Introduction

I am Ed Brzytwa, Vice President of International Trade at the Consumer Technology Association (CTA). CTA represents over 1,300 companies across the consumer technology industry, which supports 18 million U.S. jobs. We own and produce the CES® trade show, the world's most powerful technology event.

CTA appreciates the opportunity to provide three perspectives at today's hearing:

1. The private sector runs supply chains – not governments.

2. Reducing trade costs and negotiating trade agreements with U.S. allies and key trading partners will accelerate USTR's supply chain objectives.

3. Forced localization to achieve "resiliency" is inflationary, reduces competitiveness, and causes unintended consequences.

Based on our industry's extensive experience in operating and diversifying private sector supply chains, we believe that USTR's trade and investment policy initiatives will succeed by taking these perspectives into account. We urge USTR to review our October 2023 landmark study produced in partnership with the global management consulting firm Kearney, "Building a Resilient U.S. Consumer Technology Supply Chain."

I. The Private Sector Creates and Operates Supply Chains

On point 1, private sector companies and their workers create and operate supply chains – not governments. USTR's notice for this hearing suggests that supply chains for all products are risky, that the private sector cannot be trusted with supply chains, and that actions to force the onshoring or re-shoring of the technology value chain to address those risks may be necessary. Such actions would pit American companies and workers against American companies and workers, which should not be the goal of USTR's worker-centered trade policy.

To achieve "resilience", USTR seems comfortable with the consequences of these actions, such as higher costs – and inflation – for the U.S. economy, increased energy demand, environmental impacts, and reduced U.S. competitiveness.

USTR's myopic focus on domestic manufacturing neglects that consumer technology supply chains include companies in U.S. treaty allies and trading partners. U.S. companies and their foreign partners prioritize the reduction of time, costs, and uncertainty of moving goods across borders to deliver high quality technology products to as many consumers as possible around the world. These factors can make or break companies' decisions to invest in innovation here in the United States. What then strengthens consumer technology supply chains?

II. Lowering Trade Costs Strengthens Consumer Technology Supply Chains

According to CTA research, 98% of U.S. households own a smartphone, 87% have TVs, and 75% own notebook or laptop computers. Technologies including electric vehicles, smart consumer appliances, wearables, and medical devices are fast improving our daily lives. Consumer technology supply chains involve thousands of inputs and materials from a vast array of suppliers around the world. Supply chains for these products must be both efficient AND resilient to shocks and disruptions like those seen during the COVID-19 pandemic.

Mitigating supply chain risks such as dependencies on single markets for strategic products is an important objective. Lowering the costs of trade for U.S. businesses to strengthen their supply chain diversification efforts is even more important (and doing so across a range of allies and partners will, itself, mitigate sole source dependencies). USTR should lead a whole of government effort to facilitate trade, modernize customs operations, streamline trade measures, and reduce barriers that are ineffective at meeting their stated objectives. CTA's post-hearing written comments will outline this approach in detail.

III. <u>Multi-Geography "Team Approach"</u>

Beyond reducing trade costs unilaterally, trade and investment policies should embrace U.S. allies and trading partners in strengthening supply chains, mitigating risks, and lowering costs. Efficient supply chains in U.S. allies and key trading partners ARE ALSO resilient. The tenor of USTR's request for comments and USTR's desired policies – such as increased tariffs – would, however, penalize these companies for doing what USTR seeks.

As CTA's study with Kearney shows, a single country cannot support any full supply chain, let alone the full consumer technology supply chain. Such a notion is so infeasible, that we are confident that is not what USTR intends to suggest.

Instead, CTA believes that a "team approach" is the best path forward. To achieve this result, CTA supports high standard, comprehensive, binding and enforceable U.S. free trade agreements with the United Kingdom, Japan, and Southeast Asian nations to reduce trade costs, lower barriers to trade, and strengthen the rule of law. We also support further accessions of WTO members to the 1997 Information Technology Agreement and its 2015 expansion to eliminate tariffs on consumer technology products and inputs and therefore diversify sourcing opportunities.

IV. <u>Trade Barriers Prevent Supply Chain Resilience</u>

Unfortunately, USTR has repeatedly shown that it would rather erect than reduce trade barriers. From the Section 301 tariffs to USTR's coordination with other governments to enact a misguided domestic competition policy, USTR signals that trade barriers in the name of "public interest" are acceptable and a clear sovereign right. USTR is exposing U.S. businesses exporting to and operating in foreign markets to discriminatory measures by foreign governments, such as technical barriers to trade and data localization requirements. USTR should immediately reassess its approach to competition policy and its abandonment of non-discrimination, especially on digital trade.

Lastly, USTR should avoid barriers to trade to achieve "resilience." Measures impacting U.S. allies and trading partners can lead to mistrust and retaliatory measures that harm U.S. businesses, workers, and consumers and hinder supply chain diversification. Trade barriers do not shift supply chains or promote resilience. Rather, they are inflationary, decrease productivity among U.S. industries, do not spur widespread job creation, and do not lead to significant new domestic investments, and increase poverty. By imposing more costs, increasing uncertainty in the trading environment, and forcing companies to divert scarce time and resources to deal with administrative burdens like short-lived tariff exclusions, trade barriers undermine "resilience."

V. Conclusion

Thank you again for the opportunity to testify.