

The Potential Role of Latin America Food Trade in Asia Pacific

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1. Introduction

General Overview of Latin America

- Regional GDP grew 6.3% in 2010, totaling USD 4.7B, and is expected to expand between 3.9% and 4.9%.
- Continued gains on the prices of commodities have benefited the major exporting economies of the region: in the case of food products **Argentina, Paraguay** and **Uruguay**; in ores and other minerals **Bolivia, Chile** and **Peru**; and in fuels **Bolivia, Colombia, Ecuador**, and **Venezuela**.
- In stark contrast with **South America, Central American** countries are net importers of commodities and food products, and find in the US their most important trade partner and source of remittances. These situations have greatly exposed their economies to price volatility and external shocks.

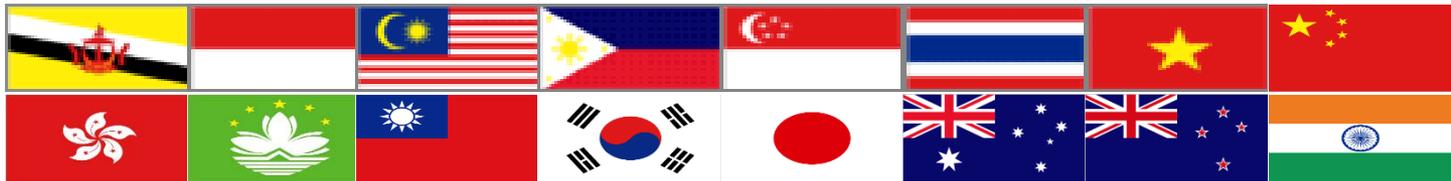
1. Introduction

General Overview of Latin America

- Poverty and extreme poverty has reduced across the region, but remains high in the **Andean countries** and **Central America**, evidencing the heterogeneous nature of the phenomenon in the region.
- The prevalence of undernourishment has substantially diminished. Between 1990 and 2008, the number of undernourished people in **Latin America** decreased by 21.4%. However, it remains high in **Central America**.
- Highly urbanized region: over 80% of the population lives in urban centers.
- Rather young population.

1. Introduction

ASEAN, China, Hong Kong, Macao, Chinese Taipei, South Korea, Japan, Australia, New Zealand and India



Pacific Alliance (PA)

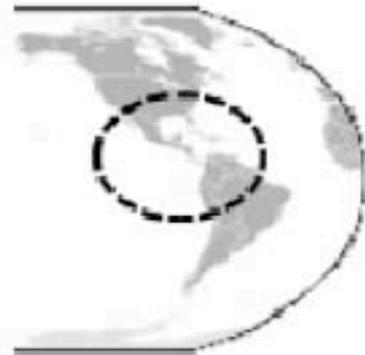
Mexico, Chile, Peru, and Colombia



*A market of over 200 million
One-third of Latin America's GDP
Over half of Latin America's exports to the rest of the world*

Established in 2011 as a strategic mechanism to integrate markets and improve their foothold in Asia and other international markets.

1. Introduction



1. Introduction

Why Asia Pacific and PA?

- Growing interest of Asia in Latin America's natural resources.
- Proliferation of FTAs among APEC member economies.
- Potential access of Asian products to Latin American markets.

1. Introduction

Why Asia Pacific and PA?

Mexico

Economic Partnership Agreement with Japan, negotiating a FTA with Korea.

Chile

9 Free Trade Agreements (Japan, China, Korea, Australia, New Zealand, Brunei, Singapore, Malaysia, and Vietnam), negotiating with Thailand.

Peru

FTA with Singapore and China, recently signed an agreement with Korea, in negotiations with Thailand and Japan

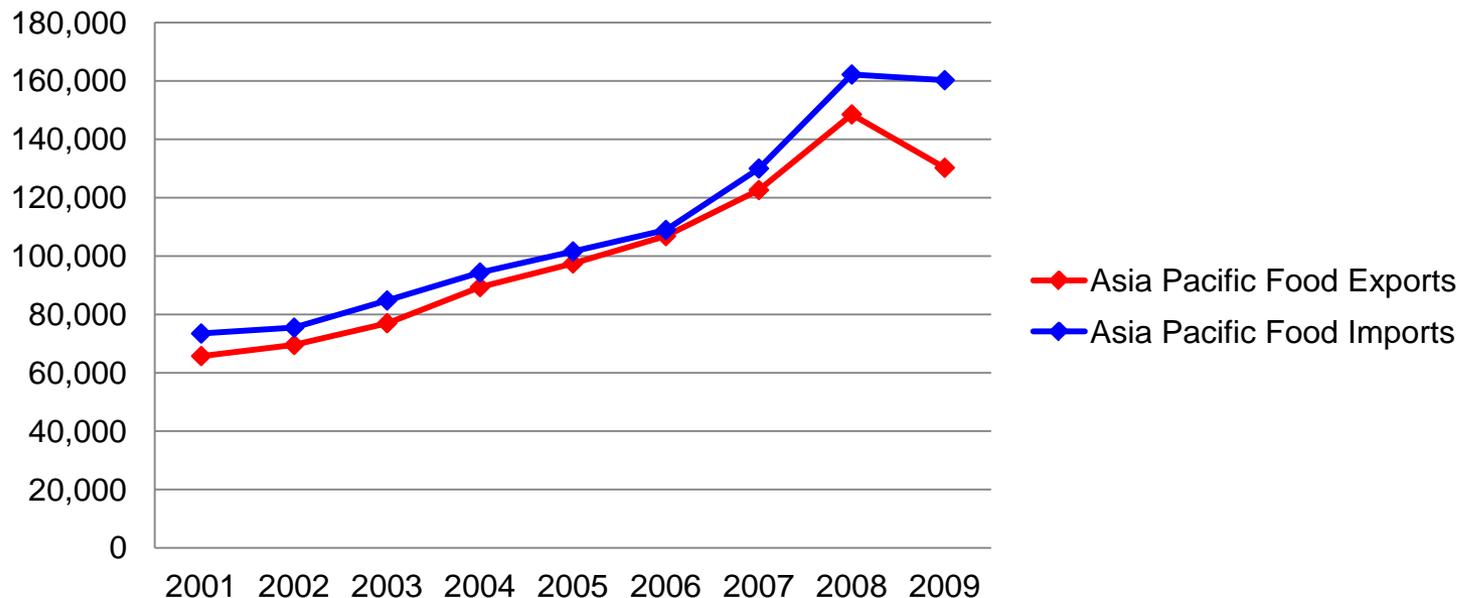
Colombia

Negotiating a FTA with Korea, exploring opportunities with Japan and Singapore.

2. Food Trade in Asia Pacific and Latin America

The analysis of food trade between Asia Pacific and Latin America is based on FAO - Food Balance Sheets and its correspondence with the HS System (2007) at four digits, equivalent to a total of 159 tariff lines.

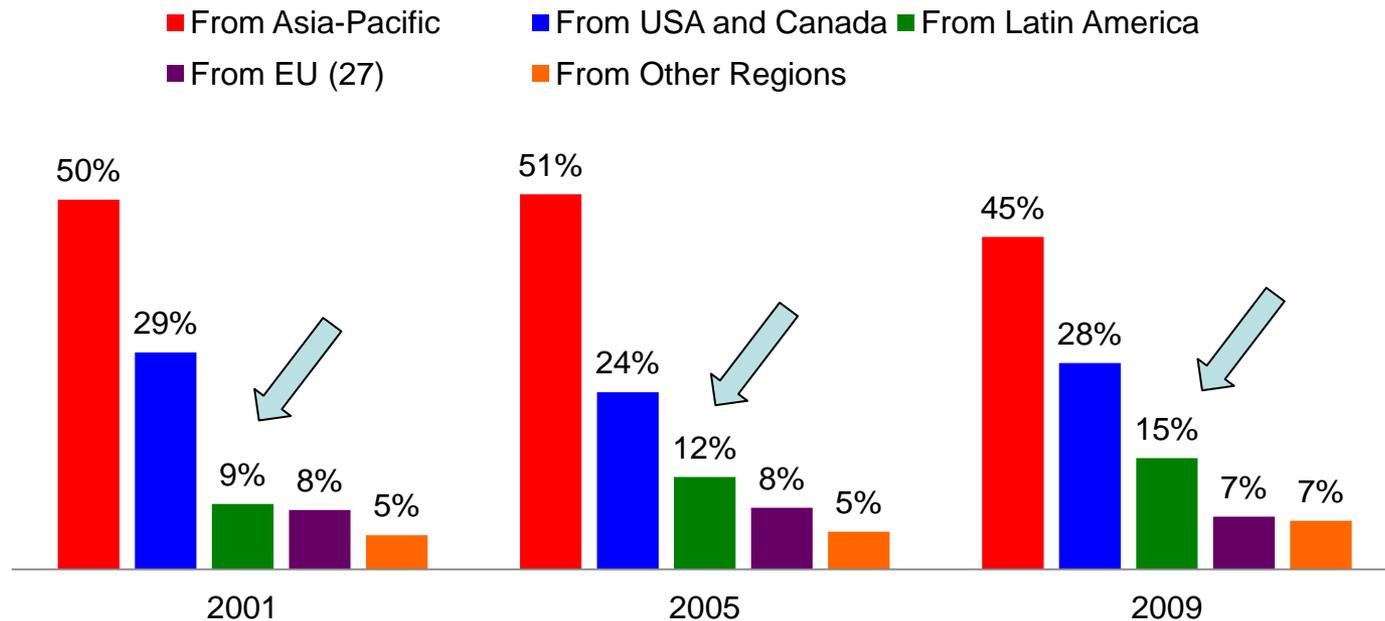
Asia Pacific Food Exports and Imports 2001-2009, USD Millions



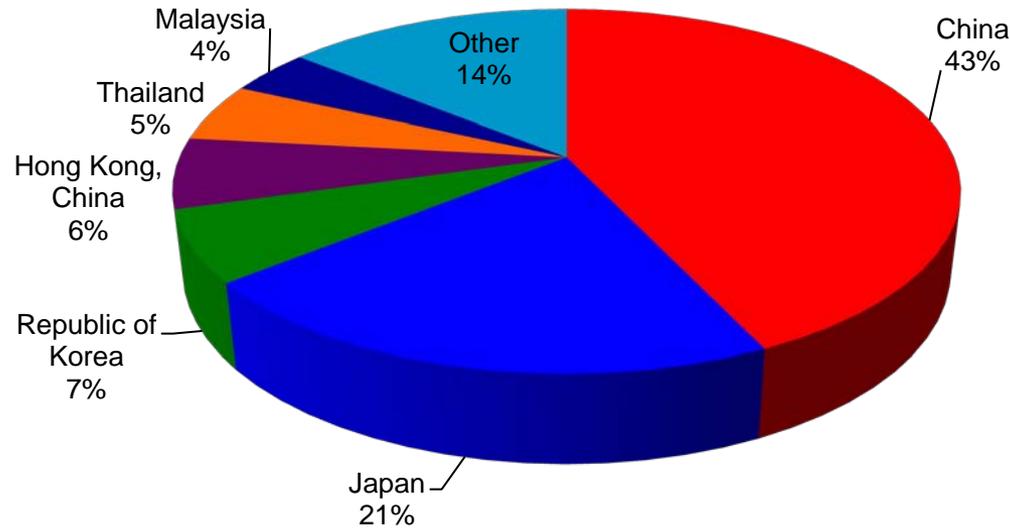
Source: CEAP-EAFIT estimations based on UNCTAD-COMTRADE data (2011).

2. Food Trade in Asia Pacific and Latin America

Origin of Asia Pacific Food Imports

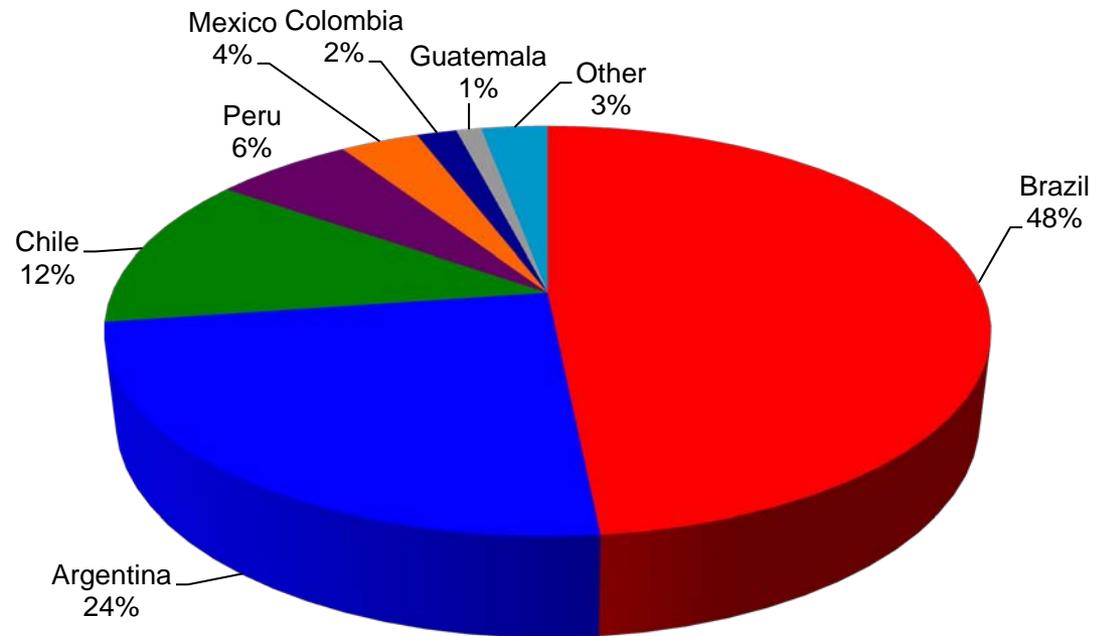


Source: CEAP-EAFIT estimations based on UNCTAD-COMTRADE data (2011).



Latin America Main Food Export Markets in Asia Pacific 2005-2009, average

Main Food Products Exporters in Latin America to Asia Pacific 2005-2009, average



2. Food Trade in Asia Pacific and Latin America

Important Findings:

- **Brazil** is the main supplier of food in the region. Its main partners are **China** (44.3% of its exports to Asia Pacific) and **Japan** (15.8%). The main exported products are **soybeans** (HS1201) with 47.2%, and **poultry meat**, (HS0207) with 13.9%.
- **Argentina** is the second largest exporter. Its main partner is **China** (30%), followed by **Malaysia** (7.1%). 85% of its agricultural exports are **soybeans** and some of its derivatives (HS 1201, HS 1507 and HS 2304).
- The main partners for **Chile** are **Japan** (51.5%) and **China** (15.5%). The country has a high dependence on **fish** exports; over 57% of its food exports to Asia Pacific are in this sector (HS0303, HS0304 and HS2301).

2. Food Trade in Asia Pacific and Latin America

Important Findings:

- **Peru's** main partners are **China** (59.6%) and **Japan** (16.7%). The focuses on **fishing**, representing over 89% of its food exports (HS0307, HS1605 and HS2301).
- For **Mexico**, **Japan** accounts for 72.2% of its food exports to the Asia Pacific region. In terms of products, Mexican offer is one of the most diversified. The products include **pork** (HS0203) with 33.4% and **avocados** (HS0804) with 10.1% of total food exports.
- **Colombia's** main partner is **Japan** (79.1%), and its main product of export is **coffee** (HS0901 and HS2101), accounting for 95% of food exported from Colombia to the region.

3. Methodology

The analysis of food trade between Asia Pacific and Latin America is based on FAO - Food Balance Sheets and its correspondence with the HS System (2007). Data was collected and analyzed at a four digits level, equivalent to a total of 159 tariff lines.

A cross-analysis between the top 50 food products exported to the world by PA and imported from the world by Asia Pacific yields 31 tariff lines that are important for both regions, representing 93% of food exported by the PA to the world and 89% of food imported by Asia Pacific for the period 2005-2009

From this list of food products, 10 products are selected, mainly those with the highest levels of intraregional trade.

3. Methodology

- Meat of bovine animals (HS 0201)
- Meat of swine (HS 0203)
- Fish, frozen (HS 0303)
- Fish fillets and pieces (HS 0304)
- Bananas and plantains (HS 0803)
- Fruits (HS 0810)
- Coffee (HS 0901)
- Cane or beet sugar (HS 1701)
- Bread, biscuits, wafers, cakes and pastries (HS 1905)
- Flour of fish (HS 2301)

4. Results and Analysis

Food Products with Trade Potential between Asia Pacific and the PA
2005-2009, USD Millions (average)

Tarrif Lines	Products	PA exports to the world (2005-2009)	Asia Pacific imports from the world (2005-2009)
HS 0201	Meat of bovine animals, fresh or chilled	456.3	1,633.3
HS 0203	Meat of swine, fresh, chilled or frozen	563.7	5,822.2
HS 0303	Fish, frozen, whole	1,029.1	9,116.1
HS 0304	Fish fillets and pieces, fresh, chilled or frozen	1,477.2	3,085.4
HS 0803	Bananas and plantains, fresh or dried	692.9	1,092.9
HS 0810	Fruits not elsewhere specified or included, fresh	606	1,075.5
HS 0901	Coffee	2,458.7	1,870.5
HS 1701	Cane or beet sugar and chemically pure sucrose, in solid form	618.5	3,278.5
HS 1905	Bread, biscuits, wafers, cakes and pastries	521.9	1,497.2
HS 2301	Fish flour	1,855.6	2,171.5

Source: CEAP-EAFIT estimations based on UNCTAD-COMTRADE data (2011).

4. Results and Analysis

Meat of bovine animals (HS 0201)

- **Low penetration** of Latin American economies in Asian markets.
- Only **Colombia** is a net exporter and could increase its exports without affecting the domestic supply, although the product is not currently exported.
- Potential to expand into markets such as **Japan, South Korea, Chinese-Taipei, Hong Kong-China** and **Singapore** who are the main importers

Meat of swine (HS 0203)

- **Chile** exports this product to **Japan** and **South Korea**. It has a minor share in other important markets, like **Hong Kong-China** and **Singapore**, in which other Latin American producers have an important participation.
- **Mexico, Peru** and **Colombia** are important producers and exporters, but nonetheless runs a deficit on this tariff line.
- Only **Chile** shows potential to significantly expand its exports to Asia Pacific, specifically into **Australia, New Zealand** and **Chinese-Taipei**.

4. Results and Analysis

Fish, frozen, whole (HS 0303)

- **Chile, Colombia** and **Peru** have a trade surplus.
- **Chile** is the largest Latin American exporter, with an important presence in **Japan, China** and **Thailand**; and a smaller market share in **South Korea** and **Singapore**.
- **Mexico** runs a deficit, but its main markets in Asia are **Japan, Thailand, Malaysia** and **South Korea**.

Fish fillets and pieces (HS 0304)

- **Chile** and **Peru** are net exporters, while **Colombia** and **Mexico** run a trade deficit.
- **Chile** has achieved significant levels of exports to **Japan, Singapore** and **South Korea**. The Chilean products have market presence in **Australia** and **Macao-China**, although other Latin American suppliers have a stronger presence.
- **Peru** is an important supplier of this product to **South Korea** and **Japan**, but has low or nonexistent access to other Asia Pacific markets.

4. Results and Analysis

Bananas and plantains (HS 0803)

- **Colombia, Mexico** and **Peru** have a trade surplus in this product.
- The position of **Colombia** the most interesting due to the volume of its exports.
- **Japan** is the most important partner for the region.
- **Colombia, Mexico** and **Peru** have the opportunity not only to increase its exports to **Japan**, but also to venture into markets in **South Korea, China, New Zealand, Hong Kong-China** and **Singapore**; the largest importers in the region.
- **Ecuador** has become an important exporter not only to **Japan** but also to **New Zealand** and **China**.

4. Results and Analysis

Fruits (HS 0803)

- **The PA** has a trade surplus in the export of **strawberries, blackberries** and **raspberries**.
- **Chile** has managed to integrate into Asia Pacific markets particularly in **Japan, South Korea, Hong Kong-China** and **China**.
- **Colombia** exports an important volume to **Hong Kong-China**.
- **The other producers in the Pacific Alliance** have the potential to export to major markets like **Japan, South Korea, Hong Kong-China** and **China** where other Latin American producers have already entered, as well as potential markets such as **Indonesia** and **Chinese-Taipei**.

4. Results and Analysis

Coffee (HS 0901)

- **The PA** is an important producers and exporter, particularly **Colombia**.
- **PA countries** have gained access to **Japan, South Korea, Australia, Malaysia** and **Chinese-Taipei**.
- The main markets for **Colombia** are **Japan, South Korea, Australia, New Zealand**, and **Chinese-Taipei**.
- **Colombia** has potential to boost its exports to other markets, such as **Hong Kong-China** and **Singapore**, considering the amount of sales that other Latin American producers have in these markets.
- **Peru** and **Mexico** have the potential to increase their exports to **Chinese-Taipei, New Zealand, Hong Kong-China, Singapore** and smaller markets such as **Malaysia** and the **Philippines**.

4. Results and Analysis

Cane or beet sugar (HS 1701)

- **Colombia** and **Mexico** have an export potential due to their significant trade surplus with the world.
- **Colombia** is already an exporter to markets such as **South Korea**, **Chinese-Taipei** and in small quantities to **China**.
- The most promising markets for **Colombia** and **Mexico** are **South Korea** and **Chinese-Taipei** which maintain significant imports of this product.
- There is a possibility to enter other markets such as **Indonesia**, **Japan**, **China** and **Malaysia**, already important markets for other Latin American exporters.

4. Results and Analysis

Bread, biscuits, wafers, cakes and pastries (HS 1905)

- **Colombia, Mexico and Peru** have a trade surplus and thus a potential to increase its exports. Overall, **PA** export penetration in Asia Pacific is low.
- The main importers are **Japan and Australia**. There is also potential in **Hong Kong-China, Singapore, South Korea and Chinese-Taipei**.

Flour of fish (HS 2301)

- **Latin America** is the largest supplier of this products to markets in **China, Japan, Chinese-Taipei and Vietnam**.
- **Peru and Chile** have a strong competitive advantage in these products.
- The main markets for **Peru** include **China, Japan, Vietnam, Chinese-Taipei, and Indonesia**.
- For **Chile**, the main export destinations are **China, Japan, Chinese-Taipei and South Korea**.
- **Peru and Chile** have the potential to increase exports to **South Korea, Hong Kong-China and Singapore**.
- **Mexico**, a net importer, exports significant amounts to markets in Asia Pacific.

5. Recommendations

- A further analysis should consider beyond 4 digits, to accurately assess food trend flows.
- Non-tariff barriers ought to be carefully studied in order to identify how the institutional framework hinders trade possibilities between both regions, how feasible those trade potentials are, and how can the recent institutional and non-institutional integrations schemes in Asia Pacific and Latin American overcome those hurdles.

THANK YOU

MUCHAS GRACIAS

