



BLAKE SOLUTIONS, INC. POSITION PAPER RELEASED 7.10.19 FOR IMMEDIATE RELEASE

Quartz Circumvention Warning to Blake Solutions' Customers!

- I. **Circumvention:** Blake Solutions has learned that some importers of quartz countertops are engaging in illegal circumvention to avoid Anti-Dumping, Countervailing (ADCV) and Section 301 (Trump) tariffs of Chinese-manufactured quartz. BSI cautions our customers of the risks associated with these methods which include:
 - A. **Falsifying Documents:** Quartz manufactured in China (CN) that is subject to ADCV and 301 tariffs that is shipped to the US under false Harmonized Tariff Schedule Codes (HTSC).
 1. Importers and Exporters engaging in 'cloaking' products by using inaccurate HTSCs to avoid ADCV and 301 tariffs are in violation of federal law.
 2. Fines, liens on real property and criminal penalties may result when US Customs determines, either through their own investigation or discovery, or from receiving a tip from a 'whistle blower' that inaccurate HTSC have been used.
 - B. **Trans-Shipping:** Quartz manufactured in China that is subject to ADCV and 301 tariffs that is manufactured in China and shipped to another country and then to the US, either in slab form or fabricated form, is subject to full ADCV.
 1. This applies to quartz slabs as well as fabricated goods, i.e., countertops. Thus, it is illegal to ship slabs of quartz manufactured in China to another country for fabrication and then to the US without paying ADCV.
 2. Fines, liens on real property and criminal penalties may result when US Customs determines, either through their own investigation or discovery, or from receiving a tip from a 'whistle blower' that trans-shipping has occurred.
- II. **Quartz: Blake Solutions is NO LONGER importing Chinese-Manufactured Quartz due to ADCV and Section 301 tariffs imposed in 2018 and 2019.**
 - A. Blake Solutions presently imports quartz products from non-Chinese countries, primarily Vietnam (VN). The product and service have proven to be excellent and our procurement department continues to monitor this closely both in the US and VN.
 - B. Turkey and India will likely be added to quartz ADCV in the coming weeks. BSI has never imported quartz from these countries.
- III. **Glass Stone:** BSI is working with CN suppliers to develop quartz-alternative products made from glass and other non-quartz raw materials that are NOT included in the AD/CV action. These **Glass Stone** products have performance and aesthetic properties similar to those of quartz at a comparable price to pre-ADCV Chinese quartz and thus lower than VN quartz. Some **Glass Stone** products have been added to the ADCV determination and BSI will only be offering patterns and colors that DO NOT fall under ADCV from China.
- IV. **Quartz Produced in other non-Chinese countries.**
 - A. Some Chinese manufacturers of quartz are beginning production in other countries to include the Philippines and Malaysia. This product would be legal to import into the US and would not be subject to the ADCV and 301 tariffs imposed on Chinese manufactured (i.e., product made by Chinese companies in non-Chinese countries is not subject to ADCV or 301) products assuming the product is in fact being produced in those countries and not being trans-shipped from China.

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- V. Cabinetry: Chinese-Manufactured Kitchen, Bath & Other Cabinetry Anti-Dumping and Countervailing Tariff Action Plan.**
- A. Blake Solutions, Inc. Cabinets will NO LONGER be sourced from China due to impending ADCV and current Section 301 tariffs.**
 - B. BSI Cabinets:** BSI has traditionally imported flat-packed, high-quality, frameless (European) cabinets from factories in China. On April 22, 2019, pursuant to a petition filed by domestic manufacturers of cabinets, the US DOC and ITC determined that dumping has occurred. Decisions and amounts of ADCV are to be announced on August 5, 2019. BSI is discontinuing sourcing cabinets from CN and will switch production to other countries, pending the announcement of these decisions.
 - 1. BSI Participation:** BSI is participating in the interrogatory process with the DOC to demonstrate that our products are not dumped, nor are they interfering with the activities of domestic manufacturers.
 - 2. BSI Position:** BSI is engaging non-Chinese producers of cabinets including domestic sources. Depending on the amount of any tariff imposed, we will weigh our customers' needs for quality and expectation of price to determine the best course of action.
 - C. Non-Chinese Sources:** Fortunately, unlike quartz, which was predominately produced in China, many countries including those in North America have significant capacity to produce cabinets at similar prices to those in China.
- VI. Trump Chinese Tariffs (Section 301): 25% Tariff Effective May 10, 2019 and continuing per agreement between the US and China on 6.29.19. This applies to BSI Products to include Granite, Engineered Marble, Cultured Marble, Solid Surface, Cabinets, Shower Panels, Glass, Closet Systems and Stainless-Steel Sinks** historically imported from China. Due to the imposition of 25% tariffs on these and hundreds of billions of dollars in other products, BSI is proceeding as follows:
- A. Current Contracts:** BSI is seeking remuneration from our customers on current contracts where Chinese product did not clear customs prior to 5.10.19.
 - B. Future Projects:** BSI current proposals and subcontracts will include current tariff amounts if sourced from China or products will be sourced from non-CN countries of origin unaffected by the tariffs.
- VII. Definitions:**
- A. An anti-dumping duty** is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value. **Dumping** is a process where a company exports a product at a price lower than the price it normally charges in its own home market.
 - B. Countervailing Duties (CVDs)** are tariffs levied on imported goods to offset subsidies made to producers of these goods in the exporting country. CVDs are meant to level the playing field between domestic producers of a product and foreign producers of the same product who can afford to sell it at a lower price because of the subsidy they receive from their government.
- VIII. Thank You!** We appreciate our customers and their understanding and assistance as we navigate this situation. Please do not hesitate to contact us should you have questions or require additional information. Please know that BSI will continue to provide exceptional service as we work to tackle these challenges.