TESTIMONY OF GARY STANITIS
VICE PRESIDENT OF MARKET DEVELOPMENT
DAIKIN AMERICA, INC.
HEARING ON SECTION 301 PROPOSED DETERMINATION OF ACTION
JULY 24, 2018

Mr. Chairman and members of the panel. Thank you for the opportunity to appear today on behalf of Daikin America, Inc. regarding three fluoropolymer products that appear on the list for possible additional tariffs. My name is Gary Stanitis and I am the Vice President for Business Development at Daikin America, a chemical company with our headquarters in Orangeburg, New York. Daikin America has manufacturing facilities in Decatur, Alabama and in Hanover, Massachusetts.

Daikin America is a subsidiary of Daikin Industries, Ltd., also known as DIL. DIL undertakes local sourcing for its products through its subsidiaries and strongly believes in making investments for production in the United States. The Chinese plant for fluoropolymer products overwhelmingly serves the Chinese domestic market. The same local focus is true of Daikin America's plant in Alabama. That Alabama plant started in 1993 with $150 million of investment, and four major expansions, with over $180 million in investments spent since then. Another subsidiary of DIL, Goodman Manufacturing, recently completed the $500 million plant in Daikin Texas Technology Park outside of Houston where 5,000 employees produce residential central air conditioners, heat pumps, and furnaces, as well as commercial heat pump systems that formerly were imported from Asia. By 2020 Daikin expects to have 7000 workers at DTTP.

The tariff codes that I want to address today are HTSUS 3904.61.00 (Polytetrafluoroethylene (PTFE), in primary forms), 3904.69.10 (Fluoropolymers, elastomeric other than polytetrafluoroethylene) and 3904.69.50 (Fluoropolymers, other than elastomeric and other than polytetrafluoroethylene, in primary forms).

Daikin America is puzzled as to why the fluoropolymer products have been included in this new list. These are all niche products and a decline in the volumes of the imports of the products from China is unlikely to persuade the Chinese government to change its policies on intellectual property, investments or other issues. Daikin America fully supports strong enforcement of intellectual property rights worldwide. But the greatest effect of the proposed tariffs on these products will be to undermine Daikin America's future investments in the U.S. for these products by impacting the growth of new markets, the very opposite of the result we know that USTR desires.

For example, Daikin America is expanding its share of the U.S. market with a new and unique FEP fluoropolymer melt resin for the data communications cable market. Daikin China makes a special product that is highly demanded by this market. But our FEP plant in Alabama is now is running at capacity. To justify future investment to produce this product in the U.S., we need continued market acceptance and demand. The proposed tariff will affect our market validation and will put any future U.S. investment for this product in jeopardy.

Likewise, PTFE fine powder for the aerospace and high performance wire industry also is currently imported from our affiliated China plant, and is being used to expand and validate these markets.

We currently are examining expansion of our Alabama plant. Such expansion would require two years of engineering and construction, with investments in excess of $200 million. The proposed tariffs will put this kind of expansion in jeopardy, if we are unable to retain our market share because the prices from China we now are selling become prohibitively expensive.

Fluoroelastomeric resins supporting the automotive market for hoses and high performance gaskets are also made in our affiliated China plant. These resins are imported into the US and then compounded in our Massachusetts manufacturing location by American workers before being sold into the market. With higher prices caused by the proposed tariffs, we risk losing the market for this product, the consequent work being done by the employees in Massachusetts, and the ability to invest in the manufacture of this product in Alabama.

Finally, for PTFE, we note that this product is subject to an antidumping investigation which is currently pending. That dumping case already has caused hardship to our customers because price levels in the US for Chinese-produced products, have already increased by around 75 percent, on average. Another 25% tariff is likely to have an even more severe effect on our customers.

While the tariffs on these three HTSUS codes both undermine future employment possibilities in the US and hurt our customers, the effect on Chinese government policies intellectual property, investment, and other matters will be negligible, in our view. This technology is not U.S.-owned, and undermining the future investments by US subsidiaries of a Japanese-owned corporation is unlikely to persuade the Chinese government to make the reforms that USTR wishes to occur. So we request that USTR remove these three HTSUS items from the list of products that may be subject to additional duties.