

**MARKET OPENING,
REGULATORY REFORM AND
THE DOHA DEVELOPMENT AGENDA**

**Global Forum on Governance
Regulatory Issues and the Doha Development Agenda
Geneva, Switzerland, 25 March 2003**

Agenda

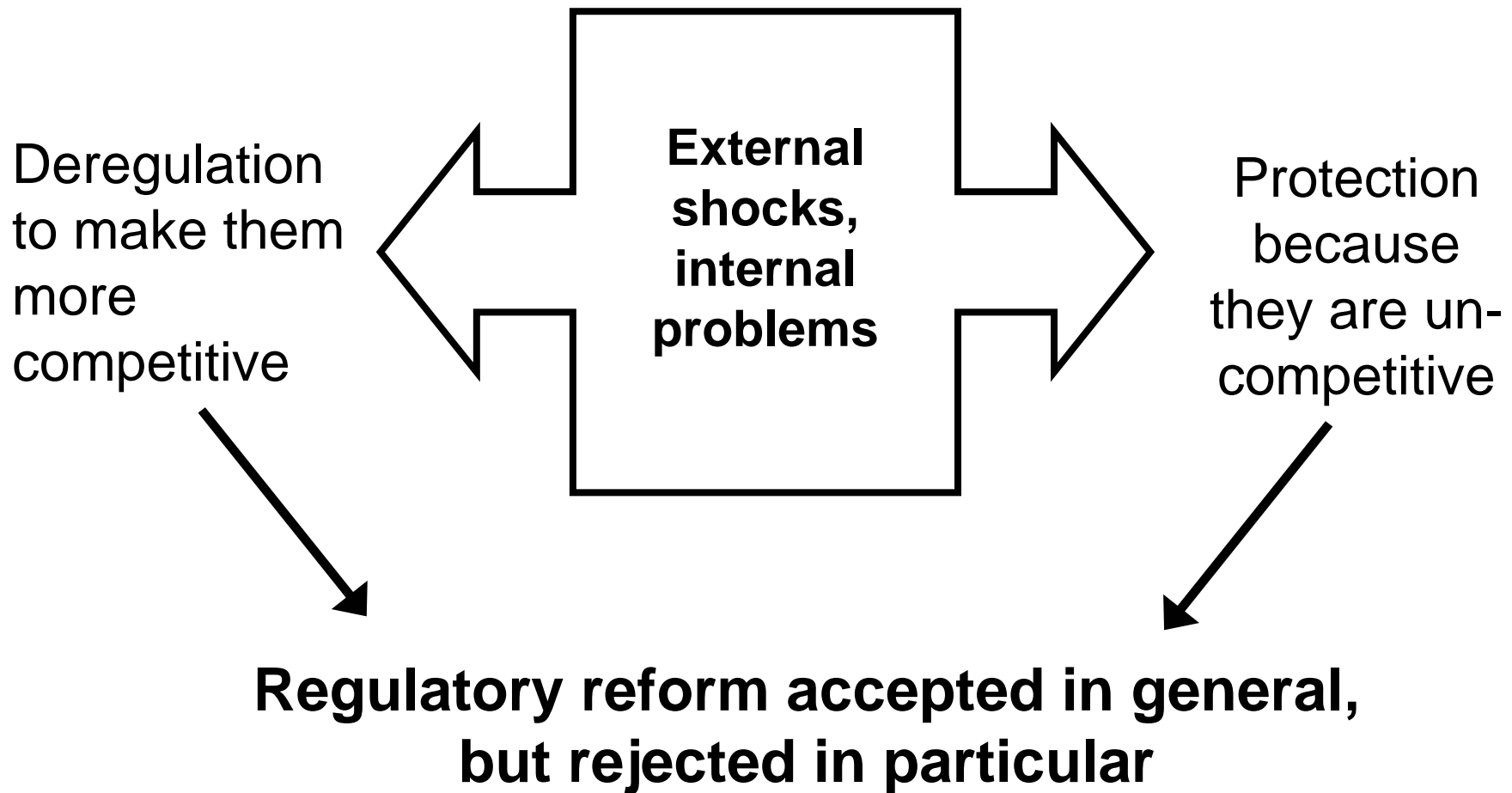
- Regulatory reform and market opening
- The Mexican experience
- Prospects for the Doha Development Agenda

What is regulatory reform?

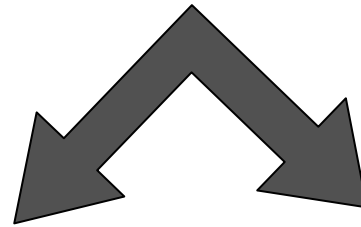
- Simplification and elimination of regulations to ensure that they do not impose unnecessary costs.
- Reform of existing regulation or creation of new regulation to facilitate the pro-competitive operation of markets.
- Modifications that improve the quality of the regulatory framework, to increase its benefits, reduce its costs and improve its efficiency.

Regulatory reform is an essential component of structural reform, along with market openness and competition policy.

Private sector interest in regulatory reform



Market opening and regulatory reform are not independent



Mutual reinforcement

- Market opening increases importance of competitive regulatory framework
- International commitments anchor deregulation efforts

Mutual weakening

- Elimination of tariffs creates incentives to use regulation as trade barrier
- Complexity of regulatory issues leads to disputes

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In Mexico, regulatory reform and market opening have strengthened each other

- Trade liberalisation (accession to GATT, sign of NAFTA and others FTAs).
- Privatisation and price liberalisation (cuts in transfers and subsidies).
- Economic crisis in 1995.
- Market openness and greater international competition created a need to improve local competitiveness.
- Need to improve non-tradables for efficient business infrastructure (telecommunications, finance, transport, energy).



Regulatory reform has been an effective and inexpensive policy for business development

Market opening and regulatory reform have gone hand in hand

	OPENING		REGULATORY REFORM
1986	GATT	1989	Economic Deregulation Unit
1992, 1999	Chile	1992, 1997	Federal Law of Metrology and Standardisation
1994	OECD	1993	International Trade Law
1994	NAFTA	1993, 1998	Federal Economic Competition Law
1994 - 2000	Several FTAs	1994	Federal Administrative Procedures Law
2000	EU	1995	Agreement for Deregulation of Entrepreneurial Activity
2003	Japan (in process)	2000	Federal Administrative Procedures Law
		2002	Federal Transparency Act

Consolidating regulatory reform in Mexico

- Reforms to Federal Administrative Procedures Law implemented a permanent and systematic regulatory reform policy (2000).
- The Federal Regulatory Improvement Commission (COFEMER) is in charge of coordinating the regulatory improvement programme.

Main components of regulatory reform in Mexico

- All draft federal regulations are **available to the public** (on a non-discriminatory basis) at least 30 working days before they are emitted.
- **Regulatory impact analyses** (RIAs) are required for all draft regulations; RIAs contain questions related to alternatives, public consultation, effects on domestic and foreign trade, and cost-benefit analysis.
- Two-year regulatory improvement programmes are public documents that establish a discipline of **periodic review and future planning of the regulatory framework**.
- The Federal Registry of Formalities and Services is an on-line and **legally binding inventory of all federal formalities**.

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To date, trade opening has helped regulatory reform

- Most of the WTO agreements (TBT, SPS, GATS, GATT) and bilateral FTAs include regulatory disciplines:
 - Transparency: publication of all relevant measures and prior consultation.
 - Non-discrimination: MFN and NT
 - Avoidance of unnecessary trade restrictiveness
 - Use of internationally harmonised measures: use of international standards

WTO and bilateral FTA commitments serve as effective policy anchors to discourage backtracking on regulatory reform.

The Doha Development Agenda promises measures to strengthen deregulation...

- ***Antidumping:*** reduction of government discretion, less margin for arbitrary measures.
- ***Singapore issues:*** multilateral frameworks in key areas would promote competitiveness in all Members' economies.
- ***Agriculture:*** subsidy elimination reduces distortions from state intervention.

...but also includes potential risks of increasing regulatory burden

- ***Agriculture:*** animal welfare, precautionary principle, etc. would reduce transparency, introduce new margin for arbitrariness.
- ***Geographical indications:*** extended protection would mean increased restrictions to trade and production.
- ***Trade and environment:*** potentially more leeway for non-tariff barriers (ex. eco-labeling).
- ***Special and differential treatment:*** exclusions from commitments would hamper drive to deregulate, cement inefficient practices.

Coherence between market opening and deregulation will be a crucial criterion for judging negotiation results:

- Effectiveness of improved market access.
- Increased certainty from clearer rules.
- Less room for discretion, disputes.



Realization of gains from trade