



## RECENT ACTIVITIES BY THE OECD OF INTEREST TO THE SPS COMMITTEE

### COMMUNICATION FROM THE OECD

The following communication, received on 16 March 2015, is being circulated at the request of the OECD.

#### 1 VOLUNTARY ENVIRONMENTAL STANDARDS IN AGRICULTURE: POLICY IMPLICATIONS

1.1. A new OECD report on voluntary environmental standards, about to be published within the Food, Agriculture and Fisheries Papers series<sup>1</sup>, focusses on the linkages between voluntary (often private) environmental standards and public policies. In particular, the work examines possible roles of public authorities in the area of environmental standards, with the ambition to answer three related questions:

- What objectives can be pursued by government interaction with environmental standards?
- What options are available to governments for taking a role in environmental standards?
- How can governments make use of environmental standards for achieving public policy objectives?

1.2. The report is based on an extensive literature review, a number of case studies on specific environmental standards in different countries, and an OECD-wide survey on organic agriculture standards.

1.3. A key role of governments in the area of environmental standards is to ensure the proper functioning of markets for both food and the certification of food. This in particular includes the protection of consumers and the avoidance of excessive transaction costs:

- Protecting consumers and preventing fraud and free-riding by competitors represent a key rationale for public authorities for intervening with standards. This goal is pursued mainly through the protection of trademarks and brands, the banning of fraudulent or misleading claims, or the obligation of private companies to disclose certain information.
- Reducing transaction costs and facilitating market access for all producers also represent an important motivation for public intervention. This can be achieved by harmonising existing standards, stimulating the creation of standards or developing a public standard.

1.4. In addition, governments can make use of environmental standards to improve efficiency in the design, implementation and monitoring of public policies. This can include building regulations on existing private standards; endorsing standards, stimulating the growth of the certified sector, or using standards as an option to comply with regulations; and the recognition of private audits and certification for compliance to policy requirements.

1.5. Costs to taxpayers can be reduced by relying on existing standards or their certification systems. Benefits can also include the reduction of farmer transaction costs through reduced public monitoring of compliance with policies and regulations. However, there is a potential risk to lose control. To mitigate that, it is important to develop procedures to screen private standards of

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<sup>1</sup> <http://www.oecd-ilibrary.org/content/workingpaperseries/18156797>.

the level required for general interest purpose, as well as to maintain mechanisms to oversee operators and auditors.

1.6. Concerning organic agriculture standards, which frequently are seen as a subset of environment-related standards, countries have taken different approaches. The choices range from largely allowing private standards to self-regulate the market for organic food products with intervention mainly limited to exports of domestic produce, to the development of a public standard on organic food products. In addition to ensuring well-functioning markets for organic food by protecting consumers and facilitating trade, more active intervention by many OECD governments also reflects the perceived environmental (and hence societal) benefits of organic agriculture and frequently includes specific support provided to the producers of certified organic food products.

## **2 INTERNATIONAL REGULATORY CO-OPERATION**

2.1. Work on global value chains by the OECD has stressed the importance of reducing protectionist measures, improving inefficient and unnecessary customs and reducing the cost of "behind-the-border" measures that constrain trade in goods and services. In addressing the increasing concerns raised by "behind-the-border" measures, the OECD is carrying out horizontal work on international regulatory co-operation, which entails close collaboration among the trade, agriculture and regulatory divisions.

2.2. From a trading perspective, the OECD is currently developing a practical tool to help countries diagnose regulatory divergence and guide policy makers in reaching a policy decision implementing the most favourable international regulatory co-operation mechanisms. Some of these mechanisms are well known in the SPS context, for example alignment on international standards or mutual recognition. The work is intended to provide a step-by-step approach to identify and analyse types and magnitudes of trade costs associated with regulatory divergence as well as the domestic objectives for regulations. Applicable to both new regulations and existing regulations that countries may want to update or change, this tool will be drawing on theoretical economic and empirical analysis. By studying existing regulatory co-operations, the empirical analysis will investigate the process that led to the selection and implementation of a specific regulatory co-operation mechanism.

2.3. While first and preliminary results are expected for fall 2015, final outcomes are scheduled for the second half of 2016.

## **3 WORKSHOP ON TRADE FACILITATING EFFECTS OF INTERNATIONAL REGULATORY CO-OPERATION IN FOOD AND AGRICULTURE**

3.1. On 21 November 2014, OECD held a workshop on Trade Facilitating Effects of International Regulatory Cooperation in Food and Agriculture. The Workshop aimed at highlighting the actual trade implications of increased international regulatory cooperation in food and agriculture. It was designed to bring together private-sector representatives who are engaged in food-trade, including importing and exporting companies, and trade related international organizations. From the discussion, it emerged the importance of the simplification of border inspection services from an information flow perspective and in terms of risk-based inspection and control. Participants also acknowledged the role of private companies and industry associations in RTA negotiations and in regulatory design, as well as in RTA dialogue mechanisms.

3.2. Speakers from the private sector and international organizations (including STDF) shared their experiences on a wide-array of concrete examples and concerns that are raised by non-tariff barriers to agriculture and food trade. In particular, participants discussed the relevance of existing and new RTAs for trade in agri-food, the risks involved in "zero-tolerance" policies and the concerns arising from SPS requirements that are not science-based.

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