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La economía argentina
en una coyuntura de crisis

El comercio de China
y la crisis internacional

La volatilidad de los precios
de los commodities agrícolas

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Overview

This 19th issue of the CEI Journal: Foreign Trade and Integration includes articles on the analysis of the international economic situation, with a focus on the crisis and its consequences over trade.

The Trade Situation section analyses the evolution of Argentine foreign trade during the first nine months of 2011, a period during which it retained the dynamism observed throughout 2010, thus making it possible for the exports of goods and services to exceed the values prior to the global crisis.

The section on the International Economic Situation identifies a marked fragility of the global economic recovery under way. This process suggests a growth close to zero or even negative in the world's main economies, which is expected to have direct effects on developing economies.

In the Articles section, the first paper reviews the recent debate over the volatility of agricultural commodity prices, evaluating what determines said volatility and its effects on Argentine exports.

The second paper summarises the measures taken to favour the agricultural sector since the beginning of the economic crisis, demonstrating that the pattern and level of agricultural protectionism have not been modified.

The third paper describes the main changes that Argentine foreign trade experienced in the first decade of this century and seeks to put in context the evolution of the trade flows in Argentina and highlight the main changes at the level of products and trade partners that have taken place in recent years.

The fourth paper in this section analyses: a) the situation and evolution of the Chinese economy in global trade; b) if this country resorted to protectionist measures to reduce the impact of the crisis and c) if the rest of the countries have increased the use of discriminatory trade policies against imports from China.

The last two sections correspond to the latest news of the CEI library and the annex with the main national and international economic indicators.

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Evolution of Argentine foreign trade over the first nine months of 2011

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Abstract

During the first nine months of 2011, Argentine foreign trade was as dynamic as it had been throughout 2010; both exports and imports thus exceeded their pre-crisis levels.

Export growth involved the majority of goods, except for some important products such as oil seeds and crude oil. The recovery of commodity prices had a significant impact on exports of primary products and agricultural manufactures, whereas in the case of industrial manufactures export growth was mainly driven by larger quantities, following increased exports to Latin American countries.

Although the share of the European Union in Argentine exports increased over the past year, it was not this bloc but developing countries that accounted for more than 90 per cent of Argentine export growth in relation to pre-crisis levels. In this context, almost all major destinations other than China—which fell by over two percentage points last year—increased their share.

On the other hand, in the first half-year, the growth of the Argentine economy boosted imports of goods aimed at increasing output capacity and vehicles, while imports of fuels also rocketed.

As for Argentine import origins, both over the past year and in relation to 2008, it could be observed that MERCOSUR lost part of its share in favour of other developing countries, such as Rest of ALADI (mainly Mexico), China and other Asian countries.

Regarding trade in services, growth rates were lower than those observed in trade in goods but they also surpassed pre-crisis levels, with outstanding dynamism of exports of non-traditional items, such as computing and information services, whose share in total exports is constantly growing.

* The author would like to thank Ana Zamorano for her collaboration in data processing and preparation of tables and graphs.

Three years after the fall of Lehman Brothers

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Abstract

More than three years have passed since Lehman Brothers went bankrupt and the greatest contraction of world GDP since the Second War began, but the ongoing financial crisis is still far from being overcome. Some developed economies are very likely to record negative or near-zero growth rates in 2011. Recovery practically came to a halt during the second quarter of 2011, whereas the performance of the world economy has been revised down indicating that it is more vulnerable than expected. The evolution of aggregate demand is still uncertain, which proves that the recovery will be slow and hard.

Contrary to what happened over the last few decades, emerging countries are now in a more favourable situation than developed countries. Although at first there was a generalized output contraction, the former achieved a faster and more sustained recovery. Even though most developing economies continue to grow at vigorous rates, the fact that output levels have weakened more than expected both in the United States and in the European Union, together with the uncertainty generated by increased financial instability, poses serious risks of deceleration of aggregate demand.

Commodity price volatility: the case of agricultural products

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Abstract

The recent rise in commodity prices and the increase in price volatility have aroused certain concern and controversy among the leaders of the major world powers and international organisations over the possibility that a new food crisis could break out. This paper intends to delve into some aspects of the phenomenon known as commodity price volatility. First, we study the relationship between volatility and financial markets. We can infer from the literature that the empirical evidence as regards this relationship is not conclusive. Secondly, we present an econometric model to analyse the main factors that would determine the volatility of a group of agricultural commodities: corn, wheat, sorghum, rice, soybean, soybean oil and sunflower oil. Among the main factors that would determine volatility we found: US inflation volatility and US interest rate volatility, weather conditions related to Pacific Ocean currents, the growth of emerging countries and the level of inventories available. Lastly, we intend to determine whether the price volatility of the commodities under study affects Argentine exports of these products.

* The authors would like to thank Eduardo Ablin, Verónica Fossati, Jorge Lucángeli and Ana Zamorano for their contributions.

The economic crisis and agricultural protectionism

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Abstract

As a result of the economic crisis, the agricultural sector benefited from a variety of both border and domestic measures of different kinds. In such a highly protected sector as farming, an intensification of protectionist measures and support amid an economic crisis like that initiated in 2008 would have come as no surprise. Nevertheless, not only have the measures applied in relation to this sector been very few, but several of them have been temporary and those that still remain do not appear to be, at least *a priori*, significant in magnitude.

This could lead us to think that the impact of the crisis on agricultural protectionism has not been significant, neither from a qualitative perspective—the instruments used were the same as those prevailing before the crisis—nor from a quantitative one—the crisis did not entail an intensification of trade-defence measures, the reintroduction of export subsidies by some developed countries was temporary and limited to certain products, tariffs were not increased except only temporarily in some countries and specific products, and not all countries raised producer support (as estimated by the OECD).

Consequently, if agricultural protection policies are considered, it seems that the crisis has had a greater impact on sectors other than farming. A possible explanation for this is that the farming sector already enjoys a higher level of protection than other sectors, even when there is no crisis, and that many of these measures are usually designed to increase their protective effect at times of price, production and income falls.

*The authors would like to thank Ivana Doporto for her suggestions and they appreciate the comments of their colleagues at CEI during the internal seminar where a preliminary version of this paper was discussed.

Evolution of Argentine Foreign Trade in the last decade: origin, destination and breakdown

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Abstract

During the first decade of this century, Argentine foreign trade was very dynamic, in keeping with the evolution of world trade and the economic expansion of Argentina's main trade partners. As trade gained a greater share in economic activity, from the macroeconomic point of view, the most significant change was the contribution of the balance of goods and services to achieve a surplus in the current account of the balance of payments, which—unlike in the previous decades—enabled the Argentine economy to grow without generating imbalances in the external sector.

Although the prices of the commodities that Argentina exports—significantly higher than in the previous decades—played a key role to buttress external surplus, the rise in prices of Argentine exports fell short of the rise in the world average or that recorded in the Latin American region. In contrast, the growth of export volumes almost doubled that of the region and also exceeded that recorded by the world economy.

A breakdown of foreign trade reveals that growth was driven by manufactures of agricultural as well as industrial origin, whose share in overall exports increased. Nevertheless, while in the first case prices played a more significant role, in that of industrial manufactures, growth was mainly accounted for by export quantities, whose growth rate more than doubled the average growth of overall exports.

In turn, the profile of Argentine foreign trade—both in relation to the rest of the world and to each of its main trade partners—became more pronounced throughout the decade, with an increase in surplus in primary products as well as in agricultural manufactures and a higher trade deficit in industrial manufactures. In the case of the latter, the increase in surplus recorded with the Latin American region (excluding Brazil) was not enough to compensate for the increase in the deficit with Brazil and Asia. As regards Argentine import origins, Brazil and Asia displaced more traditional trade partners, mainly the United States and the European Union.

Finally, it is worth stressing that there is an important difference between trade with Asia and with Brazil, since while in the first case industrial manufactures represent an insignificant proportion of Argentine exports to that market, intra-industrial trade has a very significant share in overall trade with the Brazilian market, which absorbs more than one half of Argentine exports of industrial manufactures. If we also consider the share of the rest of Latin America in these products, it is clear that the region plays a crucial role in diversifying the trade pattern of the Argentine economy.

* The authors would like to thank Jorge Lucángeli and Carlos Galperín for their comments.

China: measures to respond to the international economic crisis and their role in world trade

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Abstract

The aim of this paper is to review to what extent an economic crisis such as that initiated in 2008 has changed the position of China in the world order and, in particular, how it has influenced the pattern of trade policy measures adopted by China and by the rest of the countries towards Chinese imports.

In 2010 China became the second economy in the world and its enhanced trade performance enabled it to become the first exporter and the second importer worldwide. In macroeconomic terms, the response of China—as that of the rest of the countries—to the crisis was based on expansive monetary and fiscal policies, and on the implementation of a set of economic incentives aimed at boosting domestic demand.

Generally speaking, China did not significantly resort to protectionist trade policies to reduce the impact of the crisis; and neither did most WTO members. China's trade partners do not seem to have made greater use of discriminatory trade policies against Chinese products either.

Lastly, no evidence has been found that the crisis has led China to increase its participation in controversies or in specific trade concerns in terms of technical barriers to trade and sanitary and phytosanitary issues within the WTO.

* The authors would like to thank Graciela Molle for her comments on a previous version of this paper.