Challenges, opportunities and outlook for trade agreements with the United States:

the case of three chains and countries in Latin America and the Caribbean

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Acronyms

AmCham	American Chamber
APC	Trade Promotion Agreement between Peru and the United States
ATPA	Andean Tariff Preference Act
ATPDEA	Trade Promotion and Drug Eradication Act
CAESPA	Center for Strategic Analysis for Agriculture (IICA)
CAFTA-DR	Free trade agreement between the Dominican Republic, Central America, and the United States
CBI	Caribbean Basin Initiative
CEI-RD	Export and Investment Center of the Dominican Republic
COEXPORT	Corporation of Exporters in El Salvador
COOPEYUCA	Cassava Producers Cooperative (Dominican Republic)
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FAS	Foreign Agricultural Service (USDA)
FDI	Foreign direct investment
FTA	Free Trade Agreement
FUSADES	Salvadorian Foundation for Economic and Social Development
HS	Harmonized System (WCO)
IDB	Inter-American Development Bank
IICA	Inter-American Institute for Cooperation on Agriculture
ITC	International Trade Centre
JNC	National Coffee Council (Peru)
LAC	Latin America and the Caribbean
MAG	Ministry of Agriculture and Livestock (El Salvador)
MIC	Ministry of Industry and Trade (Dominican Republic)
MINAGRI	Ministry of Agriculture and Irrigation (Peru)
MINCETUR	Ministry of Foreign Trade and Tourism (Peru)
MINEC	Ministry of Economic Affairs (El Salvador)
NGO	Non-governmental organization
OAS	Organization of American States
PROESA	Export and Investment Promotion Agency of El Salvador
PROMPERU	Peruvian Commission for Export and Tourism Promotion
PYBES	Plataneros y Bananeros de El Salvador
SPS	Sanitary and phytosanitary standards
TBT	Technical barriers to trade
TTIP	Transatlantic Trade and Investment Partnership
TTP	Trans Pacific Partnership
U.S.	United States
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USDA-FAS	Foreign Agricultural Service of the United States Department of Agriculture
USTR	Office of the United States Trade Representative
WCO	World Customs Organization
WTO	World Trade Organization

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Preface

This document provides an overview of the findings of the project "Strengthening bilateral trade between the United States and the Latin American countries with which the United States has established free trade agreements," carried out by the Inter-American Institute for Cooperation on Agriculture (IICA) and funded by the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA).

Trade agreements are legal instruments signed by governments to regulate trade with other countries, and form part of a long-term strategy designed to promote integration into international trade. In other words, agreements alone do not generate economic growth and diversification, or more and better jobs. Therefore, it is essential for countries to have macroeconomic, social, environmental, governance, and other policies and measures in place to ensure that they reap the benefits of such agreements (MINCETUR 2015).

Some authors also believe that free trade agreements are one of the elements that need to be taken into account when crafting and implementing trade policies designed to promote exports of products with greater value added (Dingemans and Ross 2012:34).

In view of the above, this project set out to help selected Latin American countries improve their trade with the United States in certain agricultural products previously of negligible or very little importance, or with potential for growth. The main objective was capacity building, to enable agricultural entities to implement and reap the benefits of the free trade agreements negotiated with the United States. It also aimed to promote two-way trade between the United States and selected Latin American nations.

The project took into account public and private stakeholders in El Salvador, Peru, and the Dominican Republic, and targeted one agricultural product with strong commercial potential in each country. The agricultural chains were selected because the productive and economic conditions were right for exploiting the opening up of the United States market: coffee in Peru, plantains in El Salvador, and cassava in the Dominican Republic.

Only three of the eleven Latin American and Caribbean (LAC) countries[1] that have free trade agreements (FTAs) with the United States were selected. The project took into account the resources available and criteria such as geographical representativeness, the presence of IICA and the USDA in the country and the existence of interinstitutional ties with the two organizations, political stability, the importance of the issue in the country, and the depth of institutional and business development achieved to take advantage of the trade agreements, among others.

Based on the above, this document is divided into the following three main sections that present the principal common findings and certain differentiating elements in the three countries:

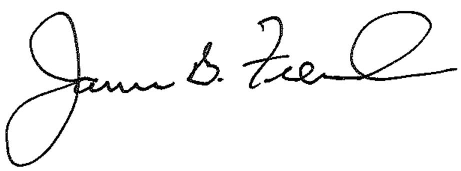
a) The first section deals with specific aspects of the free trade agreement between the Dominican Republic, Central America and the United States (CAFTA-DR) and the Trade Promotion Agreement between Peru and the United States (APC) on agricultural matters, as well as the entities responsible for administering and implementing the agreements and promoting trade.

1.Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru and the Dominican Republic.

b) The second section describes the evolution of the agricultural exports and imports of the three countries to/from the United States, both in general and across the selected chains.

c) The third section shows the constraints faced by the countries in implementing and taking advantage of the FTAs.

Lastly, the study presents the general conclusions of the project, along with some proposed recommendations made by the consultants and stakeholders who took part.



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Methodology

It is important to understand the methodology used in carrying out the activities of the project and in achieving the objectives set, because the main findings documented in this study are based on those activities.

The first activity involved consulting primary sources of information, including the IICA delegations in the countries, consultants, and the staff of governmental and civil entities in each country.

Some secondary sources were also consulted, such as the databases of the Organization of American States (OAS), the Inter-American Development Bank (IDB), and IICA's Center for Strategic Analysis for Agriculture (CAESPA), as well as the websites of the U.S. Department of Agriculture (USDA) and ministries, business chambers, and trade promotion entities, among other institutions.

Six major activities were carried out to achieve the principal objective:

1. Identification and selection of the countries, chains and entities on which to focus the study.
2. Identification and analysis of causes/effects of bottlenecks that limit the activities of the selected chains in the U.S. market.
3. Identification of elements required to develop a strategy for overcoming the constraints preventing the countries from tapping the commercial opportunities offered by the U.S. market.
4. Identification and analysis of important experiences related to the administration of agreements and trade promotion in each of the countries selected.
5. Capacity building related to the administration, implementation, promotion, and use of the FTAs included in the study, as well as the establishment of interinstitutional relationships among the entities of the three countries responsible for those tasks.
6. Systematization of the results in technical documents.

IICA technical personnel collaborated in the above activities at every stage of the project, while national consultants in each country helped collect, analyze, systematize, and validate the findings obtained. Public and private stakeholders also took part in the knowledge sharing and result validation activities, in which cause-and-effect problem tree analysis was used.

The project culminated with the development of instruments for systematizing the aspects that limit trade and use of the trade agreements, and some important experiences on the subject. A methodology was also devised for identifying the constraints to bilateral trade with the United States and the elements of a strategy intended to improve the situation. Finally, reports were produced systematizing the results obtained in each country.

The main outcome was that a number of public and private stakeholders contributed their knowledge to a project designed to compile elements for strategies aimed at improving trade between the LAC countries and the United States.

Executive summary

This document forms part of a project implemented by the Inter-American Institute for Cooperation on Agriculture (IICA) to boost bilateral trade between the United States and three Latin American nations with which that country has established free trade agreements: El Salvador, Peru, and the Dominican Republic. At the same time, this project is related to some issues such as competitiveness and sustainability of agricultural chains. The project was funded by the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA).

The study presented in this document focuses on agricultural exports, while recognizing that free trade agreements create other business opportunities in both directions.

The results will provide governmental and civil society stakeholders—businesses, non-governmental organizations (NGOs), cooperatives and chambers of commerce, among others—with input they can use to craft strategies for enhancing the institutional and business capabilities they need to implement and take advantage of the provisions of the trade agreements in force with the United States.

The first section of the document deals with common aspects of the provisions of the free trade agreement between the Dominican Republic, Central America, and the United States (CAFTA-DR) and the Trade Promotion Agreement between Peru and the United States (APC). It compares the main chapters negotiated, the administration mechanisms for the agricultural chapter and the institutions responsible for administering and implementing the agreements and creating an enabling environment for the commercial activities carried out thereunder—in this case, foreign trade and investment entities. Also highlighted are some major organizational changes introduced in the wake of the agreements negotiated with the United States.

The second section provides an overview of agricultural exports and imports. It details the business opportunities that arose and grew between 2004 and 2015, many following the entry into force of the CAFTA-DR (in 2006 in El Salvador and in 2007 in the Dominican Republic) and the APC (in 2009 in Peru). The conclusion reached is that complementary policies and measures are required if the provisions of the two agreements are to help the three countries meet the growth objectives set by their governments.

The third section considers whether the measures included in the FTAs with the United States are an obstacle to the exporting of products in which trade is negligible or that have potential for growth, concluding that they are not. It is suggested that the aspects that limit trade with the United States can be divided into three categories: a) institutional issues, b) facets of the business and export culture (asociatividad or partnerships among producers), and c) aspects of productivity. The latter are not dealt with in depth in this document as they are beyond the scope of the project. However, they do constitute a constraint that makes it difficult to exploit the United States market and the business opportunities offered by the FTAs with the United States.

Finally, the most important conclusions and recommendations can be summed up as follows:

a) Although the FTAs have not been a barrier to trade in the products studied, failure to disseminate enough information about various aspects of the trade agreements (benefits, implications, initiatives to promote their use, such as business venture programs, etc.) can discourage the development of businesses and a culture of exporting to the United States. Therefore, to promote business dealings with the United States information technology tools are needed to disseminate and explain in simple language the opportunities that FTAs offer for agriculture, rules governing market access, sanitary and phytosanitary standards (SPS) that must be applied for the purpose, and the services through which agricultural exports can be promoted.

b) The existence within the ministries of agriculture of specific units for the administration and implementation of FTAs contributes to the work of the ministries of trade and economic and foreign affairs. Either the ministries of agriculture should play a more active role in trade promotion, or the institutions in charge of promoting foreign trade should be given specific responsibility for dealing with agricultural issues.

c) Some business opportunities already exist, involving specific market niches in the United States. However, exploiting them fully calls for the elimination of certain constraints to productivity, which poses many challenges. To overcome some of them, it is essential to promote partnerships among producers, foster public and private strategic partnerships, and implement programs and projects that link financial and technical efforts to support from U.S. international cooperation and pertinent international organizations.

1. The free trade agreements between the United States and El Salvador, Peru, and the Dominican Republic

The following topics are addressed in this section: a) some general considerations concerning the current trade agreements with the United States; b) some of the similarities and differences that exist between the provisions of the two free trade agreements—the one involving the Dominican Republic, Central America and the United States (CAFTA-DR) and the Trade Promotion Agreement between Peru and the United States (APC); and, c) the institutional framework responsible for administering and implementing the provisions in the agreements dealing with agricultural trade.

1.1. The free trade agreements with the United States: the CAFTA-DR and the APC

Under the agreements in place before the APC and the CAFTA-DR, the United States only granted unilateral preferences for certain developing country exports. The Andean Tariff Preference Act (ATPA), passed in 1991, and the Trade Promotion and Drug Eradication Act (ATPDEA) of 2002, were the instruments used to grant preferences in the Andean countries, while the Caribbean Basin Initiative (CBI), enacted in 1983, was the one adopted for the same purpose with the Central American and Caribbean countries.

The FTAs currently in force provide tariff benefits and regulate other areas such as services, investments, and nontariff measures; they cover more products and are governed by a principle of reciprocity.

Agreements like the CAFTA-DR and the APC are designed to reduce and eliminate tariff and nontariff barriers (sanitary and phytosanitary standards, technical barriers to trade), but they also regulate other areas related to investment, work, agriculture, environment, intellectual property, rules of origin, dispute settlement, etc. (SICE 2016).

Consequently, the countries party to the agreements have had to amend their legislation and institutional structure, not only to fulfill their commitments under the contractual framework of the agreements, but also to create an enabling environment for business activities carried out under the agreements. The main role of governmental institutions is to ensure compliance with the rules and facilitate the use of the trade agreements; however, it goes beyond administering and drawing up rules to ensure compliance and promote their use. They also act as a discussion forum for the parties (public and private entities) for the process of negotiating FTAs; circulate rules; issue technical criteria for the negotiating of standards; compile and disseminate information; are part of the agreement monitoring and discussion mechanisms; collaborate in the promotion of trade; are in a position to influence the behavior of national stakeholders and the development of policies; and are responsible for consolidating trade and political relations with their foreign counterparts.

It was found that no tariffs applied to the chains selected in El Salvador, Peru, and the Dominican Republic in either direction, even before the FTAs entered into force. This led to concerns being raised about the possible constraints imposed by trade trends and the institutional framework that can influence use of the agreements.

The next section considers the similarities and differences between the agreements with regard to agricultural standards, market access, and the institutional framework.

1.2. Some similarities and differences between the APC and the CAFTA-DR

The issues addressed in free trade agreements may vary according to the degree of integration of their members. The mechanisms and entities responsible for administering them may also vary, as this depends on the legal framework of each country.

The FTAs studied were found to have both similarities and differences in terms of the issues and mechanisms negotiated, the institutional framework, and the limitations faced by public and private entities in matters of agricultural trade, which are addressed in the third section of this document.

The CAFTA-DR and the APC led to structural changes being made to the institutional framework of agricultural trade in the countries. In most cases, laws and regulations were drafted or updated to formalize processes, and the institutional framework was strengthened to enable the entities of the countries to interact with large economies.

One of the changes required to implement and take advantage of the CAFTA-DR and the APC involved the creation of laws and regulations for the application of safeguards, tariff quotas, sanitary and phytosanitary standards (SPS), and technical regulations, among others; and of entities to promote exports and investments, and private sector chambers of commerce representing the interests of specific subsectors.

1.2.1. Similarities between the issues addressed in the CAFTA-DR and the APC, and the institutional frameworks used to administer the agreements and promote exports

a. Agricultural issues negotiated

Both the APC and the CAFTA-DR increase the opportunities for investment and bilateral trade with the United States, building on long-standing, unilateral preference mechanisms that the United States offered for certain developing country exports. The mechanisms in question were the ATPA and ATPDEA for the Andean countries, and the CBI for the Central American and Caribbean nations.

Except for a couple of articles, the two trade agreements basically cover the same topics. It should be noted that the overarching issues addressed in the agriculture chapter are based on the provisions of the Agreement on Agriculture of the World Trade Organization (WTO), and on topics related to the administration and implementation of tariff quotas, agricultural safeguards and State exporting enterprises (the latter only in the case of the APC).

Both agreements called for an agriculture committee to take charge of specific issues related to the section on agriculture. In the case of the APC, the Committee on Agriculture has yet to meet to discuss any of the issues negotiated in the agreement, while the CAFTA-DR committee has met three times. At the last meeting, which took place in the Dominican Republic in 2014, the following issues were addressed: rules of origin, trade facilitation, agreements with third parties, the latest developments regarding U.S. participation in the negotiations for the Transatlantic Trade and Investment Partnership (TTIP) and the Trans Pacific Partnership (TPP), and developments with respect to the Central American countries' implementation of their agreement with the European Union (EU). In general, meetings have not been used to address points relating to specific products, apart from problems with tariff quotas, subsidies and special mechanisms for chicken and sugar.

Transatlantic Trade and Investment Partnership (TTIP)

There are other chapters directly related to agricultural products, such as the one on National Treatment and Market Access, which includes the tariff reduction lists. These vary according to the composition of the baskets of products negotiated by each country. Although they include a large number of products, they do not encompass the entire tariff universe, but rather reflect the products' sensitivity for the economy.

Certain other topics, such as SPS, technical barriers to trade (TBT), rules of origin, investment, and intellectual property, will not be addressed in detail in this document, their great importance for market access notwithstanding.

b. Institutional framework for administration of the agreement and trade promotion

The ministries for trade and economic affairs of the countries studied (and all the Latin American countries) now have specialized units for the negotiation, administration, and implementation of trade agreements. For agricultural trade in particular, the countries have delegated to a unit within the respective ministry of agriculture responsibility for supporting the foreign trade tasks of the ministries for economic and foreign affairs.

Representatives of the ministries of the corresponding branch deal with matters related to the two administration and monitoring mechanisms established in the agreement: the Committee on Agriculture and the Free Trade Commission. The ministers of agriculture or their representatives attend the meetings of the Committee on Agriculture, which reports to the Free Trade Commission, made up of representatives of the ministries of economic affairs and trade of each country. Both entities meet once a year—or when deemed necessary—to provide continuous follow-up to the main concerns in the area.

It also proved necessary to create entities for promoting exports and investments: the Export and Investment Promotion Agency of El Salvador (PROESA), the Peruvian Commission for Export and Tourism Promotion (PROMPERÚ) and the Export and Investment Center of the Dominican Republic (CEI-RD). The three entities initially fostered links with the U.S. market but now promote access to other markets as well.

1.2.2. Differences between the issues addressed in the CAFTA-DR and the APC, and the institutional frameworks used to administer the agreements and promote exports

a. Agricultural issues negotiated

In general, the chapters of the two instruments cover the same topics. However, the chapter on agriculture in the APC includes state exporting enterprises (Article 2.17, Section G. Agriculture, Chapter Two[2]), as Peru has state enterprises that engage in exporting agricultural products.

The CAFTA-DR[3] also includes an Agricultural Review Commission in addition to the Committee on Agriculture. In 2021 (when it will be 14 years since the treaty came into force), this commission will report to the Free Trade Commission and meet to review the implementation and functioning of the treaty in relation to trade in agricultural goods under Article 3.15 (Agricultural Safeguards) and the possible extension of such measures, depending on the agenda of the countries at the WTO and trends in the world agricultural market.

b. Institutional framework for administration and promotion of the treaty

The Office of the United States Trade Representative (USTR) coordinates with the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA) matters related to negotiations and monitoring of commitments assumed for the agricultural sector under different trade agreements, including the CAFTA-DR. The entity is responsible for negotiating agricultural issues and administering them under the different agreements signed by the United States, according to the geopolitical regions where the countries with which it has trade agreements are located.

The institutionalization of support for businesses under the trade agreements has resulted in the creation of trade promotion agencies in the countries, entities that disseminate information about the trade agreements and provide services to exporters and investors. The biggest challenge they face is securing sufficient technical and financial resources to promote commercial specialization in agricultural products and integration into market niches.

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2. Available at http://www.sice.oas.org/Trade/PER_USA/PER_USA_s/Index_s.asp (SICE 2016).
3. Available at http://www.sice.oas.org/Trade/CAFTA/CAFTADR/CAFTADRin_s.asp (SICE 2016).

Each country studied has an entity devoted to promoting the exports of all sectors. However, only Peru has a special agency for agricultural products with particular characteristics that reports to the Ministry of Agriculture and Irrigation (MINAGRI) and is called Sierra Exportadora.[4] This entity focuses on production, financing, and the promotion of Andean products; fosters partnerships among producers; works with small and medium-sized enterprises involved in the production of quinoa and fair trade coffee, and advises entrepreneurs on how to go about obtaining the pertinent certifications and contacts, among others.

1.3. Some similarities and differences in the role played by the business sector in exploiting the United States market

The ministries and trade promotion agencies that operate under the aegis of state entities are responsible for supervising the application of standards and facilitating compliance with, and implementation of, the agreements. For their part, businesses must comply with the rules to take advantage of the benefits offered by the agreements.

The empirical evidence compiled by the project on which this document is based—and whose findings need to be studied in greater depth—suggests that being well organized equips sectors to exploit market advantages and adopt positions from which to defend their interests.

4. Created in 2006 under Law n.° 28890.

1.3.1. Similarities in the role played by the business sector in exploiting the United States market

El Salvador, Peru, and the Dominican Republic have chambers that represent the interests of the entire agricultural sector. In all three countries, the American Chamber (Amcham) also safeguards the interests of U.S. and national entrepreneurs. Since it focuses on the United States, Amcham has the best grasp of the needs of both partners; it is also better equipped to locate market niches and strategic clients, and to promote business through trade fairs and missions that include the culture of the two countries. However, its services are geared especially towards consolidated companies or those with potential to sustain business dealings over time, so its focus on SMEs is limited.

Representatives of some private entities, such as Amcham in Peru, the Corporation of Exporters (COEXPORT) in El Salvador and the Peruvian Coffee and Cacao Chamber, underscored the importance of taking into account the chambers and associations that represent the interests of product-specific groups when devising national agricultural trade strategies and drafting and negotiating standards, as they act as a counterbalance. As a rule, the corporate sector is able to coordinate capacity building and training activities with public or private entities to correct technical weaknesses in various fields, for example, in agricultural health.

The representatives of the promotion agencies and some chambers who were interviewed in each country referred to the importance of the reimbursable and non-reimbursable international cooperation projects of certain entities, such as the U.S. Agency for International Development (USAID) and the USDA-FAS, which have promoted the development of export ventures that have taken advantage of the United States market.

In each country, there are exporting firms that have consolidated business relations with the United States for the products concerned. The level of development varies, however, as explained in the following section.

1.3.2. Some differences in the role played by the business sector in exploiting the United States market

The level of partnerships among producers and participation under the trade agreements varies from product to product and country to country. Both promote the organization and competitiveness of the respective sector, and even lend them political weight; coffee in Peru is a case in point.

In the case of cassava in the Dominican Republic and plantains in El Salvador, the organization of the sectors is spearheaded by one or two cooperatives that consolidate exports and gear them toward the United States. The development of plantain exports in El Salvador is at a relatively embryonic stage (the activity began in 2012). The country has one main cooperative, known as Plataneros y Bananeros de El Salvador (PYBES), which groups together producers who export various types of products (cacao, sugar, corn, plantains, etc.) to their clients in the United States. In the Dominican Republic, Ney Pimentel, the Clúster de Casabe de Monción, and the Cassava Producers Cooperative (COOPEYUCA) are the main enterprises driving cassava exports.

Peru's coffee sector is relatively more organized due to the existence of the Peruvian Coffee and Cacao Chamber, which groups together the main enterprises operating in the different links in those agricultural value chains and acts as their representative in dealings with the National Coffee Council (JNC). This, in turn, represents their interests in dealings with the State.

It is also worth noting the importance of COEXPORT in El Salvador, a not-for-profit non-governmental organization (NGO) that works on behalf of exporters. This entity promotes exports and seeks to influence the national production and trade agenda and the negotiations under the different trade agreements. According to members of its senior management, it is also in a position to meet some of the training and promotion needs that PROESA cannot. One of its disadvantages is that its brief includes all types of exports, which makes it difficult for it to focus on specific agricultural products like plantains.

All the aforementioned entities are important because they promote links with international trade fairs, the strengthening of private organizational structures, and improved conditions that would make it possible to take better advantage of the trade treaties, such as more credit, training, technology, commercial contacts in the United States, knowledge of requirements and standards for access, etc.

II. The situation of agricultural trade with the United States, and of the selected chains

It is clear from the previous chapter that, in general terms, there are few differences between the topics addressed in the APC and the CAFTA-DR. The same is true of the mechanisms established for the administration of the trade agreements in force with the United States, and the institutional framework established to comply with the rules of agricultural trade and supervise their application, and to promote trade. The activities of the business entities set up to take advantage of the agreements vary, with similarities and differences between them.

In this section, the trends in the growth of the agricultural trade of El Salvador, Peru, and the Dominican Republic with the United States during the period 2004-2015 will be analyzed. This will make it possible to determine which products have experienced the largest relative growth in imports and exports. Reference will also be made to the increase in exports to the United States of the selected product in each country.

2.1. Trends in agricultural trade with the United States: imports and exports

Historically, the United States has been an important trading partner of the three countries examined, due to the comparative advantages they enjoy (geographical proximity and political affinity). The country is presently the chief trading partner of El Salvador, Peru, and the Dominican Republic (Chavarría 2016).

According to data for the period 2004-2015, Peru and the Dominican Republic are net importers of U.S. products in general, as well as of agricultural products.

For its part, El Salvador has recorded annual growth of 12% in its total exports (see Table 1), driven mainly by textile products and articles of apparel, processed food and beverages.

In the case of agricultural products,[5] the total imports of the three countries studied grew faster than exports for a period of nine years. According to data from IICA's Center for Strategic Analysis for Agriculture (CAESPA), in 2015 El Salvador's agricultural imports accounted for 13.5% of total imports; in the case of Peru the figure was 15.3%; and for the Dominican Republic, 17.4%.

As shown in Table 1, the agricultural exports of the three countries studied have grown more slowly than imports of a number of agricultural products.

5. The data includes only products classified as agricultural, including fishery, forestry and agroindustry processed products (under chapters 1 to 24 of the Harmonized Tariff System).

Table 1. Evolution of trade between the countries studied and the United States, according to the annual average growth rate during the period 2004-2015.

Chapter	Descripción	El Salvador		Perú		República Dominicana	
		of HS	Description	El Salvador	Peru	Dominican Republic	Import.
Total growth in goods		Exports	Imports	Exports	Imports	Exports	Imports
		11.68%	7.39%	2.98%	15.59%	1.29%	8.51%
Growth in agricultural products	3.75%	7.38%	14.25%	16.06%	8.19%	9.51%	3.00 %
Ch. 1	Live animals	5.61%	1.87%	4.46%	3.23%	ND	3.00%
Ch. 2	Meat and edible meat offal	ND	40.34%	7.65%	66.20%	ND	26.80%
Ch. 3	Fish and crustaceans, molluscs and other aquatic invertebrates	-8.68%	2.80%	16.33%	39.06%	11.30%	6.85%
Ch. 4	Dairy produce, birds' eggs, natural honey	20.43%	6.09%	58.03%	30.32%	31.95%	21.85%
Ch. 5	Products of animal origin not included elsewhere	ND	10.83%	14.59%	42.06%	ND	-14.04%
Ch. 6	Live plants and flower growing products	50.64%	-3.22%	7.26%	50.63%	10.77%	16.01%
Ch. 7	Edible legumes and vegetables, plants, roots and tubers	3.11%	4.27%	9.00%	17.57%	16.35%	10.39%
Ch. 8	Edible fruit, peel of citrus fruit or melons	3.70%	8.42%	24.90%	52.47%	7.07%	16,41%
Ch. 9	Coffee, tea, maté and spices	2.63%	13.76%	8.32%	27.10%	17.41%	16.07%
Ch. 10	Cereals	ND	4.43%	49.16%	10.31%	21.52%	3.05%
Ch. 11	Products of the milling industry, malt, starches, inulin and wheat gluten	1.51%	-0.96%	25.07%	23.67%	50.91%	-13.78%
Ch. 12	Oilseeds and oleaginous fruits, miscellaneous seeds and fruits	-7.04%	-2.84%	17.41%	18.01%	-7.33%	1.86%
Ch. 13	Gums, resins and other vegetable saps and extracts	7.68%	-1.39%	9.91%	4.35%	37.47%	12.18%
Ch. 14	Vegetable plaiting materials and other products of vegetable origin not included elsewhere	1.55%	-11.94%	4.48%	9.45%	-14.63%	ND
Ch. 15	Animal or vegetable fats and oils, edible fats, waxes	ND	-1.87%	32.34%	9.91%	-9.13%	10.17%
Ch. 16	Preparations of meat, fish or crustaceans or molluscs	ND	13.51%	16.37%	55.93%	35.76%	14.82%
Ch. 17	Sugars and sugar confectionery	14.79%	5.53%	4.27%	16.58%	1.39%	10.08%
Ch. 18	Cocoa and cocoa preparations	13.30%	15.95%	21.39%	17.54%	11.25%	13.82%
Ch. 19	Preparations of cereals, flour, starch or milk, baker's wares	12.59%	11.25%	21.41%	23.18%	18.96%	15.36%
Ch. 20	Preparations of legumes, vegetables, fruits or other parts of plants	13.32%	9.53%	14.96%	26.87%	2.59%	15.68%
Ch. 21	Miscellaneous edible preparations	11.23%	9.27%	25.30%	18.75%	7.69%	8.97%
Ch. 22	Beverages, spirits, and vinegar	-16.42%	17.53%	11.95%	52.13%	8.93%	17.63%
Ch. 23	Residues and waste from the food industries, animal fodder	ND	12.18%	-1.53%	20.09%	ND	40.52%
Ch. 24	Tobacco and manufactured tobacco substitutes	45.75%	-9.70%	ND	-0.46%	8.88%	6.44%

Source: Chavarría 2016, based on data from the Trade Map (ITC 2016).

The gaps between the growth in exports and imports as a percentage of total trade are bigger than those for agricultural trade.

It should be noted that the rates of annual growth of total imports and agricultural imports are similar in each country (nearly 7% in El Salvador; 16% in Peru and 9% in the Dominican Republic). At the same time, agricultural exports have grown at a relatively higher rate than total exports in each country, except for El Salvador, where agricultural exports have only grown 3.75%, while total exports have risen by 11.68%.

The data also reflects the fact that agricultural imports have grown faster than exports in all cases. However, the biggest relative difference is in El Salvador, where imports outstripped exports by 3.63%, while in Peru and the Dominican Republic the difference between the growth in agricultural imports and exports is also smaller (1.81% and 1.32%, respectively).

Since the composition of the economies of El Salvador, Peru, and the Dominican Republic varies in general terms, the relative importance of the rate of annual growth of different agricultural products to their balance of trade also differs.

The data cited suggests that the U.S. market offers certain opportunities that Latin American companies or U.S. firms based in those countries could exploit, through direct foreign investment (DFI), the advantages offered by the APC and the CAFTA-DR under the different rules established for exports.

According to Table 2, under six chapters of the Harmonized System of the World Customs Organization (WCO), the annual growth of agricultural exports and imports has risen. In the case of exports, the opportunities for Latin American countries are to be found in the chapters that include dairy produce, eggs, honey, and edible products of animal origin; natural saps, gums and resins; and edible fruit and nuts. U.S. agribusiness exporters, on the other hand, have tapped the opportunities available in the chapters that include meat and edible meat offal, edible fruit and nuts, beverages, and residues and waste from the food industries.

Table 2. Main categories of agricultural import and exports, by rate of annual growth during the period 2004-2015

Chapter	Descripción	Tasa de crecimiento anual			Flujo comercial
		El Salvador	Peru	Dominican Republic	
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	20%	58%	32%	Exports
13	Gums, resins and other vegetable saps and extracts	10%	8%	34%	
02	Meat and edible meat offal	40%	66%	27%	Imports
08	Edible fruit and nuts, peel of citrus fruit or melons	8%	52%	16%	
22	Beverages, spirits and vinegar	17%	18%	52%	
23	Residues and waste from the food industries; prepared animal fodder	12%	20%	40%	

Source: Prepared based on data from Table 1.

a. Categories of agricultural exports that experienced the strongest growth in the three countries

The chapters that recorded the biggest percentage growth in exports in the three countries were as follows:

- Chapter 4. "Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included," reported the strongest growth in Peru (58%) and the Dominican Republic (32%), while in El Salvador the figure was 20%.

- Chapter 13. "Gums, resins and other vegetable saps and extracts." The Dominican Republic recorded the strongest growth (34%), while the growth rates in Peru (10%) and El Salvador (7.7%) were much lower.

b. Categories of agricultural imports that experienced the strongest growth in the three countries

The products included in Chapters 2, 8, 22 and 23 of the Harmonized System recorded the biggest growth in imports. Although the growth of the products that make up each chapter has not been disaggregated in the above table, it can be inferred—although the finding needs to be confirmed—that most of the imports concerned are those with greater value added, because of the processing required to produce them (except for chapter 2).

- Chapter 2. "Meat and edible meat offal." Table 1 does not provide data on the corresponding percentages for the exports of El Salvador and the Dominican Republic, it is fair to say that the meat sector of the three countries constitutes a business opportunity for entrepreneurs in the United States, as imports of these goods are growing at a relatively fast rate: 66% in Peru (versus 8% for exports), 40% in El Salvador, and 27% in the Dominican Republic.

- Chapter 8. "Edible fruit and nuts; peel of citrus fruit or melons." The percentages in Table 1 show that the annual rate of growth for imports is double the rate for exports for products in this tariff category.

- Chapter 22. "Beverages, spirits and vinegar." According to the growth rate shown in Table 1, El Salvador is the biggest relative importer, as the rate for its imports is 17.5%, while exports have declined by an average of 16% per year. Imports in the Dominican Republic have grown nearly twice as fast as exports (17.6% and 9%, respectively), while in Peru the annual growth rates are 52% and 12%, respectively.

- Chapter 23. "Residues and waste from the food industries; prepared animal fodder." The figures for the exports of El Salvador and the Dominican Republic are not available, but imports in this category grew at a rate of 40.5% in the Dominican Republic, 20% in Peru (compared with a 1.5% annual drop in exports), and 12% in El Salvador.

This subsection shows that the categories selected for this study have a relatively different weight in each country involved.

2.2. Trends in the exports to the United States of the selected chains

In the APC and the CAFTA-DR, the products selected for the study (green coffee beans, plantains and fresh cassava) are exempt from import duties when entering the United States market. That was already the case before the negotiations and the arrangement was formalized when the agreements were signed and implemented.

Given the above, it is important to know the trends in the growth of the exports and market share of the selected products, and to compare them with those of exports under the respective chapter of the Harmonized System to which they pertain (see Table 1), and with the growth of total agricultural exports.

As shown in Table 3, exports of the chains analyzed to the United States are very small, except for those of Peruvian coffee. Consequently, their share of the U.S. market is negligible. This is reflected in the figures for exports of Salvadorian plantains and Dominican cassava, which account for only a tiny percentage of all agricultural exports to that market.

Table 3. Exports of the selected products as a percentage of all agricultural exports to the United States in 2015

	Share of the United States' market	Share of all agricultural exports to the United States
El Salvador (plantains, HS 08.31.10)	0.70 %	0.06 %
Peru (coffee, HS 09.01)	3.01 %	7.87 %
Dominican Republic (cassava, HS 07.14.10)	0.33 %	0.00 %

Source: Chavarría 2016, based on data from the Trade Map (ITC 2016).

Peruvian coffee exports to the United States account for nearly 8% of all agricultural exports to that market. Since 2011, however, that share has fallen by an average of 17% per year.

Dominican cassava exports to the United States have been sporadic and irregular. On average, during the period studied the value of the country's exports has been around USD 76,250 per year, just a tiny percentage of the value of total cassava exports to the United States market (0.33%).

In analyzing the trend in the annual growth of exports of the three specific products selected (see Table 4), it was found that the annual increase in Salvadorian exports of plantains to the United States during the period examined was substantial (more than 1000%). This high growth was due to the fact that exports to the United States were negligible until 2011, when they began to grow exponentially, reaching a value of USD 1,501,000 in 2015 (see Figure 1). Samuel Zamora and some plantain exporters put the trend down to the consolidation of the cooperative PYBES, which is credited with facilitating the conditions required to access the United States' market in recent years.

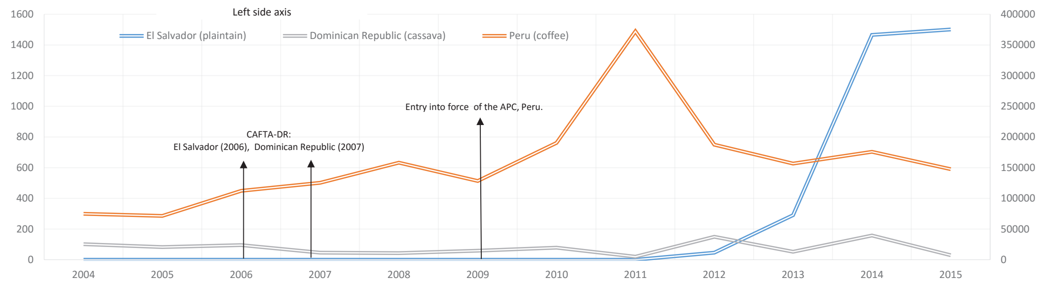
Table 4. Evolution of exports of the selected products during the period 2004-2015 (average annual growth rate)

	Exports of the chain analyzed	Total agricultural exports
El Salvador (plantain, HS 08.03.10)	1142.78 %	0.00 %
Peru (coffee, HS 09.01)	8.33 %	14.25 %
Dominican Republic (cassava, HS 07.14.10)	-2.84 %	8.19 %

Source: Chavarría 2016, based on data from the Trade Map (ITC 2016).

Although the rate of growth of Latin American fruit exports is lower than that of fruit imports (Chapter 8 of the Harmonized System, Table 1), in El Salvador plantain exporters are clearly beginning to tap the opportunities offered by the U.S. market and the CAFTA-DR. The challenge lies in sustaining and increasing the quantity and quality of these exports.

Graph 1. Evolution of the exports of El Salvador, Peru, and the Dominican Republic to the United States, in standard values (thousands of USD) for the period 2004-2015



Source: Chavarría 2016, based on data from the Trade Map (ITC 2016).

The year 2011 also saw a bigger increase in cassava exports from the Dominican Republic, but in 2015, they fell back to the 2011 level.

The exports of Peru's coffee sector began to grow more quickly in 2009, the year in which the APC entered into force. However, in 2012 they started to fall, as a consequence, according to representatives of the coffee sector, of coffee rust and lower international prices in subsequent years.

III. General limitations on trade with the United States

The data presented in section II show annual growth trends in trade flows with the United States (import and export) for all agricultural products (chapters 01 through 24 of the Harmonized System), as well as the selected products (chapters 08, 09 and 17).

These trends suggest that, as trade-policy tools, FTAs require additional policies and measures, and that other factors beyond "standard" tariff and non-tariff barriers (including SPS, TBTs, and border controls) influence trade in certain products.

This section deals with general limitations on trade in selected categories between the three countries discussed and the United States. These limitations could also affect trade in other products. This section also covers the possible causes and effects of the limitations, as identified by IICA and the team of consultants, with the assistance of staff from the ministries of economic affairs, trade, and agriculture, foreign trade offices, agricultural export chambers and companies, and some NGOs.

3.1. Types of limitations to trade with the United States

Although this report covers three different chains in three different countries, common factors were identified which limit trade and make it difficult to take advantage of the opportunities offered by the United States market, particularly within the framework of the TPAs and CAFTA-DR.

During exercises designed to map out a strategy for improving trade with the United States, participants identified the main limitations hindering use of CAFTA-DR and APC, as well as their possible causes and effects. They found that neither the provisions of these two agreements nor the manner in which they are used (tariffs and taxes, dumping, SPS, border controls, TPTs, etc.) are the main obstacles to trade. Rather, there are other factors involved, which are virtually endogenous and have been classified as limitations, not barriers, given that some companies are in fact taking advantage of the opportunities afforded by both treaties to export the products studied to the United States.

Following the interviews and exercises to identify limitations and relevant experiences, several adverse or unfavorable factors affecting trade with the United States within the framework of FTAs were identified. Given the limited scope of this report, however, only a few general limitations are discussed.

The factors or conditions that limit trade with the United States may be classified in three main categories (see figure 1): 1) institutional limitations (government entities), 2) limitations inherent to the business and export culture (businesses/private entities), and 3) production limitations (government entities, businesses/private entities, external factors).

Figure 1. Factors that limit trade between the United States and some Latin American countries with which there is a Free Trade Agreement

Source: Based on data obtained from activities carried out under the IICA-USDA project "Strengthening bilateral trade between the United States and the Latin American countries with which the United States has established free trade agreements."

3.2. Limitations involving the public institutional framework of agricultural trade[6]

This category is comprised of the government entities responsible for administering and implementing FTAs and generating and fostering the conditions and tools necessary to help businesses – particularly those which export agricultural products – take advantage of such instruments.

These conditions must include both structure (legal and institutional framework) and infrastructure[7] (roads, ports, basic services). The tools required are support services in areas such as finance, market research and training, in order to help achieve FTA objectives such as export growth and diversification and increased FDI. Trade in the categories discussed here represents an opportunity, inasmuch as – according to the public and private stakeholders interviewed – they are of strategic value to their countries.[8]

The two main limitations identified for the three chains selected were lack of use of the opportunities offered by the agreements and lack of familiarity with the United States market and export procedures.

These two factors, as well as others involving the export culture (discussed in section 3.3), often limit producers' knowledge of the commercial potential of their goods and the business opportunities offered by FTAs (see fig. 2). This, in turn, leads to: a) underuse of opportunities arising from niche markets, production chains and price differentials, among others; b) the perception that the domestic market is more profitable; and c) a production and marketing approach that focuses on the local market and disregards international standards.

Possible causes of these limitations are discussed below.

6. Limitations identified in the three countries and not discussed in detail here include: the number of institutions available to manage agricultural trade within the national territory; the resources available to those institutions; ability to comply with rules and provisions of agreements; availability of qualified personnel; budgets; flexibility of rules; policies; political systems; support services; intra- and inter-institutional coordination (including local government and municipalities); coordination with the private sector; taxation framework for national investment; rules and laws governing access to factors such as land; lack of continuity of initiatives; and changes in government priorities.

7. Infrastructure and production limitations are beyond the scope of the project discussed in this report. Infrastructure limitations are not addressed, while production limitations are discussed at the request of participants, and because they are directly related to the subject matter.

8. In the cases of Peru and the Dominican Republic, the strategic importance of the selected products is reflected in the agricultural and trade policies and plans of those countries. Accordingly, IICA has been conducting research and developing projects on the coffee and cassava chains. With regard to plantain in El Salvador, the officials of the Ministry of Agriculture and Livestock (MAG) who were present at the workshop on identification and validation of trade barriers with the United States indicated that their government was developing a plan to classify plantain as a priority crop. Publication of the plan is pending.

3.2.1. Underuse of FTA opportunities

A proper understanding of this limitation requires statistical data on the number of agricultural businesses trading in the selected categories within the framework of APC and CAFTA-DR. However, given the difficulty of gathering such information (restricted access to customs systems, tariff classifications, differing export regimes, etc.), this discussion is limited to some of the views expressed by stakeholders and participants in the identification exercises.

According to the entrepreneurs and government officials interviewed, there is still a lack of awareness regarding the content and benefits of the agreements, as well as their implications for agribusiness. This may be due to insufficient promotion by the State, notwithstanding the efforts of ministries of economic affairs, ministries of trade and foreign trade offices. They also noted that the highly technical language used in the texts of the agreements and the rules may pose a challenge to government staffers unfamiliar with the subject matter, and even more so for entrepreneurs.

During the interviews and inter-agency coordination activities, stakeholders from the Ministry of Economic Affairs (MINEC) of El Salvador, the Ministry of Foreign Trade and Tourism (MINCETUR) of Peru, the Ministry of Industry and Trade (MIC) of the Dominican Republic, PROESA, PROMPERU, and CEI-RD emphasized the importance of disseminating information on agreements as soon as they enter into force. They also pointed out that, despite the efforts made throughout their own countries, resources (budgets and technical experts) are scarce in proportion to the size of their countries and the number of businesses with sustainable long-term export potential.

Legal, technical and budgetary constraints must be overcome in order to establish public-private partnerships that can improve the services required for agricultural export activities, including ongoing dissemination of the content and benefits of trade agreements.

Ministries of agriculture are responsible for providing the agricultural sector with information on trade agreements, as well as for supporting agribusinesses that export agricultural products or have the potential to do so. The legal limitations placed on ministries by their own governments can be a hindrance in this regard.

3.2.2. Lack of familiarity with the United States market and export procedures

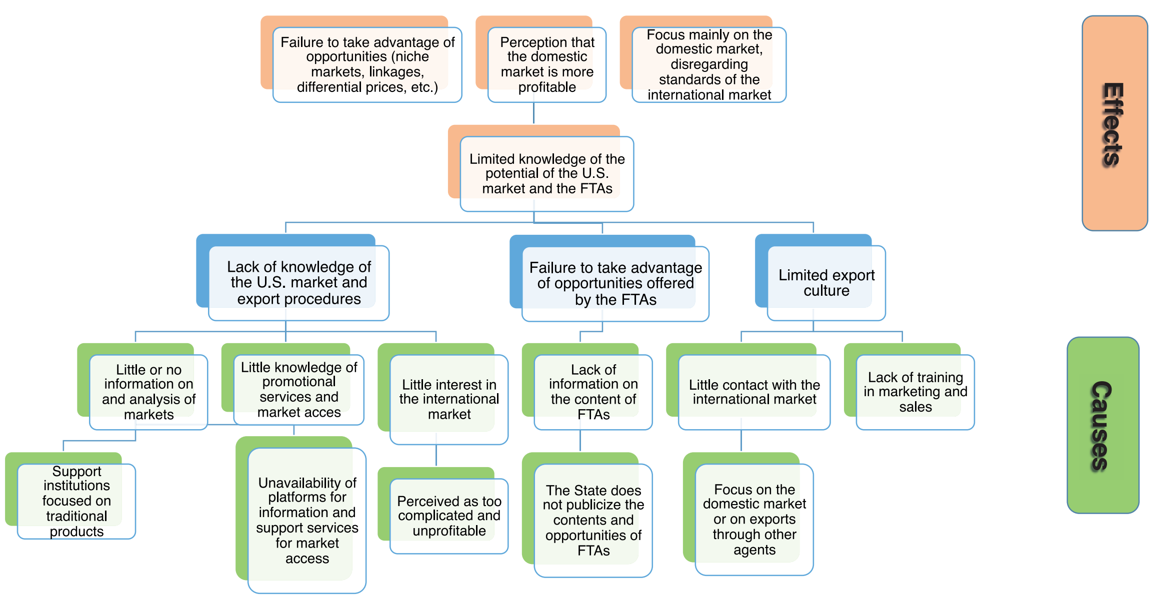
The three main causes of this limitation, as described by respondents, involve the public institutional framework of their countries:

- Supporting institutions focus their efforts on traditional or sensitive categories, or on those that are relatively more important to the economy. This approach leads to very limited dissemination of information on markets for other products, such as specialty coffees, cassava and its high-value-added derivatives (cassava flour and casabe cakes used as animal feed), and plantains and its derivatives (snacks, etc.).

- Consolidated (unified) information platforms and support services for agribusiness and access to international markets are non-existent or inadequate. This limitation increases transaction costs, as it makes it necessary to turn to a variety of information sources and services specializing in agricultural export issues and specific products. It is an obstacle for all companies involved in agricultural exports, except those that have consolidated their position as clients in the United States and are familiar with the procedures required. This is the case with Salvadoran companies exporting plantains to the United States.

- There is a perception that accessing the United States market is difficult and financially unrewarding. This is partly attributable to the complexity of the FTA texts and to a failure to adequately publicize their benefits and the success stories of some agribusinesses – particularly small and medium-sized enterprises – that trade with the United States. This perception is exacerbated by a lack of information and support services, which leads to low interest in the international market.

Figure 2. Causes and effects of limitations involving the public institutional framework for agricultural trade and exports to the United States market.



Source: Chavarría 2016..

3.3. Limitations involving the business and export culture[9]

The term "business and export culture" refers to the conduct and organizational or networking practices of the business community in a country or region. It includes factors such as the patterns of interaction between links in a chain, openness to strategic partnerships and innovation, aggregation of value and the practices of businesses that deal with foreign markets.

The aspects of this culture that limit exports are discussed below.

As mentioned above, poor export culture is one of the main reasons why the potential of the United States market and its commercial opportunities are so little understood and so atomized (see figure 2).

This may be attributed to two main factors: a) lack of training in marketing, due to scarce or non-existent public-private partnerships providing education on international agribusiness; b) a business culture that focuses on the domestic market and relies on brokers to access foreign markets, limiting international contact.

Inadequate organization of chains (figure 3) was found to be a significant limitation. Its possible causes are:

- Insufficient training and networking ability among stakeholders in the chain. Few businesses are taking advantage of the opportunities the United States market has to offer. Those that are have either already established themselves or are in the process of doing so, or they have entered into partnerships with others. Individual companies are generally unable to meet or sustain volume requirements or comply with standards, and thus they fail to meet contractual obligations and ultimately lose clients.

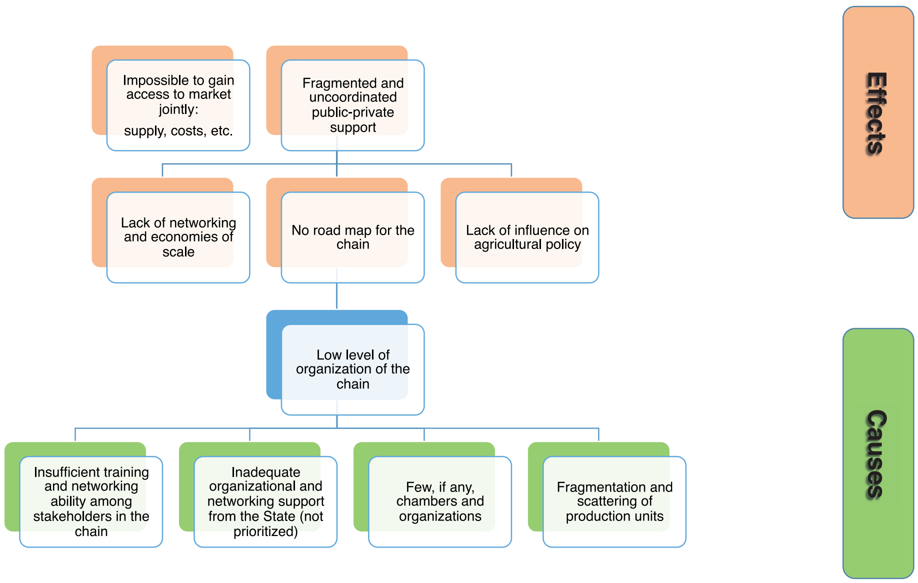
- Inadequate organizational and networking support from the State. For a number of reasons, governments have other priorities for agriculture.

- Few, if any, chambers and organizations to lobby the government on behalf of the selected products. This is the main limitation faced by the cassava chain in the Dominican Republic and the plantain chain in El Salvador. El Salvador has been exporting plantain for four years, under the leadership of Plataneros y Bananeros de El Salvador (PYBES). In the Dominican Republic, the cassava sector is led by a number of cooperatives, including COOPEYUCA.

- Coffee in Peru is one exception. The Cámara del Café y el Cacao (Coffee and Cocoa Bean Chamber) in that country represents the sector before the government, through the JNC. The greatest challenge facing the Peruvian coffee sector, however, is organizing the high-value-added subsector comprised of organic and specialty coffees. According to Chamber members, organization of the subsector is partially hindered by the scattered nature of international cooperation initiatives supporting small- and medium-sized businesses, as well as the isolation of producers from one another.

- Fragmentation and scattering of production units. Two possible causes are the size of the territories involved (in Peru and the Dominican Republic) and the insufficient or inadequate road networks connecting them.

Figure 3. Causes and effects of the low level of entrepreneurial organization in the three chains selected



Source: Chavarría 2016.

Inadequate chain organization generally leads to a lack of roadmaps for the export of specialized agricultural products to markets like that of the United States. It also reduces the sector's influence on the agricultural policy agenda, as well as its ability to use networking and economies of scale to its advantage.

Peruvian coffee is, again, somewhat of an exception, as the country's government has developed a plan for agricultural exports. A bill on the establishment of the Coffee and Cocoa Bean Institute is also under discussion.

According to stakeholders from the organized business sector, as well as several authors (Lozano, 2010), a higher level of agribusiness networking and linkages would offer several advantages for companies involved in agricultural exports (particularly small- and medium-sized businesses). It would facilitate access to international economies of scale like those of the United States; it would add value to products; it would enable businesses to take advantage of niche markets; it would help overcome barriers to trade; it would improve their negotiating capabilities, access to better technologies, training, and support services (the latter being a significant challenge in remote rural areas). Agribusiness networking and linkages would also allow businesses to benefit from the mechanisms and provisions of trade agreements, and enable them to lobby agriculture and SPS committees on matters of interest to the sector.

3.4. Limitations involving production and productivity[10]

This category includes two major limitations that affect compliance with market requirements, private buyers' standards and government regulations. This is fundamental to ensuring effective implementation of the FTAs and to enabling exporters to benefit from them. The following limitations were identified:

3.4.1. Limitations to production involving varieties, pests and diseases, old crops, climate conditions and other factors

As a result of these limitations, purchase contracts are sometimes not fulfilled because the seller is unable to deliver the agreed quantities or quality. This generates losses and missed opportunities (see figure 4). Limitations of this type include the following:

a) *Agricultural exports are highly vulnerable to weather-related phenomena.* Droughts and floods make it difficult to meet the volume and quality of products requested by foreign buyers. Weather may also cause and spread pests.

b) *Productivity is low compared with that of competitors:* Agribusinesses in other countries may attract all the buyers and market segments for certain products because most of the producers and marketers in those countries have overcome production limitations or they have the tools needed to deal with them. Cassava from the Dominican Republic and plantains from El Salvador are facing a similar challenge: They are in high demand among expatriates living in the United States; however, according to agricultural entrepreneurs, the nostalgia market is already being supplied by competitors such as Costa Rica and Guatemala, which produce higher volumes and offer better prices, although the Salvadoran stakeholders interviewed say that the quality of plantain is not exactly what consumers want.

c) *It is impossible to ensure sustained compliance with quality standards,* especially international standards (GlobalG.A.P., Sustainable Agriculture Initiative), which private enterprises must meet in order to sell on the United States market (companies like Kraft and Nestlé). This means that sellers are unable to fulfil contracts with buyers, which in turn leads to losses and increased costs, to the detriment of the image of the country's businesses, among other negative issues. It also means that exporters are unable to comply with standards that have been negotiated in treaties (SPS and TBT, among others), leading to rejection of containers already loaded with products and constant monitoring of shipments from the country concerned.

10. This category may include all the challenges mentioned by stakeholders (mainly entrepreneurs) that involve issues such as availability, access to and use of the factors of production, productivity, access to support services for innovation, production and exports, climate conditions, competitiveness and manufacturing and post-harvest practices.

In addition, these limitations to production are mostly due to the fact that categories which play a minor role on the trade policy agenda are given low priority, and farms are small and scattered. Some of the causes identified were:

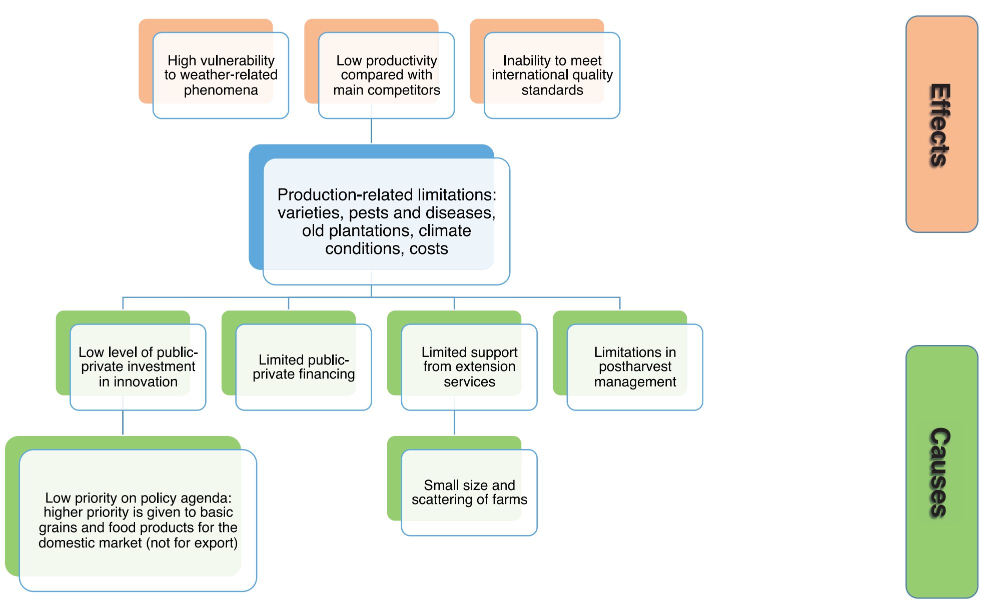
a) *The low level of public-private funding for innovation:* Some limitations of government institutions related to the legal framework and budgetary resources affect the joint public-private funding of research, generation of appropriate technology, production and marketing methods, etc.

b) *Limited funding from the public and private sectors:* Loans and special funds for production projects and agricultural export undertakings are contingent upon compliance with many different conditions that may be related to the high risk of investing in small businesses.

c) *Insufficient support from extension services:* There are government extension services, but their policies are geared towards the larger subsectors of agriculture, which also receive more support from similar services provided by the private sector. Also, few extension agents have the specialized training needed to meet the demand in specific categories of crops, in particular to provide support for the production of varieties and the use of techniques that will foster productivity and contribute to the sustainability of exports (products that are environmentally, economically and socially appropriate).

d) *Limitations involving post-harvest management.*

Figure 4. Main causes and effects of production-related limitations for managing and benefiting from trade with the United States



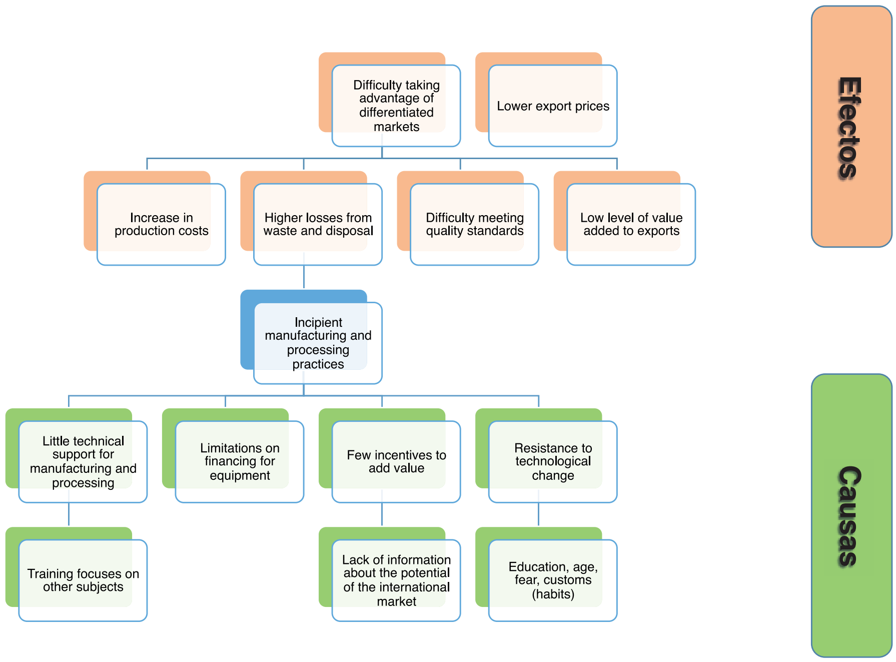
Source: Chavarría 2016.

3.4.2. Inadequate manufacturing and processing practices

Although some agricultural export companies are already established on the United States market, they have only recently started to adopt appropriate practices in terms of product handling, creating value added and processing. It took these companies a long time to transition from artisanal and empirical manufacturing and processing practices to more sophisticated procedures —waxing cassava, pressing casabe cakes, freezing or toasting plantains, organic coffee farming— that will enable them to meet International standards, given that they were pioneers in the export of their particular products in their own countries.

As shown in figure 5, this limitation in production practices has had an impact on the ability of exporters to benefit from differentiated markets and on the profits generated by export prices. At the same time, those effects are also a consequence of other limiting factors, such as increased production costs, higher losses caused by waste and discarding of products, the difficulty of ensuring the quality demanded by markets and the low level of value added to exports.

Figure 5. Main causes and effects of limitations involving inadequate manufacturing and processing practices



Source: Chavarría 2016.

IV. Conclusions

The previous sections discuss the main findings of studies conducted as part of the project on Strengthening of bilateral trade between the United States and Latin American countries with which the United States has free trade agreements. The study examines free trade agreements currently in force with the United States, the institutions involved in administering and implementing them, trends in agricultural trade (general and specific for each chain), the limitations that prevent them from obtaining greater benefits from the agreements and measures that have been taken to overcome those limitations.

Based on the findings of the study, which were possible thanks to the contributions of participating stakeholders, the following conclusions were reached:

1. In the cases studied, no major limitations were found in the administration and implementation of the agreements with the United States that would affect the ability of exporters to take advantage of them. In general terms, the provisions of the agreements are clear, all the products studied are exempt from tariffs, and non-tariff measures (such as SPS) do not hinder their entry into the United States. This means that other factors are involved in determining how they are used and what benefits they can provide.

2. The United States market offers opportunities for exporters of coffee, plantains and cassava from the Latin American countries selected for the study, given that a number of businesses are already selling their products on that market. Nevertheless, there are factors that make it difficult to increase sales; these involve the problems the private sector encounters in trying to comply with the standards of the international market. There are also certain production-related factors that are beyond the scope of this project.

3. The most significant limitations involve the institutions that are responsible for disseminating information about the FTAs and for promoting trade in agricultural products; the lack of information, especially among SMEs, about the United States market and about export procedures; and the absence of linkages and lack of organization (partnerships among producers) in the entrepreneurial and export culture.

4. Free trade agreements are important because they can benefit bring benefits to businesses in the form of value added from FDI and imports of low-tariff goods and services. Although the study did not include an in-depth analysis of imports and foreign direct investment, some stakeholders said that FDI was contingent upon matters such as access to factors of production (land, technology and others), security and infrastructure (access to water, roadways, etc.).

5. The free trade agreements may have contributed to the growth of agribusiness in the United States, considering that during the period 2004-2015, agricultural imports from the countries studied grew at a higher rate than exports. The sectors with the highest growth rates in the three countries selected were meat, fruits, beverages and edible meat offal (tables 1 and 2). Among exports from the three countries, the categories with the highest annual growth rate were dairy, eggs and honey (chapter 04 of the Harmonized System) and gums, resins and vegetable saps (chapter 13 of the Harmonized System). In terms of headings and subheadings (4 and 6 digits in the Harmonized System), exports of Salvadoran plantains grew the most, at an annual rate of nearly 1000% over the last four years. Exports of Dominican cassava grew at low and irregular rates, and Peruvian coffee exports grew at high but also irregular rates.

6. Partnerships among producers and business organizations are key to enabling trade associations to be better represented politically on the national agenda and to have greater access to financing and credit, to more and better technologies, to training and educational opportunities and to specialized technicians and services.

7. Formal mechanisms for managing agricultural trade, such as agriculture committees, are useful as forums for discussing issues such as contingencies, safeguards and export subsidies. These are applied to sensitive categories (chicken, dairy and sugar, among others), so as to ensure that they do not affect categories with relatively low export levels; this is the case with coffee, cassava and plantains.

8. In terms of overcoming limitations involving institutions, productivity and the entrepreneurial culture, the study showed that many challenges remain, but that businesses and government agencies have begun to coordinate their efforts to overcome them. Access to specialized support services for agricultural exports is crucial. Also, some degree of institutional and entrepreneurial organization is always needed, including strategic partnerships and legal, budgetary and technical support to consolidate changes and ensure the continuity of long-term initiatives.

9. The FTAs with the United States have generated institutional changes as laws, rules and regulations have been adopted to give formal content to processes and structures (government entities) designed to ensure proper implementation of agreements and facilitate conditions for their development. This formalization reduces the vulnerability of structures and processes to political changes in the individual countries.

10. International organizations, civil society organizations (NGOs, trade associations, chambers, etc.) and technical cooperation and financial initiatives in the United States have played a major role in overcoming limitations to financial and technical assistance. The establishment and strengthening of partnerships with international cooperation agencies such as IICA, IDB and FAO have helped to compensate for a lack of competiveness and of joint efforts among enterprises, thus facilitating their insertion in United States and international markets.

V. Recommendations

Bearing in mind the above conclusions regarding the general findings in the three countries studied, the views expressed by respondents interviewed and by consultants and the contributions of stakeholders who participated in project activities, the following recommendations are proposed for a strategy aimed at overcoming limitations on trade with the United States:

1. *Regarding limitations that condition the ability of exporters to take advantage of the opportunities offered by trade agreements in the chains selected and by agricultural trade in general.* Information technology tools should be developed to facilitate understanding of agricultural trade agreements with the United States, explain the terms of compliance, provide technical training and improve the coverage of IT infrastructure in areas where crops are produced. Conditions should be generated to enable the ministries of agriculture to participate more actively in disseminating information on the provisions, benefits and sectoral implications of the trade agreements.

2. *Regarding limitations on sales arising from difficulties involving compliance with market standards (private sector) and production-related issues that are beyond the scope of this project.* IICA should study in greater depth certain aspects of this study, such as the need for data on investments for agricultural exports. The findings of the project should be socialized among IICA representatives in member countries and among its cooperating partners, such as USDA-FAS, with a view to identifying teams that could help with the formulation of strategies on the matter, bearing in mind requests from countries for technical cooperation.

3. *Regarding limitations involving the institutions that are responsible for keeping the agriculture sector informed about the agreements with the United States and promoting trade with that country.* Governments should issue a call for consultations to discuss the legal, structural and infrastructural conditions necessary to encourage ministries of agriculture to participate more actively in disseminating information on the benefits of the trade agreements, programs for helping exporters benefit from them, success stories and good practices, as well as on trade promotion efforts.

4. *Regarding other business opportunities generated through value-added agriculture and possible linkages arising from trade agreements with the United States.* IICA, USDA-FAS, government entities, NGOs and other stakeholders should conduct in-depth research on certain aspects that go beyond the scope of this project, such as United States imports of agricultural products from LAC and opportunities for foreign direct investment (FDI) in categories that have shown the highest annual growth for both exports and imports.

5. *Regarding categories and chapters of the Harmonized System for agricultural products with the highest annual growth and strategies for improving trade with the United States.* If necessary, IICA or some other interested institution might conduct research on specific categories that have shown the highest growth rates in the chapters mentioned in section II, in order to determine the specific performance, in terms of tariff items and sub-items, and to analyze the potential for doing business on the United States market.

6. *Regarding partnerships among producers and organizations of entrepreneurs.* Joint programs should be set up to raise awareness about the importance of partnerships among producers and organizations of entrepreneurs; this will entail promoting and disseminating the advantages of such associations. Training should be provided to promote political and entrepreneurial capacities in connection with the associative undertakings needed for agribusiness and political advocacy. International cooperation plays an important role in promoting the exchange of knowledge with agricultural associations in other countries.

   Along with this, training for the development of an export-oriented culture should be provided; the different stakeholders pointed out that there is a difference between being a producer and being involved in marketing. The difference lies in the formal aspects of agribusiness, the search for innovation, the creation of new capacities (e.g., knowing other languages, negotiating techniques and adding value, export requirements and technical management of crops). In this regard, partnerships should be set up with schools of agriculture and business schools in the public and private sectors.

7. *Regarding formal mechanisms, such as agriculture committees, for administering agricultural trade under the current free trade agreements with the United States.* Such mechanisms are used to discuss issues affecting certain major categories (chicken, sugar, rice, etc.), so they would only be used for relatively small chains such as coffee, cassava and plantains if the production conditions change the scale of production.

   Government and private training programs are some of the factors that help improve implementation and administration of agricultural trade agreements. In Peru and El Salvador, respondents stressed the importance of having teams with the skills necessary to negotiate and implement agreements effectively or providing the elements necessary to do this. They mentioned the importance of having teams that are familiar with the situation of agriculture in their country (ministries of foreign trade) and with the dynamics of trade agreements and rules (ministries of agriculture) so as to be better prepared to complement each other's work and implement policies in a more comprehensive manner.

8. *Regarding institutional limitations involving specialized support services for agribusiness.* An inter-agency commission or structure should be set up to consolidate a platform for providing special services. The entity should be designed to promote the competitiveness of agribusinesses, linkages, investments and exports.

9. Regarding the establishment of formal processes and structures (government entities) to ensure proper implementation of agreements and facilitate conditions for enabling exporters to benefit from them. Specialized units should be set up in the ministries of agriculture to negotiate, administer and implement treaties, in order to supplement the work of the ministries of economic affairs and trade and represent the agriculture sector in foreign trade policy.

   For the specific sector of production, national committees with government representatives could be set up, along with units in charge of providing support for specific categories in the ministries of agriculture and trade promotion agencies.

Support institutions such as ministries of agriculture and research institutes could carry out activities focusing on the International market and conduct studies on development of new agricultural products that meet the demands and requirements of foreign markets.

Market rules and requirements change frequently. The United States has set high standards of quality and many technical requirements for products. In an export-oriented culture, entrepreneurs need to be constantly aware of changes in those standards and requirements; it is therefore essential for the entities concerned, in both the LAC countries and the United States, to provide training programs in coordinated fashion. A better export culture leads to better compliance with the commitments undertaken in trade agreements and helps to make better use of the opportunities they offer.

10. *Regarding limitations in productivity.* Marketing could be viewed with a broader approach if exporters stopped focusing on selling surpluses and instead sought to add value and adopt innovation. Services that provide field assistance and systematize and disseminate good agricultural practices and good manufacturing practices should be strengthened so as to guarantee the quality of products that are exported to the United States. It is therefore vitally important to have specialized institutions that will promote implementation of such practices to improve agricultural production and add value to products.

11. *Regarding important experiences in dealing with the limitations of institutions and enterprises.* Technical forums and other events should be held with the aim of strengthening capacities and exchanging knowhow, including by discussing the practices and experiences of different stakeholders. The experiences of this project should be studied further, systematized and disseminated so that they can be used to support training and projects aimed at developing strategies for improving trade with the United States. The studies should not only take note of successes, but should also consider limitations that have not been overcome, with a view to consolidating institutional initiatives, encouraging exporters to organize and marketing certain products in the United States.

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