The Future of North American Market Integration under NAFTA

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Regional Trade Agreements

• The number of regional trade agreements has increased dramatically:
  – 1958 – 2
  – 1994 – 64
  – 2003 – 187

• Currently the US has:
  – Negotiated five regional trade agreements
  – Negotiated four which have not yet been signed
  – Is negotiating five additional trade agreements
The North American Agrifood Market Integration Consortium (NAAMIC) organized 10 annual workshops analyzing:

- The degree to which the NAFTA agricultural economies have become integrated.
- The impacts of market integration on the agricultural economies of each member country.
- The policy initiatives needed to spur further market integration in agriculture under NAFTA.
Economic Integration

- Economic integration occurs when barriers to commercial exchange across countries are removed.
  - Exchange of goods and services
  - Exchange of inputs
  - Capital investment
  - Employment – immigration

- Barriers
  - Tariffs, quotas, regulatory standards
  - Political motivations
  - Industry protection
  - Exchange rates
Market Integration

- Market integration exists when product flows between countries are on the same terms and conditions as within countries.
  - Market integration occurs when two or more formerly separated national or regional markets are combined.
  - It emphasizes trade and foreign direct investment.
  - If markets do not integrate through trade, they will integrate through capital investments.
Policy Integration

• Policy integration is the explicit and proactive development of common policies, laws and regulations
  – Economic and market integration may be hindered by the lack of farm policy integration
  – Markets can integrate without policy integration, but with distortions
  – Inconsistent or incompatible policies will inevitably generate pressures for change.
  – In the long-run, economic and scientific forces will prevail
Integration Forces

- Since NAFTA, the degree to which the markets, policies and economies of Canada, Mexico, and the US should be integrated has been a political, social and economic issue.
- There are persistent economic pressures for higher levels of integration.
- These pressures are present regardless of the provisions of the trade agreements or the policies pursued.
Three Key Questions

• What progress has been made toward market integration in your areas of expertise since NAFTA was approved in 1994?

• What are the key social and economic impacts that market integration has had on your country?

• What are the key barriers to further market integration and how can they best be removed?
Our Panel

• **Michael Keenan**, Director General of Research and Analysis Agriculture and Agri-food Canada

• **Francisco Mere**, Chief Executive Officer FIRA, Bank of Mexico

• **Gary Blumenthal**, President World Perspectives