

STRENGTHENING TRADE AND OPENING NEW MARKETS

CEA POSITION: The consumer electronics (CE) industry is a global industry that relies on a multinational effort to achieve research, development, design, sourcing, production, testing, packaging and distribution of its products. As such, the Consumer Electronics Association (CEA)® supports free trade policies and has strongly advocated on behalf of greater market access through the elimination of tariff and non-tariff barriers. CEA urges Congress to pass pending free trade agreements, and reauthorize Trade Promotion Authority (TPA).

BACKGROUND: Combined, CEA's members participate in the high tech sector, which accounts for more than 20 percent of total US exported goods, exporting \$220 billion annually. The ability for the United States to enter into free trade agreements (FTAs) with other nations is vital to the continued international expansion of the CE and high-tech industries. Existing FTAs have allowed greater access to other markets by eliminating harmful tariffs and establishing a level playing for American companies and workers. This has allowed companies to more easily facilitate operations in those markets by improving intellectual property rights, standards and increased transparency.

Future agreements, created by free and open trade, will not only open additional untapped markets, but also allow these industries to continue to create high-paying U.S. jobs and positively contribute to the U.S. economy.

The Information Technology Agreement (ITA), an agreement among willing countries in the World Trade Organization (WTO), allows many IT products such as computers to be tariff free, including the products of some of many of our members. However, the ITA is currently under threat by the European Union (EU), members of the ITA who are looking to reclassify product which is already covered by the agreement, putting product such as set-top boxes and cell phones at risk of once again facing prohibitive tariffs.

The United States, Japan, and Taiwan have brought a case against the EU to the WTO. The case is in the beginning stages and will take several months to resolve. CEA continues to monitor the situation and participate when and as appropriate.

CEA EVALUATION: The U.S. CE industry is highly competitive and globally integrated. Two-thirds of CEA members conduct some sort of international business, primarily in Asia, Europe and Latin America. And the industry is growing; a majority of CEA members look to export to new and emerging international markets. However, large investments are needed to manufacture CE products, and even then many of these goods often have narrow profit margins.

In order for companies to implement these ambitious plans and make a profit, it is imperative that the United States continue its push for further market expansion and advance the principles of free and open trade. These policies help mitigate the risks involved and help to prevent supply chain disruptions for American manufacturers.

In the absence of strong trade promotion and enforcement, distortions in the market can affect pricing and manufacturing costs and can have a major impact on the ability of small businesses to compete in the global marketplace. It is not easy for U.S. businesses to sell their goods abroad. But by enforcing the trade rules and carrying out policies that establish a clear and cohesive rule of law, CE

businesses are more adequately equipped to maneuver in foreign markets and make their exporting business as competitive and profitable as possible. This means advancing several aspects of public policy that affect small exporters, including:

- Pursuing Bilateral Free Trade Agreements (FTAs) – Though a multilateral approach is certainly best, in the absence of an agreement in the Doha Round of the WTO, bilateral FTAs offer the next best way to open foreign markets to small U.S. businesses. FTAs create sales opportunities, reduce costs and diminish uncertainties associated with exporting to new markets. FTAs implement intellectual property rights standards, establish substantive investment protections, and provide increased transparency for U.S. exporters. CEA urges Congress to pass the pending FTAs with Peru, Colombia, Panama and South Korea.
- Eliminating Non-Tariff Trade Barriers – The U.S. must continue to work with our trading partners to reduce and eliminate non-tariff barriers to trade. Examples of these include cumbersome customs regulations, corrupt government procurement processes, and most recently, a proliferation of divergent or non-harmonized approaches to environmental standards, among others. These non-tariff barriers hinder trade and burden CE companies with unnecessary compliance costs.
- Upholding and Enforcing Trade Agreements – In addition to pursuing new agreements, the U.S. must commit to maintaining and enforcing those agreements already in place. While the global high-tech industry remains hopeful that a global electronics sectoral negotiation to eliminate tariff and non-tariff barriers for the electronics sector can take place within the Doha Development Round, in the interim the United States must take an aggressive stance to protect products already covered by the WTO's Information Technology Agreement (ITA). The ITA covers over 97 percent of world trade in information technology products, and provides for the elimination of duties on those covered products. However, as technology has evolved the European Union claims that some products in the ITA do not apply to the next generation of covered products. It is crucial to uphold the provisions of the ITA that allows for future developments of IT products and enables companies to enjoy the full scope of the agreement's intended duty-free benefits.

OUTLOOK: CEA will continue to be actively involved in the trade policy debate. In the negotiations realm, CEA will look to the WTO and the ITA, as well as intensifying efforts for our industry in other trade negotiating and facilitating fora. CEA urges passage of pending free trade agreements, and a broader education of members, and the public on the importance of trade to the CE industry.

For more information, please contact CEA at publicpolicy@CE.org or visit www.CE.org/freetrade.