

A Call to Action Addressing the Impact of Standards and Technical Regulations on Trade

U.S. Commerce Secretary Evans' Standards Initiative to Strengthen U.S. Competitiveness

*By Phillip J. Bond
Under Secretary for Technology
U.S. Department of Commerce
December 4, 2003*

In the last volume of *The Standards Edge* and at the Future of Standardization Conference a year ago in Boston, a clear and convincing case was made that while standards can facilitate cooperation among competitors in the hopes of creating larger markets and accelerating the market uptake of technologies, standards can also serve as a competitive weapon used to propel technology from a particular company or a country into the forefront, capture new markets, and leave the competition behind to play catch up. United States businesses are certainly well aware of this fact. Standards, however once esoteric and cryptic they may have been years ago, are now a driver in the development of corporate strategy and business models for American commerce and competitiveness in all overseas market sectors, especially information and communications technology (ICT).

For the ICT sector, a number of companies are finding the status quo for standards development a challenge. There is an urgent need for speed, effectiveness and interoperability, and for standards that support these characteristics. U.S. customers want new technology and systems immediately, and want those systems to be interoperable across a broad range of applications. Emerging homeland security needs present an additional impetus for interoperable, robust systems.

Survival in the ICT sector is predicated on the development of new technologies. Formal standards may not always be applicable. On the other hand, standards are the new field of competition – both domestically and in foreign markets.

Accordingly, U.S. businesses are pressing for an international standards development process that mirrors our strong and diverse tradition of developing and using voluntary standards with transparency, openness, and due process. These voluntary consensus standards for products, processes, and services underpin our nation's economy and are crucial factors in our international competitiveness. Yet, our nation faces new challenges in combination with increases in competition from other countries.

Standards and standards-related technical regulations are pervasive features for global commerce, affecting an estimated 80 percent of world commodity trade. These technical specifications make up much of the vocabulary in the exacting language of industry, consumer protection, and government regulation. As such, foreign standards and methods used to assess conformity to standards can facilitate efficient international trade and its benefits – or they also can be used intentionally or unintentionally to impede access to foreign markets.

Internationally, this is a very real concern for United States businesses and trade associations and they have personally urged Commerce Secretary Donald L. Evans to take a more aggressive, coordinated approach to addressing standards and technical regulations in overseas markets. Many in industry view foreign standards and technical regulation as a principal non-tariff barrier in markets around the world. Divergent standards, redundant testing and compliance procedures, and unilateral and non-transparent standard setting exercises are now recognized as major impediments to free trade--estimated to affect 80 percent of world commodity trade.

United States businesses want a fair and equitable standards playing field and Secretary Evans has directed the Department to assist them in achieving that balance where standards ideally would be judged solely on their technical merits without regard to other tangential factors. As a result, on March 19, 2003, Secretary Evans announced an initiative to enhance the Commerce Department's standards activities. The Secretary's Standards Initiative consists of eight points.

The Secretary's Standards Initiative is aimed at developing a coordinated strategy between the various parts of Commerce that are already working on standards-related issues. The framework for the initiative includes:

- **Developing a Commerce Global Standards Activity Assessment**

The Secretary of Commerce has tapped the Technology Administration, through the National Institute of Standards and Technology (NIST) to conduct a standards activity assessment of all existing Commerce Department programs and efforts to reduce standards-related barriers in foreign markets. The Department will also work with other Federal agencies to include an inventory of existing government programs and initiatives to ensure greater coordination in Federal standards activities.

- **Reinforcing Expertise in Key Markets**

The Commerce Department has standards representatives in Europe, Latin America, Asia and the Middle East to assist U.S. businesses and foreign governments in their standards development. A new, redesigned, intensive training program for standards liaisons posted abroad is being developed by the Department of Commerce.

- **Devising an Effective Training and Outreach Program**

NIST and the International Trade Administration (ITA), in cooperation with U.S. standards development organizations and with U.S. industry, will develop a standards training program for members of the Commerce Department's Foreign Commercial Service officers so that all U.S. officers posted around the globe have sufficient understanding and knowledge of the importance of standards and international trade.

- **Creating a Best Practices Database**

Working with its offices abroad, other government agencies, and industry, the Commerce Department will assemble a database of “best practices” with useful information relating to standards, technical regulations, and market access in foreign markets.

- **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.

- **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. The subcommittee would provide advice and suggestions on global standards issues for the Council’s consideration to include in its overall recommendations for U.S. policy.

- **Outreach to U.S. Industry**

The Department of Commerce has hosted a number of industry-specific roundtables to gather input from U.S. industry on the most pressing standards issues and priority foreign markets. Information and transcripts from the roundtables will be shared with NIST and other interested parties in the development of the Standards Activity Assessment and related recommendations in action.

- **Appointing a Liaison at the International Trade Administration**

A senior official has been named to act as a Standards Liaison at the Commerce Department’s International Trade Administration. This liaison will work with U.S. industry to coordinate the activities within the International Trade Administration,

including its Foreign Commercial Officers posted overseas. This individual will ensure that industry's priorities on standards are promoted through the Commerce Department's international policies and programs, and will work closely with the Office of the United States Trade Representative and other U.S. Government agencies on how to address these priorities in U.S. trade agreements.

The underlying goal of the Secretary's Standards Initiative is to increase the Department's outreach efforts to industry and better understand some of the challenges that U.S. businesses face in overseas markets. In doing so, we can more effectively leverage our Commerce Department staff, both here in the United States as well as at our posts worldwide, to help tackle these challenges.

At the heart of the Department's standards activities is the National Institute of Standards and Technology (NIST). NIST, established in 1901 as the oldest U.S. national laboratory and a part of the Commerce Department's Technology Administration which I head, is the Federal government leader in standards. NIST has also been engaged to reduce standards-related barriers to trade.

NIST's technical programs support global recognition of U.S. standards, as well as harmonization of standards to avoid barriers to trade. These programs take advantage of synergies with Commerce Department trade-related programs and with the private sector. These programs are critical to U.S. industry's access to export markets.

NIST works closely with the International Trade Administration's industry and regional desks, and Trade Compliance Center (TCC). The TCC is the U.S. Government's one-stop shop to help American exporters facing foreign trade barriers and to assure that foreign countries comply with their trade commitments. NIST and TCC management collaborate on standards-related trade barrier issues and on the development of Department policy positions in this area.

NIST also works in partnership with the Department's Foreign Commercial Service to sponsor three standards experts on location in key foreign markets. These experts support Embassy commercial and economic staffs in identifying and resolving trade issues involving standards-related barriers. NIST itself has two contractors – one in Riyadh, Saudi Arabia and one in New Delhi, India – covering standards issues.

Improving the U.S. position in key international standards developing organizations, such as ISO and IEC is another key strategic goal of the U.S. National Standards Strategy, which was developed under ANSI sponsorship and recognizes the need for a sector-specific approach to standards issues. NIST is working with other government agencies and with ANSI and its members to target critical activities in ISO and IEC and other standards organizations to avoid adoption of international product standards that are technical barriers for U.S. exports.

NIST staff represents U.S. interests in some 180 international standards committees and international industrial consortia. Focus areas include health care, information technology, building and construction, manufacturing, and telecommunications. NIST is responsible for establishing traceability of measurement results to NIST and to the International System of Units. This traceability underpins a wide range of tests and measurements conducted to meet regulatory agency and U.S. business needs, both nationally and internationally.

NIST conducts comprehensive workshop and training program for foreign officials, targeted at key U.S. export markets. This program demonstrates the value of U.S. standards, technology, principles, and practices. Since 1995, NSIT has trained over 1,000 officials from the Americas, Asia, Russia and the Newly Independent States, and the Middle East. Contacts with foreign officials built through these workshops and through our standards experts have facilitated acceptance of U.S. products in key markets.

NIST is also actively involved in implementing three major trade agreements – with Europe, Asia, and the Americas – that provide for mutual recognition of tests and product approvals in regulated areas, particularly telecommunications and IT equipment. The U.S-European Union Mutual Recognition Agreement covers some \$40 billion of two-way trade.

Additionally, NIST operates as the inquiry point for the World Trade Organization (WTO) Agreement on Technical Barriers to Trade, and disseminates information on proposed foreign technical regulations for comments by U.S. interests.

The Department's International Trade Administration has worked closely with NIST, USTR, and regulatory bodies such as the Federal Communications Commission among others on standards and regulatory issues to address market access concerns as well as monitor countries' compliance to the WTO Agreement on Technical Barriers to Trade.

Given the important role standards play in trade, the Department has also worked very closely with industry to ensure that we are advancing industry's position on these issues when we meet with foreign governments on a bilateral or a multilateral basis. For example, the Department has discussed standards within APEC's Telecommunications and Information Working Group, where deliberations have resulted in the APEC Mutual Recognition Agreement. On a bilateral basis, we have co-organized activities with industry and foreign governments in Russia, China, and Brazil under our bilateral working groups.

As part of the Secretary's Standards Initiative, the Department of Commerce conducted a series of 12 standards roundtables over a span of six months in 2003 in order to gain U.S. industry's insight into how foreign standards and related technical regulations affect their competitiveness overseas. Additionally, a Federal Register notice to solicit feedback from industry on the Secretary's Standards Initiative was sent. At

each of the roundtables, the Department asked for U.S. industries' views on national standards issues.

Specifically, industry was asked to comment on:

- What are the highest priority standards issues facing your industry?
- Are there adequate national and/or international standards to satisfy your industry's trade/export-related needs?
- Does your industry experience standards-related problems in specific countries or regions, or do these problems affect multiple regions?
- Do your industry's problems result primarily from the technical requirements contained in standards or technical regulations that adopt such standards? Please describe specific examples where the technical requirements resulted in market entry problems in your industry.
- Do your industry's problems result from how compliance with technical requirements is assessed? Do you have examples of cases where either the technical requirements or the assessment process resulted in market entry problems for your industry?
- Has your industry been able to take an effective approach to address international standards issues? What steps have produced the most benefit? Could other industrial sectors benefit from using these approaches?
- Has your industry been able to take an effective approach to address national standards issues? What steps have produced the most benefit? Could other industrial sectors benefit from using these approaches?

- Do you have examples of a problem experienced by your industry where the federal government has been effective in resolving the issues? What steps taken by federal government officials were effective in resolving the issue, and why were they effective? Would such steps or approaches be applicable in other cases or were their successes unique to a specific problem? What steps were ineffective or less effective, and why do you think that this was so? Was it the unique nature of the problem, or would such steps have been equally ineffective in most cases?
- What actions would you recommend the Department undertake following this and similar roundtables? Would your industry be willing to help to improve the situation encountered with respect to problems associated with standards and conformity assessment?

Industry input will be used for the following: (1) Outlining a roadmap for future action by DOC, based on some of the major concerns and issues raised by industry and based on areas where the Department's efforts are either supporting or not supporting industry's most important needs; (2) Determining standards-related programs and strategies for Department activities; and, (3) Informing Commerce offices on the current status of industry issues and on industry perspectives, and ensuring that their concerns are heard by a broad cross-section of the Department, including at senior levels.

In January 2004, a report will be presented to the Secretary on his Standards Initiative. Input from the roundtables as well as an update on all actions taken to date will be included in the report. I am looking forward to the upcoming report and its recommendations. The report, expected to be one of the most comprehensive documents on standards assembled by the Federal Government, should provide a roadmap on the future of standards activities at the Commerce Department.

CONCLUSION

The Bush Administration remains committed to promoting competition and opening new markets for U.S. goods. Standards and testing are key to our international competitiveness. Yet, more and more, U.S. businesses state that foreign standards and testing requirements are keeping American products out of foreign markets. This approach is troublesome as it reduces efficiencies, limits competition, and increases prices for consumer goods. Secretary Evans' Standards Initiative is an effort to create a more level playing field around the world. In addition to the Secretary's Standards Initiative, the Commerce Department is already currently actively engaged in a number of activities related to standards. These include ensuring recognition and use of globally relevant and internationally recognized standards domestically and in the global marketplace, promoting worldwide acceptance of U.S. test and calibration data to facilitate the marketing of U.S. products, and providing assistance to other government agencies, industry, trade associations, exporters, and standards developing organizations.