



## Working together

The Export Compliance Working Group brings together industry leaders to pool resources, do research and play a positive role in policymaking.

BY

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**A**mCham-China launched a program in March of last year to bring U.S. industry leaders together in a cooperative forum called the Export Compliance Working Group (ECWG). Nine U.S. companies formed the original group and shared a key concern held by the 15 companies that have since joined, namely, that as sellers of high-tech products on the global market, they are directly impacted by U.S. export control policy towards China. Co-chairs David Wang, president of Boeing China, and Jim Gradoville, president of United Technologies International Operations-China, lead the ECWG.

The industry leaders that comprise the ECWG work towards the common goal of encouraging legitimate high-tech commercial trade between the United States and China without compromising U.S. national security interests. To this end, the group conducts cross-industry market studies that provide detailed information about technologies available on the Chinese market, either through indigenous production or from foreign, non-U.S. sources. The group contracts the strategic consulting firm Larkin Trade International (LTI) Associates to conduct research and

write reports, which are then supplied directly to the U.S. policymaking community. The ECWG also liaises with the Chinese government to explain and discuss changing U.S. export control policies.

### Protecting U.S. Interests

The work of the ECWG is vital to U.S. interests, says David Wang. "Rapid development of China's economy and technology capability makes historical experience and perceptions no longer accurate," he explains. "A clear delineation between current indigenous availability in China and what is new and significant dual-use technology is critically important for commercial end-use trade to be unhindered."

U.S. enterprises specializing in high-tech and, by nature, dual-use technology face stiff competition in the China market from European, Russian, Korean and Japanese companies operating under less restrictive export control policies. The hope of the ECWG is that their reports will assist U.S. policymakers in drawing correct control lines for the export of U.S. high technology items that do not restrict trade in technologies already widely available in China.

"The idea was to help raise the U.S. government's in-



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formation content and bridge the gap between perception and reality regarding China's current capabilities and technical know-how," says Jim Gradoville, who also serves as vice chairman of AmCham-China,

### **Market research**

The ECWG's first report, completed in July 2006, detailed the availability of composite materials in China's aerospace industry. The report received a positive response from the Bureau of Industry and Security (BIS) in the U.S. Department of Commerce (DOC) and resulted in a widening of dialogue between U.S. industry leaders and U.S. government officials. As a result, BIS officials met with the members of the ECWG several times throughout 2006 and 2007 while the U.S. government was considering new export control policies towards the PRC.

On July 19, BIS issued an update to the regulations concerning dual-use exports to China, called the "New China Rule." The rule has the stated policy aims of "facilitating commercial exports for appropriate civilian end-uses" and "denying the PRC access to U.S. technologies that would contribute to its military modernization."

Original drafts of the New China Rule, released on July 6, 2006 had proposed applying license requirements to 47 new categories of high-tech, dual-use items.

In response, AmCham-China's ECWG released its second report, a cross-sector analysis of 32 of the 47 items proposed in the draft New China Rule and their pre-existing availability on the Chinese market. The report was submitted to BIS in December 2006. The final version of the New China Rule, released several months later, included restrictions on 31 categories of high-tech items, instead of the original 47. Of the 32 categories that were mentioned in the ECWG report, 11 had been completely removed and 11 had been narrowed.

AmCham-China policy analyst Gabriel Lopez believes the ECWG has been successful, in part, because of the balanced, comprehensive and in-depth data presented in the group's reports. "We put the reports out there and let the facts speak for themselves," explains Lopez.

### **Looking ahead**

On the horizon for the ECWG are research projects assessing China's capabilities in the areas of high-tech manufac-



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turing equipment, computers, semiconductors, and avionics equipment. ECWG members maintain that these reports will continue to benefit U.S. policymakers by providing real-time information about the Chinese market and Chinese technical capabilities, gathered directly from source in China.

In addition to assisting U.S. government officials, the ECWG also seeks to explain U.S. industry's perspective on export controls to the Chinese government. This has become vital because the Chinese government has raised U.S. export controls as a top trade issue in the bilateral relationship. To that end, the ECWG has served as a forum for enhancing dialogue and reducing mistrust between the U.S. and Chinese governments.

Because of the overall positive impact that members feel the ECWG is having on trade and political relations between the United States and China, the group is working to maintain its momentum for the long-term. Funding, provided primarily by yearly membership fees, is one of the group's main challenges. The group currently numbers 24 member companies and is contemplating how best to further its mission and work program.

**AmCham assistance**

The ECWG is one example of how AmCham seeks to serve the U.S. business community by providing a forum for U.S. industry leaders to come together and interact with both the U.S. and Chinese governments. Through groups such as the ECWG, the Aviation Cooperation Program (ACP), a forum for U.S. and Chinese government and commercial aviation entities, and the Chaoyang Forum, a group of large media companies dedicated to combating media piracy, AmCham enables businesses to exchange ideas, organize their efforts, and present U.S. policymakers with a unified position. Though many companies conduct their own policy advocacy campaigns, experience at AmCham has shown that businesses can have a more powerful impact when working together. The ECWG, for example, enables industry to conduct wide-ranging, credible and influential research that companies would not be able to produce alone. AmCham-China hopes that the ECWG, as well as its other industry cooperation programs, can serve as blueprints for government-industry cooperation in the future.

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