

Dominant and Minority Paths to Integration and Upgrading: NAFTA, Mexico & Food Safety Regulation

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Overview

- Benefits of Trade depends the Integration Regime & Domestic Institutional Upgrading
- We compare TIRs: Mexico/NAFTA vs. EU Accession for Post-Communist countries
- Beyond Conditionality – NAFTA via the US has conditionality, enforcement, and meritocracy for Mex firms to gain access.
- Dominant Path – New Laws, Initial Mobilization, Weak Implementation in Public and Pvt Domains
- Minority Path: US Ad Hoc Intervention, Shift Toward Capacity Building & Problem Solving; but limited Mexican actors.

OXFORD

leveling the playing field

Transnational Regulatory
Integration and Development



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Regulation, Standards and Upgrading

- We know that Trade creates incentives and channels for diffusion of new standards to local firms.
- Locke, Piore, Schrank:
 - Link between certain production practices and quality work conditions.
 - Regulation can help, when Inspectors become Professors not just Police.
- But Private Regulation alone can't expand benefits. "Winner takes all."
- For whom do we want to "Level the Playing Field"?



NAFTA and Mexico

- Three Integration Modes
 - Emphasis on Rules instead of Institutional Capacity
 - Emphasis on Dyadic, inter-govt relations instead of multiplex ties (assistance and monitoring)
 - Emphasis on check list compliance, not joint problem solving, for criteria/evaluation
- Economic incentives are strongest drivers. Institutional change comes from firms adapting on own or pressuring govt to build new institutions.

NAFTA & Mexico

- Rule based – WTO norms, non-discriminatory
- Dyadic – SPS Cmttee – meets once per year, suspends several key subcommittees
 - 1999 - NAFTA creates non-profit, DRC for firms in F&V sector; as of 2009 of the 1300 members, only 23 are Mexican
 - After series of outbreaks, increasing bi-lateral coordination b/n USDA/FDA and Senasica
- Check-list compliance – USDA monitors products; upon outbreaks, notes Mex deficiencies.

Path 1 in Mexican Food Safety

- Fresh Produce – 4.5 mill producers; mostly small
 - FAO – only 9% in supply chains; 60% in poverty (2011)
- Mexican food exports grow a lot to US. US accounts for about 85% of Mex exports of fruits and vegetables, 65% of Mex exports of meat products;
 - Mex top supermkts – 95% supplied by large firms.
- MNCs are main source of training, resources, knowledge to Mexican suppliers.
- 1997 – New US law on imports of food products; more restrictive; strong enforcement. US creates GAPs and GMPs guidelines.
- 2000-2002 – Mexico reforms FS laws and programs – PSIA part of Alianza para el Campo

Path 1 contd

- Outbreaks – melon, green onions, tomatoes, strawberries, etc.
- No use of NAFTA; threaten WTO arbitration.
- Mexico responds:
 - Ad-hoc assistance from FDA and USDA on trace-back, new certification systems (training seminars; 2001-09 - \$750K from USA in programs to Mex.)
 - Increased investment into FS monitoring, assistance and certification programs

Path 1 – Mexico Reacts

- FAO – weak implementation, domestic regulation; some losses for Mexican exporters
- Fed govt increases budget for FS, which is oriented to penetrate US markets; not building broad based domestic system.
 - But states and firms must pay increasing share
- **Decentralized system** – depends on **local councils**, run by states and producers; Senasica does not have own field offices.
 - Limited mid-term planning, goals, standards;
 - NO regional coordination
 - Senasica – declining resources to monitor and enforce
 - OAS open to large conflicts of interest
 - Limited follow up on campaigns
 - Large differences between states; poor attention to SMEs
 - COFEPRIS weak/underfunded/understaffed

Path 1 – Mexican Producers

- Narrowing of \$\$ and participants
 - Melon exporters drop from about 60 to 13
 - By 2008 – only about 240 firms “reconocidos” in GAPs and GMPs; few are “vigente”
 - Large costs of compliance to producers; few aware of standards or govt programs.
 - Ass’ns are emerging – but cases of capture by large firms; studies show ass’ns key to collective support and learning, but few do so, few members.
 - But even with COEMEL, no melon exporters in Colima
 - in 2005 only 48 producers total

Path 2 – Mexico-US

- Shift in a few sectors to focus on capacity, joint problem solving, some multiplexity
 - BUT generally limited to a few players;
- Cases of US assistance to Senasica – plans for new systems, certification of exporters
 - FDA – in melons & green onions, Senasica takes over certification and inspections;
 - APHIS – in Mangos, Citrus, Avocados, Papaya, APHIS has office/ employs inspectors directly
 - FSIS – in meat – regular direct inspections, small staff, passes on recommendations for equivalence
- US actors “frustrated with continued outbreaks”; strong standards, weak implementation, facilities, capacities, personnel turnover.

Pre-Clearance Programs

(meritocratic conditionality?)

- FSIS – closer to EU, equivalence, but only 30 firms certified, suspension for 6 mths in 2009; still big problems, no mechanism for problem-solving.
- APHIS – contracts with sectoral association; criteria for compliance to be certified to export to the US. (Before NAFTA)
- Evidence of firm, sector, state/local govt upgrading.
 - But 90 US employees in Mex; little formalization w/ SENASICA; limited number of firms.
 - Private Actors – OLD Corporatist Actors are New Gatekeepers

Path 2– Pilot Programs of US & Mex

- Both sides recognize limits to previous system
- Baja California: Producer Assn, State Govt, New Extension Center
- Previous interventions have evolved to attempts to create joint programs
 - Focus on capacity creation – testing, traceback, labs, training – Mex to build certification and compliance.
 - Still dyadic, but ... greater scope for FDA/USDA units to experiment with Mex agencies; increased inclusion of associations.
 - Focus on joint problem-solving – need common criteria, confidences in measures, controls, certification procedures etc.
- EG – 5yr plan on med-fly; expand melon certification program to other areas; FDA opens office in Mex City 2010; FDA, APHIS, FSIS expand int'l personnel.

EU Accession vs NAFTA

Dimension	EU Accession	NAFTA
1. Scope & Depth	Economic, Political, Institutional - Wide variety of policy domains	Focus on economic and trade policies, Environment & Labor standards
	Focus on administrative capacity for pre & post-accession compliance;	Focus on rule adoption; possible ex post sanctions; strong reliance on US regulators
2. Assistance	Proactively decentralized and multiplex, resulting in extended public-private transnational networks.	Increasingly dyadic b/n govts; use of market and voluntary ties
<ul style="list-style-type: none"> • Transnational Structure 		
<ul style="list-style-type: none"> • Feedback 	Joint Problem Solving – external & domestic actors seeking solutions	Check-list compliance – highlight problems, potential areas of assistance
3. Monitoring	Proactively multiplex, resulting in extended public-private transnational networks.	Mainly dyadic between govts. Rely on incentives for non-state actor contestation.
<ul style="list-style-type: none"> • Transnational Structure 		
<ul style="list-style-type: none"> • Feedback 	Integrated compliance and problem-solving; regular, exchange of information.	Check-list compliance to trigger contestation by state and non-state actors; annual centralized review; increase of bilateral negotiations.

Food Safety Regulation Example

EU vs. NAFTA

- Multiple EU Commissions
 - Top Priority for Security and Trade.
 - Standards for regulatory rules and institutions – govt & sector ass'ns
 - Regular review and assistance; violators removed but upgraded.
 - EU Harnesses non-gov't actors to assist; build capacity of new non-state actors.
 - Strong use of horizontal transnational ties (e.g., govt & Assn's)
 - Substantial improvements over past 7 years.
- Basic Int'l Standards
 - Reliance on Domestic Actors (USDA/FDA)
 - Market Based
 - MNC value chains
 - SMEs and regions lose
 - Winners - Large Mex firms & old corporatist guard dominate resources and politics
 - NAFTA lacks resources and support
 - Standards – focal point for lobbying about trade barriers
 - USDA & FDA intervening into Mex – both reinforcing old corporatist groups & triggering institutional changes

Conclusion

- Reliance on incentives had limited results; narrowing of field; continued outbreaks.
- Led Mex to pass laws but decentralize, not institutionalize. Some firms integrate internationally and adapt.
- Success coming where US is intervening, with increased focus on capacity and joint problem-solving.
- Not leading to revision of NAFTA. But sector specific.