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Ambassador Katherine Tai
U.S. Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Re: Consumer Technology Association
Post-Hearing Written Comments to USTR's Request for Comments on Promoting Supply Chain Resilience (USTR-2024-0002)

Dear Ambassador Tai:

The Consumer Technology Association ("CTA") respectfully submits these post-hearing written comments to the Office of the U.S. Trade Representative ("USTR") in response to its request for comments on promoting supply chain resilience.[1] CTA welcomes USTR's interest in promoting and securing supply chain resilience and appreciates this opportunity to submit written comments to supplement the testimony of CTA's Vice President of International Trade Mr. Ed Brzytwa at the Washington, DC hearing on May 3, 2024.

CTA represents over 1,300 companies from every facet of the consumer technology industry, which supports 18 million U.S. jobs and relies on broader supply chains built upon strategic arrangements with trusted U.S. trading partners. We also own and produce CES®, the world's most powerful technology event and in 2024, attracted more than 145,000 people, including 50,000-plus international visitors. Throughout its 100-year existence, CTA has remained steadfast in its mission to promote American innovation and the adoption of new technologies that address significant global challenges.

Indeed, CTA partners with the United Nations to catalyze technologies that can meet fundamental human securities, including access to health care, food, and clear air and water. In September 2023, CTA, the World Academy for Art and Science (WAAS), and the UN Trust Fund

[1] *Request for Comments on Promoting Supply Chain Resilience*, 89 Fed. Reg. 16,608 (Mar. 7, 2024); *Additional Hearings and Extension of Post-Hearing Comment Period: Request for Comments on Promoting Supply Chain Resilience*, 89 Fed. Reg. 23,079 (Apr. 3, 2024).

for Human Security announced technology as the eighth pillar of the Human Security for All (HS4A) campaign.[2]

We and our member companies have extensive expertise and insight in operating and diversifying supply chains that can assist USTR in shaping future trade and investment policy initiatives on supply chain resilience while promoting innovation. We have given tremendous thought to this topic since the pandemic and our recovery, including by launching our landmark study conducted by Kearny, "Building a Resilient U.S. Consumer Technology Supply Chain", in October 2023.[3] The full study is provided at **Annex 2** for USTR's review.

In these comments, CTA emphasizes three key messages regarding supply chain resilience that USTR should consider for the success of its trade and investment policy initiatives:

- First, private sector companies, not governments, create and operate supply chains. USTR's evident distrust of the private sector to manage supply chains is misplaced. 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.

- Second, lowering trade costs will strengthen consumer technology supply chains and accelerate USTR's supply chain objectives. Supply chains must be both efficient AND resilient to shocks to meet both business and government objectives. Efficient supply chains located in and among U.S. allies are resilient supply chains. 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 across a range of allies and partners will inherently mitigate sole source dependencies.

- Third, forced localization and other trade barriers imposed for the sake of "resilience" are inflationary, reduce competitiveness, and cause unintended consequences such as increased energy demands and adverse environmental impacts. Further, trade barriers – particularly those targeted at 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, weaken job creation, and suppress new domestic investments, and increase poverty.

Instead, CTA suggests that USTR pursue a multi-geography "team approach" in recognition of the important role of U.S. allies and trading partners in our own resilience. In this regard, 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

[2] https://www.cta.tech/Resources/Newsroom/Media-Releases/2023/September/CTA-Announces-Technology-as-New-Human-Security-Pil

[3] *Building a Resilient U.S. Consumer Technology Supply Chain*, KEARNEY (Oct. 1, 2023) ("*Kearney Study*").

barriers to trade, and strengthen the rule of law. We also support the WTO e-commerce duty moratorium and 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.

CTA also provides in **Annex 1** short, specific answers to the questions posed by USTR in the request for comments.

I. Consumer Technology Industry Supply Chains: Current State

Consumer technology has become an integral part of our lives, without which daily activities are no longer imaginable. According to CTA research, 98% of U.S. households own a smartphone, 87% have TVs, and 75% own notebook or laptop computers.[4] They enable consumers to stay connected with each other and the world. Technologies including electric vehicles, smart consumer appliances, wearables, and medical devices are expected to become essential devices to further improve our daily lives. Even without counting these emerging technologies, today's $1.7 trillion market for consumer technology is expected to nearly double within the next decade. In fact, it is expected to grow to $3.2 trillion by 2033.[5]

Today's consumer technology supply chains consist of a complex network that involves thousands of inputs and materials from a vast array of suppliers around the world. However, CTA acknowledges that a majority of those supply chains are concentrated in or have connections to a single geographical region – China and Taiwan. For example, raw materials that are critical for consumer technology products are largely concentrated in China. It is by far the single-largest exporter of silicon and magnesium for computers and peripherals; aluminum, steel, and graphite for communications equipment; silicon, indium, rare earth elements ("REEs"), and neodymium for audio and video equipment; and germanium and gallium for high-speed computer chips.[6] China and Taiwan also dominate in other stages within the supply chain, including subcomponent and component manufacturing as well as assembly.[7]

The United States, on the other hand, has a trade deficit for most consumer technology products particularly due to its focus on upstream device design, in lieu of manufacturing and other downstream activities such as intermediate processing.[8]

In this context, CTA agrees that it is important for both the U.S. government and the private sector to take action to diversify consumer technology supply chains. However, as discussed in the remainder of this comment, CTA believes that the U.S. government should learn from and support the private sector in this transition, while avoiding the imposition of punitive trade

[4] *Kearney Study* at 13.
[5] *Kearney Study* at 13.
[6] *Kearney Study* at 16.
[7] *Kearney Study* at 16.
[8] *Kearney Study* at 7.

barriers that will penalize the very companies that the U.S. government needs to make its policies successful.

II. The Private Sector Creates and Operates Supply Chains

Given the crucial role consumer technology products play in our economy coupled with their supply chains' high concentration in one geographical area, it is imperative that consumer technology supply chains are both efficient AND resilient to shocks and disruptions. As such, CTA agrees with USTR that a main objective of U.S. trade and investment policy should be to mitigate supply chain risks, with an important caveat—private sector companies, not governments, create and operate supply chains. USTR's notice in these proceedings, however, 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. USTR's recent action to entirely renew the Trump Administration's Section 301 tariffs with minimal strategic analysis of the impact of the original tariff lists is an indication of its misguided view toward supply chains.

A. U.S. Tariff and Other Government Actions Have No Impact on Supply Chain Resilience

With its recent announcement of the Section 301 necessity review results, USTR issued a 193-page Report in which it claimed that Section 301 tariffs were the primary driver for the shift away from China and thus, have "promoted supply chain resilience."[9] This reasoning is outright flawed.

While citing to various company statements regarding decisions to move supply chains away from China, USTR simply "assume[d]" that these company decisions were prompted by Section 301 tariffs despite the lack of any references to these tariffs as a reason behind the move.[10] USTR itself explicitly acknowledged that companies shift supply chains for various reasons unrelated to Section 301 tariffs, many of which are purely based on valid business objectives and unrelated to government actions, including "labor costs, tax rates, proximity to customers, workforce skills, access to raw materials, infrastructure conditions, shipping times and costs, and production scale and speed" as well as global pandemic and risks associated with the business environment.[11] In fact, other studies have demonstrated that companies have been reassessing their supply chain strategies and moving towards supply chain diversification in light of the shocks caused by the COVID-19 pandemic and the Russia-Ukraine war.[12] Some of

[9] *Four-Year Review of Actions Taken in the Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, Office of the U.S. Trade Representative (May 14, 2024) ("*USTR Report*") at 79-83.
[10] *See e.g.*, *USTR Report* at 60 fn. 311, 61 fn. 323.
[11] *USTR Report* at 63.
[12] *Supply Chains and US Inflation: Short-Term Gains, Long-Term Pains?*, GOLDMAN SACHS (Nov. 21, 2022).

the top reasons behind decisions to reshore/nearshore manufacturing footprints in these studies were also increased sales, improved total landed cost, and improved fill rates.[13]

Moreover, USTR directly acknowledged that Section 301 tariffs were ***not*** effective in changing China's unfair trade behavior.[14] USTR stated that the few changes China made in response to Section 301 tariffs were merely "superficial measures," short from a fundamental reform.[15] China's industrial policies, opaque administrative reviews, foreign ownership restrictions, JV requirements, and other indirect policies facilitating technology transfers remain intact. Notwithstanding its recognition that these tariffs had no impact and were not effective to change China's behaviors that may jeopardize supply chain resilience, USTR decided to maintain, increase, and add to these tariffs.

By concluding that Section 301 tariffs shifted the supply chains away from China, USTR unjustifiably implies that the government, not the private sector, was responsible for promoting supply chain resilience. It is not the Section 301 tariffs that strengthen supply chain resilience, but rather the diversification of supply chain and the avoidance of a single concentrated source of imports. Section 301 tariffs, the non-transparent, selective, and highly uncertain exclusions process, the introduction of higher tariffs rates, and the constant threat of more tariffs in the future all are disruptive and cause shocks across the supply chain.

B. U.S. Tariff and Other Government Actions Have Harmed U.S. Businesses and Consumers

By portraying government actions, such as the Section 301 tariffs, as a beneficial driver for supply chain resilience, USTR entirely disregards the detrimental consequences of these actions to the U.S. economy, including higher inflation and increased cost for both U.S. businesses and consumers.

Numerous studies have shown that tariffs have doubled the trade-weighted average tariff rates Americans pay for imports since 2017.[16] American technology companies alone have paid an estimated $55 billion in Section 301 tariffs alone from July 2018 to date, a majority of which had to be passed on to U.S. consumers through higher prices. This increase in prices in turn contributed to the ongoing inflation in the United States. USTR acknowledged and cited some of these studies in its Section 301 Report, stating that the tariff actions had "negative effects on the U.S. aggregate economic welfare and real incomes," caused increased prices and export prices in the United States, had no impact on manufacturing employment or wages, and depressed investment growth in the United States.[17] Despite the overwhelming literature

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[13] *Made in America: Here to stay?*, KEARNEY (2024) ("*Kearney 2024 Reshoring Index*"), https://info.kearney.com/5/8216/uploads/made-in-america-here-to-stay.pdf.
[14] *USTR Report* at 10-14.
[15] *USTR Report* at 15.
[16] Tori Smith and Tom Lee, *Section 301 (China) Tariffs Causing a Fourfold Increase in Tariff Rates*, AMERICAN ACTION FORUM (July 18, 2022).
[17] *USTR Report* at 68-69.

supporting these conclusions, USTR appeared to be quick in dismissing the negative effects of the 301 tariffs on the U.S. economy as "small" or "short term."[18] They are not.

These taxes have hurt U.S. businesses and consumers in all 50 states, especially tech startups and small- and medium-sized enterprises. For example, CTA member company Austere, a U.S. technology accessories company, was forced to absorb the costs associated with Section 301 tariffs, as so many other U.S. companies. Austere was coerced, without much government assistance, to find alternative sources outside of China and at the same time to stay competitive.[19] While Austere was able to find alternative sources, it was unable to abandon the China market entirely due to the strength of its ecosystem. Thus, Austere is now subject to what seems like a permanent 25% tax on its activities in that market. Other U.S. companies have faced similar issues.

Beyond tariffs, the Biden Administration has employed various other trade restrictions, including investment restrictions and export controls, without offering viable alternate solutions for U.S. companies. These government-led efforts, lacking any considerations for the realities of supply chains and the resulting retaliatory measures from foreign nations, have caused significant reduction in available supplies of imported products for U.S. industries. As described below, alternate sources for these products are limited or do not yet exist (or may never exist). Thus, the resulting supply scarcity not only increases the prices of these products but also pits American companies and workers against American companies and workers to compete for the same products. This should not be the goal of USTR's worker-centered trade policy.

Private sector companies are best suited to identify shortcomings of supply chains and take measures to improve their resilience. And they have already been striving to do so, particularly in the wake of the COVID-19 pandemic. In particular, during the pandemic, consumer technology companies, those with resilient supply chains, were able to deliver products to market faster than others. Further, many consumer technology companies applied industry best practices to overcome the supply chain challenges. U.S. companies and their foreign partners have prioritized 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. Thus, rather than formulating and imposing unilateral measures that hurt the U.S. economy, USTR should focus on building public-private partnerships to strengthen supply chain resilience without creating unnecessary burdens on U.S. companies and consumers.

III. USTR Should Lower Trade Costs to Strengthen Consumer Technology Supply Chains

Although mitigating supply chain risks is well-placed as a main objective of U.S. trade and investment policy, lowering the costs of trade for U.S. businesses to strengthen their supply chain diversification efforts is equally as important. Doing so across a range of allies and

[18] *USTR Report* at 68-69.

[19] *See Written Testimony of Deena Ghazarian at USTR Hearing on Supply Chains*, Austere (May 23, 2024).

partners will, itself, mitigate sole source dependencies. As stated in its recent Report, USTR itself recognized that reducing concentrated sources of imports and diversifying supply chains increases resilience.[20]

A. Reshoring or Onshoring Policies Themselves Do Not Strengthen Supply Chain Resilience

USTR should avoid limiting supply chain resilience objectives to only the United States or a small group of countries, as this would simply shift problematic supply chain concentration to another country or small geographic area. These types of policies therefore do little to mitigate risks associated with supply chain concentration in isolation without other types of supportive measures. Further, shifting well-established supply chains away from China into regions that have neither adequate nor appropriate infrastructure could result in more severe disruptions, particularly for small- to mid-sized enterprises. It may also unreasonably increase production costs that contribute to current inflation, which shows no sign of abating or narrowing in scope. It is practically and economically infeasible for a single country or a limited number of countries to support entire supply chains. Neither should they be concentrated in a single country or a limited number of countries for the following reasons:

First, policies focused on reshoring alone will not work to strengthen supply chain resilience due to the localization of raw materials and component processing. According to Kearney's 2024 study, "Made in America: Here to stay?", only 34 percent of companies that reshored manufacturing operations are able to source all raw materials locally whereas only 41 percent are able to source all parts locally.[21] Similarly, other studies have found that many companies source products from a Chinese supplier and one alternative supplier, a strategy called "China + 1."[22] However, these alternative suppliers are often smaller or less concentrated and not capable of taking on the weight of a full supply chain shift. Thus, policies that simply restrict all imports from China without considering the downstream supply chain impacts can instead leave supply chains paralyzed while increasing the cost and competition of now-scarce supplies.

Second, the United States lacks the production ecosystem, infrastructure, and qualified workers to meet the increasing demand for consumer technology products. According to Kearney, reshoring manufacturing of all consumer technology products currently being handled by China and Taiwan to the United States would require a direct business investment of approximately $500 billion dollars over ten years, as well as a tenfold increase in U.S. workforce, which could take decades to achieve (particularly with declining U.S. birthrates).[23]

Moreover, China and Taiwan employ around 15 million workers across the technology manufacturing industry, or 2.6 times of the number of qualified workers in the United States,

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[20] *USTR Report* at 84.

[21] *Kearney 2024 Reshoring Index* at 10.

[22] *See* Caroline Freund et al., *Is US Trade Policy Reshaping Global Supply Chains?*, WORLD BANK GROUP (Oct. 2023), https://documents1.worldbank.org/curated/en/099812010312311610/pdf/IDU0938e50fe0608704ef70b7d005cda58b5af0d.pdf.

[23] *Kearney Study* at 20.

Canada, France, Germany, the UK, Japan, South Korea, India, Mexico, and Vietnam combined.[24] The current number of qualified U.S. workers is not even close to comparable.

Unlike the United States, China has made significant investments into its transportation and energy infrastructures to support its manufacturing sectors that are unmatched anywhere in the world.[25] China also excels in its infrastructure delivery model, outscoring the United States on key drivers, such as governance, permits, planning, procurement, and shovel-in-the-ground activity. The United States has not advanced reforms in these areas, and USTR has not shown any awareness of the importance of these logistical and administrative formalities in effectuating supply chain policies.

Lastly, a high concentration of supply in one single or limited geographical region leads supply chains to be more susceptible to domestic shocks. National disasters can trigger disruptions across domestic supply chains. For example, Hurricane Sandy in 2012 resulted in one of the worst energy crises in decades causing a ripple effect across supply chains.[26] Thus, localizing supplies without adequate global alternatives does nothing to mitigate the risks associated with domestic shocks but would instead run contrary to USTR's objective of promoting supply chain resilience.

B. Unilateral Trade Barriers Increase Trade Costs

USTR should avoid erecting unilateral trade barriers in the name of supply chain resilience as they will only further increase the cost of doing business and the prices for U.S. consumers. Measures targeting U.S. allies and trading partners, whether direct or indirect, can lead to mistrust and retaliatory measures that, in turn, harm U.S. businesses, workers, and consumers and hinder supply chain diversification. Trade barriers have not shifted supply chains or promoted resilience. Measures designed to restrict trade, from the Smoot-Hawley tariffs of the 1930s to the Section 301 tariffs of today, have instead contributed to historically high inflation and a decrease in productivity among U.S. industries. These knee-jerk trade barriers create results that are exactly opposite of what USTR seeks to achieve. They undermine supply chain resilience as they impose more costs, create significant uncertainty in the trading environment, and force companies to divert scarce time and resources to deal with administrative bureaucracy like short-lived tariff exclusions.

Reports and studies, such as the "Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector,"[27] have shown that the tariffs place significant

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[24] *Kearney Study* at 20.
[25] *Kearney Study* at 21.
[26] Sabina Zawadzki and Anna Louie Sussman, *Six month after Sandy, New York fuel supply chain still vulnerable*, REUTERS (Apr. 30, 2013), https://www.reuters.com/article/idUSBRE93T0DJ/.
[27] Aaron Flaan and Justin Pierce, *Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector*, FEDERAL RESERVE BOARD (Dec. 23, 2019) ("*Federal Reserve Board Report*"), https://www.federalreserve.gov/econres/feds/files/2019086pap.pdf.

burdens on domestic industries and consumers by increasing the cost of doing business, while neither spurring job creation nor creating significant new investment in manufacturing.

The Federal Reserve Board report concluded that the tariffs "have not led to increased activity in the U.S. manufacturing sector" and that "a small boost from the import protection effect of tariffs is more than offset by larger drags from the effects of rising input costs and retaliatory tariffs."[28] Others have also indicated that the U.S. consumers and importers, not foreign governments, bear the costs of U.S. tariffs. For example, the Tax Foundation determined that U.S. tariffs would reduce "long-run U.S. GDP by 0.21 percent, wages by 0.14 percent, and employment by 166,000 full-time equivalent jobs" whereas retaliatory tariffs by trading partners will reduce "U.S. GDP by 0.04 percent ($9.4 billion) and reduce full-time employment by 29,000 full-time equivalent jobs."[29] Similarly, the American Action Forum concluded that the U.S. tariffs have increased annual consumer costs by more than $51 billion.[30] USTR apparently believes that these costs are not significant, despite the fact that they cost U.S. households more than $400 annually.

In addition to the increased costs of tariffs, studies have found that any impact from the Section 301 tariffs was completely offset by reduced competitiveness from retaliation and higher production costs.[31] As National Security Council spokesperson John Kirby put it, tariffs have "increased costs for American families and small businesses, as well as ranchers" without addressing harmful trade practices by foreign adversaries. On top of the fiscal costs of these trade barriers, the opportunity costs for American businesses are astounding.

Unfortunately, it seems that USTR is in the business of erecting trade barriers, not only in the form of exorbitant tariffs, but also by encouraging foreign governments to discriminate against U.S. goods and services. Through its misguided domestic competition policy, its promotion of that policy on the international plane, and its lack of coordination with allies to address harmful trade practices in third countries, USTR is signaling to other governments that imposing trade barriers in the name of "public interest" is not only acceptable, but a new norm and a clear sovereign right. Governments around the world are taking note and with a freer hand moving ahead with their own protectionist measures.

By taking this position, USTR has effectively abandoned U.S. businesses exporting to other markets or operating abroad, where they already face trade barriers and discriminatory measures by foreign governments. These measures will certainly further chip away the competitiveness of U.S. businesses. If supply chain resilience is truly USTR's primary objective,

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[28] *Federal Reserve Board Report* at 20-21.

[29] Erica York, *Tracking the Economic Impact of U.S. Tariffs and Retaliatory Actions*, TAX FOUNDATION (July 7, 2023), https://taxfoundation.org/research/all/federal/tariffs-trump-trade-war/.

[30] Tom Lee and Jacqueline Varas, *The Total Cost of U.S. Tariffs*, American Action Forum (May 10, 2022), https://americanactionforum.org/research/the-total-cost-of-tariffs/.

[31] *See* Erica York, *Tracking the Economic Impact of U.S. Tariffs and Retaliatory Actions*, TAX FOUNDATION (July 7, 2023); Tom Lee and Jacqueline Varas, *The Total Cost of U.S. Tariffs*, American Action Forum (May 10, 2022); *Federal Reserve Board Report*.

it should immediately reassess its approach to competition policy and its abandonment of its position on non-discrimination, especially on digital trade.

Digital trade is a key tool to promote supply chain resilience. Digital trade enables companies and industries to stay connected to markets, consumers, suppliers, and each other. Facilitating digital trade or digital tools facilitating trade allows companies to improve resilience in their day-to-day operations, increase visibility of their supply chains, and provide the necessary data for further improvements in supply chains.[32]

Policies that support diversity and resilience in consumer technology supply chains and encourage production among key allies and trading partners will promote the growth of well-paying U.S. jobs and the U.S. economy, particularly for small businesses and the tech economy in general. In fact, based on the response to a survey of manufacturing executives and CEOs for Kearney's 2022 Reshoring Index, more than 80 percent of companies across all industries were already on a path to reshoring, nearshoring, or friendshoring.[33] For the technology industry, this rate is above 85 percent. This trend continued through 2024. Based on a survey from Kearney's 2024 Reshoring Index, 86 percent of respondents looking at bringing manufacturing operations closer to the United States are considering the United States and 54 percent of CEOs who have already reshored some of their activities are currently preparing to reshore additional manufacturing operations.[34]

Yet, the tenor of USTR's request for comments and USTR's apparently desired policies would penalize these companies for doing the very thing USTR has pressed them to do. Further, USTR's comments suggest that USTR is comfortable with the tradeoff of higher costs for the U.S. economy at the expense of U.S. businesses and consumers. By effectively forcing companies to localize their production, USTR would increase costs for U.S. companies and worsen the current inflation disaster.

IV. Multi-Geography "Team Approach" to Promote Supply Chain Resilience

To lower costs of trade for U.S. businesses to strengthen their supply chain diversification efforts, CTA believes that trade and investment policies should embrace U.S. allies and trading partners in strengthening supply chains, mitigating risks, and lowering costs. As such, CTA believes that a multi-geography "team approach" is the best path forward.

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[32] *See* Andre Wirjo and Sylwyn Calizo Jr., *Trade Networks amid Disruption: Promoting Resilience through Digital Tade Facilitation*, APEC (Dec. 2022), https://www.apec.org/docs/default-source/publications/2022/12/trade-networks-amid-disruption-promoting-resilience-through-digital-trade-facilitation/222_psu_trade-networks-amid-disruption.pdf?sfvrsn=34a79bec_2.

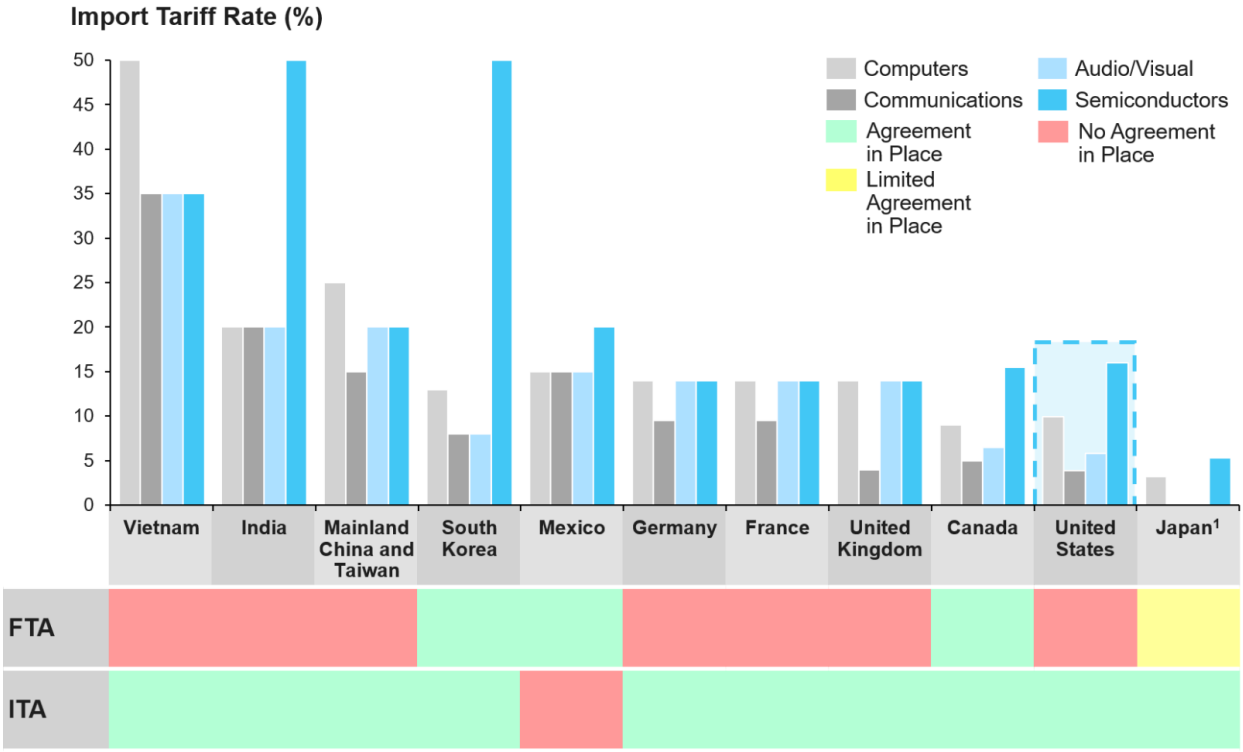
[33] *America is ready for reshoring. Are you?*, KEARNEY (2022) ("*Kearney 2022 Reshoring Index*"), https://info.kearney.com/5/7484/uploads/america-is-ready-for-reshoring-are-you.pdf.

[34] *Kearney 2024 Reshoring Index* at 9.

A. Advantages of a Multi-Geography "Team Approach"

Without engaging others, unilateral efforts by the United States to shift supply chains and promote their resilience will be futile. Thus, USTR should prioritize the reduction of trade costs, the elimination of barriers to trade, and the pursuit of high standard, comprehensive free trade agreements with its allies and trading partners. Currently, the United States has some of the lowest tariff rates for several consumer technology products, whereas other countries, such as Vietnam, India, and China, have the highest rates (*see* Figure 1). This provides an opportunity for USTR to extend free trade agreements to these countries to reduce the barriers to trade and thereby expand access for U.S. companies to products made in these markets.

Figure 1: Most-favored nation applied tariff rates per 2021 and trade agreements by geography



Sources: United States Trade Representative, World Trade Organization; Kearney analysis

Rather than imposing trade restrictive measures that force higher and higher burdens on U.S. companies, USTR's focus should be on leading a whole of government approach to facilitating trade, modernizing customs operations, streamlining trade measures where possible, and reducing barriers to trade that have proven to be ineffective at meeting their stated objectives. Such an approach will have several advantages, and are critical to the continued success of the U.S. consumer technology sector:

- U.S. businesses will enjoy greater market access and have the ability to diversify their supply sources at lower costs, making it easier for them, especially small- to mid-sized businesses, to find alternate sources quickly to avoid serious disruptions.

- U.S. businesses have more predictability and certainty in both the domestic and international regulatory landscape, greatly reducing the time and resources needed to make supply chain decisions.

- The United States will secure supply chains in trusted allies and partners to meet the growing demand in critical goods and emerging technologies.

- Coordinating with U.S. allies and partners will reduce or prevent potential harmful retaliation to U.S. approach on trade.

- The United States will achieve its supply chain resilience objectives in a more efficient and effective manner.

- The United States can, through leading by example, reposition itself from being perceived as a trade bully to a leader of free trade. By doing so, the United States will also gain global support to confront trade bullies.

B. Implementing a Multi-Geography "Team Approach"

In implementing a multi-geography "team approach," USTR should work with its allies and trading partners to amplify their strength and capabilities. Although substantial upfront investment will be necessary to shift the global supply chains to the United States and its allies and trading partners, such shift is expected to collectively boost incremental gross value added cumulatively by around $ 3.6 trillion while creating more than 18 million new jobs (*see Table 1*).[35]

[35] *Kearney Study* at 27.

Table 1: Economic impact of shifting consumer technology manufacturing away from Mainland China and Taiwan

	Total	United States	France	Germany	Japan	South Korea	United Kingdom	Mexico	India	Vietnam
Current Share of U.S. Consumption	66.3%	41.4%	0.2%	1.4%	1.7%	2.4%	0.5%	12.3%	0.4%	6.0%
2033E Share of U.S. Consumption	89.6%	44.0%	0.2%	1.7%	2.8%	2.8%	0.8%	16.1%	5.3%	15.9%
Incremental Business Investment ($M)	127,285	55,660	6,490	13,005	21,995	22,905	2,595	265	1,160	3,210
Direct Incremental Job Impact	1,167,000	118,000	1,000	27,000	142,000	153,000	47,000	65,000	173,000	441,000
Indirect Incremental Job Impact	13,703,000	412,000	9,000	214,000	1,322,000	1,208,000	354,000	971,000	2,591,000	6,622,000
One-time Construction Job Impact	3,224,000	653,000	108,000	260,000	449,000	466,000	62,000	37,000	237,000	952,000
Total Incremental Job Impact	18,094,000	1,183,000	118,000	501,000	1,913,000	1,827,000	463,000	1,073,000	3,001,000	8,015,000

Sources: Eurostat, Gartner, OECD, OEC, Oxford Economics, UN Comtrade, U.S. Bureau of Labor Statistics, World Bank, World Trade Organization; Kearney analysis

In particular, CTA recommends the following actions for a successful implementation of a multi-geography "team approach":[36]

- Extend trade agreements with treaty allies and trading partners that are comprehensive and enforceable and honor their commitments to each other. The United States has some of the lowest tariff rates for a range of consumer technology products compared to its treaty allies and trading partners. Through expanding the scope of bilateral and plurilateral trade agreements, the United States could increase access to capabilities in other geographies by reducing their barriers to trade. In particular, CTA supports high standard, comprehensive, binding and enforceable U.S. free trade agreements with the United Kingdom, Japan, and Southeast Asia nations to reduce trade costs and barriers to trade and strengthen the rule of law.

- Encourage investments through incentives in capabilities at these treaty allies and trading partners to strengthen each participating geography's manufacturing capability, available workforce, and infrastructure.

- Cooperate with allies and partners to strengthen the World Trade Organization and explore multilateral and regional trade and investment efforts, such as further accessions to the WTO Information Technology Agreement and its 2015 expansion as

[36] *See Top Ten Ways for Turning Trade Friends into Trade Best Friends Forever (Trade BFFs)*, CTA (Jan. 7, 2023), https://cdn.cta.tech/cta/media/media/advocacy/pdfs/tradebff.pdf.

well as expansion of product covered by the Agreement, to eliminate tariffs on consumer technology products and inputs.

- Collaborate with allies and partners to prevent the implementation and enforcement of disruptive and harmful unilateral enforcement actions. The United States could lead by example through offering to make the next set of Section 301 exclusions permanent or at least effective for a long period of time.

- Ensure that incentives available to domestic industries are also available to industries from allies and partners.

- Allow free flow of goods and data across borders of allies and partners that will enable businesses to secure diversified supply sources. In this regard, the United States should engage in two separate but joint courses of action. First, the United States continue to support the continuance of the WTO moratorium on e-commerce past the 14th WTO Ministerial Conference in 2026 in Cameroon to ensure the free flow of data across borders of allies and partners, data that are crucial to supply chain resilience. Second, the United States should work toward making the WTO moratorium on e-commerce permanent through the ongoing plurilateral Joint Statement Initiative on E-commerce ("E-commerce JSI"). Both actions are necessary as not all WTO Members are part of the E-commerce JSI and not all E-commerce JSI participants may sign onto the final products.

- Engage in open and honest discussions with allies and partners to promote higher labor, environmental, and fair-trade standards.

- Confirm that measures directed at foreign countries of concern, such as China, do not harm allies and partners, including those that already have free trade agreements with the United States (i.e., USMCA).

V. Conclusion

For the reasons set forth above, CTA urges USTR to change its current approach to securing supply chain resilience and instead pursue a multi-geography "team approach" under which USTR can expand 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.
CTA stands ready to serve as a resource for USTR in its endeavor to promote supply chain resilience and protect U.S. businesses and workers.

Sincerely,

Ed Brzytwa
Vice President of International Trade

Consumer Technology Association

Michael Petricone
Senior Vice President of Government Affairs
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Annex 1: CTA Responses to Questions in the Request for Comments

Question 1. How can U.S. trade and investment policy, in conjunction with relevant domestic incentive measures, better support growth and investment in domestic manufacturing and services?

- Response: As discussed, U.S. trade and investment policy that is focused on engaging with U.S. treaty allies and trading partners will incentivize supply chain shifts towards those countries and, in turn, will spur investment, innovation, and job creation in the United States.

Question 2. What existing or new tools could help ensure that growth in domestic manufacturing and services does not undergo the same offshoring that we have experienced over the past few decades?

- Response: Comprehensive and enforceable trade agreements with treaty allies and trading partners will help ensure the growth of domestic manufacturing and services by shifting manufacturing capabilities to the United States and its treaty allies and trading partners. Further, the United States should promote digital trade and digital tools that facilitate trade as they enable transparency and efficiency in supply chains and lower supply chain costs for companies.

Question 3. How can U.S. trade and investment policy promote a virtuous cycle and "race to the top" through stronger coordination and alignment on labor and environmental protections within trusted networks among regional and like-minded trading partners and allies?

- Response: Engaging in plurilateral trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP"), and negotiating new bilateral free trade agreements could assist the United States in shaping high standards on labor, environment, and fair trade and achieving broad update of those standards across a wide range of developed and developing economies. Moreover, by setting an example through honoring those commitments, the United States could foster trust among regional and like-minded trading partners and encourage adherence to these standards.

Question 4. What are examples of trade and investment policy tools that potentially could be deployed in the specified sectors to enhance supply chain resilience? In these sectors, what features of the current policy landscape are working well, or less well, to advance resilience?

- Response: Policies encouraging the United States to negotiate free trade agreements with its treaty allies and trading partners to remove barriers to trade would enhance supply chain resilience. For example, outside of the USMCA and KORUS, the United States currently has no free trade agreements with most of its treaty allies and trading partners for semiconductors. Free trade agreements with these countries will increase the availability of products made in those geographies

to the United States. This will in turn allow U.S. businesses to diversify their supply chains while simultaneously promoting supply chain resilience among allies.

Question 5. What additional sectors may need dedicated trade and investment policy approaches to advance supply chain resilience? What should such approaches entail? With respect to those sectors, what features of the current policy landscape are working well, or less well, to advance resilience?

- Response: Given the increase in importance of consumer technology products, sectors such as communications equipment, computers and peripheral equipment, and audio and video equipment should also be included in USTR's trade and investment policy considerations in a manner that encourages supply chain diversification and the multi-geography "team approach" discussed above. Further, USTR should broaden the scope of its trade and investment policy to cover U.S. workers across all sectors as the current worker-centric trade policy does not address the needs of technology sector workers. Its current overemphasis of jobs in the manufacturing and agricultural sectors over knowledge-based or services jobs pits U.S. workers against U.S. workers. This will lead to harmful destruction of R&D, innovation, and design industries in the United States.

Question 6. Across sectors, how does access to capital equipment, manufacturing equipment, and technology support supply chain resilience for U.S. producers, and is there a role for trade and investment policy?

- Response: As explained in our comments and the Kearney study, capital equipment, manufacturing equipment and technology are key to the success of supply chain resilience. They enable the United States and its treaty allies and trading partners to build the necessary infrastructure and workforce to shift the supply chain away from China.

Question 7. How can the development of technical standards and regulations support supply chain resilience?

- Response: Higher labor, environmental, and fair-trade standards allow the United States and its treaty allies and trading partners to compete fairly on a level playing field while encouraging a race to the top through high performance. Further, sharing common values can also foster cooperation to confront trade coercion by nations that do not share the common values and standards, such as China, through enhanced market access to each other.

- In order to achieve this objective, however, CTA strongly urges USTR and the Administration to support, preserve, and strengthen the private-sector-led, voluntary, open, and consensus-based standards development system. The private sector is in the best position to identify shortcomings in supply chain resilience, respond to market needs and changes, and develop voluntary consensus standards that will enhance supply chain resilience. Government-lead approaches to

standards development, as seen in Europe and China, most often sacrifice competitiveness and do not accurately reflect the realities of the market.

- While leaving the standard-setting task to the private sector, USTR and the Administration should work with the private sector to increase U.S. representation in international standards development activities to ensure that voluntary, open, and consensus-based standards are developed consistently across the global.

Question 8. There is concern that preferential rules of origin in free trade agreements can operate as a "backdoor" benefiting goods and/or firms from countries that are not party to the agreements and are not bound by labor and environmental commitments. What actions could be taken to mitigate these risks and maximize production in the parties? What policies could support strong rules of origin and adherence to rules of origin?

- Response: As explained, in addition to free trade agreements, allies and trading partners can collaborate to shift supply chains away from countries that are not bound by labor and environmental commitments. This could be achieved by developing industry concentration to draw on expertise and investment of each party. While most consumer technology products are covered by the WTO Information Technology Agreement ("ITA"), the United States must refrain from overly stringent rules of origin for consumer technology products not covered by the ITA as the resulting burden on consumer technology companies could disincentivize localization.

Question 9. What factors are driving supply chain and sourcing decisions, and how does trade and investment policy impact them? How do companies factor geopolitical risk into their global and domestic manufacturing and sourcing decisions? How do companies take into account traceability and transparency considerations in supply chain and sourcing decisions?

- Response: There is a range of factors that affect supply chain and sourcing decisions, including the production ecosystem, availability of raw materials and inputs, labor availability, cost efficiency, infrastructure, and geopolitical tensions. Moreover, a level of certainty in the regulatory environment is a key factor for consumer technology companies when making supply chain decisions. A regulatory environment that lacks clarity and only provides ambiguous guidance cause companies to waste valuable time and resources decipher what is required of them.

Question 10. To what extent is supply chain resilience shaping capital allocation decisions among industry and investors?

- Response: According to the 2024 Kearney study, 44 percent of surveyed businesses stated "improved resiliency" as one of the top reasons for their decision to reshore and nearshore.

Question 11. How can supply chain resilience be measured, including the costs of insufficient resilience, and the impacts of trade and investment policy on resilience? What are appropriate quantitative or qualitative data to consider?

- Response: The most obvious indicators to measure supply chain resilience would be production cost and consumer prices. As experienced in the recent COVID-19 pandemic, the more supply chains become instable, the scarcer products become. This, in turn, caused a rapid increase in prices of products.

Question 12. How can U.S. trade and investment policy support supply chains that are inclusive of small, disadvantaged businesses and underserved businesses, including minority-owned and women-owned businesses, veteran-owned businesses, service-disabled veteran owned small businesses, and HUBZone businesses, and promote trade opportunities in underserved communities?

- Response: Contrary to USTR's belief, policies that are aimed at removing barriers to trade support small, disadvantaged businesses as they allow the cost of production to be reasonable. Any barriers to trade, such as tariffs, increase the burden of doing business for small, disadvantaged businesses more significantly than multinational companies.

Annex 2: Kearney Study "Building a Resilient U.S. Consumer Technology Supply Chain"

Press Release: https://www.cta.tech/Resources/Newsroom/Media-Releases/2023/October/Landmark-Study-Shows-Bringing-All-Tech-Manufacturi

Executive Summary: https://cdn.cta.tech/cta/media/media/resources/research/pdfs/building-a-resilient-u-s-consumer-technology-supply-chain_executive-summary.pdf?_gl=1*13yvpqi*_ga*MTAwMzU0NjQzLjE2Mzk0Mjk0NTM.*_ga_5P7N8TBME7*MTcxNzUzNTQwOC4yNjMuMC4xNzE3NTM1NDgyLjYwLjAuMA..&_ga=2.202162449.1020578051.1717535408-100354643.1639429453

Full Study: https://shop.cta.tech/products/building-a-resilient-u-s-consumer-technology-supply-chain [37]

[37] Note: Due to the size of the file for this study, CTA has provided it separately to USTR over email to supplychain@ustr.eop.gov.