

# Integrating rule takers: Transnational integration regimes shaping institutional change in emerging market democracies

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## ABSTRACT

How does the transnationalization of markets shape institution building, particularly in those countries that have few options other than to incorporate the rules and norms promulgated by advanced industrialized countries? Building on recent advances in international and comparative political economy, we propose a framework for the comparative study of the ways in which transnational integration regimes (TIRs) shape the development of regulatory institutions in emerging market democracies. The ability of TIRs to alleviate the supply and demand problems of institutional change in these countries depends in large part on the ways in which TIRs translate their purpose and power into institutional goals, assistance and monitoring. Integration modes can be combined in different ways so as to empower or limit the participation of a variety of domestic public and private actors to pursue and contest alternative institutional experiments. We illustrate the use of our framework via a brief comparison of the impact of the European Union accession process on post-communist countries and the North American Free Trade Agreement (NAFTA) on Mexico, with special attention to the development of food safety regulatory institutions.

## KEYWORDS

Transnational integration; development; institutions; regulation; East Europe; Mexico; food safety.

## I. INTRODUCTION

Over the past ten years, scholars and policymakers alike have found themselves increasingly engaged in two seemingly separate debates about the

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ways in which the transnationalization of markets have reshaped domestic institutions. On the one hand, students of international political economy have sought to understand how market liberalization embeds national economies in distinct supranational governance arrangements comprised of diverse public regulations and private standards (Djelic and Sahlin-Andersson, 2006; Farrell and Newman, 2010; Mattli and Woods, 2009; Orenstein *et al.*, 2008; Stone Sweet and Sandholtz, 1997). Comparative research of regionalism has also noted how the proliferation of regional trade agreements creates variations in integration patterns that can help or hinder multilateral institution building (Estevadeordal *et al.*, 2009; Mattli, 1999; Warleigh-Lack, 2006). On the other hand, students of development have focused on the ways in which external incentives from economic and political liberalization can anchor domestic public and private actors to reform policies and comply with new transnational norms (Easterly, 2006; Mansfield and Milner, 1997; Pevehouse, 2005).

Despite their apparent overlapping interests, these debates overlook the increasingly pressing issue about how transnational market making shapes domestic institutional change in developing countries (Bruszt and Holzhaecker, 2009). As a step toward filling this gap, this article analyzes how transnational integration regimes (TIRs) differ in terms of their impact on the development of domestic regulatory institutions in emerging market democracies. Drawing on both rationalist and cognitivist schools of regimes (Krasner 1982; Ruggie 1982), we understand TIRs as institutionalized arrangements involving public and private actors from two or more countries in creating and governing the rules of economic interactions in specific regions. TIRs vary in terms of their integration purpose (institutional goals) and use of power (modes of assistance and monitoring) to further these goals. Given the exploratory nature of our comparative framework, we focus on TIRs in which the less developed members are usually rule takers and have limited capacity to influence transnational rule making or the standards promulgated by actors from more advanced countries.<sup>1</sup> Depending on the resources and capacities of domestic state and non-state actors on the one hand, and the specific purpose and power of TIRs, on the other hand, economic integration for the weaker countries can become a vehicle for institutional upgrading or the imposition of new trade barriers that detaches the local from the global (Bruszt and Stark, 2003). The key objectives in this article are delineating how certain combinations of TIR power and purpose shape the process of domestic building of regulatory institutions in terms enforcing new international norms and expanding the distribution of their adoption.

Much of the existing research on externally induced domestic institutional change in developing countries focuses on the role of incentives – be they in the form of trade liberalization, political conditionality or an externally acting hierarchy – in helping insulate reform elites from various state

and non-state actors.<sup>2</sup> This approach limits our ability to make meaningful comparisons and learn across regions about how different combinations of integration goals and means evolve and shape different paths of domestic institution building. Moreover, an overemphasis on incentives mischaracterizes the mechanisms of institution building as those promoting the imposition of ideal designs, instead of those facilitating the empowerment of diverse public and private actors to co-ordinate and contest their different experiments for enhancing institutional capacity.

Recent comparative work on regulatory capitalism and development suggests that arrested institutional development in emerging markets is less a product of the absence of the right incentives *per se* than weaknesses on the supply and demand sides of domestic institutional change. Supply is impeded because both state and non-state actors alone lack the resources, skills and knowledge for institutional upgrading. Demand is impeded because potential beneficiaries within and outside the state lack the organization and channels to shape new and existing institutional domains (Bruszt, 2002; Jacoby, 2000; McDermott, 2002). Moreover, conditionality approaches often presuppose that external actors have *ex ante* sufficient information about which institutional models are optimal and why local actors may or may not adapt these models (Easterly, 2006; Evans, 2004).

We propose that the impact TIRs have on the aforementioned supply and demand problems varies according to the ways in which a TIR defines its purpose and power, which can be analyzed along three dimensions: institutional goals, assistance and monitoring. Institutional goals vary according to whether the emphasis is on rule adoption or on creating domestic capacities to monitor, adjust and administer transnational rules. Assistance and monitoring vary according to whether the emphasis is on the use of dyadic or multiplex cross-border relationships among public and private actors and whether the emphasis on information gathering is based on checklist compliance or joint problem solving (Carothers, 2003; Sabel and Zeitlin, 2008).

While TIRs may combine these integration goals and modes in different ways, we suggest that there are two major combinatorial effects on altering the supply and demand problems. On the one hand, to the extent that the TIR emphasizes domestic capacity building, relevant public and private actors are given longer-term incentives and a variety of material and knowledge resources to improve regulatory robustness. To the extent that the TIR emphasizes multiplex and joint problem-solving forms of assistance and monitoring, it would tend to empower a variety of state and non-state actors to experiment, co-ordinate and contest one another's institutional needs and solutions. On the other hand, a TIR that emphasizes rule adoption as goals as well as dyadic and checklist compliance forms of assistance and monitoring can induce formal legal changes that favor

entrenched groups but offer few new resources or participatory channels for weaker groups. In both cases, relevant public and private actors may be stimulated to change their standards and regulatory institutions as well as seek out new transnational partners. But they differ starkly in the extent to which they attempt to proactively harness transnational networks and empower a variety of public and private actors to contribute to and make claims on the process of institution building.

In Sections II and III, we explain the concept of TIRs and how they may vary with respect to their impact on the aforementioned supply and demand problems of institution building in emerging market countries. In Section IV and V, we then illustrate the use of the framework via a comparison of the impact of the North American Free Trade Agreement (NAFTA) and the EU accession process on Mexico and the Center-East European countries (CEEC), respectively, first in terms of broader institutional development and then in the policy domain of food safety.<sup>3</sup> These cases provide apt settings for our analysis for two main reasons. First, in both cases, the emerging market countries were mainly takers of rules and standards defined by the more advanced member countries and subject to significant changes in external political-economic incentives. Second, domestic starting conditions in the 1990s in emerging market countries were reasonably similar in terms of relative economic resources, the socio-political legacies of autocratic states, and initial efforts of public and private actors to pass laws and adapt standards in accordance with the new transnational norms. However, international indicators and recent research suggests that over time the CEEC have largely surpassed Mexico in terms of the quality of regulatory institutions and the broad-based diffusion of new standards.<sup>4</sup> While we cannot claim that our framework accounts for every transnational arrangement or domestic reform condition, we do hope that its introduction can stimulate a cross-regional dialogue about how TIRs and their modes of integration can facilitate or hinder the construction of regulatory institutions in the broader developing world.

## II. INTRODUCING THE CONCEPT OF TRANSNATIONAL INTEGRATION REGIMES

The transnationalization of markets evolves less in a global or universal pattern and more in distinct regional regimes that vary in the scope and depth of liberalization and the extent of supranational institutionalization.<sup>5</sup> For economists, integration means principally the progressive removal of tariff and non-tariff trade barriers to reduce transaction costs and increase the volume and variety of cross-border trade (Balassa, 1961). For students of economic sociology and political economy, transnational market making is less a linear movement toward de-regulation and more a process of building new forms of transnational and domestic regulation, whereby

state and non-state actors attempt to construct common rules that may facilitate transactions and even reduce negative externalities (Djelic and Sahlin-Andersson, 2006; Jordana and Levi-Faur, 2005; Stone Sweet and Sandholtz, 1997). In emerging market countries, the imposition of new rules and standards may be transformed into new trade barriers, mechanisms of socio-economic exclusion or vehicles of broader development. That is, market liberalization creates new domestic and transnational actors who struggle to redefine who and what counts, how wealth and opportunities will be distributed and whose interests will be taken into account (Bruszt and Stark, 2003).

TIRs are institutionalized arrangements involving public and private actors from two or more countries in creating and governing the common rules of economic interactions in transnational markets. We refer to *transnational* arrangements to include regulations and standards derived from pure inter-governmental accords as well as those derived from interactions among domestic and external private actors, with or without the direct participation of national- or supranational-level public actors (Caffaggi, 2010; Djelic and Sahlin-Andersson, 2006; Ingram and Torfason, 2010). TIRs vary in terms of promoting different types of transnational ties, which in turn can channel a variety of resources and shape the prominence of distinct domestic actors.

We refer to *integration* as the process that aims at convergence in norms, rules and policies between sectors and across countries (Bartley, 2007; Stone Sweet and Sandholtz, 1997). Integration allows for the expansion and multiplication of non-governmental actors who use their resources and seek alliances to influence policies and rules within TIRs. Deepening integration means extending normative convergence from a limited regulatory framework, such as for contract enforcement or the removal of certain non-tariff barriers, to a more complex one, including regulations in various non-economic domains. TIRs vary in their integration modes, which mediate the types of transnational ties reaching into the domestic arena and how actors evaluate rule compliance.

By using the notion of *regime* we integrate the rationalist concept of 'sets of governing arrangements' (Keohane and Nye, 1977) and the cognitivist notion of transnational social institutions shaping the learning processes of the participating actors (Ruggie, 1982). Our definition of TIRs thus builds upon a longer tradition comparing transnational regimes according to their social purpose and power. Given our focus on domestic regulatory institutional development, TIR purpose can vary in terms of balancing economic and non-economic goals as well as emphasizing the transposition of transnational norms into law or the creation of administrative capacities to interpret and enforce the norms. TIRs often translate power into the ways they assist and monitor their members in reaching those rules and standards.

The regimes in the post-WWII period largely aimed to increase the room of domestic states to counteract the potential negative effects of international market liberalization (Ruggie, 1982). The transnational regimes we analyze here are primarily about extending markets and embedding national societies in a competitive market environment. Among the various TIRs initiated by national governments and involving a variety of private actors, the European Union (EU) stands out not just as the largest but also as the one with extensive modes of transnational governance for institutional convergence in the CEEC. Similar experiences are taking place in Latin America, the Caribbean, East and South Asia and Africa, with the evolution of NAFTA and the Mercosur as two of the more robust examples. Instead of comparing all TIRs, we build our framework by considering those in which the emerging market democracies are generally rule takers from the more advanced country members.

### III. INSTITUTIONAL DEVELOPMENT AND TIRS

In defining TIR variation, we are expressly interested in clarifying the modes that are employed to shape domestic regulatory institutions in emerging market democracies. Scholars often analyze the problem of arrested development in terms of how external incentives induce the rapid adoption of an institutional model. In contrast, we focus on how combinations of TIR purpose and power can alter the supply and demand sides of institution building.

Much of the literature on externally induced policy change focuses on the roles of political-economic incentives and asymmetric power. Whether the channels of delivery are through bilateral treaties or regional arrangements, scholars have emphasized how the combination of reputation effects and the threat of denial of material and political benefits allow elite 'reformists' to insulate themselves from particularistic interests in order to implant on society a set of new governance designs (Levitsky and Way, 2010; Mansfield and Milner, 1997; Pevehouse, 2005). The recent research on the Europeanization of the CEEC has sought both to criticize and refine the use of conditionality, particularly when a country succumbs to a highly articulated external hierarchy (Schimmelfennig and Sedelmeier, 2005). As Vachudova (2005; 2008) forcefully argues, while arm's length incentives may help us understand *whether* a country initiates reforms, they do not fully account for *how* detailed, iterative trajectories of domestic institution building progress. Arm's length incentives may be insufficient because of the complexity of institution building and because of the lack of a variety of state and non-state actors in a given country that might value potential benefits of the prizes, be they political or economic. Reflecting the work on policy anchoring (Goldstein and Martin, 2000), Vachudova argues that institutional consolidation occurs via 'active leverage' – the

use by external actors of detailed goals, coupled with vigilant enforcement and the promise of continued resource assistance. In this view then, TIRs would vary in inducing domestic institutional change to the extent that they utilize ever more fine-grained criteria about an institutional model, vigorously monitor and enforce these criteria and display fair treatment across aspiring countries.

While this work helps us focus attention on issues of enforcement and commitment, recent research on domestic institutional development argues that the reliance on enhanced conditionality alone misconstrues the institution-building process and, in turn, the ways in which external actors can reshape the roles of domestic public and private actors in this process. Blending approaches from economic sociology and historical institutionalism, the literatures suggest that domestic institutional change is less about a finding the right incentives to induce local elites to implant a known set of rules and more about empowering local state and non-state actors to build administrative capacities as well as contest and co-ordinate one another's experiments.

The research in comparative economic governance and innovation systems understands modern, regulative capitalism as characterized not simply by a limited state enforcing a set of rules to constrain opportunism but especially by a broad constellation of state-backed institutions that enable public and private actors to share risk, monitor one another and enhance knowledge diffusion (Jordana and Levi-Faur, 2005; Hall and Soskice, 2001; Moss, 2002; Pistor, 2001). Sustained development is noted by the creation of state capacities. But the state *ex ante* often does not have the requisite skills, knowledge or resources and, in turn, must co-ordinate with a variety of stakeholder groups who together have complementary resources and information. At the same time, the benefits of this co-ordination can be sacrificed if the groups lack the power and processes with which to contest one another's claims or models (Evans, 2004; McDermott, 2007; Tendler, 1997).

The recent critiques of foreign aid and trade models begin with the observation that although countries from Latin America to Africa to East Asia are subject to increased externally enforced conditionality, there is significant variation in the ability of domestic public and private actors to sustain institution building and ensure broad-based implementation of new standards. Indeed, domestic private actors can often utilize the formal adoption of the new rules to undermine both transnational governance and local construction of regulatory capacity (Bartley, 2007; Gereffi *et al.*, 2002; Siegel, 2005). Easterly (2006) and Evans (2004) have extended these critiques to argue that the search for optimal conditionality presupposes that external actors have *ex ante* sufficient information about which types of institutional models are needed and why they may fail and that domestic actors have the sufficient resources and knowledge to enact them. The conventional use of conditionality construes commitment as binary and

unidimensional, whereas the process of institutional solutions for resource-constrained and volatile countries is one of exploration and adaptation. Feedback and accountability are needed not simply to enforce an *a priori* rule or detect compliance but particularly to transform monitoring into a combination of benchmarking and problem-solving.

Such critiques of conditionality-based approaches do not negate the role of incentives but rather view the politics of institution building as about the ways in which a variety of empowered public and private actors experiment with new roles and rules to improve their abilities to monitor and learn from one another (Bruszt, 2002; McDermott, 2007; Sabel and Zeitlin, 2008). Arrested institutional development emerges from a low equilibrium trap in which state and non-state actors have neither the interest nor resources to explore new courses of experimentation. On the demand side, public and private actors that might have an interest in new institutional capacities often lack the resources and channels to gain the sustained attention of the state. Entrenched groups maintain the status quo not only because they profit from it but also because there are no encompassing structures to facilitate horizontal ties to weaker groups, which can open new possibilities for experimentation and extend time horizons (Tendler, 1997). On the supply side, states often lack the 'infrastructural capacities' (Mann, 1984) for co-ordinating institutional upgrading, while many non-state actors lack the material and knowledge resources to undertake their own initiatives (McDermott, 2007).

### The three dimensions of TIRs

Hence, the key question for distinguishing TIRs is how a TIR translates its purpose and power into integration modes that may or may not relieve the aforementioned supply and demand problems. Given our focus on institution building, we analyze this translation along three dimensions that are commonly found in the literatures on transnationalization and externally induced institutional change (Djelic and Sahlin-Andersson, 2006; Pevehouse, 2005; Schimmelfennig and Sedelmeier, 2005). The translation of purpose concerns the scope and depth of the institutional goals that the TIR places on its members. The translation of power concerns the modes of assistance and monitoring that the TIR uses to ensure that members meet these goals.

**Scope** refers to the different policy domains, in which the TIR requires institutional changes from member countries. This can be rather narrow, focusing on a few economic trade rules, or quite extensive, reaching into social and political domains. **Depth** refers to the emphasis a TIR places on building domestic administrative capacity to implement, monitor and enforce regulations, instead of only a change in policy or law. The Europeanization literature (Schimmelfennig and Sedelmeier, 2005) and

the critiques of trade and aid programs (Easterly, 2006; Evans, 2004) have implicitly placed great emphasis on this distinction, with their empirical focus on the capacity of domestic actors to implement new norms.

**Assistance** refers to the amount and type of resources, be they financial, informational, or organizational, that the TIR offers a country to undertake the mission at hand. **Monitoring** refers to the ways in which a TIR acquires and processes information about the degree to which the country is meeting the requisite institutional criteria or benchmarks and potentially the reasons why the country may or may not be reaching them.

Both assistance and monitoring can vary according to the degree to which a TIR actively promotes transnational *dyadic* or *multiplex professional ties* and emphasizes *feedback via principles of check-list compliance* or *joint-problem solving*. *Dyadic* refers to a single channel of transmission between the advanced and more backward countries. Different types of information and resources can be transmitted in a dyadic linkage, but virtually all communication and decision-making lies between two actors, such as two governments or a multilateral agency and the target government. The two dimensions are *multiplex* when a variety of public and private actors from both sides of the mission create ongoing professional relationships to shape the diffusion of standards and rules (Padgett and Ansell, 1993). The key structural distinction is that the more multiplex are the transnational horizontal linkages, the more likely there would not be a single gatekeeper in the developing country controlling resources, contacts and information about the given policy domain. A key qualitative distinction is that TIRs can prioritize over time different combinations of transnational ties, in turn mediating the types of knowledge and resources that impact the target country and the types of state and non-state actors that can actively participate in the process. Hence, while domestic actors in any TIR may have incentives to build transnational ties, the variety of actors that actually harness and benefit from them depends in part on the extent to which the TIR *actively* promotes such a process. This distinction is readily present in recent research highlighting the relative strength and consequences of transnational professional ties in a variety of policy domains in the CEEC (Jacoby, 2008; Vachudova, 2005: 178–185) and Mexico (Aspinwall 2009; Kay, 2011). Socio-economic linkages are not simply bargaining prizes (Levitsky and Way, 2010) but strategic tools that channel knowledge resources and can alter the distribution of power among domestic actors participating in the institution building process (Epstein, 2008).

*Feedback via check-list compliance* or *joint problem-solving principles* refers to the ways in which the relevant external and domestic actors share and analyze information within and across policy domains to reveal shortcomings and how to address them (Carothers, 2003; Easterly, 2006; Sabel and Zeitlin, 2008). Feedback via check-list compliance is the notion that information is used to identify a country's shortcomings to meet

standards or designs. It assumes that such revelations would give incentives to the relevant domestic public and private actors to take corrective action. Feedback via joint-problem solving principles emphasizes the need for relevant external and domestic actors to evaluate shortcomings with the aim of generating alternative solutions to be followed. Even if assistance and monitoring criteria are non-negotiable and inflexible, repeated information from assistance and monitoring about why the country is falling short in one domain can force deliberations within the TIR in several directions, such as revising the sequencing of steps within the domain, altering the type of assistance being delivered or targeting resources toward particular groups better suited to undertake the given reform (Jacoby, 2004; Vachudova, 2005: 117–126).

Variation along each of these dimensions is not necessarily binary but rather should be viewed as a continuum of degrees along which a TIR might emphasize, e.g. capacity building, multiplexity and joint problem-solving. Moreover, a TIR may not emphasize each of these approaches simultaneously but rather vary them over time and space. In turn, our framework has two boundary conditions that shape the ways in which a TIR translates its purpose and power into integration modes. First, for the purpose of this paper we perhaps overplay the role of the TIR *vis-à-vis* variations in the starting conditions of countries in terms of the robustness of existing capacities of state and non-state actors (Ekiert and Kubik, 1999). We recognize, however, a TIR may have to focus on one dimension and mode of integration for one country while accelerating another in a different country, such as addressing state capacities and then weak social groups. Second, we do not fully address how the politics and governance of TIRs may impede or enhance their abilities to adapt their purpose and power over time. We simply recognize that the initial TIR agreement and intra-TIR power distribution constrain the course of this evolution. We highlight these boundary conditions in the course of our empirical illustration and return to them in greater depth in the concluding section.

#### IV. COMPARING NAFTA AND EU ACCESSION AS TIRS

We illustrate the analytical potential of our framework by restricting the comparison to two TIRs – NAFTA and EU accession – in which the emerging market countries had *ex ante* limited power other than to submit to the new transnational norms and rules defined by the more advanced member countries. Although NAFTA was created in 1994 with the US–Canada Trade Agreement as a template, several scholars and policymakers argued that Mexico’s compliance with new trade, investment, labor and environmental standards would help lock-in improvements in its political, economic and social institutions (Abbott, 2000; Cameron and Wise, 2004; Duina, 2006: 33). The EU member states did not initially view as vital the

full integration of post-communist countries or change in the integration process (Vachudova, 2005). Only after observing backsliding in the East and great variation in meeting the Copenhagen criteria did the EU begin adjusting its traditional approach for harmonization.

A key issue is how the combination of TIR purpose and power moves domestic actors down different adjustment paths. In this section, we outline the key differences between NAFTA and the EU accession process along the dimensions discussed above, and then discuss their impacts on domestic institution building.

EU accession remains unparalleled in *scope* and *depth*, as represented in the now 35 chapters and over 80,000 pages of the *acquis* that each candidate country must satisfy. Candidate countries had to make regulatory changes in a broad range of political, social and economic domains. In doing so, they were required not only to incorporate Community legislation into national laws, but more importantly, 'to implement it properly in the field, via the appropriate administrative and judicial structures set up in the Member States and respected by companies' (European Commission, 2007).<sup>6</sup> That is, adoption of the *acquis* meant building up *administrative capacity* to regulate economic activities (Bruszt, 2002; Dimitrova, 2002; Jacoby, 2004: Ch. 1) While compliance in all the *acquis* chapters is a non-negotiable for full membership, it is often about phasing in standards and creating the institutional capacity to continue their implementation even after membership.

NAFTA for Mexico is narrower and shallower but with more precise rules and similar levels of obligation as the EU (Abbott, 2000). NAFTA focuses mainly on economic and trade policy domains, with additional common norms in environmental protection and labor rights (the North American Agreement on Environmental Cooperation (NAAEC) and the North American Agreement on Labor Cooperation (NAALC)). NAFTA's inclusion of the rights of association and to strike went beyond the EU criteria, as the NAALC was viewed at the time as 'the most ambitious link between labor rights and trade ever implemented' (Duina, 2006: 108; see also Bensusan, 2004). NAFTA emphasizes making laws and standards of member countries compatible, so as to limit discrimination against foreign products and investors (Abbott, 2000; Pastor, 2001). NAFTA for Mexico is similar to EU accession for the CEEC in the sense that compliance is mandatory to the agreed-to terms, and private actors aiming to take advantage must also adopt the standards set by US and Canadian actors. Although compliance is effectively *ex-post* for Mexico, it can be ongoing. The NAFTA commission can authorize retroactive penalties, such as fines or temporary trade restrictions, for violations in trade, investment and labor standards. Moreover, because of the economic dominance of the United States, Mexican firms have to adapt their product standards to those of US regulatory agencies to gain market entry and their governance standards to access

US capital markets. However, a key difference from EU accession is that NAFTA effectively emphasizes as its institutional purpose the adoption by Mexico of rules and standards but not necessarily of the administrative capacity to do so.

*Assistance* and *monitoring* in EU accession is proactive while for NAFTA it is reactive. The EU has invested significant resources in these two dimensions. But it has done so in such ways as to *harness proactively multiplex channels of delivery and supervision* as well as *ground feedback in the principles of joint problem-solving*.<sup>7</sup> Although assistance programs are often criticized for waste and delays, observers have noted that the amounts of aid have been relatively low when compared to typical international aid benchmarks and government outlays (Heil, 2000; Mayhew, 1998: 137–142). Part of the reason is the EU's use of a variety of forms, including policy networks of non-state experts for on-site training, and its emphasis on triggering domestic and international actors to invest in institution building. For instance, as technocrats in Brussels became overwhelmed with requests, the EU launched the Twinning Program that teams existing and former policymakers from the West to work with their CEEC counterparts on particular areas. There were over 500 such projects during 1998–2002 (EU Commission DG Enlargement, 2004). The EU also emphasizes strengthening the roles of social partners in domestic policymaking through supporting transnational professional ties between relevant non-governmental organizations (NGOs) (Grugel, 2004). These approaches, coupled with efforts to decentralize programs, such as ISPA and SAPARD, which focused on upgrading agricultural firms and rural infrastructure, attempted to structure assistance at different levels of society and government (Bailey and Propris, 2004; Papadimitriou and Phinnemore, 2004).

Monitoring followed a similar structure. EU units supervised efforts of central governments in relevant ministries, but strove to allow other actors to follow programs at lower levels. Over time, vital information flowed particularly from field reports and assessments by consultants and NGOs involved in assistance programs with subnational governments and non-state groups. This may not be surprising, as the EU appears to have established the concerted multiplex approach for many years when entering a new policy domain. For instance, Tarrant and Kelemen (2007) and Sabel and Zeitlin (2008) show that in several domains the EU provides strong support for the mobilization of relevant non-state organizations to act as both channels of decentralized information and coalition builders for the diffusion and coherence of new standards.

Extending multiplexity for both assistance and monitoring allowed feedback to become increasingly problem-solving oriented. While monitoring naturally evaluated whether a country was meeting the institutional criteria within a particular chapter or policy domain, evaluations from the detailed Annual Reports on pre-accession progress and regular on-site

inspections were forward looking, emphasizing what needed to be done rather than penalizing permanently the candidate for previous deficiencies (Jacoby, 2004: Chs 2–3; Vachudova, 2005: Ch. 7). By benchmarking a country's progress, relative to its past and its neighbors, the aim was to update and modify both detailed criteria and the mode of implementation. In studies of compliance in domains as varied as health care, consumer protection, environmental safety and regional development, scholars note how the detailed criteria, varied according to context and sequencing, was adapted to ensure that a foundation of institutional capacity was being built (Andonova, 2004; Hughes *et al.*, 2004; Jacoby, 2004). As Sabel and Zeitlin (2008) argue, at the EU level, the diffusion of information from different sources and the creation of cross-functional working groups have forced consultants and bureaucrats to reveal their respective actions and results and subject themselves to scrutiny from one another as well as from the candidate countries themselves. In turn, the merging of problem solving and compliance detection led to periodic revisions in programs, such as The Programme of Community Aid to the Central and Eastern Europe (PHARE) and Twinning, and the launch of new, more focused programs, such as ISPA and SAPARD, to relieve the administrative burden within existing programs and improve specialization in different policy domains (Epstein, 2008: Ch. 4; Jacoby, 2004: Ch. 3).

In being reactive, assistance and monitoring in NAFTA are present but their *structure is dyadic* and *feedback is largely check-list compliant*. Although the NAFTA commission is a standing body with oversight powers, it is mainly an inter-governmental forum with limited resources. The NAECC is the only NAFTA-level vehicle for assistance, which is in the domain of US–Mexican border environmental policy.<sup>8</sup> In turn, Mexico seeks *ad hoc* assistance from the multilaterals, Canada and the US. While its mode has evolved in recent years, the typical form of US assistance in such varied domains as agriculture, environment and finance is a series of training seminars about meeting US regulations with experts from a given agency for relevant Mexican functionaries. While cross-border multiplex ties can come from voluntary collaboration between relevant firms and NGOs, it is not part of NAFTA's concerted approach.

The NAFTA-level inter-governmental working groups monitor the activities of member countries via annual reports to the Commission about their respective policy domains. The working groups meet at most twice a year, although several were suspended by 2001–2003, while the NAALC and NAECC also have subcommittees meeting as grievances arise. The annual reports largely catalogue possible areas of dispute and trade discrimination, including grievances from private actors, with minimal attention to problem-solving and identification of root causes (Hufbauer and Schott, 2005; Pastor, 2001). Like the EU, NAFTA strove to increase transparency, with open databases on standards and violations to stimulate

**Table 1** Comparing the three dimensions of EU accession and NAFTA

Dimension	EU accession	NAFTA
1. Scope and depth	Economic, political, institutional. Wide variety of policy domains.	Focus on economic and trade policies. Environment and labor standards.
	Focus on administrative capacity for pre- and post-accession compliance.	Focus on rule adoption. Possible ex post sanctions. Strong reliance on US rules and regulators.
2. Assistance: transnational structure	Proactively multiplex, resulting in extended public-private transnational networks.	Increasingly dyadic between governments. Market incentives to lead to use of voluntary professional ties.
feedback principles	Joint problem-solving – external and domestic actors seeking solutions.	Check-list compliance – highlight problems, potential areas of assistance.
3. Monitoring: transnational structure	Proactively multiplex, resulting in extended public-private transnational networks.	Mainly dyadic between governments. Rely on incentives for non-state actor contestation.
feedback principles	Integration of compliance detection and joint problem-solving. System of regular exchange of information and evaluations.	Check-list compliance to trigger contestation by state and non-state actors. Annual centralized review. Increase of bilateral negotiations.

accountability (Gilbreath and Ferretti, 2004). The precise rules in NAFTA are not meant to predefine the harmonization of regulations but trigger further change via public and private actors contesting existing laws and resolving disputes first through bilateral consultation and then through the NAFTA commission (Abbott, 2000; Duina, 2006: 71–72). In turn, NAFTA creates incentives for governments and private groups to monitor violations, but with limited formal support for using transnational horizontal ties or acting on violations other than to penalize the offense. National governments have the main responsibilities to monitor standards and directly resolve trade violations. For Mexico, this effectively means responding directly to the demands of the Canadian and US regulators. Indeed, Green *et al.* (2006) argue that, on agricultural issues, the countries have increasingly resorted to using the WTO committees or engaging in ‘strategic bilateralism’, whereby top officials of the relevant Mexican and US agencies establish protocols to monitor compliance with product standards.

In sum, in both TIRs the public and private actors are given strong incentives to adopt new transnational norms and standards, particularly in the domains of commerce, environment and labor. But the TIRs differ

in how they mediate these incentives. The EU accession process puts strong emphasis on administrative capacity as a goal and has proactively pushed assistance and monitoring to be underpinned by the principles of multiplexity and joint problem-solving. In contrast, NAFTA for Mexico prioritizes rule adoption, while assistance and monitoring are based on dyadic governmental relationships and check-list compliance forms of feedback. We summarize these differences in Table 1.

## V. COMPARING THE IMPACT OF TIRS ON DOMESTIC INSTITUTIONAL CHANGE

In both TIRs, the incentives released via integration had relatively quick results in the emerging market countries in terms of the adoption of new laws, the mobilization of NGOs and the attempts by firms to join global supply chains. But the extent of broad-based institutional consolidation and adoption of standards for non-state actors varied significantly across TIRs. For instance, measures of institutional and regulatory quality, productivity, firms in transnational value chains and NGO participation steadily decline for Mexico beginning in the late 1990s but rise or stay constant for the CEEC (Bruszt and McDermott, 2009; Lederman *et al.*, 2005). Below we show how differences between the two sets of integration modes embodied in the two TIRs shape the supply and demand sides of domestic regulatory institution building, first with a general overview and then with a focused comparison of food safety regulation.

### EU accession and the CEEC

For the CEEC, on the supply side the combination of administrative capacity goals with multiplex and problem-solving approaches to assistance and monitoring helped sustain broad-based institutional consolidation in three ways. First, the EU provided regular resources for and pressure on national governments to improve their own administrative capacity, as well as immersed them into transnational epistemic communities that shaped the form of consolidation. That is, in a variety of domains, particularly where the powers of the central government were almost exclusive, as in banking and financial regulation, social policy, border control and the judiciary, the use of resources and professional ties became strategic tools to shape paths and maintain momentum.<sup>9</sup>

Second, because of the iterative nature with assessment programs and tracking regulatory robustness, problem-solving approaches allowed for adaptation across countries. The National Accession Partnership reports detailed the progress to date in every policy domain and set real-time benchmarks for the candidate country that the given government and the EU would use to gauge commitment and new areas of focused assistance (Jacoby, 2004: Chs 1, 3; Sabel and Zeitlin, 2008; Vachudova, 2005: 120–128).

EU units focused on evaluating the government's capacity to regulate a particular domain and identifying which types of non-EU actors, such as those linked to the Twinning and PHARE programs, could most readily assist the government in improving its personnel and diagnostics. For instance, Jacoby's (2004) typology of institutional adoption not only accounts for variation in strategies and conditions across CEE countries, but especially reveals how the feedback process in accession is focused on seeking solutions in transnational project teams.

Third, multiplexity strengthened the roles of subnational government and allowed national governments to occupy themselves with combining the resources of relevant foreign and domestic actors to implement the given standards. For instance, research on subnational developmental programs, such as small firm and labor market policies in Hungary, Poland and the Czech Republic, show that while national governments were held in check to provide frameworks and matching funds, subnational governments and NGOs undertook key experiments in service provision (Bruszt and Vedres, 2010; Heil, 2000).

The EU accession process had a particularly distinctive impact on the demand side, as it purposively attempted to expand the variety of public and private participants in the institution-building process. First, by closely monitoring the upholding of political rights and the rules of fair political competition, the EU stabilized and, in some cases, helped to increase pressure on political actors to take diversity of interests into account while making progress in meeting the EU criteria of accession (Börzel and Risse, 2000; Vachudova, 2005: 198–207).

Second, new regulation in certain state competencies and assistance often focuses directly on strengthening the economic and organizational capacities of weaker non-state and subnational actors to gain voice and meet new standards. As Andonova (2004: 18–20) notes, the creation of 'enabling institutions' initiated by the domestic government with the ISPA and SAPARD programs helped a variety of firms to incorporate international practices and participate in the market, while subnational government and non-government actors obtained the resources and training to implement new community standards. Buskova and Pleines (2006) show that EU assistance programs aimed at domestic NGOs have helped create powerful local allies in the upgrading of environmental regulations. The re-regulation in such areas as agriculture, competition, corporate governance, state aid and procurement and consumer protection empower weaker actors to make legitimate demands, improved monitoring or rule enforcement (Epstein, 2008; Jacoby, 2004: Ch. 1). The strengthening of a variety of domestic 'watchdogs' allows for decentralized rule enforcement and compensates for the limits to monitoring institutional consolidation from Brussels (Tallberg, 2002). It also enhances the ability of actors to identify and resolve constraints in regulatory robustness, be it in local

environmental issues, regional development and health care (Andonova, 2004; Jacoby, 2004: Chs 1–3; Vachudova, 2005: 186–189). Indeed, the EU has recently made explicit that a key lesson from problematic cases of institutional reform, like the countries in South-Eastern Europe, is the need for assistance programs to support more directly a variety of domestic groups demanding improved administrative and regulative capacities (European Commission, 2007).

Third, the multiplex nature of assistance and monitoring offered stakeholder groups a diverse set of resources, contacts and information. Pre-accession programs for local non-state actors became important organizational devices, linking them up with domestic and transnational project partners, intensifying intra-regional and cross-regional networking and endowing local actors with skills in lobbying, political agenda-setting and coalition building (Bruszt and Vedres, 2010). Jacoby (2008) argues that this ‘coalitional approach’ is a concerted action on the part of the EU to build transnational and domestic alliances to promote standards and reinforce the roles of different groups in local enforcement. One result of this approach has been the relatively sustained growth in domestic and international NGOs in CEEC relative to Mexico. For instance, according to the UIA data, between 1994 and, 2004 Poland, Hungary, the Czech Republic and Slovakia witnessed on average a three-fold increase in the participation of its citizens in international NGOs, while Mexico saw only a 23per cent increase.<sup>10</sup> Another result has been to offer relatively weak local actors in countries as diverse as Hungary and Romania new transnational channels and partners to voice grievances and alter investment plans that conflicted with their interests (Gille, 2007; Parau, 2009).

### **NAFTA’s impact on Mexico**

On the supply side, NAFTA’s focus on open trade standards and deference to national product standards leave the issues of institutional and administrative capacity building to Mexican political and economic pressures. This approach fostered two reactions in Mexico. First, the combination of incentives and publication of violations by NAFTA committees did result in significant changes in Mexican law and government ministries in areas as diverse as finance, agriculture and the environment, while large Mexican companies quickly moved to adopt new standards and link up with international supply chains (Gilbreath and Ferretti, 2004, Weintraub, 2004). Second, Mexican officials focused their attention on negotiating for increased market access for specific products, often benefiting the most powerful corporations and sectoral interest groups (Hufbauer and Schott, 2005; Pastor, 2001). Even when NAFTA aimed to provide material assistance and co-ordinate activities between US and Mexican agencies, as in border environment programs, the focus was on common monitoring

standards, rather than harnessing the potential capacity upgrading of government and non-government actors (Studer and Wise, 2007). Such limited roles for NAFTA decreased its influence over time.

In turn, administrative upgrading, including bilateral assistance, became a function of crisis or entrenched interests. For instance, only after repeated import suspensions by the US in the 2000s did Mexico request limited US assistance in meeting food safety standards and actively participate in the NAFTA Technical Working Group on Pesticides. Although there were labor grievances via the NAALC in the 1990s, entrenched interests in the Ministry of Labor could effectively block improvements in workplace inspections (Aspinwall, 2009; Kay, 2011). Without a focus on building administrative capacities, trade liberalization embeds domestic struggles for institutional change in a competitive market environment and constrains the room for different groups trying to push for considerations that should count in enforcing the rules of the economy. A partial exception that proves the rule is in environmental regulation, which has a relatively modern ministerial structure and discourse. Aspinwall (2009) argues that because of the relative lack of entrenched groups in the domain in the 1990s, a growing number of key officials came from the relevant NAFTA standing committees and NGOs.

On the demand side, scholars have noted that NAFTA was partially responsible for increased mobilization of NGOs and political groups in the 1990s, but that this participation waned and frayed with time (Cameron and Wise, 2004; Villanueva, 2004). NAFTA tends to narrow and conserve the status of the actors relevant for a given policy domain. It relies heavily on multilateral and bilateral standards to act as incentives for domestic actors to build their own capacities or pressure the Mexican government to offer broader institutional changes. While the EU accession process makes a concerted effort to co-ordinate and empower the development of multiple channels among state and non-state actors, NAFTA hopes multiplexity comes about via market incentives. The result is a narrowing of actors, resources and information relevant to transforming a given policy domain leaving it to the most resource-rich and well organized to voice and enact change. NAFTA offers few if any provisions to aid weaker groups and firms to either organize more effectively or develop new capabilities and practices. For instance, much of the work on manufacturing and agriculture reveals that most upgrading depends on the strategies of large firms toward suppliers and work organization (Gereffi *et al.*, 2002; Locke and Romis, 2010). Most sectors are too poor and fragmented to develop sectoral associations to fill this gap or pressure the government to provide requisite resources. In turn, domestic firms often cannot meet international standards to simply hook into international value chains, let alone invest in capabilities to participate in more value-added activities (Lederman *et al.*, 2005; Pastor, 2001). For instance, Gallagher (2007) has shown that

even in Guadalajara, which received considerable investment from high-tech multinational corporations (MNCs), the lack of assistance programs and regulatory institutions has led to weak trade associations, minimal local sourcing, high rates of exit and severe environmental damage.

NAFTA does not have focused programs on building cross-border policy and professional networks. The closest provisions for this are in the environmental agreement, which provides civic groups with formal channels in pressing claims and commenting on reviews. Here researchers observed an immediate jump in the number of civil society organizations, their mobilization, and in formalizing their grievances to both the NAFTA units and the Mexican government (Gilbreath and Ferretti, 2004; Villanueva, 2004). Yet, with a framework lacking administrative reforms, including social participation, feedback mechanisms focused on only documenting problems instead of offering solutions, and a weakening of transnational professional linkages, sources of countervailing power declined over time (Studer and Wise, 2007: Chs 2–3).

#### **V(i). THE DEVELOPMENT OF FOOD SAFETY STANDARDS AND INSTITUTIONS**

Food safety is among the most well-developed policy domains in terms of the extent and detail of the transnational public and private rules that govern the flow of products. Food and agriculture are also vital sectors for developing countries and historically subject to strong domestic safety and import regulations. In turn, food safety is one of the first domains in any emerging market country subject to the transnationalization of markets, and the focus of much research as to whether new norms trigger domestic institutional upgrading or become new trade barriers that privilege a few participants (Ansell and Vogel, 2006; Bredahl and Holleran, 1997; Henson and Humphrey, 2009).

Within this domain, the emerging market democracies of both TIRs were largely similar with legacies of weak regulatory systems and highly fragmented, poorly organized agriculture sectors. In the 1990s, exports of their food products grew significantly with strong dependence on the markets of the more advanced countries of the respective TIRs.<sup>11</sup> By virtue of the standards for entering advanced markets and joining the WTO, firms and governments of the weaker countries faced strong incentives to comply and upgrade.<sup>12</sup> The default development path confines diffusion to global buyers and MNCs requiring relatively few local suppliers to meet international standards with limited spillovers into the domestic institutions (Gereffi and Lee and Beauvais, 2010). The question is how the combination of TIR power and purpose help amplify the attendant domestic institutional changes in terms of states having the capacity to monitor and enforce the new norms and a growing distribution of firms able to implement the

new standards. For EU accession, the combination of prioritizing administrative capacity and proactively harnessing multiplex transnational ties and joint problem-solving methods appears to have improved domestic regulatory capacities, and the standards of a variety of firms. We observe, however, that these effects are stronger where the organization of non-state actors is more robust. Where both public and private capacities are very weak, the EU tends to focus integration modes on state capacity first. While the strong market incentives released by NAFTA initially led to new laws and the adoption of standards for a few large Mexican firms, broad-based diffusion and regulatory compliance weakened. Consequently, recurring crises have led to increased US intervention and potentially a shift toward joint institution building.

### **Food safety for EU accession countries**

Following its 'farm to fork' approach, the EU requires the candidate countries to undergo a systemic change in food safety focused on proactive monitoring and prevention, in which states aim to ensure that firms throughout the value chain fully implement both product and process standards.<sup>13</sup> For the sake of brevity, we focus here on the Czech and Romanian cases. By the end of the 1990s, EU and FAO reports noted severe problems, including the lack of relevant legislation, weak government certification and monitoring institutions, deficient border inspection posts and information systems, as well as substandard practices all along the value chains. From 1999 to their respective accession dates, the EU spent via their PHARE and SAPARD programs over €110 million in the Czech Republic and over €200 million in Romania on strengthening both regulatory capacities and firm capabilities in food safety.<sup>14</sup>

In both cases, beyond requirements to pass relevant legislation, the EU focused first on improving the effectiveness of government agencies – including the creation of new agencies with greater autonomy and enhancing their horizontal co-ordination. Through PHARE and the Twinning programs, the Czechs and Romanians improved their technological, organizational and human resources to be able to track the complete value chains, monitor both products and processes, expand and improve their networks of laboratories, border inspection posts and field inspectors. Teams from the DGs also established a system of on-site inspections all along the value chain, from farms to food-processing plants to border inspection posts. As they gained greater confidence in the capacities of the Czech and Romanian authorities, they focused oversight on the practices of domestic agencies, which managed inspections and support programs for firms and local infrastructure, like SAPARD. By the time of EU memberships, the majority of Czech and Romanian food safety personnel were in their regional and county inspection departments and labs and a

majority had at least university degrees (Dolezal and Janackova, 2005; European Commission, 2009).

Monitoring of country progress began with the required National Plans for Agriculture and Rural Development, which led national authorities not only to jump-start their abilities to identify deficiencies and track the flow of food products but also to establish benchmarks used for further EU progress reports. The European Food and Veterinary Office and DG SANCO experts used regular visits and reports to analyze the transposition of EU standards as well as the enforcement and monitoring of EU standards at the levels of the state and the food business operators. PHARE and SAPARD Reports acted as complementary controls, focusing mostly on the way assistance programs could direct resources to domestic state and non-state actors to achieve progress in meeting EU standards and ensure that domestic agencies were adequately linked into the EU-wide rapid alert system. At the same time, the EU sought to enhance domestic monitoring by requiring relevant subnational actors and NGOs to partake in regular reviews and such committees as SAPARD and the food safety co-ordinating commissions.

Compliance was generally inflexible for legislation and the overall soundness of the regulatory architecture. But compliance was used often to identify problems and map a plan of progress. That is, the governments negotiated transition periods for such areas as certification of laboratories, border inspection posts and exporting firms. In the Czech Republic, as late as 2002, PHARE found deficiencies in three border inspection posts, and immediately launched a joint program with the Czech authorities to improve practices. The EU 2009 report found Romania had resolved over 200 institutional deficiencies that had been identified in 2006, the year of membership. Deficient food-processing establishments were typically given three-year transition periods to invest in the adequate systems and standards. In the meantime, the food could be sold in domestic markets, given different labeling in the EU markets and, in some cases, completely shut out of the EU markets for the suspension period. Such a process also compelled local authorities to ramp up thousands of inspections, leading to the closure of establishments – over 900 in the Czech Republic and over 250 in the meat sector alone in Romania in 2005.<sup>15</sup>

The use of assistance programs by the EU highlights the emphasis not simply on transferring resources and technical knowledge but especially on empowering a diverse set of actors and strengthening transnational ties. While PHARE focused on national institutions, much of its resources were directed to using the Twinning program (Bailey and Propriis, 2004; Papadimitriou and Phinnemore, 2004) For instance, from 2000 to 2003, Romania established multi-year Twinning projects with their counterparts in Germany, Italy and the Netherlands to reorganize the Ministry of Agriculture, implement the rapid alert system and upgrade the

National Institute for Biological Products. PHARE also supported Czech and Romanian authorities to participate in EU-wide food safety forums and co-ordinate reforms with neighboring countries. SAPARD and Technical Assistance and Information Exchange (TAIEX) focused on strengthening subnational state and non-state actors. For instance, in Romania SAPARD and TAIEX funded over 80 training programs of national and regional inspectors in 2005–2007 and the technical upgrading of 16 laboratories located in eight regions. SAPARD was also responsible for helping national authorities establish firm-level training and upgrading programs via local food safety inspection and extension offices and the relevant associations. Prior to the accession process, neither country had an upgrading model. Given the highly fragmented industry structures, with Romania being the worst case in the EU, the costs of implementing new standards and technologies were prohibitive for most firms. In 2002–2003 alone, SAPARD funded over 250 projects to upgrade Czech firms and, in 2005–2008, it funded over 450 upgrading projects in Romania. By 2005, 100 per cent of dairy firms and 42 per cent of beef-processing firms in the Czech Republic had fully implemented Hazard Analysis and Critical Control Points (HACCP) (Dolezal and Janackova, 2005). Although Romania lags other CEE countries, it still made significant strides. For instance, from 2005 to 2007, the number of beef-processing establishments meeting EU standards grew from 11 to about 400.<sup>16</sup>

The use of multiplexity extended to domestic interest groups as well. From the beginning of accession, the EC partnered with the COPA-COGECA, the EU-wide umbrella chamber for agricultural associations, to draw their CEE counterparts into an EU professional network and help them reorganize to participate in government reforms, establish new local representations and channel services, such as SAPARD programs, to their member firms (Bavorova *et al.*, 2005). While the PHARE program funded forums and working groups for west and east European associations, Twinning subsidized bilateral partnerships between associations. Today, three Czech associations and one Romanian federation are active members of COPA-COGECA.<sup>17</sup> In both countries, the associations, including those representing consumers, became major conduits in producing and distributing numerous food safety guides to food-processing firms and farms and helped organize town hall meetings on the subject (Dolezal and Janackova, 2005; European Commission, 2009).

Although the EU's efforts have not spurred active roles for the associations in Romania, they appear to have both strengthened the organizational capabilities and the diversity of interests in the Czech Republic. For instance, not only COPA-COGECA activities but also Twinning partners from Austria, Germany and Ireland helped their Czech counterparts build professional structures and access EU accession programs for their members. Moreover, these actions appear to have promoted a healthy

competition of interests and an EU identity (Yakova, 2005/2006). For instance, the Czech association, representing the largest farms, was an active participant in SAPARD programs and food safety policy. After 1999, three associations merged to form a stronger association of small farms. Although this association broke from the industry federation, it has found a role promoting and participating in EU programs for rural development. In turn, as much as the agenda-setting nature of EU accession awoke the dormant minorities, the co-ordinated multiplex investment into transnational, non-government networks empowered and upgraded the capacities of these Czech groups.

### **NAFTA, Mexico and food safety**

Article 722 of NAFTA defined a full set of international food standards, mimicking the principles of the General Agreement on Tariffs and Trade (GATT) and the WTO. It phased out many subsidies and tariffs, and established a new Committee on Sanitary and Phytosanitary Measures (SPS) largely as an inter-governmental body to ensure non-discriminatory compliance with national regulatory standards for imports. Reflecting our prior discussions, NAFTA promotes rule and standards adoption as an institutional goal, dyadic official relationships and check-list compliance feedback as to whether states and firms comply with the trade rules and product safety standards. With the SPS committee meeting just once a year, the principal inter-governmental relationships were between the USDA and Federal Drug Administration (FDA), as the regulators of the largest market, and their Mexican counterparts in Servicio Nacional de Sanidad, Inocuidad y Calidad Agroalimentaria (SENASICA) (Green *et al.*, 2006). Although NAFTA promoted the creation of the non-profit Fruit and Vegetable Dispute Resolution Corporation (DRC) in 1999, its activities focus on US–Canadian commercial disputes. Indeed, as of 2009, only 23 of the almost 1300 member firms are from Mexico. In turn, the US agencies became the principal external administrator of assistance and monitoring for Mexico, particularly after the passage of the 1997 US Produce and Imported Food Safety Initiative, which heightened enforcement of imported food standards and also, similar to the EU, placed greater emphasis on producers using preventive practices, such as Good Agricultural Practices (GAPs) and Good Management Practices (GMPs).

On the supply side, in response to the 1997 US initiative and increased import suspensions of a variety of Mexican fruits and vegetables (e.g. because of microbial hazards and pestilence),<sup>18</sup> the Mexicans mimicked the CEE countries in passing two sets of legislation between 1999 and 2001 that aimed to bring food safety laws, their regulation and implementation to meet US standards. A government study revealed at the time that less than 53 per cent of firms in fruits and vegetables identified the need to

establish a system of GAPs and GMPs, 34 per cent had the minimal infrastructure to implement these practices and only 11 per cent had adapted international practices (Avendano *et al.*, 2006: 63). While drawn up with the consultation of some industry associations, this 'Master Plan' for food safety overemphasized export value chains without attention to broader regulatory implementation for the domestic market (Avendano *et al.*, 2006: 89–95). Although federal funding increased over time, the law relied heavily on state governments and producers to finance and implement the reforms. SENASICA was left with limited resources and legal authority to co-ordinate and supervise subnational actors, let alone build the infrastructure for testing, trace-back, certification and training. COFEPRIS, the food safety regulator for the domestic market, was created in 2001 and has a skeleton staff, including only 30 inspectors (FAO, 2005; 2006). Hence, while the US regulations brought to light the weakness of the Mexican institutions, the limited transnational ties and forms of evaluation left the supply side of domestic institutional development in Mexico underfunded and susceptible to changes in administrations.

The demand-side changes have largely been triggered by the aforementioned periodic health crises linked to Mexican food products and subsequent import bans by the US. With declines in exports and outcries from producers, SENASICA would request assistance from the relevant US agency. These interventions have gradually improved food safety standards and monitoring systems for a limited number of firms in a few sectors. But the continued emphasis on dyadic and checklist forms of assistance and monitoring has narrowed the participation of economic and political actors and limited spillovers in standards and practices from the export value chains to the domestic market.

At the national level, the US and Mexican agencies have established bilateral working groups that regularly exchange information on standards and risks for specific product groups (Green *et al.*, 2006). At the same time, the FDA and USDA established with SENASICA new protocols of export certification of Mexican producers in a few products, such as avocados, cantaloupe, mangos, citrus, green onions and beef, while still maintaining extensive border checks (Avendano *et al.*, 2009; Alvarez, 2006; Calvin, 2003; Stanford, 2002). But US assistance and assessment has largely been limited to a cataloguing of regulatory weaknesses and seminars on US standards and practices. For instance, although the FDA advised SENASICA in drawing up their GAP and GMP guidelines, it largely left Mexico its own devices for implementation. SENASICA still does not have legal authority to enforce these practices. In meat products, the USDA has the most experienced unit with the authority to determine regulatory equivalence of foreign countries. But while there is only a ten-person team conducting regular evaluations of 41 countries, it can only make recommendations to e.g. Mexico, on correcting deficiencies and refer them to USAID.<sup>19</sup>

In the case of pestilence problems, the USDA maintains a network of paid employees to monitor fields and certify producers for avocados, citrus and mangos, but has not sought to enable the Mexicans to take this responsibility themselves. According to WTO data, from 2001 to 2009, the US has spent only about \$US750,000 on training and education programs for SPS issues in Mexico, a pittance compared even to EU support for just Romania.<sup>20</sup>

Although the Mexican government launched in 2002 new programs for training and certifying firms in international standards, by 2008 only about 240 fruit and vegetable producers were certified and compliant in GAPs while a limited number of large firms, with the resources and foreign commercial ties, dominated export value chains.<sup>21</sup> In product sectors as varied as avocados, tomatoes, green onions, cantaloupes, limes and mangos costs of meeting the new standards is prohibitive for small and medium-size firms, reaching into the hundreds of thousands of dollars per firm. Moreover, most firms are unaware of the new standards, are not part of an association or cannot finance their share of training and investment into new systems.<sup>22</sup> For instance, in the case of cantaloupes, since the 2002 import suspension and certification process, Mexico saw a 40 per cent decrease in its US market share, while still today only 13 producers are certified to export (Avendano *et al.*, 2009; SAGARPA, 2005). Although the state of Michoacán accounts for 40 per cent of the world's avocados, only 8 per cent of the estimated 6000 growers were export certified for the US by 2001 (Stanford, 2002). As a result, the large majority of producers have exited the export market and turned to focusing on supplying the domestic market, where profits are lower and regulations weaker.

The ability of producers to collectively organize and access government assistance is constrained by the legacy of fragmented industry structures and the lack of cross-border collaboration with their US counterparts. As the FAO (2005; 2006) emphasizes, a key weakness in the Mexican approach is its reliance on state governments and local producers to fund and run training and compliance programs. SENASICA lacks the resources to coordinate and control for conflicts of interest and funding limitations. For instance, Alvarez (2006) documents that when EMEX, an organization that regulated packing sheds, provided assistance to packers and promoted exporters, transformed itself from a state-owned to non-state association, the 20 largest exporters gained majority control by requiring that voting be proportional to the number of boxes exported. In turn, these exporters now control the rules of certification, distribution of resources and negotiations with the USDA and the SENASICA on behalf of all mango growers and packers. Similar export certification arrangements exist in melons, citrus green onions and avocados, where the corresponding Mexican association is controlled by 5–10 firms. At the same time, the ability of growers to build transnational ties to US firms and develop collective organizations appears

to depend largely on whether the sector/location is highly concentrated (Avendano *et al.*, 2009; SAGARPA, 2005; Rivera *et al.*, 2009). In some cases, US associations have overtly blocked channels to Mexico. For instance, in the wake of the strawberry contamination in 1997, the California Strawberry Commission created a Quality Assurance Food Safety program, but refused to allow the Mexican producers to partake in the commission or program (Alvarez, 2006).

In sum, while strict US standards and enforcement have induced new Mexican policies and led to an overall increase in exports, the dyadic and check-list approaches to integration have not induced broad-based institutional upgrading – be it for regulation or firm support – have consolidated the power of entrenched groups and led to growing exclusion of weaker domestic actors from transnational markets.

## VI. CONCLUDING REMARKS

This article aimed to provide analytical tools for the comparative study of the different ways in which TIRs mediate the transnationalization of markets and in turn influence the process of building domestic regulatory institutions in emerging market democracies. Besides being forced to adopt externally mandated rules, these countries are burdened with weaknesses on the supply and demand sides of institutional change. The TIRs, in which the emerging market countries are primarily embedded, differ in the ways they define purpose and power, which, in turn, shape their ability to alleviate these supply and demand problems and thus the ability of domestic public and private actors to sustain regulatory institutional consolidation and a broad-based adoption of new standards by non-state actors.

We have suggested analyzing TIRs' purpose and power along three dimensions – institutional goals and assistance and monitoring – which have combinatorial effects. Our stress of the combined effects of different integration modes implies that there is no single best practice for all TIRs. Rather, based on political or economic incentives, different combinations of institutional goals, inclusion into diverse transnational networks and modes of active external assistance and monitoring can yield similar developmental outcomes. Consideration of different modes of transnational integration and their variations within and across TIRs draws attention to areas for further research.

First, while our framework focuses on these combinations, it is not dismissive of variations in domestic starting conditions in terms of the robustness of existing capacities of state and non-state actors. We noticed these differences played important roles in understanding the different strategies and effects of EU policy in the Czech Republic and Romania. These domestic differences and their interaction with EU integration have been

highlighted in comparisons of Central and South-East European countries (European Commission, 2007). Scholars have now documented variation in state capacities, political competition and rent-seeking across the CEEC as well as the different integration strategies adopted by the EU (Grzymala-Busse, 2007; Meyer-Sahlings, 2006; Schoenmann, 2011).

In turn, this variation calls for the need of controlled case studies that can clarify the interaction between different combinations of integration modes and domestic conditions. In stark contrast to the alleged powerful effects of EU political conditionality, there is evidence that high-powered political incentives were neither necessary, nor sufficient conditions for institutional convergence in several cases. For instance, in a study controlling for sector, Langbein (2011) finds similar levels of institutional convergence to EU norms in two countries with similar starting positions but where one is a new member state and the other lacking the promise of membership. Bruszt and Langbein (2011) find variance across new member countries with similar starting conditions in norm convergence within the same sector. The dearth of carefully designed comparative case studies prevents a better understanding of alternative ways of furthering norm convergence, and it sustains the false image about the exceptionality of the European experience with deeper forms of transnational integration. The surprisingly high level of post-accession norm compliance in the new member countries (Sedelmeier and Epstein, 2008) provides a solid basis to challenge the view about EU political conditionality acting as *deus ex machina*. Economic incentives linked to market access combined with transnational epistemic communities and with multiplex assistance and monitoring might have played a major role in normative integration. Political incentives might have helped anchoring transnational norm convergence. Sustained normative integration after accession also calls attention to the agency of domestic firms, MNCs, domestic and transnational business associations, networks of NGOs and regulatory agencies in the governance of institutional change.

Second, although we noted how the combination of purpose and power in a TIR can evolve, we did not directly address how supranational politics and governance of the TIR impedes and enhances the TIR's ability to adapt its purpose and power over time. Part of the ability of the EU to adapt and co-ordinate is endogenous to its combined use of multiplexity and joint problem-solving forms of feedback (Jacoby, 2004; Sabel and Zeitlin, 2008). Part is also linked to a reassessment of political commitments to certain regions, such as the Balkans (Vachudova, 2008). These adjustments may be easier to grasp within the EU integration modes, but adaptation would more difficult to imagine in other TIRs, such as NAFTA. None the less, Mexico and US authorities have recently begun shifting to an emphasis on capacity building at the national and subnational levels and joint problem-solving in food safety. For instance, both recognize the relative gains in

areas with US intervention; they launched in 2008 a joint pilot program for fruit fly eradication and are negotiating expansions in export pre-certification programs. In 2010, the US passed a new law that, among other things, empowers the FDA to directly engage its counterparts in other countries, like Mexico, with an aim toward improving preventive food safety capabilities on the ground. In turn, such shifts in approaches invite scholars to undertake comparative and longitudinal studies of the political conditions that facilitate different combinations of TIR purpose and power or at least different combinations of cross-border integration modes.

Third, we bounded this article to the analysis of 'West–East' and 'North–South' cases as examples of transnationalization arrangements in which the emerging market economies are largely the takers of rules and standards promulgated by advanced countries. With its theory-building aims, this article aspired to introduce concepts that could be incorporated into development programs and TIRs beyond those affecting Mexico and the post-communist countries. In turn, a natural next step is to consider the integration effects on emerging market countries of different types of TIRs, such as countries that attempt to attach themselves with multiple TIRs or those embedded in 'South–South' integration regimes. In the latter case, such as Mercosur, the countries have limited power to shape international rules set by advanced countries, but have created greater room for domestic public and private actors to shape intra-TIR rules and integration modes. At the same time, state and non-state actors in the Mercosur are growing targets of North-Western assistance and development programs linked to transnational market making (Grugel, 2004). Our framework would view two sets of integration modes shaping the members of Mercosur – those within TIR and those coming from the competition between NAFTA and the EU. Moreover, our focus on integration mechanisms to bolster the supply and demand sides of institutional development calls into question those approaches that rely on external arm's length incentives or on channeling aid programs mainly to non-state actors without attention to building state capacities (Easterly, 2006). In turn, this article invites comparisons with other TIRs involving emerging market countries and analyses of the adequacy of our framework to capture the impact of integration mechanisms on domestic institution building.

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## NOTES

- 1 We focus on the 'West-East' and 'North-South' cases of integrating emerging market economies with more advanced capitalist economies. Both are cases for 'North-Western' normalization. Our framework can be applied with modifications also to the 'South-South' integration regimes, which allow public and private actors greater room to shape initial transnational rules within the TIR.
- 2 Variations on the role of current and capital account liberalization can be found in Mansfield and Milner (1997) and Lederman *et al.* (2005). To the extent that policy anchoring, external conditionality and related penalties are defined with such precision as to make non-compliance nearly impossible, then hierarchical power appears to be the key solution for change (Schimmelfennig and Sedelmeier, 2005). Indeed, Caballero and Dornbusch (2002) proposed that the UN take over Argentina after its collapse in 2001 and install a board of internationally known central bank governors to run economic policy. A more robust agenda can be found in Barnett (2004).
- 3 In addition to the secondary sources, this research is based on approximately 32 semi-structured interviews with relevant officials from the US, EU, Czech Republic, Romania and Mexico as well as analysis of official reports from relevant government agencies and business associations.
- 4 Indicators of market reforms put Mexico ahead of the CEEC in the early 1990s. Przeworski (1991) argued that local socio-political conditions made it likely that CEE would follow a path similar to Latin America. Discussions of the relative decline of Mexico and advances of the CEEC in institutional quality and productivity can be found in Bruszt and McDermott (2009) and Lederman *et al.* (2005).
- 5 Discussions on the regional nature of transnational linkages and norms can be found in Djelic and Sahlin-Andersson (2006), Jordana and Levi-Faur (2005), Kobrin (2002) and Levitsky and Way (2010: Ch. 2).
- 6 See also 'Progress Reports and Enlargement Strategy Papers 1998-2003 of the European Commission', [http://ec.europa.eu/enlargement/press\\_corner/key-documents/index\\_archive\\_en.htm](http://ec.europa.eu/enlargement/press_corner/key-documents/index_archive_en.htm)
- 7 According the EU Commission (2007), it spent about €28 billion on pre-accession assistance for ten new CEE member states from 1990 to 2004.
- 8 Duina (2006: 187, fn 2) estimates the NAFTA Secretariat budget to be about \$US25 million. As part of the NAECC, two NAFTA committees and the North American Development Bank (NADB) plan, evaluate and study environmental infrastructure projects. While some of the 36 projects to date have made significant advances for Mexico, the overall program is criticized for its lack of depth and funding. As of 2005, the NADB had about \$US450 million in capital for making loans up to \$US2 billion. The World Bank estimates a need for \$US25 billion in annual infusions for ten years to modernize Mexico's infrastructure (Lederman *et al.*, 2005; Studer and Wise, 2007: 61-62).
- 9 For thoughtful arguments about the combinatorial effect of incentives and learning communities on rule adoption and consolidation and the role of administrative reforms, see Dimitrova (2002), Epstein (2008), Schimmelfennig and Sedelmeier (2005: Ch. 11), and Sissenich (2007).

- 10 The data are normalized for population sizes. The differences in the growth rates for the absolute numbers are slightly less. The normalized growth rates for membership in Bulgaria and Romania for 1994–2004 were both around 90 per cent (Union of International Associations, *Yearbook of International Organizations*, various years).
- 11 For instance, the US accounts for about 85 per cent of Mexican agricultural exports (FAO, 2006).
- 12 All the countries of the EU and NAFTA are also signatories of the Sanitary and Phytosanitary Measures (SPS) agreement of the WTO, which aims to balance the promotion of scientific standards for food safety, the right of importing countries to have more stringent standards, and the avoidance of standards becoming used as trade barriers (Ansell and Vogel, 2006; Gatzweiler *et al.*, 2002; National Research Council, 2000).
- 13 Similar to Mexico, the CEEC had to change their laws to international norms, and their firms had to comply with standards to enter more advanced markets. A key difference is that the CEEC governments had to comply with capacity benchmarks to administer, monitor and enforce EU food safety regulations and to ensure that firms were complying with certain preventive practices (Ansell and Vogel, 2006; Gatzweiler *et al.*, 2002).
- 14 We draw here on several sources. The relevant EC Reports on these countries can be found at <http://ec.europa.eu/agriculture/external/enlarge/publi/>. See also Garcia-Martinez *et al.* (2006), Gatzweiler *et al.* (2002), Mishev and Valcheva (2005), World Bank (2005) and Yakova (2005/2006).
- 15 The data come from Dolezal and Janackova (2005) and ANSVSA Annual Report for 2005.
- 16 ANSVSA Annual Reports, 2005–2007.
- 17 There are 14 agricultural associations in the Czech Republic and 13 in Romania.
- 18 Major outbreaks and related import suspensions include strawberries, green onions, avocados, mangos and melons.
- 19 As of 2009, only 30 Mexican meat processors were certified to export to the US.
- 20 WTO data for SPS Capacity Building can be found at: [http://tcdbdb.wto.org/category\\_project.aspx?cat = 33113](http://tcdbdb.wto.org/category_project.aspx?cat = 33113) (accessed 13 October 2011).
- 21 Certification data come from SENASICA, Subdirecion de Inocuidad Agricola, June 24, 2008. See also FAO (2006).
- 22 Extensive studies can be found at Avendano *et al.* (2006), SAGARPA 2005, FAO (2006) and Rivera *et al.* (2009). In their 2004–2005 survey of fresh vegetable producers in three of the most export-oriented states, Avendano *et al.* (2009) reveal that although over 80 per cent of respondents are aware of the new US standards, less than half complied with them and the vast majority were not aware of the Mexican government's food safety laws or its support programs.

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