

## **ETI – Think Global Act Local: The MRA Factor**

### **Introduction**

Many local engineers and other entrepreneurs involved in Engineering, Technology, Innovation (ETI) businesses have not been paying much attention to issues associated with the various MRA's that Malaysia is a party to. Perhaps they imagine that they are not into exporting, hence MRA's are of no concern to those involved in domestic businesses. Mistake. Think again.

### **MRA**

MRA stands for "Mutual Recognition Agreement" or for "Mutual Recognition Arrangement". An MRA for a specific sector (or sub-sector) is to facilitate free trade in that sector specific (or sub-sector specific), be it for goods or services; with the least of limitations and the absence of any technical barriers to trade (TBT).

Before negotiating an MRA, nations desirous to be trading-partners must first enter into a binding Free Trade Agreement (FTA); example the ASEAN Free Trade Agreement signed amongst the 10 Asean Countries; viz. Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. FTA's provide the means to achieve quicker and higher levels of liberalisation that would create effective market access.

An MRA is either bilateral, or plural-lateral or multi-lateral in nature.

### **The Startline – the WTO**

The Marrakech Agreement gave rise to the WTO (i.e. World Trade Organisation), replacing the 50 year old post WWII Ad-hoc GATT (i.e. General Agreement in Trade and Tariff).

The WTO deals with liberalisation of both trade in goods (as in GATT – 1994) and trade in services as covered by the General Agreement in Trade of Services (GATS). The WTO further extends to trade related intellectual properties (TRIPS), investment, trade facilitation, public procurement, trade and the environment, and also includes the agreement on Technical Barriers to Trade (i.e. the TBT Agreement) and others.

Agreement made at WTO are subjected to periodic review and negotiations, and the on-going round of negotiations, the Doha Development Agenda (DDA) Round started in 2001 is due to conclude this year – one way or the other. Among issues being negotiated is Trade in Services. There is demand for further opening up of market for services in developing countries in exchanges for market opening of goods and merchandise in industrialised countries such as USA and those in EU and others. Is it a case of give and take?!

### **WTO-Rules +FTA's**

The WTO Agreement is a legal binding multi-lateral agreement with rules-based peer group governance and disputes resolution mechanisms.

The ASEAN Free Trade Agreement (AFTA) defines a regional free trade area among ASEAN member-states; currently being propelled by an urgent agenda to achieve the end goal of ASEAN Vision 2020 – the establishment of the ASEAN Economic Community (AEC), expedited by an ongoing programme of ASEAN Economic Integration (AEI). AFTA is based on WTO-rules plus, especially the AEC which will be both a common market and a non-barrier production base. In short, AEC will be similar to EU; yet not quite!?

One must, however, not confuse AFTA/AEC with WTO. They occupy the opposing ends of the spectrum of value and opportunities.

There are on-going FTA negotiations for ASEAN+3 (i.e. ASEAN with China, Korea and Japan), ASEAN with India, ASEAN with CER (i.e. Common Economic Region of Australia and New Zealand), etc. Also, Malaysia on our own is in negotiation for bilateral FTA's with Japan, Australia, New Zealand, Pakistan, etc. All these FTA's are to be WTO rules plus. Question is; how much of the "PLUS"? With AFTA, the "PLUS" equates to MFN (i.e. Most Favoured Nation) status; and in due course with AEC, we will have the highest degree of the "PLUS" and therefore with no limitations, thus translates to NT (i.e. National Treatment) status!

### **AFTA**

When ASEAN, by way of the AEI programme develops into the AEC in about a decade from now, AFTA will then have the meaning befitting that of the **ASEAN Free Trade Area** – a common market of some 550 million people, mostly young. And what a market!!

In AFTA, guided by ASEAN Summit decisions, ASEAN Economic Ministers (AEM's), supported by frequent Senior Economic Officers Meetings (SEOM's), will work out the necessary framework agreements such as that for trade in goods the over-view supervision is the ACCSQ (i.e. ASEAN Coordinating Committee on Standards & Quality), whilst the ASEAN Framework Agreement on Services (AFAS) deals with trade in services; with the CCS (i.e. Coordinating Committee on Services) providing the over-view supervision.

Guided by the respective framework agreement, products specific and services specific MRA's are being negotiated. Some are being implemented and more will be operationalised by the respective MRA-created ASEAN specialist coordinating committees consisting of all the relevant national regulators, except for a 10 – X (i.e. ten minus X) situation.

### **TBT Principles**

The framing of an MRA is based on TBT Agreement principles which are transparency of rules and standards centered i.e. international standards and international best practices. The AFTA's MRA on Electrical and Electronic (EE) products (i.e. the EEMRA) for example is based on IEC Standards. The coordinating committee operationalising the EEMRA is the EEJSC (i.e. the Electrical and Electronic Joint Sectoral Committee); and the EEJSC, working in accordance to an ACCSQ/SEOM sanctioned roadmap programme, is in the process of harmonising a potential ASEAN wide regulatory regime for EE products.

### **Trade in Services**

Under the WTO's GATS classification, there are 12 services sectors, and they are:

1. Business Services
2. Communication Services
3. Construction & related Engineering Services
4. Distribution Services
5. Education Services
6. Environment Services
7. Finance & Insurance Services
8. Health & Social Services
9. Tourism Services
10. Recreational, Cultural & Sporting Services
11. Transport Services
12. Other Services

Each of the sectors has various sub-sectors. Example: Under the Construction & related Engineering Services (Code CPC 867), we have sub-sectors such as CPC 8671 - Architectural Services, CPC 8672 - Engineering Services, CPC 8673 - Integrated Engineering Services, CPC 8674 - Urban Planning Services, etc.

Whilst trade in goods and merchandise is well understood by many, however trade in services takes on a different dimension.

There are 4 modes of supply in the case of trade in services, viz.:

- Mode 1 – Cross-border supply
- Mode 2 – Consumption abroad
- Mode 3 – Commercial presence
- Mode 4 – Presence of natural persons

The 4 modes of supply have a bearing on the issues of limitations on Market Access and National Treatment. With AEC, when the degree of GATS Plus is at the highest level of liberalisation, limitations on National Treatment for Market Access is the least, if not NONE.

When drawing up the MRA for engineering services or for integrated engineering services, the 4 modes of supply have to be addressed. Modes 1 and 2 prove to be easily appreciated. But Mode 3 relating to commercial presence vis-à-vis equity participation by natural and/or legal persons, and Mode 4 relating to presence of natural persons; equating to mobility of professionals, para-professionals, skilled labour, talents, etc. which in turn means benchmarking of qualifications, experience, etc. are proving difficult to find common ground.

### **Harmonisation of Regulatory Regimes**

When an AFTA MRA is successfully concluded for a sector specific goods or services, the agreement has to be operationalised by an ASEAN organised specialist coordinating committee consisting of the respective ASEAN member-states' regulators. These regulators are duty bound to ensure that stakeholders benefit from the MRA and all other subsequent MRA based decisions. For the bigger picture, they should realign; better still harmonise the respective national regulatory regimes which are to be international standards based and trade friendly. The goal: one set of realigned or harmonised ASEAN regulations, one suit of ASEAN standards, and a common process of approval in all the 10 ASEAN member-states!

All ASEAN member-states should embark upon an indepth review of their respective regulatory regime relating to the approval of engineering and technology projects such that the applicable domestic Acts and Regulations be updated to be international standards based and be relevant for the time. More importantly, GRP (i.e. Good Regulatory Practice) principles should be in place to ensure good governance.

It is the hope, one day, there will be a common set of regulatory ASEAN Directives in place of ten (10) different sets of national regulations. The aim: be pro-business and pro-FDI's.

### **Integrate or Vegetate**

AFTA with a market size of some 550 million people will have to compete with China and India, and these two countries are the flavours of the day. These two economic power-houses attract much of the FDI's (i.e. Foreign Direct Investments). The only way out for ASEAN to keep pace with China and India is to expedite the programme of AEI. Arrive at the end goal of AEC as soon as possible such that ASEAN will be the location of choice for FDI's and hence economic excitement. Therefore, all AFTA-MRA's must facilitate expeditious AEI.

It is sad to note that the MRA for Engineering Services signed by the AEM's December 2005 during the last ASEAN Summit in Kuala Lumpur, is a big disappointment to discerning stakeholders. It is not GATS plus; in fact, more barriers have been erected. It is also faulty in its scope of coverage when it deals with only CPC Code 8672 (i.e. Engineering Services) and does not cover 8673 (i.e. Integrated Engineering Services) – the more tradeable and better value-adding of the two services, be it for intra or extra ASEAN trade in services. Instead of economic integration and hence benefits, the MRA will result in ETI and construction related businesses to vegetate.

### **Conclusion**

The end result of an MRA is free trade. It is supposed to benefit the respective sector-specific stakeholders. Therefore, should there be an active pan-ASEAN-wide grassroots sector-specific stakeholders' federation of trade associations or federation of discipline specific professionals, e.g. the ASEAN Federation of Engineering Organisations (AFEO) for ASEAN Engineers, then it is advantageous to have AFEO-ASEAN Engineers' Guildelines on engineering professional practice adopted as ASEAN's Directives as a breakthrough process in operationalising of the MRA for Engineering Services. By this way, the MRA can then be modified to be truly reflective of the ASEAN engineering stakeholders' aspiration. *(Please refer to AFEO's Yangon Declaration of CAFEO 22 – Dec 2004, and Vientiane Declaration of CAFEO 23 – Dec 2005)\*.*

ASEAN must begin with the negotiation for an MRA for Integrated Engineering Services as soon as possible and should not leave it unattended. We need that MRA more so than for Engineering Services only. Integrated Engineering Services generate Brand Malaysia and Brand ASEAN Projects; marketable broad based value-adding services and assets.

Globalisation with companion liberalisation and transparency of regulatory regimes leading to good corporate governance are real. It is at the MRA level that stakeholders' interests are addressed. Whether you export or not, an MRA affects everyone. Hence, think global to act local! Take an interest in the MRA; it affects your ETI and construction related business and everyone's economic well-being.

## Proposed E2WMRA

Following the Summit of the Asean Federation of Electrical Engineering Contractors (AFEEC) which was held in Kuala Lumpur on 21<sup>st</sup> July 2005, an AFEEC Working Group (WG) on Mutual Recognition Agreement (MRA) was formed. This WG was chaired by Ir Rocky Wong Hon Thang (TEEAM Honorary Fellow cum Technical Adviser). An Electrical Engineering Works MRA styled the E2WMRA has been proposed.

### The Backdrop of the proposed E2WMRA

- The ASEAN Framework Agreement on Services (i.e. AFAS) which has the objectives to enhance co-operation in services amongst ASEAN Member States in order to improve the efficiency and competitiveness, diversity production capacity, and supply and distribution of services of their services suppliers within and outside ASEAN; to eliminate substantially restrictions to trade in services amongst ASEAN Member States; and to liberalise trade in services by expanding the depth and scope of liberalisation beyond those undertaken by ASEAN Member States under the General Agreement on Trade in Services (GATS) with the aim to realising free trade in services.
- In other words, ASEAN MRA's framed under the objectives of AFAS are to be GATS Plus (or WTO Plus), and they are to be for both intra and extra ASEAN trade; and so it shall be for E2EMRA!
- AFAS also provides for ASEAN Member States to recognise the education or experience obtained, requirements met, and license or certification granted in other ASEAN Member States, for the purpose of licensing or certification of services suppliers.
- Besides AFAS, there is also the decision of Bali Concord II adopted at the Ninth ASEAN Summit held in 2003 calling for the completion of MRA's for qualifications on major services by 2008 to facilitate free improvement of professionals/skilled labour/talents in ASEAN.
- All these will contribute towards the agreed ASEAN Economic Integration (AEI) programme which will lead to the end goal ASEAN Vision (2020 – but will even be sooner) of the targeted ASEAN Economic Community (AEC).

## **The Coverage**

- Since there are ongoing rounds of negotiations for MRA's for Engineering & Integrated Engineering Services for both intra and extra ASEAN trade in Services, i.e. for AFTA and ASEAN + 3, ASEAN-Aust., ASEAN-NZ, ASEAN-India; the proposed coverage of E2WMRA is for both profession and trade specific electrical engineering work, such as electrical installations and wiring systems, transmission & distribution systems, protection & control, testing & commissioning, power turn-on and operation & maintenance, supply & power quality, etc., all the various works of which are generally covered by IEC Standards.
- Besides professionals such as engineers who will be covered by the MRA for engineering services; the proposed E2WMRA shall deal with other professionals, skilled labour/talents, such as testers, wiremen, fitters, artisans, supervisors, chagemen, competent persons, etc.
- By whatever names or descriptions the natural persons making up the Electrical Engineering Works delivery team are known as in the various ASEAN Member States, a typical E2W delivery team usually consists of the following four (4) categories of professionals/skilled workers/talents:
  - (a) the planning/design/engineering/system integration engineers or specialist-professionals;
  - (b) the project engineering specialist-professionals or project managers;
  - (c) the supervisors or technicians or the talents who ensure detailing and quality;
  - (d) the artisans or skilled workers.
- The E2WMRA shall then deal with natural persons who have satisfactorily completed either the necessary education, or the technical training, or gained the experience -- meeting the required criteria as determined by the respective State Regulator or the National Designating Authority.

## **The Objectives**

- The objectives of the E2WMRA shall be:
  - (i) To facilitate the mobility of the necessary professionals/skilled workers/talents of the delivery teams for Electrical Engineering Works;
  - (ii) To exchange information among the ASEAN Member States, in order to promote the adoption of or the alignment with and eventually, the harmonisation of the various national regulatory regimes based on international best practices, standards, and qualifications or experiences.

## **Other issues**

- Other issues will be guided by the ASEAN Secretariat as the E2WMRA will be developed, possibly in about 30 months or so.
- Besides natural persons, the E2WMRA may have to deal, with legal persons as well.



**SEMINAR ON UNDERSTANDING AND IMPLEMENTING THE  
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**INDUSTRY'S PERSPECTIVE ON THE NEED FOR MRA'S AND OTHER MEASURES TO  
HELP FACILITATE TRADE:-**

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**The WTO:-**

1.0 My understanding of the presentation that follows has a start-line on a comprehension of the World Trade Organization, i.e. WTO:-

- The WTO is the only international organization dealing with multilaterally agreed rules on trade among its Member countries, with peer-group governance and disputes resolution mechanisms.
- Through the WTO agreements, which spell out their rights and obligations, Member countries operate a non-discriminatory trading system that would result in world trade to grow.
- The goal is to help producers of goods and services, exporters and importers conduct their business in a manner that ensures predictability and stability.
- The WTO is also a forum for continuous negotiations to create a more transparent, predictable, fair and liberal global trading environment.
- Negotiations are aimed at progressively removing barriers to trade in order to create better market access opportunities for its Members.
- WTO rules are evolving through periodical review of existing rules and negotiations on new rules, and the on-going round of negotiations – the Doha Development Agenda (DDA Round) started in 2001; but with no end-date in sight!

**FTA or CECA:-**

2.0 A Free Trade Agreement (FTA) with a "WTO rules-plus" template consisting of a number of chapters which address the various clusters relating to economic, trade and investment issues with measures that will facilitate "freer trade" among closer economic cooperation trading partners, which should result in lesser limitations to cross-border mobility of:-

- Trade in goods and services;
- Consumption;
- Capital and investment; and
- Professionals, skilled personnels and talents.

3.0 A bi-lateral FTA with measures which result in preferential trading arrangement is more likely styled a "Closer Economic Cooperation Agreement", i.e. CECA – but will still be commonly and colloquially referred to as "FTA".

4.0 Besides bi-lateral FTA's, we also have Regional FTA's (e.g. AFTA) which are multi-lateral in nature; some are even plurilateral as in case of China-ASEAN FTA where there are on-going negotiations: China with ASEAN as a block and concurrently China with individual ASEAN Member-countries, e.g. China with Malaysia, China with Vietnam, etc.



**MRA's:-**

- 5.0 Having a FTA in place, it follows where and when necessary, sector specific MRA's (for both goods and services) will be negotiated and framed – and in due course, to be operationalised and implemented for the benefit of the business community (i.e the stake-holders of the associated Industry).

**Designated Authorities:-**

- 6.0 The domestic sector specific national regulators are the Country's/Economy's designated authorities to the negotiations which give rise to related MRA's (be they for goods or services); following which they also serve as the national representative to the MRA defined implementing body (e.g. the JSC of the ASEAN EEMRA, or the JAC of the APEC EEMRA) that operationalize the measures contained in the MRA which are to be reviewed periodically with an aim to minimize and to eliminate, eventually, limitations to national commitments.

**Domestic Regulatory Regimes:-**

- 7.0 Domestic regulatory regimes administered by the respective designated authorities as recognized by the sector-specific MRA are usually effected by way of technical regulations based on either national standards or international standards; and guided by WTO's Agreement on TBT – international standards would be preferred, such as the IEC standards for the APEC EEMRA and the ASEAN EEMRA (which are similar; as of now).

**APEC EEMRA/ASEAN EEMRA – only a start:-**

- 8.0 To the Electrical and Electronic Equipment (EEE) Industry – such as the Malaysian case represented by The Electrical and Electronic Association of Malaysia (i.e. TEEAM); the APEC EEMRA and the ASEAN EEMRA, each being one of the earliest sector specific MRA's to be negotiated (and in order to achieve the maximum inclusive participation) was really a "as is where is snap-shot" option; more of a "low-hanging fruit" case of only regulating, basically, low-voltage consumer electrical and electronic equipment. That is only the start; the first generation EEMRA (or 1<sup>st</sup> G-EEMRA).

**Expanding the Scope of the 1<sup>st</sup> G-EEMRA Coverage:-**

- 9.0 If FTA and MRA are really to facilitate freer trade (especially in the case of ASEAN where the ASEAN Economic Community will prove to be real) then the scope of coverage of the ASEAN EEMRA must be expanded for the full spectrum and range of Electrical and Electronic Equipment of all voltages, ratings and applications.

**EEE Standards-centric Directives?:-**

- 10.0 Perhaps in the ASEAN case, now driven by the ASEAN Charter to achieving an ASEAN wide common market and a borderless production base, MRA's on the EEE sector shall be replaced by relevant ASEAN sub-sector-specific standards-centric directives?. E.g. an ASEAN Directive on "Safety", one on "EMC", yet another on Energy Efficiency, etc. Meaning, there shall be one set of ASEAN wide standards, based on IEC standards, for all EEE items, of all voltages, ratings and applications; and Industry's stake-holders should be invited to be part of the process of standards development – domestically, regionally and internationally.

**1-1SDoc:-**

- 11.0 To cater for rapid changing technologies, driven by innovation, TEEAM advocates the adoption of the "1-1SDoc" Policy, i.e. One Standard, One Test to Supplier's Declaration of Conformity. (For more details on the subject, please refer to TEEAM's Position Paper of May, 2005)



**Protecting Public Interest:-**

12.0 In the case of services relating to electrical engineering works, most Nations or Economies in either the ASEAN or the APEC region have relevant national regulatory regimes which govern the essential requirements of, and for, electrical installations such as: safety, the well-being and the environmental effects on humans, plants, animals and properties; underpinned by relevant laws and regulations on the protection of consumers, coupled to licensing requirements and criteria of competent personnels as a means of protecting public interest – meaning ; to maintain public confidence in the standard of services provided by regulated and licensed electrical competent personnels.

**The Qualified and Competent Engineering Team:-**

13.0 National and international standards are in place providing the platform for the various regulational regimes; which besides the “Do’s” and “Don’ts” and the “How’s” and the “Why’s”, most regulations would also establish the benchmarks for the required qualifications and competence levels of the engineering team consisting of professionals, para-professionals and skilled workers who are expected to deliver safe electrical installations and facilities in a professional and competent way, and will continue to maintain public confidence in the standard of services provided during the operation and maintenance of the same.

14.0 In Malaysia, for example the Energy Commission (EC) is the Authority that regulates, among other energy matters, “electrical safety” which includes Electrical and Electronic Equipments (EEE), electrical installation and testing, operation and maintenance of all electrical installations and facilities – and the EC is also the licensing body for “electrical competent personnels” forming the electrical engineering works delivery team, i.e. the qualified and competent engineering team.

**E2WMRA:-**

15.0 If stake-holders in the Industry are to benefit from the measures relating to closer economic cooperation as established among the agreement’s trading partners, then besides MRA’s on EEE, there be another MRA on Electrical Engineering Works (e.g. E2WMRA) which shall facilitate:-

- a) the mobility of professionals, para-professionals, skilled workers and talents of the qualified and competent electrical engineering works delivery team; and
- b) the exchange of information among the FTA partners in order to promote the adoption of harmonized standards centric regulatory regimes governing electrical installation and testing, operation and maintenance of electrical installations and facilities; addressing electrical safety and other essential requirement issues that will protect public interest.

16.0 For the shared aspiration and the common position of the ASEAN Federation of Electrical Engineering Contractors (AFEEC) and the proposed E2WMRA, please refer to the publication on the same subject in TEEAM’s 44<sup>th</sup> issue (for Dec. 2005 and Jan. 2006) of their periodical; “Suara TEEAM”.

**Summary and An Industry Stakeholder’s Wish List:-**

17.0 Now that we have a better and deeper understanding of MRA’s; the original “Do ‘able” first generation version of the APEC EEMRA - and more so the ASEAN EEMRA with coverage limited to low voltage (consumer) Electrical and Electronic Equipment (EEE), should be revised, expanding the scope of coverage to include EEE of all voltages, ratings and applications. Meaning; besides addressing consumer protection issues, we must also concern ourselves with protecting public interest. The proposed next generation and revised MRA with expanded scope of coverage will facilitate larger volume of trade; and with the acceptance of the 1-1SDoc approach, the cost of doing business will be lowered and product development cost predictable.



- 18.0 Progressing from the consumer protection approach to the more holistic consideration of protecting public interest, and to facilitate trade in services relating to electrical engineering works as would be delivered by regulated and licensed qualified and competent engineering teams ( as a part of Integrated Engineering Services defined by WTO as CPC 8673), TEEAM together with the ASEAN Federation of Electrical Engineering Contractors (AFEEC) have proposed the realization of a E2WMRA (Please refer to Para. 15.0 above). AFEEC is a key member of the Federation of Asia Pacific Electrical Contractors' Associations (FAPECA) – which caters to industry stake-holders in the APEC region – and FAPECA appreciates the initiatives by TEEAM/AFEEC to promote the E2WMRA for ASEAN – therefore if a similar E2WMRA is being proposed for APEC; it is the belief that we will have support by the Industry stake-holders in APEC; at least among the members of FAPECA.
- 19.0 Industry stake-holders in Malaysia (and other ASEAN Member-states) appreciate that whilst Malaysia is a WTO member-country, an APEC member-economy and an ASEAN member-state ~ there are various degrees and shades of importance to the Industry concerning trade agreements (or arrangements) concluded at the three economic groupings. WTO, AFTA/AFAS and other ASEAN agreements/arrangements are G 2 G binding with legal obligations and safe-guards. But APEC agreements/arrangements on the other hand are operationalized and implemented on a voluntary basis. And in any event, not all ASEAN member-states are APEC member-economies. Therefore, the ASEAN Free Trade Area, driven by the ASEAN Charter (hopefully) will soon evolve into the ASEAN Economic Community (AEC) by the ASEAN Economic Integration (AEI) agenda. Come 2015, we in ASEAN would see the beginning of an EU type common market and a borderless production base – one sizable economy of some 550 people, with both economy of scale and economy of numbers, ASEAN will be able to compete with other economic power blocks such as China, India, East Europe etc. ASEAN has to integrate, otherwise we vegetate – we ASEAN citizens and Industry stake-holders have no option. If that is the route we, in ASEAN, have to take, then MRA's will give way to ASEAN Directives – after having harmonized standards-centric regulatory regimes in all the 10 ASEAN member-states. Let's start with ASEAN Directives for EEE and Electrical Engineering Works!
- 20.0 Reference materials from "Suara TEEAM" attached herewith are:-
- i) The 35<sup>th</sup> issue (Dec. 2002) on: "Standards, Technical Regulations and Trade vis-avis WTO, APEC and AFTA";
  - ii) The 42<sup>nd</sup> issue (May 2005) on: "TEEAM's stand on the issue of EE Sector Negotiations";
  - iii) The 44<sup>th</sup> issue (Dec. 2005 / Jan. 2006) on:- "Proposed E2WMRA", and
  - iv) The 45<sup>th</sup> issue (May/June 2006) on: "ETI-Think Global Act Local: The MRA Factor".

## **Standards, Technical Regulations & Trade Vis-A-Vis WTO, APEC and AFTA**

### **Introduction**

When we talk about **WTO**, **APEC** and **AFTA**, the term **globalisation** comes to mind. WTO is an international organisation at par with IMF and the World Bank; and the three form the so-called 3 pillars of the United Nations, though WTO is by far the more democratic; more democratic than the IMF or the World Bank. WTO is the creation of a multi-lateral agreement. It is rule-based, and is a structured organisation; the basic principles and rules which are used as the basis to build on for other regional free trade areas such as APEC, AFTA, etc.

Globalisation means many things, and will include cross-border movements of goods, services and funds-even natural persons. Terms such as Most Favoured Nation, i.e. MFN, National Treatment, Transparency, Reciprocity, etc must be understood; which in basic terms imply and suggest that international trade must be fair and should be allowed to occur without barriers.

To overcome any custom and technical barriers, there shall be technical regulations which are Standards-driven. Standards are to be harmonised and aligned; and better still, Standards should be International Standards such as those of ISO, ITU, IEC, etc. To ensure commonality in technical regulations amongst countries or economies to any regional Free Trade Area (i.e. FTA) such as either AFTA or APEC, Mutual Recognition Agreements/Arrangements (MRA's) would be negotiated amongst the various National Regulators.

Due to the importance of MRA's, it is in turn essential to have national technical regulations managed by the relevant Government Regulators. Technical regulations can only be framed to be of relevance if there were National Standards. And National Standards should preferably be aligned or harmonised with International Standards.

Standards Development is no more a question of academic exercise, but an important foundation for products/service specific technical regulations which form the relevant and respective technical benchmarks for the various exported and imported goods, merchandise and service. If there were no such regulations, then there is a danger of "dumping" of products/services of uncertain quality; worse still of inferior quality!

What is equally important besides Standards Development is the issue of product testing and certification. For this, our third party, independent and accredited test laboratories must be well equipped and staffed by well qualified and skilled professionals and experts.

Standards, Regulations plus testing and certification infrastructure themselves do not necessary complete the picture. We need proper and dependable market surveillance of products/services; in short, there is a need for constant policing of products/services which are not to Standards and not worth the money, or fit for purpose, or worse still, may pose a danger to the users or the public.

Consumers and customers are now more and more discerning, and products/services which are not up to Standards will not pass muster. Of course, fakes and/or imitations do get by and they are the problem. Besides quality, there is progressively a rise in green consumerism which has a greater emphasis on the environmental agenda. Then there is ISO 14000 and design and product energy index labelling. The trend is towards cleaner and greener production and the very reason why Malaysia has the 5<sup>th</sup> Fuel Policy; an aggregation of Energy Efficiency (for the demand side) and Renewable Energy (for the supply side).

### **The Producer**

The producer can either be a farmer who hopes to sell his harvest/dairy products, or a plantation owner who intends to sell his primary produce, or a manufacturer who wants to sell his merchandise, or even a service provider who plans to sell his services. Whoever he may be, he is a businessman who is in business to make a profit.

When an enterprise is profit motivated, it must ensure firstly, that there is a demand and the entrepreneur will satisfy that demand with a front-end cost, hoping that the returns of the sales will be worth all his effort; that he has protected his capital at risk and along the way, makes a profit. That being the case, it will be wise for him to ensure that his product is up to Standards and to specifications; especially the Standards that prevail on the Demand Side. A successful businessman is one who will go the full length to satisfy and to meet his customers' expectation. There is no point in saying that his customers' expectation (which means Standards) is too high. Conform or perish!

### **The Consumer**

When there is competition, and with globalisation, there is even keener competition, the consumer has better choice and his expectation level gets higher and higher. Not only is he looking for value for money, he is now even prepared to pay a small premium for environmentally correct products. Therefore, specifications and standards for products for the Demand-end will become more and more exacting. The customer is always right!

## The Association

Back to specifics, the Association is TEEAM; and the intention is to float up ideas on what TEEAM may do, to further members' business interests in the areas of Standards Development and Technical Regulations which will affect and influence the business of members.

Even before TEEAM was formally appointed by SIRIM as a SWO, TEEAM has been very active in representing members' interest in the areas as listed in the forestated para. However, as FTA and MRA's are getting more and more important; and there will be more FTA's in future, it is essential that TEEAM embarks on programmes that will help in capacity building amongst members and members' personnel vis-a-vis Standards and Technical Regulations which affect and influence trade and their business.

## Proposed Programmes

1. *Regular talks/seminars/workshops* to be held to explain the following:
  - WTO, APEC, AFTA and other possible FTA's.
  - The meaning of AFTA's EEMRA and APEC's EEMRA.
  - The meaning of JSC for AFTA and JAC for APEC.
  - Standards development and SIRIM's ISC-E.
  - The workings of IEC.
  - The workings of TEEAM's SWO.
  - Technical Regulations issued by EC; e.g. Distribution Code.
  
2. *Popularise MS/IEC Standards*; TEEAM will assist DSM/SIRIM/EC to popularise selected MS/IEC standards; especially those related to:
  - MS/IEC 364                      - Electrical Installation in Buildings
  - MS/IEC 60950                 - Safety of IT Equipment
  - MS/IEC 60065                 - Audio Video and Similar Electronic Apparatus – Safety Requirements
  - And other MS/IEC standards as they are being developed
  
3. *As Power Quality* (i.e. PQ) is becoming an important element in electrical systems and networks, there is a need to have a better understanding of this topic amongst members, both by way of talks and lectures, and also by way of advice and consultancy from a panel of experts.

4. Matters dealing with the 5<sup>th</sup> *Fuel Policy* and other energy matters should also be championed by TEEAM amongst members and their professionals. Before one can champion, one must understand and appreciate the related issues, and there is no harm to *liaise with PTM!*
5. Consultancy and advisory services to members on matters relating to *Product Certification* and the potential of the acceptance by importing countries *when the AFTA's EEMRA is operationalised.*
6. Motivate and encourage more and more members and/or their staff who are electrical engineers to participate actively in IEC activities, both domestic as well as regional/international activities.
7. TEEAM to become a center of expertise concerning all matters relating to Malaysian Standards, IEC Standards relating to Electrical & Electronics Products/Services.
8. TEEAM also to become a centre of expertise concerning all matters relating to MRA's for regional and international FTA's relating to Electrical & Electronic Products/Services.
9. The ultimate goal is for TEEAM to be able to carry out relevant R & D on issues affecting Standards, Technical Regulations and International Agreements vis-a-vis members' trade and business.



## TEEAM's Stand on the Issue of EE Sector Negotiations

### Backdrop

- Modern manufacturing of EE products, especially those that come under the definition of ICT, or Control & Protection Schemes for electrical power systems, or Electrical & Instrumentation (and control) of the various process - industries; consumer products, and others - is very much design driven, with value adding by an integration of parts and sub-systems.
- Based on the concept of "economy of scale", the manufacturer of the final finished product, will attempt to obtain its intermediate components or parts by the least cost out-sourcing method; and only when necessary will the manufacturer make the critical parts in-house. It is with the in-house expertise in the design and the final integration of parts and sub-systems which gives the final value of the product/system which will either meet international standards, or conform to performance-based vendor (self)-declared standards.
- Products and/or systems have to be type-tested to the requirements of, either: international standards, or: performance-based standards, before they go to market. All manufacturers or vendors will find their products competitive, if there was in place the concept of:
  - One standard,
  - One (set of) test(s), and
  - One approvalwhich will then enable their products, not only to enter the domestic market, but also be exported all over the world without the expensive and duplicative retesting and fresh approval!
- Because hi-tech products and/or systems have rather short obsolescent life, no publicly developed standards, more so, international standards (that take a minimum period of 36 months to develop - very often 4 to 5 years!), can keep up with the technology and innovativeness of the products/systems. Therefore, the "latest" standards, usually performance-based, are vendor-self-declared standards; with the under-pinning of a very comprehensive Consumer-protection Act that has to be in place.
- Besides one standard and one test; for the "one approval" to work, there shall be an alignment or harmonisation of regulatory regimes among trading partners.
- Malaysia prides itself as a leading trading nation, and a role-model for other developing countries.
- Malaysia is a significant exporting country of EE products, and has since migrated to the hi-tech EE sector for which we are still able to attract FDI's.

- Malaysia is known for our MSC policy and has marketed aggressively the benefits of investing in it. For a start, we do not censor the internet.
- Amongst the 11 priority sectors for ASEAN Economic Integration, i.e. AEI leading to the ASEAN Economic Community, i.e. AEC, Electronic Sector is one of them; and at the ASEAN Coordinating Committee on Standards & Quality, i.e. ACCSQ of AFTA, Electronic is a part of the Electrical & Electronic Mutual Recognition Agreement, i.e. EEMRA which has been operationalised since 2002.
- An ongoing exercise by the operative committee of the EEMRA, viz. the Electrical & Electronic Joint Sectoral Committee, i.e. EEJSC is the harmonisation of the regulatory regime (among the 10 ASEAN nations) for the EE sector along a modified EU model; which recognises the vendor self-declared performance-base standards.
- Malaysia has signed on the EEMRA under the ambit of APEC.
- Malaysia is a leading negotiation party to the other FTA's/CEPs with ASEAN Dialogue Partners, etc.

#### **TEEAM's Stand**

Based on the backdrop above, TEEAM calls on MITI and other related Malaysian Agencies and Regulator(s) to appreciate the following:

- (1) GLC - purchasers of domestic EE products/systems are, in fact, making Malaysian manufacturers/vendors uncompetitive. Their requirements are generally beyond the requirements of international standards. An example is the TNB's "Sijil Gunapakai" - which, besides a periodic renewal; costing quite a sum for each product; there are other tests and inspections which have economic and financial impact. There is a very high cost involved in TNB's conformity assessment procedures.
- (2) Having spent substantial amount of money and effort to have the EE products tested, for example, to TNB's preferential requirements, additional costs will still be needed, should such so-called (TNB) approved products are exported, say, to Indonesia or other ASEAN countries, because of duplicative re-testing and unnecessary duplicative assessment procedures.
- (3) Besides the above, for Malaysian EE product (or EE system) manufacturers to remain competitive, their out-sourced intermediate products and parts, especially when imported, should not attract unnecessary import duties and taxes.
- (4) Therefore, TEEAM supports the concept of:
  - One standard as established by SIRIM/DSM but to international standards;
  - One (set) test conducted by certified and accredited labs;
  - One approval by the relevant Regulator;that will not only permit the entry into the domestic market, but also to other markets that Malaysia has entered into trade-pacts with; either on a multi-lateral basis, or bi-lateral basis.

- (5) TEEAM also hopes that there will be effort to realign, or better still, harmonise the regulational regime of the EE products - the scope of coverage should be extended beyond the regulated (controlled) 31 (range of) products.
- (6) TEEAM also understands that the convergence of technologies and the innovate design of system will result in a mis-match of regular standards developed by the traditional method (as by IEC or SIRIM/DSM), and the performance-based vendor-self-declared standards. This will be recognised when Malaysia, as a key member of AFTA's EEJSC, adopts the regulatory regime being harmonised, based on the modified EU model. Concurrently with this, the Ministry of Domestic Trade and Consumers' Affairs will have to work out amendments to their current act on the protection of consumers; especially to address the essential requirements dealing with the environment and the safety to properties, plants, animals and humans.

On balance, and in conclusion, we believe there is merit for Malaysia to be involved (hopefully by the industry) in the negotiations for the EE Sector at the WTO; especially with the goal of achieving "1-1SDoc" Policy - i.e. **One Standard, One Test to Supplier's Declaration of Conformity.**