

# How Do Trade Agreements Shape Agricultural Export Patterns? The Case of Mercosur

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**Main Question:** Do Mercosur's trade agreements increase agricultural trade and promote export diversification?

**Why This Matters:**

- Mercosur is the largest South American trade bloc (295M people, 6M mi<sup>2</sup>)
- Agriculture is central to member economies
- Trade agreements can reduce barriers and create new opportunities
- Evaluate the integration potential of the trade bloc

**Focus:** 5 agreements; Mercosur (1991) and the agreements of the bloc with Chile (1996), Bolivia (1997), Peru (2005), Colombia & Ecuador (2005)

## Hypotheses:

1. Trade agreements create trade in agricultural goods for the bloc's members
2. Trade agreements expand the variety of agricultural goods these members trade

- **Method:** Structural gravity model with phase-in effects

- **Model:**

$$\ln X_{ijkt} = \beta_0 + \beta_1 FTA_{ijt} + \sum_{n=1}^m \beta_n FTA_{ijt-n} + \gamma_{ij} + v_{it} + \phi_{jt} + \epsilon_{ij} \quad (1)$$

- $X_{ijt}$  is the exports from country  $i$  and country  $j$  in year  $t$ .
  - $FTA_{ijt}$  indicates if countries  $i$  and  $j$  have a trade agreement.
  - $\gamma_{ij}$  is the pair of countries fixed effect.
  - $v_{it}$  is the importer fixed effect.
  - $\phi_{jt}$  is the exporter fixed effects.
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- **Innovation:** Account for gradual tariff liberalization timelines

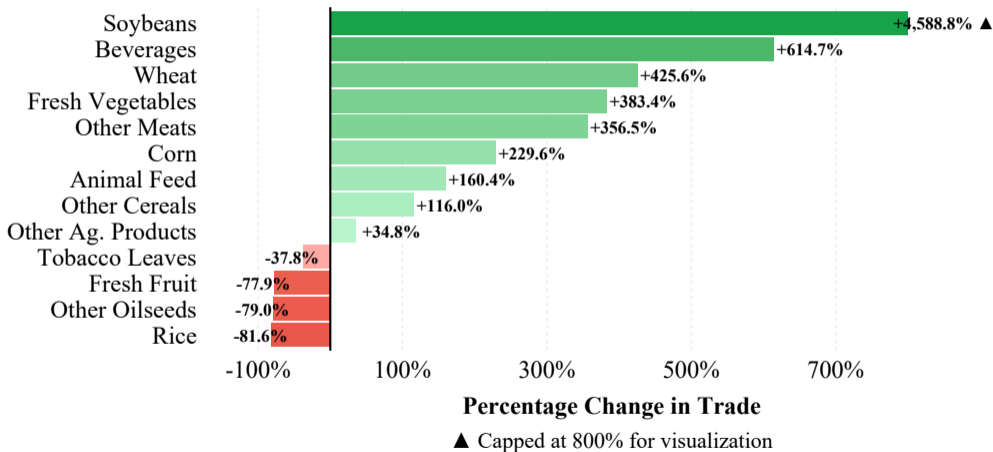
- **Data:** International Trade and Production Database (ITPD-E), 1986-2022
- **Coverage:** 247 countries, 13 agricultural markets (Wheat, Rice (raw), Corn, Soybeans, Other Cereals, Other Oilseeds, Animal Feed, Fresh Fruit, Fresh Vegetables, Other Meats, Beverages, Tobacco Leaves, Other Agricultural Products)

## Average Agricultural Trade Values Among South American Countries, 1986-2022 (Millions USD)

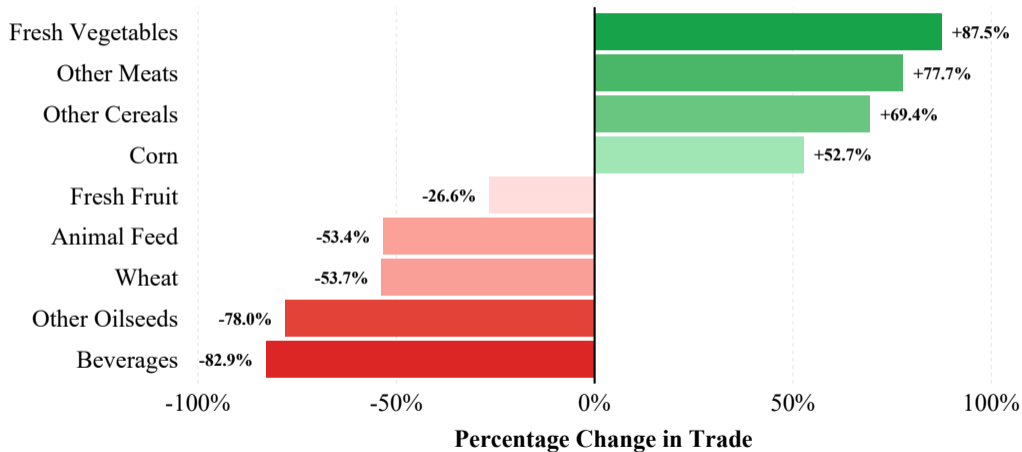
Country	Main Exports	Main Imports
<b>Argentina</b>	Wheat (100), Corn (55)	Soybeans (77), Fresh Fruit (16)
<b>Brazil</b>	Live Cattle (19), Beverages (14)	Wheat (220), Rice (25)
<b>Paraguay</b>	Soybeans (51), Corn (17)	Tobacco (7), Corn (5)
<b>Uruguay</b>	Rice (20), Wheat (8)	Soybeans (9), Beverages (6)

*Source: ITPD-E Database*

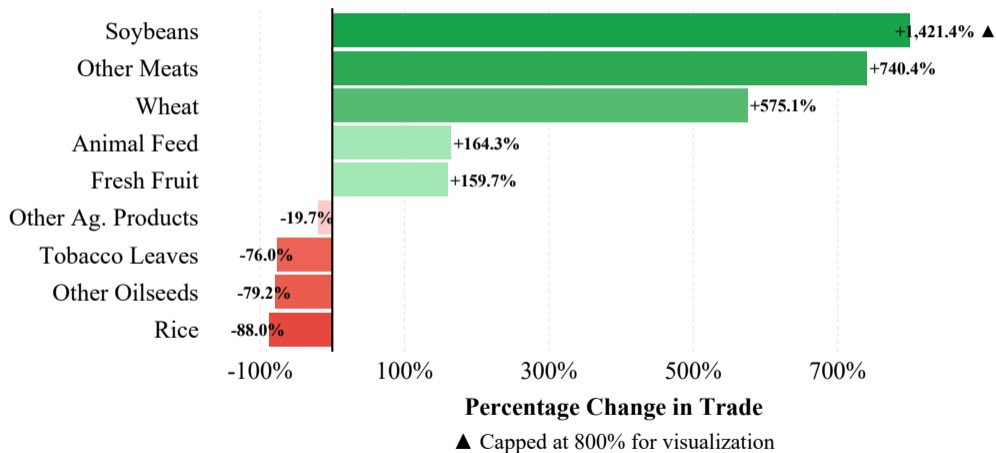
### Mercosur Trade Agreement Effects on Agricultural Products



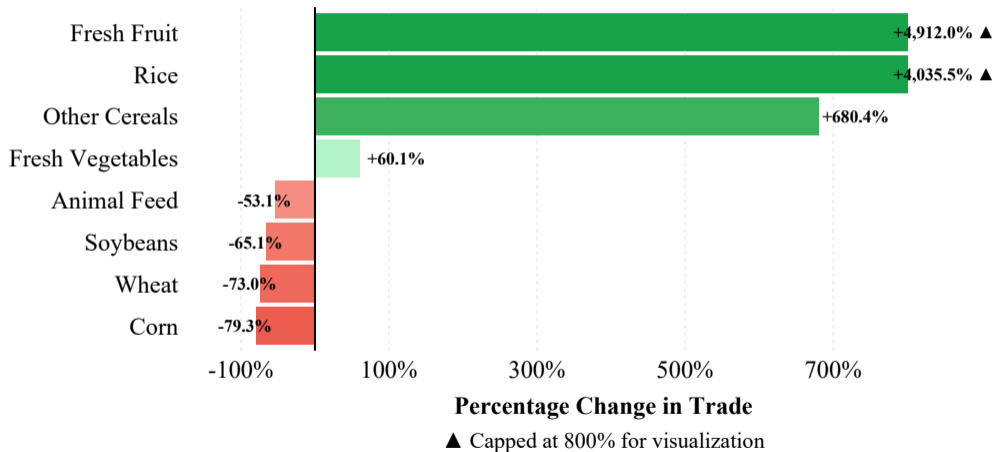
### Chile-Mercosur Trade Agreement Effects on Agricultural Products



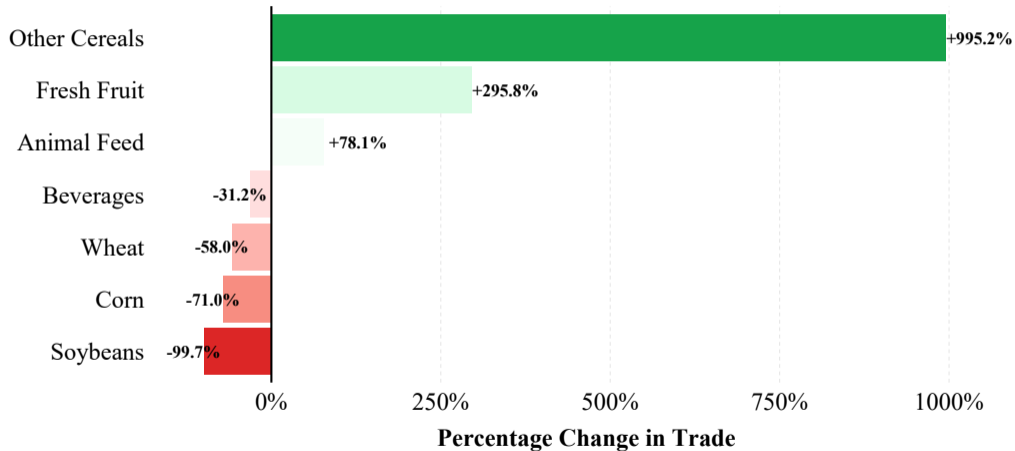
### Bolivia-Mercosur Trade Agreement Effects on Agricultural Products



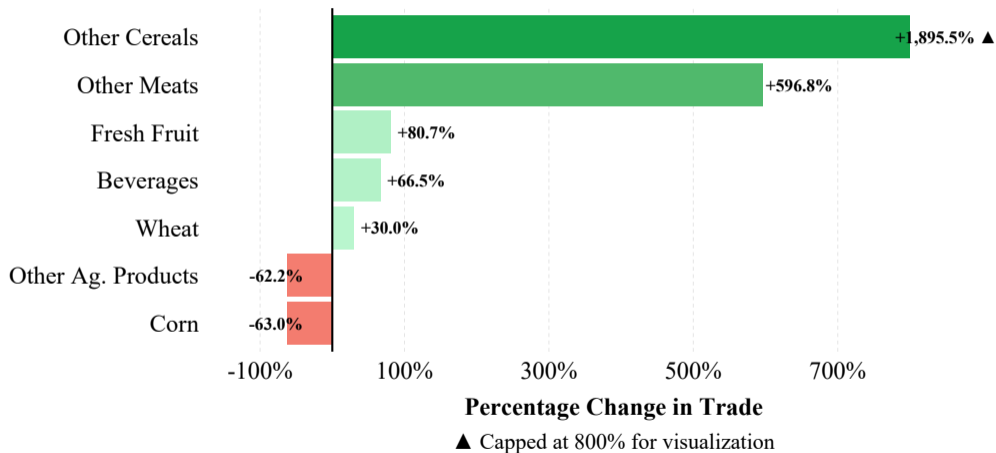
### Peru-Mercosur Trade Agreement Effects on Agricultural Products



### Colombia-Mercosur Trade Agreement Effects on Agricultural Products



### Ecuador-Mercosur Trade Agreement Effects on Agricultural Products



## Who Benefits Most?

- **Argentina:** Big increase in its exports and regional domination
- **Brazil:** Increase most in its imports and to a lesser extent exports
- **Paraguay:** Rising as an exporter
- **Uruguay:** Still struggling to gain markets outside Mercosur

## Conclusions

### For Mercosur Countries:

- Trade agreements are effective tools for agricultural sector development
- Smaller countries (Paraguay, Uruguay) can leverage agreements for export growth

### For Trade Policy:

- Regional integration creates complementary trade patterns
- Regional blocs should have coordinated better in their export strategies

## Thank you



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