A NAFTA Approach to Animal Health and Biosecurity: Pipe Dream or Possibility?

David Sparling

and

Julie Caswell
Major Points

- Scope of the issues
- Framework for looking at market and regulatory integration
- Does a NAFTA approach to animal health and biosecurity make sense?
  - Where do we stand now?
- Possible paths to a NAFTA Approach
Animal Health in an Integrated Market

- North American agricultural and food markets are more integrated
  - Particularly for pork and beef
- BSE cases in 2003 show vulnerability of integrated markets
- Trade + other factors imply intertwined issues
Animal Health, Human Health, & Trade

Animal Health
- OIE & other regulations
- Zoonosis controls

Human Health
- BIOSECURITY
- COORDINATED TRADE STRATEGIES
- Travel regulations & restrictions

Trade
Context for NAFTA Approach

- Other trading relationships
  - WTO
  - Other multilateral
  - Bilateral
The Stakes Grow

- Higher trade levels
- Emerging zoonosis
- Potential for intentional harm
- Disruption of trade with animal health events
Market, Regulatory, & Animal Health Integration

International Trade Agreements
  \[\text{International OIE Standards}\]
  \[\text{National Regulation & Interpretation}\]
  \[\text{SPS Agreement}\]
  \[\text{Regulatory Integration}\]
  \[\text{Animal Health Integration}\]
  \[\text{Public Risks}\]
    \[\text{Supplier or Customer Power}\]
    \[\text{Food safety}\]
    \[\text{Climate Differences}\]
  \[\text{Industry Supply Chain Risk Management}\]

Market Integration

Private Incentives
  \[\text{Firm Competitive Advantages}\]
  \[\text{Market opportunities}\]

Private Risks
  \[\text{Political}\]

International Trade Agreements

Public Risks

Market Integration
Animal Health/Food Safety Risks - Two Broad Categories

- **Private Risks/Events**
  - Risks and impacts limited to supply chains in which they occur
  - *E. coli, Salmonella*

- **Public Risks/Events**
  - Impacts reach outside supply chain
  - Impact may be Regional or National
  - Trade distorting
  - *BSE or Foot and Mouth Disease*
Does a NAFTA Approach Make Sense?

- Animal Health-Biosecurity System
  - Prevention
  - Initial response to outbreaks/cases of animal disease
  - Trade resumption after disruption
## Objectives

<table>
<thead>
<tr>
<th>Area</th>
<th>Objective</th>
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<tbody>
<tr>
<td>Animal Health</td>
<td>Ensure health of animal production systems, eliminate diseases, isolate</td>
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<td>the system from outside risks, protect animals within each country</td>
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<td>Human Health</td>
<td>Minimize risks associated with zoonotic diseases (transmission of existing,</td>
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<td>emergence of new)</td>
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<td>Trade</td>
<td>Protect flow of trade in animals and food products within NAFTA, consistent</td>
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<td>with achieving the first two objectives</td>
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### Current State of NAFTA Regulatory Integration

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<th>Harmonization</th>
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<td>Equivalence Agreements</td>
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<td>Policy Coordination</td>
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<td>Disease (Species)</td>
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<td>BSE (cattle)</td>
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<td>Avian Influenza (poultry &amp; fowl)</td>
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<tr>
<td>Foot &amp; Mouth Disease (cattle, hogs, goats, sheep)</td>
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Market Integration

- Extensive integration of cattle and beef industry at every level
Production Shift

Percentage Flows - Beef Exports

- 90% of Canadian Exports
- 98% of Mexican Exports
- 24% of U.S. Exports
- 11% of U.S. Exports
- 66% of U.S. Exports
- 2% of Mexican Exports

10% of Canadian Exports

90% of Canadian Exports

24% of U.S. Exports

98% of Mexican Exports

11% of U.S. Exports
BSE and International Trade

- BSE protocols managed by the OIE
  - Based on risk analysis - science based
  - 5 levels of BSE risk status
  - Guidance on import restrictions for cattle and beef for each risk status

- Country goal - BSE free status

- Importing countries’ response to BSE case in previously BSE free country, contrary to OIE guidance, is complete closure of borders for cattle and beef
International OIE Standards for BSE Risk Management

- Criteria for determining BSE status
- 5 status levels
  - BSE free
  - BSE provisionally free
  - Minimal BSE risk
  - Moderate BSE risk
  - High BSE risk
- OIE does not evaluate countries and assign them to a status
- Importing countries judge the status of exporting countries
Imports: Recommendations v. Reality

- **OIE recommends:**
  - Import restrictions that are appropriate for each risk status
  - **KEY POINT:** in no case recommends complete prohibition of imports when BSE free status is lost

- **What countries do:**
  - Immediately close borders to imports from country with BSE case(s)
  - **RESULT:** huge trade impacts
BSE in NAFTA

- Market Integration
  - Extensive integration of cattle and beef industry at every level

- Regulatory Integration
  - Absent

- Animal Health Integration
  - Present
  - Trade Disintegration
  - Rebuilding the Market
First NAFTA BSE Event

- May 20, 2003 – Canada
  - One animal found with BSE
  - Animal had already been removed from the food system
- Trading partners notified
- All borders closed immediately for cattle and beef
  - Exceeds OIE recommendations
Impact: Live Cattle Imports to U.S. from Canada and Mexico, 2003
Second NAFTA BSE Event

- Dec. 23, 2003
- BSE found in U.S. dairy cow
- Traced back to Canadian herd
- Traceback could only locate half of animals which may have received the same feed
BSE Impacts & Recovery

May 2003 1st BSE Case

Dec. 2003 1st BSE Case

Partial trade resumption

10% of Canadian Exports

90% of Canadian Exports

98% of Mexican Exports

44% of U.S. Exports

24% of U.S. Exports

66% of U.S. Exports

2% of Mexican Exports
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<tr>
<td>Animal Health</td>
<td>Animal health system is fairly well protected</td>
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<tr>
<td>Human Health</td>
<td>Very low human risk</td>
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<tr>
<td>Trade</td>
<td>Large scale disruption</td>
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Trade Disruption

- Canada is oversupplied, with low prices particularly for farmers
  - Movement to reverse integration by building more slaughter capacity
- U.S. is undersupplied with record high prices
  - Some producer resistance to reopening the border
- Mexico’s prices are elevated

- KEY POINT: Bulk of trade impact was within NAFTA and could have been avoided through concerted effort before the fact (before BSE cases)
Elements of a NAFTA Approach to BSE

- Prevention
- Outbreak management
- Trade management
Reaching a NAFTA Approach

- Attained to small degree in treatment of new Canadian cases in 2005
- Recent agreement on “Harmonization of a BSE Strategy”
  - Is not harmonization
  - Is policy coordination
- Better track and trace capability is key
Lessons from BSE

- Economic integration outran regulatory integration
- Two years later, no significant progress on regulatory integration
- No fix for BSE, no template for managing other animal health threats
Avian Influenza Case Study

- Texas – Feb 2004
- Animal health management
  - Depopulation - flock and live bird markets
  - Quarantine
  - Trace and Track
  - Surveillance
Avian Influenza Case Study

**Human Health Management**
- Surveillance but HP N52 AI is not as easily transmitted
- No cases in humans

**Trade Management**
- Both Canada and Mexico halted trade
- Mexico narrowed the ban to 11 counties
- Both Canada and Mexico resumed trade
Regionalization

- Developing regional strategies rather than national
  - Prevention
  - Outbreak management
  - Trade limitations and resumption
- Diseases do not respect national borders but they do follow regional ones
Case Study Lessons

- National animal health systems not fully effective
- In NAFTA, policy change moves at a glacial pace
- Regionalization is crucial in response at every level
- Better track and trace is key
Overarching Lesson

“There is no there there”

- NAFTA
  - No infrastructure for increasing regulatory integration
  - No central bureaucracy
  - Effort is severely undercapitalized
A NAFTA Approach: Moving from Pipe Dream to Possibility?

- Currently nowhere near there
- Pipe Dream
  - Unified animal health system
- Possibility
  - Series of coordinated systems for single diseases
Necessary Conditions for Progress

- Clear understanding of benefits
- Understanding of what must change to capture benefits
- Enumeration of costs & who bears them
- Staged plan for moving ahead
Start With Success

- The goal may be a unified system – the reality is that it won’t be here for a long time

- Pick one target

- Define what you are trying to do and who needs to be involved

- Set reasonable objectives and achieve them – build from there
Thank You