

Position Paper

Transatlantic Trade and Investment Partnership (TTIP) Impact on ZVEI Members



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If we look at foreign trade, the United States are currently the largest foreign purchaser of the German electrical and electronics industry's products. The volume of German exports to the USA in 2012 amounted to Euro 13.1 billion, an increase of 6.8 percent over the previous year. From January to October 2013 exports to the US decreased by 0.2 per cent with a volume of Euro 11 billion. Since 2000, German exports of electrical products to the USA have increased by more than half.

Trade in the other direction is also very significant, with American exports of electrical products to Germany reaching a value of Euro 9.2 billion last year. Despite a negative growth of -2.5 percent, this figure makes the USA the second-largest foreign supplier to the German electrical market. From January to October 2013 imports from the US decreased by 3.1 per cent with a volume of Euro 7.3 billion.

Imports to Germany are highly relevant to our sector, because sites on both sides of the Atlantic are often involved in production, reflecting the international division of labour. This results in internal deliveries within a company being registered statistically as imports/exports – even though no purchase from another company is being made – and these transactions therefore are possibly also facing tariff or non-tariff barriers to trade.

Economic relations between Germany and the USA are not limited to sale of products, but are also reflected in mutual direct investments made by the two countries. The last reported level of

direct investment by the German electrical industry in the USA was Euro 11.3 billion, out of direct investments of Euro 43.4 billion overall. In no other country does the German electrical industry invest as heavily as in the USA.

Owing to this close integration of the German and US economies, the German electrical industry expects a successful transatlantic trade and investment agreement to deliver further push for growth for the future.

Foreign manufacturers want to know how market access is regulated in the EU: For the majority of products access is regulated by legislation based on the so called "New Approach". This means that the manufacturer has the legal obligation to fulfil essential requirements for safety and other aspects in public interest. In addition, the legislation requires the manufacturers themselves to perform a certain conformity assessment procedure, declare the conformity of his product and affix the CE marking in his own responsibility.

Third party involvement such as certification by an independent testing institute is normally not necessary. Only for certain high risk products such as some medical devices or particularly hazardous machines the conformity assessment procedure includes the participation of a „notified body“.

This system of placing products on the market gives manufacturers much freedom, avoids unnecessary costs and is innovation friendly, because time to market of new products and new

technologies does not depend on time consuming certification procedures or obligatory standards.

The elimination of customs duties in trade between the USA and the EU is welcomed unanimously by the ZVEI's member companies. From our point of view customs duties could be eliminated immediately, so transitional periods would not be necessary. Simplification of customs procedures, for example by adapting the different procedures and better co-operation between the authorities, would also be an desirable aspect.

The situation regarding the rules governing the country of origin, which are a necessary part of any free-trade agreement in order to prevent free riders in third countries from exploiting it, is more complicated. In this area, the ZVEI's member companies prefer rules that do not differ from those already achieved with other countries. The existing rules concerning the country of origin in the EU's free-trade agreement with Mexico differ substantially from those recently negotiated with Canada – which is not helpful.

Overall, however, the benefits of customs duties being completely abolished in trade with the USA far outweigh the inconvenience arising from the stricter requirements for statement of the country of origin. However, the option still exists of course in individual cases to export to the USA simply with payment of customs duties as before, should the bureaucratic burden of making use of the agreement appear too high.

In order to open one more source of growth, the European industry is pushing for the liberalisation of public procurement in the USA, as

already implemented in the EU since 1989. It makes sense on one hand because it is more cost effective on the federal or sub-federal level and on the other hand it brings more competition into the bidding process, with the effect to open new opportunities for innovative solutions – especially in terms of infrastructure projects.

The most ambitious topics of the TTIP are the technical barriers to market access, therefore we have listed the most critical issues:

Harmonisation of the technical requirements on the basis of international standards

A basic precondition for the abolition of technical barriers to transatlantic trade in goods is the harmonisation of technical standards. This harmonisation can and must take place in line with WTO principles and through the international ISO and IEC standards organisations.

Transatlantic recognition of test results

Where technical provisions of the same kind are available in standards, the results of testing by independent third parties must be mutually recognised. The "CB procedure", based upon IEC standards, has become established internationally for this purpose in the electrical sector. American testing bodies must be involved to a greater extent in this system. The test reports must be recognised in such a way that prohibitive fees or additional retesting do not negate the intended simplification.

Recognition of conformity assessments

Direct mutual recognition of conformity assessments cannot be implemented effectively at the present time owing to the completely different regulatory philosophies in the EU and the USA. Efforts must however be made for the structures of the regulatory systems to be aligned in the medium and long term, in order for each market area to be able to recognise the other's conformity assessments and to do so, in conjunction with the harmonisation of technical standards. It must be ensured that the liberal nature of the successful European market access system is not abandoned in the process.

Involvement of local jurisdictions

It is essential that all efforts to eliminate technical barriers to trade include state and local jurisdictions in the USA. Only a small proportion of the technical requirements are governed in the USA by federal provisions. Conversely, in many areas, binding provisions exist at state and local level through what is termed "*authorities having jurisdiction*" (AHJ).

Mandatory mutual recognition between US certification bodies

Efforts should be made for mutual recognition between the NRTLs active within the USA to be made mandatory, analogous to the regime within the EU, in order to avoid de-facto monopoly structures among the certification providers.

So after all, the German electrical and electronics industry accords very high priority to the TTIP, with its objective of formulating a comprehensive, exemplary transatlantic agreement for the liberalisation of trade in products and services. On the one hand, the USA is currently the world's largest market for our sector; on the other, our member companies hope that the overcoming of tariff and non-tariff barriers to trade will yield tangible cost benefits. We therefore very much hope that this transatlantic project will not be crushed between the millstones of particular interests. The reality within large companies and now also many medium-sized companies is already shaped by their locations on both sides of the Atlantic: in other words, from the companies' perspective, progress in liberalisation pays off two-fold if both sides benefit from the agreement.

In the end, considering all the opportunities embedded in a comprehensive agreement, we think the endeavour to negotiate this agreement is worth it, because it would remove many obstacles within a market comprising roughly 800 million consumers.

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