Chapter 10

Lessons for regulatory co-operation

by

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I. Introduction

In Chapter One, Scott Jacobs shows how the world is organized into a multi-layered regulatory system. On top of various subnational regulatory systems sit national systems, and on top of them supra-national systems. The latter range from global regimes such as the GATT, to regional agreements such as NAFTA and the European Union, to bilateral accords such as the Australia-New Zealand Closer Economic Relations Agreement. This report has been about the inter-relationships among all of these layers. In this final chapter, I attempt some concluding observations on what we have learnt about managing these inter-relationships.

In the *long* ***term,*** the survival of our planet depends more than anything else on our learning how to manage co-operation in an interdependent world. The next section argues that in the ***medium term*** we might be able to address some of the major problems of the global economy, such as cyclical unemployment and business downturns, if we learn how to apply our experiences with regulatory co-operstion to macroeconomic co-ordination. Then the rest of the chapter shows how in the ***here and now*** we can seize mutually beneficial opportunities for microeconomic co-ordination. It concludes that governments are more womed about the risks of regulatory co-operation than they should be. This does not mean that maximizing regulatory co operation is a good policy. It is not. Governments should limit their co-operation with other governments to those areas where the benefits of working together will outweigh the costs, but such positive outcomes can be realised far more frequently than governments realise.

After discussing how to manage the process in which opportunities for beneficial co-operation are identified, the chapter moves on to discuss the management of layered strategic planning within interdependent networks. Following the lead of Les Metcalfe in Chapter Two, I conclude that an interdependent world forces us to abandon a hierarchical conception of public sector management and strategic planning. What then does managing change within plural networks require? It requires the cultivation of ***trust and mutual confidence*** within those networks, ***transparency,*** the proactive generation of ***knowledge,*** the *participation* of non-governmental actors, and *accountability* for outcomes. Each of these requirements is considered in turn. More provocatively, it is argued that co-operation that leads to *regulatory competition* can be especially beneficial for consumers. An integrated model of how these requirements nurture bottom-up entrepreneurship leading to beneficial co-operation is then proposed in Figure 1 (page *233).* Readers might glance forward to this figure for a map of where we are going. Finally, the chapter suggests some conclusions regarding how governments might make the big strategic choices between harmonization of standards versus mutual recognition, or whether to opt for some hybrid model of convergence-co-operation.

11. From micro- to macroeconomic co-ordination

The point was well made by Giandomenico Majone in Chapter Seven that where we have attempted macroeconomic co-ordination in recent years we have failed, and failed rather dismally, the 1986 Tokyo Summit of the G-7 being a case in point. That is not to deny that it would be a good thing if we could accomplish better macroeconomic co-ordination, just that it seems to be something beyond our competence at this stage. There is a different story at the level of sub-national intergovernmental co-ordination, however, where macroeconomic co-ordination is not only feasible but imperative.

Even at the international level, however, we should qualify any impossibility thesis of macroeconomic co-ordination by considering what happened with fiscal policy during the 1980s. The Reagan and Thatcher governments led a competitive bidding of tax rates down throughout **the** OECD arid beyond. Here we did have a kind of worldwide macro-economic regulatory competition. Some see this example of regulatory competition as a good thing, promoting efficiency. Others see it as a cause of fiscal imprudence in many parts of the world that has fettered the macroeconomy and accelerated a trend toward a system where paying tax is mandatory for the middle classes but optional for chose who can afford international tax planning. Whether we are more persuaded by those who see international competition in tax rates as a good or a bad thing, we can agree that the prospects for international co-operation to lead tax rates back up, or toward **an** international harmonization that thwarts tax shopping, are remote. Some modest rapprochement has occurred and has delivered modest economic benefits – for example, convergence of value added tax rates in the EC. Other modest forms of fiscal rapprochement *could* occur – for example, international agreement to eliminate a situation where some nations impose royalties on blank tapes to compensate copyright owners and some do not. Such **an** agreement would effect administrative savings at customs barriers (where tape imports from some countries but not others must be intercepted and taxed).

While some non-trivial co-ordination of this sort can occur on the margins of fiscal policy, the OECD Symposium (see Foreword) affirmed the premise that it is with ***microeconomic*** rather than macroeconomic policy that real gains are being made through international co-operation. Yet in reaching that conclusion we should bear in mind that there is a deeper importance to learning how better to manage international microeconomic co-ordination: the lessons we learn here about how to solve international microeconomic problems might at some later date be applied to discovering more feasible strategies of macroeconomic policy co-ordination. If we can learn to walk through telecommunications policy co-ordination, perhaps one day we will be able to run with monetary policy co-ordination.

Indeed, the one well-documented case of successful macroeconomic co-ordination, the 1978 Bonn economic summit (Cooper *et al.*, 1989), engenders a guarded optimism that the ideas in this report about managing multi-level networks might hold some keys to unlocking a more prosperous world. The Bonn summit settled the essential elements of the Tokyo Round of the GATT, German and Japanese pump-priming combined with American agreement not to do so, and US agrccmcnt to raise oil prices toward world levels. The mystery of this summit was that Germany, Japan and the United States all began from positions of strong opposition to such a package. However, within each nation strong minorities supported the package. Essentially, the summit was successful because of international networking among a coalition of minorities resisting the positions of their own governments. Opposed majorities were defeated by minorities unified through global networking. Co-operation may seem inconceivable when we think of governments as unified actors, but we may find the seeds of consensus when we think of international relations as transacted through networks of national, subnational and supranational actors.

111. Selecting targets

Participants in the OECD Symposium accepted the assumption that interdependence is not **a** policy choice; it is a fact of life. Wc cannot do away with interdependence, but we can learn to manage it. Yet it is necessary for public sector managers to be highly selective about the areas in which they seek to use regulation to manage interdependence. George Bermann includes in Chapter Three administrative advice on how to manage selectivity to ensure that good opportunities for rapprochement are not missed. There are areas where the costs of either national or international co-ordination exceed the benefits. Giandomenico Majone in Chapter Seven speaks of attempts at over-harmonization causing under-harmonization. By this he means that across-the-board harmonization fritters away networking energy on harmonizations with limited payoff (and which therefore secure limited compliance). Futile efforts to move on all fronts at once have the consequence that the enormous commitment needed for harmonizations that really matter cannot be focused. Pre-1985 EC harmonization efforts are precisely an example of over-harmonization causing under-harmonization (see Chapter Eight by Pelkmans and Sun).

National governments can and must make strategic decisions in the face of the globalising influences discussed in this report. They have several options. After considering all the arguments, national governments might sensibly dccidc to drop out of the international game. Instead of harmonizing beer standards – that is, harmonizing the ingredients required before something can be described as beer in other countries – governments might opt for deregulation of ingredient requirements. With respect to standards for building codes, rule-making might be totally delegated to local government without any attention being given to national, let alone international, harmonization. For regulations, like taxi regulations, with effects that are geographically circumscribed, the benefits of both national and international rapprochement are unlikely to exceed the costs. On the other hand, in markets that have some national as well as local dimensions, such as markets for nursing homes and health services, national but not international regulatory co-ordination may be justified.

Even in many markets that are internationalized, the benefits of international co-ordination will not exceed the costs for many countries. Those countries should decide unilaterally to disengage from the world system with regard to those areas of regulation. Equally, there will be domains where nations should unilaterally follow another nation's regulation without dialogue with them or third nations. It makes sense for Canada simply to follow most **US** automobile safety standards. Here, free trade arguments trump national sovereignty arguments (which are politically unrealistic in any case) except where Canadian conviction about US regulatory error is unusually strong.

In Chapter Four, Martin and Painter suggest some criteria by which governments can select the right areas for regulatory co-operation. They suggest that the priorities should be new industries or products (*e.g.* high definition television), all pre-approval regulatory programmes (*e.g.* drugs, food additives, pesticides), areas where problems are clearly transborder in nature (*e.g.* global warming, ozone depletion, banking), and health and safety problems where governments can benefit at least from sharing information. Domains like transportation safety satisfy these last two criteria. One might add to this list some areas of complex interdependency such as securities regulation and competition law, which is the subject of a convergence project at the OECD. David Vogel, an expert invited to the OECD Symposium from the Haas School of Business at the University of California, proposed a more general set of criteria for prioritizing efforts of regulatory rapprochement. Vogel concluded that international co-ordination of regulation is most likely to be imperative when we are dealing with goods: *a)* that are traded extensively; *b)* that are produced and consumed in many countries; and *c)* that are produced by transnational corporations.

IV. The management challenge of global networks

But if nations, after considering the benefits and costs of co-operation, are not attracted to opting out of playing the international game – unilaterally disengaging from the world system or unilaterally following the lead of a bigger player – then what are they to **do?** Les Metcalfe makes some telling points in Chapter Two as to which way one ought to go in such circumstances. He says co-operation is not a matter for a single organization; it is a function of a network of people and organizations:

> *Usually, co-ordination depends on a mixture of horizontal and vertical linkages and the development of partnerships of various kinds among participating organizations. Much co-ordination takes place without a "co-ordinator".*

In thinking about the question of network architecture, the question was raised whether this is really **like** the architecture of **a** telecommunications system (whence the concept of network architecture is taken). I think it is. **A** telecommunications network architecture is constituted by multiple actors – governments contribute infrastructure toward building the network; private corporations build parts of the network; there **is** third party certification; there are voluntary standard setting organizations, both national and international; there is the International Telecommunications Union (ITV); there is the International Telecommunications Users' Group (a group of business consumers who have been influential in shaping the international deregulation agenda); and so on.

At each of these levels, strategic planning is possible, indeed imperative. It is possible for there to be, simultaneously, *national* strategic planning of telecommunications policies, *international* strategic planning through fora such as the ITU, and private *corporate* strategic planning. But each of those levels of strategic planning is bound to fail, certain to fail, unless it takes account of the planning occurring at the other levels. It will fail, Metcalfe writes, unless we jettison an outdated hierarchical model of corporate planning in favour of building trust horizontally and vertically, where vertically means both up and down, within an entire network.

V. Building trust

This report shows why trust and mutual confidence are the most critical variables to the success or failure of regulatory co-operation. In a more general sense, this is hardly an original observation. Kenneth Arrow contended more than two decades ago: "It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence" (Arrow, 1972). Keynes had a particularly acute understanding of this. In *The General Theory of Employment, Interest and Money*, Keynes lamented that economic theory had neglected the importance of mutual confidence, a criticism that remained valid until very recently. (Keynes, 1936) Without citing this forgotten aspect of the *General Theory*, Mark Casson, in his 1991 book on game theory, *The Economics of Business Culture*, was able to show formally that nations will fail economically when their business cultures lack trust. (Casson, 1991) Economic performance in modern economies depends on the minimization of transaction costs, according to Casson, and these are best minimised through the cultural resource of trust

Empirically, my own research team has recently shown that regulation works more efficiently, and with enhanced compliance, when it is based on trust. (Braithwaite, 1993; Braithwaite and Makkai, 1994). Of course, trust is hardest to build across cultures, where values about fair play and appropriate pi-oceduies are maximally different. The most vital role of international institutions is in providing forums where trust and mutual confidence can be developed. The OECD offers many examples – such as the *Guidelines for the Testing of Chemicals Programme* described in Chapter Six – of how trust can be built and sustained between countries to support co-operative work.

Of course, international "talkfests" are often disparaged by practical administrators who understandably feel they are doing more important things when they are home making management decisions. But they can be wrong. What is suggested here **is** that, on the contrary, there are sound theoretical and empirical reasons for believing that governments should invest *more* in familiarization with each other's styles and processes of regulation. NB

Moreover, complex interdependency among nations makes it more prudent than it might at first seem to take risks by trusting other governments. (Keohane and Nye, 1977) The reason many international treaties are complied with much of the time without any enforcement is that governments are intertwined in so many different co-operative games that cheating on any one undermines a reputation for trustworthiness that they would rather protect (Keohane, 1984). Governments are well advised to take more risks with trusting other governments because of a peculiar economic property of trust. Unlike other assets studied by economists, trust is not a resource depleted through use. Trust, in fact, is depleted through not being used (Gambetta, 1988; Hirschman, 1984). Once governments realise that they have been under-investing in building trust, they can take action to become wealthier while achieving better regulatory outcomes. International trust is built through honest and open communication within networks that expand beyond governments to include business groups and non-governmental organisations (NGOs).

VI. Building transparency, knowledge and accountability

Trust, in turn, requires transparency (so one can "trust and verify"), knowledge (so one knows where to look and how to interpret), and accountability (so that a failure to verify trustworthiness can be called to account). These will be considered in turn.

Transparency is a principle in its own right. Its importance is not confined either to the way it supports trust or to its centrality to democratic values in regulatory institutions (as discussed below). In a world of hierarchical public sector management, we could manage things, if not very democratically, at least rather efficiently, in secret. But where you have a plurality of centres of power, each doing its own strategic planning, efficiency can no longer be delivered through secret planning. This is because you cannot do your strategic planning as one of a plurality of centres of power unless you know how the other centres of power are doing their strategic planning. Hence, greater transparency is needed in the multi-layered world of regulation that has been foisted upon us.

To accomplish this, proactive enhancement of knowledge is needed. Having windows of transparency is not enough; channels of communication need to be dug between different participants in networks to allow knowledge to flow. In Chapter Five, Jon Bing describes how many different sources of information can be actively wired into the windows opened into our national and international regulatory systems. Neither is transparency enough in itself because people won't know where to find the windows. The virtues of benefit-cost analysis and risk assessment do not arise just from efficiency values: their virtues also arise from democratic values. **As** such analyses uncover the costs, benefits and risks of different options, they proactively enhance the knowledge necessary for informed public debate.

In a world of problem solving through global networks and bottom-up rapprochement, a rethinking of accountability is needed. Metcalfe in Chapter Two makes the point well that accountability is not mainly about allocating blame when things go wrong: it is about agreed ground rules for interorganisational co-operation and the setting of performance criteria for organizations in the network (see also the chapters by Bermann, Martin and Painter, and Pelkmans and Sun). This means that a network must do more than agree that voluntary standards-setting bodies can be responsible for defining standards; it must also agree on performance criteria for the voluntary standard setters and means of monitoring them. Peer review, competition and constituency control are advanced by Metcalfe as alternative accountability mechanisms.

An important research agenda is to explore desirable forms of redundancy between these alternative accountability mechanisms so that systems do not fail if any one mechanism fails. What is an optimal policy for configuring accountability mechanisms so that we get the quality assurance benefits of redundancy while minimizing the efficiency loss from redundancy? For example, is there a suitable temporal ordering of accountability mechanisms – such as, try B only when A fails, C only when B fails? In general, simpler, less expensive accountability mechanisms should be tried before more expensive ones. This leads us back to trust and transparency. The cheapest accountability is cultural, residing in mutual pursuit of reputations for being trusting and trustworthy.

VII. Nurturing participation – toward a democratic surplus

Some sacrificing of electoral sovereignty occurs when one works within a network, rather than within a hierarchy that leads definitively to an elected parliament. To understand the implications of this, however, we need to go back to first principles of what sovereignty in a democracy means.

Part IV of Chapter Three by George Bermann is helpful on this and also on how accountability and transparency principles follow from one's conception of democratic sovereignty. There are two ways we may be able to compensate for the alleged democratic deficit. First, we can concede a loss of sovereignty at the national level when Canada follows US automobile standards, but there may be more than a counterbalancing gain in consumer sovereignty through allowing consumers expanded choice of competing products from another country. Second, it might be possible to increase transparency and participation through networks. That point is made in my Chapter Nine through the example of the International Conference on Harmonization, which is working on pharmaceuticals regulation. The GATT is another institution that requires nations to make their regulations more transparent to each other. The GATT requires each nation to be more transparent about its own trade regulation than it would like, but leaves each nation better off because each learns so much more about the regulation of other nations than those other nations would want them to know.

New international regulatory institutions such as the International Conference on Harmonization often create new windows through which citizens can see some of what is going on with the regulations that affect their lives. But, as noted, opening windows is usually not sufficient in itself. It is the participation of NGOs in international networks that enables citizens to look through windows opened by international institutions, and thereby increases the accountability aspects of sovereignty. As a pragmatic matter, international networks cannot ignore these NGOs in any case. Environmental groups drive a lot of the international environmental agenda; consumer groups like IOCU are central to food standards debates through the Codex Alimentarius Commission and the GATT; Health Action International is a vital participant in international drug regulatory debates, unions in debates on labour standards, and so on. The challenge posed by these new windows and new forms of NGO participation is whether international institutions can use them to turn democratic deficits into democratic surpluses.

VIII. Nurturing regulatory competition

It is generally assumed in contemporary debates on good and bad things about the globalisation of regulation that regulatory competition is one of the bad things. As soon as regulators compete, it is said, you will get competition in laxity, a race to the bottom in a scramble to attract investment. Sometimes this will be true. But to assume that it will always be true is to forget what has been said about complex interdependency within global regulatory networks. Because of the dynamics of complex interdependence (Keohane and Nye, 1977), sometimes you will get competition in trustworthiness. You will have the German regulator who wants it to be said that when the Germans have checked an internationally traded product, that judgment is worthy of more trust than if another national regulator has checked it (and ***vice versa).*** Majone points out in Chapter Seven (as do Pelkmans and Sun in Chapter Eight) that regulatory competition can actually be competition in regulatory efficiency that is of benefit to consumers. An unbalanced commitment to harmonization can stultify innovation in regulatory strategies. New ways of solving regulatory problems will be aborted, because they will fail to satisfy international norms, before being given a chance to prove their efficiency in the marketplace. The remedy to this problem is international regulatory competition.

At the same time, checks and balances are needed to protect against certain dangers posed by regulatory competition. Damaging competition can take the form of regulatory moves and countermoves to erect non-tariff barriers to coddle local companies. If this occurs, consumers suffer efficiency losses from regulatory competition rather **than** efficiency gains.

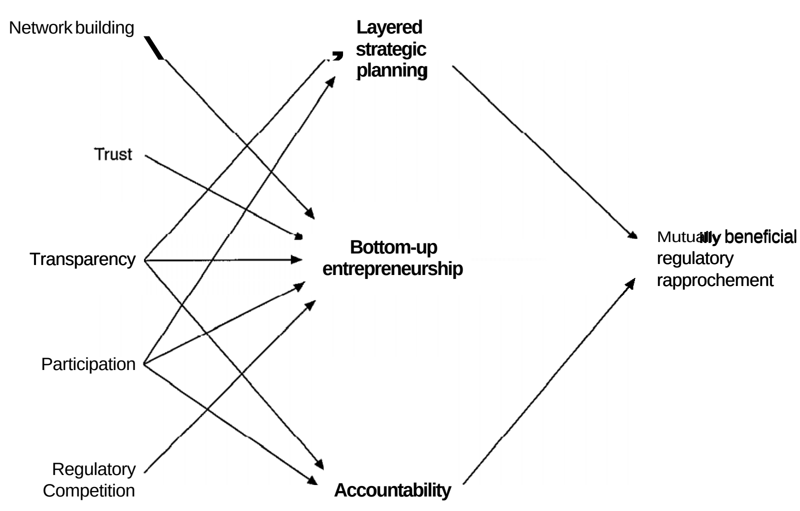
Consumers can also suffer from competition over the laxity of standards designed to protect consumers. Transparency, knowledge, accountability and NGO participation – the themes explored in the last two sections – are the remedies to these concerns. Consumers need to be provided with the resources to watch out for their collective interests and call regulators to account when they are captured by producer interests. Governments also need access to credible international dispute resolution mechanisms when other government regulators need to be called to account for regulatory competition through non-tariff barriers. Dispute resolution mechanisms under the GATT, NAFTA, the EC and APEC and even the OECD ***Guidelines for the Testing of Chemicals Programme*** need to be accessible to both governments and NGOs, usable and used, and they need to have teeth. The effectiveness of different international dispute resolution models is a high research priority for international regulatory studies.

TX. Nurturing bottom-up rapprochement

There are many opportunities in the world system for the public use of private erest, and for the international use of national interests, that are not being exploited. ›portunities to forge efficiencies in the world economy are not being seized by actors ıo have a profound interest in doing so. Yet those who tackle inefficiencies through ernational regulatory co-operation can reap national and corporate benefits that will o benefit other players on the global scene.

Somehow we have to develop our capacities to foster an entrepreneurship from th the private and public sectors to come forward with rapprochement propositions. ırturing of entrepreneurship with respect to rapprochement initiatives can occur feder-y (intra-nationally), bilaterally, trilaterally or at the G-7 or OECD level, and regionally ough forums such as the EC, NAFTA and APEC. There are many private interests out :re who can benefit from rapprochement. If we can harness their concerns, we need not end our lives in meetings where we agree on what is in the international interest. stering leadership from below may be the easiest way to make progress. As Majone ints out in Chapter Seven, one reason microeconomic co-ordination is more achievable ın macroeconomic co-ordination is that the former can occur bottom-up without the ed for top-down summitry. Chapter Six on the OECD *Test Guidelines Programme* ›vides a nice empirical illustration. International commerce **is** rife with opportunities to .ze such cases.

Figure 1. **Integrated model for managing interdependent regulation**



Bottom-up entrepreneurship cannot take place, however, unless elites trust enough in administrators and private interests at lower levels to encourage their participation and to enable them to plug into powerful international networks. Figure 1 summarizes how bottom-up entrepreneurship is enabled by building networks characterized by trust, transparency and participation, in a world that allows regulatory competition. Earlier in this chapter it has been argued that transparency and participation are vital for both effective strategic planning and accountability in an interdependent world. Figure 1 integrates these claims with the conclusion that the benefits of regulatory rapprochement are most likely to be secured when layered strategic planning, bottom-up entrepreneurship and accountability are all accomplished simultaneously.

X. When to opt for harmonization, mutual recognition, co-operation, and competition

The chapters by Bermann, Bing, Majone, and Martin and Painter imply that in almost all situations countries will benefit from the most basic form of co-operation – information exchanges that foster "tacit co-operation". When governments make the judgment that it is not worth the (often rather small) costs in attending meetings where information is exchanged or in plugging into the information systems discussed by Bing in Chapter Five, they just stay home or save their electricity. Even when the information that is exchanged does not turn out to be very strategic or illuminating, the meetings at which the exchanges occur can build the networks of trust that might be mobilized to tackle deeper problems at a later date. Both Chapter Six on the OECD *Test Guidelines Programme* and Bing's chapter illustrate that the returns from information exchange can be greatly enhanced when a degree of harmonization on information formats is attained.

At the other end of the continuum, systematic policies of harmonization are clearly misguided. Harmonization imposes such time-consuming consensus-building demands that it must be used sparingly. Moreover, harmonization has the disadvantage of preventing innovation in rule-making and regulatory systems. Since preference discovery is likely to be more successful at the local than at the global level, global rules are least likely to protect citizen preferences. So there is a *prima facie* case for subsidiarity.

There are, on the other hand, several sorts of issues where the benefits of harmonization are more likely to outweigh the costs. Citizens are eager to harmonize driving rules because no one wants to crash into others. Similarly, it is easy to get perfect compliance with international regulatory arrangements for allocating satellite orbits, because no one wants to crash his satellite into another satellite. Harmonization is also important with health and safety standards where competition in laxity would bc unconscionable and with prudential standards where competition in laxity would threaten the stability of financial markets.

Majone suggests that regulatory co-operation and co-ordination are likely to work and produce benefits when there are reciprocal externalities in which several jurisdictions are both causes of an externality and are harmed by it. We all put pollution into the Rhine and we all suffer from those externalities. Majone interprets this as the reason for the considerable success of the Montreal Protocol on Substances that Deplete the Ozone Layer where, in spite of a lack of effective enforcement mechanisms, and in part because of trust and mutual interest, we have seen surprising progress that exceeds both expectations and formal targets. Where there are reciprocal benefits, compliance with co-operative arrangements can be secured quite readily.

It is where we don't have reciprocal externalities or reciprocal benefits that we have difficulties in making co-operation work. That is where the GATT model of solving problems – widening the agenda – becomes more relevant. "I'll **fix** you up on your externality if you'll fix me up on mine." If you do not have reciprocity of "externality" effects, you have to have two items on the table with one negotiator conceding the need to take action on one externality, the other conceding the need to act on the other externality. There is much scope for creative trading of this sort.

When externalities are non-reciprocal, the likelihood of competition in regulatory laxity is greatest. Mutual recognition is unlikely to work in such circumstances. My Chapter Nine suggests strategies to deal with this problem. This is to have harmonization on certain minimum outcome (performance) standards, but have competition on the input or specification standards that deliver those outcomes.

When harmonization on outcomes seems too politically or conceptually difficult to accomplish, an alternative is to draw up a default set of input standards that will be accepted as delivering the internationally desired outcome. The default standards provide a benchmark for performance. Producers can then follow any other set of input standards which they can show to be equally effective in delivering internationally-desired outcomes. That is, standards can be the subject of mutual recognition when they are as effective as the default set of internationally approved input standards. Under this approach, the political problem of agreeing on outcomes is avoided by simply agreeing on a commonly used set of input standards and then entertaining any other set of inputs that can be shown to be equal or better than the default set. There are other creative ways for solving the problem of competition in laxity under conditions of non-reciprocal externality.

More generally, one conclusion of this report is that harmonization, mutual recognition and simple co-operative approaches such as exchanges of information are often complementary rather than mutually exclusive policies (see Chapter Eight in particular). For example, harmonization of certain basics may need to be combined with enhanced information exchange to bring national systems close enough together to engender the trust needed for mutual recognition to work. Hence, one might subscribe to Majone's dictum: "as much competition as possible, as little harmonization as necessary." Yet one might subscribe to it in the belief that certain minimum levels of harmonization are needed to support mutual recognition and regulatory competition. Over-harmonization may cause under-harmonization, but under-harmonization may also cause under-recognition. This is the challenge of "balance" raised by Martin and Painter in Chapter Four. The optimal level of harmonization can only be discovered through specific problems that are deliberated in networks fostering a global meeting of minds.

XI. Toward a richer global dialogue

In establishing regulatory co-operation, how do we balance the different values and principles articulated in Chapter Four by Martin and Painter? The challenge is to develop the institutions of dialogue that will enable that balancing to occur. We now know something about cultures of regulation. We know something about how to build trust so that we have a regulatory culture where debates are transacted in a public-regarding regulatory discourse rather than a discourse of doing deals between self-interested actors. Networks of dialogue mean that interests are developed, revealed and transformed by the regulatory process.

I have already described situations where nations and firms have an interest in regulatory rapprochement but fail to understand how this interest can be realised through regulatory entrepreneurship. Much of the work OECD governments do when transferring regulatory technology to developing countries is to assist them to clarify what their interests are – to enable a nation that is decimating its forests to recognise exactly how finite is the resource they are destroying so that they have an interest in renewable forestry management. Many nations do not identify the unequal treatment of women in the labour force as something that is against their national economic interests. The examples could be endless. International cultures of regulatory dialogue are very fundamentally about clarifying interests and building commitment for national action.

A number of participants at the OECD Symposium in October 1993 were concerned about the **risk** of consumer and environmental movements being co-opted by protectionist producer interests in their home countries. The alliance in the Uruguay Round of the GATT between consumer groups concerned about food standards, and agricultural interests in Europe who opposed the internationalization of food standards, was cited as a case in point. If this is a case of consumer groups failing to understand the genuine interests of consumers, then again the answer is to have international regulatory debates conducted through an open, public-regarding dialogue, where protectionist producer groups cannot get by with self-interested demagoguery. That means a more transparent GATT that is open to NGO participation.

Perverse outcomes, where participants who think they win in fact lose, are least likely when regulatory co-operation is carried out in an open dialogue between actors with transparent interests, in a regulatory culture that expects and demands that arguments will be public-regarding. We can work at changing the quality of the regulatory dialogue between consumer interests, producer interests and governmental interests. Through the OECD Symposium, we learnt a little of how to work for richer, better informed, more open regulatory cultures. Indeed, the exchanges that occur at such meetings are an important part of this very transformation.

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