# Merchandise Trade in the Atlantic Basin

***Background Paper***

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**Introduction**

This paper provides an analysis of descriptive data of *merchandise* trade within the Atlantic Basin, based primarily on the information made available by UN Comtrade, and complemented by other sources, such as the World Trade Organization (WTO).[1] The other background paper by Dan Hamilton and Joe Quinlan analyzes services trade and investment flows, which represent other important aspects of economic exchange in the Atlantic Basin, but need to be kept conceptually separate as they rest on different kinds of regimes.

The present analysis is based on a "regional" approach broadly defined, in order to sketch a panoramic view of what is, in reality, a very large set of countries. Some of them are part of regional integration groupings, such as the European Union (EU), but most are not. So "region" is understood here mainly as a *geographical concept*, rather than a legal one related to integration. The regions considered are North America (Canada and the United States), Europe (including the EU and EFTA[2]), Latin America (including the Caribbean) and Africa. This aggregated approach certainly has some drawbacks that will be discussed in time, such as grouping Mexico with Latin America even though its trade is overwhelmingly linked to North America through the North Atlantic Free Trade Area (NAFTA).

Yet, this somewhat artificial aggregation is necessary to delineate a first "big picture" of trade in the Atlantic Basin, which is the main objective of this chapter. Thus the first section seeks to answer the very basic questions arising with regard to trade in the Atlantic Basin:

- How are merchandise trade flows organized across the Atlantic?
- Who trades with whom and how much?
- Which are the current trends shaping trade in the Atlantic Basin?
- Which are the most/least dynamics trade flows across the Atlantic basin?

Once these basic issues are established, the second section of the chapter situates Atlantic trade in a broader context in order to elucidate the following questions:

- What is the relative weight of intra-regional trade for each of the Atlantic regions?
- Who depends most/least from trade with Atlantic basin partners?
- What is the relative importance of the Atlantic to its regions and to world trade?
- Given that the rise of Asia is an unavoidable dynamic in today's world trade, what is its role and influence in Atlantic trade?

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[1] WTO; United Nations, International Merchandise Trade Statistics, 2011, available at http://comtrade.un.org/pb/.
[2] European Free Trade Area: Iceland, Liechtenstein, Norway and Switzerland.

The third section provides a more finely tuned analysis of some of the issues arising from the first part, notably:

- What is the role played by some key economies like Brazil, Mexico, Germany, Morocco, Nigeria etc. in Atlantic trade?
- What types of goods are traded in the Atlantic?

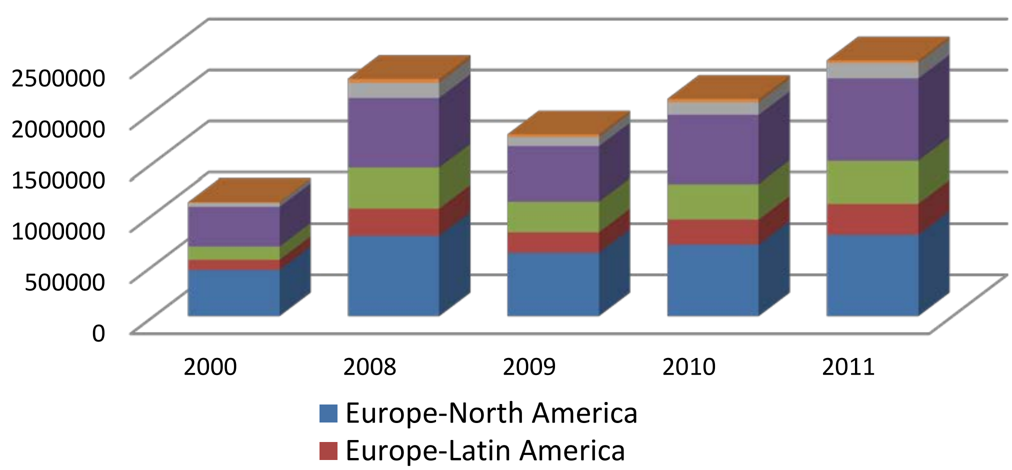
These are important issues to be discussed as there is great variation in all these respects among and within regions. The fourth and last section of the chapter enumerates some of the challenges ahead for merchandise trade in the Atlantic Basin.

**Merchandise Trade in the Atlantic Basin: The "Big Picture"**

A first cut of trade data reveals that total merchandise trade within the Atlantic Basin has more than doubled over the last decade (Chart 1). Overall, between 2000 and 2011, total trade among the four regions constituting the Atlantic Basin grew from $1.115 trillion to $2.520 trillion. So there is, undoubtedly a strong dynamic going on in this area of the world. This is further evidenced by the fast recovery after the 2009 crisis, which provoked a 24% drop in total trade. Yet, by 2011, the volume of trade had surpassed its levels of 2008.

A closer look shows that North America (itself dominated by the United States, which represents 80% of the region's exports to the world) dominates economic exchanges within the Atlantic Basin, given its strong trade relations with Europe and Latin America. In 2011, this triangle, with North America at its apex, represented 64% of total trade in goods in the Atlantic Basin. Merchandise trade between North America and Europe is the most important link of all, representing 1/3 of total such trade in the area, followed closely by trade between North and Latin America. In contrast, the thinnest link is that between Latin America and Africa, which represented only 1.82% of total merchandise trade in the Atlantic Basin in 2011. Therefore, a first conclusion is that exchange among the developed regions is the most important part of merchandise trade within the Atlantic Basin, while exchanges among the developing regions are rather marginal.

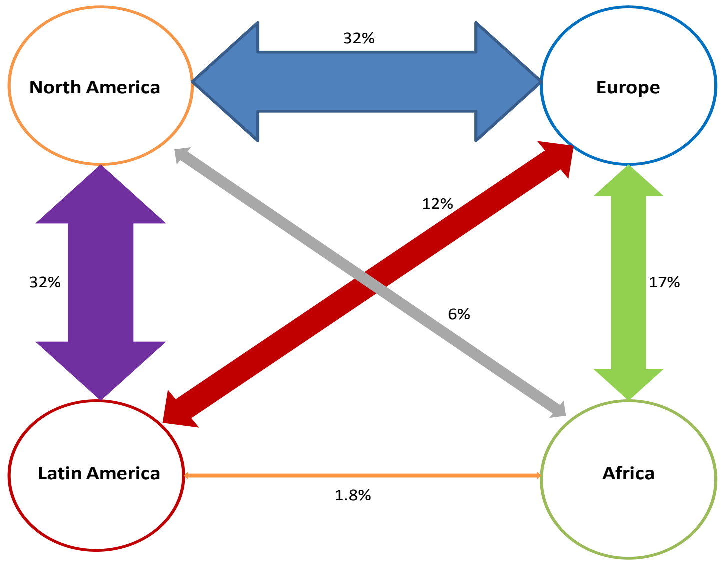
**Chart 1. Total Merchandise Trade Among Regions of the Atlantic Basin**




All figures in million USD

Source*:* Own calculations with *UN Comtrade* data

Figure 1. Distribution of total trade flows in goods in the Atlantic Basin, 2011



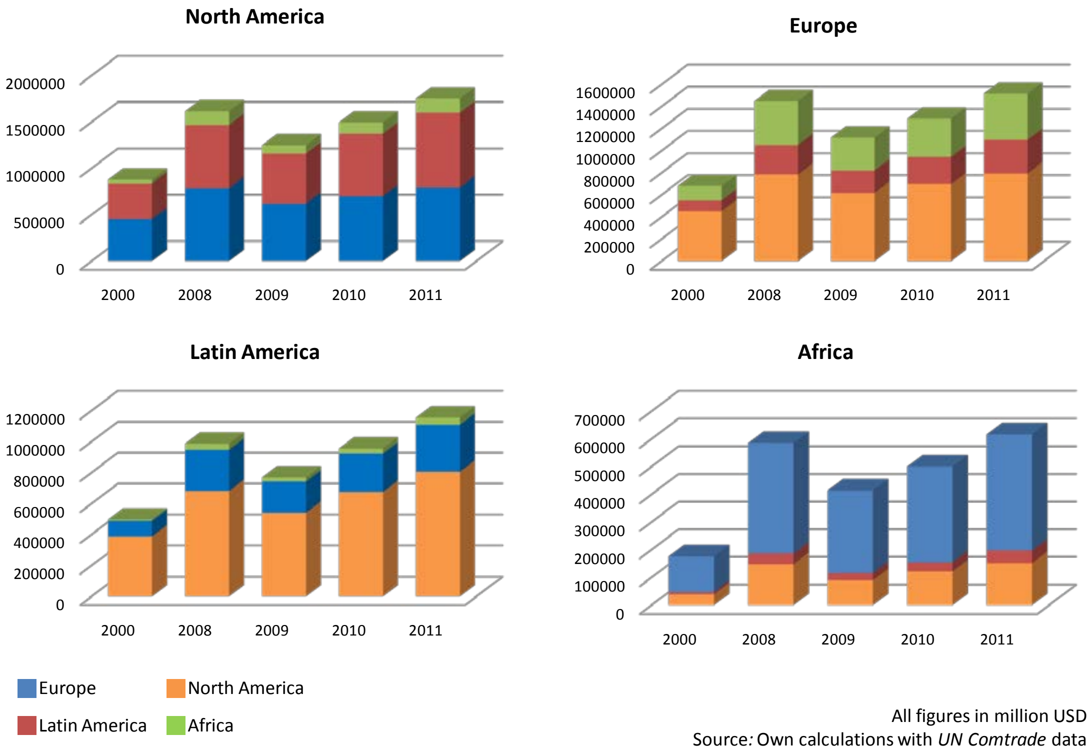

## I. 1. Overall Structure of Total Merchandise Trade Among Atlantic Basin Regions

It is pertinent to analyze in more detail how trade flows have been structured over the last decade for each region with its Atlantic Basin partners, as the previous section suggested there is a great deal of variation in this respect. They are represented graphically in Figure 1. Let us examine each one in turn.

As has already been mentioned, Chart 2 shows that North America's most important merchandise trade partners in the Atlantic Basin are Europe and Latin America, representing each around 48% of its total Atlantic merchandise trade, while Africa trails far behind (less than 1%). For the case of Europe, Chart 2 shows that North America is its most important merchandise trade partner, representing on average more than half (56%) of its total merchandise trade with the Atlantic Basin. So the high importance of the relationship between the two partners of the North Atlantic is mutual, although somewhat more important for Europe than for North America.

Also, in contrast with North America, for Europe, Africa is an important partner (25% on average of its total Atlantic trade), while Latin America follows closely behind (18%). Thus, Europe has a more diversified merchandise trade relationship with the developing regions of the Atlantic Basin than does North America.

**Chart 2. Who trades with whom? Total trade among Atlantic basin regions**




All figures in million USD
Source: Own calculations with *UN Comtrade* data

The data become even more interesting with regard to the developing regions of the "South Atlantic" as they mirror each other. With regard to Latin America, Chart 2 makes clear that its dependence on merchandise trade with North America is overwhelming: on average, exchanges with North America account for 71% of its total Atlantic merchandise trade. Europe is Latin America's second most important merchandise trade partner in the Atlantic, representing on average 25%, while Africa trails far behind (3%).

In the case of Africa, the image is practically identical, as it is overwhelmingly dependent vis à vis its own "Northern partner": Europe on average accounted for 70% of its total merchandise trade with the Atlantic Basin. North America comes second, representing 23%, and Latin America trails with 7%. So, another important conclusion from this brief overview is that the developing regions of the Atlantic Basin, that is, Latin America and Africa, have extremely concentrated trade relationships with their respective "Northern partners", that is, North America and Europe respectively, while they trade marginally with each other (see Figure 1 above).

### I. 2. Trends in Atlantic Basin Merchandise Trade

Having established the basic proportions of how trade flows are structured within the Atlantic Basin, it is now important to focus on trends over the last decade, for they have been influenced by strong differentials in growth across regions and other factors.

In this respect, the most striking fact is that merchandise trade in the North Atlantic (i.e. between North America and Europe) has been declining in relative importance for each of the partners over the last decade, due to sluggish growth in comparison with other regions. Europe´s share of North America's total

Atlantic merchandise trade has fallen from 51% in 2000 to 45% in 2011; in fact, Latin America has taken over as North America´s main merchandise trade partner in the Atlantic Basin, as its own share has grown from 44% in 2000 to 46% in 2011 (Chart 2). On the European side, this decline in the relative importance of North Atlantic merchandise trade has been even sharper. North America´s share of Europe's Atlantic Basin merchandise trade has diminished from 66% in 2000 to 56% in 2011. This loss of 10% has been picked up by Europe's merchandise trade with faster growing (and developing) regions in Africa (from 19% to 25%) and Latin America (from 15% to 18%).

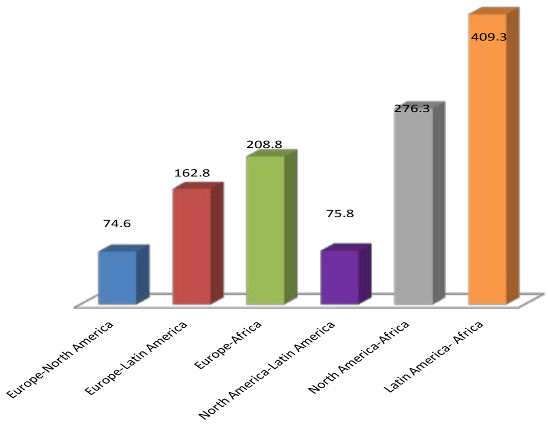
Another striking fact is that, in the case of Latin America, even though merchandise trade with North America remains dominant, a process of diversification has been taking place: while in 2000 North America represented 78% of Latin America's total Atlantic merchandise trade, and Europe 20%, by 2011 these proportions had changed to 72% and 25% respectively. A less pronounced but similar process has been visible in Africa's total Atlantic merchandise trade. Europe's share of Africa's merchandise trade has gone down from 73% in 2000 to 70% in 2011, while that of North America has grown (from 22% to 24%), as has with Latin America (from 4 to 6%). In sum, while there is a more or less clear and established structure of merchandise trade among the regions of the Atlantic Basin, over the last decade a number of trends have been modifying it, notably a decrease in concentration of trade with one partner in favor of a more diversified structure.

These trends are clearer if looking at the different rates of growth in total merchandise trade among dyads of regions within the Atlantic Basin. Interestingly, Chart 3 shows that the most dynamic links in the Atlantic Basin are the least developed ones in terms of trade volume as sketched in Chart 1 and Figure 1. Even before the financial crisis, which began in 2008, merchandise trade between Europe and North America, which is also the largest in terms of volume, was the slowest growing within the Atlantic Basin (74.6% from 2000 to 2008).[3] This explains the decline of this link for both partners, relative to trade with other partners, observed above. Merchandise trade growth between North and Latin America, which is the second largest trade link in terms of volume, was slightly less sluggish (75.8% from 2000 to 2008).

In contrast, Africa experienced the most dynamic external merchandise trade of the four Atlantic Basin regions between 2000 and the start of the crisis; its trade with Latin America grew the fastest, with a four-fold increase, albeit from a very low base. Such variations seem to suggest that some sort of "market maturity" is at play: trade grows fastest where opportunities have barely been explored (and existing volumes are low), while its growth is slowest where opportunities have already been exploited (and volumes are already high).

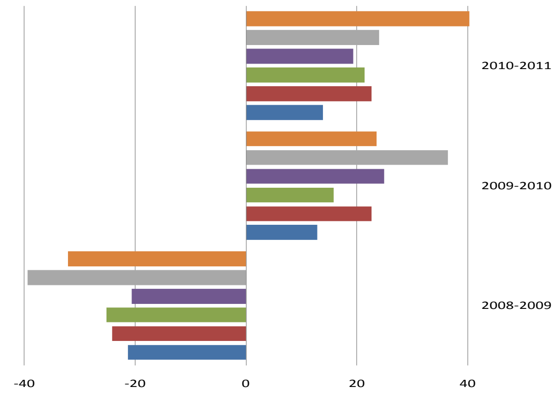
[3] Given that 2009 was a rather anomalous year, I have decided to look at the years 2000-2008 to see trends.

**Chart 3. Total trade growth among regions in the Atlantic basin, 2000-2008 (%)**




Source*:* Own calculations with *UN Comtrade* data

**Chart 4. Annual change in total trade among regions in the Atlantic basin, 2008-2011 (%)**

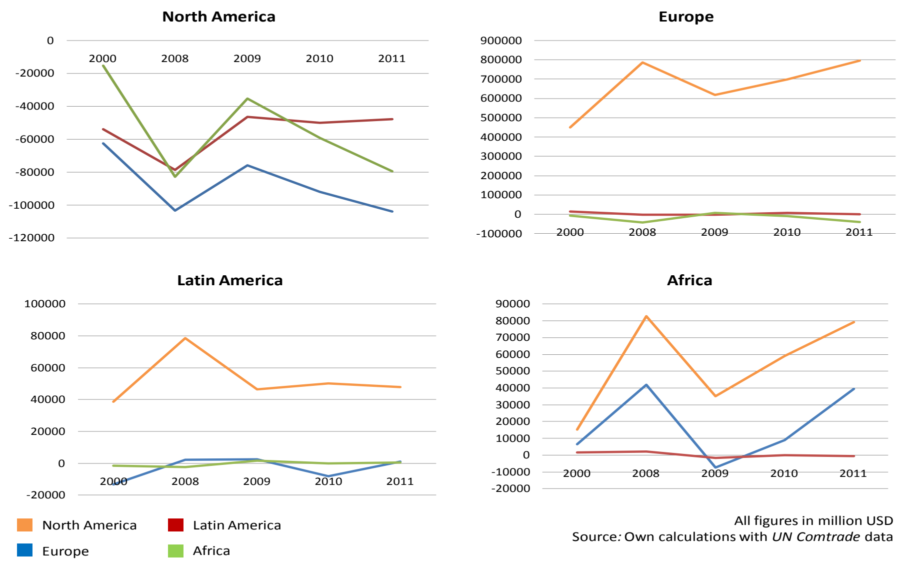



Source*:* Own calculations with *UN Comtrade* data

The effects that the financial crisis, which began in 2008, had on Atlantic merchandise trade links is also worth exploring, as they provide a rough indicator of their vulnerability. Chart 4 indicates that the downturn of 2009 had a very important effect on merchandise trade, which dropped by more than 20% for all dyads in the Atlantic Basin. Africa's Atlantic merchandise trade was the most vulnerable, with a drop of nearly 40% in its exchanges with both North and Latin America, again the smallest links in terms of volume. However, these two also bounced back fastest in the years that followed, suggesting a higher volatility in these new exchanges. In contrast, merchandise trade links in the North Atlantic and within the Americas (the most voluminous) were less vulnerable, dropping "only" over 20%, but they were also the slowest to recover in the years that followed. This is not surprising, given the effects that the financial crisis has had on the economic performance and overall growth of the developed countries of the North Atlantic area and parts of Latin America. Also, trade growth was already slower before the crisis hit.

Another indicator of the structure of merchandise trade flows in the Atlantic Basin is trade balance. In that respect, Chart 5 reveals that North America has a pronounced trade deficit in goods with all its partners. This is all the more important given that it is the main hub of merchandise trade in the Atlantic, as was mentioned at the beginning of the chapter. The 2008 crisis sharply accentuated such deficits. which after a brief recovery in 2009 continued to grow, except for merchandise trade with Latin America, which seemed to stabilize at around $ 50 000 million**.** Obviously, this translates into hefty surpluses for North America's partners, especially Europe, which presents a merchandise trade surplus that averages $700 000 million. In this context, any sign of protectionism or a simple fall in demand in North America is bound to have a very negative impact on Atlantic trade. Africa is the only other region that also has a merchandise trade surplus in its trade with Europe, which reached $40,000 million in 2008 and 2011, probably due to energy exports to the developed economies of the North Atlantic (see section III.1 below).

**Chart 5. Trade balances with Atlantic Basin partners**



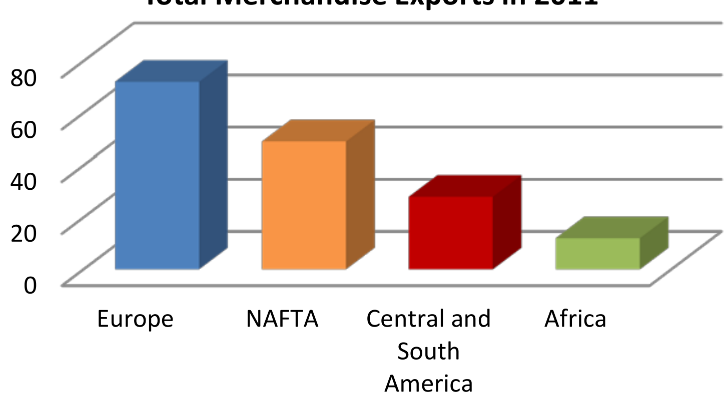

All figures in million USD
Source: Own calculations with *UN Comtrade* data

The other trade links (between Africa and Latin America, between Europe and Latin America) are roughly balanced. The volumes of trade involved in these exchanges are also rather low.

## II. The Role of Intra-Regional Merchandise Trade in the Atlantic Basin

According to WTO, most trade flows take place within regions, rather than between regions. Europe has the highest level of intra-regional trade, with 71% of its merchandise exports going to other European countries (Chart 6). A large part of this is accounted for by intra-EU trade, equivalent of 65% of total EU trade.[4] This highlights the relevance of regional trade agreements, which in the case of the EU is also a customs union and a Single Market where services, capital and people also move relatively easily. To a lesser extent, the predominance of intra-regional trade also features importantly for the countries of NAFTA, with 49% of the member states' merchandise exports going to their partners in that region (Chart 6).

**Chart 6. Intra-Regional Exports as Percentage of Total Merchandise Exports in 2011**



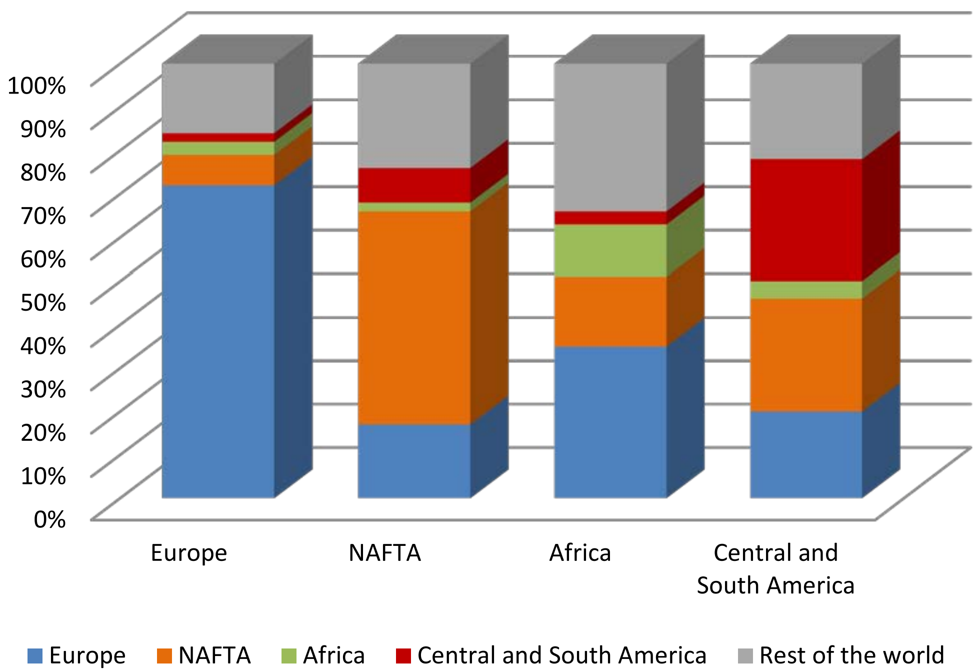

Own calculations based on WTO data

[4] WTO, *World Trade Developments*, International Trade Statistics 2011, WTO, pp. 12-13.

However this concentration of merchandise trade within regions is not visible for the developing partners of the Atlantic Basin. Central and South America's intra-regional exports account for 28% of the region's total merchandise exports, which is still a considerable proportion, but not so dominant as in the Northern Atlantic partners.[5] This relatively high importance of intra-regional trade is probably due to the existence of several regional integration processes, the better functioning of which are the Central American Integration System (SICA, *Sistema de Integración Centro Americano*) and MERCOSUR (*Mercado Común del Sur*). These are complemented by a number of bilateral free-trade agreements, such as the one between Chile and the MERCOSUR countries.

In stark contrast, Africa's intra-regional exports only account for 12% of its total merchandise exports. It is therefore the only region in the Atlantic Basin for which intra-regional trade is not significant.

**Chart 7. Distribution of Merchandise Exports of Atlantic Basin Regions, Including Intra-Regional Trade, 2011**




Own calculations based on WTO data

For the case of NAFTA, although intra-regional merchandise trade is also dominant as a destination for its members' exports, it is less so than it is for Europe. Atlantic partners absorb 27% of the regions' merchandise exports, which is slightly more than NAFTA exports to the rest of the world (24%).

Central and South America is highly dependent on its Atlantic partners in terms of merchandise exports (50%) as well as on its intra-regional trade, while merchandise exports to the rest of the world represent 22% of the total. It is interesting to note that once Mexico is taken out of the "Latin America" group the

[5] In this section, Mexico has been taken out of the "Latin America" region, as it has been grouped with NAFTA; that is why the term used is "Central and South America", which, by the way, also includes the Caribbean, although this has been omitted for the sake of simplicity in presenting the data.

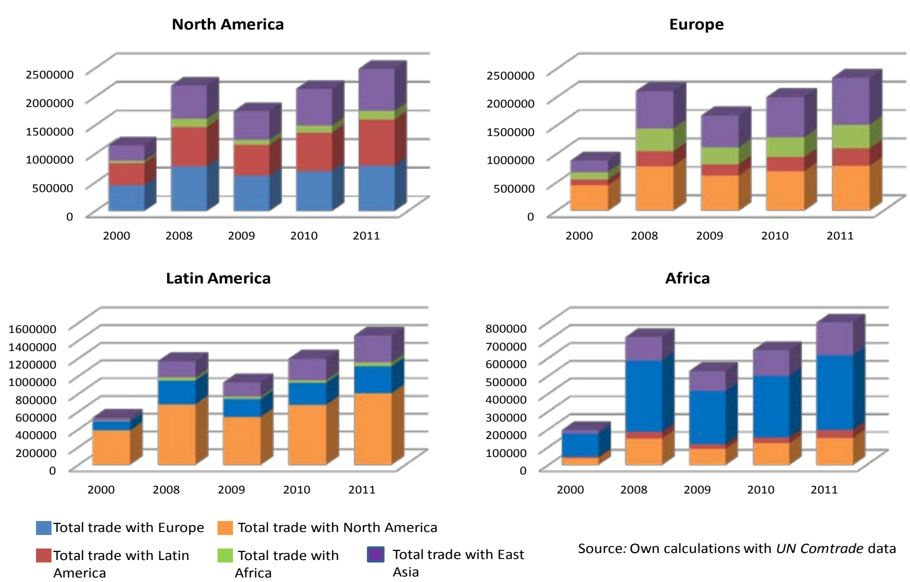
rest of the region exports 26% to North America and 20% to Europe. Indeed, Mexico's exports are highly concentrated in the United States (over 80%), and given the size of its economy and of its external sector, it makes a crucial difference for the calculations on Latin America.

Africa, where intra-regional merchandise trade is lowest, is the region that depends most on Atlantic trade, with 53% of its merchandise exports going to Atlantic partners, notably Europe. Yet, it is also the most dependent on trade with the rest of the world (notably Asia), which absorbs 34% of its exports.

### 3. Asia: "The Elephant in the Room?"

The previous two sections have shown that to have a clearer understanding of the importance of Atlantic merchandise trade for each of its regions it is necessary to put it in perspective with regard to intra-regional trade as well as trade with the rest of the world. Within the latter category, Asia occupies a central place, given its spectacular rise in the past three decades (see Chart 5). It is therefore pertinent to spell out clearly its place in Atlantic trade, lest we end up avoiding talk about this "elephant in the room." Asia's rise in world markets has been most noticed due to the flood of Chinese manufactured exports, but it must be said that the region is also a significant importer, mainly of fuels and mining products to feed its rapid expanding industry. This is why, over the last decade, its merchandise trade has grown faster with Africa and Latin America than with the developed regions of the North Atlantic (Chart 8). According to WTO figures, the share of Central and South American merchandise exports to Asia grew from 13% of the total in 2005 to 23% 2010, surpassing Europe (19%) as second most important destination.[6] In the case of Africa the proportion went from 18% to 24% in the same period, with Asia overtaking North America as the second most important destination of exports.

**Chart 8. East Asia in total merchandise trade of Atlantic Basin regions**




Source: Own calculations with *UN Comtrade* data

## II. Merchandise Trade in the Atlantic Basin: Individual players and the Composition of their Exports and Imports

Having established the broad lines of what the "big picture" of trade in the Atlantic Basin looks like, as well as its relations with Asia, it is now necessary to take a closer look at some of the main players, as

[6] WTO Secretariat, October 2011.

well as to the composition of their trade, not only by destination, but also by type of product. This gives a more nuanced idea of the dynamics at play in the Atlantic Basin.

**1. Table 1. Major Products and Destinations of Selected Atlantic Basin Trading Countries**

| Country | Three major export destinations | Top 3 exports 2008-2011 | Main exported goods in 2011 | % of total exports | Average % yearly change in exports* | Top 3 imports | Average % yearly change in imports* |
|---|---|---|---|---|---|---|---|
| **Argentina** | 1. Brazil | 1. Oil-cake and other solid residues | Food, live animals, beverages and tobacco | 37.4 | 0.14 | 1. Motor cars and vehicles | 10.8 |
| | 2. China | 2. Soya-bean oil and its fractions | | | | 2. Motor parts and accessories | |
| | 3. Chile | 3. Soya beans | | | | 3. Petroleum oils other than crude | |
| **Brazil** | 1. China | 1. Iron ores and concentrates | Inedible crude materials (except fuels) | 29.6 | 12.4 | 1. Petroleum oils, crude | 0.17 |
| | 2. USA | 2. Petroleum oils, crude | | | | 2. Petroleum oils other than crude | |
| | 3. Argentina | 3. Soya beans | | | | 3. Motor cars and vehicles | |
| **Mexico** | 1. USA | 1. Petroleum oils, crude | Machinery and transport equipment | 52.6 | 17.2 | 1. Petroleum oils, other than crude | 16.4 |
| | 2. Canada | 2. Motor cars and other motor vehicles | | | | 2. Motor parts and accessories | |
| | 3. China | 3. Reception apparatus for television | | | | 3. Electrical apparatus for line telephony | |
| **Canada** | 1. USA | 1. Petroleum oils, crude | Mineral fuels, lubricants and related materials | 25.7 | 1.8 | 1. Motor cars and vehicles | 4.3 |
| | 2. United Kingdom | 2. Motor cars and other motor vehicles | | | | 2. Petroleum oils, crude | |
| | 3. China | 3. Petroleum gases | | | | 3. Parts and accessories of motor vehicles | |
| **Morocco** | 1. France | 1. Diphosphorus pentaoxide | Miscellaneous manufactured articles | 20.6 | NA | 1. Petroleum oils, crude | 7.6 |
| | 2. Spain | 2. Phosphoric acid | | | | 2. Petroleum oils other than crude | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 3. India | 3. Wire, cable and natural calcium phosphates | | | | 3. Petroleum gases | |
| **Nigeria** | 1. USA | 1. Petroleum oils, crude | Petroleum oils, crude | 87.1 | 10 | 1.Motor cars and vehicles | 17.9 |
| | 2. India | 2. Petroleum oils other than crude | | | | 2. Motor vehicles for goods transport | |
| | 3. Brazil | 3. Petroleum gases | | | | 3. Motor vehicles (buses and minibuses) | |
| **South Africa** | 1. China | 1. Platinum | Manufactured goods classified by material (platinum) | 29 | 9.8 | 1. Petroleum oils, crude | 5.7 |
| | 2. USA | 2. Iron ores and concentrates | | | | 2. Other unspecified commodities | |
| | 3. Japan | 3. Coal | | | | 3. Petroleum oils other than crude | |
| **Germany** | 1. France | 1. Machinery and transport equipment | Machinery and transport equipment | 47 | 2.8 | 1. Unspecified commodities | 2.8 |
| | 2. USA | 2. Chemicals and related products | | | | 2. Petroleum oils, crude | |
| | 3. Netherlands | 3. Manufactured goods | | | | 3. Motor cars and vehicles designed for transport | |
| **France** | 1. Germany | 1. aircraft (helicopters, airplanes…); spacecraft | Machinery and transport equipment | 37.6 | 1.9 | 1. Petroleum oils, crude | 3.5 |
| | 2. Italy | 2. Medicaments | | | | 2. Motor cars and vehicles | |
| | 3. Spain | 3. Motor vehicles | | | | 3. Petroleum oils other than crude | |
| **Spain** | 1. France | 1. Motor cars and vehicles | Machinery and transport equipment | 33.8 | 3.6 | 1. Motor cars and vehicles | -1.1 |
| | 2. Germany | 2. Petroleum oils other than crude | | | | 2. Petroleum oils, crude | |
| | 3. Portugal | 3. Parts and accessories of motor vehicles | | | | 3. Parts and accessories of motor vehicles | |

*most recent available

Source: United Nations, International Merchandise Trade Statistics: country profiles, 2011

Table 1 above provides a summary of the composition and destination of merchandise exports and imports of some of the Atlantic Basin's main players, as well as the rates of trade growth. A word on the selection is due here. A first cut has been to choose the largest economies for Latin America (Argentina, Brazil, Mexico) Africa (Nigeria, South Africa) and Europe (Germany, France), since they are the ones bound to set trends for the entire region. Then, another group of countries has been included given their involvement in Atlantic trade, even if they are not the largest of their region (Spain, Morocco and Canada). The absence of the U.S. is due to the fact that its economy is better known in general than the ones selected here.

A number of interesting trends are visible from this table. To start with, a look at the first column (main destination of exports) confirms for individual countries what was already observed for regions: the high concentration of intra-regional trade and the rising role of Asia, with China at the forefront followed by India. With the exception of African countries (Nigeria, Morocco and South Africa) all the others have at least one member of their region as major destination for their merchandise exports. This is most accentuated for European countries, where Germany is the only one to have an extra-regional major partner (the U.S.). It is also the case for NAFTA members (Mexico and Canada) and for MERCOSUR partners (Argentina and Brazil). It seems therefore, that regional trade agreements do matter in organizing exchanges.

With regard to extra-regional partners, China features in first place, as it has become a major destination of exports for five out of the ten countries studied. The U.S. comes second, being the major destination for the exports of four of them. Asia occupies a prominent space as destination of all three African countries, with India and Japan beside China. Another interesting observation about the destination of African exports is that there seems to be a clear division between North and Sub-Saharan Africa. While Morocco's exports go predominantly to Europe, Nigeria and South Africa trade more with Asia and the United States. . This suggest that the strong dependence of Africa's exports on European markets is probably driven by North Africa's energy exports to its northern neighbors across the Mediterranean, especially when we think about Algerian and Egyptian oil and gas. In contrast, investment from Asia has grown very fast in Sub-Saharan Africa in recent years, with a corresponding rise in exports.[7]

With regard to the composition of exports, the third column of table 1 shows a notorious North-South divide. All the developing countries of the list export mainly raw materials: oil, fuels, minerals and agricultural products. In this respect, the most extreme case is Nigeria, 87% of whose exports are constituted by crude oil, followed by other petroleum products, which makes this country a very large mono-exporter, completely vulnerable to volatile prices in oil markets. Morocco and South Africa export a more diversified list of mining products (phosphates, calcium, platinum, coal…), the value of which has been rising in the last decade, due to a very high demand in Asia. The countries of South America, Brazil and Argentina, also export raw materials, although they combine oil cake and iron ore with agricultural produce, notably soya beans and their derivatives. Argentina also has a high degree of concentration: 37% of its exports are composed of food, beverages and tobacco. According to WTO data, Central and South America's export boom has been driven by fuels and mining products as well as by agricultural products, while manufactures have lagged behind since 2007. In sharp contrast, developed countries export a much more diversified range of higher value-added products that range from machinery and transport equipment to medicaments and aircraft.

The only exceptions to this pattern are located in North America. The first is Canada, which exports large quantities of petroleum crude and gas, alongside motor vehicles. The second outlier along this North-South divide is Mexico: the composition of its exports is out of line with the rest of developing countries in the list, as it is dominated by manufactures and motor vehicles, instead of raw materials, although petroleum crude is still among its major exports. With regard to destination, its major partners are not in

[7] The Economist.

Latin America, but to its north: the USA and Canada. It is thus more logical to group it with North America than with the rest of Latin America.

With respect to imports, it is interesting to note that the North/South divide becomes less evident: all countries' imports are dominated by motor vehicles and motor parts, except for Morocco and South Africa. All of them also import petroleum products. However, developed countries import crude oil, while developing ones import refined petroleum products from the developed world.

A final observation that is worth mentioning is how trade seems to be dominated by two sectors: on the one hand, petroleum (highlighted in grey) and, on the other hand, motor vehicles and transport equipment (highlighted in brown).

## III. Some Challenges Ahead

The main challenge ahead is that the ongoing economic crisis is provoking a new slowdown in trade. In the first two quarters of 2012, British exports fell by 4% and those of South Africa by 8%. Imports to the EU fell by 4.5%; this is worrisome, given the predominant place of the EU in world trade. This is largely due to a fall in GDP, and thus of demand, especially in Europe, where there is also a shortage of trade finance provoked by Spanish and French troubled banks.[8] The downturn is also now reaching Germany and even China, where the leadership is trying to shift economic focus to rising internal demand, instead of depending so much on exports.

Protectionism is another challenge to Atlantic trade. Argentina and Brazil have exhibited some of the clearest examples in recent years (automotive import restrictions in Brazil, taxes on soya exports in Argentina) while MERCOSUR's internal trade is increasingly affected by new barriers. At the multilateral level, the Doha round has stalled; and it is not obvious that bilateral deals can substitute for them. EU-MERCOSUR trade negotiations stalled since the early 2000s over agricultural protectionism in Europe and other issues like industrial protectionism in Brazil and Argentina, while a North Atlantic deal was abandoned in 1990s over agriculture as well. Despite their dynamism, Africa-Latin American trade volumes are still very low so as to justify the negotiation of a trade deal. However, not everything is lost: the EU and the U.S. have signed free trade agreements with Colombia, Peru and Central America in recent years. The EU is also currently negotiating a free trade agreement with Canada which could give a boost to North Atlantic trade. Moreover, the EU and the U.S. are also considering their own comprehensive economic agreement that could include a free trade agreement but also go beyond it to include agreements on investment, services, and non-tariff barriers.

Nevertheless, it does not bode well for Atlantic trade that the main free trade initiatives are actually looking East, with the ongoing negotiations to create the Trans-Pacific Partnership (TPP).[9] Mexico, Colombia, Peru and Chile also created in 2011 a Pacific Alliance, intended to liberalize the movement of goods, services and people, and to insert these countries into the TPP. As mentioned, the U.S. and the EU may be about to change this, with a decision likely in a matter of weeks.

## Conclusion

The chapter has explained that merchandise trade flows across the Atlantic Basin are organized around the U.S. as the main hub: the largest volume of trade takes place in the North Atlantic, and within the Americas. However, these links are growing the slowest, and were badly hit by the 2008 crisis. Developing regions (Africa and Central and South America) trade primarily with their northern developed neighbors, rather than across the Atlantic. Africa trades mainly with Europe, but its trade with the

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[8] *The Economist*, 08/09/2012 quoting OECD estimates.
[9] The negotiating parties to the TPP are: Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the USA, and Vietnam.

Americas is the fastest growing, especially with South America (Brazil already features as a major destination of Nigerian oil exports). Latin America trades mainly with North America, but once Mexico is discounted, around ¼ of its merchandise exports go to Europe.

The chapter has also established that the relative importance of the Atlantic to its constitutive regions is variable. Europe depends least on merchandise trade with Atlantic Basin partners, and decreasingly so. For North America, the Atlantic still represents around 1/3 of its external merchandise trade, yet this share is also declining. In contrast, the developing countries of Africa and Latin America depend most on their Atlantic trade, albeit they depend mainly on links with their respective "northern neighbors," and not as much on cross-Atlantic relations. Nonetheless, while South-South Atlantic merchandise trade links are both the smallest such Atlantic link and also the most vulnerable, they are growing the fastest.

The chapter has also identified a number of trends in Atlantic merchandise trade, notably a move towards diversification, especially for the case developing regions, while the share of North-Atlantic trade is declining, both for its partners and overall. The importance of intra-regional merchandise trade is also remarkable (71% for Europe; 49% for NAFTA; 29% for Central and South America). This highlights that pan-Atlantic merchandise trade is less important for Atlantic countries than such trade within their own respective regions. The exception here is Africa, which is the most dependent region on Atlantic trade.

Another important trend is "the elephant in the room" -- Asia's role in Atlantic trade. Obviating its increasing role in the trade of all Atlantic partners poses the risk of leaving out of the analysis an important centrifugal force. Its influence is felt more sharply in the developing regions: Latin America and Africa's exports of raw materials have been boosted by Asian demand in recent years. Asia has also become the second largest trade partner of both Europe and North America, overtaking others in the last eight years or so.

A look at the composition and destination of merchandise exports of individual countries in the Atlantic Basin confirms the high concentration of intra-regional trade and the rising role of Asia, with China at the forefront followed by India, although the U.S. remains a key extra-regional partner. With regard to the composition of exports, a notorious North-South divide has been identified. All the developing countries studied export mainly raw materials, while developed countries export a much more diversified range of higher value added products, like machinery and manufactures. With respect to imports in the Atlantic Basin, they are dominated by two sectors: motor vehicles and petroleum products. [could you perhaps add a statement such as "If these countries are to sustain their economic growth and emerge from quasi-colonial status, they will need to diversify their economies and their export potential."]

Finally, merchandise trade in the Atlantic Basin faces important challenges ahead, namely sluggish economic growth due to the ongoing crisis, especially in Europe, and the threat of protectionism, which is a tempting course of action in times of hardship. With the Doha round stuck and only one cross-Atlantic free-trade deal under negotiation (Canada-EU), the "pivot towards the Pacific" may become irresistible to markets and governments alike. Yet a U.S.-EU comprehensive initiative could rebalance initiatives to open markets between Atlantic and Pacific.