BEFORE THE
U.S. INTERNATIONAL TRADE COMMISSION

DOCKET NO.
USTR–2018–0018

PUBLIC HEARING REGARDING THE PROPOSED DETERMINATION OF ACTION PURSUANT TO SECTION 301: CHINA'S ACTS, POLICIES, AND PRACTICES RELATED TO TECHNOLOGY TRANSFER, INTELLECTUAL PROPERTY, AND INNOVATION

TESTIMONY
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BY
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Good morning. I am Mark Kinzie, Director of Global Trade Compliance at Logitech, Inc. We appreciate the opportunity to testify at this hearing.

Logitech is unique. The company owns and operates its own factory in China, exclusive of any joint venture requirements by the Chinese government. Many of our products are manufactured there, particularly those that incorporate the company's most sensitive intellectual property. Moreover, certain products are manufactured in other factories owned by other entities, the majority of which are Wholly Foreign-Owned Entities within China and several of which are located outside of China. These products are less technologically complex. In all instances, Logitech and its suppliers prioritize maintaining complete control over the licensing and use of the company's intellectual property.

The company wholeheartedly supports measures intended to eliminate China's unfair acts, policies, and practices that were the subject of the section 301 investigation. We also understand that certain of these measures may unavoidably inflict some harm on companies in the United States. What we submit to you here today is that imposing additional tariffs on Logitech's products would disproportionately harm U.S. consumers while having little, if any, impact on motivating China to end its offending conduct.

Indeed, you may recognize our products. For nearly 35 years, Logitech products have been synonymous with consumer peripheral devices, including computer mice, keyboards, and webcams. In more recent years, the company has invested heavily in educational keyboards and digital pencils for elementary students, wireless speakers for teens and adults, and television remote controls.

We are here today because television remote controls are classified in a subheading identified on the proposed list 2 of section 301 tariffs. Specifically, Logitech's "Harmony" brand remotes are classified in subheading 8543.70.99. This subheading applies to other "[e]lectrical machines and apparatus, having individual functions, not specified or included elsewhere in this chapter". As is apparent from the description, this subheading does not apply to a specific product. Instead, this is a "catchall" subheading, meaning that it covers nearly all electronic devices not specifically provided for elsewhere in the tariff code. We respectfully request that this subheading be excluded from the final list for the following two reasons.

First, imposing tariffs on this subheading amounts to an additional tax on U.S. consumers and businesses because consumer products are classified in this catchall subheading. In addition to remote controls, U.S. Customs and Border Protection has classified various consumer products in this subheading, including cell phone cases incorporating an image display, hair removal devices, travel humidifiers, selfie sticks, and illuminated Halloween decorations.[1] Imposing an additional 25% tariff on products such as these will adversely impact the United States. In the case of television remote controls, U.S. consumers and retailers would bear much of the cost of an additional tariff, resulting in immediate economic harm. Such a result is inconsistent with the USTR's stated intent to place tariffs on products that are not likely to adversely impact U.S. consumers and businesses.

Second, many of the products classified in this subheading, including Harmony remote controls, do not contain an advanced technology that is the target of the Chinese government or is otherwise the subject of a forced technology transfer. Based on classification rulings issued by U.S. Customs and Border Protection, products classified in this subheading tend to incorporate relatively low levels of technological sophistication.

Harmony remotes, for example, are no more technologically advanced than the television, Blu-ray player, and speaker system with which they are used. For this reason, the technology incorporated in Harmony remotes, and other products classified in this subheading, have generally not been the subject of forced technology transfers or other unfair trade practices in China. As such, imposing tariffs on the products classified in this subheading will not further the administration's objective of influencing the Chinese government to eliminate its harmful policies.

In summary, subheading 8543.70.99 should be excluded from the final list 2 because it is a catchall provision which covers consumer products that are not technologically complex. Imposing tariffs on this subheading will result in U.S. consumers, small businesses, and retailers paying increased prices for everyday items. Meanwhile, additional tariffs on this subheading will not motivate the Chinese government to stop the acts, policies, and practices that were the subject of the section 301 investigation. We respectfully request that this

[1] See HQ H275685, dated August 3, 2017; HQ H271911, dated June 28, 2017; NY N265939, dated July 16, 2015; NY N280165, dated November 7, 2016.

subheading, and the Logitech Harmony remotes included in it, be excluded from the final list 2. We appreciate this consideration, and are available at any time to answer any questions.