

# QUALITY MANAGEMENT: LINKING TPOs AND NSBs FOR EXPORT SUCCESS

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## I. INTRODUCTION

Trade being a core element of Bhutan's economic development, the sector is given national priority as one of the key national development strategies. It has also been identified as one of the sustainable solutions towards reduction of poverty in the country. Above all, the sector possesses a huge potential of employment creation and revenue generation.

With the opening of the country's economy to the outside world through regional and multilateral integration, Bhutan has benefitted a lot in terms of its economic development over the years. The country's liberal trade policy has tremendously contributed towards overall development of the nation. It further endeavours to progressively liberalize the sector to build its competitiveness and play active part in the international trade.

However, the small domestic market, limited export base, and underdeveloped infrastructure are some of the serious constraints that the country is presently experiencing. Nevertheless, it has identified and developed some niche export products like hydro power, minerals and horticulture products over the years through its comparative advantage. Considering these challenges, the Government is seriously looking at product diversification and exploring new markets. Further, with the growing trade in services worldwide, the services sector in Bhutan particularly the tourism services has gained attention of both the Government and private sector.

With the view to formulate and devise national trade policies and develop relevant trade development strategies, the Department of Trade was established under the Ministry of Economic Affairs. The Department also serves as a marketing arm of the country promoting both domestic and overseas trade. Developing export products and exploring better international market access are its key mandates as a trade promotion agency.

While harnessing export potentials and improving supply-side, it was found equally important to consider the quality aspect. With increasing cross border trade today, countries have now become more health conscious, culturally and politically sensitive, and above all national security concerns have led the countries to adopt more stringent standards and technical regulations thereby posing technical barriers to trade in most cases. Such stringent standards and regulations have greater impact on developing countries and particularly the least developed countries like Bhutan where the national standard bodies are still at premature stage and certification and testing facilities are underdeveloped.

With a view to enhance export quality and ensure sustainable market in the long run, the Royal Government has recently recognized the need to establish a National Standard Body which would serve as an overarching standard body for the whole nation. Presently, in absence of such a body, the certification and standard bodies are spread across the sectors. The Standard and Quality Authority (SQCA) under the Ministry of Work and Human Settlement being responsible for construction sector and also serving as the WTO-TBT Enquiry Point. Similarly, the Bhutan Agriculture and Food Regulatory Authority (BAFRA) which acts as the WTO-SPS Enquiry Point, looks after food and agriculture standards and quality within the country.

Therefore, in the interest of the nation, it is important to establish closer relation between such standard bodies and trade promotion agencies like the Department of Trade to ensure better coordination and cohesive effort toward the development and promotion of both domestic and international trade as an engine of economic prosperity.

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

As mentioned earlier, the Department of Trade under the Ministry of Economic Affairs serves as the Trade Promotion Office. The Department carries a host of mandates and responsibilities pertaining to internal and external trade affairs in the country. It has three main Divisions, namely: Internal Trade Division; Negotiation Division, and Export Promotion Division.

As indicated by the name, the Internal Trade Division is responsible for formulating internal trade policies, framing necessary rules and regulations. It's also responsible for creating conducive business environment so that people can easily start a business without much hassle of administrative procedures.

The Negotiation Division is responsible for any bilateral, regional and multilateral trade negotiations. At the regional level, Bhutan is a member of South Asian Free Trade Agreement (SAFTA) and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Currently, Bhutan is holding Observer status at the WTO and it is in the process of accession to the WTO. Consequently, the Division is actively involved in the coordination of various WTO meetings, consultations and negotiations. It is through such associations with the WTO that we have TBT and SPS enquiry points to provide guidance on the international disciplines on standards and technical regulations. It not only serves as an enquiry point for outsiders, but also acts as a gateway for the Bhutanese exporters to get information on the same.

The Export Promotion Division is the next important division responsible for developing export related policies, guidelines and regulations. Some of the primary activities of the Division include market analysis, product development, organising trade fairs both within and overseas, coordinating trade mission abroad, provide training to the exporters on marketing skills, quality management and export development, trade facilitation, trade information services which includes providing exporters with market information, standards and technical requirements in the importing countries. The Division is also the focal point and coordinator for execution of any export related programmes and projects.

As part of the Good Governance Plus initiatives, the Department is also looking at the possibilities of e-services with the view to further simplify the administrative procedures and make the services easily accessible and affordable to public, particularly to the business community. In addition, the Department carries many other responsibilities like reviewing trade policies, five year planning, infrastructure development, capacity building of the officials, so on and so forth. The entire efforts are geared toward spearheading a dynamic trade sector leading to greater prosperity of the nation in the long run by creating an enabling business environment.

Considering the quality management as one of the key strategic element of product competitiveness, the Department provides regular training on quality management to the exporters and even potential exporters. At the training, the exporters are taught on fundamentals of quality management, importance of quality to build export competitiveness, tips to enhance their quality, etc. They are also informed on existing international standards.

However, currently such trainings are generic in nature and not targeted at specific sector. The Department also fields trade missions and coordinates the participation of exporters at various quality related programmes abroad in order to enable exporters to gain more exposure in the areas of quality management and learn about the certification process and testing facilities.

The Department in collaboration with the National Standard Bodies, particularly the TBT and SPS focal agencies conduct workshops and seminars to the exporters giving them the WTO perspective of quality and multilateral disciplines on technical regulations and standards. Besides, guidance and referral services to the exporters are regular services of the Department.

### III. THE EXISTING RELATIONSHIP BETWEEN NSBs AND TPOs

Regarding the relationship with the National Standard Bodies, the Department shares very close working relation with the NSBs as far as trade negotiation is concerned. The Department being the focal agency for any trade negotiation at regional and multilateral level; it has a very close working relation with TBT and SPS enquiry points. However, the relation is relatively weaker in the areas of export development and quality management. Never the less, the relation is picking up with increasing trade, competition and through information sharing.

As mentioned earlier, the Department often collaborates with the NSBs in organizing trainings related to quality, standards, certification, TBT and SPS. The Department seeks guidance and information on the standard requirement and technical regulation for the exporters and similarly shares export and market related information to the NSBs.

Besides, the Department works very closely with the Bhutan Chamber of Commerce and Industry and other sector associations particularly Bhutan Exporter Association in identifying the bottlenecks and exploring opportunities for private sector in general and exporters in particular. Such relationship with the NSBs and business associations was never established overnight, it has evolved over the years through constant touch, formal and informal consultations stimulated by its common aims and objectives.

Linking up with the NSBs is not easy in absence of a centralized standard body at the national level. Since the standard bodies are spread across the sectors and with increasing trade every year, it is often difficult to get the right agency. It is further exacerbated by weak information sharing system. Financial and human resource constraints pose serious impediment in this area too.

These are some setbacks in linking up with the NSBs that the Department is experiencing at the moment. Keeping these in mind, the Royal Government has already identified the Standard and Quality Authority (SQCA) under the Ministry of Works and Human Settlement as the National Standard Body and the necessary legislations are under discussion. The above impediments affect the delivery of services to the exporters, thereby affecting the Department's overall performance in developing and promoting export.

### IV. THE POTENTIAL FUTURE RELATIONSHIP BETWEEN NSBs AND TPOs

Considering the need to have closer working relationship between TPOs and NSBs for the benefit of the exporters, both the agencies must come to a common understanding of the problems faced and accordingly work together in resolving the issues. For this, it would be important to firstly identify the existing challenges by both the bodies so that each understands and agrees.

As cited earlier, having an effective information sharing system, possibly through e-services would immensely benefit in keeping each other informed and ensure better coordination. Having a common discussion forum between the two bodies to discuss and share views would further improve the working relation and even establish better personal relation. Having such formal and informal arrangements would not only help improve the overall performance of the TPOs and NSBs, but more importantly the exporters in enhancing their capacity and reducing cost; thereby making it more competitive.

In case of Bhutan, some of the potential areas of cooperation in future could be in the areas of agriculture, mineral sector and tourism services. With major population engaged in agriculture and livestock farming, there is a huge export potential in this sector for niche products. Similarly, with abundant mineral resource, there is increasing investment being made in the sector, of course taking necessary environmental measures.

Tourism as one of the key economic drivers of Bhutan, plays pivotal role in the national development. Therefore, it is the Government's policy to develop the sector further focusing on quality improvement of the services and building its international competitive edge. Hence, it demands closer relationship and better communication between the TPOs and NSBs.

In order to address the challenges and achieve the aforementioned objectives, it is important to get the endorsement of the Ministry and required institutional support. Further, it will not be complete without adequate financial and human resources which are key to effective and efficient delivery of services. This can only be possible if the proposition gets national priority and support of the stakeholders. The exporters as one of the key stakeholders can play important role in pushing the agenda to gain the attention of the Government.

## V. ANY ADDITIONAL ISSUES

No additional issues

## VI. CONCLUSION

With all these reasons, it is evident how important it is to build a stronger working relation between the TPOs and NSBs. Besides, it is also very crucial to develop strong network of relation with TPOs, NSBs in other countries and international institutions for better communication, greater understanding of each other's systems and explore new opportunities of cooperation. This will not only help improve the overall performance of the organization, but more importantly benefit the exporters and buyers at the end in ensuring smooth flow of their goods and services across the border.

The linking of above two agencies has become even more important today when the whole world is struggling through one of the worst economic times. As we all know that this economic menace has raised many questions and doubts even among the rich economies about their liberal trade policies and free trade propagation. As such, many countries, as we know, have resorted to some sort of protectionism through one way or the other. It is here that we need better understanding and stronger working relation between the TPOs and NSBs to overcome such barriers.

With Bhutan's economy at very infant stage, such consultations and programmes on quality management serves as very important forum for learning and getting better understanding of the international practices. It is highly relevant as we integrate ourselves to the global economy.

## FOR FURTHER INFORMATION, PLEASE CONTACT

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