

The Impact of Globalization on ABMA Standards-Setting

Gary Kushnier, ANSI Vice President of International Policy

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Slide 1 – Title

Good morning everyone.

In February, your president – Rick Opatick – approached me with the request to participate in today’s meeting. I was eager to accept as this is my first opportunity to meet with the distinguished members of the American Bearing Manufacturers Association

In our conversation, Rick mentioned that ABMA has published a complete set of American National Standards for anti-friction ball and roller bearings and balls – that some of these documents were due for review and possible revision, and that some were either published or under development as international standards. He suggested that this meeting would be a timely opportunity for the members of ABMA to hear not about activities underway – domestically, regionally and globally – that might impact the standards activities of your industry.

That is why my comments today will be direct and focus on a single point:

There has never been a more important time for ABMA and the bearing manufacturing industry to strengthen its leadership role in standards and conformity assessment activities.

Why is the timing so critical? Because standards have a direct impact on trade.

Slide 2 – Roughly 80%

Standards are a critical issue for manufacturing competitiveness in global markets, as they can facilitate international trade, or they may impede access to foreign markets. Many in U.S. industry view standards as the principal non-tariff barriers in markets around the world. The U.S. Department of Commerce estimates that standards issues impact 80 percent of world commodity trade. In terms of the U.S.-European economic relationship, this means that standards influence an estimated \$200 billion in transatlantic trade. These numbers are already high and evidence shows that they continue to rise.

As an example - your own organization has expressed considerable concern about the increasing volume of imported ball bearings and parts – particularly imports from China – on the \$2 billion U.S. market.

You are not alone in your concerns. Input from industry clearly shows significant concern with China and its development and promotion of domestic standards. There are probably few of you that did not follow the issue regarding wireless communications devices earlier this year.

Across the board, industry representatives report that China's rulemaking and standards development process lacks transparency. A 2004 U.S. General Accounting Office survey of American companies with a presence in China found that standards and certification issues ranked first in importance on a list of specific China WTO implementation commitment areas – above customs procedures, tariffs, and intellectual property rights.

Effective leadership in regional and international standards and certification programs can help to open global markets and positively influence trade issues.

Slide 3 – ANSI's Role

Before we continue, let me begin with a bit of background that may help to put the U.S. standardization community into a better perspective for you.

ANSI provides a forum where subject matter experts from the private and public sectors can work cooperatively toward the development of voluntary standards that ultimately benefit the nation.

A formalized, private sector standardization system has existed in this country for well over 100 years. Two of our nation's oldest standards setting organizations are ASTM International and Underwriters Laboratories.

Your industry's history, however, extends well beyond these dates: Probably the first use of a bearing was back when the Egyptians were building the pyramids and they put round logs under heavy stones so that they could roll them to the building site.

Today, bearings are the invisible heroes inside many mechanical devices – and a critical manufacturing component for hundreds of industries ranging from automobiles, trains and airplanes, computers, construction equipment, machine tools, VCRs, refrigerators and ceiling fans. The products you produce are highly engineered, precision-made components that enable other products to move at extremely high speeds and carry remarkable loads with ease and efficiency.

Fundamentally, your industry provides a critical infrastructure that supports global trade and commerce. That is why it is absolutely essential for ABMA to strengthen its overall involvement in the standardization community. It is this collaboration and connection between industries that is so essential to carry forward today.

Slide 4 – Who we are

ANSI was founded in 1918 by five engineering societies and three government agencies that recognized the need for a focal point for standards coordination,

harmonization and information. We are a private, 501(c)3 non-profit membership organization.

To this day, we serve as the coordinator of the U.S. voluntary consensus standardization system. We are not a government agency or a regulatory body. Nor are we a standards developer.

Slide 5 – ANSI Federation

The Institute's membership includes a diverse representation of more than 800 companies, academic institutions, professional societies, trade associations, consumer representatives and government agencies that come together for mutual benefit.

Historically, we have seen that companies that assume a leadership role in standardization can gain a competitive advantage in the marketplace. A company that successfully introduces its technology to a standards-setting committee may gain a lead-time advantage that allows them to build a huge market for its products while their competitors are playing "catch-up." This company may also re-allocate resources to the development of "next generation" technologies, rather than to the re-tooling of an existing product line to encompass a standard that was more heavily influenced by a competitor. Those who do not sit at the standardization table are at risk of playing the game by their competitor's rules.

Given that ABMA is a trade association – I can only assume that the strategic and competitive aspects of participation are of real interest to those of you in the room today.

Slide 6 – Examples of standards developers

The U.S. standards system is highly decentralized and naturally partitioned into industrial sectors that are supported by numerous independent, private sector standards developing organizations.

As I said just a few moments ago: ANSI's role is to serve as a coordinator of this system.

ANSI addresses standardization needs in all fields – industries involved range from nuclear energy to information technology and from material handling to electronics. Alongside traditional engineering committees and design-based standards are new and innovative projects ranging from quality and environmental management, to standards for the service industry and most recently, for personnel certification programs.

The Institute does not itself develop these standards . . . our members do. There are some 200 ANSI-accredited standards developers across the spectrum of industry.

ABMA has been an ANSI member since 1970 and has served as administrator of ANSI-Accredited Standards Committee B3 since 1983. As a standards development body, ABMA and its members retain control over the pace and content of your industry's standardization initiatives.

Today there are more than 10,000 American National Standards (ANS), including 74 that have been developed by ASC B3, and dozens more projects in development or a state of review and revision.

Slide 7 – Collaborative efforts

These examples address only domestic projects that may lead to the approval of an American National Standard. In addition to our efforts to coordinate the domestic standards system, ANSI is even more actively engaged in ensuring that

American interests are well represented in the development of standards that are globally relevant.

ABMA standards are critical to nearly all industries. Plus, many of you in the room today may even have global manufacturing facilities or rely upon parts that come from foreign-based suppliers.

ANSI's focus, too, has always been to remain responsive to the evolving needs of its constituents. Our programs are constantly expanding and adapting to meet the changing needs of industry, government and other sectors.

In early 2003, ANSI formed a cross-sectoral group to address homeland security and emergency preparedness. This Homeland Security Standards Panel is working with the U.S. Department of Homeland Security to develop solutions that will help to protect our national infrastructures, support emergency preparedness and business continuity; protect our food and medical networks; enhance cargo security programs; and much more.

Recently, we assumed a leadership role in an international group investigating the need for global standards on homeland security-related topics.

Slide 8 – International participation via ANSI

As the country's official member body of the International Organization for Standardization (ISO) and, via the U.S. National Committee, to the International Electrotechnical Commission (IEC), ANSI gives interested U.S. parties immediate access to the standards development processes of these two organizations.

Within your industry, ABMA is actively engaged in the work of the ISO Technical Committees on rolling bearings: ISO/TC 4, *and eight (8) of its subcommittees*. *In addition to your recent application to serve as a new TAG for ISO TC 20/SC 15 –*

Airframe bearings, ABMA is involved with a host of committees in liaison to ISO TC 4. The U.S. is also monitoring the work of ISO/TC 123, Plain bearings, among others.

Because your industry and the standards that it develops impacts so many others involved in international standardization and global trade, there is a real need for your focused and integrated involvement in U.S. policy and strategy-setting activities. I invite you to enhance your participation – both as an organization and as a collection of individual representatives – in the long-range, U.S. strategic approach to standardization.

Slide 9 – National Standards Strategy

Some of you may already be aware of the National Standards Strategy for the United States. This document, which was first approved in late 2000, reaffirms that the U.S. is committed to a sector-based approach to voluntary standardization activities, both domestically and globally. Its focus is to improve U.S. competitiveness in the global marketplace while continuing to provide strong support for domestic markets and key quality-of-life issues such as the environment.

This standardization framework builds upon the traditional strengths of the U.S. system – such as consensus, openness and transparency – while giving additional emphasis to speed, relevance, and meeting the needs of public interest constituencies. These strategic and tactical initiatives can be used by diverse interests to meet their own national and individual organizational objectives.

This Tuesday, May 18, launched a review of the Strategy with a view to updating the document to reflect current practices and initiatives. We will focus our efforts with a view towards not only current practices and circumstances, but also with a view towards the future. Interesting choices will need to be made.

For example, the current Strategy has a decidedly U.S.-centric focus. Although it emphasizes the need for the U.S. to expand its standards influence globally, it does so with an eye to getting others to adopt U.S. technology and U.S. practices – a win-lose proposition, if you will.

Since 2000, our view of globalization has matured. Industry increasingly wants the synthesis of globally relevant solutions: one standard and one test that can be used around the world. Through ANSI's leadership, ISO and IEC now embrace this concept. The current national standards strategy must be updated to fully reflect this.

As another example, the original NSS observed that the standards system is quite diverse, both traditional and consortia organizations play critical roles. Perhaps the time has come for our strategy to be more specific as to how our system should combine the best of both worlds.

A third example is funding of the standards system. Going forward, who should be paying for it, and how? Should it continue to rely on document sales? If not, what is the alternative?

There are many tough issues to consider. But a well-founded standardization strategy will directly support ABMA's endeavors as well as those of the broader U.S. standards system. We welcome your participation and your perspectives.

Slide 10 – The concept of global relevancy

Challenges such as the trade issue you now face with China will continue to be present in both the near- and long-term. And while voluntary standards and conformity assessment programs are not *stand-alone* solutions, they are vital components in a *comprehensive* solution to trade problems.

Globally relevant standards can be an *essential element* of an industry's domestic and global competitiveness. You have also demonstrated through your past involvement in standards-setting activities that ABMA is committed to serving as a global leader for your members and the industry.

Through ANSI's memberships in both ISO and IEC, and our relationships with other national standards bodies, we have been quite successful in advancing a concept that is being referred to as "global relevance." The concept emphasizes the value of a single international standard that can be used and implemented as broadly as possible by affected industries in countries around the world.

Let me introduce this concept with a bit more background

The U.S. is fully committed to a system in which the market dictates the timing, content requirements, and number of standards that are to be developed under a voluntary, consensus-based, standards process.

Consistently and over an extended time, many participants have expressed an overriding concern about the presence of multiple standards or standards differing from international norms in other countries. These could significantly raise costs for manufacturers, especially small- and medium-sized businesses, and limit or eliminate their market access. Wide variation among countries' standards makes it expensive and time-consuming for companies to deploy products and technology into different markets.

Standards organizations and governmental bodies such as the U.S. Department of Commerce were asked to better address foreign governments' adoption of standards in technical regulations, lack of transparency in rulemaking, and limited access to and/or minimal participation in standards development, especially in China and Europe.

In the IEC, there now exists a new set of procedures that will help make a single standard applicable in every region of the world – even though there may be certain *essential differences* in *the mandatory requirements* of the standard.

To some of you, that probably sounded like true “*Standards Speak.*”

Here’s an example to help put this in real terms: The conditions for testing and rating of a particular product – let’s say an electric motor – in North America might be different from those needed in Asia. With the new IEC policy, both sets of conditions can now be identified in the same IEC standard. Both sets of conditions can also be identified as “equivalent.” Now, the same standard can be referenced anywhere in the world, even though some requirements for implementation can differ depending upon location.

ISO approved its global relevance policy in 2003. Its policy recognizes both differing *technical* requirements as well differing *market* requirements. The goal of the ISO policy is to achieve the objective of “*one standard, one test, accepted worldwide.*”

One example of the way ISO’s policy might be implemented is through “normative referencing.” This procedure allows the technical experts sitting on an ISO committee to include in a standard a normative or “mandatory” reference to one or more existing standards that *already* meets the needs of global users.

Effectively, this means that an ISO standard could refer to an existing ABMA standard – or an ASME standard, or an ASTM or UL standard – or others. When this happens, industry saves both time and money by not having to transpose a standard that is already globally relevant into an ISO standard. This policy gives the developers of the standards more options, not only the option of transposing documents developed first in a national setting into ISO, such as I believe ABMA

does currently, but other options as well, Plus, it enables the technical experts to decide which are the best standards to reference.

Slide 11 – U.S. leadership

A key element of the U.S. National Standards Strategy is providing leadership at the regional and international levels. Since January 1, 2003, an American – Mr. Oliver R. “Ollie” Smoot – has held the position of ISO President. On January 1st of this year, another American – Mr. Frank Kitzantides of the National Electrical Manufacturers Association (NEMA) – was elected as IEC Vice President and Chairman of the Standardization Management Board.

I currently serve as chairman of the Pacific Area Standards Congress (PASC) “Standing Committee” on Standards and Conformance, and ANSI’s president, Dr. Mark Hurwitz, serves on the Executive Board of the Pan American Standards Commission (COPANT).

ANSI’s outreach to developing nations and regional partners, and our active participation in the work of the Pacific Area Standards Congress and the Pan American Standards Commission has been instrumental in the approval of the global relevance policies and the placement of U.S. individuals in global leadership positions.

Slide 12 – Collaboration

ANSI’s Agreements on Cooperation with numerous national standards bodies – including Argentina, China, Korea, and others – enable us to develop and share our respective national positions before addressing topics at the ISO and IEC tables. As a follow-up to a round of meetings held in 2002, an ANSI delegation met with our counterparts in Brazil to advance harmonization efforts last week; and earlier this week similar meeting took place with colleagues in Mexico.

ANSI wants to partner with you so that your efforts and ours will complement one another.

ABMA probably has its own efforts to harmonize standards with your global partners.

We must continue fostering these positive relationships if we are to be successful in our cooperative efforts to establish globally relevant IEC and ISO standards. Our ultimate goal is to achieve a level playing field in the international standards arena, and an assurance that the needs of all nations are taken into account in IEC and ISO standards development.

In some cases, these strategic alliances with partners in the Pacific Rim and in Latin America help to create an effective counterbalance to positions that are brought to the ISO and IEC tables by representatives of the European Union.

Relationships with our European counterparts are actually quite strong and in January of this year, ANSI participated in its 18th annual meeting with representatives of the European Standards Organizations, the European Commission and the European Free Trade Association. These annual meetings provide an important venue for the discussion of key issues in standardization, and serve to promote access to global markets and eliminate barriers to trade. A broad result of this year's meeting was that it facilitated a better understanding between the U.S. and Europe on the development and definition of globally relevant standards, and specifically there will be increased liaison between our activities in the area of homeland security standards.

Slide 13 – Partnerships with U.S. Government

Contrast, too, the U.S. system with those in place in other regions of the world and you will undoubtedly see quite a difference. In many nations there is a “top-down” approach to standardization where the government, or groups closely

coupled to government(s), serve as the standards setters. Because of these differences, other regions of the world perceive that no one in the U.S. — neither the government, nor any central authority — is in charge.

In the U.S., no single government agency has control over standards. Each government agency determines which standards meet its needs. The agency is responsible for determining whether a private sector standard already exists that is appropriate for its needs. If so, they will use the private sector standard. If not, the agency is expected to work with the private sector to develop the needed standard.

In accordance with the National Technology Transfer and Advancement Act of 1995 (Public Law 104-113), federal regulatory and procurement agencies are directed to rely upon private sector standards whenever possible – and to participate in their development. This is a substantive move away from the traditional “command and control” role of government and a move toward working with the private sector.

Slide 14 – Partnerships with U.S. Government (continued)

We also see that benefits arise from an increasingly stronger partnership between U.S. industry and government. As examples, the Standards Attache at the U.S. Mission to the European Union works very effectively with ANSI in advancing issues of mutual interest, and the U.S. Foreign Commercial Service has been firmly committed to educating their officers around the globe on U.S. standardization practices and principles. All this is done with a view to advancing global trade.

In March 2003, the Department of Commerce announced a new initiative aimed at boosting U.S. exports by reducing technical barriers to trade. Included in the program was an eight-point plan intended to augment current DoC activities. Its goal was to create a more level playing field around the world. This was a

welcome new project that will help to strengthen a widespread understanding of the important role that developing and using voluntary standards and conformity assessment play in the support of U.S. citizens and the competitiveness of our nation's industry in international trade.

In the same month, the DoC also launched its Manufacturing Initiative to help address the significant competitive challenges facing American manufacturing. Consistent with the Manufacturing Initiative and the findings of the Bush Administration's recently released report on manufacturing in America, the recommendations in the DoC Standards Initiative report are intended to improve the environment for manufacturing and enable U.S. manufacturers to compete more effectively in world markets.

ANSI was very pleased that the DoC solicited and relied on input from us in finalizing the Standards initiative. On Tuesday afternoon this week, Dr. George Arnold, chairman of the ANSI Board of Directors, participated with Secretary Evans in a press conference announcing release of the report. A news item about the event – along with a link to the DoC report – is available from the ANSI website at www.ansi.org.

ANSI will be involved in working with Commerce and various other players in the private sector to assist in the development of follow-up plans to the report.

Slide 15 – Conclusion

As you can see, the standardization process itself is a long-term event. Those of us in the standards policy business know that patience, more than any other attribute, is essential. Open, ongoing communications between the U.S. and its global trading partners while sitting at the standardization table can be a critically important endeavor. Firing the big guns normally doesn't achieve the desired result.

But patience and persistence are worth the investment.

One example played itself out very recently when another ANSI member, the Water Quality Association, became recognized as an official liaison to a CEN technical committee. In this case, there was no equivalent ISO committee and the WQA needed to get involved in the CEN technical committee. After more than 18 months of effort by ANSI, WQA, the U.S. Standards Attache to the EU, and CEN itself, a vote was taken and the direct liaison status was confirmed.

These positive relationships – established over time – are critical for success. For economic reasons and others, the roles of ANSI . . . the roles of ABMA . . . and the roles of other members of the U.S. voluntary consensus standards community in international standards setting are intimately linked.

Collectively, we support global industry and the worldwide sale of product.

Our vision for the future is simple:

- Standards must be relevant, responsive to real world needs, and performance-based
- Decisions will be reached through consensus of all affected interests (including harmonization to meet global regulatory requirements)
- Balance will be maintained among competing interests
- Processes will be transparent, flexible, timely and coherent
- All views will be considered and appeals are possible
- The traditional standards-setting bodies will work cooperatively
- Traditional and nontraditional standards-setting bodies will work well together

Are there other forces affecting the bearing industry? What is the future of your standards work domestically and globally? By engaging in the processes and

policy initiatives these questions address, each of you certainly has the ability to affect the outcomes.

The success of our efforts is tied directly to the willingness of U.S. interests to commit the resources required to ensure a strong presence in the international standards process.

There has never been a more important time for your industry to assume a leadership role in domestic, regional and global standards and conformity assessment activities.

ANSI is ready to be your partner. It is a role in which we excel and we look forward to working with you.

Slide 16 – Thank you

Thank you for your time and attention.

I welcome your questions.

Slide 17 – Contact information

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