



The Honorable Robert E. Lighthizer  
United States Trade Representative  
Office of the United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

Attention: Mr. Arthur Tsao  
Assistant General Counsel, Section 301 Committee

RE: Docket No. USTR-2018-0018

Dear Mr. Tsao:

I am writing to you as the Director of Government Affairs of the Water Quality Association (WQA) – a not-for-profit association for the residential, commercial and industrial water treatment industry – to comment on the recent Proposed Determination on Additional Action (6-20-2018) related to the Proposed Determination of Action Pursuant to Section 301: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property and Innovation which adversely impacts the majority of WQA’s member companies. Specifically, we wish to lodge a strong dissent for the inclusion of HTSUS 3914.00.60 – Ion-exchangers based on polymers of headings 3901 to 3913, in primary forms, nesoi (“ion-exchanger resins”) on the second list of products proposed for additional tariffs.

Ion-exchanger resins are synthetic polymers, widely used in different separation, purification and decontamination processes. The most common examples are water softening and water purification. These resins are used to remove poisonous toxins from residential and municipal water systems. They are also essential to ensuring that water of the highest purity is available for use in such activities as electronics, scientific experiments, production of superconductors, and the nuclear industry. That means an adequate supply of ion exchange resins must be available in the United States to ensure purified water is safe for human consumption and for the many other applications requiring it.

Currently less than 10% of these resins are produced domestically for US consumption -- by one company already operating at full capacity. The remaining 90% is imported. Based on 2017 statistics, more than 53% of that total came from China. Other major producers are Canada (9.5%), India (11.7%), Germany (11.2%), France (5.4%) and Japan (1.7%) – all of whom are believed to be at near or full capacity and therefore unable to meet increased demand with the Chinese supply chain disrupted by increased costs from tariff increases. The possibility of additional US capacity is also extremely unlikely as the production of these resins is strictly regulated because the chemicals required for production are dangerous, difficult to dispose of, and can have adverse environmental impacts. Nor are there any readily available substitutes for these resins achieving comparable results with respect to water purification.

The additional costs resulting from globally insufficient capacity and higher import prices will undoubtedly be passed on to water treatment manufacturers, businesses, factories, municipal water systems, and ultimately consumers. For these reasons we urge you to remove HTSUS 3914.00.60 from the list of products to be subject to additional tariffs.

WQA members were extremely disappointed that HTSUS 8421.21.00 – water filtering or purifying machinery and apparatus – remained on the list of products subject to increased tariffs effective on July



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6, 2018. With the addition of HTSUS 3914.00.60 – Ion-exchangers based on polymers of headings 3901 to 3913, in primary forms, nesoi), now being considered for additional tariffs, they believe the profitability of their enterprises will suffer serious harm. They also believe American consumers, their customers, will suffer adverse consequences as well. That is why WQA continues to intensely recommend, as it did in prior comments, that as an alternative to tariffs, the U.S. Trade Representative and other appropriate officials utilize existing forums to energize our global trading partners to join with the United States in presenting a unified message to Chinese authorities -- the rules of the road must be respected, and if not, then multilateral consequences will follow. The global trading system has been constructed through decades of negotiations over multiple U.S. administrations and while still imperfect provides the most opportunities for a level playing field where U.S. companies can prosper.

Thank you for your consideration of these comments. Individual WQA members will be commenting on the inclusion of ion exchange resins for proposed tariff increases and will also be utilizing the exclusion process to seek relief from the Section 301 tariffs.

Sincerely,

A handwritten signature in black ink that reads "David Loveday". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

David Loveday  
Director of Government Affairs

*WQA represents more than 2,500-member companies; including equipment manufacturers, suppliers, dealers and distributors of water quality improvement products and services. WQA also operates a product certification program attesting to the safety and efficacy of a variety of water treatment products; and provides training to water treatment specialists through its professional certification programs.*