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TRADE COSTS IN REGULATORY CO-OPERATION: FINDINGS FROM CASE STUDIES

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## EXECUTIVE SUMMARY

Complementing the theoretical framework for trade-related international regulatory co-operation (IRC) (von Lampe et al., 2016), this paper provides an empirical analysis across 12 IRC initiatives. They cover various sectors, focus on different IRC mechanisms and differ in terms of their institutional frameworks, number of participating countries and whether the IRC outcomes are binding or of a best-endeavour nature.

Based on a statistical evaluation of data provided by participating countries through a structured questionnaire, the paper shows that prior to engaging in co-operative initiatives, trade costs and barriers are frequently perceived as very significant. Perceived trade costs are specific to sectors and products: trade in organic food products and agricultural products subject to pesticide residue regulation tend to face particularly significant costs due to regulatory heterogeneity, while such trade costs appear to be less significant for vehicles and seeds. Perceptions of the significance of trade costs, however, also differ across reporting countries. As a consequence, IRC approaches need to be specifically tailored to the sector in question and the problems traders face.

Data also shows that trade costs are not systematically quantified. In particular within more formalised and long-standing co-operation initiatives, a quantitative assessment of trade costs is rarely undertaken. In contrast, in more ad-hoc and relatively recent initiatives, such an assessment is found to be more common. Similarly, countries often do not systematically assess the trade facilitating effects of the various IRC outcomes achieved. A greater focus on quantifying trade costs and trade facilitating effects in the more recent initiatives may indicate an increasing awareness of the importance of assessing the problem in as much detail as possible prior to co-operation, and to an improved availability of tools for such assessments. At the same time, trade facilitation is often just one of several objectives for co-operation.

Nonetheless, the data provided by surveyed countries do indicate that IRC often can reduce costs and burdens for international trade. Among the specific IRC mechanisms examined in this study, mutual equivalence of rules and mutual recognition of conformity assessment procedures are reported most frequently as cost-reducing, with producers and exporters named as the greatest beneficiaries. Benefits were also reported, although less systematically, for the other mechanisms examined, such as the development of international standards, or the convergence or even harmonisation of rules and conformity assessment procedures, as well as for other stakeholders including importers and consumers.

As a specific example of trade facilitation, the OECD Seeds Schemes are found to have distinct and positive effects on traded seed volumes and values. Accession to one of the schemes is shown to increase the acceding country's seed exports by more than 8% and also raises the average unit value of its exports. The positive trade effect is further increased if the importing country is a member of the same scheme. Unsurprisingly, however, some trade diversion effects can be identified as well, giving rise to an additional motivation for countries to join the OECD Seeds Schemes to avoid being excluded from trade in quality seeds.

The evidence shown in this paper is, however, subject to a number of caveats readers should bear in mind. First, while the initiatives considered cover various sectors and mechanisms, they do not adequately represent the full scope of IRC efforts. Second, as in some cases only a subset of specific outcomes from individual IRC activities was considered in the analysis, the study does not provide a comparison between the different initiatives. Finally, because of various difficulties with the data collection, the possibility to generalise the findings remains limited.

## TRADE COSTS IN REGULATORY CO-OPERATION: FINDINGS FROM CASE STUDIES

### Background

1. The study of twelve different initiatives of trade-related international regulatory co-operation (IRC) forms part of more extensive work undertaken under the responsibility of the Trade Committee (TC), with input from the Committee for Agriculture (CoAg), which is kept informed about progress made.<sup>1</sup> At its meeting in March 2015, the Working Party of the Trade Committee (WPTC) discussed and approved the scoping paper [[TAD/TC/WP\(2015\)2](#)], which subsequently was also reviewed by the Joint Working Party on Agriculture and Trade (JWPAT). The overall work complements ongoing work on IRC undertaken by the Regulatory Policy Committee by giving explicit consideration to the trade aspects of IRC. It currently comprises three main parts: a theoretical framework on the benefits of trade-related IRC (von Lampe et al., 2016), and a number of case studies on actual experiences with IRC. Elaboration of a practical tool that could help policymaker diagnose situations of regulatory divergence and identify appropriate IRC mechanisms, has been envisaged as the third and final element of this work.

2. The objective of this paper is to identify the IRC mechanisms and methods and procedures of work which such trade-related regulatory co-operation has involved, on the basis of information gathered mostly through a questionnaire on several IRC cases from different sectors. Of particular interest are the trade-facilitating effects of the different IRC initiatives and the potential factors influencing these effects. The analysis therefore also looks at the degree to which the different initiatives' outcomes have been implemented, cost reductions brought about, and at several other factors that may have played a role prior, during and after implementation of the IRC. Some tentative thoughts on how the process of IRC should be designed to generate mutual benefits are offered.

3. The next section provides an overview on how the present analysis was undertaken, including the data used, the methodology applied and some caveats to be borne in mind when reading the results. The third section presents the results of the analysis and offers some conclusions for policy makers. The Annexes to this study provide, in a standardised format, more detailed information about each IRC case studied.

### Data and methodology for analysing IRC cases

#### *The cases studied*

4. The analysis of the case studies relies mainly on data collected through a questionnaire that was sent to the governments of countries participating in 12 different IRC initiatives. An overview of the initiatives and outcomes analysed is provided in Table 1. For the purpose of this study, the initiatives have been grouped by sector. The sectors represented are wine, organic products, household appliances, pesticides, vehicles, and seeds. Some of the sectors include several initiatives that vary in terms of membership, structures, procedures and objectives. For example, the wine sector includes the OIV, the WWTG and the WRF. These three IRC initiatives have distinct characteristics and missions although each, in its own way, seeks to increase trade and reduce unnecessary trade barriers. For initiatives working on

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1. This work is also part of joint work by the Regulatory Policy Committee and the Trade Committee as defined in each committee's Programme of Work and Budget (PWB) 2015-16. Some Central Priority Funds (CPF) have been allocated by the OECD Secretary General to support cross-directorate work in this area.

and producing a wide range of distinguishable outputs, such as the OIV (wine) or the WP.29 (vehicles), only a subset of their work is subject to the more detailed analysis based on questionnaire responses. This paper therefore does not claim to provide full analyses or judgements on individual initiatives or to compare initiatives within sectors.

**Table 1. Initiatives and outcomes**

Initiative	IRC outcomes achieved and covered by the analysis
EU-US Organic Equivalence Arrangement	Mutual equivalence arrangement
US-Korea Equivalency Arrangement	Mutual equivalence arrangement
OECD Seed Schemes	Accession to the Maize and Sorghum Scheme to achieve harmonisation of certification. Modification of a standard by changing the lot size in the Grass and Legume Scheme (Decision <a href="#">C(2014)154</a> )
World Wine Trade Group	Agreement on mutual acceptance of oenological practices; Agreement on Requirements for Wine Labelling and the Memorandum of Understanding on Certification Requirements
APEC Wine Regulatory Forum	Development and alignment of export certificate
OIV	Development of international standards: Resolution OIV-OENO 505-2014, Monograph on silver chloride and Resolution OIV-OENO 145-2009, Treatment of wine with silver chloride OIV-MA-AS323-10 Method of determination of phthalates by gas chromatography/mass spectrometry in wines
NAFTA TWG on Pesticides	Streamlining and convergence of technical data requirements and development of new scientific tools and methodologies; create an aligned North American registration system for pesticides
Australia-New Zealand E3 Programme	Harmonised mandatory minimum performance standards Harmonised mandatory energy label
ASEAN SHINE	Harmonisation of standard of testing methods for air-conditioners Capacity building (test labs)
World Forum for Harmonization of Vehicle Regulations (UN WP.29)	Development of international standards: 1958 Agreement - UN Regulation 127 on Pedestrian safety 1998 Agreement - GTR 9 on pedestrian safety

5. The different initiatives and specific outcomes considered in this analysis are briefly described below. More detailed information on each IRC initiative is presented in Annex 3.

**Organic products:** The EU-US Organic Equivalency Arrangement enables each party to recognize the equivalency of the organic certification program of the other. EU or US operators who wish to sell organic products on both markets are no longer required to pay for two separate certifications and abide by two separate organic production standards. The US-Korea Equivalency Arrangement also ensures that each country recognize the organic certification program of the other as equivalent to its own. It allows processed organic products certified in Korea or in the United States to be sold as organic in either country. For the analysis, conclusion of each arrangement represents the relevant outcome of co-operation.

**Seeds:** The OECD Seed Schemes provide an international framework for the certification of seed. They aim to facilitate seed trade by reducing technical barriers, improving transparency and lowering transactions costs. The analysis looks at two of the schemes, namely the Maize and Sorghum Scheme and the Grass and Legume Scheme. For the former, the outcome studied is the accession to the Scheme; whereas for the Grass and Legume Scheme the outcome studied concerns a specific decision taken by members of the scheme to increase the lot size.

**Wine:** The APEC Wine Regulatory Forum (WRF) seeks to reduce trade costs resulting from non-science based testing and certification requirements for wine trade in APEC and to encourage good regulatory practices in wine regulation due to its status as a low risk food product. The WRF has five work streams focusing on: information sharing, good regulatory practice, proficiency testing and lab quality, export certificates, and pesticide MRLs (minimum residue limits). The specific outcome studied refers to

the WRF's work on consolidating certificate requirements. The International Organisation of Vine and Wine (OIV) develops standards and methods designed to improve the conditions of trade as well as for producing and marketing wine and other vitivincultural products. Its members elaborate a wide array of standards and guidelines on winemaking, test methods and marketing practices relevant for wine producers and consumers. This report cannot and does not try to analyse the whole range of the OIV's activities; instead, analysis is limited to two outputs of work: (1) Resolution OIV-OENO 505-2014 on the treatment of wine with silver chloride, and related Resolution OIV-OENO 145-2009, Monograph on silver chloride and (2) Resolution OIV-MA-AS323-10 Method of determination of phthalates by gas chromatography/mass spectrometry in wine. While these outputs illustrate important OIV activity, they are not representative of the organisation's breadth of undertakings. The third initiative, the World Wine Trade Group (WWTG) aims at facilitating international trade in wine and participating countries have concluded a sequence of three binding agreements as well as a Memorandum of Understanding (MOU), and have issued a number of statements to reduce unnecessary costs resulting from differences in domestic rules and approval procedures for winemaking practices and how wine can be marketed across borders. The analysis examines these three agreements (Agreement on Mutual Acceptance of Oenological Practices, the Agreement on Requirements for Wine Labelling, and the Memorandum of Understanding on Certification Requirements).

**Pesticides:** The NAFTA Technical Working Group (TWG) addresses pesticide issues arising in the context of liberalised trade among the NAFTA countries, while recognising the environmental, ecological and human health objectives of NAFTA. The objective is to create an aligned North American registration system for pesticides and products treated with pesticides. Given the multiplicity of programmes and outcomes completed and on-going, the analysis considers the whole cooperation that takes place under the NAFTA TWG, without focusing on any specific element.

**Household Appliances:** Sharing the objective to conserve energy and fight greenhouse gas emissions, the governments of Australia (including state and territory governments) and New Zealand coordinate improved energy efficiency of household appliances and other products under the so-called Equipment Energy Efficiency Program (E3) programme. They work together inter alia to determine appropriate minimum energy performance standards (MEPS) for products and energy rating labelling regimes for use in their respective home markets. The E3 work of developing minimum energy performance standards (MEPs) and labelling is considered in the present analysis, without singling out specific products that have been regulated for energy efficiency under the programme. ASEAN SHINE is a public-private co-operation that seeks to harmonise ASEAN standards on testing methods to facilitate trade among ASEAN countries on more efficient appliances. The analysis on ASEAN SHINE reviews the outcome of harmonisation of the testing standard for air conditioners in the residential sector.

**Vehicles:** The UNECE World Forum for Harmonization of Vehicle Regulations (WP.29) establishes a regulatory framework to encourage innovative vehicle technologies in the market that comply with global vehicle safety. The regulations that are adopted have multi-objectives: ensuring safety, decreasing environmental pollution and energy consumption and fostering and facilitating cross-border trade. The WP.29 is based on several UN Agreements: The 1958 Agreement provides for technical requirements and test methods by which performance requirements are to be demonstrated. It includes the reciprocal acceptance of approvals of vehicle systems, parts and equipment issued by other Contracting parties. The 1998 Agreement ensures that objective consideration is given to the analysis of best available technology, relative benefits and cost effectiveness as appropriate in developing global technical regulations (GTRs);

achieving high levels of safety, environment protection, energy efficiency and anti-theft performance.<sup>2</sup> Within the large catalogue of regulations adopted under the two agreements, the analysis in this paper focuses on two specific outcomes, namely the UN Regulation 127 under the 1958 Agreement and the GTR 9 under the 1998 Agreement, both on pedestrian safety.

### *The questionnaire*

6. Of a total of 220 questionnaires sent, 99 received responses could be used for the analysis. The response rate varies significantly across initiatives.<sup>3</sup> A detailed break-down of questionnaires sent and received by initiative can be found in Annex 1.

7. The substantive part of the questionnaire is structured in three sections covering the process of countries' engagement in the IRC initiatives. A first set of questions looks at the process and steps taken prior to the co-operation. These questions aim to further the understanding on preparatory work and expectations of countries that engage in a given IRC initiative, including reasons for countries to be interested in the co-operation and the type and importance of trade costs exporters and importers incurred due to regulatory diversity. A second set of questions focusses on the process during the co-operation itself, such as the process leading to the co-operation agenda, assessment that may have informed the discussions, work undertaken and joint decisions, including those resulting in the specific mechanisms to reduce trade costs. Finally, a third set of questions explores the achievements of the initiatives and what, from the perspective of the participating countries, their effects were. This includes, for instance, any regulatory changes countries may have made in response to the outcome, or any evidence for reduced trade costs or other benefits. A template questionnaire can be found in Annex 4. Individual questionnaires differ slightly as certain questions are not relevant to certain initiatives.

### *Methodology*

8. In most cases, the analysis of key information provided by countries' responses to the questionnaires across all initiatives is of statistical nature: for a number of relevant questions, it shows the distribution of countries' responses across the different possible answers. As the number of participating countries across initiatives is very different (ranging from two in each of the Organic Equivalency Arrangements and in the E3 Programme to 54 in the OECD Grass and Legume Scheme), appropriate weighing of countries' responses is important. Statistics shown therefore correspond to the average shares of responses across initiatives within a given group, rather than the share in total responses within the group.

9. Given the comparatively small number of initiatives, the statistical assessment of the significance of inter-relationships between specific variables and any of the analytical dimensions mentioned above is limited. Based on Pearson Chi-Square statistics (Pearson, 1900; Conover, 1999; Fienberg, 1980) and Fisher's Exact tests (Fisher, 1935; Freeman and Halton, 1951), this study tests whether the consideration of certain types of trade costs prior to engaging in IRC is linked to various characteristics of the IRC initiatives (called *analytical dimensions* further below). A Kruskal-Wallis test (Kruskal and Wallis, 1952)

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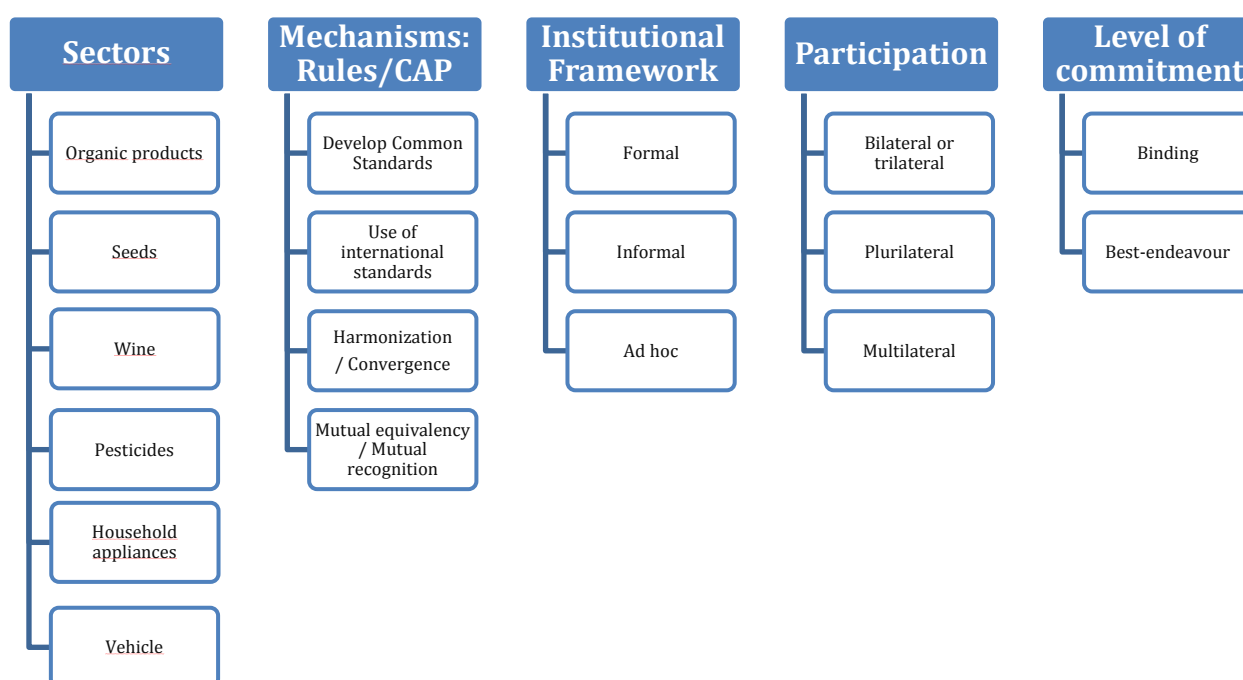
2. The legal framework of the WP.29 includes a third agreement adopted in 1997. UN Rules annexed to this agreement concern periodical technical inspections of vehicles in use. As these are of lesser relevance to the present study, the 1997 Agreement is not covered.

3. Given that the EU-US Organic Equivalency Arrangement falls under EU jurisdiction, the analysis for this initiative only considers questionnaire responses by the EU Commission and the United States, but not by individual EU Member states. Note also that several questionnaire responses were included that were largely but not fully completed.

is performed to see whether perceived significance of trade costs is linked to specific groups of IRC outcomes. In addition, Box 3 provides results of a gravity model analysing the trade effects of the OECD Seed Schemes.

10. The 12 case studies covered by this project differ along a variety of dimensions, as illustrated by Figure 1. They cover both agriculture and manufacturing across six different sectors. Other dimensions include for instance the number of participating countries, the level of commitment, the institutional framework, and the different IRC mechanisms of the outcome. The analysis uses these different dimensions to present the results of the questionnaires.

**Figure 1. Dimensions of characteristics of IRC initiatives**



11. These different dimensions first highlight the scope of the initiatives examined, but more importantly they can help to better understand differences in some of the trade costs considered and processes of co-operation across the different cases. They define an analytical grid used to screen information obtained through the questionnaire together with information obtained from other sources reviewed.

12. The analysis focuses on the following dimensions: the sectors, the outcomes or mechanisms (with outcomes on rules separated from those on conformity assessment procedures), the institutional framework, the level of participation and the level of commitment. The institutional framework includes three types: ad hoc, informal and formal institutions. The level of participation differentiates among three categories based on the number of parties: bilateral/trilateral, plurilateral, and multilateral. In the IRC case

studies examined, there are more multilateral IRC initiatives than plurilateral. Annex 2 illustrates how each initiative was mapped out to the different dimensions for the purpose of this report.<sup>4</sup>

<b>Box 1. Glossary of terms and definitions</b>	
<b>Term</b>	<b>Definition</b>
Alignment	The process of gradually converging or approximating domestic regulations on international standards or other regulations by establishing, recognizing and applying adopting closer common requirements.
Conformity assessment procedure (CAP)*	The procedure or process that determines that relevant requirements in regulations or standards are fulfilled. Conformity assessment procedures include, inter alia, procedures for sampling, testing and inspection; evaluation, verification and assurance of conformity, registration, accreditation and approval as well as their combinations.
Convergence	The process of reducing regulatory differences across countries participating in a given IRC initiative. Harmonisation is a specific case where differences are fully eliminated.
(Mutual) Equivalence	A principle generally understood to mean that, if a regulation applied in country A though different from the regulation applied in country B, achieves country B's stated objective for that regulation, then country B can consider country A's regulation as being equivalent, although not necessarily identical, to its own regulation, for the purpose of access to its own market. Equivalence may be accorded unilaterally to a trade partner, or within a mutual agreement.
Harmonisation	The process of establishing, recognising and applying the same requirements.
International standard	This term has the meaning assigned to the term as understood under the TBT Agreement or the SPS Agreement, including decisions or recommendations adopted and issued by the WTO Committee on TBT Committee or SPS Committee, as applicable.
Mutual recognition	A principle generally understood to mean that two or more countries agree to recognise one another's regulation or conformity assessment procedures, or both, subject to agreed conditions. In the context of this work, it is distinguished from equivalence by referring only to conformity assessment procedures.
Outcome	Agreed specific results of an IRC initiative, such as jointly developed rules or conformity assessment procedures, the agreed use of international standards, common steps towards convergence or harmonisation of rules or conformity assessment procedures, or an agreement on mutual equivalence of rules or on mutual recognition of conformity assessment procedures.
Regulation*	A document which lays down mandatory product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method.
Trade costs	Welfare losses due to costs incurred by exporters and/or importers that result from the fact that regulations and processes in a foreign market are different from those in the home market, making exports to or imports from the foreign market more demanding in terms of time, financial and other resources.

\*Definitions provided by the WTO Agreement on Technical Barriers to Trade. The WTO Agreement on Sanitary and Phytosanitary Measures does not distinguish between regulation, standard and conformity assessment procedure but uses the term of 'measure' to mean any of these.

4. For the purpose of the analysis, the institutional framework was categorized into formal, informal, and ad hoc. Formal initiatives include those with pre-established rules and procedures (e.g. OIV, the vehicle initiatives); informal initiatives cover those that have been ongoing over time and that look at different aspects of the IRC but without any pre-established rules and procedures (e.g. WWTG). Ad hoc initiatives were created exclusively for a specific IRC outcome and do not follow predetermined rules and procedures (e.g. all the bilateral organic product initiatives). The term "binding" is used in a broad sense meaning that the instrument or IRC outcome creates obligations on the parties. Conversely, "voluntary" IRC outcomes do not oblige parties; instead countries are encouraged to transpose them into their national law.

*Limitations of the study*

13. The analytical dimensions or distinguishing characteristics of IRC experiences enable a comparison across groups of cases. Nonetheless, the number of cases remains small compared to the totality of real-world IRC. In addition, IRC is typically very sector- and context specific. As a consequence, while the analysis attempts to go beyond an interpretation of specific cases, caution should be exercised in interpreting the results must be taken to offer generalization for IRC, and the conclusions drawn should be seen in that light.

14. It is also important to be aware of differences in responses concerning the same initiatives. While this was to be expected for questions pertaining to the pre-cooperation phase, it also occurs for some questions related to common activities at the co-operation level where one could expect a high degree of consistency across country responses. Different perceptions may, however, have a number of origins, including language barriers and interpretations in the context of the co-operation as well as different interpretations of the questions in the survey itself. Wherever possible, the variance in responses within individual initiatives has been taken into account in the analysis, notably when estimating the statistical significance of relationships between variables.

15. A similar caveat relates to the fact that several questions either allowed countries to answer “don’t know”, or to not answer at all (optional questions), or both. In the questionnaire, the instructions alerted the users that some questions may require answers or input from several governmental departments or agencies. This interagency coordination for this questionnaire was not required but encouraged. Still, a number of questions show relatively high shares of such “unknowns”, for instance regarding the quantification of trade costs prior to engagement in an initiative, the quantification of any impacts of initiatives’ outcomes, or on evidence that outcomes have facilitated trade. It should be noted that the industries concerned, a possible source of more information on regulatory trade costs and the initiatives’ effects on trade, was not involved in the present study.

16. When questioned about these “don’t know” answers, respondents offered a variety of explanations:<sup>5</sup> Relatively often the authority completing the questionnaire was not in charge of the assessment or activity at issue and had not managed to determine if other parts of governments had done something. In some countries, the information sought by the questionnaire was unavailable because the initiative or its specific outcome did not matter much to the local economy, or because the initiative was recent and not yet fully in place. In the case of the Maize and Sorghum Seeds Scheme, one country reported that records permitting a clear response no longer existed or were difficult to find. Lastly, some of the “don’t know” responses appear to have been caused by the questionnaire not being tailored to the specifics of individual initiatives.

17. The analysis frequently refers to averages across initiatives grouped along a given dimension. It uses the average of each initiative, giving equal weight to each initiative regardless of the number of countries involved or the number of questions or responses received. This avoids using simple averages across all responses which would have resulted in larger initiatives having an unduly higher weight in the aggregate.

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5. The information reported here was obtained by follow-up exchange with those countries having given “don’t know” responses to questions explicitly analysed in this report. Of the 70 countries contacted on this matter across all initiatives, 29 countries offered explanations, five of which opted to change their response.

18. One would expect that the relative size of countries participating in an IRC initiative matters for how countries prepare for the co-operation as well as for the outcome. Indeed, the IRC Theoretical Framework (von Lampe et al., 2016) postulates that the relative size of countries' markets should matter for the outcomes achieved, in that "larger" countries are less likely to make big changes to their regulatory system than "smaller" ones. While the analysis remains incomplete on this latter question, it is worth noting that trade and market data generally is not available at the level relevant to the initiatives' product coverage. Instead, where required, countries' sizes were approximated by their relative GDP in constant PPP, based on data from the World Bank and, if needed, other sources.

19. Finally, the reader should be aware of some decisions taken when grouping initiatives along the different dimensions. For instance, concerning the initiatives' institutional framework, initiatives such as the World Wine Trade Group (WWTG) were categorized as *informal* whereas the two organic initiatives were categorized as *ad hoc* because of their exclusive focus on a specific and predetermined IRC outcome. Similarly, concerning the grouping related to the number of participating countries, the category "plurilateral" was created for ASEAN SHINE (10 countries) and the WWTG (8 countries), so as to differentiate them from the bi- and trilateral initiatives, on the one hand, and the multilateral initiatives all featuring more than 20 participants, on the other hand.

#### **Does IRC result in lower trade costs and facilitated trade? Evidence from the cases**

20. Among the cases of IRC initiatives under examination, most have trade facilitation either as primary or secondary objectives. Others centre essentially on other policy objectives, such as the improvement and assurance of the quality of traded products. Annex 3 provides fact sheets for the different initiatives. The organic cases aim primarily at fostering greater market openness for producers and exporters while reducing administrative requirements. With the harmonization of a certification for seeds, the OECD Seed Schemes reduces trade barriers and provides access for scheme members to high-value seeds markets. In the wine sector, the desire to tackle regulatory barriers to trade has motivated the work of APEC-WRF and WWTG and improving the conditions for marketing vine and wine products is one of the main objectives of the OIV. The primary objective of the initiatives under the household appliances sector is to ensure sustainable energy efficiency of the appliances. At the same time, they allow for more integrated trade among the countries. The WP.29 aims at ensuring safety and decreasing environmental pollution, it also seeks to facilitate trade. The 1998 Agreement explicitly mentions reducing trade barriers among its objectives.

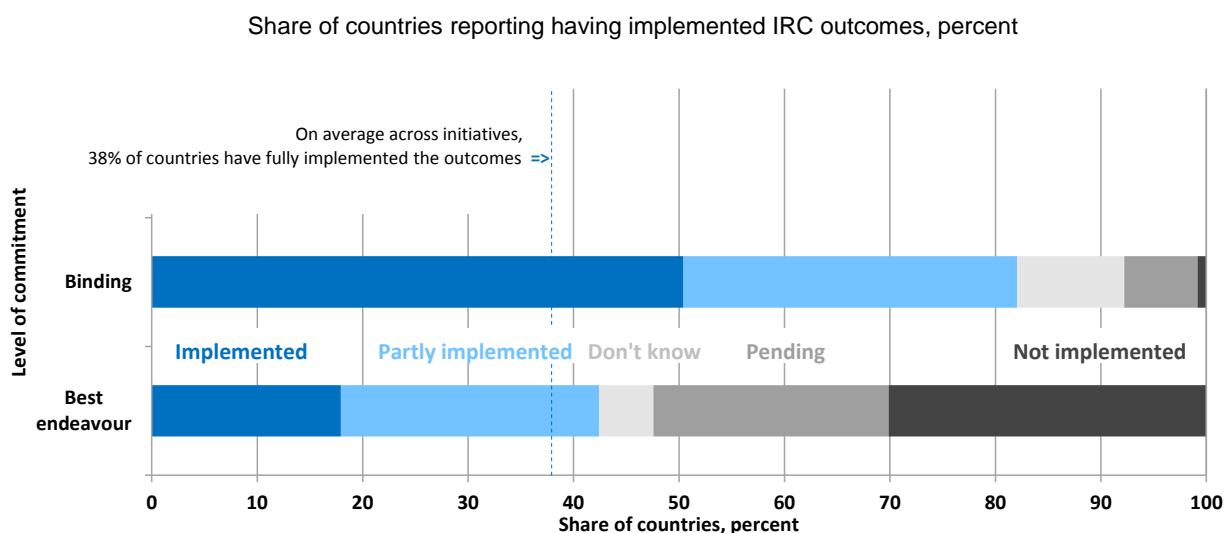
#### *The majority of countries have implemented IRC outcomes*

21. Two-thirds of countries reported having implemented, either partly (38%) or entirely (30%), the outcomes. The high rate of implementation of the IRC outcomes in each sector is a signal of the success of the different initiatives and of the commitment of countries for making the required regulatory changes. A small group of countries indicated that they did not know whether their country had implemented the outcomes. Most of these responses related to the two seeds schemes and appear to be related to difficulties with understanding this question and with internal outreach to other relevant agencies.

22. The degree to which countries have implemented the outcomes of initiatives strongly depends on the level of commitment of outcomes, i.e. whether these are binding or best-endeavour (Figure 2). While for best-endeavour outcomes, 52% of respondents indicate that the outcomes have not (yet) been implemented, just 8% of the respondents say so for binding outcomes. Implementation also tends to be higher for initiatives with a smaller number of participating countries. Most indications of non-implementation come from countries part of multilateral initiatives. Indeed, differences in the level of commitment and in the size of the country group in the initiative explain 88% of the variance across the 12 initiatives in the share of countries that have indicated at least a partial implementation of the outcomes,

with coefficients for both bindingness (positive) and number of participants (negative) being statistically significant.<sup>6</sup> This suggests that initiatives leading to voluntary outcomes as well as those involving a larger group of countries *a priori* may suffer from a lack in participants' buy-in to actually implement agreed outcomes.

**Figure 2. Degree of implementation strongly depends on the level of commitment**



Source: Country governments' responses on IRC questionnaire, OECD (2016) (n=87 responses).

23. However, recent work finds that binding initiatives are not necessarily a guarantee of implementation and effectiveness (OECD, 2013). Indeed, beyond the cases analysed in this study, there are several examples where binding agreements have not been effective in their implementation because of the lack of enforcement or compliance. The data available from the cases do not allow ascertaining the degree of compliance *ex post* or enforcement of each outcome. On the other hand, a formally non-binding agreement may be effective in its implementation as countries adhere to it.

24. A high degree of implementation across participating countries is a prerequisite for an outcome to be an effective tool in reducing trade costs and facilitating trade. The data suggest that initiatives with fewer countries involved and leading to binding outcomes have a significantly better chance to achieve this.

*Greater implementation results in more trade facilitation, although the link is not one-to-one*

25. Across the initiatives analysed, about one third of country governments report evidence of trade facilitation (Figure 3).<sup>7</sup> On the other hand, only one country in nine reports the absence of such evidence. As noted above, there is a positive and statistically significant link between reported evidence on trade facilitating effects and the degree to which countries have actually implemented the outcomes.

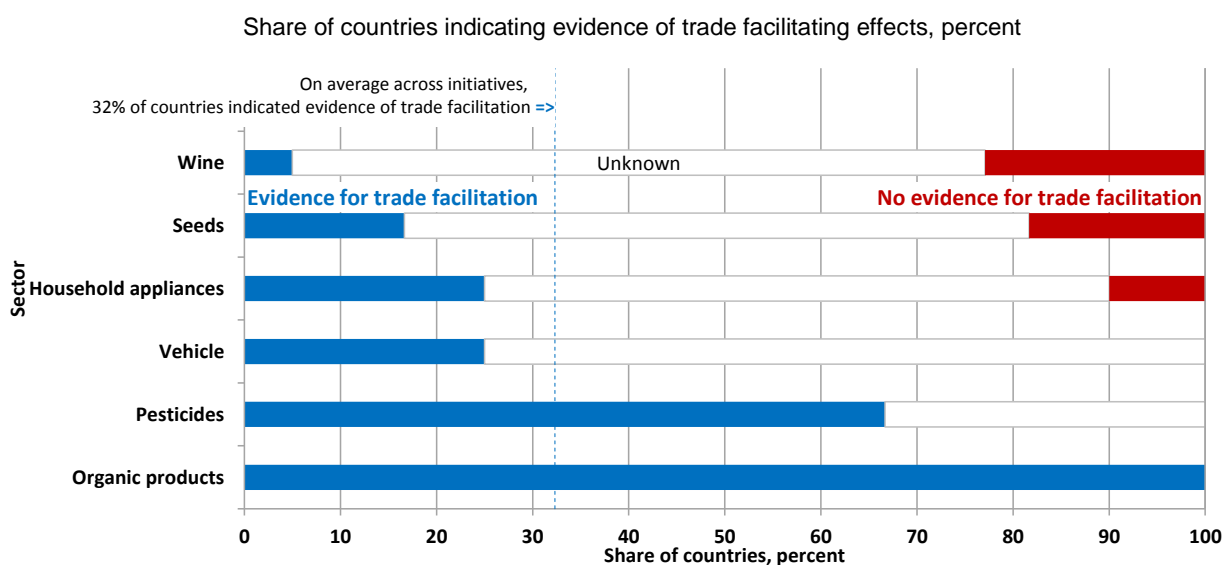
6. Simple OLS estimation of the share of countries indicating that they have implemented the initiative's outcomes at least partly as a function of the number of participants and of whether or not the outcomes are binding.

7. One may argue that the industry could be in a better position to assess the trade facilitation effects of IRC; however, private stakeholders were not involved in the present study.

Unsurprisingly, therefore, initiatives resulting in binding outcomes show a substantially larger share of countries indicating evidence of trade facilitation (55%) than those delivering best-endeavour outcomes (7%). Across all initiatives analysed, the coefficient of correlation between the share of countries that indicated having implemented the outcomes at least partly and the share of countries that indicated having evidence for trade facilitating effects of the outcomes exceeds 0.75.

26. Trade-facilitating effects appear to be particularly evident in the organic products and pesticides initiatives. These are bi- or trilateral initiatives resulting in binding and hence largely implemented outcomes.

**Figure 3. Trade facilitation by sector**



Source: Country governments' responses on IRC questionnaire, OECD (2016) (n=67 responses).

27. More than half of countries reported they do not know whether evidence of trade facilitation exists. This share tends to be particularly high for IRC initiatives with numerous participants, whereas it is zero for the bilateral organic initiatives and comparatively small for the trilateral NAFTA TWG on Pesticides (three members). Further information provided by the respondents<sup>8</sup> suggests difficulties to find out whether evidence on trade facilitating effects would be available in other parts of the governments, or to determine the effects of the IRC outcome due to lacking data – including because the initiative was deemed too recent for trade facilitating effects to materialise. More generally, this may be related to the fact that reducing trade costs is not always the prime objective of IRC initiatives. For instance, for the initiatives in the vehicle and household appliances sectors trade facilitation is one among several objectives, whereas the co-operation undertakings in the organic sector were driven by the desire to improve market openness. In addition, assessing trade costs and trade facilitation effects may be too costly for initiatives and countries to do. From the data available, a weak positive link exists between the likelihood of a country to indicate knowledge on whether such evidence exists and its income level. With the exception of the Philippines (APEC WRF) and South Africa (OECD Maize and Sorghum Scheme), only OECD member countries have indicated such evidence for any of the initiatives.

8. As indicated above, countries responding with “don’t know” were given the opportunity to provide further information. Of the 24 countries contacted with respect to this question, 17 responded.

28. If IRC initiatives are to facilitate trade, such mechanisms are essential for ensuring and measuring success. If such assessment is not part of the initiative, it should be part of countries' regulatory systems. Firms and the private sector are the primary actors in trade and can provide the necessary input to inform and alert governments on the type of regulatory heterogeneity and related unnecessary trade costs that they face. These stakeholders therefore have a key role to play in generating and providing the necessary information and, possibly, the analyses required. The absence of knowledge on trade facilitation evidence could indicate the absence of consultation with stakeholders once an IRC outcome is implemented.

29. In addition, it may also signal that countries do not carry out (or do so only partly) ex post evaluation or conduct regulatory review periodically of IRC outcomes as part of their regulatory process. This interpretation is supported by earlier OECD analysis (OECD, 2015; Basedow and Kauffmann, 2016), which found that the use of ex post evaluation to assess the trade impacts is significantly less developed than the use of regulatory impact analysis (RIA). In this context, its use to assess impacts on other jurisdictions and international trade remains fully to be explored. It is worth noting however that most countries reported having consulted with stakeholders prior to the cooperation. Stakeholder involvement varies significantly across the initiatives, but information available only concerns the stakeholder involvement *prior* to engaging in the initiatives. The data on trade facilitation evidence seem to suggest that this consultation may not have occurred once the outcomes were implemented. A properly undertaken ex-post evaluation or regulatory review, which includes the impacts of IRC outcomes and related regulatory changes can also help to capture any unexpected or negative impacts, including from the enforcement. This information can provide important feedback for follow-up activities, including any revision of regulations or outcomes.

30. The outcomes of any national assessment of trade facilitating effects should then be shared among participating countries to deepen and justify the co-operation.

### **Reaping the benefits: producers and exporters benefit most from cost reductions**

31. Benefits from IRC can take various forms. OECD (2013) lists several elements that go beyond trade and trade-cost effects, such as improvements in economic efficiency, or better management of risks and global goods across borders. The present study looks at changes in costs and burdens for various stakeholders, including producers, exporters, importers and consumers of (traded) products as well as for the regulators.<sup>9</sup>

*Producers and exporters see significant cost reductions, but other stakeholders benefit as well*

32. Across initiatives, producers and exporters are reported most frequently to see significant reductions in costs and burdens as a consequence of IRC outcomes. Similar to the reporting on trade facilitation evidence, initiatives that resulted in agreements on mutual equivalence or recognition, and here

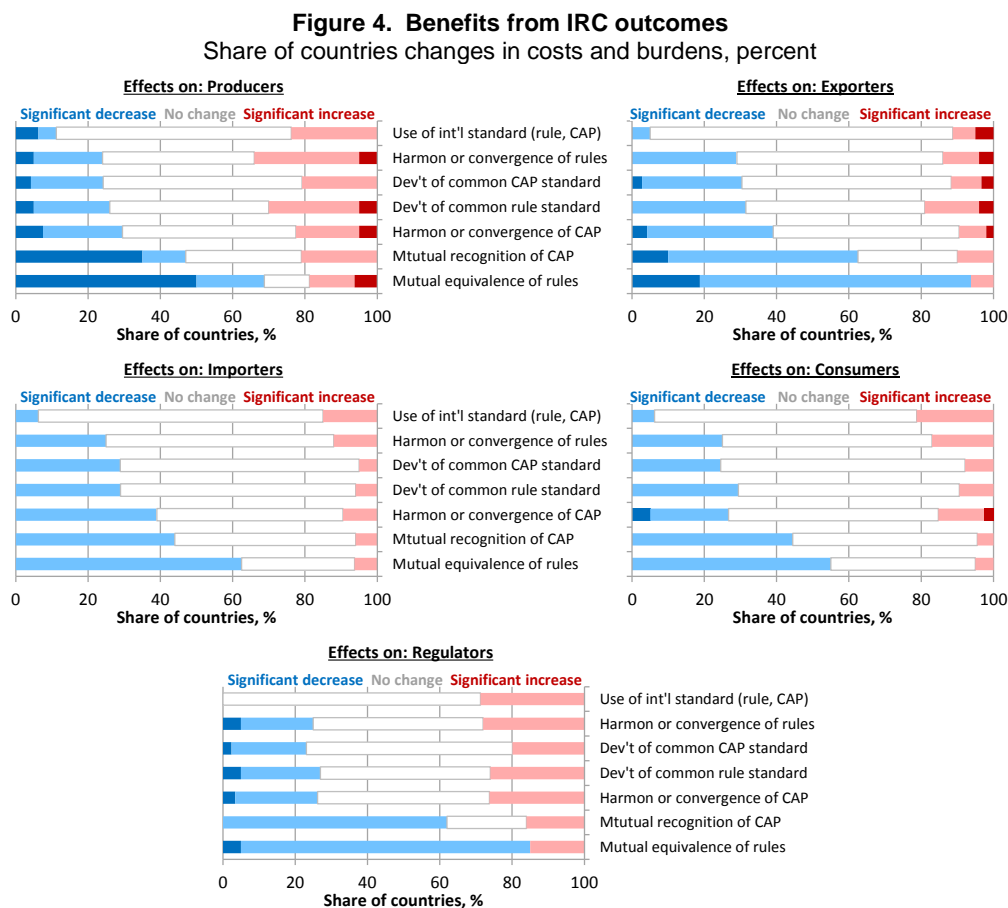
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9. The term "costs and burdens" is to be understood in a broad but static sense: while covering all monetary and non-monetary costs to be borne by the different stakeholders involved, it does not include effects to such costs due to changes in technical progress and other dynamic effects. In addition, relevant cost elements will differ between stakeholders: while producers and exporters generally have to bear costs related to specification, conformity assessment and regulatory information, costs borne by consumers generally come in the form of effects on prices and product choice. Costs borne by importers may include any of these elements, while effects on regulators may be related to the regulatory process or surveillance. In the questionnaire, the exact definition of "costs and burdens" has deliberately been left open to allow countries to include effects that they deem relevant.

notably the two initiatives on organic products as well as the World Wine Trade Group, show particularly strong positive effects for these stakeholders.

33. Reductions in costs and burdens are also reported for importers, consumers and regulators. While importers and consumers can benefit from lower prices for imported products, it appears that gains for importers and consumers are less substantial than those for producers and exporters, or that governments are less aware of them. The results also suggest that the work of regulators is often facilitated through better alignment and simplification of import processes. Initiatives focussing on mutual equivalence of rules and recognition of conformity assessment in particular are among those with the highest potential to reduce regulators' burdens (Figure 4).

34. Benefits across all stakeholders tend to be largest for initiatives involving a smaller number of countries. The bi- and tri-lateral initiatives in the sample also resulted in binding outcomes. Binding outcomes have been identified as most likely to be implemented by participating countries and hence to bring about trade facilitating effects, as noted above.



Source: Country governments' responses on IRC questionnaire, OECD (2016) (n=64 responses).

*Organic food initiatives and other MRAs seem to bring largest cost reductions*

35. Benefits appear to be largest for the two organic food initiatives – resulting in binding mutual equivalence and recognition with small number of participating countries (Box 2). This general finding is contrasted by the absence of indications of cost reductions for importers and consumers for the US-Korea

organic products arrangement. One would expect that easier trade of organic products would benefit both the export and the import side, and hence both producers and consumers (the latter through lower prices and increased choice). Effects on costs and burdens for Korean importers and consumers related to the US-Korea organic equivalency arrangement could not be assessed, however, as a specific regulation on organic certification had not been in place in Korea before the US-Korea arrangement took effect.

#### **Box 2. The cases on organic food products**

Data suggests that for the organic sector costs either stayed the same or decreased for each actor, no increase of costs is suggested. Producers and exporters are the most important winners in that sector but data also suggests unanimously that regulators saw their costs decreased as well.

These perceived benefits support recent analysis that provided evidence of increase in US exports that has been attributed to the Arrangement (Demko and Jaenicke, 2015). It was reported that in the first eleven months of 2013 the US exported USD 7.6 million in organic products to the EU, 55% more than in the same period in 2012. The largest increase in exports occurred in fresh apples which are the most important US organic products exported to the EU – US organic apples shipments from January to November 2013 were up 104% compared to the same period in 2012 (GAIN, 2014). It was also found that the Arrangement not only strongly affected the share of US organic exports relative to total exports, but also the likelihood of exporting any level of organic products.

Demko and Jaenicke (2015) however also suggested that the EU-US Arrangement caused a slight decrease in organic export price and increase in organic import price. Although this finding would point to contradicting the positive effect of reduced trade cost stemming from the IRC outcome, the data compiled from the questionnaire offers no explanations or supporting evidence toward this.

The organic cases covered in this study bear some distinctions to other kinds of existing Mutual Recognition. First, they are very recent agreements on low risk products, the negotiations were highly politically motivated and supported and especially in the case of the EU-US arrangement, the negotiations did not start from a new relationship. In fact past failed attempts had likely helped build trust and share information between both sides.

36. In turn, reductions in costs or burdens for stakeholders appear to be rather limited for the seeds schemes – those are rather large, formal initiatives focussing on harmonising and developing common conformity assessment procedures. While this outcome appears to be in conflict with the finding that at least for the Maize and Sorghum Scheme, several countries have indicated evidence on trade facilitating effects, the paradox is resolved by the focus of the seed schemes: the represent effective quality assurance schemes and hence allow complying producers to access higher-value import markets. The higher revenues for certified seeds come at higher levels of both specification and conformity assessment costs. In this case, trade facilitation therefore appears not to come from lower trade costs, but from higher-value products finding access to import markets more easily.<sup>10</sup>

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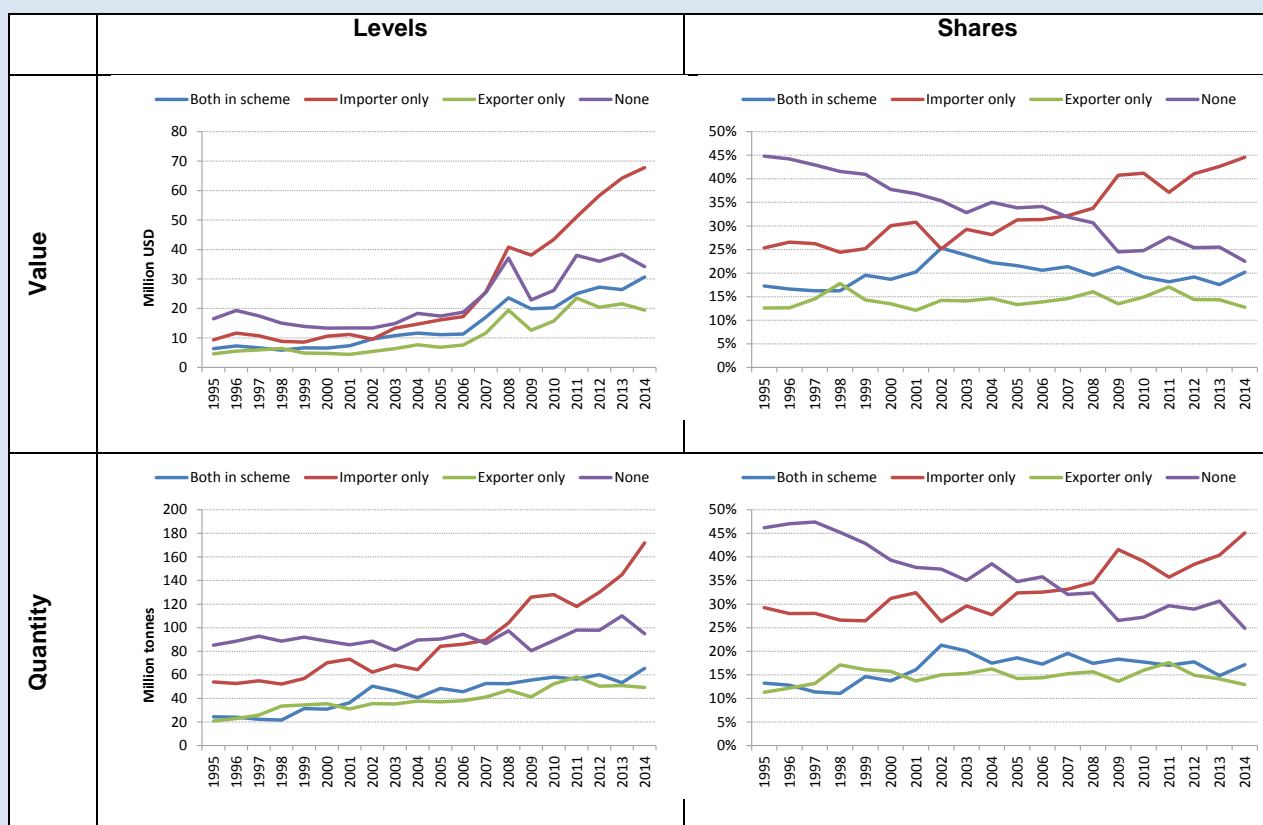
10. Note that due to the voluntary nature of the question on changes in costs and burdens for different stakeholders, several completed questionnaires do not contain this information. In the case of the OECD Seed Schemes, 19 of the 33 countries that responded to the questionnaire did not answer this question. The data on this question available for the Seeds Schemes therefore should be considered as less representative than for other initiatives.

**Box 3. The cases of the seeds sector**

Responses to the questionnaire on the OECD Seeds Schemes remained inconclusive on the evidence for trade facilitating effects of these schemes: some countries party to one of the seeds schemes indicated some evidence for trade facilitating effects, while others suggested there is none. There is also a mixed picture as to whether costs for trading stakeholders has decreased or increased. This box aims to shed more light on the trade effects of these activities by summarising some econometric analysis on the trade effects of the OECD Seed Schemes, based on additional statistical information.

The empirical analysis used a database of 215 countries, 57 of which are members of at least one OECD seed scheme. The data covers a 20-year period from 1995 to 2014 (see Figure 5). The bilateral trade of the products shown includes seeds from OECD Seed Schemes as well as products not certified by the scheme, i.e. the values and quantities displayed do not all correspond to trade in seeds certified with the OECD scheme labels. Figure 5 illustrates the trend in bilateral trade, both in value and quantity, broken down into groups depending on whether one or both trading partners are party of the seed scheme. The share of trade when the importer is party rose from 25% in 1995 to 45% in 2014. Conversely, the share of trade when none of the trading partners are OECD Seed Schemes members has fallen from 45% in 1995 to 25% in 2014, showing the growing importance of the seed scheme in world trade (both in terms of products and countries). These changes in trade shares do not capture the impact of joining the OECD seed scheme, however. Instead, they simply show that trade in seeds is shifting towards trade partners of which at least one country is part of the OECD seed scheme. This supports the interest of many countries to join the OECD Seed Schemes.

**Figure 5. Trends in total seeds trade by group of country pairing, 1995-2014**



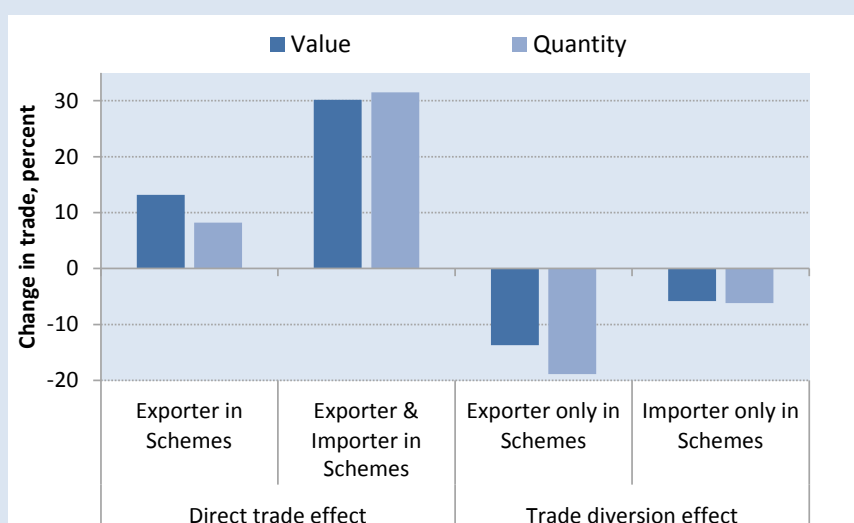
Source: BACI Database, CEPII

For assessing the trade effect of countries joining the OECD Seed Schemes, a gravity model was estimated based on bilateral trade flows among 215 countries for 29 products at the HS-6 classification level. This allows determining whether accessing the schemes makes a difference for the accessing country, but also for third countries. Assessing these impacts allows evaluating the potential benefit of a specific regulatory co-operation outcome, i.e. the harmonization of seed certification among members. To evaluate this impact, the gravity model in its standard formulation is complemented with a set of dummy variables: a first one denotes whether the exporting country is a member of any of the OECD Seed Schemes; a second dummy shows whether the importer is part of the Seed Schemes and a third one whether both trade partners are in the Seed Schemes. The three dummies are tested in the model alternatively and jointly but this provides similar results.

Results suggest that a country's exports to a trading partner could increase by more than 12% in export value and more than 8% in export quantity (Figure 6). The greater value effect compared to the quantity effect suggests that accessing the seed scheme allows exporters to achieve higher prices by trading higher quality seeds.

A stronger effect is found for country pairs where both exporter and importer are members of the same Seed Scheme: the trade impact in both value and quantity exceeds 30%. This suggests that the positive effect of joining one of the schemes is significantly intensified when the country's trading partners are also part of that same scheme. It supports the expectation of positive trade effects of this type of international regulatory co-operation. If both trading partners are part of the same scheme, producers of certified seeds have access to the high-quality and, hence, higher-value markets in the importing countries.

**Figure 6. Estimated trade effects of joining an OECD Seeds Scheme**



Another potential motivation for countries to join the OECD Seeds Scheme is to avoid being excluded from the seeds trade giving the quality assurance provided by the seeds certification only granted to OECD Seed Schemes members. As such, the certification schemes could become a more broadly defined reference standard, and not complying with it would generate growing market access problems. The analysis therefore tested for trade diversion affecting countries that are not part of the Seeds Scheme to assess whether this "avoidance of exclusion" could indeed be considered a motivation for joining. For this, a dummy variable identifies trading country pairs in which only one of the countries is member to a scheme. Results indeed suggest some trade diversion: A country joining a Seed Scheme imports less from non-members (-6%). Similarly a country joining a Seed Scheme exports less to non-members (-14% in value, -19% in volume).<sup>1</sup>

Method: The study uses a gravity model of bilateral trade for 29 vegetable products at the HS-6 level of the classification. The data include trade flow data available in the BACI database (CEPII), both on value and quantity of the products. 215 countries are covered, 57 of which are members of at least one of the OECD Seeds Schemes. The 29 product regroup seeds that are part of the different OECD Seed Schemes. The gravity model evaluates the effect for a country one of the six seed schemes. The 20-year period covered includes 1995-2014, for a total of 371 744 observations. 44% of the data points refer to trade between countries both not member to any of the schemes, whereas 22% of the trade flows are between two member countries. The model uses a set of standard variables to

explain trade flows, including the size of the partners' economies (with a positive effect on bilateral trade flows), the distance (with a negative effect), the sharing of common border, common language, common ethnicity or common colonizers, and the common participation in a regional trade agreement. For the analysis, the model is estimated by OLS using additional dummies to reflect the membership in the seed schemes of the importer, the exporter or both.<sup>2</sup>

Alternatively this study explores also the impact of joining any OECD seed scheme on exports and imports of crop fields seeds using data from International Seed Federation (ISF). The ISF data precisely track exports and imports of crop seeds around the world, even though it does not provide bilateral trade flows between country pairs. Estimation results largely confirm those from estimates using BACI data: they suggest that joining OECD seed scheme would increase seed exports by 50 to 55 percent. While this estimated impact seems large it should be taken with caution given that the IFS seeds data do not exactly match the seeds types covered by individual OECD seed schemes.

Notes: 1. Swinnen et al. (2015) analyse the effects of standards in food supply chains, in particular access to high-quality segments. 2. Traditional OLS estimates do not take into account for zero trade flows, which are especially prominent at a sector level. As a consequence, the OLS estimator allows to show changes in existing trade flows, but does not permit analysing the extensive trade effects of generating new bilateral trade flows. Future work could envisage using a Poisson Pseudo Maximum Likelihood or other estimators that accounts for zero trade flows as well.

37. Small cost reductions were indicated also for the Regulation 127 under the 1958 Agreement of the WP.29 and for the ASEAN SHINE initiative. The outcome of ASEAN SHINE, essentially an effort to harmonise rules and conformity assessment procedures based on available international standards, is a recent and voluntary one. Implementation to date has therefore been limited and, where it has taken place, rather recently, any trade facilitating effects likely will take some time to show up. This explanation needs to be nuanced, however, by the number of countries indicating that costs and burdens may have increased for a range of stakeholders.

38. The indication of hardly any reductions in costs and burdens for the Regulation 127 under the 1958 Agreement of the WP.29 initiative contrasts with earlier findings by the PIIE (2015), which analysed the trade effects of the 1958 Agreement. That study found that "joining the 1958 Agreement boosts auto trade by more than 20%. This effect is significantly higher than effects estimated using tariff equivalents and almost as large as the additional increase from joining the European Union". The difference in findings could be explained by the difference in scope: the PIIE studied the effect of accession to the 1958 Agreement as such, whereby countries adopt the stock of already agreed regulations, whereas the initiative examined here is a single regulation resulting from the work under the Agreement, the effect of which would be more limited and incremental.

39. Recent OECD work (de Brito, Kauffmann and Pelkmans, 2016) suggests that while Mutual Equivalence and Recognition Agreements are a possible outcome when the following conditions are present: regulatory areas which are essentially science-driven or based on strong evidence with global value chains; similar regulatory objectives among countries regulatory gaps that are not too large; and institutional settings not too far apart across participating countries so that countries can trust technical infrastructure that are involved in maintaining and operationalizing the MRAs. In turn, more recent work (OECD, 2016) suggests rather limited positive impacts on trade from MRAs which regulators and administrations considered as costly to develop and to maintain. Results from the case studies partly support both views, with both organic cases and the E3 Programme featuring decreases in costs and burdens for virtually all stakeholders. Effects reported for the work by the World Wine Trade Group are more mixed with indications of both decreased and increased costs across stakeholders. For the WP29 1958 Agreement (i.e. Regulation 127), most responses point to increased or unchanged costs and burdens. This suggests that close proximities of participating countries in their regulatory objectives and regulatory frameworks are key factors for successful MRAs.

*IRC may also lead to increased costs and burdens for stakeholders*

40. For the majority of initiatives, a number of responses point to increased costs and burdens for some stakeholders. For several of these initiatives, reports on increased costs exceed those on cost reductions. For example, the OECD Maize and Sorghum Scheme generates greater market access for improved seed qualities and hence higher export prices by higher production and certification costs. Similar results are found for the two vehicle initiatives of the WP.29, where the ambition to improve pedestrian safety may increase costs for producers and exporters as well as, to a lesser extent, importers and consumers. Regulators, too, are mentioned to face increase costs and burdens in these initiatives, pointing to the regulatory costs for participating in IRC efforts and for implementing their outcomes. Respondents also reported that costs and burdens have increased, sometimes significantly, in a number of initiatives.

41. Often, however, costs and burdens do not appear to have changed at all. Across initiatives with the exception of the EU-US Organic Mutual Equivalence Arrangement, the NAFTA Technical Working Group on Pesticides and the E3 Programme, the share of responses indicating no change in costs and burdens for different stakeholders is significant and for several initiatives represents the majority of responses.

*Various factors cause these effects on costs and burdens*

42. A number of factors were mentioned as key drivers for the cost changes discussed above (Table 2). Benefits were provided for traders, regulators and the wider society, often related to more efficient processes related to conformity assessment, administrative and regulatory procedures (red-tape), and increased competition. On the other hand, co-operation itself entails significant operating costs for regulators, both directly in terms of participating in the initiative and indirectly due to changes in the regulatory system.

**Table 2. Benefits and costs driving the trade cost reductions from IRC**

<b>Benefits</b>	
<b>For traders</b>	Streamline processes (e.g. certification, number of testing samples) for producers, importers and exporters. Eliminate duplication and unnecessary requirements Reduce certification costs and control fees. Economies of scale
<b>For regulators</b>	Decrease bureaucracy and reduce unnecessary requirements Enhance understanding and knowledge of other countries' regulatory approaches and decision-making processes Reduce number of certifiers to accredit Mutualize parts of the regulatory process
<b>For society</b>	Increase competition and choice on domestic market
<b>Costs</b>	
<b>For traders</b>	(Insignificant) increase in registration fees
<b>For regulators</b>	Increase costs related to engaging in and maintaining the cooperation. Increase time spent on conducting regular meetings and audits. New or additional participation fees Costs for building new or changing capacity infrastructure or facilities (laboratory facilities, etc.)

*Source:* Country governments' responses on IRC questionnaire, OECD (2016) (n=30 responses).

### **Even for IRC initiatives not primarily focussing on trade cost reductions, most countries consider trade costs prior to joining**

43. Across all 12 initiatives, the vast majority (88%) of countries indicated to have considered trade costs prior to joining. This also holds for initiatives that do not predominantly focus on trade facilitation, such as the E3 Programme on household appliances or the analysed OIV outcomes on wine. In contrast,

about half the respondents party to the WP.29 agreements on vehicle safety regulations indicated that trade costs were not considered prior to work developing Regulation 127 and GTR 9. Trade facilitation is an important general objective of the WP.29; however, both the 1958 and 1998 Agreements put a greater emphasis on vehicle safety, which possibly explains these responses. Overall, this suggests that trade costs are well on participants' agendas when joining IRC initiatives in most cases, whether or not the reduction of trade costs and the facilitation of trade are key objectives.

44. As stipulated by von Lampe et al. (2016), the identification of relevant trade costs should be at a level that is as detailed as possible. Consequently, it is not "trade costs" *per se*, but the different types and origins of trade costs that matter. Broadly speaking, and following the IRC Theoretical Framework, three main types of trade costs are distinguished: specification costs, conformity assessment costs and information costs (Box 4).

#### **Box 4. Types of heterogeneity-related trade costs**

**Specification costs:** the costs incurred by exporters, importers or producers to produce or supply a service in accordance with the product or production requirements of a given market. These might include extra labour and input costs due to different requirements, as well as costs related to a lack of economies of scale. Such costs can also include labelling requirements. To illustrate, costs related to different can sizes requirements in different markets will require a manufacture to have different production lines. Specification costs are also referred to as substantive compliance costs (OECD, 2014).

**Conformity assessment costs:** all costs related to demonstrating that a product or service actually meets the requirements of the importing country. These include fees for laboratory testing, certification costs, inspection and audit costs, and so on. For example, with respect to toy safety the threshold applicable for compression test for toys used by children aged 0 to 36 months varies in different countries: in the EU this is set at 110N, in Australia and Japan at 114N, in the US 89N (for 0 to 18 months) and 111.3N (for 18 to 36 months). Canada does not require any compression test.

**Information costs:** the direct and indirect costs which businesses incur when regulations are opaque and information regarding procedures is difficult to acquire. These costs represent the costs of obtaining and monitoring information about the regulatory requirements in markets. Transparency affords greater predictability of the business environment and safeguards against arbitrariness. In this case, trade costs do not derive from substantive regulatory differences, but from missing or insufficient information about the regulation and its application. Conformity assessment costs and information costs together are also referred to as administrative burdens of regulations on traders (OECD, 2014).

**Other costs:** these can include, but are not limited to, costs incurred at the border and relate to customs procedure. Other costs are not discussed explicitly in the context of this work.

*Source:* von Lampe et al. (2016).

45. Conformity assessment costs and specification costs were reported particularly frequently (80%) to have been considered prior to joining the initiatives, while information costs were mentioned less often (61%). These numbers are similar for initiatives which focus only on outcomes related to conformity assessment procedures and those also aiming at rule-related outcomes (with the exception of the OIV work related to silver chloride, all initiatives included at least one outcome related to conformity assessment procedures).

46. At a more detailed level, more significant differences are visible: within the conformity assessment costs, those related to laboratory results and test data requirements were mentioned particularly frequently, while labelling requirements are noted most often as a considered specification cost. At the other end, costs related to metrology or to sampling requirements appear to be less considered and hence potentially less important for international trade in the initiatives covered.

47. In addition, there are important differences across sectors (Table 3): prior to participating in the ASEAN SHINE and E3 initiatives relating to household appliances, most responding countries indicated to have considered most trade costs at a rather detailed level. The same holds for the two organic Mutual Equivalency Arrangements. This contrasts with the vehicle sector: respondents participating in one of the WP.29 initiatives considered were least likely to consider any of the specific trade costs across the different sectors. Labelling plays little role in this sector, but none of the other individual trade costs was considered by more than 40% of the respondents. This appears to be consistent with the virtual absence of trade facilitation evidence for these two initiatives, even though trade facilitation is mentioned to be an important objective for both.

**Table 3. Trade cost consideration by sector**

Share of responding countries, percent

Type of trade cost	Sector					
	Household appliances	Organic products	Pesticides	Seeds	Wine	Vehicle
<b>Specification costs</b>						
- Any	100	100	100	68	80	40
-- Product characteristics	92	50	67	68	59	34
-- Production and process methods	58	100	0	67	72	28
-- Labeling	90	100	100	68	65	14
<b>Conformity assessment costs</b>						
- Any	90	100	100	78	75	51
-- Certification	90	100	0	75	61	38
-- Sampling	55	50	0	71	49	13
-- Inspection	55	100	67	78	34	31
-- Laboratory results, test data	80	100	100	69	71	40
-- Metrology	45	0	0	75	31	20
-- Accreditation	55	100	0	83	25	33
<b>Information costs</b>						
- Any	90	75	67	69	42	44
-- Product and production req.	90	100	33	48	30	29
-- Conformity assessment proc.	90	100	33	60	36	29
-- Administrative req.	90	100	50	56	29	44
<b>Any trade cost</b>	100	100	100	80	95	51

Source: Country governments' responses on IRC questionnaire, OECD (2016) (n=74 responses).

48. While differences in the types of considered trade costs across sectors are linked to the specific trade barriers different products face, the data also suggest differences across different institutional frameworks, outcomes and other dimensions. Broadly speaking, trade costs at any level of detail are less likely to be considered by countries party to a formal framework than by participants in an ad-hoc initiative; informal initiatives take a middle position in this respect.

49. Initiatives' outcomes focus on different types of trade costs, whether related to rules or to conformity assessment procedures. One would expect that these outcomes are linked to the trade costs considered by the participating countries prior to co-operation. Initiatives focussing at the use of international standards on rules and conformity assessment procedures, mutual recognition arrangements on conformity assessment procedures or mutual equivalence of rules tend to show greater shares of participating countries that did consider a range of specific trade costs than notably those focusing on the development of common standards. Data from the responses received also suggest that initiatives focusing on conformity assessment outcomes only show high shares of countries which considered conformity assessment costs, while initiatives focusing on rules show the highest consideration of specification costs. Overall, however, differences in the types of considered trade costs across different outcomes are comparatively small.

50. The significance of these differences across sectors is confirmed by statistical testing to see whether the shares of countries having considered a specific trade cost are different across sectors (Table 4). Based on the null-hypothesis that the consideration of a given trade cost is unrelated to the sector in question, the test statistics indicate the level of significance of such a relationship – the lower the test statistic, the less likely the null-hypothesis holds given the data available. In other words, the lower the test

statistic in a given cell, the less likely it is that the consideration of the specific trade cost (in the column of the table) is independent of the specific dimension of the initiative (in the row of the table).

**Table 4. Inter-relationship between trade cost consideration and analytical dimensions**

Dimensions	Specification costs	Product characteristics	Production and process methods	Labeling requirements	Information costs	Product and production requirements	Conformity assessment procedures	Administrative procedures
Different sectors	0.000 *** (F)	0.055 * (C)	0.000 *** (C)	0.000 *** (F)	0.000 *** (F)	0.000 *** (F)	0.000 *** (F)	0.000 *** (F)
Different institutional frameworks	0.000 *** (F)	0.627 (C)	0.000 *** (C)	0.000 *** (F)	0.001 *** (F)	0.013 ** (C)	0.002 *** (F)	0.001 *** (F)
<b>Specific outcomes:</b>								
Dev't of common standard, rules	0.060 * (C)	0.565 (C)	0.650 (C)	0.000 *** (C)	0.013 ** (C)	0.002 *** (C)	0.006 *** (C)	0.142 (C)
Use of Int'l standard (rules, CAP)	1.000 (F)	0.932 (C)	1.000 (C)	0.069 * (C)	0.011 ** (C)	0.182 (C)	0.021 ** (F)	0.273 (C)
Harmonisation or convergence, rules	0.170 (C)	0.858 (C)	0.872 (C)	0.001 *** (C)	0.042 ** (C)	0.188 (C)	0.047 ** (C)	0.458 (C)
Mutual equivalency, rules	0.001 *** (C)	0.103 (C)	0.000 *** (C)	0.000 *** (C)	0.005 *** (C)	0.006 *** (C)	0.003 *** (C)	0.004 *** (C)
Dev't of common standard, CAP	0.001 *** (C)	0.901 (C)	0.270 (C)	0.000 *** (C)	0.430 (C)	0.017 ** (C)	0.076 * (C)	0.145 (C)
Use of Int'l standard, CAP	0.000 *** (C)	0.008 *** (C)	0.005 *** (C)	0.000 *** (C)	0.198 (C)	0.038 ** (C)	0.029 ** (C)	0.078 * (C)
Harmonisation or convergence, CAP	0.010 *** (C)	0.877 (C)	0.000 *** (C)	0.003 *** (C)	0.856 (C)	0.111 (C)	0.541 (F)	0.552 (F)
Mutual recognition, CAP	0.160 (C)	0.411 (C)	0.011 ** (C)	0.967 (C)	0.019 ** (C)	0.170 (C)	0.206 (C)	0.025 ** (C)
Dimensions	Conformity assessment costs	Certification	Sampling	Inspection	Laboratory results/Test data	Metrology	Accreditation	
Different sectors	0.000 *** (F)	0.000 *** (F)	0.000 *** (C)	0.000 *** (C)	0.000 *** (F)	0.000 *** (F)	0.000 *** (F)	
Different institutional frameworks	0.013 ** (F)	0.000 *** (F)	0.045 ** (C)	0.007 *** (C)	0.001 *** (F)	0.722 (C)	0.001 *** (F)	
<b>Specific outcomes:</b>								
Dev't of common standard, rules	0.004 *** (C)	0.007 *** (C)	0.016 ** (C)	0.219 (C)	0.001 *** (C)	0.511 (C)	0.123 (C)	
Use of Int'l standard (rules, CAP)	0.003 *** (F)	0.007 *** (C)	0.001 *** (C)	0.718 (C)	0.183 (F)	0.643 (C)	0.190 (F)	
Harmonisation or convergence, rules	0.000 *** (C)	0.049 ** (C)	0.011 ** (C)	0.751 (C)	0.072 * (C)	0.648 (C)	0.253 (C)	
Mutual equivalency, rules	0.004 *** (C)	0.000 *** (C)	0.004 *** (C)	0.025 ** (C)	0.002 *** (C)	0.563 (C)	0.356 (C)	
Dev't of common standard, CAP	0.302 (C)	0.091 * (C)	0.035 ** (C)	0.001 *** (C)	0.011 ** (C)	0.652 (C)	0.778 (C)	
Use of Int'l standard, CAP	0.003 *** (F)	0.000 *** (C)	0.000 *** (C)	0.003 *** (C)	0.015 ** (F)	0.380 (C)	0.264 (C)	
Harmonisation or convergence, CAP	0.522 (F)	0.349 (C)	0.056 * (F)	0.009 *** (C)	0.189 (F)	0.598 (F)	0.764 (F)	
Mutual recognition, CAP	0.387 (C)	0.020 ** (C)	0.905 (C)	0.013 ** (C)	0.955 (C)	0.284 (C)	0.002 *** (C)	

Note: Coefficients resulting from the Chi-square (C) and Fisher's Exact tests (F) reflect the level of confidence that countries' responses as to whether the type of trade cost in the column was considered prior to engaging in an IRC initiative and the analytical dimension in the row are statistically independent. The Fisher's Exact test was chosen in cases where frequencies are too small to employ the Chi-square test of independence. Levels of significance are additionally indicated by asterisks, with one, two and three asterisks indicating significant dependence at 10%, 5% and 1% levels.

Source: Own calculations based on estimated data, country governments' responses on IRC questionnaire, OECD, 2016 (n=74 responses).

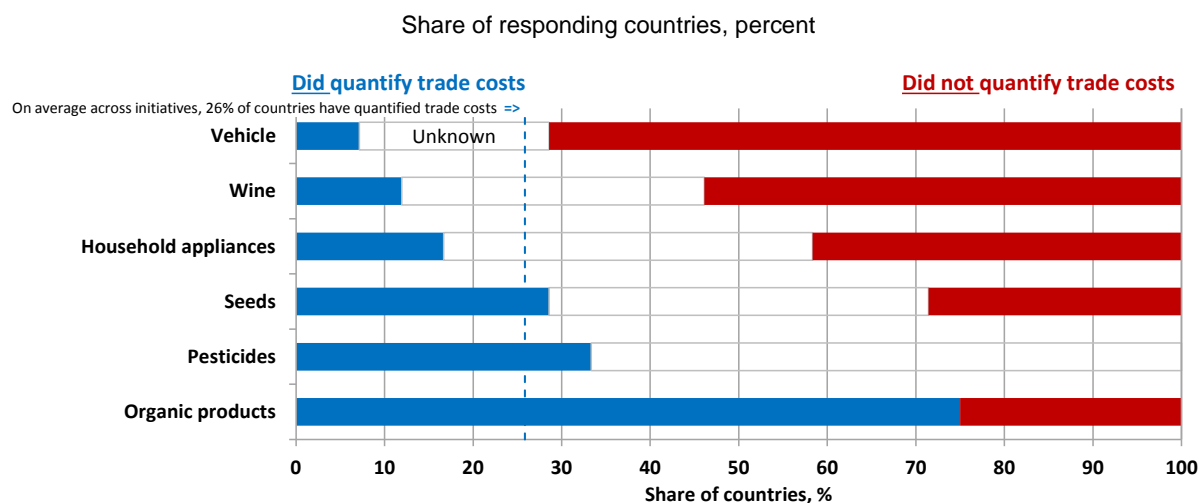
51. The results shown in the "Different sectors" lines confirm the strong link between sectors and trade cost consideration. With the exception of costs related to different requirements on product characteristics, the consideration of all other costs show a highly significant link to the sectors. For most cost elements, this is also true for the link to the institutional frameworks, while the focus on specific outcomes is less consistently related to whether a given trade cost is considered by participating countries.

### Overall, results on considered trade costs are mirrored in countries' assessment on the significance of different trade cost components

52. While a large share of countries has considered different trade costs prior to the co-operation, only a minority of countries had gone through a quantification of the trade costs they face (Figure 7): only one-fourth of responding countries (26%) suggest that such a quantification had been undertaken, whereas 42% of the respondents indicate the opposite (the balance of answers indicated that they did not know). The organic products initiatives are a notable exception: prior the US-Korea arrangement, both countries had done some trade cost quantification, while prior to the US-EU one, one of the two parties went through this step. While the parties to these initiatives have a well-developed administration with the capacity for performing the necessary analysis, this would also hold for the participants in the NAFTA Technical Working Group on Pesticides – only one of which reports to have done a trade cost quantification, in spite

of the many trade costs considered. Quantification of trade costs appears to have been less common in other sectors, and notably in vehicles.<sup>11 12</sup>

**Figure 7. Trade cost quantification by sector**



Source: Country governments' responses on IRC questionnaire, OECD (2016) (n=76 responses).

53. According to the data received, countries that carried out a trade-cost quantification were unlikely to participate in initiatives with a formal institutional setting or with many other participants. In fact, data suggests that trade quantification was undertaken more frequently when fewer countries were part of the IRC initiatives (smaller level of participation). This suggests that countries co-operating with fewer trading partners are more likely to go to the negotiating table with targeted and focused views which are based on a clear assessment of losses they incur due to regulatory heterogeneity with their trading partners. This is for instance the case for the two bilateral initiatives of the organic sector. However, the fact that these arrangements are quite recent may alternatively point to a shift in the regulatory process of countries towards increased focus on the analysis of trade cost.

54. In contrast, countries part of formal institutions frequently reported that they had not quantified trade costs prior to cooperating or not knowing whether such an assessment had taken place. This may point to a lesser focus on specific trade issues in formal settings and to a focus on broader and more technical objectives. For example, this may be the case for the two areas studied in the context of the OIV and to a lesser extent those within the vehicle initiative. However, it should be noted that the 1998 Agreement encourages the use of cost-benefit analyses at the cooperation level and countries share their analyses throughout the process. The quantification of trade costs requires sufficient analytical capacity in the capitals or the countries' industries. Having no relevant data at hand and not knowing if analysis had been carried out elsewhere, were relatively frequent reasons given by countries that answered "don't know". In larger settings (pluri- or multilateral initiatives) it is quite plausible that countries that lack this

11. It should be noted, however, that another 25% of responding countries indicated that effects of the IRC outcomes were quantified by or on behalf of the group of countries participating, including existing trade costs. This in particular concerns the WP.29 initiatives on vehicles.

12. Similar to other assessments related to IRC effects, the quantification of trade costs may be carried out by the industries concerned, and governments answering to the survey may not always be fully aware of such quantification.

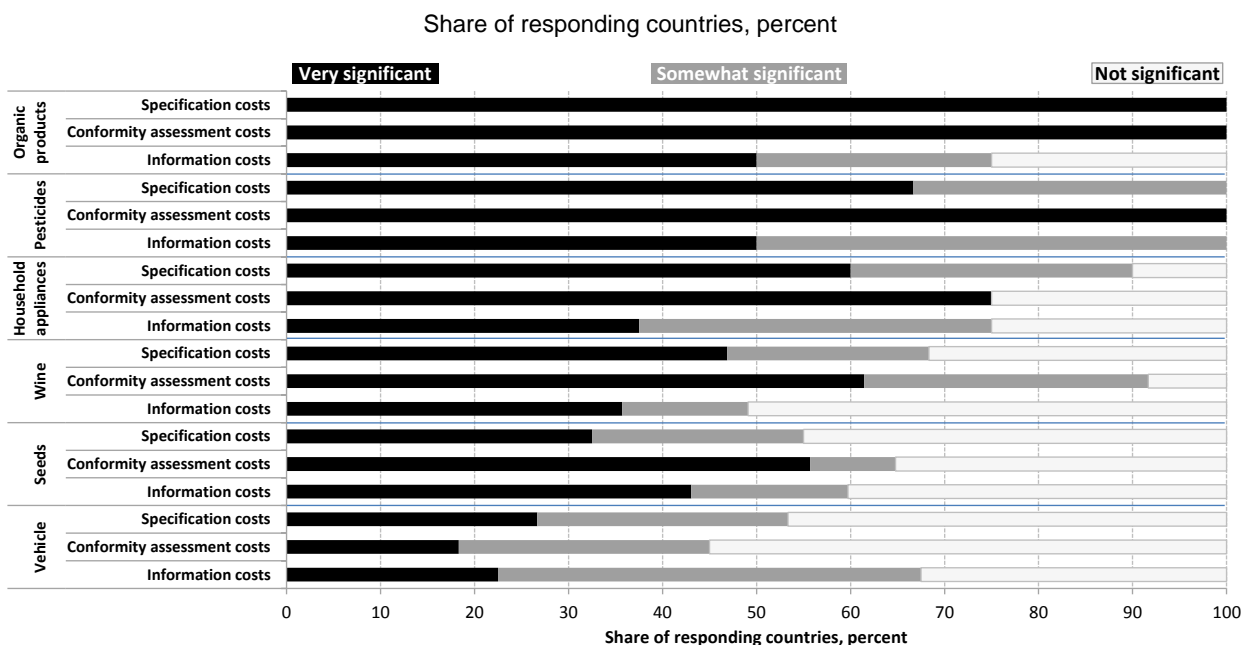
analytical capacity may rely on other countries' analysis. Trade cost analysis may also raise timing issues. In formal institutions such as WP.29 and OIV new initiatives typically involve one or several members putting forth proposals for joint work; other members may not necessarily learn about these proposals in advance and may start paying attention, including to trade cost, only after the work has been taken up.

55. According to the responses received, conformity assessment costs were mentioned most frequently as being very significant. Almost two-thirds of the responses indicate this, compared to just over one-third suggesting that information costs were very significant. Both specification costs and conformity assessment costs were found to be very significant in the organic products sector as well as related to pesticide MRLs (Figure 8) by most participating countries. This corresponds to the indications of trade facilitating effects and of reductions of costs and burdens, which were also strongest for these two sectors.

56. On the other hand, and again consistent with what was said about considered trade costs and about cost reductions, only a small share of countries considered the various trade costs as very significant for the vehicle and seeds sectors. Notably for the vehicle sector, the number of countries indicating very significant trade costs was exceeded by the number of countries indicating that trade costs were not significant.

57. Similar to the question on trade cost consideration, responses related to the significance of different trade costs differ between initiatives focusing on conformity assessment outcomes only and those also or solely looking at rules. In the latter group of initiatives, both specification costs and conformity assessment costs were mentioned to be very significant by just under two-thirds of countries, respectively. Within initiatives looking only on conformity assessment outcomes, 75% of countries indicated that conformity assessment costs were very significant, whereas less than a third did so for specification costs. Information costs appear to be much less significant overall and notably in the context of rule-related outcomes.

**Figure 8. Significance of trade costs by sector**



Source: Country governments' responses on IRC questionnaire, OECD, 2016 (n=59 responses).

58. The Kruskal-Wallis test confirms the link between the perceived significance of trade costs and countries' participation in an initiative that aims at outcomes both related to rules and to conformity assessment procedures. Such a link is shown to be statistically significant (at the 5% level) for specification costs (and, therein and more significantly, for costs related to production and process methods and, to a lesser extent, to product characteristics). No significant link is found for conformity assessment costs, although some links are found for costs related to laboratory results and test data, and to sampling. Within the group of information costs, no significant links can be identified.

### **Successful IRC depends on a range of key factors**

59. The conclusion and implementation of International Regulatory Co-operation depends on a number of factors that determine both the process of initiatives and the commitment of participating countries.<sup>13</sup> From the questionnaire responses, it is impossible to be conclusive on which factors are most important given that only a subset of possible factors were proposed for assigning weights to them, including the clarification of nomenclature, terminology or concepts; the exchange of information on participants' regulatory requirements or practices; and the existence of standing or ad-hoc committees, working groups, task forces or other similar infrastructure. Nor did respondents elaborate on specific causal links. On average, countries rated these three sets of core IRC conditions to be of similar importance (with somewhat less importance for "clarifying nomenclature, terminology or concepts" than the exchange of regulatory information and the existence of key infrastructure). It seems that they enjoy quite different levels of importance across the different initiatives.

60. The data available suggests that all of these IRC conditions are the more important the less the initiative has a formal framework. Indeed, for the two ad-hoc initiatives on organic products, respondents (although limited in number) almost unanimously indicate that such conditions are very important. For informal initiatives, including ASEAN SHINE and the World Wine Trade Group, this view is supported by a large majority of responses. In contrast, only between one third and half of the respondents that are party to a formal initiative say these conditions are very important, while between 10% and 15% suggest they are not or only little important. Particularly in the vehicle and seeds initiatives, countries seem to attach comparatively little importance to such conditions – although still a significant share of countries views them as important.<sup>14</sup>

61. Finally several other conditions were mentioned as very important to the success of IRC. This includes a well-functioning regulatory operational co-ordination; the supportive political leadership, and the exchange of research and data. Political support has been considered as a key element to launching the initiatives and driving the momentum until the conclusion (WTO). In fact, high-level political commitment stands behind the successful conclusion of the EU-US Organic Equivalency Arrangement.

62. In addition to these conditions, two other conditions should also be included: mutual trust among trading partners (OECD, 2016; and De Brito, A., C. Kauffmann and J. Pelkmans, 2016) and implementation. The former factor allows initiating and maintaining discussions and exchange of information to establish regulatory co-operation. The latter condition is necessary to put in place and trigger the benefits of IRC.

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13. IRC is considered successful when specific and tangible outcomes are reached, irrespective of any evidence that this outcome actually facilitates trade.

14. More informal initiatives may also benefit from a greater degree of alignment of interests among participants, leading to a greater likelihood of the above-mentioned factors to be met.

63. While these conditions apply generally to all IRC mechanisms, other success factors will be specific to certain mechanisms. For example, related to mutual recognition or mutual equivalency, OECD analysis put forward the need for undisputed fact-based evidence, little regulatory divergence in the regulatory system as well as institutional capacity.

## **Conclusion**

64. A total of 12 initiatives were used in the form of case studies to assess the working and the effects of different forms of international regulatory co-operation. The principal information on these initiatives was obtained through an extensive questionnaire which was completed by officials in OECD member countries and non-member economies. The questionnaire covered countries' preparation prior to engaging in the initiatives, the phase of active co-operation as well as the implementation and implications of their various outcomes.

65. The cases cover different IRC mechanisms. These range from the development of common standards on rules and conformity assessment procedures to the encouragement of a more systematic use of international standards, and from convergence and harmonisation of regulations to the mutual equivalency of rules and recognition of conformity assessment procedures. While some initiatives specifically focus on one of them, most IRC activities result in several outcomes complementing each other.

66. A first conclusion from the case studies is that IRC approaches need to be specific to the sector in question and to be tailored to the problems at hand. Across all initiatives, the questionnaire results show that prior to engaging in co-operative initiatives, trade costs and barriers are frequently perceived as very significant. Perceived trade costs are specific to sectors and products, and the reporting countries often have different perceptions of the trade costs. Overall, perceived trade costs are most significant in organic food products and related to pesticide residues, but less significant for vehicles and seeds. Unpacking the trade costs in detail shows that costs related to labelling requirements are most frequently considered to be relevant in many sectors, but play little role in vehicles.

67. At the same time, the data suggests that a quantification of trade costs is not undertaken systematically. In more formalised, and long-standing, co-operation initiatives quantification of trade barriers is hardly undertaken at all, while in more ad hoc and relatively recent initiatives it is more common. This difference might be related to the fact that the awareness of the importance of assessing the problem in as much detail as possible prior to co-operation, and the tools to do so, have improved over time. It may also suggest that while trade facilitation is one of the objectives of IRC initiatives, attention and resources are predominantly geared towards sorting out regulatory details once an IRC initiative becomes more formalised.

68. There is no systematic monitoring of trade facilitating effects flowing from IRC initiatives. Although countries' questionnaire responses cite reduced costs and burdens for the different stakeholders, those effects appear not to be systematically assessed and monitored. There is also evidence that some stakeholders may face an increase in costs and burdens as a result of IRC. This particularly concerns the regulators.

69. The greatest potential to reduce costs across most stakeholders comes from mutual equivalence of rules and mutual recognition of conformity assessment procedures. Earlier OECD research highlighting the potential benefits of MRAs also suggested that these IRC outcomes are difficult to achieve unless a set of facilitating conditions are in place, including a strong proximity of pre-existing regulations (or regulatory preferences) across participating countries and the coverage of regulatory issues that are safely rooted in undisputed science and strong evidence. These conditions often limit the applicability of MRAs to technical questions or to a restricted number of countries with similar regulatory approaches and views.

Given the greater likelihood of MRAs to be successfully negotiated among a limited number of like-minded countries, trade diversion as well as fragmentation of regulatory ‘blocs’ is a real risk of such arrangements to spread

70. The trade-enhancing potential of harmonized certification has been analysed quantitatively for the OECD Seeds Schemes. The principal benefit from accessing one of the schemes stems from opening higher-value markets in other party countries. It therefore offers a significant potential for growth in the value of seed exports, notably if the main trade partners are already members of the same seed scheme. At the same time, however, trade diversion can be significant, reducing trade with countries not member of the scheme.

71. Implementation of agreed outcomes is obviously fundamental if IRC is to effectively reduce trade costs and to facilitate trade. The analysis shows that binding outcomes are significantly more likely to be implemented by participating countries than those that are concluded on a best-endeavour basis. If the reduction of trade costs is a central priority, co-operating countries should hence strive for outcomes that commit to implementation, even if such outcomes may be harder to agree to and hence come at a higher cost.

72. To achieve successful outcomes (and to warrant implementation), strong political support as well as facilitating conditions for co-operating appear to be important ingredients. A platform to exchange information on countries’ regulatory requirements and practices not only helps to establish negotiation positions, but it also contributes to transparency and trust which are essential for effective co-operation. The existence of a co-operation infrastructure such as well-functioning standing or ad-hoc committees also helps to ensure a productive and focussed process.

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## ANNEX 1. TURN-OUT OF QUESTIONNAIRES BY SECTOR

Sector	Initiatives	Number of participating countries in the initiatives (as of mid-2015)	Questionnaires	
			Sent	Completed
Organic products	EU-US Organic Equivalency Arrangement	2	2	2
	US-Korea Equivalency Agreement	2	2	2
Seeds	Grass and Legume Scheme	54	53	13
	Maize and Sorghum Scheme	47	46	20
Wine	APEC Wine Regulatory Forum (APEC-WRF)	21	21	10
	International Organisation of Vine and Wine (OIV)	46	32	12
	World Wine Trade Group (WWTG)	8	8	6
Pesticides	NAFTA Technical Working Group on Pesticides	3	3	3
Household appliances	Australia-New Zealand E3 Programme	2	2	2
	ASEAN SHINE - Harmonization of EE Standards for Air Conditioners	10	10	6
Vehicles	World Forum for Harmonization of Vehicle Regulation (UN WP.29) - 1958 Agreement	50	23	12
	World Forum for Harmonization of Vehicle Regulation (UN WP.29) - 1998 Agreement	36	18	11

Note: Organic Equivalency arrangements fall under EU jurisdiction; the count therefore does not include EU member states.

## ANNEX 2. MAP OUT OF INITIATIVES AND DIMENSIONS

Initiative	Questionnaire Title	Umbrella sector	Sector	Mechanism - rules				Mechanism - conformity assessment procedures				Binding / Best endeavour	Institutional framework	Level of participation
				Develop common standard	Use of international standard	Harmonization / Convergence	Mutual equivalency	Develop common standard	Use of international standard	Harmonization / Convergence	Mutual recognition			
Organic EU-US	EU-US organic	agriculture	organic products	no	no	no	yes	no	no	no	yes	binding	ad hoc	bi/tri-lateral
Organic US-Korea	US-Korea organic	agriculture	organic products	no	no	no	yes	no	no	no	yes	binding	ad hoc	bi/tri-lateral
Grass and Legume Scheme (C(2014)154)	OECD Grass and Legume Seed Scheme	agriculture	seeds	no	no	no	no	no	no	yes	no	binding	formal	multilateral
Maize and Sorghum Scheme (Accession)	OECD Maize and Sorghum Scheme	agriculture	seeds	yes	no	no	no	yes	no	yes	yes	binding	formal	multilateral
NAFTA TWG	NAFTA TWG on Pesticides	agriculture	pesticides	no	no	no	no	no	no	yes	no	binding	formal	bi/tri-lateral
WRF APEC	APEC WRF	agriculture	wine	no	no	no	no	yes	no	yes	no	best endeavour	formal	multilateral
WWTG	WWTG	agriculture	wine	no	no	no	yes	no	no	yes	no	binding	informal	plurilateral
OIV phthalates	OIV	agriculture	wine	no	no	no	no	yes	yes	yes	no	best endeavour	formal	multilateral
OIV silver chloride	OIV	agriculture	wine	yes	yes	yes	no	no	no	no	no	best endeavour	formal	multilateral
ASEANSHINE	ASEANSHINE	manufacturing	household appliances	no	yes	yes	no	no	yes	yes	no	best endeavour	informal	plurilateral
E3	E3	manufacturing	household appliances	yes	no*	yes	yes	yes	no*	yes	yes	binding	formal	bi/tri-lateral
WP.29 1958 Agreement (R. 127)	Vehicles 1958	manufacturing	vehicle	yes	yes	yes	no	yes	yes	yes	yes	binding	formal	multilateral
WP.29 1998 Agreement (GRT 9)	Vehicles 1998	manufacturing	vehicle	yes	no	yes	no	yes	yes	yes	no	best endeavour	formal	multilateral

\*) Depending on the product, standards being applied in major foreign markets may be used as the basis for developing joint AUS/NZ standards.

### ANNEX 3. INITIATIVE FACT SHEETS

#### EU US Organic Equivalency Arrangement

##### *General Features of the Initiative*

<b>Description and mandate</b>	Under the Arrangement each party recognises the equivalency of the organic certification programme of the other. EU or US operators who wish to sell organic products on both markets are no longer required to pay for two separate certifications and abide by two separate organic production standards. Each operator's control body or control authority is now able to provide the certificates necessary for placing the organic products on the market in the EU and the US.
<b>Membership</b>	United States and European Union.
<b>Sector</b>	Agriculture: organic products.
<b>Stakeholder involvement</b>	Private stakeholders were consulted.
<b>Decision-making</b>	By common understanding.

##### *Background information on the Initiative*

In February 2012, the European Union and the United States announced the EU-US Organic Equivalence Arrangement.<sup>15</sup> The primary purpose of the Arrangement is to improve market access, reduce duplicative requirements, and lower certification costs for both sides' producers of organic products. With this arrangement, the EU recognizes the National Organic Program (NOP) of the United States Department of Agriculture (USDA) as equivalent to the EU Organic Program (under applicable EU regulations) and allows US organic products to be marketed as "organic" in the EU using the EU organic logo, and vice versa. With the exception of a few products (e.g. animal products or crops treated with antibiotics, or aquatic animals), all organic products of EU or US origin are eligible to benefit from the arrangement. In addition, products that are processed or packaged in the U.S. or EU with organic ingredients from foreign sources are also covered. All products traded under the Arrangement must be accompanied by an organic export certificate, which provides information such as the production location, the organization that certified the organic product and verifies that prohibited substances and methods were not used.

For the purpose of this report, the IRC outcome examined is the entire arrangement, covering the acceptance of mutual equivalence of rules on organic food products as well as the mutual recognition of related conformity assessment procedures.

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15. <https://www.ams.usda.gov/services/organic-certification/international-trade/European%20Union> and [https://ec.europa.eu/agriculture/organic/eu-policy/eu-rules-on-trade/non-eu-trading-partners/countries/usa\\_en](https://ec.europa.eu/agriculture/organic/eu-policy/eu-rules-on-trade/non-eu-trading-partners/countries/usa_en)

*IRC Outcomes***Features of the IRC Outcome examined**

Entry into force	<b>2012</b>
IRC mechanisms	Mutual equivalency of rules, mutual recognition of conformity assessment procedures.
Description	The US and the EU recognise that their organic certification programmes (US National Organic Program and EU Regulations concerning organic products) are equivalent except for the prohibition on the use of antibiotics.
Objective(s)	The primary purpose of the Arrangement is to improve market access, reduce duplicative requirements, and lower certification costs for both side's producers of organic products.
Implementation	2012
Examples of Rules	US imports to EU must comply with US organic labelling requirements. EU imports to US must comply with EU organic labelling requirements.
Examples of CAP	<p>Inspections have to be conducted by inspectors trained according to NOP requirements using NOP based questionnaires. It provides that a private or governmental entity accredited as a certifying agent must not only have the expertise and ability to provide certification services, but also provide sufficient information to persons seeking certification. There is an annual performance evaluation of all persons who review applications for certification as well as annual program review of the certification activities conducted by the certifying agent's staff. Strict confidentiality must be maintained with respect to their clients, and any business-related information shall not be disclosed to third parties.<sup>1</sup></p> <p>According to EU Regulation 882/2004, the control body must prove "the expertise, equipment and infrastructure required carrying out the tasks delegated, sufficient number of suitable qualified and experienced staff, and that the control body is impartial and free from any conflict of interest as regards the exercise of the tasks."<sup>2</sup></p>

*Note:* Examples of Rules and CAP refer to provisions or features of the IRC outcome analysed. They are provided for illustrative purposes.

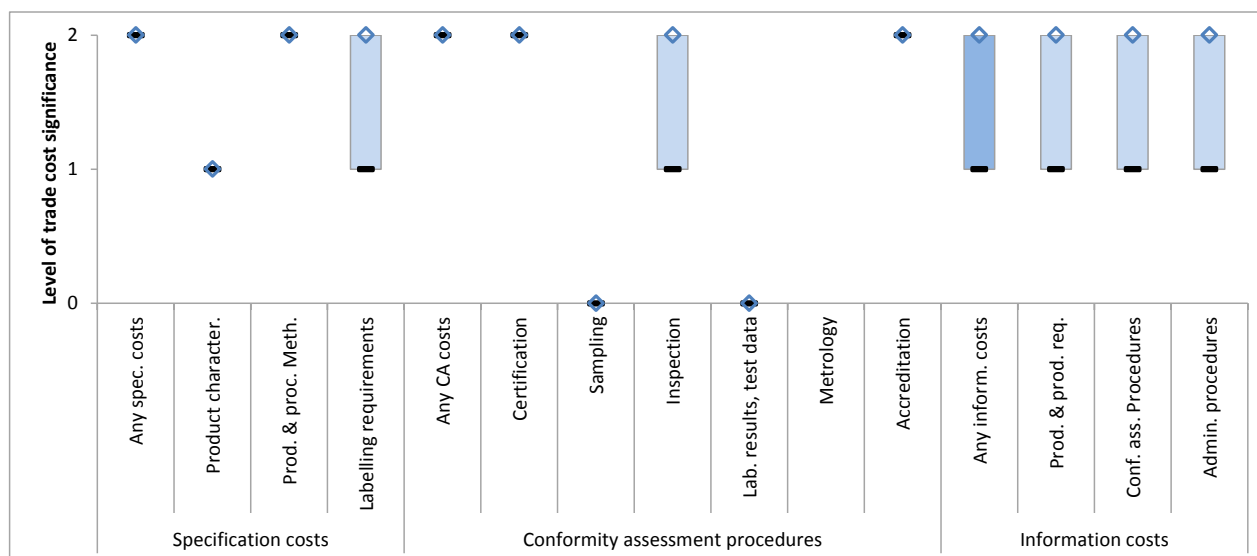
1. National Organic Program (NOP), Title 7 Agriculture, Subpart F- Accreditation of Certifying Agents § 205.501(1- 10).

2. Commission Regulation (EC) 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91, Official Journal of the European Union, L 189/1, Title V, Article 27 (5)(b)(i-iii).

*Trade costs*

Figure A3.1 represents the spread of responses on the significance of trade costs. Caution should be taken when reading this graph for this initiative since only two responses are represented below. Nonetheless, it shows that both countries considered the aggregate of specifications costs as very significant, with labelling requirements considered by one as significant and by the other as very significant. Except for certification costs and inspections costs, the sub elements of conformity assessment costs were not considered significant. Information costs were generally considered significant.

Figure A3.1. Distribution of trade costs significance: US-EU Organic Equivalency Arrangement



Note: The diagram shows the distribution of responses by the two countries participating in the initiative. The lower end of the boxes and the dark lines show the minimum level of cost significance indicated, the upper end of the boxes and the light diamonds show the maximum level of cost significance indicated.

The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant.

Main types of trade costs are shown with boxed shaded darker than the detailed trade cost elements.

## US-Korea Organic Equivalency Arrangement

### General Features of the Initiative

<b>Description and mandate</b>	Under the US-Korea Equivalency Arrangement, each country recognises the organic certification program of the other as equivalent to its own. According to the Arrangement, Korea and the US mutually recognise each other's Accredited Certification Agents (ACA) and Registered Certification Bodies (RCB) as accredited certification agents.
<b>Membership and observers</b>	United States and Republic of South Korea.
<b>Sector</b>	Agriculture: organic products
<b>Stakeholder involvement</b>	Private stakeholders were consulted.
<b>Decision-making</b>	By common understanding.

### Background information on the Initiative

In July 2014, the USDA and the Korean Ministry of Agriculture, Food and Rural Affairs (MAFRA) signed an organic standards equivalency agreement. Under the US-Korea Equivalency Agreement,<sup>16</sup> Korea recognizes USDA's National Organic Program (NOP) as equivalent to Korea's organic oversight program. This means that processed organic products certified in Korea or in the United States can be sold as organic in either country. According to the Arrangement, Korea and US mutually recognize each other's Accredited Certification Agents (ACA) and Registered Certification Bodies (RCB) as accredited certification agents. Furthermore, use of the USDA Organic seal and/or the MAFRA Organic Logo is allowed and optional, provided that products meet the USDA/Korean labelling requirements.

16. [http://www.enviagro.go.kr/portal/content/en/html/sub/usa\\_en.jsp](http://www.enviagro.go.kr/portal/content/en/html/sub/usa_en.jsp) and <https://www.ams.usda.gov/services/organic-certification/international-trade/Korea>.

For the purpose of this report, the IRC outcome examined is the entire Arrangement, covering the acceptance of mutual equivalence of rules on organic food products.

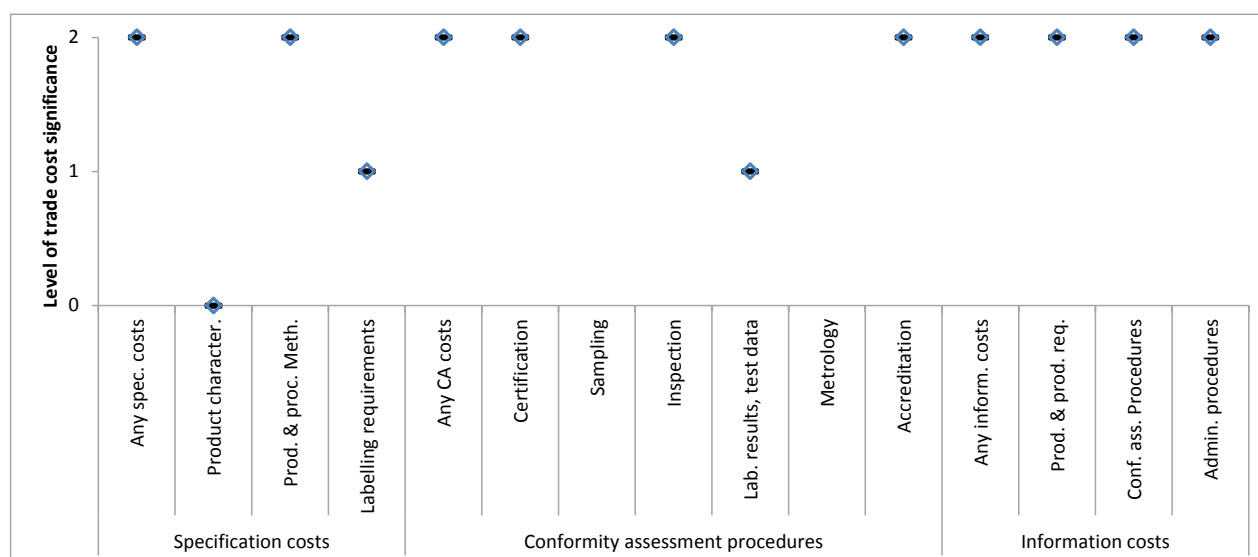
### IRC Outcomes

Features of the IRC Outcome examined	
Entry into force	2014
IRC mechanism	Mutual equivalency of rules, mutual recognition of conformity assessment procedures
Description	The countries recognise each other's organic certification programme as equivalent.
Objective(s)	Reduces duplicative fees and burdensome paperwork; provides market openness for organic processed food products.
Implementation	2014
Example of rule	Products eligible for trade under the arrangement must fulfil several criteria. Among other, they must contain at least 95 percent organic content and must have their final processing occur in either Korea or the US. Labelling requirements: Products processed under the terms of the arrangement must be labelled according to organic labelling requirements of the importing country (Korea or US), and may display the USDA organic seal and/or Korean organic food label.
Example of CAP	For the purpose of certifying organic products, the importing country recognises bodies accredited and communicated by the exporting country. Each country will conduct periodic audits of its accredited certification bodies using ISO 17011.

### Trade costs

Figure A3.2 in this case does not show the distribution of trade costs significance but rather the response of only one country. Specification costs were generally considered significant with more weight for the production and process methods and the labelling requirements. Except for sampling and metrology costs, the different elements of conformity assessment costs were generally considered significant. All elements of information costs were considered very burdensome.

**Figure A3.2. Distribution of trade costs significance: US-Korea Organic Equivalency Arrangement**



Note: The diagram shows the responses by one of the two countries participating in the initiative (the other country did not provide this information).

The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant.

## OECD Seed Schemes

### *General Features of the Initiative*

<b>Description and mandate</b>	The OECD Seed Schemes provide an international framework for the certification of seed. They aim to facilitate seed trade by reducing technical barriers, improving transparency and lowering transactions costs.
<b>Membership and observers</b>	60 countries <sup>2</sup> adhere to one or more of the OECD Seed Schemes (end of 2016). A country member to one Scheme may or may not be Member of others. Membership is open to all OECD countries, and to members of the United Nations, its specialised agencies, and the WTO.
<b>Sector</b>	Agriculture: Seeds of the following categories Grasses and Legumes, Crucifers and Other Oil or Fibre Species, Cereals, Fodder Beet and Sugar Beet, Subterranean Clover and similar species, Maize and Sorghum <sup>1</sup> , and Vegetables.
<b>Stakeholder involvement</b>	Private stakeholders (like the European Seed Association and the International Seeds Federation) participate actively in all six OECD Seed Schemes as observers. Without having a right to vote on decisions, they attend and contribute to the discussions regarding all matters including case studies, designing new rules and updating the Schemes.
<b>Decision-making</b>	Rules are decided by consensus and are binding on Members to the schemes and for seeds that are covered by the certification. Guidelines are not binding but recommended.

1. The OECD Maize and Sorghum Scheme was broken down into separate schemes for Maize and for Sorghum in late 2016 (OECD, 2017). This change is not reflected in the present analysis.
2. The 60 members include: Albania(1), Argentina, Australia, Austria, Belgium, Bolivia, Brazil, Bulgaria, Canada, Chile, Croatia, Cyprus(2)\*, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Iceland(2), India, Islamic Republic of Iran(1), Ireland(2), Israel, Italy, Japan, Kenya, Kyrgyzstan(2), Latvia(2), Lithuania(2), Luxembourg(2), Mexico, Moldavia, Morocco, Netherlands, New Zealand, Norway(2), Poland, Portugal, Romania, Russian Federation(1), Senegal(1), Serbia, Slovak Republic, Slovenia, South Africa, Spain, Sweden(2), Switzerland, Tanzania(1), Tunisia(2), Turkey, Uganda, Ukraine(1), United Kingdom, United States, Uruguay, Zimbabwe.

<sup>(1)</sup> Member of the Maize and Sorghum Scheme, but not of the Grasses and Legume Scheme

<sup>(2)</sup> Member of the Grasses and Legume Scheme, but not of the Maize and Sorghum Scheme.

\*Note by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus" issue.

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

### *Background information on the Initiative*

The OECD Seed Schemes<sup>17</sup> exist since 1958 and are open to all U.N. Members. The Seed Schemes determine rules, procedures, and techniques meant to ensure the varietal identity and purity of the seed through appropriate requirements and controls throughout the cropping, seed processing and labelling operations. The Schemes seek to facilitate seed trade by reducing technical barriers, improving transparency and lowering transactions costs through the use of labels and certificates for seed produced and processed for international trade according to agreed principles. One of the main principles is that certifiable seeds must be varieties that are officially recognized as distinct and having an acceptable value in at least one participating country (OECD, 2012). As a quality assurance system, the Seed Schemes aim to improve crop productivity, enhance traceability along the crop supply chain, facilitate trade through

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17. <http://www.oecd.org/tad/code/oecdseedschemesrulesandregulations.htm>

improved market access, enhance co-operation and information exchange across countries and between public and private sectors, and enhance innovation through improved crop varieties.

Two outcomes were examined in the report, first the accession to the Maize and Sorghum Scheme in its entirety, and second the decision by the members of the Grass and Legume Scheme to change the lot size.

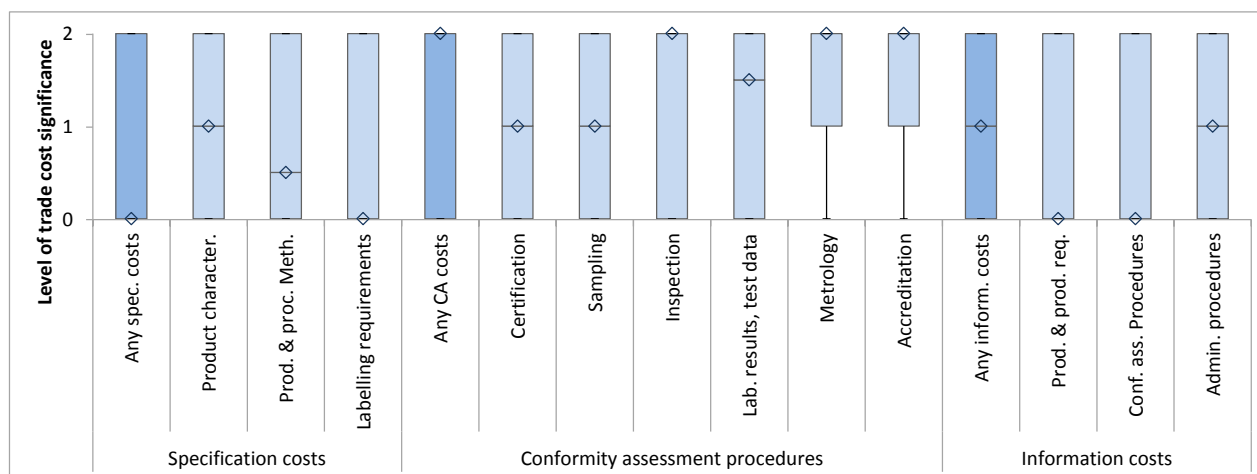
### *IRC Outcomes*

#### Features of the IRC Outcomes examined

	Accession to Maize and Sorghum Scheme	Lot size change (Decision C(2014) 154) Grass and Legume Scheme
Entry into force	1977	2014
IRC mechanism	Harmonization of certification; Each member recognizes the other member's certified seeds on the basis of trust.	
Description	The OECD Schemes for certification or the control of seed moving in international trade provide a set of procedures, methods and techniques to verify the quality of seed during the multiplication process and which are designed to ensure that both the varietal identity and the varietal purity of varieties are maintained and safeguarded. They provide procedures which are designed to check the progress of a variety at different stages in the seed production process, including examination of control plots using samples of seed drawn from lots; laboratory tests on seeds and seedlings, using samples of seed drawn from lots; and field inspection of growing seed crops, on one or more occasions.	
Objective(s)	Facilitate seed trade by reducing technical barriers, improving transparency and lowering transactions costs.	
Implementation	Varies by country.	
Examples of Rules	<b>Labelling requirements</b> The appropriate varietal association labels must be fixed to each container. The labels shall be blue with a diagonal green line. In addition, the percentage breakdown by weight or by number of seeds of the component varieties shall be given; it shall be sufficient to give the name of the varietal association if the percentage breakdown has been officially recorded.	<b>Labelling requirements for Mixtures of Herbage Seed</b> The appropriate mixture labels must be fixed to each container. The label shall be coloured green. The containers must be properly sealed.
Examples of CAP	<b>Inspection</b> For crops to produce Basic Seed of parental lines a minimum of two inspections must be made. The first inspection is to be made before flowering, the second inspection during flowering.	<b>Inspection</b> At least one field inspection of each seed crop must occur near the time of inflorescence emergence (grasses) and at flowering time (legumes).

### *Trade costs*

Figure A3.3 shows that in general most sub-elements of each three types of trade costs were not considered significant, with the exception of costs related to metrology and accreditation. Both specification and information costs were not considered significant by a great majority of countries.

**Figure A3.3. Distribution of trade costs significance: OECD Seed Schemes**

Note: The box-and-whisker diagram shows the distribution of responses by countries participating in the initiative. The lower end of the boxes shows the first quartile, and their upper end shows the third quartile of the responses. The whiskers show the maximum and minimum level of cost significance indicated. The diamonds indicate the median of responses. The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant.

The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant. Main types of trade costs are shown with boxed shaded darker than the detailed trade cost elements.

## Wine Regulatory Forum (WRF) APEC

### General Features of the Initiative

#### Description and mandate

The APEC Wine Regulatory Forum (WRF) seeks to reduce trade costs resulting from non-science based testing and certification requirements for wine trade in APEC and to encourage good regulatory practices in wine regulation due to its status as a low risk food product. It maximizes the cost efficiency of human, time and financial resources by engaging in a neutral and effective forum. It is a public-private partnership with active engagement by both industry and government. Inter-sessional work is undertaken by five Working Groups in the following key areas: export certificates, information sharing, ring testing for key analyses in wine, pesticide MRLs, and good regulatory practices.

#### Membership and observers

APEC Members.<sup>1</sup> Non-member industry and government representatives routinely participate as Observers.

#### Sector

Agriculture: Wine.

#### Stakeholder involvement

Private sector stakeholders are involved.

#### Decision-making

n/a

1. The 21 economies of APEC are Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand; United States of America; Viet Nam

### ***Background information on the Initiative***

The Wine Regulatory Forum (WRF)<sup>18</sup> was created in 2008 under the auspices of the APEC Subcommittee on Standards and Conformance (SCSC) as an avenue for regulatory co-operation among APEC economies.<sup>19</sup> The main focus of the WRF is information sharing of best practices among wine regulators. Besides regular dialogue promoting a better understanding of economies' wine regulatory practices, the WRF has set up hoc working groups to look into ways of reducing costs of duplicative and burdensome export certificates, streamlining laboratory testing practices, including determining what testing is necessary for wine and ensuring that laboratory methods are consistent, and efforts to align maximum residue levels for pesticides relevant to wine.

In July 2016, a Model Wine Certificate for use by economies requiring certificates was endorsed by the SCSC and subsequently by APEC Leaders. The model combines the Certificate of Origin, Certificate of Hygiene and Certificate of Free Sale into a single document for the purpose of exporting wine to any other APEC economy, which reduces paperwork and costs that may discourage wine producers from exporting. The consolidation is seen as a step in the direction of eliminating export certification requirements where these are unnecessary. By June 2017, two APEC economies announced their intention to self-initiate use of the Model for exports of wine from their economy.

The IRC outcome examined in this report corresponds to the establishment of the Model Wine Certificate.

### *IRC Outcome*

#### **Features of the IRC Outcomes examined**

Entry into force	Endorsed by APEC Leaders in 2016 but not yet implemented by APEC economies requiring export certificates.
IRC mechanism	Convergence of export certification.
Description	Where certification is needed, establish an APEC-wide certificate which serves to consolidate each exporting economy's Certificate of Origin, Certificate of Hygiene and Certificate of Free Sale into a single document for purposes of export to other APEC economies would satisfy nearly every APEC economy's wine import documentation requirements (exclusive of chemical analyses).
Objective	Reducing unnecessary certifications and costs for APEC economies by eliminating wine certificates where they are unnecessary and consolidating certificate form, which will replace more burdensome certificate requirements. Consolidation of existing certificates was considered as the first step towards the goal of eliminating export certification in APEC.
Implementation	Two economies are in the process of self-initiating use of the Model for wine exports to other APEC economies.
Examples of Rules	n/a
Examples of CAP	n/a

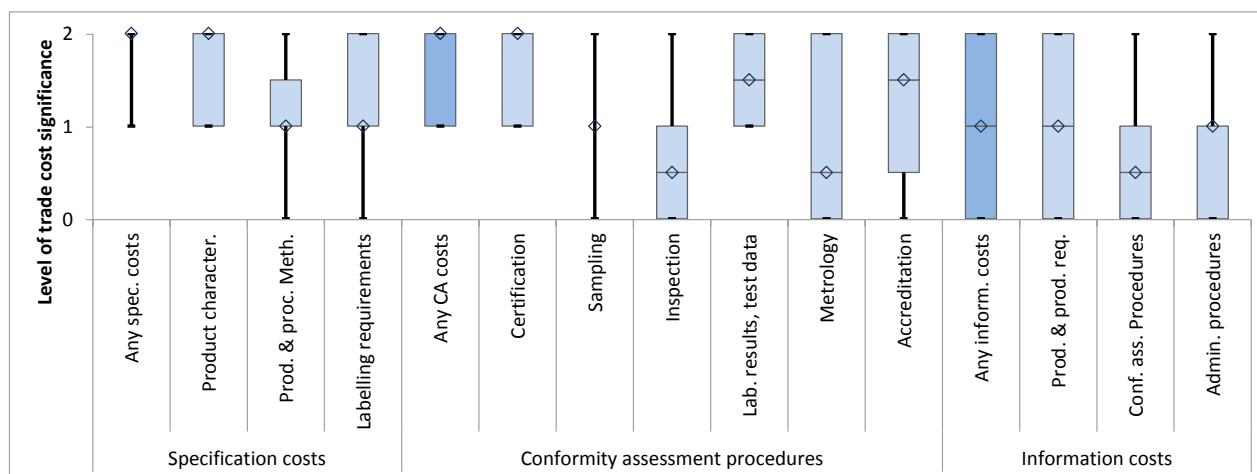
### *Trade costs*

Figure A3.4 shows that in general countries considered specification costs to be more significant and information costs to be less significant. Conformity costs were all considered to have some significance with a slightly more significance for costs related to certification, laboratory results and test data, and accreditation. Information costs were also considered as significant although less so than the conformity assessment costs.

18. <http://wineregulatoryforum.blogspot.com>

19. USTR: 2014 Report on Technical Barriers to Trade (2014).

Figure A3.4. Distribution of trade costs significance: Wine Regulatory Forum APEC



Note: The box-and-whisker diagram shows the distribution of responses by countries participating in the initiative. The lower end of the boxes shows the first quartile, and their upper end shows the third quartile of the responses. The diamonds indicate the median of responses. The whiskers show the maximum and minimum level of cost significance indicated.

The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant.

Main types of trade costs are shown with boxed shaded darker than the detailed trade cost elements.

## International Organisation of Vine and Wine (OIV)

### General Features of the Initiative

#### Description and mandate

The objectives of the OIV are to inform its members of measures related to vine and wine products; to assist other international organisations, especially those which carry out standardisation activities; "to contribute to international harmonisation of existing practices and standards and, as necessary, to the preparation of new international standards in order to improve the conditions for producing and marketing vine and wine products, and to help ensure that the interests of consumers are taken into account". Towards these ends, the OIV elaborates recommendations and guidelines on conditions for grape production, oenological practices, definition of products, labelling and marketing conditions, methods for analysing and assessing vine-based products and engages its membership in a range of other activities.

#### Membership and observers

46 Members.<sup>1</sup> Non-member countries and non-governmental international organisations with an interest in the sector may become Observers. The EU and 10 non-governmental international organisations are Observers.

#### Sector

Agriculture: Wine, vines, wine-based beverages, table grapes, raisins and other vine-based products

#### Stakeholder involvement

Experts and scientists from research institutions and industry.

#### Decision-making

Decisions are adopted by consensus. Implementation is voluntary.

1. The 46 members include: Algeria, Argentina, Armenia, Australia, Austria, Azerbaijan, Belgium, Bosnia-Herzegovina, Brazil, Bulgaria, Chile, Croatia, Cyprus\*, Czech Republic, Finland, France, Georgia, Germany, Greece, Hungary, India, Israel, Italy, Lebanon, Luxemburg, FYR Macedonia, Malta, Moldova, Montenegro, Morocco, Netherlands, New Zealand, Norway, Peru, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, Uruguay.

\*Note by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus" issue.

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

***Background information on the Initiative***

The OIV<sup>20</sup> was established under the Agreement of 3 April 2001 (the Agreement), replacing the International Vine and Wine Office established in 1924. It defines commonly accepted rules and promotes international standards and guidelines, harmonisation and sharing of information and sound science-based knowledge, in order to improve productivity, product safety and quality and the conditions for producing and marketing vitivincultural products. OIV defines products of the wine sector, sets recommended limits in terms of additives and contaminants, develops the methods of laboratory analysis for wine and other vitivincultural products. It also develops labelling standards and prepares a whole range of recommendations and guidelines in the interest of both producers and consumers.

One important stream of OIV's ongoing work pertains to updating the International Code of Oenological Practices, the International Oenological Codex and the Compendium of International Methods of Analyses of Wines and Musts. These are reference documents on practices, standards and methods that countries may incorporate in their national wine regimes -- for example by basing their lists of permitted oenological practices on OIV recommendations, or by recognising for inspection procedures the methods of analysis published by the OIV as reference methods for determining the composition of wine -- with the result of national practices becoming more coherent, unfair competition is avoided and international trade is becoming easier. When new oenological practices are developed, they are validated by experts after comprehensive analyses and review in order to take into account the protection of human health, the possible risk of consumers being misled and the preservation of the natural and essential characteristics of the wine.

The IRC outcomes examined in this report correspond to two specific outcomes of work that is part of developing these Codes. These Resolutions illustrate the OIV's methods and procedures of this type of work (the OIV has produced several hundred resolutions); they clearly do not reflect the full scope of activities and substantive outcomes within the OIV's mandate. One of the studied outcome addresses the treatment of wine with silver chloride, (Resolution OIV-OENO 145-2009: Treatment of wine with silver chloride and Resolution OIV-OENO 505-2014: Monograph on silver chloride); the other recommends a method of determination of phthalates in wines (OIV-MA-AS323-10: Method of determination of phthalates by gas chromatography/mass spectrometry in wines). The reader should be aware that the study covers a narrow set of OIV outcomes and substantive issues that are different from the issues with which the two other IRC initiatives in the wine sector, the WWTG and the APEC Wine Regulatory Forum (WRF), are concerned. The three initiatives hence cannot be compared.

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20. <http://www.oiv.int/>

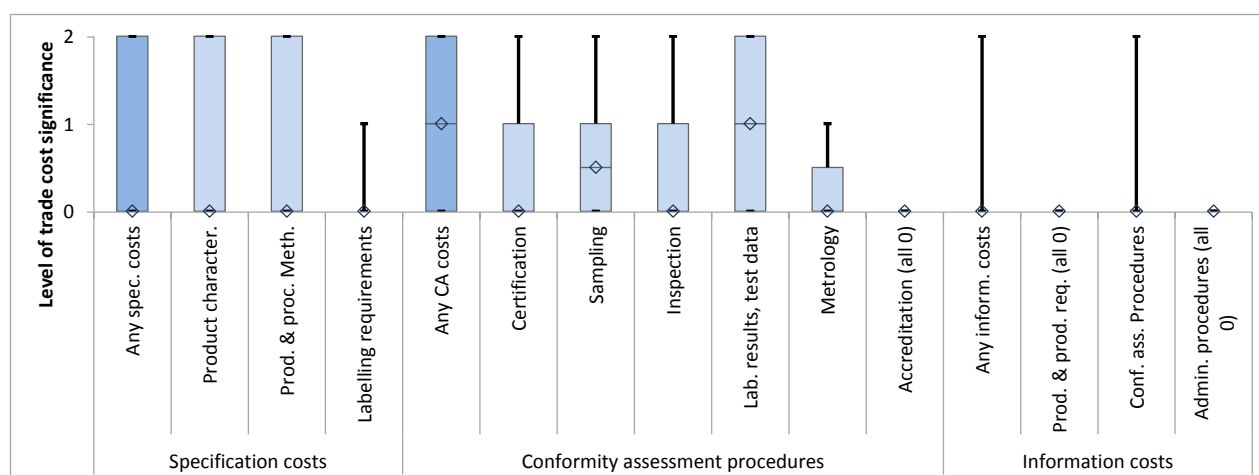
*IRC Outcomes***Features of the IRC Outcomes examined**

	<b>Resolution OIV-OENO 505-2014, Monograph on silver chloride; Resolution OIV-OENO 145-2009, Treatment of wine with silver chloride</b>	<b>OIV-MA-AS323-10 Method of determination of phthalates by gas chromatography/mass spectrometry in wines</b>
Entry into force	2009 and 2014	2014
IRC mechanism	Development of common standard on rules	Development of common standard on conformity assessment
Description	Silver chloride is used for the treatment of wines to remove fermentation and storage-related abnormal odours (odours caused by reduction reactions, characterised by the presence of hydrogen sulphide and thiols). Silver chloride added to wine must be applied to an inert support, like kieselguhr (diatomaceous earth), bentonite, kaolin, etc. The precipitate must be eliminated by any appropriate physical procedure. Silver sulphide formed during the treatment remains adsorbed by the inert carrier material and together they can be separated by filtration.	Phthalates (esters of phthalic acid) are the most common plasticizers in used at present and they are therefore produced on a large scale. Wine can be contaminated by phthalates because of plastic materials used during winemaking, as well as synthetic stoppers and plastic containers for the wine storage.
Objective(s)	To reduce odour defects due to hydrogen sulphide and some mercaptans.	Method applies to the detection and assay of phthalates in wines.
Implementation	Decisions are recommendary in nature. OIV members choose whether to adopt them or not. For example, the resolution on silver chloride was implemented in the 28 countries of the EU as of 6 July 2015.	
Examples of Rules	The silver chloride used should have a minimum purity of 99%. Determination of the silver content is conducted according to the atomic absorption spectrophotometry (AAS) method (7.8). The silver chloride content in the inert carrier material should be higher than or equal to 2%.	n/a
Examples of CAP	n/a	The resolution provides details on the Glassware and volumetric laboratory equipment to be used as well as procedures to follow (e.g. heat-treat all non-volumetric glassware (400°C for at least 2 hours) to prepare the samples (Shake vigorously (Vortex mixer) for at least one minute). Let the mixture decant until the 2 phases have separated (30 minutes in a 50°C ultrasound bath will accelerate the separation).

*Trade costs*

Figure A3.5 illustrates how in general all trade costs were not considered significant by the majority of countries who answered the question, although the result should be taken with caution given the relatively low number of responses to this question in the OIV case. Conformity assessment costs stand out as the costs with the most significance where a few countries indicated that laboratory results and test data and to a slightly lesser degree for costs incurred by sampling were significant.

**Figure A3.5. Distribution of trade costs significance: Specific outcomes by the International Organisation of Vine and Wine**



*Note:* The box-and-whisker diagram shows the distribution of responses by countries participating in the initiative. The lower end of the boxes shows the first quartile, and their upper end shows the third quartile of the responses. The diamonds indicate the median of responses. The whiskers show the maximum and minimum level of cost significance indicated. The significance of trade costs only refer to the two outcomes considered in the analysis, including the work on silver chloride and on phthalates. The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant. Main types of trade costs are shown with boxed shaded darker than the detailed trade cost elements.

## World Wine Trade Group (WWTG)

### *General Features of the Initiative*

#### **Description and mandate**

The WWTG is guided by principles that facilitate trade in wine and protect consumers, benefiting both wine exporting and importing countries. It recognizes the unique characteristics of each regulatory system and works towards the mutual acceptance of practices and labelling rather than imposing a single regulatory approach. The WWTG aims to facilitate international trade in wine through information sharing, discussion of regulatory issues in wine markets, and joint actions for the removal of trade barriers. The WWTG provides a platform for sharing intelligence and coordinating positions regarding obstacles to trade.

#### **Membership and observers**

Argentina, Australia, Canada, Chile, Georgia, New Zealand, South Africa and the United States. Non-member industry and government representatives routinely participate as Observers.

#### **Sector**

Agriculture: Wine.

#### **Stakeholder involvement**

Public-private partnership.

#### **Decision-making**

Decisions are adopted by consensus.

### ***Background information on the Initiative***

In 1998 governments interested in facilitating the international trade in wine created the WWTG,<sup>21</sup> an informal group of presently eight countries (a ninth country is currently undergoing the accession process). The Group has engaged in efforts to address technical barriers to the wine trade among its members by employing the tools of harmonisation and mutual recognition recommended by the WTO. To date this initiative has achieved three binding agreements as well as a Memorandum of Understanding (MOU), and a number of statements – the Mutual Acceptance Agreement of Oenological Practices (MAA), the Agreement on Requirements for Wine Labelling its Protocol, and the MOU on certification requirements. These three Agreements allow a more coherent regulatory environment and the use of a universal wine label between WWTG countries, thus reducing the complexities and costs of wine trade between the parties.<sup>22</sup> The WWTG is trying to expand the idea of more coherent regulatory environment also to other markets. For example, the 2014 Tbilisi Statement endorses principles relating to analytical methodology and regulatory limits on constituents and potential contaminants in wine. The WWTG is using those principles to provide guidance to the growing import economies of the APEC Wine Regulatory Forum (WRF).

The IRC outcomes examined in this report correspond to the three agreements mentioned above, i.e. the MAA on Oenological Practices, the Agreement on the Requirements for Wine Labelling and the MOU on Certification Requirements.

### ***IRC Outcomes***

#### **Features of the IRC Outcomes examined**

	<b>Agreement on mutual acceptance of oenological practices</b>	<b>Agreement on Requirements for Wine Labelling</b>	<b>Memorandum of Understanding on Certification Requirements</b>
<b>Entry into force</b>	2001 (signed) <i>Entry into force see implementation</i>	2007 (signed) <i>Entry into force see implementation</i>	2011
<b>IRC mechanism</b>	Mutual recognition	Convergence	Convergence
<b>Description</b>	Countries accept each other's laws relating to oenological practices and mechanisms regulating these practices. When a country exports wine, the importing country will accept the importation of wine produced in the territory of the exporting Party as long as the wine production is in conformity with the either the exporting or importing Party's regulations.	Under the agreement, labels may contain four items of mandatory information: country of origin, product name, net contents, and alcohol content. Parties permit that information to appear anywhere on a wine bottle label (excluding the base and cap) in a single field of vision. <sup>1</sup>	If certification is necessary (in order to protect human health or safety), the requiring party will consider accepting certificates issued by the exporting country. Signatories also endeavour to follow Codex guidelines for certificates when requiring imported wine to meet their national health and safety standards. <sup>2</sup>
<b>Objective(s)</b>	Facilitate trade in wine through mutual acceptance of mechanisms for regulating oenological practices (winemaking materials, processes, treatments and techniques). Eliminate barriers to trade based on differences in oenological practices by establishing that signatory	Enable wine exporters to sell wine into WWTG markets without having to redesign their principal label for each individual market, thus significantly reducing costs for the exporter.	The Certification MOU facilitates international trade in wine, by reaffirming that routine certification of wine composition should not be required other than on health and safety grounds consistent with WTO rules, in which case producers that wish to export ought to be allowed to obtain certificates in their home country

21. <http://wwtg-gmcv.org> and <http://ita.doc.gov/td/ocg/wwtg.htm>

22. Wine Institute: International Trade Barriers Report for U.S. Wines (2012).

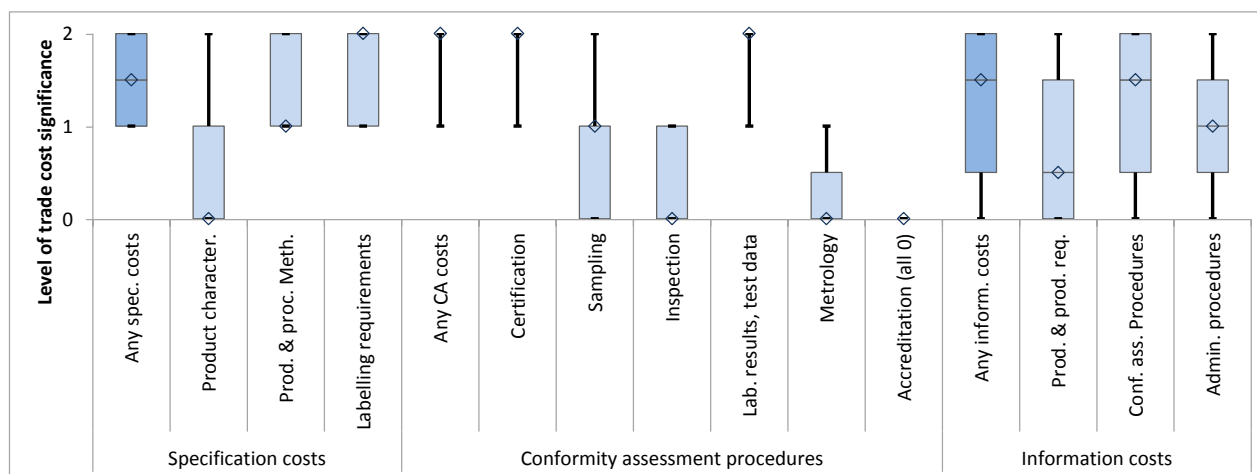
	countries will accept that wine made in another signatory country should be allowed to be sold in its market, despite different national winemaking practices.		(hence offering additional flexibility and cost savings).
<b>Implementation</b>	2002 (US, Canada), 2003 (Chile), 2005 (Argentina, Australia, New Zealand), 2011 (South Africa)	2010 (Chile, New Zealand) 2011 (Argentina, South Africa), 2012 (Australia, Georgia), 2013 (US), 2015 (Canada)	2011
<b>Examples of rule</b>	The parties accept importation of wine produced in the territory of another Party in conformity with that other Party's laws, regulations and requirements related to oenological practices.	Under the agreement, labels may contain four items of mandatory information: country of origin, product name, net contents, and alcohol content. Parties permit that information to appear anywhere on a wine bottle label (excluding the base and cap) in a single field of vision.	n/a
<b>Examples of CAP</b>	n/a	n/a	No requirements of routine certification of wine composition or certificates of free sale or analytical reports on wine constituents for imported wine, unless necessary to protect human health and safety.

1. Agreement on Requirements for Wine Labelling (2007).
2. Memorandum of Understanding on Certification Requirements (2011).

### *Trade costs*

Figure A3.6 illustrates well a wide span in the distribution of trade costs significance. In general, each sub-element of specification costs was considered significant by the majority of responses. The conformity assessment costs, however, show more diversity where certification costs and laboratory results and data tests being considered very significant as opposed to accreditation and inspection that were considered not significant. In general, the graph also suggests that information costs were generally considered more significant by a majority of countries.

Figure A3.6. Distribution of trade costs significance: World Wine Trade Group



Note: The box-and-whisker diagram shows the distribution of responses by countries participating in the initiative. The lower end of the boxes shows the first quartile, and their upper end shows the third quartile of the responses. The diamonds indicate the median of responses. The whiskers show the maximum and minimum level of cost significance indicated.

The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant.

Main types of trade costs are shown with boxed shaded darker than the detailed trade cost elements.

## NAFTA Technical Working Group on Pesticides

### General Features of the Initiative

**Description and mandate** The NAFTA TWG addresses pesticide issues arising in the context of liberalised trade among the NAFTA countries, while recognizing the environmental, ecological and human health objectives of NAFTA. The objective is to create an aligned North American registration system for pesticides and products treated with pesticides. The NAFTA TWG also seeks to incite cooperation and work sharing as a way of doing business. The three partner countries have worked together on several projects and areas to achieve this overarching goal.

**Membership and observers** United States, Canada, and Mexico.

**Sector** Agriculture: Pesticides

**Stakeholder involvement** Private sector participates in the initiative.

**Decision-making** Decisions are agreed by parties involved.

### Background information on the Initiative

Created in 1996 under the NAFTA provisions on Sanitary and Phytosanitary Measures, the Technical Working Group (TWG) on Pesticides<sup>23</sup> addresses matters related to pesticide among Canada, Mexico and the United States. It aims at facilitating cost-effective pesticide regulation and trade through harmonization,

23. Canada: <http://www.hc-sc.gc.ca/cps-spc/pest/part/int/nafta-alena/index-eng.php>,  
Mexico: <http://www.sagarpa.gob.mx/English/Pages/Introduction.aspx>,  
US: <https://www.epa.gov/pesticides/international-activities-related-pesticides>

information sharing and several cooperative activities, such as collaborative scientific work, common data requirements, work on risk assessment or compliance methods as well as developing common NAFTA or international standards.

The IRC outcomes examined in this report correspond to work of the NAFTA TWG on Pesticides, notably including harmonising risk assessments, technical data requirements and developing new scientific tools and methodologies; and coordinating registration decisions among partners for new pesticides.

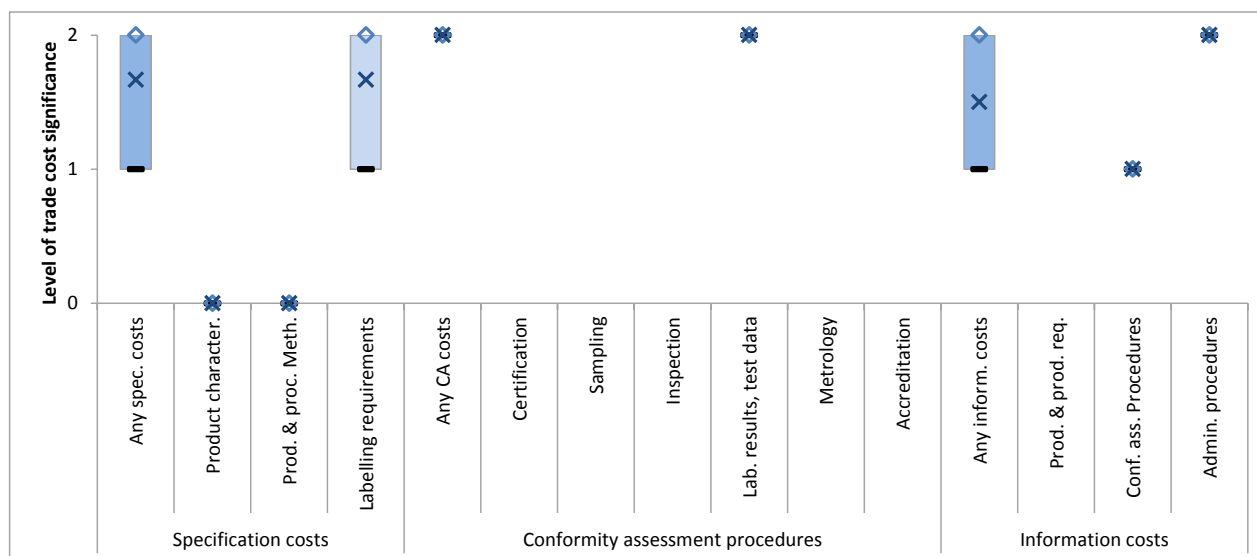
### *IRC Outcomes*

#### **Features of the IRC Outcomes examined**

Entry into force	<b>1997</b>
IRC mechanism	Streamlining and convergence of technical data requirements and development of new scientific tools and methodologies; create an aligned North American registration system for pesticides and for products treated with pesticides and to make work sharing a way of doing business.
Description	One initiative concerns the use of NAFTA labels on agricultural pesticides between Canada and the United States.
Objective(s)	Addressing pesticide issue arising in the context of liberalised trade among the NAFTA countries. It focuses primarily on facilitating cost-effective pesticide regulation among the three countries while achieving the environmental, ecological and human health objectives of NAFTA.
Implementation	Ongoing
Examples of rules	Chemical manufacturers (pesticide registrants) may seek joint approval (registration) by US and Canada authorities, of a single NAFTA label for products that are distributed in both the U.S. and Canada. The NAFTA label is voluntary. It standardises certain label content, e.g., precautionary statements, label symbols and signal words, protective clothing requirements, etc.
Examples of CAP	n/a

### *Trade costs*

Figure A3.7 shows that not all trade costs were considered by the countries. Of those that were considered, labelling requirements were considered as significant by the majority as well as laboratory results and test data. However, most sub-elements of conformity assessment costs were not considered at all. Information costs were also considered significant by countries. Caution should be taken when reading this graph given the small number of responses.

**Figure A3.7. Distribution of trade costs significance: NAFTA Technical Working Group on Pesticides**

Note: The diagram shows the distribution of responses by the three countries participating in the initiative. The lower end of the boxes and the dark lines show the minimum level of cost significance indicated, the upper end of the boxes and the light diamonds show the maximum level of cost significance indicated; the crosses show the mean across responses.

The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant.

Main types of trade costs are shown with boxed shaded darker than the detailed trade cost elements.

## Australia-New Zealand E3 Programme

### General Features of the Initiative

<b>Description and mandate</b>	The E3 programme works to make residential, commercial and industrial products more energy efficient through the implementation of (1) mandatory minimum energy performance standards (MEPS) and (2) mandatory energy rating labels (ERL).
<b>Membership and observers</b>	Australia and New Zealand.
<b>Sector</b>	Manufacturing: Household appliances.
<b>Stakeholder involvement</b>	Private sector stakeholders are involved.
<b>Decision-making</b>	Decisions are adopted by common agreement.

### Background information on the Initiative

Through the E3 Programme,<sup>24</sup> New Zealand and Australia cooperate to achieve an integrated system on energy efficiency standards and energy labelling for equipment and appliances. It provides a forum for representatives of the Commonwealth, state and territory governments of Australia and the New Zealand government working together to improve the energy efficiency of household and other appliances and

24. <http://www.energyrating.gov.au/about> and <https://www.eeca.govt.nz/standards-ratings-and-labels/equipment-energy-efficiency-programme/>

equipment. This is done by setting minimum standards for energy performance (MEPS) that products must meet or exceed before they can be placed on the Australian and New Zealand market, mandatory comparative energy rating labels, and providing consumer and producer education and training.

The IRC outcomes examined in this report correspond to the work of developing mandatory minimum performance standards and mandatory energy label initiated by the E3 Programme, which has resulted in closely coordinated application in both markets of MEPS and (mostly mandatory) labelling regulation to an expanding spectrum of household appliances and other energy-using equipment.

### *IRC Outcomes*

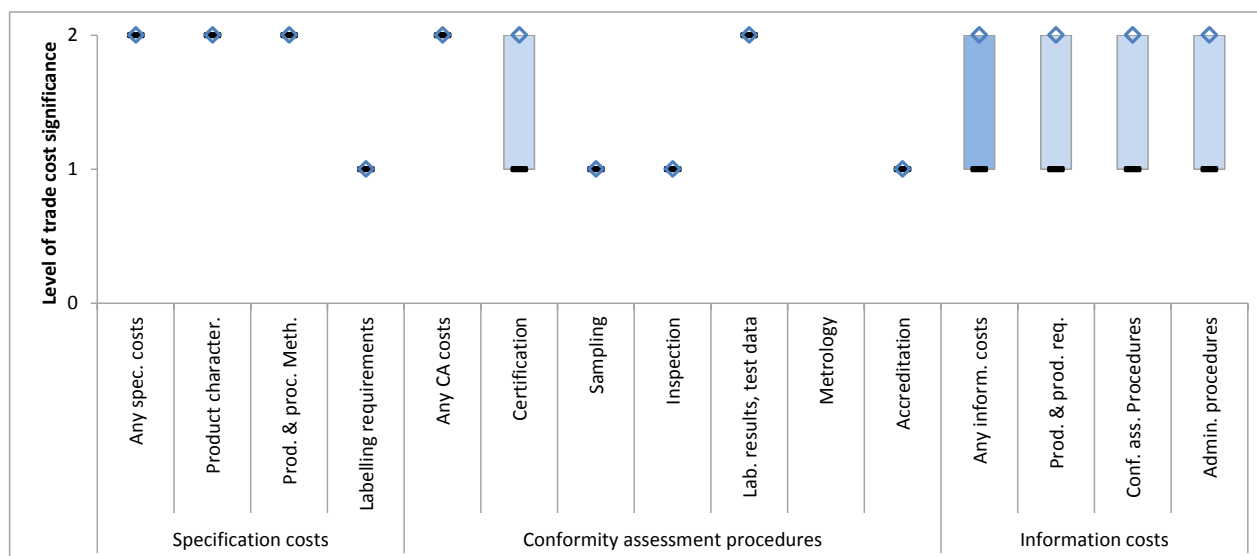
<b>Features of the IRC Outcomes examined</b>	
Entry into force	ongoing
IRC mechanism	Alignment of MEPS and related test methods and development of new MEPS level on residential, commercial and industrial products. Alignment and development of energy labels.
Description	Under the E3 programme, numerous activities are undertaken, including energy rating labelling, setting minimum energy performance standards (MEPS) and education and training. The measures aimed at increasing the energy efficiency are selected on the basis of being the most likely to deliver cost effective energy savings and associated greenhouse gas reduction. The aligned programmes target the adoption of 'best regulatory practice' among trading partners to minimize trade problems while ensuring alignment with best international practice in standards for energy efficiency testing, performance standards and labelling. For most products, the same manufacturers and importers supply the same model range into both markets. <sup>25</sup>
Objective(s)	The main objectives are to reduce energy bills for households and businesses in a cost effective; improve the energy efficiency of appliances and equipment; and reduce appliance and equipment related greenhouse gas emissions.
Implementation	Ongoing
Examples of Rules	Example of clothes dryers: Clothes dryers manufactured locally or imported for sale or supply in Australia or New Zealand must meet the MEPS and Energy Rating Label prescriptions specified in the joint standards AS/NZS2442.1:1996 and AS/NZS2442.2:2000.
Examples of CAP	The governments operate a shared system for the registration of the model or class of the products regulated for energy efficiency. The manufacturer himself, a retailer or the importer must apply for registration of the regulated model or class in either Australia or New Zealand before placing the product on either market. Products registered in Australia under its domestic energy efficiency regulations are considered registered under New Zealand's law, and vice versa.

### *Trade costs*

Figure A3.8 shows that in general all different elements of trade costs were considered as significant or very significant by the majority of countries. Both countries considered specification costs to be very significant. Most sub-elements of information costs were also considered more significant.

25. Report No: 2009/14: Equipment Energy Efficiency Program: Achievements 2008/09 (2009).

Figure A3.8. Distribution of trade costs significance: Australia-New Zealand E3 Programme



Note: The diagram shows the distribution of responses by the two countries participating in the initiative. The lower end of the boxes and the dark lines show the minimum level of cost significance indicated, the upper end of the boxes and the light diamonds show the maximum level of cost significance indicated.

The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant. Main types of trade costs are shown with boxed shaded darker than the detailed trade cost elements.

## ASEAN SHINE

### General Features of the Initiative

**Description and mandate** Harmonize ASEAN standards on testing methods to facilitate trade, develop and adopt regional policy roadmaps setting long-term aspirational goals and objectives in increasing progressively Minimum Energy Performance Standards (MEPS).

**Membership and observers** ASEAN countries.<sup>1</sup>

**Sector** Manufacturing: Household appliances.

**Stakeholder involvement** Private sector is involved.

**Decision-making** n/a.

1. The 10 members are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam.

### Background information on the Initiative

ASEAN SHINE<sup>26</sup> is a public-private collaboration developed for ASEAN under the guidance of the United Nations Environment Programme (UNEP) and the International Copper Association (ICA). Policies on energy efficiency standards for appliances in the residential, commercial and industrial have greatly varied across ASEAN, and this initiative has aimed to reduce energy consumption through harmonised

26. <http://www.aseanshine.org/>

regulation, which makes trade of energy efficient products within the ASEAN region easier. Besides harmonising testing standards which specify how performance is measured, the initiative aims to produce regionally harmonised mandatory minimum efficiency performance standards (MEPS) and label requirements that air conditioners will have to meet. A regional Policy Roadmap setting achievement targets for adoption by 2020 of harmonised energy performance standards for air conditioners was endorsed in 2015 by the ASEAN Ministers of Energy, who pledged to raise MEPS over time.

With funding support from APEC and the European Union, the first stage of ASEAN SHINE, considered the issue of testing methods. It resulted in agreement by ASEAN members to adopt the international standard ISO 5151:2010 (Non-ducted air conditioners and heat pumps – Testing and rating for performance) as the uniform test and rating standard. The IRC outcome examined in this report corresponds to the agreement on the test method, which is a first tangible outcome in an ongoing longer process.

### *IRC Outcomes*

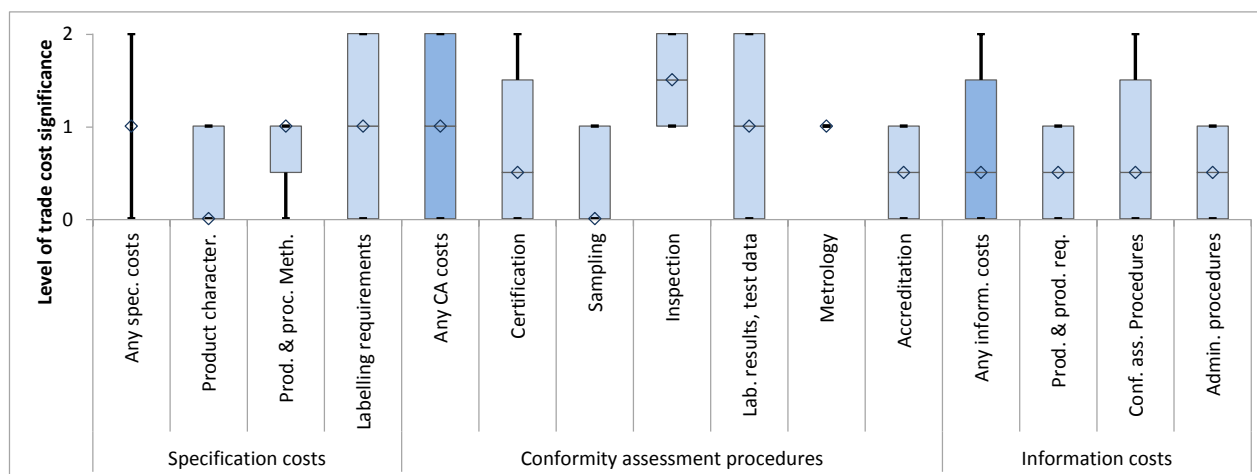
#### **Features of the IRC Outcomes examined**

Entry into force	<b>2016</b>
IRC mechanism	Harmonization of testing methods based on ISO standard
Description	ASEAN standards for the testing methods have been harmonized to ISO5151:2010. Only one standard is now applicable to test the energy efficiency of air conditioners, reducing cost of compliance for AC manufacturers.
Objective(s)	Facilitate intra-ASEAN trade on higher efficient appliances, development and adoption of regional policy roadmaps setting long-term aspirational goals and objectives in increasing progressively Minimum Energy Performance Standards (MEPS), development and adoption of national policy roadmaps to define country-specific measures to meet the objectives set out in the regional policy roadmaps, capacity building for local manufacturers and testing laboratories, and consumer awareness campaigns
Implementation	The testing method is to be adopted and notified by countries by 2016, with the exception of Cambodia, Laos and Myanmar to be adopted and notified by 2018.
Examples of Rules	MEPS specification: A minimum EER of 2.9W/W or CSPF of 3.08W/W by 2020 for all fixed and variable drive air conditioners below 3.52kW capacity (recommendation of the regional roadmap endorsed by Energy Ministers).
Examples of CAP	Product testing: ISO 5151:2010 is the harmonised standard for testing and rating air conditioners. The standard provides a common definition of residential air conditioners and specifies the test conditions for and procedures of conducting cooling capacity rating tests. Also, for later adoption, ISO 16358-1:2013, which specifies the testing and calculating methods for <i>seasonal</i> performance factors of equipment covered by ISO 5151.

### *Trade costs*

Figure A3.9 illustrates the distribution of trade costs significance among the countries part of the ASEAN SHINE initiatives. Information costs were considered as the least significant trade costs by the majority. Conversely labelling requirements, inspections and laboratory results and data tests were generally considered significant. Certification costs were considered more significant only by a few countries.

Figure A3.9. Distribution of trade costs significance: ASEAN SHINE



Note: The box-and-whisker diagram shows the distribution of responses by countries participating in the initiative. The lower end of the boxes shows the first quartile, and their upper end shows the third quartile of the responses. The diamonds indicate the median of responses. The whiskers show the maximum and minimum level of cost significance indicated.

The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant.

Main types of trade costs are shown with boxed shaded darker than the detailed trade cost elements.

## WP.29- World Forum for Harmonization of Vehicle Regulations

### General Features of the Initiative

**Description and mandate** The World Forum for Harmonization of Vehicle Regulations (WP.29) establishes a regulatory framework to prompt innovative vehicle technologies in the market that comply with global vehicle safety. The regulations that are adopted have multi-objectives: ensuring safety, decreasing environmental pollution and energy consumption and fostering and facilitating cross-border trade.

**Membership and observers** 53 Members of the 1958 Agreement; 36 Members of the 1998 Agreement.<sup>1</sup>

**Sector** Manufacturing: vehicles and vehicle parts.

**Stakeholder involvement** Private sector contributes to the work as non-voting accredited Observers or expert included in the national delegations.

**Decision-making** Decisions by consensus.

1. The 53 members of the 1958 Agreement include: Albania, Australia, Austria, Azerbaijan, Belarus, Belgium, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus\*, Czech Republic, Denmark, Egypt, Estonia, European Union, Finland, France, FYR Macedonia, Georgia, Germany, Greece, Hungary, Ireland, Italy, Japan, Kazakhstan, Korea, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Montenegro, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Tunisia, Turkey, UK, Ukraine.

The 36 members of the 1998 Agreement include: Australia, Azerbaijan, Belarus, Canada, P.R. China, Cyprus\*, European Union, Finland, France, Germany, Hungary, India, Italy, Japan, Kazakhstan, Republic of Korea, Lithuania, Luxembourg, Malaysia, Republic of Moldova, Netherlands, New Zealand, Norway, Romania, Russian Federation, San Marino, Slovakia, Slovenia, South Africa, Spain, Sweden, Tajikistan, Turkey, Tunisia, United Kingdom of Great Britain and Northern Ireland, United States of America.

\*Note by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus" issue.

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

### ***Background information on the Initiative***

The WP.29<sup>27</sup> is a permanent working party established by the United Nations Economic Commission for Europe (UNECE) Transport Division. It provides a global platform that encourages and promotes open discussions on motor vehicle regulations. The objectives of the WP.29 include harmonizing or developing technical regulations or amendments, strengthening economic relations world-wide, fostering mutual recognition of approvals, certificates and periodical technical inspections, and encouraging the application or adoption into law of the regulations developed under its authority.<sup>28</sup> The legal framework of the WP.29 includes three agreements, two of which are covered by this study and described below.

The 1958 Agreement (last amended in 1995) establishes uniform prescriptions (UN Regulations) for vehicle equipment design, minimum performance requirements, test procedures, etc. along with a framework for “type approval” vehicle parts certification and its mutual recognition. Members apply these UN Regulations without amendments. A UN Regulation thus covers technical requirements (and if necessary alternatives), test methods by which any performance requirements are to be demonstrated, and elaborates conditions for granting type approval and mutual recognition.<sup>29</sup> A cost and benefit analysis in developing UN Regulations is not prescribed under this Agreement.

The 1998 Agreement shares similar goals to the 1958 Agreement. It sets out the process of UN Global Technical Regulations (GTRs) by harmonizing existing regulations or standards or by establishing new UN GTRs where no regulations or standards exist. GTRs are adopted by consensus vote. According to the provisions of the 1998 Agreement the work on GTRs must give objective consideration to the analysis of best available technology and to the relative benefits and cost effectiveness, as appropriate, of a proposed new regulation. Any GTR must achieve high levels of safety, environment protection, energy efficiency and anti-theft performance without lowering these levels in each country. The aim of reducing technical barriers to trade through the harmonization of existing technical regulations and developing new GTRs is also mentioned.

The IRC outcomes examined in this report correspond to UN Regulation 127, a specific UN Regulation developed under the 1958 Agreement, and to UN GTR 9, a specific UN Global Technical Regulation adopted under the 1998 Agreement. These are examples of WP.29 outcomes but do not represent the full spectrum of its work.

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27. <https://www.unece.org/trans/main/wp29/introduction.html>

28. Art. 1 of the Terms of Reference.

29. Appendix 2 of the 1958 Agreement.

## IRC Outcomes

## Features of the IRC Outcomes examined

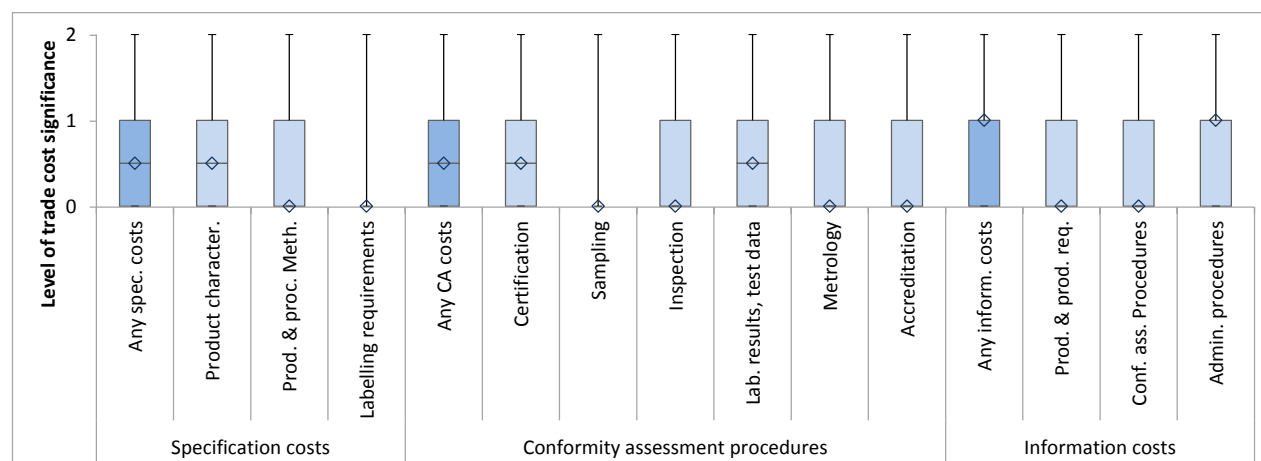
	UN Regulation 127 under the 1958 Agreement	GTR 9 under 1998 Agreement
<b>Entry into force</b>	1995 (latest revision 2012)	2008
<b>IRC mechanism</b>	Mutual recognition of type approval	Development of global technical regulation towards a harmonisation
<b>Description</b>	R 127 sets performance requirements for standard testing measuring the level of damage a car could cause the human body upon impact. It sets minimum requirements for testing vehicle bumpers and headform to provide safety for pedestrians in a case of an impact. It also prescribes the procedures concerning conformity of production of the type approval document.	GTR 9 specifies minimum performance requirements for headform and vehicle bumpers, subjecting pedestrians to lower impact forces so as to provide leg protection.
<b>Objective(s)</b>	Applies to Vehicles used for the carriage of passengers and comprising not more than eight seats in addition to the driver's seat (M1) and Vehicles used for the carriage of goods and having a maximum mass not exceeding 3.5 tonnes (N1). <sup>1</sup>	1) To reduce the number of pedestrian fatalities and injuries resulting from head impacts against the bonnet and leg impacts with the bumper; 2) To maximize economic effectiveness of pedestrian protection regulations globally.  GTR 9 aims to improve the construction of certain parts of the front of vehicles which have been identified as causing injury when in collision with a pedestrian or other vulnerable road user. It specifies the tests to verify compliance of vehicles as such it addresses conformity assessment costs that result in the different tests imposed by countries
<b>Implementation</b>	Depending on countries.	
<b>Examples of Rules</b>	<p>"Head Injury Criterion (HIC)" means the calculated result of accelerometer time histories using the following formula:</p> $HIC = \left[ \frac{1}{t_2 - t_1} \int_{t_1}^{t_2} a \, dt \right]^{2.5} (t_2 - t_1)$ <p>where "a" is the resultant acceleration measured in units of gravity "g"; and two time instants (<math>t_1</math>, <math>t_2</math> expressed in seconds) during the impact, defining an interval between the beginning and the end of the recording period for which the value of HIC is a maximum (<math>t_2 - t_1 \leq 15</math> ms).</p>	<p>The child headform impactor shall be made of aluminium, be of homogenous construction and be of spherical shape. The overall diameter shall be <math>165 \pm 1</math> mm.</p> <p>The mass shall be <math>3.5 \pm 0.07</math> kg. The moment of inertia about an axis through the centre of gravity and perpendicular to the direction of impact shall be within the range of 0.008 to 0.012 kgm<sup>2</sup>. The centre of gravity of the headform impactor including instrumentation shall be located in the geometric centre of the sphere with a tolerance of <math>\pm 2</math> mm.</p>
<b>Examples of CAP</b>	<p>The approval authority must also accept the manufacturer's registration to harmonized standard ISO 9002 (the scope of which covers the product(s) to be approved) or an equivalent accreditation standard.</p> <p>The authority which has granted type approval may at any time verify the conformity control methods applied in each production facility. The normal frequency of these verifications must ensure that the relevant controls are reviewed over a period consistent with the climate of trust established by the approval authority.</p>	<p>The acceptance levels for the lower legform test should be set at the following limits:</p> <ul style="list-style-type: none"> <li>• Maximum lateral knee bending angle (19.0°);</li> <li>• Maximum lateral knee shearing displacement (6.0 mm);</li> <li>• Maximum lateral tibia acceleration (170g).</li> </ul> <p>Legform to bumper test procedures</p> <p>Each test shall be completed within two hours of when the impactor to be used is removed from the controlled storage area. The selected target points shall be in the bumper test area.</p>

1. Consolidated Resolution on the Construction of Vehicles, ECE/TRANS/WP.29/78/Rev.4  
<http://www.unece.org/fileadmin/DAM/trans/main/wp29/wp29resolutions/ECE-TRANS-WP29-78-r4e.pdf>

### Trade costs

Figure A3.10 illustrates a consistency in the distribution of trade costs significance among countries. In general, all costs were considered as not significant or slightly significant by the majority of countries. Only a few countries considered administrative procedures and to lesser degree certification and laboratory results and test data as significant.

**Figure A3.10. Distribution of trade costs significance: WP.29 Vehicle Safety Regulations**



*Note:* The box-and-whisker diagram shows the distribution of responses by countries participating in the initiative. The lower end of the boxes shows the first quartile, and their upper end shows the third quartile of the responses. The diamonds indicate the median of responses. The whiskers show the maximum and minimum level of cost significance indicated. The levels of trade cost significance should be read as 0= Not significant; 1= Somewhat significant; 2= Very significant. Main types of trade costs are shown with boxed shaded darker than the detailed trade cost elements.

## ANNEX 4. TEMPLATE QUESTIONNAIRE

Page 1



### SURVEY ON INTERNATIONAL REGULATORY CO-OPERATION AND TRADE

This online survey, accessible by invitation only, is carried out in the context of OECD work on international regulatory co-operation (IRC) and trade, which aims to identify the trade costs of regulatory divergences and the role of various co-operation approaches to address these costs.

The questionnaire explores how governments approach regulatory co-operation, whether and how trade effects are taken into account, and the outcomes. The questions are addressed to regulatory and trade officials directly involved in the [NAME OF THE INITIATIVE e.g. World Wine Trade Group or World Forum for Harmonization of Vehicle Regulations, 1998 Agreement on UN Global Technical Regulations]. The [NAME OF THE INITIATIVE] is one of several regulatory co-operation Initiatives which the OECD is surveying with the goal to better understand the process of regulatory co-operation and its outcomes.

The results will feed into discussions of the OECD Trade Committee, the Committee on Agriculture and the Regulatory Policy Committee and contribute to elaborating a practical diagnostic tool that policymakers can use. To rate or otherwise evaluate individual governments' performances is not the purpose of this survey. If any confidentiality issues arise from completing this questionnaire, please contact us.

Please contact [barbara.fliess@oecd.org](mailto:barbara.fliess@oecd.org) or [veronique.bastien@oecd.org](mailto:veronique.bastien@oecd.org) if you have any questions regarding the questionnaire. Thank you in advance for your co-operation.

#### Instructions

This questionnaire is composed of four sections:

**SECTION I** - general factual background regarding the government authorities involved in the regulatory cooperation Initiative.

**SECTION II** - questions on the process and steps prior to the co-operation (ex-ante). The questions aim at furthering the knowledge of what each country wanting to engage in regulatory co-operation considers and analyses.

**SECTION III** - questions focused on the process during the co-operation with other countries.

**SECTION IV** - questions on what the co-operation initiative has achieved, and what the effects are.

In this questionnaire, whenever the term "the Initiative" or "this Initiative" is used, it refers to the work of the [NAME OF THE INITIATIVE]. Questions marked with an asterisk (\*) must be answered in order to complete the questionnaire.

Each government is asked to complete **one questionnaire**. The questionnaire may require input from officials in different parts of government. Once you have opened the link by clicking on the link of the questionnaire, the questionnaire is activated and can only share the same questionnaire with other experts.

Please read carefully the following instructions before starting:

- (1) start by opening the questionnaire using the generic URL link,
- (2) start answering the questions (you can always edit your answers) and **click on the 'save and exit' button**,
- (3) once you have saved and exited, a **newly generated URL** link will show up on the screen for future work on the questionnaire.

**Please make sure you use this new URL going forward: if you send it to other experts in your government or if you need to complete the questionnaire later.** This new URL is unique to this specific copy of the questionnaire and once created will not change. This URL can be shared with other experts in your government who can provide answers to complete the questionnaire a role in answering the questions. By using the same new URL, several people can work on the same questionnaire, i.e., they can add or edit answers in the same single copy (technically they cannot open and work on it simultaneously).

- (4) Once all questions have been answered, the 'finish' button must be activated in order to transmit the answers to OECD.

We encourage you to comment on any points or questions. Please use the space provided to that effect at the end of the questionnaire. While most questions in the survey are "closed" (e.g., asking you to rank specified options), we encourage you to provide supporting evidence or to give concrete examples, where you think this would be useful and informative.

A background brief was prepared to provide you with further information on the OECD project on trade and international regulatory co-operation. [OECD IRC project Background Brief.pdf](#)

Please refer to the [Glossary IRC and Trade.pdf](#) for definition of some terms used throughout this questionnaire.

Page 2

**Section I. Government authorities participating in the Initiative, and Initiative outcomes**

(each question in this Section must have been answered at least partially before you can move to the next page of the Questionnaire)

1. \*Name(s) of agency(ies) participating in the completion of this questionnaire, and a short description of their respective mandate with respect to the [NAME OF THE INITIATIVE].

2. \*Who was or is your country's lead authority?

3. \*We have identified the following outcomes to date of the [NAME OF THE INITIATIVE]. Please confirm or amend as necessary:

For the purpose of this model questionnaire, the following outcomes are only examples to illustrate possible outcomes identified. This question was customized for each initiative.

1. Harmonization of standard of testing methods
2. Development of common standards
3. Regular exchange of information

**Section II. At the country level, ex ante to co-operation through the Initiative**

The following questions refer to the situation of your country before your government engaged in the Initiative.

**A. Background and incentives for co-operation**

4. **\*What role does the sector covered by the Initiative play in your economy?**

(Check as many as applicable)

- My country produces products of this sector
- My country exports products of this sector
- My country imports products of this sector

5. **\*What has prompted your country to become interested in seeking or participating in this Initiative?**

(Check as many as applicable)

- Interest in better or less costly design and implementation of regulation (e.g. increasing regulatory efficiency, reducing administrative costs by sharing regulatory tasks)
- Concern about trade costs by actual or prospective differences in regulatory practices between your country and other trading partners
- Other [please specify]:

6. **\*Who raised the interest or concerns initially?**

(Check as many as applicable)

- Business communities
- An authority of your government in charge of regulating this sector
- An authority of government in charge of trade policy
- Another country's authority(ies)
- Other stakeholders (please specify):

7. **\*Which officials were or have been involved in the decision to propose or to participate in this Initiative?**

(Check as many as applicable)

- officials in charge of regulatory policy
- officials in charge of trade policy
- Other [please specify]:

**B. Ex ante considerations and analyses leading to the Initiative**

8. **If your government regulates the sector or products subject to this Initiative, please identify all objectives or rationales of regulation that you are aware of.**

(Check as many as applicable)

- Protection of human health, safety or life
- Protection of animal life or health
- Protection of plant life or health
- Protection of the environment
- Consumer protection
- Competitiveness
- Other [please specify]:

9. **\*Prior to engaging in this Initiative, was an assessment carried out of the extent to which your government's regulatory objectives differ from the objectives pursued by relevant other countries?**

- Yes
- No
- Don't know

10. **\*Were any differences identified?**

- Yes
- No

11. **Please describe some of the differences.**

**12. Prior to engaging in this Initiative, were costs or burdens for exporters or importers of your country considered with respect to the following?**

n/a means not applicable for this Initiative.

	Yes	No	n/a
<i>Differences of regulations</i>			
Product characteristics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Production and process methods	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Labelling requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other [please specify]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<i>Differences in conformity assessment procedures</i>			
Certification	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sampling	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inspection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Laboratory results/Test data	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Metrology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accreditation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other [please specify]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<i>Costs of obtaining or finding information about:</i>			
Product and production requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Conformity assessment procedures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Administrative procedures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Any other costs [please sj]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**13. Please indicate the magnitude of the costs or burdens for exporters or importers.**

	Very significant	Somewhat significant	Not significant
<i>Differences of regulations</i>			
Product characteristics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Production and process methods	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Labelling requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other [please specify]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Differences in conformity assessment procedures</i>			
Certification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sampling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inspection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Laboratory results/Test data	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Metrology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Accreditation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other [please specify]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Costs of obtaining or finding information about:</i>			
Product and production requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Conformity assessment procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Administrative procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Any other costs [please sj]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**14. Were any of the costs or burdens mentioned in the previous Question quantified in some way?**

(including modeling, government estimates, calculations by stakeholders, etc.)

- Yes
- No
- Don't know

**15. Please provide details on the qualitative or quantitative analyses.**

Alternatively, if available on the Internet, provide the link or attach the document at the end of this section.

- Yes
- No
- Don't know

**17. Which of the following actions or outcomes were considered, rejected or preferred?**

One answer is required for each item listed.

	Not considered	Rejected	Preferred	N/A
Harmonisation of regulation related to product characteristics, production methods or labelling requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Alignment of regulation related to product characteristics, production methods or labelling requirements with the practice of some trading partner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Use of an international standard as a basis for regulation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Developing a new standard, guide or recommendation intended for use by the co-operating parties	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Developing a new international standard, guide or recommendation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mutual recognition or equivalency of regulation (with or without modification)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Harmonisation of some or all conformity assessment procedures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Use of an international standard as a basis for conformity assessment procedures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mutual recognition or equivalence of some or all conformity assessment procedures (with or without modification)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Exchange of information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Capacity building	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other [please specify]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Any other [please specify]	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**18. \*Were potential benefits and costs of any of the actions or outcomes rejected or preferred identified in the previous question analysed?**

- Yes
- No
- Don't know

**19. \*Was a specific method used to compare alternative outcomes?**

- Yes
- No
- Don't know

**20. Please describe the method.**

Alternatively, if available on the Internet, provide the link or attach the document at the end of this section.

**21. Please describe the reasons for any preferred actions or outcomes.**

**22. Did you expect that the preferred action or outcome would change costs or burdens for the following actors?**

	Increased Significance		No Change		Decreased significantly		N/A
	1	2	3	4	5		
Your country's importers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your country's producers of products of the sector	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your country's consumers of products of the sector	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Your country's regulatory authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other [please specify]:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

23. \*Were stakeholders consulted prior to engaging in the initiative?

- Yes  
 No  
 Don't know

24. Which stakeholders were consulted?

- Domestic producers of the regulated product(s)  
 Domestic consumers of the regulated product(s)  
 Authorities at sub-central level of government  
 Other [please specify]:

25. \*Stakeholders were consulted with respect to:

Please check as many as applicable.

- Economic effects of the existing situation of regulatory diversity prior to co-operation  
 Proposed solutions  
 Impacts of possible outcomes  
 Other [please specify]:

### **Section III. At the level of engagement with other participants of the Initiative**

**This section relates to the co-operation among countries participating in the Initiative.**

27. \*Which authorities of your government participated directly in the Initiative?

Authorities can comprise national, sub-national or supra-national levels of government, as may be applicable.

- Authorities in charge of regulation  
 Authorities in charge of trade policy  
 Other [please specify]:

28. Please describe to what extent participating countries had the same expectations with regard to the results of this collaboration.

29. Did participating countries undertake jointly to compare the following?

(check as many as applicable)

- Participants' regulatory objectives  
 Participants' regulations or conformity assessment procedures  
 Participants' technical infrastructure, skills and capacity  
 Other [please specify]:

30. If differences were identified, please provide one or more examples of the type of differences across countries.

(naming specific trading partners is not necessary)

31. \*Did participating countries discuss different options for action?

- Yes  
 No  
 Don't know

**32. Which of the following was discussed.**

(Check as many as applicable)

- Harmonisation of regulation related to product characteristics, production methods or labelling requirements
- Alignment of regulation related to product characteristics, production methods or labelling requirements with the practice of some trading partner
- Use of an international standard as a basis for regulation
- Developing a new standard, guide or recommendation intended for use by the co-operating parties
- Developing a new international standard, guide or recommendation
- Mutual recognition or equivalence of regulation (with or without modification)
- Harmonisation of some or all conformity assessment procedures
- Use of an international standard as a basis for conformity assessment procedures
- Mutual recognition of equivalence of some or all conformity assessment procedures (with or without modification)
- Exchange of information
- Capacity building
- Other [please specify]:

**33. Please describe how options were identified.**

**34. \*Were options for action or outcomes analysed by or on behalf of the group of countries participating in the Initiative?**

- Yes
- No

**35. \*Which questions did the analyses address?**

(Check as many as applicable)

- Trade costs resulting from the existing constellation of participating countries' regulatory approaches
- Other economic consequences of the existing constellation of participating countries' regulatory approaches
- Economic benefits and costs likely to result from one or several options for action
- Change in trade costs likely to result from one or several options for action
- Needs for assistance with technical infrastructure and competencies (e.g., testing, calibration, inspection)
- Other [please specify]:

**36. \*Did the analyses include quantification of effects?**

- Yes
- No
- Don't know

**37. What type of quantitative analysis was used?**

(Check as many as applicable)

- Simple inventory
- Arithmetic calculation of price gaps
- Economic model
- Benefit-cost analysis
- Other [please specify]:

**38. \*Did the analyses assess impact for any of the following groups of stakeholders?**

(Check as many as applicable)

- Regulated entities (e.g. market operators)
- Regulatory authorities
- Consumers
- Other [please specify]:

#### Section IV. Evaluation of outcomes of the Initiative

The following questions seek information on what co-operation has achieved and what the effects are.

40. How closely do the actions or outcomes achieved by the Initiative to date correspond to your government's initially preferred outcome?

41. \*Has your country implemented decisions or agreements under this Initiative?

- Yes, entirely
- Yes, in part
- Implementation pending
- No
- Don't know

42. Has the co-operation through the Initiative generated useful information about your trading partners' regulatory regimes that was not available before?

- Yes
- No

43. Please explain what type of new information has resulted from the Initiative, and why it was or is useful.

44. Have outcomes of the Initiative led to changes in your country's regulatory situation?

Outcomes refer to one or more agreements, actions or decisions resulting from the Initiative. (Check as many as applicable.)

- No change
- It has made existing regulation(s) or conformity assessment procedures in my country more stringent
- It has made existing regulation(s) or conformity assessment procedures in my country less stringent
- It has led to additional (new) regulation or conformity assessment procedures in my country
- It has led to more policy transparency in my country
- Other [please specify]:

45. Has there been any evidence that trade was facilitated as a result of the Initiative?

- Yes
- No
- Don't know

46. If yes, please provide the link or attach the document(s) at the end of this section..

47. Have outcomes of the Initiative changed the costs or burdens for any of the following actors?

Outcome refers to one or more agreements, actions or decisions resulting from the Initiative. n/a means not applicable for the Initiative. Each row requires a response.

	increased significantly		no change		decreased significantly		n/a
	1	2	3	4	5		
Your country's exporters	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Your country's importers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Your country's producers of products of the sector	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Your country's consumers of products of the sector	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Your country's regulatory authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

**48. Could you please describe how or what outcome of the Initiative has led to the change(s) in costs or burdens?**

Alternatively, you can provide a link to published documents providing evidence of such change.

**49. If any evidence or assessments of economic or other impacts of the Initiative are available, please provide the link or attach the document(s) at the end of this section.**

**50. How important were the following conditions for reaching the outcome(s) of the Initiative?**

	Not important	Somewhat important			Very important	n/a
	1	2	3	4	5	
Clarification of nomenclature, terminology or concepts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Exchange of information on participants' regulatory requirements or practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Standing or ad hoc Committee, Working Group, Task Force etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify) <input style="width: 100px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Any others (please specify) <input style="width: 100px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**52. If you have any comments or wish to provide additional information or supporting evidence with respect to any question, please include them here.**

**53. If you would be willing to be contacted by the OECD for possibly other questions related to this Initiative or the OECD project on IRC and trade more generally, please leave your contact details below.**