



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

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

RE: Docket No. USTR-2018-0005

Dear Mr. Tsao:

I am writing to you as the Executive Director of the Water Quality Association (WQA) – a not-for-profit association for the residential, commercial and industrial water treatment industry – to comment on the Proposed Determination of Action Pursuant to Section 301: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property and Innovation. WQA represents more than 2,500-member companies; including equipment manufacturers, supplier, 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.

Chinese authorities have set forth ambitious targets to improve the quality of drinking water in their Water Pollution Prevent and Control Action Plan and in the 13th Five Year Plan (2016-2020). In 2016, China’s Ministry of Environmental Protection listed 29 out of 34 regions in China where water quality needs to be improved during the planning period. In one province alone, Chinese authorities are expected to spend more than \$40 billion over the next decade to upgrade water treatment facilities and address agricultural water pollution. These targets will only be met utilizing imported equipment and technology.

The US water treatment industry is well positioned to meet Chinese demands for residential and commercial water treatment products and services that are envisioned by Chinese planners. US companies will be competing in this market with European companies rather than domestic Chinese producers because Chinese consumers have low trust in domestically made water treatment products and have come to value American and European brands. If American brands are disadvantaged by higher import duties, European companies will fill the void and gain greater market share, with lasting consequences once consumer preferences are fixed. Additionally, certification marks and US standards play an important role in the Chinese marketplace. American certifications have gained a position of prestige in China with many Chinese manufacturers opting to utilize US certification marks as a demonstration of regulatory compliance. All of this could be impacted if European players are inadvertently given a competitive advantage because of US policy decisions.

WQA understands the motivation of the Office of the United States Trade Representative in proposing measures designed to pressure Chinese authorities to protect American intellectual property rights, innovation and technology development. The water treatment industry has experienced firsthand, shoddy counterfeit water filter products entering US markets from China displacing American-made products and calling into question the quality and efficacy of such products. We have worked with a group of like-minded companies in the Coalition to Combat Counterfeiting and with officials from



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Customs and Board Patrol and the International Property Rights Coordination Center to shine a brighter light on this growing problem. Similarly, counterfeit American products are widely sold throughout China, further eroding US competitiveness in these markets.

WQA members have also encountered other barriers to entry in the sale of their products in China. Regulatory approval for imported products typically takes up to two years, while domestically produced products are approved in six months or less. US water treatment products face even more complex hurdles as imported products related to drinking water must be certified by the Ministry of Health with the testing associated with the certification processed by only one lab in China. The result has been backlogs approaching two years before certifications are granted.

To successfully alter Chinese behavior on these fronts will require concerted action by our global trading partners and the cooperation of Chinese officials at the highest levels of government.

It is for these reasons that WQA members are increasingly concerned that the Administration's recent decision to unilaterally impose additional tariffs on more than 1,300 Chinese products valued at \$50 billion will be counterproductive and has already prompted retaliatory tariffs on 106 U.S. products by Chinese authorities. The stage is now set for a downward spiral toward ever increasing protectionism without addressing the fundamental issue of protecting US property rights or dismantling non-tariff barriers. Alternatively, WQA recommends that 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 separately on the impact that product-specific tariff increases will have on their businesses.

Sincerely,

A handwritten signature in black ink that reads "Pauli P. Undesser".

Pauli Undesser
Executive Director
Water Quality Association