# "New NAFTA" imposes hurdles to delay and weaken public protections

### INTRODUCTION

From the moment negotiations to "modernize" NAFTA were initiated by the Trump administration, we were concerned that new provisions would be inserted into the agreement to further empower transnational corporations to delay, weaken and even repeal environmental, health and safety, and food protections.1 The inclusion of deregulatory provisions—such as scrutinizing new regulations at the earliest stages of development to identify and eliminate anything perceived as a trade barrier and requiring regulations to go through a gauntlet of multiple rounds of comments by industry and new layers of cost-benefit analysis—was a key demand of agribusiness and the chemical and biotechnology sectors.2 With tariffs on most agricultural products already minimal or nonexistent, these industries turned their attention to using international trade agreements to eliminate "non-tariff barriers," domestic regulations that may increase the cost of doing business or, like some food safety and pesticide protections, can prevent imports of noncompliant products altogether. Unfortunately, our fears were justified. Newly rebranded as the United States-Mexico-Canada Agreement (USMCA), the new NAFTA has extensive provisions that will entrench and extend the Trump administration's deregulatory agenda for decades into the future.

Most of new NAFTA's provisions are not directly about trade. Rather, the agreement consists of a complex, bureaucratic and confusing web of rules directing how domestic regulators must go about researching, drafting and implementing public policies

that address everything from meat inspections, to chemical toxicity studies, to water quality, to climate change. Many of these provisions are in Chapter 28, Good Regulatory Practices (GRP), which we analyze here. Chapter 28 is important because it establishes the overall framework of the regulatory provisions in new NAFTA. It applies broadly across all of government and affects virtually all regulations, even if not trade-related. In addition, for the first time this chapter would be subject to the full implementation of dispute settlement among nations, enforceable through trade sanctions

In addition to Chapter 28, several other chapters and annexes contain provisions that seek to constrain or shape both new and existing regulations. These related measures are extensive, detailed and, in some cases more directive than those found in Chapter 28. While we reference some of these provisions in the discussion below these measures will be the subject of future analyses. In particular, we take note of the 27 pages of sectoral annexes to Chapter 12, Technical Barriers to Trade (TBT), relating to, among other subjects, regulation of chemical substances, cosmetics, pharmaceuticals, and energy performance standards; the Working Group for Cooperation on Agricultural Biotechnology in Chapter 3, Agriculture; and food safety provisions in Chapter 9, Sanitary and Phytosanitary Measures or SPS. Together with the provisions of Chapter 28, these measures reach deeply into each country's domestic regulatory procedures and will impact the substance of public protections, likely weakening or delaying many new



initiatives and even leading to the repeal of existing protections.

# ANALYSIS OF CHAPTER 28, "GOOD REGULATORY PRACTICES"

# Broad scope of coverage, unconnected to trade impacts.

The original NAFTA includes just two general paragraphs about ensuring that new laws and regulations "of general application respecting any matter covered by this Agreement" are promptly published or otherwise made available "to enable interested persons and Parties to become acquainted with them" and "to the extent possible," that these measures are published in advance of adoption to give interested parties an opportunity to comment.3 In contrast, the GRP chapter of the new NAFTA applies to almost every mandatory regulation of the U.S., Mexico and Canada. It is not limited to regulations that directly affect trade or are covered by the agreement. Moreover, while transparency and advance publication of rules is still addressed, the chapter now extends more than 13 pages and evinces an intent to promote government-wide coordination and implementation of "specific obligations" with respect to "the planning, design, issuance, implementation, and review of the Parties' respective regulations," (Art. 28.2.2). A new three-country coordinating entity, the Committee on Good Regulatory Practices, is created to monitor implementation and operation of the chapter, (Art. 28.18).

All mandatory regulations of general application adopted, issued or maintained by any of the three countries at the federal level of government—with a few exceptions including financial services and military matters,4—are subject to the obligations set forth in the chapter, (Art. 28.1). Rather than provide general "good government" guidance, the new NAFTA contains detailed instructions covering everything from the timetable for issuing proposed and final rules, the data and documentation to be provided in support of those rules, opportunities for public comment, the specifics of regulatory impact statements, information quality, the use of statistical surveys, retrospective review of regulations, expert advisory groups and much more. In the analysis below, we look specifically at the GRP chapter's provisions that are novel or particularly likely to interfere with regulators' independent exercise of

their legal authority or scientific judgment, that further embed corporate influence in government decisions or that are most likely to delay or halt regulation in the public interest.

### Using "secret science" in regulatory decisions.

The GRP chapter includes an entire article on "information quality" to define what information should be used to support regulations, (Art. 28.5). This provision has some problematic language. It specifies relying on the "best, reasonably obtainable" and "relevant" scientific, technical, economic or other information. That phrase—"reasonably obtainable"—can actually function to place limits on what information regulators may seek in support of a standard or regulatory approval and protect from disclosure industry studies claimed as Confidential Business Information (CBI). In the U.S. regulatory system, it is routine for commercial applicants to claim CBI status for evidence in an application to deregulate a product, and the CBI claim is seldom, if ever, denied. As a result, the data and information relied on by regulators is limited by what the commercial applicant wishes to submit, thus preventing a robust and independent risk assessment and regulatory decisions based on the weight of evidence in publicly available and peer-reviewed science.5

The GRP's information quality article also seeks to limit how and when surveys are used by regulatory agencies and what conclusions may be drawn from the results, and states that each Party "shall provide" that a regulatory authority "should avoid unnecessary duplication and otherwise minimize unnecessary burdens on those being surveyed," (Art.28.5.2). This provision seems intended to limit information gathering by public agencies, for example epidemiological or consumer surveys. Reading these information limitations in conjunction with provisions requiring reliance on science and risk assessment in new NAFTA's sectoral chapters, including chapters governing food safety, (Art. 9.6), and regulation of chemicals, (Art. 12.A.4), it seems likely that the overall impact will be to make it harder to adopt precautionary policies that protect the most at-risk populations.

### Paralysis by analysis.

The GRP chapter encourages the Parties to subject potential or new regulations to regulatory impact assessments "in appropriate circumstances," (28.11.1). That said, the chapter requires that each Party "shall maintain" a series of procedures when impact

assessments are conducted. These must "promote" a review of "feasible and appropriate regulatory and non-regulatory alternatives," including the option of not regulating (28.11.2(b)), and a cost benefit analysis of the proposed measure and all alternatives, (Art. 28.11(c)). Promoting multiple additional cost-benefit and regulatory impact analyses is likely to further delay a lengthy regulatory process that already suffers from "paralysis by analysis." Cost-benefit analysis skews decisions in favor of deregulation or no action. Time and again, cost-benefit studies have been shown to undervalue health and environmental harms while overestimating industry compliance costs.<sup>6</sup> The fact that the regulated industries control access to key information needed to assess compliance costs—by claiming CBI or trade secret protections—further skews this supposedly "scientific" and "objective" exercise.<sup>7</sup> In just one example of U.S. cost-benefit requirements essentially shutting down the public health regulatory process, a court found in 1989 that the EPA did not present sufficient evidence of costs and benefits to justify its ban of asbestos, and in the guarter century since the court's decision, the EPA has exercised its authority to ban or limit the production or use of an existing chemical only one other time.8

# Furthering a deregulatory agenda by mandating obstructionist internal reviews.

The GRP chapter requires each of the three countries to maintain a "central regulatory coordinating body," (Art. 28.3). These entities are to serve on the committee overseeing implementation of the GRP chapter, (Art. 28.18.1). The Internal Consultation, Coordination and Review article states these entities "shall adopt or maintain" across-all-of-government internal regulatory coordination and review processes, (Art. 28.4). Among the objectives that must be pursued is "supporting compliance with international trade and investment obligations" which includes consideration of international standards, (Art.28.4.1(d)) and "encouraging regulatory approaches that avoid unnecessary restrictions on competition in the marketplace," (Art. 28.4(f)).

In the U.S., "central regulatory coordinating" functions are performed by the problematic Office of Information and Regulatory Affairs (OIRA) in Mick Mulvaney's Office of Management and Budget. This office is currently enforcing the Trump administration's nonsensical and dangerous policy of repealing two existing regulations for every new regulation—a policy that has to date rejected regulations providing more than \$2 trillion in public benefits. OIRA is already

under criticism as "slow, opaque, chaotic, lawless, and power-grabbing." 10 It has functioned for many years as a regulatory chokepoint, requiring additional cost-benefit and regulatory impact assessments for agency regulations that have already proceeded through the lengthy notice-and-comment rulemakina system, questioning the science underlying proposed rules and requiring regulators to rewrite standards to be friendlier to the regulated industries. Health, food and environmental regulations are disproportionately targeted for review and revision, in an end-run around the public record with significant corporate involvement in private meetings with the office. 11 For example, an OIRA internal review caused lengthy delays in the adoption of the EPA's 2015 regulations to require online reporting of water pollutant discharge information, including industrial animal facilities or CAFOs. This rulemaking, initiated in 2002, took more than a decade to complete, with a proposed rule finally published in July 2013. The proposal then fell into the regulatory abyss that is OIRA, which essentially hijacked the rule, holding it up for almost a year and a half. During this time the rule was "sitting in bureaucratic purgatory," and the agribusiness lobby succeeded in weakening the rule to directly benefit animal feeding operations.<sup>12</sup>

Inserting these regulatory review requirements into new NAFTA will export to Canada and Mexico a failed process that in the U.S. has had devastating results. This measure will exacerbate the deregulatory and delaying impacts of the other provisions of this agreement, and further promote behind-the-scenes corporate influence. In the U.S., it will serve to further empower an obstructive agency that is already out of control and make it more difficult to reinstate public protection regulations after the Trump administration is out of office.

# Rolling back regulations—at the request of the regulated.

One of the most alarming provisions of the GRP chapter is the Retrospective Review article, which requires each Party to "adopt or maintain procedures or mechanisms to conduct retrospective review of its regulations to determine whether modification or repeal is appropriate," (Art. 28.13.1). Among the criteria that should be considered in these reviews are "new opportunities to eliminate unnecessary regulatory burdens" and "ways to address unnecessary regulatory differences that may adversely affect trade among the Parties," (Art. 28.13.2(d);(e)). This provision

is tied to another article, "Suggestions for Improvement," which will provide new avenues for corporations to pressure governments by petitioning them to roll back existing regulations. The article requires that the Parties provide the opportunity for "any interested person" to propose "issuance, modification or repeal" of a regulation, on the basis that the regulation "has become more burdensome than necessary to achieve its objective (including with respect to its impact on trade)," or "relies on incorrect or outdated information," (Art. 28.14).

This provision is one of several in the GRP chapter that requires the Parties to maintain policies that insert a version of the burdensome "necessity test" or consideration of trade impacts into regulatory decisions. These new NAFTA measures go even further than the corporate-friendly Trans-Pacific Partnership (TPP). Text leaked during the TPP negotiations revealed the U.S. sought unsuccessfully to insert similar provisions into the TPP's regulatory coherence chapter.<sup>13</sup> In new NAFTA's GRP chapter, the Internal Consultation, Coordination and Review article requires policies "encouraging regulatory approaches that avoid unnecessary restrictions on competition in the marketplace," (Art. 28.4(f)). The article's Encouragement of Regulatory Compatibility and Cooperation seeks to "minimize unnecessary regulatory differences and facilitate trade or investment," (Art. 28.17.3).

Some environmental and other statutes do not permit trade and economic impacts to be considered when regulators set certain standards. For example, under the Clean Air Act, primary National Ambient Air Quality Standards must be set at a level "requisite" to protect public health "with an adequate margin of safety," and in setting these standards, EPA is required to engage in "reasoned decision making" to translate scientific evidence into standards and may not consider cost (cost can, and is, considered when implementing standards).14 Adopting the necessity test "would effectively reverse the deference that most domestic courts give to economic regulations," according to Georgetown Law Professor Robert Stumberg. 15 Inserting such prohibited criteria into a rulemaking proceeding would undermine Congressional intent and the rule of law and, ultimately, harm the public interest.

# Expanding industry-dominated, regulatory cooperation activities.

The GRP chapter institutionalizes regulatory cooperation among the three countries in Article 28.17. At its heart, regulatory cooperation is a cross-border process for early review and collaboration on regulations to align standards so that they are as similar as possible, with an emphasis on adopting international standards. International standards often set regulatory floors and can be less protective of the public interest than domestic policies. They are drafted with heavy industry involvement. The focus in the GRP is "to help minimize unnecessary regulatory differences and facilitate trade or investment," (Art. 28.17.3). While framed as encouragement—rather than a mandate—this article, like the rest of the GRP chapter, is subject to the stateto-state dispute resolution provisions. Other chapters are more directive, including the TBT chapter's Chemical Substance annex. Beefing up the regulatory cooperation provisions in the new NAFTA was a key demand of the chemical industry, among others.16 The chemical industry was particularly successful in its advocacy; new NAFTA includes an entire annex to the TBT chapter devoted to "enhancing regulatory compatibility" for the regulation of chemical substances, with a particular focus on risk-based assessment of harm, which limits the precautionary approach to regulating, (Art.12.A.4). The chemicals annex also includes mandatory regulatory cooperation language; in one example, it states the Parties "shall strengthen their cooperation on chemical substances and chemical mixtures" and "shall cooperate with a view to minimizing the differences in the use of safety data and safety data sheets," (Art. 12.A.4.5).

The original NAFTA lacked a regulatory cooperation chapter, but after entry into force, bilateral working groups met on topics including food safety and pesticides, and these were formalized in 2010-11 as the US-Mexico High-Level Regulatory Cooperation Council (RCC). As models for the ramped-up regulatory cooperation envisioned in new NAFTA, the past record of these cross-border councils does not inspire confidence. Both operate out of public view with heavy industry involvement and minimal public awareness or civil society participation. For example, just three of 24 regular members of an RCC technical committee to assess the risk of new and existing chemicals represent health or environmental

concerns; most members represent regulated industries.<sup>19</sup> An RCC proposal to harmonize Canadian and U.S. meat inspection, certification and processing goes straight to the North American meat industry's playbook and seeks to incorporate "to the greatest extent possible" an industry-written plan to "reduce or eliminate certain inspection activities, certifications, and administrative procedures concerning food safety."<sup>20</sup> The result of all this industry-influenced "cooperation" has been predictable. A recent study found the Canadian government has "gradually deregulated, underregulated and moved toward industry self-reporting to 'reduce the burden' on business" while justifying its actions by invoking the necessity of regulatory harmonization.<sup>21</sup>

# Enforceability through state-to-state dispute settlement.

The change from a purely voluntary consultative process to a series of obligations enforceable with trade sanctions is significant. The GRP dispute settlement provisions begin one year after entry into force and may be invoked "to address a sustained and recurring course of action or inaction that is inconsistent with a provision of this Chapter," (Art. 28.20). While some GRP obligations are couched in language that isn't an outright mandate, there are indeed mandatory provisions that could be taken to dispute resolution, as well as many confusingly worded constructs that mix mandatory provisions with something else. In just one example, the Information Quality article instructs that if a regulatory authority "systematically collects information from members of the public through identical questions in a survey for use in developing a regulation, each Party shall provide that the authority should: (a) use sound statistical methodologies before drawing generalized conclusions... and (b) avoid unnecessary duplication and otherwise minimize unnecessary burdens..." (Art. 28.5.2).

Just the threat of trade sanctions could be used to ensure strict adherence to the many complex rules in this chapter, which is likely to further delay and even prevent regulatory action to address the significant problems of our day, such as climate change. Requiring underfunded, understaffed and currently beleaguered regulatory agencies to comply with this nitpicking level of detail in a trade agreement is unprecedented. Further analysis is needed to understand the interplay between these provisions and the sector-specific regulatory measures in the SPS and TBT chapters. Certainly, the powerful chemical industry lobby and

other transnational corporate interests are quite pleased with new NAFTA's regulatory provisions, which they view as "novel and strengthened" and "a new high-water mark for such commitments in trade agreements." They also see the GRP chapter as beefing up the enforceability of other provisions that are detailed in the USMCA's sectoral chapters, such as those relating to cost-benefit analysis, and defining "science" and risk assessment "by codifying the systemic practices that enable more full implementation of other chapter provisions such as those on TBT, Transparency and Procedural Fairness, and Trade Facilitation among others."<sup>22</sup>

## CONCLUSION

While pitched by proponents as merely encouraging good government and transparency, in practice, the GRP chapter could significantly impact future public policy in Mexico, Canada and the U.S. The role of transnational corporations in pushing this deregulatory agenda is guite clear. While new NAFTA's investment chapter has indeed placed some welcome limits on investor legal challenges to domestic regulations, these same transnational corporate interests will use the restrictive regulatory provisions in the GRP and other chapters to stop domestic regulations from even being adopted in the first place. And, in an ironic twist in view of the oft-stated interest of the Trump administration in protecting U.S. sovereignty, making the GRP chapter subject to state-to-state dispute resolution, along with the enhanced regulatory cooperation obligations, actually inserts foreign aovernments' interests further into our domestic policy-making.

Read further analysis on the "New NAFTA"

- "New NAFTA" puts the brakes on farm policy reforms
- "New NAFTA" continues damaging climate legacy
- Food safety and GMOs in the "new NAFTA:" A retreat in science-based policy

### **ENDNOTES**

- 1. September 7, 2017 IATP BLOG: https://www.iatp.org/blog/201709/will-trump-use-nafta-institutionalize-wholesale-delay-and-repeal-public-protections
- 2. See, the tri-national chemicals lobby wish list outlined in this Joint Statement on NAFTA modernization, https://www.americanchemistry.com/Media/PressReleasesTranscripts/ACC-news-releases/Joint-Statement-by-ACC-CIAC-and-ANIQ-on-NAFTA.html (March 1, 2017); Final Comments of CropLife America on NAFTA Modernization (June 17, 2017), https://www.regulations.gov/document?D=USTR-2017-0006-1344; Comments on NAFTA negotiating directives, U.S. Food and Agriculture Dialogue for Trade ("representing over 100 companies and associations representing America's farmers, ranchers, processors, and agribusinesses"). June 12, 2017. http://www.nopa.org/wp-content/uploads/2017/06/Public-Comments\_US-Food-Ag-Dialogue-NAmer\_170612\_FINAL.pdf
- 3. See, Chapter Eighteen: Publication, Notification and Administration of Laws, PART SEVEN: ADMINISTRATIVE AND INSTITUTIONAL PROVISIONS; Article 1802: Publication; and Article 1803: Notification and Provision of Information, https://www.nafta-sec-alena.org/Home/Texts-of-the-Agreement/North-American-Free-Trade-Agreement?mvid=1&secid=9c3e54ac-530d-46fb-bb4b-ffe1663a910d
- 4. In addition, Mexico has exempted agrarian and labor justice measures as well as the public prosecutor's office functions, and Canada has exempted federal/provincial/territorial agreements and relations with Aboriginal Peoples. The U.S. exclusions are: (i) a military or foreign affairs function of the United States, (ii) agency management, personnel, public property, loans, grants, benefits, or contracts, (iii) agency organization, procedure, or practice, or (iv) financial services or anti-money laundering measures. Legislatures, courts and the president are excluded from the GRP obligations. See Annex 28-A.1(a)-(d) for a complete list of exemptions, https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/28%20Good%20Regulatory%20Practices.pdf.
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- 13. See Kelsey, Jane, "Preliminary Analysis of the Draft TPP Chapter on Domestic Coherence," October 23, 2011, for analysis of the leaked text. The regulatory coherence chapter in the text of the TPP that was signed by the parties is voluntary and lacks these specific obligations. https://www.citizenstrade.org/ctc/wp-content/uploads/2011/10/TransPacific\_RegCoherenceMemo.pdf
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