



KYLE PITSOR

Vice President, Government Relations

May 10, 2017

The Honorable Wilbur Ross
Secretary of Commerce
14th and Constitution Avenues, NW
Washington, DC

Re: Request for Public Comments for Administration Report on Significant Trade Deficits
Docket ITA-2017-0003

Dear Secretary Ross,

As the trade association representing U.S. manufacturers of electrical and medical imaging equipment, the National Electrical Manufacturers Association (NEMA) provides the attached comments on the Department's Request for Public Comments for the Administration's Report on Significant Trade Deficits, published in the *Federal Register* on April 17, 2017.

NEMA, founded in 1926 and headquartered in Arlington, Virginia, represents nearly 350 electrical and medical imaging manufacturers. Our combined industries account for more than 400,000 American jobs and more than 7,000 facilities across the U.S. Domestic production exceeds \$117 billion per year and exports top \$50 billion.

Please find our detailed comments attached. Our member companies count on your careful consideration of these comments and look forward to an outcome that meets their expectations.

If you have any questions, please contact Craig Updyke of NEMA at 703-841-3294 or craig.updyke@nema.org.

Sincerely,

A handwritten signature in black ink that reads "Kyle Pitsor". The signature is written in a cursive, flowing style.

Kyle Pitsor
Vice President, Government Relations

attachment

NEMA Comments for Analysis of Significant Trade Deficits

Executive Summary

- NEMA welcomes the Administration’s focus on opening foreign markets to U.S. exports. NEMA encourages and supports government and private-sector efforts to open and maintain effective access to U.S. and foreign markets for electrical and medical imaging equipment, components and other necessary manufacturing inputs.
- In terms of products that fall with the scope of NEMA, the U.S. has an overall trade deficit with 12 of the 13 economies listed in the Federal Register notice. In electrical and medical imaging equipment, the U.S. has a trade surplus with Canada.
- Overall, taken together, in NEMA’s sectors the U.S. has a small trade surplus with current free trade agreement partners. Trade deficits with some of these countries, including Korea and Mexico, are offset by trade surpluses with other countries, such as Australia, Chile, Colombia, Peru and Singapore.
- NEMA is ready to work with the Administration to pursue worldwide elimination of tariffs on electrical and medical imaging products, reduction of non-tariff measures that act as technical barriers to trade and/or needlessly increase U.S. manufacturers’ compliance costs and thereby reduce competitiveness, and increased protection for U.S. trademarks, copyrights, patents and trade secrets.

Discussion

NEMA encourages and supports government and private-sector efforts to open and maintain effective access to U.S. and foreign markets for electrical and medical imaging equipment, components and other necessary manufacturing inputs.

In 2016, according to U.S. government trade statistics, the U.S. imported a greater value (approximately \$70 billion) in products within NEMA’s scope of electrical and medical imaging equipment than the U.S. exported to the world (approximately \$50 billion). This “deficit” situation is true as well for U.S. trade in this basket of products with 12 of the 13 economies specified in the Request for Comments. In part, this is due to the U.S. being not only one of the most open markets in the world but also one of the largest markets in the world. Logically, it would be difficult for U.S. manufacturers to sell as much to a smaller economy, such as Switzerland, as that smaller country sells to the U.S.

Over the past 20-30 years, many U.S. electroindustry manufacturers have established value and supply chains that reach beyond the U.S., into our northern and southern neighbors and beyond

to Asia and Europe. Many of our largest member companies are global corporations. In short, these companies tap into networks of suppliers that help them compete to offer the best products to the large U.S. market. Many of our small and medium-sized members also compete for export sales, although some remain focused on the domestic U.S. market and the competition posed by imported products.

NEMA Member companies that compete for international sales face tariff and non-tariff barriers to market access in many of the 13 economies in question – these barriers are discussed briefly below. However, NEMA members also face market barriers in many countries with which the U.S. has a trade surplus for NEMA’s basket of products. As such, the existence of a trade deficit is not a strong or reliable indicator of trade difficulties and should not be the sole basis for policy initiatives aimed at tipping the balance in the opposite direction.

Non-tariff barriers include technical standards, conformity assessment policies, and product regulations – all of which can overlap.

Technical standards play a vital part in the design, engineering, production, distribution, installation and use of electrical equipment and medical imaging technology destined for both national and international commerce. Documents developed as voluntary consensus standards often form the basis for national or regional mandatory technical regulations.

Recognizing that international trade facilitates access to the best available technologies, many governments and state-owned companies put in place policies that “international standards” are preferred when developing mandatory standards for their home market. In some cases, the policy is misinterpreted to convey endorsement of standards developed and published by organizations that carry “international” in their names, including the International Electrotechnical Commission (IEC), International Organization for Standardization (ISO) or International Telecommunications Union (ITU), to the exclusion of standards available in the international market from other Standards Development Organizations (SDOs).

This type of policy has several serious deleterious effects, including restrictions on or removal of market access for NEMA companies manufacturing and offering products that meet competing but essentially equivalent standards. The policy also has negative and costly ramifications for potential buyers whose choices may be limited to products that meet an IEC standard that does not include essential requirements for their home market.

The definition of “international standard” is not limited to those developed by international bodies such as ISO and IEC, but also includes other standards that are broadly used around the world and conform to the Decision of the World Trade Organization’s Technical Barriers to Trade (TBT) Committee.

Furthermore, under the TBT Agreement, WTO Members are to give positive consideration to accepting as equivalent technical regulations of other Members, even if these regulations differ

from their own, provided they are satisfied that these regulations adequately fulfill the objectives of their own regulations.

As the U.S. and others strive to achieve the promise of emerging technologies, including through an Internet of Things, technical standards and regulations are playing an essential role. U.S. government trade agencies have an important role to play in working with foreign governments, NEMA, and the private sector to prevent the creation of new barriers to trade while enabling connectivity and interoperability and safeguarding privacy and cybersecurity in electrotechnical and medical imaging products.

In the area of conformity assessment, in-country testing requirements, where the design verification testing must be performed on local soil, continue to act as difficult, costly and time-consuming barriers for NEMA manufacturers of electrical equipment and medical imaging equipment. The burden of testing the same product multiple times to the same or equivalent standard can be a significant barrier to foreign market entry. Our trading partners should make commitments to allow for accreditation of qualified conformity assessment bodies and afford them national treatment in the same spirit as the U.S. Occupational Health and Safety Administration's Nationally Recognized Testing Laboratory (NRTL) program.

In addition, NEMA continues to receive reports from its manufacturers that have experienced the demand for repeated (and redundant) testing when attempting to gain access to China and Brazil. These demands conflict with the multilateral agreements those countries signed as members of the IEC System of Conformity Assessment Schemes for Electrotechnical Equipment and Components (IECEE) and the IEC System for Certification to Standards Relating to Equipment for Use in Explosive Atmospheres (IECEX).

In the regulatory sphere, major economies such as China and the European Union tend to set unique requirements that can pose significant market access barriers. In the medical imaging area, regulators operate an International Medical Device Regulators Forum that includes participation from industry and helps to avoid surprises.

Hereinafter, we offer some brief comments on each region and economy mentioned in the Request for Comments.

North America

Canada

The U.S. has a trade surplus with Canada in its product areas. This is based on the use by many electroindustry companies of the U.S. and Mexico as the joint manufacturing base to serve the Canadian market. Intra-company and related-party trade is extremely common in the U.S.-Canada electroindustry supply chain. NEMA urges continued U.S.-Canada cooperation on standards and regulatory matters.

Mexico

Mexico is the U.S. electroindustry's largest overall trading partner, both for exports and imports. The U.S. has a significant trade deficit in electrical equipment, largely driven by the integrated manufacturing supply chain between the two countries. Many NEMA Member companies have made substantial investments in and rely on cross-border intra-company trade as well as close relations with suppliers on either side of the border. Recent research published by the Federal Reserve Bank of New York's Research and Statistics Group points to the importance of these supply chains and related-party trade.¹

The U.S. and Mexico should intensify their bilateral dialogues, of both government and industry, on regulatory and other matters of importance for cross-border trade, including customs cooperation.

Asia

China

In the electrical equipment area, the U.S. has a trade deficit with the People's Republic of China. By value, lighting equipment (NAICS 3351) accounted for 41 percent of NEMA-scope products imported from China in 2016., aAs Changes in technology have contributed to the movement of many NEMA members' manufacturing and component sourcing to China. However, China and other Asian nations mentioned in the Federal Register notice and discussed below are the only available suppliers of major component parts used in manufacture of many electroindustry finished goods. Member companies report that there are not enough sources of high-technology electronic components located in the U.S. to support their businesses.

On the export side, U.S. companies face high tariffs and non-tariff barriers in China. Across the board, China is using regulatory tools to limit market access and competitiveness of U.S. companies. This has been of greater concern since 2013. Greater engagement with China on legal, regulatory and technical issues is essential. The collaborative activities underway across multiple agencies should continue and intensify.

This is also true in the medical imaging area, where overall the U.S. has a trade surplus with China. According to U.S. government trade statistics reviewed by NEMA, U.S. shipments of medical imaging equipment and parts within NEMA's scope to China in 2016 were valued at over \$833 million, while the value of U.S. imports from China topped \$375 million. These values indicate a trade balance exceeding \$450 million.

¹ Mary Amity, Caroline Freund, and Tyler Bodine-Smith, "Why Renegotiating NAFTA Could Disrupt Supply Chains," Federal Reserve Bank of New York Liberty Street Economics (blog), April 19, 2017, <http://libertystreeteconomics.newyorkfed.org/2017/04/why-renegotiating-nafta-could-disrupt-supply-chains.html>.

While a reversal of this situation is not expected in the near-term, Members of NEMA's Medical Imaging and Technology Alliance (MITA) division remain concerned about the direction of multiple policy measures taken at the national, provincial and local levels in China that would have the effect of disadvantaging non-Chinese companies that manufacture medical technologies. These measures involve, but are not limited to: differential registration fees set by China's Food and Drug Administration (CFDA); policies that promote purchasing quotas and reimbursement for products of Chinese-owned firms but exclude products of foreign-owned companies, even if manufactured in China; requirements mandating clinical trials be conducted within China prior to registration of proven medical imaging technologies. In addition, requirements for products to be registered in their Country of Origin prior to beginning the regulatory approval process in China represent another trade barrier for non-Chinese manufacturers.

MITA Members welcome China's increased emphasis on involvement in and adoption of the international standard for medical imaging equipment, DICOM. However, Chinese authorities must take great care to ensure that their translation and adoption of standards faithfully reflects the DICOM standards as published.

Many, but not all, of these concerns could be addressed by implementation of commitments China has made in recent years in bilateral forums with the U.S. NEMA and MITA look forward to fruitful cooperation with U.S. and Chinese agencies to bring China's policies and practices into line with international norms and best practices for the benefit of Chinese patients.

In addition, the central government's "Made in China 2025" plan includes "advanced medical technologies" under one of the ten priority sectors. State-directed and -supported advances in manufacturing quality and innovation by domestic Chinese manufacturers in the medical imaging area could be accompanied by additional regulatory or standards measures that discriminate against foreign companies and erode the trade balance.

Japan

Japan is a major trading partner for the U.S. electroindustry, but data indicates that the U.S. imports 5 times more by value. Key imports from Japan include electrical plugs and sockets, medical imaging products and inputs, utility equipment and industrial automation equipment. Several NEMA members are U.S./North American operations of Japanese global companies.

Korea

In the years prior to the entry into force of the U.S.- Korea Free Trade Agreement (KORUS), U.S. trade in electrical equipment with Korea was roughly balanced. This has changed somewhat in the 5 years since the KORUS agreement took effect, as electrical equipment trade has tipped into a \$1 billion deficit, with growth in U.S. imports not balanced by growth in exports. Overall NEMA-scope trade, including medical imaging equipment, with Korea shows a \$300 million

deficit in 2016. . We welcome the Administration's initiative to review existing free trade agreements and will have more detailed input for the Department and USTR during that process.

Rest of Asia: India, Indonesia, Malaysia, Taiwan, Thailand, Vietnam

- In general, the Indian market is characterized by a lack of openness due to high tariffs and preferences for local manufacturing.
- Indonesia and Malaysia are not currently major export markets for U.S. electrical equipment. However, Malaysia is potentially a growth market for U.S. electroindustry manufacturers. NEMA supported inclusion of Malaysia into the Trans-Pacific Partnership, in part due to the important role enterprises in Malaysia play in global supply chains.
- Taiwan, along with others in this region, is a major source for power supplies used in electrical equipment, but is not a major buyer of U.S. electrical equipment.
- Regarding Thailand, NEMA supported past proposals to pursue free trade negotiations with Thailand based on our companies recognition of the market potential there.
- As Vietnam continues to grow, NEMA manufacturers look forward to competing for greater export sales there.

European Union and Switzerland

The bilateral trade deficit with the European Union reflects the openness of the U.S. market and increased demand for products built to European standards. U.S. manufacturers do not have the same market opportunities in Europe in many product areas in part due to structural differences, high regulatory requirements, and EU-specific standards. Europe's strong influence in and special relationships with the IEC and ISO also play a significant role in limiting market access in Europe as well as in third countries.

In addition, the lack of national treatment of U.S. certification bodies in Europe (in sharp contrast to the process employed by OSHA in administering the NRTL program) significantly increases testing costs for U.S. product manufacturers, adds increased time to market, and has effectively required U.S. certification firms to establish operations in the EU to remain competitive.

The U.S. should maintain and intensify dialogue and, where possible, cooperation with the European Union on standards and regulatory matters. Specific agreements that were reached or nearly reached in the medical imaging area under the Trans-Pacific Partnership should be concluded and implemented to remove redundant regulatory barriers.

Switzerland is not a major market for U.S. electroindustry exporters. Of the 13 economies, Switzerland is the third-smallest market in terms of imports from the U.S. (behind Indonesia and Vietnam).

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