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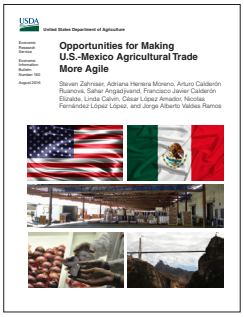

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Opportunities for Making U.S.-Mexico Agricultural Trade More Agile

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What Is the Issue?

With full implementation of the North American Free Trade Agreement (NAFTA), Mexico and the United States must look to means other than tariff and quota elimination if they are to foster further growth in bilateral agricultural trade. Improving border infrastructure is one approach to this challenge, but this approach requires a substantial investment of time and money. An alternative approach is to modify border processes and procedures in ways that make U.S.-Mexico agricultural trade more agile—thereby allowing agricultural products to cross the border more quickly, easily, and efficiently—without compromising governmental standards with respect to food safety, sanitary and phytosanitary conditions, and other regulatory matters.

What Did the Study Find?

The border crossing and inspection process is a critical control point in the shipment of agricultural goods. Problems at this juncture can impede the flow of agricultural trade, leading to higher transaction costs, slower transit times, and even outright losses of product due to spoilage or slippage. Based on information collected in informal interviews and supplemental information drawn from public available sources, and keeping in mind the regulatory responsibilities of the two governments, the research team identified six possible categories of opportunities for making U.S.-Mexico agricultural trade more agile.

- ***Agriculture-related aspects of border crossings and inspections***. Respondents emphasized that both government and the private sector have roles in making the border work. Government must be able to conduct inspections consistently, both over time and at different ports of entry, to discourage port-shopping by shippers and to ensure meaningful inspections. Inconsistency could be addressed by direct supervision of inspectors and product-specific training. Personnel must have the specialized knowledge and skills—such as identification of insects, collection and testing of samples, and familiarity with all agricultural product standards—for carrying out inspections. The private sector, in turn, requires complete and accurate documentation about the products it trades from one country to the other. Such documentation is indispensable to passing inspection, the functioning of risk-based screening tools, and investigating outbreaks of foodborne illnesses. In addition, the private sector must ensure that traded agricultural products remain in optimal condition from origin to destination. These tasks fall to individual firms, but one firm's problems can hamstring other firms. Refresher courses for agricultural exporters on how to comply with U.S. and Mexican regulatory requirements could generate benefits for all trade participants.
- ***Pre-clearance and pre-inspection systems and joint inspection facilities***. The design of U.S. and Mexican inspection operations already reflects creative approaches to locating some aspects of the inspection process away from the border. One of the more ambitious facilities with this design—and one that may become a model for similar facilities elsewhere—is a joint inspection facility in Tijuana, Baja California, adjacent to the U.S. port of entry in Otay

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Mesa. In January 2016, the U.S. and Mexican Governments launched a 180-day pilot operation of this facility for the pre-inspection of low-risk, high-volume fruit and vegetable imports from Mexico. Examples that have been in place longer include Mexico's pre-clearance of produce imports from the United States at private-sector concessions located on the U.S. side of the border and U.S. pre-clearance of irradiated mangoes from Mexico. Pre-inspection could be extended to the inspection of Mexican trucks and semi-tractor trailers used in short-haul, cross-border trucking, some respondents thought.

- ***Further development of risk-based inspection systems.*** In a risk-based inspection system, the allocation of resources to specific inspection activities, including the type and frequency of inspections, is guided by an assessment of the likelihood and severity of the risks associated with the products subject to inspection. Examples of such systems include: the National Agriculture Release Program (NARP) operated by USDA's Animal and Plant Health Inspection Service (APHIS) and U.S. Customs and Border Protection (CBP); the Predictive Risk-based Evaluation for Dynamic Import Compliance Targeting (PREDICT), operated by the U.S. Food and Drug Administration (FDA); and the Integral System of the Inspection Service (SISI) and Trusted User (UCON) program, both operated by Mexico's National Service of Agri-Alimentary Health, Safety, and Quality (SENASICA).
- ***Advance preparations for new transportation facilities and new shipment routes***. The construction of new transportation infrastructure and the development of new inland shipping routes can lead to disproportionate growth of U.S.-Mexico agricultural trade across ports of entry, affecting the demand for inspection services. Completion of a new toll road linking the Mexican cities of Culiacán and Durango and faster growth in fruit and vegetable production in central and eastern Mexico than in western Mexico have led to a larger share of produce imports from Mexico entering through the ports of entry in Laredo and Weslaco, Texas. Emerging trade patterns can be anticipated by the U.S. and Mexican Governments as they adapt their border operations to changing economic conditions. Respondents felt that the two Governments could work in advance to develop the logistics and inspection protocols needed at the new facilities and to prepare for possible shifts in trade volumes across ports of entry.
- ***Complementary activities for Single Window Environments.*** Both Mexico and the United States have created Single Window Environments—electronic systems that allow parties involved in international trade to enter all the information needed to satisfy import, export, and transit-related regulatory requirements at a single point. Some respondents suggested that the two Governments could use these systems as platforms for streamlining and simplifying the administrative requirements for bilateral agricultural trade. This effort could include not only the completion of ongoing projects for instituting electronic certificates for the full range of agricultural products, but also the consolidation or elimination of some types of documents and increasing the period of validity for certain documents. Electronic certificates (E-certs, for short) are electronic versions of veterinary inspection certificates, phytosanitary certificates, and similar documents that formerly were issued only in paper form.
- ***Creation of formal avenues for regulatory innovation***. Formal avenues for innovative feedback on regulatory processes would help to enact many of the ideas proposed in interviews for making U.S.-Mexico agricultural trade more agile. For example, many interviewees suggested that there are opportunities to reduce the time required to sample and test agricultural shipments, chiefly by locating labs closer to the border. Already, the FDA has several mobile labs and deploys them at ports such as Nogales during peak import seasons, and the Mexican Government uses mobile labs to analyze pathogenic microorganisms and toxic residues. Aligning border facility hours more closely with the private sector's operating hours would be welcomed by interview participants, some of whom envision a border that is open to agricultural trade 24 hours a day, 7 days a week—a measure not without tradeoffs in costs, staffing, and quality of inspections.

How Was the Study Conducted?

The research team conducted about 80 interviews with people in the private sector, government, and academia from the United States and Mexico who are familiar with bilateral agricultural trade and the processes regulating trade at the border. Interviewees included professionals employed by exporters, importers, customs brokerages, and industry associations, as well as owners of such firms. The interviews focused on three main topics: (1) processes and procedures governing cross-border agricultural shipments, (2) the development and harmonization of homologous operational systems by the U.S. and Mexican Governments, and (3) intergovernmental cooperation. In order to conduct interviews in person and to gain first-hand knowledge of the U.S.-Mexico border, team members made extensive visits to three border regions: (1) Nogales, Arizona, and Nogales, Sonora; (2) Laredo, Texas, and Nuevo Laredo, Tamaulipas; and (3) San Diego (Otay Mesa), California, and Tijuana, Baja California.