

A call from the private sector

Harmonisation of Standards

In order to facilitate trade, through the harmonization of standards, the Arab-EU Business Facilitation Network, representing more than 330.000 companies in Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Syria and Tunisia, recommends that the following measures are taken by the governments of our region:

Summary of recommendations

- Follow WTO guidelines, including the TBT agreement with reference to international standards – even for countries outside the WTO membership
- Introduce a GAFTA *ombudsman* to deal with claims of violations of the GAFTA protocol on standards
- Create a committee on standards between our countries to work towards mutual recognition and subsequent implementation of common standards
- Work towards a common certification mark
- Work towards agreement on international standards under FAO and WHO such as the CODEX Alimentarius
- Each country conduct an evaluation of its own national specification requirements and abolish those that serve no justifiable purpose vis-à-vis e.g. consumer or environmental protection
- Work gradually towards mutual recognition of standards on a sector by sector basis
- Work towards common laboratory test methods to improve cross border trade
- Improve “on the border” laboratory tests
- Create SME guidance material and webpage on standards

1. Introduction

Trade across borders is essential for spurring economic growth and development. In our region, intraregional trade has the potential to stimulate growth and increase the living standards for millions of people. The World Trade Organisation (WTO) estimates that a 45 percent increase in GDP is possible if the regional trade flows are liberalised in the MENA region. But the reality is that intraregional trade in our region is still hampered by many tariff and especially non-tariff barriers to trade. A particularly significant technical barrier to trade is the differences in standards across the region. This is despite the fact that the GAFTA and Agadir agreements both stipulate the dismantling of tariffs and technical barriers to trade. Consequently, business and consumers pay a heavy price, which in the end has a negative effect on the standard of living of the populations in our countries.

Standards are necessary for the movement of goods across borders in order to uphold both consumer and state security. However, administrative bureaucracy,

including border posts, becomes twice as cumbersome when similar formalities must be carried out on both sides of the border and when there is no mutually recognised or harmonised set of standards. This translates into increased costs to businesses due to delays, informal costs and loss of business – costs which are ultimately passed on to the consumer and society at large. Mutual recognition and harmonization of standards is thus a win-win situation for all states, businesses and consumers.

In this context, we, the leading business and professional organizations in the MENA region, decided to establish a region-wide ARAB-EU Business Facilitation Network (AE Network) representing 330.000 enterprises in the region. The purpose is to enhance the trade-flows in our region, especially among the countries signatory to the GAFTA agreement. On this basis, the AE Network calls on governments in our region to harmonize standards across the region to facilitate trade, economic growth and job creation.

2. Key challenges

The root of the problem is found in the different national legislation and non-application of the various free trade protocols governing cross-border trade in the region. All our countries have, to a large extent, different standards and regulations as well as specific procedures related to import or export of goods.

Research carried out by the business organisations in the AE-network clearly shows that the non-harmonisation of standards is a serious barrier to trade and that action needs to be taken. Most member companies of the AE-Network thus report that the application, or rather non-application, of relevant international standards is a key barrier to trade. They note that none of the countries fully apply international standards such as the CODEX Alimentarius or the tariffication (HBC) standards. Similarly, a recent study¹ covering various businesses in our region concluded that more than 80% of companies identify the lack of harmonization of standards as one of the main obstacles to trade.

Regarding the GAFTA agreement, companies in the region have little knowledge about what this actually entails for them – this applies especially to SMEs. In the GAFTA protocols on standards² it is written that all Arab products that are traded in the region shall, according to this agreement, be treated as the national products in the concerned countries in relation to rules of origin, norms, standards, medical and national security protection, local tariffs and custom duties.

Having this text from the GAFTA agreement in mind it seems that there is a long way to having the agreement fully implemented. Products from other GAFTA countries

¹ <http://www.invest-in-med.eu/en/the-medalliance-consortium-24.html>

² Based on a translation from the original Arabic text

are in most cases - according to our members - not treated as local products by the host nations.

Following common standards increases overall trade and according to a WTO study³, members who produce products in accordance with international standards, has greater access to international markets. Furthermore, FDI also increases as regional or international companies are no longer obliged to produce according to complicated local standards.

Larger companies are often well aware of the exact specifications applied to their products when importing/exporting. SME's, on the other hand, are often not. An example is a Lebanese company importing electrical material and equipment. When the goods reach the customs, these cannot immediately be cleared and hence have to undergo procedures to ascertain their conformity to the Lebanese standards. This will take time and incur further expenses such as demurrage and test expenses at the Industrial Research Institute. This issue is thus of particular damage to SMEs.

Another issue is that three types of codices are currently used in our region; the British, American and the European, with the latter being the most commonly used. Furthermore, some countries apply none of these codices. Lebanon, for example, follows the LIBNOR (Lebanese) codex in combination with the Codex Alimentarius.

Rules of origin are often a very direct technical barrier to trade. In Syria, for example, the country of origins' name should be engraved on the product itself. Accordingly, a lipstick tube should have "made in Lebanon" engraved on it if manufactured in Lebanon, before being allowed into Syria. This process is very cumbersome and incurs substantial extra costs. If the engraving requirement is not followed a high penalty is applied.

When a product reaches the border, national laboratory certificates are often required as part of the official customs clearing process (depending on the product). Host countries, however, do not rely on these certificates and often impose further tests. This is common practise in all our countries, but also very cumbersome. An example of a smooth process is the Agrofood sector in Jordan where lab test are carried out on the borders making it much less time-consuming. In Syria, on the other hand, 3 specimens must be taken and sent to Damascus or to the University of Tishreen. This is extremely costly and time-consuming – especially if your container is located at a distant border. In Egypt, Agrofood products undergo a quarantine that could last from one week and up to two weeks, which obviously hampers trade significantly.

3. Recommendations

³ <http://docsonline.wto.org/DDFDocuments/t/G/TBT/W310.doc>

In order to meet the challenges outlined above, the AE-Network calls upon the governments of our region to take the following measures.

Challenge	Recommendation
Different national standards	<ul style="list-style-type: none"> - Create a committee on standards between our countries to work towards mutual recognition and subsequent implementation of common standards - Follow WTO guidelines, including the TBT agreement with reference to international standards – even for countries outside the WTO membership - Introduce a GAFTA <i>ombudsman</i> to deal with claims of violations of the GAFTA protocol on standards - Work towards a common certification mark - Work towards agreement on international food standards under FAO and WHO such as the CODEX Alimentarius
Complicated rules of origin	<ul style="list-style-type: none"> - Each country should conduct an evaluation of its own national specification requirements and abolish those that serve no specific purpose vis-à-vis consumer or environmental protection such as the Syrian example
Different national laboratory tests and laboratory requirements	<ul style="list-style-type: none"> - Work towards mutual recognition of laboratory tests - Common test certificate versus Introduce/improve “on the border” laboratory tests
Lack of understanding among companies to deal with complicated and different regional standards	<ul style="list-style-type: none"> - Create SME guidance material and webpage on rights according to standards - Increase awareness of the GAFTA agreement’s protocol on standards towards government and/or standardisation organisation

4. Conclusion

The harmonization of standards should go beyond a regional level and include a global perspective in order to reap its full potential benefits. As mentioned above, one option for our region is to use WTO guidelines and the TBT agreement on international standardisations for regional harmonization, which, in turn, will facilitate harmonization with the rest of the world in the long-term. Furthermore, harmonization results in a more coherent and consistent standardization process and a more competitive private sector. Enhanced commitment and participation by stakeholders; increased product quality legislation and consumer protection will follow when confidence in the standards and the knowledge of standards improves.

Harmonisation of national standards and where appropriate use of international standards and to the extent possible replacement of national standards by international standards is important. Although not an easy process, it is the only way to increase access to regional and international markets. The outcome of a successful harmonization of standards will be mutually beneficial for everybody – especially SMEs and consumers.

Algeria: Forum des Chefs des Entreprises (FCE)

Egypt: Federation of Egyptian Industries (FEI)

Jordan: Jordan Chamber of Industry (JCI)

Lebanon: Association of Lebanese Industrialists (ALI)

Morocco: Confédération Générale des Entreprises du Maroc (CGEM)

Syria: Damascus Chamber of Industry (DCI)

Tunisia: Union Tunésienne de l'Industrie, du Commerce et de l'Artisanat (UTICA)