

Quality control orders are vital for Indian industry

As the example of toys suggests, quality control should not be seen as a trade barrier, but as a consumer-friendly measure

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Does the concurrent use of various WTO-compliant regulatory interventions like trade remedial measures and Quality Control Orders (QCO) by the government intend to strangle free competition? QCOs need to be demystified.

The usage of such measures in the post-WTO regime can be traced back to the late 1990s when imported toys from China at extremely low prices with no regard for safety concerns flooded the Indian market, threatening the existence of the Indian toy industry, which was fragmented and largely SSIs.

With the industry not in a position even to collectively organise to seek protection under the anti-dumping provisions, the Government, invoking the suo motu provision, initiated the anti-dumping (AD) case based on alerts as available from the customs import data.

Given the structure of the industry, the investigation was handicapped by the availability of requisite data from the domestic industry due to capacity limitations.

Under such a challenge, the

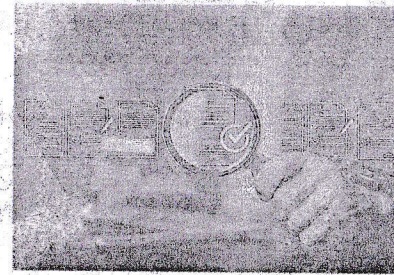
Government had to resort to the process of compulsory registration of domestic suppliers and imports to enable intervention on the issue of unsafe safety concerns. Subjecting imports to quality standards was not feasible as our industry, being SSI based, was not subjected to established standards.

While AD action was dropped, the registration process provided a layer of safety to both the consumers and producers. The adherence to standards was of primacy rather than price, as the low prices were largely a derivative of non-adherence to safety concerns.

SAFETY ISSUES

Even though the Indian toy industry is no longer large and vibrant, the menace to public health and safety in toys imported from China continues. On March 24, 2023, the Bureau of Indian Standards (BIS) seized over 41,000 uncertified toys violating safety norms on flammability, mechanical safety and toxicity due to lead-based paints. Harmful chemicals like phthalates, commonly found in cheap plastics, are linked to hormonal disruptions. Toys that easily splinter or shed parts risk causing injuries or choking incidents.

The rationale behind India's adoption of Quality Control Orders (QCOs) is



MANUFACTURING. Quality matters

therefore not primarily for the protection of producers' interests but of consumers for public health and safety.

While some argue that QCOs function as trade barriers, claiming that mandatory BIS certification raises costs and causes delays for importers, the reality is more nuanced. QCOs help in climbing up the quality ladder.

QCOs also support Indian manufacturers, exporters and importers. MSMEs in the toy industry have publicly welcomed QCOs as a way to restore fair competition. Once substandard imports were screened out, there were fewer chances that prices of quality imports would remain predatory, and therefore, the Indian industry began to see more stable demand and healthy pricing. The criticism of overuse and

abuse of trade remedial action like AD no longer would no longer holds merit.

Seized of the perceived burden on MSMEs, the government has in fact taken steps to ensure the transition is smooth and make compliance easier, especially for small enterprises. To reduce the cost and capacity burden of mandatory certification, the Bureau of Indian Standards (BIS) provides fee rebates and extensions in a timeline to ensure micro and small enterprises for compliance. MSMEs under Scope 3 compliance of the ESG framework see no choice but to adhere to environmental and social standards as their exports directly or as part of the value chain have to comply with CBAM. The adoption of standards, domestic or global, is a necessity.

QCOs should be leveraged to send a clear and positive message: Indian products are reliable, tested, and in line with global expectations. Rolling back these standards now would not only undermine consumer protection but also harm compliant manufacturers and tarnish India's reputation, just as global supply chains are seeking trustworthy partners.

The writer is former Additional Secretary, Govt. Views are personal