

# OPPORTUNITIES OF EUROPEAN STANDARDS AND DESTINY OF GOSTs

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*The full use of economic opportunities offered by the European Union Association Agreement requires imminent alignment with the European legislation, which implies application of technical regulations and progressive adoption of the European Standards (EN), as well as simultaneous removal of conflicting national standards. The successful take over and use of the European Standards depend on the adaptation capacity of business entities, the support provided by authorities, as well as the assistance (both financial and technical) offered by the European partners. At the same time, implementation of the European Standards in the production process is crucial to increase the capacity and volume of Moldovan exports on the EU market and other sales markets.*

## Background

*Currently, there are over 40,000 European Standards adopted by the European Standards Organizations (CEN, CENELEC and ETSI, taken together).<sup>1</sup> Under the Association Agreement, the European Standards will be progressively adopted as national standards. Concurrently, the Moldovan authorities have committed to cancel any standards that conflict with the European Standards, most of them being the GOSTs. However, most of the GOSTs, though outdated, are still valid.*

The EU recognizes CEN, CENELEC and ETSI as the only European Standards Organisations, which develop standards at the European level. Although the European Standards are voluntary, they become mandatory if the European technical regulations refer to them.

The European standardization is based on the fundamental principles recognized by WTO in this field: coherence, transparency, openness, consensus, voluntary use<sup>2</sup>, regardless of the particular interests and efficiency. The European

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<sup>1</sup> European Committee for Standardization (CEN); European Committee for Electrotechnical Standardization (CENELEC); European Telecommunications Standards Institute (ETSI).

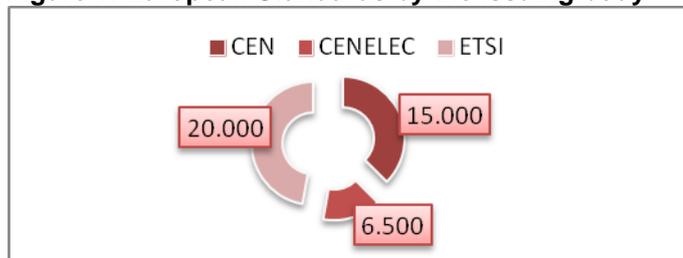
<sup>2</sup> It is important to note that voluntary standardization is in force since 2002 (GD No 702 of 04.06.2002, repealed by GD No 3 of 14.01.2014). At the same time, according to Law No 590/1995, the national standards are developed and adopted on the basis of the National Standardization Program (Article 10). They are voluntary (Article 3) except for the cases when they become mandatory, partially or fully, with the adoption of some technical regulations, that refer to them directly (Article 13 (3)), or when the business entity has stated

standards contribute to the enhancement of enterprise competitiveness, facilitating particularly the free movement of goods and services, network interoperability, means of communication, technological progress and innovation.<sup>3</sup> In fact, the European standards ensure the competitiveness of the European products on the global market, given that many of them are developed in coordination with the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and the International Telecommunication Union (ITU).

The European standards reach a positive economic impact by promoting economic intergrowth on the EU internal market, which allows improving the production and delivery of European products. Consequently, they create preconditions to increase the competitiveness of products and decrease the costs of goods production and sale. Moreover, standardization allows maintaining and improving the quality, ensuring interoperability and compatibility, benefiting the consumers who enjoy safer and higher quality products and services.

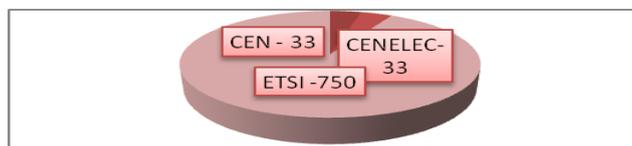
The standards adopted by CEN/CENELEC are developed jointly by 33 member countries, which include EU Member States, but also Turkey and Macedonia, as well as EFTA countries (Iceland, Norway and Switzerland). On the other hand, ETSI includes not only the national standardization bodies of the EU and EFTA Member States, but also non-state members from all continents (overall 750 members). We should give particular attention to the CEN and CENELEC standards, as the national standardization bodies of the EU and EFTA Member States (including Turkey and Macedonia) are directly involved in their development, through the Technical Committees for Standardization. (Figure 1)<sup>4</sup>(Figure 2)

**Figure 1. European Standards by the issuing body**



Source: NIS

**Figure 2. Number of members in the European Standards Organizations**



Source: CEN, CENELEC, ETSI

In 2009, Moldova became an affiliated member of CEN, which enabled it to participate in the activities of the organization, without the right to vote, and

formally, in any form, that its product or service meets the requirements of the respective standard (Article 13 (5), <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=311694>

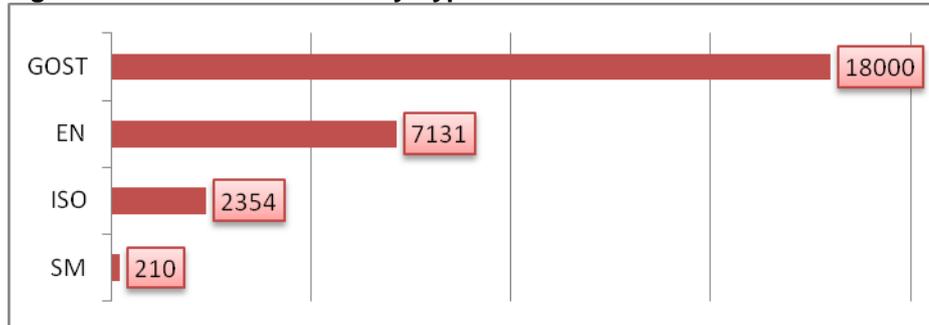
<sup>3</sup> The (EU) Regulation No 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardisation, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012R1025>

<sup>4</sup> The data provided in the interview with the representative of the National Institute of Statistics, July 2014.

ensured access to the standards' texts, which Moldova can adopt as national standards. In 2014, Moldova also joined CENELEC as affiliated member (April) and ETSI as observer member (March).

The National Standardization Institute has adopted so far around 27,700 national standards<sup>5</sup>, most of them being European, international, interstate standards etc. Analyzing the contents of these standards we may notice that the interstate ones (GOSTs) prevail. (Figure 3)<sup>6</sup>

**Figure 3. National Standards by Types of Standards and their Number**



Source: NIS

## European Standards in connection with the Association Agreement

According to Article 173 of the Association Agreement, the Moldovan authorities commit to adopt and apply the European standards. In this context, there are 3 conditions laid down in the Agreement that the Moldovan authorities must fulfil:

1. **Progressively transpose the corpus of European standards (EN) as national standards, including the harmonised European standards.** The European standards („the harmonised European standards”) contained in the European Law provide obvious benefits for business entities. Thus, if the business entities agree to apply the standards envisaged in the Community acquis (European regulations), then their products automatically become compliant with the technical requirements, imposed on the European market.

*Outcome:* Adoption of over 22,000 CEN/CENELEC European standards is foreseen.

2. **Simultaneously with such transposition, withdraw conflicting national standards.**

<sup>5</sup> According to the data available in June, 2014.

<sup>6</sup> According to Law 590/1995, Article 9, SM stands for the National Standards of Moldova, approved and registered by the national standards organization for an indefinite period. SM, i.e. “Standard of Moldova”, is used to identify both the original Moldovan standards, and the other adopted as national standards (GOSTs, ENs, ISOs or the national standards of other states). GOSTs are interstate standards, regulated by the EuroAsian Interstate Council for Standardization, Metrology and Certification (EASC) of the CIS. ENs are European standards, adopted by the European Standards Organizations.

*Outcome:* It is necessary to withdraw the standards that are in conflict with the European standards, which refers mainly to a series of interstate standards (GOSTs), previously adopted as national standards that could somehow conflict with the European standards.

### 3. Progressively fulfil the conditions for full membership of the European Standards Organisations.

*Outcome:* The status of full member of CEN and CENELEC will allow the national standards organization (NIS) to participate in the development of European standards, together with the national authorities of the EU Member States, through the Technical Committees for Standardization. To become a member of CEN and CENELEC, the Republic of Moldova must ensure that at least 80% of the European standards are implemented at the national level. The status of member implies, however, that the state has appropriate institutional capacities (expert review skills). Moreover, exhaustive participation in CEN and CENELEC will require great efforts from NIS, which will have to adopt the European standards, since their development or review is of a permanent and compulsory nature (the new European standards need to be transposed within about 6 months since their launch).

Further, in order to achieve conformity with *“the Union’s technical regulations, standards, metrology, accreditation, conformity assessment, corresponding systems and market surveillance system”*, Article 173 of the Agreement provides for the approximation with the Community acquis (the European regulatory documents) according to Annex XVI.

Therefore, a series of European regulations will have to be transposed into the national legislation. These regulations also include the Regulation on European standardisation<sup>7</sup>, the harmonisation deadline of which is 2015, and which will deepen the European integration as far as standardisation is concerned.

The implementation of this Regulation will benefit the most the Moldovan SMEs. The eventual benefits include: i) the implementation of certain standardisation projects in the national annual standardisation strategies, considered particularly important for SMEs; ii) free or discounted participation in standardisation activities; iii) free access to standardisation projects; iv) free access to standardisation summaries published on the NIS website; v) the possibility to purchase standards at special tariffs or sell certain packages of standards at low prices.

## What are the Opportunities of the European Standards?

As demanded by the market requirements, these standards contain rules and specific technical requirements for products, production processes, and services. The implementation of these standards is, by definition, voluntary, except for the cases when they become mandatory. The standards aim at achieving high levels of discipline and consistency in various areas of economic activity. The

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<sup>7</sup> (EU) Regulation No 1025/2012 of the European Parliament and of the Council of 25 October 2012 on European standardisation, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012R1025>

standards represent the outcome of the standardization process, i.e. the process of drafting, adoption and approval of new standards.

The European standards are compulsorily adopted by one of the three European Standards Organizations (CEN, CENELEC or ETSI<sup>8</sup>). They allow for a better interoperability and compatibility between the activities carried on by the business entities active on the EU internal market, and if third countries adopt the European standards, they may benefit, as well.

Transposition of the European Standards is a duty that derives from the commitments assumed by signing the Association Agreement - progressive adoption of the European standards and fulfilment of the requirements in order to obtain the status of full member of European Standards Organizations. At the same time, they are indispensable for the liberalization of trade with the European Union. In order to harness the potential of the community market, gradual compliance must be ensured with the *"the Union's technical regulations, standards, metrology, accreditation, conformity assessment, corresponding systems and market surveillance system"* (Article 173, Association Agreement). Consequently, the adoption of European standards aims at supporting the integration of local business entities in the European and global circuit, generating obvious economic opportunities, such as:

1. **Integration in the European Economic Area.** The European standards facilitate the cooperation, communication, measurement and production system at the level of the community market, as well as the trade at the European level. Thus, the European standards ensure the interoperability and compatibility of the production, delivery and sales of products and services. These standards can, thus, contribute to the strengthening of connections between the local and the European business environment. The access to the EU single market is facilitated thanks to the fact that the European standards are acknowledged by the national organizations in 33 countries (EU Member States, including non-EU states as Switzerland, Norway, Iceland, Macedonia and Turkey). Therefore, the European standards provide access to a market of about 600 million consumers (EU Member States, Macedonia and Turkey).
2. **Diversified Sales Markets.** The European standards are recognized internationally. Hence, if Moldovan producers use them, they will have the possibility to export both to the EU and other countries. Given the limited access to the Russian market, adjusting the local products to the European standards would encourage exports reorientation towards more predictable sales markets that operate according to clear rules and with as minimal political interference as possible.
3. **Safer and Higher Quality Products.** The adoption of European standards benefits both the business environment and consumers. The recommendations of 33 national organizations from CEN and CENELEC member countries are taken into account when drafting the European

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<sup>8</sup> Accession to ETSI is rather optional, unlike participation in CEN and CENELEC.

standards. At the same time, the suggestions of the organizations specialised in consumers health and protection are taken into account, as well. In these conditions, the companies that comply with these standards produce safe and quality products, as the European market is regarded as one of the most demanding market worldwide. To conclude, transposition of these standards will ensure a better quality and safer products.

4. **Compliance with the Community Acquis.** Implementation of the European standards means compliance with the requirements of the European market, enhanced competitiveness of local products and ensures, consequently, an easier access to the largest sales market in the world (507 million of European consumers). Many of the European standards can be found in the European Regulations (“harmonized standards”), this is why, implementing these standards makes compliance with the requirements easier. In other words, once these standards are implemented, they help ensure that the products and services delivered by business entities comply entirely with the requirements imposed by the European Law, which is one of the most demanding as regards quality and safety.
5. **Gradual Adoption and Technical and Financial Assistance.** The transition to the European standards is expected to be progressive. Hence, business entities may plan their adjustment to the requirements of the new standards, minimizing, thus, the costs. Besides, to facilitate the adoption of ENs, EU technical and financial assistance (loans for SMEs modernization from EBRD and EIB)<sup>9</sup>, and support of other donor organizations is envisaged<sup>10</sup>.

## What Do We Do With the Other National Standards?

Adoption of the European standards requires fulfillment of two mandatory conditions. *Primo*, transposition of the European standards implies automatic withdrawal of the conflicting standards. *Secundo*, fulfillment of the conditions for the status of full member in the European Standards Organizations implies transposition of about 80% of the European standards, i.e. about 18,000 of the total 22,000 ENs. Under such circumstances, the European standards will be progressively taken over as national standards. That is why the GOSTs,<sup>11</sup> which were adopted as national standards, and if necessary the original national standards, developed in the Republic of Moldova, will be withdrawn if found to contradict the European standards. The total number of GOSTs that are valid as

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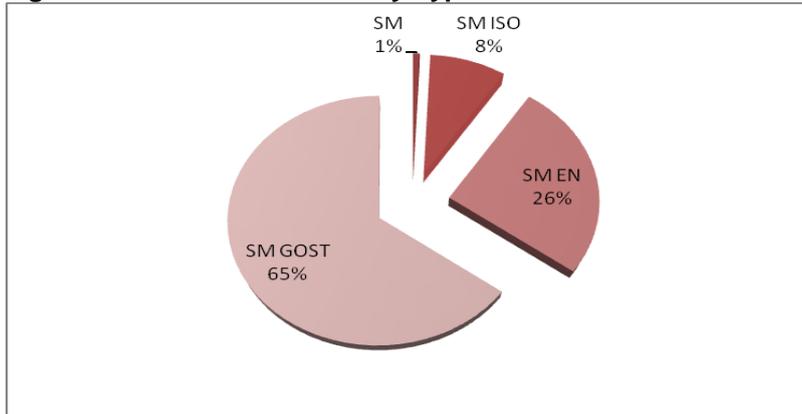
<sup>9</sup> José Manuel Durão Barroso, President of the European Commission, Opening remarks at the Moldova Investment Conference, 12 June, 2014, [http://europa.eu/rapid/press-release\\_SPEECH-14-451\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-14-451_en.htm)

<sup>10</sup> The donor organizations providing support to Moldova met in order to coordinate their assistance for the implementation of the DCFTA agenda, July 2014, <http://mec.gov.md/ro/content/donatorii-republicii-moldova-s-au-intrunit-pentru-si-coordona-asistenta-oferita-pentru>

<sup>11</sup> Altogether, there are around 20,000 GOSTs. They are applied in the CIS countries. For instance, Russia uses the following as national standards: national Russian standards (GOST R), interstate standards (GOSTs) and other standards (CU standards etc.). <http://www.runorm.com/gost-gost-r-standards>

national standards is around 18,000, accounting for 65% of all existing national standards. (Figure 4)

**Figure 4. National Standards by Types of Standards and their Number<sup>12</sup>, %**



*Source: NIS, author's calculations*

In any case, the GOSTs can be used in private contracts between Moldovan producers and exporters and, respectively, importers from the CIS countries. In other words, the conflicting GOSTs will be canceled in their status of national standards, but this will not obstruct the business entities from using them in the trade with the partners from CIS countries.

The interstate standards (SM GOSTs) currently have the largest share among the international standards (ISOs), European standards (ENs) and interstate standards adopted as national standards. The latter represent the largest category of standards used by the Soviet authorities, which, after the USSR collapse became automatically interstate standards in the CIS. These standards include over 22,000 standards administered by the Interstate Council for Standardization, Metrology and Certification (EASC), established in 1992, which the Republic of Moldova is party to, along with other CIS countries.

It is up to the countries themselves to adopt GOSTs as national standards or not. At the same time, they are voluntary for application, as well as any other standard. Currently, the EASC is reviewing and/or amending its standards, adopting the international standards (ISOs) as interstate standards (GOSTs). In addition, a Memorandum of Understanding was signed between the EASC and the European Standards Organizations (2012) regarding the mutual acceptance, compatibility and recognition of standards. As for now, it is difficult to assess the future of this memorandum, given the diminishing role of CIS institutions, determined by the existence of Customs Union and, respectively, emergence of the Eurasian Economic Union. In this respect, the substitution of GOSTs with new technical regulations<sup>13</sup>, developed by Russia and within the Customs Union, has already started.

<sup>12</sup> SM - original national standards, SM ISO - international standards adopted as Moldovan national standards, SM EN - European standards adopted as national standards, SM GOST - interstate standards adopted as national standards.

<sup>13</sup> RUSSIAN FEDERATION AND CUSTOMS UNION GOST R Certification Programme, [http://www.intertek.com/uploadedFiles/Intertek/Divisions/Oil\\_Chemical\\_and\\_Agri/Media/pdfs/Exporter%20Guidelines%20Russia.pdf](http://www.intertek.com/uploadedFiles/Intertek/Divisions/Oil_Chemical_and_Agri/Media/pdfs/Exporter%20Guidelines%20Russia.pdf)

Until 2002, GOSTs were adopted as Moldovan national standards in various areas, regardless of their usefulness and topicality. Nowadays they are mainly used by the businesses oriented towards the CIS market. In some cases, the GOSTs that are adopted as national standards are generally irrelevant for the national economy.

Despite the attempts to harmonize the GOSTs with the international standards, initiated by the authority responsible for standardization in the CIS (EASC), that some GOST categories will be canceled once the European standards are adopted, due to the following circumstances:

- **European Integration Imperative.** In accordance with Article 173, the Moldovan authorities shall “*progressively fulfil the conditions for full membership of the European Standards Organisations*”. In fact, this means taking over at least 80% of the ENs with further availability to apply comprehensively the European standards. This is in line with the economic integration of the country with the EU and, at the same time, with eliminating obstacles that hamper the trade, which could be generated, implicitly , by keeping contradictory national standards, which most often are adopted interstate standards (GOSTs).
- **Conflicting both with the European Standards, and the EU Technical Regulations.** There are two categories of national standards that took over the GOST interstate standards. The first one relates to *technical requirements* and the second - to “*methods of determining compliance*” of the product with the technical requirements (often specified in other GOSTs). Once taking over the European standards, which always provide for “*methods of determining compliance*” and which have priority in the European integration process, there can be overlaps with the SM GOSTs, which specify similar methods of determining. At the same time, conflicts can appear at the level of technical requirements set in the European technical regulations and in some SM GOSTs, respectively.
- **Outdated Character of Some National Standards.** Most of the GOSTs applied during the Soviet time were automatically taken over as national standards. In some cases this relates to GOSTs developed in the 1940s - 1980s. (See Table 1) Consequently, because of being obsolete, they cannot meet the new safety and quality requirements, which decreases the opportunities to export to other markets than the CIS.

Table 1. Examples of SM GOSTs from agri-food sector, where Soviet standards were taken over and are still valid

| GOST      | Year | Object  |
|-----------|------|---|
| GOST 3629 | 1947 | on dairy products. Methods of determining the spirit (alcohol). |
| GOST      | 1960 | on milk preserves. Condensed milk with sugar,                   |

|               |      |   |
|---------------|------|---|
| 4771          |      | without fat. Technical requirements.  |
| GOST<br>1923  | 1978 | on milk preserves, sterilized condensed milk in tins. Technical requirements. |
| GOST<br>21784 | 1976 | on poultry meat (including chicken meat). Technical requirements.             |
| GOST<br>6442  | 1989 | on marmalade. General technical requirements.                                 |
| GOST<br>7009  | 1988 | on jam. General technical requirements.                                       |

## How Can We Facilitate the Withdrawal of Conflicting GOSTs?

- **Transition periods.** By establishing some transition periods for the withdrawal of conflicting national standards (including the GOSTs) with the concrete and consistent support of business entities, but also simultaneous adjustment of quality infrastructure (adapting the testing laboratories to the European standards). The Association Agreement already envisages the “*progressive*” adoption of European standards. That’s why it is necessary to implement complex plans on leaving the GOSTs for the businesses that are currently acting in line with them.
- **Public-Private Communication Platforms.** Create a communication platform, with the involvement of business entities and other stakeholders, in order to present and explain the potential benefits from the use of European standards and, at the same time, the need to renounce the interstate standards (SM GOSTs) that are adopted as national standards.
- **Sustainable Alternatives** Promote alternatives for the business entities interested to use the interstate standards (SM GOSTs). Hence, the GOSTs can be used in private contracts between Moldovan producers and exporters and, respectively, importers from CIS countries. Even if the GOSTs are not used any more as national standards, no one will prohibit their use in private trade relations, in line with the contractual commitments.

## Conclusions

- The Moldovan authorities shall transpose the European standards (around 22,000 CEN/CENELC standards), as part of the commitments resulting from the Association Agreement. Their implementation implies costs and efforts, but also significant benefits for the Moldovan business environment: taking over European technologies and practices; better access to the European market and integration into the EU economy. At the same time, the implementation of ENs can have positive effects for the

consumers, who would benefit of cheaper and higher quality goods. Moreover, both technical and financial support will be provided for their implementation by the European institutions and Moldova's development partners.

- Even though the GOSTs prevail as national standards (about 18,000), many of them are outdated and do not meet the current requirements. As soon as the European standards are taken over, diminishing in the number of GOSTs will be impending. Under the Association Agreement, the European standards are going to be progressively adopted as national standards, while the incompatible ones will be excluded, which is directly related to GOSTs.
- In order to minimize the impact of withdrawing the GOSTs, a series of solutions are recommended: (i) to establish some transition periods accompanied by assistance (technical and financial) for business entities and other stakeholders; (ii) to create a platform for the communication and explanation of advantages of the European standards and, respectively, difficulties generated by conflicting standards (such as the GOSTs); (iii) to define some alternatives for the parties interested to use the GOSTs, like using them in the private commercial contracts.