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November 20, 2012

Ms. Lisa R. Barton
Acting Secretary
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

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

Dear Ms. Barton:

On behalf of the Retail Industry Leaders Association (RILA), thank you for the opportunity to provide written comments on the World Trade Organization’s (WTO) negotiations to expand the Information Technology Agreement (ITA).

By way of background, RILA is the trade association of the world’s largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and 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. RILA members are also known for their innovation and cutting edge business practices in areas such as supply chain and inventory management. To stay successful, retailers are heavy users of information and communication technology products, which enable them to most efficiently track and move products and conduct business globally. For these reasons, 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.

U.S. retailers would benefit from an ambitiously expanded ITA

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, music players, 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, inks, headphones,

radios and speakers are also important to retailers for ITA coverage as they are essential to functionality and interoperability. The ITA should be expanded to include all of these products.

ITA coverage would make these products more affordable, encourage competition, and promote greater production and use of these devices. Retailers and the American families who shop at our stores would benefit from millions of dollars in duty savings.

All televisions should be included in an expanded ITA

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 tool 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.

Although televisions were excluded from the original ITA, television technology has changed dramatically and the arguments for their exclusion no longer apply. With the advent of the Internet, 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. Television content available on the Internet is in digital form, transmitted across the networks as data and immediately processed by the user’s computer. Television content has become just another form of data on global networks. In other words, a modern HD-ready TV is a digital device, able to process the digital bitstream that is HDTV, whether delivered over the air or through the cable, and displaying it on a flat panel display, along with the digital audio that accompanies it. All it lacks to be a full-fledged “computer” is the “free programmability” of computers. It is noteworthy that the ITA already covers many devices that are computers dedicated to specific functions.

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.

Additional ICT products should also be included in an expanded ITA

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 controllers, entertainment software, headphones and speakers, set top boxes, GPS technologies, office equipment, scientific, medical and analytical instruments, manufactured equipment and materials, and parts, components and accessories.

Many of these products have seen increased multi-functionality and technology convergence that should be recognized with broad inclusion in the ITA. Broad ITA inclusion would promote business certainty by ensuring that products are covered by the ITA regardless of their classification. Further, the ITA specifically, and tariff policy generally, should support and encourage innovation, not stifle it by excluding products that have many functions. RILA members request that U.S. negotiators reject any efforts by other countries to remove products such as amplifiers, speakers, video recording equipment, and radio broadcasting equipment (HTS categories 8518, 8521, 8527) from the consolidated list that was distributed to WTO members this summer.

The country membership of the ITA should be expanded

In addition, while some countries have joined the ITA since it was completed, only 75 of the WTO's 157 members are ITA members. While ITA product expansion is paramount, RILA also sees the expansion of commitments to all WTO economies as another an important negotiating priority for the United States. RILA strongly supports the United States' position that countries should join the ITA as part of any free trade agreement with the United States, including the ongoing Trans-Pacific Partnership talks.

Conclusion

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. Please do not hesitate to contact me at stephanie.lester@rila.org or 703-600-2046 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Lester". The signature is written in a cursive style with a horizontal line at the end.

Stephanie Lester