



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Farm Policy Developments and Policy Tensions Under NAFTA
Country of Origin Labeling and Traceability

Enrique Dominguez

Paper presented at the:

Policy Disputes Information Consortium's
Ninth Agricultural and Food Policy Information Workshop
"Farm Policy Developments and Tensions with NAFTA"
Montreal, Canada
April 23-26, 2003

FARM POLICY DEVELOPMENTS AND POLICY TENSIONS UNDER NAFTA

Country of Origin Labeling and Traceability

Montreal Québec, Canada, April 22-26

Mexican reaction:

Enrique Dominguez/Mexican Pork Confederation

Thank you for this invitation which allows me to participate in the discussion of this topic that has generated so much concern nationwide... I thank the organizers for this opportunity in which I will share our Mexican vision regarding this delicate issue.

Barry Carpenter, in a clear way, has taught us the objectives and intentions of this bill, which is scheduled to become mandatory starting October of next year 2004. He made it clear that the U.S. Administration will have to solve many concrete implementation aspects before the law and regulations come into effect.

I want to congratulate the previous speakers for their excellent origin labeling presentation. The additional perspective that I will provide is a practical view from the perspective of the Mexican producers and exporters.

I would like to begin by pointing out that this legislation is opposed by U.S. pork interests and that the U.S. pork producers (NPPC) and cattlemen's (NCBA) associations have asked for a legislation repeal.

I would also like to point out that poultry products are, for no justifiable reason, excluded from the coverage of the legislation. As a result, poultry producers will not be subject to the same additional costs of compliance with the new regulations and will be beneficiaries of the regulation. The exclusion of poultry is highly questionable and suggests that the legislation is not motivated by consumer demand as claimed by the backers.

The COOL modifies the current trade rules because it seeks to settle to demerit any commodity under this pretended regulation. Does it tend to violate its essence of free trade that so much has lavished the administration of the U.S. . . . Where does it underlie the globalization concept and comparative advantages? We negotiate the opening of the borders in order to

take the best advantage of each countries consumer's benefit. Must repealing the consumer's benefit open new trade barriers now?

The consumer wants certainty in safety and quality. The consumer has never questioned the knowledge of the origin of the product. However, there are some that for ethnic or for quality reasons, either of origin or of international brands, the origin is highly preferred.

When this happens, the producers in each country make a genuine effort to be recognized through the "Denomination of Origin". These products are generally associated with a traditional, cultural situation and generally the consumer recognizes and supports it. The cheeses, wines, cured ham and sausages are but a few examples.

The agricultural import products that are a concern to the COOL represent a very limited added offer. However, these products in Mexico are subject to more scrutiny standards by its own governmental certification procedures based on safety and quality before being exported. On the other hand, the USA places authority that verifies ON ORIGIN: such as in the quality and safety of the product, other than authorizing the facilities, ingredients, packing and labeling in a range of government agencies such as the DEA, EPA, AMS, and APHIS as FSIS just to mention a few. And as if that is not enough, very soon, we will have to fulfill new derived norms of the Antiterrorism Law pertaining to biological risk.

This entire outlook now under regulation of the concerned import commodities, grant the consumer greater security than the products characteristic of the USA. Presently these imported products are identified with labels by their country of origin. The legislation would give them an additional advantage. This is valid for fruits and vegetables that are also regulated by PACA.

I would not like to bring before you recent conflict problems that are due to inspection systems showing double standards. One of these related to the domestic market and the other related with exportation. It will be to our keen interest and to our high advantage to rule against the American meat import under these conditions. This is due to the USA domestic regulation. We will strongly demand and pursue for a Labeling Origin Regulation on imported commodities in Mexico (homologation?).

However, this legislation labels an invitation that the private industry looks for. It applies openly in the whole region of North America, and gradually this may be taken on demand for the rest of the international community inside the WTO. Professor Kerr already reminded us of the recently protest by the American government and of the meat industry against the government of South Korea as they sought to seek the same measure of origin of country labeling.

The exports to Mexico are carried out from Federal Inspected plants and each shipment is certified by a Federal Inspector employed by the USDA. On the Mexican side: Customs and Agriculture (SAGARPA) authorities provide us with a significant difference on import volumes: the statistical figures report to the office of the Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics of the FAS-USDA and for Mexico the Gloss Central Administration of the Secretary of Treasury and Public Credit:

**OFFICIAL STATISTICAL DIFFERENCES AMONG PORK TRADE
MEXICO AND USA
1998 - 2002 PORK MEAT IN 6 DIGITS**

MEXICO	IMPORTS	1998	1999	2000	2001	2002
02031101	Channels med dog Fr Ref	17,675	29,589	38,365	28,070	25,731
02031201	Jam palet s/desh Fr Ref	40,333	54,066	80,301	79,073	117,359
02031999	The other Meat Fr Ref	14,699	15,012	16,364	15,311	18,849
02032101	Channels med dog Cg	89	1,305	952	852	135
02032201	Jam palet s/desh Cg	7,952	6,759	24,583	42,681	32,964
02032999	The other Meat Cg	23,967	30,822	47,899	51,061	48,764
TOTAL	0203	104,715	137,553	208,463	217,048	243,802
USA	EXPORT TO MEXICO	1998	1999	2000	2001	2002
20312	SWINE HAMS, FR/CH	12,060	13,573	28,472	27,834	28,648
20329	SWINE CUTS, FROZ	9,322	10,204	20,620	23,415	16,216
20311	SWINE CARCASS FR/CH	10,305	17,563	23,565	17,080	11,338
20322	SWINE HAMS, FROZ	4,185	2,571	8,810	21,083	10,722
20319	SWINE CUTS, FR/CH	7,812	7,057	9,555	10,040	9,375
20321	SWINE CARCASS FROZ	110	492	326	152	708
TOTAL	0203	43,793	51,460	91,349	99,603	77,007
NET DIFFERENCES = MX (-) US		60,922	86,094	117,114	117,445	166,795

The differences are significant. Surely someone or both has erred statistically. This solely is an example, but regarding the beef cattle sector in

Mexico, much of it would be similar to pork. In a gratuitous and unilateral way, the Mexican government granted full recognition to the federal certification system of plants and exported products. But, the market in the mayor Mexican cities offers imported USA meat products without the minimum quality, safety and sanitary measures. Verification and clearing customs were facilitated by the Mexican government for the benefit of the consumer. Whereas, this measure is not honoring the Mexican consumer as it comes from unfair trade practice.

The Mexican pork producers' vision is different to that of the Canadians. As many of you are aware, we presently have a market deficit. Due to the sanitary inspection abuse measures, we have failed to have access to the US market. However, we currently do fulfill more demanding Japanese safety and quality standards and are ironically allowed to export through the California Port facilities. Please note that Japan pays a surcharge for the products that are certified under Mexican origin. If we had a combined verification system in the border under the same standards, there would be a very substantial reduction of exports toward Mexico.

From a commercial integration perspective, as a global vision the new COOL regulation will work in an opposite direction.

Where is the commitment of previous consultations to each part of NAFTA if any new regulation changes the commercial situation given?

TO CONCLUDE:

Under NAFTA, the legislature process should have evaluated the impact that commercial partners have on each other. Or is it an exclusion consideration for Canada and México not specified at a present publication?

Farm Bill 2002, and in particular COOL, is leading us in an opposite sense toward a North American integration interest. We should move forward in coming closer toward a common agricultural policy for the region that genuinely assures a healthy integration in benefit of the whole region.

Thank you