Globalisation has affected the everyday lives of citizens, businesses and countries worldwide. The technical revolutions of the past 30 years and the deepening of global production chains have amplified the integration of the world economy. This comes with great new opportunities, to access a wide range of products, services and data from around the world, travel at ease and communicate in real-time with almost anyone, anywhere. At the same time, this interconnectedness comes with vulnerabilities that may lead to global crisis, as demonstrated by the Covid-19 outbreak. With this pandemic, the world has come to a halt due to a virus, which has spread across the world in three months. Everywhere, the pandemics has threatened the health and lives of populations, and led to unprecedented social and economic consequences. Countries cannot fight the virus nor its consequences alone. Strikingly, this crisis has showed that more than ever before policy makers and regulators have much to gain from co-operating with their peers.

According to the OECD 2012 Recommendation of the Council on Regulatory Policy and Governance, international regulatory co-operation (IRC) provides an opportunity for countries, and in particular domestic regulators, to adapt their regulations to the rapidly evolving needs of a globalised world, by:

- Considering the impacts of their actions beyond their domestic borders
- Expanding the evidence for decision-making, learning from the experience of their peers
- Developing concerted approaches to challenges that transcend borders

The OECD defines IRC as any agreement or institutional arrangement, formal or informal, between countries to promote some form of coherence in the design, monitoring, enforcement or ex post evaluation of regulation. It highlights several ways in which IRC can be carried out, outlined in Figure 1.

Like other countries around the globe, the United Kingdom is facing the daunting challenge of regulating in a fast-paced, digital and interconnected world. At the same time, with the United Kingdom’s recent withdrawal from the European Union, Departments and regulators are likely to take on additional regulatory responsibilities and the UK government is required to rethink its engagement with international peers.

By undergoing this review, the United Kingdom shows its resolve to remain at the forefront of this largely untapped discipline of regulatory policy, to recognise the new international dimension of regulation that can no longer be ignored. At a time when IRC is all the more essential for countries to address transboundary policy challenges and yet remains a largely underutilised tool, the recommendations made in this review can offer valuable lessons to other countries within the OECD and beyond.

This Review of International Regulatory Co-operation of the United Kingdom documents:

- the context of IRC policies and practices in the United Kingdom;
- the unilateral efforts for embedding international considerations in domestic regulatory process;
- the co-operative efforts on regulatory matters, bilaterally, regionally or multilaterally.

In addition, the review offers a sample of IRC in practice in the United Kingdom with four case studies: on financial services; nuclear energy; medical and healthcare products; and product safety.

VARIEITY OF UK ACTORS, POLICIES AND STRATEGIES TOUCH UPON IRC, BUT FOCUS REMAINS STRONGLY DOMESTIC

Many actors are involved in overseeing and conducting IRC (see Figure 2). However, none has clear leadership in its oversight, and there is no common narrative or policy to catalyse these various actors' energy. This results in an ad hoc approach to IRC, both in the unilateral regulatory process and the UK's bilateral, regional and multilateral co-operative efforts.

Figure 2. Institutions involved in overseeing and conducting IRC

**Cabinet / Cabinet Sub-Committee**
(collectively agree all policy & legislative changes)

<table>
<thead>
<tr>
<th>Regulatory Policy &amp; Oversight</th>
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<tr>
<td>BRE</td>
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<td>OPSS</td>
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**RPC**
Scrutinises departments’ RIAs to ensure that they are fit for purpose

**Implementers of IRC**

<table>
<thead>
<tr>
<th>Ministerial Departments</th>
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</thead>
<tbody>
<tr>
<td>• Follow both BRF legal and administrative requirements</td>
</tr>
<tr>
<td>• Each department responsible for developing regulation has a Better Regulation Unit, Board Level Champion &amp; Better Regulation Minister</td>
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<table>
<thead>
<tr>
<th>Regulators</th>
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<tr>
<td>• Specific regulators fall under the BRF legal requirements and organising their internal analytical processes</td>
</tr>
<tr>
<td>• Regulators are given a specific set of expectations via other instruments, such as the Regulators' Code</td>
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**Networks & Platforms**

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<thead>
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<th>Better Regulation Units</th>
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<th>BRE Regulators Forum</th>
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| Network of Economic Regulators |

**Acronyms:**

- BRE: Better Regulation Executive
- BRF: Better Regulation Framework
- DIT: Department for International Trade
- HMT: Her Majesty’s Treasury
- FCO: Foreign and Commonwealth Office
- OPSS: Office for Product Safety and Standards
- RPC: Regulatory Policy Committee

Co-ordinating the UK Position Across Departments and Regulators: Relevant Working Groups and Initiatives

There are a number of fora bringing together Departments and/or regulators on horizontal regulatory matters. E.g. Better Regulation Units; BRE Regulators Forum; Regulatory Diplomacy; Network of Economic Regulators. Looking ahead, they provide important avenues to raise awareness about IRC and provide an impetus to deepen IRC efforts at large.

For example, to ensure a coherent UK approach in contributing to international rulemaking, the UK Government has undertaken a cross-departmental “Regulatory Diplomacy” initiative, since Autumn 2018. It comprises three pillars with specific Departmental leads: 1) Multilateral & Bilateral Leadership (FCO); 2) Facilitation of Non-State Actors (BEIS); and 3) Trade Policy (DIT). The work is overseen by a cross-government steering group of senior officials, which meets quarterly.
Policies and Strategies on Better Regulation: Strong Domestic Focus

Several major legislative acts and UK government policy guidance set high-level objectives for Departments and regulators to embed better regulation principles in policymaking and to reduce undue regulatory burdens.

- These include some references to the importance of gathering evidence from international best practice or considering international impacts of regulation (e.g. impacts of regulation on trade and investment).
- So far, however, they remain focused on a largely domestic perspective and do not explicitly embed international considerations. IRC is not part of the key objectives to be pursued by regulators.

A WHOLE OF UK GOVERNMENT VISION AND STRATEGY CAN HELP SCALE UP THE IRC AMBITION AND CREATE A BETTER CONNECTED ECONOMY

OECD Recommends:

Building a holistic IRC vision, a strategy and political leadership for IRC in the United Kingdom, with clearly defined roles and responsibilities for key players, to develop quality regulation in a globalised context.

This includes:

- Strengthening leadership on IRC and clearly defining roles and responsibilities on IRC policy and oversight, fostering co-ordination between institutions involved;
- Dedicating sufficient financial and human resources, strongly connected to the Better Regulation agenda and Framework, to ensuring the systematic application of IRC rules within Departments;
- Developing a whole-of-government strategy, with a single, broad, definition of IRC and common public policy objectives in line with the UK Government’s strategic priorities, and with inputs from within and outside of government to ensure ownership of the government’s IRC priorities;
- Ensuring the IRC vision is long-term and well-rooted in the better regulation agenda, targeted proportionately upon aspects of economic activity with largest regulatory impact and key partners for collaboration;
- Taking forward proposals from the White Paper on “Regulation for the Fourth Industrial Revolution” and monitor their implementation insofar as these can help build UK IRC capacity;
- Promoting good regulatory practices, including IRC, internationally, to improve trust across governments and regulators and thus facilitate better dialogue on regulatory matters.

THE UK HAS ROBUST BETTER REGULATION FRAMEWORKS AND PROCESSES WITH FEW INTERNATIONAL CONSIDERATIONS

The UK’s better regulation process provides several opportunities for IRC considerations. Figure 3 gives an overview of the successive phases of Better Regulation in the United Kingdom. IRC considerations may intervene at three points:

- **Stage 1**, when Departments develop policy options and conduct an impact assessment. In particular, a new RIA template is being trialled, with a trade and investment-related question, introducing a new entry point for consideration of international impacts of regulation;
- **Stage 2**, when Departments conduct public consultations and, in parallel to the UK Better Regulation framework, when they notify drafts to international fora, including the WTO; and
- **Stage 3**, in the context of post-implementation reviews.
INTEGRATING A GLOBAL OUTLOOK IN RULEMAKING CAN HELP BUILD A WELL PERFORMING REGULATORY FRAMEWORK WHILE AVOIDING UNDUE REGULATORY DIVERGENCES AND FRICTIONS

OECD Recommends:

Embedding IRC more systematically in regulatory management tools and throughout the rulemaking cycle, to guarantee that IRC is more systematically considered by Departments and regulators.

This includes:

- Updating relevant legislation, policy documents and guidance with explicit references to IRC as far as possible and to help Departments and regulators understand how and when to consider IRC;
- Emphasising the importance of considering how new regulations are compatible with existing EU, foreign and international evidence;
- Providing methodological support to consider IRC in cost and benefit calculations;
- Considering whether regulatory bodies have sufficient resourcing to increase their level of IRC activities;
- Ensuring the UK Regulatory Policy Committee offers independent assurance and methodological support over the robustness of calculations on the measurement of trade impacts in the RIA process;
- Broadening the scope of ex post review policy to prompt Departments to address inconsistencies in the stock of regulation with international instruments and to build on international expertise and practice;
- Strengthening forward planning tools to offer information on upcoming regulations to both domestic and foreign stakeholders.

ACTIVE INTERNATIONAL CO-OPERATION ON REGULATORY MATTERS, BUT LIMITED COMMON AWARENESS ABOUT IRC AND SHARING OF EXPERIENCES

Historically, the United Kingdom has actively co-operated internationally on laws and regulations as well as on regulatory policy. It does so through bilateral engagement with foreign peers through a variety of co-operation tools and through participation in numerous international organisations and initiatives, at many levels of government. However, there is uneven use of IRC across Departments and regulators. Some are very active in embedding international considerations in their rulemaking. Others have limited awareness and do not benefit from the relevant experience of their peers.
Regional and Multilateral Co-operation: Changing Priorities in an Evolving Landscape

In practice, a large portion of the country’s international co-operation efforts, such as those related to trade, until recently have been undertaken under the auspices of the EU, leaving UK bodies with less initiative in this respect. Beyond this, and even when the rulemaking competence did remain largely at the Member State level, UK regulators participated in a number of EU initiatives, networks and agencies.

The withdrawal from the EU places a new responsibility on the United Kingdom to repatriate a number of regulatory functions, compensate for the potential losses of privileges and design a trade policy to address the trade costs of regulatory divergences. The EU remains the UK’s major partner in many regulatory areas, for example accounting for 49.5% of its imports and exports. Close co-operation is therefore likely to continue. However, the withdrawal from the EU will likely influence the terms of this co-operation and lead regulators to seek or strengthen complementary co-operation initiatives beyond the EU.

Trade Agreements and Mutual Recognition Agreements (MRAs): Ensuring Continuity and Developing New UK Strategy

The UK DIT now defines the UK’s own trade policy and strategy for negotiations of trade agreements and MRAs, following the UK’s exit from the EU. The aim is to facilitate trade and address the costs for traders, including of not aligning with international standards or key partners. As such, the UK has developed agreements to guarantee continuity of existing relations with around 70 countries. They seek to ensure predictability and prevent undue costs for businesses. The UK DIT has also conducted public consultations on new trade agreements, in particular with Australia, New Zealand, Switzerland, the United States and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and, more recently, Japan.

UK contributions to multilateral bodies: Historic Actor in Global Governance

The UK has played an important role in the development of international organisations, being a founding Member of bodies such as the North Atlantic Treaty Organization (NATO), Organisation for Economic Co-operation and Development (OECD), World Trade Organisation (WTO), the Council of Europe, Organization for Security and Co-operation in Europe (OSCE), as well as more informal political fora such as the G7, G8 and the G20. It is also a permanent Member of the United Nations Security Council. Today, many UK Departments and regulatory bodies still continue to participate actively in a variety of international organisations that develop normative instruments. To support UK Departments and regulators in the development of international instruments, the FCO provides thematic and geographic advice, both in London and by mobilising its network of permanent delegations. Beyond this, neither the FCO, nor another government entity, oversees UK’s participation in international organisations, or ensures that this participation is coherent across policy areas.

GREATER EXPECTATIONS, GUIDANCE AND PEER LEARNING WOULD HELP BUILD AN IRC CULTURE AMONG UK REGULATORS

OECD Recommends:

Increasing awareness and understanding about IRC across Departments and regulators, including on the variety of existing IRC practices, and engaging stakeholders to inform the development of IRC initiatives.

This includes:
- Surveying existing IRC initiatives and giving visibility to IRC success stories;
- Raising awareness of IRC among Departments and regulators and offering them greater incentives to make use of IRC. For example, a repository with information on international/foreign instruments could facilitate their access and use;
- Leveraging existing regulators’ fora that exist in the UK government to build a community of IRC practices and other regulatory policy topics, raising awareness about IRC tools, and identifying training needs;
- Improving information flows about active participation in international organisations to give the FCO a broader view of the UK’s activity in multilateral fora;
- Setting up IRC fora with key trading partners to exchange information regularly, identify regulatory frictions and co-operation opportunities, prioritising areas of mutual benefit;
- Using regular stakeholder engagement platforms between BRE and businesses to identify regulatory frictions and specific IRC initiatives that can benefit businesses, and SMEs in particular.
CASE STUDIES: IRC IN THE AREAS OF FINANCIAL SERVICES, NUCLEAR ENERGY, MEDICAL AND HEALTHCARE PRODUCTS AND PRODUCT SAFETY

Policies and Strategies on Better Regulation: Strong Domestic Focus

Financial services: co-operation for lower costs of transactions and to secure leadership as a financial hub

Main rationale for IRC

- The financial services sector is of major importance for the UK’s economy: In 2018, it accounted for nearly 7% of the country’s GDP and about 3% of all jobs.
- The UK is a leading exporter of financial services across the world: This sector of activity accounted for 23% of all UK service exports and 9% of all service imports in 2017, and has consistently yielded trade surpluses over the years.
- The EU is the UK’s largest financial services export market (43% of exports and 34% of imports in 2017), and UK banks have subsidiaries in many EU member states.
- Major areas of financial regulation are set at EU level. This is the case for prudential regulation of banks, investment firms and insurers, the regulation of financial markets, and conduct regulation of key financial products.
- IRC is crucial to ensure business continuity after withdrawal from the EU.

Co-operation efforts in the financial services sector

UK BODIES INVOLVED

- Her Majesty’s Treasury;
- Bank of England;
- Prudential Regulation Authority;
- Financial Conduct Authority;
- Payment Systems Regulator;
- Some involvement of Foreign and Commonwealth Office and Department for International Trade

BILATERAL/ PLURILATERAL

How?
Information exchange, dialogue, technical assistance, more recently targeting compatibility of rules.

With whom?
e.g. Fintech Bridges Agreements with Australia, China, Hong Kong, Korea, Singapore.

MULTILATERAL

UK participation in Finance Stability Board, Basel Committee on Banking Supervision, the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors, and the Financial Action Task Force.

Global Financial Innovation Network launched in 2019 to create a “global” regulatory sandbox.

Nuclear Energy: co-operation to protect from risks of nuclear accidents

Main rationale for IRC

- The global nature of the nuclear industry and the trans-boundary impact of any severe nuclear accident has led the UK to play a major role in this area. IRC is likely to deepen even further in the years to come.
- The Office for Nuclear Regulation’s Framework for International Engagement is a rare example of strategic thinking around IRC in a specific sector. It aims to define priority objectives and criteria for international engagement up to 2025; systematically assess the effectiveness of IRC based on evidence.

Co-operation efforts in the nuclear energy sector

UK BODIES INVOLVED

- Office for Nuclear Regulation;
- Foreign and Commonwealth Office;
- Department for Business Energy and Industrial Strategy

BILATERAL/ PLURILATERAL

Nuclear co-operation agreements
Legally binding co-operation agreements in the civil nuclear sector. e.g. China, India, Jordan, Japan, Korea, Russian Federation, United Arab Emirates.

Information exchange agreements
Bilateral agreements to share information, experience and good practice. e.g. Canada, China, Finland, France, Ireland, India, Japan, Poland, South Africa, Sweden, United Arab Emirates, United States of America.

MULTILATERAL

International Atomic Energy Agency (IAEA), the European Nuclear Security Regulators Association, the Western European Nuclear Regulators Association (WENRA), the Nuclear Energy Agency (NEA), the World Institute for Nuclear Security and the International Regulators Conference on Nuclear Security.
Medical and Healthcare Products: co-operation for protecting the health system worldwide

Main rationale for IRC

- “Sharing of intelligence between medicines regulators is the cornerstone of protecting the health system worldwide.”
- Strong IRC is particularly important for frictionless cross-border trade in pharmaceuticals, as supply chains for medicines are deeply integrated and involve many countries.
- UK exports of pharmaceutical products were worth an estimated GBP 23.5 billion (about EUR 21.2 billion) in 2018, 46% of which to EU countries; whereas UK imports of pharmaceutical products were worth GBP 23.4 billion in 2017, 76% of which from EU countries.

Co-operation efforts on Medical and Healthcare Products

**UK BODIES INVOLVED**
- Medicines and Healthcare Products Regulatory Agency at UK level, within the Department of Health and Social Care.

**BILATERAL/ PLURILATERAL**
- Mutual recognition agreements on pharmaceuticals with US, New Zealand and Australia.
- UK - Canada - US joint inspections for good clinical practice.
- MoU on exchange of information with regulators from China, India, USA, Australia, Singapore, Switzerland, South Korea, Denmark, Ireland, Russia.

**MULTILATERAL**
- As an EU Member the UK was part of European Medicines Agency, EU Pharmacovigilance Risk Assessment Committee, and National Competent Authority Report Exchange.
- International Council on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH).
- Pharmaceutical Inspection Co-operation Scheme (PICOS).
- OECD Working Group on Good Laboratory Practice (GLP).
- International Coalition of Medicines Regulatory Authorities (ICMRA).

Product Safety: co-operation to protect consumers across borders and lower trade costs

Main rationale for IRC

- Common product safety standards greatly reduce the cost and complexity for industry and consumers, enable business to operate and comply easily across borders and simplify market access.
- IRC is increasingly important for enforcement and market surveillance to address product safety issues that span across jurisdictions, e.g. due to online platforms.

Co-operation efforts on Product Safety

**UK BODIES INVOLVED**
- Office for Product Safety and Standards (OPSS).

**BILATERAL/ PLURILATERAL**
- Product safety under the EU IARPEX for EU Member States, Information and Communication System on Market Surveillance between EU and EFSA market surveillance bodies.
- After leaving the EU, the United Kingdom will have to engage more extensively in greater IRC, both at the bilateral and the multilateral level, to compensate for the possible loss in trade and the safety risks raised. Eg recent MRA’s with the United States, Australia, New Zealand.

**MULTILATERAL**
- OPSS sponsors the British Standards Institution (BSI), which is a member of the International Organization for Standardization (ISO) as well as the International Electrotechnical Commission (IEC).

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2 Dr Sam Atkinson, MHRA’s Director of the Inspection, Enforcement and Standards Division. http://www.gov.uk/government/news/uk-and-eusa-sign-mou-on-regulatory-cooperation-on-medicines
KEY TERMS USED IN THIS REPORT

**Regulation** is the diverse set of instruments by which governments set requirements on enterprises and citizens. Regulation includes all laws, formal and informal orders, subordinate rules, administrative formalities and rules issued by non-governmental or self-regulatory bodies to whom governments have delegated regulatory powers.4

Although there is no agreed definition of **international standards** across international organisations, the term is used in this report in its WTO understanding. The TBT Committee set out six principles for the development of international standards,1 including i) transparency; ii) openness; iii) impartiality and consensus; iv) effectiveness and relevance; v) coherence; and vi) the development dimension. In addition, WTO case-law provides some guidance.2 For an instrument to be considered an “international standard” under the TBT Agreement it must both: constitute a “standard” (i.e. a document approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory) and be “international” in character, i.e. adopted by an international standardising body.

International normative documents developed by international organisations go beyond such international standards. Therefore, to encompass the broader range of legal and policy documents adopted by international organisations, and in line with the approach used in the OECD 2018 Regulatory Policy Outlook, this report refers to the broader term of **international instruments**. These cover legally binding requirements that are meant to be directly binding on member states and non-legally binding instruments that may be given binding value through transposition in domestic legislation or recognition in international legal instruments. This broad notion therefore covers e.g. treaties, legally binding decisions, non-legally binding recommendations, model treaties or laws, declarations and voluntary international standards.

**Better regulation or regulatory policy** is the set of rules, procedures and institutions introduced by government for the express purpose of developing, administering and reviewing regulation.5

**International regulatory co-operation (IRC)** is defined as any agreement or institutional arrangement, formal or informal, between countries to promote some form of coherence in the design, monitoring, enforcement or ex post evaluation of regulation. It also includes the unilateral efforts of countries to account for the international environment in domestic rulemaking and the impacts of regulations beyond borders.6

The report refers to “Departments and regulators”, be they government Departments, executive agencies or non-departmental bodies, to characterise the range of national bodies responsible for making and enforcing regulation. Some of the better regulation requirements apply specifically to government Departments and selected regulatory agencies – it is specified in the review when it is the case.

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5. Ibid.

OECD Regulatory Policy Division

The Regulatory Policy Division is part of the OECD Public Governance Directorate. It serves as the Secretariat of the Regulatory Policy Committee and assists countries in implementing government-wide policies to promote regulatory policy and governance.

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

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