



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

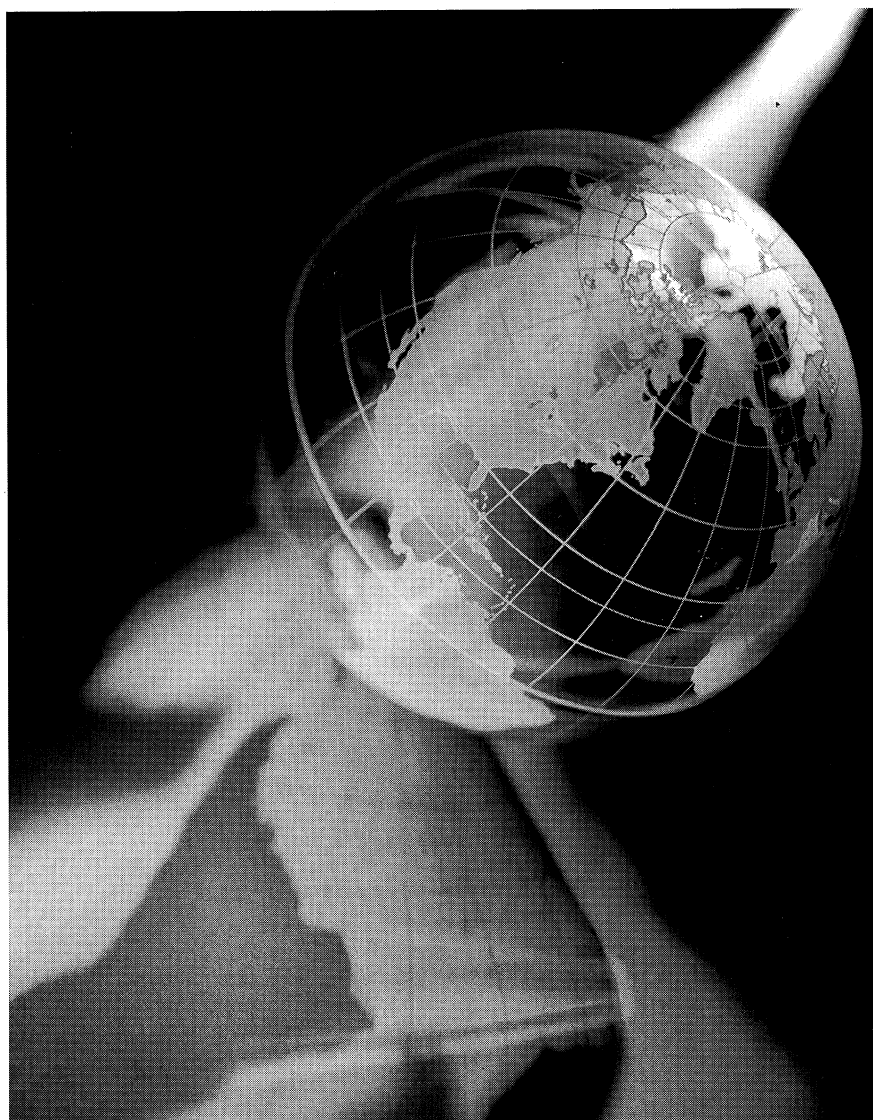
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

# **ECONOMIC INTEGRATION IN THE WESTERN HEMISPHERE**

**Edited by Constanza Valdés and Terry Roe**

**April 1997**



**PROCEEDINGS OF A SYMPOSIUM SPONSORED BY THE  
INTERNATIONAL AGRICULTURAL TRADE RESEARCH CONSORTIUM  
AND THE INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE  
JUNE 7-9, 1995 SAN JOSÉ, COSTA RICA**

## **SESSION 5A. PATTERNS OF TRADE FOR AGRICULTURAL PRODUCTS IN THE WESTERN HEMISPHERE**

### **Patterns of Chilean Agricultural Trade in the Context of NAFTA and MERCOSUR**

*Eugenia Muchnik, Universidad Católica de Chile*

#### **Economic Reforms and Agriculture in Chile**

The Chilean economy has been characterized as one of the most open free market economies of the Western Hemisphere; the agricultural sector is also one of the least protected or intervened by government. After the major economic crisis of 1981-82, Chile introduced some adjustments of a more interventionist nature in its economic policies, but by 1985 the major elements of its previous economic model were put back in place. This meant returning to a low uniform external tariff of 11 %, except for the implementation since 1984 of a price band mechanism for wheat, sugar and oil, more recently incorporating wheat flour as well. A public procurement agency has also operated, mostly in the wheat market, both to prevent millers from oligopolistic practices at harvest time and to support prices at the level of the floor price of the band when production is specially large.

The structure of agricultural production has been reshaped and its pace of growth has increased as a result of the unilateral trade liberalization policy introduced in the mid-1970s. Agricultural GDP grew at a much more rapid rate after the reforms except for the years of the crisis (Table 1), and important shifts occurred in terms of the allocation of land and others resources within the sector (Table 2). There was an important increase in the area planted to fruit trees, in forest plantations and more recently in improved pastures, and a decline in both the area devoted to annual crops, particularly cereals and oilseeds, and to vineyards for wine production; the latter has recently reversed. The decline in the area sown to annual crops for domestic Consumption particularly in cereals, has been significant (Figure 1). Yet, total production either declined much less or increased due to large increments in average yields per unit of land (Venezian and Muchnik, 1994). Agricultural and agroindustrial exports have expanded at a very rapid rate, increasing its share in the sector's GDP and also in total exports (Table 3).

Notwithstanding the changes described above in terms of resource allocation among subsectors, the traditional sector remains a very important component of agriculture. It comprises 14 annual crops, including all the cereals, oilseeds, legumes, sugarbeet and tobacco, most of which are importables, produced for the domestic market. The area sown with these crops still represent an area 4,7 times larger than fruit plantations, and contribute with 1/3 of the Gross Value of Agricultural Production (GVAP). Livestock and animal products, continue to be the largest subsector, representing another 40 t of GVAP.

#### **The Second Phase of Trade Liberalization**

In 1990, Chile initiated a new phase of trade liberalization, deliberately chasing to continue promoting export-based development, by way of bilateral trade negotiations. These included in 1991 a temporary restricted agreement with Argentina, which expires this year, and a FTA with Mexico; in 1993, bilateral agreements were signed with Venezuela, Bolivia and Colombia, and in 1994 one with Ecuador. During

1995, an agreement with Peru will most probably be finalized. MERCOSUR and NAFTA follow in the pipeline.

The bilateral agreements have been conducted within the regulatory and institutional framework of ALADI; they include different forms and degrees of integration, the most common being the complementary economic agreements. The more traditional form of integration, consisting of a defined set of mutual preferential tariffs is today obsolete, to judge from the lack of recent rounds of negotiations.

But the most "sensitive" agricultural products for Chile, cereals, sugar, oil, beef and milk, have so far been explicitly excluded. The agreements which have been signed in the region have not seriously jeopardized the more traditional components of the agricultural sector, which have to compete with imports in the local markets. Several of these commodities benefit from additional protection beyond the 118 ad-valorem uniform tariff, through the application either of a price band mechanism (sugar, wheat and wheat flour, and edible oils) or from temporary surcharges or minimum customs values, applied to offset subsidized exports abroad. The latter have been used at some point in time in maize, milk, sugar, and rice. Price bands have yielded variable levels of protection over time. Nevertheless, comparative Producer Subsidy Equivalent estimates for wheat (USDA/ERS) indicate that protection levels in Chile are considerably lower than for NAFTA members.

With this policy of bilateral trade agreements, Chile has tried to restore political relations in Latin America, which had suffered a setback, taking advantage of the trade liberalization reforms of the other countries. It also shares the continental vision of an economic integration of the Western Hemisphere, actively seeking membership in NAFTA since 1992.

With respect to MERCOSUR, by far the most important existing multilateral integration mechanism in South America, Chile was invited to join in early in the formation process, but declined, for reasons that will be described below. Current negotiations between Chile and MERCOSUR seek to establish a free trade agreement instead of including Chile as a new member, in addition to Argentina, Brazil, Paraguay, and Uruguay.

### **Arguments in Favor of Free Trade Agreements**

During the early 1990's, there was the expectation in Chile and abroad that trade reforms within the GATT negotiations under the Uruguay Round would be very slow to achieve and would not reach the desired targets of those countries which voted for the elimination of agricultural protection. Even if the GATT negotiations came to a satisfactory end, it was suspected that the results in terms of trade liberalization would be very modest. Because of this belief, Chile as many other countries in the region, initiated bilateral trade negotiations.

For many of the countries, FTAs have also been viewed as a mechanism of assuring that liberalization reforms are of a permanent nature, since it would make it very difficult to revert these policies as a result of domestic pressures, a highly likely event in the following years due to pressures from groups that are hurt by the reforms. This is the case for example of Mexico with NAFTA. This statement is not applicable however to Chile, where trade reforms were implemented 15 years earlier.

Moreover, the formation of several important trading blocks have adverse consequences for the countries being left out. In the case of NAFTA, both Canada and Mexico are important competitors for Chile as

suppliers of goods to USA based on natural resources. The same applies to Argentina as a supplier to Brazil in MERCOSUR. In addition, there is the danger that these blocks resort increasingly to Non-tariff barriers (NTBs), or to the more frequent use of anti-dumping devices to protect their agriculture sector from foreign competition.

If the current trend of bilateral and multilateral FTAs were to continue, one could expect to find in the near future a well defined pattern for agricultural trade in the western hemisphere a trend towards greater specialization and thus of trade based on the agroclimatic characteristics of each country or region. In very broad terms, it is possible to identify four major types of region in the Western Hemisphere tropical areas, with land-intensive crop production, such as sugar cane and soybean production, found for example in USA, Central and South America; labor-intensive tropical production such as banana and coffee, typically found in Central and South America; temperate land-intensive crop production such as wheat, maize, and beef, in large areas of Argentina, the Midwest of USA, and southern Chile; and labor-intensive dry summer temperate zones producing fruits and vegetables, such as California in the USA, certain regions in Mexico, Argentina, Brazil and Central Chile. In general, it is unusual that a given country will fall only in one of the above categories, so that conflicts arise in the trade negotiations due to the competition between imports and domestic production. For example, in this respect, Chile has less conflicts in dealing with Colombia or Brazil than with Argentina.

### **Chile and Free Trade Agreements**

Chile is a net exporter of agricultural products. The agricultural balance of trade with the rest of the world has been for many years favorable to Chile. In 1994, total agricultural exports reached US\$ 1,824 million and imports amounted to US\$ 780 million (Table 4). These flows correspond to 16% of total Chilean exports, and 7% of total imports (Figure 2). If trade flows for the forestry sector are included in the above figures, total exports of agricultural and forest products add up to US\$ 3,275 million, that is 28% of total Chilean exports, and total imports only increase by US\$ 28 million to US\$ 807 million (Table 4).

Agricultural exports are concentrated in a reduced number of fresh markets and some processed fruits and vegetables, (Table 5), particularly in temperate zone fresh fruits, (Table 5). In 1994 fresh fruits accounted for 52% of total agricultural and agroindustrial exports. On the other hand, industrial goods based on primary agricultural raw materials accounted for 36% of total agricultural exports. The most important agroindustrial exports are processed fruits and vegetables and wines.

With respect to agricultural imports, these are also highly concentrated. In 1994, only four products: beef, oil and oilseeds, wheat and maize, explained 50% of total agricultural imports. Another 30 % of imports are other Products which also compete with domestic production, and the remaining 20 % is made up of products from tropical origin, such as coffee, cacao, pineapples and bananas, which are not produced in the country (Table 6).

Primary export products, particularly fresh fruits, face nil or very low protection in Western Hemisphere markets. FTAs with NAFTA and MERCOSUR, both important markets for Chilean agroindustrial products, would apparently offer good prospects for further expansion of this type of exports, due to the characteristic of their tariff systems, which escalate according to the degree of food processing (Tables 7, 8 and 9).

In addition to the arguments indicated above in favor of FTAs, it is considered by many economists in Chile that the gains in efficiency from unilateral trade liberalization have already been achieved, and in this context not much more could be gained from further unilateral reduction of tariffs. Average tariffs in Chile are lower than in the rest of the region.

On the other hand, a FTA with NAFTA or MERCOSUR, also commits Chile to reduce and eventually eliminate all tariffs and NTBs for agricultural imports into Chile. Given that imports from these markets of sensitive commodities, particularly from MERCOSUR, are a significant fraction of total imports and of domestic consumption (Table 10), and that tariff equivalents in Chile for imports of these commodities are 11% and above (such as in wheat, oil, and sugar), internal prices are expected to fall as a result of the discriminatory tariff liberalization involved with either NAFTA or MERCOSUR. Domestic consumption may rise or not, depending on the price elasticity of demand, but domestic production will definitely fall in response to lower prices. Beyond the question whether Chile's welfare as a whole will increase or not (Panagariya, 1995), these FTAs will have an adverse effect on the domestic production of basic commodities. The expected consequences for the traditional subsectors of agriculture would be quite serious under present conditions, unless the reduction of tariffs could be stretched over a lengthy period of time. The Chilean agricultural sector is suffering from what has been labelled as "a crisis of profitability". In the last four years, the sector has experienced a reduction in the pace of GDP growth, and in investment. After a previous decade of rapid growth, the slowdown in agricultural growth (Table 1) is notably in contrast with the positive behavior of the remainder of the economy. The loss of profitability is uneven among subsectors, but it affects many of the main crops and subsectors such as cereals, beef and fruits, that, as indicated earlier, represent an important share of total agricultural production. The main underlying causes for the observed decline in growth have been attributed to the significant appreciation of the real exchange rate that has taken place, and the persistent increases in labor costs (The World Bank, 1994). The ratio between the Chilean peso and the US dollar has declined more than 1/3 since the peak values of 1987. The prospects for the immediate future do not look much different, as current trends in terms of real exchange rates and labor costs are not expected to change.

The obvious winners and losers from FTAs with NAFTA or MERCOSUR, within the Chilean agricultural sector, are located in different regions of the country. The producers of fruits and vegetables for processing, that would benefit the most from these agreements are located mostly in the northern and central regions. Instead, most of the production of cereals, oilseeds, livestock, and sugarbeet originate in southern Chile. Many small farmers are involved in the production of these traditional products. This imposes an additional dilemma for policy makers.

## **Chile and Nafta**

### Current Patterns of Agricultural Trade

The bilateral agreements signed by Chile in the region are not considered to be an obstacle to a FTA with NAFTA. The latter, because of its size and income level, is a very important market for Chile's agricultural exports (Table 11). It is also the supplier of a significant fraction of inputs used in Chilean agriculture, such as fertilizers, pesticides and machinery, but not very important in terms of agricultural imports.

Although Chile's total trade balance with NAFTA is negative, the balance of agricultural trade is highly favorable (Figure 3). In 1994, Chile's agricultural exports (excluding forest products) to NAFTA totalled

US\$ 740 million, out of total exports to NAFTA, which amounted to US\$ 2,294,7 million. Agricultural imports from NAFTA reached US\$ 161 million, out of total imports from NAFTA for US\$ 3,166.5 million. It is worth noting that although 20 % of total Chilean exports were supplied to NAFTA members (Figure 4), the share of NAFTA in agricultural exports was as high as 40,5 %. This NAFTA is the number one destination of Chilean agricultural exports, followed in importance only by the European Union. It may also be noticed that although Japan is the third largest trading partner for Chile, agricultural exports to that country are still very limited. In 1994, 29% of total Chilean imports and 21 % of agricultural imports came from NAFTA countries (Figure 5 and Table 11).

Within NAFTA, the U.S. is by far the most important destination for Chilean agricultural exports (88%), although the participation of Mexico has increased (Table 12). This is a result both of trade liberalization in Mexico and of the FTA signed between Mexico and Chile back in 1991. The 4% participation of Canada in total agricultural exports to NAFTA may be underestimated if Chilean agricultural products enter Canada through the U.S.A., but this information is not available.

Chilean agricultural exports to NAFTA consist mainly of fresh fruits, particularly grapes (Table 13). Other relatively important items are processed fruits (e.g. apple juice), processed vegetables (e.g. tomato paste) and maize seed. Wine is the only important agricultural export to Canada. Mexico has very recently become an important market for Chilean fruits after the trade reforms introduced, and with the FTA signed with Chile, but current events in Mexico have resulted in a sharp decline of Chilean exports to that market.

Chilean agricultural imports from NAFTA consist mainly of primary commodities, wheat being the main import, followed closely by Maize (Table 14). Two other sensitive products imported by Chile from NAFTA, although in small volumes, are sugar and milk, both of which involve public support schemes in the U.S., the country of origin. In recent years, the participation of Canada as a supplier of agricultural products to Chile has increased, mainly in durum wheat, which is used for production of pastas (Table 15).

#### Expected Outcome of a FTA between Chile and USA

A study in 1992 ( Muchnik, Figueroa et.al. 1994), requested by the Chilean Confederation of Production and Trade, made some ex-ante estimates of trade creation and Trade Diversion effects, and on employment, that would result FTA between Chile and the United States. At the time of the study, Mexico had not yet formally joined NAFTA. The study assumed instant elimination of all trade barriers between the two potential partners. These results are still considered relevant, given the relatively small magnitude of trade flows between Chile and Canada and Mexico, the two other member countries of NAFTA.

According to this study, Chilean exports of primary agricultural products, basically fruits, would increase in the most optimistic scenario by only 6% per year, due to the very low existing trade barriers in the U.S., under the GSP scheme. The expected impact in agroindustrial exports would be considerably larger and could reach 43% in the most optimistic of the scenarios. Yet, the absolute increase in exports, at least in the initial midyears, would still be modest, due to very low initial base. This estimate could be biased downward, because the methodology used did not include estimates for other potential Chilean exports, which are not traded with U.S.A. due to existing high tariffs or STBs. With respect to Chilean imports from U.S.A., these would increase as a result of both trade creation and trade diversion. The impact would be particularly large in wheat, but also significant in maize, oil and sugar. The estimate for sugar has probably been overestimated given how sugar has been dealt with in the NAFTA agreement between USA and Mexico.

The net expected impact of a FTA with USA in terms of rural employment would be marginally positive. The increase in production and employment in the more labor-intensive food processing industries would more than offset the reduced employment in cereals and other annual crops.

One of the most revealing results of the study was the regional impact in terms of production and employment. The benefits from agricultural export expansion would take place in Central Chile, but the costs in terms of reduced production and employment would occur in the South, which is typically rural and with few alternative opportunities for income generation, except perhaps for forestry activities and livestock production, which would not be affected by this particular FTA.

## **Chile and MERCOSUR**

The Asuncion Treaty of March 1991 signed by the governments of Argentina, Brazil, Paraguay and Uruguay established for January 1995 onwards a common market, based on a free-trade area among the four countries and a common external tariff (CET). The formation of MERCOSUR was facilitated by unilateral trade liberalization by all four countries: in Argentina effectively since 1989, in Brazil since 1990, and Paraguay and Uruguay since the beginning of this decade.

Trade barriers between MERCOSUR and the rest of the world which now rest on the CET, imply an important reduction in average tariff levels, more so for Argentina than for Brazil. Average tariffs in Argentina decreased from 19% to 12%, and from 14% to 12% in the case of Brazil. The CET includes eleven tariff levels with a minimum of 0% and a maximum at 20% (Table 8). In the transition period up to the year 2000, member countries are allowed to exempt from the CET up to 300 tariff lines. Most of the go exemptions applied by Argentina so far will have tariffs that exceed the CET (including food products and paper), while Brazil designated only 3 products for higher tariffs ( fuel, natural rubber and milk); the rest of the exceptions (including agricultural inputs) have tariffs below the CET.

This process of trade liberalization has taken place amidst pervasive macroeconomic instability, especially in Argentina and Brazil (Bouzas, 1995), but recently, the "Plan Real" introduced in Brazil in 1994) has brought some degree of convergence between the two largest partners.

Since its inception, MERCOSUR welcomed the incorporation of Chile. Yet, Chile has declined the offer, on grounds of divergent trade policies and because of the poor record of MERCOSUR in terms of macroeconomic stability. The CET implies trade barriers to third countries above current tariff levels in Chile, which would result in important trade diversion, given the magnitude of Chilean trade flows with other regions and countries, specially Japan and the EU. Moreover, joining MERCOSUR would make it very difficult if not impossible for Chile to join NAFTA, unless a FTA was negotiated between MERCOSUR and NAFTA. This possibility is not considered feasible in the short run due to a number of existing conflicts and issues (see Bouzas,1995). NAFTA is a relatively more important trading partner for Chile, both in terms of exports and imports. On the other hand, USA has not been considered by MERCOSUR as a "natural trade partner", although it is an important outlet market for Brazilian exports, particularly of manufactured-goods. But it is considered that access to NAFTA is a more important consideration for the two small partners of MERCOSUR and perhaps for Argentina, than for Brazil, for which supply considerations seem to play a larger role in the access to NAFTA ( Barboza, Bouzas and Tussie, 1994).



## Current Patterns of Agricultural Trade

Chile's trade balance with MERCOSUR is negative, both in terms of total trade and agricultural trade (Figure 6). In 1994, Chile exported agricultural products to MERCOSUR member countries for US\$ 243 million, out of total exports to that market of US\$ 1,352 million, and imported goods for US\$ 2,054 million out of which US\$ 412 million are agricultural products (Table 11). MERCOSUR is in place four as an export market for Chile, after EU, NAFTA and Japan (Figure 4). It is in place three in terms of Chilean imports, after EU and NAFTA (Figure 5).

In 1994, only 13,3% of total Chilean agricultural exports were embarked to MERCOSUR, but 53% of total agricultural imports originated in that region. This is explained by the comparative advantages held by MERCOSUR member countries in most of the basic commodities that are imported by Chile, situation which is enhanced by the geographic proximity between the two. On the other hand, Chilean agricultural exports compete with many similar export products from Argentina. Nevertheless, the share of agricultural exports going to Argentina are marginally larger than those to Brazil (52% and 41% respectively during 1992-1994), in spite of the fact that Chilean products would complement rather than compete with the local products of Brazil (Table 16). Part of the explanation for this apparent contradiction seems to rest on the negative evolution of the bilateral exchange rate parity with Brazil after 1990; also on probable trade diversion in the Brazilian market in favor of Argentinean products after the initiation of trade liberalization within MERCOSUR. It is also a consequence of the existing tariff structure and NTBs. Finally, Paraguay and Uruguay are very minor markets for Chilean products.

In contrast to the trade pattern observed in agricultural products with either NAFTA or the rest of the world, most of Chilean exports to MERCOSUR consist of agroindustrial products, which make up 67% of total sector exports to that market (Table 17). The most important export products to this market are tomato paste (mostly to Brazil), processed fruits (both to Argentina and Brazil), wine (to Paraguay and Argentina), candies (mostly to Argentina), and pork meat (mostly to Argentina).

In terms of Chilean imports of agricultural products, in 1994 Argentina supplied the largest share within the MERCOSUR region, with 66% of the total (Table 18). The participation of Paraguay and Uruguay are relatively larger as exporters to Chile (11% and 8% respectively) than as importers of Chilean agricultural exports.

Agricultural imports from MERCOSUR are highly concentrated in the following products: oil and oilseeds (32%), beef (24%), wheat (10%), maize (7%) and beverages, such as tea and mate, coffee and cacao (Table 19). Beef is imported from Argentina, Uruguay and Paraguay, edible oil from Argentina, oilseeds from Paraguay and Argentina, cereals from Argentina as well as mate, and coffee and cacao from Brazil.

## Expected Outcome of FTA with MERCOSUR

A FTA with MERCOSUR which would include all agricultural products, would have a substantive impact in terms of trade creation and some impact in trade diversion. In 1992, at the request of FIEL, Argentina, a study was undertaken to analyze the viability of an integration in agriculture and agroindustry between Argentina and Chile (Muchnik, Errazuriz and Vargas, 1994; Muchnik, 1993).

The main conclusion of the study was that the once-and-for-all elimination of all trade barriers with Argentina would result in an aggregate increase of at least 20% in total Chilean imports of each of the basic

commodities traded with Argentina white wheat, maize, rice, oil, sugar, beef and milk. Imports from Argentina would increase further due to trade diversion. The largest impact would take Place in maize, wheat, milk and rice.

If the analysis was repeated today to include the other member countries of MERCOSUR, the results in terms of increased imports, and the resulting decline in domestic prices and production would be larger than that provided by the study, in oil, beef and rice, given the additional imports of these products that originate in Paraguay and Uruguay.

Given the geographic composition of agricultural production, the South of Chile would be the region most hurt by a FTA with MERCOSUR. In fact, probably the forestry and dairy production activities would be the only ones unharmed.

The study did not look into the potential increase of Chilean exports to Argentina, but it was considered at that time that this impact would be negligible, considering the reduced opportunities in that market , and the already low preferential tariffs negotiated with Argentina.

The conclusions would be different, naturally, if we compare the existing situation with an alternative scenario where Chilean exports would have to face the new CET structure imposed by MERCOSUR since January 1995, not yet enforced on Chilean exports. In 1992-1994, 60% and 90% of Chilean agricultural exports to Argentina and Brazil respectively received preferential tariff treatment (Tables 20 and 21 respectively). The weighted average tariff in Argentina for Chilean agricultural exports was about 8% assuming an average tariff of 10% for Chilean exports that did not receive preferential treatment. With the same composition of exports, the average weighted tariff of the CET scheme is 12 % (Table 18). Similarly, the average tariff in Brazil for Chilean agricultural exports, when taking into consideration the preferential treatment under ALADI, was 3.6%. The corresponding figure with the CET of MERCOSUR would increase to 12%, with the existing export composition (Table 19).

If negotiating a FTA with MERCOSUR can be extremely harmful for the traditional sectors of Chilean agriculture, the alternative of not doing so is also damaging for the export-oriented sectors within agriculture, because of the resulting increase in trade barriers involved in the CET scheme set by MERCOSUR since 1995. Moreover, trade diversion against Chilean products within MERCOSUR, and particularly in Brazil, would become more pronounced, as Chile would have to face higher external tariffs, competing with free trade within the region.

### **Territorial Integration of Chile and MERCOSUR**

As mentioned earlier, most agricultural products imported to Chile from Argentina enter the Chilean market without preferential treatment. Thus, it is not surprising that the main apparent interest in MERCOSUR and more specifically for Argentina in a trade negotiation with Chile, is to agree on a much greater physical integration with Chile, rather than to benefit from tariff reductions. The transit through Chilean territory and ports in the Pacific would report significant benefits to MERCOSUR, and particularly to certain regions of Argentina, in terms of lower marketing costs and greater access to some of the more dynamic external markets in the Pacific rim. This interest has been explicitly addressed in the on- going negotiations between Chile and MERCOSUR, and by Argentinean diplomats.

There is strong opposition from the farming sector in Chile to provide transit permit to Argentinean products through Chilean ports. In the first place, because Argentina is a strong present and potential competitor in the Pacific Rim, competing in many of the products that Chile exports to these markets. For e.g. in fresh fruits, particularly apples and pears; fruit juices, canned fruit, dried fruits, tomato paste, fresh vegetables. Presently, exports to South-East Asia are small both from Chile and Argentina, but the competition from Argentinean exports could become stronger in Western Europe and the East Coast of North America. Secondly, there is the problem of sanitary risk. Chile has benefitted from the advantages of a natural geographic isolation, that has made the country free of a number of pests and diseases. This is an advantage that explains the success of the country as a net exporter of many different types of seeds, and in exports of fresh fruit to developed countries, because it has been free of the fruit fly. In the case of beef, Chile is the only country south of Panama which is free of Foot and Mouth Disease, which is a major trade barrier in fresh or frozen beef. Therefore, the traffic through Chile of considerable volumes of vegetable and animal materials from neighboring countries where several pests and diseases are endemic, would significantly increase the risk of introducing any of these which are endemic in the border countries.

### **Final Comments**

The expected impact on the agricultural sector of Chile of an integration with NAFTA or MERCOSUR, is highly dependent on the structure of production and trade, and on the change in the levels of protection which would result from these agreements. Most traditional crops would face increased competition, given the strong comparative advantages in these products from the prospective partners. The negative impact on Chilean agriculture would be particularly strong in a FTA with MERCOSUR, given that it would involve not only wheat and maize, as in the case of NAFTA, but also beef, oil, rice and perhaps sugar (depending on the policies adopted by Brazil). The latter products would be less affected in the case of NAFTA, because imports from this origin are considerably less important than those originated in MERCOSUR. This competition would come at a time when agriculture is undergoing slack growth.

On the other hand, the U.S., main trading partner of Chile within the NAFTA group, already extends tariff preferences to Chile under the GSP systems and in general charges low import tariffs, particularly to fresh fruits and vegetables, which make up for the bulk of Chilean exports. Thus, the main benefit to Chile from joining NAFTA would arise mainly from the elimination of the higher tariffs which are imposed on agroindustrial products, and from the elimination of non-tariff barriers, which are being increasingly used. Similarly, a FTA with MERCOSUR would provide greater access to both fresh and specially processed products to that region, given the relatively high common external tariffs that have been imposed by that common market to third parties. The relative gains should be much larger in the case of NAFTA, given the relatively larger volume of agricultural exports traded than with MERCOSUR.

Therefore, the way in which these future FTAs with both NAFTA and MERCOSUR are handled, and the timing established for tariff reductions, will be very decisive for the future development of the Chilean agricultural sector. At present, farmers are exerting all available forms of pressure to minimize the exposure of the sector to potential low cost imports that would originate in either NAFTA or in MERCOSUR.

There are at least four important issues that will have to be dealt as part of the negotiations with NAFTA and at least one of them also in the context of MERCOSUR. These are:

- \* existing measures for internal support to farmers
- \* export subsidies among partners and to third countries
- \* environmental issues
- \* labor regulations

The discussion of these topics are considered to lie beyond the scope of this paper.

### References

Bouzas, R. Paper presented in International Conference, NAFTA, Latin American Trade Agreements and Western Hemisphere Integration. Santiago (Chile), January 12-13, 1995.

Butelmann, A. & P. Meller, eds. Estrategia Comercial Chilena para la Decada del 90. Elementos para el Debate. Ediciones CIEPLAN, Santiago, 1992.

Campero, M.P. y B. Escobar: Evolution y Composition de las exportaciones chilenas, 1986-1991; en A. Butelmann y P. Meller (eds), Estrategia comercial chilena para la decada del 90. CIEPLAN, Santiago, Chile, 1992.

Laban, R. y P. Meller. Trade Strategy Alternatives for a Small Country: The Chilean Case. Paper presented in International Conference, NAFTA, Latin American Trade Agreements and Western Hemisphere Integration. Santiago (Chile), January 12-13, 1995.

Muchnik, Eugenia and Venezian, Eduardo. Structural adjustment and agricultural research in Chile. ISNAR, Discussion Paper No. 94-95, 38 p., 1994.

Muchnik, Eugenia. Bilateral trade agreements. En: Vol. 2, Annex C. Chile: strategy for rural areas-enhancing agricultural Competitiveness and alleviating rural poverty. The World Bank, Country Department IV. Latin American and the Caribbean Regional Office, Washington, D.C., 1994.

Muchnik, Eugenia. La agricultura y la agroindustria frente a un acuerdo de libre comercio con Estados Unidos, *Panorama Económico de la Agricultura*, 95:4-9, Julio-Agosto 1994.

Muchnik, Eugenia, FIGUEROA, Eugenio- Chilean agriculture and agroindustry in the face of a Free Trade Agreement with USA. En: Effects of liberalized trade on agriculture in the Western Hemisphere, Agricultural Trade Policy Center. Department of Agricultural and Resource Economics, College of Agriculture, University of Maryland, 1994.

Muchnik, Eugenia. El acuerdo de Complementación Chile-Argentina: Impacto sobre el sector agropecuario y agroindustrial. *Panorama Económico de la Agricultura*, 89:3-10, Enero-Febrero, 1993.

Muchnik, Eugenia. Free trade with United States: its importance for our agricultural and forestry sectors. *Chile agricola*, 178:175-179, 1992.

Muchnik, Eugenia. Brazil: Informe del Sector Agropecuario y Agroindustrial. Preparado para el Ministerio de Hacienda, Junio, 1991.

Muchnik, Eugenia. Las provisiones del NAFTA para los cultivos tradicionales y pecuarios. Panorama Economico de la Agricultura, 96 Marzo-Abril, 1995.

Panagariya, Arvind. Rethinking the New Regionalism. Presented at The UNDP-World Bank Trade Expansion Project Conference, January 23-24, 1995.

The World Bank. Chile Strategy for Rural Areas - Enhancing Agricultural Competitiveness and Alleviating Rural Poverty, August 18, 1994.

Table 1: Chile Average Annual Rates of Growth

	Agricultural GDP %	Total GDP %
1960-70	2.2	4.2
1971-73	-6.5	0.7
1974-81	5.8	5.0
1982-83	-2.9	-7.4
1984-90	5.7	5.7
1991-94	3.6	6.7

Source: Banco Central de Chile. National Accounts

Note: Figures represent averages of annual rates of growth

Table 2: Land Use in Chile. 1965-94

	<u>1974-86</u>	<u>1987-91</u>	<u>1965-73</u>
Fruits (ha)	56.876	86.201	165.390
Wine vineyards (ha)	108.500	98.400	59.661
(Annual crops) (‘000 ha)	1226,0	1134,9	1105,1
Annual Forest Plantations (ha)	24.733	79.625	67.425
<u>Cattle Stock</u>			
Bovines (mill. heads)	2.933	3.562	3.408
Ovines (mill. heads)	6.257	5.785	4.787

Source: ODEPA

Table 3: Chile: Evolution of Agricultural Exports. Total Exports and Agricultural Exports as a Proportion of Ag. GDP.

Selected Years	Total Exports(TE) (Mill. US\$)	Agricultural Exports(AE) (Mill. US\$)	(%) of AE in TE (%)	% of AE in Agric. GDP (%)
1970	1,121	31	2.8	6.1
1975	1,540	80	5.2	7.7
1980	3,934	283	7.2	17.2
1985	3,295	519	15.8	37.1
1990	8,600	1,276	14.8	37.4
1994	11,845	1,824	15.7	n.a

Note: Share of exports in Agricultural GDP is taken from two different sources which are not directly comparable.

Source: 1970-1980: Hunado, Muchnik, and Valdés (1989)  
1985-1990: Venezlan and Muchnik (1994)

Table 4: Chile: Trade Balance with the Rest of the World. 1990-1994 (Thousand US\$)

	1990	1991	1992	1993	1994
Total Exports	8.580.301	9.048.415	10.125.452	9.416.218	11.645.058
Total Imports	7.023.405	7.453.010	9.533.073	10.629.623	11.275.320
Trade Balance	1.556.896	1.595.405	592.379	-1.213.405	369.738
Agricultural Exports	1.222.441	1.579.694	1.729.628	1.605.973	1.823.936
Forestry Exports	807.124	838.428	1.038.678	1.096.748	1.450.587
Total Sector Exp.	2.029.565	2.418.122	2.768.306	2.702.721	3.274.523
% of Total Exports	24%	27%	27%	29%	28%
Agricultural Imports	345.761	494.704	638.369	662.284	779.745
Forestry Imports	9.349	11.073	13.592	21.239	27.724
Total Sector Imports	355.110	505.777	651.961	683.523	807.469
% of total Imports	5%	7%	7%	6%	7%

Source: ODEPA (1995)

Table 5: Chile: Main Agricultural Exports 1994 (Million US\$)

Product	Value	%
Total Agricultural Exports	1,824	100%
1. Primary Products	1,166	63.9%
Fruits	950	52.1
Vegetables	180	9.9
Livestock	36	2.0
2. Agroindustrial Products	658	36.1
Processed Vegetables and Crops	287.5	15.8
Processed Fruns	192.1	10.5
Wine	137.8	7.6
Livestock Products	40.6	2.2

Table 6: Chile: Main Agricultural Imports 1994 (Million US\$)

Product	Value	%
Total Agricultural Exports	780	100.0
1. Primary Products	344	44.1%
White Wheat	109.1	14.0%
Maize	66.8	8.6%
Rice	15.8	2.0%
Coffee	24.7	3.2%
Tea	18.2	2.3%
Mate	9.4	1.2%
Bananas	33.8	5.4%
Other	66.2	7.4%
2. Industrial Products	436	55.9%
Oil and Oilseeds	127.4	16.3%
Beef	88.8	11.4%
Sugar	24.9	3.2%
Powdered Milk	27.2	3.5%
Cacao	15.1	1.9%
Other	152.8	19.6%

Source: Banco Central de Chile. ODEPA



Table 7:  
*(Available from Author)*

Table 8: Tariff Escalation in the Common External Tariff. Scheme of MERCOSUR

Range	Product
2-6%	Breed Cattle Stock Eggs for incubation Seeds (legumes. vegetables. etc.) Vegetable materials for Industrial use Animal oils/fat
8-10%	Eggs Animal products for industrial use Flowers. fruits. fresh and dried Coffee. tea. mate Starches Juices and vegetable extracts Cacao in grain
12-14%	Milk. honey. Wheat flour. potato flour Fish preparations Powdered cacao Prepared legumes and vegetables
15-20%	Butter. cheese Sugar. candies. chocolates Pastas. bakery goods Food preparations Alcoholic beverages

Table 9: Tariff Escalation in Canada. 1994

Fresh tomatoes (out of M. Order)	Free
Canned tomatoes	13.6%
Grapes (out of M. Order)	Free
Raisins	Free
Grape Juice	15%
Plums (out of M. Order)	Free
Prunes	Free
Plum jam	10%
Apples	Free
Dried apples	10%

Source: Canadian Embassy in Chile (1994).

Table 10: Chile:Share of NAFTA and MERCOSUR in Total Imports of Main Commodities. 1994  
(mill.USS)

	TOTAL	NAFTA		MERCOSUR		IMPORTS AS % OF CONSUMPTION
	Value	Value	%	Value	%	
Wheat	109.1	61.3	56.2%	37.4	34.2%	28%
Maze	61.9	29.2	47.1%	25.4	41.1%	28%
Rice	15.8	0.0	0.0%	9.3	58.5%	21%
Sugar	24.9	5.3	21.3%	13.0	52.3%	4%
Milk	27.6	4.7	17.1%	2.2	7.8%	21%
Oil	98.1	1.9	2.0%	85.0	86.7%	92%
Beef	88.8	0.0	0.0%	88.7	99.9%	7%

Source: Banco Central de Chile. ODEPA. INE

Table 11:  
(Available from Author)

Table 12: Chile: Agricultural Exports to NAFTA by country of Destination

	NAFTA (Mill.US\$)	U.S.A	Mexico	Canada
Grapes	307.4	92.7%	7.3%	0.0%
Wine	49.9	62.5%	2.5%	35.1%
Plums	27.9	85.0%	14.8%	0.2%
Apple juice	27.8	96.1%	06%	3.2%
Nectarines	22.4	92.9%	7.0%	0.1%
Pears	19.4	96.8%	3.1%	0.1%
Avocado	19.3	100.0%	0.0%	0.0%
Maize seed	19.2	93.7%	0.0%	6.3%
Peaches	19.1	75.6%	24.2%	0.2%
Processed tomatoes	14.8	87.5%	9.7%	2.8%
Kiwis	14.7	97.2%	1.6%	1.2%
Apples	12.9	83.4%	14.0%	2.7%
Raspberries	11.5	98.9%	0.3%	0.8%
Tobacco	11.1	100.0%	0.0%	0.0%
Dried Capsicum	9.8	95.3%	0.7%	4.0%
Prunes	9.8	20.1%	79.4%	0.5%
Other Fruit Juices	8.7	98.6%	0.8%	0.6%
Dried Mixes	7.4	80.3%	16.7%	3.0%
Seeds leg/vegetables	7.1	100.0%	0.0%	0.0%
Candies	6.4	88.8%	0.0%	11.2%
Cooked mushrooms	6.3	99.2%	0.8%	0.0%
Cherries	5.3	78.6%	18.4%	3.0%
Canned peaches	5.1	17.2%	74.8%	8.0%
Raisins	4.4	41.1%	47.1%	11.7%
Fresh asparagus	4.3	95.7%	0.6%	3.7%
Fresh onions	4.3	94.3%	0.0%	5.7%
Grape juice	4.2	55.0%	22.1%	23.0%
Seeds melon/watermelon	3.8	100.0%	0.0%	0.0%
Frozen raspberries	3.2	82.2%	0.0%	17.8%
Jam	2.3	9.9%	89.4%	0.8
Tomato seed	2.3	100.0%	0.0%	0.0%
Apricots	2.1	65.0%	33.7%	1.2%
Dried apples	2.0	98.1%	1.8%	0.0%
Chicory	1.9	100.0%	0.0%	0.0%
Flower seeds	1.7	100.0%	0.0%	0.0%
Other frozen fruits	1.6	85.1%	0.9%	14.0%
Cranberry	1.4	99.4%	0.6%	0.1%
Garlic	1.4	100.0%	0.0%	0.0%
Lemon	1.3	100.0%	0.0%	0.0%
Musk-rose	1.3	98.9%	0.0%	1.1%
Canned mixes	1.2	0.7%	83.1%	16.2%
Pastas	1.1	94.8%	5.2%	0.0%
Subtotal	688.9	87.7%	8.6%	3.7
Total	737.0			
% Selected products	93.5%			0.82

Source Banco Central de Chile

Table 13: Chile: Agricultural Exports to NAFTA. Average 1992-1994 (Million US\$)

Total Agricultural Exports	688.9	
1. Primary Products	485.6	70.5%
Crops	11.1	
Tobacco	11.1	
Fruits	466.0	67.6%
Grapes	307.4	
Plums	27.9	
Nectarines	22.4	
Pears	19.4	
Avocados	19.3	
Peaches	19.1	
Kiwis	14.7	
Apples	12.9	
Raspberries	11.5	
Cherries	5.3	
Vegetables	8.6	1.2%
Fresh Asparagus	4.3	
Fresh Onions	4.3	
Livestock	0.0	0.0
2. Agroindustrial Products	200.1	29%
Processed Crops	20.2	2.9%
Maize seed	19.2	
Pastas	1.1	
Processed Fruits	70.4	10.2%
Apple Juice	27.8	
Dried Plums	9.8	
Other Fruit Juice (1)	8.7	
Canned Peaches	5.1	
Raisins	4.4	
Grape Juice	4.2	
Wine	49.9	7.2%
Processed Vegetables	51.4	7.5%
Processed Tomatoes	14.8	
Dried Capsicum	9.8	
Dried nuxis	7.4	
Seeds	7.1	
Cooked musk rooms	6.3	
Others	8.0	1.2%
Candies	6.4	

Source: Banco Central de Chile

Table 14: Chile: Main Agricultural Imports from NAFTA 1992-1994 (Millions US\$)

Agricultural Imports	118.5	
1. Primary Products	95.1	80.3%
Crops	92.23	77.8%
White Wheat	40.1	
Maze	29.2	
Durum wheat	21.2	
Lentils	1.8	
Livestock	2.9	2.4%
Bovine semen	1.5	
Live chicken	1.3	
2. Industrial Products	23.4	19.7%
Processed Crops	8.2	8.9%
Sugar	4.7	
Modified fats/oils	1.3	
Soybean cake	1.1	
Hop extract	1.1	
Animal Products	6.6	5.6%
Powdered milk	4.7	
Animal fats	1.9	
Other	8.5	7.2%
Beverage preparations	3.0	
Other food preparations	1.7	
Protein concentrate	1.6	
Chewing gum	1.2	
Dog food	1.0	

Source: Banco Central de Chile

Table 15: Chile: Main Imports from NAFTA by Country of Origin. 1992-1994

	NAFTA (Mill. US\$)	U.S.A.	Mexico	Canada
White Wheat	40.1	28.4%	0.0%	71.6%
Maize	29.2	100.0%	0.0%	0.0%
Durum wheat	21.2	0.0%	0.0%	100.0%
Sugar	47	100.0%	0.0%	0.0%
Beverage preparations	3.0	100.0%	0.0%	0.0%
Powdered Milk	4.7	100.0%	0.0%	0.0%
Animal fats	1.9	100.0%	0.0%	0.0%
Lentils	1.8	0.0%	0.0%	100.0%
Other food preparations	1.7	98.0%	1.0%	1.0%
Protein Concentrates	1.6	100.0%	0.0%	0.1%
Bovine semen	1.5	92.2%	0.0%	7.8%
Live chicken	1.3	98.0%	0.0%	1.9%
Chewing gum	1.3	8.2%	0.4%	91.3%
Fat/modified offs	1.3	100.0%	0.0%	0.0%
Soybean cakes	1.1	100.0%	0.0%	0.0%
Hop extracts	1.1	100.0%	0.0%	0.0%
Dog Food	1.0	100.0%	0.0%	0.0%
Subtotal	118.6	55.2%	0.0%	44.7%
Other	42.4			
% of Total	73.7%			

Source: Banco Central de Chile

Table 16: Chile: Agricultural Exports to MERCOSUR. 1992-1994 ('000 US\$)

	Argentina	Brazil	Paraguay	Uruguay	MERCOSUR
Processed tomatoes	26.3	71.7	0.2	1.8	33432.0
Wine	44.0	19.9	30.8	5.2	14313.3
Candies	84.1	0.6	9.8	5.4	13046.0
Chestnuts	46.9	47.4	0.3	5.4	11627.0
Kiwis	65.3	29.8	0.0	4.9	10150.7
Pork meat	98.5	0.2	0.0	1.3	7984.3
Dried grapes	1.4	93.2	0.7	4.7	6421.3
Beans	0.2	99.2	0.0	0.7	5878.7
Peaches and nectarines	60.4	38.3	0.0	1.3	5606.0
Canned peaches	84.4	8.4	2.7	4.5	5071.7
Food preparations	82.2	1.0	12.2	4.6	4705.3
Apples	36.9	54.0	0.4	8.7	4339.0
Cherries	41.6	53.8	0.0	4.6	4326.3
Grapes	18.1	80.2	0.0	1.6	4267.7
Plums	35.6	63.7	0.1	0.6	4210.0
Milk	12.0	87.7	0.0	0.3	3987.7
Prunes	1.7	97.5	0.2	0.7	3774.7
Roasted malt	9.4	76.1	14.6	0.0	3729.7
Marjoram	55.2	38.3	1.4	5.0	3623.7
Almonds	61.7	34.6	0.7	3.0	3521.3
Yeast	23.5	75.9	0.0	0.6	3227.3
Seeds of forage plants	95.6	4.0	0.0	0.4	3087.7
Eggs	100.0	0.0	0.0	0.0	3052.7
Frozen potatoes	96.2	0.0	1.6	2.2	2980.3
Canned cherries	52.4	45.1	1.3	1.2	2956.0
Biscuits	82.6	0.0	11.4	6.0	2788.0
Pastas	90.3	0.5	4.2	4.9	2553.0
Ice cream	92.6	0.0	0.2	7.2	2441.7
Grape juice	98.4	1.5	0.0	0.0	2331.6
Waters except mineral	76.8	0.0	14.9	8.3	1947.3
Beverage preparations	27.8	0.3	62.1	9.7	1738.3
Olives	0.0	100.0	0.0	0.0	1657.7
Live chickens	99.9	0.0	0.1	0.0	1582.7
Mucilages and thickeners	53.9	41.4	1.6	3.1	1435.7
Fresh Tomatoes	99.4	0.1	0.0	0.5	1413.7
Sunflower seed	100.0	0.0	0.0	0.0	1411.7
Agar-agar	27.9	50.8	0.4	20.8	1357.7
Bananas	99.8	0.0	0.0	0.2	1195.3
Fowls cuts	99.6	0.0	0.0	0.4	1176.3
Ham	100.0	0.0	0.0	0.0	1171.7
Strawberries	98.9	0.5	0.0	0.6	1150.3
Pears	9.6	89.3	0.0	1.1	1040.7
fresh flowers	98.8	1.2	0.0	0.0	866.0
Lamb meat	100.0	0.0	0.0	0.0	848.0
Subtotal	51.5	40.7%	4.6%	3.2%	199427.7

Source Banco Central de Chile

Table 17: Chile: Main Agricultural Exports to Mercosur (1992-1994)

	('000 us\$)	%
<b>PRIMARY PRODUCTS</b>	65886.3	33.0%
Crops	6744.7	3.4%
Beans	5878.7	2.9%
Fruits	53092.7	26.6%
Chestnuts	11627.0	5.8%
Kiwis	10150.7	5.1%
Peaches and Nectarines	5606.0	2.8%
Apples	4339.0	2.2%
Vegetables	1413.7	0.7%
Fresh tomatoes	1413.7	0.7%
Livestock	4635.3	2.3%
Eggs	3052.7	1.5%
<b>INDUSTRIAL PRODUCTS</b>	133554.0	67.0%
Processed Crops	8229.3	4.1%
Toasted malt	3729.7	1.9%
Forage seeds	3088.0	1.5%
Processed Fruits	20557.3	10.3%
Raisins	6421.3	3.2%
Canned peaches	5071.7	2.5%
Prunes	3774.7	1.9%
Wine	14313.3	7.2%
Processed Vegetables	40036.0	20.1%
Processed tomatoes	33432.0	16.8%
Animal Products	15168.0	7.6%
Pork/ham	9156.0	4.6%
Milk	3987.7	2.0%
Other	35240.0	17.7%
Candies	13045.7	6.5%
Prepared foods	4705.3	2.4%
<b>SUBTOTAL</b>	199430.3	100.0%
<b>% del TOTAL</b>	97.0%	

Source: Banco Central de Chile



Table 18: Chile: Main Agricultural Imports from Mercosur ('000 US\$)

	Argentina	Brazil	Paraguay	Uruguay	MERCOSUR
Beef	53.2	0.0	21.2	25.6	74960.7
Oils	98.0	0.1	1.9	0.0	69299.3
Oilseed cake	43.4	2.3	54.3	0.0	30114.7
Wheat	100.0	0.0	0.0	0.0	29354.0
Corn	100.0	0.0	0.0	0.0	21647.0
Maize	23.2	76.2	0.6	0.0	10287.3
Tea	81.4	18.6	0.0	0.0	10119.7
Coffee	0.1	99.9	0.0	0.0	9315.0
Cocoa products	0.0	100.0	0.0	0.0	9239.0
Rice	40.9	0.3	0.0	58.8	7982.0
Sugar	31.2	68.8	0.0	0.0	7758.0
Ethyl alcohol	68.4	31.6	0.0	0.0	3834.0
Peanuts	99.6	0.1	0.3	0.0	3104.0
Sorghum	100.0	0.0	0.0	0.0	3025.0
Candies	88.8	10.8	0.0	0.4	2749.7
Tobacco	8.8	91.2	0.0	0.0	2609.0
Cereal based products	6.0	94.0	0.0	0.0	2014.0
Milk powder	41.0	25.1	0.0	33.9	1691.0
Orange juice	0.1	99.9	0.0	0.0	1608.3
Chewing gum	44.4	54.7	0.0	0.9	1125.7
Meat Extracts and juices	74.2	10.7	14.7	0.5	1095.0
Bananas	1.0	90.0	0.0	0.0	1025.7
Vegetal wax	1.2	98.8	0.0	0.0	1017.3
Protein concentrates	2.2	97.8	0.0	0.0	984.0
Beverage preparations	0.3	0.9	0.0	98.8	947.0
Barley	1.9	0.0	0.0	98.1	841.0
Soya bean	100.0	0.0	0.0	0.0	616.7
Wheat flour	100.0	0.0	0.0	0.0	439.7
Subtotal	66.0%	15.0	11.0%	8.0%	308803.

Source: Banco Central de Chile

Table 19: Chile: Agricultural Imports from Mercosur (1992-1994)

	('000 US\$)	%
<b>PRIMARY PRODUCTS</b>	67595.0	21.9%
Crops	66569.3	21.6%
Wheat	29354.0	9.5%
Maize	21647.0	7.0%
Rice	7982.0	2.6%
Fruits	1025.7	0.3%
Bananas	1025.7	0.3%
<b>INDUSTRIAL PRODUCTS</b>	241203.4	78.1%
Processed Crops	151195.7	49.0%
Oil	69299.3	22.4%
Oilseed cakes	30114.7	9.8%
Mate	10287.3	3.3%
Tea	10119.7	3.3%
Coffee	9315.0	3.0%
Preparation cont. cocoa	9239.0	3.0%
Sugar	7758.0	2.5%
Processed Fruits	1608.3	0.5%
Orange Juice	1608.3	0.5%
Animal Products	77746.7	25.2%
Beef	74960.7	24.3%
Milk	1691.0	0.5%
Other	10657.7	3.5%
<b>SUBTOTAL</b>	<b>308803.4</b>	<b>100.0%</b>
<b>% del TOTAL</b>	<b>84%</b>	

Source: Banco Central de Chile

Table 20: Chilean Agricultural Exports to Argentina: Current Preferential Tariff in Argentina and Forthcoming Common External Tariff Under MERCOSUR

Product	Value 92-94 (mill US\$)	Preferential Tariff(%)	CET of MERCOSUR(%)
Candies	11.0	10.0% wp	16.0%
Processed tomatoes	8.8	1.5%	14.0%
Pork meat	7.9	2.5%	10.0%
Kiwis	6.6	5.0% wp	10.0%
Wine	6.3	7.7%	20.0%
Chestnuts	5.5	0.7%	10.0%
Canned peaches	4.3	5.0%	14.0%
Cooked foods	3.9	3.8%	15.0%
Peaches/nect.	3.4	5.0% wp	10.0%
Eggs	3.1	0.5%	8%-10%
Forage seeds	2.9	0.0%	2.0%
frozen potatoes	2.9	5.0%	10.0%
Pastas	2.3	5.0%	16.0%
Biscuits	2.3	5.0%	18.0%
Grape juice	2.3	0.3%	14.0%
Ice-cream	2.3	5.0%	15.0%
Almonds	2.2	7.5% wp	10.0%
Marjoram	2.0	2.5% wp	10.0%
Cherries	1.8	1.3%	10.0%
Live chicken	1.6	0.0%	8.0%
Apples	1.6	5.0% wp	10.0%
Plums	1.5	5.0% wp	10.0%
Sum flower seeds	1.4	2.5% wp	8.0%
Fresh tomatoes	1.4	5.0%	10.0%
Sub-total	89.3		
Simple average (1)		2.1%	6.3%
Weighted average (1)		4.3%	12.2%
Range		0%-10%	2% - 209;

wp = without preferential tariff treatment

(1) A 3% Statistical tariff has to be added to all products

Source: Acuerdo de Complementacion Economica. num 16 Chile-Argentina. 7 Protocolo adicional. Julio 1993; MERCOSUR: Anexo (3). 1994.

Table 21: Chilean Agricultural Exports to Brazil: Current Preferential Tariffs in Brazil and Forthcoming Common External Tariff Under MERCOSUR

Product	Value 92-94	Preferential Tariff (%)	CET of MERCOSUR(%)
Processed tomatoes	24.0	6.0%	14.0%
Raisins	6.0	0.0%	10.0%
Beans	5.8	3.0%	10.0%
Chestnuts	5.5	1.0%	10.0%
Prunes	3.7	0.0%	10.0%
Milk	3.5	7.0%	12.0%
Grapes	3.4	0.0%	10.0%
Kiwis	3.0	0.0%	10.0%
Toasted malt	2.8	0.0%	12.0%
Plums	2.7	0.0%	10.0%
Wine	2.5	14.0%	20.0%
Yeast	2.4	11.2%	15.0%
Apples	2.3	0.0%	10.0%
Cherries	2.3	0.0%	10.0%
Olives	1.7	0.5%	10.0%
Nectarines	1.4	0.0%	10.0%
Marjoram	1.4	3.5%	8.0%
Canned cherries	1.3	2.5%	14.0%
Almonds	1.2	1.5%	10.0%
Subtotal	76.9		
Simple Average	2.6%		11.3%
Weighted average	3.4%		11.9%
Range	0%-14%		8%-20%

Source: "Tarifa Aduaneira do Brazil". Editorial Agenco. 1992. MERCOSUR. Anexo (3). 1994.

FIGURE 1. CHILE: EVOLUTION OF TOTAL AREA IN ANNUAL CROPS

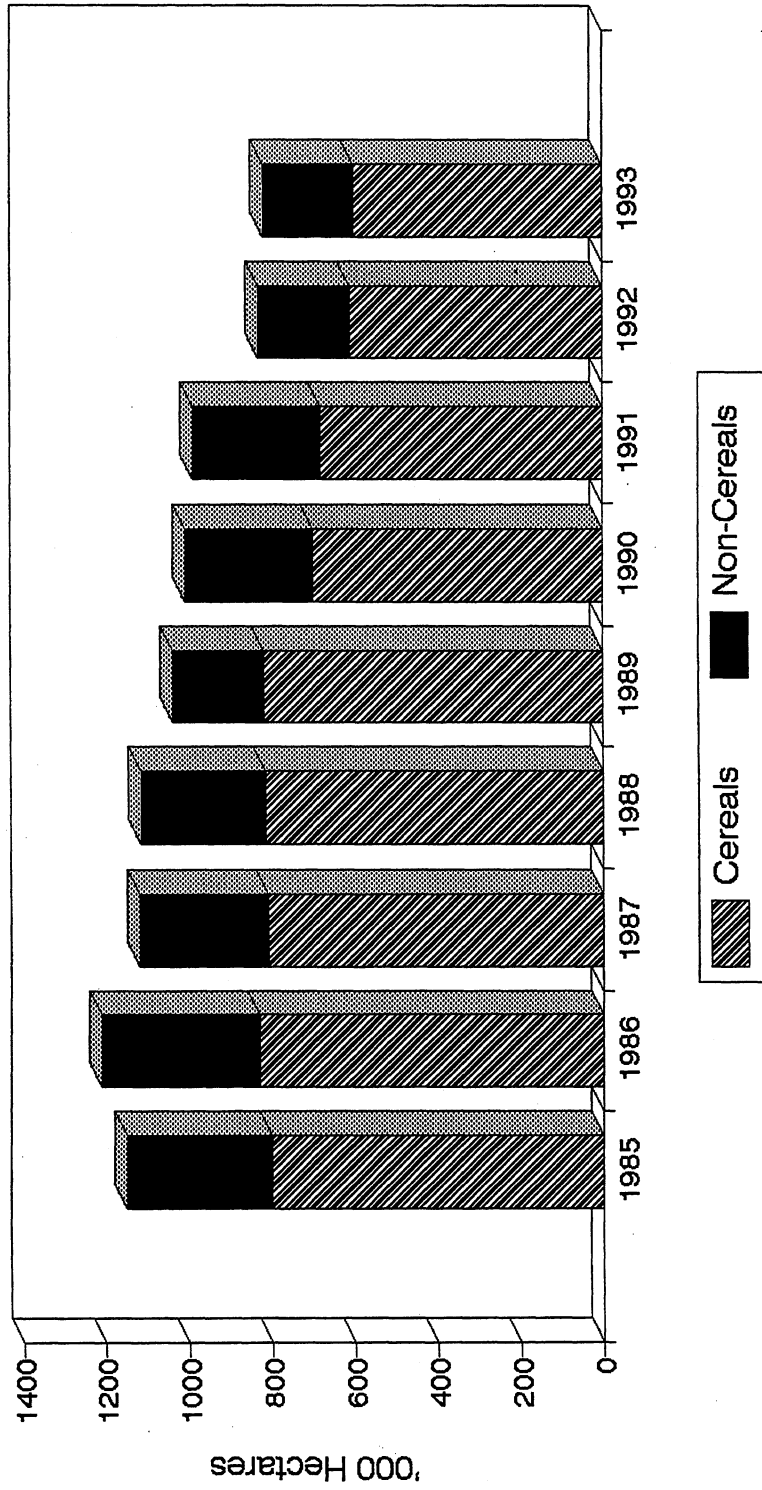


FIGURE 2. CHILE: TOTAL TRADE (1994)  
Million US\$

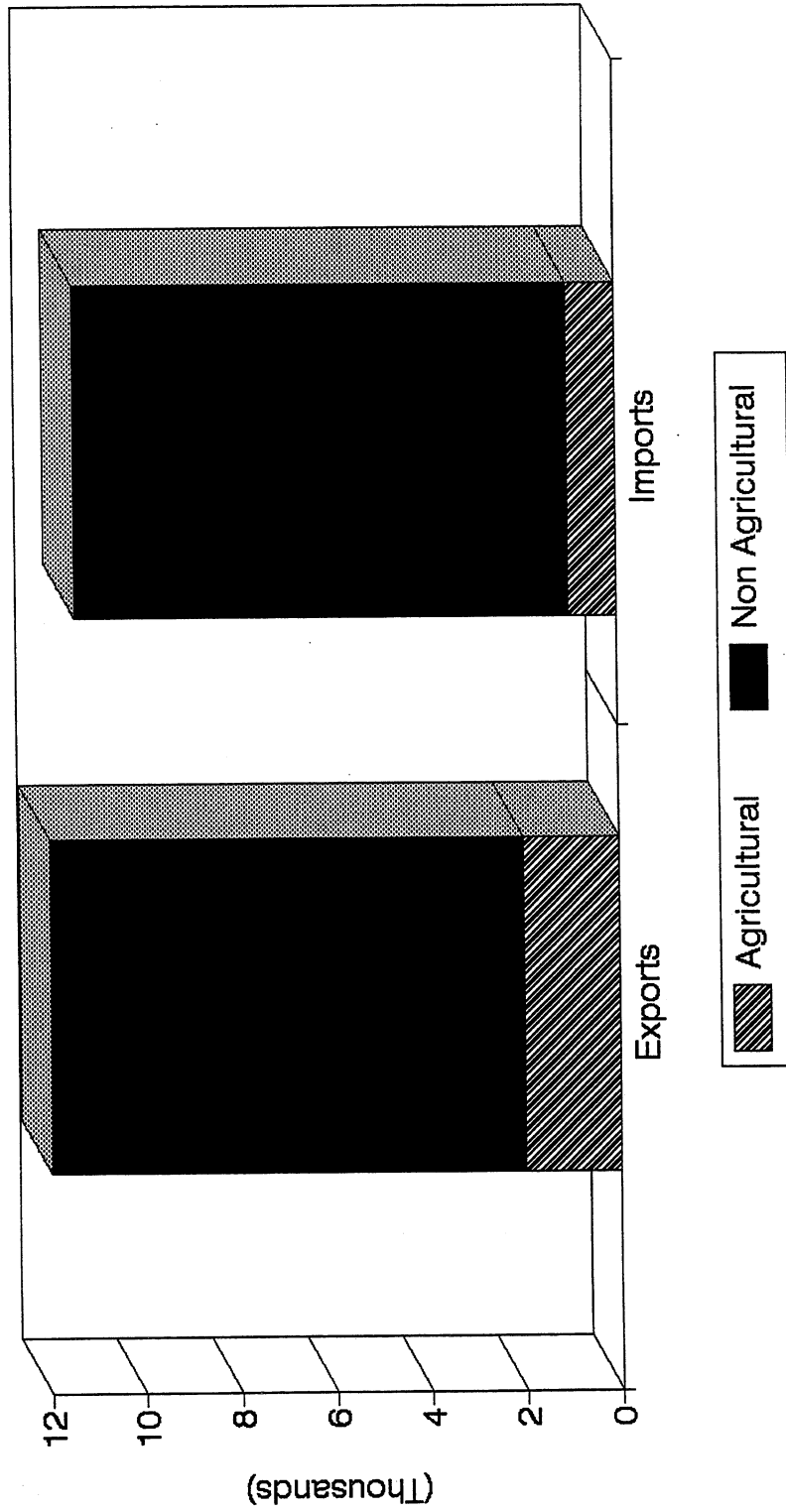


FIGURE 3. CHILE: TRADE WITH NAFTA (1994)  
Million US\$

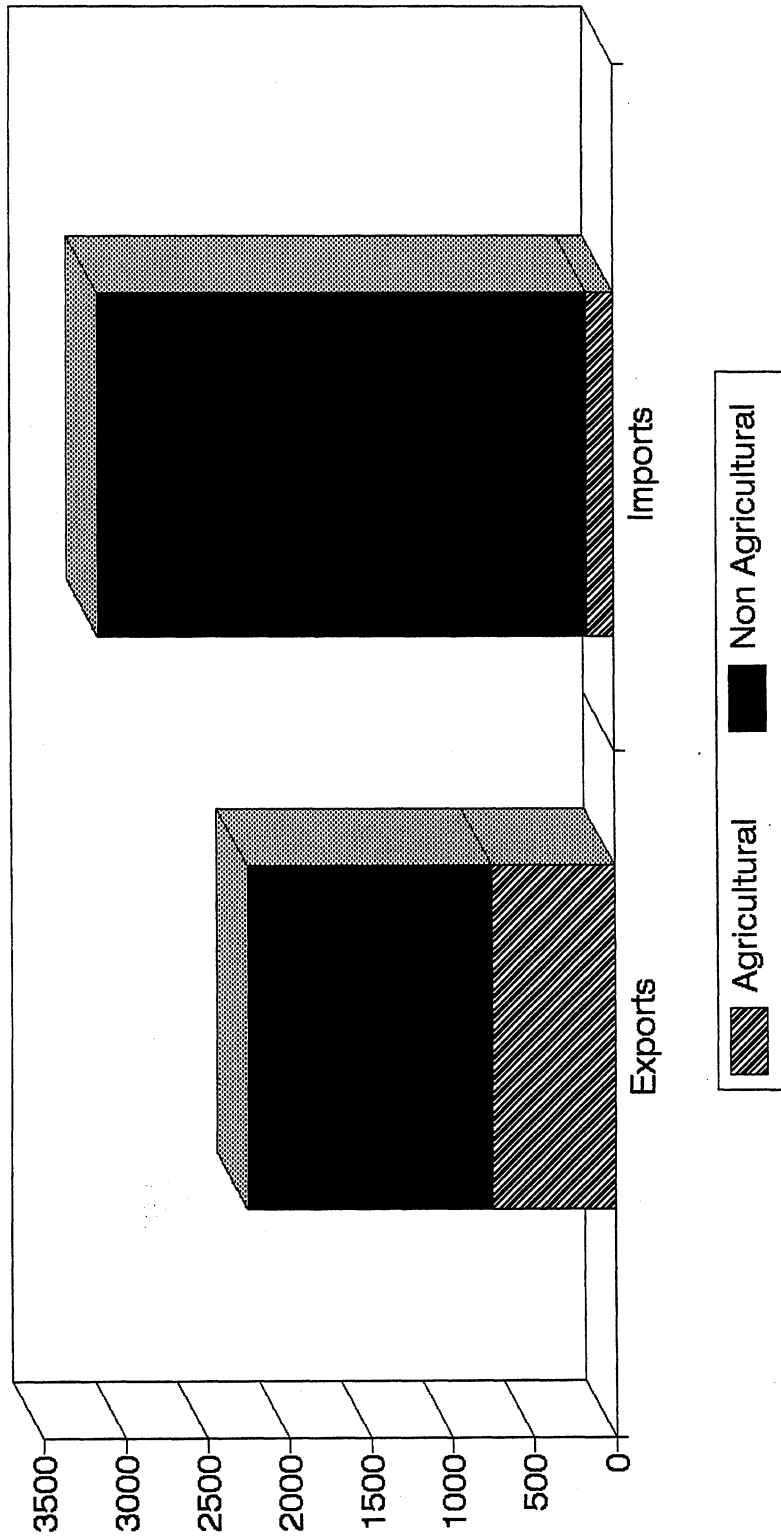


FIGURE 4. CHILE: TOTAL EXPORTS (1994)  
US\$ 11.645 million

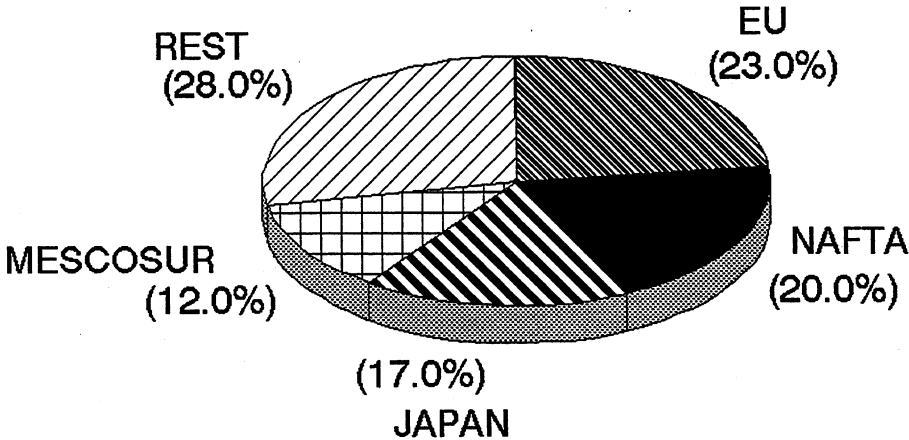




FIGURE 5. CHILE: TOTAL IMPORTS (1994)  
US\$ 11.275 million

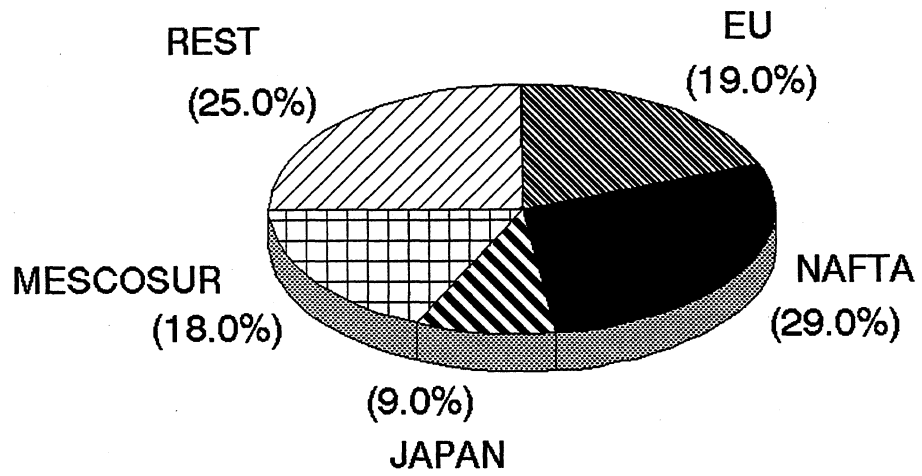


FIGURE 6. CHILE: TRADE WITH MERCOSUR 1994  
Million US\$

