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CONFORMITY ASSESSMENT

Certification in Russian Federation: Current situation and perspectives

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CERTIFICATION IN THE RUSSIAN FEDERATION: CURRENT STATUS AND PROSPECTS

DEREGULATION OF THE ECONOMY AND PROTECTION OF THE CONSUMER MARKET: AN OVERVIEW

All concerned - manufacturers, consumers and the State - stand to benefit from the instillation of some order into the Russian consumer market. In the round, this problem is not only social but also economic and even political.

Sociological research on the state of the market and Russian attitudes to market regulation commissioned by the Chamber of Commerce and Industry in October 2000 showed that 67% of respondents reported increasingly having to cope with poor-quality, dangerous and adulterated products.

Considering the years since 1990 in this light, it may be remarked that the problem has not been given the attention it deserves by the State.

One important response has been the introduction of certification. Certification, however, has not, and indeed could not have, resolved the overall problem of protecting the market. Its principal function is to confirm, first, that at the time when it is evaluated a product meets regulatory standards and second, that a company is capable of producing output of consistent quality. Output is stored, transported and marketed, and if these operations are not properly carried out it may lose in quality or become adulterated. Other market-protection elements, such as State supervision and inspection, thus also need to come into play.

The reasons for the current situation on the Russian market also include the fact that no administrative body was designated to be accountable for it at the State level or given all the necessary attributes in good time.

What consumer-market protection machinery do we have, if any? To get a proper idea of the situation it is helpful to consider two points: first, how effective each of the existing forms of State regulation (consumer-market protection) is, and second, whether these forms together constitute a mechanism that functions as a whole.

To do so, we shall consider the main adverse influences characteristic of the Russian market. These may be said to include the following:

- Goods and services are produced and marketed by economic entities in conditions in which their quality and safety cannot be ensured. Thanks to a variety of “innovations” the authorities responsible for technical inspections, weights and measures and the testing of final products and component parts and materials have been weakened;

- Large numbers of unscrupulous people concerned more with quick profits than the quality of goods and services they sell have entered the manufacturing and retail sector. This is a result of weak enforcement of the law on liability for the quality and safety of goods purveyed;
- Large volumes of uncertified goods (over 1 billion roubles' worth in 1999) are entering the commercial network, together with false certificates (to a value of over 2 billion roubles);
- The commercial network accepts for sale dangerous and adulterated products, including goods illegally supplied from abroad by unscrupulous importers;
- Distortions in the economy have led to the emergence of a large number of middleman organizations (for example, there are 225,000 organizations supplying goods for 125,000 retail trade organizations). Most of these lack even a rudimentary "quality culture". The upshot is that a significant proportion of supply contracts tend to make no stipulations as regards product quality or safety, or even checks that the goods supplied match the terms of the contract. The chain of contractual responsibility for the quality and safety of goods purveyed is thus broken.

The main conclusion to be drawn is that, overall, the forms of State regulation currently practised in Russia are not an effective barrier to poor-quality output.

Let us look briefly at some of the reasons for this state of affairs. First it must be pointed out that State supervision and inspection, a vital form of consumer protection, performs poorly in Russia. There is a duplication of efforts among the inspecting bodies, virtually no State financing, and State inspectors are poorly protected. Retaining qualified staff is a serious problem.

Permission to manufacture under licence. The main defect in the present system, in our view, is that up-to-date methods such as product evaluation in accordance with ISO 9000 series standards or the Hazard Analysis Critical Control Point (HACCP) system widely used abroad are not applied when licences are issued. Use of such standards provides substantial reassurance that an economic entity can produce safe, high-quality output.

Liability. On examination, current legislation contains enough legal provisions to protect consumers from poor-quality products. In practice, however, it is extremely ineffectual. There are many reasons for this, some of them related to the criminalization of society and the shortcomings of the judicial system.

Labelling and goods tracking. Analysis shows that up to 50% of the items on the Russian consumer market have not been properly inventoried. This situation led the Government of the

Russian Federation to introduce, by decision No. 601 of 17 May 1997, labelling for a range of items with a forgery-proof mark indicating correspondence with inventory records. This has significantly reduced the quantities of adulterated and poor-quality goods reaching the consumer market.

Critics of the decision refer to the lack of such a labelling system abroad. Abroad, it is true, there is no such system. There is, however, another more stringent measure. Many countries have computer systems that track the movements of goods and accompanying documents using bar-code technology. Establishing such a system in Russia would, of course, solve the problem of identifying and tracking documents and goods throughout their journey to the consumer. The subject is currently under review by the Government. It will, however, require substantial resources and time.

In sum, it may be concluded that Russia does not have a single mechanism for protecting the consumer market. It has individual devices which work more or less satisfactorily but do not together make up an integrated system.

The situation is complicated by the fact that so far in Russia there has been too little self-regulation of the market, too little development of public mechanisms for the protection of the consumer market, and too little protection of intellectual and industrial property and trademarks.

Let us look more closely at one device for protecting the consumer market: conformity checking.

Conformity-checking (certification and acceptance of the manufacturer's declaration of conformity) is recognized throughout the world as a means of protecting the consumer market. Recently, criticizing the Russian approach to conformity-checking, opponents both inside and outside the country have been distorting the way it is done in, for example, the European Union, depicting it in glowing terms. Their main argument is that there are not the same trade barriers abroad as in Russia. In actual fact, the arrangements adopted by the European Union vis-à-vis third countries for allowing goods onto the market are fairly cumbersome. A special EEC Council Directive, No. 333/93 dated 8 February 1993, imposes a barrier to third countries - meaning Russia, among others - in the form of a list of items subject to conformity-checking for compliance with European directives while they are being processed at EC customs points.

There is also much talk nowadays of the need to make more extensive use of producers' declarations of conformity. A group of companies producing information technology and complex engineering has submitted such a proposal to the Government of the Russian Federation, alluding to experience in the European Union. Producers' declarations are indeed used widely in the EU, but only a fraction of total output subject to conformity-checking on the basis of a declaration goes through on a "simple" declaration. The rest requires a declaration involving a third party, i.e. bodies specially authorized to conduct tests or check businesses for the presence of quality-control systems meeting ISO 9000-series standards.

Over the period since certification was introduced in Russia, hundreds of thousands of cases of possible injury, poisoning and even deaths, and of damage to property and the environment, have been averted. Yet a message from the President of the Russian Federation to the Federal Assembly says it is still losing money. This is a problem that must objectively be addressed. At the same time, the Government must remain responsible for protecting the Russian consumer from poor-quality goods. In other words, certification must stop being loss-making but consumers must also be given the necessary protection.

The Russian State Committee on Standards (Gosstandart) has set up ad hoc groups of experts for this purpose whose task is to draw up proposals on ways of reducing the list of items subject to certification and expanding the list of those that can be allowed onto the market on the strength of a producer's declaration of conformity. A Goods and Services (Proof of Conformity to Established Standards) bill drafted by the Committee in conjunction with other Federal agencies promises to afford a comprehensive solution to this problem.

One of the main provisions of the bill would require proof of conformity, which is mandatory, to be furnished through certification only for those items that pose the greatest potential hazard. A producer (the first party) would be entitled to accept a declaration of conformity based on his own evidence of conformity or evidence obtained with the help of the certifying authorities (third party). This would sharply reduce the list of items subject to compulsory certification and would help to reduce producers' (vendors', agents') costs without increasing the risk of damage due to the items marketed while promoting the growth of small businesses; would speed the turnover of goods on the Russian market; and would favour Russian admission to the World Trade Organization (WTO), as has been confirmed in reactions to the bill by authoritative foreign and Russian organizations.

Another view and approach to the question of certification can be seen in a bill on standardization and proof of conformity drafted by the Ministry of Economic Development and Trade. This in essence calls for certification to be abolished (retaining it only for items supplied in response to State requisitions), concentrating quality-checking in the market place. Gosstandart experts who have analysed this bill have found that many aspects of the approach taken are fallacious and at odds with global practice.

Gosstandart's position is that protecting the consumer market must involve a range of balanced measures applied throughout an item's trajectory from producer to consumer. The State machinery for preventing dangerous or adulterated products from reaching the market must amount to a single system in which no link can be viewed separately from the rest. Analysis of all the links in the system with a view to the attainment of the final goal must precede the introduction of new or removal of functioning regulatory devices. The main criterion must be the safety of the consumer at minimum cost to the producer.

The combination of devices employed may vary depending on the complexity and potential danger of the item concerned.

State action to regulate the market place must be combined with moves designed to permit market self-regulation based on voluntary certification systems, the creation of professional societies, associations and guilds, and the activities of chambers of commerce and industry and of consumers' associations; it must also be associated with radical improvements in the system protecting intellectual and industrial property rights and trademarks.

The entire set of consumer-market protection measures must, naturally, rest upon appropriate underlying measures whose purpose extends beyond mere protection of the consumer market: the formulation and application of a Russian national policy governing quality of goods and services which also makes provision for the introduction of quality-management systems, the establishment of conditions permitting fair competition, the enforcement of anti-monopoly legislation and the protection of intellectual property, including trademarks.
