ECONOMIC INTEGRATION IN THE WESTERN HEMISPHERE

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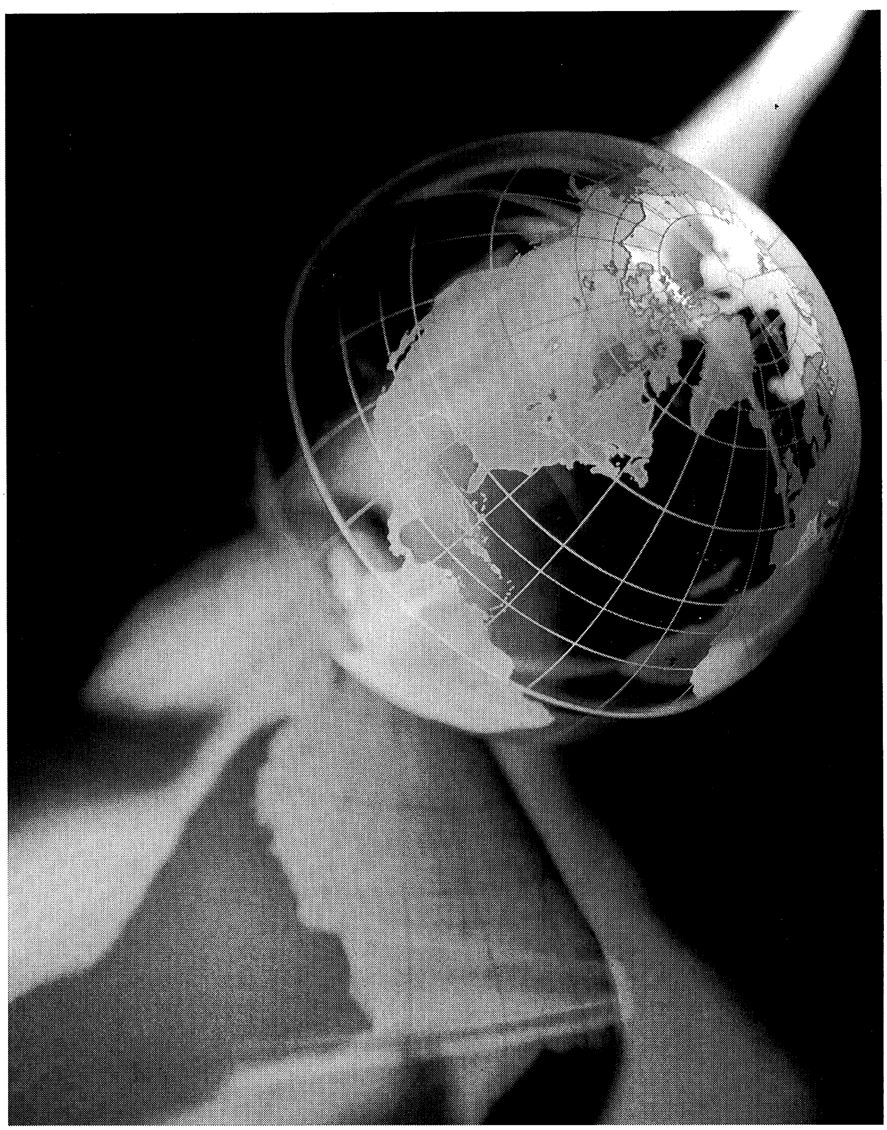

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Agricultural Trade and Economic Integration in the Western Hemisphere: Current Status

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The recent Summit of the Americas, the implementation of NAFTA and other regional trade agreements, and the member government approval of the Uruguay Round of the GATT provided renewed interest in regional trading arrangements. Many countries in the region view economic integration as a preparatory step towards global competition and have as a priority to continue within the framework of market-oriented reform. This report focuses on the Western Hemisphere's growing interest in closer economic association and the patterns of trade for agricultural products including the characteristics of regional trade with the rest of the world, mutual trade within the region intra-American trade and an overview of U.S. agricultural trade with its neighbors in the hemisphere.

The United States and the rest of the WH are major agricultural net exporters, and on a similar scale. They ship between $25 and $30 billion annually in agricultural products to the rest of the world and between $10 and $15 billion to each other. Each represents about one-quarter of the other's export market and about half of the other's import supply. Recent economic and trade liberalization in Latin America has increased trade in the Hemisphere. New regional trading blocks are likely to have a similar effect of increasing overall trade volume, but specific impacts on individual countries and commodities are less certain.

The Western Hemisphere (WH) encompasses the U.S., Canada, and Latin America and the Caribbean (LAC). The WH is one of the largest regional markets, with a combined GDP of $7.1 trillion representing 31 percent of global wealth and 740 million consumers, representing 14 percent of the world's population. Over 60% of these consumers are in LAC.

Intra-regional trade appears as the engine of growth, for most of the expansion of Latin America's exports in recent years. Intra-American trade in 1994 was about $720 billion and is expected to grow 4.2 percent annually, in real terms, over the next decade [1].

Agricultural trade between the United States and the other Western Hemisphere countries is also significant, at $14 billion in 1994, representing close to 37 percent of total U.S. agricultural trade. The United States and the rest of the Western Hemisphere each represents over one quarter of the other's export market and about half of the other's import supply. U.S. agricultural exports to the hemisphere are growing faster than exports to the rest of the world. After Asia, LAC is the largest market for U.S. farm exports, and is the main source of U.S. agricultural imports.

WH economic integration is proceeding at a rapid pace. The U.S.-Canada Free Trade Agreement (CFTA) enacted in 1989, was expanded by the North America Free Trade Agreement (NAFTA) to include Mexico. The NAFTA agreement, which became effective on January 1, 1994, sets a maximum of 15 years to phase out barriers to agricultural trade. More dramatic than these U.S. initiatives is the pace of sub-regionalization within LAC, numerous trade accords have been signed, and more are under discussion.

[1] DRI/McGraw-Hill, World Markets Focus, June 1992.

Many countries view sub-regional integration as a preparatory step towards global competition, essential to overcoming constraints posed by small domestic markets by allowing firms to realize the scale economies of expanded markets.

The United States has supported subregionalization and has expressed a clear preference for negotiating trade agreements multilaterally with groups of countries. The United States is also willing to negotiate bilaterally, signing "framework agreements" with numerous countries (Bolivia, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Venezuela and Perú). A U.S.- Mercosur framework agreement was signed in 1991, and other multilateral agreements are being discussed with the Caribbean Community and Guatemala, Nicaragua and Panamá.

More recently, the *December 1994, Summit of the Americas* -in which the United States and 33 other countries endorsed the goal of a hemispheric free trade area by the year 2005, provided renewed emphasis on regional integration. Negotiations leading to WH trade liberalization are aimed at creating a free trade zone with reduced or eliminated tariff and non-tariff barriers.

Sub-regional trade liberalization is being accompanied by market-oriented reforms in almost every LAC country in an effort to improve competitiveness, attract investment, and restore growth. While domestic growth is very slow in some countries, many reforms take time and in an increasing number of countries recovery is underway. Capital is returning to LAC, attracted by changes in investment rules, more stable political and economic situations and sounder policies. LAC exports are expanding, but imports are growing even faster and will accelerate as integration progresses. From 1989 to 1990, capital inflows increased from $4 billion to $14 billion. The Inter-American Development Bank projects that real growth could average 4.5% annually for LAC in the 1990's, if current reforms continue. This implies that LAC's demand for agricultural products could grow rapidly, perhaps faster than the sub-region can supply.

From the U. S. perspective, developing subregional groups can serve as a step towards a hemispheric trade accord by reducing the number of negotiating partners and advancing the harmonization of trade policies and practices. At the same time, the United States has an interest in further encouraging and locking in trade liberalization and market-oriented reforms in Latin America and the Caribbean.

For the Latin American countries, a hemispheric partnership means access to markets, particularly in the United States. A preferential trading agreement will also have macroeconomic implications, since the ability to attract investment capital will permit the restoration of rates of economic growth needed to guarantee the permanence of democracy and market-oriented systems.

Over the next decade, in the post NAFTA and GATT era, trade is expected to expand even further as member countries lower tariffs and expand minimum access. Some of the factors that could affect the potential outcome of trade include, among others, the 1995 U.S. farm bill, currently being debated, and any possible changes that might occur in LAC agricultural programs. Also, signicant is the likely expansion of NAFTA to include other countries in the Western Hemisphere. Negotiations with Chile on joining NAFTA are scheduled to begin in mid-1995. Integrating other Latin American countries with NAFTA will be a more complex task. For example, thhe technical aspects of negotiating with a group of countries could lengthen the timeframe for integration.

Progress in Economic and Trade Reforms in the LAC Region

Agricultural policies, and, more fundamentally, policy goals, have changed dramatically in Latin America over the past decade. For more than forty years several governments in Latin America relied on active government intervention in markets to execute an import substitution strategy to promote economic growth. The government maintained high tariffs, import licensing requirements, and official import reference prices on imports of agricultural goods; there were less restrictive import requirements for selected intermediate manufactured goods and capital goods used by the agricultural sector. These measures were accompanied by domestic subsidies and the establishment of public enterprises, to offer additional support to the farm sector.

The external debt crisis, the sharp decline in the international prices of the region's principal agricultural exports, and the high domestic inflation of the early 1980s forced most Latin American countries to adopt significant policy reforms and more market-oriented policies as the countries wanted to move toward economic integration and greater participation in world trade. Between 1980 and 1985, all countries in the region exhibited negative growth rates; by 1987, real incomes per capita declined to levels attained in the early 1970s or before. In addition, the region has been afflicted by serious political and social tensions, including armed conflicts in Colombia, Venezuela, Peru, Ecuador, Bolivia, El Salvador, Guatemala, and Nicaragua.

In recognition of the failure of this development strategy to achieve government objectives, several Latin American countries embarked on a campaign to deregulate and privatize the economy since the early 1980s. Several Latin American countries have since eliminated policies and institutions that were once used to transfer wealth from the agricultural sector to the industrial sectors.

Since the mid-1980's, **Mexico** has made key economic reforms. The government tightened fiscal and monetary policy, relaxed foreign investment regulations, eliminated foreign exchange controls, privatized public enterprises, deregulated the land tenure system, and substantially reduced agricultural subsidies. Consistent with domestic policy reforms, Mexico's trade regime was substantially liberalized. Mexico's joining the GATT in 1986 was a major move toward trade liberalization with significant reductions of trade restrictions; export subsidy programs and the official import and export reference prices were eliminated, overall tariff rates were reduced and the number of items subject to import licensing was cut. Since then, Mexico has taken additional steps to liberalize trade. The most significant step to date is the NAFTA.

Chile has one of the Western Hemisphere's most notable records of policy and trade reform, having adopted market-oriented economic policies for nearly two decades. In the mid-1970's, Chile embarked on a series of macroeconomic, sectoral and trade policy reforms to increase the market orientation of the economy, reduce the economic role of the central government, and stimulate private sector investment and export growth.

In early 1990, the demise of the International Coffee Agreement significantly reduced international coffee prices. The subsequent slowdown in economic growth and rising inflation in **Colombia** caused the government to adopt more market-oriented policies. The government introduced a comprehensive structural economic reform program "Programa de Modernización y Apertura Económica" (Economic Modernization and Market-Opening Program). The cornerstone of the Apertura program was accelerated trade liberalization. With trade reform, quantitative restrictions (quotas) on imports of selected commodities were replaced with variable tariffs (price bands), which were also lowered. Currently, the variable tariff system is applied to imports of the basic commodities and their derivatives and substitutes. The price band system aims at maintaining the targeted level of domestic support prices. Under this system, the government establishes a minimum import price (price floor), based on costs of production, a carrying cost margin, and supply/demand conditions, and imposes a variable levy on the imported product in order to raise its price to the minimum level. The price ceiling is based on a five year international average price, adjusted every six-months.

Peru reduced tariffs to an average rate of 15 percent. **Venezuela** has made notable progress in lowering barriers to trade. **Bolivia** initiated a reform process in 1985 and eliminated the price controls on all traded commodities, except sugar. Currently, Bolivia's tariff duties are the lowest of any Andean Group country. **Brazil** has been eliminating restrictive import-licensing practices and nontariff barriers, such as import quotas, and privatizing its industries; however, progress is slow, in 1991, **Argentina** began its conversion to a free-market economy in order to expand production and export, after years of tight controls.

In 1986, the **CACM** members liberalized trade policies, including a revised common external tariff with reduced rates, elimination of specific tariffs, and, for some countries, additional reforms at the national levels. **Costa Rica** and **Guatemala** have progressed furthest in designing and implementing concrete trade liberalization measures. Both economies have implemented a flexible exchange rate program and rely least on foreign exchange controls. Costa Rica began a broad-based structural adjustment program in 1985, and is now reducing external tariff protection. Guatemala introduced a successful stabilization program in 1986, and is preparing to initiate trade reforms similar to the Costa Rican ones. **El Salvador** initiated a comprehensive adjustment program in 1989, including tax reforms, tariff reduction and unification, and a more flexible exchange rate management, designed to place the economy on an outward-oriented growth path.

Economic Integration, Preferential Markets and Bilateral Agreements in the WH

Numerous trade accords have been signed, and more are under discussion. Four of the initiatives involve the United States; NAFTA, the Enterprise for the Americas Initiative (EAI), the Caribbean Basin Initiative (CBI), and the Andean Trade Preference Act (ATPA). Several other integration initiatives include agreements between groupings of countries and bilateral arrangements (Appendix Tables 2 and 3).

Under **NAFTA**, the bilateral arrangements between Mexico and the United States and Mexico and Canada have removed or phased out tariffs on a broad range of agricultural products. Also, each country is permitting duty-free access to a portion of the market for certain highly sensitive commodities, including corn, dry beans, and poultry in Mexico; and fruits and vegetables in the United States. Under NAFTA, the import licensing restrictions have been replaced with either tariff-rate quotas or ordinary tariffs to be phased out within 5-15 years, depending on the product. During the transition period, each country may adopt or maintain special safeguard measures in the form of tariff quotas for certain products.

The **EAI**, still under development, is intended to encourage trade liberalization, reduce developing country debt, and increase foreign investment in developing countries. The trade proposal supports a Hemisphere-wide free trade zone. The relative size of the Latin American market is suggested by a population of about 440 million, and aggregate GDP of over $1.0 trillion.

The United States implemented two <u>trade preference programs</u> for the LAC region. The first, the **CBI**, was started in 1984 for 24 countries of the Caribbean and Central America regions. The second preference program, the **ATPA**, was authorized in 1991 to help fight drug production in Latin America by increasing output of other crops. It was implemented in July 1992 for Bolivia and Colombia, and in August 1993 for Peru, and June 1994 for Ecuador. The ATPA expires in 2001.

There are several regional trading blocks not associated with the United States. The Canada-Caribbean Commonwealth program (**CARIBCAN**), maintained by Canada to provide duty-free access for commodities produced in 19 Commonwealth countries and territories. The Caribbean Community and Common Market (**CARICOM**), which consists of Caribbean countries formerly under British rule. The target date for a CARICOM single market is 1994. The region plans to reduce the common external tariff from a high 45 percent to 20 percent by 1998. **CARICOM and Venezuela** signed in 1993 a one-way free trade agreement, which permits the free importation of some CARICOM products into Venezuela, while other commodities are receiving gradual tariff reductions to be eliminated by 1996. Venezuelan goods are receiving MFN status in the CARICOM market.

Economic integration of several countries is not a new concept in Latin America. For more than forty years, as Latin America became increasingly aware that the creation of a common market was essential to economic development, the LAC countries attempted at various times to form an "economic block" either as a region or with the rest of the Western Hemisphere. The countries of Greater Colombia - Ecuador, Colombia and Venezuela implemented a customs union; Argentina signed trade treaties with Chile, Paraguay, Bolivia, and Perú; and the countries of Central America have negotiated several bilateral trade agreements. Although most of this arrangements have been short-lived, they served as precedents for later economic integration proposals.

Within the past decade, Latin America has developed a substantial number of regional trade blocks, multilateral trade agreements, and bilateral trade accords which promise various benefits (Tables 2 and 3). Some of the most significant subregional agreements in Latin America, in addition to CARICOM, include the Latin American Integration Asociation (ALADI), the Andean Group (also known as the Andean Pact), the Central American Common Market (CACM), the Common Market of the South (MERCOSUR), and the recently announced Group of Three (G3).

The **Latin American Integration Asociation, ALADI**, also known as the **Montevideo Treaty** include Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. Formerly the "Latin American Free Trade Association" (LAFTA, 1961), ALADI was established in 1980 to promote freer regional trade with preferential tariffs. Although the ALADI's regulatory and institutional framework has facilitated subregional (e.g., the Andean Pact, MERCOSUR, G3) and bilateral (e.g., Mexico-Chile) agreements; sucesive conflicts between regional and individual country priorities have hampered global integration within the region.

The **Andean Pact** (initially Colombia, Venezuela, Bolivia, Ecuador and Perú) or "Cartagena Agreement" was formed in 1969. Due to political and economic problems, no significant progress was achieved, until its revival in the early 1990's. In 1993 the average external import tariff of all Andean Pact country members, including Perú, had been reduced by two-thirds to 13.6 percent (from a record level of 41 percent in 1990). As a result, Andean Group annual trade in 1992 increased by 18 percent, to US$2.1 billion, the largest increase since the group was formed in 1969 ?. Current discussions for the revival of the Andean Pact center around the establishement of a "common external tariff," tariff reductions, harmonization of the price band system, import policy among member countries, and Perú's reintegration into the Andean Pact, which it abandoned in 1992.

The **Central American Common Market, CACM** (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) has set regional tariff preferences that range from 5 to 20 percent, with a 15 percent common external average tariff. A free trade agreement was signed by El Salvador, Guatemala, and Honduras in 1992 (the **Northern Commercial Triangle**, "Triángulo Comercial del Norte"), but has yet to be implemented. Nicaragua and Costa rica are expected to join this year. **Central America, Venezuela and Colombia** signed a free trade agreement in February 1993, giving many Central American products free access to the Venezuelan-Colombian market by 1996, and complete access by 1999. Venezuela and Colombia will receive the same duty free access to the Central American markets in five to ten years, depending on the product ?.

The complementary economic agreement signed by Argentina and Brazil in July 1986, was expanded to include Paraguay and Uruguay, resulting in the **The Common Market of the South, MERCOSUR**. This trade accord was signed in March 1991 and enacted in 1995 as a customs union and free trade. The largest regional trade agreement in LAC, MERCOSUR covers over two thirds of the regional area, involves 44 percent of the region's population and contributes with 51 percent of Latin America's GDP (2). Since its establishment, trade among memeber countries has increased to more than $9 billion, including a 25 percent increase in 1993.

The **Group of Three, G3** (Mexico, Colombia, and Venezuela) finalized negotiations for a trade agreement December 2, 1993, and began implementation in January 1995. The three countries agreed to phase-out tariffs for 60 percent of traded agricultural products within 10 years. Remaining more sensitive goods are being excluded from the agreement. The G3 is also negotiating separate trade agreements with Central America and CARICOM.

Several <u>bilateral agreements</u> have been signed, and more are under discussion. Bilateral trade accords country to country or within groupings of countries include different forms of the integration: the wider free trade agreements (Colombia-Venezuela, 1992); friendship treaties for trade cooperation (Chile-Argentina, 1984); sectoral agreements that make special reference to certain services (Mexico-Brazil, 1990); framework agreements; and the most common, the complementary economic agreements (CEA). Some bilateral agreements also include provisions on reciprocal investment and provisions for industrial cooperation (Argentina-Bolivia, 1989) (See Appendix Table 3).

Patterns of Trade for Agricultural Products in the Western Hemisphere

Promotion of economic cooperation among countries in the western hemisphere has received increasing attention by economists and policy makers in recent years as an instrument for increasing trade and income while bringing about more balanced and equitable regional economic development. While, with a few exceptions, the relative importance of agricultural products in the total trade of western hemisphere countries has declined in the last twenty years, expansion of this trade remains of critical importance to those countries in the region which still rely heavily on agricultural exports for their foreign exchange, income and employment. In 1992, 11 of the 22 countries in the region (those for which data was available) earned over 50 percent of their export earnings from primary commodities. Further, agriculture in about 40 percent of the region's countries still provides a significant share (over 20 percent) of GDP and/or employment. In this paper we focus on the flow of mutual agricultural trade within the hemisphere between 1981 and 1993 and attempt to explain the underlying factors which have led to either long standing patterns or recent structural changes in this trade.

The data used in this study comes from the U.N. trade database and is in current U.S. dollars. The definition of total agricultural trade is the standard employed by the USDA, which excludes trade in wood and wood products and in ocean-caught fish (except if processed into fish oil or fishmeal). This definition encompasses some 163 agricultural commodities at the SITC four-digit level, including products ranging from bulk raw materials to shelf-ready foods.

The individual items were first grouped into 68 categories to make the data set more manageable (i.e. for oilseeds we kept soybeans and cottonseed separate and gouped the rest into other oilseeds). A more general grouping was also made, based on whether each product fell into one of four broad categories: 1) bulk unprocessed products (grains, oilseeds, fibers, raw sugar), 2) bulk processed products (flour, oils and oilmeals, live animals, etc.), 3) consumer-ready unprocessed products (fresh fruits, vegetables and nuts, coffee, cocoa, fresh and frozen meats, etc.) and 4) consumer-ready processed products (breakfast cereals, pastas, processed meats and dairy products, processed fruits and vegetables, beverages, refined sugar etc.).[2] The latter three categories make up what is generally referred to as high-valued products.

The Importance of the Western Hemisphere in World Agricultural Trade

Trade among countries in the western hemisphere can be seen in its correct perspective only if their trade with the rest of the world is also taken into account. It is appropriate therefore to begin by summarizing the salient features of the overall performance of western hemisphere countries in world agricultural trade.

During the twenty year period from 1971-73 to 1991-93, the share of agricultural exports of western hemisphere countries in their total exports fell from 24 percent in 1971-73 to 19 percent in 1981-83 and 12 percent in 1991-93 (table 1). The share of agricultural imports in total imports also fell, from 10.5 percent in 1971-73 to 7.6 percent in 1981-83 and to 6.1 percent in 1991-93. While the western hemisphere has traditionally been a net exporter of agricultural products to the rest of the world the gap between exports and imports has recently begun to close. Between 1981-83 and 1991-93, the value of total western hemisphere agricultural exports to the rest of the world grew by less than one tenth of one percent per year, from $54.6 to $55.2 billion. By contrast, their imports grew by 3.9 percent per year, from $13.7 to $20.1 billion resulting in a 15 percent drop in their trade surplus with the rest of the world, from $41.0 to $35.1 billion.

The performance of countries in the western hemisphere in exporting agricultural products has lagged far behind that of the rest of the world, as reflected in their declining share of world agricultural exports. Between 1981-83 and 1991-93, the value of world agricultural exports increased by 4.6 percent per year, resulting in a sharp drop in the region's share of the global market from 35.0 to 26.2 percent. During the same period, the region's share of total world agricultural imports remained unchanged at 15.5 percent. As a result, the ratio of agricultural imports to exports for the region vis-a-vis the rest of the world increased from 25 to 36 percent.

The region's relative decline as an exporter of agricultural products is demonstrated by the fact that of the 68 agricultural items in our database composing total agricultural trade, the region's share of world exports

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[2] Appendix Table 4 contains a complete listing of the items contained in the database, divided into the four-way classification scheme listed above.

decreased for 37 of them between 1981-83 and 1991-93. During 1991-93, the region accounted for over half of the world's exports of 10 commodities, down from 12 in 1981-83.

During the last twenty years, several dramatic changes have taken place in the structure of agricultural trade both at the global and regional levels. As shown in table 2, the portion of the total value of global agricultural trade accounted for by bulk goods has dropped from 52 percent to just 41 percent, led by a drop in the trade of raw materials (bulk unprocessed goods). This category was the only one in which the total value of trade actually went down between 1981-83 and 1991-93. Perhaps the most eye-catching item in this table, however, is the impressive growth in the trade of consumer processed items, which increased in value by an average 7.8 percent per year to more than double its value of 1981-83. In fact, a ranking of the four categories in 1981-83 shows that they were almost equal in market share, with the most important being bulk unprocessed (26.8 percent), followed by bulk processed (25.3 percent), consumer unprocessed (24.4 percent) and consumer processed (23.5 percent). By 1991-93, the order had reversed itself, with consumer processed trade having jumped from number four to number one with 31.6 percent of the total while bulk unprocessed trade dropped to fourth with a market share of only 16.5 percent.

While somewhat similar changes in the structure of agricultural trade occurred at the regional level, the composition of trade is quite different between the world and the western hemisphere. While trade at the world level was split almost equally between bulk and consumer goods in 1981-83, table 2 shows that the western hemisphere is primarily exporting bulk products (77 percent of total exports) to the rest of the world while primarily importing consumer-ready products (70 percent).

Between 1981-83 and 1991-93, however, the value of bulk unprocessed exports from the region dropped dramatically as did its share of total value, from 55 to 39 percent. The value of western hemisphere exports of the other three categories all went up, although, as was true of global trade, the rate of gain was most impressive in the consumer processed category, where exports increased by over 6 percent per year to almost double in value during the period. Despite this impressive increase, this category of products remained as the only one where the western hemisphere countries ran a trade deficit with the rest of the world.

On the import side, the western hemisphere showed increases in the value of imports of all categories, even of bulk unprocessed commodities. In terms of the structure of imports, there was little change, with slight increases in the shares of the two bulk categories and the consumer processed one and a decrease in the share accounted for by consumer unprocessed imports. What stands out, however, is the portion of imports from the rest of the world that are accounted for by high value products (made up of bulk processed goods and the two consumer-ready sub-categories). In 1991-93, 94 percent of the region's agricultural imports fell into this category as opposed to only 61 percent of its exports. Clearly, the region either lags behind the rest of the world in the movement to upgrade its processing sector in order to capture the value added associated with importing raw materials and exporting finished or semi-finished agricultural products or there are some significant differences in the rate of tariff escalation between the region and the rest of the world that favor trade of raw materials in one direction and processed goods in the other.

A closer look at trade between the western hemisphere and the rest of the world reveals a high degree of concentration in both a few commodities and a few countries. Of the 60 commodities in our database, the top ten accounted for almost 53 percent of the region's exports to the rest of the world during 1991-93 down from 64 percent in 1981-83 (table 3). While on the import side the concentration was somewhat less, the top ten items still accounted for 40 percent of the total in 1991-93 as opposed to 45 percent in

1981-83. Not surprisingly, the top three and six of the top ten items on the export side were bulk items with the remaining four being from the consumer unprocessed category. On the import side six of the top ten were consumer-ready items including five which fell into the highest value-added category, consumer processed items.

While the United States accounts for a dominant share of the region's agricultural exports to and imports from the rest of the world, this share has decreased over time. In 1981-83 the United States accounted for 56 percent of the value of all agricultural exports from the region to the rest of the world while accounting for 74 percent of all imports (table 4). By 1991-93 the U.S.'s export market share had dropped to 55 percent as the value of its exports decreased from $30.7 to $30.3 billion. Despite the region's poor export performance during this period, three of the countries (Peru, Ecuador and Chile) saw their exports increase by over 10 percent per year during this period. Chile, in particular, experienced impressive growth as its exports increased by over $660 million to exceed $1 billion per year by 1990. As is evident in table 4, total exports are highly concentrated among the top four exporters (the U.S., Brazil, Canada and Argentina) with 89 percent of all exports in 1981-83 shared among this group. By 1991-93 this portion had dropped slightly, to 85 percent, due primarily to a decline of over $1 billion in the value of agricultural exports from Canada, which saw its trade balance with countries outside of the region go down by 40 percent during this period.

On the import side, the United States saw its share drop from 74 to 68 percent, as the region's imports from the rest of the world increased by an average of 4 percent per year versus 3 percent for the United States. Mexico, Brazil and Argentina each increased their imports from the rest of the world by over 10 percent per year during this period. This led to a drop in their combined trade balances with countries outside the region of almost $1.5 billion. In particular, Mexico's balance went from a surplus to one of the region's few and, in fact, largest trade deficits with the rest of the world. No country, however, saw its trade balance drop as sharply as the United States, which experienced a decline of over $4 billion.

Growth of Intraregional Trade in Agricultural Products

Despite the region's poor overall performance in exporting agricultural goods during the eighties, agricultural trade among countries in the western hemisphere, i.e. intraregional trade, turned out to be one of the more dynamic components of international agricultural trade during this period. Between 1981-83 and 1991-93 intraregional agricultural trade increased by 5.1 percent per year, from $18.8 to $31.0 billion (table 5) and currently accounts for almost 10 percent of the value of world trade. There has also been a sharp increase in the portion of the region's total agricultural exports that are destined for regional trading partners, from 26 in 1981-83 to 36 percent in 1991-93. In recent years, mutual trade among western hemisphere countries has also tended to form an increasing proportion of the region's total agricultural imports, growing from 54 percent in 1986-88 to 61 percent in 1991-93.

While several changes have occurred in the commodity structure of intraregional trade, none are quite as pronounced as what has occurred at the global level. Currently, raw material trade (bulk unprocessed) constitutes less than 20 percent of intraregional trade, having shown little growth in value between 1981-83 and 1991-93 and thus dropping from being the second most important category to fourth during this period. By contrast, trade in high value products grew by 6.3 percent per year, increasing in market share from 72 to 81 percent over the same period. Within this grouping, the fastest growth has been in trade of bulk processed items, which increased by an impressive 8.1 percent over the period studied.

A closer look at the commodity structure of intraregional trade shows the extent to which this trade has diversified over the last ten years. The top ten commodities in terms of export value accounted for only 40 percent of intraregional trade in 1991-93 versus 50 percent in 1981-83 (table 6). While the top two items traded, coffee and wheat, remained in the same position between the beginning and end of the period, both were down in value. Three new items were in the top ten by 1991-93, live cattle, grain-based foods and fresh fruit, having replaced refined sugar, soybeans and other grains. The commodities that suffered the greatest drop in value traded between 1981-83 and 1991-93 were refined sugar ($1 billion to $300 million), leguminous vegetables ($330 to $223 million) and cocoa beans ($176 to $154 million). On the plus side, the three commodities which gained the most in value of trade were grain-based foods ($284 million to $1.2 billion), fresh fruit ($256 to $941 million) and preserved vegetables ($41 to $439 million).

With the exception of Ecuador and Argentina, all of the countries in the region showed a decrease between 1981-93 and 1991-93 in the percentage of their total export value that was due to the top ten items (table 7). For Ecuador the increase was due to a significant jump in banana and plantain exports, which in 1991-93 were equal in value to the country's total intraregional agricultural exports in 1981-83 and accounted for 64 percent of the country's total intraregional agricultural exports. For Argentina it was due to impressive increases in intraregional exports of wheat, corn and vegetable oil as the country's focus in exporting these products turned from markets outside of the region to neighboring markets.

Among those countries that have diversified their exports to the region, none has been as successful as the United States. Between 1981-83 and 1991-93, the United States sharply increased its exports of meats (beef and poultry), fresh vegetables and grain-based foods (including breakfast cereals, pastas and baked goods) at the expense of wheat and corn. Wheat exports, in particular, declined from the number one spot at $1.35 billion in 1981-83 to number five at $ 523 million during 1991-93. As a result, United States' exports of products in each of the high value consumer-ready categories exceeded those of bulk unprocessed commodities in 1991-93. This is in sharp contrast to the situation in 1981-83, when exports of bulk unprocessed goods was forty percent higher in value than those of the two consumer-ready categories combined.

A significant feature of intraregional trade between 1981-83 and 1991-93 was that those commodities experiencing the fastest rate of growth also tended to experience less concentration among the four leading exporters. Sharp increases in demand tended to be met by an increase in the number of countries exporting within the region. While this phenomenon would seem to imply that the barriers to entry for exporters are not high, the question remains whether these exports were provided by domestic firms or by multinationals looking to diversify their sources of supply. The fastest growing items mutually traded within the region included live cattle, meats (beef and poultry), certain fruits and vegetables (fresh and preserved), grain-based foods (including breakfast cereals, pastas and baked goods), cut flowers, tobacco and cotton. By contrast, their were some items which declined in value during this period, including refined sugar, coffee, cocoa, and most of the bulk grains and oilseeds. Among those items that showed little or negative trade expansion the degree of concentration among the four top exporters tends to be higher.

There have also been notable changes in the pattern of country participation in intraregional trade. In particular, the share in intraregional trade of the three NAFTA countries increased rapidly in the decade of the eighties. In 1981-83 the U.S., Canada and Mexico accounted for 56 percent of total intraregional exports and 67 percent of imports, as table 8 shows. By 1991-93 these percentages had increased to 63 and 74, respectively. While the NAFTA countries held there spots as the top three importers during this period, they are now also the top three exporters within the region, with Canada having supplanted Brazil in the number two spot while Mexico lept above Brazil and the CACM to the number three spot. Also worth mentioning is the growth in exports from Chile and Argentina to the rest of the region. In 1991-93, Argentina had the largest trade surplus with its regional trading partners, almost equal in size to the U.S.'s deficit of $2 billion (the region's largest), while Chile managed to turn a $200 million deficit into a $770 million surplus between 1981-83 and 1991-93.

Not all of the countries in the hemisphere shared in the growth of intraregional trade during the eighties. Brazil and the Caribbean region saw their export value drop by $240 and $180 million dollars, respectively. For the Caribbean countries this represented an almost 25 percent drop during the period. Venezuela was the only country in the region for which imports decreased, due perhaps to sharply reduced exports earnings from petroleum exports between the beginning and end of the period. At the same time, however, Venezuela's agricultural exports increased impressively.

Agricultural Trade among the Region's Trade Blocs

Rapid growth of trade in agricultural commodities within the western hemisphere during the past twenty years has been the result of the expansion in trade within trade blocs rather than expansion of trade between these blocs and other countries. Table 9 partitions intraregional export growth among the regions four largest economic groupings: the Andean Pact, MERCOSUR, NAFTA and the CACM. Other countries not belonging to one of these groups are also shown in the table including Chile and the Caribbean countries, as well as an additional region entitled Other Latin America (Belize, Panama, other South America) to account for total export growth. As is evident, mutual trade between the NAFTA countries has accounted for the bulk (77 percent) of export growth in the region. One of the outstanding features in the region's trade patterns is the growing concentration in agricultural exports among these three countries. By contrast, the next largest source of export growth in the region were the MERCOSUR countries which accounted for 11 percent of the total. Part of this growth by NAFTA was the result of diverting exports from other countries in the region to trading partners within NAFTA, as the value of exports from NAFTA countries to others in the region actually went down from $4 to $3.5 billion between 1981-83 and 1991-93 while trade within the group increased from $6.5 to $15.8 billion.

A breakdown of trade by economic groups reveals that the NAFTA group is the only one where over half of total intraregional exports are to partners within the group. In fact, between 1981-83 and 1991-93, the percentage of total intraregional trade from NAFTA countries that was made up of mutual trade within the group grew from 62 to 82 percent. For the MERCOSUR countries the figure increased from 21 to 35 percent while for the Andean Pact countries it increased from 8.5 to 18 percent. Only in the CACM did trade within the group drop as a percent of total intraregional trade, from 11 to 8 percent.

Table 10 depicts the changes in market share by economic group between 1981-83 and 1991-93. As already mentioned, the NAFTA countries accounted for 63 percent of total intraregional trade during 1991-93. All of the other groups saw their share of intraregional exports drop during this period. The increase in market share by NAFTA was especially pronounced in the consumer-ready categories, where trade within the group has grown the most. The total export market share of NAFTA countries in the two bulk categories actually dropped as exports of commodities in these two categories from NAFTA to other countries in the region plummeted. Trade within NAFTA went up even for these two categories. The MERCOSUR group was the largest gainer in the bulk categories, with their market shares going from 14 to 24 percent in the bulk unprocessed group and from 16 to 18 in the bulk processed.

United States' Trade Patterns with the Western Hemisphere

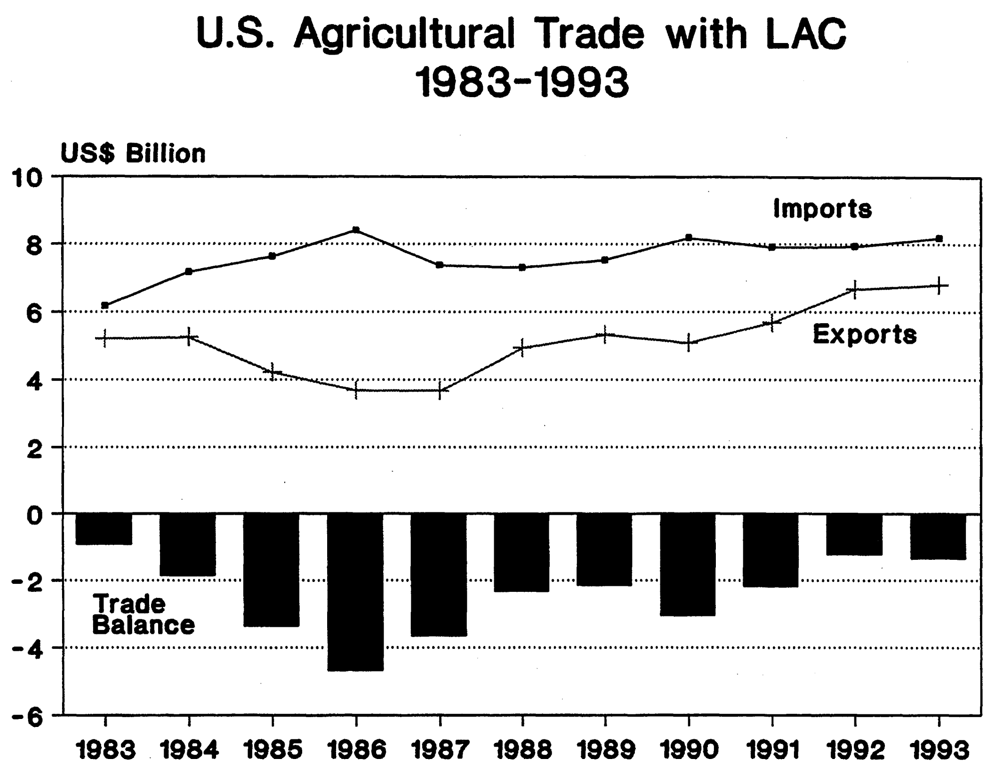
The United States and the rest of the Western Hemisphere are major agricultural net exporters, exporting almost twice as much as they import in value terms. The United States and the rest of the WH both ship over one-quarter of their exports to each other and obtain almost half of their agricultural imports from each other.

LAC countries have always been important markets and sources of supply for the United States and during the past decade that trade has become even more important. The largest WH agricultural trading partners for the United States are Canada and Mexico. The United States ships more than one-quarter of the value of its agricultural exports, $12 billion in 1993, to WH countries. U.S. agricultural exports to WH countries consist of feed grains, wheat, pulses, oilseeds and products, sugar, seeds, deciduous fruits, cattle, beef and veal, pork, poultry, and dairy products.

The United States also receives over half of its agricultural imports, $13 billion in 1993, from WH countries. Major imported commodities include horticultural and tropical products, coffee, cut flowers, bananas, cattle, and fresh noncitrus fruits. The WH is also an important source for U.S. imports of processed foods, including tomato paste, and of beverages, such as fruit juices and beer.
In 1993, U.S. agricultural exports to all destinations, valued at $43 billion were almost equal to those by the other WH countries to all destinations, $44 billion. Total 1993 U.S. agricultural imports of $25 billion were also comparable to those by the remaining WH countries, $24 billion. Almost half of total agricultural imports by other WH countries were from the U.S. in 1991, the last year for which data is available. The United States was the destination for over one-quarter of agricultural exports by other WH countries in 1991.

U.S. exports to WH countries are growing more than to the rest of the world and the commodities for which trade is increasing are often ones that both the United States and other WH countries export, for example, meats, fruits, and vegetables. The U.S. has also been increasing its proportion of exports of high-value agricultural products considerably since 1980. High-value agricultural products (HVP) include any traded commodity that receives some additional processing or added value beyond the farm gate into its price. HVP include livestock and dairy products, live animals and processed grains and oilseeds and fresh fruits and vegetables. From 1980 to 1990, HVP imports of WH countries grew $12.8 billion. Over this same period, HVP exports from WH countries increased $13.9 billion.

Measured by the value of agricultural trade, the United States generally runs a trade surplus with respect to NAFTA and Venezuela and a deficit with the Andean Group, MERCOSUR, and Chile (Table 11). The highest U.S. agricultural trade deficits in 1993 were with Brazil, Colombia, Costa Rica and Chile. The commodity group with the largest deficit is tropical products, such as coffee and cocoa. The NAFTA partners (Canada and Mexico) account for the largest share of U.S. exports in the WH. The Andean Group and the rest of the WH (Central America, Caribbean, and some countries of South America) also import substantial quantities of grains and feeds.



SOURCE: FATUS, U.S.D.A.

Countries are classified according to annual growth rates over the past 16 years and size of imports using a 1992 base. Mexico and Canada alone claimed 75% of U.S. exports to Western Hemisphere and have been the faster growing markets for the Unites States. Mexico's imports from the U.S. grew at 12.5% per year while Canada's imports grew at 8.1%. Although Argintina's imports from the U.S. has grown rapidly (15.5%) it still remains a relatively small market for the U.S. claiming less than 1% of the total Western Hemisphere. Several Carribean and Central American countries had moderate growth rates including Guatemala, Haiti, Panama, Costa Rica, Dominican Republic, Honduras, El Salvador, and the Bahamas. As a group they claimed 11.1% of U.S. exports while grewing at 7.2% per year. Among the slow-growing medium sized markets were Columbia, Brazil, Jamaica, Trinadad & Tobago, Equador, Chile, Venezula, and Peru. This group claimed 11.7% of the U.S. exports for the region but grew at only 1.8% per year. Markets classified as small claimed less that 1.5% of the total U.S. exports to the region. Paraquay and the Turks & Caicos Is. where the fastest of the small markets growing at 16.8% per year.

Conclusions

A potential hemispheric integration with the corresponding changes in trade policy could substantially ease limitations to the free trade of agricultural products, changing Western Hemisphere trade patterns. At the same time, growing incomes in LAC and increasing demand for a greater volume and variety of more highly processed food products from the U.S. will spur growth in trade, and continue to boost the HVP share of total agricultural exports from the United States.

If a free trade area for the WH was established, how important would it be from a global perspective? During 1991-93, mutual agricultural trade accounted for about 10 percent of global trade. Add to this the imports by WH countries from the rest of the world and the percentage increases to 16 percent, or over $50 billion.

From the U. S. perspective, the developing subregional groups can serve as a step towards a hemispheric trade accord by reducing the number of negotiating partners and advancing the harmonization of trade policies and practices. At the same time, the United States has an interest in further encouraging and locking in trade liberalization and market-oriented reforms in Latin America and the Caribbean.

For the Latin American countries, a hemispheric partnership means access to markets, particularly in the United States. A preferential trading agreement will also have macroeconomic implications, since the ability to attract investment capital will permit the restoration of rates of economic growth needed to guarantee the permanence of democracy and market-oriented systems.

Sub-regional trade liberalization is being accompanied by market-oriented reforms in almost every LAC country in an effort to improve competitiveness, attract investment, and restore growth. While domestic growth is very slow in some countries, many reforms take time and in an increasing number of countries recovery is underway. Capital is returning to LAC, attracted by changes in investment rules, more stable political and economic situations and sounder policies. LAC exports are expanding, but imports are growing even faster and will accelerate as integration progresses. From 1989 to 1990, capital inflows increased from $4 billion to $14 billion. Estimates indicate that real growth could average 4.5% annually for LAC in the 1990's, if current reforms continue. This implies that LAC's demand for agricultural products could grow rapidly. How much of this growth will be met by mutual trade as opposed to imports from the rest of the world? In recent years, imports from within the region have been growing about 25 percent faster than imports from the rest of the world. There is every reason to believe that a hemispheric free trade area will widen this gap unless the growth in demand is significantly faster than the can supply. Perhaps more important than the ability of the region to increase supply is the form that a WH free trade agreement would take, particularly with respect to how it treated non-tariff barriers such as quotas and sanitary and phytosanitary regulations. Four of the most important commodities imported by the region from the rest of the world, fresh beef, raw tobacco, raw sugar and coffee were also important exports from the region. With the exception of sugar, these are each broad categories, consisting of a number of sub-categories which are highly differentiated by price, variety and quality. Thus they don't necessarily offer an area where intraregional trade can easily substitute for trade with countries outside the region unless the countries in the region can diversify their product lines or, in the case of beef, get sanitary barriers relaxed.

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Table 1: Growth of Global and Western Hemisphere Agricultural Trade

				Average Annual Growth Rates		
	1971/73	1981/83	1991/93	1971/73-1981/83	1981/83-1991/93	1971/73-1991/93
Global Trade	$ mil.			percent		
Total Exports	411967	1738333	3687767	15.5%	7.8%	11.6%
Agricultural Exports	70633	209860	329186	11.5%	4.6%	8.0%
Agri. exports as % of Total	17.1%	12.1%	8.9%			
Western Hemisphere Exports						
Total exports to world	98031	390149	711414	14.8%	6.2%	10.4%
West.Hem. share of world market	23.8%	22.4%	19.3%			
Agri. exports to world	23185	73460	86179	12.2%	1.6%	6.8%
Agri. exports as % of Total	23.7%	18.8%	12.1%			
West.Hem. share of world market	32.8%	35.0%	26.2%			
Agri. exports to rest of world	17180	54616	55220	12.3%	0.1%	6.0%
As % of total	74.1%	74.3%	64.1%			
Western Hemisphere Imports						
Total imports from world	104296	427805	839328	15.2%	7.0%	11.0%
West.Hem. share of world market	25.3%	24.6%	22.8%			
Agri. imports from world	10998	32550	51075	11.5%	4.6%	8.0%
Agri. imports as % of Total	10.5%	7.6%	6.1%			
West.Hem. share of world market	15.6%	15.5%	15.5%			
Agri. imports from rest of world	5365	13706	20116	9.8%	3.9%	6.8%

Table 2: Global and Regional Agricultural Trade by Category

	Value			Average Annual Growth Rates			Market Shares		
	1971/73	1981/83	1991/93	1971/73-1981/83	1981/83-1991/93	1971/73-1991/93	1971/73	1981/83	1991/93
Global Trade									
Total Ag. Trade	70633	209860	329186	11.5%	4.6%	8.0%	100.0%	100.0%	100.0%
Total Bulk	38364	109392	135116	11.0%	2.1%	6.5%	54.3%	52.1%	41.0%
Bulk Unprocessed	18806	56309	54478	11.6%	-0.3%	5.5%	26.6%	26.8%	16.5%
Bulk Processed	19558	53083	80638	10.5%	4.3%	7.3%	27.7%	25.3%	24.5%
Total Consumer-Ready	32269	100467	194070	12.0%	6.8%	9.4%	45.7%	47.9%	59.0%
Consumer Unprocessed	17784	51246	90161	11.2%	5.8%	8.5%	25.2%	24.4%	27.4%
Consumer Processed	14485	49221	103909	13.0%	7.8%	10.4%	20.5%	23.5%	31.6%
Total Value-Added	51827	153550	274708	11.5%	6.0%	8.7%	73.4%	73.2%	83.5%
Western Hemisphere Ag. Trade									
Ag. Exports to Rest-of-World	17180	54616	55220	12.3%	0.1%	6.0%	100.0%	100.0%	100.0%
Total Bulk	13263	42169	36237	12.3%	-1.5%	5.2%	77.2%	77.2%	65.6%
Bulk Unprocessed	9640	30264	21602	12.1%	-3.3%	4.1%	56.1%	55.4%	39.1%
Bulk Processed	3622	11905	14635	12.6%	2.1%	7.2%	21.1%	21.8%	26.5%
Total Consumer-Ready	3918	12447	18983	12.3%	4.3%	8.2%	22.8%	22.8%	34.4%
Consumer Unprocessed	3007	9017	12697	11.6%	3.5%	7.5%	17.5%	16.5%	23.0%
Consumer Processed	911	3429	6286	14.2%	6.2%	10.1%	5.3%	6.3%	11.4%
Total Value-Added	7540	24352	33618	12.4%	3.3%	7.8%	43.9%	44.6%	60.9%
Ag. Imports from Rest-of-World	5365	13706	20116	9.8%	3.9%	6.8%	100.0%	100.0%	100.0%
Total Bulk	1607	4131	6636	9.9%	4.9%	1.6%	29.9%	30.1%	33.0%
Bulk Unprocessed	356	687	1281	6.8%	6.4%	0.1%	6.6%	5.0%	6.4%
Bulk Processed	1251	3444	5355	10.7%	4.5%	2.0%	23.3%	25.1%	26.6%
Total Consumer-Ready	3759	9575	13480	9.8%	3.5%	6.6%	70.1%	69.9%	67.0%
Consumer Unprocessed	1745	3448	4390	7.1%	2.4%	4.7%	32.5%	25.2%	21.8%
Consumer Processed	2014	6126	9090	11.8%	4.0%	7.8%	37.5%	44.7%	45.2%
Total Value-Added	5010	13019	18835	10.0%	3.8%	4.8%	93.4%	95.0%	93.6%

Table 3: Commodity Composition of Western Hemisphere Trade with Rest of World

EXPORTS				IMPORTS			
	1981-83		1991-93		1981-83		1991-93
Wheat	9327	Wheat	6203	Beef frsh,frzn	1223	Beef frsh,frzn	1719
Corn	6715	Soybeans	5403	Rubber	1001	Rubber	1144
Soybeans	6361	Corn	4655	Coffee green	908	Grain-based foods	878
Coffee green	3616	Coffee green	2536	Refined sugar	595	Other oils	724
Cotton	2656	Tobacco unmfd	2190	Cheese & curd	494	Tobacco unmfd	703
Tobacco unmfd	1953	Cotton	2119	Veg.prsvd,prpd	457	Milk & cream dry	695
Rice	1190	Beef frsh,frzn	2040	Other oils	405	Cheese & curd	657
Other grains	1129	Bananas,plantains	1905	Tobacco unmfd	388	Veg.prsvd,prpd	543
Beef frsh,frzn	1080	Poultrymeat frsh	1000	Milk & cream dry	379	Fruit,nuts prsvd	523
Other oilseeds	972	Raw sugar	972	Grain-based foods	305	Raw sugar	353
TOP TEN	35000		29023		6154		7939
SHARE OF TOTAL	64.1%		52.6%		44.9%		39.5%
Barley	931	Fruit,veg.juice	968	Cocoa beans		Fruit,veg. juice	333
Raw sugar	836	Other oilseeds	855	Fruit,nuts prsvd	249	Cocoa beans	333
Soybean oil	782	Soybean oil	849	Raw sugar	218	Rice	306
Bananas,plantains	658	Other meats	779	Nuts edib.frsh,dry	204	Nuts edib.	294
Other meats	576	Frsh fruit,nes	643	Tea	175	Coffee green	282
Poultrymeat frsh	554	Nuts edib.frsh,dry	590	Butter	168	Non-alc beverages	241
Fruit,veg.juice	464	Rice	571	Other oilseeds	147	Cotton	199
Other oils	390	Fruit,nuts fsh,dry	477	Fruit,veg. juice	122	Tea	186
Pigmeat frsh	1	Grain-based foods	475	Milk,cream evp,cnd	102	Live plants,bulbs	186
Flour	349	Pigmeat frsh	468	Other livestock	87	Pigmeat frsh	170
Nuts edib.frsh,dry	313	Other grains	435	Other meats	86	Other meats	163
Refined sugar	313	Sunflwrseed oil	409	Wheat	83	Other frsh veg.	137
Legum.veg.dry	308	Apples frsh	407	Corn	76	Palm oil	136
Sunflwrseed oil	248	Legum.veg.dry	401	Rice	76	Seeds for planting	124
Cocoa beans	242	Lemons,grapefruit	377	Palm oil	71	Wheat	123
TOP TWENTY FIVE	42324		37729		8277		11154
SHARE OF TOTAL	77.5%		68.3%		60.4%		55.4%
OTHERS	12292		17491		5429		8962
TOTAL	54616		55220		13706		20116

Table 4: Agricultural Trade and Trade Balances for Western Hemisphere Countries with Rest of World

Countries	Export Value	Market Share	Import Value	Market Share	Trade Balance	Export Value	Market Share	Import Value	Market Share	Trade Balance	Export Value	Growth Rate	Import Value	Growth Rate	Trade Balance
	1981/83					1991/93					Difference 1981/83 - 1991/93				
CACM	1453	3%	101	1%	1352	1621	3%	176	1%	1445	168	1%	75	6%	93
Caribbean	927	2%	633	5%	293	1240	2%	1172	6%	68	313	3%	538	6%	-225
Venezuela	70	0%	466	3%	-396	47	0%	303	2%	-257	-23	-4%	-163	-4%	139
Uruguay	547	1%	19	0%	528	552	1%	34	0%	518	5	0%	15	6%	-10
United States	30691	56%	10103	74%	20588	30280	55%	13774	68%	16506	-412	0%	3671	3%	-4083
Peru	205	0%	105	1%	100	668	1%	170	1%	498	463	13%	65	5%	398
Paraguay	255	0%	9	0%	246	361	1%	15	0%	345	106	4%	7	6%	99
Mexico	383	1%	317	2%	66	365	1%	992	5%	-627	-18	0%	675	12%	-693
Ecuador	184	0%	29	0%	156	504	1%	40	0%	464	320	11%	12	4%	308
Colombia	1404	3%	88	1%	1316	1422	3%	106	1%	1316	17	0%	18	2%	0
Chile	439	1%	87	1%	353	1102	2%	139	1%	964	663	10%	52	5%	611
Canada	5776	11%	1259	9%	4516	4691	8%	1934	10%	2757	-1085	-2%	674	4%	-1759
Brazil	7056	13%	269	2%	6787	6995	13%	787	4%	6208	-61	0%	518	11%	-579
Bolivia	17	0%	17	0%	1	21	0%	23	0%	-2	4	2%	7	3%	-3
Argentina	4909	9%	97	1%	4812	4848	9%	264	1%	4584	-61	0%	167	11%	-228
O.L.America	299	1%	108	1%	191	504	1%	187	1%	317	205	5%	80	6%	126
TOTAL	54616	100%	13706	100%	40910	55220	100%	20116	100%	35104	603	0%	6410	4%	-5806
Top Four		89%		91%			85%		89%						

Table 5: Total and Intraregional Agricultural Trade by Category

	Value			Average Annual Growth Rates			Market Shares		
	1971/73	1981/83	1991/93	1971/73-1981/83	1981/83-1991/93	1971/73-1991/93	1971/73	1981/83	1991/93
	$ mil.						percent		
Total Intraregional Ag. Trade	6005	18844	30960	12.1%	5.1%	8.5%	100.0%	100.0%	100.0%
Total Bulk	2454	8162	12386	12.8%	4.3%	8.4%	40.9%	43.3%	40.0%
Bulk Unprocessed	1320	5197	5910	14.7%	1.3%	7.8%	22.0%	27.6%	19.1%
Bulk Processed	1133	2965	6476	10.1%	8.1%	9.1%	18.9%	15.7%	20.9%
Total Consumer-Ready	3551	10682	18573	11.6%	5.7%	8.6%	59.1%	56.7%	60.0%
Consumer Unprocessed	2331	6579	10899	10.9%	5.2%	8.0%	38.8%	34.9%	35.2%
Consumer Processed	1220	4103	7674	12.9%	6.5%	9.6%	20.3%	21.8%	24.8%
Total Value-Added	4684	13647	25049	11.3%	6.3%	8.7%	78.0%	72.4%	80.9%

Table 6: Commodity Composition of Western Hemisphere Intraregional Agricultural Trade

Commodities	1981-83		1991-93
Coffee	2180	Coffee	1696
Wheat	1853	Wheat	1664
Refined Sugar	1054	Bananas,Plantains	1439
Bananas,Plantains	891	Bovine Cattle	1411
Corn	846	Oth fresh Veg.	1210
Soybeans	607	Grain-based foods	1201
Fruit,Veg.juices	541	Bovine meat	1165
Other grains	511	Fruit,fresh	941
Oth fresh Veg.	504	Corn	810
Bovine meat	449	Fruit,Veg.juices	795
TOP TEN	9436	TOP TEN	12331
SHARE OF TOTAL	50.1%	SHARE OF TOTAL	39.8%
Raw Sugar	369	Raw Sugar	717
Other Oilseeds	367	Soybeans	708
Bovine Cattle	336	Other grains	576
Leguminous Veg.,Dry	330	Cotton	539
Grain-based foods	284	Grapes	521
Tomatoes	278	Tobacco	505
Soybean Oil	267	Rice	468
Fruit,fresh	256	Veg Simply Presvd	439
Pigmeat	239	Cut Flowers	438
Rice	216	Pigmeat	434
Grapes	188	Tomatoes	384
Tobacco	180	Poultrymeat	370
Cocoa Beans	176	Edib Nuts	347
Cotton	169	Soybean Oil	341
Flour	165	Other Oilseeds	320
TOP TWENTY FIVE	13256		19440
SHARE OF TOTAL	70.3%		62.8%
OTHERS	5588		30960
TOTAL	18844		30960

Table 7: Portion of Intraregional Agricultural Exports Accounted for by Top Ten Items

Countries	Export Value	Top Ten Items	Top Ten % of Total	Export Value	Top Ten Items	Top Ten % of Total
		1981-83			1991-93	
CACM	1556	1346	87%	2074	1744	84%
Caribbean	781	661	85%	598	423	71%
Venezuela	19	15	78%	194	121	62%
Uruguay	188	131	70%	413	280	68%
United States	7017	3884	55%	11343	4567	40%
Peru	169	136	81%	196	92	47%
Paraguay	256	240	94%	286	262	92%
Mexico	1240	1007	81%	2840	2086	73%
Ecuador	473	379	80%	588	509	87%
Colombia	799	743	93%	1250	1109	89%
Chile	268	203	76%	1090	745	68%
Canada	2221	1298	58%	5152	2982	58%
Brazil	2370	1722	73%	2129	1348	63%
Bolivia	37	31	83%	131	97	74%
Argentina	1187	641	54%	2490	1485	60%
O.L.America	264	245	93%	183	146	80%
TOTAL	18844	9436	50%	30960	12331	40%

Table 8: Intraregional Agricultural Trade and Trade Balances for Western Hemisphere Countries

Countries	Export Value	Market Share	Import Value	Market Share	Trade Balance	Export Value	Market Share	Import Value	Market Share	Trade Balance	Export Value	Growth Rate	Import Value	Growth Rate	Trade Balance
	1981-83					1991-93					Difference 1981/83 - 1991/93				
CACM	1556	8%	459	2%	1098	2074	7%	747	2%	1326	517	3%	288	5%	229
Caribbean	781	4%	1214	6%	-433	598	2%	1372	4%	-774	-182	-3%	158	1%	-340
Venezuela	19	0%	1085	6%	-1066	194	1%	866	3%	-672	176	26%	-218	-2%	394
Uruguay	188	1%	73	0%	115	413	1%	162	1%	251	225	8%	89	8%	136
United States	7017	37%	8010	43%	-993	11343	37%	13426	43%	-2083	4326	5%	5416	5%	-1090
Peru	169	1%	461	2%	-292	196	1%	600	2%	-404	28	2%	139	3%	-112
Paraguay	256	1%	71	0%	186	286	1%	178	1%	108	30	1%	107	10%	-77
Mexico	1240	7%	2277	12%	-1037	2840	9%	4021	13%	-1181	1599	9%	1743	6%	-144
Ecuador	473	3%	130	1%	343	588	2%	186	1%	402	115	2%	56	4%	59
Colombia	799	4%	368	2%	430	1250	4%	478	2%	773	452	5%	110	3%	342
Chile	268	1%	463	2%	-195	1090	4%	493	2%	597	822	15%	30	1%	792
Canada	2221	12%	2311	12%	-90	5152	17%	5572	18%	-420	2931	9%	3261	9%	-330
Brazil	2370	13%	1391	7%	979	2129	7%	1922	6%	207	-241	-1%	531	3%	-772
Bolivia	37	0%	90	0%	-53	131	0%	151	0%	-20	95	14%	61	5%	34
Argentina	1187	6%	266	1%	921	2490	8%	541	2%	1948	1303	8%	275	7%	1028
O.L.America	264	1%	176	1%	88	183	1%	243	1%	-60	-81	-4%	68	3%	-148
TOTAL	18844	100%	18844	100%	0	30960	100%	30960	100%	0	12115	5%	12115	5%	0
Top Four		70%		74%			70%		81%						

Table 9: Sources of Intraregional Export Growth by Economic Groupings, 1981-83 to 1991-93

	Total Ag Trade	Bulk Unprocessed	Bulk Processed	Consumer Unprocessed	Consumer Processed
Andean Pact	2.5%	12.2%	3.0%	0.3%	2.6%
to others	4.7%	8.8%	2.3%	10.6%	-0.9%
Total	7.1%	21.0%	5.3%	10.8%	1.7%
MERCOSUR	8.7%	75.3%	2.9%	2.9%	8.0%
to others	2.2%	17.2%	16.9%	-5.3%	-6.1%
Total	10.9%	92.4%	19.8%	-2.4%	1.9%
NAFTA	77.0%	63.1%	75.4%	73.4%	85.6%
to others	-3.9%	-114.8%	-3.3%	0.9%	11.9%
Total	73.1%	-51.7%	72.1%	74.3%	97.6%
CACM	-0.1%	0.9%	0.0%	-0.8%	0.5%
to others	4.3%	29.0%	1.2%	9.3%	-3.6%
Total	4.3%	29.9%	1.3%	8.6%	-3.1%
Caribbean	0.0%	-2.0%	-0.1%	-0.1%	0.6%
to others	-1.5%	5.2%	0.1%	-0.9%	-5.0%
Total	-1.5%	3.2%	-0.1%	-1.0%	-4.4%
Chile	6.8%	2.0%	1.6%	10.8%	8.1%
O.L.America	-0.7%	3.3%	0.1%	-1.1%	-1.7%
TOTAL WEST.HEM.	100.0%	100.0%	100.0%	100.0%	100.0%

Table 10: Export Market Shares by Economic Groupings, 1981-83 and 1991-93

1981-83	Total Ag Trade	Bulk Unprocessed	Bulk Processed	Consumer Unprocessed	Consumer Processed
Andean Pact	0.7%	0.3%	1.1%	0.8%	0.7%
to others	7.3%	0.4%	1.1%	16.8%	5.1%
Total	7.9%	0.7%	2.2%	17.6%	5.7%
MERCOSUR	4.4%	6.8%	2.9%	3.9%	3.2%
to others	16.8%	7.6%	13.0%	15.1%	34.1%
Total	21.2%	14.4%	15.9%	19.0%	37.3%
CACM	0.9%	0.3%	1.0%	0.8%	1.8%
to others	7.3%	0.8%	1.6%	16.3%	5.4%
Total	8.3%	1.1%	2.6%	17.1%	7.2%
Caribbean	0.5%	0.4%	0.8%	0.2%	0.8%
to others	3.7%	3.4%	1.0%	3.3%	6.5%
Total	4.1%	3.8%	1.7%	3.5%	7.3%
NAFTA	34.3%	33.1%	47.2%	33.3%	28.2%
to others	21.3%	45.9%	28.5%	5.2%	10.5%
Total	55.6%	79.0%	75.7%	38.5%	38.7%
Chile	1.4%	0.1%	1.4%	2.7%	1.0%
O.L.America	1.4%	0.9%	0.4%	1.5%	2.6%
1991-93					
Andean Pact	1.4%	1.7%	2.1%	0.6%	1.6%
to others	6.3%	1.4%	1.7%	14.3%	2.3%
Total	7.6%	3.2%	3.9%	14.9%	3.9%
MERCOSUR	6.1%	15.0%	2.9%	3.5%	5.4%
to others	11.1%	8.8%	15.1%	7.0%	15.4%
Total	17.2%	23.8%	18.0%	10.5%	20.8%
CACM	0.5%	0.4%	0.5%	0.2%	1.2%
to others	6.2%	4.2%	1.4%	13.5%	1.2%
Total	6.7%	4.6%	1.9%	13.7%	2.4%
Caribbean	0.3%	0.1%	0.3%	0.1%	0.7%
to others	1.6%	3.6%	0.5%	1.6%	1.1%
Total	1.9%	3.7%	0.8%	1.7%	1.9%
NAFTA	51.0%	36.7%	62.5%	49.2%	54.9%
to others	11.4%	26.5%	11.3%	3.5%	11.2%
Total	62.5%	63.3%	73.8%	52.7%	66.1%
Chile	3.5%	0.3%	1.5%	5.9%	4.3%
O.L.America	0.6%	1.2%	0.2%	0.5%	0.6%

Appendix Table 1--Latin American Import Regimes

Country	Regime prior to trade liberalization	Trade liberalization in the 1980's
Argentina	All imports require certificate of necessity.Tariffs zero to 38% ad valorem on consumer goods, and raw materials; zero to 55% ad valorem on capital goods.	Liberalization in 1976-81, followed by new protection in response to crisis; intent toreliberalize since 1987.Tariffs reduced to maximum of 40 percent in 1989.
Brazil	Licensing requirements on almost all goods.Tariffs zero to 37% for raw materials and essentials not produced locally, 16-70% for equivalents of locally made items and 64-205% for nonessentials.	Beginning 1988, simplification of tariff structureand reduction of tariff rates.Import licensesnot binding.Proposal for an average importtariff of 14.2% with a maximum duty of 35%.
Bolivia	License required for foodstuffs, live animals, manufactures and industrial inputs.Tariffs range from a minimum 2% on food imports to 120% on automobiles.	In 1985 replaced the complex, highly protective tariff system by a single uniform tariff of 20%,progressively reduced to 10%.
CARICOM	Enacted a Common External Tariff (CET) in 1973.Time of actual implementation varied by country.Fourdifferent tariff schedules and 16 different tariff rates,ranging from zero to 70%.The average tariff was 20%.	A proposal for a new CET seeks to reduce the tariff rate to 5, lower the maximum tariff to 45%, and introduce a minimum tariff of 5%.
Chile	Required one-year permits to obtain foreign exchange for imports over $500.Trade liberalized in the 1970s.Tariffs increased to 35% in response to 1982 crisis, later reduced to 20% ad-valorem.	Since October 1985, tariffs have been progressively reduced to 15% ad valorem.In addition, there is a variable import surtax forwheat and oilseeds.
CACM	Highly protective tariff rates. In Costa Rica, for example, several rates exceeded 1,000%.A CET enacted 1986 included effective protection rates between 50% and 150%, which reduced the tariffs and the dispersion.	Reformed the CET in 1987, reducing themean external tariff from 53% to 26%, and converting specific tariffs to ad valorem.In 1987 Costa Rica further reduced average tariff to 16%.Costa Rica joined GATT in 1990.
Colombia	Prior licenses required on 80% of imports.Tariffs of 5-20% for capital goods, 180% for automobiles.Averagetariff of 30%.	Gradual trade liberalization since 1980.Radicalimport liberalization program adopted in 1989. Tariff reduction has been accelerated and thereis a proposal to reduce prior licensing.
Mexico	Licensing requirements for most imports, except "free zone" imports.In 1985, import licensing covered 92 percent of production.Tariffs 50-100% for consumer goods; 30-40% for products competitive with localindustry.For capital goods, 40-60% for items producedlocally; 20-30% if production likely; 5-10% if unlikely.	Beginning in 1985, phase-out and reduction oftariffs.Joined GATT in 1986.
Peru	Import licenses required for products produced by state- owned firms.Tariffs 10% ad valorem for industrial rawmaterials; 30% for intermediate goods; 45% for finishedgoods; and 60% for luxury goods.	Since 1983 a 10% surcharge has been imposed on imports to reduce trade deficit.In addition,local-content requirements and/or import substitution rules have been used.
Venezuela	Widespread import licensing.Average tariff 35-40%, up to 100% for luxury items.	Adopted an import liberalization program in 1989. Abolished most import prohibitions and tariffs reduced to maximum of 80%.

Source: Business Latin America, May 1983. IIE, Latin American Adjustment, April 1990. World Bank Documents.

Appendix Table 2--Western Hemisphere Preferential Markets

Groups	Established / Aim	Member countries
Canada-Caribbean Commonwealth Program(CARIBCAN)	Established in 1985, as Canada's preferential trading scheme for theCommonwealth Caribbean.	Canada, Commonwealth Caribbean.
Caribbean Basin Initiative (CBI)	Implemented in 1984.U.S. trade preference program for Caribbean and Central American countries.	United States and 24 Caribbean and Central American countries.
Andean Trade Preference Act (ATPA)	Authorized in 1991 to encourageproduction of non-drug crops.	Bolivia, Colombia, Ecuador, Perú.

Appendix Table 3--Western Hemisphere Trading Blocks and Bilateral Agreements

Groups	Established / Aim	Member countries
Argentina-Bolivia	Established December 1989 aCEA to promote free trade.	Argentina, Bolivia.
Argentina-Colombia	Established April 1988 a CEA to expand and diversify trade.	Argentina, Colombia.
Andean Group (AG), also known as the Andean Pact	Established May 1969, to promoteeconomic integration, and freer trade.	Bolivia, Colombia, Ecuador, Peru, Venezuela.
Bolivia-Perú	Established November 1992, topromote freer trade.	Bolivia, Perú.
Bolivia-Chile	Established April 1993, to promoteeconomic integration, and freer trade.	Bolivia, Chile.
Caribbean Community andCommon Market(CARICOM)	Established July 1973, to promote free trade among member countries.	Antigua and Barbuda, The Bahamas, Barbados,Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Santa Lucia, SanVicente and Grenadines, Trinidad and Tobago.
Central AmericanCommon Market (CACM)	Established December 1960, to promote a common market.	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua.
Chile-Mexico	Established September 1991 to promote free trade.	Chile, Mexico.
Chile-Venezuela	Established April 1993.	Chile, Venezuela.
Colombia-Venezuela	Established 1992, customs union.	Colombia, Venezuela.
Group of 3 (G-3)	Established 1990 as a mechanism for policy coordination.	Colombia, Mexico, Venezuela.
Latin American IntegrationAssociation (ALADI)	Established 1980, to promote freerregional trade with preferential tariffs.	Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador,Mexico, Paraguay, Peru, Uruguay, Venezuela.
North America Free TradeAgreement (NAFTA)	Implemented January 1994, to promote freer regional trade.	Canada, Mexico, United States.
Northern CommercialTriangle	Established in 1992, to promote freer trade within the CACM.	El Salvador, Guatemala, Honduras.
Mexico-Costa Rica	Established 1994.	Costa Rica, Mexico.
Southern Cone CommonMarket (MERCOSUR)	Established March 1991, for regional economic cooperation.	Argentina, Brazil, Paraguay, Uruguay.
U.S.-Canada Free TradeAgreement(CFTA)	Enacted January 1989, to promotefreer regional trade.	Canada, United States.
U.S.-Canada-Mexico FTA (NAFTA)	Enacted January 1994, to promotefreer regional trade.	Canada, Mexico, United States.
Perú-Venezuela	Enacted 1992, trade accord	Perú, Venezuela.