

6 Can developing countries use SPS standards to gain access to markets? The case of Mercosur¹

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6.1 Introduction

The role of sanitary and phytosanitary (SPS) standards in agri-business has changed over the past decade, from being a technical instrument to avoid the use of food safety, animal and plant health measures for protectionist purposes to being a competitive instrument in differentiated product markets (Reardon et al., 2001). The change from mass markets to differentiated and niche markets for consumers with higher purchasing power triggered this shift towards SPS measures as a strategic tool for developing and differentiating markets, gaining market access, coordinating the quality and safety of the food system and defining market niches for those products. On the demand side, high-income consumers with varied and sophisticated tastes have buttressed this change and, on the supply side, so have production, processing and distribution technologies that allow for product differentiation and market extension and segmentation (Reardon et al., 2001).

Governments in emerging markets face a dilemma with respect to SPS standards: if they set “inclusive” standards for local firms, they do not incentivize the adjustment of SPS standards to the more dynamic source of demand (the global market); on the other hand, if governments create or accept higher, more “exclusive” standards, they risk allowing only a few firms to access the global market. An additional challenge comes from the fact that the privatization of standards will likely continue simply because it gives competitive advantages in an increasingly contested market (Reardon et al., 2001).

* The contents of this chapter are the sole responsibility of the authors and are not meant to represent the position or opinions of the WTO or its members.

Against this backdrop, how has Mercosur (Mercado Común del Sur or Southern Common Market) dealt with this challenge? Has it been a working platform for helping member countries to strengthen their standard-setting capacity? If so, what have been the main dynamics? This chapter addresses these questions by exploring two main issues: first, the key strategies of regulative integration in the SPS area of Mercosur and, secondly, the “SPS standards dynamics” in terms of two selected products, apples and rice.

6.2 Mercosur institutional architecture: creation and dynamics of SPS norms

Mercosur's Common Market Council (CMC) is charged with giving political direction to the integration project, while its executive organ is the Common Market Group (CMG) which, under its aegis, has created technical support groups: sub-working groups (SGTs, according to its Spanish acronym) and technical committees (CTs). In addition, when the customs union was established in 1994, authorities decided to create the Mercosur Trade Commission (MTC) to deal with issues concerning the customs union's implementation. Three organs have the power to take binding decisions, i.e. to create norms: the CMC, CMG and MTC. Most SPS norms are “resolutions” dictated by the CMG.

The legislative process in Mercosur has three stages: the elaboration/negotiation of the norm within technical groups, the approval of the project as a regional norm by the CMG or CMC (depending on norm content), and the incorporation of the norm into the domestic legal system by an administrative or legislative act (depending on the requirements of the domestic juridical system). Mercosur has regulated in a detailed way the process of norm building and approval at the regional level (CMC Decision 20/02), has mandated norm internalization by the domestic legal system (Ouro Preto Protocol) and has established that regional norms are not operative until internalized by all members. However, crucially, it has not created specific mechanisms or instances to monitor jointly how members implement regional norms at the domestic level. In addition to being a problem for Mercosur's transparency and the information at its disposal in making informed decisions, this lack of a monitoring mechanism makes the gathering of information on the impact of the regional regime on members more difficult.

Although three organs are entitled to create norms (CMC, CMG and MTC), most norms are the result of work by the technical bodies. There has not been a case where, for instance, the CMG has changed the technical content of an SPS norm. Also, in practice (at least in respect of SPS norms), some stages foreseen by Decision 20/02 are not complied with, in order to speed up the decision-making process.

This occurs particularly with the domestic consultation process that, in practice, takes place only for a few days (shorter than was foreseen). Although this could give the impression that Mercosur's norms creation process is detached from national institutional structures and influences, that is not the case. On the contrary, specific instances of national consultation are not crucial because Mercosur delegates are national officers whose main work is at the national level within national structures. Each regional officer is, basically, a national officer who participates in a regional process. Thus, national officers directly impact on and participate in the process of creation of the regional norms since those officers are part of national ministries, secretariats, health protection services – in sum, all agencies that carry forward national SPS policies.

It is worth noting that there is no such thing as a Mercosur SPS policy; the mandate is meant not to obstruct trade unjustifiably, and to harmonize norms if required.

The need to strengthen Mercosur's institutional architecture, in particular its norm creation and implementation mechanisms, has been widely documented both by scholars and in official Mercosur documents.² The main problem remains the gap between created norms and internalized norms (or, to put it slightly differently, between created and implemented commitments).

With regard to SPS policy at Mercosur level, at least three Mercosur members (Argentina, Brazil and Uruguay) have reasonably good SPS services; as they are very efficient global food and agricultural exporters, they are usually reluctant to set apart their national practices and standards. In addition, it is worthwhile stressing that in the SPS field, particularly in relation to SPS rules or disciplines (as opposed to standards), the WTO has been, and is, very influential on the Mercosur SPS norm framework and on Mercosur members. Accordingly, in this chapter we will first review Mercosur dynamics at the regional level with regard to national policies, tackling the issue of standards, then move on to the impact and role of the WTO SPS Agreement on and with regard to Mercosur, tackling the issue of rules.

The 1991 Treaty of Asunción (Mercosur's founding treaty) foresees the creation of a common market, establishing that members should achieve free circulation of goods, services and factors of production. Free circulation of goods, a central pillar of the economic integration process, would be achieved by the elimination of both tariff and non-tariff barriers or equivalent restrictions. The Treaty considers "restrictions" (or non-tariff barriers) to mean any administrative, financial, foreign exchange or other measures by which a state party unilaterally prevents or impedes reciprocal trade (art. 2, Annex I).³ Such a wide definition (elimination of all restrictions) was subsequently fine-tuned to recognize some types of trade restriction which are not prohibited but would need some kind of harmonization in order to facilitate trade. This would be the case for SPS measures.

In the SPS field, Mercosur went from a full to a narrow harmonization process. In effect, in the early Mercosur, the harmonization strategy included the elaboration of a "Mercosur Code". The idea was to harmonize every one of the operative SPS norms in each Mercosur member state and in Mercosur overall. This is why some authors have interpreted Mercosur SPS policy as being of a "European type" (Berlinksky, 2002). Other authors have seen the explanation of such "interventionism" in Mercosur's legal tradition, namely, continental law, and have exemplified this deep and detailed regulation policy preference with the case of dairy (Duina, 2006). However, harmonization in dairy was at that time, as it still is today, a very successful and exceptional case in Mercosur, in terms of both the booming of the sector due to Mercosur's creation (resulting in an enlarged market and emerging scale economies) and the harmonization of norms at Mercosur level, driven by a small group of national and multinational firms.⁴

Mercosur's SPS full harmonization policy was revised because of the technical complexity required to carry it forward, and a "default" strategy replaced it: countries need only harmonize those regulations that are strictly necessary to facilitate intra-bloc trade. The need to harmonize may arise, then, from the volume of trade at stake or due to other difficulties; therefore, there is no longer any ex-ante harmonization but ex-post, ad hoc harmonization linked to export prospects or concrete operations. This move has been reinforced, as noted by several Mercosur officers interviewed, by the fact that Mercosur member countries are very reluctant to harmonize norms because they consider current national practices and standards to be successful.⁵ Therefore, the SPS harmonization process is limited to just what is needed to keep intra-Mercosur trade flowing. As Brazil is the main destination of intra-bloc trade, it acts as an importer and attempts to use its local legislation as regional legislation. In a sense, the object under these conditions is to "mercosurize" Brazilian legislation.

At this point, it seems that this is more about national influence and control over Mercosur's movements than about Mercosur, as a distinct entity, tailoring national standards and practices or even providing a space for mutual learning. However, Mercosur's conflicts/needs are only one source of Mercosur SPS norms. Indeed, as cogently pointed out by some authors (Leavy and Saez, 2010), some international organizations influence Mercosur's SPS standards as well as Mercosur members' standards a great deal. Just to take a telling case, Mercosur's Animal Health Technical Committee works in permanent contact with the World Organisation for Animal Health (OIE), to such an extent that in terrestrial animal illness the Committee usually limits itself to established OIE standards. The Committee's norm production has developed towards unifying standards for intra-bloc trade and imports from third parties using OIE standards; however, as not all countries have the same sanitary status, it is not always possible to refer to the OIE standards. In this case, when the OIE standard would impede intra-Mercosur trade, Mercosur members create an

“escape clause” at the Mercosur level by which countries may allow imports to proceed even if they do not meet OIE standards.

The public sector it is not the only sector pressed to adopt OIE standards. The private sector in developing countries is heavily influenced, if not determined, by OIE standards if it wants to get into export markets.

On top of all this, there is still the issue of “rules, principles or SPS disciplines”. In effect, in the case of standards, national dynamics are dominant in terms of Mercosur SPS policies and the influence of international standard bodies such as the OIE and the Codex Alimentarius as well as of private standards (that come into the picture as destination market access conditions) is soaring. However, in the case of SPS disciplines, the WTO stands out as a decisive, almost unique, actor.

In 1995, a few years after the creation of Mercosur, the WTO (and the SPS Agreement) took centre stage. Mercosur, as a customs union, was notified to the WTO as a regional agreement under Article XXIV of the General Agreement on Tariffs and Trade (GATT) and thus it is not a WTO member. All Mercosur members are individually WTO members and so they have also individually signed the SPS Agreement; however, Mercosur has made the SPS Agreement a Mercosur norm. In effect, Decision CMC 6/96 is the SPS Agreement.

From the raft of consequences which arose from signing the SPS Agreement, one stands out for this chapter: the Agreement challenged the regional project insofar as it has provided a minimum set of more articulated and deeper rules than those available in the regional instance as well as a forum to debate, negotiate and eventually solve conflicts on SPS matters.

When the SPS Agreement came into force (1995), Mercosur did not have any SPS norm covering principles, as the SPS Agreement does. It is true that it had Decision 6/93, but that simply replicated the SPS draft agreement (as it had been in 1993). Later on, in 1996, Mercosur adopted (through CMC Decision 6/96, which replaced Decision 6/93) the WTO SPS Agreement as the Mercosur norm, replacing the draft version. Since the SPS Agreement has been in force, dialogue over a lot of SPS issues has moved to the multilateral forum and many conflicts have been brought into the WTO dispute settlement system. In addition, as the SPS Agreement works as the “floor”, the minimum regulatory standard every WTO member must respect, current SPS negotiations at bilateral or regional level have become characterized as WTO-plus or WTO-compatible or WTO standards, etc.⁶ Thus, the SPS Agreement has given Mercosur a common and shared legal framework, opened a new space for debating and negotiating SPS issues, and offered a dispute settlement forum.

6.3 SPS public policies and private standards

There are certainly many paths and sources for the creation of a regional (public) SPS standard. Since this chapter has a regional focus, some regional norms appear similar, even identical, to national standards, others incorporate internationally adopted standards, and still other standards result from harmonization to fix intra-bloc trade problems. As discussed in the previous section, Mercosur is not in fact the locus of the creation or deep revamping of norms. Rather, the upgrading of quality and safety standards is basically market driven, either by industry or export market destination. What is the role that private standards play in this scenario and how do they interact with public policy responses?

Many private SPS standards affect trade, notably in developed-country markets. Basically, there are companies' private voluntary standards (PVS), national collective PVS and international collective PVS. Examples of the first are Tesco's "Nature's Choice" and Carrefour's "Filière Qualité". Examples of national collective systems are the British Retail Consortium Global Standard, the Label Rouge and the Food and Drink Federation. Examples of international collective systems are EuropGAP, ISO 22000 and ISO 22005 (WTO, 2007).

The WTO has highlighted the diversity of systems, the tendency to harmonize them within a sector (along the production chain) and the way the distinction between voluntary private and public norms tends to disappear whenever the former becomes widely accepted and required for market access (WTO, 2007). According to the WTO (2007), governments have two concerns associated with private norms: their content in terms of the lack of scientific justification and the internal capacity of developing countries to comply with them. In Argentina, while some producers and firms emphasize the benefits of private standards in terms of market access, improved production or company management, new and greater environmental consciousness, product differentiation, and better prices and traceability, others highlight increasing costs and requirements, a lack of harmonization of different standards, a lack of resources to carry standards forward and, sometimes, a lack of product differentiation (Alonso and Idigoras, 2011).

By means of a questionnaire put to its members, the WTO has found that the most affected products are fresh ones – fruit, vegetables and meat – while the main affected markets are Australia, Canada, the European Union (EU), Japan and the United States (WTO, G/SPS/GEN/932). As seen from the standpoint of Argentina's export basket, the development of the EU's private standards affects products such as fruit, soy, oils and meat, while US standards affect products such as concentrated apple juice.

In Argentina, policy responses to the development and consolidation of private standards have not been homogeneous. While the Government has not, so far, implemented an across-the-board policy related to quality private standards at the domestic level, it has sometimes associated itself with their development by incorporating them in some products or circumstances (for instance, while hazard analysis and critical control points [HACCP] is still voluntary within the domestic market, it is mandatory for exporters). In other cases it has created specific programmes for working with the private sector (for instance, the Fundación Pro Arroz programme discussed below). It must be noted that the private sector's response to the increasing number and importance of private standards and certification is also heterogeneous, depending on the structure of the sector and the culture of innovation, size or capacity of firms.

This section does not attempt to provide a detailed account of PVS affecting the production, marketing and export of selected products but to shed light on the public action (policy responses) to deal with SPS standards in export markets. It will do so by considering two questions: How is it that Argentina was a leading exporter of apples two decades ago and that now 50 per cent of its production goes into the processing industry because quality is not high enough for the apples to be sold fresh? How was it possible for rice production in the Entre Ríos province to move within 10 years from a low-quality, commodity-oriented, inward-looking pattern into a high-quality, increasingly sophisticated niche-market, export-oriented strategy?

Fresh fruit: the case of apples

In the case of fresh fruit, the general prevailing pattern is that there is neither an articulated public policy nor a private-public initiative to deal with standards. The argument in favour of policy intervention is at best ambiguous, as there are arguments against intervention on the grounds that the state promotion or adoption of current PVS would validate private sector standards without scientific justification and just for the sake of serving more valuable consumption niches.

To make things more complicated, private standards are not only proliferating, but the hierarchy between them and public standards is not unambiguous (for instance, some private standards are higher than public ones, as is the case in the Maximum Limit of Residues Standard), and firm choices vary across the broad gamut of available options. In this complex and dynamic setting, Argentinian producers agree on the problem of the lack of standards harmonization and on the fact that initiatives to address it – such as the Agricultural Good Practices Handbooks – usually provide such low standards that they do not facilitate exports. In addition, there are private standards that have to be carried forward by the state (as is the case in the management of empty pesticide packages) because PVS mandate an official

system for such management (which does not exist in Argentina) or for the management of the registry of pesticides, that is also public and sometimes outdated (Alonso and Idigoras, 2011).

More particularly, apples and pears, together with lemons, are the products with the greatest economic relevance within the fruit sector. While apples and pears are produced in the south of Argentina (through 3,000 producers, 300 packaging companies and 250 cold storage firms), lemons are produced mostly in a tiny province, Tucuman, in the northwest, through a highly integrated and concentrated form of production. Argentina is now the second highest global exporter of pears, and is also rapidly gaining ground for lemons, while for apples it has fallen from second to ninth place in global exports over the last two decades.

There are six important apple producers in the world in terms of exports (Argentina, Australia, Brazil, Chile, New Zealand and South Africa), which harvest 4.8 million tons per year. Today, Argentina's share is 20 per cent of the total production of these six big producers, but two decades ago its share was 37 per cent (see "La producción argentina de manzanas ...", 2010). Furthermore, 50 per cent of Argentina's apples go to the processing industry (for concentrated juice), 21 per cent are exported and 29 per cent are sold in the domestic market. Apples sold to the processing industry are discarded apples, which do not meet quality standards to be sold as fresh. The processing industry makes products such as concentrated juices, cider and marmalade out of these apples. The main export destinations for Argentina's apples are Brazil, the EU, Russia (see "La producción argentina de manzanas ...", 2010) and the United States. But while the EU absorbs 46 per cent of fresh apples, 95 per cent of concentrated juice goes to the United States. In terms of the amount of discarded production, Argentina leads by far with 50 per cent going to the concentrated juice industry.

Why has Argentina been losing global market share? Basically, producers did not renew their varieties and maintained a focus on Delicious, a variety that has been displaced by other varieties in the international market. Developing new and younger varieties would have required long-term investment. Crucially, Carpopapsa, a plague affecting apple production in the region, appeared 10 years ago. In a way, Argentina "dragged her feet" on this issue: competing markets such as South Africa and New Zealand started programmes of genetic improvement, restricting the use of some varieties in order to stimulate diversification. Several countries imitated New Zealand's experience of differentiating instead of homogenizing varieties, adding to this strategy the formation of exclusive alliances with distributors. In this way, they coordinated and limited the supply of some varieties (such as Pink Lady or Cameo). The key factor driving this strategic move has been the development and institutionalization of collaboration along the production chain, so that – as in New

Zealand – all main aspects concerning production, harvesting and marketing are coordinated through government regulatory committees (Preiss and Diaz, 2003).

To sum up, Argentina led apple production and exports in the 1980s in South America, then consistently lost weight (and market share) due to increasing costs, lack of coordination in exporting, a decline in quality and exchange rate overvaluation during a period of almost ten years. As some authors have rightly pointed out, “countries that have generated competitive capacities in apples, and specially New Zealand, show that those firms, sectors, regions or nations that can learn faster and better become competitive because their knowledge is scarce and cannot be easily replicated or transferred through formal channels to other firms, regions or competitors. Thus, actually, the more general and deep way to assess the logic of the most advanced forms of economic competition is learning” (Preiss and Diaz, 2003).

Rice

During the 1990s Argentinian rice production went from hope to despair in a few years. It temporarily boomed in the first half of the decade, largely driven by exports to Brazil within the framework of the newly born Mercosur; the creation of the regional market also served to attract some foreign direct investment in the context of an economic policy of abrupt economic liberalization and deregulation. This phase of fast growth gradually disappeared, however, in the second part of the decade; within the context of a fixed exchange rate regime with a grossly overvalued local currency, small producers found it more and more difficult to serve external markets (where most of local production was destined, given the low level of rice consumption in the country), while larger national and foreign producers chose a specialization strategy combining the export of paddy rice with the import of parboiled rice.

The situation became even more difficult by the end of the decade as a result, first, of the 1997 Asian crisis, and then of Brazil's devaluation of its currency in 1999. One structural condition that made these trends particularly stressful was the prevailing production pattern in the country based on low-quality, low-resistance commodity rice, heavily dependent on price competition.

In the particular case of the Entre Ríos province, one of the largest rice producers in the country, levels of production, land sowed and employment had fallen sharply by 2000. However, the situation had a dramatic turnaround ten years later. At the macro level, in the 1989-90 and 1990-91 campaigns, 16 varieties of low-quality rice were sown in Entre Ríos for a total output of 350,000 tons of paddy rice, with average yields of 4,500 kg/ha. In 2011, however, the province had become the leading high-quality rice producer in Argentina with a volume of 712,000 tons (41 per cent of total national production), although it ranks second after the province of Corrientes

in terms of area sown. This means that it is also the most productive province, with about 7.15 tons/ha compared with the 6.67 tons/ha of Corrientes. In addition, Entre Ríos accounts for about 70 per cent of the capacity for industrialization of rice production throughout the country.

Between 2004 and 2011 three new varieties of rice seed were developed with stunning market success. In addition, improvements in the management of rice farming by a large number of producers also contributed to the successful shifting of gears and upgrading of Entre Ríos' rice production model. Local rice producers almost doubled exports in the last five-year period and diversified export markets, reducing their "Brazil dependency" and even capturing, with one of their varieties, Puita INTA CL, a large share of field sown in Brazil in just a few years (from 0 per cent in the 2007-2008 campaign to 50 per cent in the 2009-2010 campaign).

The key factor explaining this impressive performance improvement was the shift in the production model by Entre Ríos' rice producers (mostly small and medium-sized firms). In a nutshell, this shift involved moving away from the prevailing but declining commodity production model, heavily dependent on the Brazilian market, to a strategy based on high-quality, high-performance seed varieties to serve increasingly diversified market niches. The underpinning of this shift was, in turn, continuous technological upgrading and innovation in both seed production and farming management.

These developments in Entre Ríos' rice production could not be understood, however, without the simultaneous development of an institutional exoskeleton in the province, Fundación Pro-Arroz (FPA), geared to promote rice, articulate the rice production chain, and improve the value-added, quality and efficiency of local rice production. Created in 1994, FPA is a public-private organization that includes all components of the production chain, is representative and has a participatory decision-making system (consensus rule). It is a network (led by Instituto Nacional de Tecnología Agropecuaria [INTA]) of different but complementary capabilities to search for, develop and diffuse new technological options and innovations.

The crux of FPA's work consists of the very effective provision of public goods for inducing and enabling producers to continuously adopt improved seed varieties and upgrade farming management practices instead of traditional protection or market intervention measures. These public goods are tailored to address knowledge, resource, regulatory or infrastructure bottlenecks or constraints which producers would find extremely difficult, if not impossible, to overcome by themselves, especially if working alone. The most relevant of these public goods are, on the one hand, the technical expertise and systematic research and development efforts to "design" new rice seed varieties as production conditions (agronomic, technical) or

market requirements (tastes, quality, health, ecology) shift; on the other, the search for new market opportunities and the generation of the required conditions to meet them (quality and phytosanitary standards, product specifications and the like).⁷

More specifically with regard to SPS regulations, FPA's work straddles three fronts. At the level of rice production, FPA has concluded the elaboration of a good practice guide (GPG) including criteria and guidelines mainly for the management of herbicides, the use of fertilizers, and soil analysis and treatment. This GPG is voluntary but intended to become a central component of a certification system in the near future. At the level of rice mills, FPA is providing technical assistance to support the efforts of firms to improve their production processes in order to certify quality through the ISO norms. Finally, with regard to exports, FPA is supporting firms to increasingly differentiate their products on phytosanitary grounds, stressing in particular the low use of herbicides as a central distinguishing trait. An additional FPA contribution, on a destination market basis, is to support the practice of some exporting firms to work together with potential or actual clients in the implementation of informal traceability schemes along the whole production chain.

6.4 Some reflections from the regional policy perspective and conclusions

Mercosur as an integration project is more than a free trade agreement or a customs union. It is a wider political project that is solidly rooted in the political discourse of our societies. However, the regional instance is not the source of unified and consistent regulatory regimes in key policy areas. The field of SPS policy is, as shown in this chapter, just a case in point: standards in this domain are defined at the national level, largely driven by export market requirements, both public and private, while rules or disciplines come overwhelmingly from the WTO (both from the SPS Agreement and through dispute settlement).

It is fair to say that Mercosur SPS policy is still defined at the national level and standards and practices are brought and powerfully defended by national officers in Mercosur meetings. National delegates composing Mercosur organs are reluctant to change their national standards and procedures. Basically, the situation in Mercosur is that the most dynamic source of standard creation is not harmonization policies or sanitary crisis but market circumstances: public and private requirements at export destinations. In addition, as intra-bloc trade is directed mainly to Brazil, Mercosur's core activity seems to be to ensure compatibility of national legislations with Brazil's. As for standards needed for Mercosur to access external partners, national officers do not use Mercosur examples to share or coordinate information to lower transaction costs or as a learning opportunity.

Traditional forms of SPS policy intervention, such as specific, punctual programmes to fight diseases, do not tackle the challenge of developing new varieties, which is increasingly praised and valued in international markets. They fall short of bringing positive pay-offs in terms of competitiveness and development impact. On the other hand, successful policy interventions deeply anchored in public–private cooperation, as exemplified in the case of rice, seem to require complex regulatory mechanisms and institutional coordination arrangements that buttress continuous improvement whose construction cannot be taken for granted.

In short, when focusing on national experiences, Argentina's apple trajectory shows clearly the failure of public policies to articulate, within the private sector, knowledge generation and its dissemination. In contrast, the case of rice in the province of Entre Ríos gives crucial insights into the network architecture and its institutional underpinnings necessary for sustained innovation. The rice example can be considered a model case for public policy design since its results were so beneficial for all stakeholders, but it seems this is not easy to replicate in other sectors.

Endnotes

1. Mercosur (Mercado Común del Sur, "Common Market of the Southern Cone") is an economic integration project inaugurated in 1991 by the Treaty of Asunción between Argentina, Brazil, Paraguay and Uruguay. The Plurinational State of Bolivia and the Bolivarian Republic of Venezuela have since acceded to the group. Chile, Colombia, Ecuador, Guyana, Peru and Suriname currently have the status of Associate States. See: <http://www.mercosur.int/>; http://www.sice.oas.org/trade/mrcsr/treatyasun_e.asp
2. See, for instance Bouzas, R. and Fanelli, J. M. (2001), *Mercosur: integración y crecimiento*, Buenos Aires, Fundación OSDE; Peña, C. and R. Rozemberg (2005), "MERCOSUR ¿Una experiencia de desarrollo institucional sustentable?", *Revista de Comercio Exterior e Integración*, marzo: 45-62, available at: <http://cei.mrecic.gov.ar/revista/02/parte%203-2.pdf>; Czar de Zalduendo, S. (2003), "La institucionalización en los acuerdos regionales: el caso del MERCOSUR" en Basevi, G. et al., *Efectos reales de la integración regional en la Unión Europea y el MERCOSUR*, Buenos Aires, Universidad de Bologna: 109; Dreyzin de Klor, A. and D. P. Fernández Arroyo, "Avances y fracasos de los esquemas subregionales latinoamericanos: el caso del MERCOSUR" en *Suplemento mensual de Derecho Internacional Privado y de la Integración*, Diario Jurídico el Dial: www.eldial.com, Ed Albremática; FESUR (2004), *Desafíos institucionales para el MERCOSUR: las relaciones entre estados, instituciones comunes y organizaciones de la sociedad*, available at: http://www.redmercosur.net/encuentro2004/ouro_preto_10_anos_despues/Desafios_institucionales_MERCOSUR.pdf.
3. The only exceptions are measures of the type envisaged in Article 50 of the Montevideo Treaty of 1980, the foundational treaty of the Asociación Latinoamericana de Integración (ALADI). ALADI is an umbrella group used in Latin America to make preferential arrangements among its members without the obligation of including substantial trade (as per Article XXIV of the GATT) and without a most-favoured nation (MFN) clause. All Mercosur members are ALADI members.

4. For very detailed studies on the dairy case, see Berlinsky (2002) and Nofal and Wilkinson (1999).
5. As a counter example of a soft harmonization, the successful negotiation of the Laboratorial Good Practices Guide could be noted.
6. See, for instance, free trade/economic association agreements signed by the EU with Mediterranean or African, Caribbean and Pacific Group of States (ACP) partners; the "Chapter SPS" states that the compromise is to respect and enforce WTO standards.
7. Other important cases include the satellite geo-referencing of water wells to build the matrix for the electrification of rice irrigation in the whole province – a critical input to drastically reduce production costs, stockpile infrastructure as the growing number of rice varieties and types demands increasing capacity of seed selection and classification, and develop new human resource skills in rice sowing in order to meet the increasingly specialized knowledge this activity is demanding.

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ISBN 978-92-870-3931-6

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154 rue de Lausanne
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WTO Online Bookshop: <http://onlinebookshop.wto.org>

Publication designed by Triptik
Printed by World Trade Organization, Switzerland, 2014.

Cover photos (left to right):
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