



MODELS FOR SUCCESS:

U.S.-CHINA COOPERATION ON STANDARDS, CONFORMITY ASSESSMENT AND TECHNICAL REGULATIONS (SCATR)

Case Study:

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Standards and conformity assessment play a crucial role in the overall U.S.-China trade picture. The American National Standards Institute (ANSI) developed its China program and launched its Standards Portal (www.StandardsPortal.org) to advance the interests of its members whose activities and attention have been keenly focused in this market. Through the portal, the Institute provides essential information and tools to aid entry into the U.S. and Chinese markets. The following case study presents the perspective of a U.S.-based organization (the National Electrical Manufacturers Association - NEMA) that has been successful in addressing standards, conformity assessment and technical regulations (SCATR) opportunities in China.

What is your organization's history in China?

NEMA first visited China in 2003, and had opened a dedicated office in China by April 2004. Our ability to successfully “open for business” in China was entirely jump-started by a grant from the U.S. Commerce Department’s Market Development Cooperator Program (MDCP).

Although our history of concrete action in China is relatively recent, NEMA has considered China a strategically important market to our industry since China’s pre-WTO days. The biggest challenge for our entry into the market was not the arrangements, procedures and applications for opening an office (these procedures took roughly six months, including the MDCP grant application), but rather the challenge of gaining a consensus opinion or direction vis-à-vis China from our membership. It seemed that all of our members were at different levels of comfort and experience in China. Our challenges were overcome by basic marketing and information gathering. Through these efforts, it became clear that there were three primary reasons our members were interested in China:

1. Low-cost outsourcing;
2. Low-cost supplies for assembly elsewhere in the world; and
3. Major growth market in which to sell products.

From there, we were able to propose program that would address the wants and needs of our members.

What have been your organization's objectives in China?

Overall, our objective has been to facilitate our members’ commercial success - recognizing, of course, that different companies define success differently or place different emphases within the three objectives identified above.

Regarding SCATR, our objectives have been first to help our members gain a better understanding of present requirements for their products and operations in China and to inform members of relevant developments. Second, we have responded to requests from our members to influence development of SCATR policies and procedures to ensure that these developments facilitate trade. Put simply, we provide our members intelligence, insight and influence. We contribute to improved market access and increased trade with China.

How would you characterize your organization's progress toward achieving these objectives?

Our progress has been very good overall. We’re not at the end point, but three years into it we have already been able to check off anticipated milestones. We have gained credibility with our own members and with Chinese authorities.

In general, our members do wish that we were more accomplished in areas where big changes need to be made in China (e.g. combating IP violations and combating counterfeit products, corruption, etc.). These are, of course, deep seated issues in China that can’t be treated immediately.

With regards SCATR specifically, NEMA is comfortable that our Chinese counterparts recognize the importance of SCATR and place as much importance in this area as we do. NEMA’s partner organizations include the Chinese Electrical Industry Association (CEIA), as well as other research institutes, particularly the Guangzhou Electrical Apparatus Research Institute (GEARI), and the Shanghai Electrical Apparatus Research

Institute (SEARI). Through our work, we have found willing partners who are dedicated to working with us to improve trade and market access.

For example, before we opened our office, we were very unclear about China’s policies and practices for allowing foreign companies to participate on Chinese technical committees and in Chinese standards development activities for our industry. We now know that China will allow our members to participate in the standards development for our field, and that the ball is in our court to get on board as active participants. Of course, this is more easily said than done, considering language, distance, cultural and time barriers. Through engagement, we have been able to easily overcome some of the challenges we thought we had with our Chinese counterparts, but work still needs to be done.

What activities have been effective and what activities have been ineffective in achieving your objectives?

Among the most effective activities have been U.S.-China cooperative seminars, workshops and symposiums. We feel that our Chinese counterparts have always been receptive to address specific topics in such venues. Of course, the workshop should be seen not as the final solution, but rather as an effective way to open doors. Presentations have helped us to identify the experts and decision makers with whom we can follow up for more candid discussions in a less public setting.

Our objectives for workshops and seminars in China have been, first, to gain knowledge about a specific topic, and second, to gauge the level of interest in China on that topic. We have used indicators such as the number of participants, the level of participation, and the level of contribution on the Chinese side to gauge our success. Our workshops have always aimed to present U.S. perspectives, while being open to and accepting of Chinese points of view. Not only does this help us build better relationships, but it also provides us with valuable insight into the thinking and philosophy of our counterparts. While many manufacturers hope to succeed in China without adapting their thinking or products to the market, this is generally not possi-

ble. The companies that I see doing well in China understand the needs and expectations of their customers and make a product suitable for China.

It is important for U.S. organization to use specific examples of concrete problems when tackling concerns with their Chinese counterparts. Speaking in generalizations frequently leads to frustrating, circular conversations rather than constructive action. One recent example is a concern for testing requirements for X-ray AND computer tomography (CT) devices. We have held concerns for several years that the technology in certain products had evolved faster than relevant standards in China, creating tremendous difficulty in the certification process. We had raised this as a general concern several times with little movement. However, we found tremendous success when we organized a meeting between the technical staff of affected U.S. manufacturers and the testing lab responsible for this area in China. The technical staff at the lab was very receptive to our concerns and wanted to work with the U.S. manufacturers to solve the problem effectively. While trying to change the policies or standards in a broad-brush way would have been incredibly difficult and time consuming, the lab did have the flexibility to find an effective work-arounds. In this case, the manufacturers worked with the lab to make specific modifications on the original performance requirements, so that the objectives of safety and health could be met with the new technology.

There is a common Chinese phrase “Xiang Banfa” that means to figure out a way to get something done one way or another. You will be more successful if you paint in very clear terms what your core outcome is and how it will affect business, rather than placing broad requests. Companies that encounter problems in China need to draw a process map and work through it to understand the steps involved for their product, and comment on the success of each step. Companies should not complain that the whole system is broken, but rather should tackle the individual step about which they are unclear or in which they are experiencing problems. It is also instructive for companies to draw out these process maps and compare with the experience of other companies. If

they find areas of differing understanding or application, they can put forward specific questions or requests for clarification to the relevant Chinese authorities.

We have learned that one of the most ineffective things that a U.S. organization can do is to demand definitive, watertight answers to questions. This is simply an unrealistic expectation. Things in China (as well as many other key markets world wide) are not black and white. Most U.S. business managers find it difficult to accept and manage in the light of “gray area” business practices in China. Rather than pushing for definitive answers that will not come, U.S. organizations would do better to learn techniques for communicating more effectively and evaluate their opportunities in light of uncertainty.

Finally, it is important to avoid pushing your Chinese counterparts for concessions on which your organization is not prepared to follow through. For example NEMA is now very reluctant to push for rights to participate in Chinese technical committees unless we’re sure that someone will step forward in light of the challenges identified above.

What lessons have you learned through your experience?

Don’t blindly follow conventional wisdom. People will say “you can’t do this”...but you don’t know in China until you try it. Focus on the strategic outcome, rather than the path to get there. Chinese authorities are not interested in stymieing business; if you can present a creative, win-win solution then you’ll be successful. Engagement is important; help your Chinese counterparts understand the effects of the policies and become engaged to work cooperatively to find a solution.

We’ve also learned the importance of ensuring that headquarters and the local representative office are on the same page. For many companies, local representatives do not have the same level of understanding of the “big picture” as headquarters. You need to be clear about the end objectives and priorities, and give local staff the flexibility to work within the system in China to find a solution and have the best chance for success.

Headquarters also needs to be responsive to the different cultural perspectives used in China or any region on timelines and other

ways of doing things. What seems frustrating, illogical or counterproductive to Westerners may just be business as usual in China. Headquarters staff will benefit from having a good understanding of Chinese business culture in general, and the positioning of the organization in particular so that they can provide insightful guidance and support to local staff. We’ve learned that you can’t out-source understanding of what’s happening on the ground in China—this knowledge and understanding needs to be in headquarters.

What advice would you give to organizations interested in becoming active in China?

You can study something to death, but your best bet is to just get on an airplane and go there. The sooner you go, the further ahead you will be on the learning curve. Spending time in China is often the only way to gain the information and insights you need to make informed decisions. Rather than trying to perfect your plan and then pursue activities in China, it’s best just to find a way to get started and alter your course as you acquire new facts, relationships and understanding. This means maintaining flexibility and being prepared to accommodate new opportunities as they present themselves.

With that said, its important not to throw all your time or resources onto any one event or opportunity. You’ll do best to accept the fact that you’re going into things with limited information, and maximize your diversification of activities. When losses are small, you can learn from the experience and move forward to more successful pursuits.

About the Author

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