IMA-NA
Industrial Minerals Association — North America

September 6, 2018

The Honorable Robert Lighthizer
United States Trade Representative
600 17th St., NW
Washington, DC 20508

RE: Docket Number: USTR-2008-0026. Industrial Minerals Association – North America Comments on Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

The Industrial Minerals Association – North America (IMA) appreciates the opportunity to comment on the Administration's proposed trade action under Section 301 of the Trade Act of 1974. The IMA agrees that steps need to be taken to address China's unfair trade practices and policies. However, we are concerned with the continued use of tariffs as a means of leverage against the Chinese to achieve that goal. We believe that the recently announced proposal of $200 billion in additional tariffs on Chinese goods will do significant harm to the overall U.S. economy, including our sector, and that it is not in the best interest for the U.S. economy to engage in a trade war with China.

The IMA-NA is a trade association that represents companies that mine, process and sell industrial minerals throughout North America.[1] The industrial minerals produced by IMA-NA member companies are the raw material feedstock that are incorporated into a broad range of products, including among other things, container, flat and specialty glasses, paint and coatings, ceramics, and a broad range of building products. Additionally, industrial sand is used as a proppant, which enables the recovery of shale gas and oil, and industrial minerals are used to make foundry molds ard cores, which are in turn used to make metal shapes used to manufacture automobiles, SUVs and trucks, rail cars and almost all other items that have metal castings. The demand for many of these minerals from manufacturers is global, and the uncertainty created by the tariffs could lead to loss of business for our companies. While the U.S. is blessed with a significant mineral supply, so too are other regions of the world, which could supply China instead without the added burden of the retaliatory tariffs in place.

[1] IMA-NA represents the a wide variety of minerals in North America, including: ball clay, barite, bentonite, borates, calcium carbonate, diatomite, feldspar, industrial sand, kaolin, talc, wollastonite and other minerals.

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According to the United States Geological Survey's (USGS) Minerals Commodity Summaries 2018, the total value of industrial minerals production in the United States in 2017 was $48.9 billion, which was a 3% increase from 2016.[2] For most of the minerals that we represent, the domestic deposits for those minerals is sufficient to supply the domestic need. When looking at the USGS report, it is clear that we are importing very little, if any, of our industrial minerals from China. It is also clear from the report that our member companies export significant amounts of their product to China and throughout the world. We were therefore quite surprised and concerned to see these minerals included in the proposal from the USTR for tariffs on Chinese goods coming in to the United States, as we knew the result would be the retaliatory tariffs that have since been proposed by the Chinese. The increased production for the industrial minerals sector we have seen in recent years and overall value-add to the U.S. economy could be placed in jeopardy by the uncertainty being created by the trade war with China and other traditional trade partners of the United States. This also stands to undo the considerable benefits that the administration's tax reform legislation has provided the economy.

Historically, we have evidence of the counterproductive nature that imposing tariffs on other nations has, as well as the resulting retaliatory tariffs that come about as a result. While we understand and appreciate the Administration's concern with China's trade practices, we believe a better way to address these concerns is through high-level constructive negotiations, instead of using tariffs. We fear that the outcome of the tariffs would be significant harm to not only our sector, but the entire economy.

The other major concern we continue to have with the escalating tariff situation is the fact that this would increase the cost of being able to do business by increasing other costs. The ability to mine and process our industrial minerals so that they can become a sellable product is a costly exercise. Adding tariffs on products coming in from China to the process will only increase the cost of doing business for our members. In many instances the equipment and chemicals that are crucial to the processing of industrial minerals are imported from China. The imported chemicals cannot be easily sourced from within the United States because of a variety of regulatory issues and market dynamics. If these tariffs are put in place, it could make it impossible for our companies to remain competitive globally.

The uncertainty that will result from moving forward with these tariffs could cause real world impacts on the minerals industry that could have a significant, long-lasting impact on our sector and manufacturing as a whole. The tariffs on Chinese goods combined with the retaliatory tariffs China has declared they will place on minerals entering in to China from the U.S. stand to stunt the growth that was expected as a result of the Administration's tax cuts which had helped to revitalize our sector and manufacturing as well.

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[2] *See* USGS Mineral Commodity Summaries 2018 p. 7.
https://minerals.usgs.gov/minerals/pubs/mcs/2018/mcs2018.pdf

Industrial minerals are low margin products that require significant financial commitments to long-term projects. If there is uncertainty in our ability to compete globally and be able to produce our products economically, which would result from a trade war with China and these tariffs being implemented, it could cause a substantial decline of the domestic production of industrial minerals. Maintaining a strong domestic minerals production sector and limiting dependence on foreign minerals and production is critical to our country's energy and mineral security and the overall growth of the U.S. economy.

According to the USGS Mineral Commodity Summaries, the United States is already relying on other nations for 50% or more of over 50 minerals.[3] These are important minerals to our manufacturing sector and national security. They include rare earths and other valuable commodities. In many cases, these minerals are being sourced from China, and by placing tariffs on these items it will make the cost of manufacturing goods increase. Additionally, if it becomes uneconomical for mineral producers to continue to produce in the U.S. as a result of these tariffs, you will see the dependency on foreign sourced minerals increase.

Our members must account for all expected costs and the overall regulatory environment when choosing to invest in, develop, and operate production projects. These investments require significant financial commitments to long-term projects to deliver a competitive product both domestically and globally at a low margin. This is an important fact to remember as many of our country's mineral companies are competing in a global marketplace. Any deviation or negative shift in policy could have an immediate and drastic impact on the ability for these companies to do business, increase jobs, and compete internationally.

If you make it harder for our industry to operate by implementing these tariffs, we will likely see the manufacturing sector become even more reliant on foreign sourced minerals, and we could even see manufacturing facilities move overseas closer to the mineral sources to save on high transportation costs. At the very least, we will see the costs of manufactured products necessarily increase significantly as doing business becomes increasingly difficult under these conditions.

Maintaining a strong natural resources production sector and limiting our dependence on foreign production is critical to the security of our country, the growth of the U.S. economy, and creating new jobs. Implementing these tariffs would result in increased raw materials costs for manufacturers, increased product costs for consumers, and a loss of American jobs in all sectors of our country's economy. This would all largely destroy all of the gains that tax reform brought to the economy.

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[3] *See* USGS Mineral Commodity Summaries 2018 p. 6 https://minerals.usgs.gov/minerals/pubs/mcs/2018/mcs2018.pdf

IMA strongly urges the U.S. government to avoid the implementation of tariffs on China and therefore, hopefully, avoiding the retaliatory tariffs China has announced. There is strong evidence that this will have a negative impact on the United States' economy if you were to move forward. Other industries have shown in their comments to the USTR, and publicly as well, that this would likely impact them in a similar manner. We strongly encourage the USTR and Trump Administration to take these concerns to heart and not take these proposed steps. We are hopeful that the Administration will take in to account these comments and others you are receiving and recognize the significant risk to the U.S. economy that a trade war with China would represent. We agree with the Administration that steps must be taken to address China's unfair trade practices and policies. We believe that rather than using tariffs as a means of leverage to achieve that goal, that the Administration should deescalate the current tensions with China and enter into constructive negotiations instead.

Thank you for allowing us to comment on your proposal and highlight the potential impacts on our industry. The IMA looks forward to working with you throughout this process to achieve strong, free-trade that will benefit all.

Sincerely,

Chris Greissing
Executive Vice President