# Free Trade of The Americas: Issues and Prospects

# The Andean Group

Jaime Malaga
Department of Agricultural and Applied Economics
Texas Tech University

Free Trade of the Americas, the WTO and New Farm Legislation
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# Overview

- The Economic Dimension of the Andean Countries
- The “Andean Community” FTA-Customs Union
- US-Andean Countries Trade
- Socio Political Environment
- FTAA: Issues and Perspectives

# Main RTA's in the Western Hemisphere

# Andean Countries (AC) Indicators (2000)

| | AC | MERCOSUR | MEXICO |
|---|---|---|---|
| POPULATION | 119 | 236 | 101 |
| GDP $ BILLIONS | 578 | 1816 | 915 |
| GDP/CAPITA | 5.0 | 7.7 | 9.1 |
| TRADE (X + M) | 100’ | 209’ | 344’ |
| | | | |
| TRADE/GDP | 17.3% | 11.5% | 37.5% |
| | | | |

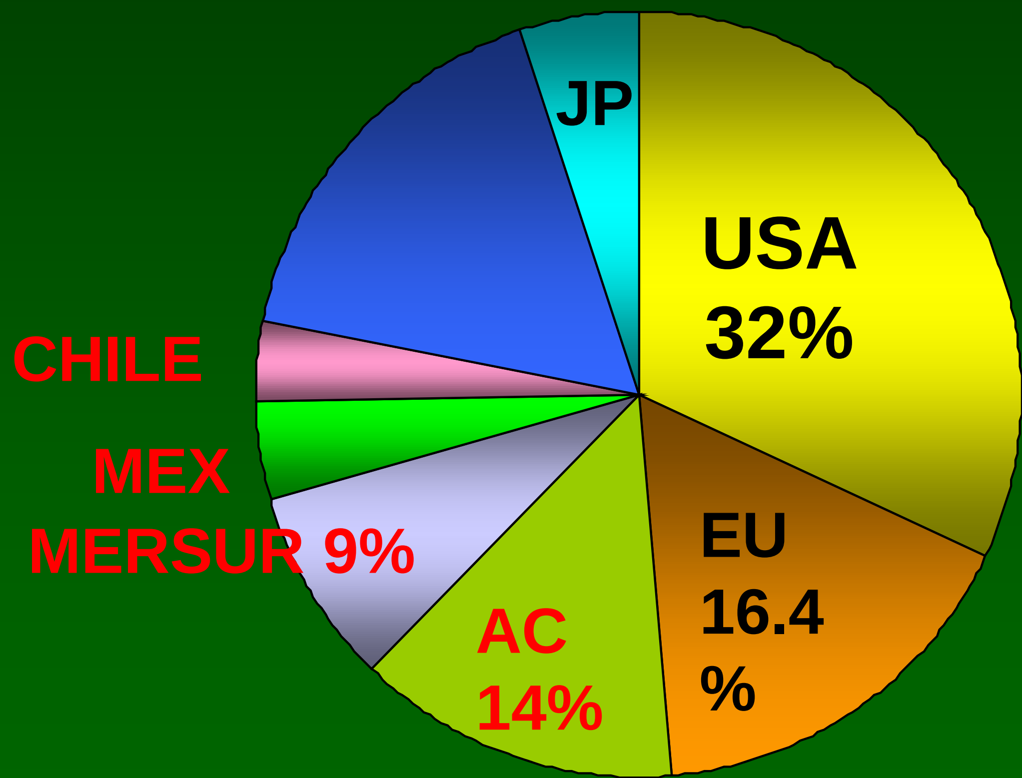
# The Andean Community ACN (Former Andean Pact)

- Created 1970
- Free Trade Area:  Completed in 1993 (Except Peru)
- Customs Union:  Partially in 1995 – Expected Completion: 2003
- Common Market:  Target year : 2005
- Bilateral Trade Agreements with Chile and Mexico
- Free Trade Agreements under negotiation with Mercosur, EU.

# The Andean Community ACN (Former Andean Pact)- Results

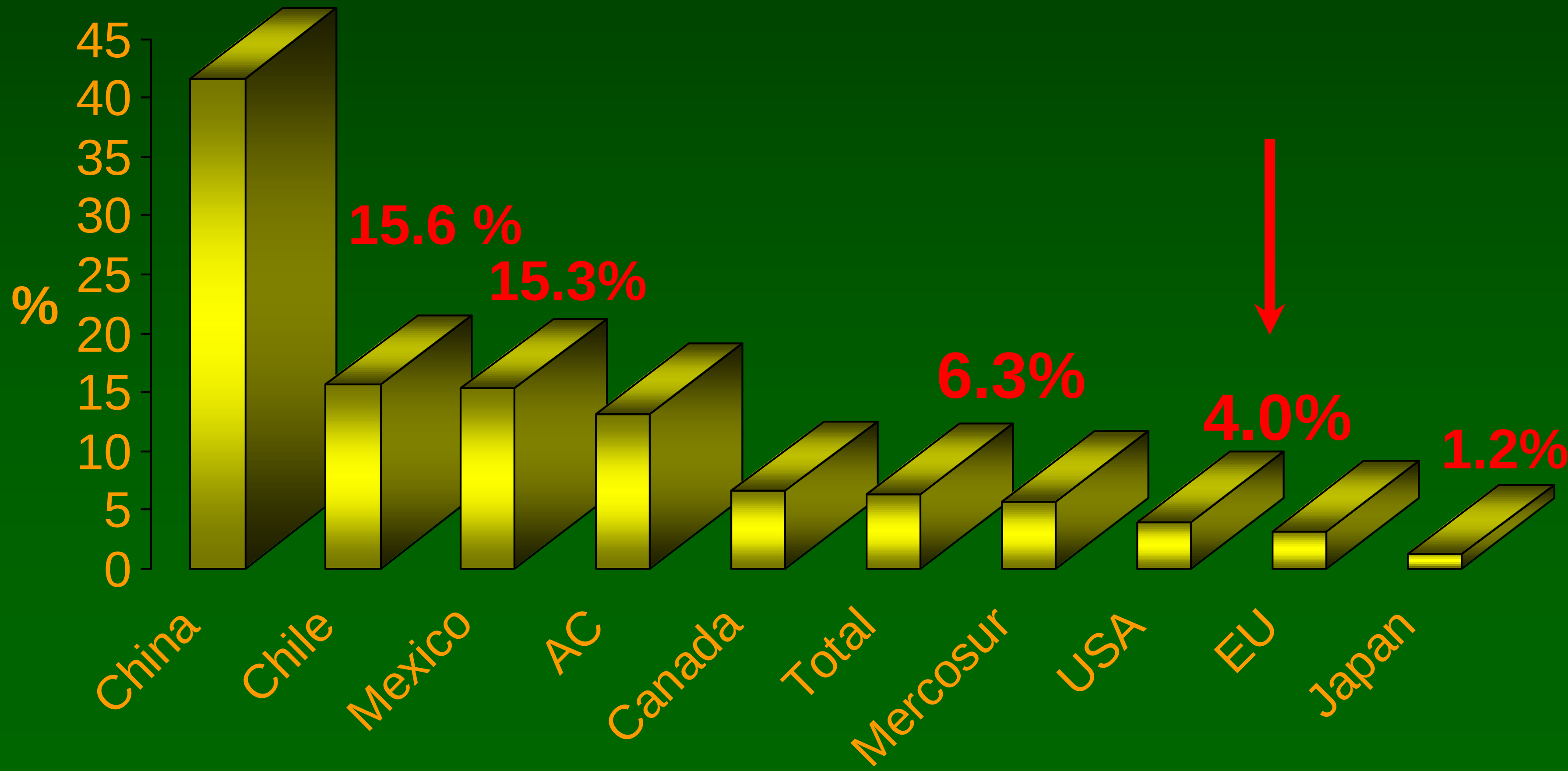
- 0 Intra-region tariff since 1993 (except Peru)
- Intra-region exports grew 47 TIMES (1970-2000) while exports to ROW grew 10 times.
- Common External Tariffs under negotiation: four levels expected: 0, 5, 10 and 20 %
- System of “Price Bands” applied to 13 agricultural commodities (since 1995)

# Andean Countries Total Imports by Origin (2000)

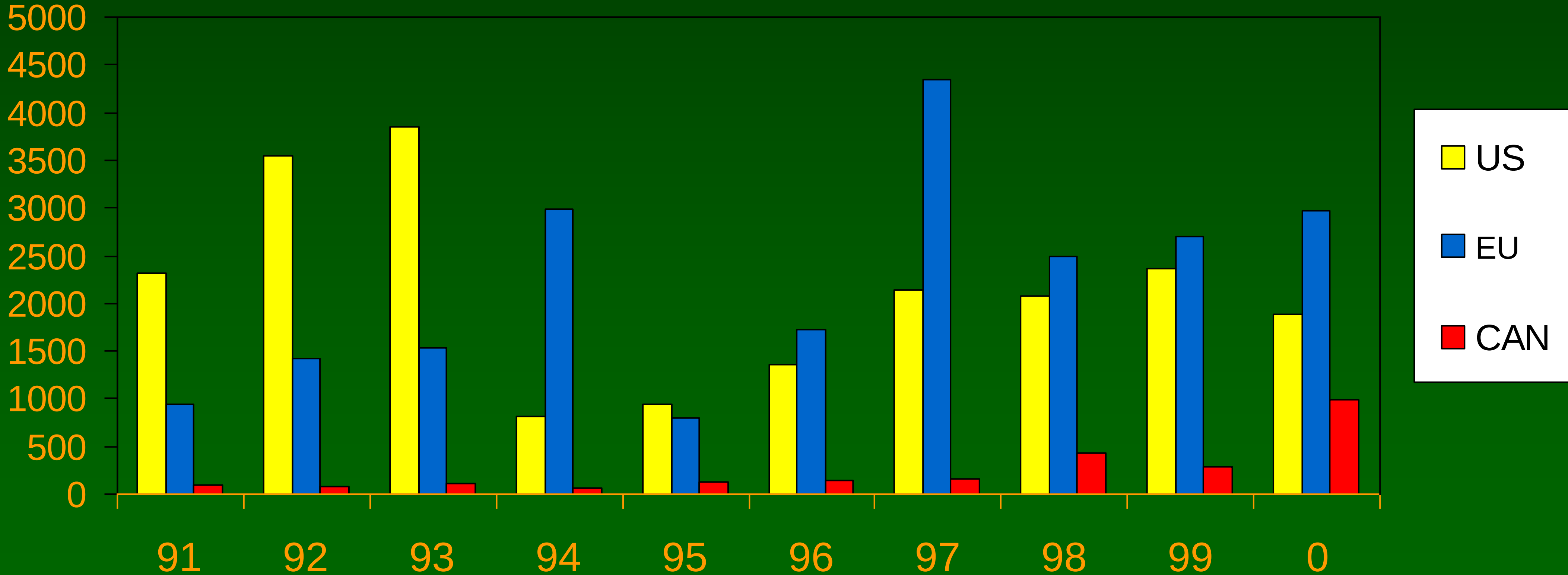



**Total Imports**
**40 US $ Billion**

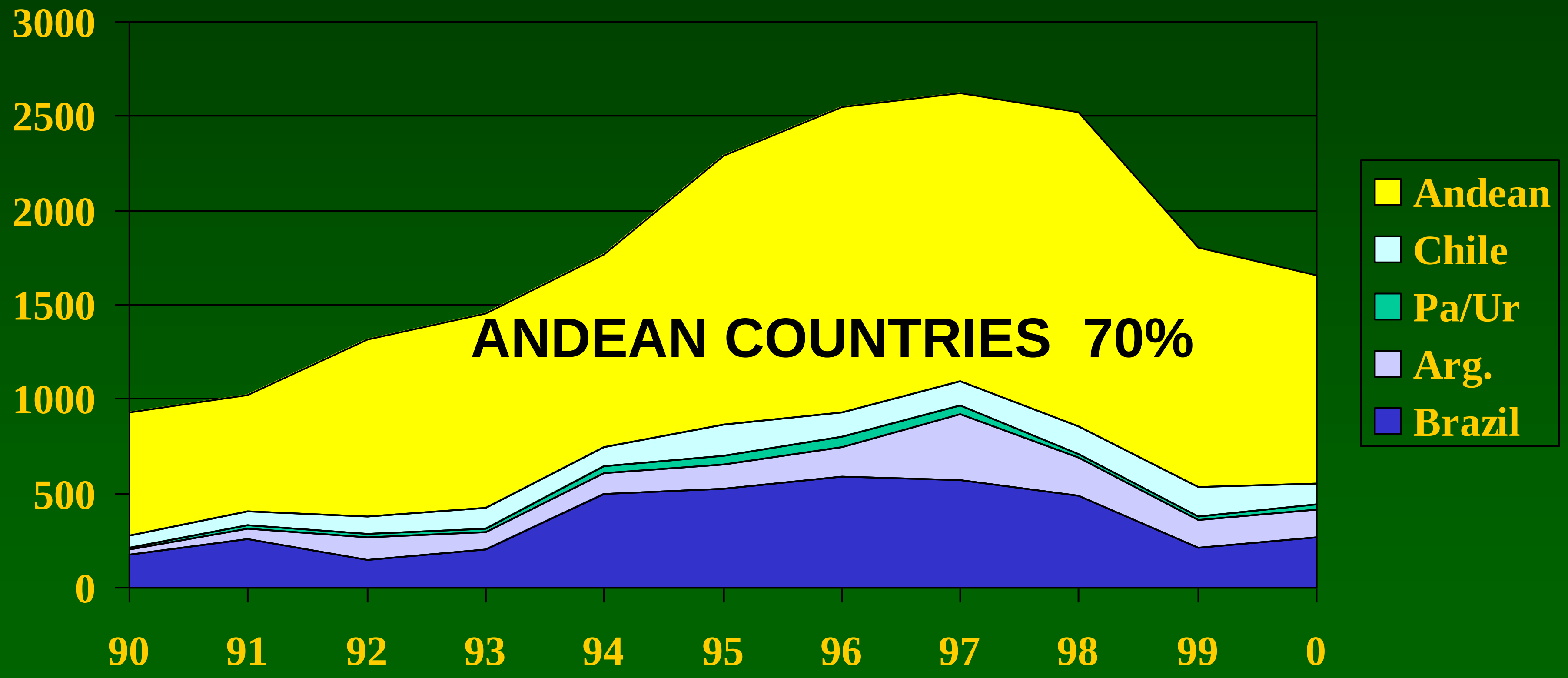
# Andean Countries Total Imports Average Annual Growth Rate 1991-2000 (%)



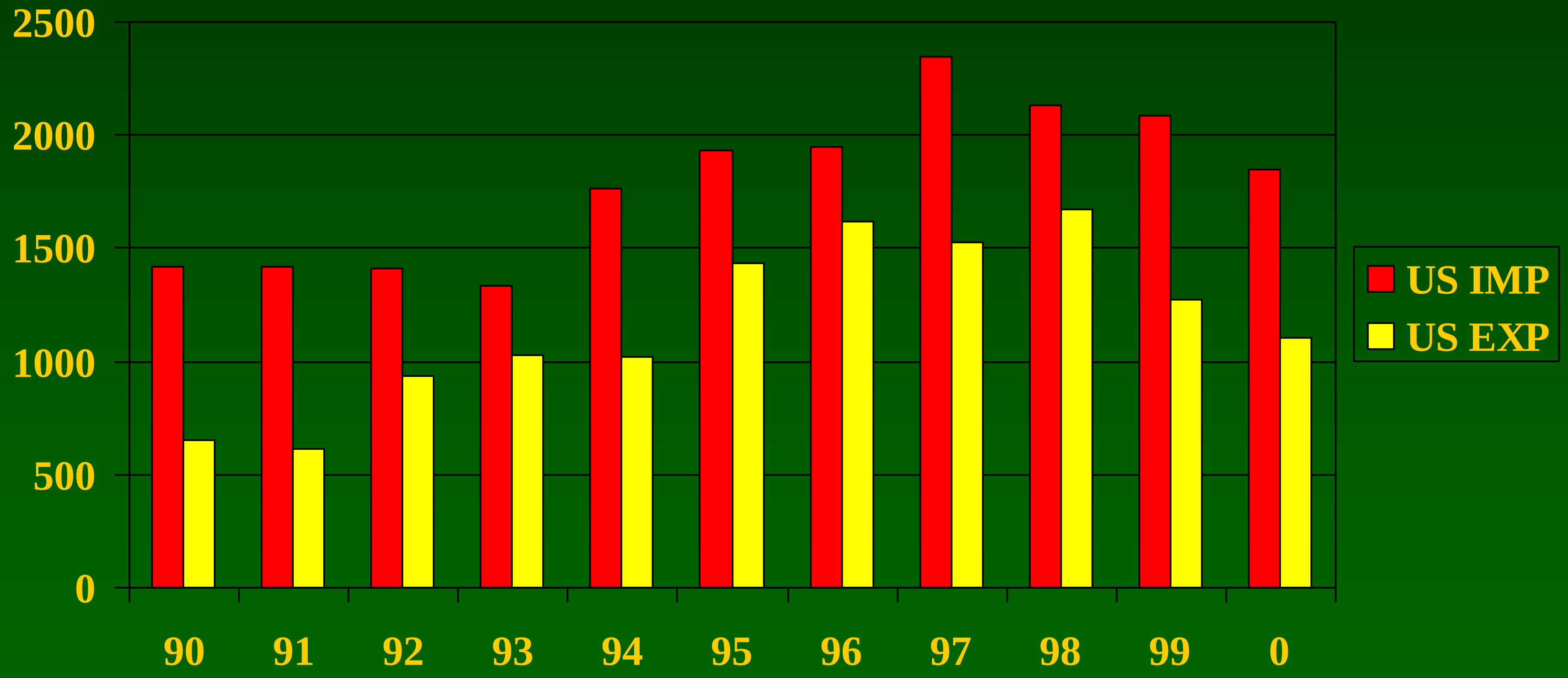
# Annual Direct Investment on Andean Countries by Origin 1991-2000 (US $ Mill)



# US Ag. Exports to South America 1990-2000



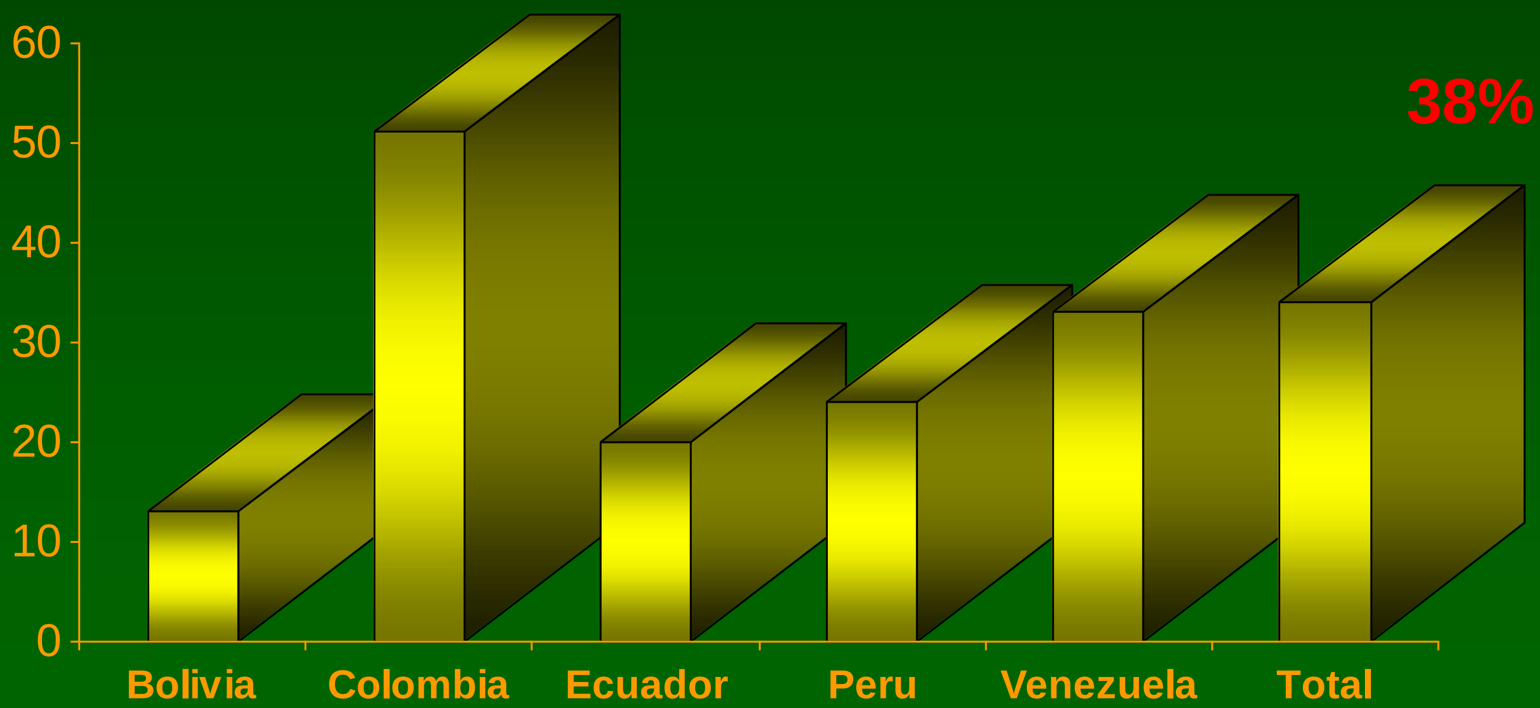
# US- AC Ag.Trade Balance 90-00



# Andean Countries Import High % of US Ag. Exports to South America (2000)

| | |
|---|---|
| • SOYBEANS | 100% |
| • SOYBEAN OIL | 100% |
| • CORN | 90% |
| • WHEAT | 89% |
| • RICE | 86% |
| • FRUITS | 82% |
| • SOYBEAN MEAL | 62% |
| • COTTON | 55% |

# US Share (%) of AC Ag. Imports 1998-99



# Problems and Issues

Political Instability

- Ecuador in 1999-2000
- Peru in 2001
- Venezuela: 2002

Social Unrest/Conflicts

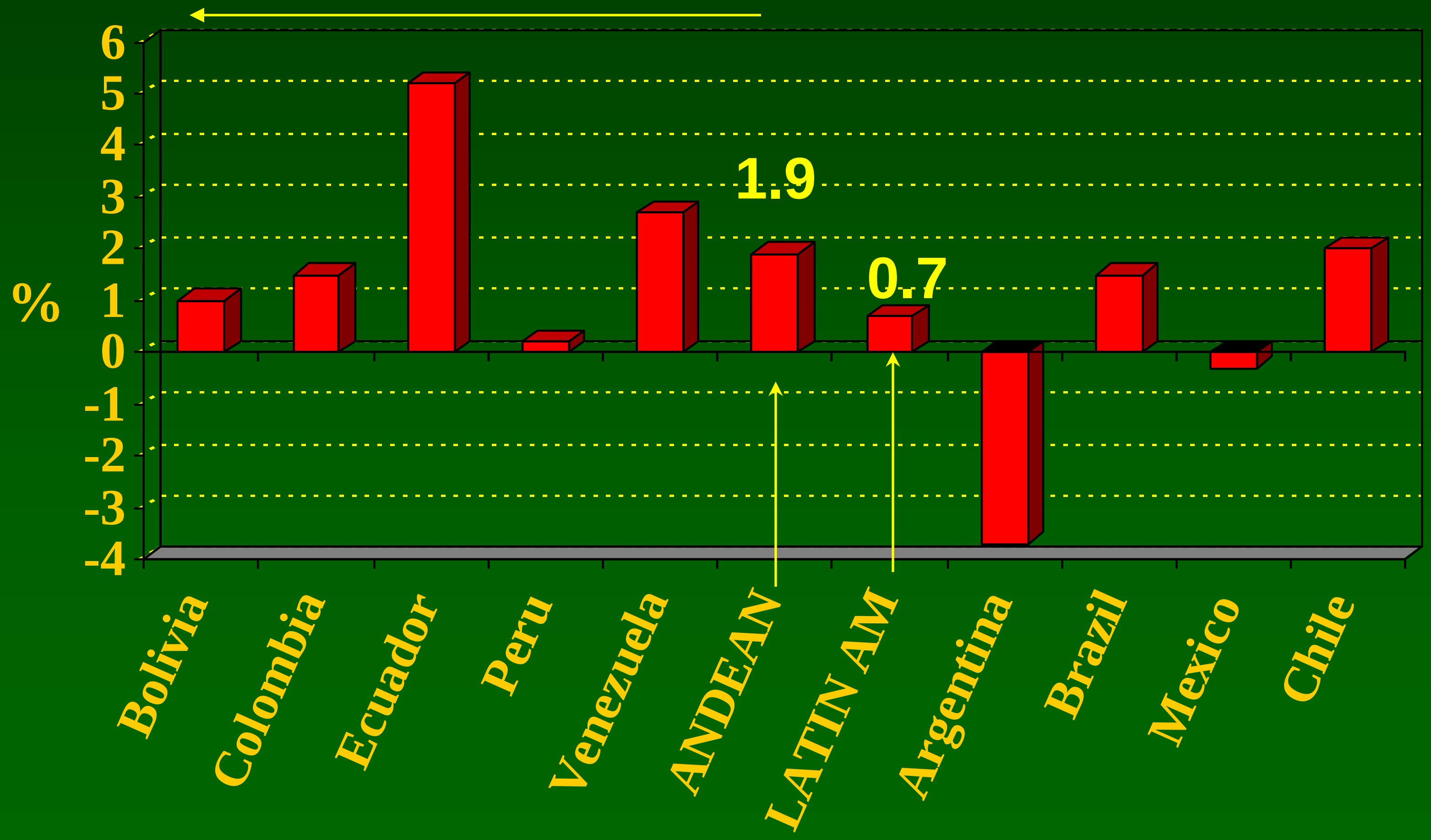
- Colombia guerrrilas
- Colombia and Peru Drug Production

Different Levels of Market Liberalization/Policies

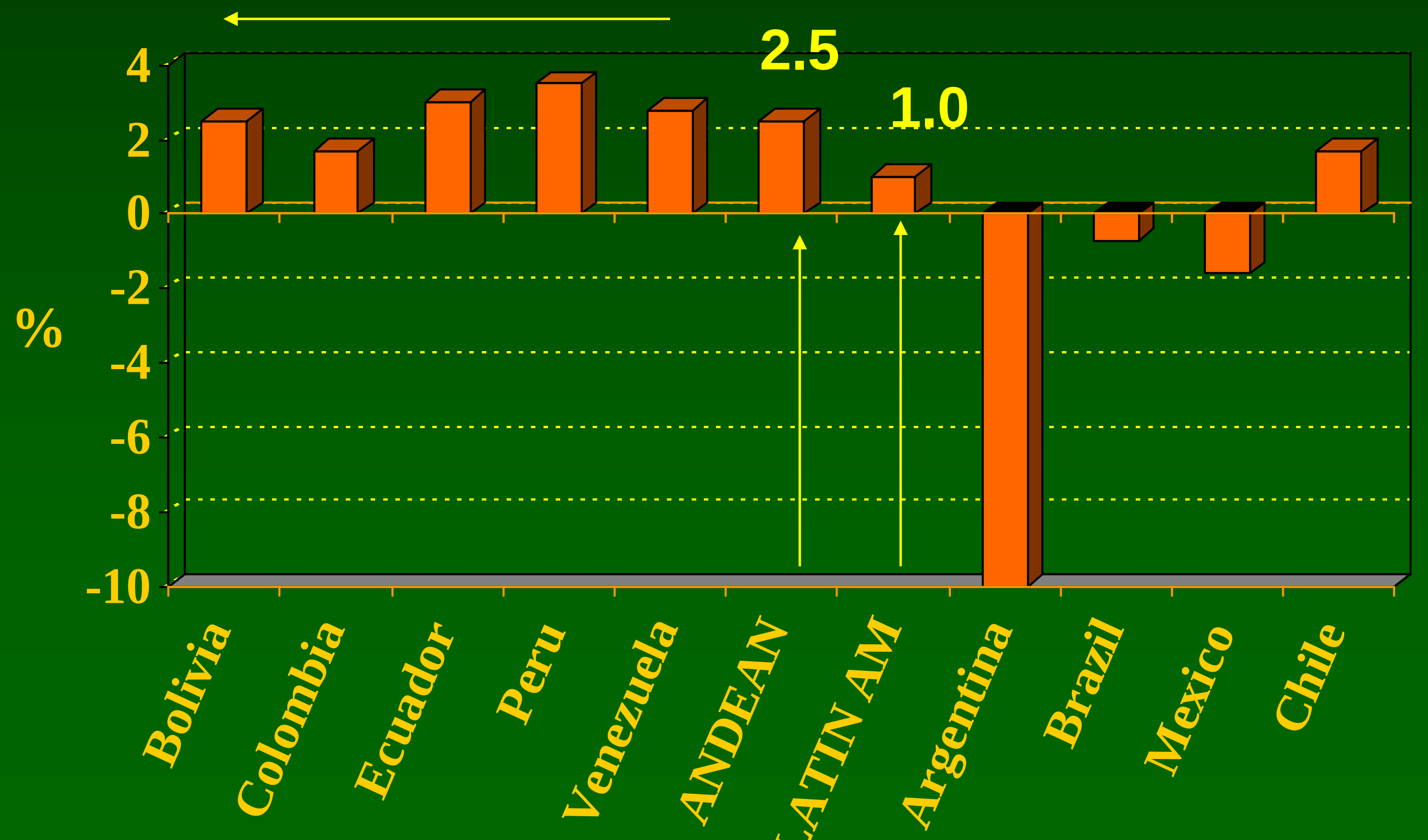
- Market oriented: Peru and Bolivia
- Government intervention: Ecuador Venezuela
- Dollarization in Ecuador

ATPA extension

# Latin Am. GDP Growth Rates 2001 (%)



# Latin AM. GDP Growth Rate Expected 2002 (%)



# Potential

- Net Exporter of OIL (Venezuela, Colombia and Ecuador)
- Immense Natural Gas Resources for Export ( Bolivia, Peru)
- Large Mining Projects under implementation (Peru, Bolivia).
- Vast Fishing Resources ( Peru , Ecuador)
- Except Bolivia, scarce areas to expand agricultural frontier
- If they are able to successfully address their political problems investment and economic growth are possible

FTAA may generate basis for additional growth.

Income growth would result in food and agricultural import demand.

# Summary

- Andean Community (AC): More population than Mexico and 50% of Mercosur
- GDP is 60% of Mexico’s
- Represents 70% of US Ag.Exports to South America
- US market share declining
- Political problems impede faster growth
- Large non-ag resource base
- Potential fast growth in demand for food imports
- Free Trade under negotiation with Mercosur and EU

# FTAA: ESTIMATED EFFECTS ON AGRICULTURAL EXPORTS

## Two Cases: With or Without the U.S.