



30 June 2017

(17-3534)

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**Committee on Sanitary and Phytosanitary Measures**

Original: English

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

### COMMUNICATION FROM THE OECD

The following communication, received on 29 June 2017, is being circulated at the request of the OECD.

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### **RECENT WORK ON TRADE-RELATED INTERNATIONAL REGULATORY CO-OPERATION BY THE OECD TRADE COMMITTEE AND THE OECD REGULATORY POLICY COMMITTEE**

1. Building on OECD's Council Recommendation on Regulatory Policy and Governance (OECD, 2012) and synthesising recent work in trade-related IRC undertaken by the OECD Trade Committee (notably von Lampe et al., 2016, and OECD, forthcoming) and the OECD Regulatory Policy Committee (see for instance OECD, 2013; Basedow and Kauffmann, 2016; Correia de Brito et al., 2016), the OECD has published a new report, *International Regulatory Co-operation and Trade: Understanding the Trade Costs of Regulatory Divergence and the Remedies* (OECD, 2017).

2. Regulatory differences across jurisdictions can be costly for traders. While these costs may reflect variations in domestic conditions and preferences, they may also be the result of rule-making processes working in isolation and of a lack of consideration for the international environment. Thus, some of the trade costs of regulatory divergence may be avoided without compromising the quality of regulatory protection. Building on lessons learnt from OECD analytical work and the experiences of OECD countries in regulatory policy and trade, this report proposes a definition of trade costs of regulatory divergence and analyses various approaches to addressing them, including unilateral, bilateral and multilateral approaches. It focuses on the contribution of good regulatory practices, the adoption of international standards, and the use of cross-border recognition frameworks and trade agreements. Based on this, the report provides indications for policy makers on how to reduce trade costs through international regulatory co-operation.

3. Key message of the report include:

- Understanding the trade costs of regulatory differences and addressing them through international regulatory co-operation is a topical issue. Recent international trade negotiations therefore put an emphasis on promoting greater interoperability for businesses operating in countries with varying regulatory requirements;
- Trade costs may arise from unintended regulatory heterogeneity across jurisdictions, including information, specification and conformity assessment costs. Evidence on the magnitude of these trade costs remains scarce, although costs are likely to vary significantly in size and composition by sectors. Greater understanding of the trade costs of regulatory divergence could usefully inform the rule-making process. Regulatory impact assessments (RIA) provide a useful vehicle for this;
- Policy makers can draw from a wide range of approaches to address the trade costs of regulatory divergence, including unilateral, bilateral and multilateral. This report draws a preliminary list of considerations to reduce trade costs through IRC. It both identifies the generic measures that countries can take that promote regulatory quality and trade, and highlights the considerations that can drive the selection of specific IRC approaches.

4. The report is accessible at <http://dx.doi.org/10.1787/9789264275942-en>.

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- OECD (forthcoming), "Trade Costs in Regulatory Co-operation: Findings From Case Studies". Publication expected in Q3 2017.
- OECD (2017), *International Regulatory Co-operation and Trade: Understanding the Trade Costs of Regulatory Divergence and the Remedies*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264275942-en>.
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- von Lampe, M., K. Deconinck and V. Bastien (2016), "Trade-Related International Regulatory Co-operation: A Theoretical Framework", *OECD Trade Policy Papers*, No. 195, OECD Publishing, Paris, <http://dx.doi.org/10.1787/3fbf60b1-en>.

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