Precison Components, Inc.

301 Response 4-18- 18 vs05

Subject: HTS 84821050 – 84833040 removal from list of Section 301 action
HTS 84829100 – 84833040 balls, needles and rollers for ball or roller bearings, parts of antifriction bearings, bearing housings
HTS 84821050 – 84828000 ball bearings through ball or roller bearings NESI

Reasons for Removal

If the purpose of the 25% additional duties against certain Chinese industries is to punish them for their acts, policies and practices as it relates to technology transfer, intellectual property, and innovation, the bearing industry in China should be removed from the list.
Additionally, new tariffs will have detrimental effects on US manufacturing, world competitiveness, increase costs to the consumer and the loss of jobs.

Forced Transfer of Technical Information

China does not require technology transfer for foreign companies to manufacture bearings in China.
The fact is that the majority of foreign companies that produce bearings in China do so as wholly foreign-owned enterprises (WFOE). Chinese production at these facilities is old technology used to make commodity products for consumer goods and foreign companies are able to control their own technology within their WFOE. Foreign companies do not manufacture cutting edge technology in China, in fact the majority of Intellectual Property of foreign bearing producers in China falls under their own control as they are producing product in their own facilities with their own R&D operations.
70% of the world bearing market is shared by the top 10 bearing groups; there are no Chinese bearing companies in the top 10. The United States produces 23% of the world's bearings the EU 21% and Japan 19%, China represents 10% of the market.
8 major multinational bearing corporations operate a total of 61 manufacturing plants in China. Including:
Timken 7 plants
SKF 14 plants
Schaeffler 7 plants
NSK 12 plants
NTN 10 plants
JTEKT 8 plants
NMB 1 plant
Nachi 2 plants

Intellectual Property

By the end of 2013 NSK, SKF, Schaeffler, NTN, Timken and JTEKT have already built their China headquarters which include technology centers and

product R&D. This allows them to control their own intellectual property without interference from China.

Innovation

Innovation in the bearing industry still comes from the developed countries where they produce the high end, cutting edge products. China's bearing industry focuses mainly on commodity products used in consumer goods and very little high end technology, quality, consistency and accuracy produced by bearing companies in developed countries.

Between 1985 and 2007 global bearing companies applied for a total of 724 patents in China. By comparison during the same time frame only 572 patents were applied for by Chinese companies. Many of the patents filed by global companies were for technologies developed outside of China for innovative new products and processes. By comparison the far fewer Chinese patens filed for in China by the Chinese bearing industry focused more on the utility of manufacturing bearings and not new product innovation.

Low Tech and Commodity Bearings

The bearing industry in China focuses on commodity products for consumer goods and in no way threatens or harms US intellectual property, innovation, or technology development.

China lags the developed world and that of the top 10 global bearing producers. China's ability to produce bearings is well behind the developed industrialized countries

Adverse Effects on the US economy

In addition to China's bearing industry not participating in these restrictive business practices new tariffs on bearings and bearing components would drive up the cost of goods to the US consumer, reduce US manufacturers' ability to compete in the world market, reduce exports and reduce jobs.

Effect of a 25% Tariff on the US Bearing Industry

US bearing manufacturers have for decades outsourced the low-tech processes to low-cost countries and purchase components more economically than they can make themselves. This allows then to focus on the state-of-the-art heat treating, grinding and manufacturing processes which is their core competencies which gives them superior quality products. This makes them more cost-effective and able to compete in the world market.

A 25% import tariff on bearing components will:

Reduce US bearing manufacturers ability to compete in the world market, and reduce exports.

Drive up the cost of bearings which are used in everything from automobiles and vacuum cleaners to Caterpillar construction equipment.

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Cause a decline in competitiveness for US manufacturers that will result in the loss of manufacturing jobs here in the US.
As most of the worlds bearings are produced by multinational corporations and 23% of the worlds bearings are produced in the US, global bearing manufacturers will shift their production from the US to other factories around the world, resulting in a reduction in manufacturing, exports, and jobs.
The US bearing industry has maintain their place in the world as a leader in cutting edge technology and at the same time shifted their production of commodity type bearings for consumer products to emerging countries; in the case of China for low labor costs and the rapidly growing market for bearings to be assembled into consumer products, no longer manufactured in the US.

Additional duties on finished bearings will likewise results in:

Increase cost to the consumer, because although not many people buy individual bearings, there are hundreds of bearings in their automobiles, home appliances, power tools heating and air conditioning systems, nearly everything with moving parts.
This will result in US manufacturing companies being less competitive in the world market, decreasing exports and therefore jobs.

Summary

The US bearing industry is under no threat of forcefully passing on intellectual property to the Chinese bearing industry.
And, a 25% tariff would put the US bearing industry in a noncompetitive position in the world.

Respectfully,

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