August 17, 2018

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


Dear Ambassador Lighthizer:

BIFMA is the trade association representing 165 business and institutional furniture manufacturers, and material/component part suppliers across the United States. We write today with deep concerns about the Administration’s proposed 25% tariff on China sourced furniture and components/parts.

We project the increased materials cost will have a negative impact on market demand, likely leading to a net job loss in this sector. Commercial furniture manufacturing in the United States is conducted in 48 states, primarily Michigan, Indiana, California, Wisconsin, North Carolina, Texas, Pennsylvania, New York, Iowa, and Ohio.

Foreign competitors who source component parts from China would not see price increases from tariffs like U.S. manufacturers would. Thus, when they (Canadian, Mexican, and European manufacturers specifically) export finished goods to the U.S., their cost basis would be more competitive than domestic U.S. manufacturers. This, coupled with the strong U.S. dollar would put foreign manufacturers in a very advantageous position in the U.S. market.

BIFMA members are concerned about many items on the list and expected cost increases of upstream commodities. Most importantly, Harmonized System (HS) subheadings of 9401.30 through 9401.90 and subheadings of 9403.10 through 9403.90 are of critical importance. BIFMA members affirm that these subheadings are not part of the technologies and products related to China’s “Made in China 2025” industrial policy program (the focus of the Section 301 tariffs). These HS subheadings include parts and
finished goods that are manual labor intensive and require a skillful dexterity as opposed to technological innovation.

COMPONENTS/PARTS

Generally, most countries including the U.S. exclude tariffs from being placed on parts, even if the finished goods that the parts are used for are subject to Most Favored Nation (MFN) tariffs. The importation of parts implies that finished products will be made here in the United States.

- U.S. Manufacturers of commercial furniture drive an economic impact of nearly 15 billion dollars annually. (Source: 2016 U.S. Survey of Manufactures NAICS Codes, 337127 (institutional furniture), 337211 & 337214 (office furniture).

- U.S. Manufacturers of office furniture spur significant annual exports of $725 million (Source: 2017 ITC Trade Database)

- More than 62,000 U.S. workers are involved in the manufacturing of commercial furniture. (Source: 2016 U.S. Census Bureau)

- Over 1,200 commercial furniture establishments (with nearly $3 billion in payroll annually) serve both the domestic and international demand for the industry’s products. (Source: 2016 U.S. Census Bureau)

- Thousands of U.S. based jobs involved in producing commercial furniture exported to other countries will be at risk.

U.S. manufacturers must be competitive in both the U.S. marketplace and international marketplace to achieve long term success.

FINISHED GOODS

Placing tariffs on China-sourced finished commercial furniture products is problematic.

- A scenario where tariffs are imposed on components but tariffs on finished goods are removed could result in an increase in manufacturing of finished goods in China, thus increasing foreign competition for some U.S. companies.

- If the U.S. were to place tariffs on finished goods it would invite retaliation by other countries to place or to increase tariffs on imports of furniture – maybe high general MFN tariffs, or possibly through the use of retaliatory tariffs aimed at
only furniture made in the U.S. These new tariffs placed on finished furniture would price U.S. made furniture out of international markets.

BIFMA and its members encourage the Administration to reconsider an imposition of tariffs on the HS subheadings of 9401.30 through 9401.90 and subheadings of 9403.10 through 9403.90. Taxing goods and materials coming into the United States carries a high risk of unintended consequences in the globally interconnected manufacturing process today. We believe that diplomacy and trade negotiations are a better course of action to resolve trade imbalances as opposed to the implementation of tariffs.

Sincerely,

Thomas Reardon,
Executive Director
Business and Institutional Furniture Manufacturers Association (BIFMA)

Cc: Peter Navarro, White House Assistant to the President, National Trade Council
Arthur Tsao, Assistant General Counsel, USTR
Justin Hoffmann, Director of Industrial Goods, USTR
Terry McCartin, Acting Assistant USTR for China
U.S. Department Commerce
Members of the U.S. Congress
Ryan Ong, National Association of Manufacturers
BIFMA Members