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MARKET AND TRADE PERSPECTIVES FOR THE FOOD AND FORESTRY SECTORS OF LATIN AMERICA IN THE ASIA-PACIFIC BASIN

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Abstract

This document reviews the scope for enhancing agricultural trade in the Asia-Pacific Economic Cooperation (APEC) from the perspective of Latin America, providing a description of the recent evolution and the current trade flows of agricultural products between Latin America and the Caribbean (LAC) and the non-LAC APEC members, and discussing its future expansion, opportunities and problems.

Its main conclusions are that the APEC is a very important market for food and forest products for Latin America, in spite of the physical distance between the member regions.

Unfortunately for Latin America, its portfolio of food exports to APEC continues to be highly concentrated in a few traditional commodities, and also continues to be highly concentrated with a few trade partners, notably the United States. Trends are however, slowly moving into the direction of intensification of trade within the Asia-Pacific Basin.

The compromise of improved market access, set for the years 2010 and 2020 may be difficult to attain if there is no change in pace. To increase economic relations between Asia and Latin America, it is important to build alliances and cooperation among the wide set of private and public agents involved of both regions, as stressed in this document.

Objectives

The purpose of this paper is twofold: first, to provide a description of the current trade flows and its recent evolution, between Latin America and the Caribbean and the Asia-Pacific Economic Cooperation (APEC) members from outside the region in agricultural products, food, including seafood, and forest products; and, secondly, to discuss the opportunities and problems in the future expansion of this trade, from the perspective of Latin America.

Latin American outlook

Within the world context of globalization and rapid expansion of trade, the region of the Asia Pacific Rim has been a top performer and a very active participant in the trade of both primary and manufactured commodities. As to the economic performance of Latin America and the Caribbean, it improved significantly during the first half of this decade, in sharp contrast to the 1980's, when the region underwent a serious recession and then sluggish growth and worsening of income distribution, overwhelmed by foreign debt, very slow growth of exports, deteriorated terms of trade and stagnation of imports.

In contrast to the previous scenario, during the first half of the 1990's, total Latin American and Caribbean exports have almost doubled, from US\$ 116 billion in 1990 to US\$ 213 billion in 1995, particularly within the region and to the United States. The increase has been even larger in total imports, from US\$ 89 billion to US\$ 217 billion in the same period. The fastest growth has taken place in the imports coming from Asia Pacific and in second place, from North America. The average regional rate of growth of total Gross Domestic Product (GDP) improved from a very poor 0.3% in 1980-1985 to 1.6% in 1985-1990 up again to 3.3% in 1990-95.

The economic improvement observed in Latin America can be attributed to the fact that the majority of countries have implemented serious structural economic reforms which have led to macroeconomic stability and to a significant trade liberalization. This process began in Chile in 1974, followed by Bolivia and Mexico a decade later, and then by many others during the late 1980's and early 1990s. These reforms, which meant a replacement of most non-tariff barriers to trade by tariffs, as well as important reductions in tariff levels, predated the agreements of the Uruguay Round (UR). The tariff profile of 'Latin American and Caribbean countries are today less dispersed, falling the majority in a range of between 5% and 25%, and an average of between 8.6% and 16.3% (ECLAC, 1997). In the UR, five Latin American countries, members of the Cairns group, were active supporters of a multilateral liberalization of world agricultural markets (Argentina, Brazil, Chile, Colombia, and Uruguay). Today, almost all countries in the region are members of General Agreement on Tariffs and Trade (GATT) and fully committed to a multilateral system. The pace and degree of liberalization varies among the countries in the region, being the most open to

trade Bolivia, Chile and Colombia, followed at a distance by Argentina, Brazil, Mexico, Peru, El Salvador, and Uruguay (Valdés, 1997).

An important trend which characterizes trade within the region is the large number of bilateral and multilateral trade agreements that have been signed between many of the countries. The most important of these are North American Free Trade Agreement (NAFTA), which includes the United States, Canada and Mexico, and Mercosur, which includes Argentina, Brazil, Paraguay and Uruguay, expanded by an agreement between Mercosur and Chile, which is also soon to be followed by agreements between Mercosur with several other countries of the region. Other multilateral agreements are the Andean Pact, the Central American Common Market, the Caribbean Community, and many bilateral agreements. These agreements consist of important reductions of trade barriers between members, including those relevant to agriculture, and which also normally contemplate further liberalization of investment and financial flows, and joint investments in infrastructure.

Although the importance of the agricultural sector varies widely among countries of the region (from 4.5% up to 20-30% of GDP), exports of primary and processed agricultural, seafood and forest products, are a very important component of total foreign earnings. In fact, these exports constitute today the engine of economic growth in a number of countries in the region. In 1995, these exports meant foreign earnings of almost US\$ 57 billion, that is 27% of total export earnings. It is worth noticing too that there has been an important effort to develop and expand the production and exports of non-traditional exports, such as fresh and processed horticultural products, particularly fruits, and to broaden the number of trading partners. Countries which depend the most of food and forest exports, i.e., these represent 40% or more of total export earnings, are: Central American nations, Argentina and Uruguay, followed closely behind by Brazil. Fish and crustacean exports are also important for six countries: Ecuador, Peru, Nicaragua, Chile, Panama and Honduras, and forest exports are also important for Chile, Paraguay, Bolivia, and Brazil.

In terms of imports, food imports typically represent about 10 to 18% of total imports, but with very small imports of fish or forest products. The Central American countries are the most dependent of food imports within the region.

It is a well-known fact that it is the developed countries which provide the largest surplus of food for world trade, supplying usually no less than 70% of total food exports. Within the regions of less developed nations, while Africa and Asia typically run a deficit in food trade, Latin America is a net exporting region, although there are important differences among countries and sub-regions in the net food trade position. The main food exporters in Latin America are Brazil, Argentina and Mexico, followed by Chile and Colombia.

Because Latin America is endowed with abundant natural resources, it is an important exporting region, particularly of beverages, such as coffee and cacao, as well as oilseeds and vegetable oils, fruits and horticultural products in general, and of fish products. The participation of the region in total world exports during 1994, for the most relevant products in world trade were the following, according to a study by ECLAC (1996):

coffee and substitutes	59.5%
oilseeds, vegetable oils, oil cakes	26.2% of world exports
sugar	16.5 %
fresh fruits and nuts	15.5%, of which the most important ones are:
bananas	49.6%
tropical fruits (except bananas)	34.6%
juices of fruits and vegetables	30.2%
grapes	25.0%
ears and quince	17.6%
apples	10.5%
stone fruits	7.6%
citrus fruits	5.7%
cacao	14.3%
seafood	11.3%
vegetables, fresh, frozen or dried	10.0% (specially fresh tomatoes)
cereals and cereal products	4.9%

As to livestock products, Latin America is an important producing region, due to its extensive pasture lands, abundance of forages, and adequate climate. Nevertheless, the participation of the region in world trade has been less than warranted by its resource base, probably due to the presence of diseases which limited the exports of fresh/chilled meat to developed countries and due to the relatively high domestic levels of consumption. On the other hand, it is a net importer of milk and dairy products, except for Uruguay. The participation of Latin American exports in total world exports for these products in 1994 were, according to the same source as follows:

canned meats and meat preparations	13.4%
beef, fresh, chilled or frozen	7.9 %
poultry, fresh, chilled and frozen	11.1%

The participation of food products in total Latin American exports has moderately declined over time, thus replicating the pattern of evolution of the more developed nations in the world. Nevertheless, it would be expected that in a scenario of more open trade, both with less subsidized exports, and with more open food markets in developed countries, Latin American food exports should expand faster than in the past. To this end, the region will have to enhance its competitiveness both at the farm and processing levels, and apply better and more aggressive marketing practices in foreign markets, particularly in take lesser explored Asian nations.

Traditionally, the European Union and United States have received two thirds of Latin American food exports, proportion that has slowly been declining after 1985, while the participation of Japan has increased. There is also a growing importance of intra-regional trade in food, as a result of freer trade within Latin America, including the food sector, and also due to the trade agreements which have drastically reduced trade barriers between partners.

The trade pattern with Asia Pacific

During this decade, Latin America has increased its commercial ties with most other regions of the world, but trade with Asia is still very limited. The largest export share corresponds to the United States (46.5% of total exports of Latin America and the Caribbean during 1995), followed by intra-Latin American trade (17.4%) and the European Union (15.5%). This pattern of regional shares of Latin American exports is quite different though for food exports, which are considerably less tied to the United States as compared to manufactures or fuel exports, while the European Union becomes relatively more important, and also, although more modestly, Asia Pacific. Between 1990 and 1995, the share of food exports going to Asia Pacific (excluding Japan) increased from 4.3% to 8%, and to Japan from 4.4% to 5.6%.

In terms of Latin American and Caribbean food imports, the main source of supply is the United States, although its share has declined from 41.2% in 1990 to 32.5% in 1995, and secondly the region itself, which increased its share from 30.5% to 41.7% in the same period.

Thus, Latin America is a minor partner for Asia's exports as well as imports. So far, Latin America has attained a very small market share in Asia. The highest import penetration has been achieved in Japan, 3.2% of total Japan's imports in 1995, followed by Indonesia, 2.6%; Korea, 2.6%; Taiwan, 2.3% and China, 2%. Among the 10 most important products imported by Asia-Pacific from Latin America and the Caribbean, besides minerals and fuel, are animal feed and seafood, while the single most important product is copper.

In terms of products, imports from Asia-Pacific into Latin America and the Caribbean consist mainly of manufactured goods, whereas Latin American and Caribbean exports are mainly primary commodities, except for trade with the United States, in which manufactures prevail, as in intra-regional Latin American and Caribbean trade.

Dynamism and scope of Latin American and Caribbean exports of agricultural, food and forest products from and to APEC

The favorable balance of Latin America and the Caribbean in food and forest products with APEC reached US\$ 12 billion in 1995, out of a total trade surplus of the region in these products of US\$ 25 billion. This is to say that APEC represented almost 50% of the net exports of the region in agricultural, food and forest products. Latin America and Caribbean trade in these goods with APEC has expanded at a significant rate in the last years, considering that the average rate of growth was slightly over 1% per year during the 1980's, having increased to 8% annually during the 1990's.

Latin America has gained some market share in the APEC market for food and forest products. In recent years, APEC imported annually from Latin America and the Caribbean close to US\$ 17 billion, and another US\$ 161 million from other origins. In terms of APEC

exports to Latin America and the Caribbean, these represented about US\$ 10 billion, and another US\$ 154 billion to the rest of the world. This meant an increase in the market share of imports from Latin America and the Caribbean, from 9% in the 1980's to almost 10% in the mid 1990's. Exports from APEC to Latin America and the Caribbean increased its participation from 4.3% to 6% in the same period. (See figure 1.)

Figure 1

LATIN AMERICA TRADE IN FOOD AND FOREST PRODUCTS WITH APEC

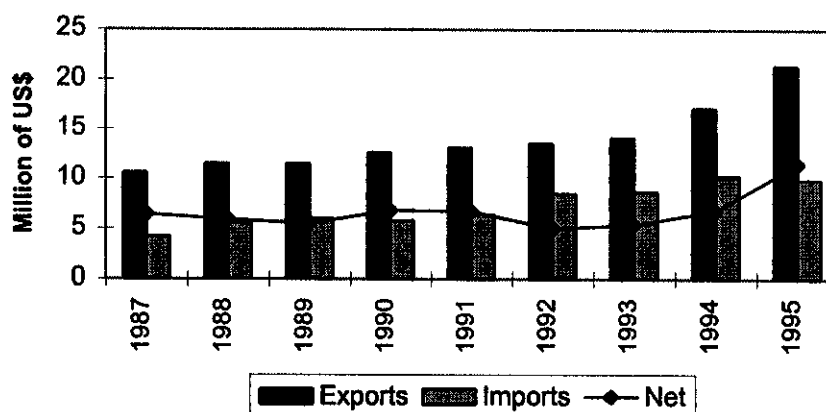


Table 1

APEC: TRADE FLOWS WITH LATIN AMERICA AND THE REST OF THE WORLD IN AGRICULTURAL, FOOD AND FOREST PRODUCTS (In millions of US dollars)

	1987- 1989	1990- 1992	1993- 1995	Annual average rate of growth 1987-1989 to 1993-1995
Imports:				
from Latin America	11 120 (9.0%)	13 051 (9.4%)	17 400 (9.8%)	7.7%
from the rest of the world	113 087 (91.0%)	125 739 (90.6%)	160 524 (90.2%)	6.0%
Exports:				
to Latin America	5 334 (4.3%)	6 947 (5.3%)	9 633 (5.9%)	10.4%
to rest of the world	118 641 (95.7%)	124 603 (94.7%)	154 039 (94.1%)	4.4%

Source: Agricultural Development Unit of ECLAC, United Nations, on the basis of COMTRADE.

a) Latin American and Caribbean exports to APEC

Exports of food and forest products to United States dominate the food trade of the Latin American and Caribbean region with APEC: US\$ 11.3 billion worth of exports out of a total of US\$ 17.4 billion for 1993-95 (see table 2). But exports to Asian countries are also becoming more interesting over time, such as those to Indonesia, Singapore, Malaysia, Thailand and Hong-Kong, increasing at an annual rate of 20 to 30%. Specially attractive are Singapore, a focal point for trading in the Asian region, and Hong Kong, a doorway to China with a privileged location and well developed infrastructure.

Table 2

LATIN AMERICA : EXPORTS TO APEC MEMBER COUNTRIES
(AGRICULTURAL, FOOD AND FOREST PRODUCTS)
(in million of US dollars)

	1987- 1989	1990- 1992	1993- 1995
Members of APEC			
North America	8 482	9 579	11 675
United States	8 140	9 266	11 345
Canada	322	313	330
Japan	1 368	1 827	2 680
Oceania	145	117	157
Australia	100	91	122
New Zealand	45	26	35
Other APEC	1 145	1 528	2 888
Brunei			
China	423	431	766
Korea	133	261	487
Philippines	44	39	87
Hong Kong	122	131	226
Indonesia	79	132	278
Malaysia	44	117	157
Papua New Guinea			
Singapore	56	91	261
Thailand	44	78	191
Taipei	200	248	435
TOTAL TO APEC a/	11 120	13 051	17 400
TOTAL TO THE WORLD	29 242	33 823	45 200

Source: Agricultural Development Unit of ECLAC, United Nations, on the basis of BADECEL.

a/ Excludes intra -Latin American trade.

b) Products exported to APEC

Latin America and the Caribbean exports to APEC consist mainly of agricultural commodities, with a reduced trade in seafood, forest or livestock products (see table 3). Only two products: coffee and bananas constitute one-third of all agricultural exports. Other important exports consist of vegetables, flowers and seed, vegetable oils, fruits, sugar, beverages, tomatoes, cereal preparations, orange juice and tobacco (see table 4).

There has been an important growth in exports of fruits and vegetables (such as tomatoes), cereal preparations, flowers and seed, fruit juices, and some seafood and forest products all of which have increased at an annual rate of between 10 to 35%. More traditional exports such as bananas, sugar and coffee, have increased much more slowly, while other exports have shown a definite stagnation, such as orange juice, textile fibers, and cacao. Most of these products represent interesting opportunities as high-value products which incorporate services and technology.

Trade with APEC is far from the simple "periphery" model, in which the region is an exporter of basic commodities and an importer of manufactures, because there is an important degree of product elaboration in both sides. But it is neither one which implies a "vertical" type of specialization, in contrast to the commercial arrangements between Asian neighboring nations, and could instead be classified so far as a "horizontal" type of exchange.

c) Main APEC trading partners in food and forest products

The United States is the major market in APEC for Latin America and the Caribbean in all categories: agriculture, livestock, fish and forest products. Its main imports from Latin America and the Caribbean consist of coffee, bananas, tomatoes, beverages, vegetables, fruits and flowers. Processed products, such as wine and fruit juice, are of lesser importance than the former, but are nevertheless also interesting alternatives in terms of this market.

The main exports to Japan, which is the second major trading partner within APEC, consist mainly of fisheries, beverages such as coffee and cacao, and of forest products. Thus, it is evident that there is a great potential for achieving a larger penetration of this market with higher-value products or with more value-added. Yet, it should be mentioned that there is already an incipient presence of fresh fruit Latin America and the Caribbean exports such as grapes, apples, pears, plums and kiwi, and of other agroindustrial products such as wines and tomato paste and meat cuts. This opens important perspectives for future trade with Asia, where these products are known to present high income-elasticities of demand. China, third market in importance for Latin American and Caribbean exports, purchases mainly vegetable oil, sugar, and fisheries from Latin America and the Caribbean, while imports of Australia and New Zealand from Latin America and the Caribbean consist basically also of vegetable oils, bananas, beverages and juice of tropical fruits. That is, trade consists predominantly of more traditional commodities. Finally, the remaining APEC countries import oilseeds, textile fibers, cereal preparations, vegetable oil and sugar. Therefore, there is a possibility to substantially increase less traditional exports to other Asia-Pacific countries, such as high quality fruits and vegetables, following the emerging trade flows of these products to Japan.

Table 3

LATIN AMERICA: TRADE WITH APEC, 1987-1995
(AGRICULTURAL, LIVESTOCK, FORESTRY AND FISHERY EXPORTS)
(Million dollars)

	<i>CUCI Rev.2</i>	1987- 1989	1990- 1992	1993- 1995
Agricultural products		7 780	8 848	10 684
cereals and cereal preparations	04	202	276	421
tomatoes, fresh or chilled	0544	247	289	439
onions, garlicks	05451	67	118	158
pulses, fresh or chilled	05459	189	455	717
pulses preserved by freezing	05461	67	171	211
bananas	0573	719	999	1 089
grapes, fresh	05751	213	263	281
avocados, mangoes, fresh or dried	05797	22	92	140
rest of fresh fruits		361	489	544
orange juice	05851	562	592	404
tropical fruit juices		179	338	345
sugar, sugar preparations	06	371	473	544
coffee not roasted	07111	1 618	1 289	2 142
tea, cocoa, spices		1 191	907	527
feeding stuff for animals and oil-cake	08131	101	131	246
beverages	11	258	302	404
tobacco	12	202	329	351
oil seeds	22	210	270	298
fixed vegetables oils (soya beans, cotton and sunflower seed oil)	42	258	289	597
textile fibers	26	438	342	211
cut flowers and foliage	29	303	434	615
Meat and milk products		763	1 025	1 318
animals of the bovine species	0011	303	447	492
meat and meat preparations	01	438	552	773
animal oils	41	22	26	53
Forestry products		847	1 088	2 061
wood in the rough	247	258	460	843
wood pulp	25	421	523	954
wood, sawn	6341	146	66	176
building board of wood pulp	641	22	39	88
Fishery products		1 730	2 090	3 337
fish, fresh or frozen	034	315	526	843
crustaceans and molluscs fresh and frozen	0360	1 078	920	1 475
fish, crustaceans and molluscs prepared or preserved	037	11	171	281
flours and meals of fish	08142	326	473	738
TOTAL TO APEC a/		11 120	13 051	17 400

Source: Compiled by ECLAC's Agricultural Development Unit, based on BADECEL data.

a/ Excluding Latin American trade.

Table 4

LATIN AMERICA: MAIN EXPORTS TO APEC MARKETS
(Million dollars)

	1993- 1995
Agricultural products	10 683
coffee not roasted	2 142
bananas	1 088
pulses, fresh or chilled	716
cut flowers and foliage	615
fixed vegetables oils (soja, cotton and sunflower seed oil)	597
rest of fresh fruits	544
sugar, sugar preparations	544
tea, cocoa, spices	527
tomatoes, fresh or chilled	439
cereals and cereal preparations	421
beverages	404
orange juice	403
tobacco	351
tropical fruit juices	345
oil seeds	298
grapes fresh	280
feeding stuff for animals of soya beans	246
textile fibers	211
pulses prepared	210
onions, garlicks	158
avocados, mangoes, fresh or dried	140
Meat and milk products	1 318
meat and meat preparations	773
animals of the bovine species	492
animal oils	53
Forestry products	2 061
pulpwood	954
wood in the rough	843
wood, sawn	176
building board of wood pulp	88
Fishery products	3 337
crustaceans and molluscs fresh and frozen	1475
fish, fresh or frozen	843
flour and meals of fish	738
fish, crustaceans and molluscs prepared or preserved	281
TOTAL TO APEC a/	17 400

Source: Compiled by ECLAC's Agricultural Development Unit, based on BADECEL data.
a/ Excluding Latin American trade.

Table 5

LATIN AMERICA: DYNAMICS OF EXPORTS TO APEC
(Average annual growth rate)

	1987-1989/ 1993-1995
Agricultural products	5.4
avocados, mangoes, fresh or dried	35.7
pulses, fresh or chilled	24.9
pulses preserved by freezing	20.9
feeding stuff for animals of soya beans	16.0
onions, garlcs	15.3
fixed vegetables oils (soya beans, cotton and sunflower seed oil)	15.0
cereals and cereal preparations	13.0
cut flowers and foliage	12.5
tropical fruit juices	11.6
tomatoes, fresh or chilled	10.0
tobacco	9.6
beverages	7.8
bananas	7.2
rest of fresh fruits	7.1
sugar, sugar preparations	6.6
oil seeds	6.0
coffee not roasted	4.8
grapes, fresh	4.7
orange juice	-5.3
textile fibers	-11.5
tea, cocoa, spices	-12.7
Meat and milk products	9.5
animal oils	15.8
meat and meat preparations	9.9
animals of the bovine species	8.4
Forestry products	16.0
building board of wood pulp	26.0
wood in the rough	21.8
pulpwood	14.6
wood, sawn	3.2
Fishery products	11.6
fish, crustaceans and molluscs prepared or preserved	71.6
fish, fresh or frozen	17.8
flours and meals of fish	14.6
crustaceans and molluscs fresh and frozen	5.4
TOTAL TO APEC ^{a/}	7.7

Source: Compiled by ECLAC's Agricultural Development Unit, based on BADECEL data.

^{a/} Excluding Latin American trade.

Table 6

LATIN AMERICA: MAIN EXPORTS TO APEC BY COUNTRY OF DESTINATION, 1995
(AGRICULTURAL, LIVESTOCK, FORESTRY AND FISHERY EXPORTS)

(Million dollars)

	North- America	Japan	China	Oceania	Other APEC countries	Total
Agricultural products	8 865	1 177	984	117	1 380	12 523
fixed vegetable oils (soya beans, cotton and sunflower seed oil)	41		586	30	166	823
avocados, mangoes, fresh or dried	132	3				135
sugar, sugar preparations	544	9	216		104	873
beverages	429	25		6	51	511
coffee	2 085	557		14	87	2 743
onions, garlics	180	4				184
cereals and cereal preparations	172	18	71		173	434
textile fibers	121	35	53		243	452
cut flowers and foliage	624	41			26	691
orange juice	215	83		6	74	378
pulses, fresh or chilled	797				10	807
pulses preserved by freezing	185	21			2	208
rest of fresh fruits	640	15		5	19	679
other tropical fruit juices	225	34		14	3	276
feeding stuff for animals of soya beans		32	19		274	325
bananas	977	34	11	17	4	1 043
oil seeds	70	77	22	5	59	233
tobacco	208	61	6	7	39	321
tea, cocoa, spices	374	122		13	18	527
tomatoes, fresh or chilled	583					583
grapes fresh	263	6			28	297
Meat and milk products	864	229			431	1524
Forestry products	1 171	788	74	1	641	2675
Fishery products	1 917	1 046	297	9	603	3872
TOTAL	12 817	3 240	1 355	127	3 055	20 594

Source: Compiled by ECLAC's Agricultural Development Unit, based on BADECEL data.

d) The status of Latin American countries in APEC

The largest market share in Latin American and Caribbean exports of food to APEC corresponds to Mexico (32%), which is due to its geographical position next to North America, and the trade arrangements as a result of NAFTA. Next in importance as food exporters to APEC in the region are Brazil (26%), Chile (18%), Argentina (10%), Colombia (8%) and Ecuador (7%).

The main exports of Mexico to the United States and Canada include vegetables, fruits, coffee and fisheries. In the case of Brazil, its main export flows take place to North America, with wood, coffee and meats, and then to Japan also with the same commodities, and to China, this time with vegetable oil and sugar. Only in the case of Chile do exports to Japan surpass those to North America, basically because of its exports of fish products and wood. On the other hand, Chilean exports to North America consist mainly of fruits, fish and wood, and of wood to China. Colombian exports to APEC consist mainly of flowers, coffee and fruits to United States, and of coffee sold to Japan and to other Asian countries in APEC. Finally, exports from Ecuador to APEC consist mainly of fish products, fruits, coffee and cacao to North America and of fish products and fruits (bananas) to Japan.

Therefore, Chile and Brazil are so far the countries which have been more able to take advantage of the affluent Asian countries, specially Chile with fisheries and forest products, and Brazil with wood, coffee and meats. More recently, there are attempts by Chile to penetrate the Japanese market with non-traditional exports such as fresh fruits and wine.

Table 7

LATIN AMERICA: MAIN EXPORTING COUNTRIES TO APEC, 1995
(AGRICULTURAL, LIVESTOCK, FORESTRY AND FISHERY EXPORTS)

(Million dollars)

	North- America	Japan	China	Oceania	Other APEC countries	TOTAL
CHILE	817	1 187	81	19	767	2 871
fishery products	214	644	16	4	278	1 156
woods	147	462	65		418	1 092
fruits	362	49		15	48	474
pulses and vegetables	33	28			19	80
wines	61	4			4	69
ARGENTINA	461	241	177	28	673	1 580
fishery products	81	196	20		144	441
cereals	4	9	71		169	253
oilseed cake and oilseeds	22	12	32	3	108	177
meat	150	9			13	172
fixed vegetable oils	1		27	22	116	166
prepared fruits	134	10		3	1	148
cotton		2	27		116	145
sugar	52				2	54
tobacco	17	3			4	24
BRAZIL	1 781	987	733	65	750	4 316
wood	696	258	7	5	170	1.136
coffee	413	246		15	37	711
fixed vegetable oils	1	2	560	6	28	597
fruits	294	86	1	27	59	467
meat		205			124	329
oilseed cake and oilseeds	3	91	9		221	324

Table 7 (conclusion)

	North America	Japan	China	Oceania	Other APEC	TOTAL
sugar	105		135		36	276
tobacco	150	53	6	10	34	253
fishery products	71	36				107
cotton	6		15		40	61
cocoa	42	10		2	1	55
COLOMBIA	969	236	21	1	105	1 332
coffee	405	234		1	100	740
flowers	380	2			1	383
fruits	162					162
sugar	22		21		4	47
ECUADOR	935	95	16	19	13	1 078
fishery products	486	45	5		7	543
fruits	217	33	11	17	4	282
coffee	107	12			2	121
cocoa	68	5		2		75
flowers	57					57
MEXICO	5 059	82	1	3	37	5 182
pulses	1 755	6			2	1.763
fruits	669	23		1	1	694
coffee	646	26				672
fishery products	558	5			4	567
livestock	540					540
liquors	379	8	1	2	9	399
procesed wood products	155					155
cotton	93	13			21	127
cereals	96					96
sugar	92					92
flowers and foliage	76	1				77
Total main exporting countries	10 022	2 828	1 029	135	2 345	16 359

Source: Compiled by ECLAC's Agricultural Development Unit, based on BADECEL data.
a/ Excluding Latin American trade.

e) Latin American imports from APEC

Imports of food and forest products from APEC have also increased over time, although loosing market share from 58% in the 1980's to 48% in 1993-1995. About 80% of food imports from APEC are supplied by the Unites States, growing in absolute value over time but with declining participation. Canada, on the other hand is a country which has shown an increasing participation, reaching 12% in the last years (see table 8). The

remaining APEC nations supply a very limited number and value of food items to Latin America and the Caribbean, with the exception of Australia and New Zealand. Notwithstanding, there is an emerging participation of China, Malaysia and Thailand and Indonesia.

Table 8

LATIN AMERICA: TRADE WITH APEC ECONOMIES
(AGRICULTURAL, LIVESTOCK, FORESTRY AND FISHERY IMPORTS)

(Million dollars)

	1987- 1989	1990- 1992	1993- 1995
APEC members			
North America	4 986	6 367	8 916
United States	4 544	5 738	7 763
Canada	441	628	1 153
Japan	16	25	10
Oceania	253	349	465
Australia	75	83	156
New Zealand	178	266	309
Other APEC countries	79	206	242
Brunei			0
China	31	22	65
Korea	1	8	2
Philippines	5	10	19
Hong-Kong	3	14	9
Indonesia	1	11	41
Malaysia	4	35	53
Papua New Guinea	1	4	
Singapore	1	17	8
Thailand	14	68	35
Taipei	18	17	8
TOTAL FROM APEC a/	5 334	6 947	9 633
TOTAL FROM WORLD	9 200	13 333	20 033

Source: Compiled by ECLAC's Agricultural Development Unit, based on BADECEL data.

a/ Excluding Latin American trade.

Table 9
LATIN AMERICA: TRADE WITH APEC, 1987-1995
 (AGRICULTURAL, LIVESTOCK, FORESTRY AND FISHERY IMPORTS)
 (Million dollars)

	CUCI REV2	1987- 1989	1990- 1992	1993- 1995
Cereals	04	1 596	2 088	2 798
Oilseeds	22	582	493	855
Meat	01	310	634	791
Pulpwood	25	666	561	759
Pulses	05	192	438	724
Milk products	02	391	429	617
Fixed vegetable oil	4(excl 43)	374	409	544
Feeding stuff for animals of soya beans	08	333	348	426
Textile fibers	26	107	136	419
Prepared food	09	82	177	356
Non specified products		685	1 202	1 360
Total from APEC		5 317	6 914	9 649

Source: Compiled by ECLAC's Agricultural Development Unit, based on BADECEL data.

f) Main products and markets for APEC in Latin America and the Caribbean

The most important products supplied by APEC to Latin America are cereals, oilseeds and vegetable oil, meats, wood pulp, vegetables, dairy products and textile fibers. The most dynamic of these have been food preparations, textile fibers, vegetables, and meat (see table 10).

Table 10
LATIN AMERICA: DYNAMISM OF MAIN IMPORTS FROM APEC
 (Average annual growth rates)

	1987-1989/ 1993-1995
Prepared food	27.8
Textil fibers	25.5
Pulses	24.7
Meat	16.9
Cereals	9.8
Milk products	7.9
Oilseeds	6.6
Fixed vegetable oil	6.5
Feeding stuff for animals of soya bean	4.2
Pulpwood	2.2
Total from APEC	10.4

Source: Compiled by ECLAC's Agricultural Development Unit, based on BADECEL data.

The main markets in the region are Mexico, mainly for North American products, such as oilseeds, cereals, wood pulp, meat and dairy products and vegetables (see table 11). Brazil is the second country in importance, mostly also for the United States exports of food and pulp wood, particularly for cereals and vegetables. Colombia and Chile are the other two countries in the region which follow in importance according to data for 1995. Colombia imports mostly cereals and oilseeds, both from North America and Chile is an interesting market for North American cereals as well.

Asian countries such as China, Malaysia and Indonesia, have only explored these markets with a few products such as oilseeds, and some vegetables and fruits.

Table 11

SELECTED LATIN AMERICAN COUNTRIES: MAIN IMPORTS FROM APEC, 1995
(AGRICULTURAL, LIVESTOCK, FORESTRY AND FISHERY IMPORTS)
(Million dollars)

	North America	Japan	China	Oceania	Other APEC countries	Total
ARGENTINA	121		2	12	28	163
Woodpulp	56				1	57
Pulses	24		2	2	12	40
Prepared food	19				2	21
Cereals	11				7	18
Milk products	6			10		16
Oilseeds	2				6	8
Meat	3					3
BRAZIL	854	2	33	48	67	1 005
Cereals	345		3	12	4	364
Pulses	135		29		16	180
Pulpwood	123					123
Oilseeds	65				46	111
Textile fibers	85	2	1			88
Milk products	37			35		72
Prepared food	40			1	1	43
Meat	24					24
COLOMBIA	605		9			615
Cereals	355					355
Oilseeds	83					83
Pulses	52		9			61
Textile fibers	34					34
Prepared food	24					24
Pulpwood	24					24
Meat	19					19
Milk products	15					15

Table 11 (conclusion)

	North America	Japan	China	Oceania	Other APEC countries	Total
CHILE	218	1	1	31	14	265
Cereals	172					172
Milk products	7			30		37
Pulses	7		1		14	22
Prepared food	11	1				12
Oilseed	10					10
Pulpwood	7					7
Meat	3			1		4
Textile fibers	1					1
MEXICO	4 418	2	7	110	55	4 592
Oilseeds	1 323	1	3		43	1371
Cereals	1 099				1	1100
Pulpwood	658					658
Meat	483			18		501
Milk products	206			76		282
Pulses	236		2	2	8	248
Textile fibers	217		1	14	3	235
Prepared food	196				1	197
TOTAL (5 countries)	6 216	5	53	202	163	6 640

Source: Compiled by ECLAC's Agricultural Development Unit, based on BADECEL data.

The scope for enhancing food trade in APEC

It is at this point interesting to report that the higher participation of Latin America and the Caribbean food and forest exports in the Asia Pacific countries, has so far had little to do with the reduction of tariffs and other trade barriers. Also, there are very few investments, if any, which can be clearly attributed to cooperation agreements within the APEC fora. Most of the existing investments respond to decisions made in the past by the countries which today make up the APEC, and in any event these are centered more on forestry and fisheries, at least in the case of Chile, than in the agroindustrial sector. Nevertheless, there are presently observable improvements in the commercial sphere, which can be linked up to a certain point, to a set of facilitation activities undertaken under the APEC umbrella, which point towards greater future integration. These include for example, harmonization of standards and administration barriers, customs procedures, some norms of origin, the implementation of scientific cooperation agreements through bilateral exchanges, and strengthening of the net of regional agreements. It would seem that we have entered a phase characterized by the facilitation of trade and investments, and of technical and economic cooperation, rather than on deepening market liberalization and technology.

Within Latin America and the Caribbean, trade reform has already been consolidated for the most part, and has not spared the agricultural sector, although this is causing considerable trouble in some of the countries, in terms of their traditional agricultural portfolio and in some specific regions. It is expected that further liberalization will occur

mainly within the context of regional trade agreements. Because most countries are applying tariff rates considerably below the agreed ceiling bindings under the Uruguay Round, and have already removed quotas and licenses, there is not much more to be expected in terms of market access in the coming years. Also the application of mark-up policies between border and domestic prices has virtually disappeared in the region, particularly with the removal of state trading (Valdés, 1997). It is considered though, that there will be substantial pressures to seek to impose technical barriers, sanitary and phytosanitary measures, and antidumping and countervailing duties, to provide some protection from imports. Yet, so far, the use of these protection measures has not been prevalent in the region (Low, 1997). Also, Latin American countries have refrained for the most from applying agricultural export subsidies, and it may be expected that this situation will not change, due to fiscal budget considerations. For this same reason, Latin American and Caribbean countries have generally reported zero Domestic Support Measures, the exceptions being Brazil, Colombia, Costa Rica, Mexico and Venezuela.

On the other hand, the main concerns for Latin American producers and exporters of food and forest products, are the following:

- **the high tariffs which remain in many food markets, particularly for high-value products.** In Asia-Pacific, an important progress has been made in liberalizing market access through the reduction of non-tariff and tariff barriers, be it as a result of unilateral decisions or due to the Uruguay Round commitments. But some countries pursued "dirty tariffication", which means that ceiling bindings on tariffs agreed at the UR for food are much higher than the existing Pre-Round levels of protection, and higher than for other economic sectors. Also, as a result of the UR, the degree of tariff escalation (that is the tariff rise as the level of processing increases) has been reduced. But this information hides the presence of high tariffs in many markets, particularly for high-value products (e.g., beef in Japan, Korea, and Canada; cheese and orange juice in Japan, butter and chicken in North America, etc.) and numerous non-tariff barriers. The application of tariff escalation leads not only to an inefficient allocation of resources, but also discriminates against Latin American exports of products with more value added.
- **the administration of the tariff-rate-quotas.** It is normally not transparent and tends to favour food importers rather than exporters.
- **trade-distorting domestic support,** such as market price support, but also other measures considered to be minimally trade distorting in developed nations also need to be reduced because they confer unfair competitiveness to imports from Latin America and the Caribbean and from other sources.
- **the application and lack of transparency of antidumping measures, the use of sanitary and phytosanitary regulations and of technical standards as tools to protect the agricultural sector** of developed nations of APEC from lower-price imports. In particular, the application of antidumping measures leads to arbitrary and protectionist outcomes against small countries, and are a matter which should be revised in future negotiations. The methodology of calculating margins on the basis of constructed costs are clearly contentious matters. Plant health regulations, food safety standards, quality standards

and labeling requirements are becoming important technical barriers to trade, particularly in East Asia.

- **export subsidies remain permissible**, and confer unfair competition to import-competing activities within LAC as well as in third countries where exports from LAC compete with exports from other larger APEC members. Agriculture is the only sector in which export subsidies remain permissible, and there are other programs of assistance to exports in some of APEC countries which are also troublesome, such as export credits and credit guarantees, food aid assistance, and market promotion.

Conclusions

APEC is a very important market for food and forest products from Latin America and the Caribbean, in spite of the physical distance between the member regions. Trade within APEC has shown an important growth during this decade, probably as a result of broad policy reforms around the world and from the strengthening of institutions which provide the framework for trade and financial exchanges among countries.

Unfortunately for Latin America, its portfolio of food exports to APEC continue to be highly concentrated in a few traditional commodities, such as coffee and bananas, but there is at present a positive move towards greater diversification, specially in non-traditional goods such as fruits and vegetables, which face better prospects in terms of demand growth due to the changing food consumption patterns in many of its trading partners, particularly in Asia-Pacific.

Latin American food and forest product exports also continue to be highly concentrated in a few trade partners, notably the United States, but trends are slowly moving in the direction of intensification of trade with Asia-Pacific. The major opportunities have arisen for Mexico, given its strategic location next to the United States, but other countries such as Brazil, Chile, Argentina, Colombia and Ecuador have been able to successfully diversify food and forest exports into Asia, specially to Japan and China.

The Latin American region is also an interesting market for food products from other areas, particularly from the United States and Canada. Imports consist of important commodities such as cereals, oilseeds, livestock products, including meats and dairy products, and for more elaborate products, such as food preparations. These imports will probably continue to increase in the region, due to the expected growth in income and a sustained policy of trade liberalization.

The compromise of improved market access, set for the years 2010 and 2020 may be difficult to attain, but would certainly be more than welcomed by the Latin American nations but it would probably not be enough to rapidly foster more trade with Latin America and the Caribbean. A proactive policy of building a knowledge of each other, both at the level of the public and private sectors will also be required. This implies for example, increasing mutually available information on the economies, industries, marketing channels and trade of each region. Transparency is needed, not only about each others' trade

barriers, but also of technical norms and standards, sanitary and phyto-sanitary regulations, consumer tastes and preferences, intellectual property rights and investment regulations, etc. Business facilitation encompasses promoting a broad spectrum of activities, such as show rooms, technical visits by farmers and industry managers, academic exchanges of professors and students, food fairs, research partnerships and the like.

In addition, the Asia Pacific countries which wish to assure a regular supply of natural resource based products from Latin America and the Caribbean would have to encourage greater direct investment and technical assistance in the food sector, all along the chain from the natural resources to international marketing and distribution. Although there has been an important increase of foreign direct investment into Latin America (in 1995, Latin America received a net foreign direct investment of US \$ 23.6 billion, that is 7.6% of the total for the world), a very small fraction originates in Asia. It is the Asian region itself which concentrates most of the foreign direct investment of its countries, and these subsidiary firms are then an important supplier of products to the country of origin of these investment funds.

To increase economic relations between Asia and Latin America, it is also important to build up alliances and cooperation among companies of both regions. If there was a better articulation between the food sectors of Latin America and the Caribbean and Asia, it would stimulate the incorporation of new technologies and upgrading of skills of workers and of management in the former, and thus stimulate more business within APEC.

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