

International Trade Committee Meeting Minutes

September 24, 2018

I. Presentations

- a) Introductions/Ice Breakers
- b) High Level World Economic Overview
 - (1) Global economy right on forecast, advanced countries leading the way, Global (non-US) growth is up .2 percentage points and maintaining pace
 - (2) World Forecasts
 - (a) US
 - (i) Tax policy gave a stimulus expected through 2019
 - (ii) 4.1% Q2, Q3 tracking strong
 - (iii) Business spending & consumer confidence high
 - (iv) Giant storms predicted to increase in future - hurricane inventory levels low, with factory lead times out
 - (b) Euro Region
 - (i) Slowly declining for next few years
 - (ii) Weak Q1 so lowering expectations for Q2 – only at 1.9% for next year
 - (c) Emerging and Developing Asia
 - (i) Strong and maintaining
 - (ii) China sanctions will help raise other countries growth, China revised down because of trade tariffs
 - (iii) India is up and moving up – 7.5% for 2019 - huge growth number
 - (d) Latin America
 - (i) Up to 2.6% for 2019 – stabilization of commodities, strong demand for manufacturing
 - (ii) Mexico benefiting from more of US demand of manufacturing
 - (e) Middle East
 - (i) \$70 a barrel of oil because of supply – sanctions have lost a lot of barrels of oil worldwide want to get capacity up so prices can come down

- (f) Africa – up and forecasted to come up
- (g) Overall: 3.9% - Europe is most surprising going on a downward track

(3) Commodities

- (a) Oil - \$70 and increasing production but still has low capacity, decreases, turmoil, sanctions and weather have caused the forecast to remain high through 2020
- (b) Steel and Lumber also up
- (c) Gold, Silver, Copper Aluminum all down
- (d) Wheat and soy beans up (because of upcoming tariffs)
- (e) Demand high for commodities because companies trying to get orders in before tariffs come into play which makes supply low and prices high

(4) Questions/Comments:

- (a) Where do the numbers shown and the economic growth indicators come from?
 - (i) Determinations in slide are based on actual numbers versus against forecast numbers, not year after year
 - (ii) Commodities graph is on based on futures
 - (iii) Numbers of forecasts follow the banking and private equity world - where their money is going – private equity and banks very invested in energy world
 - 1. These sites also predict hammer down in 2020 according to these forecasts
 - (iv) World Economic Overview – IMF.org (international monetary fund)
 - 1. free economic overviews pulled from local banks for forecasting model
- (b) Mexico has a new president starting December 1, so business has slowed until he is in office to see what policies he puts in place
- (c) In the room, some have seen a lot of business in Ecuador and Costa Rica on demand for UPS and power supplies

c) ROHS - New European Standards – Restriction of Hazardous Substances

- (1) ROHS compliant to get the CE mark
- (2) Directive from EU 28, closely linked to Waste Electrical Electronic Equipment Directive
- (3) ROHS 2 – extend scope to include all generators - stationary and portable - up to 375kW
- (4) Any product sold after July 1, 2019 must be ROHS compliant - only on new equipment sold must be compliant
- (5) 10 substances that are restricted – biggest issue is probably Lead for electronics

- (a) Example: John Deere has several types of equipment cannot be made ROHS compliant
- (6) No bunkering of non-ROHS compliant components
- (7) Specific legal advice is recommended
- (8) Exemptions
 - (a) 80 exemptions – automatically expire after 5 to 7 years unless renewed
 - (b) Some are quite broad
 - (i) Example of exemption: Lead in high melting temperature type solders
- (9) Every part must be either compliant or exempt
 - (a) ROHS compliance is self-certified by manufacturer: CE marking, maintenance of compliance throughout production, and self reporting
 - (b) Records must be kept for 10 years
 - (c) must make sure all parts of GenSet is ROHS compliant and needs to be documented before the final manufacturing
- (10) Comments:
 - (a) Could this statute come to the US – no, but customers could determine RoHS compliancy
 - (i) Coper/Brass radiators are not ROHS and Japan has stopped making them
 - (b) Effects every single component of GenSet
 - (c) EU makes regulations and country is up to determine – example if a company sends equipment to Germany and it's found not compliant, everything sent to other countries can be called for inspection
 - (d) Enforcement is very murky, but companies have been caught and fine based on non-compliance
 - (e) Lots of paperwork, just because CE mark does not mean ROHS compliant
- d) Chinese Tariffs – How are they effecting us...
 - (1) There are 3 lists of imports that will have increased tariffs
 - (2) Very difficult to find information and how companies are planning to attack the implementations and proposals
 - (3) Sept 18 – official communications announcing \$200b more imports, which will be implemented on Sept 24 – 300 products have been removed, like child safety gear
 - (4) Tariffs are a 25% increase, so if the previous tax was 2.7%, new tax is 27.7%
 - (a) Timeline

- (i) Feb 2018: talks started about a 30% tax on solar panels – exempted Canada, which made it a direct attack on China, the biggest manufacturer
 - (ii) March 2018: even more products announced will be affect, including steel – many countries were removed (not China)
 - (iii) April 2018: China retaliated with about a \$3b increase on imports, then the next day the US released a list with another \$50b increase on imports, then the next day China reacts with another \$50b increase on imports; ZTE (China telecom company) violated US sanctions and US banned ZTE from business for 7 years
 - 1. Original US list sent and for review few companies were removed
 - (iv) May 2018: trade war negotiations – nothing is really fixed or changed
 - (v) June 2018: ZTE and US come to agreement to resume business; List 1 is finalized with 818 items for increased tariffs effective July 6; China finalizes List 1 on 545 items for increased tariffs effective July 6
 - (vi) July 2018: Both US and China List 1 go into effect on July 6; List 2 sent out for review
 - 1. reviews are for industries to look at and make cases
 - (vii) August 2018: US goes back and forth deciding on a 10% or 25% increase of tariff or with a gradual 10% to 25%
 - (viii) September 2018: third list coming into place, newest list 10% to 25% starting today, china retaliates then another list
- (b) US imports from China: total tariffs for 2017 is \$506b, for 2018 with tax proposals forecasts at \$520b
 - (c) China imports from US: total tariffs for 2017 is \$130b, for 2018 with tax proposals forecasts at \$110b
- (5) Nothing in our industry is not on the lists at this point
 - (6) Companies are trying to have forecasts done in end of October to figure out the 25% additions
 - (a) Pressuring suppliers to move out of China
 - (7) Comments
 - (a) Asked room if anyone use manufacturers in China – yes and manufactures already see the tariff increases
 - (b) India could be next
 - (c) US exemptions
 - (i) \$12b to farmers is an exemption – no exemptions for our industry

- (d) This is issue not being talked about it as much and no manufacturer is going to absorb the 25% increase
- (e) Biggest threat is instability and unsure of how everything is going to be enforced
- (f) Some manufacturers are coming back to the US, others are loyal to their China factories because of low labor costs
- (g) Must check terms and conditions for order dates and projects times as to big projects with imports
- (h) What are we doing for do-diligence – manufacturing people need to understand the issues coming forth
- (i) Delay in ports in US because of tariffs and looking at tariff codes on every single part coming into the country and currency imbalance based on China because devaules

II. New business

- a) Look Forward to the Future
 - (1) Review on how tariffs are affecting the generator industry
 - (a) EGSA can't lobby, but can educate – put on website and read more
 - (i) Example article: Here's how Tariffs are Affecting your Business
 - (2) Free resources of economic development – reports for other countries and can sponsor trips to outside the US to develop business
 - (a) Toolbox of materials for help on international trade and growing business
 - (b) US trade machines, also look into Mexico and Canada
 - (c) Gold key Service
- b) Other new business

III. Adjournment