



**Review of Export Policies and Programs
Department of Foreign Affairs and Trade**

**Standards Australia Submission
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Standards Australia Overview

<http://www.standards.org.au/>

The Federal Government recognises Standards Australia as the nation's peak non-government standards development organisation. Standards Australia prepares voluntary, technical and commercial standards for use in Australia and accredits other Australian Standards Development Organisations. It meets national needs for contemporary, internationally aligned standards and related services that enhance Australia's economic efficiency and international competitiveness.

To ensure this, a Memorandum of Understanding has existed between Standards Australia and the Commonwealth Government since 1988. Among the principal accords, are that no Australian Standard will contravene the World Trade Organisation's requirements that national standards should not be used as non-tariff barriers to free trade; and agreement that no new Australian Standard will be developed where an acceptable international standard already exists.

Standards Australia is Australia's member of the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and the International Council of Societies of Industrial Design (ICSID), providing a link to international best practice and creating further standards development efficiencies.

Standards Australia has well-established links into all areas of Australian business, professions, academia and the community with more than 9,000 experts drawn from over 1,000 nominating organisations. It has developed standards across most sectors of the Australian economy, in traditional industries such as goods and services, engineering and construction; in other technical areas such as health and food; in emerging new areas of technology such as e-health; as well as in less technologically based subjects such as complaints handling and risk management.

Topics for input and comment

1. General

- What factors are influencing the future global trading environment and what are the future opportunities and challenges for Australian business?

“International standards effectively level the playing the field and allow all countries and trading blocks to operate from the same base”, Mr Olivier Peyrat, Chair of ISO/CASCO.

International standardisation facilitates responsible trade. Standards assist companies become ‘export ready’. They promote competition in the global market place by helping industries capture knowledge, share insights, enhancing compatibility between products and reducing risk. They increase consumer confidence and provide a foundation for growth. International Standards tend to be developed in areas that directly affect trade, such as raw materials, certain manufactured goods, test methods, information technology and communications.

Standards Australia strongly advocates for increased importance to be placed on international standardisation to open Australia’s trade channels. Rather than burdening exporters with further legislative barriers and red-tape, applying an international standard will provide a globally accepted reference that will encourage trade and promote competition.

It is optimal to work towards a mix of regulatory measures to enhance Australia’s ability to trade. Standardisation plays an important role in this regulatory framework. There are many legitimate reasons for regulatory impositions relating to trade, such as consumer safety, and the protection of health and the environment.

What 'International Standardisation' means

International Standards provide a reference framework, or a common technological language, between suppliers and their customers – which facilitates trade and the transfer of technology.

The benefits of international standards:

For businesses, the widespread adoption of International Standards means that suppliers can base the development of their products and services on specifications that have wide acceptance in their sectors. This, in turn, means that businesses using International Standards are increasingly free to compete in many more markets around the world.

For customers, the worldwide compatibility of technology, which is achieved when products and services, are based on International Standards brings them an increasingly wide choice of offers, and they also benefit from the effects of competition among suppliers.

For governments, International Standards provide the technological and scientific bases underpinning health, safety and environmental legislation.

For trade officials negotiating the emergence of regional and global markets, International Standards create "a level playing field" for all competitors on those markets. The existence of divergent national can create technical barriers to trade, even when there is political agreement to do away with restrictive import quotas and the like. International Standards are the technical means by which political trade agreements can be put into practice.

For developing countries, International Standards that represent an international consensus on the state of the art constitute an important source of technological know-how. By defining the characteristics that products and services will be expected to meet on export markets, International Standards give developing countries a basis for making the right decisions when investing their scarce resources and thus avoid squandering them.

For consumers, conformity of products and services to International Standards provides assurance about their quality, safety and reliability.

International Organization for Standardization

ISO (International Organization for Standardization) is a network of the national standards bodies of 157 countries, and is the world's leading developer of international standards for business, government and society. It has a current portfolio of more than 17 000 standards for almost every sector of economic activity and technology, from traditional activities such as agriculture and construction, through mechanical engineering, to information technologies, nanotechnologies, the environment, services, health, safety, security and managerial best practice.

Although ISO's principal activity is the development of technical Standards, ISO Standards also have important economic and social repercussions. ISO Standards make a positive difference, not just to engineers and manufacturers for whom they solve basic problems in production and distribution, but to society as a whole.

ISO is a non-governmental organisation: its members are not, as is the case in the United Nations system, delegations of national governments. Nevertheless, ISO occupies a special position between the public and private sectors. This is because, on the one hand, many of its member bodies are part of the governmental structure of their countries, or are mandated by their government. On the other hand, other members have their roots uniquely in the private sector, having been set up by national partnerships of industry associations. Therefore, ISO is able to act as a bridging organisation in which a consensus can be reached on solutions that meet both the requirements of business and the broader needs of society, such as the needs of stakeholder groups like consumers and users.

ISO develops only those Standards for which there is a market requirement. The work is carried out by experts from the industrial, technical and business sectors which have asked for the standards, and which subsequently put them to use. These experts may be joined by others with relevant knowledge, such as representatives of government agencies, consumer organisations, academia and testing laboratories.

ISO Standards are technical agreements, which provide the framework for compatible technology worldwide. Developing technical consensus on this international scale is a major operation. In all, there are more than 2 850 ISO technical groups (technical committees, subcommittees, working groups etc.) in which some 30 000 experts participate annually to develop ISO standards.

ISO and the World Trade Organisation

ISO, together with IEC (International Electrotechnical Commission) and ITU (International Telecommunication Union), has built a strategic partnership with the WTO, with the common goal of promoting a free and fair global trading system. The political agreements reached within the framework of the WTO require underpinning by technical agreements. ISO, IEC and ITU, as the three principal organisations in international standardisation, have the complementary scopes, the framework, the expertise and the experience to provide this technical support for the growth of the global market.

The Agreement on Technical Barriers to Trade (TBT)

The Agreement on Technical Barriers to Trade (TBT) - sometimes referred to as the Standards Code - is one of the legal texts of the WTO Agreement which obliges WTO Members to ensure that technical regulations, voluntary standards and conformity assessment procedures do not create unnecessary barriers to trade.

The TBT Agreement recognises the important contribution that international standards and conformity assessment systems can make to improving efficiency of production and facilitating international trade. Where international standards exist or their completion is imminent, therefore, the Code of Good Practice says that standardising bodies should use them, or the relevant parts of them, as a basis for standards they develop. It also aims at the harmonisation of standards on as wide a basis as possible, encouraging all standardising bodies to play as full a part as resources allow in the preparation of international standards by the relevant international body, including the ISO and IEC. On behalf of the WTO, ISO periodically publishes a directory of standardising bodies that have accepted the WTO TBT Standards Code.

ISO and Conformity Assessment

At its simplest, "conformity assessment" means checking that products, materials, services, systems or people measure up to the specifications of a relevant standard. Today, many products require testing for conformance with specifications or compliance with safety, or other regulations before they can be put on the market. Even simpler products may require supporting technical documentation that includes test data. With so much trade taking place across borders, conformity assessment has become an important component of the world economy.

Over the years, ISO has developed many of the Standards against which products are assessed for conformity, as well as the standardised test methods that allow the meaningful comparison of test results, so necessary for international trade. ISO itself does not carry out conformity assessment. However, in partnership with IEC, ISO develops ISO/IEC guides and Standards to be used by organisations, which carry out conformity assessment activities. The voluntary criteria contained in these guides and Standards represent an international consensus on what constitutes best practice. Their use contributes to the consistency and coherence of conformity assessment worldwide and so facilitates trade across borders.

Many countries have adopted the Standards as national Standards; and are using them for regulatory purposes, for accreditation, as a basis of mutual recognition agreements and arrangements in sector initiatives. The Asia-Pacific Economic Cooperation (APEC) survey, for instance, shows that 13 countries of the area have adopted ISO Guides and International Standards, while the Pan American Standards Commission (COPANT), and European Committee for Standardisation (CEN) demonstrates similar results.

2. Structural and supply side factors

- What is the contribution of innovation to improving export performance and international competitiveness? How can export-focussed innovation be encouraged? What actions could be taken to improve Australia's technological competitiveness?

The promotion of innovation and design is important to a country's economic competitiveness and social well-being. There is a current global trend by governments in the United Kingdom, Korea, India and China investing millions of dollars in strategic design and innovation promotion. They have identified innovation, design and creativity as critical to their manufacturing industries through new products, better services and increased productivity.

For companies to develop commercially successful products, they must invest in standards compliance and professional design. A well-designed product that does not comply with national or international standards will not be able to compete in the intended marketplace. Similarly, a standardised product that does not have the added value of professional design will be equally hard to sell. The standardisation process, coupled with good design practice "raises the bar" and facilitates the creation of new and improved Standards, resulting in an important cycle of innovation. In addition, design at the forefront of research, development and new technology leads to the creation of world leading standards.

Standards provide the fundamental platform for innovation to take place and to thrive. Standards allow different innovators to bring their own special touch to each product, through design. Design taps into the needs and demands of customers and translates innovation into products and services that are appropriate, useful, affordable, functional and attractive.

Standards ensure they perform in the real world and pass the 'reality test' of the marketplace. Standards spell out the bottom line expectations of consumers – giving them confidence their new camera or phone will do the job they were designed to do.

And while Standards are helping realise new ideas, they also help business manage the cost of developing their products, gain access to new markets and create market differentiation. In a world that is increasingly dominated by global supply lines, where no one company operates independently, Standards allow for trade to take place effectively and efficiently. From the simplest of standardisations such as manufacturing products to fit into containers or on pallets, to the most complicated such as writing the terminology and safety requirements used in the development of new emerging technologies such as biometrics and nanotechnologies - Standards create a common language that provide the platform for these new technologies to gain commercial success.

Standards allow great ideas developed for one industry to be used in another. When the movie industry developed facial recognition software few would have predicted it could be used by doctors for facial reconstructive surgery only a few years later. MPEG Standards have encouraged growth and innovation throughout the IT world by establishing common interchange and presentation of audio visual data across different systems. These Standards are now commonplace in a raft of other innovations including digital TV broadcasting, Internet streaming video and DVDs. They spell out essential characteristics such as coding, terminology, performance and compression and have allowed new products to be developed, new markets to blossom and new ideas to take hold.

Without Standards setting the platform for innovators to build on, a lot of time, money and resources can be wasted developing products that don't have a practical application or meet market expectations.

- Standards Australia supports the recognition and promotion of Australian innovation and design through the Australian International Design Awards
- Strategic investment in innovation and design is essential for Australian manufacturing to remain competitive
- Professional design reduces the commercial risks associated with any new technology and can result in a new innovation being transformed into a commercially successful product
- Design is the cornerstone of all those elements that add value to society – quality, integrity, safety, security, functionality, visual identity and environmental sustainability
- Australia’s designers offer flexible and intelligent design solutions resulting in low tooling costs and highly marketable products at a competitive price
- 80 percent of a product’s overall cost locked in during the design cycle, it is here that companies should be investing in design to improve efficiency, reduce costs and compound gains
- Promoting design as a company strategy is a responsibility Standards Australia takes very seriously and believes has far reaching implications on the Australian economy, particularly within the manufacturing sector
- Australian International Design Awards continually strives to raise the benchmark of design and innovation excellence in Australia and is one of the very few forums for industrial design to be exhibited and celebrated internationally
- Australian International Design Awards helps build confidence and generate exports for Australian designed and manufactured products

2. Structural and supply side factors

- What are the main regulatory issues affecting export performance? What action could be taken to enhance the business environment in ways that would drive improvements in export capacity?

Standards fulfil a variety of functions. Two of the most important functions are providing compatibility and information. It is through sharing a common standard that anonymous partners in a market can communicate, can have common expectations on the performance of each other's product, and can trust the compatibility of their joint production.

International standardisation is an important element in the global trading system, not only because the World Trade Organisation's (WTO) Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS) provide disciplines for WTO Members to use international standards and to participate in their development, but also because international standards can facilitate the conduct of international trade, improve efficiency of production and contribute to the transfer of technology from developed to developing countries.

It is widely recognised that enhanced trade facilitation measures, of which standards and conformance are a central element, are crucial for the improvement of trade. Standards and conformance are also a crucial concern for a country's imports, especially given the increasing concern of consumer rights in relation to the health and safety aspects of consumer products, both domestic and imported.

An effective standards and conformance infrastructure improves everyday life, supports and fosters new technologies, underpins everyday commerce, facilitates international trade, and provides the basis for investment. The infrastructure is essential for industry and government to maintain domestic and foreign confidence in goods and services as well as enhancing global competitiveness, attracting investment and encouraging and supporting innovation.

It is neither possible nor desirable to remove "all barriers" as some are necessary for the protection of health, safety, the environment etc. Doing away with electrical safety regulations would certainly free up trade, but it would not be advisable from a consumer safety perspective. What is necessary is for countries to ensure that regulations are no more trade restrictive than necessary to achieve their legitimate objective.

There are many pressures on national standards bodies (NSBs). On the one hand they are charged with serving local needs, such as lifting the quality of goods and services delivered by local suppliers to the indigenous market, taking account of the limited capacity of small and medium enterprises in particular. On the other hand they have an equally important role to play in today's global trading economy, helping local and regional economies to gain international competitiveness and productivity.

3. Trade negotiations and market access issues

- Are Australia's trade negotiating priorities and policies suited to contemporary international competitive conditions?

Multilateral trade system

- Are there new strategies or approaches Australia could be adopting in the WTO or elsewhere to enhance its effectiveness in terms of opening new markets?

Regional efforts

- What form of regional economic integration in the Asia-Pacific would maximise Australia's trade and economic interests?

“Among the most important regional trading arrangements involving both developed and developing countries, APEC represents the largest regional grouping formed to date. Members represent about 24 percent of world trade. The APEC goal to achieve open trade in the Asia Pacific region by 2010 includes an emphasis on trade liberalization and facilitation. [...]

[...]

“APEC is driving broader policy discussions on standards and trade, in part through its relationships to sub-regional trade arrangements in the Asia Pacific.”

World Bank, Policy Research Working Paper Series, WPS 3458: Quantifying the Impact of Technical barriers to Trade; A Framework Analysis.

http://econ.worldbank.org/files/40198_wps3458.pdf.

A common element of bilateral and plurinational trade agreements is that they must not contravene the agreements under the WTO that already bind the signatories.

In other words, bilateral agreements may simply reaffirm the existing rights and obligations of the Parties under the SPS and TBT Agreements or they may provide for enhanced cooperation, e.g. mutual recognition or even the establishment of joint standards bodies (e.g. Food Standards Australia-New Zealand). But they cannot contravene or wind back rights and obligations established in the WTO Agreements.

From a standards perspective, mutual recognition can create a range of problems, especially where there are multiple bilateral agreements in place. Fortunately the TBT and SPS agreements under the WTO deal directly and unambiguously with the question of standards and conformance, providing a model that can also be applied in bilateral agreements.

The TBT and SPS agreements identify the use of international standards as the universal benchmark and requiring compliance with national standards that are not internationally aligned is only permissible in certain defined circumstances where a relevant international standard does not exist or can be demonstrated to be inadequate.

According to Article 2.2 of the TBT Agreement:

Members shall ensure that technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create. Such legitimate objectives are, *inter alia*: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health, or the environment. In assessing such risks, relevant elements of consideration are, *inter alia*: available scientific and technical information, related processing technology or intended end-uses of products.

Article 2.4 states:

Where technical regulations are required and relevant international standards exist or their completion is imminent, Members shall use them, or the relevant parts of them, as a basis for their technical regulations except when such international standards or relevant parts would be an ineffective or inappropriate means for the fulfilment of the legitimate objectives pursued, for instance because of fundamental climatic or geographical factors or fundamental technological problems.

Article 2.5 further states that:

A Member preparing, adopting or applying a technical regulation which may have a significant effect on trade of other Members shall, upon the request of another Member, explain the justification for that technical regulation in terms of the provisions of paragraphs 2 to 4. Whenever a technical regulation is prepared, adopted or applied for one of the legitimate objectives explicitly mentioned in paragraph 2, and is in accordance with relevant international standards, it shall be rebuttably presumed not to create an unnecessary obstacle to international trade.

The use of international standards not only makes good business sense, it also reduces the likelihood of challenge by trading partners and provides a ready-made defence in the event of such a challenge. Conversely, if Members adopt technical regulations that differ from relevant international standards, they may be called upon to explain their reasons for doing so and may even be found to be in breach of their WTO obligations.

The Business Case for Standards in APEC

KEY BENEFITS

- Promotion of international trade
- Reducing technical barriers to trade
- Assisting growth and prosperity of developing APEC economies

“If you have an international standard, then you have one standard accepted everywhere, removing impediments to trade” Elizabeth Morris.

Elizabeth Morris works in Australia’s Department of Foreign Affairs and Trade (DFAT). She is Executive Officer in their Trade Development Division’s APEC Task Force. Asia-Pacific Economic Cooperation (APEC) is the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region. She explains how Standards Australia helps to facilitate trade by assisting APEC member economies to build their capacity to engage in International Standards Development.

“If you have an International Standard, then you have one Standard accepted everywhere, removing impediments to trade. It’s particularly important for the APEC economies as a lot of them are manufacturers.

“Standards Australia is strongly represented internationally and these connections are critical. Standards Australia’s people have high standing in the APEC region for their capacity to work closely and successfully with a lot of these organisations.

“One such project involved DFAT, the Department of Industry Tourism and Resources and Standards Australia undertaking a series of workshops in China, Indonesia, the Philippines, Vietnam and Thailand in 2004 - 2005.

“We took case studies that were developed by Standards Australia and regional standards bodies and used them to illustrate issues such as the relationship between Standards and trade, prescriptive Standards versus performance Standards and the benefits of International Standards.

“We worked closely with the standards organisations in APEC economies and on their advice, we covered a range of different industries such as wood-based products, electrical goods, textiles and automotive products.

“The seminars gave local business organisations the opportunity to develop their understanding of how to work effectively with government and standards organizations to facilitate the adoption and implementation of International Standards, improve the business environment and achieve their own objectives.

“It can’t just be government making Standards: there has to be input from business, the industry associations and the consumer bodies.”

5. Trade development programs and services

- What measures could be taken to assist companies become 'export ready'?

There are a number of basic arguments supporting standardisation as a measure to assist Australian businesses become 'export ready':

- Standards give businesses and consumers confidence that the goods and services they are developing or using are safe, reliable and will do the job they were intended for. Government public health, safety and environment policies are often measured against Australian and international Standards.
- Support for innovation. Standards provide a platform on which to build new and exciting ideas. For example, new information and communications technology Standards such as radio frequency identification have helped spread 'cutting edge' practices across emerging industries and countries.
- Contribution to production, productivity and competitiveness. Standards save businesses time and money. Standards cut production costs. Products that comply with Australian and international Standards have a competitive edge over products that do not. Australian exporters using international standards have a head start when they move into overseas markets.
- Common international specifications. Standards ensure products manufactured in one country can be sold and used in another. Standards reduce technical barriers to international trade, increase the size of potential markets and position Australian firms to compete in the world economy. Around 70 per cent of all new Australian Standards are based on international equivalents.

Conclusion

A high percentage of Australian Standards are either identical adoptions of equivalent International Standards or include some minor modifications. Such modifications are limited to those absolutely necessary to meet Australian expectations of human health or safety, or more commonly, to take account of local climatic or geographic factors, as permitted under the WTO TBT Agreement. More than 2600 Australian Standards are wholly or substantially based on international standards.

Compliance with international standards will ensure the reliability, safety, efficiency and interchangeability of products and services. It facilitates the participation of businesses and strengthens their competitiveness in the global marketplace.

International standards help ensure technical compatibility across countries and convey information to consumers about products that have been produced abroad or processes that took place in another country. Therefore, international standards reduce transaction costs.

Freight Containers - An example of dimensional standardisation

The use of freight containers rationalises the transport of the vast trade of goods. More than five million freight containers are in service throughout the world. But for the whole business of transporting goods and material between destinations near and far, there had to be in place international agreements that standardise and therefore facilitate handling requirements for freight containers - their lifting, loading, stacking, securing and storing.

Standards for freight containers cover terminology, classification, dimensions, specifications and test methods of Series 1 freight containers, handling and securing, marking and automatic identification.

The container codes, also known as BIC codes are recognized in ISO 6346 which sets up a system of identity allocation of freight containers in all international transport and customs declaration documents. Over 1 200 owners or operators representing 90% of the world container fleet use BIC codes in 110 countries.