



June 17, 2019

The Honorable Robert E. Lighthizer
United States Trade Representative
Office of the U.S. Trade Representative
600 17th Street N.W.
Washington, D.C. 20508

Via Regulations.gov

Re: Comments for the Public Hearing Starting the Week of June 17, 2019 Concerning the Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation - Docket No. USTR-2019-0004

Dear Ambassador Lighthizer:

On behalf of Plumbing Manufacturers International ("PMI"), thank you for the opportunity to provide testimony and to participate in the public hearings to share our views concerning the Administration's proposal to place up to 25 percent tariffs on \$300 billion worth of Chinese goods, 60% of which are consumer products, as part of a fourth round of potential tariffs (Docket No. USTR-2019-0004).

By way of background, PMI is the major U.S. trade association for the plumbing fixtures and fittings manufacturing industry. Its members along with their retail and wholesale partners and suppliers, generate more than 271,000 good-paying jobs and over \$10 billion dollars in wages annually. Our plumbing products are sold in more than 18,000 home improvement stores and hardware shops, and by more than 8,000 distributors, showrooms, and plumbing wholesalers in communities across America.

PMI shares the Administration's concern about China's policies and practices that have harmed U.S. businesses. PMI supports holding U.S. trading partners accountable and using targeted trade remedies against intellectual property theft, illegal dumping or subsidies, and other proven trade violations consistent with international rules. Our industry supports policies to protect intellectual property and enforce intellectual property laws here in the U.S. and around the globe – including China. PMI believes the proposed imposition of unilateral tariffs on an additional \$300 billion worth of imports from China will not address the underlying issues and continues to invite Chinese retaliation (direct and indirect). PMI did appreciate that during the Section 301 List 3 review held in August 2018 that the office of the U.S. Trade Representative (USTR) removed 18 HTS plumbing-related lines. Of course, we would have preferred that all the plumbing related HTS lines be removed and not have any tariffs.

Rather, these additional proposed tariffs will cause disproportionate harm to U.S. economic interests and in particular, plumbing manufacturers, our workers, suppliers, distributors, retailers, and American consumers. PMI is opposed to the inclusion of the plumbing products and components which could be subject to a tariff of up to 25% duty pursuant to this proposed action. PMI requests

that USTR remove the HTSUS subheadings listed in Appendix A in our letter from the final list of products that will be subject up to these additional tariffs.

A. Importance of U.S. Plumbing Manufacturing Industry

The plumbing manufacturing industry directly contributes \$85.5 billion annually to our nation’s economy. We operate manufacturing facilities and warehouses in over 30 states providing more than 190,000 jobs, with a payroll of over \$10 billion dollars in wages. When you add in retailers, wholesalers and our suppliers, the industry supports more than 271,000 jobs and over \$10 billion dollars in wages. Our manufacturers also invest millions of dollars annually in R&D here in the U.S. and are continually making improvements to their manufacturing facilities.

PMI members produce 90% of all plumbing products in the United States and represent more than 150 brands. Our plumbing manufacturers are leaders in manufacturing innovative, reliable, and water-efficient plumbing products and related supplies. Their products--sold and distributed in all 50 states--include toilets, urinals, kitchen and bathroom faucets, showerheads, bathtubs, sinks, drinking fountains, emergency eye wash and shower stations, as well as hundreds of types of components, valves, and piping, which are key to safe plumbing systems. These essential plumbing products are supplied to residential, commercial, and government (local, state, and federal) customers.

Many of our member companies have been developing and producing innovative bath and kitchen products for over a century. They have set and re-set the standards for living healthy. Toilets and faucets are critical components for your home. While the data on access to sanitation is limited, it is estimated that nearly 540,000 households in the United States (around 1.5 million people) lack complete plumbing according to a 2019 report by the Alabama Center for Rural Enterprise (ACRE), the Columbia Law School Human Rights Clinic, and the Institute for the Study of Human Rights at Columbia University.¹ We urge USTR to not place tariffs on products, such as toilets and urinals, as well as faucets that used to maintain proper sanitation in homes and buildings.

B. Impact of New Proposed Tariffs on Plumbing Manufacturing Industry

There are more than a dozen Harmonized Tariff Schedule (HTS) lines that are specifically related to plumbing parts, fixtures, and fittings outlined in the Proposed List 4 Annex. They include ceramic toilets, urinals, baths and sinks; porcelain sinks, washbasins, baths, bidets, showerheads; and, a wide variety of plastic and metal plumbing components. For the critical reasons highlighted below, PMI requests that USTR remove the HTSUS subheadings identified in Appendix A from the list of products to be subject to an additional 25% tariff pursuant to this proposed action under Section 301 of the proposed List 4.

Burdening U.S. plumbing manufacturers with an additional 25% tariff, on top of the Section 301 List 3 tariffs increasing to 25% from 10 %², will unduly harm the U.S. plumbing industry and will

¹ Flushed and Forgotten Sanitation and Wastewater in Rural Communities in the United States – Alabama Center for Rural Enterprise (ACRE), the Columbia Law School Human Rights Clinic, and the Institute for the Study of Human Rights at Columbia University - May 2019 - https://www.law.columbia.edu/system/files/private_file/flushed_and_forgotten.final_report_0.pdf

² “Application of Section 301 Action” – USTR [Statement](#) – May 31, 2019.

result in higher prices for U.S. consumers and builders on plumbing products for bathrooms and kitchens. Our members estimate they will incur millions of dollars annually in added direct costs and expenses if the List 4 duties are implemented, not to mention the millions of dollars of lost sales resulting from increased prices on these products. These are real dollars that will no longer be reinvested back into their companies and workforce.

In addition to causing disproportionate economic harm to plumbing manufacturers and consumers, the tariffs costs are pushed downstream to retailers, distributors, contractors, building owners and ultimately the homeowner. The Section 301 tariffs also hurt home construction, and commercial development by driving up the costs of building materials and home goods which are critical to new and renovated homes and commercial buildings.

The plumbing manufacturing industry relies heavily on the downstream demand for construction and renovation work. PMI believes the tariffs already in place and those proposed in List 4 will also unnecessarily impede the growth of the construction sector. With the growing list of goods hit by tariffs, consumers who are buying new homes or homeowners remodeling kitchen and baths will face increased costs for building materials, household appliances, cabinets and lighting, as well as higher prices for plumbing fixtures, such as faucets, showerheads, sinks and bathtubs, and all types of fittings. Homebuilders are already reporting that higher materials costs are harming their industry.

As home prices continue to rise, potential buyers have less and less wiggle room in their wallets. Nationally, for every \$1,000 increase in the price of a home, 127,560 households are priced out of the market, according to the National Association of Home Builders.³

Ultimately, the American consumer will pay the price of new tariffs, which are effectively taxes that will hurt job creation in the commercial and residential construction and home improvement industries, as well as in the domestic plumbing supply chain.

C. Challenges of Moving Production/Supply Chain out of China

The use of tariffs does not adequately account for the role of the global supply chain in product production and assembly. U.S. plumbing manufacturers operate in a global supply chain of domestic and international suppliers and customers. Domestic capacity is simply not available for some of the necessary materials and parts relied on by our members. It is difficult and time consuming to qualify new suppliers for the large number of different parts required, even after additional potential capacity is identified. PMI members estimate that in the case of many of their plumbing products on Section 301 List 4, it will take two to three years to replace existing suppliers regardless of whether these new suppliers were domestic or third country.

Furthermore, our members rely upon complex manufacturing supply chains that have taken years to develop and cannot be easily shifted back to the U.S. or to different countries or facilities without compromising contracts and compliance, as well as quality and value for the consumer. Rebuilding these supply chains drains resources and will take years to source around these tariffs.

³ NAHB Priced-Out Estimates for 2019, Special Study for HousignEconomics.com, Na Zhao, Ph.D., National Association of Home Builders, January 2, 2019 - <http://www.nahbclassic.org/generic.aspx?genericContentID=265844>

U.S. companies fear foreign competitors will dive in to make deals with their Chinese partners as soon as they pull out. That will give those competitors a significant advantage, even if U.S. companies form new supply chains in other countries. In addition, no one is certain how long the existing Section 301 tariffs will be in place. If companies move out of China and then the tariffs are lifted, it will be very hard to move back into China to resume operations.

Critical factors in maintaining a strong, secure supply chain are certainty and cost. Plumbing manufacturers need assurances that the products they produce can be made at the quality, quantity and cost our customers demand. Our smaller U.S. plumbing companies may not have any alternative suppliers outside of China or the ability to locate new suppliers who can meet their product quality, compliance, specification and cost needs.

In addition, plumbing products are required to meet rigorous plumbing codes to help ensure our health and safety. Our members work diligently with their suppliers to have them meet these stringent codes no matter where the product is produced. In fact, plumbing products and parts are subject to multiple layers of certification and approval requirements. Some of these are by determined by federal statute, some by standard bodies such as NSF, ANSI and more, and others are set by state and local building codes. These certifications are for flow rates, as well as lead content and other critical requirements.

Increasing the costs of these inputs will have significant negative impact on U.S. plumbing manufacturers that rely on those inputs for their finished and their exported products. The U.S. plumbing manufacturing industry relies on a competitive global market rooted in free and fair trade to deliver the world's best plumbing fixtures and fittings to consumers at home and abroad.

D. Impact of China's Retaliatory Tariffs on U.S. Exports

U.S. plumbing manufacturers that send goods to China are facing higher tariffs at the same time their competitors are enjoying lower ones. China has retaliated against roughly \$60 billion in U.S. exports. Since trade tensions ramped up, China has increased its tariffs to an average level of 20.7%, while at the same time reducing tariffs on competing products imported from elsewhere to an average of only 6.7%, according to a report conducted by the Peterson Institute for International Economics. This marks a stark contrast from early 2018, when exporters across the world were on a level playing field and faced an average 8% tariff.⁴

E. Plumbing Products Not on List of Technologies/Industries Targeted by the Chinese Government

Notably, the plumbing related products and parts listed in the Annex are not among the list of technologies or industries targeted by the Chinese government as they are not strategically important to "Made in China 2025" or other Chinese industrial programs. Furthermore, the specific, unfair Chinese policies and practices identified in the Section 301 Report do not apply to the plumbing, in China.

For example, investors in China's plumbing industries do not face foreign ownership restrictions and equity limitations. Further, mandatory joint-venture requirements are not a factor in the

⁴ Trade & Investment Policy Watch: *Trump Has Gotten China to Lower Its Tariffs. Just Toward Everyone Else*, by Peterson Institute for International Economics, June 12, 2019 - <https://piie.com/blogs/trade-investment-policy-watch/trump-has-gotten-china-lower-its-tariffs-just-toward-everyone>

plumbing sector. Additionally, foreign investors in the plumbing production industries have not been subject to forced technology transfer policies, and the Chinese government has not been unfairly facilitating the transfer of cutting-edge plumbing technologies to Chinese companies. Furthermore, the plumbing products covered on List 4 are not sophisticated high-tech products that are subject to the USTR's concerns over China's practices related to technology transfer, intellectual property, and innovation.

Therefore, it is unlikely that the tariffs proposed on the items listed in Exhibit A will place any significant pressure on China to change the policies identified and criticized in the Section 301 Report. Instead, that pressure will fall squarely on U.S. consumers and U.S. businesses, as they will be the ones most affected by these tariffs, not Chinese producers, the Chinese government, or the Chinese economy as a whole.

F. Conclusion

In short, with the plumbing products covered in List 4 for potential new tariffs, we will see:

- higher prices for plumbing products and components on American consumers;
- higher costs for American plumbing manufacturers;
- decreased demand for American-made and assembled plumbing products;
- loss of market share to non-American, competitor companies;
- decreased global competitiveness for American exporters;
- curtailment in investments in R&D;
- reduction in capital spending and facility improvements; and,
- ultimately fewer jobs and less income for American workers.

As the nation's largest trade association representing plumbing product manufacturers, PMI appreciates the opportunity to participate in the public hearing to comment and share our views. PMI supports holding U.S. trading partners accountable and using targeted trade remedies against intellectual property theft, illegal dumping or subsidies, and other proven trade violations consistent with international trade rules.

At the same time, we are very concerned about the negative impact that the current Section 301 tariffs and these proposed tariffs on additional \$300 billion worth of imports from China under Section 301 of the Trade Act of 1974 are and will have on the U.S. economy, plumbing manufacturers, and American consumers.

PMI believes these newly proposed tariffs, combined with the Section 301 List 3 plumbing-related tariffs which were raised to 25% on June 15, will increase costs that will significantly harm American plumbing manufacturers and their workers, as well as negatively impact retailers, wholesalers, and American families.

Once again, PMI urges USTR **not** to impose any duties on plumbing manufactured-related products and components as outlined in our Appendix A. We look forward to working with USTR on this important issue and ask that the administration avoid additional tariffs and reach a resolution with China.

Please do not hesitate to contact me with any questions you may have.

Respectfully submitted,



Kerry C. Stackpole
Chief Executive Officer and Executive Director
Plumbing Manufacturers International

KCS:tbm

Appendix A

Plumbing manufacturing-related products and components contained on Proposed Product List (List 4) which PMI requests be removed:

HTS subheading	Product Description
3922.10.00	Baths, shower baths and washbasins, of plastics
3922.20.00	Lavatory seats and covers, of plastics
3924.90.56 and subcategories	Household articles and toilet articles, nesoi, of plastics
3925.20.00	Doors, windows, and their frames and thresholds for doors, of plastics
4016.99.10	Handles and knobs, of noncellular vulcanized rubber other than hard rubber
4016.99.15	Caps, lids, seals, stoppers and other closures, of noncellular vulcanized rubber other than hard rubber
6910.10.00	Porcelain or china ceramic sinks, washbasins, baths, bidets, water closet bowls, urinals & siml. sanitary fixtures
6910.90.00	Ceramic (o/than porcelain or china) sinks, washbasins, baths, bidets, water closet bowls, urinals & siml. sanitary fixtures
6912.00.50	Ceramic (o/than porcelain or china) household articles and toilet articles (o/than table and kitchenware), nesoi
7218.10.00 - 7222.40.60	Stainless steel, ingots and other primary forms
7323.93.00	Stainless steel accessories such as sink racks and waste cans
7324.29.00	Iron (o/than cast) or steel, baths (whether or not enameled)
7907.00.10	Zinc, household, table or kitchen use articles; zinc toilet and sanitary wares; zinc parts of all the foregoing
8481.90.10	Parts of hand operated and check appliances for pipes, boiler shells, tanks, vats or the like, of copper.
8481.90.30	Parts of hand operated and check appliances for pipes, boiler shells, tanks, vats or the like, of iron or steel.
8481.90.50	Parts of hand operated and check appliances for pipes, boiler shells, tanks, vats or the like, other than of copper or iron or steel.