

BOTTLED WATER MATTERS

The Cost of a Tariff on Chinese Bottled Water Coolers On the Bottled Water Industry

The Bottled Water Industry consists of a number of segments, including spring, artesian, mineral, sparkling, and purified bottled waters. The industry includes many small, medium and large companies, including many family owned businesses. Bottlers provide many types of products for consumer use, including individual bottles, products for home and office water coolers, and water filtration and purifying systems.

Impact of Tariffs on Bottled Water Products

- ❖ China provides about 85 percent of the Drinking Water Coolers, Refrigerated, Self-contain (HS 8418690120) imported into the United States.¹ Based on data from the Census Bureau, about \$172.7 million worth of refrigerated coolers, were imported in 2019, and a further \$187.3 million worth of coolers in 2020 (through November). Of this, \$144.0 million worth of coolers were imported from China in 2019, and \$161.0 million in 2020 (again through November).²
- ❖ Applying a 25 percent tariff on imports from China would have resulted in a price increase of \$37.1 million for this equipment in 2019 and \$41.5 million in 2020. In addition, producers in other countries would have followed suit, since the tariff creates what economists call a price floor. Research has shown that import prices for exempt items generally rise by about 80 percent of the cost of the tariff.³ As such, the overall cost of all imported equipment would have risen by \$215.7 million in 2019, and \$234.2 million in 2020 (through November) following the imposition of a tariff.

Cost of a Tariff on Bottled Water Equipment

	Imports		Tariff		Induced Markup		Total Cost	
	2019	2020 through November	2019	2020 through November	2019	2020 through November	2019	2020 through November
China	\$143,957,472	\$160,986,480	\$37,115,565	\$41,506,037			\$181,073,037	\$202,492,517
Other Countries	\$28,704,367	\$26,282,085			\$5,920,520	\$5,420,903	\$34,624,887	\$31,702,988
Total	\$172,661,839	\$187,268,565	\$37,115,565	\$41,506,037	\$5,920,520	\$5,420,903	\$215,697,924	\$234,195,506

- ❖ Higher prices result in fewer sales. It is anticipated that sales of refrigerated coolers would have been off by 21.2 percent in 2019 and 21.3 percent in 2020.⁴
- ❖ While some of this would have been made up for by higher domestic equipment sales, the cost to both business and consumers would likely have been at least as high as the tariff charges since domestic firms would also have been able to take advantage of the price floor.

1 2019 Imports and 2020 Imports through November. See US Department of Commerce, Bureau of the Census, USA Trade Online at: <https://usatrade.census.gov/>

2 Ibid.

3 John Dunham & Associates internal research on price increases following tariff actions.

4 Based on an elasticity of -0.85 which is similar to elasticities reported for domestic refrigeration equipment. See: Anderson, Kent P., *The Price Elasticity of Residential Energy Use*, Rand Paper Series Number P-5180, February 1974.