

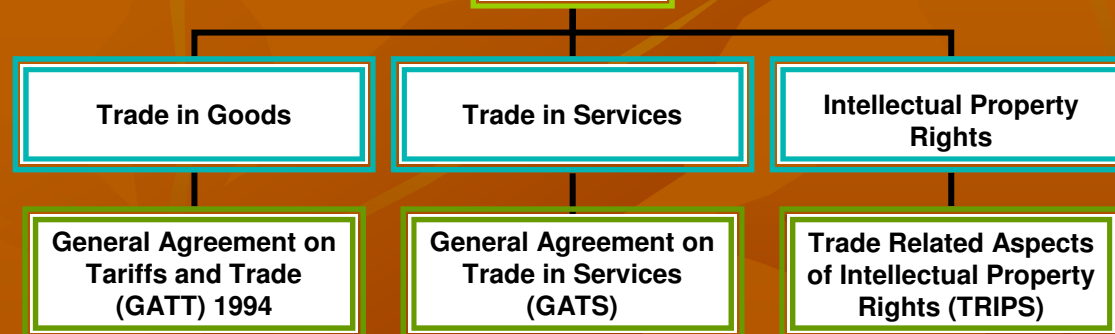


Fulfilling Market Entry Requirements in Quality and Safety

Sarajevo, 6 December 2007

Mr. Jukka Tissari

Market Access in the **WTO** Context



These Agreements seek to establish a trading system which is: non-discriminatory, freer, predictable, more competitive and arguably more beneficial to developing countries



Products originating from other WTO member countries shall not be accorded treatment less favorable than like products of national origin

Associate Agreements on:

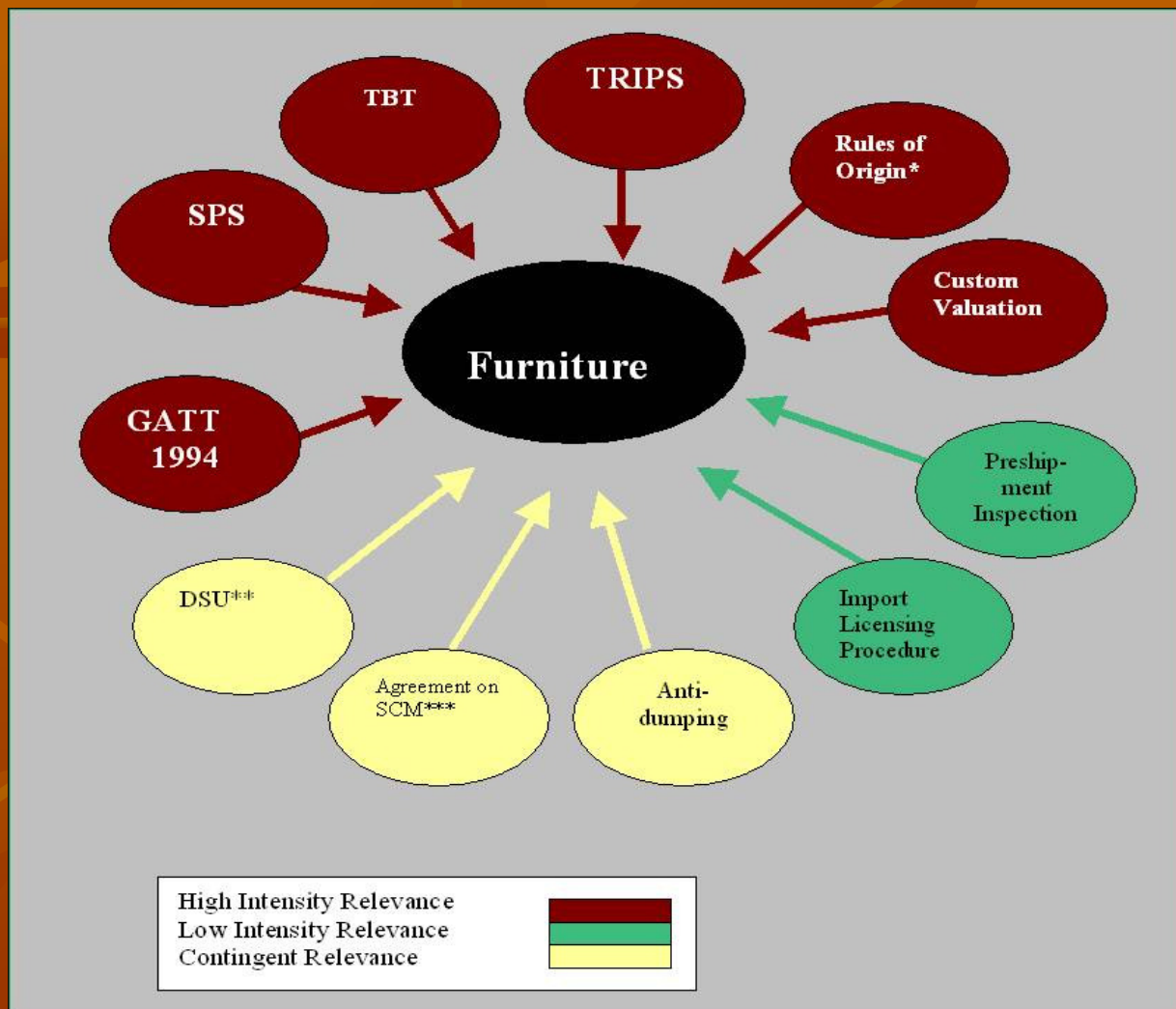
- Agriculture
- Application of Sanitary & Phyto-sanitary Measures (SPS)
- Product standards (TBT)
- Trade-related investment measures (TRIMs)
- Anti-dumping
- Customs valuation
- Pre-shipment inspection
- Rules of origin
- Import licensing
- Subsidies
- Countervailing measures
- Measures for safeguards

- Business and professional services
- Communication
- Distribution services
- Educational services
- Environmental services
- Construction and related engineering services
- Financial services
- Health services tourism and travel-related services
- Recreational, cultural and sporting related services
- Transport services
- Other services

- Patents
- Copyrights
- Trademarks
- Industrial designs
- Geographical Indications
- Undisclosed information

Source: adopted from ITC (2007) The Furniture Sector in Pakistan: Export Performance and Potential - Implications of the WTO Agreements. Graph by Inaamul Haque.

Relevance of WTO Agreements to Furniture Segment



*	Acquires high intensity relevance in the context of Regional Trading Arrangements and/or where any scheme of preferential tariffs has been adopted
*	Dispute Settlement
*	Understanding
*	Subsidies & Countervailing
*	Measures

Source: adopted from ITC (2007) The Furniture Sector in Pakistan: Export Performance and Potential - Implications of the WTO Agreements. Graph by Inaamul Haque.

Impacts of WTO Agreements (1)

- **Agreement of Technical Barriers on Trade (TBT)** assures that regulations, standards, testing and certification procedures including packaging, marking and labeling requirements do not create unnecessary hurdles to trade
- Encourages member countries to use international standards
- TBT gives an advantage to industrialized countries

- **Sanitary and Phyto-sanitary (SPS)** measures guarantee that the producer has been capable of rendering the offered commodity without risk to human, animal or plant life or health
- Relevant regulations must be based on science and applied only to the extent necessary to protect safety
- Considered legitimate but complexity may constitute trade impediments

Impacts of WTO Agreements (2)

- **Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)** is directly relevant for the furniture sector in protecting designs and trademarks
- Innovative new furniture designs can be protected through registration under the Registered Designs Ordinance (2000)
- The well-established companies should get their trademarks protected
- The quality of protection for designs & trademarks has significantly improved

Safety Concerns in Furniture Trade

- Safety is a very important requirement on furniture, and legislation is in force at both EU and national level to ensure that no unsafe products are offered for sale to consumers
- Intake of raw materials / properties of finished products / packaging / disposal
- Examples:
 - formaldehyde in panels
 - wood preservatives containing arsenic
 - borax (e.g. rubberwood furniture)
 - pentachlorophenol (PCP), flame-retardants (pentaBDE and octaBDE)
 - coloring agents
- The exporter (or his representative in Europe) can be held liable for compensation on damage caused to person and property by a product that turns out to be not as safe as expected (EU Product Liability Directive 85/374/EEC)
- But, if arbitrary standards have been imposed to create unnecessary impediments, a WTO case can be filed for violating TBT/SPS rules

Quality and Standardization

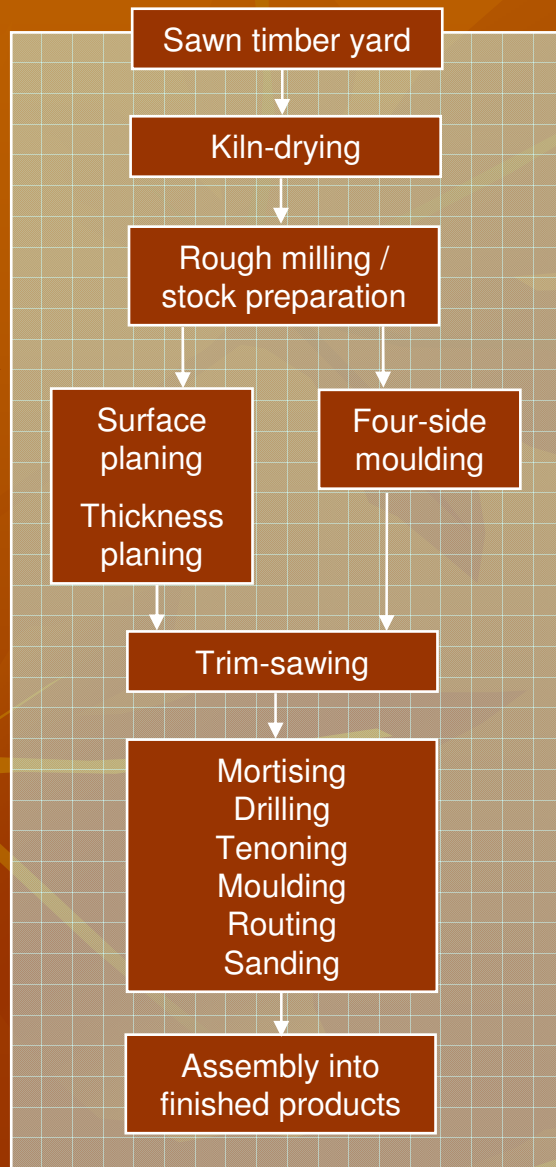
- What is product quality?
 - Satisfaction of customer's needs
 - Suitability to intended end-use
 - Performance according to product specification and long service life
- Quality products meet the above requirements consistently and comply with applicable standards and with other norms of the society
- In furniture, quality will denote the differences between customer groups and price points
- Differing costs accrue to meet with the quality specifications: CONFORMITY TO A PRESCRIBED STANDARD AT COMPETITIVE COST IS THE KEY CHALLENGE TO A FURNITURE MANUFACTURER
- Objective of standardization of product quality and safety is to ensure that all furniture available on the market is safe to use and of solid and strong construction
- Enables an efficient exchange of information between the importer and the supplier on the basis of a stable set of requirements
- Standards provide a common language on product test methods, dimensions, safety and strength characteristics
- Furniture standards concentrate on the safety and health-related aspects, test methods, dimensional coordination and terminology

Product Defects and Deviations from Standards: Need for Quality Control

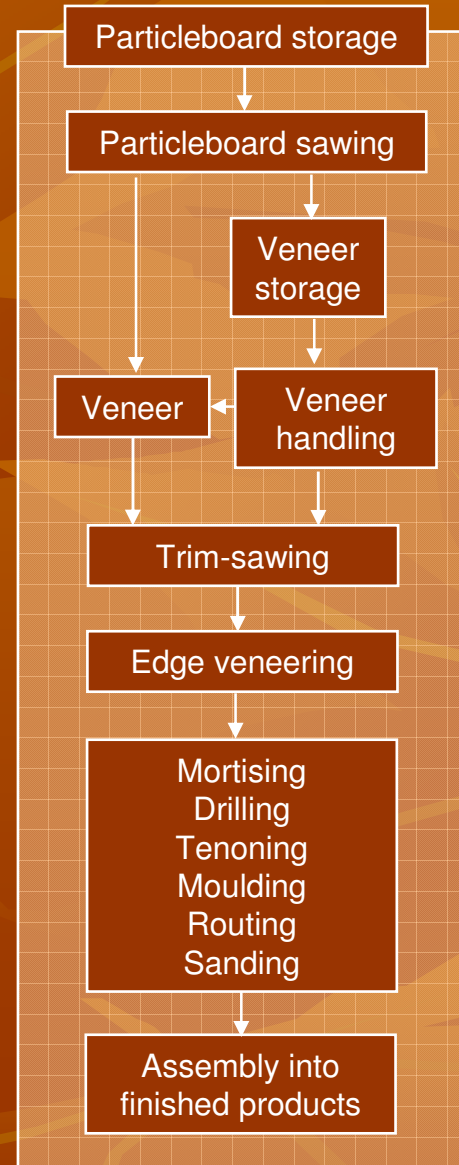
- Sources of deviations from standards:
 - Defective raw material (natural / handling / drying defects)
 - Inadequate machines and tools (poor surface quality or dimensional accuracy)
 - Poor technical design (joints, stability)
 - Lacking or delayed machine maintenance / re-setting
 - Inappropriate operating environment (poor finishing)
 - Human errors / management culture
- Quality control objectives:
 - maintain design standards
 - meet customer specifications
 - observe and correct process discrepancies
 - check and replace wearing processing mechanisms
 - measure process department / personnel effectiveness
 - withdraw and correct defective products
- If defects are eliminated through quality control, the cost of production will decrease and labor productivity will increase
- Ultimately, customer satisfaction will improve with better quality products

Monitoring the Accuracy along the Manufacturing Process

Solid wood furniture



Panel furniture



Communicating Conformity with Standards to Customers: Labeling

- Voluntary product labels are given as a proof of conformity to quality, safety, health, etc. on the basis of product certification carried out by accredited certification bodies – against national / ISO / EN standards
- E.g. furniture with a Möbelfakta label has been extensively tested against the criteria on its:

- strength and durability (performance)
- surface resistance
- fire resistance / flammability
- safety
- upholstery covers



(b) Möbelfakta



(c) SFS Mark

- Also retailers of furniture may in some countries use recognizable labels for assuring consumers on quality and reliable service.
- They often adhere to national home furnishers associations' norm and conditions

Conclusions

- Globalized furniture trade would hardly have been possible without internationally agreed trade regulatory system provided by WTO agreements
- As standards provide a common language and explicit information on the product-related technical and health/environmental requirements, they can greatly facilitate market entry and endurance in international competition
- Successful market entry is one crucial step, but markets are not static: quality improvements (design, technical, after-sales service) are expected or supplier is changed
- Failure to meet with health and safety requirements will backlash
- Manufacturers' challenge: translate their customers' needs into precise product specifications and consistently and cost-efficiently manufacture according to the prescribed standards
- Quality control and adoption of standards will help achieving lower costs through less reject and production downtime
- Product quality and safety can be verified through standards and communicated to the buyers through labels, but the product's visual appeal and comfort in use are ultimately left for the designers to decide



**THANK
YOU!**