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The Role of Agriculture in Regional Integration Arrangements

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ANNEX E

EXECUTIVE SUMMARY

Background Information

For 2004, APEC set the following priorities: promote trade and investment liberalization; enhance human security; help people and societies benefit from globalisation. The paper focuses on that first priority with regard to agriculture, while stressing the last priority with regard to the people living from agriculture and the particular problems found in Latin American rural areas. The paper emphasises multilateral trade negotiations, because the regional and bilateral agreements are often governed or held back by the developments of the multilateral discussions.

The WTO members continue to be utterly divided over how to deal with the three main issues at hand for agriculture: market access, export competition—including export credit schemes and food aid—and domestic support, and so do the APEC members, as they face different situations as to the economic and social importance of agriculture.

Since their independence in the early XIXth century, the countries of Latin America have made several attempts to integrate, both economically and politically, especially during the import substitution era (early fifties to seventies). The nineties have seen a new upsurge of free trade agreements—first within the region and then through bi-lateral or multi-lateral agreements with countries or groups of countries outside the region—. Presently there are more than 20 different trade agreements involving Latin American and APEC members. The public and private transaction costs of so many, different trade agreements are however extremely high, especially for smaller economic agents.

It fact, cause-effect relations of tariff, quota and subsidy reductions on the different types of agriculture and farmers is far from clear. The results so far in Latin American countries who have drastically cut tariffs, either unilaterally, either through trade agreements, seem to have been positive on several counts, looking at total magnitudes or averages. However, how far this has trickled down to the poor (urban or rural) through lower food prices, better quality food, or to farmers, through higher profits, is a question open to much debate and few convincing answers, one way or the other, among others because all models have limitations, and because most analysts seem unable to be completely neutral on the subject.

The role of agriculture in regional integration arrangements or “why is it that agriculture requires a special treatment?”

Part II: “Back to basics”: Key negotiating themes
Panel 12: “Agriculture”

Apec Study Centers Consortium Annual Meeting
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The opinions expressed in this paper are those of the author and do not necessarily reflect the views of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC)

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Introduction

The Asia-Pacific Economic Cooperation (APEC) is a forum for economic growth, cooperation, trade and investment. It was established in 1989. It presently encompasses around one third of the world's population (or 2.6 billion people) and 60% of the world's GDP (or US\$ 19,254 billion). Of the 21 APEC Member States, only three are from Latin America, namely Chile, Mexico and Peru, although seven additional Latin American countries have a Pacific coastline.² For 2004, APEC set the following priorities: promote trade and investment liberalization; enhance human security; help people and societies benefit from globalisation. In what follows, we will focus on that first priority with regard to agriculture, while stressing the last priority with regard to the people living from agriculture and the particular problems found in Latin American rural areas. We have given more emphasis on the multilateral trade negotiations, because the regional and bilateral agreements are often governed or held back by the developments of the multilateral discussions.

1. In a nutshell: some of the trade negotiation issues at hand

“... We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall ...effectively take into account their developing needs, including food security and rural development”, Paragraph 13 of the Doha Ministerial Declaration.

a) The multilateral negotiations in the realm of the WTO

Until 1995, the norms that prevailed under the General Agreement on Tariffs and Trade (GATT) did not deal specifically with agricultural products. A specific Agreement on Agriculture was included in the Uruguay Round (1986-1994); this represented a first step in the reform of agricultural trade. As a result,

¹ The author wishes to thank Mónica Kjöllérström from ECLAC's Agricultural Development Unit for her useful comments and Verónica Silva from ECLAC's Division of Trade and Integration, for all the advise given as to reading material. The pertinent use or not of the comments and material is of course the sole responsibility of the author.

² From South to North: Ecuador, Colombia, Panama, Costa Rica, Nicaragua, El Salvador and Guatemala.

all agricultural products listed in the Agreement are now the subject of multilateral disciplines included in the tariff consolidations. In contrast, the tariffs of an important number of industrial goods continue to be unconsolidated. In the Agreement on Agriculture, the signatories took the compromise to start a new round of negotiations in the year 2000. In fact, agriculture and services are the only areas where negotiations on further trade liberalisation are mandated in the World Trade Organisation (WTO) Agreements themselves. These talks started on schedule in 2000, but no noticeable progress was made so far. (WTO, 2003)

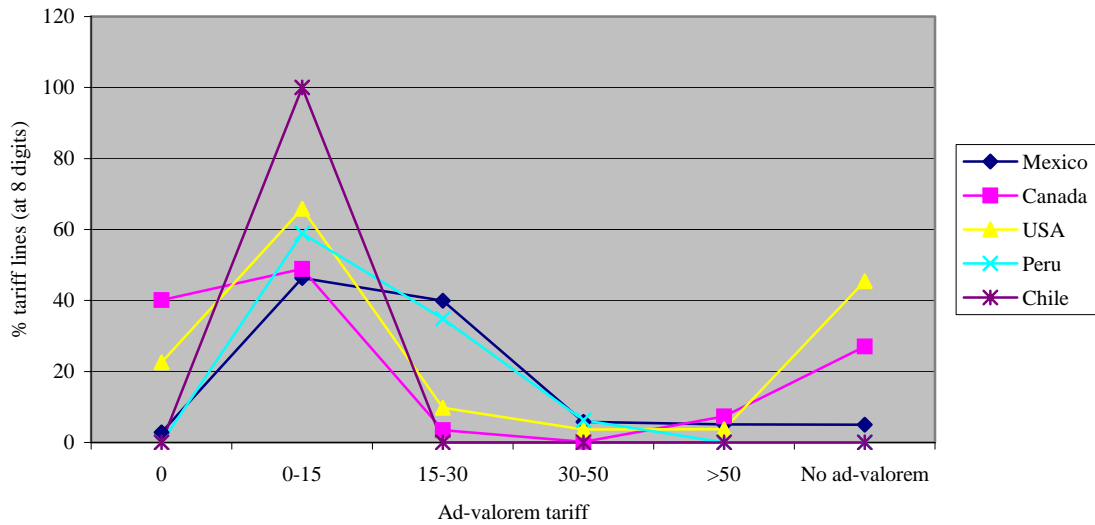
At the end of the Uruguay Round, the major importing countries put the upper bound for the import duties of most agricultural products at between 50% and 300%. In addition, the sanitary, phytosanitary and technical measures are covered by specific agreements. (ECLAC, 2003, p. 196) When looking at average and median agricultural tariffs as well as their dispersion (as measured through their standard deviation) one can conclude that South America —with the exception of Peru— went through the trade liberalization process of the nineties without excluding the agricultural sector, because the average and median tariffs are extremely close. This is however not the case for the United States and Canada (and the European Union) where the median is much lower than the average, pointing to the fact that a large number of tariffs are below the average but, simultaneously, a few —the so-called “mega-tariffs”— are extremely high. Thus, Canada has 98 tariff groups (at 8 digits of the Standard Industrial Trade Classification) with tariffs exceeding 50% and some products from the wheat milling sub-sector that reach rates equivalent to 350%. In the United States, 83% of its tariff groups have tariffs lower than 15%, but 4% of its tariff groups (61 groups) fall into the category of “mega-tariffs” going from 50% to 350% in the case of some products derived from tobacco. In Mexico, 5% of its tariff groups (54 groups) have tariffs above 50% and some reach 260%. Mexico’s average tariff (23%) is the third highest among the countries negotiating the Free Trade Agreement of the Americas (FTAA; ALCA in Spanish). In addition, in the United States, more than a third of the tariffs are specific, meaning that the more competitive the exporting country, the higher the tariff. In Canada, 19% of tariffs are specific and in Mexico 1%. In the rest of Latin America tariffs are only *ad valorem*, while in some Caribbean countries several tariffs are also specific. Chile is a particular case, with some of the lowest *ad valorem* tariffs of Latin America but with some of its imports subject to price bands (*bandas de precio*)³ and other sanitary and phytosanitary restrictions which represent a significant protection against imports. (IDB, 2003, p. 81) Graph 1 shows the tariff structure of the American Continent members of APEC, while graph 2 shows how agribusiness products⁴ are increasingly present in the higher United States tariff structure.

³ When international prices are below (or above) a certain minimum (maximum) the specific tariff is increased (decreased) in order to maintain the internal price within pre-fixed limits, according to a formula based on prevailing international prices during the past years.

⁴ Broadly, the term “agribusiness” includes the agricultural primary products, their upstream inputs and services, and their downstream, processed, outputs and related services, including distribution.

Graph 1

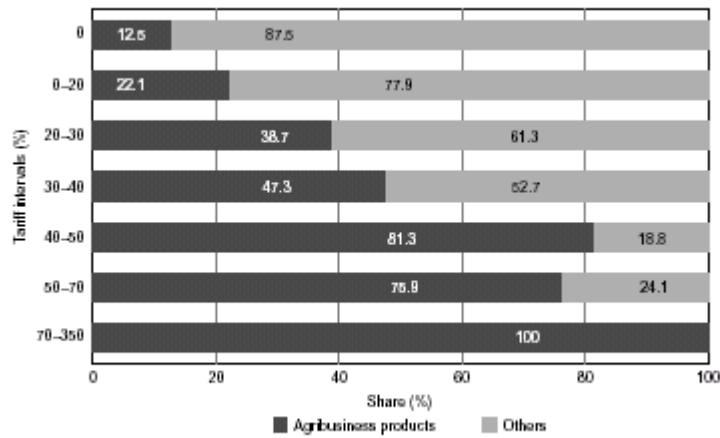
2000: Tariff structure imports agriculture, in selected countries



Source: IDB (2003): "Más allá de las fronteras", Economic and Social Progress Report 2002, p. 88

Graph 2

TARIFF STRUCTURE IN THE UNITED STATES: TARIFF PEAKS



Source: Marcos Jank and Andre Meloni Nassar, *The FTA and Agriculture: The Brazil vs. U.S. Perspective*, Brazilian Studies Program, São Paulo, 2001.

Reproduced from ECLAC, 2003, p. 129

With the Ministerial Declaration of Doha (14 November 2001) agriculture not only became fully part of the present trade negotiation round, but there is an overall awareness that without positive results on

agriculture, other negotiation items on the agenda⁵ might stall. The negotiation round is scheduled to finalize by 1 January 2005.

Presently, the WTO has 146 member countries. The first stage of the new round of negotiations closed with a recapitulative meeting in March 2001 in which 89 countries presented 45 proposals and three technical documents. The second stage consisted mainly of informal meetings while the President of the Committee on Agriculture presented a summary of these results in extraordinary formal meetings. This process ended in March 2002. (WTO, 2003) One of the mandated deadlines was the Fifth WTO Ministerial Conference of Cancun (10-14 September 2003) where Governments had to submit comprehensive draft schedules.⁶

The WTO members continue to be utterly divided over how to deal with the three main issues at hand for agriculture: market access, export competition—including export credit schemes and food aid—and domestic support. Quite different approaches to these issues rally support from different sub-groups among WTO members. The most known are: the Cairns Group,⁷ comprised of 17 agricultural exporting countries committed to a market-oriented agricultural trading system, eight of which are also APEC members; the informal Like-Minded Group of developing countries⁸ and the Friends of Multifunctionality,⁹ two of which are APEC members. (ICTSD/IISD,¹⁰ 2003, February and August)

In Latin America, most small economies, like most of the Caribbean countries, are heavily dependent on preferential agreements or tariff-free regimes like the GSP (General System of Preferences) or the Lomé-Cotonou agreements of the Asia-Caribbean and Pacific countries with the European Union.¹¹ For the net importing countries, the elimination of subsidies is a delicate subject because they depend on low-cost imports. They therefore resist their elimination, as well as the export subsidies and food aid programmes. For net agro-exporting competitive countries like Brazil and Argentina, the sector generates an important trade balance surplus. Therefore, they are in the league of countries demanding trade liberalization. For the largest developed economies, as the European Union, the United States and Japan, although agriculture only represents a small part of their GDP and workforce (although when forward and backward linkages are included, the picture changes substantively), it does remain a sensitive sector, due to pressure groups (farmers organizations, environmentalists, politicians with a rural voters base, consumers preoccupied with food safety, etc.) (IDB, 2003, p. 79) or a not so far away past of famines, food insecurity due to wars, etc.

⁵ Among others: on non-agricultural market access, on the Singapore issues (foreign direct investment, competition, transparency in government procurement and trade facilitation). The only of the Singapore issues not under dispute is trade facilitation, which is about reducing transaction costs and red tape in customs administration. (Liebig, 2003)

⁶ Schedules are detailed lists of every Member's tariff concessions, commitments to limit subsidies, commitments on tariff rate quotas, use of agricultural safeguards, etc. to be part of a re-negotiated Agreement on Agriculture.

⁷ The countries participating in the Cairns Group are: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

⁸ It usually comprises Cuba, the Dominican Republic, El Salvador, Haiti, Honduras, Kenya, Pakistan, Sri Lanka, Uganda and Zimbabwe.

⁹ Six "countries" form the core (Switzerland, Norway, Japan, Korea, Mauritius and the European Union), but several developing countries and countries in transition support certain of the arguments put forward by the group.

¹⁰ The International Centre for Trade and Sustainable Development (ICTSD) is an Independent non-profit and non-governmental organization based in Geneva, established in 1996; the International Institute for Sustainable Development (IISD) is registered as a charitable organization in Canada.

¹¹ For more details, see among others Rodrigues and Torres (2003)

The Latin American and Caribbean countries have participated actively, either individually or as coalitions of countries, in protecting their sometimes divergent interests at every stage of the technical work and negotiations. The MERCOSUR¹² countries, along with five other Latin American countries, are members of the Cairns Group. The English speaking Caribbean countries participate as a sub-regional group (CARICOM), belong to the group of developing countries that are net food importers along with Cuba, the Dominican Republic, Honduras, Peru and Venezuela, and also are part of the group of Small Island Developing States. Cuba, the Dominican Republic, El Salvador, Haiti, Honduras and Nicaragua joined other countries, including India, Kenya, Pakistan, Sri Lanka, Uganda and Zimbabwe, in submitting comments and proposals as the Group of Developing Countries. (ECLAC, 2003, p. 198)

Negotiations on market access cover five sub-topics: (i) tariffs, (ii) tariff-quotas, (iii) tariff-quota administration, (iv) special safeguard measures, (v) State trading companies and other market-access related matters. One of the issues at hand is whether to follow the “Swiss formula” —supported by the Cairns Group, the United States and the Like-Minded Group— or the “Uruguay Round approach” —supported among others by the European Union, Japan, Korea and India—, that is whether all tariffs are brought down to a maximum of e.g. 25 percent or whether a linear reduction is followed, no matter how high the starting tariff is.

Another issue of the market access negotiations are the tariff-quotas.¹³ Most members (Cairns Group, the United States, China, etc.) would like to increase the quotas with the final objective of a tariff-only regime, while others (Japan, Korea) are seeking to review some quotas in line with domestic consumption. The Special Agricultural Safeguards are only applicable to Members who converted non-tariff market access restrictions into ordinary custom restrictions. But most developing countries did not have non-tariff measures in place. Therefore the Like-Minded Group has proposed a new mechanism that would apply only to developing countries and would replace the Special Agricultural Safeguards. (ICTSD/IISD, 2003, February)

Negotiations on export competition cover the following sub-topics: (i) export subsidies,¹⁴ (ii) export credit; (iii) food aid; (iv) State trading enterprises, and (v) export taxes and restrictions. The Cairns Group, supported by many other countries including the United States, pursues the phasing out of export subsidies within a three to five year term, with a wide array of other proposals coming from other members. As to export credits, the discussions try to determine which credits are on commercial terms and which should be reduced, restricted or banned. (ICTSD/IISD, 2003, February)

The third set of sub-topics is referred to as "domestic support measures". The agricultural domestic support categories are commonly referred to as “boxes” plus the peace clause. Thus the Green Box measures should not have distorting effects or be minimally trade-distorting in agricultural markets. They include funds for research, promotion of food security stocks, direct payments to producers decoupled from current prices or production levels, structural adjustment assistance, safety-net programmes, environmental programmes and regional assistance. Because of their sheer size however (US\$ 78 billion)

¹² Argentina, Brazil, Paraguay and Uruguay.

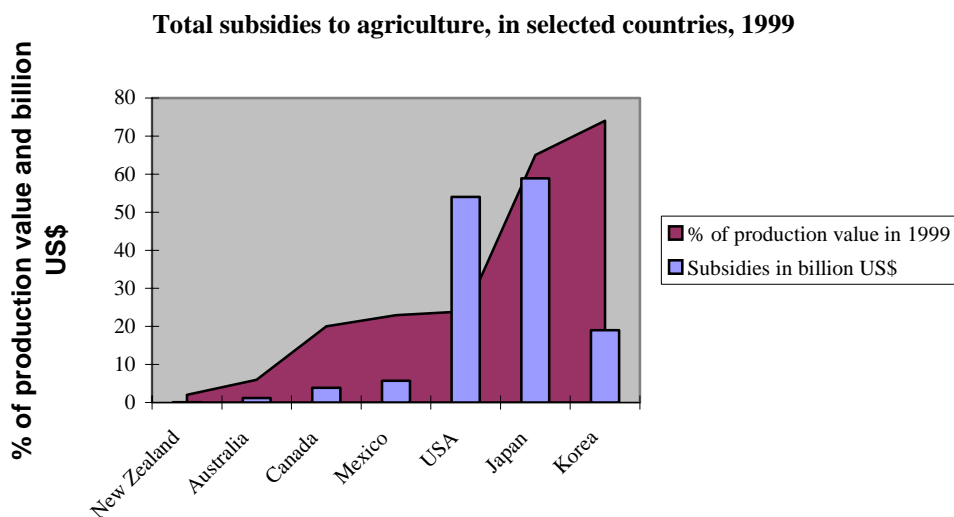
¹³ Tariff quotas are two-stage tariffs: imports up to the quota level enter the country at a certain duty; imports beyond this quota are subjected to a higher tariff rate.

¹⁴ Six of 25 Latin American countries submitted information on their export subsidies to the WTO: Brazil, for 16 products; Colombia, for 18 products; Mexico, for five; Panama, for one; Uruguay, for three, and Venezuela, for 72 products. (ECLAC, 2003, p. 198)

they most probably do have serious distorting effects. The Amber Box includes most measures that are considered to distort production and trade. The Blue Box measures are an exemption from the general rule that all subsidies linked to production must be reduced or kept within defined minimal (*de minimis*) levels, they include production-limiting programmes (among others, payments according to acreage, for leaving land fallow, for not exceeding milk or meat production quotas). (ICTSD/IISD (2003, February)

The Friends of Multifunctionality and transition economies have called for more flexibility to pursue non-trade issues such as the environment, rural development, food security and animal welfare within the Green Box. Some countries such as the Cairns Group and India have asked to cap the Green Box at for example 5% of annual agricultural GDP. Some countries such as the Cairns Group, the United States, China and India advocate the eventual elimination of the Amber Box, along several formulae. The Cairns Group, along with the United States and several developing countries, also wants to move partly decoupled payments with production limitation requirements from the Blue Box to the Amber Box, which is subject to reduction commitments. On the other hand, the European Union, Japan and Switzerland see the Blue Box as a staging post to move away from trade-distorting subsidies and argue it is necessary to allow reform to take place in their countries. (ICTSD/IISD, 2003, February) Graph 3 gives an idea of the importance of the total amount of subsidies to agriculture, both in US\$ terms and as a percentage of agricultural production, while table 1 in the annex gives an overview of the issues and different positions.

Graph 3



Source: ECLAC/IICA (2001): *Survey of agriculture in Latin America and the Caribbean*, p. 141

Finally, there are other agriculture-related issues which may or may not be linked to agricultural negotiations; these include the so-called non-trade issues, geographical indications, food safety, environment, consumer information and labelling, animal welfare and rural development. (ECLAC, 2003, p. 197)

In general terms, there is a broad consensus to give special and differential treatment to developing countries, allowing lower levels of commitments and longer implementation periods, while least-developed countries would be exempted from any reduction commitments. Bulgaria has called for

objective criteria as a basis for this special treatment, such as per capita income, and the idea of “graduation” from one group to the other. This is however fiercely rejected by the developing countries pertaining to the Cairns and Like-Minded Groups. (ICTSD/IISD, 2003, February)

Strangely enough, after the recent start and difficult integration of agriculture in the trade talks, the special rules relating both to safeguards and subsidies are now easier to apply to agriculture than to industrial products.¹⁵ In addition, unlike in agriculture, there are a number of prohibited subsidies in the Agreement on Subsidies and Countervailing Measures applying only to industrial products. Finally, the Agreement on Agriculture includes a “peace clause” aimed at reducing the probability of subsidies leading to disputes before the Dispute Settlement Body. (ECLAC, 2003, p. 196) The clause expired at the end of 2003. However, in the opinion of Granados (2004), the expiration of the clause does not make such a great difference, because of institutional and political problems, except for the larger developing countries (Brazil, and possibly Mexico or Argentina in Latin America) or those acting within the scope of strategic alliances, such as the Cairns Group. The institutional problems include the difficulty of establishing causality between subsidies and harm to agricultural production or exports, the costs of an international legal process, etc., and one of the political problems is the fear of retaliation.

In Doha many consultations took place around the creation of a “Development Box” or “Food Security Box” that would give greater latitude for developing countries’ agricultural support measures. But although proposals to enhance food security, agricultural employment and rural development in developing countries are still on the table, calls for the explicit inclusion of these specific “Boxes” have muted, mainly because their supporters know that they might have to pay a high price for a tool that could be considered a political victory, but might not be of much economic value. They are therefore focusing more on instruments such as strategic products and special safeguard mechanisms.¹⁶ (ICTSD/IISD, 2003, February and August)

In order to unlock the previous dead-end in the discussions and permit the September 2003 Cancun meeting to take place, the European Union and the United States prepared a joint proposal in August 2003, to combine the two main approaches for tariff reduction, through a blended formula, under which the Uruguay Round formula could be applied to “import sensitive products” and the Swiss formula to the rest. A maximum tariff level would also be determined. This proposal however left several issues aside (e.g. special treatment for developing countries). (ICTSD/IISD, 2003, February and August) In spite of this and many other last minute efforts, the Cancun meeting did not succeed in reaching agreements, among other reasons, because the proposals put onto the negotiation table—especially as to agriculture—were found unacceptable by the so-called Group of 20,¹⁷ with Brazil,

¹⁵ Under the Agreement on Agriculture, special safeguard provisions may be invoked if: (a) the volume of imports of that product entering the customs territory of the Member granting the concession during any year exceeds a trigger level which relates to the existing market access opportunity; or, but not concurrently, (b) the price at which imports of that product may enter the customs territory of the Member granting the concession falls below a trigger price, in terms of its domestic currency, equal to the 1986-88 average reference price for the product concerned. In contrast, the Agreement on Safeguards, which applies to non-agricultural products, provides that “a Member may apply a safeguard measure only following an investigation by the competent authorities of that Member pursuant to procedures previously established and made public in consonance with Article X of GATT 1994”.

¹⁶ The Special Agricultural Safeguard provisions allow countries to levy an additional, time-limited import duty to protect domestic producers from a sudden surge in imports.

¹⁷ The alternative proposal put onto the Cancun negotiating table on 2 September 2003 was signed by Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, India, Mexico, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand and Venezuela. (Narlikar and Tussie, 2004)

India and China playing a leading role. Another issue that came to the fore in Cancun, but somehow is considered a separate from the negotiations on agriculture, is the Cotton Issue. Indeed, Benin, Mali, Burkina Faso and Chad called for a decision in Cancun to discontinue all subsidies to cotton by the year 2006 and this request turned out to be Cancun's symbolic issue.¹⁸ (Liebig, 2003)

Presently, the process is at an apparent standstill, in spite of the two post-Cancun meetings of the General Council of the WTO (held respectively on 15 December 2003 and 11 and 12 February 2004), the proposal of a new Ministerial Meeting in Hong Kong before the end of 2004, and the many formal and informal contacts and proposals. (Editorial, *Puentes entre el comercio y el desarrollo sostenible*, 2004 January-February) The immediate objective in relation to agriculture is to continue working on a written framework agreement and negotiate more specific points at a later stage.¹⁹ Argentina is one of the countries actively collaborating to produce a text. Some positive signs have been received from the United States (Robert Zoellick's letter) and as recently as 11 May 2004, the European Union made a new proposal to eliminate all agricultural export subsidies with the hope to put WTO negotiations again on track. (Chiaradia, 2004)

Some experts are of the opinion that the G-20 adds a welcome equilibrium to the WTO negotiations, especially in relation to agriculture, although there are some concerns with respect as to how well the G-20 is representing the interests of the other groups of developing countries (G-90, G-33 or the Alliance for Special Products and Special Safeguard Measures, Africa Group). (Strickner and Smaller, 2004)

b) The regional trade agreements in the American continent

Since their independence in the early XIXth century, the countries of Latin America have made several attempts to integrate, both economically and politically, especially during the import substitution era (early fifties to seventies), due to economies of scale requirements and the prevalence of small domestic markets.²⁰ The new upsurge of free trade agreements in the nineties²¹ —first within the region and then through bi-lateral or multi-lateral agreements with countries or groups of countries outside the region—, is of a completely different kind and is an integral part of the process of structural adjustment. As such they followed a parallel road to other free trade area initiatives such as the NAFTA (North American Free Trade Association) and the Association of Southeast Asian Nations (ASEAN),²² the former following the model of the United States-Canada free trade area, and the latter expanding from a regional co-operation area. (IDB, 2003, pp. 1, 3 and 4)

ECLAC, since the early nineties, advocates for what it coined as “*regionalismo abierto*” or open regionalism, that is, strengthening regional integration while at the same time encouraging other types of liberalisation and integration.

¹⁸ The United States provides some US\$ 3 billion per year in subsidies for its 25 000 cotton growers. This sum is roughly equivalent to the GNP of Burkina Faso, where two million people depend on cotton production.

¹⁹ The next agriculture negotiating sessions will take place on: 2-4 June, 17 June, 23-25 June and 14-15 July 2004.

²⁰ Examples are the Central American Common Market (CACM; Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) and the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela and, before the mid-seventies, also Chile)

²¹ The main example is Mercosur

²² Seven of the present ten members of the ASEAN are also members of APEC, namely Indonesia, Malaysia, the Philippines, Singapore and Thailand, its five original members at ASEAN's creation in 1967, and Brunei and Vietnam. The three other ASEAN members are: Cambodia, Laos and Myanmar.

The incorporation of Mexico in the NAFTA was a starting point for Latin American countries in their search for reciprocal free trade agreements with developed countries. At the end of 1994 a process to launch a free trade area of the Americas (ALCA/FTAA) was started, seeking to link up Latin American and Caribbean nations to the United States and Canada. The process is scheduled to finalize by 2005 but, similarly to the WTO negotiations, progress has been far slower than initially foreseen (IDB, 2003, p. 79), not least because several clauses are dependent on the outcome of the WTO trade negotiations.

The FTAA negotiations take the Most Favoured Nation tariffs as a starting point and not the preferential tariffs nor those that prevail within a certain trading block. There are basically three possible scenarios for the FTAA agreement: (1) the FTAA negotiates its own programme for the elimination of tariffs, rules of origin and requirements, while exporters decide case by case, depending on convenience, whether they opt for the FTAA treatment or as per another agreement; (2) the FTAA invalidates pre-existing agreements on tariffs, origin, technical and procedural requirements; (3) the FTAA does not intend to regulate tariffs nor origin or procedural requirements between countries that already have a trade agreement in place. Each of these options have advantages and disadvantages, but if the FTAA could rationalise the present proliferation of different agreements (see next section), then a significant positive externality would have been gained. (IDB, 2003, pp. 79 and 85) Indeed, most countries in the region have already signed several bilateral or multilateral trade agreements and are negotiating so many more. This is accompanied by very high transaction costs, both for the government institutions and for the private sector, in relation to all kinds of issues, including the multiple norms of origin. Most of these transaction costs are fixed, therefore they tend to be prohibitive for but the largest economic agents.

Additionally, it is increasingly clear that opening up markets without complementary public policies, is not only insufficient in order to achieve sustained growth and a better income distribution, but can be frankly counterproductive. This is especially important for Latin America where heterogeneity is substantially higher than in other continents. (Machinea, 2004)

c) The many bilateral trade agreements and unilateral trade liberalization

Presently there are more than 20 different trade agreements involving Latin American and APEC members (see annex, table 2). A sensitive issue is the potential negative aspects of a proliferation of bilateral and multilateral agreements on those countries which are not part of one. This was a particular issue of concern among Central American and Caribbean countries with respect to NAFTA. (BID, 2003, p. 10)

The United States is the largest importer from and exporter to Latin America and the Caribbean (see annex, table 3) and, as we saw previously, a country with many trade restrictions, particularly as to agriculture. Thus, annually,²³ Latin American countries have exported a total of US\$ 285,586 billion, 54.9% of which went to the United States, 16.8% to Latin America, 12.8% to the European Union, 2.6% to Japan and 4.1% to the “sub-APEC”.²⁴ As to destination, the United States was by far the largest importer of Mexico (with 87.1% of its total exports going to that destination). The United States was also the largest destinations for the Andean Community (46.9% of its exports) and for the CACM (41.6% of

²³ Average for the years 1996-2001.

²⁴ Australia, China, Hong Kong SAR, Indonesia, Malaysia, New Zealand, Philippines, Korea, Singapore, Taiwan Province of China and Thailand.

its exports). The “sub-APEC” and Japan were the largest destination for Chile (respectively 14.6% and 14.5% of its total exports) and Japan was the largest destination for Peru (12.7% of its total exports). In general, the weight of primary products in total Latin American exports is high, but this is especially the case of Japan, where primary products represent more than 50% of total Japanese imports from the region. (ECLAC, 2003, pp. 51-52)²⁵

Because of the importance of the United States as a destination and origin of Latin American foreign trade, the negotiations for a free trade agreement between Chile and the United States were especially important for the rest of Latin America, as they set an example of the type of agreement that could be reached. They began at the end of 2000, and reached a successful conclusion at the end of 2002. Conversations covered seven thematic areas addressed by 19 negotiating teams: merchandise trade, trade defence mechanisms, rules and standards, investments and services, trade-related topics, institutional matters, and labour and environmental issues. By December 2002, 14 negotiating rounds had been held.²⁶ For Chile, one of the main potential benefits of negotiations with the United States was tariff-free access resulting from the binding of benefits currently offered under the GSP and the establishment of a tariff reduction timetable for the remainder of bilateral trade between the two countries. Within a maximum of 12 years, all trade between the two countries will be tariff-free, including products for which entry quotas have been negotiated during the initial years. The Treaty includes rules on the following aspects of bilateral trade relations: tariff reduction for merchandise trade, rules of origin, customs administration, sanitary and phytosanitary measures, technical barriers to trade, investments and services, financial services, electronic commerce, competition policies, temporary entry for business persons, intellectual property rights, public procurement, labour rights, protection of the environment and transparency. In addition, a dispute settlement mechanism was agreed consisting of three stages: consultations, commission and arbitral panel. Chilean exporters will be eligible to participate in all United States Federal Government procurement tenders in amounts of US\$ 50,000 or more. They will also be able to participate in public procurement in 37 of the 50 individual states. In return, various United States export sectors —agriculture, construction equipment, automobiles and auto-parts, computers and other information technology products, medical equipment and paper products— have been granted duty-free access to the Chilean market as soon as the Treaty entered into force. The same applies to textiles and clothing, subject to compliance with the agreed rules of origin. United States suppliers of commercial services will have broad access to the Chilean market, with very few exceptions established under the negative list modality. All forms of investment will be protected under the Treaty, which uses a broad definition of assets covering firms, concessions and intellectual property, among other things. From the standpoint of the United States, the treaty offers more advanced and effective protection for copyrights, patents and trademarks than that provided in previous bilateral agreements. (ECLAC, 2003, pp. 142-143)

²⁵ For details on trade and investment flows, see Mattos, 2004.

²⁶ As from the ninth round of negotiations, the Government of Chile introduced the so-called “*cuarto adjunto*” (adjacent room) scheme into the negotiating process, under which private-sector representatives are kept informed of the progress made and consulted on specific issues. (www.direcon.cl).

2. Importance of the agricultural sector

Agricultural production is and remains a strategic issue for most countries in the world, including most APEC members and those where the economic weight of agriculture, as a primary sector, is minimal. It is a sensitive and complex sector, highly heterogeneous both within and between countries. To illustrate the heterogeneity among APEC members, we will focus on a few agricultural indicators. Thus, the total harvested area exceeds 100 million hectares in the United States, the People's Republic of China and the Russian Federation, while it is only slightly more than one thousand hectares in Singapore. The economically active population in agriculture exceeds 50% of the total economically active population in Papua New Guinea, Vietnam, the People's Republic of China and Thailand, but is inferior to 5% in Singapore, Brunei, Hong Kong China, the United States, Canada, Japan and Australia. Agricultural exports represent more than 25% of total exports in New Zealand and Australia, but less than 1 % in Japan and Brunei. In the nineties, growth of agricultural production was highly positive in Vietnam, the People's Republic of China and Peru, and negative in Japan, the Russian Federation and Singapore. Finally, the agricultural trade balance was positive in ten countries and negative in the other ten. (No data were available for Chinese Taipei) (see annex, table 4)

The agricultural policy objectives of the European Community of six were quite simple and straightforward: a) become self-sufficient in staple foods; and b) provide an adequate income to farmers, more or less equivalent to that of other employments. Because we know of no clear, straightforward agricultural policy in Latin American, with the recent exception of Brazil,²⁷ we will take these two issues as a starting point for our analysis of Latin America, with emphasis on the three members of APEC. The enormous heterogeneity among APEC members, leads us to think that the analysis of Latin American countries is pertinent to at least some of the APEC countries. Before starting to look at these issues though, it has to be stressed that dualism—understood as a large number of very small economic agents and a very small number of large economic agents with a lack of prominence of medium sized agents—is prevalent in most productive sectors of Latin America and especially so in agriculture. This renders policy making and consensus reaching especially difficult.

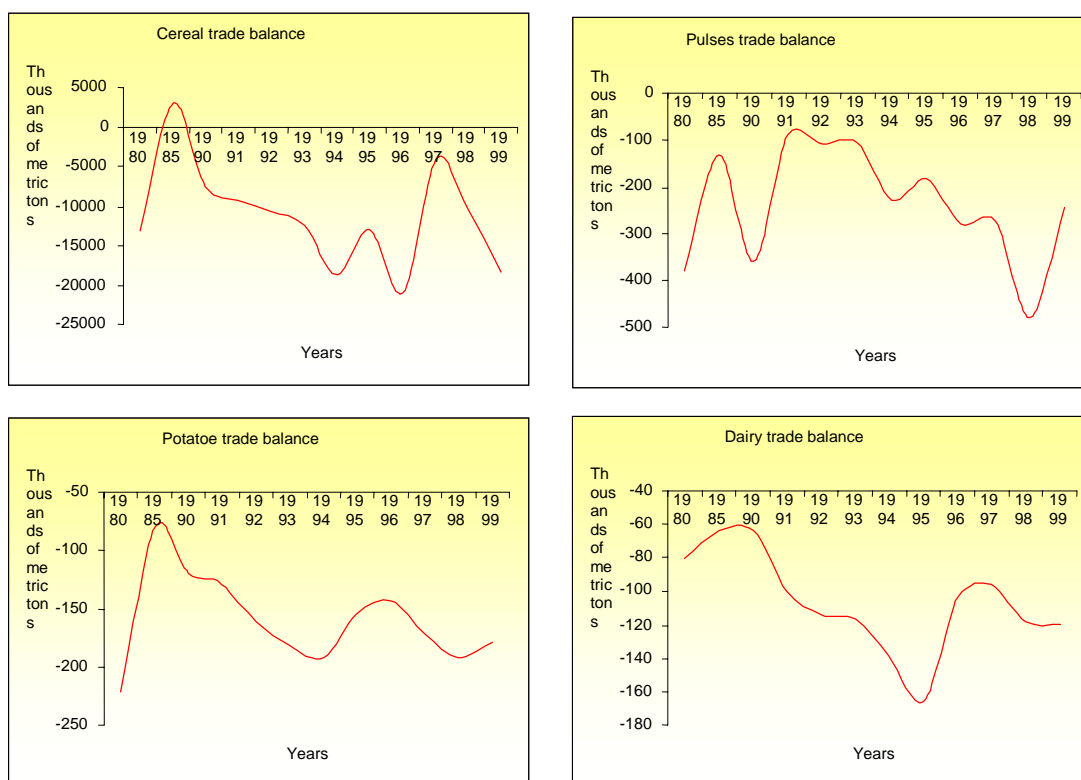
We will first look at the issue of self-sufficiency in staple foods. With the emphasis on economic liberalization and free trade in the late eighties to nineties, this is an issue that has lost relevance in the national policies of most countries, although it continues to be an issue of concern at the world level and in the longer term. Although the trade balance of Latin America has been traditionally positive and growing, most staple foods show a negative trade balance. (see graphs 4 to 7) This is also the case of Chile, a very successful net exporter of agricultural goods, and also Mexico and Peru, two net importers. In spite of this situation, staples continue to use up a large amount of arable land and other productive resources. Corn, wheat, rice, pulses and tubers are grown on 56% of Latin America's arable land, and in Chile, Mexico and Peru the figures are respectively: 64%, 84% and 72%, a large part of it as subsistence farming, especially in Mexico and Peru. An important part of the occupied agricultural labour force works as self-employed farmers or non-paid family members on these farms, complemented or not with other kinds of labour and income sources. In general, agricultural exports tend to benefit the larger farms—in Mexico, close to the United States border—that are integrated through contractual arrangements with agro-industries or exporters. Smaller farmers however tend to compete with imports and often loose

²⁷ Brazil focuses on its large farms for macroeconomic equilibrium (because of their contribution to the trade balance) and on its family farms for social equilibrium, as they are relatively intensive in labour and therefore are expected to stall rural-urban migration, unemployment and social unrest, urban and rural.

out. Others, especially in Mexico and Peru, are locked into subsistence farming, often because of the prohibitive internal transport costs augmented by huge transaction costs. (see among others, Escobal, 2000, and Key, de Janvry and Sadoulet, 2000)

Country self-sufficiency in staple foods has been replaced with concerns for individual food-security and Latin American Governments have subscribed programmes with the Food and Agriculture Organization (FAO) to combat food-security problems. In spite of them, it is not expected that the Millennium Goals with respect to food-security will be reached. As an average for the years 1998-2000, 21% of the children showed signs of chronic malnutrition and 54 million Latin Americans suffered some kind of malnutrition (11% of the total population; respectively 11% in Peru, 5% in Mexico and 4% in Chile). (ECLAC, 2004)

**Graphs 4, 5, 6, 7: Latin America 1980-1999:
Trade balances of staple foods (cereals, pulses, potatoes and dairy products)**



Source: ECLAC/IICA (2001): *Survey of Agriculture in Latin America and the Caribbean 1990-2000*, pp. 126-131

With respect to farm income, in Latin America (as in most countries of the world), average labour productivity in agriculture is lower than in most other economic sectors. The Latin American average

labour productivity in agriculture (GDP_{ag}/EAP_{ag})²⁸ is presently about one third of the average labour productivity of all other sectors ($GDP_{non-ag}/EAP_{non-ag}$), namely US\$ 3,307 versus US\$ 10,574. For the three Latin American APEC members the figures are respectively: Chile US\$ 5 084 versus US\$15,890; Mexico US\$ 2,265 versus US\$ 14,261 and Peru US\$ 1,914 versus US\$ 8,132, all in constant 1995 dollars. While agricultural labour productivity has grown over the last decade in Latin America and in all three countries, non-agricultural labour productivity, taken as a whole, has slowed down, in Latin America and in Mexico. This shows an evident problem of productive employment creation and labour absorption in the Latin American economies, especially in the less qualified and informal sectors, which is where the first generation emigrants from rural areas and the agricultural sector usually end up. (Dirven, 2004)

These average figures hide the tremendous differences in access to assets of all kinds (land in amount and quality, water, physical capital, credit, infrastructure, services, education, training and social capital) that characterize to a higher or lesser degree all Latin American economies. Graphs 1 and 2 in the annex illustrate the problem at hand; they shows how employment and labour productivity varies by size of land holding in Brazil and how, over a period of twenty years, labour productivity has changed positively on the larger land holdings but not on the smaller ones. Our knowledge of other Latin American realities leads us to conclude that, in the case of productivity (land and labour), the Brazilian figures are no exception, and that smaller economic agents—in spite of Government, Non-Government Organizations and their own associations' efforts—, have a hard time catching up, while the average productivity growth figures for Latin America as a whole and for individual countries, are largely a reflection of the progress made by the larger economic agents.

Rural poverty data and data on poverty among small-scale land-holders reflect the previous description plus the secular decline in international agricultural commodity prices. Graph 8 shows the decline of commodity prices over the last hundred years, the food commodities having fallen even more than the other commodities. Thus, as an average for Latin America, rural poverty and indigence in 2002 amounted to respectively 61.8% and 37.9% of the rural population, versus 38.4% and 13.5% of the urban population²⁹. The percentage of rural population living below the indigence line was respectively 8.3% in Chile, 21.9% in Mexico and 51.3% in Peru. Of all the occupied persons in the rural areas, 24.3% were self-employed farmers³⁰ in Chile, 25.1% in Mexico and 61.9% in Peru. Of these, 28% were poor in Chile, 33% in Mexico and as much as 73% in Peru. (ECLAC, 2004)

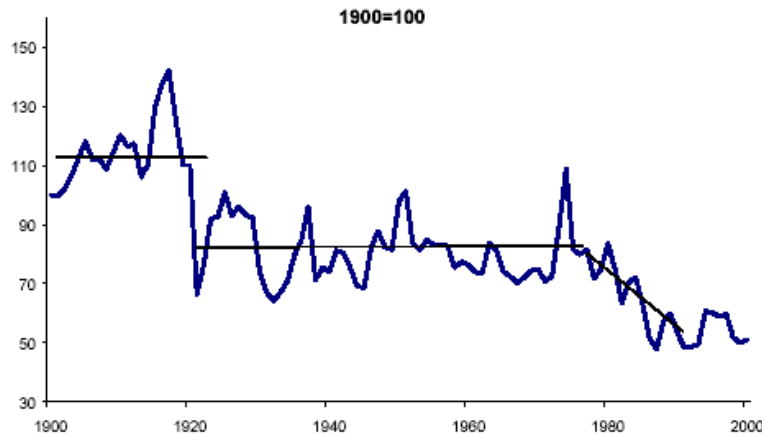
²⁸ Gross domestic product (GDP) and economically active population (EAP). EAP is the sum of the occupied population plus the population that is actively seeking work. Although the EAP introduces a negative bias in labour productivity calculations, especially where unemployment is high, EAP data are more readily available than other employment data.

²⁹ As per the indigence and poverty lines calculated by ECLAC, on the basis of the cost in local currency of a basic food-basket for indigence, or the same times two for poverty in the case of urban areas. In the case of rural areas 0.75 multiplies both lines.

³⁰ Hiring only occasionally non-family labour. The figures include family labour, most often unpaid.

Graph 8

Price index of all non-oil commodities weighted
by the participation of each product in the 1977-1979 world trade



Source: Ocampo and Parra (2003): “Returning to an eternal debate: the terms of trade for commodities in the twentieth century”, ECLAC, p. 8.

Note: The relative value of the 1996-2000 average versus 1900-1904 average was 50.2% for food commodities, 85.4% for non-food commodities and 92.9% for metals.

If indigence reduction is on the world’s political agenda since the Millennium Goal Declaration, signed by 189 countries in 2000, and most Latin American countries have programmes for urban and rural poverty reduction into place, the goal of bringing agricultural incomes in line with those of other economic sectors is not on the agenda of any country in Latin America. As already mentioned, Brazil supports family farming for employment and social reasons, and at the same aims at getting family farmers out of poverty, although this objective has proven hard to reach.

Chile has directed an important part of its public spending at the agricultural sector with the aim of changing peasant farmers from subsistence to commercial farming, and then, to exporting through contract farming with agribusiness or through farmers associations. The results have been encouraging in some instances and disappointing in many others. What is clear though, is that the policies and programmes need to be long-term.

Developed countries are advocating since several years now for the recognition of the multi-functionality of agriculture. FAO has recently finalised a study covering Asia, Africa and three countries in Latin America (Chile, Mexico and the Dominican Republic) about how the multiple roles of agriculture are perceived in each country and how agriculture’s contribution can be measured. In Chile, rural poverty reduction, environmental protection and the maintenance of traditions and local culture were considered parts of agriculture’s roles; food security however was not —nor food production for that matter.

We started this second part of the paper saying that agriculture is tremendously complex. The foregoing paragraphs only touch on a very small part of all the issues at hand. We have hardly mentioned the issues around the sanitary and phytosanitary regulations and barriers; we have not mentioned at all the issues of intellectual property rights on living organisms; the discussions around transgenics and their labelling and/or import and production restrictions; the implementation procedures and difficulties with the new norms on bio-terrorism; the issues around the recent shortage of vessels which is expected to last for another few years and which, in addition to substantially increasing maritime transport costs, is creating a real bottle-neck to increasing exports and complying with contracts;³¹ the role and impact of transnational corporations on agricultural production, processing, research, investment, retailing, prices and trade flows, as well as on consumer habits and nutrition.³²

It should be recalled that the cause-effect relations of tariff, quota and subsidy reductions on the different types of agriculture and farmers is far from clear and that, although most models do point in the direction of overall gains if many or all trade restrictions were eliminated, their magnitude is far from “revolutionary” in the sense that they are not expected to solve—or even make a serious dent into—the present world’s inequity and poverty problems. Recent models including local and international transport, border transaction and total transaction costs³³ get to less optimistic results—with differences of several percentage points—than the general equilibrium models which elude transport and transaction costs.

The results so far in Latin American countries who have drastically cut tariffs, either unilaterally, either through trade agreements, seem to have been positive as far as agricultural growth is concerned, as well as land and labour productivity (Chile and Peru, Mexico much less so), as far as agricultural exports (Chile especially), and as far as agricultural imports (Mexico). How far this has trickled down to the poor (urban or rural) through lower food prices, better quality food, or to farmers, through higher profits, is a question open to much debate and few convincing answers, one way or the other.

3. Conclusions

Those following the progress of the trade talks, especially the WTO and, from a Latin American perspective, the FTAA talks, most probably feel frustrated by the slow progress and many set-backs that the negotiations have faced. Especially the agricultural trade talks face difficulties with groupings and regroupings of different countries around specific issues or proposals. While many analysts stress the different interests of net importers versus net exporters, of high subsidisers versus low subsidisers, of the stress on multi-functionality versus food security, and so on, very little attention is given to the huge differences within countries and the different interests that co-exist and are voiced or not, internally or internationally.

Those following agriculture—especially in Latin America where dualism still is a reality, and heterogeneity is rife within each main group—are aware though that many farmers and other economic

³¹ See Sánchez (2004)

³² Farina and Viegas (2003) conclude that in the year 2000, the transnational companies accounted for 60.4% of total Brazilian exports, of which 38.2% corresponded to intrafirm trade. For the food sector, the figures were respectively 87% of total food exports, 82% of which obeyed to intrafirm trade.

³³ See among others Kjällerström (2004)

agents, especially the smaller ones, will need a long time, if ever, to upgrade in order to export or in order to compete with imports. For those, a *status quo* within a known poverty is possibly better or seemingly less riskier than the rocking of already very vulnerable living conditions.

The impact on agriculture, on the different strata of farms, on agricultural and consumer prices as well as on the well-being of farmers, of the rural population and of the urban population in the countries that have unilaterally liberalized agricultural trade or have implemented trade agreements so far, is far from clear. The studies that exist tend to be simplifying and therefore partial and tend to be influenced by the ideological convictions of the analyst. The analysis that look forward to the impacts of a total or partial elimination of all trade barriers are even more susceptible to both flaws. However, even the most optimistic do point to a probability of the population being better-off (more production, more growth, more income, lower prices) but by relatively modest magnitudes (10-30%), mostly with only few expectations of continuous dynamic growth after the growth effects of the first shock.

Internal and international transaction costs are huge and especially prohibitive for the smaller economic agents. Several recent studies point to an increase in maritime transport costs, especially from Latin America, and a relative increase of transport and transaction costs in relation to commodity prices. Because of the perishable nature of many agricultural goods, the new requirements on traceability, increased demands of private and public norms and standards, etc., transaction costs for agricultural goods tend to be higher in relation to their value than for other goods. APEC has stressed the importance of trade facilitation measures and we completely agree that this is an issue that has received insufficient attention, especially in Latin America. Indeed, most Latin American countries already have relatively low and flat tariff rates, including for agriculture —although always with some exceptions of products found especially sensitive— and several countries have already obtained privileged access on developed country markets. Therefore, the additional gains of further trade liberalization through tariff reduction are possibly lower than those obtained through trade facilitation measures. Political efforts however have been toward —and continue to stress— the first.

I will permit myself to ask a final, rather iconoclastic, question followed by a suggestion. I want to stress that it is not made from my position as UN-staff member, much less from my position as ECLAC —representative at this conference, but in an absolutely personal capacity and not well thought— through either, as the idea came up when finalizing this paper. With hindsight (and with the foresight of the many internal, bilateral, regional and multilateral negotiation efforts and meetings to come), if all the intellectual, political, financial, organizational, and what have you, efforts dedicated to the Trade Rounds would have been dedicated to agricultural research, extension, infrastructure and services (and why not, straight subsidies) would agriculture in the developing world, its farmers and other poor rural and urban dwellers have been better off or not?

My suggestion is —against all good policy evaluation practices—: with so many sunk costs, lets try to make the best out of the Doha Round and focus all efforts to reach the maximum agricultural trade liberalization possible in this Round. After that however, lets give a serious and honest thought to see whether it is not time to (re)establish a better balance between the growing effervescence of the last two decades toward international integration and the pressing need to integrate the domestic economies.

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Annexes

Table 1
Overview of some of the issues at hand in the WTO agricultural trade negotiations
and the different positions of the main groups

Issue	Position	EU	US	Cairns Group	Friends of Multi-functionality	Informal Like-Minded Group	Transition Economies	G-20
Market Access								
Tariffs	Swiss Formula		X	X				
	Uruguay Round approach	X			X			
Two-stage tariffs	Elimination quotas		X	X				China
	Recalculation quotas				Japan Korea			
Special Safeguard Measure	Only applicable to developing countries					X		
Export Competition								
Subsidies	Phasing out in 5 years		X	X				
Credit	Banning non-commercial credits	X						
Food-Aid								
Domestic Support								
Green Box	Add more items				X		X	
	Cap at 5% GDP _{ag}			X				India
Amber Box	Slow elimination		X	X				China
Blue Box	Move items to Amber Box		X	X				Some developing
	Supporters	X			Japan			
Non-Trade Issues								
Broad consensus: Lower commitments and longer implementation for developing countries Exemption for LDC's								

Table 2

Trade agreements or under negotiation between Latin American countries and APEC members

	Date signature
Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela)	1969
Mexico-United States-Canada	1992
Chile-Venezuela	1993
Colombia- Chile	1994
Costa Rica- Mexico	1994
Bolivia- Mexico	1994
Chile-Mercosur	1996
Chile-Canada	1996
Mexico-Nicaragua	1997
Chile-Peru	1998
Mexico-European Union	1999
Chile-Central American Common Market	1999
Chile-Mexico	1999
Mexico-Northern Central American Triangle (Guatemala, Honduras and El Salvador)	2000
Mexico-European Free Trade Association (EFTA: Iceland, Liechtenstein, Norway and Switzerland)	2000
Mexico-Israel	2000
Costa Rica- Canada	2001
Chile-European Union	2002
Chile-United States	2003
Chile-EFTA	2003
Mexico-Uruguay	2003
Chile-Korea	2004
Central American Common Market- United States	Negotiations ended, not signed yet
Mexico-Japan	Negotiations ended, not signed yet
Mexico-Panama	
Mexico-Peru	
Mexico-Ecuador	
Mexico-Trinidad and Tobago	
Central America (4 countries)- Canada	
Uruguay- United States	
Brazil- China	
Brazil- Russian Federation	
Panamá- Taiwan	

Source: IDB (2003): *Más allá de las fronteras*, p. 30 and information from ECLAC's International Trade and Integration Division

Table 3
LATIN AMERICA AND THE CARIBBEAN a/: STRUCTURE OF MERCHANDISE EXPORTS, BY DESTINATION AND CATEGORY 2001
(Thousands of dollars and percentages)

	Region		United States		Japan		European Union		Asia		Other		World	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
Commodities	10,688,027	19.3	34,274,395	17.9	3,355,702	52.4	12,333,134	36.6	4,730,382	36.6	10,071,879	33.2	75,453,519	22.8
Agriculture	3,784,905	6.8	10,419,449	5.4	1,519,483	23.7	7,452,456	22.1	2,566,119	19.9	4,091,309	13.5	29,833,721	9.0
Mining	742,685	1.3	522,302	0.3	1,667,764	26.0	1,750,566	5.2	1,688,284	13.1	1,740,872	5.7	8,112,472	2.5
Energy	6,160,437	11.1	23,332,644	12.2	168,455	2.6	3,130,112	9.3	475,979	3.7	4,239,697	14.0	37,507,326	11.4
Manufactures	44,445,710	80.2	157,032,440	82.0	3,032,702	47.4	21,260,036	63.1	8,181,514	63.3	18,607,907	61.2	252,560,310	76.5
Traditional	13,793,067	24.9	34,600,241	18.1	1,287,754	20.1	9,106,726	27.0	3,062,995	23.7	7,285,841	24.0	69,136,624	20.9
Food, beverages and tobacco	5,848,374	10.5	4,489,784	2.3	828,807	12.9	6,312,749	18.7	1,874,677	14.5	5,868,260	19.3	25,222,651	7.6
Other Traditional	7,944,693	14.3	30,110,457	15.7	458,946	7.2	2,793,977	8.3	1,188,319	9.2	1,417,580	4.7	43,913,973	13.3
Scale-intensive	16,374,466	29.5	20,354,123	10.6	1,425,604	22.3	6,883,426	20.4	3,231,357	25.0	6,438,331	21.2	54,707,307	16.6
Durables	6,717,123	12.1	37,212,406	19.4	78,285	1.2	1,225,144	3.6	394,654	3.1	2,300,432	7.6	47,928,043	14.5
Difusers of technical progress	7,561,054	13.6	64,865,669	33.9	241,055	3.8	4,044,740	12.0	1,492,508	11.6	2,583,305	8.5	80,788,336	24.5
Other	303,027	0.5	192,568	0.1	15,168	0.2	104,690	0.3	6,045	0.0	1,702,903	5.6	2,324,400	0.7
Total	55,436,765	100.0	191,499,403	100.0	6,403,572	100.0	33,697,860	100.0	12,917,941	100.0	30,382,689	100.0	330,338,229	100.0

Source: ECLAC, on the basis of official figures.

a/ Thirty-three countries (including Mexico).

LATIN AMERICA AND THE CARIBBEAN a/: STRUCTURE OF MERCHANDISE IMPORTS, BY ORIGIN AND CATEGORY 2001
(Thousands of dollars and percentages)

	Region		United States		Japan		European Union		Asia		Other		World	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
Commodities	10,864,151	19.6	8,418,071	4.8	50,111	0.3	1,171,550	2.3	1,109,600	3.2	6,135,476	20.4	27,748,958	7.6
Agriculture	4,092,129	7.4	6,288,851	3.6	9,946	0.1	459,988	0.9	461,419	1.3	1,607,055	5.3	12,919,388	3.5
Mining	789,928	1.4	395,877	0.2	2,331	0.0	155,198	0.3	52,028	0.1	356,700	1.2	1,752,063	0.5
Energy	5,982,094	10.8	1,733,343	1.0	37,834	0.2	556,365	1.1	596,152	1.7	4,171,719	13.8	13,077,507	3.6
Manufactures	44,356,221	79.8	166,865,667	95.0	18,229,335	97.5	49,057,816	97.2	33,520,760	96.3	23,826,746	79.1	335,856,545	91.9
Traditional	13,402,210	24.1	40,285,962	22.9	1,553,082	8.3	8,490,035	16.8	8,469,523	24.3	3,639,192	12.1	75,840,004	20.8
Food, beverages and tobacco	5,567,263	10.0	5,809,591	3.3	10,871	0.1	1,644,407	3.3	773,295	2.2	942,495	3.1	14,747,922	4.0
Other Traditional	7,834,947	14.1	34,476,372	19.6	1,542,211	8.3	6,845,628	13.6	7,696,229	22.1	2,696,697	9.0	61,092,083	16.7
Scale-intensive	16,091,450	29.0	32,407,287	18.4	1,998,900	10.7	10,804,761	21.4	3,777,936	10.9	10,191,625	33.8	75,271,959	20.6
Durables	6,743,265	12.1	18,251,163	10.4	4,164,081	22.3	5,134,136	10.2	3,774,443	10.8	2,498,354	8.3	40,565,442	11.1
Difusers of technical progress	8,119,296	14.6	75,921,255	43.2	10,513,273	56.2	24,628,884	48.8	17,498,857	50.3	7,497,576	24.9	144,179,140	39.5
Other	329,432	0.6	442,408	0.3	411,139	2.2	228,521	0.5	169,259	0.5	163,238	0.5	1,743,997	0.5
Total	55,549,804	100.0	175,726,147	100.0	18,690,585	100.0	50,457,887	100.0	34,799,618	100.0	30,125,460	100.0	365,349,500	100.0

Source: ECLAC, on the basis of official figures.

a/ Thirty-three countries (including Mexico).

Source: ECLAC (2003): *Latin America and the Caribbean in the world economy 2001-2002*, Statistical annex

Notes: the product categories are based on the first revision of SITC (SITC, Rev. 1) for the DCII/I classification as shown in the next table. The trade data were taken from the External Trade Data Bank for Latin America and the Caribbean (BADECEL) as of 13 November 2002 and the International Commodity Trade Data Base (COMTRADE) as of 6 January 2003.

Table 3 (cont.)

CLASSIFICATION SYSTEM
(I) CDIII/ PRODUCT CATEGORIES

CATEGORY	EXAMPLES	USE	SITC ^{a/}
A. Commodities	Fish, vegetables, fruit, timber, wool, minerals, petroleum	Final or intermediate	Agriculture: 001, 025, 031, 041, 0421, 043, 044, 045, 051, 054, 0711, 0721, 074, 075, 121, 211, 212, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2311, 241, 242, 244, 261, 2621, 2622, 2623, 2625, 2631, 264, 265, 2711, 291, 292. Mining: 2712, 2713, 2714, 273, 274, 275, 276, 281, 283, 285, 286. Energy: 321, 331, 341.
B. Manufactures	Dairy products, edible oils, sugar, fabric, tools, furniture, footwear, printed matter, leather	Final	Food, beverages and tobacco: 011, 012, 013, 022, 023, 024, 032, 0422, 046, 047, 048, 052, 053, 055, 061, 062, 0713, 0722, 0723, 073, 081, 091, 099, 111, 112, 122, 2219, 411, 422, 431. Other traditional manufactures: 2313, 2314, 243, 2511, 2626, 2627, 2628, 2629, 2632, 2633, 2634, 267, 551, 611, 612, 613, 621, 631, 632, 633, 642, 6511, 6512, 6513, 6514, 6515, 6518, 6519, 652, 653, 654, 655, 656, 657, 662, 663, 665, 666, 667, 691, 692, 693, 694, 695, 696, 697, 698, 733, 812, 821, 831, 841, 842, 851, 892, 893, 894, 895, 897, 899.
2. Scale- and natural resource-intensive goods	Petrochemicals, paper, pulp, cement, base metals, (basic manufactures)	Intermediate	Scale- and natural resource-intensive goods: 2312, 2512, 2515, 2516, 2517, 2518, 2519, 266, 282, 284, 332, 421, 512, 513, 514, 515, 521, 531, 532, 533, 554, 561, 571, 5811, 5812, 5813, 5819, 599, 629, 641, 6516, 6517, 661, 664, 671, 672, 673, 674, 675, 676, 677, 678, 679, 681, 682, 683, 684, 685, 686, 687, 688, 689.
3. Durables (and parts and components)	Home appliances, consumer electronics, vehicles	Final or intermediate	Durables: 7241, 7242, 725, 731, 732, 735, 891.
4. Diffusers of technical progress	Machinery, scientific instruments, fine chemicals	Intermediate or capital goods	Diffusers of technical progress: 541, 553, 7111, 7112, 7113, 7114, 7115, 7116, 7117, 7118, 712, 7141, 7142, 7143, 7149, 715, 717, 718, 719, 722, 723, 7249, 726, 729, 734, 861, 862, 864, 9510.

ECLAC, *El comercio de manufacturas de América Latina: evolución y estructura, 1962-1989*, Estudios e informes de la CEPAL series, No. 88 (LC/G.1731-P), Santiago, Chile, 1992. United Nations publication, Sales No. S.92.II.G.12; J.C. Ferraz and others, *Made in Brazil: desafios competitivos para a indústria*, Rio de Janeiro, Editora Campus, 1996; J.C. Ferraz, D. Kupfer and L. Haguenaer, "The competitive challenge for Brazilian industry", *CEPAL Review*, No. 58 (LC/G.1916-P), Santiago, Chile, April 1996; P. Guerrieri and C. Milana, *L'Italia e il commercio mondiale: mutamenti e tendenze nella divisione internazionale del lavoro*, Rome, Il Mulino, 1990.

a/ SITC = Standard International Trade Classification (Rev. 1).

Table 4
An overview of some demographic, economic and agricultural orders of APEC members

	Total GDP (000 US\$) 2000 (1)	Population (000) 2001 (2)	GDP/capita US\$/capita 2000 (3)	%Poverty (Rural population below poverty line and total population below 2US\$/day) (4)		Ag exports/ Total merchandise exports (%) 2001 (5)	Ag exports/Ag imports 2001 (6)	% EAP in ag 2001 (7)	Harvested Area (000 ha) 2001 (8)	Ag Production index 1989- 91=100 2002 (9)
World	31 171.0	6 134 138	5 150	-	-	6.8		44.3	1 532 090	127.2
Non LAm APEC Members a/										
Australia	394.1	19 338	20 530	-	-	25.5	5.5	4.5	50 600	110.9
Brunei		335		-	-	0.1	0.01	0.7	7	
Canada	647.1	31 015	21 050	-	-	6.6	1.4	2.3	45 880	115.5
People's Rep.China	1 064.5	1 292 382	840	4.6	53.7	3.3	0.8	66.0	155 275	184.6
Hong Kong, China	176.4	6 961	25 950	-	-	2.0	0.5	0.4	6	
Indonesia	119.9	214 840	570	-	55.3	6.7	1.1	47.7	33 600	123.1
Japan	4 377.3	127 335	34 210	-	-	0.6	0.1	3.8	4 794	91.0
Rep. of Korea	421.1	47 069	8 910	-	<2	1.1	0.2	9.3	1 889	130.2
Malaysia	78.5	22 633	3 380	-	-	6.3	1.4	17.9	7 585	129.8
New Zealand	50.1	3 808	13 080	-	-	49.0	5.8	8.9	3 372	127.8
Papua New Guinea	3.7	4 920	760	-	-	12.3	1.1	73.6	860	120.3
Rep. of the Philippines	78.7	77 131	1 040	50.7	-	4.4	0.6	38.9	10 650	141.4
Russian Federation	241.1	144 664	1 660	-	25.1	1.1	0.1	10.2	125 718	68.2
Singapore	99.4	4 108	24 740	-	-	2.2	0.7	0.1	1	27.4
Thailand	121.8	63 584	2 010	15.5	28.2	11.7	2.5	55.7	18 300	125.8
United States	9 645.6	285 926	34 260	-	-	7.8	1.3	2.0	177 259	120.9
Vietnam	30.7	79 175	390	57.2	-	13.1	1.9	66.9	8 438	189.0
LAm APEC Members										
Chile	69.9	15 402	4 600	-	18.4	18.0	3.0	15.5	2 300	141.9
Mexico	498.0	100 368	5 080	-	34.8	9.2	0.7	20.9	27 300	133.5
Peru	53.9	26 093	2 100	64.7	-	9.0	0.6	29.7	4 210	176.7

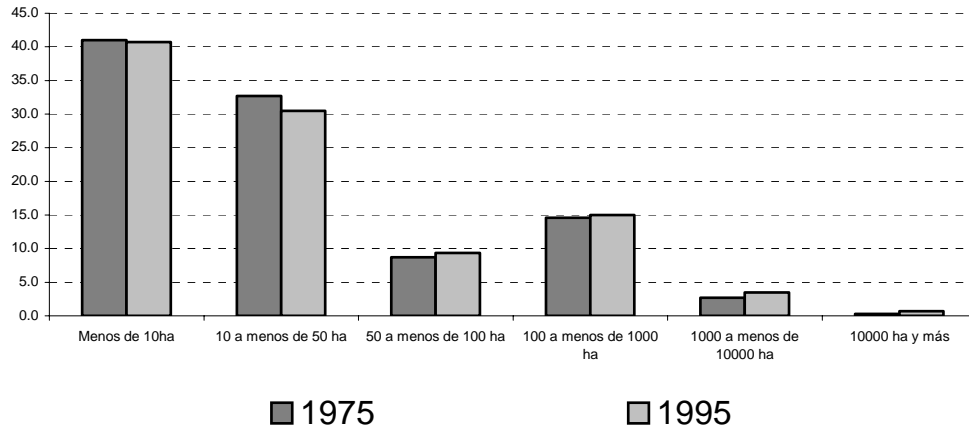
Source: List of countries: APEC Web-page; Columns 1, 3 and 4: World Bank (2002): *World Development Report*, Washington D.C.; Columns 2, 7, 8 and 9: FAO (2003): *Production Yearbook 2002*, Rome; Columns 5 and 6: FAO (2003): *Trade Yearbook 2001*, Rome.

a/ No information on Chinese Taipei/Province of Taiwan was found in the consulted sources

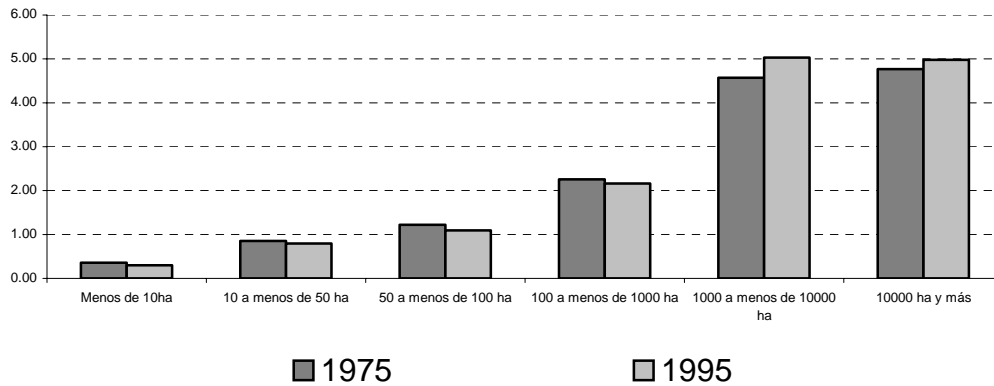
Graphs 1: Occupation by size of agricultural establishment in % of the total occupied population in agriculture

Graph 2: Labour productivity by size of agricultural establishment

Participación del Personal Ocupado por Grupos de Área de los Establecimientos en el Total de Personal Ocupado en la Agricultura (%)



Productividad Laboral (Valor de la Producción / Personal Ocupado) por Grupos de Area del Establecimiento
Total de los Establecimientos = 1



Source: Mônica Rodrigues, consultant of the Agricultural Development Unit, on the basis of the 1975 and 1995/96 Brazilian Agricultural Census data (not published)

**The role of agriculture in regional integration
arrangements
or “why is it that agriculture requires a special
treatment?”**



Martine Dirven,

Agricultural Development Unit,

UN-Economic Commission for Latin America and the Caribbean

The problems at hand:

Clinging to “old” privileges

Heterogeneity <-> consensus building

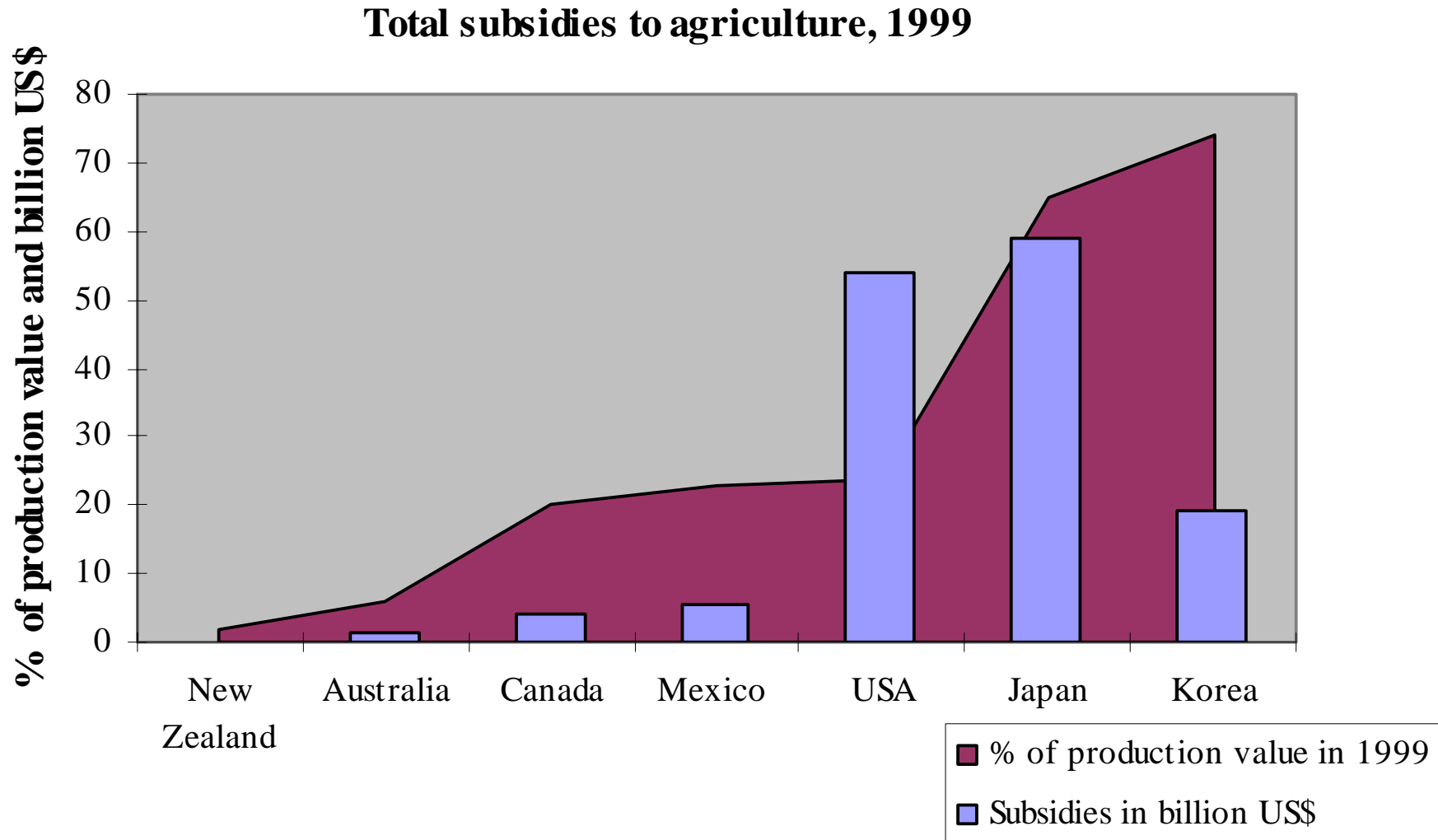
Lack of progress of the poorest

Comparative advantages <-> vulnerabilities

Criss-cross of trade agreements

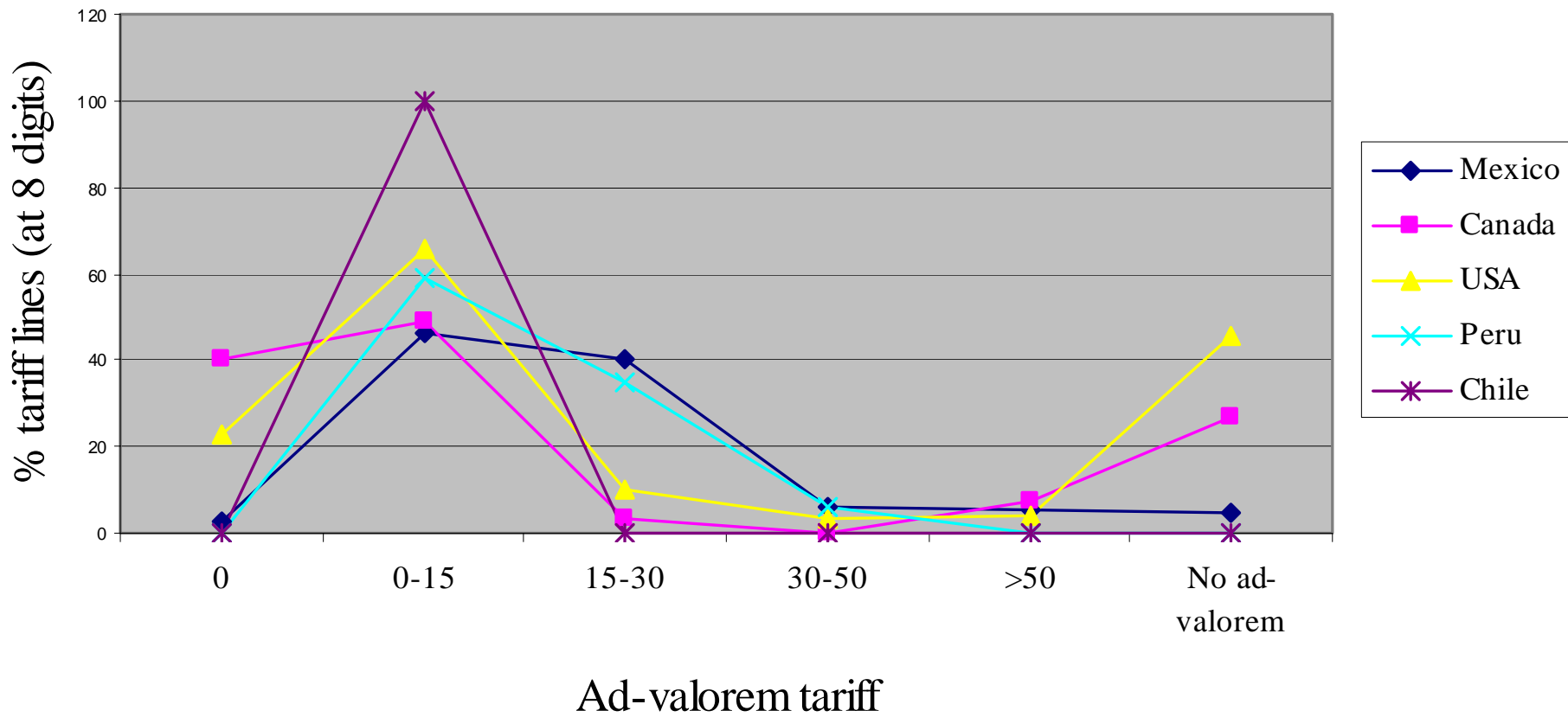
Many untackled problems

One of the problems at hand



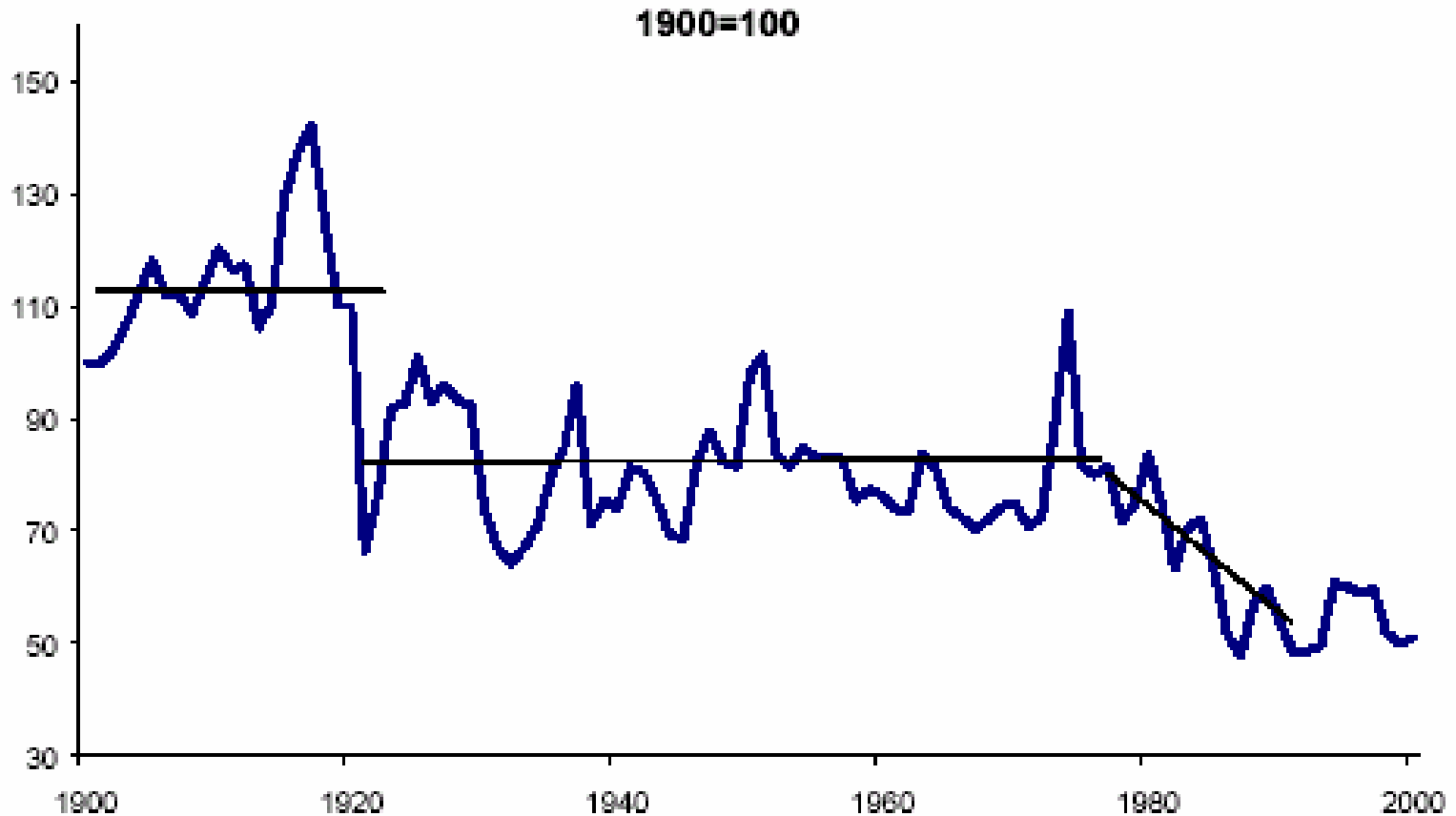
Another problem at hand

2000: Tariff structure imports agriculture



Complicated by falling price trends

Price index of all non-oil commodities weighted by the participation of each product in the 1977-1979 world trade



Relative value 1996-2000 versus 1900-1904: 50.2% for food commodities, 85.4% for non-food commodities and 92.9% for metals

The huge heterogeneity among APEC members

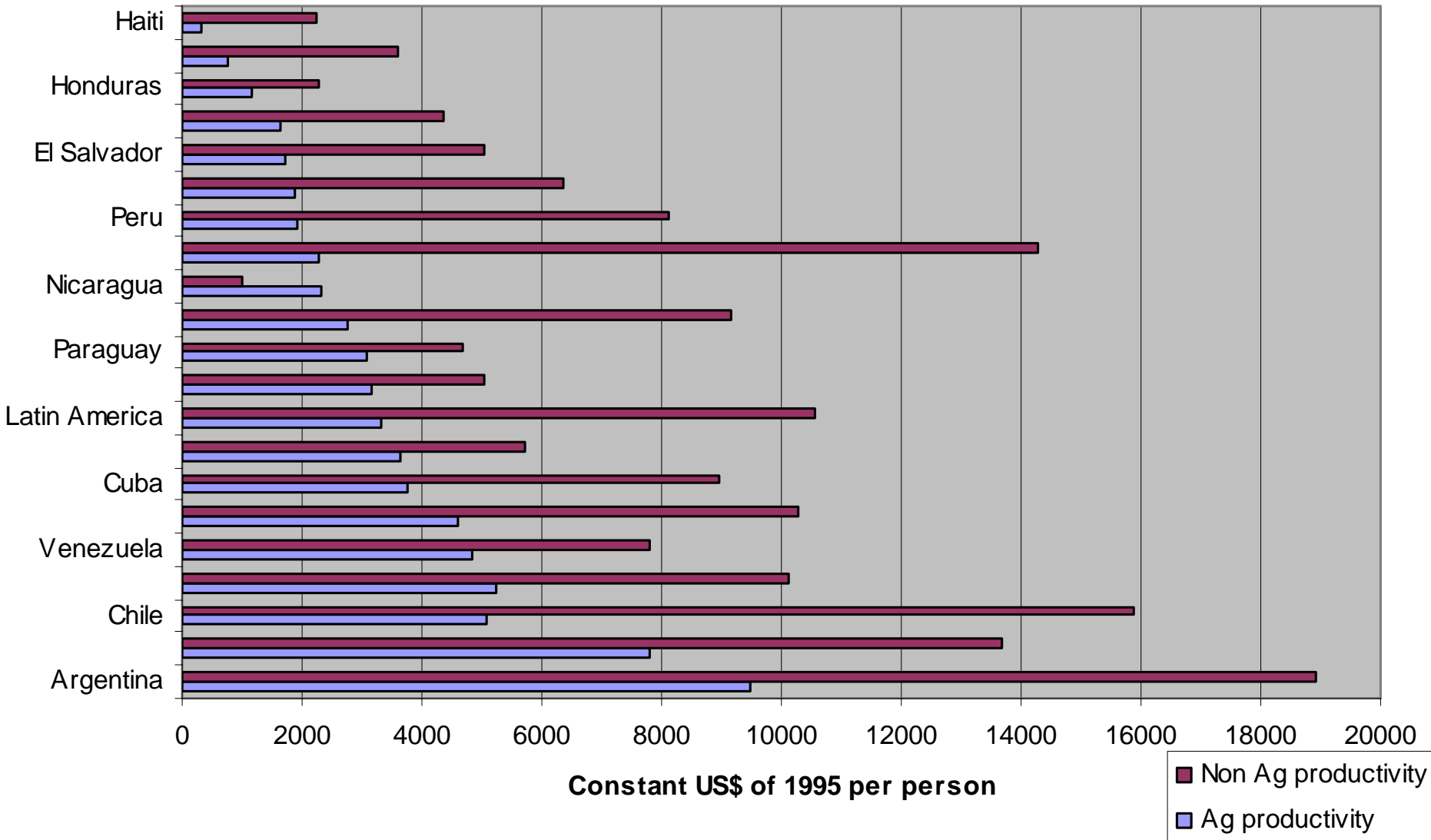
		1 st	Country	2 nd	Country
Total population (000)	2 smallest	335	Brunei	3 808	NZealand
	2 largest	1 292 382	PRChina	285 926	USA
Total GDP (000 US\$)	2 smallest	4	PapuaNG	31	Vietnam
	2 largest	9646	USA	4 377	Japan
GDP/cap (US\$/person)	2 smallest	390	Vietnam	570	Indonesia
	2 largest	34260	USA	34 210	Japan
EAP ag/EAP tot (%)	2 smallest	0.1	Singapore	0.4	HongKong
	2 largest	67	Vietnam	66	PRChina
Harvested area (000 ha)	2 smallest	1	Singapore	6	HongKong
	2 largest	177 259	USA	155 275	PRChina
X ag/X tot (%)	2 smallest	0.1	Brunei	0.6	Japan
	2 largest	49	NZealand	26	Australia
Ag Production Index: 1991=100	2 smallest	27	Singapore	68	RussianFed
	2 largest	189	Vietnam	177	Peru

Issue	Position	EU	US	Cairns Group	Friends of Multi-functionality	Informal Like-Minded Group	Transition Economies	G-20
Domestic Support								
Green Box	Add more items				X		X	
	Cap at 5% GDP _{ag}			X				India
Amber Box	Slow elimination		X	X				China
Blue Box	Move items to Ambar Box		X	X				Some developing
	Supporters	X			Japan			
Non-Trade Issues								

Broad consensus: Lower commitments and longer implementation for developing countries
Exemption for LDC's

One of the reasons why agriculture is “special”

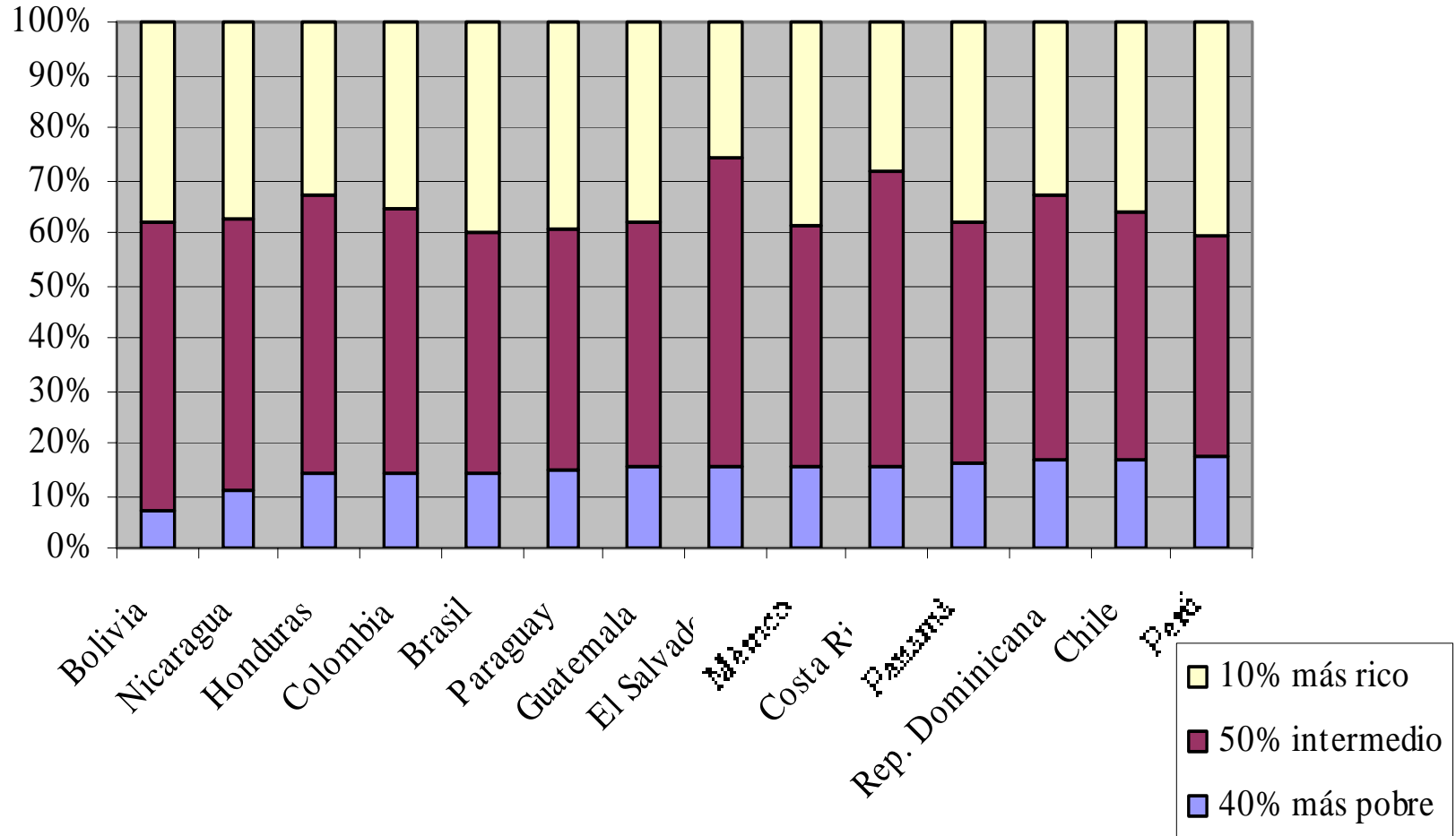
Latin America, 2000: Labour Productivity



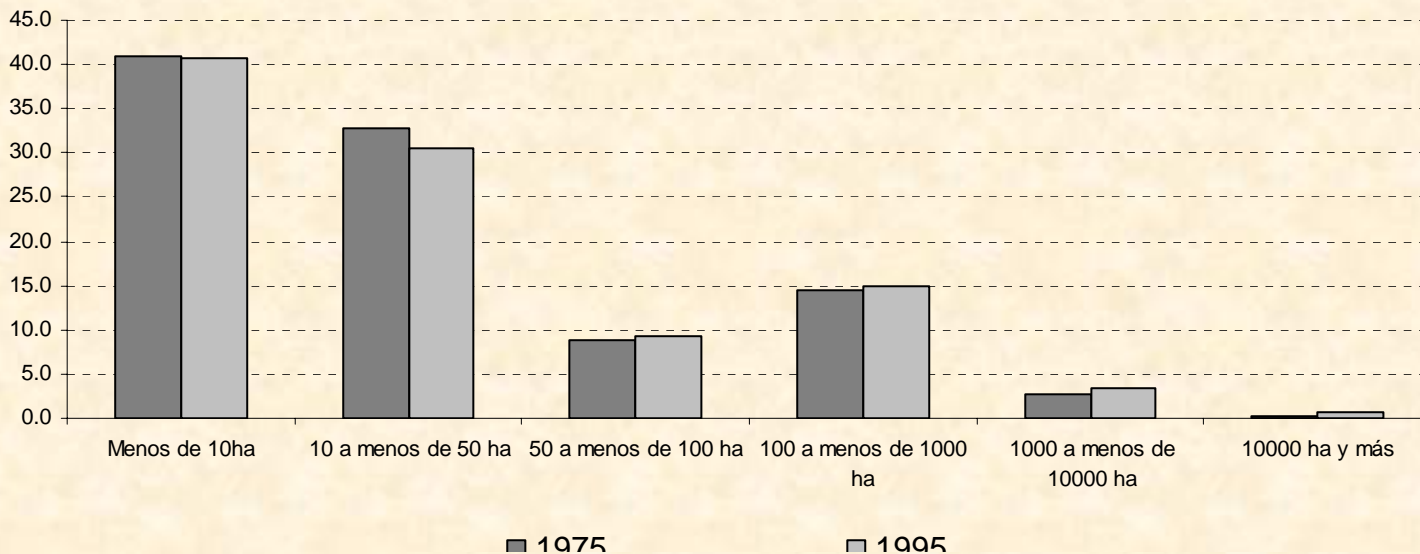
There is also a huge heterogeneity within rural areas in Latin America

Latin America Around 1999: Rural Income Distribution

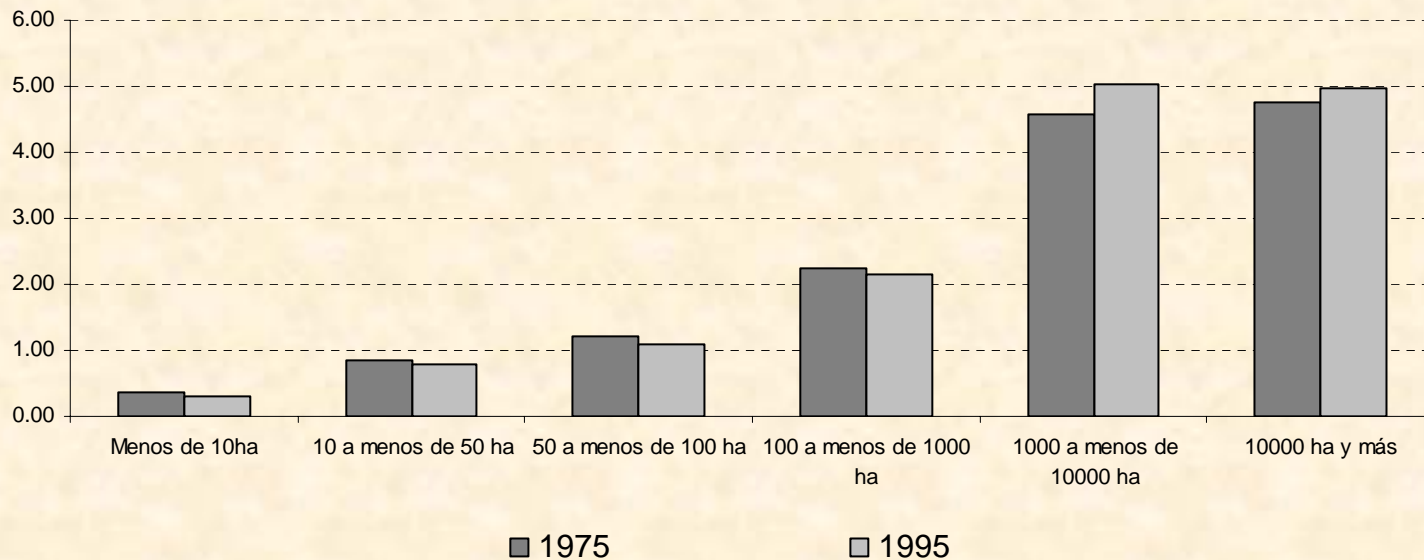
Participación en el total de los ingresos rurales



Participación del Personal Ocupado por Grupos de Área de los Establecimientos en el Total de Personal Ocupado en la Agricultura (%)

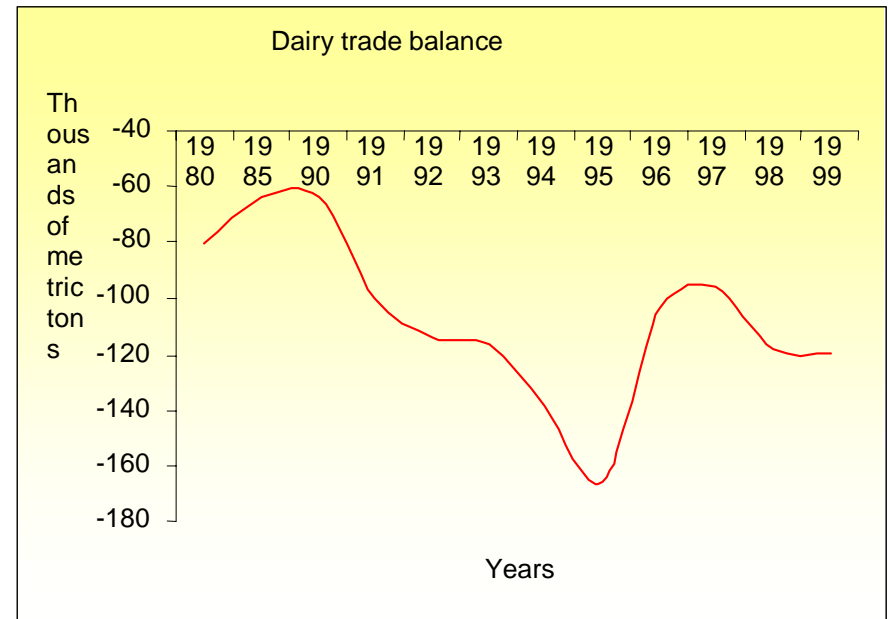
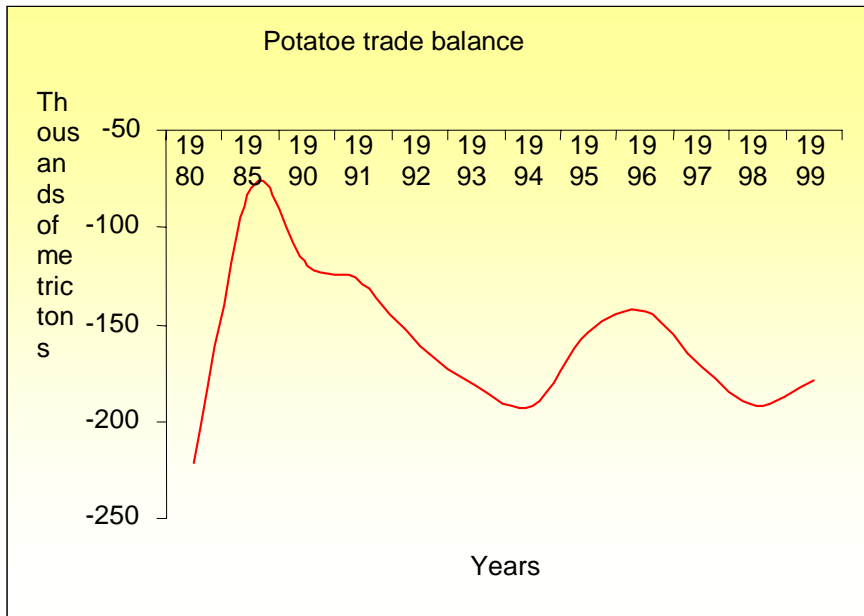
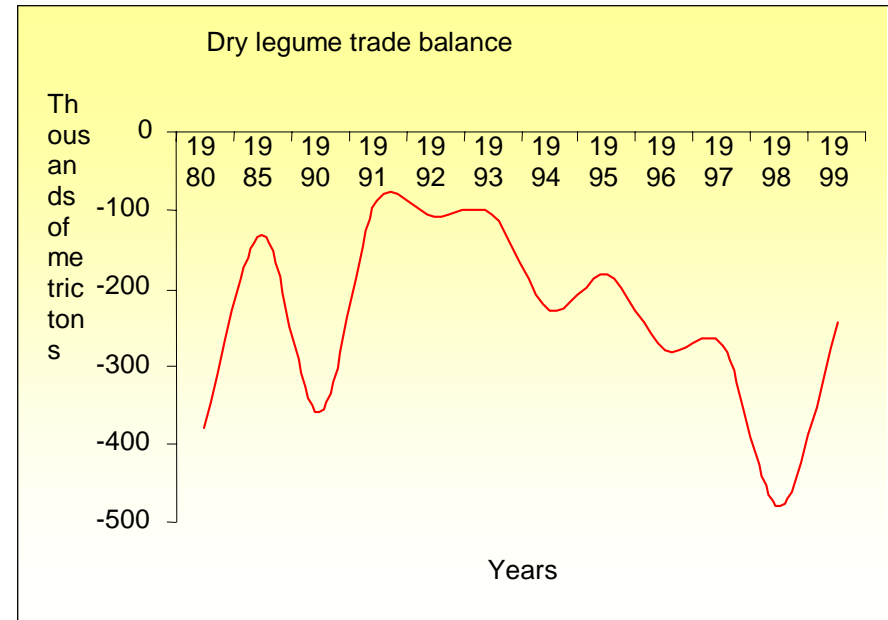
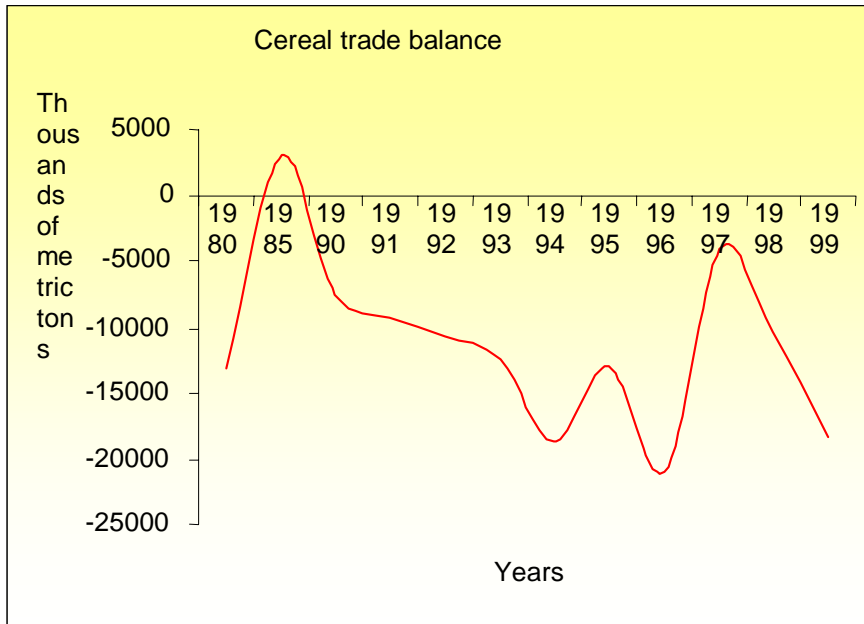


Productividad Laboral (Valor de la Producción / Personal Ocupado) por Grupos de Área del Establecimiento
Total de los Establecimientos = 1



Brazil:
¿illustrative
of other
countries?

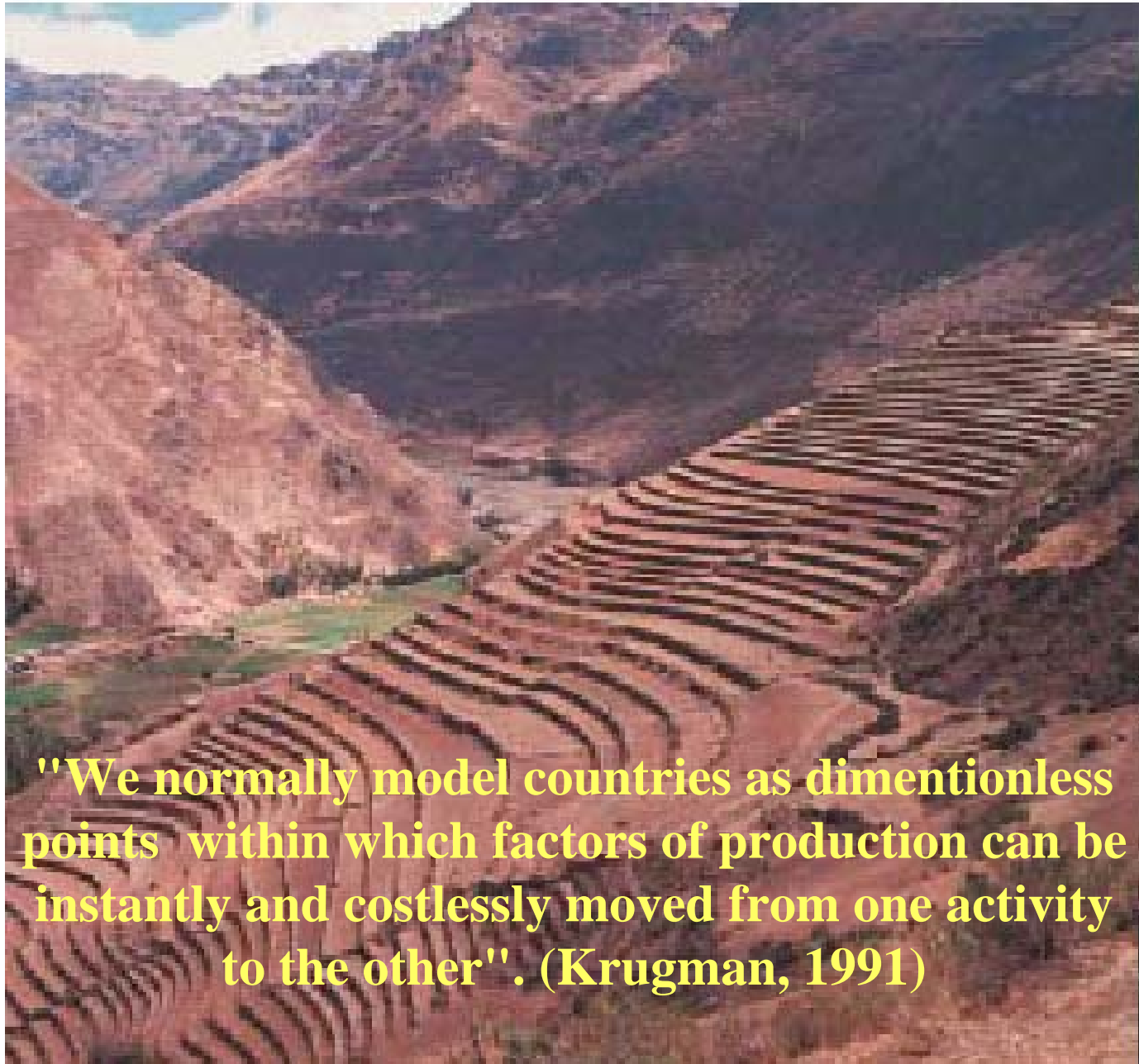
Some of the vulnerabilities at hand in Latin America



The many trade agreements of Latin American (here only with APEC countries)

1969	1992	1993	1994	1996	1997	1998
Andean Community Peru, Chile	Canada Mexico USA	Chile Venezuela	Colombia Chile	Chile Mercosur	Mexico Nicaragua	Chile Peru
			CostaRica Mexico	Chile Canada		
1999	2000	2001	2002	2003	2004	
Mexico EuropUnion	Mexico Guatemala Honduras El Salv	CostaRica Canada	Chile EuropUnion	Chile USA	Chile Korea	
Chile CAmCM	Mexico EFTA			Chile EFTA		
Chile Mexico	Mexico Israel			Mexico Uruguay		

Economic distance: transport and transaction costs



"We normally model countries as dimensionless points within which factors of production can be instantly and costlessly moved from one activity to the other". (Krugman, 1991)

Other issues:

The weight of transnationals in trade and intrafirm trade (e.g.: 87% of exports of the food industry in Brazil are by TN; 82% is intrafirm); ¿... and in negotiations and country positions?

The more heterogeneous a society, the higher the possibility that several groups will be unhappy with the official position in trade negotiations (and other issues)

The more heterogeneous a society, the higher the difficulty to take remedial action for those that loose out

The many non-tariff trade barriers