International regulatory cooperation and trade

Conference on Enhancing the TTIP: Reducing Regulatory Barriers
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Why cooperate? A renewed attention from policy makers

• To manage global goods, bads and risks; and avoid the regulatory failures of the past

• To boost growth through reducing costs and burdens on economic activities

• To share work and be more efficient at achieving policy objectives

⇒ IRC has much broader objectives than the trade agenda. However, there are trade opportunities from IRC in reducing behind the borders barriers, and opportunities to lock in good regulatory practices and IRC from trade deals.
Trade costs of regulatory heterogeneity

- Various sources of information exist. Each covers a part of the picture. The information is ‘textual’; needs to be translated into useful indicators.

- Costs have become higher than remaining tariffs in industrial goods across G20 economies.

- Two aspects matter: the burden of regulation itself and its heterogeneity across jurisdictions.

- Non-tariff measures have different impacts on different trading partners, depending on the level of regulatory coherence already achieved.

- Regulatory heterogeneity makes it more difficult to successfully engage in global value chains.
Economic benefits of IRC: some evidence

- OECD governments and industry save €153 million per year through reduced chemical testing, use of harmonised formats and work sharing (due to the MAD system). (OECD, 2010)

- EU “Blue Belt” plan: saving of €25 per container via lighter customs formalities for intra-EU shipping. (EU, 2013)

- IRC that decreases regulatory burden by 10% (in Can or US) yields an increase of 2.5% in exports of G&S. (Policy Research Initiative, 2004)

- Eliminating half of NTB to trade caused by regulatory divergences could increase EU GDP by 0.7% in 2018 (€122bn), and 0.3% gain in the US GDP (€41bn). (Ecorys, 2009)
Highlights from the work on MRA
OECD Regulatory Policy Division with Jacques Pelkmans and Anabela Correia de Brito of the CEPs

• The landscape of Mutual Recognition Agreements (MRAs) has drastically changed since the late 1990s: there are now some 130 MRAs in the world

• MRAs are often found in a small number of sectors: telecoms equipment and electronic goods for instance

• MRAs are based on hard law but with a limited scope: the transaction costs of exporters are reduced whilst regulations in that product market are unchanged

• MRAs reconcile the demand to accommodate / facilitate international trade and the mission of national regulatory authorities on protection
Mutual Recognition: spectrum of modalities

**Mutual recognition of rules:** equivalent objectives, regulatory requirements, standards, and conformity assessment procedures

- The EU principle of MR as a corollary of the ‘free movement of goods’ in the non-harmonised sectors
- The Trans-Tasman Mutual Recognition Agreement
- Traditional MRAs (without equivalence of regulatory requirements)
- Enhanced MRAs (equivalence of regulatory requirements)

**Mutual recognition of conformity assessment (procedures / results) for goods under different partner’s rules**

- MRAs incorporated in RTAs
- Stand-alone MRAs
- Governmen t MRAs
- Multilateral MRAs (legally non-binding)
- Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAAs)
- Non-Government MLAs (between CABs or Accreditation Bodies)
The broad thrust of the literature shows that MRAs have a (small) positive impact on trade.

MRAs avoid duplication of testing, reduce the uncertainty about a possible rejection and shorten ‘time-to-market’.

Knowledge flows & peer learning is valuable even for ‘failed’ MRAs.

MRAs are seen as costly by regulators/admin.

Political economy and implementation of MRAs can be challenging.

Difficult trade-off between flexibility and adaptability, and (mutual) trust.
MRAs: success factors

- MRAs are feasible when regulatory divergence is not too high. Areas where MRA partners share similar problems and SHEC objectives.

- Regulatory domains which are science-driven.

- In sectors with global value chains, where sufficient economic gains are expected.

- MRA partners need to be confident about the technical infrastructure, private and public, of the partner(s) [institutional proximity and GRP help].

- High-level commitment helps to arrive at MRAs

- Trust takes time, and requires investment
Thank you

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Background information:
The Regulatory Policy Committee was created by the OECD Council on 22 October 2009 to assist countries in implementing government-wide policies to promote regulatory policy and governance. Information about OECD work on regulatory policy at: www.oecd.org/gov/regulatory-policy

Our work on international regulatory co-operation is available at: www.oecd.org/gov/regulatory-policy/IRC