

## U.S. Department of Commerce Consumer Goods Roundtable (7/22/2003)

The Consumer Goods Industry Roundtable on Standards met Tuesday, July 22, 2003, in the Herbert Hoover Building. The meeting was closed to the public pursuant to the Formal Notice of Determination.

### Overview

Speaker Benjamin Wu  
Deputy Under Secretary for Technology Administration  
Department of Commerce

DUS for Technology Administration Benjamin Wu gave a brief overview of the Commerce Department's Initiative to Enhance Standards Activities, announced by Secretary Evans in March 2003 that was drafted in response to industry's request for Commerce to take a more coordinated approach to addressing standards and technical regulations as they affect our industry's competitiveness overseas. The eight points of the initiative include:

1. Developing a Commerce Global Standards Activity Assessment: The Technology Administration, through the National Institute of Standards and Technology (NIST), will take the lead in conducting a standards activity assessment of all existing Commerce Department programs and efforts to reduce standards-related barriers in foreign markets. Following consultations with industry and other stakeholders, including ANSI and its member standards developers, recommendations will be made to the Secretary for future action.
2. Reinforcing Expertise in Key Markets: NIST and the International Trade Administration (ITA) have developed a new, redesigned, intensive training program for standards liaisons posted abroad.
3. Devising an Effective Training and Outreach Program: NIST and ITA, in cooperation with U.S. standards development organizations, will develop a standards training program for all Commerce Department Foreign Commercial Service Officers.
4. Creating a "Best Practices" Database: Working with its offices abroad, other government agencies, and industry, the Commerce Department will develop a database of "best practices" in addressing standards issues in foreign markets.
5. Expanding the Early Warning System: The Commerce Department will strengthen and expand "Export Alert!" a free, web-based service to disseminate market intelligence and information on standards developments in key priority foreign markets in Europe, Asia, and Latin America.
6. Partnering with the President's Export Council on Standards Leadership: The Commerce Department will support the development of a dialogue on standards within the proposed President's Export Council subcommittee on technology and competitiveness.
7. Reaching out to U.S. Industry: The Commerce Department will host a series of industry-specific roundtables to gather input from U.S. industry on the most pressing standards issues and priority foreign markets.
8. Appointing a Liaison at the International Trade Administration: A senior official will be named to act as ITA's Standards Liaison with U.S. industry to ensure that industry's priorities on standards are promoted through the Commerce Department's international policies and programs, and will also work closely with other U.S. government agencies.

## Opening Comments

Speaker Jonathan Menes  
Executive Director  
Trade Development  
U.S. Department of Commerce

Jon Menes is the Executive Director of Trade Development and the acting standards liaison at ITA. He noted in his brief presentation that feedback on standards issues has increasingly been coming up on ITA's agenda. He indicated that at this point ITA and TD have no conclusions or preconceptions on what we can or can't do. The industry outreach is critical, and this where the roundtable discussion fits in.

## Industry Comment

Speaker Thomas Catania  
Vice President, Government Relations  
Whirlpool Corporation

Thomas Catania, the Chair of the International Standards and Regulatory Policy Working Group, presented the following general points from the working group meetings.

1. Compliance with international standards and regulatory policies. Adopting multiple standards or standards differing from international norms significantly raise costs for manufacturers, especially small and medium businesses, limiting market access.
2. The WTO's TBT (technical barriers to trade) agreement is inadequate in addressing manufacturers' TBT concerns in many countries. The TBT's disciplines are too weak and easy to circumvent. The working group supports stronger disciplines in future U.S. trade agreements, to strengthen the required justification of regulations, greater flexibility of conformity assessment, and improvements in transparency. The Australian FTAA could serve as a potential model.
3. Europe/ISO. US manufactures are all too often coerced into accepting EU-determined standards portrayed as international, but are really serving European interests, due the voting procedures followed in the ISO. Our working group supports Trans-Atlantic Business Dialogue as a potentially useful mechanism to resolve regulatory/standards differences.
4. Management Systems Standards (MSS) require careful scrutiny. They are costly to administer and are considered to have limited benefit. The new standards for ISO corporate responsibility fraught with potential problems. We are giving our own input in this area and hope you will do the same.
5. Foreign Market Concerns: Collaboration between industry and government (particularly U.S. foreign missions) maximizes pressure and ensures industry concerns taken seriously.

Our working group supports the new Commerce Standards Initiative. Current concerns:

- a. China Compulsory Certification (CCC) mark. Only domestic Chinese firms can certify the mark (allowing exportation), this requires factory inspections in the US.

- b. Taiwan: ISO 9000 certification conditions insupportable.
- c. Mexico: quality certifications for IT & telecom equipment.

Speaker: Deborah Lamb, Senior Vice President, International Issues & Trade  
Distilled Spirits Council of the U.S (DISCUS)

Ms. Lamb first mentioned the nature of standards-related problems, and then followed by discussing the general approach DISCUS is using to resolve them.

1. Product standards are the greatest trade barrier. There are currently no international standards for distilled spirits so we have to work on country-by-country basis. Examples:

- a. Some countries define spirits categories by establishing arbitrary levels for certain of the chemical constituents of these products. Levels are often skewed in favor of domestically produced products and are wholly without scientific basis.
- b. China has for the first time applied to Western-style spirits a 20-year old product standard for Chinese spirits, which has had the effect of blocking certain U.S. exports of whiskey.
- c. Central American nations are writing broad product standards that would, if implemented, block several of our products.

2. Labeling: excessive certification is an additional problem.

- a. Some countries have required product testing in certain labs in their countries, rather than U.S. labs.
- b. EU labeling requirements for products made from genetically modified organisms are highly problematic.
- c. Mexico has mandated extraterritorial compliance with their unique labeling requirements.

The general approach DISCUS has taken to these problems has been country-specific. In China and India, with the support of the U.S. embassies and the Commerce Dept, we've been trying to work chiefly with technical experts in each country, while keeping government agencies and officials apprised of developments. One example of this is that we are now a member of the Mexican beverage alcohol committee (which advises the Mexican government agency responsible for developing voluntary product standards) and can obtain copies of regulations in preliminary form - so we can see road ahead and give feedback and avoid future confusion. We are also trying to get WTO members to give notifications before new regulations enter into force for the same reasons.

The US government has been very helpful in TBT/SBS Committee meetings, its Export Alert System, and in bilateral consultations in Korea, India, and China.

Speaker: Timothy Hoelter, Vice President, Government Affairs  
Harley-Davidson Motor Company

Motorcycle standards have become more harmful than tariffs were and represent a huge barrier for our export possibilities. We are most concerned about noise and emissions standards. For example, in Southeast Asia "one-off" standards have force us to customize the bike design on a country-by-country basis. As individual markets require different testing, designs are penalized and costs are driven up. It's not impossible to meet these standards, but because the cost of market entry is driven so high, it's not worth the effort. Consequently there has not been much

export activity outside of Europe and Japan. We currently participate in the International Motorcycle Manufacturers Association and the UN's Working Party 29 to promote global harmonization standards and increase transparency in foreign markets. It is, however, a long-term process and we appreciate any help we can get from the government.

Speaker Laurence J Lasoff, Counsel  
Outdoor Power Equipment Institute

With our counterparts in Europe, we are conducting a successful program with the EU on lawn-mower safety standards (consumer and commercial). We created side-by-side comparisons of US-EU lawnmower specifications and assigned people to harmonize them. It has been a 3-year transition period but the program has been beneficial for all exporters while cutting costs. We believe that our strategy can serve as a potential model for other industries encountering difficulties with standards harmonization.

Speaker Jeannie Boone, Vice President, JBC International  
Wine Institute

Jeannie Boone addressed unfair EU standards that injure US wine exporters. The Wine Institute is located in San Francisco and represents 624 wineries and related business within the wine industry. Ms Boone indicated that the key barriers to increased wine exports are foreign standards, and the failure of our trading partners to recognize American wine making practices as both distinct and legitimately different from EU practices. The Wine Institute indicated that European regulators have promulgated discriminatory regulations that do not take into account differing climatic conditions and other concerns. The Wine Institute also noted that the pending discussion of the EU's proposed geographical indications protections under the WTO's TRIPS agreement is of great concern to U.S. and other winemaking countries.

Speaker Peggy S. Rochette, Senior Director of International Policy  
National Food Processors Association (NFPA)

Ms. Rochette stated that the biggest problem facing food processors are issues of product certification, documentation, and registration.

1. Product certification, documentation, and registration: There is a lack of understanding and consolidation of standards in the U.S., not to mention abroad, and there is no single point of reference for companies seeking certification.
2. Lack of transparency: no one knows who certifies what, here or abroad. Companies won't enter a new market unless they get certified.

In addition, issues such as shelf life requirements, labeling, and the inclusion and/or exclusion of genetically modified organisms are other key issues that affect the international competitiveness of U.S. processed food exports.

Speaker Frank Stanonik  
Gas Appliance Manufacturers Association (GAMA)

Frank Stanonik addressed the issue of standards in the EU. Primary concerns were:

1. ISO standards processes. They are unfairly weighted toward European interests as CEN members chair many ISO committees and the CEN members outnumber the single U.S. membership. The Vienna agreement excludes U.S. industry input during early stage standards development and needs to be reworked. He suggested some type of equivalent North American agreement be pursued with ISO.
2. Transparency. We don't exactly know how standards are being formulated in the EU, and are generally excluded from participating in the process in any meaningful way.
3. U.S. government should find some means to show support for U.S. voluntary standards in international standards activities.

Speaker Mari Stull, Director, International Regulatory Policy  
Grocery Manufacturers Association (GMA)

Mari Stull posed the question, "Does the EU impose more technical barriers to trade than the U.S., or are they just better at exporting?" Probably a combination of both. As an employer of more than 2.5 million American workers, GMA members stand with their embattled colleagues of the wine industry in their fight against European protectionism. General comments:

1. International standardization through the ISO is an arduous process. They look at American industry with skepticism while we are trying to construct partnerships.
2. Labeling requirements are a big problem.
3. The EU works through Codex to establish barriers to global trade and uses the OECD as a think tank.
4. The U.S. Government and Commerce in particular are GMA's best advocates in fighting EU protectionism.

Questions/Comments

1. The American National Standards Institute (ANSI), the official US member body, which participates in the ISO, is an industry-driven organization, yet some groups here are not members. We strongly encourage you to consider membership.
2. The Department of Commerce works with ANSI to make allies in the effort to coordinate international standards, and would be glad to assist you in dealing with ISO standards issues.
3. More than ever before, industry is supporting a more robust role for government in standards harmonization.