

# QUALITY MANAGEMENT: LINKING TPOs AND NSBs FOR EXPORT SUCCESS

## Background Paper : Malaysia

### I. INTRODUCTION

The Department of Standards Malaysia (STANDARDS MALAYSIA), the national standards body, is a government agency under the Ministry of Science, Technology and Innovation. It was established in 1996 by law (Standards Act of Malaysia), under a restructuring plan which resulted in the transfer of the authority for national standardisation from the Standards and Industrial Research Institute of Malaysia (SIRIM). This transfer of authority was one of the series of transformations that organisations and structures for standards and conformance in Malaysia have undergone from the initial establishment of the Standards Institute of Malaysia (SIM) in 1966. These changes have been necessitated by evolving national needs, government policy decisions and the need to meet requirements of the global trading system governed by the WTO. Malaysia has an export-oriented economy, with its exports to GDP ratio of 88 percent<sup>1</sup>. The new infrastructure arrangements have been designed to ensure compliance with rules established by international organisations and acceptance of conformity assessment results by trade partners on a global basis.

### II. THE ROLE, STRUCTURE AND SCOPE OF THE ORGANISATION

The Standards of Malaysia Act prescribes broad functions and duties of STANDARDS MALAYSIA as;

*‘-- to foster and promote standards and standardization of specifications as a means of advancing the national economy, benefiting the health, safety and welfare of the public, assisting and protecting consumers, promoting industrial efficiency and development, facilitating domestic and international trade and furthering international co-operation in relation to standards. ’*

STANDARDS MALAYSIA is currently the national standards body and concurrently an accreditation body for laboratories, certification and inspection bodies. In order to comply with requirements for impartiality and independence specified in international standards, it does not provide any testing or certification services. STANDARDS MALAYSIA primarily focuses on policy development and implementation and a number of its services is outsourced. It manages and supports national policy making committees for standards and conformance comprising of the Malaysian Standards and Accreditation Council and its specialist policy committees for standards and accreditation.

#### Standards Development

The work of managing the national standards committees and mirror committees of international standards committees is outsourced to SIRIM Berhad, which is established as a corporation under company law. SIRIM

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<sup>1</sup> According to data published by the IMF.

Berhad additionally provides standards related services; – sales of national, foreign and international standards, information services on standards and promotion of standards and standardisation to industry based on a programme of priorities as planned by STANDARDS MALAYSIA. Its subsidiary company, SIRIM QAS International provides a full range of conformity assessment services that include product testing, inspection product certification and a full range of management system certification.

### WTO/TBT and SPS

STANDARDS MALAYSIA provides the secretariat to the national committee responsible for overseeing implementation of TBT Agreement. The WTO/TBT enquiry point, which additionally acts as the notification authority, is established as a unit in SIRIM Berhad. This unit, besides fulfilling its obligations in responding to questions on standards and technical regulations from WTO members, additionally provides information services on foreign standards and technical regulations and circulates updates on new development to Malaysian businesses. The Ministries of Health and Agriculture are responsible for managing Malaysia's obligations under the WTO/SPS Agreement.

### Conformity Assessment

As a policy-making body and the national accreditation body, the role of STANDARDS MALAYSIA is to ensure that credible conformity assessment services are available to industry and traders rather than directly providing such services. It has established a range of accreditation programmes for test and calibration laboratories, product certification, management system certification and inspection bodies. STANDARDS MALAYSIA participates in regional and international recognition arrangements under APLAC, ILAC, PAC and IAF<sup>2</sup> to ensure that trade partners recognise the services provided by the accredited laboratories and conformity assessment bodies. The national policy committee<sup>3</sup> for the electrical and electronic sector has in turn established the participation of Malaysia in the IECEE CB<sup>4</sup> scheme and the IEC Ex scheme to ensure global recognition of test certificates issued for electrical and electronic products.

### Mutual Recognition

STANDARDS MALAYSIA actively participates in mutual recognition arrangements at global, regional levels to ensure that trade partners accept services provided for conformity assessment. Standards Malaysia supports the government in the development and implementation regional bilateral FTAs with respect to recognition arrangements for standards and conformance.

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<sup>2</sup> Asia Pacific Laboratory Accreditation Cooperation, International Laboratory Accreditation Cooperation, Pacific Accreditation Forum and the International Accreditation Forum respectively. These are the regional and international bodies that have established recognition arrangements

<sup>3</sup> MyENC, the national committee policy committee is managed by STANDARDS MALAYSIA..

<sup>4</sup> The International Electrotechnical Commission administers these recognition arrangements for the electronic and electrical sector.

The role of STANDARDS MALAYSIA as a policy organisation at the apex of the standards and conformance infrastructure is essentially that of assuring that acceptable and credible services for standards and conformity assessment are readily available for exporters. The accreditation division of the organization thus provides a range of accreditation services based on international standards and establishes the policies and infrastructure for development of standards and manages issues related to the WTO/TBT Agreement.

### Strategies for Enhancing Exports

STANDARDS MALAYSIA has established a national strategy that was developed to serve national development objectives and encompasses the need to support export trade. The strategic plan has five main thrusts:

- I. Wider adoption of Malaysian Standards in technical regulations;
- II. Ensuring stakeholder participation and support for standardisation at regional and international levels;
- III. Strategic involvement in regional and international standardisation activities;
- IV. Timely delivery of Malaysian Standards that meet the current and future needs of stakeholders; and
- V. Greater awareness and usage of Malaysian Standards by the Government, private sector and the consumers in procurement, trade, production, manufacturing and provision of services

STANDARDS MALAYSIA implements programmes that assist exporters by indirect means as part of the actions to implement these five strategies. These include pursuing an active plan for harmonising standards with international standards, promoting and supporting Malaysian participation in international standards and conducting awareness sessions for industry on new developments in international standardisation. The provision of direct services to industry is undertaken by other appointed organisations, as it focuses on policy matters.. SIRIM Berhad provides information services on standards and technical regulations for export, the accredited certification bodies provide a full range of product certification and management system certification services that aid exporters.

Future priorities for standards development is normally based on the identification of needs of exporters and the sectors for economic development stated in government development plans . These priorities in turn also determine priorities for participation in international standardisation.

The fast changing requirements and demands for new sectors for conformity assessment services with the rapid and wide increase of technical regulation especially for environmental protection has placed new demands for conformity assessment services. One example is the requirement for OECD defined Good Laboratory Practice (GLP) compliant laboratory services to comply with the REACH (new requirements for chemical safety) regulation of the EU. For this reason STANDARDS MALAYSIA has developed programmes to accredit laboratories to GLP for Malaysian laboratories.

### **III. THE RELATIONSHIP BETWEEN NSB AND TPO**

The NSB, STANDARDS MALAYSIA and MATRADE, the national TPO have been established under different Ministries, with STANDARDS MALAYSIA, is a part of the Ministry of Science Technology and Innovation and MATRADE is part of the Ministry of International Trade and Industry. As such there are no direct organisational links between the two agencies. The respective ministries determine the focus of activities of the two organisations. The cooperation that occurs between the two agencies is normally through representation in intergovernmental committees where both agencies are represented. As there is no permanent structure for formal coordination, any cooperation that occurs is thus issue-based.

This situation has perhaps constrained the development of joint programmes for exporters. Such programmes could provide a comprehensive information and support service to exporters incorporating marketing information and services with information and support services on compliance with standards and technical regulations for export.

#### **IV. THE POTENTIAL FUTURE RELATIONSHIP BETWEEN NSB & TPO**

The potential for improved coordination between STANDARDS MALAYSIA and MATRADE clearly exists as it would greatly benefit exporters if integrated services can be made available seamlessly to cover all areas; such as information on standards and technical regulations, guidance on conformity assessment services, market intelligence and data and marketing support and associated business support.

However several constraints will need to be overcome to enable this to take place. These are:

- Each organisation is governed by objectives and priorities set by its parent Ministry. Inter-ministerial level coordination is required to enable coordinated and integrated delivery of services to exporters.
- The nature of the two organisations differs, the NSB being focussed on policy matters and MATRADE on delivery of services.

Effective coordination and cooperation would be enabled on the establishment of a permanent mechanism by which common objectives and plans can be developed for implementation. This could include joint services or complementary services with a planned division of tasks. This in turn will require a formal and official decision at the ministerial or central government level. As STANDARDS MALAYSIA focuses on policy, the implementing organisations such as SIRIM Berhad will need to be part of this cooperative arrangement. A range of options could be considered for implementing the cooperative arrangements such as establishing a joint management team, establishing a interagency unit for selected activities, cooperation at strategic policy and planning stages and identification of joint projects and services.

Each organisation has its unique objectives and at the same time have a role in providing services to facilitate export trade. MATRADE as the TPO has a focus on marketing support, market intelligence, trade data services and links to provide business support. Export industry additionally requires information and support on standards and technical regulation and on conformity assessment, information that is available in STANDARDS MALAYSIA.

Coordination and cooperation will enable integrated programmes to be developed so that complementary and comprehensive services could be provided in the agreed priority sectors. The avenues for cooperation include the production of joint publications, provision of comprehensive consultancy services, and sharing of information. Closer linkage between websites or even establishment of a combined website for use of exporters are additional possibilities.

## **VI. CONCLUSION**

Both organisations the NSB, STANDARDS MALAYSIA, and the TPO, MATRADE, have a role in providing information and support services to assist export trade. There is a significant potential to increase effectiveness and relevance of the services provided through improved coordination and cooperative arrangements. These benefits can be realised through developing mechanisms and coordination arrangements and with the support at central government or at least inter-ministerial level.