



January 31, 2019

Office of the Secretary  
United States International Trade Commission  
500 E Street SW  
Washington, DC 20436

*Via regulations.gov submission*

**RE: SOCMA Comments on United States-Mexico-Canada Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors; Institution of Investigation and Scheduling of Hearing**

Dear Sir or Madam:

The Society of Chemical Manufacturers & Affiliates (SOCMA) appreciates the opportunity to comment on the likely impact of the United States-Mexico-Canada Agreement (USMCA) on the specialty chemical sector.

SOCMA is the only U.S.-based trade association solely dedicated to the specialty and fine chemical industry – a \$300 billion industry that is fueling the U.S. economy. Our members play an indispensable role in the global chemical supply chain, providing specialty chemicals to companies in markets ranging from aerospace and electronics to pharmaceuticals and agriculture.

In general, SOCMA supports the USMCA's modernization of North American Free Trade Agreement (NAFTA) chemical chapters. Canada and Mexico are the industry's top export destinations and SOCMA's top priority is the maintenance of duty-free trade for all qualifying chemical products.

The USMCA updates specific areas of importance to the specialty chemical industry, most notably rules of origin. For instance, under the USMCA, exporters would be able to prove origin in a less burdensome manner and specialty chemical manufacturers would no longer be required to determine regional value content (RVC) in order to confer origin. These are marked improvements for the industry. Other notable updates include the promotion of regulatory cooperation<sup>1</sup> and digital trade capability.<sup>2</sup>

While these updates are favorable, SOCMA has three foremost concerns:

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<sup>1</sup> For example, Globally Harmonized System of Classification and Labelling (GHS) alignment, protection of confidential business information (CBI), and the development of risk assessment and chemical inventories.

<sup>2</sup> For example, cross-border industrial data protection and allowance of e-filing and digital signatures.

**I. Do not withdraw from NAFTA until USMCA is enacted by all three parties**

Withdrawal for the industry would trigger reversion to the Canada-United States Free Trade Agreement and Mexico's Generalized System of Preferences (GSP) status. SOCMA members need a seamless transition allowing time to adjust supply chains ahead of new USMCA rules and withdrawal would add considerable costs.

**II. Eliminate prohibition on the use of duty drawback**

A modernized drawback would enable specialty chemical manufactures to receive refunds of duties paid on imported chemical inputs. SOCMA supports elimination of the prohibition on the use of duty drawback, similar to provisions found in free trade agreements executed after NAFTA.

**III. Allow chemical sector to make full range of investor-state dispute settlement (ISDS) claims**

Currently, USMCA text limits the full range of investor-state dispute settlement (ISDS) benefits to four sectors: (1) transportation services; (2) telecommunication services; (3) oil and natural gas; and (4) power generation services. Such limitations diminish investment protections and potential economic benefits to North American specialty chemical companies.

Despite these above-mentioned misgivings, SOCMA again supports most USMCA chemical updates and thanks the Administration for its NAFTA-related efforts.

Thank you for the opportunity to comment on the likely impact of the United States-Mexico-Canada Agreement (USMCA) on the specialty chemical sector.

Please do not hesitate to reach out with questions.

Respectfully submitted,

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