A Proposed Agenda for the South Asian Regional Standards Organisation

Lessons from Regional Standardisation Organisations

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Abstract

With the establishment of the South Asian Regional Standards Organisation (SARSO) in 2011 as the South Asian Association for Regional Cooperation (SAARC) specialised body to deal with trade-related standards, there is significant potential for greater harmonisation of such standards to support trade growth in South Asia and globally for SAARC countries. As is the case for many new bureaucratic bodies, there is an attractive opportunity to learn from similar organisations and their experiences. By reviewing other relevant standardisation organisations, their approaches and successes, SARSO can adopt the tools and methods necessary to achieve its goals and those of SAARC. This Discussion Paper reviews specific examples of regional standardisation organisations from the Americas, Europe, Southeast Asia, and Africa to identify good practices. Also, considerations regarding adopting international standards or focusing on improving SAARC level standards are made. Suggestions for SARSO based on the experiences of other relevant organisations are thus provided as a potential agenda for South Asian countries to grow their economies and social wellbeing.
Introduction

South Asian countries have a critical opportunity to align their economic policies to facilitate intra-regional trade. The Member States of the SAARC established the SARSO in 2011 to facilitate coordination in standards development in order to increase intra-regional trade as well as increase market access globally. While SAARC Members have integrated the harmonisation of standards in other commitments, such as the Agreement on South Asian Free Trade Area, SARSO is the primary regional body charged with standards development and harmonisation. Being a relative newcomer in the area of trade-related standards harmonisation, this specialised body of SAARC dedicated to harmonising standards may benefit from adopting good practices from other regional standardisation organisations and arrangements.

This paper provides suggestions for SARSO, based on institutional structures and experiences from relevant regional standardisation organisations as well as good practices in the harmonisation of trade-related standards. Importantly, the standards discussed in this paper pertain generally to voluntary standards, which do not de jure but rather de facto impede international trade, unlike mandatory technical regulations.

In relation to the lessons provided by regional standardisation organisations, the paper will also examine whether SAARC Members should indeed collectively adopt international trade-related standards as a form of harmonisation or rather revise their current standards for harmonisation. Finally, the paper will provide specific recommendations for SARSO and harmonising of South Asian standards. The functioning of SARSO is currently in its incipient stages. It is expected to significantly benefit from understanding the strategies deployed by other regional standardisation organisations to harmonise trade-related standards.

Developing Countries and Trade-Related Standards

Typically set at the international and national level, standards can address the process of production, provide guidelines on product and service quality and safety, and are used to reduce waste and increase productivity as well as efficiency. Specific organisations have been created to assist countries operate within this standardised system and harmonise their own standards with the various regional and international communities.

South Asian Regional Standards Organisation

Established in 2011, the Agreement on the Establishment of SARSO aims to "develop harmonised standards for the region in order to facilitate intra-regional trade and to have access in the global market." It also seeks to present the common interests of SAARC Member States in international standardisation organisations. It advocates the adoption of Mutual Recognition Arrangements (MRAs) on Conformity Assessment Procedures between Member States. It has proposed to explore the possibility of having a common mark of conformity between the Member States.
Under the SAARC Regional Plan of Action on Standards, Quality Control and Management, the products in which trade is being affected owing to a variation in national standards are identified for harmonisation of standards based on either international standards or their own research and development.\textsuperscript{vi}

SARSO works on drafting SAARC regional standards and harmonising those standards in six specific product fields through Sectoral Technical Committees: Food and Agricultural Products; Electrical, Electronics, Telecom and IT; Jute, Textile and Leather; Building Materials; Chemical and Chemical Products; and Conformity Assessment. The most recent progress in 2016 involved the finalisation of six SAARC product standards for refined sugar, biscuits, hessian, cotton drill, cotton twill and jute twine as well as a code of hygienic practice for the dairy sector.

SAARC has some experience in coordinating with other institutions to achieve its goals, through SARSO, of harmonising trade-related standards. In its November 2003 Memorandum of Understanding with the National Metrology Institute of the Federal Republic of Germany (PTB), SARSO and PTB recognised that areas in which PTB operates, namely metrology, standards, testing, quality management, accreditation and certification (MSTQ), are important in facilitating intra-regional trade. The agreement between the two bodies notably seeks to take advantage of “facilitating the harmonisation of MSTQ regulations and networking of MSTQ capacities regionally.”\textsuperscript{vii} More recently in 2016, SARSO signed a Cooperation Agreement with the ISO that provides SARSO with support and greater access to ISO resources.\textsuperscript{viii}

**Lessons from Standardisation Organisations**

Oftentimes, when developing systems and procedures in institutional bodies it can be advantageous to look at other similar bodies for inspiration and best practices. The institutional structures and strategic steps taken by regional standardising organisations and agreements can provide SARSO with sufficient examples for their standards harmonisation goals. The following are examples of structures and practices from regional standardisation organisations and other arrangements.

*American National Standards Institute (ANSI)*

In 2013, the American National Standards Institute (ANSI) and European Standardisation Organisations\textsuperscript{x} agreed to align their standards in order to provide an impetus in trade between the two parties, especially owing to the ongoing negotiations of the Transatlantic Trade and Investment Partnership.\textsuperscript{x} The products and services areas being covered include electric vehicles, smart grids, cloud computing, machine-to-machine communication, food safety as well as environmental and labour standards.
European Standardisation Organisations

European standards are developed through three organisations: the European Committee for Standardisation (CEN), the European Committee for Electrotechnical Standardisation (CENELEC) and the European Telecommunications Standards Institute (ETSI).

The CEN has concluded multiple agreements with international organisations for the purpose of cooperative development and harmonisation of standards. The Vienna Agreement, enforced in 2001, is an agreement on technical cooperation between the International Organisation for Standardisation (ISO) and CEN. While the agreement acknowledges the primacy of international standards, it also recognises the possibility where particular standards may have to be developed at a regional level, such as with the European Single Market. The scope of technical cooperation includes exchange of information, the adoption of international standards as European standards, and mutual representation. In certain cases, the collaborative development of standards can be led by either the ISO or CEN. This cooperative partnership intends to create a structure that avoids the duplication of work as well as increase the “speed of elaboration, availability and maintenance of standards through a need to establish consensus only once.”

Further cooperative activities regarding standards have materialised in the electrical sector. As a result of the Dresden Agreement signed in 1996 between the European Committee for Electrotechnical Standardisation and the International Electrotechnical Commission (IEC), joint electrical standards projects are planned between CENELEC and IEC. Similar to the Vienna Agreement, this partnership aims to reduce duplication of work and standards preparation time. Thus, standards content development is coordinated between the IEC and CENELEC and pursued depending on whether the IEC approves the activity. Additionally, the two organisations vote in parallel, which has resulted in a proportion of aligned standards as high as 75 per cent. For instance, around half of European machinery sector standards are aligned with international standards.

Cases such as these demonstrate that regional standardising bodies can coordinate with international bodies to enable the development of standards under parallel work procedures, increase cooperation around harmonising standards and minimising duplication and standards preparation time.

ASEAN Consultative Committee for Standards and Quality (ACCSQ)

ASEAN’s standards body works to harmonise national standards with international standards, technical regulations & conformity assessment requirements and implements MRAs of test reports, certifications and conformity. It has been successful in harmonising technical regulations and conformity assessment procedures on electrical equipment as well as a Pharmaceutical Good Manufacturing Practice MRA. ASEAN
ACCSQ’s experience with MRAs and in developing a collaborative environment amongst Member States can be useful to SARSO.

African Organisation of Standardisation (ARSO)

Some of the regional standardisation bodies address their standards needs throughout a large geographical space and harmonise on multiple levels with its Member States. The African Organisation of Standardisation works to harmonise national and sub-regional standards as “African Standards,” although its membership is only 35 of the 54 African Union countries. It also encourages the adoption of international standards by Member States. These harmonisation efforts are intended to facilitate trade among African countries as well as international trade. The principles of harmonisation of standards for AU Member States are set by the WTO Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures. In practice, ARSO, through Technical Harmonisation Committees, drafts standards and circulates them amongst the Member States for national consultations, which feeds into the regional harmonisation of African Standards.

While ARSO’s structure and mandate is quite similar to that of SARSO, SARSO may benefit by learning from ARSO’s communication and information dissemination structure. The ARSO-DISNET is a documentation and information system that provides data on product codes, standards, and technical regulations to assist exporters and importers benefit from trade opportunities within African countries. Currently, SARSO is in need of stronger information systems to help spread knowledge and resources to Member States and other stakeholders on SAARC and national standards as well as efforts for harmonisation.

MERCOSUR Standardisation Association (AMN)

The MERCOSUR Standardisation Association, comprising of standards institutes from Argentina, Brazil, Paraguay, and Uruguay, has developed and harmonises standards around 600 standards for MERCOSUR member countries. The voluntary standards developed by committees deal with areas, such as steel products, cement, concrete, and electrical safety. The governments of MERCOSUR also develop and harmonise mandatory technical regulations on areas including automotive, food, and safety issues for electrical products. Interestingly, MERCOSUR standards are put to a national vote through the national standards bodies of the Member States. The harmonised MERCOSUR standards must be adopted by each country to be rendered applicable.

North American Free Trade Agreement (NAFTA)

In cases where differences exist in national standards, as is often the situation with SAARC Members, the role of the regional standardisation body to alleviate the trade-distortive impact of such variant standards is critical. For example, under NAFTA the Automotive Standards Council acknowledges existing disparities in standards-related measures of its Member States and is instructed to develop a work programme.
considering the following for rendering national standards related to automotive goods compatible: (a) impact on industry integration; (b) the extent of barriers to trade; (c) the level of trade affected; and (d) extent of disparity.\textsuperscript{xv}

**Making a Choice: Adopting International Standards or Revising SAARC Standards**

While learning from and considering embracing certain practices from other similar organisational bodies, such as those detailed above, the SARSO and SAARC Members have a choice to harmonise regional standards based on Member State standards, i.e. revise and harmonise standards with an eye toward reaching international standard levels - standards-maker - or adopt international standards – standards-taker.

According to the SAARC Agreement on Implementation of Regional Standards, in order to strengthen its trade position the Member States shall take either or both of the following actions: a) “Harmonise the National Standards with the relevant SAARC Standards [...] on priority” or b) “Participate actively in the development of those International Standards that are related to the products and/or processes having trade implications for the Member States.”\textsuperscript{xvi}

In addition, a general provision is given where the national standards bodies of each Member State will “follow the Code of Good Practice for preparation, development, adoption and application of standards as provided in Annex 3 of the WTO Agreement on TBT.”\textsuperscript{xvii} It seems that these general provisions lean toward international standards with the specific reference to the WTO Agreement on TBT.

SAARC Members and SARSO may also look toward the United Nations Forum on Sustainability Standards (UNFSS), which has been working with UN agencies and other partners to focus on pro-active policies for private standards to maximise their macro-economic developmental contribution, while minimising their problematic aspects and reducing certification and conformity costs.

Generally, developing countries have the choice to adopt standards which have already been accepted by international organisations, such as the International Organisation for Standardisation, International Electrotechnical Commission (IEC), or International Telecommunication Union (ITU). While exercising this choice is optimal in certain cases pertaining to technology standards where interoperability and uniformity are critical for harmonisation across value chains, it need not be true in other cases (such as value-added food products) where such stringent standards may result in barriers to trade.

Hence, regional and specialised bodies like SARSO, with its mandate to both promote harmonisation and develop SAARC standards, have the additional task of ensuring that standards that are concluded at the international level do not harm developing country exporters by shrinking and limiting their access to export markets. Producers and
exporters in developing countries can often find it difficult to comply with internationally set standards that are at times created on the basis of conditions in developed countries. Standardisation may accrue in new opportunities for trade or, alternatively, in a resultant loss of market access.

Firms are inclined to harmonise their standards to their major exporters. Simply put, if the major export-destination is the US, US-based standards are the targets for alignment while also needing to observe international standards. Developing countries, when they wish to adhere to standards worldwide, may incur significant costs\textsuperscript{xviii} and require financial and technical resources due to the requirement to adhere to multiple standard-specifications. The WTO Agreement on TBT aims to mediate some of these issues for developing countries.\textsuperscript{xix}

Finally, there is very limited evidence that adherence to standards has actually enabled countries to move up the value chain and thus acquire greater economic and development opportunities. One alternative would be to segment the markets, keeping in mind their stipulations for adherence with mandatory or voluntary standards, and strategically segment the value chain. As noted by the UNIDO, it is possible to segment markets while considering the likelihood of compliance with different standards:

If not all parts of the production system can be made compliant at reasonable cost, then one strategy is to segment the production system so that only compliant products are sent to compliance-requiring markets. The viability of the strategy does depend, however, on the ability to segment different parts of the value chain.\textsuperscript{xx}

Hence, the possibility to fragment production processes is increasingly becoming important to be able to target specific markets depending on whether or not they pose stringent requirements in terms of standards. However, this division is mostly undertaken by private players and multinational corporations that operate across jurisdictions and less so for small and medium-sized enterprises and exporters.

\section*{A Proposed Agenda for SARSO}

A way forward for SARSO to realise the aim of inter-regional economic development and growth is by learning from other relevant organisation's own systems and experiences. Having reviewed the structure and function of relevant regional standardising organisations, keeping in mind the impact of international, regional, and national standardising efforts regarding trade-related standards for developing countries, as well as the burgeoning variety of standards and Code of Conduct for goods, services, and social standards, some of the tenets that SARSO can consider as a key player in the development and harmonisation of standards in South Asia are as follows.
Standards-Maker or Standards-Taker

1. Decide if SARSO in certain cases should be a Standard-Maker: SARSO, under its Agreement Article 2(ii), has the function to “develop SAARC standards on the products of regional/sub-regional interest.” Similarly to the practice of MERCOSUR AMN in collaborating with national standards bodies, SARSO can collaborate with Member State organisations, such as the India’s Bureau of Indian Standards (BIS), to mobilise the development of trade-related standards, broaden its portfolio of standards, and harmonise those standards across the SAARC membership (see point 16).

2. Decide if SARSO in certain cases should be a Standard-Taker: SARSO also has the function, under SARSO Agreement Article 2(iii), to “encourage the use of international standards published by international organisations such as ISO, IEC, etc. by way of adoption, where appropriate, as SAARC Standards.” Thus, the standards body may choose to depend on international standards as a source of harmonisation for its Member States, starting with its recent Cooperation Agreement with ISO (see point 9). Advantages to this approach, as shown with European standardisation organisations, include the potential for increasing capacity on harmonising standards, minimising duplication, and reducing preparation time (see point 11 and 12).

3. Feasibility studies: As Member States conclude new free trade agreements and scout potential markets and products they should undertake an analysis of the standards, both national and international, that they need to adopt or revise. Subsequently, they should study the cost of such implementation, and determine whether the country should be a standards-taker or a standards-maker.

Mutual Recognition Agreements

4. SARSO must work towards bringing the Agreement on Multilateral Arrangement on Recognition of Conformity Assessment into force. Towards this end, the process of accreditation and certification in SAARC Member States needs to be advanced to encourage confidence in mutual capacity and competence.

5. Developing MRAs for delivery of services is also important. Development of a regional template for recognition of qualifications and for immigration requirements for a selected set of professions and categories of movement of persons is essential to improve market access. SARSO can take note of the ASEAN MRAs in this sphere, as they allow the qualifications of professional services suppliers of one contracting party to be mutually recognised by all contracting parties. Presently, seven MRAs covering the professional services of accountancy, architecture, engineering, nursing, dental practices, medical practice and surveying are in place.
6. **Prioritise the products that are only or majority traded between South Asian countries.** This could enable or expedite concluding independent MRAs.

**Specific Sectors Considerations**

7. **Trade in food products:** Given the importance of trading in food products for food security in South Asia, it may be useful to recognise that adding value in food products also entails improving safety and quality standards of the product. These standards have mostly been developed by Western retailers (e.g. British Retail Consortium, Global-GAP), however standards should be reviewed for regional applicability as CEN does in developing regional level standards. Importantly, compliance with these standards may impose significant costs for developing countries in the supply chain.

8. **Growing importance of carbon footprint across sectors:** International standards on carbon emissions are increasing affecting every aspect of governance, including trade. The ISO principles on greenhouse gases (ISO/TS 14067:2013) deal with the requirements for carbon footprints of products. While the first portion addresses the actual quantification of the carbon footprint, the second harmonises the modes of communicating this carbon footprint information. The ISO/TR 14069:2013 provides guidance to organisations to calculate the carbon footprint of their products, services and supply chain.

**Facilitate Cooperation on the Development of Standards**

9. **The SARSO should participate actively at the ISO:** In accordance with SARSO Agreement Article 2(vii), SARSO may “present the common interests of the Member States in the various international standardisation organisations.” As national standards bodies from developing countries make up the majority of members at the ISO, SARSO is in a unique position to represent SAARC Members and develop its own capacity and technical knowledge in standards development and harmonisation through participation at the ISO.

   o For example, SARSO can participate in the decision-making process surrounding the pronounced increase in the number of certificates granted for energy management (through ISO 50001:2011), which may create a proliferation of such standards in the future. The SARSO should proactively participate in such decision-making processes, possibly through national standards bodies to actively participate in so-called “twinning arrangements” under the ISO, which would link the developing countries of SAARC with developed country members to share knowledge and build the capacity of staff in SAARC countries in a sustainable manner.xxii

10. **Complete and utilise Cooperation Agreements with standards bodies:** Cooperation Agreements can create strong technical alignment with the ISO and other standards bodies to facilitate regional standards harmonisation and the reduction
in standards duplication. SARSO should strongly consider using reports and technical expertise of these bodies granted by these agreements to build their own capacity.

11. **Build cooperative relations with regional and international organisations:** SARSO could approach the ASEAN ACCSQ to both build its own knowledge-base as well as align their standards to support trade. Similar to cooperation between the ANSI and European bodies working on TTIP, the timing would be ripe as India is in negotiations with ASEAN, in addition to 16 other Asian-Pacific countries, on the Regional Comprehensive Economic Partnership that includes a comprehensive batch of trade-related issues.

12. **Focus on reducing testing duplication:** Product testing and conformity assessments can be a barrier to trade. Greater intra-regional cooperation with standards bodies like the ACCSQ and European standardisation bodies as well as working closer with the ISO can assist in building SARSO’s capacity on testing; particularly for the purpose of avoiding duplicative testing and maintaining technical regulations.

13. **Develop communication systems:** To increase efficiency and transparency in harmonising standards, design and develop a public information system to disseminate communications on SAARC, national standards and initiatives for harmonisation, possibly using ARSO-DISNET as a model.

14. **Role and coordination of national standards bodies:** The national standards bodies of SAARC Members should ensure that harmonised standards are incorporated in manufacturing activities and are supported by appropriate business development services that enable value-addition and facilitate market access. This strategy could further be replicated in export-processing zones.

   o As a value-addition to SASRO’s Sectoral Technical Committees, SARSO may benefit from working closer with national standards institutions, such as MERCOSUR does with Argentina’s national IRAM body. At the moment, SARSO works on harmonisation of products in four sectors. By broadening its scope and including national standards bodies, such as the Food Safety & Standards Authority of India, SARSO could expand its portfolio for standards development and harmonisation while building national capacities.

15. **Role of independent stakeholders:** Taking from the European standardisation organisations’ example, SARSO should encourage the participation and engagement with national and independent stakeholders relevant to standards development and harmonisation. These parties can include consumer rights organisations, industry associations, producers and manufacturers, trade unions, and environmental organisations. Independent input from various viewpoints can improve transparency in the process, provide valuable expertise, and widen the scope of South Asian standards.
o In the face of disparities between SAARC Member's national standards, the SARSO may develop a plan, including establishing industry specific counsels, to make select product standards compatible. Similar considerations made by NAFTA and the Automotive Standards Council could be incorporated into SARSO’s work plan, further harmonising SAARC standards.

16. Role of India: Amongst the SAARC nations, India has been active in the process of developing and harmonising standards. The BIS has developed more than 19,000 standards for India, however it remains to be seen whether the standards developed by the BIS are likely to be used as base standards for the region. The Bureau also aligns its standards, as far as possible, with the guidelines of the ISO. Given the importance of agri-business in South Asia, India may be in a strong position to aid the development and harmonisation of standards in the region through SARSO.

Using Standards to Enable Growth

17. Looking ahead at strategies for growth: Once standards are harmonised within a region and firms are more capable to comply with voluntary standards, as well as technical regulation and SPS measures, the barriers to trade in goods and services would be expected to decrease for producers and trade policy must take advantage of greater market access.

18. Certification cost: SARSO should work to ensure that standards are not detrimental to growth by the burdensome high cost of certification.

19. Promoting upgradation along with harmonising standards: In certain cases, laws have had a role in influencing the development of distribution networks. xxiv Free trade agreements and MRAs should be examined closely to determine if there is room to incentivise manufacturing for specific destinations. Firms could be encouraged and supported to move to more profitable and/or technologically sophisticated capital and skill-intensive economic niches. Accordingly, the development and harmonisation of standards can be undertaken to support such upgradation.

Conclusions

The SARSO is positioned to create strong and effective structures for the harmonisation of trade-related standards to facilitate economic growth and development in South Asia. The relatively new standards body of SAARC has an opportunity to take advantage from other organisations and their experiences by reviewing their practices that have proven to be effective and adopting, where appropriate, tools and methods that will support the goals of SARSO and its Members.
However, the question of whether and when SARSO and SAARC Members should adopt international standards approved by organisations such as the ISO or revise the existing national standards for regional harmonisation, must be scrutinised carefully. Though the agreement of SARSO allows for both approaches, it is evidently in favour of international standards. As with many of the regional standards organisations presented, a mixture of harmonising Member State standards while encouraging the use of international standards when developing and harmonising regional standards has been the most prominent approach. Furthermore, the development and use of conformity assessments and MRAs are extremely important to facilitate trade and trade-related procedures in South Asia.

As there are multiple levels and stakeholders in the standards development process, it is best for SARSO to coordinate with the various standardising bodies, regional standards organisations, and national standards bodies of the SAARC Members as well as with relevant stakeholders. Cooperation Agreements are useful tools and should be concluded with IEC, CODEX Alimentations, and APLAC. Utilisation of the resources gained from such agreements is strongly encouraged. Input from a diverse group of organisations and independent stakeholders will ensure transparency in harmonising standards and provide added expertise to SARSO's work.

Finally, as these standards, which are generally voluntary but can carry significant influence in trade matters, are linked to trade relations between countries, it is important to remember that the ultimate goal is growth, both economic and social. SARSO's institutional development and its efforts in harmonisation of standards must remain focused on the opportunities for economic welfare and development in South Asia through trade.
Endnotes

i The Agreement on South Asian Free Trade Area (SAFTA) Article 8 notes the importance of the harmonisation of standards, including customs clearance procedures, national customs classification, and import licensing and registration procedures; available at: http://commerce.nic.in/trade/safta.pdf.


iii As per the International Standardisation Organisation: "A standard is a document that provides requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose." ISO Standards website, available at: http://www.iso.org/iso/home/standards.htm.


v SARSO Agreement, Article 2 'Objectives and Functions': To act as a source of information for the Member States on standards, regulations, conformity assessment.

vi To promote Mutual Recognition Arrangements (MRAs) on Conformity Assessment Procedures among the Member States.

vii To encourage sharing of facilities relating to conformity assessment procedures among the Member States.


xvii Ibid, Article 3.1. The Code of Good Practice in Annex 3 of the TBT Agreement is available to assist developing countries in the development and implementation of standards.

xviii The cost of alignment with international standards includes the following costs: (i) New equipment and facilities; (ii) Percentage of investment costs; (iii) Labour costs as a percentage of production costs; (iv) inspection costs. In the case of technology standards, it includes exorbitant costs for royalties.


xxii The concept of twinning is where a developing country member may enter into an arrangement with a developed country member to enable knowledge-sharing. The developed country member is required to provide training, guidance, and assistance to enable capacity-building for the developing country member. ISO (2012), “Guidance on Twinning in ISO Standards Development Activities: Increasing the participation of developing country members”; available at: http://www.iso.org/iso/pub100341.pdf.

xxiii So-called “societal stakeholders” play an important role in the European standardisation process. They include the European Environmental Citizens’ Organisation for Standardisation, the European Trade Union Institute, and ANEC. See: http://ec.europa.eu/enterprise/policies/european-standards/key-players/index_en.htm