
Standards and their Implications for Market Access and Competitiveness

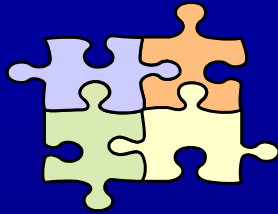
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Outline of Presentation

- Part I Conceptual and Methodological
Framework for examining
Standards and Technical Regulations**
- Part II Standards and Technical Regulations
Impacting the Textile/Garment Sector**
- Part III Environmental, Health and Safety
Measures Impacting the
Pharmaceutical Industry**
- Part IV New EC Regulations in Electronics**



PART I:

Conceptual & Methodological Framework

Four Types of Standards in International Trade

- 1. Product Requirements**
 - For example, maximum contents requirements of carcinogenic or radioactive elements in foods or textiles; packaging requirements
- 2. Production & Process Methods (PPMs)**
 - For example, water effluent standards, stack emissions on air pollution; use of organic inputs – often are domestic standards
- 3. Conformity Assessment**
 - To prove conformity with product or PPM requirements.
 - Requires access to accredited laboratories (oftentimes based abroad), advanced understanding of certification and testing procedures
 - Increases the cost of compliance
- 4. Dispute Resolution**
 - Public International Law = Inter-governmental dispute resolution – could go to WTO (highly politicized)
 - Private contract law = between firms; suppliers often disadvantaged.

Regulatory v/s Voluntary

Measures may be:

- **Regulatory** (*technical regulations*)
 - Required by governments and enforced by customs administrations and ministries (e.g., health, environment, trade);
 - For WTO Member States, these measures must respect provisions in WTO Agreements.

- **Voluntary** (*standards*)
 - Adopted by governments, but not mandatory
 - Required by private importers and/or retailers via contracts and pre-shipment inspections.
 - Often time cater to Niche Markets generated by consumer demand.

Conceptual Framework

Thus, when considering the impact of environmental measures on output or trade, and possible policy implications and responses, one might think in terms of the following box

	Product Standards	Process & Production Methods	Conformity Assessment	Dispute Resolution
Regulatory Measures	<ul style="list-style-type: none"> • Environment, Health & Safety Laws 	<ul style="list-style-type: none"> • Compliance with Domestic Environmental Laws 	<ul style="list-style-type: none"> • Laboratory Accreditation, testing and certification 	<ul style="list-style-type: none"> • WTO • Regional or bilateral negotiations
Voluntary Measures	<ul style="list-style-type: none"> • Industry Standards & Specifications 	<ul style="list-style-type: none"> • Eco-labeling • Niche Markets 	<ul style="list-style-type: none"> • Eco-labeling • Importer testing 	<ul style="list-style-type: none"> • Private Contract Law

Analytical Progression

As a standard or technical regulation is prepared, it is necessary to:

- Review relevant international standard(s)
- Review international obligations
- Review and consider existing national standards & technical regulations to ensure policy consistency
- Identify potential beneficiaries of standard
- **Assess potential impact of standard on key economic sectors and population groups (including the poor, women and SMEs)**
- Notify and Consult with stakeholders
- Provide opportunity for comment on proposed standards (domestically and from abroad)
- Take into consideration comments received on draft measure prior to its finalization and adoption



METAP MedPolicies Initiative

- The MedPolicies Initiative of the Mediterranean Environmental Technical Assistance Program (METAP) supports capacity-building on ways to assess the impact of conformity with environmental requirements on competitiveness & international trade.
 - Project supported by the World Bank since 1997
 - Implemented by ESCWA since 2001 (HIID from 1997-2000)
 - METAP is a partnership between the EU, EIB, UNDP and the World Bank and bilateral donors (Swiss, Finn)
- Initiative focused on policy analysis, training, case studies, rapid assessments, consultations, and mechanisms for policy coordination.

Measuring the Cost of Compliance with Standards & Regulations

METAP MedPolicies Initiative: The Larson Model

- Simple (5 variables; Excel-based)
- Empirically tractable partial-equilibrium model
- Economic forecasting policy tool
- Estimates the percentage change in output, exports and imports from compliance with a standard or technical regulation (focus on environmental requirements)
- Environmental measure examined may be voluntary or regulatory and required in a destination market or by domestic environmental regulation, or the impact of a generic increase in the cost of production could be estimated.



Larson Model

- Provides easy way to estimate how much compliance with a standard impacts Output, Exports & Imports of a sector or firm
- See CD-ROM / Larson Model methodological note
- Larson Model Training Manual & spreadsheet template available on MedPolicies CD-ROM in English & French
- User-friendly EXCEL spreadsheet can be used as an interactive tool during public-private sector consultations on the potential impacts of environmental compliance on output and exports.

Larson Model

The methodology is based on five main questions:

- 1) What is the environmental policy change?
- 2) How and by how much does the policy change raise costs to business (initially)?
- 3) By how much might output levels adjust to such cost increases?
- 4) How will these output changes translate into changes in trade flows?
- 5) How will the answers to Questions 2-4 change if the regulatory change provides stronger incentives for industries to become more efficient in their operations and/or if these industries are able to pass along some of the regulatory costs to buyers in national and international markets?



PART II: Standards & Technical Regulations Impacting the Textile & Garment Sector

Textiles

Textile finishing stages of production



Characteristics of wastewater effluent from the textile finishing stage

Desizing	Scouring	Bleaching	Mercerizing	Dyeing
<ul style="list-style-type: none"> •High BOD •Neutral pH •High total solids 	<ul style="list-style-type: none"> •High BOD •High alkalinity •High total solids •High temperature 	<ul style="list-style-type: none"> •High BOD •Alkaline •High solids 	<ul style="list-style-type: none"> •Low BOD •Alkaline •Low solids 	<ul style="list-style-type: none"> •High BOD •High solids •Neutral to alkaline

Textile/Garment Industry in Arab Region: Most Troublesome Environmental Requirements

	Product Standards	Process & Production Methods	Conformity Assessment	Dispute Resolution
Regulatory Measures	<ul style="list-style-type: none"> • Azo dyes • Flame retardants • Heavy metals • Labeling • Packaging 	<ul style="list-style-type: none"> • Compliance with domestic environmental laws: wastewater effluent treatment • Rules of origin 	<ul style="list-style-type: none"> • High cost of product testing prior to export • Limited number of accredited labs in region 	<ul style="list-style-type: none"> • Communication links between firms & trade ministries poor • Politicization of inter-government dispute settlement
Voluntary Measures	<ul style="list-style-type: none"> • Eco-labeling 	<ul style="list-style-type: none"> • Eco-labeling • ISO • Labor standards 	<ul style="list-style-type: none"> • Cost of maintaining eco-label • On-site inspections by importer 	<ul style="list-style-type: none"> • Time/cost needed to enforce contracts

Textile/Garment Industry: Examples

- **Syria & Morocco – Azo Dyes in Textiles**
 - Syria banned use before other Arab countries, therefore could adjust to EU Technical Regulation. Private Sector in Morocco has been pro-active.
- **Egypt – Conformity Assessment Labelling Declaration**
 - Textile/Garment imports should list all technical details about production; complicated requirement/exporters don't like to reveal trade secrets - possible TBT.
- **Jordan – Conformity assessment still developing**
 - Institutions for Standards and Metrology inspects labels on garments, but does not test/inspect garments themselves or monitor production at facilities.
- **Large Firms v.s SMEs – Conformity Assessment**
 - Large firms sometimes have their own labs to test products prior to export; SMEs must rely on business service providers (costly) or government institutions (rarely available) to assist.

Eco-Labeling Schemes: VOLUNTARY Measures

- **Public and Private eco-label schemes exist for textiles/garments. Nearly 20 in Europe alone.**



Eco-Label is an EU Label (public) – for T-shirts, bed linens, washable quilts, potentially garments



Okotex is a German-managed label (private) – assesses conformity with eco-management principles; product label relates to textiles, but differentiated based on access to skin; focus on infant and baby clothes



Good Environmental Choice is a Swedish label (private) focused on cloths, home textiles containing at least 95% textile fiber.



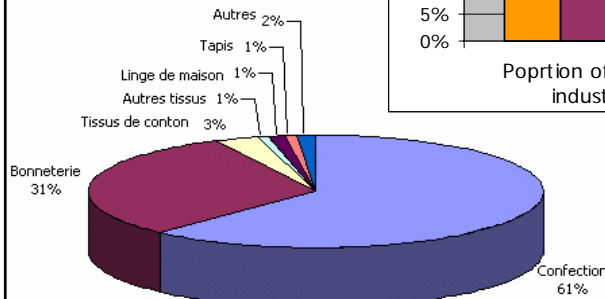
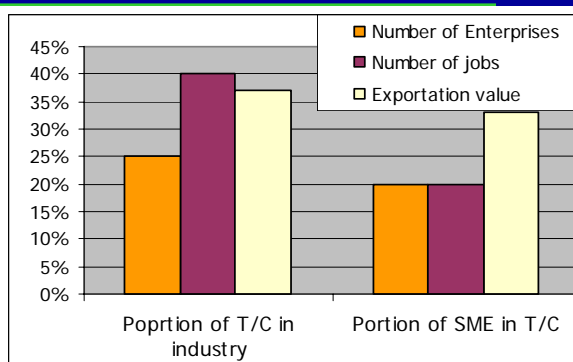
Business for Social Responsibility: Restricted Substances

- **2001: List of restricted substances in finished apparel products**
 - The list was based on consultation with BSR members, industry leaders, public stakeholders and a worldwide review of legislation and regulations concerning the sector.
- **2002: List of restricted substances, their limits and testing methods**
- **2004: List updated and includes:**
 - Primary list of most restricted substances
 - Supplementary list of most likely restricted substances
 - Best practices that identifies substances that are currently not regulated, but which are limited through voluntary restrictions adopted by some companies.

See: www.bsr.org/rsi

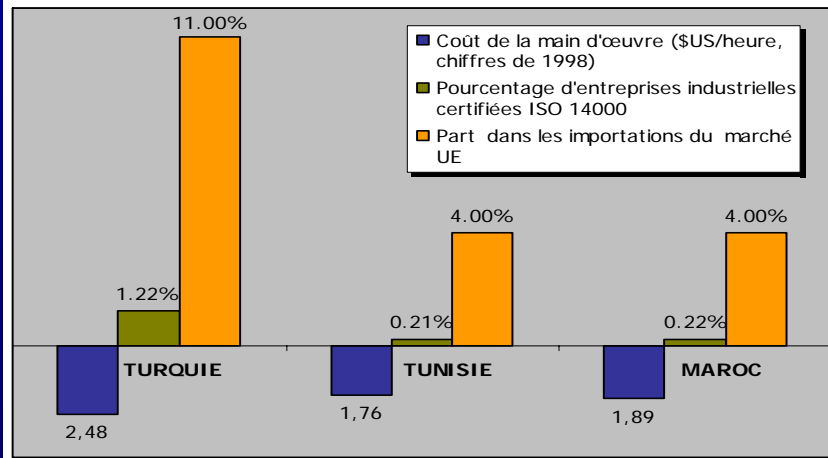
Morocco: Impact of Domestic Wastewater Standards on Textile/Garment Sector SMEs

SMEs in Morocco can have up to 250 employees



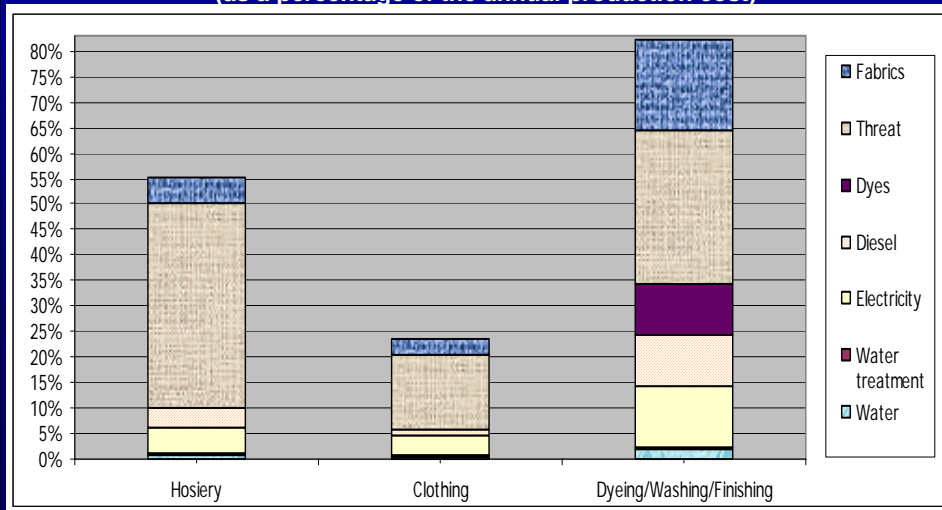
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Comparison between labor costs, ISO 14000 certification and share in European imports for Morocco, Tunisia and Turkey



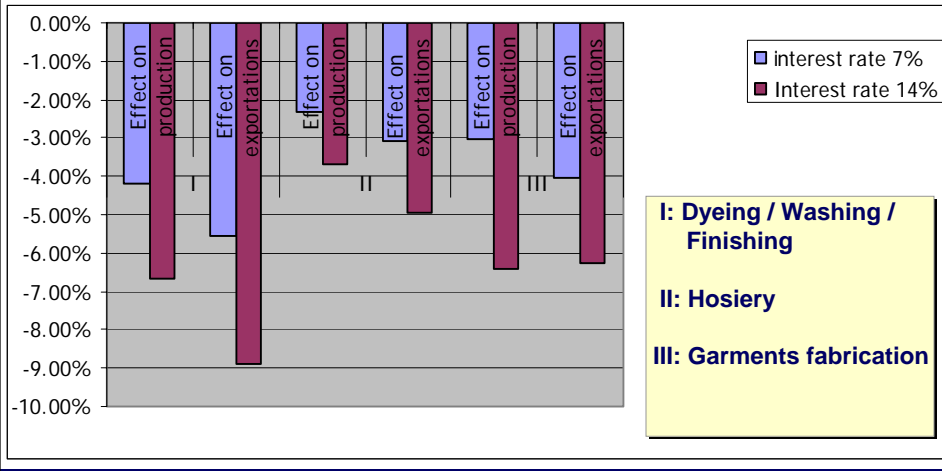
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Principal factors of production by branch (excluding labor)
 (as a percentage of the annual production cost)



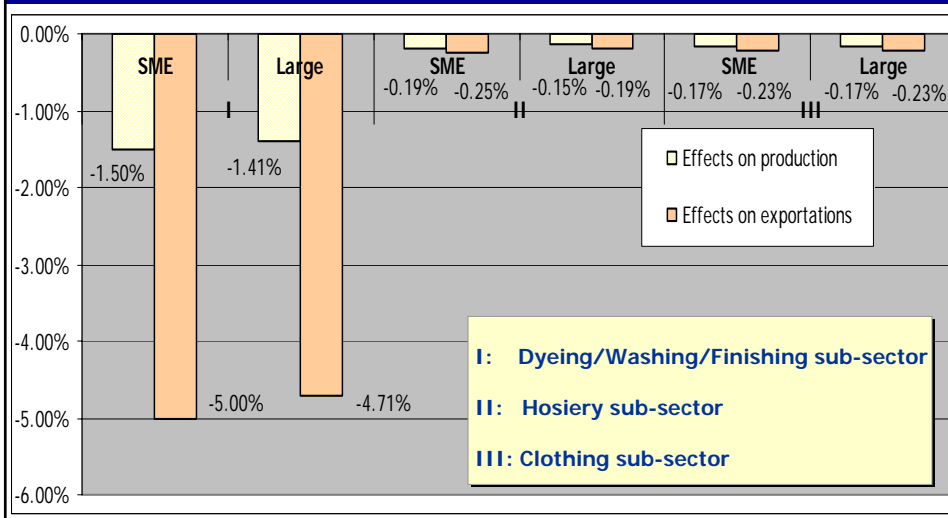
Morocco: Impact of Domestic Wastewater Standards on Textile/Garment Sector SMEs

Variation of the effects of the installation of a water treatment station (for BOD, COD and heavy metals) on SME according to the interest rate for an investment of 6 000 000Dh (without efficiency gains)



Morocco: Impact of Domestic Wastewater Standards of EU Azo Dye Regulations / SMEs

Effects on SMEs v/s Large Firms in Different Sub-Sectors





PART III:

Environmental, Health and Safety Measures Impacting the Pharmaceutical Industry



Pharmaceuticals Industry in the MENA Region: Most Troublesome Environmental Requirements

	Product Standards	Process & Production Methods	Conformity Assessment	Dispute Resolution
Regulatory Measures	<ul style="list-style-type: none"> • Expiry date • Drug stability • Banned use of Bovine-derived materials • Labeling • Packaging 	<ul style="list-style-type: none"> • Good Management Practices (GMP) • Licensing • Patents (IPR) 	<ul style="list-style-type: none"> • High cost of product testing prior to export • Limited number of certified labs and technical equipment in region, plus costly 	<ul style="list-style-type: none"> • Communication links between firms & trade ministries poor • Politicization of inter-government dispute settlement
Voluntary Measures	<ul style="list-style-type: none"> • Eco-labeling 	<ul style="list-style-type: none"> • Good Lab Practices (GLP) – [required only by Qatar] 	<ul style="list-style-type: none"> • On-site inspections by importer • Product testing by importer 	<ul style="list-style-type: none"> • Time/cost needed to enforce contracts

Pharmaceuticals Industry: Examples from the MENA Region

- **Process Requirement and Conformity Assessment - Good Manufacturing Practices/Good Laboratory Practices:** GMP required by ~all Arab countries; GLP by Qatar – thus Qatar doesn't accept certification by countries in region, because none accredited to issued GLP certification. Hazardous waste disposal issue.
- **Syria – Licensing, IPR and Protecting Human Health**
 - Ministry of Health allows local production of imported drugs to provide cheaper alternatives to local population; matched with import ban.
- **Jordan v/s Lebanon: Registering new drugs:**
 - Could take 2 years in Jordan, and only 3 months in Lebanon.
- **Saudi Arabia – Product requirements**
 - No bovine-derived materials, coloring of medicines based on WHO standards, no alcohol in medicine (= cultural requirement)
- **Egypt – Non-discrimination principle challenge**
 - To export drug to Egypt, must be FDA approved, even though many drugs produced/sold in Egypt not FDA approved.



PART IV New EC Regulations in Electronics

New EU Directive on the Electronics Industry (1)

- Directive 2002/95/EC of the European Parliament and of the Council of 27 January 2003 restricts the use of certain hazardous substances in electronic equipment and states that of 1 July 2006
 - Means that these items sold in the EU cannot contain **lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) or polybrominated diphenyl ethers (PBDE)**.
 - ANNEX to Directive EXEMPTS lead which is commonly used for soldering. Without Exception, would have been problematic for electronics manufacturing, particularly since alternatives for soldering, such as silver or antimony, would need to be used. However, these two metals are expensive and can leach into water sources and cause adverse environmental and health effects, which may be worse than that caused by lead.
 - **Would also introduce the question whether banning lead in electrical equipment is the most effective (and least trade-restricting) option.**

New EU Directive on the Electronics Industry (2)

- Directive 2002/96/EC of the European Parliament and of the Council of 27 January 2003 on waste electrical and electronic equipment (WEEE), establishes a framework for regulating the **recycling of waste electrical and electronic equipment (WEEE)** within the EU
 - Sets various targets, including a 13 August 2005 deadline for Member States to establish the financial mechanism that ensure that the collection, treatment, recovery and environmentally sound disposal of WEEE (other than those purchased by private households) be provided by producers.
 - **This is based on the polluter-pays principle and would require manufacturers of WEEE (including those abroad) to be responsible for its disposal.** Manufacturers will need to demonstrate compliance with these two regulations if they are to access the European market.
 - Note that mechanisms will also be put into place to ensure that private households also recycle electronic items.
 - **Questionable whether this is an acceptable PPM measure.**

Thank you.



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