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## Section 301 Investigations

May 11, 2018

Hon. Robert Lighthizer  
United States Trade Representative  
600 17<sup>th</sup> St. NW  
Washington, DC 20006

Re: Office of the United States Trade Representative, *Federal Register*, Vol. 83, No. 67, Friday, April 6, 2018, pp. 14906-14909, *Notice of Determination and Request for Public Comment Concerning Proposed Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*.

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The Air-Conditioning, Heating, and Refrigeration Institute (AHRI) is pleased to submit comments to the United States Trade Representative (USTR) regarding the Section 301 investigation tariffs in response to its April 6, 2018 *Federal Register* notice cited above.

AHRI is the trade association representing manufacturers of heating, cooling, water heating, and commercial refrigeration equipment. More than 300 manufacturing members strong AHRI is an advocate for the industry and develops standards for and certifies the energy efficiency of many of the products manufactured by our members. The annual output of the heating, ventilation, air conditioning & refrigeration (HVACR) and water heating industry is worth more than \$44 billion. In the United States alone, the HVACR and water heating industry supports 1.3 million jobs and \$256 billion in economic activity annually, and accounts for more than 90 percent of residential and commercial HVACR and water heating equipment manufactured and sold in North America.

The 25 percent tariffs being imposed on many of AHRI members' products as a result of the completed Section 301 investigation and the action described in the above-cited *Federal Register* notice are viewed by a substantial majority of AHRI's members as having an adverse effect on their business performance.

On April 3, 2018, the Office of the United States Trade Representative (USTR) [announced](#) the [list of Chinese imports](#) that would be subject to the additional 25 percent tariff.

The tariff list includes several AHRI member products, including **air conditioners, boilers, compressors, furnaces, heat exchangers, motors, pumps, refrigeration and freezing equipment, thermostats and control equipment, and water heaters**. For the full list of member products and components affected, see the Annex below.

- According to AHRI's analysis, 67 tariff lines from the USTR list of Chinese imports affect HVACR and water heating equipment imported into the U.S. from China. These 67 tariff lines account for \$3.9 billion in HVACR and water heating equipment imported in the U.S. from China in 2017.
- The Section 301 tariff list covers:
  - 47% of all Chinese HVACR and water heating equipment imported into the U.S. by value and,
  - 15% of all U.S. imports of HVACR and water heating equipment by value globally.

These tariffs are of serious concern for our members, which as noted earlier believe that these additional tariffs if enacted (reflective of the current product list) will adversely affect their companies' performance and is a tax on our industry that will put upward pressure on consumer prices. Some of the items on the list are components used in the production of a variety of HVACR and water heating equipment in the United States. Tariffs on equipment components will increase final production costs, consumer costs and have unintended negative effects on energy efficiency and climate change goals. Of course they will also negatively affect members' ability to compete with products not affected by tariffs (some of which may be imported).

In this regard, AHRI's opposition to Section 301 tariffs is consistent with its past, expressed opposition to the Section 232 tariffs<sup>1</sup> because, in a similar manner, products manufactured and/or assembled in the U.S. using globally-sourced components will be at a competitive disadvantage compared to finished products imported to the U.S. not affected by tariffs.

AHRI and its members are also concerned with likely unintended consequences of the tariffs, especially those related to improving the energy efficiency of equipment and reducing the draw on the electrical grid. Achieving greater energy efficiency for its equipment is an industry and U.S. Department of Energy goal, and so doing has both costs and environmental benefits. Increasing energy efficiency requires more sophisticated equipment that is intended to interact with electricity suppliers. Some of this equipment is ENERGY STAR® certified. Tariffs would discourage the use of such equipment because of the upward pressure on the cost to the consumer and concurrently discourage innovative advances by the manufacturer to relieve pressure on the grid by developing new energy efficient equipment.

AHRI understands that the Trump Administration is a strong supporter of U.S. manufacturing. Unfortunately, if the proposed Section 301 tariffs were enacted, a majority of AHRI members expect to be adversely impacted, which would then impact consumers via price increases and limit product choice. For this reason, we request that the Administration find other methods to deal with what our members understand are legitimate concerns related to *"China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation"*.

AHRI appreciates the opportunity to provide its members' views on this important topic.

Best Regards,



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<sup>1</sup> Which AHRI expressed in a [letter to the President](#) on February 27, 2018.

## ANNEX

### HVACR-Water Heating Products Affected by Section 301 Tariffs

On April 3, 2018, the Office of the United States Trade Representative (USTR) [announced](#) a [list of Chinese imports](#) that would be subject to an additional 25 percent tariff. This document highlights which AHRI member products are affected by the new tariffs. Products are categorized below according to the Harmonized Tariff Schedule. The full list can be found [here](#).

#### Boilers (Page 24)

- 84021100 ..... Watertube boilers with a steam production exceeding 45 tons per hour
- 84021200 ..... Watertube boilers with a steam production not exceeding 45 tons per hour
- 84021900 ..... Vapor-generating boilers, including hybrid boilers, other than watertube boilers
- 84022000 ..... Super-heated water boilers
- 84029000 ..... Parts of steam- or other vapor-generating boilers
- 84031000 ..... Central heating boilers (other than those of heading 8402)
- 84039000 ..... Parts of central heating boilers (other than those of heading 8402)
- 84042000 ..... Condensers for steam or other vapor power units
- 84049000 ..... Parts for auxiliary plant for use with boilers of heading 8402 and 8403 and condensers for steam or vapor power units

#### Pumps (Page 26)

- 84131900 ..... Pumps for liquids fitted or designed to be fitted with a measuring device, nesi
- 84134000 ..... Concrete pumps for liquids, not fitted with a measuring device
- 84135000 ..... Reciprocating positive displacement pumps for liquids, not fitted with a measuring device, nesi\*
- 84136000 ..... Rotary positive displacement pumps for liquids, not fitted with a measuring device, nesi
- 84137010 ..... Stock pumps imported for use with machines for making cellulosic pulp, paper or paperboard, not fitted with a measuring device
- 84137020 ..... Centrifugal pumps for liquids, not fitted with a measuring device, nesi
- 84138100 ..... Pumps for liquids, not fitted with a measuring device, nesi

#### Compressors (Page 26)

84143040 ..... Compressors of a kind used in refrigerating equipment (including air conditioning) not exceeding 1/4 horsepower

84143080 ..... Compressors of a kind used in refrigerating equipment (incl. air conditioning) exceeding 1/4 horsepower

84149090 ..... Parts of air or vacuum pumps and ventilating or recycling hoods

#### **Air Conditioners (Page 26)**

84159040 ..... Chassis, chassis bases and other outer cabinets for air conditioning machines,

84159080 ..... Parts for air conditioning machines, nesi

#### **Furnaces (Pages 26-27)**

84161000 ..... Furnace burners for liquid fuel

84162000 ..... Furnace burners for pulverized solid fuel or for gas, including combination burners

84169000 ..... Parts for furnace burners, mechanical stokers, mechanical grates, mechanical ash dischargers and similar appliances

84178000 ..... Industrial or laboratory furnaces and ovens nesi, including incinerators, nonelectric

84179000 ..... Parts for industrial or laboratory furnaces and ovens, including incinerators, nonelectric

#### **Refrigerators and Freezers (Page 27)**

84186901 ..... Refrigerating or freezing equipment nesi

#### **Water Heaters and Heat Exchangers (page 27)**

84191100 ..... Instantaneous gas water heaters, nonelectric

84191900 ..... Storage water heaters, nonelectric

84195010 ..... Brazed aluminum plate-fin heat exchangers

84195050 ..... Heat exchange units, nesoi

84199010 ..... Parts of instantaneous or storage water heaters

84199030 ..... Parts of heat exchange units

#### **Motors (Page 41)**

85012020 ..... Universal AC/DC motors of an output exceeding 37.5 W but not exceeding 74.6 W

85012050 ..... Universal AC/DC motors of an output exceeding 735 W but under 746 W

85012060 ..... Universal AC/DC motors of an output of 746 W or more

85013120 ..... DC motors nesi, of an output exceeding 37.5 W but not exceeding 74.6 W

85013150 ..... DC motors, nesi, of an output exceeding 735 W but under 746 W

85013160 ..... DC motors nesi, of an output of 746 W but not exceeding 750 W

85013245 ..... DC motors nesi, of an output exceeding 14.92 kW but not exceeding 75 kW, used as primary source of mechanical power for electric vehicles

85013255 ..... DC motors nesi, of an output exceeding 14.92 kW but not exceeding 75 kW, nesi

85013340 ..... DC motors nesi, of an output exceeding 150 kW but not exceeding 375 kW

85013360 ..... DC generators of an output exceeding 75 kW but not exceeding 375 kW

85013430 ..... DC motors nesi, of an output exceeding 375 kW

85013460 ..... DC generators of an output exceeding 375 kW

85015120 ..... AC motors nesi, multi-phase, of an output exceeding 37.5 W but not exceeding 74.6 W

85015140 ..... AC motors, nesi, multi-phase, of an output exceeding 74.6 W but not exceeding 735 W

85015150 ..... AC motors, nesi, multi-phase, of an output exceeding 735 W but under 746 W

85015160 ..... AC motors nesi, multi-phase of an output of 746 W but not exceeding 750 W

85015280 ..... AC motors nesi, multi-phase, of an output exceeding 14.92 kW but not exceeding 75 kW

85015340 ..... AC motors nesi, multi-phase, of an output exceeding 75 kW but under 149.2 kW

85015380 ..... AC motors nesi, multi-phase, of an output exceeding 150 kW

**Control Equipment (Pages 55, 57)**

90258050 ..... Combinations of thermometers, barometers and similar temperature and atmosphere measuring and recording instruments, nonelectrical

90262040 ..... Electrical instruments and apparatus for measuring or checking the pressure of liquids or gases

90262080 ..... Instruments and apparatus, other than electrical, for measuring or checking the pressure of liquids or gases

90268020 ..... Electrical instruments and apparatus for measuring or checking variables of liquids or gases, nesi

90268060 ..... Nonelectrical instruments and apparatus for measuring or checking variables of liquids or gases, nesi

90269020 ..... Parts and accessories of electrical instruments and apparatus for measuring or checking variables of liquids or gases

90269040 ..... Parts and accessories of nonelectrical flow meters, heat meters incorporating liquid supply meters and anemometers

90269060 ..... Parts and accessories of nonelectrical instruments and apparatus for measuring or checking variables of liquids or gases, nesi

90321000 ..... Automatic thermostats

90328920 ..... Automatic voltage and voltage-current regulators, designed for use in a 6, 12, or 24 V system

90328940 ..... Automatic voltage and voltage-current regulators, not designed for use in a 6, 12, or 24 V system

90328960 ..... Automatic regulating or controlling instruments and apparatus, nesi

90329021 ..... Parts and accessories of automatic voltage and voltage-current regulators designed for use in a 6, 12, or 24 V system, nesi

90329041 ..... Parts and accessories of automatic voltage and voltage-current regulators, not designed for use in a 6, 12, or 24 V system, nesi

90329061 ..... Parts and accessories for automatic regulating or controlling instruments and apparatus, nesi

\*nesi: Not elsewhere specified or indicated.