Latin America and the Caribbean (LAC) is the world’s largest net exporting region for agrifood products. The region has the natural resources and capabilities to sustainably produce enough food both to meet its own needs and to act as a key supplier to the rest of the world. Nevertheless, the region faces immediate challenges to food security. In recent years, hunger and severe food insecurity have increased at a faster rate in LAC than in the rest of the world, affecting 56 million people in 2021, and the short-term prospects are not encouraging (FAO, IFAD, PAHO, WFP, and UNICEF 2023). It is therefore imperative to move forward with policies to eradicate hunger in the region. International trade, particularly intraregional trade, presents an opportunity to achieve this goal. This brief provides a synopsis of key findings from a recent FAO-IFPRI report, La Seguridad Alimentaria y el Comercio Agroalimentario en América Latina y el Caribe (Food Security and Agrifood Trade in Latin America and the Caribbean), which examines the potential of intraregional trade in LAC.
Agricultural trade in LAC:
Current state, importance of intraregional trade, and opportunities for expansion

Many untapped opportunities exist for expanding intraregional trade in LAC, stemming from the complementarity of the capabilities of different countries for producing a wide range of food products. Taking advantage of these opportunities could improve the access, availability, and variety of foods, as well as ensure more stable supplies, especially in LAC countries that are affected by shocks such as conflicts, pandemics, economic crises, and extreme weather events.

Although the LAC region is a net exporter in aggregate terms, there are differences within the region, as summarized in Figure 1. Most LAC countries, especially those located in the Caribbean and Central America, are net importers of product groups that contribute to a healthy diet, such as cereals, fats and oils, meat and fish, dairy products and eggs, and fruits and vegetables. On the other hand, there is a group of countries, mainly in South America, where production levels of these same foods far exceed consumption levels, making these countries net exporters.

Although intraregional trade among the LAC countries plays an important role as a source of imports, more than 60 percent of food imports come from extraregional suppliers. As shown in Figure 2, while about 60 percent of South America’s food imports come from LAC suppliers, barely 20 percent of Mexican and Central American purchases come from within the region. In the Caribbean, the share of regional suppliers in food imports has increased over the past five years, but it is currently only 29 percent. In addition, most intraregional trade occurs within LAC subregions. Thus, trade between countries belonging to different subregions within LAC is less common, and it is precisely these potential relations that offer the greatest opportunities for trade.
FIGURE 2  Agrifood imports from LAC and participation in intraregional trade by subregion, value and share

FIGURE 3  Agrifood exports from LAC and participation in intraregional trade by subregion, value and share
Opportunities for intraregional trade in LAC

The analysis of trade opportunities carried out in the study shows that intraregional trade in agrifood products has potential for expansion in products such as corn, soybeans, wheat, poultry meat, and soybean meal. Not only are there possibilities for growth at the extensive margin of trade in the form of new trade relations between countries within the region, but there is also ample potential for intraregional trade to prove more efficient, profitable, and beneficial than extraregional trade.

Identifying opportunities for intraregional trade requires understanding regional trade patterns. Using the trade complementarity index (Michaely 1996), the report examines bilateral agrifood trade between LAC countries, including comparing the composition of each country’s imports and exports with those of their counterparts to identify trade complementarities. Essentially, the analysis answers the question: How well does the exporter’s supply match the importer’s demand?

Many LAC countries have high complementarity indexes, indicating opportunities for intraregional trade. For example, there is a high degree of complementarity between Argentina as an exporter and Peru as an importer, and to a lesser extent between Argentina as an exporter and Colombia, Venezuela, Mexico, and Ecuador as importers. Argentina also has a high degree of complementarity as an exporter with Brazil and Paraguay as importers, which is explained by Argentina’s large imports of soybeans for local processing and later export as oil and meal, and by the fact that both Brazil and Paraguay are large producers of oilseeds.

Other exporter-importer pairs that demonstrated a high level of complementarity, ranked from most to least compatible, include Mexico and the Bahamas, the Dominican Republic and Belize, Brazil and Saint Kitts and Nevis, and Argentina and Ecuador.

In cases where LAC countries have existing trade relationships, investment and trade facilitation policies could make intraregional trade more advantageous than extraregional trade for both importers and exporters. Table 1 breaks down such opportunities by product group. For example, in the case of meat and fish, the region exports more than US$47 billion to the rest of the world, while it purchases only about $9 billion from outside the region. Thus, replacing extraregional with intraregional imports would allow a maximum increase of $9 billion in intraregional trade, which represents

| TABLE 1 | Potential growth in intraregional agrifood trade in LAC, by product group |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | **Exports (US$ billions)** | **Imports (US$ billions)** | **Potential growth** |
| | **LAC** | **Other** | **Total** | **LAC** | **Other** | **Total** | **US$ billions** | **%** |
| Meat and fish | 6.7 | 47.5 | 54.3 | 5.3 | 9.1 | 14.4 | 9.1 | 173% |
| Dairy and eggs | 1.6 | 1.8 | 3.4 | 1.4 | 3.6 | 5.0 | 1.8 | 127% |
| Fruits and vegetables | 2.7 | 40.7 | 43.4 | 2.5 | 3.3 | 5.8 | 3.3 | 135% |
| Cereals | 9.3 | 48.7 | 58.0 | 9.4 | 15.6 | 25.0 | 15.6 | 167% |
| Sugar and cacao | 2.7 | 14.1 | 16.8 | 2.0 | 2.2 | 4.2 | 2.2 | 107% |
| Processed foods | 7.5 | 22.0 | 29.5 | 8.0 | 11.9 | 19.9 | 11.9 | 150% |
| Coffee and tea | 0.6 | 13.9 | 14.6 | 0.5 | 0.7 | 1.2 | 0.7 | 136% |
| Fats and oils | 3.6 | 7.6 | 11.3 | 3.1 | 3.0 | 6.1 | 3.0 | 96% |
| Other | 3.8 | 26.9 | 30.7 | 3.7 | 6.5 | 10.2 | 6.5 | 177% |
| **Total** | **38.6** | **223.4** | **261.9** | **35.9** | **56.0** | **91.8** | **56.0** | **156%** |

Source: Derived from Comtrade data, April 2023.

Note: Potential growth refers to the potential increase in intraregional trade through substitution of extraregional imports. The potential growth in trade value is determined by the lesser of either the value of exports from the region to the rest of the world (column 2) or the value of regional imports from the rest of the world (column 5).
a 173 percent increase over current intraregional imports. Similarly, significant potential increases are observed for all agricultural and food products.

Analyzing the data by country reveals other opportunities. Countries like Mexico, which imports more than $24 billion from outside the region, have potential to increase intraregional trade through substitution – that is, by replacing extraregional imports with intraregional imports. Other countries with strong potential include Brazil ($5.4 billion), Chile ($3.1 billion), Colombia ($2.8 billion), Peru ($2.4 billion), and the Dominican Republic ($2.0 billion), although the potential of even the largest of these (Brazil) is only 22 percent of the potential Mexican market ($24.4 billion).

**Policy recommendations**

To achieve the benefits of greater intraregional trade, progress is needed in eliminating existing barriers to trade and regional integration. Removing trade barriers could promote the stability and movement of food supplies, especially between the various subregions of LAC, where there is a lower density of trade agreements. These efforts should be modeled on initiatives such as the CELAC Plan for Food Security, Nutrition and the Eradication of Hunger, and regional policy arrangements and infrastructure that can serve as a platform for the expansion of current flows. Continued reduction of tariff and nontariff barriers to trade through international negotiations is essential. In addition, progress is needed in overcoming other obstacles that impede the free movement of foodstuffs and increase trade costs, and in seeking regulatory convergence, especially in the area of sanitary and phytosanitary measures and trade facilitation.

Given that food security is influenced by numerous interconnected factors, trade policies should be complemented by a set of policies aimed at generating supply-side capacities. Improved supply-side capacities will make it possible to take advantage
of the economic benefits of intra- and extraregional trade to counteract the effects on food security of the possible inequalities that may arise and promote the transition to the new production structure. These must take into account the particular realities of each country. In this regard, policies that favor the adoption of technologies to increase productivity and adapt to climate change, improvements in transport infrastructure and connectivity, and policies that address the situation of vulnerable populations, including, for example, integrated risk management tools for producers and training programs and direct transfers on a transitional basis.

Additional specific recommendations include:

**Study and reform existing trade relationships for continued engagement between LAC countries**

Intraregional flows of agrifood products are relatively low across LAC, meaning that a significant share of agrifood imports comes from outside the region. Further analysis is needed to understand bilateral trade opportunities that could result from reducing tariffs on the region’s agrifood products. To help promote regional development, researchers and policymakers should review and analyze the agreements signed by each of the region’s countries with extraregional third parties, as well as the conditions attached to such agreements, to determine the level of preference erosion\(^1\) between LAC countries and the potential for improving regulatory standardization and convergence. Policymakers can also negotiate sectoral agreements to liberalize trade in agriculture and fisheries, based on the preferences granted to extraregional countries, especially between the net-exporting countries of South America and the countries of Central America and the Caribbean and Mexico. Finally, a regional consensus should be established on multilateral negotiations, mainly for the World Trade Organization, but also related to conferences on climate change, biodiversity, and food systems, among others. It is important for countries in the region to have a common position to strengthen multilateralism and promote global solutions to major challenges. These should prioritize food security and encourage the contributions that international trade and technology adoption can make. A rules-based system is especially beneficial for smaller countries like those in LAC when confronting the current surge in unilateral measures that distort trade.

**Reduce bureaucracy and costs**

In addition to tariff reduction, it is also essential to make progress on trade facilitation measures that reduce trade costs and expand trade flows. LAC countries should establish trade facilitation agreements with each other. For example, policymakers can also promote the implementation of ePhyto certification for intraregional trade in products of plant origin. Similarly, they can promote intraregional digital certificates of origin, building on the experience of the Latin American Association for Integration (ALADI).

**Advance policy coherence**

Working together to improve sanitary, phytosanitary, and technical procedures in the short term would not only promote intraregional trade but could also be a starting point for regulatory cooperation in LAC. Action should be taken to exchange information and experiences through workshops and similar forums, which would facilitate the harmonization of standards and procedures among countries. Regional integration systems such as ALADI, the Central American Integration System (SICA), and the Caribbean Community (CARICOM) can also be leveraged to help implement cooperative intraregional action in regulatory policy.

**Invest in logistics and infrastructure**

There are often high costs to trade in Latin America and the Caribbean, largely stemming from

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\(^1\) The International Monetary Fund defines preference erosion as the decline in the competitive advantage that some exporters enjoy in foreign markets as a result of preferential trade treatment to a third party.
deficiencies in infrastructure and logistics within countries. Investments in roads, ports, and logistics in addition to finding ways to better coordinate these systems across countries would create new opportunities for trade and promote growth.

Open public purchases to other actors

Agrifood products are often excluded from government procurement provisions established in intraregional trade agreements. Along with insufficient communication about demand for government procurement in different LAC countries and the lack of regulatory harmonization, this exclusion penalizes potential intraregional suppliers, especially small and medium enterprises and family farms. Intraregional trade agreements should incorporate government procurement, foster communication about procurement needs among governments, and standardize procurement processes to facilitate these activities at the regional level.

Develop an agenda for future research

Several lines of research could deepen both the current and potential contributions of intraregional trade to regional food security. Recommendations from this research can help decision-makers take advantage of existing opportunities and promote trade:

- Further qualitative analysis could provide important insights on the current state of food quality and nutrition, as well as potential challenges. The contribution of trade to more nutritious diets could also be explored.

- Although the full report identifies pairs of countries and tariff positions where trade could be higher, it does not specifically examine why this potential was not realized. Doing so could provide useful lessons for negotiating processes and regional development plans. Future work could expand on that of the United Nations Conference on Trade and Development, which
uses econometric techniques to investigate the role of nontariff measures and their impact on trade within Mercosur (UNCTAD 2017).

- Additional analysis could offer insight on infrastructure and logistics constraints in the region, and on the impact of related costs on the value of traded products, as compared with international experience, to assess their impacts on trade and possibilities for improvement.

- Research could shed light on LAC’s current and potential contributions to global food security and how LAC countries could prepare for future challenges. It could also provide information on the opportunities and capabilities already available for responses to such challenges, as well as tools for discussion and cooperation for the development of other new capabilities.

- Assessing current institutional constraints on regional development and their impacts on regional and global food security could support progress toward institutional strengthening in LAC as an investment in future stability.

References


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