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Committee on Sanitary and Phytosanitary Measures

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UPDATE ON RECENT ACTIVITIES BY THE OECD OF INTEREST TO THE SPS COMMITTEE

COMMUNICATION FROM THE OECD

The following communication, received on 5 October 2015, is being circulated at the request of the OECD.

1 INTERNATIONAL REGULATORY COOPERATION

1. The OECD is continuing its horizontal work on international regulatory co-operation, which entails close collaboration among the trade, agriculture and regulatory divisions. The trade aspect of the project contains three parts, namely a Theoretical Framework, case studies on existing regulatory cooperation initiatives and a practical tool (the IRC Diagnostic Tool), all of which relate to and build on each other. The Diagnostic Tool will rely on the principles developed by the theoretical framework and the practices highlighted from the case studies.

2. The Theoretical Framework addresses the question on how to increase welfare through reduced regulatory heterogeneity. It uses game theoretical concepts to analyse how to strike the balance between the domestic effects of regulation and economic losses arising from regulatory heterogeneity. Work on the Theoretical Framework has advanced and a first draft, focusing on product and production requirements from regulations, is being discussed at the relevant OECD Working Parties. Future work on the Theoretical Framework will focus on conformity assessment and certification costs, costs related to the design and implementation of (changed) regulations, the differentiation between fixed and variable trade costs as well as options for addressing heterogeneity-related trade costs without regulatory changes (e.g., MRAs).

3. The case studies cover a wide array of sectors such as energy efficiency in household appliances, vehicle safety, organic products, and wine. SPS issues are currently covered to some extent in the case study on the wine sector. The project will also include an additional SPS-specific case study, probably focusing on pesticide residues. The wine case study will examine different initiatives carried out by the World Wine Trade Group (e.g., Memorandum of understanding on Certification Requirements), the Wine Regulatory Forum within APEC (e.g., Alignment of export certificates) and the International Organisation of Vine and Wine (OIV) (e.g., activities of the Subcommittee on Methods of analyses). The SPS-specific case would investigate the cooperation undertaken by the North American Free Trade Agreement Technical Working Group and the Canada-US Regulatory Cooperation Council. Collecting the data for the case studies has started and a questionnaire will be sent to experts of each country involved in the regulatory cooperation initiatives. The case studies target regulatory cooperation mechanisms known in the SPS context, for example harmonization or mutual recognition. While the analysis focuses on the process of regulatory cooperation by examining the conditions and factors that have influenced the collaboration and the outcome, the core analytical direction is set on trade costs resulting from the regulatory diversity in each case and the trade implications which collaboration achieved.

4. Drawing on the theoretical framework and the analysis of the case studies, the practical IRC Diagnostic Tool will suggest a step-by-step approach to achieve a balance between reaching regulatory objectives and facilitating trade. It is a tool that will help countries to identify and select the most favourable international regulatory co-operation mechanisms. More extensive work on

the Diagnostic Tool will commence once the Theoretical Framework and the case studies have sufficiently advanced to build on them.

5. The OECD will be happy to provide a new update on this work for the next meeting of the SPS Committee.
