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Orgalim priorities for future EU-US trade relations

European Union-United States trade relations are key for Europe's technology industries. In the short term, we call for the EU and the US to solve trade issues such as the Airbus-Boeing dispute and steel and aluminium tariffs. We also call for the maintenance of freedom of travel for business travellers from the EU. We encourage the EU and the US to move forward with a positive agenda, including EU-US cooperation at World Trade Organisation (WTO) level; and to start work on the Trade and Technology Council (TTC) with the aim of advancing cooperation on international standards, AI and cybersecurity. Moreover, we support the advancement of the negotiations on trade agreements on conformity assessment and on the elimination of tariffs on industrial goods. Finally, we support the creation of the EU-US High-level Climate Action Group to tackle climate change and to promote green growth.

1. Introduction

EU-US trade relations are key for Europe's technology industries. The EU-US Summit (15 June 2021)¹ was an important opportunity to renew the cooperation between two strong trading partners. Europe's technology industries produce one-third of the EU's manufactured exports. The US is our first export market and second biggest overall trading partner after China. The annual transatlantic value of trade for our products is €191 billion. Our industries provide high-paid and highly-skilled jobs and believe that enhanced EU-US trade relations will spur the creation of even more high-paid and highly-skilled jobs on both sides of the Atlantic. In this context, please find below our recommendations for the future of EU-US trade relations.

2. Solving trade disputes

2.1. Finding a permanent solution to the Airbus-Boeing dispute

The Airbus-Boeing dispute has been a source of significant conflict between the EU and the US. Even though the resulting tariffs are World Trade Organisation (WTO)-compliant, they impacted the technology sector – which is unconnected to aircraft subsidies – on both sides of the Atlantic. For example, until the suspension of tariffs, manufacturers of certain tools, induction furnaces and special excavators had been subject to US retaliatory tariffs. In this context, Orgalim welcomes the 15 June agreement on the Airbus-Boeing dispute suspending tariffs for five years and reiterates our call for a permanent solution.

¹ https://www.consilium.europa.eu/en/press/press-releases/2021/06/15/eu-us-summit-statement-towards-a-renewed-transatlantic-partnership/?utm_source=dsms-auto&utm_medium=email&utm_campaign=EU-US+Summit+statement%3a+%22Towards+a+renewed+Transatlantic+partnership%22

2.2 Scrapping steel and aluminium tariffs

While there is progress on the Airbus-Boeing dispute, the US 232 tariffs on steel and aluminium, in place since July 2018, and the related EU counter-tariffs are still in place. In this context, we support the European Commission's efforts to find a negotiated solution and we welcome the agreement reached on 15 June to set up a working group to work on the steel tariffs, aiming to resolve this situation. Orgalim advocates for a permanent solution scrapping the tariffs.

3. Moving forward with a positive trade agenda

3.1. Support EU-US cooperation at WTO level

The EU and the US have agreed to work cooperatively on efforts to achieve meaningful World Trade Organisation (WTO) reform. Orgalim [supports](#) these joint efforts, in particular on (i) fixing the Dispute Settlement Body; (ii) tackling subsidies, forced technology transfers, state-owned enterprises (SOEs) and self-declaration as a developing country; and (iii) supporting relevant trade negotiations at WTO level such as the e-commerce Agreement and the expansion of the Information Technology Agreement (ITA). 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.

3.2. Implementation of the Trade and Technology Council

On 15 June 2021, the EU and the US established a high-level EU-US Trade and Technology Council (TTC) to provide an effective platform for cooperation on key global trade, economic and technology issues. Orgalim welcomes the creation of the EU-US TTC to facilitate bilateral trade, incentivise the use of compatible international industry-led standards by industry on both sides of the Atlantic, and promote innovation and digital technologies such as AI. Industry associations from the EU and the US such as Orgalim should be formally considered key stakeholders in the TTC.

3.2.1 Advance on cooperation on international standards

We emphasise the need to refer to the 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 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'. In particular, Orgalim welcomes the focus on the EU-US cooperation on AI and cybersecurity. It is therefore important to refer to the internationally recognised and consensually created technical standards of the International Organisation for Standardisation (ISO) such as the [ISO/IEC TR 24028:2020](#) on AI, ISO/IEC 270xx-series and [IEC 62443](#) on cybersecurity, and other relevant international standards to harmonise technical requirements.

3.2.2. Advance cooperation on AI

The global challenges have underscored the importance of Artificial Intelligence (AI) as a source of innovative solutions and, increasingly, of economic growth. As the use of AI continues to develop at pace, the EU and the US play a significant role in AI and its governance. After presenting the first ever legal framework on AI, which addresses the risks of this technology, collaboration between the EU, the US and the global business community is needed to advance frameworks that are interoperable, promote innovation, and are grounded in shared democratic values and belief in a human-centric approach. Orgalim supports the proposal set out in the Commission's joint communication² to start work on a Transatlantic AI agreement to set a blueprint for regional and global standards aligned with our common values.

² https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2279

3.2.3. Advance cooperation on cybersecurity

The need for more EU–US collaboration on cybersecurity policy has been identified by policymakers and diplomats from the EU and the US in their official Cyber Dialogues as well as by international cybersecurity policy scholars and industries. As the EU shapes its cybersecurity policies and fosters coordination among the Member States, cooperation with the EU becomes more important to the US. EU–US cooperation is needed to achieve shared policy goals, capacity building, situational awareness and information sharing.

3.3 Advance cooperation on conformity assessments

The reduction of non-tariff barriers is vital, especially for our industries' many small and medium-sized enterprises. For example, our products for the US market cost between 5 and 18% more than a comparable product for the EU market, because they must be specifically manufactured to meet the requirements of the US market. Greater regulatory cooperation should, therefore, be promoted, with the 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. This is even more important for new technology areas, for which regulatory frameworks are being developed.

Consequently, we call upon the EU and the US to conclude the negotiations on a trade agreement on conformity assessment as soon as possible. The overarching principle regarding technical standards and market access conditions is no mutual recognition without prior harmonisation. The harmonisation of technical product requirements is the fundamental precondition for the abolition of the existing technical trade barriers on both sides of the Atlantic. The rule here should be: 'One standard, one test, accepted everywhere'. Only after successful harmonisation should mutual recognition be considered. Harmonisation should be done at the level of the International Organisation for Standardisation (ISO), the International Electrotechnical Commission (IEC) and the International Telecommunication Union (ITU).

The mutual recognition of the results of conformity assessments should be promoted in EU-US negotiations for a Mutual Recognition Agreement (MRA). The EU-Canada Comprehensive Economic and Trade Agreement (CETA) may serve as a template for future discussions, while the EU-US MRA for inspections of manufacturing sites for certain human medicines³ shows that sectorial regulatory cooperation is possible. The mutual recognition of test and conformity assessment results would facilitate market access, limiting duplication and allowing better use of resources for both parties.

Mutual recognition is an instrument that 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 the rules of the International Laboratory Accreditation Cooperation (ILAC), the International Accreditation Forum (IAF) and the International Organisation for Standardisation (ISO 17000 standard series). This model of mutual recognition already exists in CETA and leads to easier certification processes by reducing language barriers, lowering the distance between manufacturer and certification body, and by enhancing the possibility to obtain 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 <https://www.ema.europa.eu/en/human-regulatory/research-development/compliance/good-manufacturing-practice/mutual-recognition-agreements-mra#united-states-section>

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.

3.4 Eliminate tariffs on industrial products

Market access should be enhanced for all industrial sectors represented by Orgalim, and industrial tariffs between the EU and the US should be eliminated in the long term. Although these tariffs are relatively low, their elimination would lead to significant savings for our industry's clients and customers, considering that the US is our biggest export market. Therefore, we call upon both sides to finalise the negotiations on a trade agreement on the elimination of industrial tariffs as soon as possible.

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 or subheading (for example, manufacture from materials of any heading, except that of the product and of heading or subheading 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).

3.5 Support the creation of the EU-US High-level Climate Action Group

On 15 June 2021, the EU and the US agreed on the creation of a joint High-level Climate Action Group. Orgalim welcomes this Group's aims to tackle climate change, promote green growth and discuss a global framework for taxonomy and global carbon pricing.

Orgalim supports the EU-US cooperation to implement the Paris Agreement. In particular, Article 6 of the Paris Agreement aims to promote an integrated, holistic and balanced approach that will help governments in implementing their National Determined Contributions through voluntary international cooperation. This cooperation mechanism, if properly designed, should make it easier to achieve CO₂ reduction targets and raise ambition. In particular, international negotiations on implementing Article 6 should establish the policy foundation for an emissions trading system, which could help lead to a global price on carbon.

Substantial financial resources will be needed at a global level to deliver the Paris Deal commitments. The EU has already embarked on the immense journey to mobilise private investments needed for the transition to a more energy-efficient and neutral future. To do so, it has set up a legal system, known as the EU taxonomy, which classifies sustainable economic activities to redirect capital towards them. However, a joint and truly global effort is needed. Developing a common definition of what can be considered sustainable is a challenging task, so for this purpose, the International Platform of Sustainable Finance⁴ was established. As the US is not yet a member of this group, its future inclusion is of the utmost importance. The development of different understandings of the term sustainability must be avoided, and should be done in conjunction with the EU-US Joint Regulatory Forum. This would eliminate the risk of greenwashing and ensure continuous investment flow to activities and technologies contributing to a sustainable future.

⁴ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/international-platform-sustainable-finance_en

3.6 Maintain freedom of travel from the EU

Orgalim welcomes the lifting of the entry restrictions linked to COVID-19, imposed by the US Government for EU business travellers. Orgalim calls for the maintenance of freedom of travel for business travellers from the EU.

4. Conclusion

Orgalim calls on both sides to continue focusing on reinvigorating a strong and productive relationship and to implement the agreements reached on 15 June 2021. Moreover, the negotiations on trade agreements on conformity assessment and the elimination of industrial tariffs should be finalised as soon as possible. Orgalim, on behalf of Europe's technology industries, stands ready to support these actions to strengthen our transatlantic relations.

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Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of €2,126 billion, manufacturing one-third of all European exports and providing 11.33 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

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