We begin our journey with our Anniversary issue and continue exploring these ground-breaking topics in a series that spans our October, November and December issues. Our first installment of 10 improvements: Communications Technology, Floral Relevance, Free Trade, Fresh-Cuts, Organics, Produce In Schools, Restaurant Produce Menuing, SKU Proliferation, Wal-Mart Effect and Women In Produce.
30th Anniversary Issue
30 IMPROVEMENTS AND 30 INDUSTRY INFLUENCERS

International Trade
‘NAFTA Creates Biggest Free Trade Agreement in the World’

BY DR. ROBERTA COOK,
COOPERATIVE EXTENSION MARKETING ECONOMIST FOR THE DEPARTMENT OF AGRICULTURAL AND RESOURCE ECONOMICS AT THE UNIVERSITY OF CALIFORNIA

The growth in world trade since 1985 has earlier roots, which we would do well not to forget. Global trade has expanded inexorably since WWII, and many pinpoint the nexus of growth stemming from the Global Agreement on Tariffs and Trade (GATT) in 1948. However, harsh lessons had to be learned in order to pave the way toward GATT. Just a few years earlier during the 1930s, crippling protectionist measures were implemented by many countries (the Smoot-Hawley Act in the case of the U.S.), further exacerbating the Depression and expanding its global reach.

Protectionism lowered global economic growth and by most accounts contributed to the economic chaos that led to WWII. In the aftermath of WWII, the Allies recognized the need for a multilateral institutional framework for trade. The GATT enabled world trade to be conducted under a clear set of rules and to be progressively liberalized.

By the time PRODUCE BUSINESS was launched, it was clear that GATT was producing economic benefits, and more and more countries sought to join GATT. That year, Mexico announced its intent to join, becoming a member in 1987 and initiating a process of trade liberalization, often unilaterally (without obtaining reciprocal benefits from the U.S.). Whereas the U.S. was a relatively open market, Mexico was very protectionist. It sought to lower consumer prices and develop a more market-oriented economy. This led to rapid growth in U.S.-Mexico bilateral trade, including in fresh produce.

As the mutual benefits became clear, Mexico and the U.S. sought full trade liberalization by following the model initiated in 1989 between Canada and the U.S. in the Canada-U.S. Trade Agreement (CUSTA). In 1994, NAFTA subsumed CUSTA, creating the biggest free trade area in the world at the time. By 2014, trade had been fully liberalized (with some exceptions) between all of the parties.

The growth in agricultural trade in the NAFTA region has been remarkable, outpacing the rate of growth in trade with the rest of the world. In 1993, total intra-regional agricultural trade was $16.7 billion vs $82 billion in 2013. In 1993, Mexico exported $1.1 billion of fresh produce to the U.S. vs $8.5 billion in 2014, while Canadian produce exports to the U.S. grew from $1.3 to $3.6 billion.

Although both the U.S. and Canada are large net importers of fresh produce from Mexico, nevertheless, trade has grown in all directions. Mexico has become the third largest market for the U.S. with exports of fresh produce up from $133.6 million in 1993 to $726 million in 2014. Canada always has been and remains the United States’ largest fresh produce export market, but as a relatively mature market, exports to Canada grew at a lesser rate, from $1.3 in 1993 to $1.8 billion in 2014.

Today there is a high degree of integration in the fresh produce market in the NAFTA region, benefiting consumers and growers in all three countries. Consumers, retailers and foodservice operators benefit from a much wider array of fresh produce available over extended seasons and a more efficient supply chain. Growers benefit by expanded market access for their products but may also face higher competition. Over time, investment moves to the locations where it is most efficient to produce fruits and vegetables in specific seasons of the year.

Many U.S. grower-shippers have partnered with Mexican growers to produce supplemental supplies during the off-season, or they market produce from Mexico seasonally when necessary to create a seamless supply. Several Canadian and a Mexican hothouse vegetable grower have invested in operations in the United States, as have Chilean berry producers, all designed to service the NAFTA region.

Over the past 30 years, offering year-round supply became a key aim of growers and their marketers. NAFTA came along at the right time and has contributed to a major expansion and transformation of the fresh produce market from a markedly seasonal to a more stable year-round industry. While trade disputes still exist, there is a formal framework for resolving them and the future is bright.

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