Consumer Technology Association™

Testimony of Sage Chandler, Consumer Technology Association

Docket No. USTR 2018-0018 – Public Hearing on July 24-25, 2018[1]

Thank you for the opportunity to appear before USTR today on this important issue. I am Sage Chandler; Vice President for International Trade at the Consumer Technology Association ("CTA"). CTA remains opposed to the use of tariffs to address imbalance in the U.S.-China trade relationship because of the high likelihood of short- and long-term negative consequences to our own economy and to our member companies.

I. Background on CTA

CTA represents more than 2,200 companies from every facet of the consumer technology industry, including manufacturers, distributors, developers, retailers, and integrators. 80% of our members are start-ups, small and mid-sized companies as defined by the Small Business Administration.

II. Impact of Tariffs on CTA Members and U.S. Consumers

The U.S.'s overall trading relationship with China significantly impacts CTA and its members. Our companies rely on the global supply chain—including China—to compete and sell. CTA members identified 46 HTS codes on the Annex C list for which a 25% tariff would cause harm. We have attached the list of codes to this testimony and we will provide specific comments as to each code in our forthcoming written comment to USTR.

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[1] CTA reserves the right to amend this oral statement as we are continuing to gather relevant data and information for our written submission, which is to be the basis for this oral statement, and is due on July 23rd.

Many of our internal survey respondents, especially small companies, noted that they would not be able to switch sourcing from China to another country at all, or at least without costly disruption to their business. Moreover, the majority of sourcing shifts would not be to the United States.

As with USTR's original list of tariffs under Section 30,1 which were imposed on July 6, our members remain concerned that the proposed tariffs in Annex C will put them at a disadvantage relative to their competitors in other nations who can continue importing critical components from China at a fraction of the cost.

Moreover, these tariffs will harm the very industries they seek to protect, while not influencing China's behavior or helping the Administration's stated goal to obtain the elimination of China's acts, policies, and practices that are discriminatory and burden U.S. commerce.

For example, the thermometer tariff line (HTS 9025.19.80) covers a broad range of consumer goods. Tariffs on this line will negatively affect nearly every American household. Americans purchase 17 million thermostats each year to help manage energy costs, and thermostats are already subject to a 25% tariff (which took effect on July 6). The common consumer products covered include products like outdoor thermometers, kitchen meat thermometers, digital thermometers that parents use for their children, and temperature sensors used in household thermostats.

Further tariffs on thermostats will thus hurt U.S. consumers by imposing a double burden of (1) higher prices on a consumer necessity, and (2) higher energy bills because consumers will be less able to afford energy-efficient smart thermostat systems. Tariffs will also hurt the retailers

who sell these consumer goods. And for temperature sensors, tariffs will hurt the small businesses who install thermostat systems. Therefore, such tariffs contradict USTR's stated aim in the product selection process of avoiding goods "commonly purchased by American consumers." Moreover, thermometers are not products targeted in China's Made in China 2025 plan, and not part of China's core industrialization strategy.

As an additional example, the Annex C list is heavy in both semi-conductors and the machinery that makes them. China represents just 5% of the global semiconductor market. The U.S. is the world's market share leader. Most semiconductors we import were actually made in the United States, shipped to China for final, low end assembly and packaging, and then shipped back to the United States. Tariffs placed on the equipment used to manufacture semiconductors is double jeopardy for semiconductor companies that manufacture in the United States and employ hundreds of thousands of Americans.

Costs of tariffs on these items would be passed downstream to other American companies and sectors, exacerbating costs all along supply chains. As costs on key components rise, the inputs for small companies manufacturing in the United States will threaten their business models and competitiveness.

Consumers and U.S. jobs would bear the brunt of tariffs, too. A study commissioned by CTA and the National Retail Federation found that the proposed tariffs, coupled with retaliation by China, would cost jobs in every state in the U.S. Four jobs would be lost for every job gained.

III. Efficacy of the Tariffs to Obtain Elimination of China's Acts, Policies, and Practices

A better approach is first and foremost to promote and encourage innovation here in the United States. Appropriate laws and regulations (as well as de-regulation) will help U.S. industries widen their comparative advantage in technological innovation.

Existing enforcement programs and policy tools, such as Section 337 and the Foreign Commercial Service, can be better promoted by the Administration so that companies understand how they can pursue help.

CTA also firmly believes in diplomacy. The Administration should work with other nations in forums such as the World Trade Organization dispute settlement or via trade agreements to pressure China to update its IP laws and policies.

IV. Conclusion

In conclusion, CTA categorically opposes the imposition of tariffs, which will cause disproportionate harm to U.S. businesses and consumers. The tariffs will be ineffective against China's policies and will cause disproportionate harm to U.S. businesses and consumers. Other policy tools can achieve USTR's objectives without risking the economic future of American companies and workers.

Thank you for the opportunity to testify. I look forward to your questions.

Consumer Technology Association™

Line Items CTA Requests be Removed from Annex C

HTSUS 8-Digit Heading	Product Description	Rationale for Recommending Removal from Proposed Tariff List
39019090	Polymers of ethylene, nesoi, in primary forms, other than elastomeric	Highlighted by CTA member company as critical to their business.
39100000	Silicones in primary forms	Highlighted by CTA member company as critical to their business. The impact of the inclusion of this HTS code falls greatest on CTA members who are chipmakers.
39131000	Alginic acid, and its salts and esters, in primary forms	Highlighted by CTA member company as critical to their business.
39173100	Flexible plastic tubes, pipes and hoses, having a minimum burst pressure of 27.6 Mpa	Highlighted by CTA member company as critical to their business.
39173200	Tubes, pipes and hoses, of plastics, other than rigid, not reinforced or otherwise combined with other materials, without fittings	Highlighted by CTA member company as critical to their business.
39174000	Fittings of plastics, for plastic tubes, pipes and hoses, nesoi	Highlighted by CTA member company as critical to their business.
39191010	Self-adhesive plates, sheets, other flat shapes, of plastics, in rolls n/o 20 cm wide, light-reflecting surface produced by glass grains	Highlighted by CTA member company as critical to their business.
39191020	Self-adhesive plates, sheets, other flat shapes, of plastics, in rolls n/o 20 cm wide, not having a light-reflecting glass grain surface	CTA member company imports items under this code because there is no U.S. production and it would not be able to switch sourcing.
39199050	Self-adhesive plates, sheets, other flat shapes, of plastics, not having a light-reflecting surface produced by glass grains, nesoi	CTA member company imports items under this code because it is unaware of any U.S. production and it would not be able to switch sourcing.
39201000	Nonadhesive plates, sheets, film, foil and strip, noncellular, not reinforced or combined with other materials, of	Highlighted by CTA member company as critical to their business.

	polymers of ethylene	
39202000	Nonadhesive plates, sheets, film, foil and strip, noncellular, not reinforced or combined with other materials, of polymers of propylene	Highlighted by CTA member company as critical to their business.
39204900	Nonadhesive plates, sheets, film, foil, strip, noncellular, not combined w/other materials, of polymers of vinyl chloride, < 6% plasticizers	Highlighted by CTA member company as critical to their business.
39206200	Nonadhesive plates, sheets, film, foil and strip, noncellular, not combined with other materials, of polyethylene terephthalate	Highlighted by CTA member company as critical to their business.
39206900	Nonadhesive plates, sheets, film, foil and strip, noncellular, not combined with other materials, of polyesters, nesoi	CTA member company imports items under this code because it is unaware of any U.S. production and it would not be able to switch sourcing.
39211900	Nonadhesive plates, sheets, film, foil and strip, cellular, of plastics nesoi	CTA member company imports items under this code because it is unaware of any U.S. production and it would not be able to switch sourcing.
73089095	Iron or steel, structures (excluding prefab structures of 9406) and parts of structures, nesoi	Highlighted by CTA member company as critical to their business.
84198995	Industrial machinery, plant or equipment for the treatment of materials, by process involving a change in temperature, nesoi	Highlighted by CTA member company as critical to their business.
84248990	Other mechanical appliances for projecting, dispersing or spraying liquids or powders, nesoi	Highlighted by CTA member company as critical to their business.
84861000	Machines and apparatus for the manufacture of boules or wafers	Highlighted by CTA member company as critical to their business. Tariffs on this product would disincentivize U.S. manufacturing of semiconductors.
84862000	Machines and apparatus for the manufacture of semiconductor devices or electronic integrated circuits	Highlighted by CTA member company as critical to their business. Tariffs on this product would disincentivize U.S. manufacturing of semiconductors.

84863000	Machines and apparatus for the manufacture of flat panel displays	Highlighted by CTA member company as critical to their business. Tariffs on this product would disincentivize U.S. manufacturing of semiconductors.
84864000	Machines and apparatus for the manufacture of masks and reticles; for the assembly of electronic integrated circuits; or for the lifting, ha	Highlighted by CTA member company as critical to their business. Tariffs on this product would disincentivize U.S. manufacturing of semiconductors.
84869000	Parts and accessories of the machines and apparatus for the manufacture of semiconductor devices, electronic integrated circuits and flat pa	Highlighted by CTA member company as critical to their business. Tariffs on this product would disincentivize U.S. manufacturing of semiconductors.
84735090	Parts and accessories, nesoi, suitable for use with machines of two or more of the headings 8469 to 8472	Highlighted by CTA member company as critical to their business.
85012040	Universal AC/DC motors of an output exceeding 74.6 W but not exceeding 735 W	Highlighted by CTA member company as critical to their business.
85013140	DC motors, nesoi, of an output exceeding 74.6 W but not exceeding 735 W	Highlighted by CTA member company as critical to their business.
85013180	DC generators of an output not exceeding 750 W	Highlighted by CTA member company as critical to their business. Products in this HTS code are found in many consumer technology products. Product may be manufactured in the United States but packaged in China, meaning U.S. companies and manufacturers may pay the tariff on their own products.
85078081	Other storage batteries nesoi, other than of a kind used as the primary source of power for electric vehicles	CTA member company imports items under this code because there is no U.S. production and it would not be able to switch sourcing.
85291091	Other antennas and antenna reflectors of all kinds and parts, for use	CTA member company imports items under this code because there is no U.S. production and it would not be able to switch sourcing.
85363080	Electrical apparatus for protecting electrical circuits, for a voltage not exceeding 1,000 V, nesoi	CTA member company imports items under this code because there is no U.S. production and it would be unable to switch sourcing.
85367000	Connectors for optical fibers, optical fiber bundles or cables	CTA member company imports items under this code because there is no U.S. production and it

		would be unable to switch sourcing.
85411000	Diodes, other than photosensitive or light-emitting diodes	CTA member company imports items under this code because there is no U.S. production and it would be unable to switch sourcing.
85414060	Diodes for semiconductor devices, other than light-emitting diodes, nesoi	CTA member company imports items under this code because there is no U.S. production and it would be unable to switch sourcing. Products in this HTS code are common electronic circuit components.
85423100	Electronic integrated circuits: processors and controllers	CTA member company imports items under this code because it would be unable to switch sourcing. Products in this HTS code are found in many consumer technology products. Product may be manufactured in the United States but packaged in China, meaning U.S. companies and manufacturers may pay the tariff on their own products.
85423200	Electronic integrated circuits: memories	CTA member company imports items under this code because it would be unable to switch sourcing. Products in this HTS code are found in many consumer technology products. Product may be manufactured in the United States but packaged in China, meaning U.S. companies and manufacturers may pay the tariff on their own products.
85423300	Electronic integrated circuits: amplifiers	CTA member company imports items under this code because there is no U.S. production and it would be unable to switch sourcing. Products in this HTS code are found in many consumer technology products. Another CTA member company imports items under this code because there is no U.S. production, but it uses the imported products to assemble products in the United States.
85423900	Electronic integrated circuits, nesoi	CTA member company imports items under this code because it would be unable to switch sourcing. Products in this HTS code are found in many consumer technology products. Product may be manufactured in the United States but packaged in China, meaning U.S. companies and manufacturers may pay the tariff on their own products.

85429000	Parts of electronic integrated circuits and microassemblies	Highlighted by CTA member company as critical to their business. Products in this HTS code are found in many consumer technology products.
85437045	Other electric synchros and transducers; defrosters and demisters with electric resistors for aircraft	CTA member company imports items under this code because it would be unable to switch sourcing. These items include motion sensors for everyday household use and which are key components of home security systems. These products are not targeted in China's Made in China 2025 plan, and not part of China's core industrialization strategy. Tariffs on these products will punish the US consumer, imposing a double burden of (1) higher prices on a consumer necessity, and (2) compromised household safety because consumers will be less able to afford technologically advanced home security systems. Tariffs will also hurt the retailers and small business installers who sell and install home security systems by increasing prices and depressing demand.
85437099	Other machinery in this subheading	CTA member company imports items under this code because there it would be unable to switch sourcing. Products in this HTS code are found in many consumer technology products. Product may be manufactured in the United States but packaged in China, meaning U.S. companies and manufacturers may pay the tariff on their own products.
85444910	Insulated electric conductors of a kind used for telecommuncations, for a voltage not exceeding 80 V, not fitted with connectors	Highlighted by CTA member company as critical to their business.
85444920	Insulated electric conductors nesoi, for a voltage not exceeding 80 V, not fitted with connectors	Highlighted by CTA member company as critical to their business.
90141090	Direction finding compasses, other than optical instruments, gyroscopic compasses or electrical	CTA member company imports items under this code because there is no U.S. production and it would be unable to switch sourcing.
90251980	Thermometers, for direct reading, not combined with other instruments, other than liquid-filled thermometers	CTA member company imports items under this code because there is no U.S. production and it would be unable to switch sourcing. These items are for everyday household use and are key

		components of connected home systems. These products are not targeted in China's Made in China 2025 plan, and not part of China's core industrialization strategy. Some thermometers are already subject to the 25% tariff which took effect on July 6. Further tariffs will hurt consumers by imposing a double burden of (1) higher prices on thermostat systems, a consumer necessity, and (2) higher energy bills because consumers will be less able to afford energy-efficient smart thermostat systems. Tariffs will also hurt the retailers who sell these consumer goods. And for temperature sensors, tariffs will hurt the small businesses who install thermostat systems.
90292040	Speedometers and tachometers, other than bicycle speedometers	CTA member company imports items under this code because there is no U.S. production and it would be unable to switch sourcing.
90303100	Multimeters for measuring or checking electrical voltage, current, resistance or power, without a recording device	Highlighted by CTA member company as critical to their business.