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Electronic Submission

September 6, 2018

Office of the U.S. Trade Representative  
600 17<sup>th</sup> Street NW  
Washington, DC 20508  
[www.regulations.gov](http://www.regulations.gov)

**RE: Docket Number USTR-2018-0026; Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation**

Dear Ambassador Lighthizer:

On behalf of the Polyisocyanurate Insulation Manufacturers Association (“PIMA”), I appreciate the opportunity to submit these public comments in regards to the above-referenced trade action. PIMA supports trade policies that enable the free, fair, and efficient exchange of goods between the United States and its trading partners. Furthermore, we support the Administration’s broad goals of addressing unfair trade practices.

However, we stand opposed to the inclusion methylene diphenyl diisocyanate (“MDI”) and polymeric MDI (“pMDI”) (as described under HTSUS subheading 3909.31.00) in the proposed Section 301 supplemental tariff action. The inclusion of these products on “List 3” creates risk for U.S. manufacturers without any corresponding benefit to the Administration’s stated objectives. **Therefore, we respectfully request that the products described under HTSUS subheading 3909.31.00 be delisted from the tariff action.**

PIMA members include eight (8) North American producers of polyisocyanurate (“polyiso”) insulation and twenty (20) raw material suppliers. PIMA members operate thirty (30) polyiso manufacturing plants in the United States. Polyiso insulation is the most widely used material in the commercial roofing industry due to the product’s superior thermal and fire performance – key metrics for complying with building code requirements in the United States. Polyiso insulation is readily available in markets across the country allowing the construction industry to consistently rely on the product for roof and wall insulation in both residential and commercial projects. Collectively, insulation manufacturing directly employs more than 37,000

U.S. workers across 42 states. The industry – including manufacture, distribution, and installation – generates more than 500,000 U.S. jobs and over \$30 billion in annual payrolls.

With respect to the proposed supplemental tariff action, the inclusion of MDI and pMDI on List 3 creates potential headwinds for polyiso insulation manufacturers. We understand the proposed action under Section 301 is intended to “include products containing industrially significant technology, including technologies and products related to China’s ‘Made in China 2025’ industrial policy program.” However, witness testimony at the recent Section 301 Committee hearing made clear that including MDI and pMDI will not resolve the complaints related to China’s unfair trade practices. Rather, as explained below, the proposed tariff on these products is likely to disadvantage domestic manufacturers in the polyiso industry.

MDI and pMDI are the primary raw materials by volume used in the manufacture of polyiso insulation. The industry currently uses approximately 600 million pounds of these materials each year. Furthermore, there are no chemical substitutes available to replace MDI and pMDI as these materials are elemental to the chemistry of polyiso insulation.

In terms of raw material supply, there are multiple domestic suppliers of these chemicals. However, MDI and pMDI are also critical materials for many other products within the polyurethane industry. As a result, the United States is already a net import market because demand across *all* end uses exceeds the current domestic supply capacity. Imports from China help to address this supply imbalance as do imports from other U.S. trading partners. It is important to note that certain end uses like polyiso insulation require bulk shipments of MDI and pMDI typically in the form of railcar deliveries. This places an additional requirement on the type of imports that are suitable to industries like the polyiso industry.

Given these current market conditions, the proposed tariff creates the potential for a supply chain disruption, which would negatively impact manufacturers of polyiso insulation and the industry’s ability to meet a growing market demand for its products. Disruptions in the availability of polyiso insulation also threaten long-term harm in the form of reputational damage to manufacturers.

Over the past several years, the polyiso industry has been challenged by supply chain disruptions caused by extreme weather events in the Gulf Coast region and unexpected process-related issues from suppliers. These impacts highlight the vulnerabilities associated with the supply of key raw materials, which could be exacerbated by the proposed tariff.

The outlook for polyiso insulation manufacturing is positive. The year-over-year increase in demand for high-performing, more resilient buildings is driving greater use of insulation products. Products like polyiso insulation are helping U.S. businesses and consumers save money on energy costs and invest these savings back into the economy. We therefore urge the Administration to allow for the continued growth of domestic manufacturing and to seriously consider the unintended consequences of the proposed trade policy. **Specifically, as it relates to**

**the polyiso industry, we respectfully request that the Administration delist MDI and pMDI (HTSUS subheading 3909.31.00) from the proposed supplemental tariff action.**

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'JK', is positioned above the typed name and title.

Justin Koscher  
President