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Committee on Sanitary and Phytosanitary Measures

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## UPDATE ON OECD ACTIVITIES OF INTEREST TO THE SPS COMMITTEE

### COMMUNICATION FROM THE OECD

The following communication, received on 27 February 2019, is being circulated at the request of the OECD.

## 1 OECD WORK ON TRADE-RELATED INTERNATIONAL REGULATORY CO-OPERATION

### 1.1 Trade and Economic Effects of IRC – Further Empirical Evidence from SPS and TBT Provisions

1.1. Cutting trade costs, especially those stemming from non-tariff measures, is a growing priority for policymakers. One way to achieve this is for countries to improve their cooperation on regulatory matters. An avenue open to governments is to include provisions related to international regulatory cooperation (IRC) in preferential trade agreements (PTAs). However, there exists little empirical evidence of the benefits of these cooperative mechanisms. This paper provides this evidence, in the context of Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) provisions. It measures the effect of IRC mechanisms on trade flows using the latest developments in the gravity literature and the most recent data sources. The work distinguishes between different forms of co-operation implemented between countries within PTAs while also accounting for the level of commitment between partners. The estimation results suggest that PTAs including SPS and TBT provisions have a significant and positive effect on trade flows, with the legal enforceability of IRC mechanisms having the strongest and most robust impact on trade flows. This result holds even when WTO-related provisions and dispute settlement procedures are controlled for, implying that binding commitments are important in maximizing post-PTA trade flows. The work shows that transparency and co-operation are significant and robust factors in increasing trade. It also reinforces the view that the impact takes some time to materialise, which is important when evaluating the effectiveness of deep IRC mechanisms.

- Disdier, A., S. Stone and F. van Tongeren (2019), "Trade and Economic Effects of IRC – Further Empirical Evidence from SPS and TBT Provisions", OECD Trade Policy Papers, No. 224, OECD Publishing, Paris, (forthcoming);
- Link to the OECD Trade Policy Papers Series: <https://doi.org/10.1787/18166873>.

## 2 OECD COLLABORATION ON THE WORLD BANK'S DEEP INTEGRATION PROJECT

2.1. OECDs Trade and Agriculture Directorate undertook the coding of SPS provisions for the World Bank's Deep Integration Project. This project aims at coding all RTAs notified to the WTO at the extensive margin (WTO plus and WTO extra provisions) as well as the intensive margins (e.g. competition policy, investment, IPR, etc).

2.2. The resulting database is expected to be released in June 2019.

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