

Executive summary

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. As a result, the rapid flow of goods, services, people and finance across borders is testing the effectiveness and the capacity of domestic regulatory frameworks. Both the quality of new regulatory measures and their effective enforcement are under strain.

International regulatory co-operation (IRC) provides an important opportunity for countries, and in particular domestic regulators, to adapt their regulations to the rapidly evolving needs of a globalised world. With IRC, regulators can consider the impacts of their actions beyond their domestic borders, expand the evidence for decision making, learn from the experience of their peers, and develop concerted approaches to challenges that transcend borders. IRC is particularly important for a country which has such an open economy as Mexico. Yet, as in all countries, globalisation has not yet fully permeated the everyday work of Mexican regulators.

This report provides the first OECD assessment of a country's IRC framework and practices. It builds on the analytical framework developed by the OECD following the adoption of a core principle on international regulatory co-operation as part of the 2012 *Recommendation on Regulatory Policy and Governance*. Against this framework, Mexico stands out for its commitment to and *de facto* active use of a variety of IRC approaches. Through these efforts, Mexico is showing strong resolve to place itself at the forefront of effective IRC. However, these important and visible efforts have been made in an ad hoc and pragmatic manner and not as the result of a comprehensive strategy. A number of challenges still prevent IRC from delivering its full benefits for the Mexican population. This review identifies areas for improvement based on a thorough assessment of IRC efforts.

Mexico's active efforts to embrace globalisation are reflected in many aspects of its domestic policies, practices and institutions. Mexico is among the few OECD countries to have a legal basis framing regulators' consideration of the international environment. Still, the vision and policy for IRC in Mexico is fragmented across different legal and policy documents and may generate different requirements for the various regulatory tools. Similarly, many authorities in Mexico are involved in IRC, either by conducting IRC, overseeing its implementation, or both.

Mexico has made unilateral efforts to embed international considerations in its domestic regulations through regulatory improvement disciplines. For instance, it has introduced specific procedures to assess trade impacts in the *ex ante* impact assessment process, applicable to all new regulatory measures. This *ex ante* regulatory impact assessment procedure is used to ensure notifications to the WTO and thus obtain feedback on draft measures from foreign stakeholders. In addition, all subordinate regulations are accompanied by a summary in English, to facilitate their understanding by foreign stakeholders. Mexico also has a legal obligation to consider international standards in the development of technical regulations.

Still, in practice, regulators encounter difficulties when implementing these unilateral IRC disciplines. The consideration of international instruments is still far from systematic in technical regulations, and it is not a legal obligation for non-technical regulations. Regulators face methodological challenges in estimating trade costs in regulatory impact assessments. *Ex post* evaluation of laws and regulations is rarely used to assess the international impacts of a regulatory measure or to identify divergence from international standards, norms or best practices.

The Mexican government and individual regulators also co-operate extensively on regulatory matters, at the bilateral, regional and multilateral levels. High-level co-operation efforts are largely driven by Mexico's close trade and investment ties with its North American neighbours, the United States and Canada. For example, Mexico and the United States agreed on a High Level Regulatory Cooperation Council, and Mexico has concluded a number of mutual recognition agreements with Canada and the United States. Recently, Mexico has started modernising its trade agreements with major trading partners, introducing new IRC provisions in sectors where regulatory divergences are particularly burdensome. Mexican regulators also co-operate bilaterally directly with foreign peers across the globe, going beyond economic motivations. They share experience and information about regulatory approaches by signing memoranda of understanding or by participating in broader networks of regulators. Finally, through its active participation in a number of multilateral organisations, Mexico contributes to the design and development of international rules and standards, and ensures that its perspective and specificities are taken into account in global settings.

Nevertheless, evidence shows that the effectiveness of Mexico's IRC efforts could be strengthened. Based on an analysis of Mexico's IRC policies, practices and accomplishments, the review identifies three broad areas for improvement. First, to strengthen its political commitment and align incentives in support of more systematic IRC, Mexico should design and develop a holistic, strategic vision for IRC, with clearly defined roles and responsibilities. This would ensure that the authorities involved in conducting IRC work towards the same objectives and co-ordinate effectively. This strategy should be designed to feed into the broader national development strategy beyond merely lowering unnecessary trade barriers. The Mexican government could then build on such a vision to ensure that all relevant actors are well informed about the variety of IRC tools available to them, their applicability in different contexts and the benefits to be gained from conducting IRC more systematically. Ultimately, to ensure that the IRC initiatives are effectively implemented, the country should invest in methodologies and guidance to help regulators embed IRC in their rule-making, and design co-operation agreements with concrete commitments and enhanced follow-up.