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Hearing on President Obama's Trade Policy Agenda with U.S. Trade Representative Ron Kirk and Second Panel on the Future of U.S. Trade Negotiations

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I. Background on CEA

CEA is the preeminent trade association promoting growth in the consumer electronics industry through technology policy, events, research, promotion and the fostering of business and strategic relationships. CEA represents more than 2,000 corporate members involved in the design, development, manufacturing, distribution and integration of audio, video, mobile electronics, wireless and landline communications, information technology, home networking, multimedia and accessory products, as well as related services.

CEA's members account for more than $121 billion in annual sales in the United States. This figure represents approximately 40 percent of all CE sales worldwide. The CE industry directly employs approximately 1.9 million workers in the United States. Of these, 212,000 jobs are in manufacturing; 574,000 are in retail; 38,000 are in transportation; and 1,073,000 are in parts of the U.S. economy that solely depend on the utilization of CE products, such as the motion picture and sound recording industries, telecommunications, broadcasting, and software development. Many of these jobs are on the cutting-edge of technology, including jobs related to the research and development of new technologies, as well as the marketing and design of new products. The CE sector directly generates $1.4 trillion in output, $325 billion in labor compensation, $145 billion in tax payments, and 4.4 million jobs in the United States. This economic activity translates into a direct contribution of $585 billion by the CE sector to U.S. gross domestic product ("GDP") – 4.6 percent of the entire national economy.

This robust industry picture has occurred despite the fact that CE markets around the world are not as open as they should be. The World Trade Organization ("WTO") Information Technology Agreement ("ITA"), while an important boon to the global technology industry, does not include most CE products. Consequently, many CE products are still subject to significant tariffs and non-tariff barriers around the world. The persistence of these trade barriers informs CEA's position with respect to trade negotiations. CEA views bilateral trade agreements, as one vital step in reaching the larger goal of multilateral trade liberalization.

The CE industry is a highly competitive, efficient, and globally integrated industry. These factors, coupled with the large investment needed to manufacture CE products, result in CE products often having narrow profit margins. In the absence of a multilateral agreement covering CE products, small price changes resulting from duty savings stemming from free trade agreements (FTA) can have the effect of shifting quantities of products demanded to those products produced by favored manufacturers, i.e., those trading with the benefit of an FTA. Accordingly, CEA favors global trade liberalization, which best avoids the trade distortions that may benefit some members while disadvantaging others, and ultimately could be detrimental to consumers. Lowering barriers on a reciprocal basis will have a positive effect in terms of maximizing areas in which the US CE industry has competitive edges, such as in high technology parts, research and development, design, and the launching of new products.

The last two decades have largely been defined by two trends – globalization and technological change. The CE sector, which includes companies that manufacture and distribute electronic products to consumers and that supply content and services for use with these products, has been profoundly affected by both trends. The rise of the Internet, computers, and cellular telephones has revolutionized the way people communicate, shop, learn, and live, in addition to changing the types of products that consumers purchase. While manufacturing of many consumer electronics products has moved abroad, domestic employment in industries supplying content and services for these products has risen. International trade and technological advances have improved the quality and variety of consumer electronics products available and lowered prices. Including indirect and induced effects, the industry contributes $2.6 trillion of total output, $836 billion of labor compensation, $321 billion in taxes, and 15.4 million jobs. The direct, indirect and induced economic activity translates into a $1.3 trillion contribution by the CE sector to U.S. GDP – 10.4 percent of the entire national economy. Trade is an important component of U.S. economic activity in the CE sector, and exports remain the largest element of trade's contribution. Exports of goods and services account for 10 percent of total CE sector output. This translates into approximately 1.5 million U.S. jobs reliant on CE exports and 2.4 million jobs reliant on trade overall. Tax payments of $6 billion are attributable to the sale of U.S. CE goods and services overseas. That number grows to approximately $30 billion when indirect and induced effects are included.

II. Benefits of the Tariff-Eliminating Expansion of the Information Technology Agreement

CEA supports for immediate action to support tariff cutting expansion of product coverage for the Information technology Agreement (ITA). The ITA is one of the most commercially significant and successful trade agreements of the World Trade Organization (WTO).
Following the APEC Leaders Declaration in which Ministers agreed to playing a leadership role in launching negotiations to expand the product coverage and membership of the WTO Information Technology Agreement, high-tech industry leaders from around the world have committed to working with their governments and industry to launch negotiations on an expanded, tariff-elimination ITA.

From 1996 to 2008, total ITA product trade increased more that 10 percent annually, from $1.2 trillion to $4.0 trillion. The ITA has helped to drive innovation, lower consumer prices and further integrate the global industry. Initial analysis predicts that expanded coverage of the ITA could completely remove tariffs on at least an additional $800 billion in information and communications technology (ICT) trade globally.

The ITA expansion must be a focused tariff-eliminating agreement. ITA expansion would yield immediate and substantial benefits, removing tariffs on a vast array of tech products not currently covered by the agreement. We are deeply committed to working with our government and the global ICT industry to move quickly to advance this important negotiation which will expand trade, foster innovation and increase jobs around the world.