



## Polish Chamber of Commerce for Electronics and Telecommunications

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Warsaw, June 30, 2006

**Polish Chamber of Commerce for Electronics and Telecommunications**  
*Stand on discussion on prolongation or expiration of Council regulation No. 493/200,*  
*concerning tariff suspension of LCD displays with a diagonal of 19" or less*  
*and an aspect ratio of 4:3/5:4.*

The expiration or prolongation of Council regulation No. 493/2005<sup>1</sup>, concerning tariff suspension of LCD displays with a diagonal of 19 inch or less and an aspect ratio of 4:3/5:4, is to be discussed in the coming Council meeting on 3<sup>rd</sup>-4<sup>th</sup> July 2006. Having taken into consideration documents sent by The Ministry of Economy, Polish Chamber of Commerce for Electronics and Telecommunications presents its stand on this matter worked out along with Polish entrepreneurs.

The documents sent to the Chamber clearly state that apart from the expiration or prolongation of Council regulation No. 493/2005, criteria other than size are to be discussed as well. To our surprise there will be a discussion on whether displays incorporating a tuner (this is in fact a television, now sometimes referred to as multi functional monitor or MFM) should become duty free although it clearly is neither in the EU's nor Poland's (that is now becoming the biggest production centre for this industry in EU) interest to broaden the coverage of the regulation to cover such products.

We would like to take the opportunity to express our views and offer some considerations on this matter.

1. **The 19" diagonal criterion.** It still covers 90+% of video monitors used mainly as an output unit for automatic data processing machines ("computer monitors"). Our Chamber is convinced that the following considerations are relevant to the question of the continuation of the current tariff suspension criteria (size =<19" and aspect ratio 4:3/5:4):
  - a) Market data<sup>2</sup> indicates that there is no significant market today (less than 4%) with very modest growth for the next two years for the monitor category 20 inch and larger;
  - b) The same market data indicates that the greater majority (92% in 2007 and 89% in 2008) will still have an aspect ratio of 4:3/5:4;
  - c) The current tariff suspension for monitors, already covers more products than just computer monitors, i.e. it includes monitors that are **MAINLY** used as TV monitors.
2. **Dot pitch criterion.** According to KIGEiT's data it is an unreliable criterion to distinguish computer and video/TV LCD monitors and will open a loophole leading to **large screen** video/TV monitors becoming **duty free**. A few considerations in respect the dot pitch < 0.3mm criterion are presented below:
  - a) According to market data (see 1a) size already seems to be able to determine a very high proportion of video monitors used mainly as an output unit for automatic data processing machines (ADP);

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<sup>1</sup> Tariff suspension of LCD displays with a diagonal of 19" or less and an aspect ratio of 4:3/5:4 exp. 31.Dec.2006 (Taric 8528 21 90 30) EU L-82/2005

<sup>2</sup> Presented by MEKO at CeBIT

- b) The dot pitch is put forward as a criterion to cover the 8% (2007) and 11% (2008) wide screen video monitors mainly used with an ADP not currently covered by the tariff suspension;
- c) A dot pitch criterion of 0.3mm would have the **unwanted** consequence that larger size video monitors would also be exempted from duty (in 2007-77% and in 2008-81% of LCD TVs/ video monitors will be wide screen);
- d) The great majority of these larger screen sizes (>19") **are primarily** used for video/television type of purposes (e.g. combined with a set top box you can watch TV, video-reproducing when connected to a DVD player, gaming console, etc.);
- e) If the Council decides that the difference between a video monitor with < 0.3mm dot pitch and one with >= 0.3mm is 14% import duty, it is only a matter of time before all imported video monitors will appear with a dot pitch of < 0.3mm. This criterion will encourage tariff engineering on a wide scale in order to avoid the 14% import duty.

Concerning the above, we are already starting to see displays with < 0.3mm dot pitch being used in TV applications. (e.g. LCD monitor displays used in HD-ready 20" widescreen TV with 1680x1050 resolution and 16x10 aspect ratio). This is certain to escalate with increased market penetration of HD-TV, HD-DVD and HD-set top boxes. Dot pitch as a differentiator is currently unreliable for small sizes (<20") and is already being eroded for larger sizes.

According to our data the majority of currently used TV monitors in EU have the diagonal between 20-24".

3. **The economic consequences** of the widening of the tariff suspension to LCD displays on European electronic industry.

- a) If the Council decides to implement the <0.3 mm dot pitch criterion or to extend tariff suspension to LCD monitors with an incorporated tuner (=television) it will undermine the EU TV assembly business.

Polish Chamber of Commerce for Electronics and Telecommunications believes that the proposal to prolong the Council regulation 493/2005 is seriously defective and would be highly detrimental for the European TV/video monitor assembly industry as well as its suppliers. It is entirely contradictory to the principle that a tariff suspension must stimulate industry within the EU. We are convinced it will only serve the interests of importers at the expense of EU production (including Poland).

- b) There are at least 30 different LCD & Plasma TV manufacturers operating today in the UK, Netherlands, Belgium, France, Germany, Poland, Czech Republic, Slovakia, Hungary, Spain and Italy. There is a very substantial supporting infrastructure (e.g. PCB industry, electrical components and assemblies, plastics, metal, packaging, manufacturing equipment and facilities etc) in many EU member states. These activities are also directly threatened by the proposal which will result in significant job losses in the EU.
- c) **Widening the tariff suspension scope will undermine EU investment** by LCD panel manufacturers. There are unprecedented investments now being made in the EU to establish production of flat panel display modules and components for the TV/video monitor assembly industry. **LG Philips LCD, Sharp and IPS Alpha Technology (joint venture of Matsushita/Panasonic, Toshiba and Hitachi.) are preparing LCD module facilities**, whilst **Samsung and LGE** are preparing to manufacture Plasma modules.

Main component suppliers ( 3M, Heesing Electronics, LG Imotek, Dong Yang Electronics, LG Chem, Ohsung Display, Dae Yang Electronics, etc...) are also preparing to invest in Poland, Czech Republic and Hungary. Other LCD module manufacturers and their component suppliers are preparing to follow this trend and bring substantial investment and jobs into the EU. An estimated 15,000 new jobs will be created in Poland alone as a result of planned investment in the flat panel module and finished product assembly industry in the next 2-4 years. These investments **will be very negatively influenced** and become unsustainable if the current LCD monitor tariff suspension is extended.

**d) Widening the tariff suspension scope will weaken the EU's negotiating position in the WTO NAMA discussions.**

The proposal to extend tariff suspension to televisions and implement the <0.3mm dot pitch criterion would be against the strategy of the EU in the Doha round of trade negotiations at the WTO, because it eliminates EU tariffs which should be used as leverage to address both tariff- and non-tariff barriers in other countries. Suspending the tariffs on LCD televisions or larger video monitors would be a real dis-incentive for other countries to make concessions. It would be a serious mishandling of one of the few remaining levers to secure normal market access for the European Industry in other countries.

**Conclusion**

Taking all the above into consideration, Polish Chamber of Commerce for Electronics and Telecommunications strongly believes that broadening of the scope of the existing suspension, for example to include LCD televisions or video monitors larger than 19" will initially slow down, then create conditions for the decline of :

- the European TV/video monitor assembly industry,
- the component and module industry supporting this assembly industry,
- current and planned investments in the EU in those industries
- current and future investment connected employment level and number of new jobs

The above mentioned factors may subsequently weaken the EU's negotiating position in the WTO NAMA discussions.

Polish Chamber of Commerce for Electronics and Telecommunications **supports a simple** prolongation of the Council regulation No. 493/2005, concerning tariff suspension of LCD displays with a diagonal of 19 inch or less and an aspect ratio of 4:3/5:4, but **does not support** any extension of the scope (size, tuners 0.3 mm dot pitch etc).

That is why we ask the Polish government to emphasize, when making a stand on the discussed proposals on behalf of the Polish electronic industry, that there must be an opportunity to reinstate the tariff suspension when declaring the production of the above mentioned electronics.

We believe the currently used solution is the best for EU interests, and also provides a reasonable compromise for both IT and Consumer Electronics companies.

Chairman of KIGEiT

  
Stefan Kaminski