

**“Mapping America’s Supply Chains: Solutions to Unleash Innovation,  
Boost Economic Resilience, and Beat China”**

**Introduction**

I am Deena Ghazarian, the founder and CEO of Austere, a technology accessories company, and a managing partner at the consultancy TargetPath LLC. With over 25 years of experience, my journey began with management roles at Macy’s, which ignited my passion for fashion and design. I’m also honored to serve as the Vice Chair of the Executive Board of the Consumer Technology Association (CTA)® and hold leadership roles on CTA division boards, including those related to retail and accessories.

**1. Austere Supply Chain Story**

Today, I will share with you the story of Austere’s supply chain challenges and the lessons I learned navigating them. In 2018, I recognized a need in the technology accessories market for high-end, beautifully designed HDMI cables, surge protectors, and cleaning products. I began seeking contract manufacturers to meet my exacting design and quality requirements. These manufacturers by and large exist in China, due to their extensive ecosystem related to testing and conformity assessment for accessories such as HDMI cables. In 2019, at CES, the world-leading annual technology show in Las Vegas owned and produced by CTA, I locked up my suppliers, capital, and partners and launched Austere.

However, unexpected U.S. tariffs on my products disrupted my plans. On Sept. 10, 2018, the Trump Administration imposed a 10 percent tariff on \$200 billion in imports from China, including all my products. This tariff burden required me to reallocate my capital initially intended for business development to tariff payments. The situation worsened when, in May 2019, the Trump Administration increased the tariff rate from 10 to 25 percent, putting even more pressure on my young company as I allocated even more capital to paying the United States government to import my products. To be clear, I paid the tariffs, China did not. To remain competitive, I absorbed these tariff costs, ensuring our products remained accessible to consumers.

To mitigate this supply chain shock, I sought new suppliers outside China. Contrary to the beliefs of many in the government and in Congress, shifting supply chains is not costless and does not happen overnight. My established relationships in China and familiarity with its manufacturing ecosystem made the transition risky.

After considerable effort and resources, I found new manufacturers in another country to meet my design and quality requirements. This was made easier by the fact that some of our manufacturing partners also departed China, opening up new opportunities in other Asian countries. However, I was not able to abandon the China market entirely due to the strength of their ecosystem. Nonetheless, I felt that Austere was on a more stable path to success and growth in the United States, the primary global market for high end technology accessories.

Our challenges persisted with the arrival of the COVID-19 pandemic. As the United States and eventually much of the world went into lockdown mode, I had to keep the company afloat. The U.S. Congress and Trump Administration helpfully offered the Paycheck Protection Program (PPP), and I took advantage of that to pay my workers during this unprecedented time. Ultimately, we did not profit from this program, as the loans largely served as offsets to my tariff payments. What would have been better from a time and resources standpoint is for the Trump and Biden Administrations to repeal the tariffs entirely, which would have lessened the need for U.S. companies to seek U.S. government resources to keep their companies alive and operating.

As the U.S. economy picked up speed later in 2020 and through 2021 and consumers increased their demand for technology products for their homes, shipping costs escalated rapidly to historic levels and delivery times increased due to backlogs of container ships at west coast ports. The costs to ship products from Asia to the United States became prohibitively expensive. I could not absorb these costs in the same way I was able to absorb the costs of the tariffs.

To remain competitive, I started shipping my products to the lower-cost Port of Savannah, shipping through Europe rather than from Asia. This pivot helped stabilize my costs, keep Austere competitive, and maintain our foothold in the U.S. market.

I did not seek these challenges, but I faced them head-on. These experiences enriched my knowledge of supply chain resilience and efficiency while keeping costs low for consumers. Aside from the PPP program, I had no support from the U.S. government or state governments to help me navigate Austere's challenges. The U.S. government offered no sympathy to startups and small businesses who were harmed by the Section 301 tariffs. The only avenue we had for relief was the arcane, non-transparent, and highly uncertain product exclusion process run by the Office of the United States Trade Representative (USTR). We applied for exclusions, but never received any feedback from USTR after it denied our exclusion requests. It was as if we were treated as adversaries rather than U.S.-headquartered companies employing Americans and innovating new products in the United States.

From these experiences, I offer recommendations. The first set focuses on how the U.S. Department of Commerce can better help startups and small businesses. The second set focuses on how smarter U.S. trade policy can support efficient and resilient supply chains while benefiting consumers.

**2. Recommendations on what Commerce could do to help startups and small businesses navigate supply chain shocks**

My most important recommendation for this Committee is that the U.S. Department of Commerce, USTR, and other agencies express empathy for the startups and small businesses that face supply chain challenges, treat us as partners, and find concrete ways to help us. Throwing money at the problem is not always the best solution and often active listening and hands-on guidance makes an even stronger impact for startups and small businesses.

Prior to the U.S.-China trade wars and the pandemic, government discussion of supply chains focused on how to help them operate more efficiently (reducing time, cost, and uncertainty). With the Section 301 and Section 232 tariffs and with the increasing tensions between the United States and China, the U.S. government is sending strong signals to companies of all sizes to reorient their supply chains without offering much help or guidance on how to do that.

During the pandemic, supply chains experienced great pressure from increased demand, higher costs, less availability, and greater uncertainty. But for consumer tech firms, those with resilient supply chains were able to deliver products to market faster than others. Unfortunately, U.S. companies across economic sectors, including consumer technology, had to pass on the costs of shipping and tariffs to consumers through higher prices, which contributed to inflation in the United States. However, many consumer tech firms applied industry best practices to overcome the supply chain challenges. Startups and small businesses would greatly benefit from learning and applying these best practices to prepare and plan for supply chain shocks in the future.

A company creates and operates its own supply chains. Its supply chain data is proprietary and competitive and, therefore, confidential. There are sensitivities around sharing supply chain data with governments. So having a firm understanding of whether and how to share supply chain data with the government will give greater certainty to startups and small businesses that their data will not be shared with competitors or with bad actors in other markets. Confidentiality and trust are key to any public-private efforts on supply chain resilience organized by the Department of Commerce.

Therefore, Commerce's focus should be on building public-private partnerships, creating an atmosphere of trust and confidence, sharing of best practices, early identification and awareness-raising of supply chain chokepoints, and continued emphasis on making supply chains more efficient to reduce trade costs for startups and small businesses.

### **3. Recommendations on smarter U.S. policy to support efficient and resilient supply chains**

Tariff elimination: The Section 301 tariffs remain a burden on U.S. companies, particularly small businesses who haven't been able to find alternative sourcing outside of China. It is time to end these ineffective and harmful tariffs. CTA recently sent a letter to President Biden on how to mitigate and prevent inflation through repealing the Section 301 tariffs, offering a comprehensive, fair, and transparent product exclusions process, avoiding higher tariffs on existing products and new tariffs on products not yet covered by Section 301 trade actions.<sup>1</sup> These tariffs make supply chains less resilient given their high cost, administration burden, and pressures on availability of sourcing.

Ocean shipping reform: CTA strongly supported the Ocean Shipping Reform Act, which the Congress passed by large margins and President Biden signed into law in 2022. This law empowered the Federal Maritime Commission to address predatory and harmful practices by ocean shippers, such as costly

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<sup>1</sup> CTA President and CEO Gary Shapiro's Letter to President Biden on Section 301 Tariffs, <https://cdn.cta.tech/cta/media/media/advocacy/gary-shapiro-letter-to-potus-on-china-tariffs-20230906.pdf>

demurrage and detention billing requirements.<sup>2</sup> CTA still advocates for stripping the anti-trust exemptions for ocean shippers to further curtail their behavior and introduce more competition. Other steps that Congress could take include reforming two old pieces of legislation that make shipping costs high in the United States: The Jones Act and the Foreign Dredge Act of 1906. More immediately, Congress should pass the bipartisan Ocean Shipping Reform Implementation Act (OSRA 2.0) from Representatives Johnson and Garamendi, which concerns technical corrections to the original OSRA. We ask that the Congress also consider this bill, H.R.1836, in its supply chain effort.<sup>3</sup>

Trade facilitation: Since the Congress passed the Trade Facilitation and Enforcement Act of 2015, trade costs have only been increasing for startups and small businesses. Discussions between the Congress and U.S. Customs and Border Protection (CBP) over a new customs modernization bill are ongoing. This bill should not just focus on modernization CBP's ability to enforce U.S. trade law, but also include elements to facilitate trade and therefore reduce trade costs. CTA signed a coalition letter on this topic earlier this year and encourages a full discussion across committees on removing customs non-tariff barriers (NTBs) to facilitate trade and reduce trade costs.<sup>4</sup> This discussion should not just be limited to House Ways and Means and Senate Finance Committees. The House Energy and Commerce Committee should also play a helpful role.

Opening new markets: CTA has vocally called for the United States to reorient its trade policy to negotiate comprehensive, binding, and enforceable free trade agreements with U.S. allies and other key trading partners. These agreements should support supply chain diversification by opening new markets to U.S. goods and services and lowering the costs of inputs for U.S. businesses and of technologies for U.S. consumers. The Administration's current course of action with the Indo-Pacific Economic Framework and similar initiatives are insufficient, as they will not open new markets, be binding and durable, and or promote the rule of law in the partner countries. CTA's statement for the record to House Ways and Means and Senate Finance details CTA's positions further.<sup>5</sup> CTA has also urged the United States to treat its friends and allies better on trade through its "Top Ten Ways of Turning Trading Partners into Trade Best Friends Forever (Trade BFFs)."<sup>6</sup>

#### **4. Feedback on Supply Chain Legislation Under Consideration by the House Energy and Commerce Committee**

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<sup>2</sup> CTA comment to the Federal Maritime Commission on its proposed rule for demurrage and detention billing requirements, <https://www.regulations.gov/comment/FMC-2022-0066-0228>

<sup>3</sup> "Johnson, Garamendi Lead Ocean Shipping Reform 2.0," <https://dustyjohnson.house.gov/media/press-releases/johnson-garamendi-lead-ocean-shipping-reform-20>

<sup>4</sup> "U.S. Chamber Letter on Customs Modernization Priorities," <https://www.uschamber.com/security/supply-chain/u.s.-chamber-letter-on-customs-modernization-priorities>

<sup>5</sup> CTA Statement for the Record for the Respective Hearings on the 2023 U.S. Trade Policy Agenda, [https://cdn.cta.tech/cta/media/media/pdfs/cta-statement-for-the-record-for-congressional-hearings-on-2023-us-trade-policy-agenda-20230405\\_1.pdf](https://cdn.cta.tech/cta/media/media/pdfs/cta-statement-for-the-record-for-congressional-hearings-on-2023-us-trade-policy-agenda-20230405_1.pdf)

<sup>6</sup> "Top Ten Ways to Turn Trading Partners into Trade Best Friends Forever (Trade BFFs)," <https://cdn.cta.tech/cta/media/media/advocacy/pdfs/tradebff.pdf>

H.R. \_\_\_\_\_, To establish a supply chain resiliency and crisis response program in the Department of Commerce, and for other purposes (Rep. Larry Bucshon)

It's critical for the bill to ensure that Commerce hears the voices of small and medium-sized enterprises (SME) and tech startups, who have experienced disproportionate impacts of supply chain shocks (e.g., Section 301 tariffs and historically high shipping costs caused by equally high demand during the pandemic). SMEs would greatly benefit from the sharing of supply chain resilience best practices developed by Commerce in coordination with the private sector. They also would benefit from knowing about supply chain threats and challenges in a timely manner to adjust their practices. What would be unhelpful is the government requiring companies to provide their firm-specific, competitive supply chain information and data. Such mandatory sharing could result in unintended consequences, such as weakening the competitiveness of U.S. SMEs and tech startups who disclose confidential business information (CBI) to the government, which then does not protect that CBI.

H.R. 5390, the Critical Infrastructure Manufacturing Feasibility Act (Rep. Mariannette Miller-Meeks)

A study to review U.S. manufacturing capacity in critical infrastructure would be important for the U.S. economy. The consumer technology industry does not fall under the list of critical infrastructure sectors and therefore should not be included in the scope of such a study.

H.R. 5398, the Advancing Tech Startups Act (Rep. Bill Johnson)

Startups and small businesses feature prominently in the consumer technology industry. We collectively are drivers of employment and innovation in the United States. This bill would promote a stronger U.S. startup culture and ecosystem and help startups understand how to prepare for supply chain shocks, whether natural events such as storms or policy actions such as the Section 301 tariffs. The study should also review the supply chain challenges that startups faced due to U.S. policy actions (e.g., the Section 301 tariffs) and predatory practices by ocean shippers. Direct involvement by startups will be key to the success of this study, for example through interviews to generate qualitative information or surveys to generate statistically meaningful data and information.

H.R. 5146, the Advancing Gig Economy Act (Rep. John Joyce)

Many startups and small businesses use 1099 employees to give them flexibility as they grow and develop their companies. It would be important for a study on the gig economy to also examine such flexible employment arrangements as a model for innovation in the United States. It is useful to know whether the Department of Labor employment statistics fully capture the gig economy or the use of 1099 employees by startups.

## **5. Conclusion**

This Committee can shift the discussion on supply chains from government intervention to helping startups and small businesses navigate supply chain shocks and prepare for future ones. Reducing trade

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costs remains the most effective strategy, and we urge broad consideration of these recommendations. Eliminating and preventing non-tariff barriers to trade is within the scope of this Committee and should be a primary objective. Together, we can pave the way for more efficient, resilient and cost-effective supply chains, benefitting businesses, consumers, and the U.S. economy.

Thank you for this opportunity to testify.