



Section 301 Investigations

September 6, 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. 137, Tuesday, July 17, 2018, pp. 33608-33728, *Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation* and Office of the United States Trade Representative, *Federal Register*, Vol. 83, No. 152, Tuesday, August 7, 2018, pp. 38760-38761, *Extension of Public Comment Period Concerning Proposed Modification 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 July 17, 2018 and August 7, 2018 *Federal Register* notices cited above.

AHRI is the trade association representing manufacturers of heating, cooling, water heating, and commercial refrigeration equipment. More than 300 manufacturing members, 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.

On July 11, 2018, the Office of the United States Trade Representative (USTR) [announced](#) the [third list of Chinese imports](#) that would be subject to an additional 10 percent tariff and later [announced](#) a possible increase of the duty level to 25 percent. The additional tariff subheadings (on AHRI member products) identified in the USTR's above-cited *Federal Register* notices are viewed by a substantial majority of AHRI's members as having an adverse effect on their business performance.

The third tariff list includes several AHRI member products, including **refrigerants, heating equipment, ventilation and components, air-conditioners and cooling equipment, refrigerators and freezers, vending machines, and humidifiers and dehumidifiers**. For a list of members' products and components affected¹, see Annex 1 below.

- AHRI identified 38 tariff lines from the third USTR list of Chinese imports that affect HVACR and water heating equipment imported into the U.S. from China. These 38 tariff lines account for approximately \$2.1 billion in HVACR and water heating equipment and components imported into the U.S. from China in 2017.

¹ AHRI's analysis of both the U.S. and possible Chinese tariffs may inadvertently exclude some affected HVACR items or categories.

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 Annex 1 below), will adversely affect their companies' performance and is a tax on our industry that likely will raise 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). All of these negative effects could lead many member companies to postpone investment, hiring, and in some cases, to layoff current employees.

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 electric utility companies. 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.

In this regard, AHRI's opposition to the third round of Section 301 tariffs is consistent with its past, expressed opposition to the first and second round of Section 301 tariffs² and the Section 232 tariffs³. 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. which are not affected by tariffs.

AHRI opposes this third round of Section 301 tariffs, either at a 10 percent or at a 25 percent tariff. However, a 25 percent tariff is especially damaging. As you are aware, China has promised to retaliate with 5 to 25 percent tariffs on \$60 billion worth of goods if the USTR raises the tariffs of the third round to 25 percent. China's proposed retaliatory tariff list includes 5,207 tariff lines, including several AHRI member products, including **compressors, refrigerators and freezers, water heaters, boilers, heating equipment, heat exchangers, air conditioners, cooling equipment, control equipment, refrigerants, radiators, fans, and vending machines**. China's retaliatory tariffs on U.S. exports will compound the negative effects of the tariffs on imported products and components because manufacturers would face tariffs both on inputs sourced from China and on their exports of finished goods to China. For the full list of members' products and components affected by Chinese retaliation, see Annex 2 below.

- AHRI identified 81 tariff lines from the third list of Chinese retaliatory tariffs affect HVACR and water heating equipment exported from the U.S. into China. These 81 tariff lines account for approximately \$500 million in HVACR and water heating equipment and components exported into China from the U.S. in 2017.

AHRI is aware that two Chinese industry organizations, China Refrigeration and Air-Conditioning Industry Association (CRAA) and Hefei General Machinery Electrical Products Inspection Institute (GMPI) have filed comments in opposition to the tariffs. AHRI has had a long association with CRAA, an association of manufacturers and GMPI, a testing organization that tests equipment to AHRI standards. AHRI members understand the concern of both these organizations with the effect of tariffs within the global HVACR industry. AHRI supports their providing their views to the USTR.

² Which AHRI expressed in comments to the USTR on [May 11, 2018](#) and [July 23, 2018](#).

³ Which AHRI expressed in comments to the Department of Commerce on [May 18, 2018](#).



we make life better®

2311 Wilson Boulevard Suite 400 Arlington VA 22201 USA
Phone 703 524 8800 | Fax 703 562 1942
www.ahrinet.org

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 Annex 1 below (and on Annex 2 through Chinese retaliation), a substantial 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 Section 301, *“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,

A handwritten signature in black ink that reads "James Walters". The signature is written in a cursive, flowing style.

James K. Walters
Vice President, International Affairs
Air-Conditioning, Heating, and Refrigeration Institute
2311 Wilson Blvd, Suite 400
Arlington, VA 22201
Phone: + 1 703-600-0338
C: + 1 703 303 2493
E-mail: jwalters@ahrinet.org

ANNEX 1

HVACR-Water Heating Products Affected by Section 301 Tariffs

On July 11, 2018, the Office of the United States Trade Representative (USTR) [announced](#) a [third list](#) of U.S. product imports from China that would be subject to an 10 percent tariff and later [announced](#) a possible increase of the duty level 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.

Refrigerants (Pages 46, 47, 48, 85)

- 2711.12.00 - Propane, liquefied
- 2711.13.00 - Butanes, liquefied
- 2811.21.00 - Carbon Dioxide
- 2814.10.00 - Anhydrous ammonia
- 2814.20.00 - Ammonia in aqueous solution
- 3824.74.00 - Mixtures containing hydrochlorofluorocarbons
- 3824.78.00 - Containing PFCs or HFCs but not CFCs or HCFCs

Heating Equipment (Pages 170, 181, 184)

- 7322.11.00 - Cast iron, non-electrically heated radiators and parts thereof, for central heating
- 7322.19.00 - Iron (o/than cast) or steel, non-electrically heated radiators and parts thereof, for central heating
- 7322.90.00 - Iron or steel, non-electrically heated air heaters and hot air distributors w/moto driven fan or blower and parts thereof
- 8404.10.00 - Auxiliary plant for use with boilers of heading 8402 or 8403 (for example economizers, super-heaters, soot removers, gas recoverers)
- 8418.61.01 - Heat pumps, other than the air-conditioning machines of heading 8415

Ventilation and Components (Page 183)

- 8414.59.15 - Fans used for cooling microprocessors, telecommunications equipment, or computers
- 8414.59.65 - Other fans, nesoi

8414.80.16 - Air compressors, nesoi

8414.80.90 - Air or gas pumps, compressors and fans, nesoi

8414.90.10 - Parts of fans (including blowers) and ventilating or recycling hoods

Air Conditioners and Cooling Equipment (Pages 183, 187)

8415.10.30 - Window or wall type air conditioning machines, self-contained

8415.10.60 - Window or wall type air conditioning machines, "split-system", incorporating a refrigerating unit & valve for reversal of cooling/heat cycle

8415.10.90 - Window or wall type air conditioning machines, "split-system", nesoi

8415.20.00 - Air conditioning machines of a kind used for persons, in motor vehicles

8415.81.01 - Air conditioning machines incorporating a refrigerating unit and valve for reversal of cooling/heat cycle, nesoi

8415.82.01 - Air conditioning machines incorporating a refrigerating unit, nesoi

8415.83.00 - Air conditioning machines not incorporating a refrigerating unit

8479.60.00 - Evaporative air coolers

Refrigerators and Freezers (Pages 183-184)

8418.10.00 - Combined refrigerator-freezers, fitted with separate external doors, electric or other

8418.21.00 - Refrigerators, household compression-type, electric or other, other than those of subheading 8418.10

8418.29.10 - Refrigerators, household absorption-type, electrical, other than those of subheading 8418.10

8418.29.20 - Refrigerators, household type, electric or other, other than those of subheading 8418.10, nesoi

8418.30.00 - Freezers of the chest type, not exceeding 800 liters capacity, electric or other

8418.40.00 - Freezers of the upright type, not exceeding 900 liters capacity, electric or other

8418.50.00 - Refrigerating or freezing display counters, cabinets, showcases and similar refrigerating or freezing furniture

8418.91.00 - Furniture designed to receive refrigerating or freezing equipment

8418.99.40 - Certain door assemblies for refrigerators, freezers and other refrigerating or freezing equipment

8418.99.80 - Parts for refrigerators, freezers and other refrigerating or freezing equipment electric or other, nesoi; parts for heat pumps, nesoi

Vending Machines (Page 187)

8476.21.00 - Automatic beverage-vending machines incorporating heating or refrigeration devices

8476.81.00 - Automatic goods-vending machines (other than beverage-vending) incorporating heating or refrigerating devices

Humidifiers and Dehumidifiers (Page 187)

8479.89.10 - Air humidifiers or dehumidifiers with self-contained electric motor, other than for domestic purposes

***nesi/nesoi: Not elsewhere specified or indicated.**

ANNEX 2

HVACR and Water Heating Equipment Targeted by China's Third List of Retaliatory Tariffs.

On August 3, China [announced](#) formal plans to implement retaliatory tariffs of 5 to 25 percent on 5,207 tariff lines – ~\$60 billion worth of goods – if the United States increases its own third list of Section 301 tariffs from 10 to 25 percent. AHRI staff has identified the following HVACR and water heating equipment from the tariff lists.

[5 Percent Tariff List](#)

Compressors (Page 10)

8414.80.40 Air and other gas compressors

Refrigerators and Freezers (Page 10)

8418.30.10 Freezers of chest type, capacity≤800 L, T≤-40°C

8418.40.10 Freezers of upright type, 500 L<capacity≤900L, T > - 40°C

8418.40.21 Freezers of upright type, 500 L<capacity≤900L, T > - 40°C

8418.69.90 Other refrigerating and freezing equipment, nes

8418.99.91 Parts of freezing equipment of T≤-40°C

8418.99.99 Parts of other refrigerating freezing equipment, nes

Water Heaters (Pages 11-12)

8419.19.10 Solar water heaters

8419.19.90 Instantaneous storage water heaters, non-electric, nes

8516.10.20 Instantaneous electric water heater

8516.10.90 Instantaneous electric water heater, immersion liquid heaters nes

Vending Machines (Page 12)

8476.81.00 Other automatic goods-vending machine with heating/refrigerating devices

[10 Percent Tariff list](#)

Heating Equipment (Page 15)

7322.90.00 Air heaters and hot-air distributors, including distributors that can also distribute fresh or conditioned air, non-electrically heated, incorporating a motor-driven fan or blower, and parts thereof, of iron or steel, nes

Boilers (Page 18)

8403.10.90 Central heating boilers nes

8403.90.00 Parts of central heating boiler nes

Compressors (Pages 18-19)

8414.30.14 Compressors for air conditioner, motor power >5 kw

8414.30.19 Compressors driven by a motor, nes

8414.80.90 Air or gas compressors/hoods, nes

8414.90.19 Parts of compressors of subheading Nos. 84143011- 84143014, 84143090

Refrigerators and Freezers (Page 19)

8418.10.30 Combined refrigerator-freezers, with separate external doors, ≤200 l

8418.21.30 Refrigerators, household type, compression-type, ≤50 l

8418.50.00 Other refrigerating and freezing chests, cabinets, display counters, etc

8418.99.10 Parts of refrigerating units and heat pumps

Heat Exchangers (Page 19)

8419.50.00 Heat exchange units, non-domestic, non-electric

Water Heaters (Page 21)

8516.10.10 Storage water heater

[20 Percent Tariff List](#)

Refrigerants (Page 6)

3824.78.00 Mixtures containing halogenated derivatives of methane, ethane or propane; containing perfluorocarbons or hydrofluorocarbons, but not containing chlorofluorocarbons or hydrochlorofluorocarbons

Compressors (Page 18)

8414.30.15 Compressors driven by a motor, for refrigerators or freezers, of a motor power exceeding 5KW

8414.80.20 Carbon dioxide compressors

8414.90.11 Air inlet on discharge valve plates for compressors

8414.90.20 Parts of machines of subheading Nos. 84145110- 84145190, 84146000

8414.90.90 Parts of machines of other subheadings of 84.14, nes

Air-Conditioners (Page 18)

8415.10.10 Air conditioning machines, window or wall types, self- contained

8415.10.21 Air conditioner, window and wall types, refrigerating effect ≤ 4000 Kcal/h, splitsystem

8415.10.22 Air conditioner, window and wall types, refrigerating effect > 4000 Kcal/h, splitsystem

8415.20.00 Air-conditioning machines used for persons in motor vehicles

8415.81.10 Air-conditioner nes, with refr ≤ 4000 Kcal/h & cool/heat cycle rev valve

8415.81.20 Air-conditioner nes, with refr > 4000 Kcal/h & cool/heat cycle rev valve

8415.82.10 Air-conditioner nes, with refrigerating unit, ≤ 4000 Kcal/h

8415.82.20 Air-conditioner nes, with refrigerating unit, > 4000 Kcal/h

8415.83.00 Air conditioner, not incorporating refrigerating unit

8415.90.90 Parts of air conditioners of other subheadings of 84.15

Freezers (Page 19)

8418.30.21 Freezers of chest type, $500 \text{ l} < \text{capacity} \leq 800 \text{ L}$, $T > -40^\circ\text{C}$

8418.30.29 Freezers of chest type, capacity $\leq 500 \text{ L}$, $T > -40^\circ\text{C}$

8418.40.29 Freezers of upright type, capacity $\leq 500 \text{ L}$, $T > -40^\circ\text{C}$

Cooling Equipment (Page 22)

8479.60.00 Evaporative air coolers

Control Equipment (Page 26)

9032.10.00 Thermostats

[25 Percent Tariff List](#)

Refrigerants (Page 7)

2811.21.00 Carbon dioxide

2814.10.00 Anhydrous ammonia

2814.20.00 Ammonia in aqueous solution

Radiators and Boilers (Pages 42, 46)

7322.19.00 Radiators & parts thereof, i's, other than cast iron

8402.19.00 Vapour generating boilers nes, including hybrid boilers

8402.90.00 Parts of steam vapour generating boilers nes

8403.10.10 Central heating boilers, household type

8404.20.00 Condensers for steam vapour power units

8404.90.10 Parts of auxiliary plant of heading No. 84041020

8404.90.90 Parts of auxiliary plant/condensers of headings 84041010, 84042000

Compressors (Page 46)

8414.30.11 Compressors for refrigerator/freezer, motor power ≤ 0.4 kw

8414.30.12 Compressors for refrigerator/freezer, $0.4\text{kw} < \text{motor power} \leq 5$ kw

8414.30.13 Compressors for air conditioner, $0.4\text{kw} < \text{motor power} \leq 5$ kw

8414.30.90 Compressors driven by a non-motor

Fans (Page 47)

8414.51.20 Window fans, with a built-in electric motor of output ≤ 125 W

8414.51.30 Repeating front louver fans, with built-in electric motor, ≤ 125 W

8414.51.93 Wall fans, with a built-in electric motor of output ≤ 125 W

8414.51.99 Fans nes, with a built-in electric motor of output ≤ 125 W

8414.59.10 Other ceiling/roof fans, nes

8414.59.20 Other window fans, nes

8414.59.30 Centrifugal ventilators

8414.59.90 Other fans, nes

Air-Conditioners and Heat Pumps (Page 47)

8415.90.10 Parts of air conditioners of subheadings 8415.1000, 8415.8110, 8415.8210

8418.61.20 Heat pumps of compression type units, other than air conditioning machines of heading 84.15

Refrigerators and Freezers (Page 47)

8418.10.10 Combined refri-freezers, with separate external doors, >500 l

8418.10.20 Combined refrigerators-freezers, with separate external doors, >200 l but ≤500 l

8418.21.10 Refrigerators, household type, compression-type, > 150 l

8418.21.20 Refrigerators, household type, compression-type, > 50 l but ≤150 l

8418.61.90 Other refrigerating equip of compressors type/heat-exchange condenser, nes

8418.69.20 Other refrigerating units

8418.91.00 Furniture designed to receive refrigerating and freezing equipment

8418.99.92 Parts of refrigerating and freezing equip of T >- 40°C, capacity>500 l

Water Heaters (Page 47)

8419.11.00 Instantaneous gas water heaters

8419.90.10 Parts of water heaters

Vending Machines (Page 54)

8476.21.00 Automatic beverage-vending machine with heating/refrigerating devices

***nes: Not elsewhere specified.**