

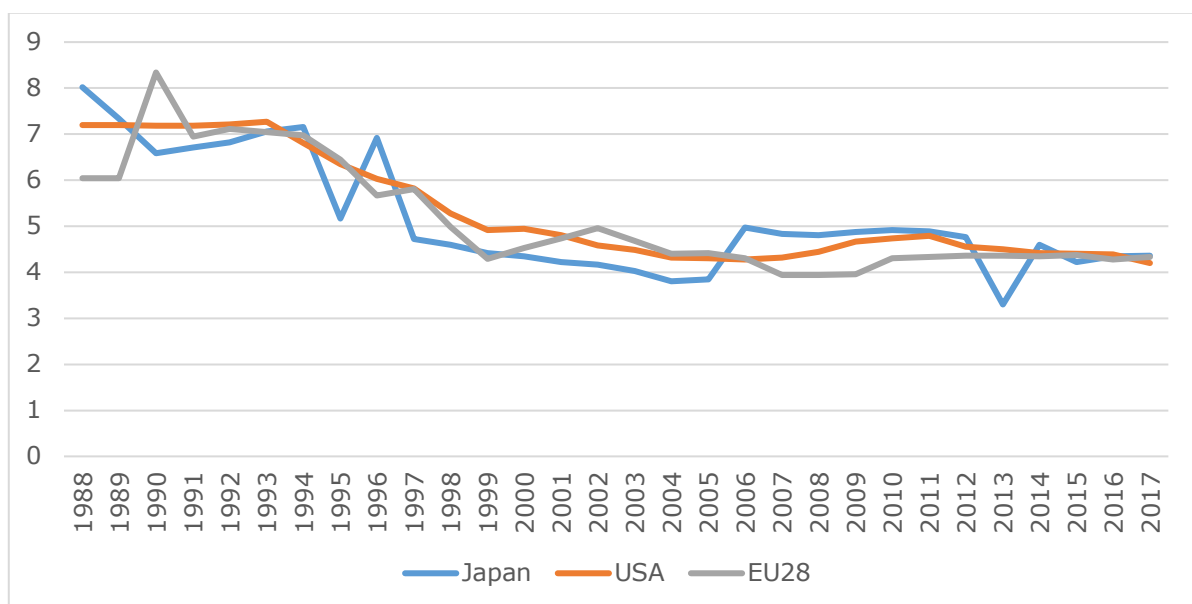
## International commerce - the value of accreditation and standardization

### Executive summary

Non-tariff measures (NTM) are of ever-increasing importance in international commerce

**In the 21st century international trade is a fundamental driving force for the economy**, growing on average at a faster rate than the global GDP. Increased trade among countries has been made possible also owing to continued technological improvement in communications and transport as well as the reduction of tariff barriers resulting from regional and/or multilateral trade agreements (figure 1). In the years following the birth of the *General Agreement on Tariff and Trade* (GATT) this reduction has shifted attention, with regard to multilateral regulations, towards NTM, **which, customs duties being equal, involve greater costs for access to foreign markets.**

**Figure 1. Average tariffs on imported manufactured goods applied by the main advanced markets. Percentage values with respect to total imports**



Source: UNCTAD

## Not all NTM are barriers to trade and they can perform a necessary role in the improvement of transparency

The economic literature has shown how trade tariffs constitute the main international trade barrier (Ch. 1 of the study). According to the UNCTAD (2013) non-tariff measures include all policies which are different from the customs duties which affect the costs of international trade. It's a relatively broad definition as it includes both traditional customs policies applicable to quantities rather than prices (for example, by means of quotas) and it also contains national policies which are not necessarily applied to exports which have an effect on commerce.

Economic analysis enables the calculation of the tariff equivalents of general costs resulting from these measures but **it would be wrong to consider all non-tariff measures as being barriers to trade, introduced with purely protectionist intentions**. There has been considerable growth in the variety of the trade carried out among countries as well as the number of markets involved. The complexity of products has risen along with the number of countries playing major roles in global commerce.

## NTM carry out a crucial role in international trade not only for consumers but also for businesses

This multiplicity of goods and countries increases the potential benefits deriving from international commerce but it also **raises fear concerning the crucial problem of the safety of these goods**, and consumers raise questions about their quality and the production methods used, such as GMOs, environmental impact and animal welfare. The production processes based on new technologies – often poorly understood or perceived as unsafe – have contributed to the rise in consumer uncertainty, fuelled by a growing distrust in science, with evident consequences in regulations.

This study concentrates on the economic policy measures which influence the possibility of substituting national or imported products irrespective of the customs requirements. It is a set of measures which, due to their technical characteristics, raise delicate problems of application because these procedures and the administrative activities involved could constitute a discriminatory element amongst producers of different nations.

Nowadays practically every country adopts non-tariff measures in all sectors, **especially the more advanced countries** where regulations for consumer protection tend to be greater in number. **The sectors in question are those in which consumer-related issues concerning safety are given more importance**. About half of EU imports must respect a NTM whilst in 40% of cases there are 2 or more applicable NTM (Table 1).

**Table 1. Prevalence of NTM applied by the EU per import sector**

	No NTM	1 type	2 types	3+ types
Animal	4.5%	2.1%	74.7%	18.8%
Vegetable	1.1%	3.7%	87.8%	7.4%
Food Products	0.5%	7.1%	80.1%	12.3%
Minerals	42.9%	45.7%	11.4%	0,0%
Fuels	39.5%	60.5%	0,0%	0,0%

Chemicals	4.2%	60.7%	6,0%	29.1%
Plastic or Rubber	6.2%	53.1%	32.7%	8.1%
Hides and Skins	1.5%	31.9%	55.1%	11.6%
Wood	16.2%	2.1%	45.1%	36.6%
Textiles and Clothing	0,0%	59.6%	15.7%	24.8%
Footwear	8.5%	91.5%	0,0%	0,0%
Stone and Glass	24.6%	59.5%	15.9%	0,0%
Metals	8.2%	76,0%	15.6%	0.2%
Mach and Elec	1.4%	88.6%	9.3%	0.7%
Transportation	6.2%	81.5%	12.3%	0,0%
Miscellaneous	16.1%	69.2%	12.4%	2.3%
All sectors	6.6%	54.2%	26.5%	12.8%

Source: UNCTAD

On one hand animal and vegetable agri-food products are thoroughly regulated (especially with regard to sanitation measures and pesticides) and on the other hand for clothing products, complex mechanical products and means of transport, various types of regulations, different types of technical measures are widely used (Ch. 2 of the study).

**The ever-growing complexity of goods and services has led to more regulations regarding market transparency and safety.** This involves higher production costs but not necessarily a slow-down in trade exchanges, given that **standardization and/or improvement of information may lead to higher import demand.**

When trust is a crucial factor in global trade, accredited certification becomes an important tool for market trust in product characteristics and services

These commercial exchanges don't only regard goods for increasingly demanding consumers but a great deal of them regard goods destined for the productive processes of foreign companies requiring high levels of trustworthiness concerning the input specifics and delivery timeframes. This all means that, despite reduced commercial costs, access to international markets is more selective now than it used to be.

This is particularly true within **international chains of production** involving companies located in different countries. Insofar as trust is a crucial factor in global exchanges, quality certification can be considered an important instrument for indicating credible quality level reliability to the market. One of the motives for a country – especially a less developed country – to take on the costs of certification, is the need to **fulfill (and signal) reliability and quality requirements, so as to interact and collaborate with the multinationals in the more advanced countries.**

Some recent research on the role of certification as a tool of participation of companies in the global value chains (GVC) highlighted a positive effect on productivity (Ch. 6 of the study). The data show that **businesses involved in the GVC (import-export of intermediate products) in possession of international certification (e.g. certification to the ISO 9000 series) benefit from higher productivity** in two ways:

- It is likelier that the more productive organizations operate on an international level, that they take part in the GVC and that they possess certification.

- Another and perhaps more important effect: despite the initial advantage in productivity, **businesses in the GVC with certification enjoy retrospective productive benefits**. Some cases, such as Morocco and Egypt, are especially significant because, despite the fact that businesses may be productive at the outset, entry into the GVC, along with possession of certification, helps productivity to grow by as much as 30 to 60%.

To promote true market economic integration, the risk of using NTM for protectionist purposes can be eliminated by means of multilateral or regional agreements

If it is true that greater regulation can have positive results, there can also be less felicitous results of different types, harder to evaluate than the more explicit tariff measures. These can be dangerous because protection of the consumer can be invoked instrumentally in order to ensure greater protection for national producers. **To reach real economic market integration, the process of the elimination of customs duties and quantitative barriers at frontiers is not sufficient: it is also necessary to remove technical obstacles to commercial exchanges.**

In order for regulation to be effective in increasing safety and transparency of International commerce without being an unjustified obstacle to it, **the multilateral agreements in the WTO include rules on the non-tariff measures and their use**, aiming to promote uniformity and simplification amongst countries. The WTO has dealt with potential barriers of a non-tariff nature, prevalently in the field of sanitation and pesticides (SPS), strengthening the existing agreement on technical barriers to trade (Ch. 3 of the study).

**On a global level the process of harmonization seems to be an arduous one owing to the heterogeneity of preferences and needs among the various markets.** This very complexity and the differences referred to above also mean that harmonization is not always possible and perhaps not even desirable. Taking technical barriers as an example: it is evident that the harmonization of standards implies a reduction in transaction costs, but it is also possible that different standards reflect legitimately differing social preferences and conditions of production. In this case the most efficient solution would be mutual recognition of the equivalence of national legislation and this is the approach envisaged by the recent regional agreements.

In the international area, **the most advanced levels of harmonization and mutual recognition are those provided for by the single European market** (Ch. 4 of the study). Starting from 1985 the evolution of rules for the free movement of goods in Europe has been based on the harmonization of Directives. The aim of the first harmonization was to eliminate technical trade barriers and, over the years, this objective has been extended to a general policy ensuring a context in which citizens and enterprises can feel safe, whereby the protection of workers and the environment lie at the base of economic action.

The EU is an excellent example of agreements between its members and with third party countries

**The EU could become a worldwide model for the harmonization and regulation of standards.** The EU's approach is to promote the adoption of international standards, on the strength of those commonly used in Europe, or to obtain mutual recognition based on the principle of equivalence of

results obtained by means of different standards whereby standards which produce similar practical effects are considered equivalent.

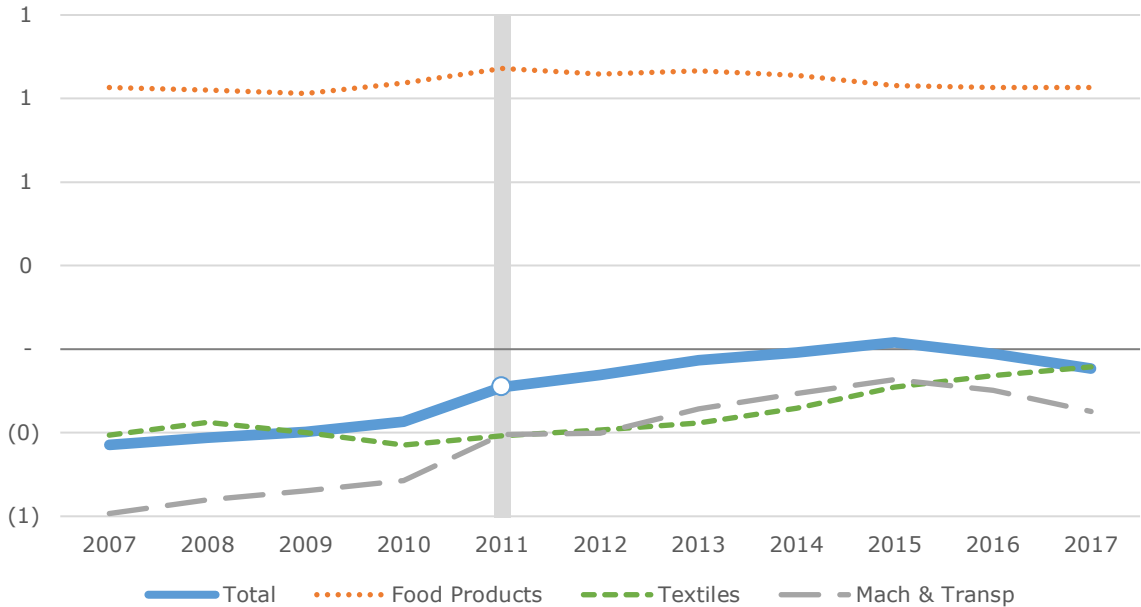
Accredited conformity assessment, in this field, ensures results for consumers and businesses. **Mutual recognition and the implementation of common standards constitute an important simplification and reduction of the cost of commerce**, avoiding long and not very transparent procedures as well as avoiding duplicate testing and the need to differentiate production.

**Where agreements have been reached regarding the non-tariff measures the positive effects for commerce have been evident:** apart from within the EU, recent agreements signed between the EU and third countries are having similar results. Accords now exist between the EU and Canada and South Korea (Ch. 5 of the study).

**The one with South Korea is the first to be signed with an Asian country.** One novelty involved, underscoring its breadth, is the presence of specific annexes for important sectors such as electronics, motor vehicles, pharmaceutical products, medical and chemical devices. These agreements include rules on non-tariff barriers, and subsequent agreements have developed further along the same path.

In figure 2 standardized commercial balances (balance divided by the total of imports and exports) of the EU with South Korea showing a positive exchange level in recent years. The balance passes from negative to positive precisely in the years subsequent to the implementation of the agreements.

**Figure 2. Standardized balances between the EU and South Korea**



Source: Comtrade

**The agreement certainly contributed to the facilitation of trade between Italy and South Korea.** The growth of Italian exports in this market stood at 18% in the years 2011 to 2017. In the food sector exports more than doubled, whilst for textiles and clothing there was a 59% rise.

Also the subsequent agreements, such as CETA, have generally followed a “deep” approach in terms of issues faced, with further development. The implementation of the *Comprehensive Economic and Trade Agreement* led to an increase in Italian exports of 4.5% in 2018 over 2017. In the textiles, clothing and machinery sectors exports to Canada rose by 10%.

Experience acquired on the basis of the latest trade agreements indicates that International cooperation and the greater involvement of all possible interested parties are necessary to achieve effective agreements and, in particular, agreements which are endorsed by both citizens and businesses. Bearing this in mind, **it is important to identify, amongst the various non-tariff measures, those which constitute real barriers to trade without producing any benefits and those which are a response to legitimate social interests.** The distinction cannot be made without the involvement of the parties, whose contribution in the drawing up of common standards and mutual recognition is a necessary element.

### Mutual recognition of national regulations and of the harmonization of technical standards for the conformity assessment of products and services

In many cases **mutual recognition appears to be preferable or easier and quicker to accomplish compared with harmonization**, which involves modifying the standards for at least one of the parties. Transparency is also fundamental to avoid disinformation and it therefore follows, for example, that labeling may contribute to correctly informing the consumers, affording them the possibility of making informed choices.

It can be difficult for businesses to comply with all the rules. The procedures of evaluation for determining conformity and obtaining certification may involve differential costs owing to delays or the absence of structures and adequate information, as well as the certainty of higher costs required for the evaluation of conformity.

Although the attention of the public and of commercial negotiators is attracted by harmonization or the mutual recognition of national regulations, as in the case of recent EU trade agreements (Ch. 5 of the study), **export businesses are (rightly) worried by the necessary procedures and costs of demonstrating product conformity.**

### An adequate and developed quality infrastructure reduces the possible burdens of non-tariff measures and of certifications and it can be a fundamental element of competitiveness

**An efficient and effective quality infrastructure is an essential ingredient for competitiveness**, for access to new markets, the improvement of productivity and for innovation as well as protection of the environment and public health. Owing to this, following the commercial agreement between the EU and Canada, EA (European Cooperation for Accreditation) and SCC (Standards Council of Canada) signed an agreement for the management of **mutual recognition of accredited certification bodies and testing laboratories in accordance with CETA.** This ensures reciprocal acceptance on the part of Canada and the EU countries of the product certifications and accredited tests performed by NABs operating in accordance with Regulation (EC) 765/2008.

**A quality infrastructure functioning as a reference framework for the definition and development of rules to assure and to demonstrate the quality of products and services to the market** is the reference framework for all forms of economic integration. A quality infrastructure regards diverse activities,

from standardization to accreditation. Accreditation is one of the central factors for the development and facilitation of international commerce through the assurance of the trustworthiness of conformity assessment systems.

Given the progress of economies and consumer preferences it is easy to predict that regulations will continue to increase in many fields. Irrespective of international coordination, **many countries (including the emerging economies) have developed or are developing their quality infrastructure.** This is a positive trend, however if these developments take different directions it could also lead to the fragmentation of world markets.

With the growing complexity of international markets, the path of agreements, of mutual recognition of standards and of the convergence of accredited certification appears to be of fundamental importance

It is the **importance of the Quality Infrastructure which permits actors in international markets to operate on an even playing field, justifying its presence in all the latest trade agreements.** In addition, it's worth stressing the example given by Europe in that the EU's quality infrastructure is one of the most significant results of European integration.

EA has reported that, in 2018, there were **35,276 accreditations issued in compliance with the EA MLA agreements** (EA MLA Report 2018) in the various fields, bearing witness to a widespread awareness in Europe on which the functioning of the single market hinges. **Recourse to harmonized standards on a European level, aims to create the necessary level of transparency and trust in the competence of conformity assessment bodies,** guaranteed by the European system of accreditation which, through the worldwide agreements of mutual recognition (IAF MLA, ILAC MRA), is diffused around international markets by means of the implementation of a **global system of accreditation.**

Regulation (EC) 765/2008 provides for an approach which is uniformly and rigorously applied in all member states. Thus the benefits of the European accreditation system are tied to the fact that once a certificate of accreditation has been granted, it must be recognized by the member state's authorities in line with the agreements of mutual recognition.

To ensure the **equivalence of competence of conformity assessment throughout the various countries,** a system of "peer evaluation" has been created by EA, **recognized by the EU, in accordance with the Regulation (EC) 765/2008 which is the EU's accreditation infrastructure.** Twenty-five years later, this integration can be deemed a success, providing advantages for both businesses and consumers.

The path opened by common rules for conformity assessment in preferential agreements can be the first step towards convergence and it can make further progress. These agreements constitute an opportunity for European enterprises to enter worldwide markets more easily and transparently.

Benefits for businesses and consumers deriving from harmonization and International recognition of the conformity assessment of products and services

**Enterprises can benefit from increased efficiency by reducing the costs of adaptation of productive processes for the target market,** also by means of international standards, mutual recognition and harmonized regulations and procedures, as well as reduced import costs.

**European consumers can benefit from lower prices and a broader offer of goods and services.** Studies of the European Commission confirm these positive effects and show that, overall, the benefits outweigh the costs.

The fundamental principle of the agreements is mutual recognition, in particular, of the results of conformity assessment activities by means of recognition amongst member states of the role of accreditation bodies according to Regulation (EC) 765/2008. Among the key criteria envisaged by the new agreements **there is accredited national conformity assessment** whereby exporters can obtain certification of product origin at national level with international recognition on the part of foreign customs authorities.

Although the aim of single or universally accepted standards remains distant, much can be done to ensure that products do not have to undergo multiple inspections, evaluations and certifications. The considerable differences in the levels of development of the various quality infrastructures and in the evaluation of their reliability make the final objective of products ***one test, one standard, accepted everywhere*** difficult to achieve.

Nevertheless it is an objective which on one hand, from a political point of view, is less controversial than the harmonization of national regulations and on the other can bring substantial benefits both to consumers and to producers. In the long term, however, greater regulatory integration on a worldwide level could lead to a **convergence of national standardized systems moving towards higher standards of social progress.**

The study conducted by the Accredia Osservatorio “International commerce, the value of accreditation and standardization” is published on the website [www.accredia.it /comunicazione/osservatorio-accredia](http://www.accredia.it/comunicazione/osservatorio-accredia)