



The Estey Centre Journal of International Law and Trade Policy

North American Agricultural Trade Policy: Are Super-Regionalism and Deeper Regional Integration the “Next Big Thing” after NAFTA?¹

Steven Zahniser

Agricultural Economist, U.S. Department of Agriculture, Economic Research Service,
Washington D.C. USA

Adriana Herrera Moreno

Graduate student, Master of International Public Policy, School of Advanced
International Studies, Johns Hopkins University, Washington D.C. USA

There is an ongoing trend in North American agricultural trade policy towards super-regional free trade agreements (FTAs) with economies in other parts of the world and deeper integration within the free trade area formed by the North American Free Trade Agreement (NAFTA). We explore several examples of super-regional initiatives in which one or more NAFTA countries participate and suggest that the evolving network of bilateral, regional, and super-regional FTAs throughout the world may be considered as an implicit, super-regional agreement. We then describe the NAFTA governments' efforts to deepen regional integration through regulatory cooperation, information sharing, unilateral reforms, and modifications to NAFTA's rules of origin; last, we explore why a North American customs union and the modification of the processes by which antidumping and countervailing duties are applied have not been pursued.

Keywords: Canada, Mexico, NAFTA, super-regional, trade liberalization, United States

Introduction

Madness is to think of too many things in succession too fast, or of one thing too exclusively.

Voltaire

Twenty years after the implementation of the North American Free Trade Agreement (NAFTA) and the World Trade Organization's Agreement on Agriculture, and 12 years after China's accession to the WTO, the governments of Canada, Mexico, and the United States might finally achieve the "next big thing," a set of accords that rival their previous free trade agreements (FTAs) in terms of the volume of agricultural trade involved and the extensiveness of the trade barriers removed. Negotiations are underway towards two "super-regional" agreements (a term that we define below), the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (T-TIP), and two new super-regional agreements were recently signed by Canada and Mexico. In October 2013, Canada and the European Union reached an agreement-in-principle for a Comprehensive Economic Trade Agreement (CETA), and in August 2013, Mexico, Chile, Colombia, and Peru agreed to consolidate the bilateral FTAs that these four countries have with one another, as part of their regional integration mechanism called Alianza del Pacífico (Pacific Alliance).

At the same time, the NAFTA governments are working together at the regional and bilateral levels to deepen the economic integration fostered by NAFTA. These efforts rely upon a variety of means, including regulatory cooperation, information sharing, unilateral policy reforms, and modifications to NAFTA's rules of origin. Governmental activities that build upon NAFTA are sometimes referred to as "NAFTA Plus" (Meilke, Rude, and Zahniser, 2011), even though these initiatives are not always presented as an effort to enhance the functioning of NAFTA's free trade area. NAFTA offers little guidance about what specific policies should be taken following the implementation of its trade-liberalizing provisions. Thus, many of the ongoing activities toward deeper integration are to some degree separate from NAFTA and stem directly from the initiative and authority of NAFTA's national governments.

A concurrent session at the 2013 Joint Annual Meeting of the Canadian Agricultural Economics Society (CAES) and the Agricultural and Applied Economics Association (AAEA) used the phrase "madly off in all directions" to describe this approach to North American agricultural trade policy.² In this article, we suggest that this characterization is half wrong and half right. This policy is not madness – it is guided by the rational pursuit of economic and political objectives. But it does in fact move in all directions, reflecting an implicit effort toward agricultural trade

liberalization at a global level. Together, seeking trade liberalization at the super-regional level and working to deepen integration at the regional and bilateral levels constitute the “next big thing” in North American agricultural trade policy.

From Multilateralism to Super-Regionalism

We use the term “super-regional” to identify trade agreements involving more than one region and governing a larger amount of economic activity than a traditional regional or bilateral accord. Our use of the term is similar to that of Schott (2008), except that he categorizes MERCOSUR and the EU as super-regional, while we consider them to be confined to one region and thus regional. By contrast, the United Nations’ Economic Commission on Latin America and the Caribbean (2013) uses the term “mega-regional,” which emphasizes the size of an agreement rather than its geography. In addition, the world’s emerging network of bilateral, regional, and super-regional accords – commonly referred to as the “spaghetti bowl” or “noodle bowl” – may be thought of as a super-regional trade agreement, albeit an implicit one, considering its evolution through the addition of new FTAs, incorporation of new member countries, implementation of deeper trade disciplines, and occasional consolidation of previous FTAs. Any government that secures additional trade agreements at the bilateral, regional, or super-regional level is elaborating upon this implicit agreement.

Super-regional trade negotiations are motivated in part by unsuccessful attempts to obtain a new multilateral trade agreement through the Doha Development Agenda (DDA) of the WTO. The main goals of the Doha Round’s agricultural negotiations were agreed upon way back in November 2001: “substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support” (World Trade Organization, 2001). Roughly 13 years later, the negotiations still continue. The so called Bali Package – agreed upon during the ninth WTO Ministerial Conference in December 2003 – made progress in some areas of the DDA agricultural negotiations, but the core disciplines of increasing market access and reducing domestic support are still pending. The Bali Package restored valuable momentum to the DDA negotiations (as well as some confidence in the multilateral system), particularly in areas such as trade facilitation and development. However, the agreement in agriculture reached on general services, public stockholding for food security purposes, the administration of tariff-rate quotas (TRQs), and export subsidy disciplines forms only part of the DDA negotiations. Members have been tasked to build a clear work program by December 2004 in order to conclude the negotiations (World Trade Organization, 2003).

As a consequence of the limited results obtained to date from multilateral negotiations at the WTO, countries have pursued trade liberalization in other venues, mainly through bilateral, regional, or super-regional initiatives. These efforts have resulted in accords with a different breadth of policy coverage and a different depth of policy reform from what was proposed at the WTO (United Nations, Economic Commission for Latin America and the Caribbean, 2013: 5).

FTAs can have both trade-creating and trade-diverting effects. By lowering or eliminating trade barriers among its member countries, an FTA can foster higher levels of trade among those countries. But the tariff preferences of an FTA also have the potential of providing member countries with an incentive to import from fellow member countries rather than countries not party to the agreement, even if the latter group of countries produces the imported goods in question at a lower cost. With respect to agricultural trade, researchers have tended to find that the trade-creating effects of FTAs greatly exceed their trade-diverting effects (see the literature review in Burfisher and Jones, 1998) but that concerns about trade diversion are not trivial. For instance, an economic simulation by Petri, Plummer, and Zhai (2012) suggests that a TPP agreement involving increased use of tariff preferences and reductions in tariffs, nontariff barriers, and barriers to foreign direct investment might have substantial trade-diverting effects – increasing the total exports (agricultural and nonagricultural) of TPP countries in 2025 by \$607.9 billion (2007 prices, relative to the model's baseline), while decreasing the exports of nonmember countries by \$164.2 billion.

The risks inherent in pursuing agricultural trade liberalization primarily at the super-regional level extend well beyond the traditional concerns of trade creation versus trade diversion. Super-regional agreements could achieve significant improvements in market access for their signatories, which might in turn decrease the incentives to reach an ambitious outcome at the WTO negotiations that further constrains domestic agricultural supports and export subsidies (Scheerer, Salles Almeida, and Gutierrez, 2009: 45). Indeed, the growing network of bilateral, regional, and super-regional agreements may threaten the very relevancy of the WTO as a setting for multilateral trade negotiations if that network becomes viewed as a long-term replacement for those negotiations. From such a vantage point, the question could easily arise as to whether multilateral negotiations are a stumbling block in the path toward freer trade at the global level.

Explicit Super-Regionalism

By our criteria, several ongoing negotiations and recently signed agreements involving the NAFTA countries qualify as super-regional by virtue of their involving trade partners in more than one region and their size: the TPP and T-TIP negotiations,

the Canada-EU CETA, and the Alianza del Pacífico. We also consider the Central America–Dominican Republic–United States Free Trade Agreement (CAFTA-DR) to be super-regional, while we categorize the consolidated Mexico–Central America FTA as a regional accord.³

The TPP involves all three NAFTA countries plus nine other countries in the Pacific Rim: Australia, Brunei Darussalam, Chile, Japan, Malaysia, New Zealand, Peru, Singapore, and Vietnam. It has been described by its participating governments as a “21st Century Agreement” because it contains several important innovations: (1) it can be updated as appropriate to address emerging trade issues or to include new members; (2) it seeks to achieve comprehensive market access through the elimination of not only tariffs but also other barriers to trade and investment; and (3) it promises to harmonize rules of origin among member countries in order to foster integrated production and supply chains. In addition, the TPP addresses several cross-cutting issues, including regulatory coherence, competitiveness and business facilitation, support to small- and medium-sized enterprises, and strengthening institutions important to economic development and governance (México, Secretaría de Economía, 2011a: 1). The initiatives regarding market access and other cross-cutting issues, however, face challenges in terms of their coherence and compatibility with other FTAs. Some of the questions that arise include, how will member countries harmonize their previous trade commitments with the TPP?; to what extent will member countries expand the benefits of their existing FTAs to their fellow TPP partners?; and what type of new disciplines will be created for such issues as trade and the environment?

The United States and the EU launched the T-TIP negotiations in June 2013. The T-TIP is one of the more ambitious ongoing trade initiatives because the two negotiating partners account for about 50 percent of the world’s gross domestic product (GDP), 30 percent of global trade (U.S. Trade Representative, 2013: 1), and a substantial amount of agricultural trade. In 2013, U.S. agricultural exports to the EU approached \$11.9 billion, and corresponding imports equaled \$17.6 billion (U.S. Department of Agriculture, Foreign Agricultural Service, 2014). The T-TIP negotiations cover not only traditional market access issues, but also the removal of differences in technical regulations and standards (European Commission Directorate-General for Trade, 2013). In some instances, these non-tariff measures are tremendous hindrances to agricultural trade. Trade rules developed in the T-TIP could be used as reference in future regional or multilateral agreements, considering the prominent roles that the United States and the EU play in the global arena (U.S. Trade Representative, 2013: 5). In addition, the T-TIP proposes to create a US-EU

Regulatory Cooperation Council, which would bring together the regulatory agencies of the two parties to monitor the implementation of commitments made and to consider new priorities for regulatory cooperation (De Gucht, 2013). As we shall see below, similar bilateral institutions involving the NAFTA countries are already in operation.

The Alianza del Pacífico – launched by Mexico, Chile, Colombia, and Peru in 2011 – accounts for about 35 percent of Latin America’s GDP and 50 percent of the region’s total trade (Alianza del Pacífico, 2013a: 6). Agricultural trade among the Alianza countries totaled \$3.9 billion in 2013 (based on national import statistics for HS Chapters 1-24, as cited by Global Trade Information Services, Inc., 2014). The goal of Alianza is to foster greater integration in trade, services, capital and investment. In market access, the Alianza countries agreed to liberalize about 90 percent of their total trade once the agreement enters into force (2014), while allowing for transitions to free trade as long as 17 years for sensitive products. Sugar and sugar-containing products, however, are generally excluded from Alianza’s project of trade liberalization (Alianza del Pacífico, 2013b). Alianza’s member countries already have FTAs among themselves, but the new agreement will increase trade preferences and promote the harmonization of rules of origin. Other countries have requested to join the Alianza del Pacífico, including Costa Rica and Panama. In February 2014, Costa Rica signed a formal declaration indicating its intent to join the Alianza (Agencia EFE, 2014).

The Canada-EU CETA, with an agreement-in-principle signed in October 2013, was heralded by Canadian Prime Minister Harper as “the biggest deal our country has ever made” (Austen, 2013). Agri-food and seafood trade between Canada and the EU is sizable. Canadian exports of such products to the EU averaged \$2.8 billion per year during 2010-12, while corresponding imports averaged \$3.6 billion (Statistics Canada, as cited by Agriculture and Agri-Food Canada, 2013). The CETA proposes some improvements in market access for sensitive agricultural products. For instance, the EU will expand its duty-free quotas for Canadian beef and pork, while Canada will increase its duty-free quota for EU cheese and phase out its tariffs on EU milk proteins. Moreover, the EU will eliminate tariffs on a wide range of Canadian agricultural products, including maple syrup, fresh and frozen fruits, processed fruit and vegetables, grains, and processed pulses and grains, which include baked goods, pulse flour, meal, and powder. Many of these tariff eliminations will occur immediately after the CETA enters into force, while others will take place over a seven-year transition period (Government of Canada, 2013c).

The extent to which super-regional agreements affect agricultural trade will depend on the magnitude of the trade barriers that they reduce or eliminate. For instance, a TPP agreement that makes meaningful reductions to Japanese import barriers could have a pronounced impact on North American agricultural exports. For intraregional agricultural trade among the NAFTA countries, however, the TPP is likely to have negligible trade effects unless the TPP addresses the exceptions to NAFTA's project of intraregional trade liberalization – including access to the Canadian market for dairy, poultry, and egg products, which is currently restricted as part of supply management in that country.

North America's Contribution to the Noodle Bowl

The NAFTA countries have an extensive network of FTAs with trade partners in Latin America, the Caribbean, Asia, Europe, Africa, and the Middle East (table 1). As of September 2014, the NAFTA countries had implemented a total of 30 FTAs with 53 countries outside the NAFTA region, compared with a total of 14 FTAs with 43 non-NAFTA countries as of December 2005 (Organization of American States, 2014). This North American part of the noodle bowl is the cumulative product of negotiations conducted independently by each NAFTA country – almost entirely during the period after NAFTA's implementation in 1994.

Soon after NAFTA entered into force, the United States, Mexico, and Canada launched a new wave of trade negotiations. These efforts, which initially focused on the objective of securing super-regional agreements encompassing progressively larger portions of economic activity within the Western Hemisphere, did not lead immediately to success. In 1994, the NAFTA countries extended an invitation for Chile to join NAFTA, but U.S. trade negotiators failed to obtain the fast-track authority needed to accomplish this task. Eventually, Chile secured a bilateral FTA with each NAFTA country. Chile's proposed accession to NAFTA was followed by an even more ambitious, super-regional project: the Free Trade Area of the Americas (FTAA), which would have involved all the countries in the Western Hemisphere except for Cuba. This effort stalled in 2006 after several years of intensive negotiations. Had the FTAA been created, NAFTA presumably would have been folded into the FTAA.

The new wave of trade negotiations eventually yielded fruit, as each NAFTA country secured a string of new agreements with countries outside the NAFTA region. The United States secured FTAs with Chile, Singapore, Australia, Bahrain, Morocco, the CAFTA-DR countries, Peru, Oman, Colombia, Panama, and South Korea (table

1). While U.S. agricultural exports to this second set of FTA partners have grown over the past two decades, these countries' shares of total U.S. agricultural exports have remained roughly the same (table 2). This fact, along with the 60 percent share of U.S. agricultural exports held by non-FTA countries, illustrates the long-standing importance of further trade negotiations to U.S. agriculture. The impact on U.S. agricultural exports of China's accession to the WTO, along with China's general opening to the global economy, reinforces this point. Between 1991-93 and 2010-12, China and Hong Kong's share of total U.S. agricultural exports climbed from 3.3 to 18.3 percent (table 2).

Table 1 The NAFTA Countries Already Have Multiple FTAs with the Rest of the World

	Central America and the Caribbean							
	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Dominican Republic	Panama	
U.S.	2009	2006	2006	2006	2006	2007	2012	
Mexico	1995, 2013	2001, 2012	2001, 2013	2001, 2013	1998, 2012	--	Pending*	
Canada	2002	--	--	Pending*	--	--	2013	
	South America							
	Colombia	Bolivia	Chile	Uruguay	Peru			
U.S.	2012	--	2004, TPP	--	2009, TPP			
Mexico	1995, 2011, AP	1995, 2010	1999, AP, TPP	2004	2012, AP, TPP			
Canada	2011	--	1997, TPP	--	2009, TPP			

	Asia							
	Singapore	Australia	Japan	South Korea	Malaysia	New Zealand	Vietnam	
U.S.	2004, TPP	2005, TPP	TPP	2012	TPP	TPP	TPP	
Mexico	TPP	TPP	2005, TPP	--	TPP	TPP	TPP	
Canada	TPP	TPP	TPP	--	TPP	TPP	TPP	
	Europe, Africa, and Middle East							
	Israel	European Union	European Free Trade Association	Jordan	Bahrain	Morocco	Oman	Brunei Darussalam
U.S.	1985	T-TIP	--	2001	2006	2006	2009	TPP
Mexico	2001	2000	2001	--	--	--	--	TPP
Canada	1997	Pending*	2009	2012	--	--	--	TPP

Notes: Years indicate when the relevant FTA entered into force. TPP = Trans-Pacific Partnership; T-TIP = Transatlantic Trade and Investment Partnership; and AP = Alianza del Pacífico. European Free Trade Association encompasses Iceland, Liechtenstein, Norway, and Switzerland. European Union encompasses Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

* Mexico and Panama signed an FTA in April 2014; Canada reached an agreement-in-principle with the European Union (CETA) in October 2013 and signed an FTA with Honduras in November 2013. These agreements need to be approved by the legislative bodies of the participating countries before entering into force.

Source: Organization of American States (2014).

Table 2 Agricultural Trade of the NAFTA Countries by Trade Partner: Annual Averages and Shares, 1991-93 versus 2010-12

NAFTA	NAFTA partners		Other FTA partners		China and Hong Kong		Rest of world		Total	
	1991-93	2010-12	1991-93	2010-12	1991-93	2010-12	1991-93	2010-12	1991-93	2010-12
	<i>Values in billions of U.S. dollars (shares in percent in parentheses)</i>									
<u>Exports by:</u>										
U.S.	8.4	36.1	4.6	16.4	1.4	23.9	27.4	54.6	41.9	131.2
	(20.1)	(27.6)	(11.0)	(12.5)	(3.3)	(18.3)	(65.5)	(41.7)	(100)	(100)
Mexico	3.3	17.0	0.3	2.9	0.0	0.3	0.1	0.9	3.7	21.0
	(88.9)	(81.0)	(7.0)	(13.6)	(0.2)	(1.3)	(3.9)	(4.1)	(100)	(100)
Canada	6.2	23.4	0.2	0.9	0.8	4.5	4.5	14.8	11.7	43.6
	(52.6)	(53.7)	(1.8)	(2.1)	(7.2)	(10.2)	(38.4)	(34.0)	(100)	(100)

<u>Imports</u> <u>by:</u>										
U.S.	6.6	33.7	4.4	14.1	0.5	4.0	12.7	42.7	24.3	94.6
	(27.1)	(35.7)	(18.3)	(15.0)	(2.1)	(4.3)	(52.5)	(45.1)	(100)	(100)
Mexico	4.0	20.4	0.8	2.8	0.0	0.4	0.6	1.8	5.4	25.5
	(72.8)	(80.0)	(15.0)	(11.2)	(0.4)	(1.6)	(11.8)	(7.2)	(100.)	(100.)
Canada	5.0	20.6	0.4	1.8	0.2	1.1	2.7	9.7	8.3	33.2
	(60.6)	(62.1)	(4.6)	(5.5)	(2.0)	(3.3)	(32.8)	(29.2)	(100)	(100)

Note: Canada's trade statistics cover both agri-food and seafood products. "Other FTA partners" are defined as a given country's FTA partners outside of NAFTA, as of September 2014. Percentages within rows may not sum to 100 percent due to rounding.

Sources: México, Secretaría de Economía (2013b); Statistics Canada, as compiled from Statistics Canada (2013) and as cited by Agriculture and Agri-Food Canada (2013); and U.S. Department of Agriculture, Foreign Agricultural Service (2014). Mexican data for 1991-93 were obtained directly from México, Secretaría de Economía. Nominal annual exchange rates from U.S. Department of Agriculture, Economic Research Service (2013) were used to convert Canadian trade statistics to U.S. dollars.

Mexico's FTAs in addition to NAFTA involve both middle-income economies in Central and South America and the upper-income economies of Europe and Japan (table 1). These agreements with non-NAFTA countries have broadened the customer base for Mexico's agricultural exports. During 2010-12, Mexico's FTA partners outside NAFTA purchased 13.6 percent of Mexico's total agricultural exports, compared with 7.0 percent during 1991-93. In recent years, Mexico has consolidated some of its existing FTAs – renegotiating the agreements with Colombia and the Central American countries in 2011 and 2012, respectively, and agreeing in 2013 to liberalize almost all of its trade with Chile, Colombia, and Peru within the framework of the Alianza del Pacífico. The new agreement with Central America includes additional preferential market access for some sensitive items like sugar and dairy products, as well as a consolidated set of rules of origin that applies to all member

countries, thereby creating opportunities for value-added exports produced using inputs from any member country (México, Secretaría de Economía, 2011b: 4-5).

Canada's efforts to secure FTAs outside the NAFTA region have gained traction over the past decade. Between 1997 and 2002, Canada brought only three new FTAs into force (Israel, Chile, and Costa Rica). Since 2009, Canada has implemented FTAs with Peru, the European Free Trade Association, Colombia, Jordan, and Panama, and it has signed an agreement-in-principle for the CETA with the EU and an FTA with Honduras (table 1). Canada's FTAs with non-NAFTA countries cover a small portion of Canada's total agricultural exports – just 2.1 percent during 2010-12 (table 2). As is the case for the United States, non-FTA partners account for a substantial portion of Canada's agri-food and fishing trade – 34.2 percent of Canada's exports and 32.5 percent of its imports during 2010-12. These large shares help to explain Canada's interest in negotiating additional trade agreements.

In spite of these accomplishments, NAFTA is still the most prominent element of North America's network of FTAs. During 2010-12, the NAFTA region was the destination for 27.6 percent of U.S. agricultural exports, 81.0 percent of Mexico's agricultural exports, and 53.7 percent of Canada's agri-food and seafood exports (table 2). NAFTA's importance lies in part in the comprehensiveness of its agricultural provisions. Together with its predecessor agreement – the Canada-U.S. Free Trade Agreement (CUSTA) – NAFTA swept away virtually all tariff and quota barriers governing agricultural trade within the region. In this context, agricultural trade among the NAFTA countries increased from an annual average of \$17.9 billion during 1991-93 to \$76.5 billion during 2010-12 (table 2). Even when accounting for the effects of inflation, intraregional agricultural trade has increased by more than 350 percent.⁴ While economists have generated different estimates of CUSTA's and NAFTA's trade effects, there is broad agreement that the two agreements have provided intraregional agricultural trade with a solid boost.⁵

Additional Considerations

Expansion of bilateral, regional, and super-regional initiatives is not only due to the stagnancy of the WTO negotiations. Countries also engage in such initiatives as a result of practical considerations related to the process of negotiating and approving trade agreements. First, the bilateral, regional, or super-regional approach allows for the self-selection of negotiating partners (*The Economist*, 2013), which may increase the probability of coming to an agreement containing meaningful reforms and more ambitious outcomes for preferential market access. Second, national governments may

be more likely to approve agreements obtained directly by their own negotiators than agreements generated by multilateral negotiations, which require a broad level of international consensus but may not reflect the priorities of each negotiating country.

The evolving super-regional mesh of trade agreements provides many opportunities to consolidate and rationalize existing FTAs, as was mentioned above, and to take steps toward further trade liberalization. While NAFTA's project of agricultural trade liberalization within North America was nearly comprehensive, CUSTA and NAFTA did not remove all tariff and quota barriers from U.S.-Canada agricultural trade: U.S. imports of dairy products, peanuts, peanut butter, cotton, sugar, and sugar-containing products and Canadian imports of dairy products, poultry, eggs, and margarine are still subject to such restrictions. Similar restrictions are in place for some aspects of Canada-Mexico agricultural trade. Involvement of all three NAFTA countries in the TPP provides an opportunity to broaden market access in these sectors, although the extent to which this is under consideration is not known publicly. In its recently signed CETA with the EU, Canada exhibited some willingness to provide additional market access for one key dairy product: cheese.

Although the level of ambition envisioned in new bilateral, regional, and super-regional trade negotiations tends to be higher than many former initiatives, these negotiations still face political realities, as negotiators balance greater potential market access and internal political pressure (Laborde and Martin, 2013: v). The resistance of interest groups has affected the proposals of each NAFTA country in their FTA negotiations. For instance, sugar is reported to have been included in the "undefined" basket in the initial U.S. offer at the TPP negotiations (Lim, Elms, and Low, 2012: 116); Mexico has not started a formal trade negotiation with Brazil due to opposition from many Mexican agricultural producers (Abreu e Lima Florêncio, 2012: 255); and Canada remains committed to its supply management programs in the dairy, poultry, and egg sectors, in which imports are controlled through a system of TRQs with prohibitive over-quota tariffs (Robson and Busby, 2010: 1).

Efforts toward Deeper Integration at the Regional Level

Facilitating economic integration is not only about the removal of tariffs and quotas, of course. FTAs typically have a much broader scope, encompassing such topics as technical cooperation on sanitary and phytosanitary (SPS) measures, specific procedures for resolving disputes among member countries, and principles concerning the treatment of foreign investors, as was the case with NAFTA (Zahniser and Roe, 2011). Although NAFTA did not create any strong institutions responsible for deepening the regional economic relationship, the NAFTA countries continue to take

actions beyond NAFTA in the direction of further regional integration. We discuss below four examples related to the agricultural sector: regulatory cooperation; information sharing and potential policy coordination in the U.S.-Mexico sugar and sweetener market; unilateral policy changes such as the end of the single-desk status of the Canadian Wheat Board (CWB); and modifications to NAFTA's rules of origin. We also discuss two initiatives that the NAFTA governments are not currently pursuing: a North American customs union and modification of the processes by which antidumping duties (ADs) and countervailing duties (CVDs) are applied.

The actual and potential economic effects of ongoing initiatives toward deeper regional integration in North America have not been explored in a comprehensive fashion, due to the immense number and complexity of the nontariff measures affecting intraregional trade. Official documents describing these initiatives usually emphasize the value of current trade flows, rather than the anticipated change in future trade flows resulting from these initiatives. Because individual initiatives of this type tend to focus on particular segments of the economy rather than the economy as a whole, as was the case with trade liberalization under NAFTA, the effects of current efforts toward deeper integration are likely to be less sweeping than those of NAFTA.

Regulatory Cooperation

Addressing regulatory issues concerning intraregional agricultural trade has been a key aspect of commercial relations among Canada, Mexico, and the United States for several decades, but the NAFTA governments' approach to these issues has changed in recent years. Initiatives in this area now rely more on bilateral rather than trilateral organizational frameworks, and the term "regulatory cooperation" has largely replaced the term "regulatory coordination" as a descriptor of these efforts – a change in terminology that to some extent is also a change in substance.

Trilateral frameworks are a hallmark of NAFTA and have been used frequently to structure regulatory cooperation on a regional level, especially during the agreement's first 15 years of existence. NAFTA established an extensive set of trilateral working groups and committees responsible for a wide variety of trade-related issues, such as the Committee on Sanitary and Phytosanitary Measures (Green et al., 2006), and it expresses the member governments' continuing commitment to the North American Plant Protection Organization (NAPPO) – a trilateral forum created in 1976 "for public and private sectors in Canada, the United States and Mexico to collaborate in the regional protection of agricultural, forest, other plant resources, and the environment while facilitating trade" (North American Plant Protection Organization,

2014). From 2005 to 2009, the NAFTA governments channeled some activities in the area of regulatory cooperation through the Security and Prosperity Partnership (SPP), a trilateral framework created at the highest levels of government that was intended to increase the security and enhance the prosperity of the NAFTA countries through greater cooperation and information sharing (Zahniser and Roe, 2011).

Many concrete accomplishments in regulatory cooperation involving the NAFTA countries over the past 20 years were the product of trilateral efforts, such as the coordinated campaign by all three countries to seek a harmonized approach to mitigating the risks associated with bovine spongiform encephalopathy (BSE) and the sharing of scientific studies and administrative evaluations among pesticide regulators and scientists (Green et al., 2006). But regulatory cooperation also took place within bilateral organizational frameworks, such as the intergovernmental Coordinating Committees on Agriculture (CCAs), or through collaboration between governments at the working level. The CCAs provide a setting in which high-level agricultural and trade officials of the NAFTA governments meet on a bilateral basis to discuss various issues related to agricultural trade. The CCAs most recently met in February 2014 (U.S.-Canada), August 2013 (U.S.-Mexico), and August 2012 (Canada-Mexico).

While many of NAFTA's working groups and committees are still in operation, the trilateral SPP has been succeeded by several new bilateral frameworks: the U.S.-Mexico High Level Regulatory Cooperation Council (HLRCC), established in 2010, and the U.S.-Canada Beyond the Border (BtB) initiative and the U.S.-Canada Regulatory Cooperation Council (RCC), both established in 2011. Like the SPP, the BtB addresses mutual concerns in the areas of security and economic competitiveness, except on a bilateral (U.S.-Canada) rather than trilateral basis. By contrast, the HLRCC and RCC focus exclusively on regulatory concerns, both agricultural and nonagricultural.⁶ Relying more on bilateral frameworks is consistent with the long-standing recognition that some issues pertain to only two of the three NAFTA countries and that the regulatory priorities and capabilities of the NAFTA governments differ in ways that make it easier to cooperate on a bilateral basis. While the creation of the new bilateral frameworks suggests a lack of interest in sustaining the trinational SPP, it does not constitute an effort to abandon the trilateral working groups and committees established by NAFTA. That being said, bilateral frameworks currently seem to be the predominant approach for addressing intraregional SPS issues, as the most recent meeting of the NAFTA Committee on Sanitary and Phytosanitary Measures took place in July 2012.

Documents from the new bilateral frameworks tend to use the term "regulatory cooperation" and not "regulatory coordination"; the latter term was commonly

employed as recently as five years ago to describe intergovernmental activities addressing trade-related regulatory concerns. While the NAFTA governments have not formally defined these terms, the traditional distinction between cooperation and coordination – “working or acting together toward a common purpose” versus “balanced and effective interaction of movement, actions, etc.” (as defined by Farlex, Inc., 2013) – is instructive, as many current efforts of regulatory cooperation by the NAFTA governments have the intention of building national regulatory systems that fit together and facilitate trade, instead of simply making adjustments to existing regulatory systems that unnecessarily restrict trade. For instance, one objective of the U.S.-Mexico HLRCC is to develop compatible electronic Export and Import Certificate programs for plants and plant products and eventually for animals and animal products as well, while the creation of a common nomenclature system for meat cuts is one of the U.S.-Canada RCC’s objectives.

Several key principles and innovative approaches to regulatory cooperation stand out in the bilateral frameworks. First, each country is viewed as a major stakeholder in the regulatory systems of the other country. This recognition is central, for instance, to the HLRCC’s objective of intensifying the dialogue between Mexico and the United States regarding the implementation of the U.S. Food Safety and Modernization Act (FSMA). To this end, Mexico’s Secretariat of Economy and the Latin America Regional Office in Mexico of the U.S. Food and Drug Administration (FDA) held four informational workshops on FSMA in 2013, each in a different part of Mexico. In addition, the FDA’s regional office conducted outreach activities on two proposed FSMA rules: the Produce Rule and the Preventive Controls for Food for Humans. These activities included information on how to offer comments on the proposed rules and how to receive further information on forthcoming FSMA implementing regulations (U.S.-Mexico High-Level Regulatory Cooperation Council, 2013).

Second, both U.S.-Canada frameworks feature the application of perimeter approaches – the BtB toward cargo screening and other security issues and the RCC toward plant protection – in which each country relies on the other to provide a similarly high level of defence around their external borders so that trade across their shared border may flow with fewer impediments. Perimeter approaches are sometimes described as following the principle of “cleared once, accepted twice.” As part of their Integrated Cargo Security Strategy (ICSS), the U.S. and Canadian governments are implementing pilot programs at the Ports of Montreal, Quebec, and Prince Rupert, British Columbia, in which high-risk cargo destined for the United States (by rail from Prince Rupert and by truck from Montreal) are inspected by Canadian border services officials and then sealed before being shipped to the United States; they are

conducting a Pre-Load Air Cargo Targeting (PACT) pilot program in which pre-load air cargo data are analyzed by U.S. and Canadian officials for indications of security risks and contraband; and they are testing and evaluating Tamper Evident Technology used to seal and secure U.S.-bound shipments following inspections by Canadian officials (Canada Border Services Agency, 2013).

Third, the new frameworks place strong emphasis on regulatory simplification. Several initiatives within the U.S.-Canada RCC, for instance, aim to reduce or eliminate certain inspection activities, certifications, and administrative procedures concerning food safety. As a step toward streamlining bilateral trade in meat and poultry products, the U.S. and Canadian governments are working to identify options for simplifying or eliminating import certificates (Rathlou and Stanley, 2014), and they are taking steps so that “food safety laboratory testing conducted in one country is acceptable to regulators in both countries” (Pequigno and McGrath, 2014). The objective of regulatory simplification is also woven within several key principles of the U.S.-Mexico HLRCC’s work plan. Both perimeter approaches and regulatory simplification require a high degree of confidence in the regulatory activities of each participating government.

Overall, the large growth in agricultural trade among the NAFTA countries over the past several decades is testimony to the efforts of the NAFTA governments in the area of regulatory cooperation. The number of import refusals is small relative to the volume of intraregional agricultural trade, although we suspect that there are still opportunities for producers and shippers to achieve lower numbers of refusals, particularly with respect to U.S.-Mexico trade. In 2012, the number of food shipments refused by the Canadian Food Inspection Agency (2014) included just 14 shipments from the United States and one from Mexico, while the number of food shipments (not counting seafood and fish products) refused by the U.S. Food and Drug Administration (2014) included roughly 250 shipments from Canada and 1,200 shipments from Mexico.

Lastly, the NAFTA countries have used the WTO to address a trade dispute concerning U.S. regulations requiring mandatory country-of-origin labeling (COOL) for certain meat products (Jurenas and Greene, 2013). The governments of Mexico and Canada consider this measure to be trade distorting, while the United States stresses that the regulations provide consumers with information on the origin of meat sold in its domestic market. After consultations among the NAFTA countries, a WTO panel for the COOL provisions was established in November 2009 (*Idem*: 9). Two years later, in November 2011, the WTO Dispute Settlement Body ruled that the U.S. COOL regulations treated imported livestock in a less favourable manner than

comparable domestic livestock and failed to meet the legitimate objective of providing information to consumers on the origin of meat products (World Trade Organization, 2011: 214A-214B). In June 2012, however, the WTO Appellate Body reversed the finding about the COOL regulations' legitimacy of providing information to U.S. consumers (World Trade Organization, 2012: MEX 219-220).

Considering the findings of the Appellate Body, the U.S. Government published a Final Rule in May 2013 that contained revised COOL regulations (U.S. Department of Agriculture, Agricultural Marketing Service, 2013), but neither Mexico nor Canada considers the revised measure to be consistent with U.S. obligations at the WTO. In August 2013, Mexico and Canada requested the establishment of a compliance panel to review the Final COOL Rule. A WTO resolution was provided to the three governments in July 2014, and the compliance panel's report was circulated to WTO Members in October 2014. According to a summary provided by the WTO, the report indicates that the detrimental effect of the Final Rule's "labelling and recordkeeping requirements could not be explained by the need to convey to consumers information regarding the countries where livestock were born, raised, and slaughtered" (World Trade Organization, 2014). The United States is expected to decide in 2015 whether to appeal the ruling. Overall, the COOL dispute shows that the WTO's multilateral trade dispute mechanism is still a viable option for addressing trade disputes among the NAFTA countries, albeit a long and costly one.

Information Sharing and Potential Policy Coordination in Sugar and Sweeteners

The newly integrated U.S.-Mexico sugar and sweeteners sector is a specific case that shows the interplay between regional integration and the evolving super-regional mesh of FTAs. Not too long ago, the United States and Mexico were in a heated dispute about how to implement NAFTA's provisions for sugar and sweeteners – a dispute that was rooted in a disagreement about how to interpret the side letters exchanged by the U.S. and Mexican governments that modified the sugar provisions in NAFTA's original text (Haley and Suarez, 1999). These issues were finally resolved in 2006, and since 2008, the two countries have had free bilateral trade in sugar and sweeteners, while limiting sugar imports from third countries through a system of TRQs. Interestingly, the U.S. and Mexican over-quota tariff rates are approximately equal – a situation that is akin to having a common external tariff (CET) for sugar.

Integration of the sugar and sweeteners sector has been accompanied by a new joint activity in which the U.S. and Mexican governments exchange, analyze, and publish reliable, up-to-date, and transparent data on this sector. Although each country

continues to operate its own domestic support programs for sugar growers, the two countries now share both an integrated sugar and sweeteners market and a common understanding of that market – a development that has implications for agricultural trade policy. There is full awareness that access to the integrated sugar market by third countries has two control points – one in Washington, DC, and one in Mexico City – and there is strong motivation for coordination in FTA negotiations such as the TPP, which involves Australia, the world’s second leading net exporter of sugar. In general, Mexico and the United States have been cautious about increasing the sugar market access of third countries. On just a few occasions since 2008 have the two countries announced import quotas beyond the minimum quantities required by their WTO commitments, although both countries have broadened Central America’s market access through recent FTAs with that region.

The heightened level of cooperation among the U.S. and Mexican governments on matters concerning sugar and other sweeteners, however, did not prevent the launching of AD and CVD investigations in March 2014 by the U.S. International Trade Commission (USITC) in response to a petition from U.S. sugar interests (USITC, 2014). Preliminary determinations in the CVD and AD investigations were issued in August and October 2014, respectively. However, on October 27, 2014, the U.S. Department of Commerce announced a mutually agreeable solution suspending both investigations. The draft CVD agreement initiated by the Government of Mexico includes provisions for limiting the quantity of Mexican sugar exports to the United States, while the draft AD agreement initiated by representatives of Mexican sugar exporters includes reference prices for these exports. Both draft agreements are available for comments through November 10, 2014 and may be signed no earlier than November 26, 2014. These agreements represent a major challenge for the integrated sugar and sweetener market, although they aim to preserve the preferential access of Mexican sugar to the U.S. market.

Unilateral Policy Changes

Unilateral policy changes can also foster deeper regional integration. An important recent example is the Canadian government’s decision to end the “single-desk status” of the Canadian Wheat Board (CWB), starting in August 2012. Formerly, producers of food-grade wheat and barley in Alberta, Manitoba, Saskatchewan, and the Peace River Valley of British Columbia were required to sell their product through the CWB. This policy change provides Canadian grain farmers with similar freedom to market their output through the private sector as their U.S. and Mexican counterparts have,

although Canadian farmers still have the option of marketing through the CWB if they wish. Whether the end of the single desk ultimately leads to higher farm prices for Canadian wheat and barley growers, as predicted by Carter and Loynes (1999), is likely to be a continuing subject of debate.

Modifications to NAFTA's Rules of Origin

In a preferential trade agreement, rules of origin determine whether a product originated from the area covered by the agreement and thus qualifies for its preferential tariff, which in NAFTA's case for almost all products is duty-free status. Since 2003, the NAFTA governments have made incremental changes to the agreement's rules of origin through the NAFTA Working Group on Rules of Origin. Only a few of these changes, however, apply directly to agriculture. For example, one modification allows the regional content of certain cranberry juice mixtures to be determined on the transaction value or net cost, rather than volume (Zahniser, Meilke, and Rude, 2009). During the latter half of 2013, the U.S. International Trade Commission (USITC) received comments on a new round of proposed changes to NAFTA's rules of origin, including one that would affect miscellaneous edible preparations in HS Code 2103.90 (Executive Office of the President of the United States, 2013). This code encompasses sauces, preparations for sauces, and mixed condiments other than soy sauce, tomato ketchup, other tomato sauces, mustard flour and meal, and prepared mustard.

No Movement toward a Customs Union

One item that is absent from ongoing efforts to foster deeper regional integration is the establishment of a North American customs union. In his seminal work on economic integration, Balassa (1971) viewed a customs union – a free trade area in which the member countries share a set of common external tariffs (CETs) – as the next stage of integration after a free trade area. A customs union is advantageous from the standpoint of economic efficiency because it eliminates the need for rules of origin and the transaction costs associated with those procedures and provides an opportunity to reduce external tariffs to the lowest level among the customs union's member countries (Meilke, Rude, and Zahniser, 2011).

Despite the many arguments in favour of customs unions, the level of interest in the North American agricultural sector for a regional customs union is low, for two main reasons. First, rules of origin do not appear to be a major obstacle to regional

agricultural trade, since most agricultural goods traded within the NAFTA region are produced using inputs sourced within the region (Meilke, Rude, and Zahniser, 2011). Second, creating a comprehensive North American customs union would require the establishment of CETs for those agricultural products where one or more NAFTA country imposes restrictive trade barriers on imports, such as the supply-managed commodities of dairy, poultry, and egg products in the case of Canada and sugar in the case of the United States and Mexico. A customs union need not apply to all traded goods, however. Hufbauer and Schott (2005), Hills (2012), and Wilson and Lee (2013:78) have all suggested that a North American customs union could be pursued on a product-by-product basis, which might enable those products covered by a CET to be exempted from certain customs requirements if traded across the U.S.-Mexico or U.S.-Canada border. Such a simplification might lessen the transaction costs incurred by the shipper or buyer when determining how to comply with customs requirements, especially for firms that are new participants in international trade.

Antidumping and Countervailing Duties

A second item that is absent from current efforts by the NAFTA countries to encourage deeper regional integration is a redesign of the processes that allow for the imposition of antidumping duties (ADs) and countervailing duties (CVDs). NAFTA created a dispute-resolution mechanism in which national trade remedy decisions can be appealed before binding arbitration panels, but the agreement generally preserves the autonomy of each member country to implement its own trade remedy laws. As of September 3, 2014, there was a single active dispute settlement case that directly concerned agricultural products under Chapters 19 or 20 of NAFTA (NAFTA Secretariat, 2014) – a case involving Mexican imports of chicken leg quarters from the United States in which no duties are currently being applied so that Mexico’s poultry market may recover from outbreaks of Highly Pathogenic Avian Influenza (HPAI) in several poultry-producing areas in Mexico. However, ADs and CVDs are either in effect or under consideration for a handful of agricultural products traded among the NAFTA countries.

Given that commodity prices are volatile and sometimes fall below the costs of production, some observers have suggested that the current approach to allegations of dumping is inappropriate for agriculture (Knutson, Loyns, and Ochoa, 2002: 393). Canada and Chile pursued an innovative course with respect to trade remedies by exempting all of their bilateral trade from ADs as part of the Canada-Chile FTA. Other possible reforms include negotiating time-limited and renewable “holidays” from ADs

for specific products or sectors (Hufbauer and Schott, 2005: 477), specifying higher standards for imposing ADs and CVDs, and requiring mandatory facilitated dialogue among the adverse parties before administrative review of any AD/CVD case (Wainio, Young, and Meilke, 2003). These proposals are controversial in some quarters, because they reduce the contingency of protection afforded to domestic producers by the availability of ADs and CVDs, thereby decreasing the appeal of participating in trade agreements. In this respect, ADs and CVDs are part of the glue that holds NAFTA and other trade agreements together.

Conclusion

North America's agricultural trade policies have evolved in response to the disappointments of the Doha Round and FTAA negotiations. Over the past decade, the NAFTA countries have focused on securing FTAs with a carefully selected set of trade partners in multiple parts of the world. In recent years, these efforts have included super-regional initiatives such as the TPP and T-TIP, and the entire network of bilateral, regional, and super-regional FTAs may be viewed as an implicit and evolving, super-regional agreement. In the event that the Doha Round does not yield a new multilateral trade accord, it is quite possible that the emerging super-national mesh of FTAs will establish the baseline for global trade, to the possible detriment of countries outside this mesh and the diminished relevance of the WTO.

Simultaneous efforts by the NAFTA countries to deepen their regional integration via regulatory cooperation, information sharing, unilateral policy reforms, and modifications to NAFTA's rules of origin, are also underway. These efforts are intriguing because they build upon and enhance the functioning of the free trade area created by NAFTA without being guided by specific policy directives in the agreement. Indeed, recent activities in the area of regulatory cooperation rely heavily on bilateral organizational frameworks rather than the trilateral ones that were NAFTA's hallmark. These activities do not follow Balassa's model of economic integration, which calls for a customs union as the next stage of integration after a free trade area, thereby taking the NAFTA countries deeper into uncharted territories of regional integration and heightened policy coordination.

References

Websites accessed October 16, 2014.

Abreu e Lima Florêncio, Sergio. 2012. Acuerdo Estratégico de Integración Económica México-Brasil. In Beatriz Leycegui Gardoqui (coordinator), *Reflexiones sobre la*

- Política Comercial Internacional de México 2006-2012*. México D.F.: Instituto Tecnológico Autónomo de México and México, Secretaría de Economía, pp. 253-257.
- Agencia EFE. 2014. Costa Rica firma la hoja de ruta para su adhesión a la Alianza del Pacífico. *La Nación*, February 14. http://www.nacion.com/economia/politica-economica/Costa-Rica-adhesion-Alianza-Pacifico_0_1395860563.html.
- Agriculture and Agri-Food Canada. 2013. Canada's Agri-Food and Seafood Trade with the World. Webpage. March 8. <http://www.ats-sea.agr.gc.ca/stats/da-do-eng.htm>.
- Alianza del Pacífico. 2013a. *Abecé Alianza del Pacífico*. May 23. http://alianzapacifico.net/documents/ABC_esp.pdf.
- _____. 2013b. Grupo Comercio e Integración. Webpage. <http://alianzapacifico.net/comercio-e-integracion/>.
- Austen, Ian. 2013. Canada and Europe Reach Tentative Trade Agreement. *New York Times*, October 18. http://www.nytimes.com/2013/10/19/business/international/canada-and-europe-reach-tentative-trade-agreement.html?_r=0.
- Balassa, Bela. 1961. *The Theory of Economic Integration*. Homewood, Illinois: R.D. Irwin.
- Burfisher, Mary E., and Elizabeth A. Jones. 1998. Introduction and Overview. In Burfisher and Jones, eds., *Regional Trade Agreements and U.S. Agriculture*. U.S. Department of Agriculture, Economic Research Service, Agricultural Economic Report No. 771, November. <http://www.ers.usda.gov/publications/aer-agricultural-economic-report/aer771.aspx>.
- Canadian Food Inspection Agency. 2014. Food Shipments Refused Entry into Canada. Webpage. March 11. <http://www.inspection.gc.ca/about-the-cfia/accountability/compliance-and-enforcement/refused-entry/eng/1324305448701/1324305531127>.
- _____. 2013. Draft - Framework for Canada–United States Perimeter Approach to Plant Protection. August 9. <http://www.inspection.gc.ca/plants/plant-protection/imports/perimeter-approach-framework/eng/1375978355009/1375978422848>.
- Carter, Colin A., and R.M.A. Loyns. 1999. *The Economics of Single Desk Selling of Western Canadian Grain*. March. <http://rolfpennerforweb.files.wordpress.com/2008/09/carter-loyns-singledeskselling.pdf>.
- Côté, Steve, and Terri Dunahay. 2014. Perimeter Approach to Plant Protection. Presentation to Regulatory Cooperation Council Stakeholder Dialogue Session. January. <http://www.trade.gov/rcc/rcc-webinar-presentations-january2014.asp>.
- De Gucht, Karel. 2013. Transatlantic Trade and Investment Partnership (TTIP) – Solving the Regulatory Puzzle. Paper presented at the Aspen Institute Prague

- Annual Conference, Prague, Czech Republic. October 10.
http://trade.ec.europa.eu/doclib/docs/2013/october/tradoc_151822.pdf.
- The Economist*. 2013. The Gated Globe. October 12.
<http://www.economist.com/news/leaders/21587785-gated-globe>.
- European Commission Directorate-General for Trade. 2013. *Transatlantic Trade and Investment Partnership (TTIP)*. November 21. <http://ec.europa.eu/trade/policy/in-focus/ttip/>.
- Executive Office of the President of the United States. 2013. Letter from Ambassador Ron Kirk to the Honorable Irving Williamson, Chairman of the USITC, March 11.
http://www.usitc.gov/research_and_analysis/ongoing/documents/NAFTA_rules_of_origin_request.pdf.
- _____. 2012. *United States–Mexico High-Level Regulatory Cooperation Council Work Plan*. February 28.
<http://www.whitehouse.gov/sites/default/files/omb/oir/united-states-mexico-high-level-regulatory-cooperation-council-work-plan.pdf>.
- Farlex, Inc. 2013. *The Free Dictionary*. Huntingdon Valley, Pennsylvania.
<http://www.thefreedictionary.com>.
- Foreign Affairs, Development, and Trade Canada. 2013. Negotiations and Agreements. Webpage. November 5. <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/fta-ale.aspx?lang=eng>.
- Global Trade Information Services, Inc. 2013. *Global Trade Atlas*. Columbia, South Carolina. http://www.gtis.com/english/GTIS_products.html.
- Government of Canada. 2014. Canada's Economic Action Plan: Beyond the Border. Webpage, April 14. <http://actionplan.gc.ca/en/content/beyond-border>.
- _____. 2013a. Canada's Economic Action Plan: Regulatory Cooperation Council. Webpage, October 22. <http://actionplan.gc.ca/en/page/rcc-ccr/regulatory-cooperation-council>
- _____. 2013b. Canada-United States Regulatory Cooperation Council News. December. <http://actionplan.gc.ca/en/page/rcc-ccr/canada-united-states-regulatory-cooperation>.
- _____. 2013c. *Technical Summary of Final Negotiated Outcomes: Canada-European Union Comprehensive Economic and Trade Agreement: Agreement-in-Principle*. October. <http://www.actionplan.gc.ca/sites/default/files/pdfs/ceta-technicalsummary.pdf>.
- Green, Tina, Lynne Hansen, Ling Lee, Héctor Fanghanel, and Steven Zahniser. 2006. North American Approaches to Regulatory Cooperation. In Karen M. Huff, Karl D. Meilke, Ronald D. Knutson, Rene F. Ochoa, and James Rude (eds.), *AgriFood Regulatory and Policy Integration under Stress: Second Annual North American AgriFood Market Integration Workshop*, Texas A&M University, University of

- Guelph, and Inter-American Institute for Cooperation on Agriculture, pp. 9-47.
<http://naamic.tamu.edu/sanantonio/green.pdf>.
- Haley, Stephen, and Nydia Suarez. 1999. U.S.-Mexico Sweetener Trade Mired in Dispute. In U.S. Department of Agriculture, Economic Research Service, *Agricultural Outlook* (September): 17-20.
<http://pdic.tamu.edu/pdicdata2/pdfs/ao264g.pdf>.
- Hills, Carla. 2012. Keynote address at conference entitled "Working Together: Economic Ties Between the United States and Mexico." Woodrow Wilson Center, Washington, DC. February 14. http://www.wilsoncenter.org/event/north-american-integration-essential-to-renewed-us-manufacturing-prowess#field_files.
- Hufbauer, Gary C., and Jeffrey J. Schott. 2005. *NAFTA Revisited: Achievements and Challenges*. Washington, DC: International Institute of Economics.
- Jurenas, Remy, and Joel L. Greene. 2013. Country-of-Origin Labeling for Foods and the WTO Trade Dispute on Meat Labeling. Congressional Research Service Report for Congress RS22955. September 16.
<https://www.fas.org/sgp/crs/misc/RS22955.pdf>.
- Knutson, Ronald D., R.M.A. Loyns, and René F. Ochoa. 2002. Policy Options for Facilitating Change and Maintaining Competition under Conditions of Free Trade within NAFTA. In R.M.A. Loyns, Karl Mielke, Ronald D. Knutson, and Antonio Yunez-Naude (eds.), *Structural Change as a Source of Trade Disputes under NAFTA: Proceedings of the Seventh Agricultural and Food Policy Systems Information Workshop*, Texas A&M University, University of Guelph, and El Colegio de México, February, pp. 342-406. <http://pdic.tamu.edu/teal/knutson.pdf>.
- Laborde, David, and Will Martin. 2013. *Agricultural Trade: What Matters in the Doha Round?* International Food Policy Research Institute. IFPRI Discussion Paper 01251. March.
<http://www.ifpri.org/sites/default/files/publications/ifpridp01251.pdf>.
- Leacock, Stephen. 1911. Nonsense Novels. <http://www.gutenberg.org/ebooks/4682>.
- Lim, C.L, Deborah Kay Elms, and Patrick Low (eds.). 2012. *The Trans-Pacific Partnership: A Quest for a Twenty-first Century Trade Agreement*. Cambridge: Cambridge University Press.
- Meilke, Karl, James Rude, and Steven Zahniser. 2008. Is 'NAFTA Plus' an Option in the North American Agrifood Sector? *The World Economy* 31(7, July): 925-46.
- México, Secretaría de Economía. 2013a. Consejo de Alto Nivel de Cooperación Regulatoria (CCR) Entre México y Estados Unidos. Webpage.
<http://www.economia.gob.mx/comunidad-negocios/competitividad-normatividad/cooperacion-regulatoria-mexico-eu>.
- _____. 2013b. *Sistema de Información Comercial via Internet*.
<http://www.economia.gob.mx/comunidad-negocios/comercio-exterior/informacion-estadistica-y-arancelaria>.

- _____. 2011a. Enhancing Trade and Investment, Supporting Jobs, Economic Growth and Development: Outlines of the Trans-Pacific Partnership Agreement. November 12.
http://www.economia.gob.mx/files/comunidad_negocios/comercio_exterior/outlines_tpp.pdf.
- _____. 2011b. Tratado de Libre Comercio entre México y Costa Rica, Guatemala, Honduras y Nicaragua. Ficha Informativa. November.
http://www.economia.gob.mx/files/comunidad_negocios/comercio_exterior/TLC_Unico_ficha.pdf.
- NAFTA Secretariat. 2014. Dispute Settlement: Status Report of Panel Proceedings. Database. April. <https://www.nafta-sec-alena.org/Default.aspx?tabid=94&language=en-US>.
- Organization of American States. 2014. *Foreign Trade Information System (SICE—Sistema de Información Sobre Comercio Exterior)*.
http://www.sice.oas.org/agreements_e.asp.
- Pequignot, Corinne, and Tim McGrath. 2014. Mutual Reliance of Food Testing Results. U.S.-Canada Regulatory Cooperation Council Webinar. January.
<http://www.trade.gov/rcc/rcc-webinar-presentations-january2014.asp>.
- Rathlou, Mary, and Mary Stanley. 2014. Equivalence of Food Safety Systems, Meat and Poultry Export Certification. U.S.-Canada Regulatory Cooperation Council Webinar. January. <http://www.trade.gov/rcc/rcc-webinar-presentations-january2014.asp>.
- Robson, William B.P., and Colin Busby. 2010. Freeing up Food: The Ongoing Cost, and Political Reform of Supply Management. In C.D. Howe Institute, *Backgrounder*, No. 128 (April): 1-10.
http://www.cdhowe.org/pdf/backgrounder_128.pdf.
- Shearer, Matthew, Juliana Salles Almeida, and Carlos M. Gutierrez, Jr. 2009. The Treatment of Agriculture in Regional Trade Agreements in the Americas. Inter-American Development Bank Working Paper Series # IAB-WP-145. December.
<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35030397>.
- Schott, Jeffrey J. 2008. The Future of the Multilateral Trading System in a Multi-polar World. Discussion paper, Deutsches Institut für Entwicklungspolitik, Bonn, Germany. <http://www.iie.com/publications/papers/schott0608.pdf>.
- Statistics Canada. CATSNET Analytics. 2014. “Canadian Agri-Food Exports to Mexico, 1988-2013” and “Canadian Agri-Food Imports from Mexico, 1988-2013.” March 21. Provided directly by Statistics Canada.
- United Nations, Economic Commission for Latin America and the Caribbean. 2013. *Latin America and the Caribbean in the World Economy: A Sluggish Postcrisis, Mega Trade Negotiations, and Value Chains: Scope for Regional Action*.
http://www.cepal.org/publicaciones/xml/4/50844/2013-598_PII-BOOK-WEB.pdf.

- U.S. Department of Agriculture, Agricultural Marketing Service. 2013. *Final Rule Mandatory Country of Origin Labeling of Beef, Pork, Lamb, Chicken, Goat Meat, Wild and Farm-Raised Fish and Shellfish, Perishable Agricultural Commodities, Peanuts, Pecans, Ginseng, and Macadamia Nuts*. Federal Register, Vol. 78. No. 101, May 23. <http://www.gpo.gov/fdsys/pkg/FR-2013-05-24/pdf/2013-12366.pdf>.
- U.S. Department of Agriculture, Animal and Plant Health Inspection Service. 2014. *U.S.-Canadian Greenhouse Certification Program*. http://www.aphis.usda.gov/plant_health/acns/downloads/canadian_greenhouse.pdf.
- U.S. Department of Agriculture, Economic Research Service. 2012. *International Macroeconomic Dataset*. November 3. <http://www.ers.usda.gov/data-products/international-macroeconomic-data-set.aspx>.
- U.S. Department of Agriculture, Foreign Agricultural Service. 2014. *Global Agricultural Trade System*. Machine readable database. www.fas.usda.gov/gats.
- U.S. Department of Commerce, Bureau of Economic Analysis. 2014. "Table 1.1.9. Implicit Price Deflators for Gross Domestic Product." National Income and Product Accounts (NIPA) Tables. February 28. <http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=1&isuri=1>.
- U.S. Department of Commerce, International Trade Administration. 2014. Sugar From Mexico: Preliminary Affirmative Countervailing Determination and Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination. *Federal Register* 79(169, September 2): 51956-58. <https://www.federalregister.gov/articles/2014/09/02/2014-20834/sugar-from-mexico-preliminary-affirmative-countervailing-determination-and-alignment-of-final>.
- U.S. Food and Drug Administration (FDA). 2014. Import Refusal Reports for OASIS [Operational and Administrative System for Import Support]: Import Refusal Data Files, 2011-2013. CSV file. <http://www.accessdata.fda.gov/scripts/importrefusals/>.
- U.S. International Trade Commission. 2014. Sugar From Mexico. Investigation Nos. 701-TA-513 and 731-TA-1249 (Preliminary). March 28. http://www.usitc.gov/secretary/fed_reg_notices/701_731/701_513_notice03282014sgl.pdf.
- U.S.-Mexico High-Level Regulatory Cooperation Council. 2013. *U.S.-Mexico High-Level Regulatory Cooperation Council: Progress Report to Leaders*. August 15. <http://www.trade.gov/hlrc/>.
- U.S. Trade Representative. 2013. *Final Report High Level Working Group on Jobs and Growth*. February 11. <http://www.ustr.gov/about-us/press-office/reports-and-publications/2013/final-report-us-eu-hlwg>.

- _____. 2005. Fact Sheet on Sugar in CAFTA-DR. Webpage. January 26.
http://www.ustr.gov/archive/Document_Library/Fact_Sheets/2004/Fact_Sheet_on_Sugar_in_CAFTA-DR.html.
- Wainio, John, Linda M. Young, and Karl Meilke. 2003. Trade Remedy Actions in NAFTA: Agriculture and Agri-Food Industries. *The World Economy* 26(7, July): 1041-65.
- White House. 2013. International Regulatory Cooperation: North America. Webpage.
http://www.whitehouse.gov/omb/oira_irc_north_america.
- _____. 2011a. Terms of Reference for the United States–Canada Regulatory Cooperation Council. June 3.
http://www.whitehouse.gov/sites/default/files/omb/oira/irc/us-canada_rcc_terms_of_reference.pdf.
- _____. 2011b. *United States–Canada Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness*. December 7.
<http://www.dhs.gov/xlibrary/assets/wh/us-canada-btb-action-plan.pdf>.
- Wilson, Christopher E., and Erik Lee. 2013. The State of Trade, Competitiveness, and Economic Well-being in the U.S.-Mexico Border Region. In Christopher E. Wilson and Erik Lee (eds.), *The State of the Border Report: A Comprehensive Analysis of the U.S.-Mexico Border*. Wilson Center, El Colegio de la Frontera Norte, and Arizona State University, North American Center for Transborder Studies, May, pp. 60-87.
http://www.wilsoncenter.org/sites/default/files/mexico_state_of_border_0.pdf.
- World Trade Organization. 2014. United States—Certain Country of Origin Labelling (COOL) Requirements. Current Status Compliance Proceedings. October 20.
http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds386_e.htm.
- _____. 2013. Bali Ministerial Declaration and Decisions. December 7.
http://www.wto.org/english/thewto_e/minist_e/mc9_e/balipackage_e.htm.
- _____. 2012. United States—Certain Country of Origin Labelling (COOL) Requirements. Reports of the Appellate Body. WT/DS384/AB/R and WT/DS386/AB/R. June 29.
[https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=\(@Symbol=%20wt/ds386/ab/r*%20not%20rw*\)&Language=ENGLISH&Context=FomerScripitedSearch&languageUIChanged=true#](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=(@Symbol=%20wt/ds386/ab/r*%20not%20rw*)&Language=ENGLISH&Context=FomerScripitedSearch&languageUIChanged=true#).
- _____. 2011. United States—Certain Country of Origin Labelling (COOL) Requirements. Special Group Report WT/DS384/R and WT/DS386/R. November 18. http://www.wto.org/english/tratop_e/dispu_e/384_386r_e.pdf.
- _____. 2001. Doha WTO Ministerial 2001: Ministerial Declaration. November 14.
http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm#agriculture.
- _____. Zahniser, Steven, Karl Meilke, and James Rude. 2009. What's Next for NAFTA? *Amber Waves* 7(1, March): 2.

Zahniser, Steven, and Andrew Roe. 2011. *NAFTA at 17: Full Implementation Leads to Increased Trade and Integration*. U.S. Department of Agriculture, Economic Research Service, Outlook Report No. WRS-1101, March.
<http://www.ers.usda.gov/publications/wrs-international-agriculture-and-trade-outlook/wrs1101.aspx>.

Appendix 1: Overview of U.S.-Mexico High-Level Regulatory Cooperation Council, U.S.-Canada Beyond the Border Initiative, and U.S.-Canada Regulatory Cooperation Council

U.S.-Mexico High-Level Regulatory Cooperation Council (HLRCC)

Launch date: May 19, 2010

Terms of Reference issued: March 3, 2011

Work Plan released: February 28, 2012

Agricultural and food-related objectives in Work Plan:

- (1) Food safety modernization: Intensification of U.S.-Mexico dialogue regarding the Food Safety Modernization Act (FSMA). Mexico will have opportunity to comment on proposed rules of U.S. Food and Drug Administration (FDA) pursuant to timelines set forth in relevant U.S. *Federal Register* entries and WTO notifications. As needed, HLRCC will facilitate Mexico's participation in rulemaking, highlighting opportunities for involvement in policymaking, such as by meeting with Office of Information and Regulatory Affairs (OIRA) and FDA to discuss proposed rules.
- (2) E-Certification for Plants and Plant Products: United States and Mexico will work together to develop compatible electronic Export and Import Certificate programs for plants and plant products, which will involve reciprocal acceptance of e-certificates. For live animals and animal products, U.S. Department of Agriculture (USDA) continues work toward implementing e-certification system. Once plants and plant products phase is accomplished, both countries will assess next steps related to e-certification of live animals and animal products.

U.S.-Canada Beyond the Border (BtB) Initiative

Launch date: February 4, 2011

Action Plan released: December 7, 2011

Agricultural trade and food-related objectives in Action Plan:

- (1) Develop harmonized approach to screening inbound cargo arriving from offshore which will result in increased security and the expedited movement of secure cargo across U.S.-Canada border.
- (2) Conduct joint assessments and audits of plant, animal, and food safety systems in third countries.
- (3) Adopt common framework for trusted trader programs that will align requirements, enhance member benefits, and provide applicants with the opportunity to submit one application to multiple programs.
- (4) Enhance facilities to support trusted trader programs.
- (5) Implement additional pre-inspection and pre-clearance initiatives.
- (6) Facilitate conduct of cross-border business.

- (7) Provide single window through which importers can electronically submit all information to comply with customs and other participating government agency regulations.
- (8) Promote supply chain connectivity by harmonizing low-value shipment processes to expedite customs administration.
- (9) Bring greater public transparency and accountability to the administration of border fees and charges, with a view of reducing costs to businesses and promoting trade competitiveness.
- (10) Coordinate border infrastructure investment and upgraded physical infrastructure at key border crossings.
- (11) Coordinate plans for physical structure upgrades at small and remote ports of entry.
- (12) Implement border wait-time measurement system at mutually determined high-priority U.S.-Canada border crossings.
- (13) Facilitate secure passage and expedite processing through implementing Radio Frequency Identification technology at appropriate crossings.
- (14) Enhance binational port committees.

U.S.-Canada Regulatory Cooperation Council (RCC)

Launch date: February 4, 2011

Terms of Reference issued: June 3, 2011

Action Plan released: December 7, 2011

Agricultural trade and food-related objectives in Action Plan:

- (1) Develop common approaches to food safety and minimize need for routine food safety surveillance inspection activities in each other's country (applies to products within mandates of both FDA and the Canadian Food Inspection Agency [CFIA]).
- (2) Enhance equivalence agreements for meat safety systems to streamline, simplify, and, where possible, reduce import and administrative procedures, while maintaining public health outcomes.
- (3) Establish mutual reliance on jointly acceptable food safety laboratory recognition criteria, test results, and methodologies to ensure food safety laboratory testing conducted in one country is acceptable to regulators in both countries and facilitate cross-utilization of laboratory results by industry and regulators (applies to products within mandates of both FDA and CFIA).
- (4) Streamline certification requirements for meat and poultry, including, where possible, reduction or elimination of redundant certification, data elements, and administrative procedures for shipments between the United States and Canada.
- (5) Further align crop protection product approvals and establishment of maximum pesticide residue limits/tolerances in both countries.
- (6) Further align marketing application submission and review processes for veterinary drugs, including efforts to establish identical maximum drug residue limits/tolerances in both countries.

- (7) Develop a perimeter approach to plant protection with a view to leverage each country's efforts to mutual advantage and, where possible, streamline certification requirements for cross-border shipments.
- (8) Work towards a common approach to zoning of foreign animal diseases.
- (9) Create a common meat cut nomenclature system and regulatory alignment tool to jointly maintain the system.
- (10) Develop comparable approaches to financial risk mitigation tools to protect U.S. and Canadian fruit and vegetable suppliers from buyers that default on their payment obligations.

Note: The summaries above are paraphrased from the HLRCC Work Plan and the BtB and RCC Action Plans. Additional activities related to agriculture and food may exist in other sections of these documents, such as transportation and nanotechnology.

Sources: Authors' unofficial summary.

Endnotes

¹ We thank Mary Burfisher, John Dyck, and two anonymous reviewers for their comments and feedback. Any views expressed are those of the authors and should not be attributed to the institutions with which they are affiliated.

² The phrase originates in the poem “Gertrude the Governess” by Canadian humorist and political scientist Stephen Leacock (1911), in which a young nobleman, told by his father that he must marry a particular woman even if he does not love her, rides off on his horse in a fit of anger. *Madly Off in All Directions* also was the title of a Canadian radio comedy show (1996-2006) that showcased talent throughout the country. Any parallels in these works to disappointment with the Doha Round or the benefits of globalization are left for the reader to interpret.

³ Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and the United States are CAFTA-DR’s member countries. The Mexico–Central America Free Trade Agreement, signed in November 2011, includes the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. While the Dominican Republic is part of CAFTA-DR, it is not part of the Mexico–Central America FTA.

⁴ Analysis is based on U.S. bilateral trade data from U.S. Department of Agriculture, Foreign Agricultural Service (2014), Canada-Mexico trade data from Statistics Canada, CATSNET Analytics (2014), and U.S. implicit price deflators for GDP from U.S. Department of Commerce, Bureau of Economic Analysis (2014).

⁵ The literature contains many estimates of NAFTA’s trade effects in the agricultural sector. These works may be divided into three groups according to their methodology: computable general equilibrium (CGE) models (Crawford and Link, eds., 1997; Zahniser and Burfisher, 2007); gravity models of international trade (Ghazalian, Larue, and Gervais, 2011; Jayasingthe and Sarker, 2008; Lambert and McKoy, 2009; Zahniser, et al., 2004); and expert assessments (Zahniser and Link, 2002).

⁶ Appendix 1 provides an overview of the HLRCC, BtB, and RCC and summarizes their agricultural trade and food-related objectives and activities. Joint statements, terms of reference, work plans, action plans, and progress reports for these bilateral frameworks may be consulted online at Government of Canada (2013, 2014); México, Secretaría de Economía (2013a); and White House (2013).