

Testimony of Mr. Mike Mohan

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Before the Office of the United States Trade Representative

Proposed Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

Panel 3, May 15, 2018

Good afternoon. I am Mike Mohan, the Senior Executive Vice President and Chief Merchandising and Marketing Officer of Best Buy – a U.S. retailer of consumer electronics and related services headquartered in Richfield, Minnesota. Best Buy is also a manufacturer of flat panel televisions under our private label Insignia brand. On behalf of Best Buy and its 110,000 employees across all 50 States, and right here in the District of Columbia, I thank you for the opportunity to appear before you today.

Best Buy respectfully requests that the USTR remove flat panel televisions classified under the U.S. harmonized tariff schedule subheading 8528.72.64 from the proposed list of products subject to Section 301 tariffs.

Importantly, I want to emphasize that Best Buy is supportive of the goals of the USTR as set forth in its Section 301 Report regarding forced technology transfers and other unfair trade practices.

However, today I would like to outline three reasons why we are seeking exclusion of televisions from the list of proposed tariffs:

First, tariffs on flat panel televisions will not be effective in addressing the Chinese industrial policies identified in the Section 301 Report. Simply put, targeting flat panel televisions will not directly help change these policies, because these policies are not seen in the

Chinese flat panel TV industry. Specifically, in the Section 301 Report, the USTR found that the policy of the Chinese government is designed to promote Chinese companies to leading roles in certain advanced technology industries in part by replacing China's reliance on imported technology in these industries. Notably, flat panel televisions are not among the list of advanced, "leapfrog" technologies that are targeted by the Chinese government policies. In addition, foreign investment and development of the industry generally has taken place free of restrictions and compulsory technology transfer policies. In fact, major Japanese, Korean, and Taiwanese companies have wholly-owned subsidiaries in China that develop and produce flat panel TVs. Those companies, instead, have been able to control the licensing and use of their own technology under what Best Buy understands to be entirely voluntary and on commercial terms. Finally, Best Buy is not aware of any significant IP theft in the Chinese flat panel TV industry.

In addition, targeting flat panel televisions will not indirectly affect China's policies because the overwhelming majority of TV panels sold in the United States are made in China. There are no near-term alternative sources, meaning consumers will have no choice but to continue purchasing TVs made from Chinese panels. Developing alternative sources would entail massive new investments that could take several years, if ever, to develop. As a result, a 25% tariff will have no affect – directly or indirectly – on Chinese policy and only result in a significant disruption to the U.S. economy, producing a result that runs counter to the stated process employed by the USTR in choosing products to which the tariff would apply.

Second, tariffs will adversely affect Americans – namely, U.S. consumers and businesses. In its written comments, Best Buy provides confidential data demonstrating the impact on the market, U.S. retailers, and consumers. Given the lack of manufacturing alternatives mentioned before, Best Buy submits that imposing a tariff of 25% on goods that represent such a sizable

portion of the total U.S. market would amount to what is effectively a significant new tax on U.S. consumers and businesses, raising retail prices as much as 23% according to a recent industry analysis. The increase in costs would fall primarily on the U.S. consumers who purchase smaller panel TVs from China – televisions that are more accessible to American households with limited disposable income. In our view, this is inconsistent with the USTR’s stated intent to place tariffs on products that are not “likely to cause disruptions to the U.S. economy” and U.S. businesses and consumers.

Finally, we think there are more effective approaches. Rather than imposing tariffs on flat panel TVs, the administration should take other, more targeted approaches to address the important issues highlighted in the Section 301 Report. We have outlined these suggested approaches more specifically in our confidential written comments.

In conclusion, Best Buy understands and supports the motivation for fairer trade policies and a level playing field with China as pursued by the USTR. However, we respectfully request that flat panel televisions imported from China be removed from the Section 301 tariff list because it will not accomplish the desired purpose and instead will have negative unintended consequences on U.S. retailers like Best Buy, American workers, and consumers.

Thank you for your consideration, I welcome any questions that you may have.