign competitors become lower-cost suppliers with relatively higher R&D capabilities.

- Higher operating costs from tariffs and lower revenues from lost China market share must be offset through lower capital spending and R&D.
- In easily substitutable segments, China is seeking alternatives to U.S. suppliers in Europe and working to expand domestic production capabilities.

1 For a full explanation of methodology and detailed sourcing, please see the Chemicals chapter of "Understanding U.S.-China Decoupling: Macro Trends and Industry Impacts," U.S. Chamber of Commerce, 2021.

INDUSTRY SNAPSHOT AND BILATERAL TRENDS

China is a major supplier to the U.S. chemicals industry and a major market for U.S. chemicals. It is projected to account for over half of global chemicals industry growth in the coming decade.

- China is the second biggest supplier to the U.S. chemicals industry, accounting for 11% of total imports in 2019, the majority of which are intermediate products that feed into domestic processing and production.
- China is the world's largest market for chemicals exports ($189 billion in 2018, or 13% of total global chemicals imports) and the third largest market for U.S. chemicals exports ($12.6 billion in 2018).
- Rising Chinese household demand means high growth for consumer products, the segment of the chemicals industry where U.S. leadership is greatest.

The U.S. chemicals industry is a global market leader in production and R&D, and a major contributor to U.S. jobs and GDP.

- The U.S. chemicals industry is the second largest producer after China, exporting $136 billion in chemicals in 2019 (14% of the global chemicals supply). This level of output is contingent on access to global markets for inputs and intermediate products.
- The U.S. chemicals industry is consistently one of the largest private-sector industry investors in U.S. R&D, generating $10.1 billion in U.S. R&D spending in 2019.
- Chemicals permeate many U.S. economic activities: in 2019, the value added by the U.S. chemicals industry was $222.3 billion, more than 1% of total U.S. GDP.
- The U.S. chemicals industry is a massive employer, directly supporting 544,000 jobs (40% of which are high-skilled positions) and indirectly supporting 4.5 million jobs in 2019.

The U.S. shale gas revolution has made the U.S. an increasingly attractive location for capital expenditures in the chemicals industry.

- In the past decade, substantial investments in U.S. chemicals production were made under the expectation that global demand would absorb rising U.S. output enabled by low-cost raw materials.

EVOLUTION OF DECOUPLING POLICIES

- Beginning in March 2018, the U.S. placed Section 301 tariffs on Chinese imports, leading both countries to impose tariffs on much of the U.S.-China chemicals trade.
- U.S. tariffs affect thousands of chemicals and plastics products, valued at $13.2 billion in 2018.
- China imposed retaliatory tariffs ranging from 5% to 25% on nearly all U.S. chemicals and plastics product exports to China, collectively worth $10.8 billion annually.