

## POSITION PAPER

Brussels, 25 April 2019

### EU-US trade negotiations must tackle both tariff and non-tariff barriers

#### Introduction

At the end of July 2018, Jean-Claude Juncker (European Commission President) and Donald Trump (US President) agreed to work together toward zero tariffs, zero non-tariff barriers and zero subsidies on industrial goods. In January 2019, the European Commission published the draft negotiating mandates for the forthcoming the EU-US trade negotiations. In April 2019, the Council gave the European Commission two mandates to negotiate with the US on elimination of industrial tariffs and on conformity assessment. An EU-US dialogue on standards will also take place. In this context, it remains essential to make progress in these uncertain times.

#### An effective EU-US trade agreement – Orgalim's recommendations

A trade agreement between the EU and the US would be an important step towards increasing transatlantic trade flows. The annual value of transatlantic trade in products manufactured by Europe's technology industries currently stands at €93 billion<sup>1</sup>. To maximise the potential to increase this value, Orgalim believes a future EU-US trade agreement should address the following objectives:

- **Tariffs:** Market access should be enhanced for all industrial sectors represented by Orgalim, and industrial tariffs between the EU and the US should be eliminated as soon as possible.
- **Rules of origin:** The preferential rules of origin should be in line with other existing free trade agreements, so that SMEs can reap the full benefit of the EU-US agreement. For our sectors, we support rules of origin entailing a change of Harmonised System heading (for example, manufacture from materials of any heading, except that of the product and of heading YYY) or, alternatively, the value-added rule (for example, products in which the value of all the materials used does not exceed 50% of the price of the product).
- **Regulatory cooperation:** The reduction of non-tariff barriers is vital, especially for our industries' many small and medium-sized enterprises. Currently, a product produced for the US market costs between 5 and 18 percent more than a comparable product for the EU market, because it has to be specifically manufactured to meet the requirements of the US market. Greater regulatory cooperation should therefore be promoted, with the ultimate goal of harmonising diverging technical legislation. Having a harmonised and reliable set of relevant technical legislation is essential to ensure smooth trading between the EU and the US.
- **Standards:** In particular, we emphasise the need to refer to internationally recognised and consensually created technical standards of the International Organisation for Standardisation (ISO), the International Electrotechnical Commission (IEC) and the International Telecommunication Union (ITU) to

<sup>1</sup> Source: Eurostat International Trade Statistic (Data Set - 045409)

*Orgalim represents Europe's technology industries: companies that innovate at the crossroads of digital and physical technology. Our industries develop and manufacture the products, systems and services that enable a prosperous and sustainable future. Ranging from large globally active corporations to regionally anchored small and medium-sized enterprises, the companies we represent directly employ 11 million people across Europe and generate an annual turnover of around €2,000 billion. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.*

harmonise technical requirements. Regulatory cooperation and the transposition of international standards in the US national system would enable us to achieve the objective of global market access on the basis of 'one standard, one test, accepted everywhere'.

- **Mutual recognition of conformity assessment:** The mutual recognition of the results of conformity assessments should be promoted in EU-US negotiations. The EU-Canada (CETA) agreement may serve as a template for an equivalent chapter in any future EU-US trade agreement. The mutual recognition of test and conformity assessment results would be very effective. Mutual recognition is an instrument which can be used in three different ways:
  1. *Mutual accreditation of conformity assessment bodies:* When third party involvement is required, the mutual accreditation of conformity assessment bodies is helpful for manufacturers, as the conformity assessment body is situated in the same region as the manufacturer. The accreditation of a conformity assessment body by the authorities in another region should be based on rules of the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF) and International Organization for Standardization (ISO 17000 standard series). This model of mutual recognition already exists in the EU-Canada (CETA) agreement and leads to easier certification processes by reducing language barriers, lowering the distance between manufacturer and certification body and by enhancing the possibility to get certification for both regions from one single certification body.
  2. *Bilateral mutual recognition of product test results and certificates by third party bodies in the EU and the US:* The prerequisite for the bilateral mutual recognition of product test results and certificates by third party bodies are identical requirements for products and conformity assessment procedures in both regions. Where third party involvement is required in the electrical sector, the International Electrotechnical Commission Certification Body Scheme (IECEE CB Scheme), which has been established internationally based upon Electrotechnical Commission Certification standards, should be used.
  3. *The recognition of test results among Nationally Recognised Testing Laboratories (NRTLs):* Mutual recognition of existing mandatory third-party certification and the associated conformity marks must be guaranteed among NRTLs. In our view, the US administration should establish an NRTL mutual recognition system with a uniform NRTL label, which would provide for the full and mandatory mutual recognition of test reports and labels between NRTLs in the US and prevent duplicate and thus unnecessary product testing. This mirrors what happens in the EU and would mitigate *de facto* monopolistic behaviour from some US certification providers.
- **World Trade Organisation:** the EU and the US should agree and cooperate on maintaining the Dispute Settlement Body in the context of reforming the World Trade Organisation (WTO) system. We also believe that the EU and the US should cooperate on conformity assessment and international technical standards in the framework of the WTO, for example through the WTO Technical Barriers to Trade Committee.
- **Public Procurement:** public procurement should also be covered by the future EU-US trade agreement.

The new momentum in EU-US trade relations promises to create welcome opportunities for Europe's technology industries. However, quality rather than speed must be the driver of any future EU-US agreement.

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