

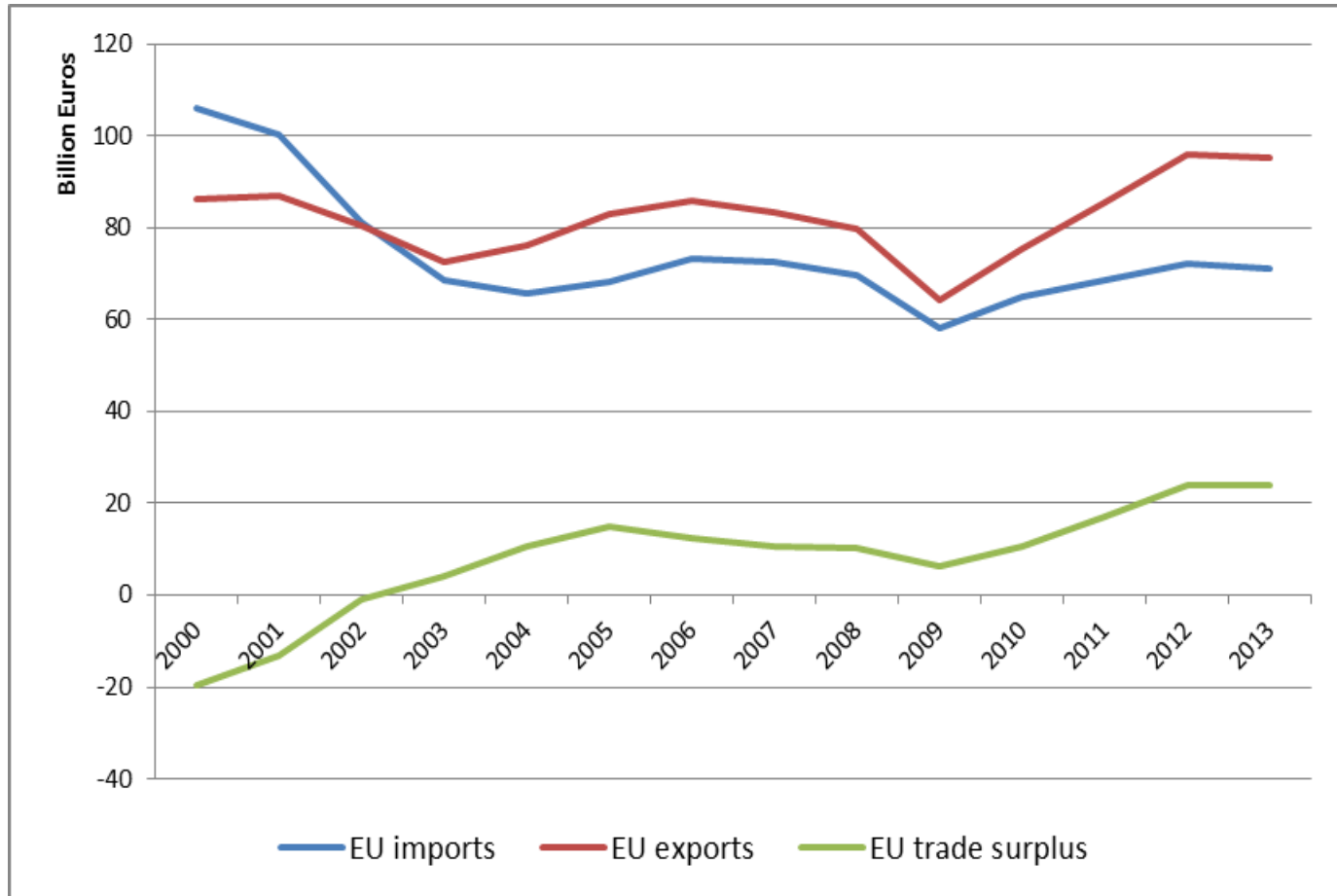
# **TTIP potential for Engineering: lowering TBT costs raises EU competitiveness**

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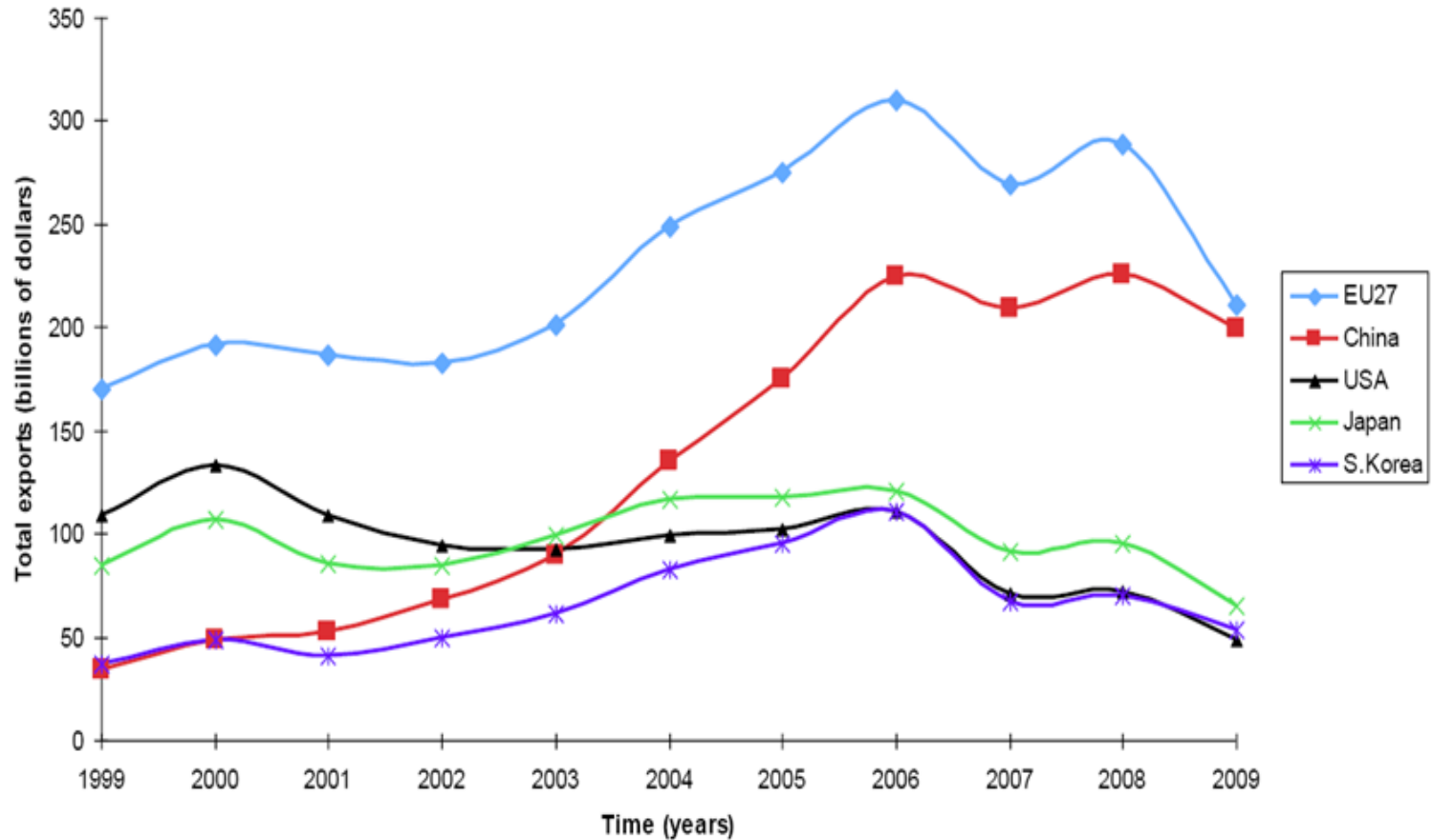
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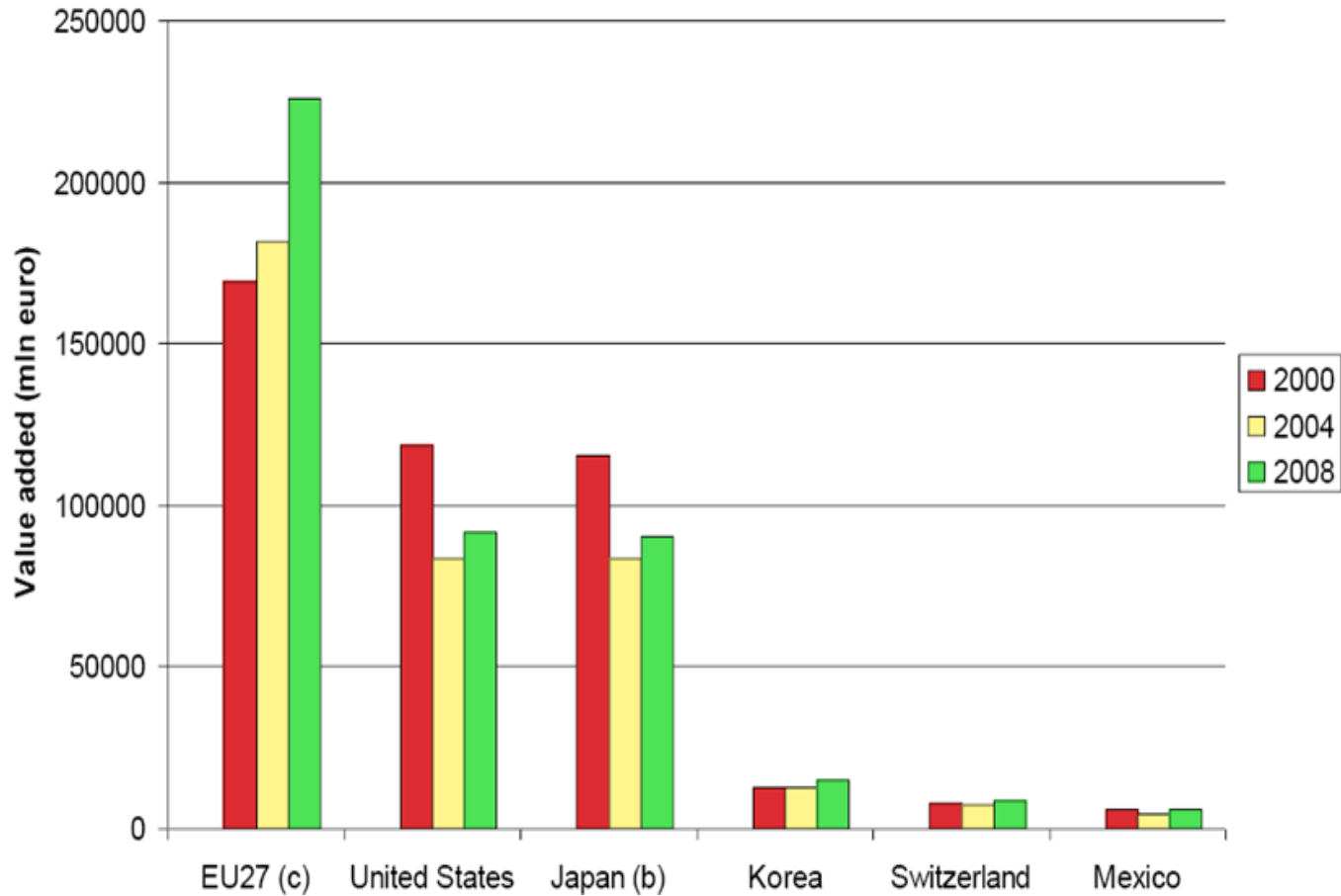
[revised after MEPs comments]



## EU – US mechanical engineering & electr(on)ic goods trade



**Five largest world exporters of electric/onic goods, but not value-added (simple export value)**



**Electrical-goods-only, value-added exports, EU world leader**

# What is TTIP ?

chapeau/objectives/  
principles

Market Access

Regulatory Cooperation

Rules  
(facilitating im/ex, FDI)

goods trade/  
customs duties

regulatory coherence

sustainable devel.

services trade

TBTs = technical barriers to  
trade

energy & raw matls.

public procurement

SPS – food safety; animal &  
plant health

customs / trade faciln.

rules of origin

Specific sectors:  
chemicals      ICT  
**engineering**      medicines  
med devices      text & clot.  
vehicles

SMEs (no real rules)

invest. protection + ISDS

competition rules

IPRs & G.I.

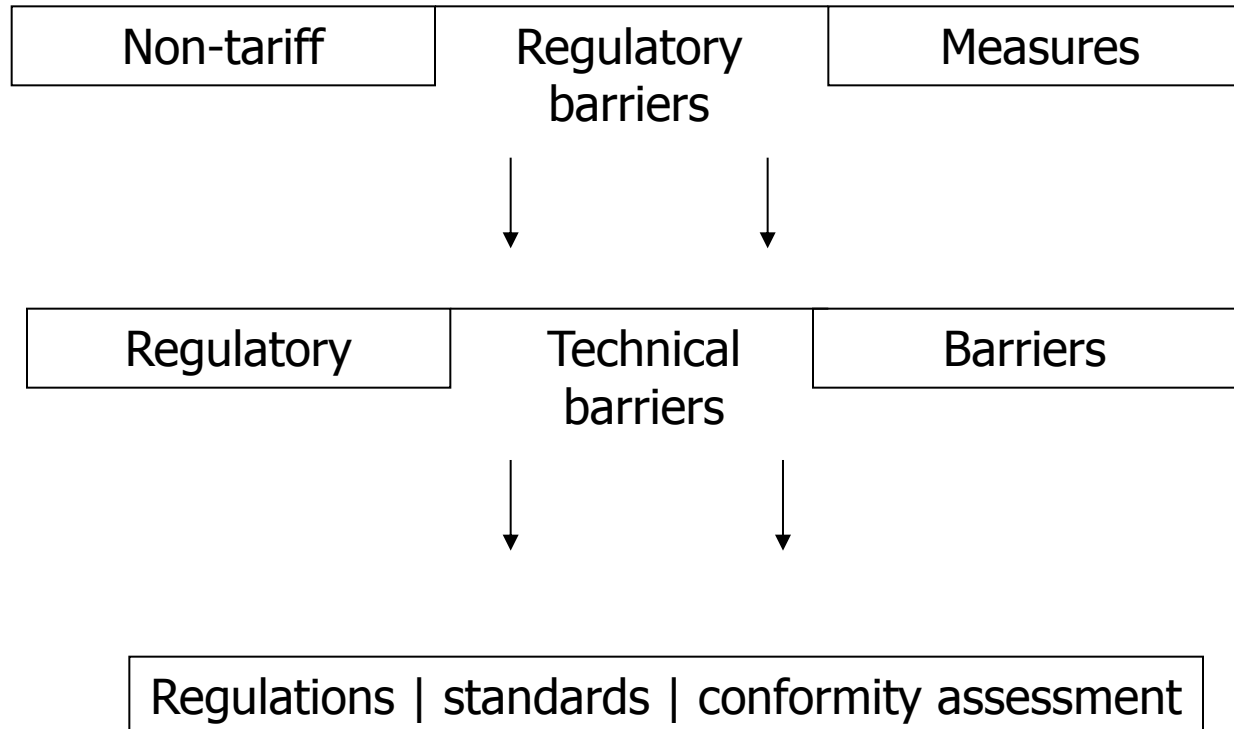
overall (Gov-to-Gov)  
dispute settlement

# Engineering in TTIP

- Separate annex on engineering, why?
- size sector [1/4 man. trade with US]; costly TBTs (US)
- Offensive interest EU (1): broad & specific TBT appr.
  - >>> costly TBTs prevent seizing opportunities in US market
  - >>> 1000nds of innovative EU SMEs discouraged/give up
- Offensive interest EU (2): US poor, IEC/ISO standards
- Offensive interest EU (3): triple drawback US Conf. A.
- Defensive interest EU: MR, fine, but NOT in standards
- NOTE : MR = Mutual Recognition ; ISO= Int. Standardisation Org.; IEC = Int. Electr. Committee (ISO/IEC world bodies)

# What are technical barriers?

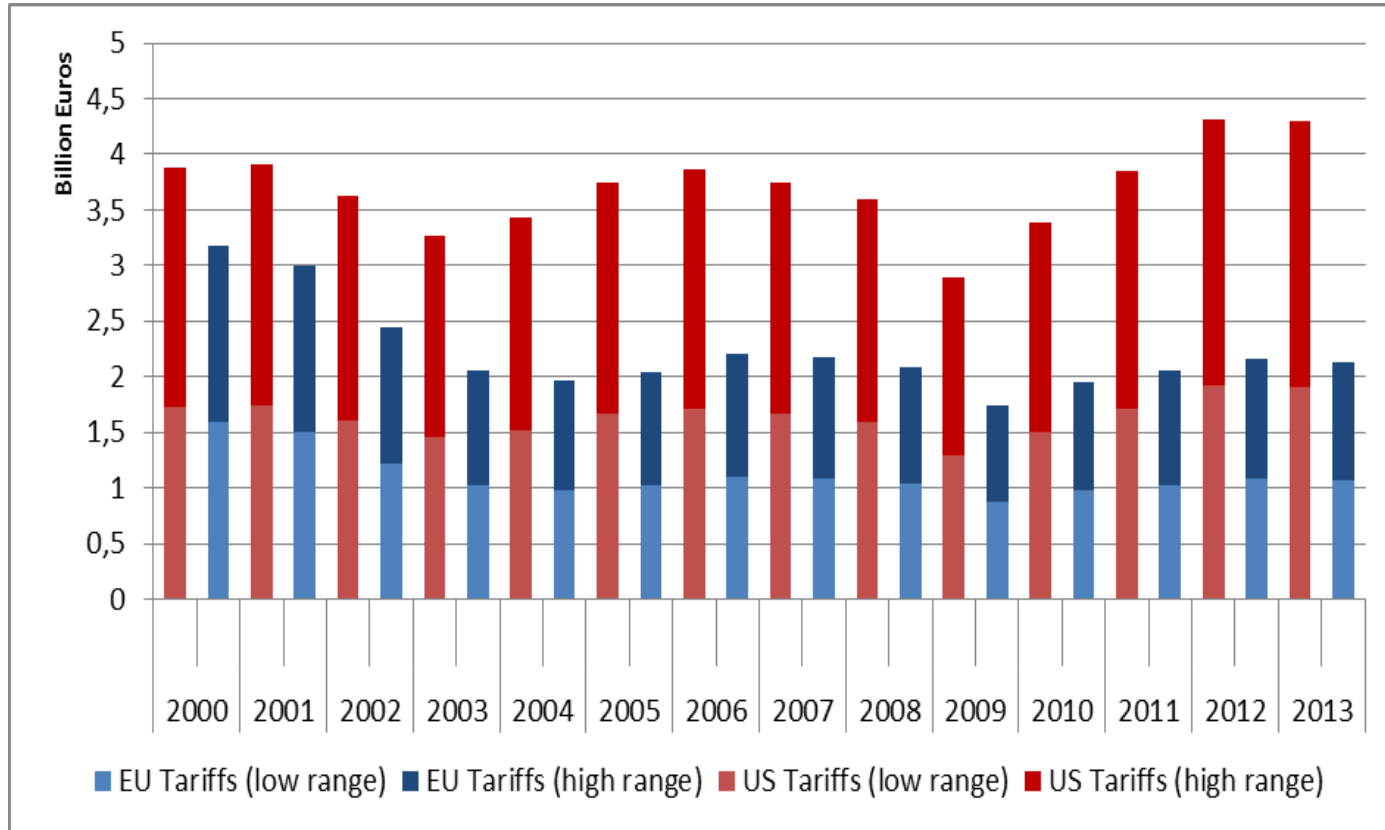
[TBT & SPS, horizontal REG Coop.n, seven sectorial TBTs]



# TTIP: how EU engineering benefits

- Apart from tariff elimination and some horizontal issues,
- TTIP in engineering should have:
  - >>> separate engineering chapter (Regulator - Regulator)
  - >>> firm TBT chapter [for details, see Briefing IMCO on TBT]
  - >>> 'living agreement': solutions which take care and time, also linked with 'horizontal regulatory cooperation'
- EU position paper has right focus and is broadly supported by ORGALIME





**Estimated tariff revenues, low and high, EU and US, Engineering**

# US TBTs making EU exports costly

- Technical regulations: OSHA (US regulator for occ. H & S) and other US regulators choose a (referred) standard, which becomes compulsory ; rarely an EU one;  
**upshot**: usually US standard, differing from IEC/ISO [=EU]  
**corollary**: equivalent (EU) level of protection ignored  
**consequence**: costly adaptation of components or machine
- Technical standards : EU engineering industry strongly adheres to EU single-standard-in-single-market system ; is one reason for its competitiveness ; EU system is intimately connected to IEC/ISO [72 % of CENELEC standards identical with IEC ; 31 % of CEN standards with ISO] and most new standards are written together with IEC/ISO ; **not so** for US standards, very poor IEC/ISO overlap, has complex reasons

# US TBTs, EU exports costly (2)

- Technical standards (ii): US disconnect with IEC/ISO has many reasons [e.g. insulation when US was tech leader ; block voting by Europeans in ISO/IEC ; some 10, or so, internationalised and respectable US standard bodies [IEEE, ASTM, ASME, etc. ] have well-accepted standards in many countries (and even in Europe) and are de facto ‘international’, but deviate from ISO/IEC, for sound and less sound reasons – it is a business model], now **entrenched interests** ;
- hinders compatibility, materials (when regulated), interoperability (sometimes), interaction in value-chains and most of all in US regulations (referred standards)
- US bodies (or ANSI – US coordinating body for standardisation) have no arrangement with ISO/IEC for jointly writing new standards (like Dresden & Vienna in EEA)

# US TBTs, EU exports costly (3)

- Conformity assessment: unlike the EU, SDoCs for engineering/machinery is ***not*** allowed [SDoCs = supplier's declaration of conformity, that is, self-declaration] in the US when it comes to machines /electrical goods used in the workplace [consumer market is not regulated, except for liability];
- OSHA rejected an EU request to do so, after review, in 2010, and this following the failed 1998 MRA (for electrical goods & machinery) with US ; SDoCs would be cheaper [only once for EU + US], always faster ['time-to-market'] than 3rd party C.A. and more predictable for custom-made machines in B2B

# US TBTs, EU exports costly (4)

- Conformity assessment: triple cost raiser

>>> no level-playing field for NRTLs (these are testing bodies for OSHA; hence, duplicative costs after testing components)

>>> UL's, as Conformity Assessor, super-dominant position & abuse, not disciplined (distinctly higher prices)

>>> many US States have own REGs and Conformity Assessment, often delegated to UL (exclusively); referred US standards may or may not be followed at State level, costly fragmentation

# MR standards, by US regulators

- US regulators (e.g. OSHA, for health/safety workplace) choose a ‘referred standard’, as ‘law’
- closed process, EU standards very rare, TBT high
- Proposal : assume an *equivalence-of-objective* approach, and introduce a ‘*standardisation request procedure*’ with US regulators, agreed in TTIP, so that EU producers can show that European standard is ‘functionally equivalent’, hence, can be “referred”
- Review of US OMB circular A-119 could incorporate it
- lowers, case by case, costs of access to US market

# Other option: 'equivalence' agreements

- 'Equivalence' [=EQ], WTO TBT agr.t, little used
- Equivalence looks like M.R., but only partly so
- 1. EQ decided by *import* country, MR implies exports based on rules of *export* country
- 2. EQ case-by-case, MR by 'equivalent' *objectives* ; alternatively, EQ positive list, MR negative list
- 3. same 'instrumental objectives' for a product
- 4. same effectiveness + trust in 'equal diligence'
- Ex.: US/EU veterinary EQ ('98); organic standards ('12); aircraft cert. ('09)
- not yet considered as alternative for machinery

# Harmonisation of standards

- (A) cooperation of EU & US standards bodies for harmonised standards, best linked with ISO/IEC and joint bilateral programming
- Is (strictly) not a treaty affaire ; little willingness so far
- Which bodies should cooperate?  
>>> ESOs with ANSI or only with leading US bodies ?
- (B) plus US arrangement with ISO/IEC , simultaneous standard development, like Europe already does a lot [in Dresden/Vienna]
- So far, hesitation and little enthusiasm



# Conformity assessment, US regulators

- US Review is ongoing, how Conf. Asst. Bodies of OSHA (called NRTLs) work
- EU should demand:
  - >>> free choice between these NRTLs
  - >>> no duplication of tests of components
  - >>> discipline UL and prevent abuse of dominance
- **Better still, TTIP as upgraded MRA, but with regulator-to-regulator leadership**
- CETA Protocol – now the largest MRA in the world – shows that MRAs can be upgraded

# Mutual Recognition of Standards

- Could be a 'threat' (esp. to EU); **don't** !
- (i) Undermines single-standard I.M. ;
- (ii) brings EU zero advantages in US market
- However, in 2 ways, enhance current EU system (not change it), giving options for US
- (a) Notified Bodies should, **if** safety [etc.] objectives are met, certify goods based on US standards; hidden resistance
- (b) US standard bodies can join 'new work items' in CEN/CENELEC ; US fears: (a) copyright? (b) EU stakeholders ?

# Some lingering ambitions

- Can TTIP set up cooperation mechanisms, including State or non-central regulators?
- Can a MRA, or simply ‘recognition’, not be agreed with the US? [note that OSHA could easily recognise designated CABs here, the failure in 2000/01 could have been prevented – nowadays, this is even easier]; of course, the EU already allows SDoCs for US
- involve customs, >> market surveillance
- Orgalime wants (more) ambitious dialogue between economic operators and regulators, specific actions

# BASIC MESSAGES

## engineering in TTIP

- EU Engineering: biggest man. sector ; competitive
- Access US market unnecessarily costly, esp. for SMEs
- All three TBTs matter:
  - >>> standards differ
  - >>> US regulations use 'referred' standards, differ
  - >>> conformity assessment is costly and duplicative
- **Needed**: solid TBT ch., engineering ch., reg.coop. ch.
- On standards: link all future US standards to ISO/IEC
- On regulation: US reg.rs allow EU suppliers to show 'equivalence' for 'referral' (mandatory) in regulations
- Conformity Asst: 3 demands cutting costs (slide 17), or, MRA
- Defensive interest: **no** M.R. of standards (slide 18)