

# International Trade & FDI: A Focus on FTAA



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# Overview

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- Recent Trends in Trade & FDI
- Research Objectives
- Theoretical Model
- Empirical Results

# Recent Trends in Trade & FDI

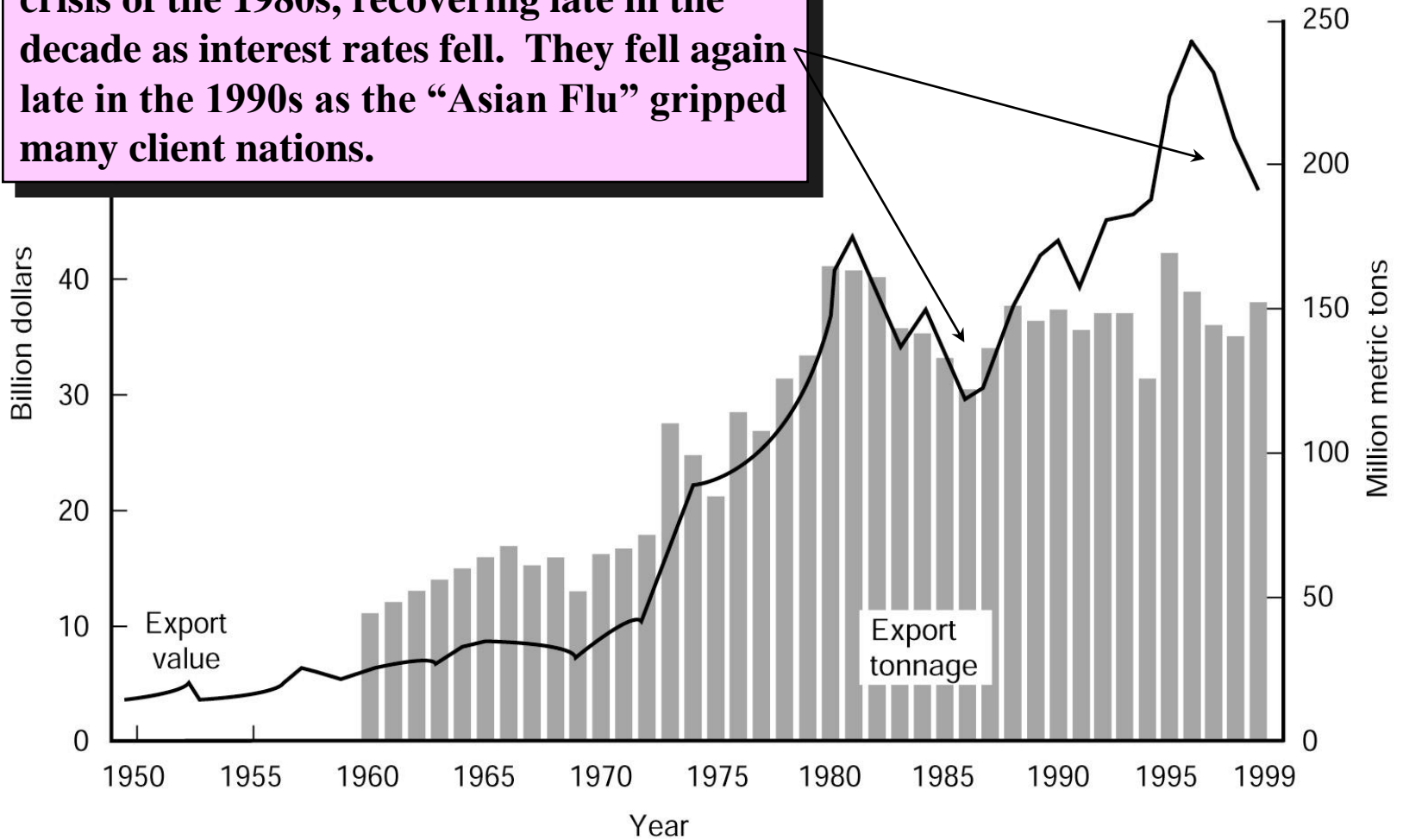


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- Evolving importance of the export market for
  - U.S. agriculture
  - FTAA

U.S. Agricultural Export Value and Volume, 1950–1999

**Exports fell sharply during the financial crisis of the 1980s, recovering late in the decade as interest rates fell. They fell again late in the 1990s as the “Asian Flu” gripped many client nations.**



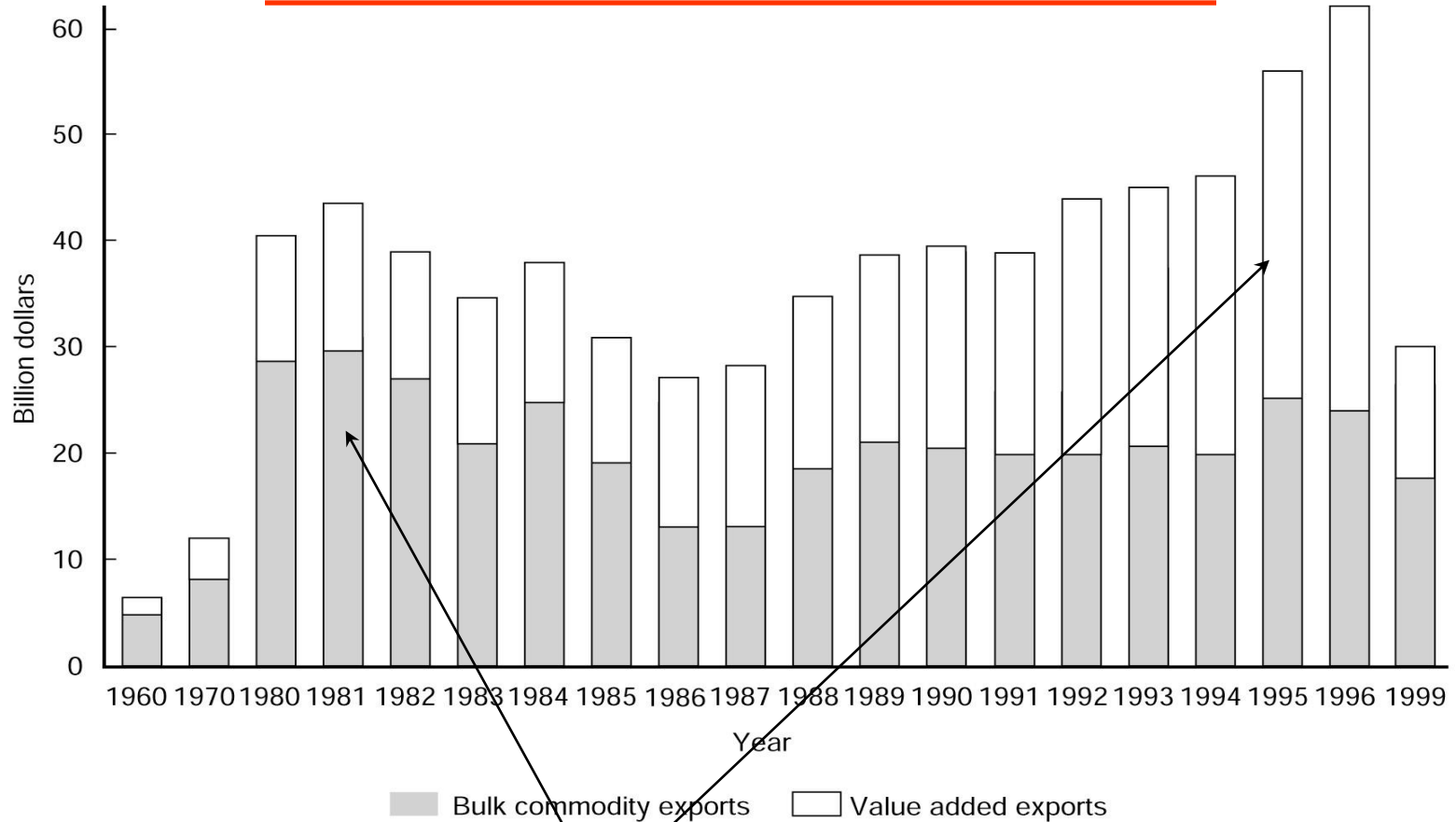
# Recent Trends in Trade & FDI



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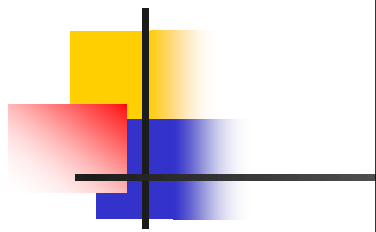
- Changing composition of U.S. agricultural export products
- From bulk to processed foods

U.S. Agricultural Exports of Value Added and Bulk Commodities, 1960–1999

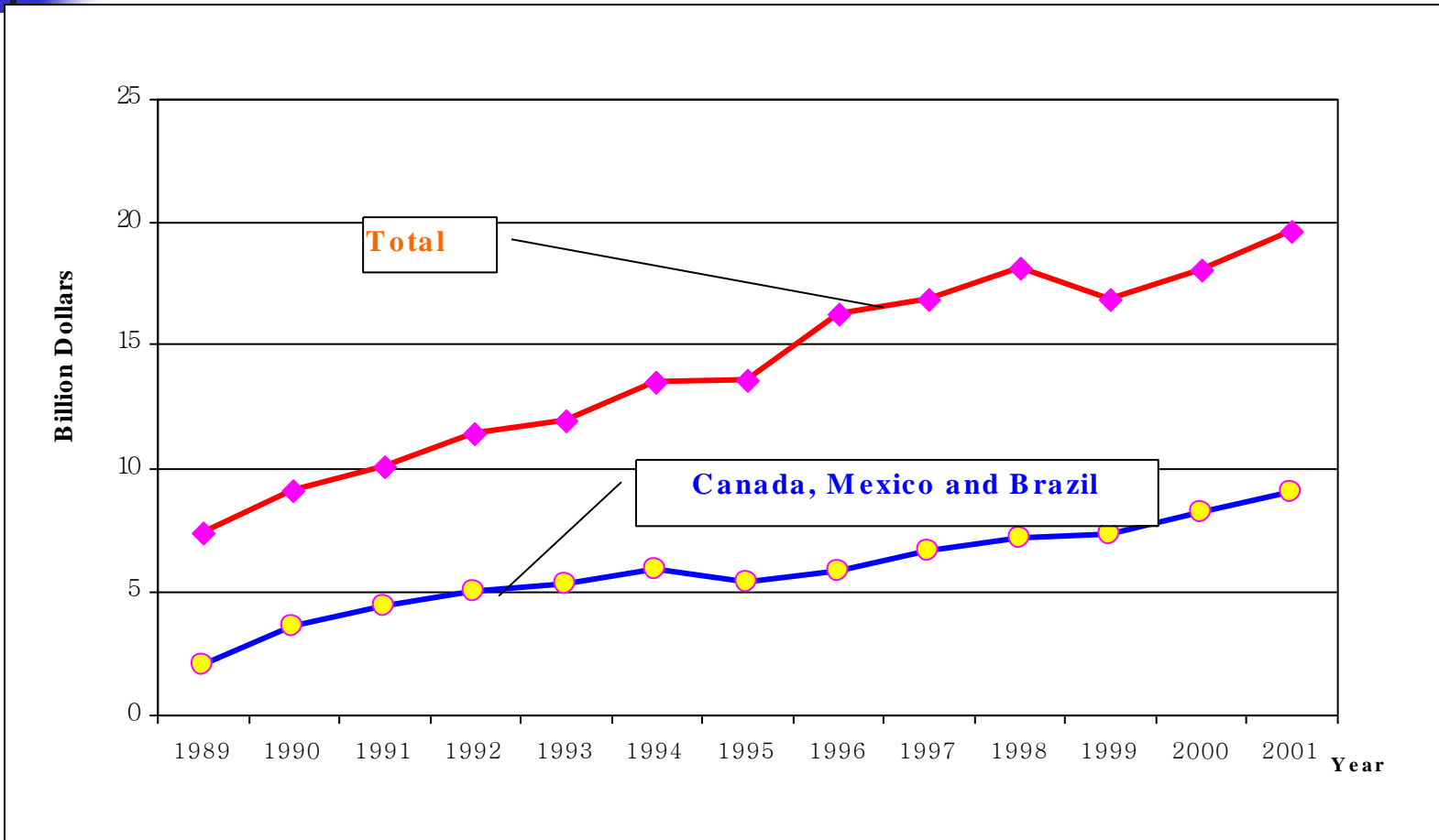


**Bulk commodity exports dominated agricultural exports until recent years when value added sales began to increase.**

---- The FTA (35 Countries)



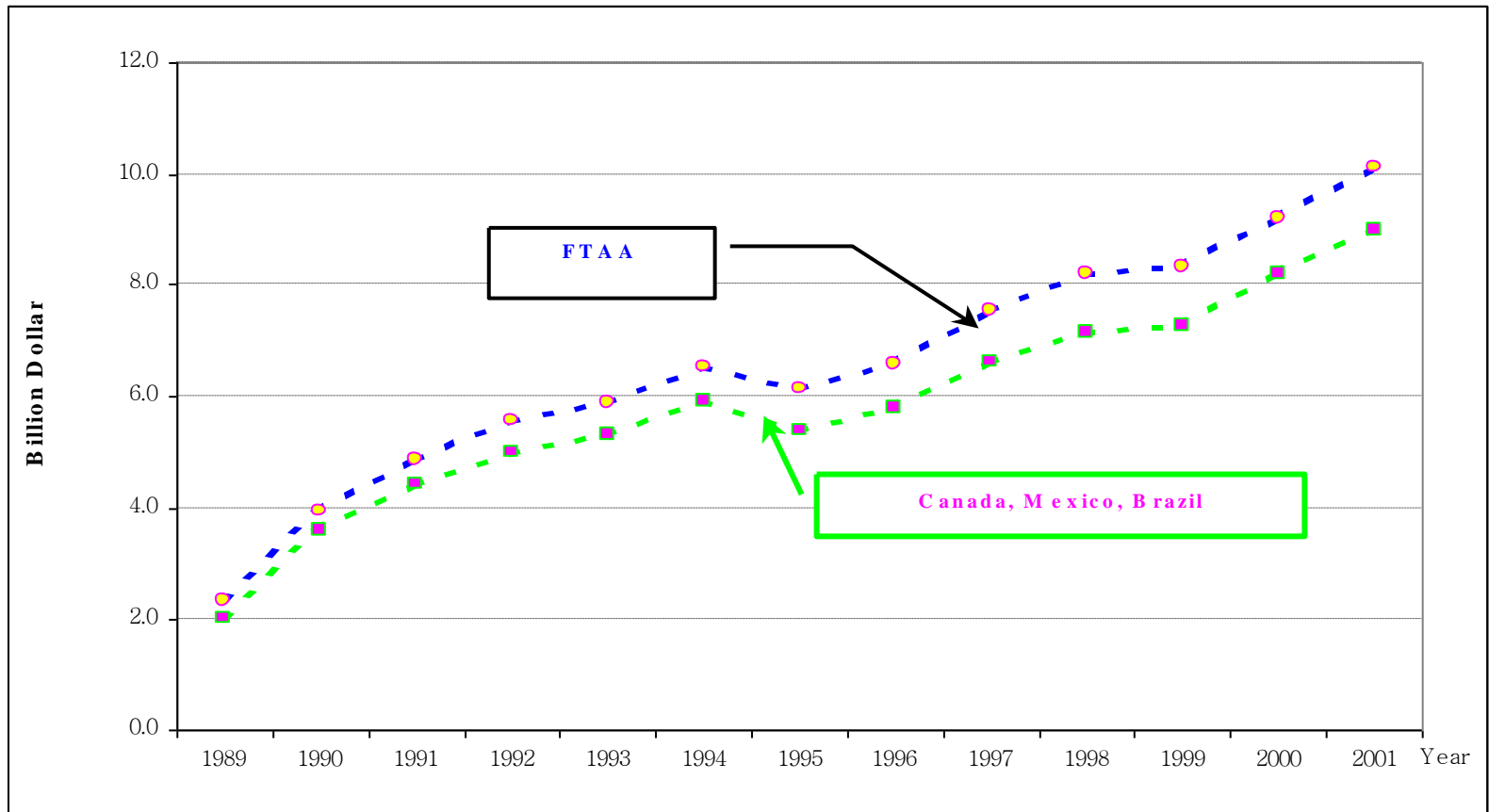
# ---- U.S. Agricultural Exports to FTAA



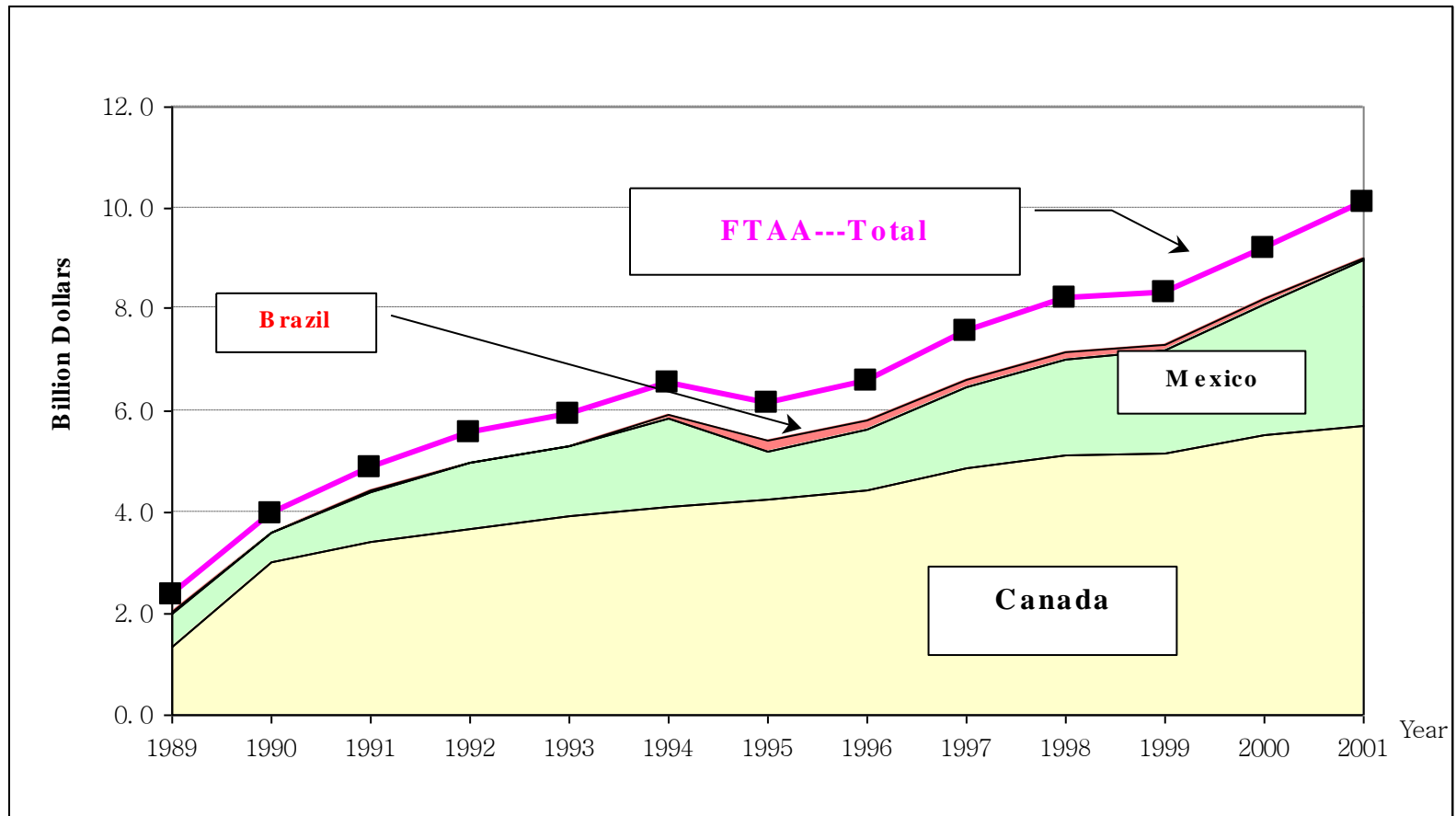


# U.S. Ag. Exports to FTAA and to Canada, Mexico, and Brazil (Value)

--- Consumer-Oriented Products

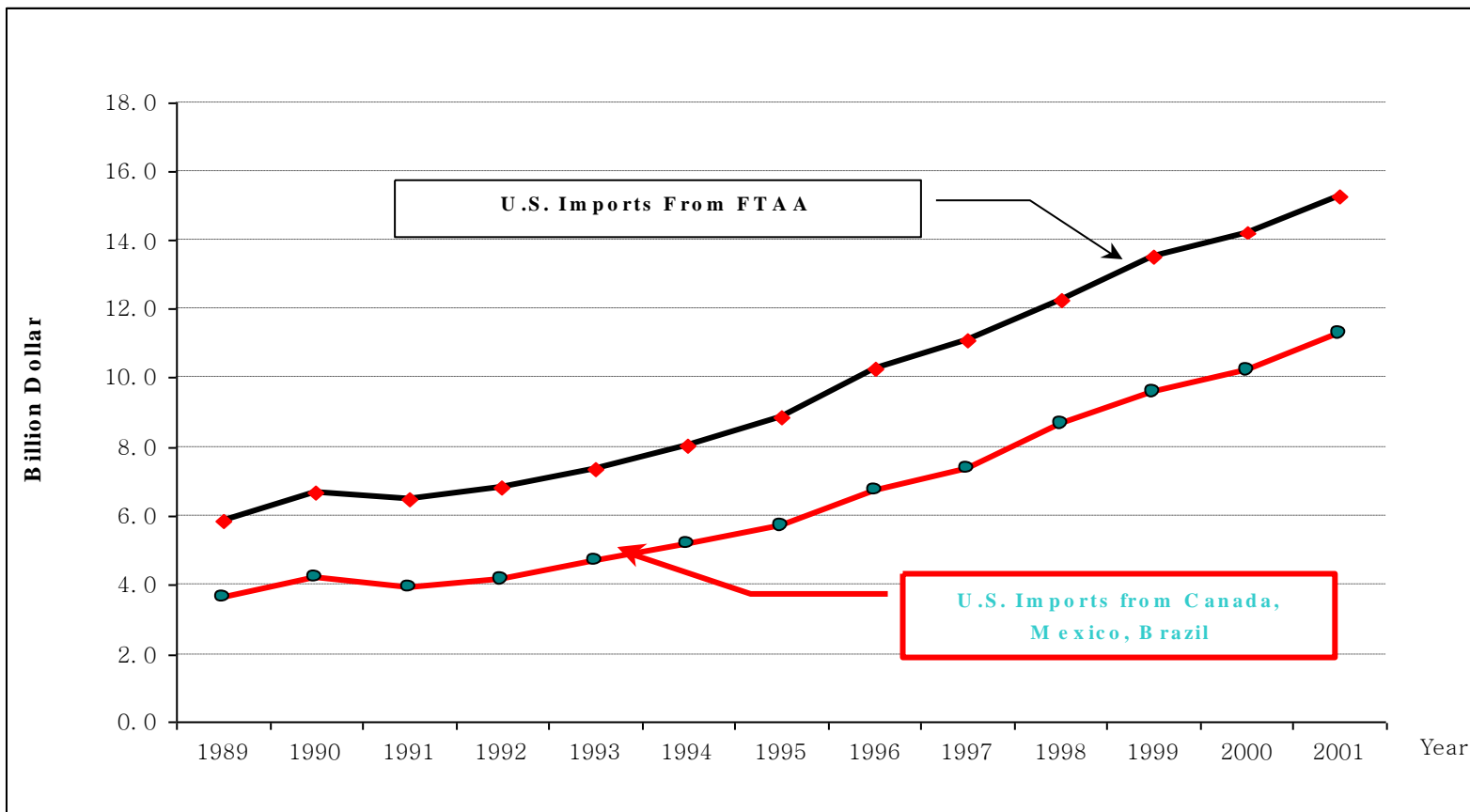


--- U.S. Agricultural Exports to FTAAs and to Canada, Mexico and Brazil  
( CONSUMER-ORIENTED PRODUCTS )



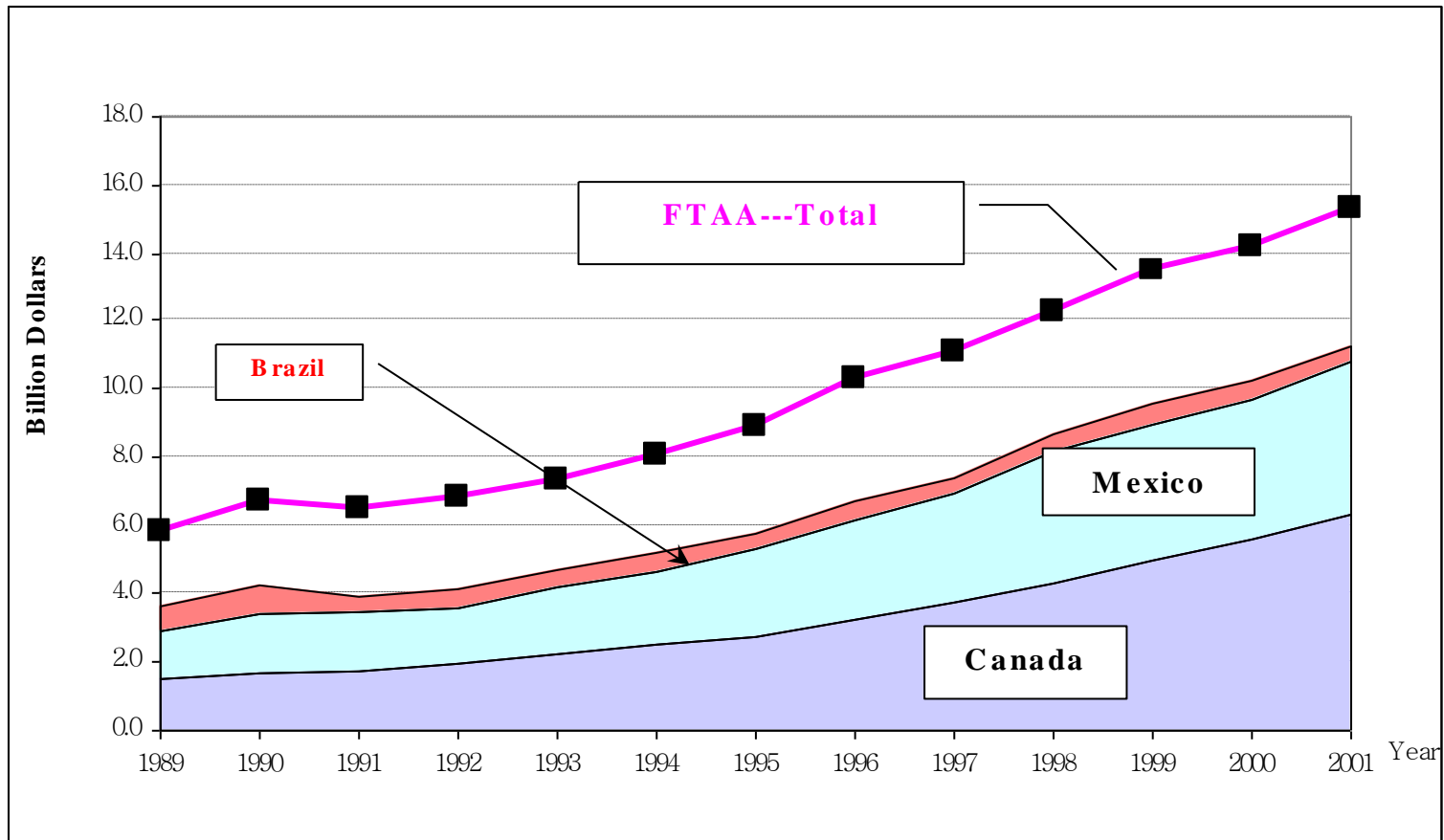
# U.S. Ag. Imports from FTAA and from Canada, Mexico, and Brazil (Value)

----- Consumer-Oriented Products



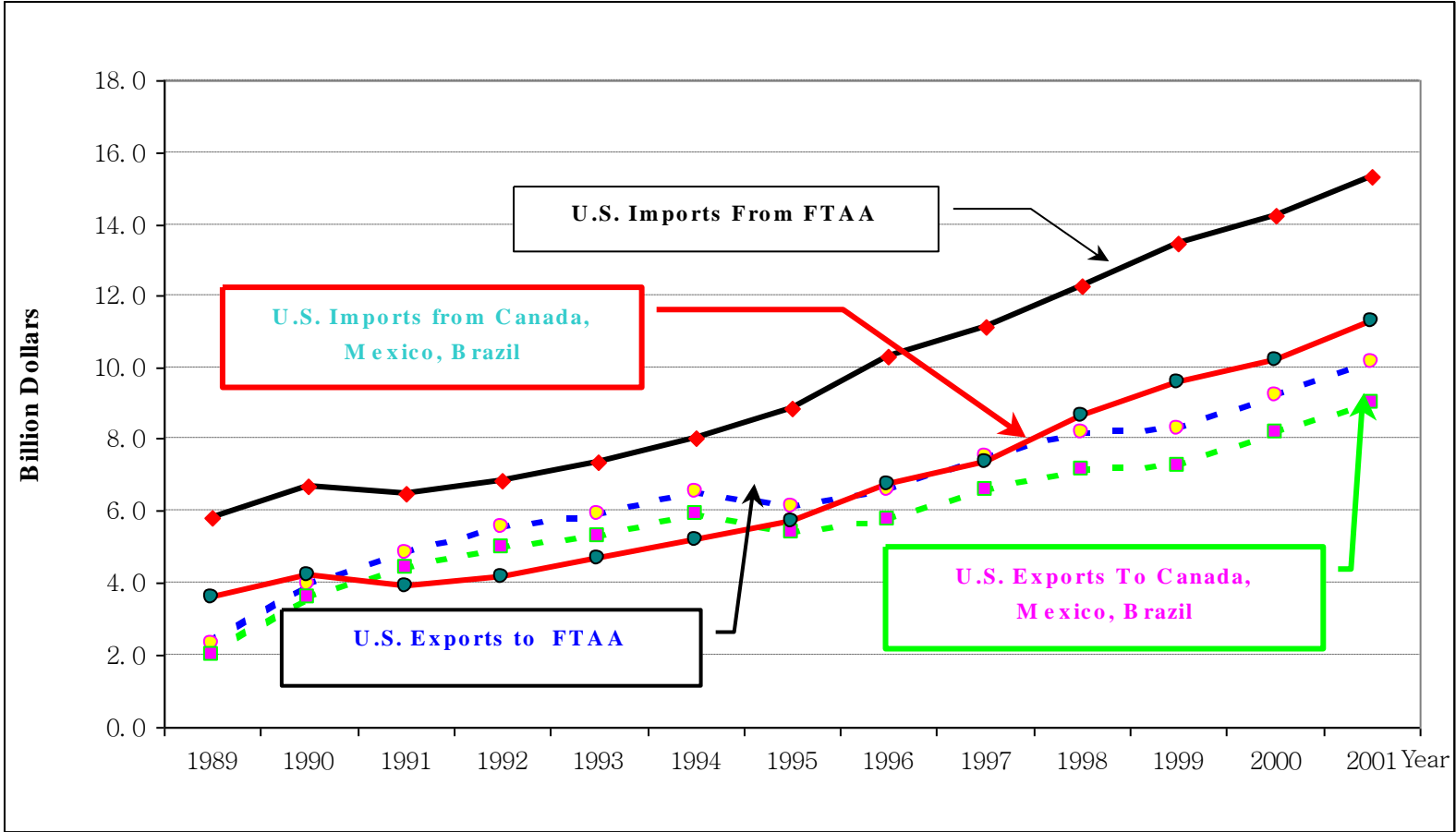
# U.S. Ag. Imports from FTAA (Value)

## --- Consumer-Oriented Products



# U.S. Ag. Trade with FTAA and with Canada, Mexico, and Brazil (Value)

--- Consumer-Oriented Products

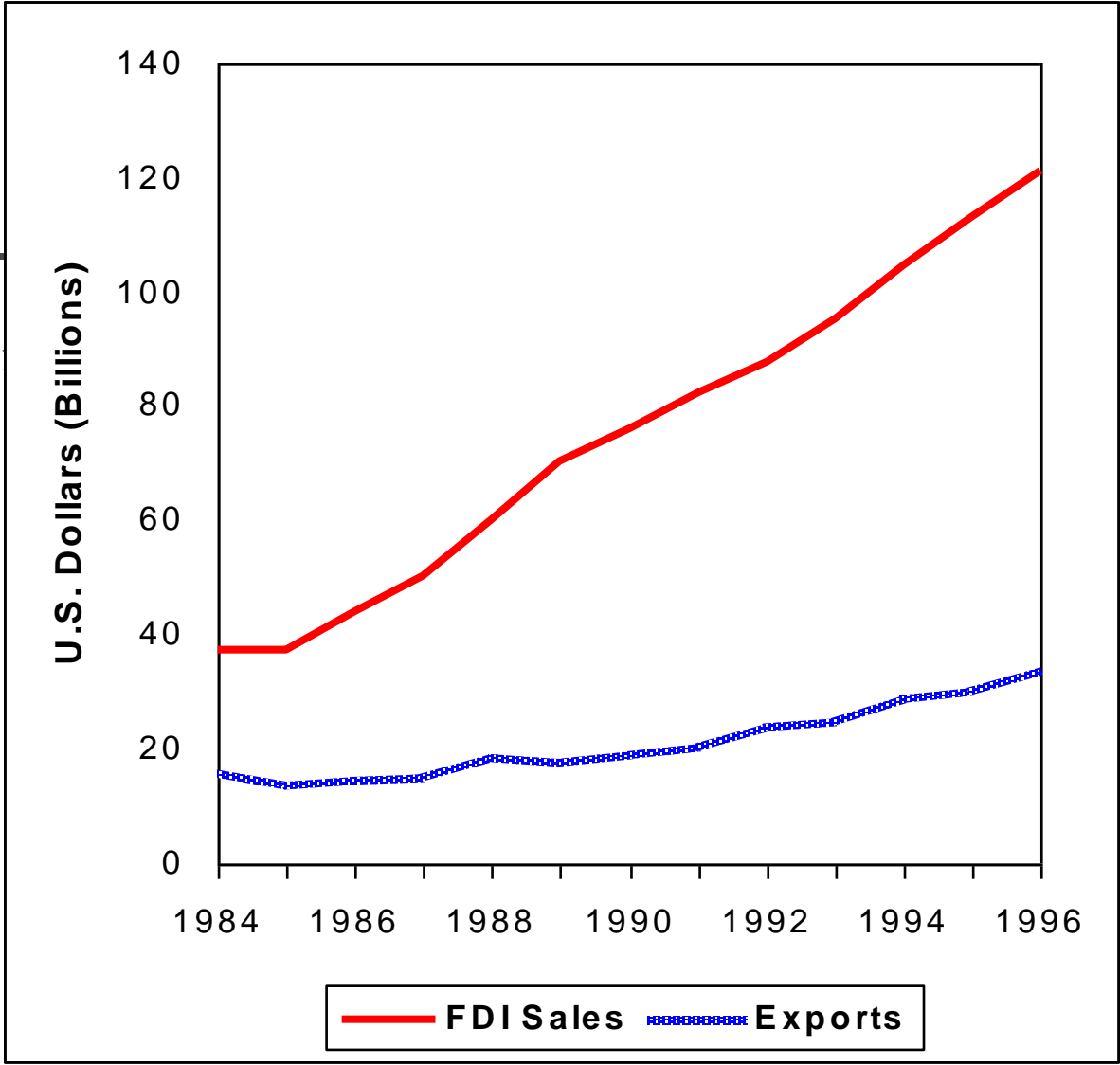
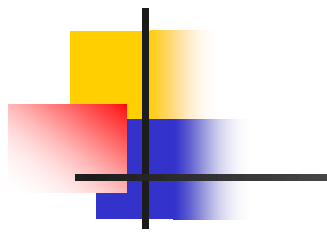


# Recent Trends in Trade & FDI



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- Changes in foreign market assess—  
exports vs. FDI



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# Recent Trends in Trade & FDI



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- Evolving importance of the export market for U.S. agriculture
- Processed foods
- FDI



# Research Objectives



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To identify

- Export & FDI determinants for FTAA countries
- Relationship between exports & FDI—substitutes or complements?

# Data



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## Processed foods, SIC-20

- 3 FTAA countries—Canada, Mexico, and Brazil
- Annual Data
- Sources—Commerce, ERS, IMF, BEA,

# FTAA Empirical Results



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FDI was influenced by

- Exchange rates (+)
- GDP (+)
- Exports (+)
- Interest rates
- Compensation

# FTAA Empirical Results



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Exports were influenced by

- Export prices (-)
- Exchange rates (-)
- GDP
- FDI (+)



# FTAA Conclusions

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- Importance of exports, processed foods, & FDI for the U.S. & FTAA
- Empirical Results support a complementary relationship between exports & FDI in FTAA—Canada, Mexico & Brazil
- Consistent with results of Malanoski, Handy & Henderson; Somwaru & Bolling