OECD RECOMMENDATION ON INTERNATIONAL REGULATORY CO-OPERATION TO TACKLE GLOBAL CHALLENGES

12/07/2022, WTO TBT Committee, Thematic Session on Regulatory Co-operation between Members
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Background on OECD approach

 Trade Policy Committee

 Trade and Agriculture Directorate

 SME and Entrepreneurship Committee, Centre for Entrepreneurship, SMEs, Regions and Cities

 450+ INTERNATIONAL STANDARDS DEVELOPED

 500 MAJOR REPORTS PER YEAR

 Regulatory Policy Committee

 Public Governance Directorate
IRC and Trade: Why is it important for SMEs?
GRPs can support regulatory coherence and reduce trade costs

<table>
<thead>
<tr>
<th>Information costs</th>
<th>Specification costs</th>
<th>Conformity assessment costs</th>
<th>Other costs</th>
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<tr>
<td>Obtaining &amp; processing information on regulatory requirements</td>
<td>Adjusting products &amp; services to different requirements</td>
<td>Demonstrating compliance with requirements</td>
<td>Costs of customs procedures (at the border)</td>
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<td>The more opaque &amp; complex the system, the higher the costs</td>
<td>May include extra labour and input costs, reduced economies of scale</td>
<td>May include costs of additional lab testing, certification, inspection, audits</td>
<td>Costs to regulators &amp; inspectors</td>
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Many are fixed trade costs:

- Do not (directly) affect marginal costs of traded products, but need to be covered by sales large enough to amortise the investment.
- Represent a barrier to market entry, particularly for small and medium-sized enterprises (SMEs) with smaller potential trade volumes.

How can IRC address regulatory heterogeneity?
What are the solutions to the different types of trade costs and how can IRC help?

**Information costs**
- **Transparency**, centralized in a single source about upcoming and existing regulations
- In governments: virtual one-stop shops to SMEs, clustered around some basic business services
- At international level: WTO TBT/SPS website, e-ping, EU DG Growth TBT Database.

**Specification costs**
- **Consideration of impacts on SMEs**: SME lenses in RIAs
- **Stakeholder consultation by regulators** with active efforts to SMEs
- **SME perspective considered at international level**, in standard-setting processes

**Conformity assessment costs**
- **Risk-based regulation**
- **Early consideration of CAPs**, when designing regulation
- **Mutual recognition** agreements

GRPs throughout the regulatory cycle with a pinch of IRC => interoperability of regulatory frameworks
OECD Ministerial Council Adopted New Recommendation on IRC

Summary of **OECD Recommendation on International Regulatory Co-operation**

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<th>Establishing the IRC strategy and its governance</th>
<th>Embedding IRC throughout the domestic rulemaking</th>
<th>Co-operating internationally (bilaterally, plurilaterally &amp; multilaterally)</th>
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<td>&gt; Develop a whole of government IRC policy / strategy</td>
<td>&gt; Gather and rely on international knowledge and expertise</td>
<td>&gt; Co-operate with other countries to promote the development and diffusion of good practices and innovations in regulatory policy and governance</td>
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<td>&gt; Establish a co-ordination mechanism in government on IRC activities to centralise relevant information on IRC practices and activities and to build a consensus and common language</td>
<td>&gt; In developing regulation, consider existing international instruments and document the rationale for departing from them</td>
<td>&gt; Contribute to international fora which support regulatory co-operation</td>
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<td>&gt; Enable an IRC conducive framework – i.e. raise awareness of IRC, build on existing platforms for co-operation, reduce anti-IRC biases and build in incentives for policy makers and regulators</td>
<td>&gt; Assess impacts beyond borders</td>
<td>&gt; Use mutual recognition in combination with international instruments</td>
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<td>&gt; Engage actively foreign stakeholders</td>
<td>&gt; Align IRC expectations across various policy instruments, including in trade agreements</td>
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<td>&gt; Embed consistency with international instruments as a key principle driving the review process in ex post evaluation and stock reviews</td>
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<td>&gt; Assess ex ante the co-operation needs to ensure appropriate enforcement and streamline “recognisable” procedures</td>
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* + See Best Practice Principles on IRC*
Regulatory impact assessment as a tool to assess trade impacts

Figure 2.15. OECD regulators are assessing regulatory impacts on an increasing number of factors

Note: Data are based on 34 OECD member countries and the European Union. Source: Indicators of Regulatory Policy and Governance (iREG) Surveys 2014, 2017 and 2021.
Foreign stakeholder engagement: specific efforts still rare, but potentials are high
Thank you for your attention!

See more on our work on IRC: www.oecd.org/gov/regulatory-policy/IRC

Further questions welcome to
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