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Section 301 Investigations

July 23, 2018

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

Re: Office of the United States Trade Representative, *Federal Register*, Vol. 83, No. 119, Wednesday, June 20, 2018, pp. 28710-28756, *Notice of Action 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*.

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 June 20, 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 additional tariff subheadings identified by the USTR as appropriate for action in the form of an additional 25 percent ad valorem duty on many of AHRI members' products as a result of the Section 301 investigation and 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 June 15, 2018, the Office of the United States Trade Representative (USTR) [announced](#) the [second list of Chinese imports](#) that would be subject to the additional 25 percent tariff.

The tariff list includes several AHRI member products, including **heat exchangers, motors, components, and control equipment**. For the full list of member products and components affected, see the Annex below.

- According to AHRI's analysis, 18 tariff lines from the second USTR list of Chinese imports affect HVACR and water heating equipment imported into the U.S. from China. These 18 tariff lines account for \$2.5 billion in HVACR and water heating equipment and components imported in the U.S. from China in 2017.

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 in the Annex below), 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 the second round of Section 301 tariffs is consistent with its past, expressed opposition to the first round of Section 301 tariffs¹ and the Section 232 tariffs² 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 on the products listed in the Annex below, 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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¹ Which AHRI expressed in [comments to the USTR](#) on May 11, 2018

² Which AHRI expressed in [comments to the Department of Commerce](#) on May 18, 2018.

ANNEX

HVACR-Water Heating Products Affected by Section 301 Tariffs

On June 15, 2018, the Office of the United States Trade Representative (USTR) [announced](#) a [second list](#) of U.S. product imports from China that would be subject to an additional 25 percent tariff, to be collected by U.S. Customs and Border Protection. This document highlights which AHRI member products are affected by the new tariffs. Products are categorized below according to the Harmonized Tariff Schedule.

Heat Exchangers (Page 6)

8419.60.10 – Machinery for liquefying air or gas containing brazed aluminum plate-fin heat Exchangers

Motors (Pages 7 and 8)

8501.20.40 – Universal AC/DC motors of an output exceeding 74.6 W but not exceeding 735 W

8501.31.40 – DC motors, nesoi, of an output exceeding 74.6 W but not exceeding 735 W

8501.31.80 – DC generators of an output not exceeding 750 W

8501.32.20 – DC motors nesoi, of an output exceeding 750 W but not exceeding 14.92 kW

8501.32.60 – DC generators of an output exceeding 750 W but not exceeding 75 kW

8501.33.20 – DC motors nesoi, of an output exceeding 75 kW but under 149.2 kW

8501.33.30 – DC motors, nesoi, 149.2 kW or more but not exceeding 150 kW

8501.52.40 – AC motors nesoi, multi-phase, of an output exceeding 750 W but not exceeding 14.92 kW

8501.53.60 – AC motors, nesoi, multi-phase, 149.2 kW or more but not exceeding 150 kW

Components (Page 8)

8541.10.00 – Diodes, other than photosensitive or light-emitting diodes

8542.31.00 – Electronic integrated circuits: processors and controllers

8542.32.00 – Electronic integrated circuits: memories

8543.70.99 – Other machinery in this subheading

Control Equipment (Page 10)

9025.19.80 – Thermometers, for direct reading, not combined with other instruments, other than liquid-filled thermometers

9025.80.10 – Electrical: hydrometers & sim. floating instr., hygrometers, psychometers, & any comb. with or w/o thermometers, pyrometers, & barometers

9028.10.00 – Gas supply or production meters, including calibrating meters thereof

9028.20.00 – Liquid supply or production meters, including calibrating meters thereof

*nesi/nesoi: Not elsewhere specified or indicated.