Section 301 Testimony by Craig Dean
July 13, 2018

Thank you for the opportunity to testify today. I am Craig Dean the owner, and active CEO, of Dean Technology, Inc. My company is based in Addison Texas, just north of Dallas, and we manufacture high voltage electronics. We employ over 110 people in the USA and operate production and sales facilities in multiple other countries.

I am here today out of general concern for my business, and fear of how these changes might impact the livelihood of my employees. I understand the intention of these tariffs is to promote fair and equitable trade practices with China and limit intellectual property theft. This should also help empower US manufacturers, making them more competitive domestically and worldwide. I strongly support this concept.

I am concerned with the way these changes are being implemented and feel that imposing new import duties on some of the items will have the opposite of the intended effect. The two classifications of greatest concern to me are both for diodes, HTS Codes: 8541.10.00 and 8541.40.60. Please note these do not cover LED's and are not lighting products. These are basic components used in all electronics.

Increasing electrical component costs has a detrimental effect on US based electronics manufacturers. Adding tariff to commodity components directly increases the material costs of manufacturing almost any electronic device in the US and gives a domestic sales cost advantage to overseas producers that do not face the same tariffs. Overseas producers do not face import duties when bringing many finished products to the US and there are a limited number of producers of these commodity items in countries other than China. With no competitively priced components from alternative US sources, this simply makes the cost of electronic systems manufactured in the USA more expensive than a finished product from China or any other country that can be imported using the same components tariff free.

These additional duties will force relocation of jobs offshore. Currently, we bring all products that we sell to the US prior to delivery to our end customers, not just the products we consume in American made power supplies and assemblies. These items are brought to the US for inspection, repackaging, and distribution to our customers worldwide. Faced with an additional 25% cost on product for our international customers we will have no choice but to perform these steps in countries where goods can be imported without tariff and shipped to end customers tax free. This will be the only way to remain price competitive in international markets and will require a reduction of staff in our US factories. In fact, this is exactly what we are already being forced to do with ceramic capacitor products that have been impacted by new tariffs as of July 6th.

This adds import tax to US manufacturers producing in China. Dean Technology is a majority owner and has management control of our diode factory in China. We own and maintain all of the intellectual property. We recognize revenue on products sold from this factory in China and

this contributes to the US taxes we pay. Introducing a new 25% tariff will only increase our internal costs on the material we bring to the US for consumption and resale. This implementation doesn't consider ownership and control of the facility shipping products to the US, it only adds a blanket duty to all products and as a result will end up hurting many US companies.

Introducing new taxes on diodes will put virtually no pressure on China to change trade practices. Items like diodes are commodity electronics. Diodes are a basic component used in most electronics. These items have largely been in production for many decades, the general designs and production methods are widely known and there is no intellectual property that needs protection. In many cases the production of these items has moved exclusively to low wage countries like China and there are limited, if any, US based manufacturers. Adding an increased tax to these items will have no impact on their availability, and customers will still have to purchase them from Chinese manufacturers. This will not affect the amount spent in China on these parts, providing no financial pressure for them to change any current practice. Starting production of diodes in another country will be costly and could take up to two (2) years before production could begin. A tax on basic items like diodes helps China strengthen their position by causing increased costs for all American made electronics.

Thank you again for the opportunity to address the committee and I urge you to consider removing diodes from these proposed tariffs to help protect American electronics manufacturing and all of the US jobs it provides.