

Tariffs return on China-made injection molds

By **Bill Bregar and Steve Toloken**
Plastics News Staff

The U.S. government's reinstatement of 25 percent tariffs on injection molds from China will help U.S. tool shops compete by raising costs on one of their key international competitors but may hurt some plastics processors as they face higher prices for their molds.

That dual-edged impact emerged from interviews with executives and experts as they assess the U.S. government's decision to allow the mold tariffs to snap back into place Dec. 28, following a lobbying campaign by the mold building industry.

The Office of U.S. Trade Representative Robert Lighthizer appeared swayed by that effort, when it allowed a one-year exemption it had previously granted in December 2018 to expire, as 2019 wound down.

In a Dec. 23 news release, the American Mold Builders Association praised USTR for bringing the tariffs back and said it would help the smaller downstream manufacturers like their members better deal with pressure from China.

Tooling expert and consultant Laurie Harbour, as well, said the decision would help U.S. mold makers compete, although she said it could hurt plastics processors.

Even with the tariffs, she said American toolmakers will still face tough challenges.

"It's definitely not a silver bullet that solves the problem, but it certainly contributes to making this closer to a level playing field," said Harbour, who is president and CEO of Harbour Results in Southfield, Mich. "It's not a complete level playing field, but it certainly moves it closer and it gives the U.S.-based shops a better opportunity to compete."

In November, Harbour Results predict-

ed that 50-75 mold and die shops in North America will close in the next five years, the result of declining spending on tooling from the auto sector.

The USTR decision comes after a lobbying campaign in recent months by the American Mold Builders Association.

"This is an important victory for AMBA, its members and all small downstream manufacturers who have felt the pressure from China for years," Kym Conis, executive director of Indianapolis-based AMBA, said in a statement. "The Trump administration is doing what others have not — standing up to China. It heard our members loud and clear — the U.S. mold building industry has the capacity and expertise to fill any orders placed."

The tariffs were originally put in place in July 2018, in the first round of President

See **Tariffs**, Page 22

Tariffs

Continued from Page 1

Donald Trump's tariffs against China. But they were put on hold for one year starting Dec. 28, 2018, after many injection molders and other manufacturers complained that the tariffs would raise costs for U.S. molders.

Starting in October, however, the mold making industry mounted a vocal effort to bring back the tariffs, with many mold makers also filing comments to USTR urging that the tariffs return.

The USTR has not made a formal statement that the tariffs are back in place, but the agency let the exemption expire and did not include injection molds in a Dec. 18 notification of a handful of products in that July 2018 round of tariffs that would continue to be exempted from the import duties.

AMBA's Conis said mold tariffs became effective again Dec. 28, an interpretation supported by others, including molding companies on the opposite side of the fight from the AMBA. As well, a very lengthy Jan. 1 U.S. government list of Chinese imports subject to tariffs includes the tariff code for injection molds.

Molders fear harm from tariffs

Some U.S. plastic molders, however, disagreed with AMBA and said tariffs would hurt their business and by implication the larger American manufacturers they make plastic products for.

Des Paden, president of Crestwood Industries Inc. in Mundelein, Ill., said Chinese molds reduce their costs and he argued that putting tariffs in place would delay the development of new products for U.S. consumers in the industries Crestwood serves, including health care, automotive, lighting and plumbing.

"If we can save a customer 30-50 percent on \$500,000 of tooling, we believe it is our obligation to do so," Paden said. "As we started building molds overseas, our customers have realized significant savings."

"While I would have preferred to continue to buy molds in the U.S., many domestic producers are using antiquated processes and technology that ultimately drive up costs," Paden said.

Packaging maker Berry Global Inc., which said it's one of the largest producers of plastic goods in the U.S., and automotive molder Forteq North America both told the USTR that American mold shops did not

have enough capacity and argued China's much larger mold shops were more price competitive. Berry said the typical U.S. shop has 40 employees, while Chinese competitors often have hundreds of staff.

But AMBA countered that U.S. mold making capacity utilization stands at 75 percent, meaning that domestic tooling suppliers can meet demand.

Harbour said Chinese toolmakers added a huge amount of capacity as part of state planning to boost the mold making sector, although some companies who opposed the tariffs pushed back on that point, arguing that molds are not a high-tech sector supported by Beijing's Made in China 2025 industrial policies.

Still, Harbour said the U.S. tooling sector has been hit hard by companies moving to Chinese molds, and some shops have closed down. So it's no surprise that U.S. toolmakers did not invest in major capacity expansions, she said.

"What choice did these guys have?" Harbour said. "These guys have been under intense pressure for 20, 30 years. They've invested at the best they can invest under this unfair trade competition."

An executive with one company that had been opposing the tariffs, speaking anonymously because it was still assessing the situation,



Laurie Harbour, president and CEO of Harbour Results Inc.
Plastics News photo by Michael Marcotte

said its lawyers have told it tariffs will return. The executive said the back and forth with the injection mold tariffs and larger trade talks between Washington and Beijing made it difficult to plan.

"The phase one [trade deal with China] is completed, but what is phase two?" the executive said. "It is really difficult to make long-term plans in this area."

One issue for molding companies could be if molds are in China and are not scheduled for delivery until January or later, Harbour said. That could cost U.S. molders money, unless they negotiated that issue beforehand, she said.

As well, some U.S. industry executives suggested Chinese mold shops could try to shift tooling costs to research and development to at least partially work around the tariffs.

Even with a 25 percent tariff, Chinese mold shops could still charge less than U.S. shops on some jobs, according to Harbour.

"When you quote a U.S. shop vs. a China shop, you may still see some China tools cheaper because they will quote based on their utilization of capacity. If utilization is low, they'll quote low to win the work. But U.S.-based mold shops will have a much better chance of winning with these tariffs," Harbour said.