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**Testimony of Stephanie Lester, Vice President for International Trade, to the United States
International Trade Commission**

**Investigation 332–536 Hearing on the Information Technology Agreement: Advice and
Information on the Proposed Expansion: Part 2**

Thank you for the opportunity to present the Retail Industry Leaders Association's (RILA) views regarding the World Trade Organization's (WTO) negotiations to expand the Information Technology Agreement (ITA). By way of background, RILA members include the largest and fastest growing companies in the retail industry, which together provide millions of jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad. RILA member companies buy, import and sell millions of information technology and consumer electronics products every year.

Retailers continuously strive to provide the latest and greatest products and technology that American families demand at prices they can afford. For this reason, RILA supports an ambitious effort to significantly expand the product coverage and country membership of the ITA. The ITA has helped drive innovation, accelerate productivity, increase employment, create more efficient markets, lower consumer prices, and bridge communities across the globe in ways unimagined 16 years ago. RILA was pleased to join with several other American trade associations and companies to participate in the WTO's 15th anniversary ITA symposium in Geneva in May 2012.

It is clear that information and communication technology (ICT) has advanced tremendously since 1996 and has profoundly changed how people live, work and play. Connected devices such as smart phones, gaming systems, and televisions with internet connectivity are hugely popular and have become an essential part of daily life for many Americans. Other ICT accessory products such as HDMI cables, chargers, semiconductors, headphones, radios and speakers are also important to retailers for ITA coverage as they are essential to functionality. The ITA should be expanded to include these products. ITA coverage would make these products more affordable, encourage competition, and promote greater production and use of these devices. Not to mention retailers and the American families who shop at our stores would benefit from millions of dollars in duty savings.

In particular, RILA strongly supports the inclusion of all flat panel screens (televisions and computer monitors) classified under HTS 8528. Broadcast television is a fundamental communications tools in our society, and internet videos are ubiquitous. The vast majority of TV broadcasters now operate web sites that offer a wide selection of TV content for display on computers connected to the Internet. Video teleconferencing is a commonplace business practice, and many businesses have a website with audio and video features. Educational videos are accessed in large numbers across the globe. Government web sites are full of video content. Today, there are virtually no meaningful differences between “consumer” audio/video and “business” audio/video.

Television technology has been a key part of the information and communications technology revolution. Flat panel screens have seen tremendous growth in consumer demand yet face 3.9 to 5 percent tariffs in the United States and even higher tariffs in Europe (generally 14 percent). RILA strongly opposes efforts to limit the screen size of televisions that would be included in the ITA as it would severely limit the potential benefit by covering very few products. It is estimated that shipments of televisions with a screen size of under 24 inches into the United States will decrease to about 2 million units in 2013, down from a peak of over 5 million units in 2009. Imports of TVs smaller than 24 inches are down 16 percent year to date while the average screen size of TVs imported into the United States is 40 inches.

The decrease in consumer demand for smaller TVs is offset by growing demand for tablets, and so we are glad that modern consumer electronics products such as tablets and e-readers already receive duty-free treatment under the ITA. We are aware that some ITA members have tried to scale back the ITA by attempting to remove products from coverage simply because they have been improved upon with increased functionality – essentially penalizing innovation. RILA believes that the United States should resist any efforts to exclude coverage of these products.

RILA also supports the written comments submitted to the ITC by the U.S. technology industry filed on September 6, 2012 in response to Investigation No. 332-532 to include additional products in the ITA such as audio and video recording equipment, transmission and reception equipment, video game consoles and entertainment software, GPS technologies, office

equipment, scientific, medical and analytical instruments, manufactured equipment and materials, and parts, components and accessories. Many of these products have also seen increased multi-functionality and technology convergence that should be recognized with broad inclusion in the ITA. The ITA specifically, and tariff policy generally, should support and encourage innovation, not stifle it by excluding products that have many functions.

In addition, while some countries have joined the ITA since it was completed, only 75 of the WTO's 157 members are ITA members. RILA sees the expansion of commitments to all WTO economies as an important negotiating priority for the United States.

RILA applauds the ITC for conducting Investigation No. 332-536. We appreciate the leadership at USTR on efforts to update and expand the ITA to benefit American businesses and American families. An expanded ITA would help to lower costs and improve American competitiveness, contributing to higher productivity, and quality of life.

Thank you for your consideration of our views and I am happy to answer any questions.