



“Working Together to Make Trade Work”

NAEGA MAP Trip Report – NAEGA-APPAMEX Forum – May 24-27, 2017

Name of Traveler: Gary C. Martin, President and CEO, NAEGA

Dates of Travel: May 24-27, 2017

Purpose of Travel:

Consistent with advancing NAEGA UES objectives Gary Martin, President and CEO of NAEGA traveled to Cancun, Mexico from May 24-27 2017. In Cancun, Mr. Martin attended and participated in the 24th Annual NAEGA-APPAMEX Forum on May 26. The Forum was again co-hosted by NAEGA and took place in conjunction with the CONAFAB Animal Health Industry Forum on May 24-26. During the two forums, Mr. Martin participated in a number of activities to support NAEGA’s 2017 and 2018 UES objectives, including:

- Participation in the opening ceremony of the 24th Annual NAEGA-APPAMEX Forum.
- Presentation before the forum and participation in a panel on the *Agri-Bulks Trade Repositioning for the Agri-Food Industry in Mexico* along with members of the Mexican grain and oilseed industry.
- Hosting of a private, off-the-record breakfast featuring USDA FAS, the Canadian Embassy and the Mexican Government to discuss the North American Free Trade Agreement.
- A private meeting with APPAMEX.

This year the NAEGA-APPAMEX Forum featured presentations on international grain and oilseeds markets, an update on regulatory practices and procedures and a briefing on genetically modified organisms and the feed mill industry. .

Summary of Findings/Conclusions/Accomplishment

This UES mission advanced multiple NAEGA priorities, including: market education regarding NAEGA policy objectives, information gathering on the renegotiation of the North American Free Trade Agreement (NAFTA) and promotion best official and commercial practices to importer industry and governments.

NAEGA-APPAMEX Forum

Was very well attended and provided for an excellent dialogue not only related to NAFTA modernization but also on several Mexican industry concerns. The lack of security for rail and truck transportation was highlighted by several traders as a key component of unreasonable risk. The dialogue and networking effectively resulted in expanded good will and continued interest in placing a priority U.S. agricultural exports to serve Mexico’s needs.

Breakfast with NAFTA Country Representatives

Uncertainty over the process going forward for NAFTA was highlighted. It was apparent that Canada would reserve extensive comment until it had completed a consultative process scheduled to end on July 18. It does seem clear that both Canada and Mexico are prepared to proceed with a TTP 11. The announcement that Mexico would conduct a consultation, open to all stakeholders



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was an important development. We expect an effort from the [Mexico National Agricultural Council](#) to develop a common approach to NAFTA.

NAEGA – APPAMEX Meeting

A private meeting with the APPAMEX Board of Directors resulted in fruitful engagement in NAFTA modernization as well as consideration for measures to improve the implementation of Mexico official phyto-sanitary risk management. Ultimately, in response to NAEGA request at the meeting, APPAMEX provided this response including to the noted specific questions from NAEGA:

“I must say the emphasis placed on preventing quality to be introduced into the process (points 2.d and 2.e), was made yesterday after two CNA (National Agricultural Council) sessions, where one of the leading livestock corporations, which imports grains, posed to the Secretary of Economy and Chief Negotiator Ildefonso Guajardo as one of their three priorities to introduce into the negotiations, the unconformity and defenseless (from no official Mexican entity he meant) position of importers upon the quality of imported grains, which not consistent with the official USDA FGIS weight-quality certification, and of course with an inferior grading according to him.

The Secretary and Under Secretary of Standards and Competitiveness said they were going to analyze the Mexican corn standard, but that it must be compatible with the exporting country. Therefore the response was not clear, but anyway the topic was raised, and I can perceive the influence of some CONAGO members in that declaration (for which the majority are not members of CNA, but of the Industry Chambers Confederation –CONCAMIN-), as with the soil issue.

1. *What do APPAMEX or Mexican importers would want to preserve from the NAFTA in force?*
 - a. *APPAMEX and several Mexican importers would want to keep the tariff structure in force for grains, oilseeds and feed/food ingredients without change, as well as the administrative and customs preferences the U.S. and Canada origins have currently, in terms of import permits or quotes, and customs fees exemptions.*
 - b. *Also to preserve the regional NAFTA based entities as the North American Plant Protection Organization (NAPPO), and the North American Biotechnology Initiative (NABI), among others, of which the first works for the moment more in the information exchange among phytosanitary national authorities and between them with the corresponding national Industries representations. The standards or issues setting within NAPPO remain as a prerogative of the national organizations represented in the NAPPO’s Executive Committee.*
 - c. *Two ongoing issues within the NAPPO processes must be preserved and finalized as soon as possible, both of which also belong to the regulatory enhancement described in points 3.a and 3.b:*
 1. *Soil presence risk based sampling protocol or bilateral understanding in imported grains and oilseeds*
 2. *The electronic phytosanitary certificates mutual issuing, through any of the already finalized or developing Information Technology platforms, whether bilateral, regional or multilateral.*



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- d. The rules of origin were also sufficiently discussed in the original NAFTA for the agricultural sector, so for grains, oilseeds and ingredients the origin certificates issuance had worked well as part of the preferential documentation for importing operations.*
- 2. What must be prevented being included in a renegotiation of NAFTA?*
 - a. The highest transactional costs and trading frictions are caused by the borders (or in some cases interior) procedures and personnel to enforce the applicable regulatory frameworks. Therefore, it should be prevented to leave without change or formulate provisions that could provide for discretionary basis for each of the countries to decide and impose unilaterally any of the regulations and/or their enforcement for the bulk agricultural imports. The incidental or emergency procedures must be in specific chapters, also preventing full and/or permanent discretion for them, while encouraging and if possible mandating maximum transparency and regulatory/enforcement revisions. That should work for all regulatory scopes applied to them.*
 - b. Any provision that could let the national authorities to discriminate any imports operator, in terms of being unjustified loaded with more or unnecessary obligations than others, to fully comply with them.*
 - c. Any provision that could let the NAFTA partners to hinder any regulatory or administrative development, its process or full application, provided that it could benefit the trade efficiency, e.g. the electronic phytosanitary certificates, the compliance agreement, and the alternative service delivery, while keeping or improving each nation’s safety.*
 - d. Prevent the introduction of non-safety regulatory concepts, or belonging to any private contractual terms, into the trade regulatory regional framework, mainly any quality related issue or parameter, but also, labor, intellectual property or environmental provisions, specifically for bulk agricultural products. This would include specially to avoid them in all official dispute resolution or arbitration mechanisms.*
 - e. And finally prevent the national regulatory frameworks to override each other, procuring mostly a recognition or as minimum a satisfactory harmonization among the parties, looking always for a regulatory coherence. For that matter, to prevent as much as possible, that the exporting verification and certification may be override or misplaced by a unilateral non justified regulation or administrative requirement from the importing authorities.*
 - 3. What should be included in a renegotiated NAFTA to improve the trading relationship in North America?*
 - a. The development or reengineering of the information exchange and standards (and issues) setting mechanisms, such as the NAPPO, NABI and others, into real decision making mixed organizations, leveraging each of the national Industries representations participation to balance the regulatory perspective from their corresponding authorities. And this includes creating other entities for scopes where there are not similar mechanisms, e.g. the Food and Feed Safety and the*



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Regulatory Enhancement. This last one could be empowered to be proactive, have a decision making level and be present in all of the safety scopes mechanisms processes.

- b. Proceed to the full implementation of the WTO’s Agreement on Trade Facilitation, while providing for the regional finalization of ongoing facilitation processes, capacity building and operational entry in force. The Information Technologies and Risk Based Management operational applications to customs, sanitary and phytosanitary verification and certification procedures should be the basic starting point.*
- c. The trade facilitation should be enlarged with Sanitary and Phytosanitary and Technical Barriers to Trade advanced provisions, much in common with the Trans Pacific Partnership outcomes, but that could be further improved since having much more information exchange and standard setting mechanisms to sustain them.*
- d. Into those mechanisms, under a full transparency basis, may be introduced the regional mutual audits or reviews of their national technical, administrative and operational structures, in order to impulse their enhancement, regulatory coherence (recognition or harmonization) and synchronized operations.*
- e. Assess the convenience of having available intermediate mutual arrangements, information exchange and/or arbitration mechanisms for dispute resolutions on regulatory unconformities of private or public parties, and/or bind them to official dispute resolution mechanisms in force or redefined ones under the NAFTA renegotiation process.”*

Recommendations

Upcoming negotiations of the NAFTA agreement, evolving market buying trends and ongoing phytosanitary issues make the bilateral trade environment with Mexico fluid and unpredictable. However, Mexico has been, and remains, one of the most consistent and trusted buyers of U.S. grains and oilseeds thanks in part to the market access gains and reforms promoted by the NAFTA agreement. Moving forwarding, NAEGA should:

- Continue to identify areas of improvement in cross-border trade with Mexico, including opportunities for heightened coordination on trade facilitation, phytosanitary measures and regulatory cooperation.
- Encourage increased cooperation between U.S. and Mexican regulatory authorities to reduce trade risk and converge regulatory practices where appropriate.
- Support joint efforts to facilitate trade under the auspices of a renegotiated NAFTA agreement.
- Submit comments and follow up on the Canadian, Mexican and U.S. consultative processes
- Continue to inform and enable engagement on trade policy and practices via its work with the U.S. Food and Dialogue for Trade and the Pacific Northwest Economic Region (PNWER)
- Consider options to provide for the improvement of rail and truck transport security in Mexico.



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Attachments

- NAEGA-APPAMEX Forum Agenda
- NAEGA Presentation on *Agri-Bulks Trade Repositioning for the Agri-Food Industry in Mexico*