

Convergence, Harmonization, and Compatibility Under NAFTA: A 2003 Status Report

Policy Disputes Information Consortium

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Purpose

To update, quantify, and draw conclusions as to whether progress has been made toward harmonization of policies among the NAFTA countries since the 2001 assessment/taxonomy

Conclusions in Brief

- One has to look hard to find examples of convergence of policies
- Recognize that there is no mechanism to obtain convergence under NAFTA

Main Areas of Conflict Identified in 2001

Policies that facilitate growth and progress
(infrastructure & trade policy)

- Grades and Standards
 - Grain (US – CA)
 - Beef (US – CA)
- Trade Policy
 - Dairy (US – CA)
 - Poultry (US – CA)
 - Sugar (US – MX)
 - Wheat (US – CA)
- Infrastructure (US – MX)

Main Areas of Conflict Identified in 2001

Regulatory Policies

- Plant and animal protection (US – MX)
- Food Safety (US – MX)
- Pesticides (US – MX – CA)

Main Areas of Conflict Identified in 2001

Market intervention

- Disaster assistance (US-CA-MX)
- Price supports and safety nets (US-CA-MX)
- Supply management (US-CA)
- State trading (US-CA-MX)

Criteria for Convergence

- Requires movement toward uniform policy, not necessarily the same program
 - Policy is a guiding principle leading to a course of action that is pursued by government
 - Programs implement policy – more than one way to cook a steak

Producer Subsidy Equivalent* (1995-2001)

- Aggregate
 - CA 17 (stable)
 - MX 19 (increased)
 - US 21 (increased)

*Producer Support Estimate by OECD

Commodity PSE Devil in Details

- Field crops (higher in US, MX)
- Milk (comparable)

Major U.S. Policy Changes (2002-2003)

- Reversion to pre-1996 policies
 - Except did not reinstate production controls
 - Did reinstate target price
- Made disaster payment for “underinsured” farmers
- Added income supported commodities (mainly competitive with CA)
- Added green box conservation and environment programs

Major Canada Policy Changes (2002-2003)

- Consolidation of safety net support base into NISA program
- \$5.2 B commitment over 5 years for unspecified uses

Major Mexico Policy Changes (2002-2003)

- Agrifood Armored Plate Program to counter balance 2002 U.S. Farm Bill
 - Multiyear income support commitment which are mostly direct payments with heavy targeting to small farmers
 - Alliance for Agriculture: federal/state cost sharing for research, infrastructure, animal and plant protection

Major Mexico Policy Changes (2002-2003) cont.

- Subsidies for energy
- Restructure credit
- Increased use of anti-dumping, countervailing duty, and licensing

Evaluation for Conflict Areas

Facilitate growth and progress (infrastructure & trade policy)

- MX
 - + Infrastructure under Alliance for Agriculture
 - Trade remedy law threats/use in hogs, sweeteners, and dried beans
- US
 - COOL
- CA
 - No change

Evaluation for Conflict Areas

Regulation

- US - CAFO
- MX + HACCP
 + Animal and plant protection
- CA No change

Evaluation for Conflict Areas

Market intervention

- US
 - Target price reinstated
 - Expanded commodity coverage
- MX
 - Match US support
- CA
 - Unspecified standby support (assumed intervention)

Implications

- Policy convergence key to:
 - Resolution of trade disputes
 - Integration of markets
- Scorecard indicates more negative than positive policy-convergence indicators
- Future potential for policy convergence:
 - Enhanced by WTO proposals for increased market access, reduced domestic support, and elimination of blue box
 - NAFTA lacks mechanism (other than WTO) for convergence