

**As Prepared for Delivery:**

**Eliminating Red Tape Through International Regulatory Cooperation**

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In the past decade, it has often been urged, especially by those in the business community, that economic growth and job creation can be compromised by unnecessary divergences, across nations, in regulations. There might be different requirements in Canada, Mexico, and the United States, not because of any different judgments about facts or values, but because of excessive red tape and inadequate cooperation and consultation. In an economy in which business is often done across national boundaries, diverse requirements can in turn make it more difficult for American companies to grow.

In the words of President Obama's Jobs Council, "Divergent requirements can create unnecessary costs, burdens and delays that hinder market access, particularly for small and medium-sized companies that rely on exports to grow their businesses and hire workers. . . . [T]he administration should seek better alignment between U.S. regulations and the well-crafted regulatory approaches of major trading partners . . . ."

We have been listening carefully to these suggestions. Of course we must respect domestic law and will not compromise U.S. priorities and prerogatives. But even while insisting on those priorities and prerogatives, we can eliminate pointless red tape.

My principal goal here is to announce and describe a historic Executive Order, issued on this day by President Obama. The Executive Order, titled Promoting International Regulatory Cooperation, is intended to spur economic growth and job creation by eliminating trade barriers, red tape, and unnecessary differences across nations.

I will spend most of my time on today's Executive Order, but let me begin with Executive Order 13563, which was signed by President Obama in January 2011, and which is designed to ensure that our regulatory system protects the public while also promoting growth, innovation, competitiveness, and job creation.

I want to emphasize three points about that Executive Order.

First, Executive Order 13563 makes an unprecedentedly strong commitment to public participation in rulemaking. Before rules are finalized, or even proposed, agencies are directed to “seek the views of those who are likely to be affected, including those who are likely to benefit from and those who are potentially subject to such rulemaking.” Among other things, this emphasis on early involvement should be seen as an effort to acquire relevant information and to avoid unintended harmful consequences.

Second, Executive Order 13563 calls for careful analysis of the likely consequences of regulation, including consideration of costs and benefits. Under the Executive Order, agencies may not proceed unless the benefits justify the costs (unless the law requires them to do so).

In addition, and again to the extent permitted by law, agencies are required to maximize net benefits, to select the least burdensome alternatives, and to consider approaches that promote freedom of choice for the public. The Executive Order emphasizes the importance of quantification, and it does so with greater clarity and firmness than has been done before. It directs agencies “to use the best available techniques to quantify anticipated present and future benefits as accurately as possible.” We have recently built on these ideas by emphasizing the importance of considering the cumulative effects, and the cumulative burdens, of regulation.

Third, Executive Order 13563 calls for a historic “lookback” at existing significant rules, to see if they should be streamlined, reduced, improved, or even eliminated. Late August, agencies announced over 580 reform proposals, and they have already taken action on many of these. Just a small fraction of the reforms, already finalized or formally proposed to the public, will be saving more than \$10 billion over the next five years. This is a mere down payment. As the plans are implemented, we expect to achieve far more savings.

Now let me turn to international regulatory cooperation.

Today’s action builds on recent initiatives. In the last few years, the Administration has engaged in a number of efforts to promote international regulatory cooperation while respecting domestic law and national priorities and prerogatives. I will mention just a few.

Canada is of course among our closest allies and most important trading partners. In 2011, President Obama and Prime Minister Harper announced the creation of a Regulatory Cooperation Council, co-chaired by the Office of Information and Regulatory Affairs, to reduce red tape and unjustified barriers to trade between the two nations. After the leaders’ announcement, representatives from across the United States Government have worked closely with their Canadian counterparts to formulate the Regulatory Cooperation Council (RCC) Action Plan unveiled last December.

The United States and Canada are eliminating unnecessary burdens on cross-border trade, reducing costs, fostering cross-border investment, and promoting certainty for the general public and businesses, particularly small- and medium-sized enterprises operating near the border, by coordinating, simplifying, and promoting compatibility in regulations.

I would also like to announce that the Consumer Product Safety Commission and Health Canada have agreed to collaborate even more closely to improve toy safety while also exploring routes to avoid potentially divergent approaches in our two jurisdictions. Health Canada and CPSC staff, as members of ASTM International's toy safety subcommittee, will seek more opportunities to align their positions where safety is enhanced. As permitted by law, this arrangement will improve the potential for adoption of harmonized toy safety requirements in the United States and Canada.

Bilateral commerce between the United States and Mexico reaches more than \$1 billion daily. In 2010, President Obama and President Calderon announced a Regulatory Cooperation Council, also co-chaired by OIRA. Shortly thereafter, Mexico declared that, for certain classes of electronic products (including televisions and computers), compliance with U.S. standards would be deemed "equivalent" to compliance with Mexican standards, and further certification would not be necessary. These changes will allow electronic products tested to U.S. standards to enter the Mexican market without having to be tested again to meet Mexican standards. This approach is helpful to trade; it is also helpful to Mexican consumers.

The Mexico-U.S. Regulatory Cooperation Council Work Plan, issued in February of this year, identifies a number of areas of mutual interest – food, transportation, nanotechnology, e-health, oil and gas, and conformity assessment – and outlines activities to be carried out by the United States and Mexico over a period of two years.

Also in February, the European Union and the U.S. announced that, beginning on June 1<sup>st</sup>, organic products certified in Europe or in the United States may be sold as organic in either jurisdiction. This transatlantic partnership, involving the two largest organic-producers in the world, will promote organic agriculture and support jobs in the years to come.

These are just some of a wide range of particular actions. Today's Executive Order is meant to provide a general framework for promoting our efforts to eliminate unnecessary barriers to trade, growth, and job creation. It has three principal sections.

Section 1 provides a statement of principles. It states that "the differences between the regulatory approaches of U.S. agencies and those of their foreign counterparts might not be necessary and might impair the ability of American businesses to export and compete internationally." It emphasizes that cooperation can reduce, eliminate, or prevent unnecessary differences in regulatory requirements. It notes that cooperation can lead to the selection of approaches that are at least as protective as those that would be chosen without such cooperation.

Section 2 creates a specific mechanism to coordinate international regulatory cooperation. An interagency working group, chaired by OIRA, will serve as a forum to promote such cooperation. It will coordinate with both public and private sectors to eliminate unnecessary costs and red tape. It will explore new initiatives, best practices, and information exchange. I am pleased to announce that the interagency group will begin its work in the very near future.

Section 3 outlines the responsibilities of federal agencies. In order to promote transparency, it requires agencies to provide the public with a summary, in advance, of its international regulatory cooperation activities that are reasonably anticipated to lead to significant regulations -- with an explanation of how these activities advance the purposes of Executive Order 13563 and today's order. It explicitly connects the regulatory lookback with international cooperation, requiring agencies to consider reforms to existing significant regulations that address unnecessary differences in requirements between the United States and its major trading partners, whenever stakeholders provide adequate information to the agency establishing that the differences are unnecessary. Finally, it requires agencies to consider any regulatory approaches by a foreign government that the United States has agreed to consider under a regulatory cooperation council work plan.

These various provisions are meant to promote transparency and accountability – and in the process to produce better outcomes and to eliminate unjustified costs.

Consistent with the Administration's commitment to open government, stakeholder engagement and consultation played an important role in the development of both the U.S.-Canada and the U.S.-Mexico Plans, and it will continue to play an important role in international cooperation moving forward.

By simultaneously emphasizing the importance of participation and sound analysis, Executive Order 13563 provides a foundation for regulatory choices that will, in its own opening words, “protect public health, welfare, safety, and our environment while promoting economic growth, innovation, and job creation.” By providing a new framework for international regulatory cooperation, today's executive order will promote these goals in a globalized economy, eliminating red tape and unnecessary divergences, promoting growth and job creation.

We have a lot of work to do. Let's get busy.