

REPORT ON THE CASE STUDY TO CLARIFY EFFECTIVENESS OF MRAS

Submission by Japan

The following communication, dated 14 March 2007, is being circulated at the request of the Delegation of Japan.

I. INTRODUCTION

1. The “Case Study to Clarify Effectiveness of MRAs” was conducted by Japan, lead economy of the project, by using the questionnaire which was agreed on at the SCSC1 meeting in February 2006 with minor modifications proposed by some member economies. It should be reminded that the questionnaire is focused equally on both MRAs and other similar existing mechanisms (hereafter: MRAs) to facilitate the acceptance of conformity assessment results. (See Appendix¹ 1-1, 1-2 for the questionnaire.)

2. Responses were received from 12 economies (Australia, Brunei Darussalam, Canada, Hong Kong, China, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, Chinese Taipei, and Thailand) and 8 enterprises, as of 1 September 2006.

3. The responses contained many questions that were left unanswered, including those related to the number of certificates issued. It is difficult to clarify the effectiveness of MRAs in specific quantitative terms. Therefore, Japan has selected some interesting points from responses and evaluated the efficiency of existing MRAs in rather qualitative manner, with an eye toward the future direction of MRAs.

4. The report is available in the form of a presentation² made at the APEC/SCSC2 in 2006.

II. THE SUMMARY OF RESULTS OF THE CASE STUDY

A. IDENTIFIED MRAS EXISTING IN APEC REGION

5. As many answers were identical, responses were consolidated in the following 28 MRAs (See Appendix¹ 2) (() designates the responding economy). These 28 MRAs are classified into the following categories: Governmental/Non-governmental, Multilateral (including regional and international)/Bilateral MRAs; a table describing the answer from each economy, is also available

¹ The Appendixes are available on the APEC/SCSC web sites [http://www.apec.org/content/apec/documents_reports/subcommittee_standards_conformance/2006.html] Doc. No. 006 "Report on Case Study to Clarify Effectiveness of Mutual Recognition Arrangements (MRAs)."

² The file of the presentation is available on the APEC/SCSC web sites mentioned above. Doc.No.006a "Report on Case Study to Clarify Effectiveness of Mutual Recognition Arrangements (MRAs) – Presentation."

(see Appendix¹ 3.). According to the case study for private company, the responses from 8 enterprises have been summarized in the Appendix¹ 4.

6. In addition, New Zealand submitted a paper providing general information on their perspective on MRAs which is available in the Appendix¹ 5.

1. Governmental MRAs

(a) Multilateral MRAs

1. APEC/ EE (Australia, Japan, New Zealand, Singapore)
2. APEC/ Tel (Australia, Chinese Taipei, Hong Kong, China, New Zealand, Philippines, Singapore)
3. APEC/ Toy (New Zealand)
4. APEC/ Food (New Zealand)
5. ASEAN/ EE (Indonesia, Malaysia, Philippines, Singapore, Brunei Darussalam)
6. ASEAN/ Tel (Malaysia, Philippines)
7. CIPM (Australia, Chinese Taipei)
8. Electrical Appliance and Material Safety Law (Japan)

(b) Bilateral MRAs

9. Australia - New Zealand (Australia, New Zealand)
10. Australia - EC (Australia)
11. Australia - EFTA (Australia)
12. Australia - Singapore (Australia, Singapore)
13. Brunei - Singapore (Brunei Darussalam)
14. Japan - EC (Japan)
15. Japan - Singapore (Japan, Singapore)
16. New Zealand - EC (live stock) (New Zealand)
17. New Zealand - EC (Electrical products, Telecommunications equipment, etc.) (New Zealand)
18. New Zealand - EFTA (New Zealand)
19. New Zealand - Singapore (New Zealand, Singapore)
20. Chinese Taipei - The United States (Chinese Taipei)
21. Chinese Taipei - Canada (Chinese Taipei)
22. Chinese Taipei - Australia (Chinese Taipei)
23. Thailand - Canada (Thailand)

2. Non- governmental MRAs

(a) Multilateral MRAs

24. ILAC/APLAC (Australia, Canada, Chinese Taipei, Hong Kong, China, Indonesia, New Zealand, Thailand)
25. IAF/PAC /IAAC (Australia, Canada, Chinese Taipei, Indonesia, New Zealand, Thailand, Peru)
26. IECEE/CB scheme (Canada, Japan)

(b) Bilateral MRAs

27. Australia - Thailand (Australia)
28. New Zealand - Chinese Taipei (New Zealand)

B. SECTORS AND TYPES OF MRAS

7. Many MRAs include electrical/electronic equipment and/or telecommunication terminal/radio equipment sectors in their scope or coverage. Not so many governmental MRAs are established upon request from domestic industries compared to non-governmental MRAs.

8. As for the type of MRAs, Type B MRAs are most commonly found. This is particularly evident in bilateral MRAs, where we found 3 Type A, 9 Type B, 2 Type E, and 3 “other” MRAs. Type B is the most popular among bilateral MRAs, and in some cases is chosen in order to be consistent with existing domestic or foreign MRAs. It should be noted that there is a hybrid type which combines Type B and E (on one side international standards are applied and on the other national standards are applied as additional requirements for designation of CABs). (New Zealand on New Zealand - Chinese Taipei MRA)

C. EFFECTIVENESS OF MRAS

1. The number of certificates/testing reports issued

9. In many cases, the number of certificates/testing reports issued through MRAs reported is not available. In bilateral MRAs, the number is available only for 9 out of 17 MRAs. Among the 9 bilateral MRAs, 5 MRAs have not issued any certificates/testing reports and 2 MRAs have issued few. In the remaining 2 bilateral MRAs, New Zealand-European Communities MRA on livestock and animal products sector issued more than 1001 certificates/testing reports in 2005, and the Thailand-Canada MRA on fish and fishery products sector issued more than 90,000 in 2005. Meanwhile, in the multilateral and non-governmental MRAs such as the ILAC/APLAC, IAF/PAC and IECEE/CB scheme, 1001 or more certificates/testing reports were issued in 2005.

D. QUANTITATIVE EVALUATION OF MRAS

10. Data of quantitative evaluation on MRAs was extremely limited. For the reported 17 bilateral MRAs, no data was available while Hong Kong, China responded that over 95% of telecommunications equipment marketed in their economy was under ILAC/APLAC MRA, with less than 5% through the APEC/Tel MRA.

E. QUALITATIVE EVALUATION OF MRAS

11. With regard to qualitative evaluations, there were some interesting comments from individual economies, as follows:

2. Multilateral MRA

- The MRA is a good mechanism for information exchange and building up confidence between economies. (New Zealand on APEC/Toy, Australia and Chinese Taipei on CIPM³, Chinese Taipei on IAF/PAC)
- MLAs facilitate greater harmonization and recognition of standards and conformity assessment systems. (Canada on IAF/PAC)

³ CIPM means “In metrology, the Mutual Recognition Arrangement of the International Committee of Weights & Measures”, it based on the Meter Convention. Hence, CIPM swerves this Case Study

- ILAC/APLAC MRA removes the need to replicate laboratory functions, reducing the need to negotiate individual agreements for acceptance of test reports, as test reports are largely accepted worldwide using the system. (New Zealand on ILAC/APLAC)
- MRAs may reduce the burden on government in performing tasks related to conformity assessment. (Hong Kong, China on ILAC/APLAC)

3. Bilateral MRAs

12. There were many general and formal comments that the MRAs make it possible to avoid repetitive testing, and reduce lead time and costs associated with entering a market, though some MRAs, such as Australia-New Zealand MRA (comprehensive arrangement including labour mobility) are evaluated highly. In addition, one response said that the MRA helped improve the quality and safety of fishery products through the constant exchange of up-to-date information on standards and regulations, and that it provides technical assistance for the less-developed party (Thailand on Thailand-Canada MRA).

F. INEFFICIENCIES/DIFFICULTIES AND IDEAS FOR IMPROVEMENT

13. As for the questions concerning difficulties/inefficiencies, and ideas for improvement, many respondents indicated that MRAs require a large amount of government resources and/or have a relatively small impact on trade. Some interesting comments from individual economies are as follows:

1. Multilateral MRA

- Not all APEC economies have fully implemented the MRA (Australia on APEC/EE);
- Developed member economies and/or exporting economies must provide technical assistance to the less-developed member economies and/or countries in the development of technical regulation and standards. Funding assistance necessary for negotiation and implementation of the MRA should be given to less-developed member economies. Continuous training of the personnel actually involved in the MRA (Philippines on APEC/EE and ASEAN/Tel);
- There is a wide range of different standards in this area, including international, regional, and national standards. This makes it challenging and costly for CABs to become accredited to all appropriate standards (New Zealand on APEC/EE);
- Progress under this MRA largely depends on two or more economies identifying a sector that faces significant barriers to trade and agreeing to negotiate a sectoral annex to address the specific issues. This requires commitment not only by trade policy officials but also by the relevant regulators (New Zealand on APEC/Food);
- Regulators in some economies are reluctant to use voluntary sector MRAs/MLAs to help support their regulatory decisions (Australia on ILAC/APLAC and IAF/PAC);
- Some regulators in some economies are not accepting the ILAC/APLAC MRA as the basis for their acceptance of test reports from other countries. (New Zealand on ILAC/APLAC);
- Regulators in some economies are reluctant to use voluntary sector MLAs to help support their regulatory decisions (New Zealand on IAF/PAC).

2. Bilateral MRAs

- Information/education initiatives need to promote awareness of the MRA (Australia and New Zealand on Australia-New Zealand MRA);
- Most trade under the MRA is in the pharmaceuticals and medical devices area, a relatively small part of total trade. Keeping the MRA up to date involves considerable administrative effort (Australia on Australia-EC MRA);
- While significant resources were used to negotiate and implement the Agreement, the outcome and benefits of the Agreement justify the negotiating and implementing commitments. Existing mechanisms such as the Joint Management Committee and Technical Working Groups allow for the timely resolution of issues (New Zealand on New Zealand-EC MRA (livestock));
- A number of administrative complexities have meant that the Sectoral Annexes of the MRA have not been amended or added to since the MRA came into force in 1999, preventing the anticipated gains from being fully realized. New Zealand and the European Communities have commenced negotiations to amend the text of the MRA in an effort to improve its operation by, amongst other things, clarifying the Joint Committee. (New Zealand on New Zealand-EC).

III. CONCLUSIONS OF THE CASE STUDY AND POSSIBLE NEXT STEPS FOR FUTURE ACTIVITIES

14. The following are considered from this case study though an individual economy should evaluate the effectiveness of its own MRA and decide whether to establish an MRA on account of its economic or social situation in each economy.

A. EVALUATION OF EFFECTIVENESS OF EXISTING MRAS

15. Many member economies are inexperienced with MRAs because most MRAs have come into force since 2000, and member economies have not analyzed the results and impact of their MRAs established in the past. It was recognized to be a little too early to analyze the effectiveness of MRAs.

16. In this case study, therefore, we found that extremely few MRAs are evaluated quantitatively. In spite of the fact that certificates/testing reports are basic data that need to be analyzed for their effect on trade, many economies do not seem to be even tracking the number issued under MRAs. While it is extremely difficult to calculate resources (administrative cost etc.) used in negotiating and implementing MRAs, at the very least, the number of certificates/testing reports issued under MRAs need to be recorded and monitored in order to enable quantitative analysis in the future.

B. COOPERATION WITH INDUSTRY AND CLOSE EXAMINATION OF SPECIFIC SECTORS

17. In the case study, MRAs were found not always to be established based on requests from domestic industries, except non-governmental MRAs. This might indicate a lack of cooperation with industries in planning, negotiating and implementing MRAs.

18. It therefore found it important for governments to understand the actual international trade transactions of private companies who are major players, in order to plan, establish and implement MRAs effectively. In this context, governments should deepen cooperation with industry and work to understand its needs.

19. In addition, it seems to be important that governments target specific sectors in close cooperation with industries because the effect of MRAs is different depending on the sector. In this case study, it can be seen that successful MRAs are focused on a specific sector such as livestock and animal products in the New Zealand-European Communities MRA (more than 1001 certificates/testing reports in 2005) and fish and fishery products in the Thailand-Canada MRA (more than 90,000 in 2005). Furthermore, Australia responded that most trade under its MRA with the European Communities is in specific sectors such as pharmaceuticals and medical devices even though the MRA scope includes electrical/electronic equipment, telecommunications terminal/radio equipment, pressure equipment etc. In the electrical/electronic sector, which many MRAs include under their scope or coverage, the IECEE/CB Scheme (more than 1001 testing reports issued in 2005) seems to be effectively used by industries because many manufacturers of these products in the world are using international standards for their businesses.

C. USE OF EXISTING NON-GOVERNMENTAL MULTILATERAL MECHANISMS

20. It appears that non-governmental (voluntary) multilateral mechanisms are more effective and have greater economic effect than bilateral MRAs. Most bilateral and governmental MRAs apply many different technical regulations, conformity assessment procedures, and other criteria. As a result, it is claimed that administrative staff are required to fully understand all of these different matters, and this generates significant administrative costs. On the other hand, non-governmental multilateral mechanisms such as ILAC/APLAC, IAF/PAC and the IECEE/CB scheme can reduce costs because of their use of single global standards.

21. In the case study, many non-governmental MRAs show relatively high usage, with the number of certificates/testing reports standing at more than 1001 in 2005. Furthermore, response from Hong Kong, China notes that over 95% of telecommunications equipment marketed into Hong Kong, China was through the ILAC/APLAC MRA, and less than 5% was through APEC/Tel MRA. Non-governmental MRAs seem to be functioning well because they are established on the basis of industry requirements and a single set of global standards.

22. Non-governmental MRAs do face some challenges, however. For example, the number of participating economies is limited; regulators in some economies are reluctant to use voluntary mechanisms such as ILAC/APLAC to help support their regulatory decisions; and some regulators in some economies do not accept ILAC/APLAC mechanisms as the basis for their acceptance of test reports from other countries. These challenges need to be further addressed.

D. CONSIDERING OTHER TYPES OF MRAS

23. Where technical barriers on trade cannot be removed under existing non-governmental multilateral mechanisms, one option to facilitate trade might be to consider establishing new MRAs and negotiating with one or more partners, provided mutual satisfaction regarding their potential for facilitating trade is confirmed. Though the case study shows that the Type B seems to be very popular and most preferred model for bilateral governmental MRAs, it might be useful to consider other types with structures that differ from existing MRAs.

24. One example is found in the asymmetrical MRA combining elements of Types E and B described in New Zealand's response in connection with the New Zealand-Chinese Taipei MRA. In this asymmetrical hybrid model, New Zealand's designation of CABs largely depends on their accreditation to international standards with very limited additional requirements while Chinese Taipei designation of CABs depends on accreditation to international standards as well as an understanding of, and compliance with, their specific mandatory requirements.

25. The other option could be a trade facilitation mechanism with so called “cross-border designation” of CABs in foreign countries which is a similar mechanism with Type C MRAs in the questionnaires. Japan reported effective use of such a mechanism in their regulatory regime for electrical appliances. It is also reported that the idea of “cross-border designation” is presented on the occasion of the TBT Committee in March 2006 with a document reference number of G/TBT/W/263.
