

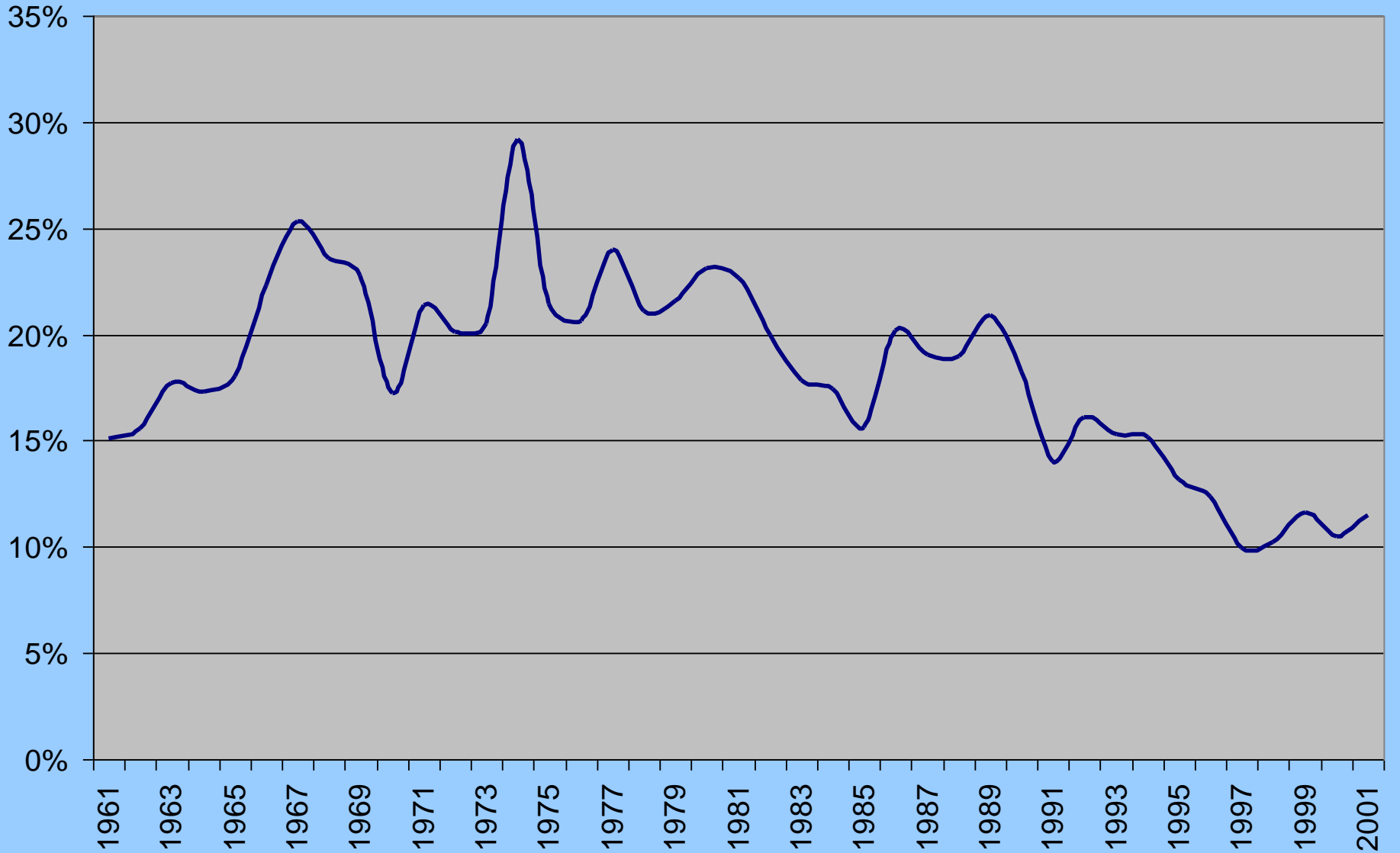
Rice Trade and the Free Trade Area of Americas Agreement

Eric Wailes, Frank Fuller,
Harry Djunaidi, and Alvaro Durand
University of Arkansas

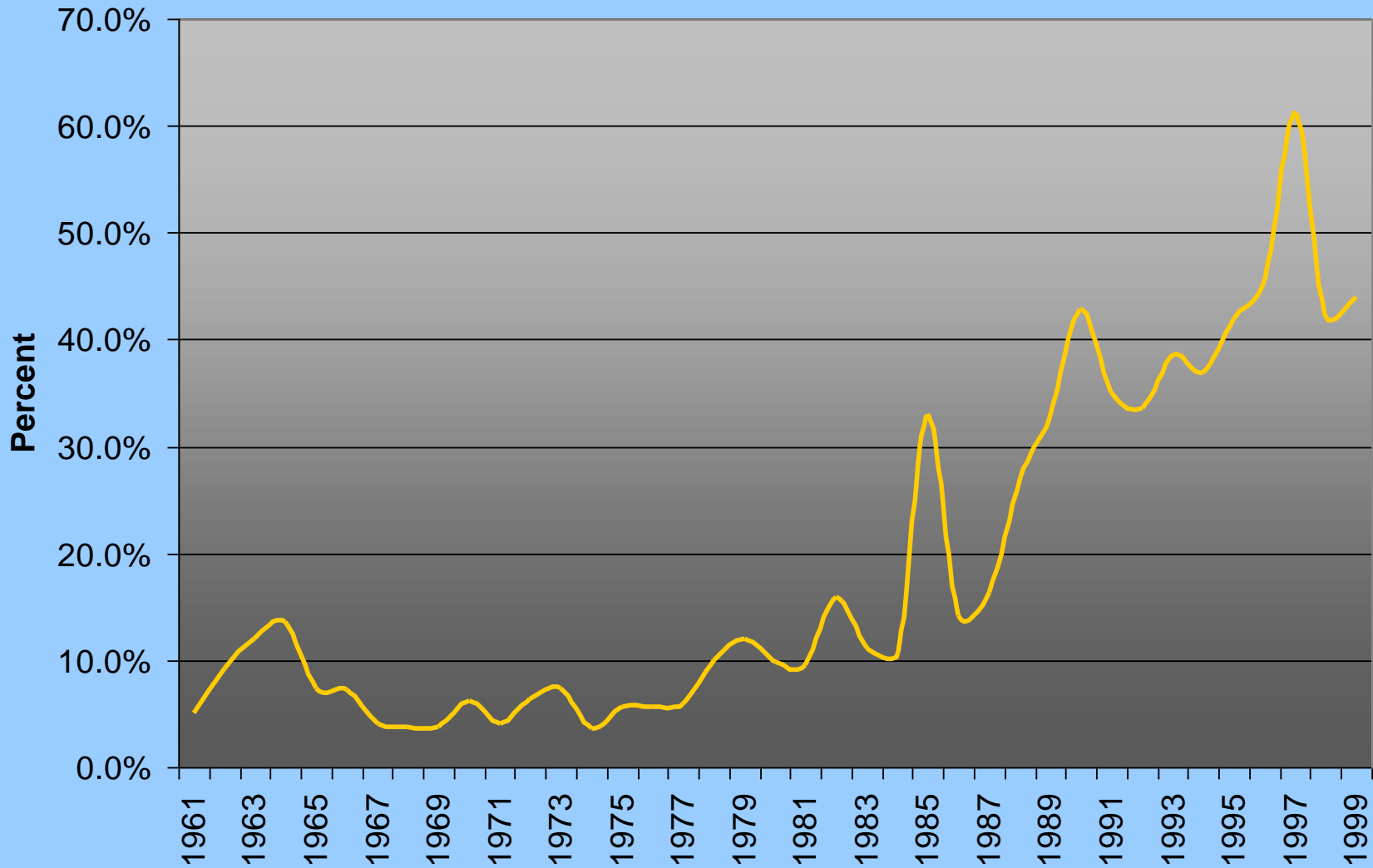
Objective

- Assess the potential impact of the Free Trade Area of the Americas (FTAA) agreement on rice trade.
 - Review aspects of U.S. rice exports
 - Western Hemisphere trade
 - Modeling framework
 - Results

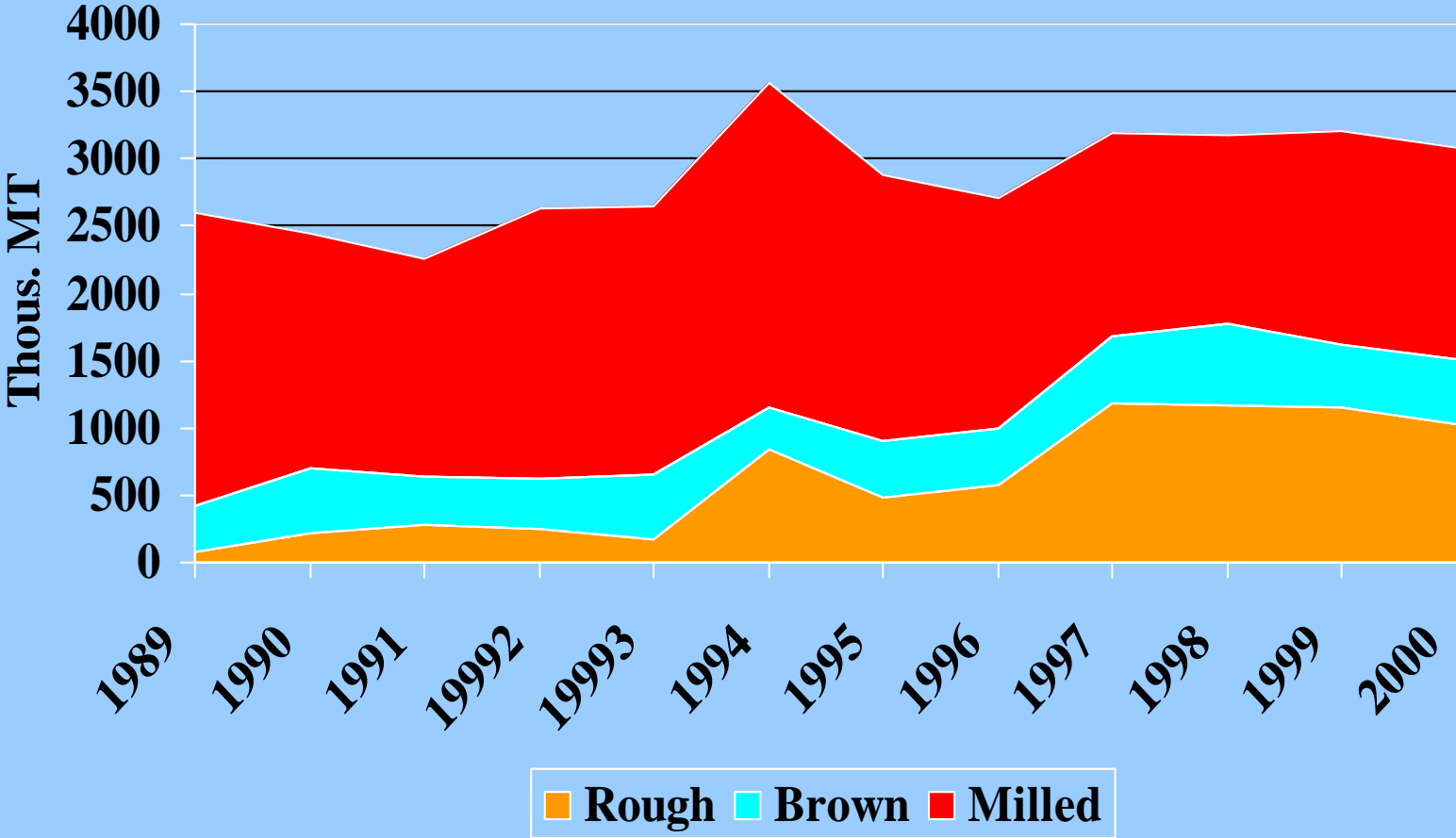
U.S. Rice Export Share



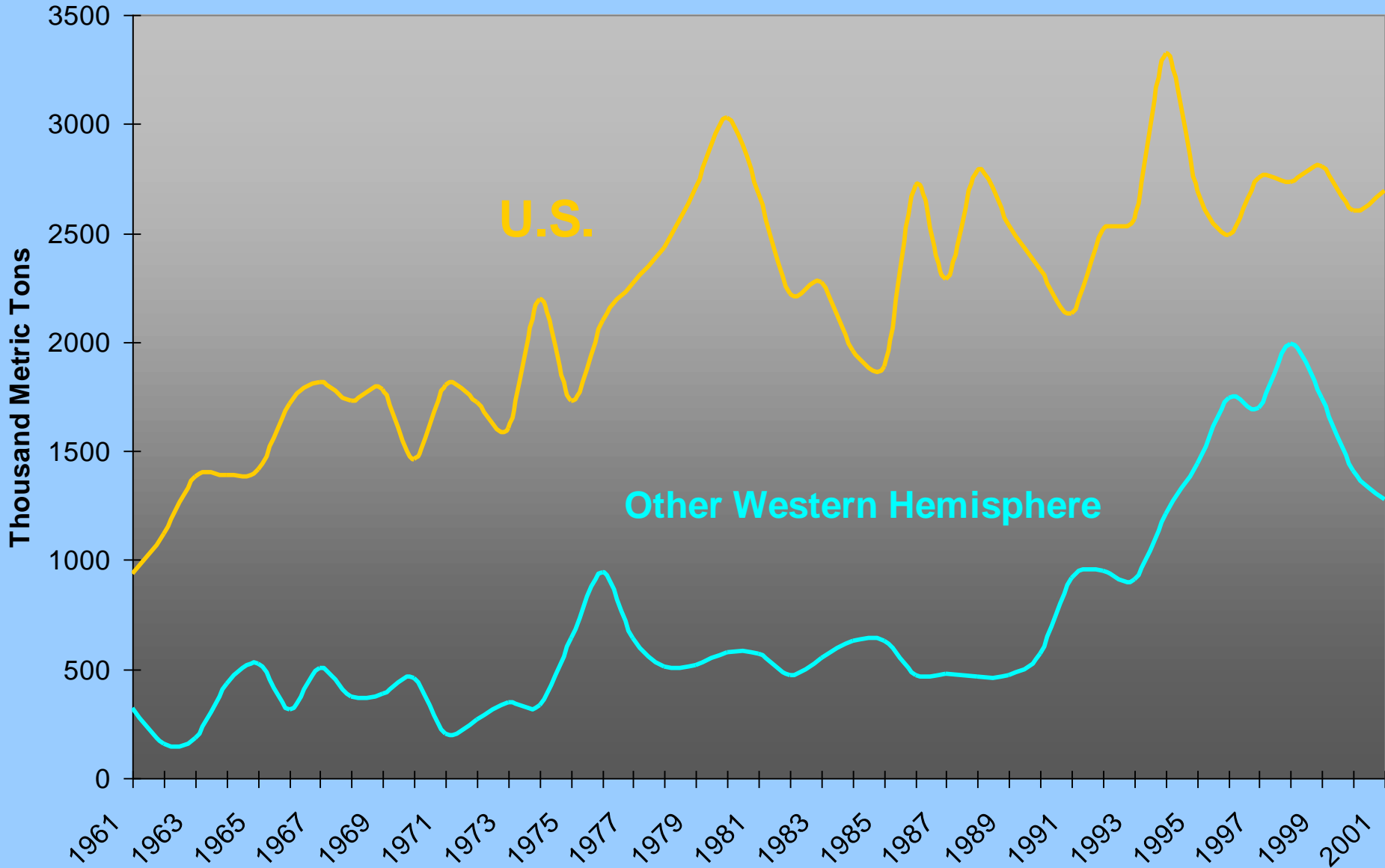
Share of U.S. Rice Exports to Western Hemisphere



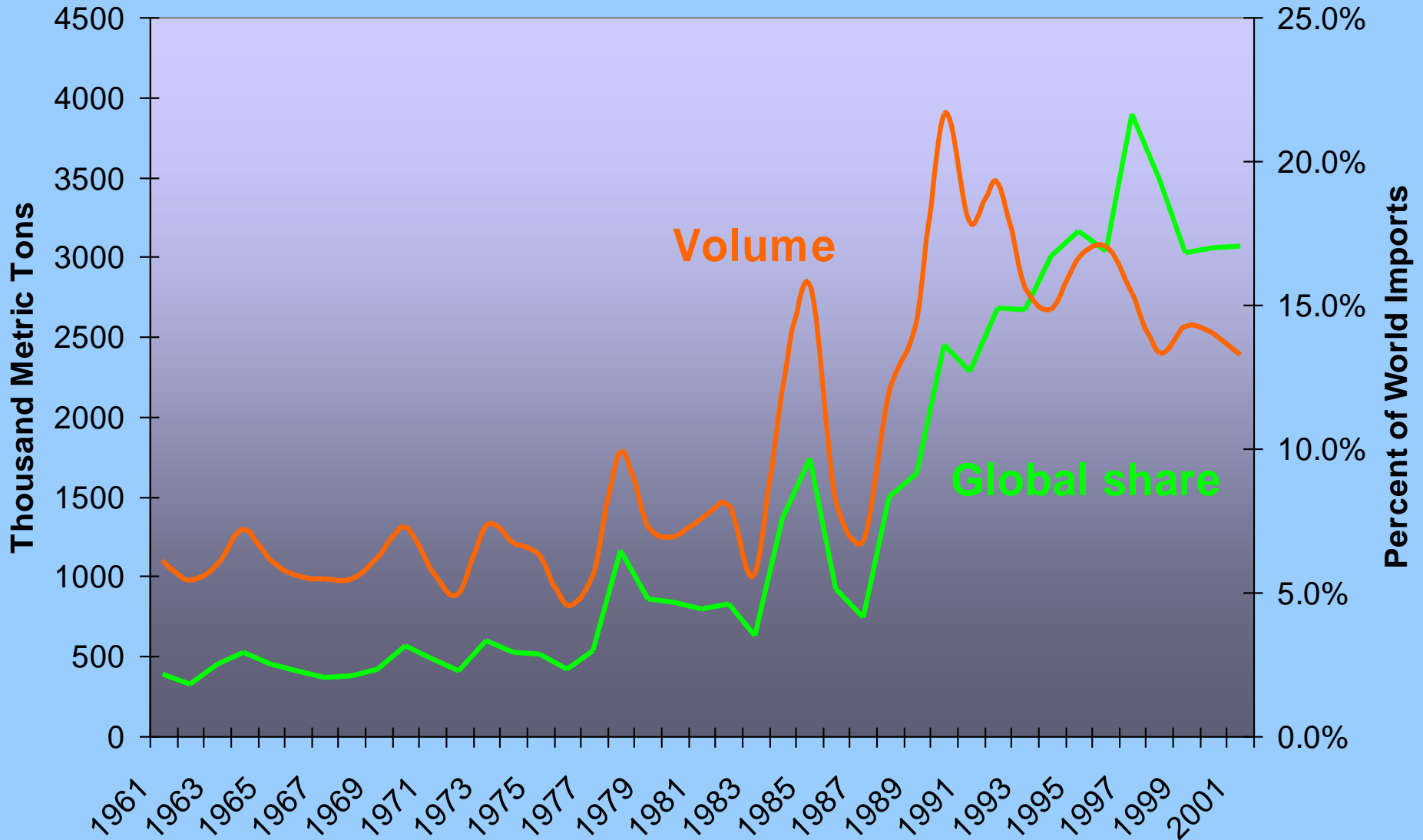
U.S. rice exports by type



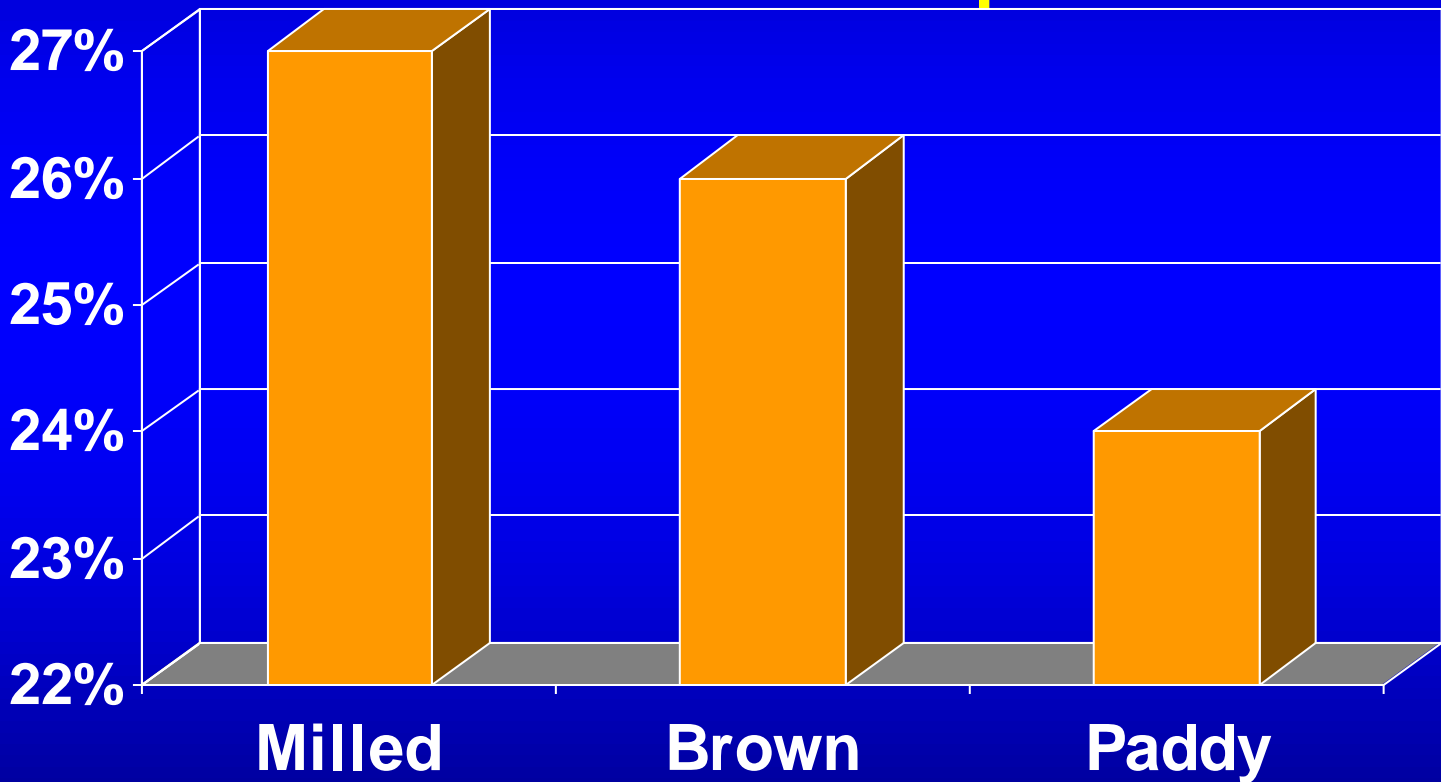
U.S. and Other Western Hemisphere Exports



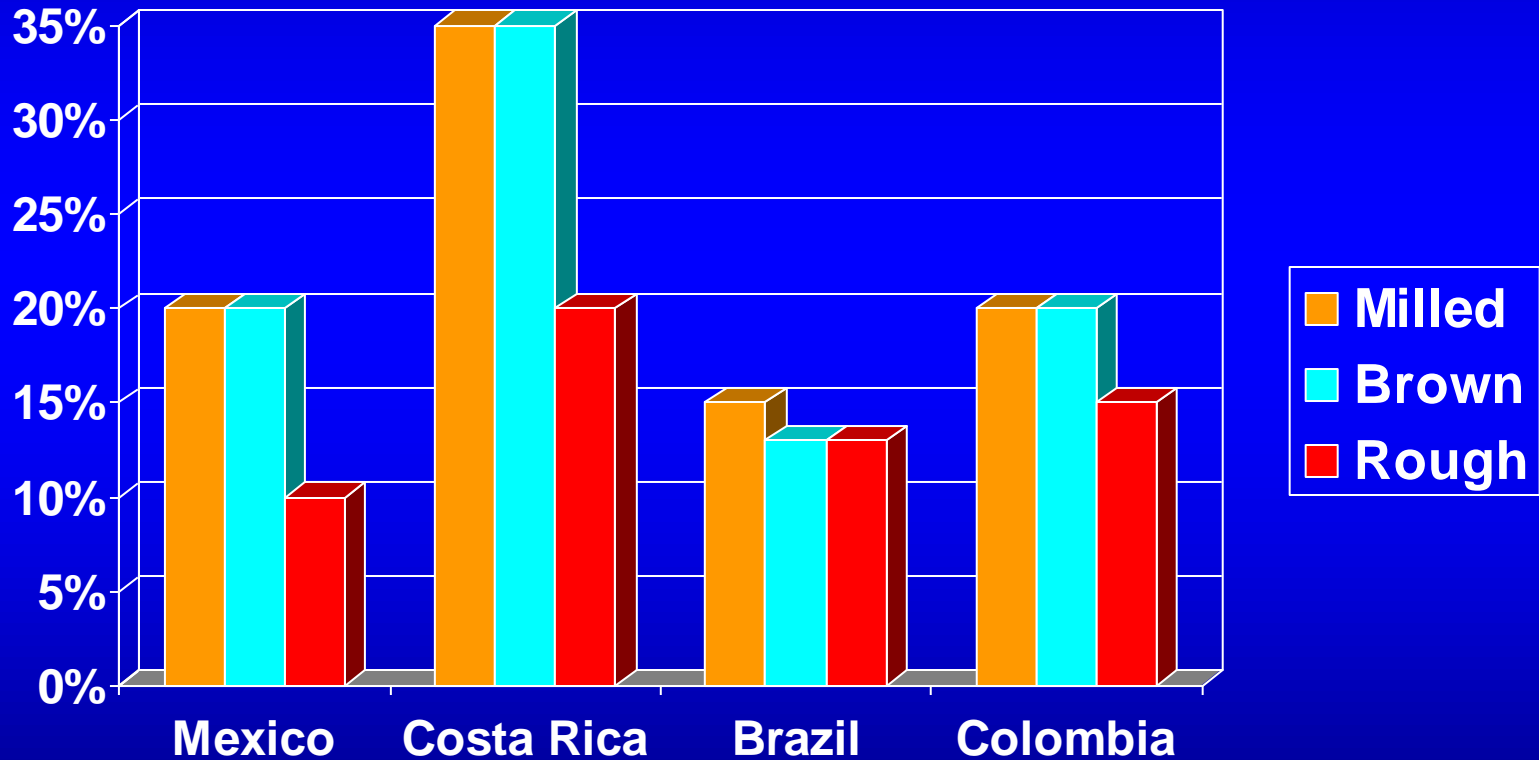
Western Hemisphere Rice Imports



Average Imports tariffs for rice by degree of processing in the Western Hemisphere



Rice Import Tariffs for selected countries



Regional trade agreements in the Western Hemisphere

- NAFTA

- Canada, Mexico, and United States
- To phase out rice tariffs by 2003

- MERCOSUR

- Argentina, Brazil, Paraguay, and Uruguay
- Common external rice tariffs

- CACM

- Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua
- Attempt to reconcile common external tariffs

Regional trade agreements in the Western Hemisphere

- CARICOM

- Antigua and Barbuda, Barbados, Bahamas, Belize, Dominica, Grenada, Guyana, Jamaica, Monserrat, St. Kitts and Nevis, St. Lucia, Suriname, St. Vincent, Trinidad and Tobago
- Most apply a common external tariff
- Guyana is the dominant export supplier to this group

- Andean Pact

- Bolivia, Colombia, Ecuador, Peru, and Venezuela
- Most maintain a common external tariff

Free trade agreement of the Americas

- Summit of the Americas
 - Miami, FL 1994
- Agreed to negotiate removal of barriers
 - Trade
 - Investment
- Attempt to complete agreement by 2005

Assess the potential impact for rice trade?

- Spatial equilibrium model
 - disaggregate by degree of processing
 - milled, brown and rough
 - disaggregate into 82 regions/countries, especially Western Hemisphere
 - express current trade barriers and removal to FTAA members

Model structure

- Quasi-welfare objective function
 - maximize exporter and importer welfare surpluses
 - subject to linear arbitrage conditions

Model parameters

- Derive excess supply and excess demand equations based on:
 - elasticities
 - base year (1999) trade and prices
 - base year trade policies (tariffs)
- Transportation cost matrix from all exporters to all importers

Results: FTAA impact on global trade

Rice type	Base	FTAA	Difference
Milled (tmt)	20,366	20,560	194
Percent change (%)			1
Brown (tmt)	3,574	3,615	41
Percent change (%)			1
Paddy (tmt)	890	1,034	144
Percent change (%)			16

Results: impact on global prices

Rice type	Base	FTAA	Difference
Milled (\$/mt)	\$235.50	\$236.91	\$1.41
Percent change (%)			1
Brown (\$/mt)	348.70	352.44	3.54
Percent change (%)			1
Paddy (\$/mt)	159.99	175.44	15.45
Percent change (%)			10

Results: impacts on Western Hemisphere rice imports

Rice type	Base	FTAA	Difference
Milled (tmt)	2,126	2,434	308
Percent change (%)			14
Brown (tmt)	341	449	108
Percent change (%)			32
Paddy (tmt)	667	819	152
Percent change (%)			23

Trade creation and diversion

Rice type	Quantity (tmt)	Percent change
Milled trade creation	550	26
Milled trade diversion	-142	-7
Brown trade creation	155	45
Brown trade diversion	-47	14
Paddy trade creation	157	24
Paddy trade diversion	-5	1

Summary and conclusions

- Study limitations
 - no substitution between rice types
- Limited impact on global rice trade and prices
- Trade increases for all types with the largest increase in rough rice trade
- Trade creation exceeds trade diversion by 568 thousand MT, 3% of world trade.