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## As toolmakers press to bring back tariffs, other manufacturers push back

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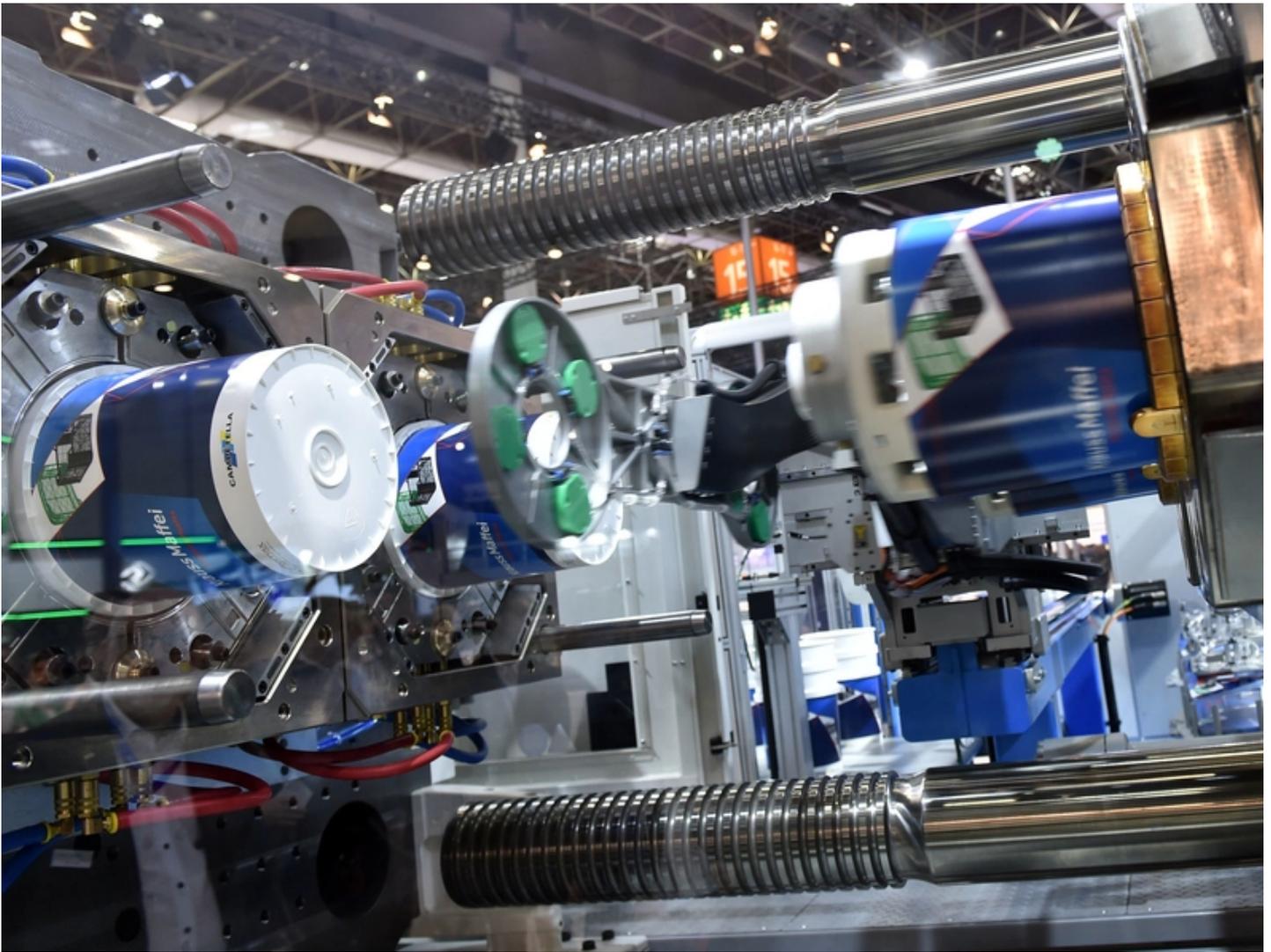
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The new fast machine at the KraussMaffei booth at K 2019 in Düsseldorf, Germany.

Washington — The toolmaking sector is mounting a big campaign to convince the Trump administration to bring back 25 percent tariffs on Chinese-made injection molds, saying they're vital to keeping those companies financially strong.

But the mold makers are getting a strong pushback from other domestic manufacturers, like plastics firm Berry Global Inc. and various automotive molders, who say tariff-free Chinese molds are equally important to their own competitiveness.

It sets up a potentially tricky question for the Trump administration, as it seeks to balance the competing impacts from tariffs on different groups of manufacturers, while broadly challenging what it says are China's unfair trade practices.

The administration initially put the mold tariffs in place in July 2018, in the very first round of its trade fight with Beijing. But it quickly backpedaled in the wake of numerous

complaints and broadly suspended the duties on molds for one year in December 2018.

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Now, as the Trump administration faces a late December decision on whether to reinstate the tariffs, mold makers have flooded the U.S. Trade Representative with comments. Mold makers are much more vocal this year, including hiring a Washington lobbyist.

The American Mold Builders Association filed formal comments to the U.S. Trade Representative Nov. 29 and said it was joined by more than 150 mold making companies also petitioning USTR, like Tri Tech Tooling Inc. in Holland, Mich.

"My company actually experienced an increase in sales when the tariffs were in effect between July and December in 2018," said President Michael Bouma, in a filing. "2018 was our best year ever, which I believe was due to the tariffs."

But Bouma said removing the tariffs cost his firm business.

"As we approach the end of 2019, I will see a 20 percent reduction in sales, which I can trace directly to the loss of work from the automotive industry because the tariffs were lifted on Jan. 1, 2019," he wrote.

Other mold making companies echoed Tri Tech, telling USTR that their capacity utilization dropped after the tariffs were removed.

Some said they were operating in the range of 60 percent capacity, with headcount down, employees working less than 40 hours a week and hiring and investment off.

They said business rose during the six months of tariffs – one company told USTR that on the first day of the tariffs in mid-2018, it "began receiving calls from customers I had not heard from in years asking to regain a relationship" – but then when the tariffs were lifted six months later, those calls dried up.

Overall, AMBA said, mold making capacity utilization is at 75 percent, which it said means "American companies [are] in a strong position to meet current and future domestic demands."

AMBA said capacity utilization rose from 77 percent to 81 percent the short time the tariffs were in place last year, falling back after the tariffs were suspended.

It argued that U.S. mold makers can match China's delivery times while exceeding quality and said U.S. molds are critical to national and economic security.

"We believe the sheer number of mold manufacturing establishments in the U.S. clearly counters any arguments made by those requesting an exclusion extension that no domestic alternative to Chinese mold imports exist," wrote Kym Conis, managing director with the AMBA.

The U.S. mold making sector has about \$500 million worth of unused capacity, out of total sales of \$6.4 billion, among its 1,439 companies, AMBA said. The sector employs 35,000 people with an average annual salary of \$56,203, it said.

### **Chinese scale**

But companies arguing against the tariffs – or in other words, urging the Trump administration to continue suspending the 25 percent duties – said it's the large size of Chinese mold shops that makes them more competitive.

Berry Global Inc., which noted it's one of the largest U.S. producers of plastic goods, told USTR that the typical U.S. mold shop is significantly smaller, usually with 15 to 40 employees. That often makes U.S. shops more expensive, it said.

"In China, the typical operation has from several hundred employees to more than a thousand. There simply is significantly more capacity in China than in the United States," Berry said. "U.S. mold producers have not achieved economies of scale by increasing production and lowering costs to its customers."

Berry was asking for an "extended exclusion" for itself from the tariffs, including for its newly acquired Chinese mold making operation that came with its purchase of RPC Group in mid-2019.

"It has been impractical to source molds entirely from U.S. producers without putting the company's business at high risk," Berry said, arguing that meeting needs of its customers requires access to China's mold making industry.

Other large manufacturers made similar arguments.

Royal Appliance Manufacturing Co., for example, said it "relies heavily" on Chinese molds to keep its U.S. manufacturing competitive, including for its 100 employees in its injection molding department.

Automotive molder Forteq North America Inc., as well, said molds from a factory it owns in China keep U.S. operations competitive for the Switzerland-based firm.

"If the tariffs on the molds are reinstated, Forteq America's parent company may determine that it is cost-beneficial to move manufacturing out of the U.S. to another Forteq company worldwide," it said. "This will result in the loss of manufacturing jobs in the U.S."

Sourcing more molds in the U.S. is possible, but it can take years to fully execute the switch, given the size of the supply base in China, according to a detailed filing from Yanfeng U.S. Automotive Interior Systems LLC.

The company, which was granted 94 separate tariff exclusions for molds last year, said it had "some success" relocating production of 12-14 molds to lower-capacity shops in the U.S. in the last year, and is looking at more.

"However, even if these continued efforts are successful, YFAI will still require several years before any sourcing will match YFAI's current supplier data base and capacity in China," the company said. It asked to continue its specific exclusions.

Other U.S. firms, including Mack Molding Co., powersports vehicle maker Polaris Industries Inc. and Stanley Black & Decker Inc., also pushed for their mold imports to be exempted from tariffs. Mack noted it was unable to recover nearly \$100,000 in tariffs it paid.

## **Larger Canadian deficits**

AMBA argued that U.S. mold buyers have good alternatives to China, either domestically or from other countries like Canada, and it said it welcomed the Trump administration working to address structural challenges in China's economy "long overlooked by previous administrations."

It told USTR it was concerned that too many companies are seeking tariff exemptions based on price "and have not made significant efforts to identify U.S. or third-country alternatives, which are readily available."

Citing a survey from consulting firm Harbour Results Inc., it said 60 percent of U.S. mold building companies reported losing more business in 2019 to low-cost countries compared to previous years.

While the tariff fight focuses on China, industry data shows that Canada is a much larger source of imported injection molds.

AMBA said in its filing that for 2019 through September, the U.S. imported \$685.2 million worth of injection molds from Canada, more than double the \$281.3 million imported from China. The gap was similar in prior years.

AMBA noted that the U.S. has a \$376 million trade deficit with China in injection molds, up from \$103 million in 2007.

But other industry figures show that the U.S.'s trade deficit with Canada in molds is much higher. The plastics industry had a global deficit in molds of \$1.7 billion last year, with Canada accounting for \$935 million of that, according to the Plastics Industry Association.

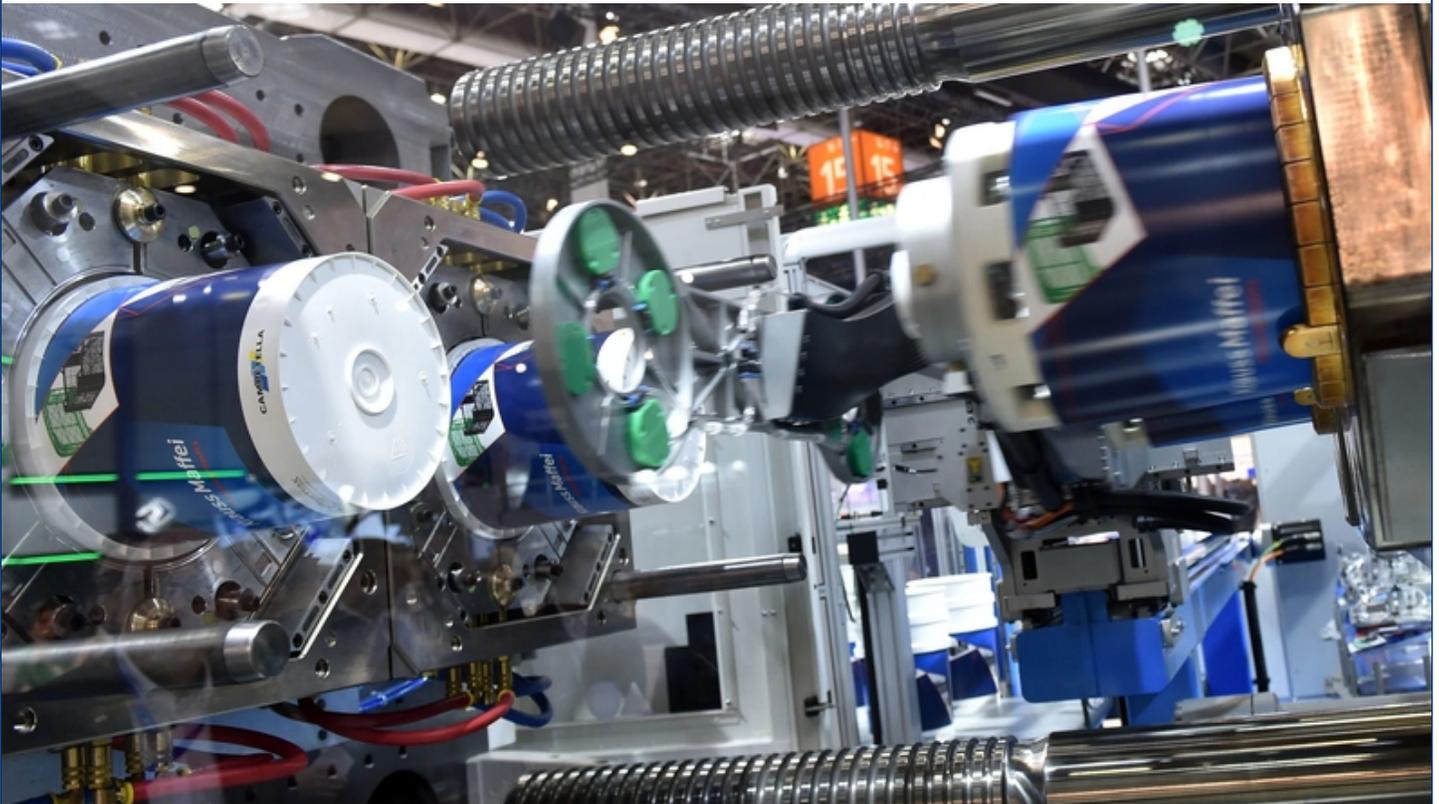
While AMBA did not address the Canadian deficit in its filing, one mold making firm, Elba Tool Co. Inc. in Bloomingdale, Ill., labeled both countries' threats. It told USTR the differences between the U.S. and Canadian dollars cost it business.

"The playing fields in the Chinese and Canadian arenas must be brought back into balance," Elba said.

*Letter*  
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