Comments of the American Chemistry Council

Action Pursuant to Section 301: Brazil's Acts, Policies, and Practices Related to Digital Trade and Electronic Payment Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Illegal Deforestation

Docket No. USTR–2026–0331

July 1, 2026

The American Chemistry Council (ACC) appreciates the opportunity to comment on the Office of the United States Trade Representative's (USTR) notice of determination and proposed action under Section 301 of the Trade Act of 1974 regarding Brazil's Acts, Policies, and Practices Related to Digital Trade and Electronic Payment Services; Unfair, Preferential Tariffs; Anti-Corruption Enforcement; Intellectual Property Protection; Ethanol Market Access; and Deforestation. We understand that ACC members may provide separate comments regarding the scope of tariff coverage, including on the proposed excluded products identified in the Annex to the notice. Therefore, we will reserve our comments to the following recommendations:

1. **USTR should consider other measures, including sectoral agreements, to address tariffs and non-tariff measures on chemicals**

ACC supports the Administration's efforts to protect U.S. manufacturing from unfair policies and practices and to create a more fair and balanced trade relationship with Brazil. Brazil maintains significant tariff and non-tariff barriers that make it more difficult for U.S. chemical and plastic exporters to compete in the Brazilian market, and Brazil should take steps to reduce such barriers. However, we would recommend that USTR pursue negotiation and discussions, especially for chemical-related barriers which are more likely to be better addressed through a chemical sectoral initiative with Brazil. This would likely be a more effective and durable way to address both tariff disparities and non-tariff barriers than broad tariffs while also strengthening U.S. production and exports. The Brazilian chemical industry association, ABIQUIM (Associação Brasileira da Indústria Química), has already expressed interest in partnering with ACC on such an initiative. The United States is a signatory to the Chemical Tariff Harmonization Agreement (CTHA), which provides a strong foundation for negotiations to address and reduce chemical tariff disparities. In addition, the U.S.-Brazil Agreement on Trade and Economic Cooperation (ATEC), including the expanded ATEC Protocol, could provide a practical framework for this dialogue.

Together, CTHA and ATEC could support a focused sectoral approach to reduce tariff and non-tariff barriers, improve customs and trade facilitation, advance science-based and risk-based regulatory approaches, strengthen regulatory cooperation, and ensure a more level playing field.

2. **USTR should introduce a review procedure of any tariffs to cover unintended consequences on the U.S. chemical industry**

Tariffs on imports from Brazil—especially on chemical, petrochemical, and industrial inputs—would increase costs for U.S. manufacturers. These inputs are essential for chemicals used in energy, agriculture and food production, pharmaceuticals, plastics, and advanced manufacturing. Disruptions would reduce efficiency and competitiveness in both countries.

While recognizing the effect of some of Brazil's unfair trade policies, broad, untargeted tariffs on imports from Brazil, especially the proposed cumulative tariffs of 37.5% (i.e. 12.5% – Forced Labor + 25% – Unfair Trade Practices) could significantly increase input costs for U.S. manufacturers and reduce the competitiveness of Brazilian-origin products leading to supply reallocation that would curtail U.S. production and make the United States more reliant on imports from countries with more serious unfair trading practices. These effects may materialize through cost transmission across downstream manufacturing sectors and sourcing reallocation among suppliers, affecting the efficiency and stability of U.S. supply chains.

For example, in recent years, several ACC members have reshored their supply chains from Asia to the United States and Western Hemisphere countries, so instead of importing finished chemicals from overseas, they have moved production to the United States using raw materials from Brazil that are not available in the United States. This has been a "win-win" for both the United States and Brazil moving production that would otherwise been completely outsourced to countries such as China and Southeast Asia while making U.S. production less reliant on imports from countries with unfair trading practices. If broad tariffs go into effect as proposed, this could disrupt established and qualified supply chains making it less expensive for competitors to remove the United States completely from these supply chains and instead import finished chemical products from other countries using raw material imports from China. This would weaken U.S supply chain resilience and increase U.S. dependence on less balanced and strategically aligned partners. We therefore would express caution in implementing these proposed tariffs and request USTR to establish a review procedure to identify and address these and similar unintended consequences before such tariffs are implemented.

We would also note that these proposed tariffs could have outsized effect on our trade surplus. The U.S. chemical industry has one of the largest trade surpluses with Brazil among all commodities, valued at nearly US$7 billion. Brazil is also now the fifth largest destination for U.S. chemical exports, and the United States maintains a trade surplus with Brazil not only in the aggregate, but across all chemical categories, including resins, agricultural chemicals, and petrochemicals. This trade relationship reflects complementary production chains, investment ties, and secure sourcing patterns that support U.S. manufacturing rather than undermine it.

3. **USTR should maintain and broaden exceptions to those raw materials which are used to benefit U.S. chemical manufacturing**

ACC also urges USTR to maintain Brazil-related IEEPA exceptions that were carefully constructed to benefit U.S. chemical and plastics manufacturing. USTR should also consider broadening exceptions for raw materials, feedstocks, and chemical intermediates from Brazil that directly support U.S. manufacturing and integrated supply chains. This should include materials where domestic availability may be limited or constrained including inputs used by companies that have reshored or expanded production in U.S. facilities, and that have been reshored to Brazil from China or other non-market economies. Exceptions should also cover intercompany supply chains that protect intellectual property, improve supply security, and support production for critical downstream sectors such as defense, semiconductors, pharmaceuticals, energy, mining, construction materials, and consumer products. The chemical sector depends on integrated international supply chains and stable regulatory cooperation. Broad tariffs could discourage investment, hinder technological collaboration, and slow innovation across value chains that are critical for sustainable development, including for building a strong domestic energy sector.

Conclusion

Brazil is deeply integrated into global and U.S. supply chains and broad tariffs such as those proposed would pose risks to both economies. ACC and its members have supported efforts to address unfair trading practices in other Section 301 investigations, including through tariffs or other border measures where appropriate. However, a one-size-fits-all approach will not work for chemicals in the Brazil context given the sector's trade surplus, commercial advantages, and role in critical U.S. supply chains. ACC urges USTR and the Administration to resolve the issues identified in this investigation through dialogue, negotiation, and a targeted chemical sectoral initiative supported by ACC and ABIQUIM. That approach would address Brazil's tariff and non-tariff barriers without disrupting the strong U.S.-Brazil chemical trade relationship, ensuring that any measures are appropriately targeted to address the identified practices while minimizing unintended impacts on U.S. manufacturing and supply chain resilience. ACC also requests that USTR maintain carefully constructed Brazil-related IEEPA exceptions, consider broader exceptions for key inputs that support U.S. chemical manufacturing, and establish a review process for supply chain changes or unintended consequences. ACC stands ready to work with USTR and the Administration as any proposed actions are implemented and reviewed.

If you have any questions about this submission, please contact Jason Bernstein, Director, International Trade and Supply Chain, at Jason_Bernstein@AmericanChemistry.com or Benjamin Vauter, Associate Director, Global Affairs at Ben_Vauter@americanchemistry.com.