U.S. TRADE IN GOODS WITH LATIN AMERICA 2001-2010: TRENDS AND PERSPECTIVES

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ABSTRACT

Between 2001 to 2010 period, U.S. trade in goods with Latin America grew at an average rate of 7.04% per year, from $345.3 billion in 2001 to $636.7 billion in 2010. A trade agreement with Mercosur would remove the tariffs that, although small, still hurt the competitiveness of U.S. products in the Mercosur nations.

INTRODUCTION

During the 2001 to 2010 period, U.S. trade in goods with Latin America grew at an average rate of 7.04% per year, from $345.3 billion in 2001 to $636.7 billion in 2010. This rate was double the rate of growth of Latin America's GDP and one percentage point higher than the rate of growth experienced by total US trade in goods during these years. These figures clearly indicate that U.S. trade in goods with Latin America expanded vigorously during the last ten years. Yet, as described below, the relative importance of the U.S. as a trading partner of Latin America has steadily declined since 2001(U.S. Census Bureau and ECLAC)

As exporter of goods, this importance is measured by the share or percentage of Latin American imports that correspond to U.S. goods; while as an importer, this importance is measured by the share of Latin American exports that go the U.S. The share that measures the importance of the U.S. as exporter declined from 44% in 2001 to 35.7% in 2009; and the one that measures the importance of the U.S. as importer declined from 56% in 2001 to barely over 40% in 2009. These declines were primarily the result of the marked increase in trade between China and the two largest Latin nations: Brazil and Mexico (Kay and Banco de México).

The recession of 2008-2009 was also an important contributor to the decline of the relative importance of the U.S. as importer from Latin America. Across the U.S. economy, as a result of the recession, the demands for imports from Latin America and from elsewhere in the world underwent marked declines. These demands have not yet experienced significant growth because the U.S. economy is still expanding at a rate of less than two percent per year. Thus, as long as the slow growth of the U.S. economy persists, the U.S. will not regain the relative importance as a buyer or importer of Latin America goods that it lost between 2001 and 2009.

The same recession of 2008-2009 should also have affected, albeit positively, the importance of the U.S. as exporter to Latin America. As the slow-down of the economy began at the end of 2007, excess capacity started to affect many U.S. industries. Some of this excess capacity could have been reduced by increasing exports to Latin America, where the demands for machinery, computer equipment, medical supplies, industrial equipment and high-income consumer goods were not reduced by the recession. The fact, however, that such an increase in exports has not materialized suggests that current and potential U.S. exporters to Latin America are facing obstacles in the Latin American markets. Competition from other nations is, of course, the main of these obstacles. In the

Mercosur countries, however, this obstacle has been made, unnecessarily, more intense by barriers to trade.

Mercosur is a trade treaty that includes Argentina, Brazil, Uruguay and Paraguay. From the perspective of the governments of these nations, between 2000 and 2008 the U.S. government had an attitude towards Latin America that precluded the establishment of a trade agreement between Mercosur and the U.S. (Hornbeck). A trade agreement with Mercosur would remove the tariffs that, although small, still hurt the competitiveness of U.S. products in the Mercosur nations. Given that Brazil and Argentina generate, at least, 80% of the GDP of South America and, after Mexico, have the fastest growing consumer markets in Latin America, it seems appropriate to expect that a trade agreement with Mercosur would help the U.S. regain its relative importance as exporter to Latin America. The U.S. government, however, has not shown interest in negotiating a trade agreement with the Mercosur countries.

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