

TECHNOLOGY AND THE U.S.-CHINA RELATIONSHIP

CEA POSITION: China is a priority market for the Consumer Electronics Association (CEA)® and the consumer electronics (CE) industry as a whole. Due to its entry into the World Trade Organization (WTO) multilateral trading system, its phenomenal economic growth and a corresponding ability to compete globally, Chinese CE companies are growing at a rapid pace and are providing increasing competition to industry stalwarts from Japan, Korea and the U.S. At the same time, China represents an untapped opportunity for many companies as millions of Chinese consumers move towards the “middle class.” Managing the continuing emergence of the Chinese economy in a way that benefits the American economy and the CE industry will continue to pose policy challenges.

BACKGROUND: In 2005, CE imports from China were \$14.7B. In November 2006, CE imports from China were up 22 percent over 2005. In 2005, CE exports to China were \$96M. In November 2006 CE exports to China were up 69 percent year-to-date over 2005. Despite significant export growth, a loss of U.S. manufacturing jobs, questionable Chinese labor practices and environmental standards, a trade imbalance, strong debate over the value of China’s currency, and a continuing lag in enforcement of intellectual property rights, means that the political climate in Washington towards China policy remains challenging. Moving forward, it will be critical to educate lawmakers of the importance of an open trading regime with China, one of the consumer electronics industry’s most critical trading partners. It is also imperative that CEA remain proactive in ensuring China’s environmental practices are transparent and consistent with industry-led standards.

CEA EVALUATION:

- **Engage in Constructive Approaches to US-China Business Issues**

Throughout the year, CEA has been engaged in efforts to push back legislation that could be detrimental to U.S.-China trade relations (such as various currency bill proposals) while contributing to public and private efforts to pursue positive Chinese engagement on international environmental standards and conformity assessment matters, energy efficiency and intellectual property rights.

In addition, CEA has remained active in the information industry working group for the U.S.-China Joint Commission on Commerce and Trade (JCCT). The JCCT establishes a work plan for addressing issues concerning China’s compliance with its WTO obligations. Finally, CEA commissioned and released a study highlighting the relationship between the United States and China in the CE industry. CEA will continue to work in partnership with the Department of Commerce, United States Trade Representative (USTR) and Chinese officials to address industrial policy issues and consider forums for best educating policymakers about the priorities of our industry.

- **Educate Member Companies on Issues Concerning Intellectual Property Rights**

As part of our *International Insider Series* of whitepapers, CEA issued a report on *Opportunities in China*. As part of that report, CEA provided information to members about intellectual property rights infringement in China, strategic considerations when entering into joint ventures, and enforcement options available to U.S. firms in China as well as those companies that are importing products into the United States.

- **Ensure the Consumer Electronics Industry Leads by Example with Regards to Environmental Responsibility**

At the 2007 SINOCES held in Qingdao, CEA held the first ever U.S. – China public-private dialogue on environmental policy issues. Additionally, CEA hosted the 2007 JCCT ICT Energy Efficiency Forum, a conference on recent industry initiatives, developments in energy efficiency policy, and best practices in addressing CE energy use. Both conferences allowed policymakers from both China and the United States to hear firsthand how the CE industry is making headway in its efforts to remain environmentally responsible.

Additionally, the conferences attracted a number of U.S. and Chinese companies to SINOCES that would not have otherwise attended. CEA is continuing to work with both U.S. and Chinese policymakers to ensure environmental regulations to not impede the CE industry's competitive edge and monitor the status of numerous environmental regulations.

OUTLOOK: In the new Congress, we expect that striking a constructive balance in U.S. – China trade relations will continue to pose significant challenges for lawmakers and industry. CEA will continue as a leading industry voice with respect to U.S.-China relations. CEA's sponsorship of the SINOCES in Qingdao provides an excellent platform for continued leadership in this crucial international relationship.

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