



May 15, 2018

Honorable Committee Members  
Section 301 Committee  
Office of the United States Trade Representative  
600 17<sup>th</sup> Street N.W.  
Washington, D.C. 20508

Re: Testimony presented on behalf of **TCL North America** before the United States Trade Representative Section 301 Committee with regard to the United States Trade Representative's March 22, 2018 proposal to impose a 25 percent tariff on certain imported products from China in accordance with the Presidential Memorandum on Chinese technology transfer and intellectual property practices and policies.

Testimony prepared and delivered by **Jonathan King, TCL Vice President of Legal Affairs.**

## Testimony

Good afternoon Ladies and Gentlemen, my name is Jonathan King, and I am the Vice President of Legal Affairs for TCL North America, the independently-operating U.S. television subsidiary of TCL Corporation. I'm here before you today to respectfully request that televisions be excluded from the proposed 25% tariff on products imported into the U.S. from China, specifically HTS category number 8528.72.64.

TCL designs, manufactures, markets, and sells TVs in the United States, and is America's fastest-growing TV brand. TCL is fully licensed for all essential intellectual property, creates jobs and opportunities, has a strong record of environmental sustainability, and has earned a tremendous reputation among its U.S. technology partners and consumers.

TVs may have changed over the years since the introduction of over-the-air broadcasts and the advent of the internet, but it is still the cornerstone of the American home, now more than ever.



### Applying Tariffs to TVs Raises Prices and Reduces Choice, Harming Consumers

The majority of TVs sold in the U.S. originate from China, more than 18 million in 2017<sup>1</sup>. TVs from China are predominantly high-quality, feature-rich, affordable TVs that enable the American consumer to enjoy entertainment and obtain information at a far lower cost than TVs from Japan and Korea. They are also increasingly “Smart TVs”, employing emerging technologies, systems, and intellectual property developed and owned by American companies and offered to consumers at a substantial value.

In fact, studies show that TVs manufactured in China have an average unit value of just under \$200, while those from Japanese or Korean companies are far higher priced models<sup>2</sup>. Directly stated, consumers shopping for a TV manufactured in China are not the same consumers buying Korean or Japanese TVs. Any tariff imposed on these goods will directly result in the unintended consequence of causing a significant reduction in the availability of affordable models, decreasing cost savings and choice for Americans.

The application of these tariffs will result in a combined 28.9% when added to existing duties, effectively increasing consumer prices for most models of TV between \$50 and \$200<sup>3</sup>, while reducing consumer demand. Affordable, quality TVs for Americans will quickly become out of reach.

### Application of Tariffs to TVs Will Harm American Companies

There are also some major misconceptions that have played a pivotal role in enabling TVs to be placed on the tariff list.

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<sup>1</sup> Hsieh, David, and Yang, Deborah, “Impact of Proposed U.S. Tariff on Chinese TV Set and Display Industry”, IHS Markit™, April 6, 2018. P. 2.

<sup>2</sup> Trade Partnership Worldwide, LLC., “Estimated Impacts of Proposed Tariffs on Imports from China: Televisions, Monitors, Batteries and Printer Cartridges”, April 11, 2018, p. 1 (Japanese and Korean unit values are equal to \$1,153 and \$939, respectively).

<sup>3</sup> Hsieh, David, and Yang, Deborah, “Impact of Proposed U.S. Tariff on Chinese TV Market and Display Industry”, IHS Markit™, April, 2018. p. 8.



It has been stated that the current list of products was developed after taking into consideration goods with “the lowest consumer impact<sup>4</sup>.” With respect to this honorable committee, we believe this methodology to be flawed in its evaluation of alternative country sources capable of producing these products, as well as in its under-representation of the negative impact to the U.S. economy, to U.S. workers, and to American consumers.

Although one of the alleged aims of the tariffs is to enable a return of manufacturing to America’s shores, it is paramount to note that this is not true of the TV manufacturing sector. The notion that TV manufacturing can move around from here to there, that it can quickly emerge in another country or here in the U.S. for that matter, is simply not feasible.

There is currently no TV manufacturing in the United States. Some companies, taking advantage of state incentives while circumventing current tariffs, either “assemble” or have announced plans to do so in America. I would caution you that “assembling” is not “manufacturing”. These companies offer a low number of assembly jobs with no technology or value-add, and the very TVs they are assembling are actually manufactured in China by another company and shipped as a “kit” to be assembled together.

The manufacturing process is complex involving multi-billion-dollar panel factories, technology licensing, quality and ethical raw material suppliers, research and development, environmental sustainability concerns, vertical integration and complex logistics, in addition to qualified and accredited pools of talent.

Another misconception is the notion that goods imported into the U.S. from China only benefit China. This could not be further from the truth in this industry.

Although we build TVs in China, we design them here, we support them here, and we sell them here. Our jobs are here. Our technology partners, including many of whom you will see in the coming days, are here. Our patent and technology licensors are here. The vast majority of the benefits are truly felt right here.

The negative impact of the imposition of tariffs will have long-term consequences, causing disproportionate economic harm to millions of Americans while simultaneously disrupting markets, injecting uncertainty into those markets, and losing American technology market share.

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<sup>4</sup> Office of the United States Trade Representative, “Notice of Determination and Request for Public Comment Concerning Proposed Determination of Action Pursuant to Section 301: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation,” Federal Register, 83 FR 14906, April 6, 2018, p. 8.



### Application of Tariffs to TVs Will Harm American Jobs and American Families

A recent study shows that tariffs targeting just the first \$50 billion in goods will cause the loss of nearly 134,000 jobs<sup>5</sup>. The conclusion drawn from this study says that the proposed tariffs would, and I quote, “Have significant net negative impacts on the U.S. economy and U.S. workers. These impacts would be felt in nearly every sector, in every U.S. state<sup>6</sup>.”

In partnership with other American success stories employing hundreds of American workers, we have been able to offer low-cost, quality, feature-rich TVs to fill the needs and wishes of millions of Americans. TCL has worked hard to achieve its market position. The tariffs could certainly present challenges to many companies that have worked so diligently to earn their brand recognition.

We are respectfully requesting that this honorable Committee take a closer look at the TV market. When you see for yourself the potential consequences that tariffs will have, we firmly believe that you will see the wisdom of leaving these products off the tariff list. We also hope you’ll take a closer look at our company, to see what American workers can achieve when they dedicate themselves to caring not just about quality products, but also about our communities.

We urge you to keep TVs off the tariff list.

Thank you for your time.

Respectfully submitted,

Jonathan King  
Vice President, Legal Affairs  
TCL North America

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<sup>5</sup> Francois, Joseph F., and Baughman, Laura M., “Tariffs on Imports from China: The Estimated Impacts on the U.S. Economy”, Trade Partnership Worldwide, LLC., April 30, 2018, p. 1.

<sup>6</sup> Francois, Joseph F., and Baughman, Laura M., “Tariffs on Imports from China: The Estimated Impacts on the U.S. Economy”, Trade Partnership Worldwide, LLC., April 30, 2018, p. 12.



## WORKS CITED

1. Trade Partnership Worldwide, LLC., "Estimated Impacts of Proposed Tariffs on Imports from China: Televisions, Monitors, Batteries and Printer Cartridges", April 11, 2018, p. 1.
2. Francois, Joseph F., and Baughman, Laura M., "Tariffs on Imports from China: The Estimated Impacts on the U.S. Economy", Trade Partnership Worldwide, LLC., April 30, 2018, p.
3. IHS Markit™, "Impact of Proposed U.S. Tariff on Chinese TV Market and Display Industry", April, 2018.
4. Office of the United States Trade Representative, "Notice of Determination and Request for Public Comment Concerning Proposed Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," Federal Register, 83 FR 14906, April 6, 2018, p. 8.

Complete copies of selected works above are included for your reference.