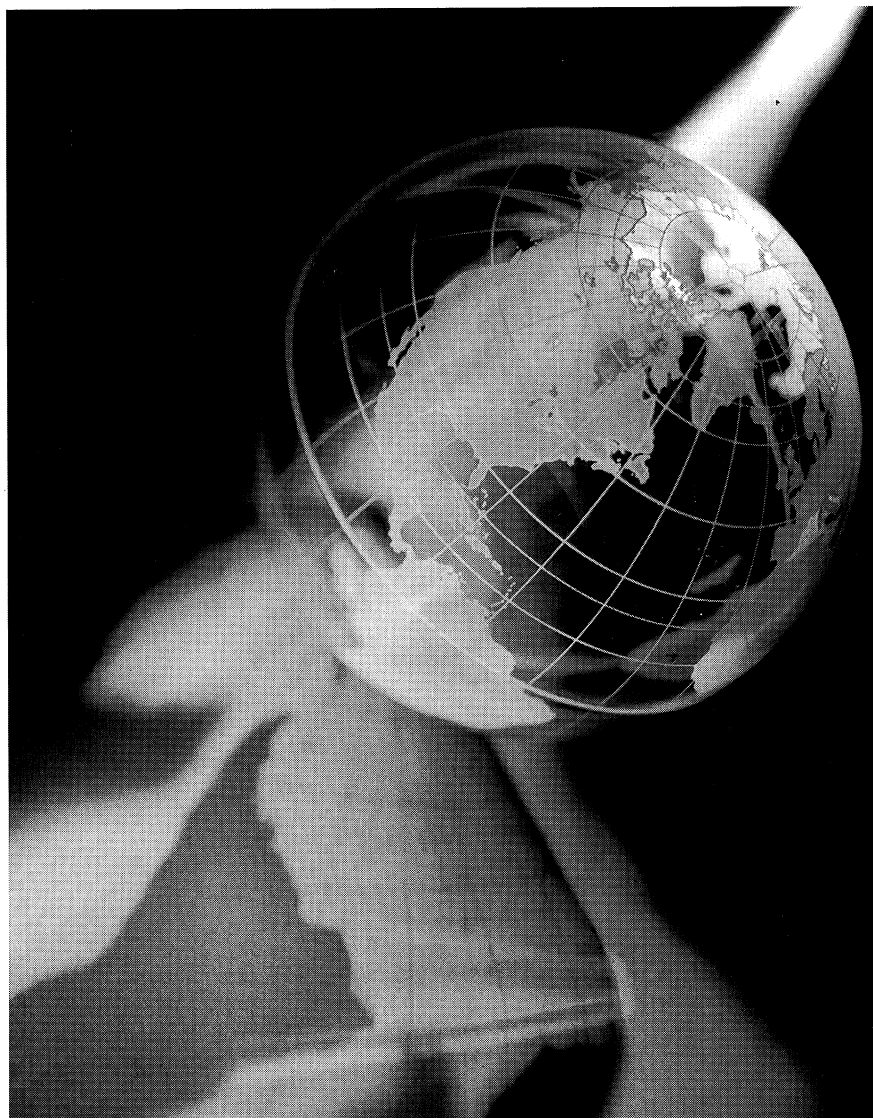


# **ECONOMIC INTEGRATION IN THE WESTERN HEMISPHERE**

**Edited by Constanza Valdés and Terry Roe**

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## **SESSION 8. EMERGING POLICY ISSUES AND RESEARCH PRIORITIES ON WESTERN HEMISPHERE INTEGRATION**

### **Analysis for Western Hemisphere Integration**

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#### **Analysis for Western Hemisphere Integration**

This conference has produced a valuable exchange of insights, points of view, and information on the Economic Integration of the Western Hemisphere. Several speakers have provided a broad historical context by describing the transition in the Hemisphere from the export substitution policies of previous decades to more recent trade liberalization policies. Others have provided detailed empirical analysis of specific trade issues and results of agreements. Within this context, Michael Gifford and Carol Goodloe provided insights into the challenges of bringing trade liberalization agreements into existence and the further challenges, not to be taken lightly, of monitoring and maintaining agreements.

What did we learn here? I think one lesson is that creating trade agreements for Western Hemisphere integration will require very specific information. First, researchers and negotiators need good data. To take one instance, Carol Goodloe mentioned that having tariff schedules in a spreadsheet would sometimes make a considerable contribution to negotiations. It takes an effort on someone's part to bring such a spreadsheet into existence and transfer it to negotiators. We are all aware that maintaining useful databases is a time consuming, and therefore expensive, task. Raw data from administrative sources--customs, international organizations, country program administration--must be edited and placed in usable form.

In addition to having data, it is important for each country to understand the basic structure of its own and its partners' economies. Understanding the basic structures of these economies is prerequisite to estimating the consequences of an agreement for all countries. The relative importance of production that might need to be adjusted as a result of a trade agreement and the existing trade patterns that might be changed are essential pieces of information for negotiators.

Finally, knowledge of the policy and procedures of the countries are essential. Exactly how is a policy implemented and what changes will an agreement require? How will compliance be determined? Very detailed information about negotiating partners is necessary. As tariff barriers decline, and as attention focuses on monitoring existing agreements and removing potential administrative barriers to trade, the information requirements will become much more detailed. The problem of separating necessary health and safety restrictions from disguised administrative barriers to trade is information intensive, to say the least. The information covers basic scientific evidence, administrative procedures, knowledge of the specific parts of industries affected, and the potential effects of administered barriers to trade on them.

The list of requirements--of data, of knowledge of each others' economies, of understanding policy and procedures-- will not be easy to meet. How will the international community of trade researchers and public agencies go about providing the information? There will be benefits from pooling information and knowledge through conferences such as this one.

Fortunately, we face this challenge just as technology is making information exchange easier. The Internet is changing accessibility to research and, particularly, databases. ERS is now putting all of its data products and the text of scheduled reports out through the USDA Economics and Statistics System maintained by Mann Library at Cornell. Data products and reports from the National Agricultural Statistics Service (NASS) and the World Agricultural Outlook Board (WAOB) also are released through this system. These materials are available through gopher and anonymous ftp (usda.mannlib.cornell.edu). ERS, NASS, and WAOB reports also are available through e-mail subscriptions. (For information on how to subscribe, send an e-mail message to usda-reports@usda.mannlib.cornell.edu with no subject and the word "lists" as the body of the message.) These releases include information on the countries of the Western Hemisphere that arises from the recurring workload in ERS, which I will briefly sketch here.

The agency contributes monthly to the USDA World Agricultural Demand and Supply Estimates (WASDE) for the marketing year for field crops, livestock and products, and sugar. Regular situation and outlook reporting explains the forces forming these estimates. In addition, other reports discuss markets for fruits, vegetables and tobacco, for which there are not WASDE estimates. Fruits and vegetables account for a significant share of Western Hemisphere agricultural trade.

It is evident that this recurring work requires knowledge and anticipation of the effects of trade agreements and developments in the Western Hemisphere countries. Clearly, oilseed and products estimates must take account of policy and production in Brazil, and the same is true for orange juice in Brazil, wheat in Argentina and Canada, and fruit in Mexico, Chile, and a number of other countries. ERS maintains expertise for the country/commodity coverage required by this process.

In addition, ERS contributes analytical support to the annual USDA budget baseline, covering the same commodities as the WASDE. The international trade estimates behind the baseline include a series of country models for Argentina, Brazil, Canada, Mexico, and other Central American, Caribbean and Latin American countries.

The individual country models, and a Rest of World Sector, can now be integrated in the baseline work through ERS's system linked country models. This system supports the baseline by presenting internally consistent results that incorporate major factors, such as agricultural policy, income, and cross-commodity changes. The tabulated country projections and prices help to provide starting points for discussions between country and commodity analysts. The country-link system has also been adapted for use in analyzing the impacts of Western Hemisphere and other regional trade integration scenarios on world and U.S. commodity prices and trade.

The models require a large data gathering effort, which generates valuable information on trends and patterns of trade. At this conference, the paper on "Patterns of Trade for Agricultural Products in the Western Hemisphere," by Constanza Valdés and John Wainio draws from this source.

Finally, the recurring work on the Western Hemisphere includes reports focusing on the progress under NAFTA. These are a quarterly monitoring report focusing on the most recent trade data and policy developments, and an annual situation and outlook report focusing on more basic trends as well as discussions of the details of the agreement itself. The contents heading of the forthcoming annual speak for themselves: "The Agricultural Provisions of NAFTA," "The First Year of NAFTA Shows Expanded Trade," "North American Trade Vital for the United States," "Factors Affecting Future Development of Trade," and "Outlook for Agricultural Supply and Demand in 2005."

Although this recurring work in ERS, and recurring work elsewhere--in universities, international organizations, other governments, and other parts of the U.S. government--provides some basis for negotiations leading to Western Hemisphere integration, an important current task on Western Hemisphere is to expand the information base. One early step in ERS is the preparation of a report on Western Hemisphere integration which covers the relevant issues. Some of these are anticipated to be infrastructure--especially transportation links, tariff and non-tariff barriers to trade, exchange markets, sanitary and phyto-sanitary regulations, the provisions of existing and proposed regional trade agreements in the Hemisphere, and differences in consumer demand among countries. However, we anticipate that some issues that are not now being emphasized will emerge as significant as the study proceeds. The exchanges among professionals at this meeting and others are an important link in this process of giving the right emphasis and recognition to each issue.

Another step is assembling basic information. Following the model established with the Canada and Mexico negotiations and with our support for the upcoming Chile negotiations, we are starting the process of developing briefing books for MERCOSUR countries and most likely following that with briefing books for Andean Pact countries and Venezuela. The briefing books will be the first step in assembling the data, policy information, etc. necessary to improve the structure of the models.

Some new issues are becoming integral to trade discussions. ERS also is turning its attention to technical barriers to trade (TBT), "the new protectionism." These may include restrictions arising from environmental and safety concerns, but extend to packing restrictions, labeling, and product standards. The agency has started to collect data on technical barriers to trade and to study the importance of economic interests, scientific evidence, public opinion, and precedent as determinants of TBT's. The goal of this research is to build a knowledge base for understanding the dispute mechanisms for TBT's under NAFTA and the WTO and their effects on the post-Uruguay round environment.

Environmental and labor issues are another important component of ERS work on Western Hemisphere issues. ERS initiated work on the link between agricultural trade and the environment a few years ago, preparing several papers on the linkages between Western Hemisphere trade and the environment: general issue papers include a description of the environmental provisions of NAFTA and its environmental side agreement and the projected environmental consequences of NAFTA; and specific issues papers include environmental impact of increased horticulture production in the Mexican state of Sinaloa, costs and benefits of irradiation quarantine treatments for Western Hemisphere fruit and vegetable trade, and the linkage between worker safety regulations and fruit trade. Some of this work has been presented at previous IATRC meetings and published by ERS.

ERS has been preparing a major project that catalogues resource and environmental policies of various countries, with an emphasis on policies affecting agricultural production and trade. The project breaks policies into four categories: water, land, agricultural chemicals, and wildlife and natural areas. The "water" volume was published a year ago.

One paper was prepared for this conference, "Western Hemisphere Integration: Trade Policy Reform and Environmental Policy Harmonization," by Denice Gray and Marinos Tsigas.

We expect to continue to monitor and examine the effects of changes in multilateral and regional trade agreements (GATT, NAFTA, extended-NAFTA) and environmental policies.

The program of analysis and research that ERS and its clients have chosen is extremely broad--in coverage of topics, in the number of countries to be analyzed, and in the nature of the information and analysis we intend to provide. Therefore, our collaboration with colleagues and other institutions continues to be essential to success. We hope that collaboration with us is equally important to those colleagues and institutions because we will all face challenges that strain our individual resources as we analyze and anticipate the evolution of Western Hemisphere integration.