



# QUALITY OR CONTROL?

India believes developed countries and China use quality control orders as a trade barrier, and seeks to play catch-up. What does this mean for the domestic industry?

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From toys, footwear and furniture to insulated flasks, smart meters, and air coolers — the Central government over the last decade has mandated higher standards for production and imports of such items. Sample this: Till 2014, there were 14 Quality Control Orders (QCOs) covering 106 products. By the latest count, there are 156 QCOs on 672 products.

QCOs, notified by government departments in consultation with the Bureau of Indian Standards (BIS), are compulsory in nature, unlike the numerous other standards prescribed by the BIS. Though the government has said QCOs have been imposed to ensure the quality of products, protection of human, animal, and plant health, and prevention of deceptive practices, the domestic industry speaks of the burden the measures entail. They also lead to confrontations with trading partners at the World Trade Organisation (WTO).

For the domestic industry, which has to adhere to the specified quality standards, QCOs almost always lead to higher production costs. Trade partners, on the other hand, see them as another trade barrier. QCOs are covered under the Technical Barriers to Trade (TBT) agreement at the WTO, which aims to ensure that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade.

At the same time, the agreement recognises WTO members' right to implement measures to achieve legitimate policy objectives. The TBT Agreement strongly encourages members to base their measures on international standards to create a predictable trading

environment. However, India believes developed countries and China have been using QCOs as a trade barrier to curb imports from countries such as India, and it seeks to play catch-up.

### Partners' concern

In 2023, India stood in the eighth position for submitting notifications under the TBT agreement to the WTO. The European Union and India are the top two respondents to concerns by members on standards, testing, and certification at the Committee on TBT. Countries including the United States, Canada, and Taiwan in a joint statement

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last year raised concerns over India's QCOs over the years in sectors such as toys, chemicals, ICT (information and communication technology) products, and automobile parts. On the recognition of internationally accredited laboratories, the countries asked India to provide greater clarity and transparency regarding the steps laboratories can take to obtain such recognition from the BIS.

"Currently, exporters whose products have already been certified by accredited international laboratories report that results from these laboratories are not being accepted as proof of compliance. As a result, exporters are forced to undertake duplicative testing. We urge India to utilise the benefits of ILAC (International Laboratory Accreditation Cooperation) membership and accept

foreign laboratory test results from ILAC-accredited labs as proof of compliance with Indian requirements," they said.

India, in response, said it had used accreditation by ILAC as a conformity assessment procedure where appropriate. The country further confronted the countries on whether all ILAC-accredited foreign labs were automatically recognised by them and whether the recognition of ILAC-accredited foreign labs was limited to certain sectors or products.

The longest-standing TBT-related concern raised in 2023 at the WTO was on India's QCO on pneumatic tyres and tubes for automotive vehicles, which dates back to 2005.

### Domestic industry's view

Though a majority of the domestic industry has hailed the government's mantra of quality being non-negotiable, many believe QCOs should be implemented in a more industry-friendly manner after wider stakeholder consultation.

The domestic industry also complains that a lack of coordination between government agencies creates confusion about a QCO's implementation. For example, for the QCO on toys for children up to 14 years, the customs department came up with a notification that it will also be applicable on parts and components, and not just the finished product.

In the case of QCO on protective textile that prevents ignition on office chairs (yes, there is such a thing), a QCO was used to stall imports of not just the raw material but also furniture with protective textiles.

"For the QCO on nuts and bolts, the authorities have clearly mentioned that if the nuts and bolts are part of a machine, then the order will not be applicable on it. But since such clarity is not there in most QCOs, companies seek clarification but there is

no standard redressal mechanism," an industry executive says, requesting anonymity.

Some believe QCOs should cover the entire value chain of the product. Ajay Sahai, director-general and chief executive officer at the Federation of Indian Export Organisations (FIEO) says if a QCO covers the entire value chain, the quality of the product eventually will become better.

"For instance," he says, "if a QCO is imposed on either the raw material or the value-added product, and not on the finished products, it will be difficult to establish that the end-product is following the quality norms. Similarly, if you have implemented a QCO on the end-product and not on the raw material, there is a possibility that the product is being manufactured using sub-standard imported raw material."

### In search of clarity

Engineering Export Promotion Council of India (EPEC) Chairman Arun Kumar Garodia says QCOs are often put in the primary engineering raw material stage, where the suppliers in the country are a few large sector players. "Though the EPEC fully supports imports of quality products, wherever required, there should also be mutual recognition agreements where imports of corresponding quality standards of major countries are accepted in India," he says.

An executive at a consulting firm handling QCO-related matters says companies often complain they are not given enough time to adapt. "They sometimes don't even have clarity on how to sell the goods already produced. Identifying BIS-approved laboratories and receiving approval is a time-consuming process," he adds.

Lack of planning could lead to business disruptions, as the products cannot be imported or manufactured without the BIS licence.

According to Garodia, "A sudden imposition of QCOs on the user industry can lead to disruption of production of the final goods of the MSME players and thereby add to inflationary conditions. QCOs should safeguard quality in the country but should not be used as a protective measure for the manufacturers of those products."

Sahai of FIEO points out that implementation may take time since developing the standards for all the products will take time. This was raised by representatives from the plastics industry in one of the exporters' meetings with trade minister Piyush Goyal last month. Some small manufacturers say it is far easier for large companies to deal with QCO-related compliances.

H P Kumar, advisor at the PHD Chamber of Commerce and Industry (PHDCCI), says QCOs are a step in the right direction. However, he adds: "One of the challenges is the limited testing infrastructure in our country. Large corporations are able to manage testing within their own facility or by making investments in testing facilities. Even if they don't have a testing infrastructure, they are capable of paying high testing fees."

PHDCCI has made representations to the government on this issue.

### Tilting the fulcrum

A senior government official says QCOs are good for the country and tilt the fulcrum in favour of domestic manufacturers. Challenges of implementation arise

because any disruption causes uneasiness.

"Let's look at the case of toys. Initially the industry was against it, but is now an ardent supporter of the QCO," the official says, requesting anonymity. The government has been holding stakeholder consultation before and after the issuance of such orders. "Exemptions and a greater timeframe has been given to micro and small businesses. Besides, lab testing prices have also come down, which will help small businesses," the official explains.

Another government official laments that the

domestic industry is against higher standards because it has never focused on quality. "Wherever product manuals, standardisation processes, testing laboratories, and domestic capabilities are available, we are trying to introduce QCOs," he adds.

A senior industry representative, requesting anonymity, says the ministries and BIS should conduct more extensive stakeholder consultations before mandating the higher standards. "If a set process is implemented for complaints and feedback, it will be beneficial to everybody," he adds.

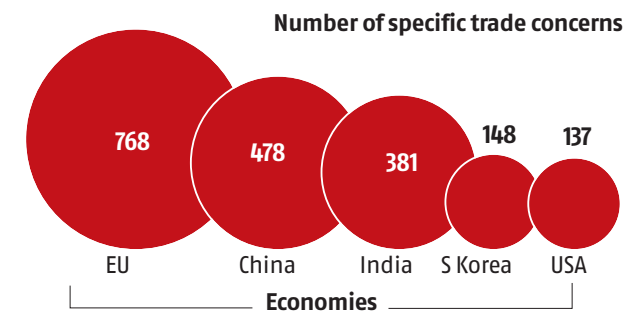
## TOP 10 MEMBERS THAT SUBMITTED MOST NOTIFICATIONS TO TBT COMMITTEE IN 2023

Economies	Number of notifications
USA	453
Tanzania	420
Uganda	412
Rwanda	361
Kenya	312
Burundi	267
Brazil	153
India	113
EU	102
Egypt	79

Source: WTO

African members were among the most active in submitting TBT notifications, with five East African Community Members in the top 10. The United States submitted the most notifications of any member in 2023

## TOP 5 RESPONDING MEMBERS, 1995-2023



Overall, the EU was the member responding to most specific trade concerns (new and previous) in the Committee between 1995 and 2023, followed by China and India

**इंडियन बैंक**

इलाहाबाद

**ALLAHABAD**

Matunga Bazaar Branch, 266-A, Temple Avenue, Deodhar Road, Matunga Bazaar, Matunga East, Mumbai - 400019.  
Tel : 022-24142877, 24142564 Email : matungabazaar@indianbank.co.in

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Name of the holder	Folio No	Kind of securities	No of securities	Distinctive no.
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Arunkumar Khanderia	H5A0080954	Equity shares of F.V. Re.1/	3360	72379851-72383210

Name of shareholders:  
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Date: 18/04/2024

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