

**AAEA Organized Symposium
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ORGANIZERS:

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TITLE: Economic Turmoil and Trade Liberalization in Latin America: Implications and Issues for U.S. Agriculture

ABSTRACT: Even with the presence of trade agreements, macro-economic policies, political conditions, and other factors such as weather and the environment continue to have a major, and often overriding impact on agricultural trade patterns. The purpose of this symposium was to examine how economic forces and policies in Latin America combined with the proliferation of trade agreements affect agriculture in the Western Hemisphere. Recent economic instability in Latin America and the continued expansion of market access via the FTAA and WTO could have major implications, presenting both new export market opportunities and renewed competition for U.S. producers and agribusinesses.

MODERATOR:

Lynn Kennedy, Louisiana State University

PARTICIPANTS:

John Link and Mary Burfisher, Economic Research Service, USDA
["Free Trade of the Americas: What's at Stake for Agriculture"](#)

Eduardo Segarra, Texas Tech University, and Nicolas Gutierrez, Monterrey Tech
["Mexico, NAFTA and Expansion Toward the European Union and South America"](#)

Gary Williams, Jaime Malaga and Flynn Adcock, Texas A&M University
["The Effects of Trade Agreements and Economic Turmoil in South America"](#)

Jose Quiroga, Agriculture and Agri-Food Canada, Ottawa, Canada
["Canada's Agriculture Trade with FTAA Countries"](#)

RESPONDENT:

Parr Rosson, Texas A&M University
["Economic Turmoil and Trade Liberalization: Implications for Extension and Applied Research"](#)

FORMAT: The symposium began with a 5-minute overview by Kennedy to provide focus to the problem, identify objectives, outline discussion format, and highlight some of the challenges and opportunities confronting educators. **Link** provided a 12-minute overview of the FTAA and highlight important issues relating to negotiations. **Segarra, Malaga** and **Quiroga** then offered comments (12 minutes each) on various areas in the Western Hemisphere. Following a response by **Rosson**, the remaining time was used for discussion among presenters and participants.

JUSTIFICATION AND DESCRIPTION:

International markets are crucial to the U.S. agricultural economy, with U.S. agriculture four times more dependent on trade than the overall economy. Changes in farm program support may require that producers bear more downside price risk and experience greater income volatility, while maintaining competitiveness in a global market. The importance of international trade to agriculture is evident with the increase of preferential trading arrangements such as NAFTA and CUSTA. The Free Trade Area of the Americas (FTAA), currently being negotiated, will increase the linkages between the economies of the Western Hemisphere. Further, the Uruguay Round Agreements of the multi-lateral General Agreement on Tariffs and Trade (URA-GATT) in 1993 were the first time that agriculture was included in the GATT process, and the Millennium Round of WTO Negotiations (MR-WTO) is expected to build upon those successes in agriculture.

Link and Burfisher provided an overview of the current status of the FTAA negotiations, prospects for the future of negotiations, and their relationship to multilateral trade negotiations (MTN), including the Seattle-WTO Round. Link and Burfisher also provided a brief overview of further agricultural trade liberalization arising from URA-GATT.

Even in the presence of multi-lateral, regional and bi-lateral trading agreements, however, macro-economic, political and other conditions such as weather and the environment continue to have an overriding impact on agricultural trade patterns. With recent economic and other crises in Latin America, U.S. agriculture has been affected by declining markets, reduced purchasing power of foreign consumers, and stocks accumulation worldwide. Further, agricultural products from many countries in Latin America became more competitive in U.S. and foreign markets due to depreciation of their currencies and the strength of the dollar. An example of this is lower priced sugar, soybeans and frozen concentrated orange juice from Brazil due to the depreciation of the real.

Recovery from these crises, assisted in part by the presence of trade agreements which lower trade barriers, will also have implications for U.S. agriculture, presenting both export market opportunities and renewed competition as a result of expanded production in some countries. Segarra and Gutierrez discussed the case of Mexico, which suffered severe economic and currency crises in 1995, but was able to quickly recover in part due to their dedication to more liberalized trade. Williams, Malaga and Adcock discussed key issues related to recent experiences in Ecuador, Peru, Argentina and Brazil and Guatemala. The spread of economic decline in Latin America and prospects for recovery will be discussed.

Canada is an important player in global agricultural trade. Quiroga will discuss the Canadian perspective regarding the FTAA and other trade agreements, and will highlight recent policy reforms in Canada and how they may affect Canadian agricultural trade with the United States, Mexico, and the rest of Latin America.

The symposium focused special attention on the role of land grant university applied research and extension programs in assisting southern agriculture to respond to opportunities and challenges created by global economic crisis and recovery. To accomplish this goal, the participants in this symposium will examine both the effects of recent economic problems in Latin America and elsewhere around the world, and the potential impacts resulting as these countries regain some or all of their economic and agricultural strength. The role of preferential trading arrangements, especially the FTAA, in assisting countries to recover from economic downturns will be highlighted. Potential programs by research and extension economists in the land grant system which assist southern agriculture to participate in and take advantage of new opportunities created by global economic recovery.