

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON SMALL BUSINESS  
HEARING ON "U.S. TRADE POLICY AND SMALL BUSINESS"  
JUNE 13, 2007**

**TESTIMONY OF SAGE CHANDLER  
SENIOR DIRECTOR FOR INTERNATIONAL TRADE  
CONSUMER ELECTRONICS ASSOCIATION**

Madame Chairwoman, Ranking Member Chabot, Members of the Committee: On behalf of the Consumer Electronics Association (CEA), thank you for the opportunity to discuss U.S. small business access to foreign markets.

CEA is the principal U.S. trade association for the consumer electronics industry. Our 2,100 members include manufacturers of audio, video and IT products which are enjoyed in the home or in the automobile. Our industry drives the American economy and accounts for our world leadership in innovation.

Although we include represent virtually every large consumer electronics manufacturer, eighty percent of our members are small businesses, which we define as a company having annual revenues below \$30 million. In fact, our small business members are located in each state represented on this Committee.

Our industry relies heavily on international trade. Last year, U.S. exports of consumer electronics totaled nearly \$4 billion, helping to support nearly two million American jobs. Fair and open access to markets abroad is absolutely crucial to our small- and medium-sized member if they are to remain competitive in the global marketplace.

One of our small member companies, The Guitammer Company, is a typical example. This Columbus, Ohio company manufactures high-end subwoofers and supports 11 jobs. Approximately twenty percent of their business is based on international sales. The Guitammer Company has been recognized as one of the nation's fastest-growing companies and its products are sold in over 35 countries worldwide. The company has managed to grow and create high-wage jobs even at a time when the United States and Ohio in particular, has lost manufacturing jobs.

To ensure the continued success of members like the Guitammer Company our trade negotiators and lawmakers must make every attempt to reduce foreign trade barriers and promote an aggressive trade policy agenda. Because of market opportunities created by free and open trade, our small business members will be able to continue to create high-paying U.S. jobs and positively contribute to the U.S. economy.

The U.S. consumer electronics 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. In a recent industry

survey, preliminary results show that almost half of CEA members said they plan to, or would like to, export to a new market within the next 12 months. However, large investments are needed to manufacture consumer electronics 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. small 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, small 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 World Trade Organization, 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.
- Reauthorizing Trade Promotion Authority (TPA) – As you know, TPA expires later this month. Without TPA our trading partners will be reluctant to negotiate trade pacts with the United States. Absent TPA, America's hands will be tied and the U.S. will fall behind the European Union, Brazil, China and other countries currently negotiating FTAs at an unprecedented pace.
- 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 small 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, many countries – particularly the European Union – now claim the ITA does not apply to the next generation of covered products. It is crucial for the U.S. Government 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.

- Promoting an Efficient Temporary Visa Program – Like many small businesses, those in the consumer electronics industry rely on trade shows like CEA's annual event, the International Consumer Electronics Show (commonly known as CES). CES is the nation's largest trade show, and is an outstanding opportunity for companies to introduce their new and innovative products and make important sales. For a small business this is a huge opportunity because it means that it can make important contacts with international buyers, press and partners without breaking the bank on international travel and meetings. But in order for this event to remain successful, we need as many potential foreign buyers to attend the CES as possible. At this year's event, over 140 countries were represented. These foreign buyers and partners promote U.S. consumer electronic products abroad, which in turn expand future sales opportunities. Although we had over 25,000 international attendees (all contributing to our economy), thousands more were discouraged from attending due to unduly restrictive U.S. policies on visas. For many overseas business executives, the visa process is often slow, arbitrary and unpredictable. This leaves our small American entrepreneurs at a major disadvantage to their foreign competitors in their efforts to reach international buyers. CEA has even situated shows in Dubai and China so that our members could reach foreign markets. While safeguarding national security interests is paramount, Congress should recognize that it is important for the U.S. visa process to operate quickly and efficiently in order to maintain a strong foreign customer base at CES and similar events around the country.

While trade among NAFTA countries has increased significantly in the decade since it was signed, the infrastructure and customs processing facilities have not been able to stay ahead of the increased commerce. For instance, during the peak season in 2006, there were two to three mile backups of trucks trying to cross into the United States, with some waits up to 10 hours. C-TPAT (officially known as the Customs Trade Partnership Against Terrorism) is invaluable in keeping traffic moving. But as long as we continue to face a shortage of trucks and truck drivers all along the southern border, there will be continued congestion. Consequently, the swift initiation of a Department of Transportation pilot program that will allow a limited number of Mexican motor carriers to operate in the U.S. beyond the commercial zones along the U.S.-Mexico border is vital to increase the exports of small business.

In short, small businesses in the consumer electronics industry benefit whenever the United States implements policies that simplify the movement of products from port, to shelf, to consumer.

CEA and its member companies pledge to work with Members of Congress to address these concerns and ensure that the consumer electronics industry is well situated to advance in an increasingly competitive global trading environment.

Madame Chairwoman, thank you for the opportunity and I would be happy to answer any questions from the Committee.