



Good morning Chairman Wyden, Ranking Member Crapo and Members of the Committee. My name is David Baer and I am the Chief Operating Officer and General Counsel of Element Electronics. Thank you for giving me the opportunity to share Element's story with the Committee.

Element is the sole remaining mass producer of televisions in America. Our facility is located in Winnsboro, South Carolina and at the end of 2020 was operating at essentially full capacity. That means all eight production lines were running and we had over 520 team members working at the facility. This success shows that with a level playing field our workers can out compete anyone. Importantly, our story is about community and people – at Element we offer living wages and benefits to our employees, over 90 percent of whom are African American. For many of our employees, Element is literally a family business with multiple generations working together at our facility. I have included in our written submission information about some of our employees and how they have benefited from the ability of Element to offer good paying jobs in our community.

However, the success of our employees and our community depends on two issues that are completely beyond their control: the continuation of tariff relief under the China 301 tariff exclusions and the Miscellaneous Tariff Bill, otherwise known as the "MTB."

With respect to the MTB, it is important to understand that the most expensive input into the LCD TVs produced by our team in South Carolina is the glass LCD panel. These panels are not available in the US. Thus, Element must import these panels. Element faces a severe tariff inversion situation when importing these panels. The normal tariff on LCD panels is 4.5 percent while the tariff on finished LCD TVs is 3.9 percent. Putting a higher tariff on an essential part as compared to the imported finished TV obviously incentivizes the importation of finished TVs over US production. To make matters worse, imports of finished LCD TVs from Mexico are duty-free under USMCA. TV producers in Mexico use the same panels that Element imports and the same factory equipment that Element uses – but Mexican producers import those LCD panels duty-free and then export the finished TVs into the USA duty-free.

The 2018 MTB provided temporary relief for the tariffs on imported LCD panels. Unfortunately, the MTB lapsed at the end of last year, and, as a result Element is once again at a severe competitive disadvantage relative to imports, particularly duty-free imports from Mexico.

In addition to the lapse in the MTB, Element is also now paying an additional 7.5 percent tariff on any LCD panels imported from China as a result of the Section 301 tariffs. Element deals with the unfair competitive pressures from imports from China every day. We have seen firsthand how the Chinese government subsidizes and controls Chinese companies and the Chinese economy. The United States must aggressively confront the actions and policies of the Chinese government. However, the United States must also be careful not to inflict unintended harm on American producers and workers who have no choice but to rely on certain imports from China.

Recognizing the lack of US production of LCD panels and the dominance of China in the LCD panel market, Element received an exclusion from the Section 301 tariffs. Like the MTB, that exclusion expired last December. Even with the exclusion in place, Element worked to find non-Chinese suppliers for LCD panels and for a time was successful in sourcing LCD panels from sources outside of China. Unfortunately, over the course of 2020 each of these non-Chinese suppliers exited the LCD panel market for TVs as a result of relentless unfair competitive pressure from China. Now, Element is once again forced to rely on imports from China as we search for alternative sources of supply, which do not currently exist.

As a result of the lapse in the MTB and the 301 tariff exclusion, Element has gone from operating at full capacity and over 520 team members at the end of the year to operating just 4 lines, and employment has dropped to 370 team members. Although Element continues to produce to meet its ever-increasing demand from its customers, it is impossible to remain competitive in the face of an overnight 12 percent tariff disadvantage to our competition, most of whom are using Chinese materials assembled in Mexico. Without a restoration of the MTB and the 301 exclusions, Element will be forced to move production out of the USA. This will devastate our workers and our community.

Demand for Element TVs is strong. Just a few weeks ago, Element was named Walmart's 2020 Supplier of the Year in the entertainment, toys and seasonal category. However, no one can be expected to pay a premium of 12 percent for a TV produced in the US. Leveling the playing field through retroactively restoring the MTB and Element's exclusion from the 301 tariffs will allow Element's employees to once again successfully compete against anyone. Moreover, passing this bipartisan legislation will allow Element and many other companies to get back to doing what we do best – employing hundreds of hard-working Americans in good paying jobs in a community that relies on Element as one of its primary sources of economic growth. Therefore, on behalf of Element Electronics, our team members and their families, I urge Congress to enact legislation that would retroactively restore the MTB and if the Administration will not use the authority it has to retroactively restore the exclusions from the 301 tariffs, then Congress should enact legislation that requires the retroactive restoration of these exclusions.

Thank you for your time and I am happy to answer any questions you may have.