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LARGE ECONOMIC SPACES: OPTIONS FOR LATIN AMERICA AND THE CARIBBEAN

Study prepared by Augusto Aninat* UNCTAD consultant

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*Mr. Augusto Aninat is Vice-President of the World Trade Centre in Santiago, Vice-President of the Northern Free Trade Zone of Chile and was previously, inter alia, Director of International Economic Relations in the Ministry of External Affairs of Chile and a senior economist of the Junta del Acuerdo de Cartagena (Andean Group).

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Acronyms and abbreviations

ACS	Association of Caribbean States
APEC	Asian Pacific Economic Cooperation
ATPA	Andean Trade Preference Act
CACM	Central American Common Market
CAP	Common Agricultural Policy
CARICOM	Caribbean Community
CBI	Caribbean Basin Initiative
CUFTA	Canada-United States Free Trade Agreement
ECLAC	Economic Commission for Latin America and the Caribbean
EU	European Union
FTAA	Free Trade Agreement of the Americas
GSP	Generalized System of Preferences
LACS	Latin American and Caribbean countries
LAIA	Latin American Integration Association
MERCOSUR	Southern Cone Common Market
NAFTA	North American Free Trade Agreement
UCITC	United States International Trade Commission

Conclusions

1. An increasingly complex net of sub-regional economic integration arrangements as well as bilateral and trilateral trade agreements has been emerging in the Western Hemisphere in co-existence with trade and cooperation arrangements, and initiatives for such arrangements, between countries in the Western Hemisphere and other major regions.

2. The assessment of the economic implications and opportunities, the administration of all these agreements, as well as the negotiation of further arrangements, pose an enormous challenge to the administrative and negotiating capacities of developing countries in the region.

3. The direct consequence of NAFTA for non-participating countries in the region is expected to be quite modest trade creation which would offset, and perhaps slightly exceed, trade diversion effects. For individual Latin American and Caribbean countries (LACS) trade diversion can, however, be much more significant in particular export sectors.

4. The formation of the FTAA could bring significant gains in trade and investment for the Western Hemisphere, with some risks of trade and investment diversion at the expense of third countries, in particular in Western Europe and South and South East Asia.

5. The European Union is currently reassessing the significance of Latin America for the Union's economic and political relations because of the regions' new dynamism and the growing importance of certain of its markets. New initiatives include negotiations of an association agreement with MERCOSUR, Mexico and potentially Chile.

6. The on-going process of extension of the European Union to economies in transition in Central and Eastern Europe is likely to increase competition for LAC products in the European market and make further export expansion and diversification more difficult. Furthermore, increased competition for LAC exports in the European market will result from closer association of Mediterranean developing countries with the European Union.

7. Mexico and Chile are at present the only LAC members of APEC. However, it is possible that other countries will join in the future to improve their access to the rapidly expanding markets of the Asian-Pacific region.

8. Access by individual LACs countries to NAFTA, on terms which will serve the acceding countries well, will not be easily negotiated. Besides adequate bargaining power, negotiating capacity will be important.

9. For many LACs, membership of NAFTA may be years away. As a transitional measure, "parity" agreements with NAFTA may help to put selected export industries, which suffer severely from unequal competition with Mexico, on the same footing as their Mexican competitors.

10. The formation of the FTAA would eventually lead to hemispheric economic integration, but the integration path towards the FTAA is complex and by no means clear. The creation of the FTAA would seemingly require a longer-term process of deepening integration within regional sub-groupings and a concomitant lowering of trade and investment barriers of these groupings, individual Latin American countries and NAFTA vis-à-vis each other.

11. The formation of the FTAA has to accommodate integration initiatives of countries or groupings in the Western Hemisphere with other regions, in particular APEC and the European Union. Major actors in the Western Hemisphere such as the United States, Brazil and Chile are unlikely to push policies of regional integration beyond limits where such policies would harm the further development of trade and investment links with Europe and Asia. The policy

stance of the FTAA, therefore, should reflect an approach of "open regionalism" involving a process of trade and investment liberalization vis-à-vis other large economic spaces and third-country trading partners. The trade gains from open regionalism are likely to be significant.

12. In the case of many LACs, supply and marketing constraints stand in the way of exploiting market access opportunities which may be obtained though economic integration arrangements. Enhanced policy efforts are required to help expanding and diversifying export supply capabilities.

Chapter I

LARGE ECONOMIC SPACES AND THE PROGRESS OF ECONOMIC INTEGRATION IN THE WESTERN HEMISPHERE : AN OVERVIEW

13. Latin America and the Caribbean are in the midst of a major transformation of their trade, investment and other economic relations at regional and world-wide levels. Countries of the region have made intensive efforts for economic reforms within their structural adjustment programmes, which have brought about a substantial liberalization of their trade and investment. They have further given new dynamics to their regional and subregional integration arrangements and complemented them with numerous bilateral and plurilateral agreements on preferential or MFN basis. Mexico has engaged in fully reciprocal free trade arrangements with US and Canada, which constitutes a major change to the previous unilateral preferential relationships; Chile is negotiating membership with NAFTA while MERCOSUR and Mexico are negotiating reciprocal free trade area arrangements with EU and Chile is intending to follow suit. At the same time, Latin American and Caribbean countries have not lost sight of the need to develop their multilateral trading and investment relations on a worldwide basis. They participated actively in the Uruguay Round of multilateral negotiations and assumed far reaching commitments in WTO for the liberalization of trade in goods and services and the strengthening of a rule-based system in international trade. Furthermore, virtually all countries of the Americas have embarked on a longer term common objective to establish a Free Trade Area of the Americas, and Mexico and Chile have joined together with USA and Canada the initiative for freeing trade and investment within APEC. There is also a variety of special preferential advantages extended to Latin America and Caribbean countries by USA, EU and Canada in complementing the GSP (see Annex table 1).

14. Latin American and Caribbean countries have thus at present quite diversified relationships with major trading nations and their large integration systems. These arrangements provide important benefits to the countries concerned, but they vary considerably in scope and depth. In many cases there are important limitations regarding coverage of agricultural products, clothing, textiles and leather products; regarding the intensity of investment and financial cooperation; and regarding coverage of other areas of cooperation, such as services or public procurement. These areas are frequently crucial for the developing countries concerned and may provide a major motivation for searching to establish closer relationships and a more secure basis for trade and investment with their major markets.

15. In the longer term, the economic aspects of regionalism are likely to evolve considerably as virtually all Latin American and Caribbean countries are going to converge towards the common objective of establishing a Free Trade Area for the Americas. This will be paralleled by progress in liberalization of trade in goods and services as the Uruguay Round agreements will be fully implemented by 2005 and new negotiations will lead to further liberalization of trade in agriculture, services and, possibly,to new multilateral rules for competition and investment by that time.

Progress in regional integration

16. Regional integration in the Western Hemisphere has been substantially revitalized since the mid-1980s. In the Latin American region, barriers to trade and investment are coming down within subregional groupings such as the Andean Group, the CARICOM, the CACM and MERCOSUR, as well as *vis à vis* third countries. In addition to subregional arrangements, bilateral and trilateral trade agreements as well as agreements between individual countries and subregional groupings have been proliferating in Latin America.[1]

17. Furthermore, economic integration between North America and Latin America may gain momentum in the years to come. Thus, Mexico, which is a member of NAFTA, has concluded trade agreements with Costa Rica, Chile, the CACM as well as with

Colombia and Venezuela within the Group of Three. In addition, negotiations on the accession of Chile to NAFTA are underway with good chances of success. The future might see further hub-and-spoke agreements between the United States or NAFTA on the one hand and individual LACs on the other. Trinidad and Tobago has formally indicated its desire to be admitted into membership into NAFTA, either as an individual state or as part of CARICOM. Jamaica has done the same.

18. Moreover, non-reciprocal trade agreements have been concluded by the United States and Canada with a greater number of Latin American countries. Thus, the Caribbean Basin Initiative (CBI) of the United States provides for duty-free access for certain export products from CACM members, CARICOM members and a greater number of other Caribbean islands economies. Restrictions in product coverage, which exclude major products of export interest to the beneficiary countries,[2] have, however, limited the value of the scheme. Demands for "parity" with NAFTA have increasingly been voiced in recent years. Canada provides for similar preferential market access under its CARIBCAN scheme, though the country coverage is more restricted than under the CBI. Moreover, the Andean Trade Preferences Act (ATPA) grants Andean countries duty-free access to the market of the United States comparable in scope to the access under CBI and CARIBCAN.

19. Economic integration within the Western Hemisphere co-exists with agreements and trade initiatives which establish, or aim to establish, preferential or more liberal trade links with other major regions. Thus, CARICOM countries and a greater number of other Caribbean island economies have long since been enjoying preferential market access to the European Union under successive Lomé Conventions. Moreover, the Andean countries and, for agricultural products only, the countries of the Central American Isthmus (Costa Rica, Guatemala, Nicaragua, Panama and El Salvador), benefit from special GSP preferences under the scheme of the European Union. In addition, an Association Agreement is under negotiation between the European Union and MERCOSUR.

20. As regards NAFTA, there are indications that countries outside the Western Hemisphere might also be admitted. Singapore and Israel have been mentioned among possible candidates, the latter being already engaged in a free trade agreement with United States. There is also a renewed initiative to create a free trade area across the Atlantic between NAFTA and the European Union. On the other hand, the United States, Mexico and Chile are members of APEC, thereby demonstrating the importance they attach to their trade links with the Asian Pacific region. In fact, trade of the United States with Pacific Basin countries is greater than with its NAFTA partners.

21. Thus, an increasingly complex net of sub-regional economic integration arrangements as well as bilateral and trilateral trade agreements has been emerging in the Western Hemisphere in co-existence with trade and cooperation arrangements, and initiatives for such arrangements, between countries in the Western Hemisphere and other major regions. The existing network of agreements involves strongly varying degrees of preferential treatment, in particular with regard to product coverage and market access liberalization. The assessment of the implications and opportunities involved, the administration of all these agreements, and the negotiation of further arrangements, pose an enormous challenge to the administrative and negotiating capacities of developing countries in the region.

Main issues

22. For LACs, there are in the first instance short-and medium term issues and concerns regarding large economic spaces which are related to trade and investment. The mixed character of NAFTA implies that the developing country member is much more a direct competitor in products and price ranges on the major North American markets than was the case under the Canada-US Free Trade Area (CUFTA). Mexico will benefit from substantial trade liberalization in North America for products and sectors which remain for the time being subject to significant trade barriers, including quantitative restrictions and some high tariffs as compared to imports from other countries of the region. Various other aspects of the NAFTA Agreement, such as stringent requirements for origin and

export draw- back, may also affect imports from non- member countries. On the other hand, the Mexican import market is rapidly growing and Mexican import barriers are still high in certain sectors of growing export interest to regional suppliers: their market prospects may be preempted in those cases where the mutual regional arrangements remain below the level of NAFTA liberalization.

23. Developing countries of the region are also in direct competition with Mexico as a location for foreign direct investment, especially with regard to location for production for exports to the north American markets.

24. Over time, these concerns and risks may even be compounded; to the extent that more countries may eventually join NAFTA, starting with Chile, the competition dimension will become more pronounced and widened to new export products. The residual "free space" of competition on equal footing will become more and more residual. Even if in the longer run FTAA is established, NAFTA arrangements may still provide more favourable treatment and range over a larger number of sectors and instruments of integration and cooperation in economic, social and other spheres.

25. The substantial progress of integration within the EU, as well as the EU’s progressive enlargement and extension of association and free trade arrangements, affect a large number of Latin American and Caribbean countries for which the Union represents a quarter to one third of their exports and an important investment and technological partner (see table 2). The creation of a single market brought about definite advantages such as harmonized customs, standards and procedures; but also an extension of import barriers to the Union as a whole in a few products which are crucial exports from countries of the region. Furthermore, the rapid expansion of the web of association and free trade arrangements with East and Central European and Mediterranean countries will substantially alter the existing competitive position of Latin American and Caribbean countries for trade and investment.

26. Furthermore, the liberalization of trade and investment in LACs has increased the pressure on them to actively pursue export strategies and the promotion of non-traditional industries services and markets: improved attractiveness for foreign investment and as a technology partner are of increasing importance for attaining such goals. Governments in the region have therefore not only to manage the processes of economic integration within their own regions and their traditional major trading partners, but also have to place such processes into the wider perspective of worldwide globalization and liberalization processes. This will imply the strengthening of relationships with all the more dynamic regions in international trade, including in a particular trade with the highly dynamic South East Asian regions.

27. Recent performance of Latin American and Caribbean countries shows substantial positive trends and a regional dynamism, but also reveals important weakness and untapped potentials. Intra-regional trade has been the most dynamic factor for Latin American exports: growing at an average annual rate of 18 per cent between 1987 and 1994, intra-regional trade accounts now for 30 per cent of total trade, and has become the most important component of foreign trade (see Annex Table 2). Liberalization in the context of structural adjustment programme and the renewed dynamism of subregional integration are the main determinants of this success. The share of intra-MERCOSUR imports doubled from l0.8 per cent in l987 to 20.4 per cent in l994. Shares of intra-group trade also doubled in the Andean Group from 1.3 to 3.5 per cent in the last four years. This growth of intra-trade went hand in hand with rapid growth of extra-regional imports, unilateral trade liberalization and an active participation of Latin American countries in the Uruguay Round of multilateral trade negotiations, which will further reduce trade barriers and foster trade expansion within the region on an MFN basis. Trade with the traditional main regions, NAFTA and EU, grew at half of that speed, but still significantly.

28. Average annual growth rates of exports of 9-10 per cent conceal however important weaknesses. Several Latin American and Caribbean countries achieved

only a nominal export growth of 4 per cent or less, or even negative results to one or the other main market, such as Brazil, Ecuador, Mexico, Peru, Uruguay, and most Central American and Caribbean countries. These weaknesses may constitute a major motivation for the ongoing negotiations for new types of agreements with the major developed partners concerned. On the other hand, exports to developing countries in East, South and South East Asia have become the second most dynamic segment for Latin American countries. In spite of an 18 per cent annual growth performance, the share of this region remained, however, still low, at 8 per cent, and has only gained higher significance for Chile, Peru, Ecuador, and Brazil. In many Latin American and Caribbean countries this share remains at very low levels, at 2 per cent or less. This points on the whole to a considerable untapped potential for future trade development between Latin American and Caribbean countries and South and South East Asian countries.

Chapter II

LATIN AMERICA AND LARGE ECONOMIC SPACES

A. The North American Free Trade Agreement (NAFTA)

Main features of the Agreement

29. The North American Free Trade Agreement, which entered into effect on 1 January 1994, will progressively establish a free trade area between Canada, Mexico and United States. Salient features of the Agreement include the following: Mexico assumed fully reciprocal commitments, with some flexibility notably with regard to timing; liberalization extends to all sectors of trade in goods, including agriculture, textiles, clothing, footwear and other sensitive products and includes early removal of import quotas on such products and substantial reduction of tariffs in favour of Mexican products; remaining barriers will be phased out with few exceptions over five to ten years. NAFTA further provides for an extensive liberalization of the services sectors (subject to a number of exceptions) and investments, and opens the vast regional procurement market of NAFTA suppliers. NAFTA goes beyond trade and investment in harmonizing national policies, notably with respect to intellectual property rights and the establishment of cooperation objectives in the areas of environment and labour standards, without however proceeding to liberalization of movement of workers within the region.

30. In the latter two areas, the NAFTA Agreement is complemented by the North American Agreements on Environmental Cooperation and on Labour Cooperation. These Agreements, which entered into effect on 1 January l994, create an operating framework for cooperation on environmental and labour laws. To complement the objectives set out in the NAFTA agreement for these areas, each Party committed itself to ensure that its laws and regulations provide for high levels of environmental protection and for high labour standards, consistent with workplaces of high quality and productivity, respectively. Parties shall further continue to strive to improve those standards. Member countries undertook far reaching commitments regarding strengthening their national policies, government enforcement measures including monitoring of compliance, sanctions and remedies, and open procedures accessible to partner countries. Both Agreements include in addition comprehensive institutional mechanisms for fostering mutual cooperation and overseeing compliance, as well as for consultation and the settlement of disputes, including monetary and trade sanctions.

31. The Environment Agreement contains furthermore specific commitments of member States to consider prohibiting the exports of domestically prohibited toxic substances and pesticides to partner countries. The institutions established under the Agreement are further entrusted with the tasks of developing recommendations on greater compatibility of environmental technical regulations, standards and conformity assessment, including appropriate limits for specific pollutants; promoting cooperation with respect to a large range of policy matters instruments and promotional measures; and proposing areas for technical assistance.

32. The Agreement on Labour Cooperation sets out, _inter alia_, guiding principles that the Parties are committed to promote in eleven areas, without however establishing common minimum standards for domestic law. The principles relate to freedom of association and protection of the right to organize collective bargaining, the right to strike, prohibition of forced labour, labour protection for children, minimum wages and employment standards, protection of migrant workers and of occupational safety and health. A Council is entrusted with the task of overseeing the implementation of the Agreement. It shall further promote cooperative activities in such areas, as well as develop, amongst others, programmes for human resource development, social programme for workers and their families, programmes for productivity improvement, and proposals for technical

assistance for the development of labour standards. Dispute Settlement procedures may be set in motion subject to prior mutual consultations, in matters, which are trade-related, covered by mutually recognized labour laws and address issues of enforcement of a party's occupational safety and health, child labour or minimum wages technical labour standards (comprising most of the eleven areas above). These procedures may lead to monetary and trade sanctions.

Ex- ante assessments of the likely effects of NAFTA

33. The direct consequence of NAFTA is expected to be quite modest trade creation which would offset, and perhaps slightly exceed, trade diversion effects.[3]

34. A USITC survey of modelling research on the potential effects of NAFTA states that general equilibrium models of NAFTA project an once-and-for-all rise in US GDP of 0.5 per cent at most, which could translate into an equivalent expansion of Latin American exports to the United States worth some $ 100 million at best.[4] Trade generation would clearly benefit Mexico most. Estimates of the expansion in Mexico-United States trade range from 4 to 27 per cent as the once-and-for-all rise, and a corresponding rise in Mexican GDP of up to 10 per cent. Substantive output expansion in Mexico is in particular expected in sectors with scale economies. A necessary condition for such expansion, however, would be considerable new investment in Mexican industry to expand manufacturing capacity by about 20 to 30 per cent by the end of the decade.[5]

35. As it has been analyzed in other UNCTAD studies, trade diversion effects will vary between production sectors and non-NAFTA LACs and can be significant for the economies of the countries concerned.[6] Trade diversion could be the result of the substitution of LAC exports in the United States and Canadian markets by Mexican suppliers, but LAC exporters could also lose markets in Mexico due to increased imports from the United States and Canada.

36. In agriculture, it is in particular imports by the United States of Mexican horticultural products (e.g. melons, frozen orange juice concentrate, cucumbers, onions, green peppers, tomatoes) which are likely to increase at the expense of suppliers in other Latin American countries. NAFTA will also probably erode or eliminate the benefits of CBI trade preferences within sectors such as citrus, cut flowers, electronics, and clothing assembly. Furthermore, a study by the Iberoamerican Institute of Agricultural Cooperation which examined the impact of NAFTA on agricultural and livestock exports from Central American countries identified significant risks of trade diversion in the case of pineapples, cantaloups and cucumbers due to increased imports from Mexico.[7] NAFTA also provides in the medium- term the possibility for Mexico to expand substantially its exports of sugar to USA, should it develop export surpluses. On the other hand, the study points out that in many instances Mexico has gained through NAFTA free access to the market of the United States for products not exported by the Central American region.

37. As regards manufactured products, it has been suggested that NAFTA quite deliberately blocks the potential for future expansion of such exports from leading Latin American exporters (particularly Brazil, but also Colombia and Chile) to North America in sectors where stricter rules of origin apply: automotive goods, computers and other electronic equipment, machine tools, textiles and apparel, major household appliances, industrial machinery, and bearings.

38. LACs may also face risks of diversion of FDI as a consequence of NAFTA. According to the USITC survey, projections suggest amounts of $ 25-53 billion in extra FDI flows towards Mexico during the rest of this decade (though these figures reflect both FDI creation and FDI diversion).[8] FDI diversion to Mexico may be important in relatively highly protected sectors such as textiles and clothing, possibly at the expense of more efficient producers elsewhere in Latin America. Stringent rules of origin might further exacerbate FDI diversion effects.

Some preliminary statistical evidence
CUFTA

39. The Canada-United States Free Trade Agreement (CUFTA) which came into effect in 1988 has by now brought about an important degree of trade liberalization between United States and Canada. This agreement is now superseded by NAFTA, apart form its provisions for agricultural trade. Actual trade data confirm that this agreement has made a concrete impact on mutual trade between the two countries. CUFTA has, together with other factors such as the depreciation of the Canadian dollar, contributed to a faster expansion of Canadian exports to the US, growing annually on average by 8.5 as compared to 6.6 per cent worldwide during 1988 to 1994. As a result, the already high share of USA in Canadian exports has further grown from 73 per cent to 82 per cent. Growth of US exports was however by and large similar for Canada and worldwide.

40. Apart from Mexico, LAC suppliers lost market shares during that period. United States' imports of their products grew only at 5.4 per cent annually as compared to 8.4 per cent of those of Canada. While Canadian imports from Mexico expanded vigorously, as well, the value of imports from other countries of the region virtually stagnated. If imports of food and manufactures alone are considered (which represents broadly the main range of dutiable products benefitting from CUFTA preferences), United States' imports from regional sources outside Mexico rose by 5 per cent as compared to about 8 per cent for Canadian products. Canadian regional imports of such products even decreased by 1 per cent annually, as compared to a 6.2 per cent rise in the case of United States' products.[9]

NAFTA

41. Since the North American Free Trade Agreement (NAFTA) has come into effect on 1 January 1994, intra-trade of NAFTA expanded rapidly. Intra-NAFTA exports expanded from a share of 46.2 per cent of regional trade to 48.4 per cent between 1993 and 1994: this included a continued growth of the share of trade between US and Canada, as well as a vigorous expansion of the Mexican share of exports to its two partners in its global exports from 85.8 per cent to 87.7 per cent. Thus, the previous trend towards further concentration of its export- orientation towards the North American market continued. This trend had already been supported by special preferential arrangements and the maquiladora scheme before NAFTA came into effect. It appears to be to an important extent related to investment which has taken advantage of such schemes. Exports of Mexico to NAFTA continued to grow rapidly during 1995, also boosted by the significant depreciation of its currency: the NAFTA share in its exports rose to almost 88 per cent.

42. In l994 Canada succeeded in further expanding its market shares rapidly on the market of the United States for a wide range of products, such as meat and meat preparations, cereal products, fruit, sugar, oilseeds and vegetable oils, dying and tanning extracts, perfumes, pharmaceuticals, plastic materials, wood products, textiles, metal manufactures, metal- working machinery, machine parts, cars, trucks, sanitary equipment, furniture and scientific instruments. Mexico gained significant shares in United States' imports, amongst others, for sugar, food preparations, beverages, textile fibres, animal oils and fats, essential oils, manufactured fertilizers, plastic materials, leather and leather products, rubber products, steel and metal manufactures, sanitary equipment, furniture, clothing, power- generating machinery, machine parts and equipment, computers, telecommunication equipment and household electronics. In many cases, these gains in market shares were not accompanied by a reduction of market shares of other Latin American and Caribbean countries, but rather of those outside the region. In few cases trends of market shares developed however inversely for Canada or Mexico on the one hand, and for the other LACs on the other: this was notably the case for sugar, beverages, oilseeds and vegetable oils and leather products. In yet a number of other cases LACs succeeded to expand their market shares in United States in spite of NAFTA competition, or cases where losses were

unrelated to NATA preferences (for example, when NAFTA shares decreased or remained very low).

43. Integration in the Western hemisphere probably made effectively a contribution to more dynamic foreign investment. Thus, FDI in Mexico rose from an average level of about $ 2.5 billion towards the end of the eighties to about $4.8 billion in 19-93 and to $ 8 billion in 1994, the first year of NAFTA. It seems that NAFTA had raised high expectations with regional and foreign investors already prior to coming into being. Several NAFTA-induced considerations may have contributed to such FDI dynamism. The large and rapidly growing Mexican market was expected to provide sizeable new business opportunities to foreign investors before the financial crisis intervened at the end of l994. Mexico also offers a low-cost production platform and liberal market access for exports to North America. Due to NAFTA, investment, production and operating conditions have also been substantially liberalized by Mexico. Stringent origin requirements, cumulative treatment of regional inputs and production processes, and limitations to export- drawback on imported inputs within NAFTA also favour investment and production of materials and component inside the grouping. For US and Canadian investors, relocation of certain production processes to Mexico also enhances their international competitiveness on domestic and foreign markets. Mexico also provides an export base for easier access to other Latin American markets. Further large investment increases are planned for example by the US automotive industry: US forecasts indicate a doubling of car production capacities in Mexico by the year 2000.[10] [11]

B. The Free Trade Agreement for the Americas (FTAA)

44. The project of a FTAA envisages the creation of a free trade zone by the year 2005 encompassing the whole of the Western Hemisphere. Representatives from thirty-four Latin American countries[12] which participated in the Ministerial Summit for the Americas held in June 1995 in Denver, Colorado, stressed that the FTAA would not erect new trade barriers to other countries and be completely consistent with WTO rules and principles.

45. The formation of the FTAA could bring significant gains in trade, investment and technology flows for the Western Hemisphere. LAC exports to North America could in the year 2005 be US$ 45 billion higher than they would be without the FTAA, while exports from North America to LACs could be US$ 35 billion higher.[13] Other assessments are less optimistic with regard to increases in LAC exports. Hufbauer and Schott have projected that the FTAA scenario would increase US exports to LACs in the year 2002 by about $ 36 billion above the level that might be reached under a scenario of continuing unilateral reforms.[14] Likewise, they suggest that the FTAA scenario would entail a level of United States imports from LACs in 2002 that would be about $ 28 billion greater than might be achieved under the continuing reform scenario.

46. On the other hand, there are risks of trade diversion for both Western Europe and South and East Asia as a result of the formation of a FTAA. According to Hufbauer and Schott, East Asia could suffer trade diversion of $ 7.3 billion of its exports in 2002, which would amount to 2.6 per cent of projected East Asian exports to the United States in the same year. More than 30 per cent of this diversion would be concentrated in the textiles and clothing sectors ($ 3.4 billion). Significant diversion could also be experienced in leather products ($ 908 million), leisure and sporting goods ($ 448 million), and primary metals ($ 603 million). South Asia would experience diversion of about $ 3.2 billion in 2002, or 2.8 per cent of its projected exports to the US market. The sectors experiencing the greatest diversion would be food products ($ 1.0 billion) and textiles and clothing ($ 1.2 billion).

47. As regards Western Europe, about $ 5.7 billion of its exports could be diverted in 2002, a figure that would amount to 3.5 per cent of projected Western European exports to the United States market in that year. Much of the export loss would be concentrated in food products ($ 1.2 billion) and textiles ($ 1.3 billion). European exports of primary metals and chemicals would also suffer significant annual diversion ($ 0.2 billion and $ 0.5 billion, respectively).

Overall, a FTAA might cause third countries to lose $ 27.6 billion of merchandise exports to the United States market in the year 2002, or 2.8 per cent of their exports to this market.

48. Moreover, investment diversion is expected to occur in favour of LACs at the expense of the Asian region, Western Europe and the current three NAFTA members. An FTAA should promote more efficient use of natural and human resources and better exploitation of scale economies, enabling regional firms and workers to compete more effectively against foreign suppliers both at home and in third markets. Hence, LACs would become a more attractive location for production. Furthermore, it has been suggested that investment diversion could, in turn, lead to significant further export losses of the countries affected by investment diversion.[15]

C. The European Union

49. The European Union is a major trading partner for Latin American and Caribbean countries. EU absorbed in 1994 about one sixth of the global exports of the region, and constituted for two thirds of them one quarter or more of their global exports. Nonetheless, the importance of EU as a trading destination for LACs is now much lower than in the early eighties, when it exceeded one quarter of their global exports, and this proportion has been further declining in most countries during the nineties.[16]

50. The European Union is also an important investment partner for the region. By the beginning of the nineties, the EU was the origin of about half of the FDI stock in Argentina, Brazil, Paraguay and Uruguay; and of about 20 per cent or more in Colombia, Ecuador, Mexico, Peru, Venezuela, and Guatemala.[17]

a) The European Union is currently reassessing the significance of Latin America for the Union's economic and political relations because of the regions' new dynamism and the growing importance of certain of its markets (in particular Mercosur, Chile, and Mexico). New initiatives include negotiations of an association agreement with Mercosur and Mexico by stages, with the objective of establishing a reciprocal industrial free trade area, but more limited preferences for agricultural products. The negotiation of a similar agreement with Chile is under consideration.

51. So far, LAC exporters have continued to lose market shares in the European Union, from 3.5 per cent 1985 to 2.2 per cent in 1994. The product mix of exports has moved away somewhat from agricultural products towards manufactured goods. The losses were primarily concentrated on LAIA exports of agricultural products, whose share in EU imports decreased from 12.6 to 10 per cent. CARICOM's position remained relatively stable, whereas Central America has recently recuperated its earlier market positions. As long as protection under the CAP continues, positive income effects in the European Union will benefit primarily producers in the Union. However, Latin American suppliers have been able to benefit from market niches in the agricultural sector. Thus, Brazil and Argentina have recorded increases in exports of high quality and processed meat. Fishery exports, mainly from Argentina, Chile, Ecuador and Peru, have also been expanding. In addition, exports of tropical fruit (pineapple, mango, papaya) have been increasing, as have exports of cut flowers and plants, mainly from Brazil, Colombia, Costa Rica, Guatemala and Honduras in competition with ACP and Mediterranean suppliers. Moreover, Latin America is highly competitive in oilseed production.

52. LAC exports of manufactures to the European Union have kept pace with global EU import growth but remained small: their share remained at about 0.7 per cent of EU imports throughout the last decade. They originate mainly from Argentina, Brazil and Mexico. By contrast, Asian developing countries have gained substantial market shares in the European Union. If LAC suppliers are to increase their participation in manufactures, they will need to diversify and increase their competitiveness in quality, capacity, productivity and timely delivery.

53. The establishment of the Single European Market has provided certain advantages to LAC exporters, as they can now trade with a large single market

without internal barriers, at unified access conditions. Both advantages and problems have derived from this change for LAC exports to the Community. Where applicable, common standards and certification procedures for the Union as a whole can bring about significant improvement of market access. This had for example facilitated Latin American meat export under bilateral inspection and certification agreements with EU. Since 1993, new requirements for quality inspection entered into effect for imports of fruits and vegetables, which are important export products mainly for Chile and Argentina. Such inspections can likewise be arranged in the exporting countries, subject to agreements with the Community for approval of on-site inspections. On the other hand, lasting differences in national standards between EU member States for fruit and vegetables continue to raise problems for meeting the obligatory requirement of obtaining sanitary certificates.

54. The process of unification of foreign trade regimes has in some important cases brought about a steep rise in tariff barriers in certain national markets which had previously applied liberal access conditions, such as in the case of bananas in Germany and other EU markets; tariff surcharges for fruit varying with the level of import prices; and the extension or introduction of new quantitative limitations for textiles and clothing and anti-dumping duties by new member States of EU.[18]

55. The on-going process of extension of the European Union to economies in transition in Central and Eastern Europe is likely to increase competition for LAC products in the European market and make further export expansion and diversification more difficult. LAC suppliers face competition in the European Union from suppliers in Central and Eastern European countries with regard to such products as fish, tobacco, leather, mining products and food. Other products from Central European countries that may have certain competitive advantages include wood and wood products, oil and oil byproducts and certain manufactured goods such as steel, textiles and clothing, and machinery.

56. Furthermore, increased competition for LAC exports in the European market will result from closer association of Mediterranean developing countries with the European Union. Mediterranean products which would compete with Latin American supplies include in particular fish, fruits and vegetables, tobacco, and textiles and apparel.

D. The Asian Pacific Economic Cooperation (APEC)

57. APEC[19] has the basic objective of fostering economic growth, development and cooperation in the Asian Pacific region. APEC is based on a vision of common interests which recognizes the growing interdependence among the economies of member countries. The members of APEC have agreed on the long-term goal of achieving free and open trade and investment in the Asian-Pacific region. Industrialized countries intend to meet this goal by 2010, developing economies by 2020. Moreover, the "Declaration of Osaka", which was agreed at the APEC Ministerial Summit Meeting in Japan in November 1995, emphasizes that the liberalization of APEC trade relations with non-member countries is an equally important objective.

58. Currently, LAC exports to the Asian-Pacific region do not represent more than 5 per cent of its total exports. Suppliers are concentrated in Brazil, Mexico and Chile which export food and mining products, in particular copper and iron. Only Brazil supplies a significant amount of manufactured goods. As for LAC imports from the Asian-Pacific region, Asian suppliers furnish mainly manufactures, especially machinery and transport equipment. Foreign direct investment from Asia has so far not reached 10 per cent of total FDI in Latin America, but it is growing. Moreover, it is concentrated almost totally on Brazil, Mexico and Chile.

59. Chile and Mexico are at present the only LAC members of APEC, but it is likely that other countries will join in the future to improve their access to the rapidly expanding markets of the Asian-Pacific region.

Chapter III

STRATEGIC OPTIONS FOR LATIN AMERICA AND THE CARIBBEAN IN THE CONTEXT OF ECONOMIC INTEGRATION PROCESSES

60. Essentially, there are five major avenues along which Latin American and Caribbean countries can attempt to respond to challenges of large economic spaces. First, they can construct sub-regional integration groupings of their own - a process which is already in full swing. Secondly, they may attempt direct access to NAFTA as members. Thirdly, they can establish together with NAFTA a hemispheric FTAA. Fourthly, LAC sub-groupings or individual countries could look for closer economic links with the European Union. Finally, Latin American countries on the Pacific Rim may choose to join APEC. As shown in chapter I, all these options are already reflected in the current pattern of integration groupings and integration initiatives of the Western Hemisphere.

Expanding NAFTA

61. Access to NAFTA, on terms which will serve the acceding countries well, will not be easily negotiated. Thus, NAFTA requires reciprocal commitments also from developing countries. It covers trade in both goods and services, but many LACs countries still lack sufficient strength in many services industries which are often large providers of jobs. Also, rules of origin under NAFTA may prove to be more stringent than those of other trade arrangements, such as the CBI, of which the acceding countries may be members. Moreover, government procurement must be made open to all NAFTA member states. In addition, member countries are requested to comply with advanced labour standards and environmental protection rules. Furthermore, countries wishing to accede have to liberalize FDI and grant MFN- and national treatment. Even before accession, they will be required to conclude with the United States bilateral investment agreements and intellectual property rights agreements.[20] Candidates for accession are also expected to demonstrate a satisfactory macroeconomic performance.

62. Adequate bargaining power of countries which wish to accede will be crucial. In the case of smaller countries, there may be no room for extended negotiations of special conditions. Rather, they are likely to find themselves confronted with a standard package. Negotiating capacity will therefore be important. LACs wishing to join need to have a clear perception of the full implications of NAFTA and the potential opportunities and costs which membership involves for their economies. To increase bargaining power and negotiating capacity, sub-regional integration groupings, rather than individual countries, could seek to link up with NAFTA. Thus, the conclusion of the Association of Caribbean States may help to improve the terms on which countries in the region will be able to join NAFTA.

Industry-specific "parity" agreements

63. For many LACs, membership of NAFTA may be years away. In the meantime, important export sectors of these countries may suffer from unequal competition with Mexico in the United States market. A solution to their problem might be sought in arrangements with NAFTA which would provide "parity" for the affected industries, offering them the same access to the United States market as that enjoyed by competing industries in Mexico. A realistic assessment, however, suggests that parity agreements are a negotiable option mainly in the case of smaller countries where affected industries have limited export supply capabilities and modest market shares in the United States. A case in point might be the Caribbean apparel industry which has, in fact, tabled demands for parity treatment.

Integration towards a FTAA

64. The formation of the FTAA would eventually lead to hemispheric-wide economic integration. But the integration path towards the FTAA is complex and needs to be further specified in the preparatory process which is only at its

beginnings. An expanding NAFTA and sub-regional integration groupings in Latin America and the Caribbean could be seen as building blocs for the formation of the FTAA. However, the wide differences in coverage and preferential treatment both between sub-regional arrangements and between these arrangements and NAFTA make their merger into a hemispheric FTAA a difficult deal. The creation of the FTAA would seemingly require a longer-term process of deepening integration within regional sub-groupings and a concomitant lowering of trade and investment barriers of these groupings, individual LACs and NAFTA vis-à-vis each other. The deepening of sub-regional arrangements would include extending their coverage to a broader range of goods, and to services, and investment. Moreover, a process of standardizing sub-regional integration arrangements, using WTO rules as a starting point, as well as the continuation of unilateral liberalization and economic reforms would accelerate progress in the direction of a FTAA.

Strategy of "open regionalism"

65. The formation of the FTAA has to take into account that trade and economic progress of the countries in the Western Hemisphere depend very much on a strong and open multilateral trading system. More specifically, a FTAA has to accommodate integration initiatives of countries or groupings in the Western Hemisphere with other large economic spaces. The interest in APEC shown by major countries such as Chile, Mexico and the United States, the renewed interest in a trans-atlantic free trade zone between the United States and the European Union and the on-going negotiations of an association agreement which would link MERCOSUR to the European Union clearly demonstrate that important trading nations in the Western Hemisphere are not willing to pursue the formation of the FTAA at the expense of significant trading interests in Asia and Europe. Rather, their policy stance reflects an approach of "open regionalism". The formation of the FTAA, therefore, would need to be accompanied by a lowering of barriers to trade and investment of the Western Hemisphere vis-à-vis third-country trading partners to maintain open windows to the rest of the world.

Gains from "open regionalism"

66. To obtain an approximate idea of the potential trade gains from a policy of "open regionalism", three basic scenarios may be examined. One involves North America and LACs which pursue a process of trade liberalization aimed at the creation of a Western Hemisphere free trade zone. A second scenario involves LACs and an expanded European Union, including the rest of Europe and North Africa. In this scenario, LAC gains, on a reciprocal basis, conditions of access that are as favourable as those enjoyed by full members of the Union. A third scenario involves a process of trade negotiations with major countries in the Asian-Pacific region resulting in free access to the markets of these countries, again on a reciprocal basis.[21]

67. Some basic estimations have been carried out to determine the order of magnitude of the potential benefits of each of the three scenarios for Latin America and the Caribbean, comparing actual trade flows of 1993 with those expected in 2005. For the latter year, estimations have been made for two hypothetical situations. First, an assessment of trade flows under current market access conditions and secondly an assessment of trade flows under the three scenarios of negotiated liberalized market access conditions. The differences in trade flows in the year 2005 under the scenarios of negotiation and non-negotiation indicate for that year the potential gains or costs due to the existence of the three trade agreements. The results are presented in tables 1 to 3.

Table 1

SCENARIO 1 : FTAA

INDICATORS	1993[1/]	WITH FTAA (2005)	WITHOUT FTAA (2005)
Latin Exports to North America (Billions of US$)	77.1	183.6	138.5
Latin Exports to North America/ Total North American Imports(%)	10.0%	18.6%	14.0%
Latin Exports to North America/ Total Latin Exports (%)	48.0%	65.7%	57.5%
Gains to Latin America from FTAA (Billions of US$)		45.2	
Gains to Latin America from FTAA (% of Latin American GDP)		2.0%	
North American Exports to Latin America (Billion of US$)	81.0	192.9	158.0
North American Exports to Latin America/ Total Latin Imports (%)	44.2%	69.1%	56.6%
Gains to North America from FTAA (Billions of US$)		34.9	
Gains to North America from FTAA(% of North American GDP)		0.4%	

Table 2

SCENARIO 2: EXPANDED EUROPEAN UNION (EU)

	1993[1/]	WITH EU (2005)	WITHOUT EU (2005)
Latin Exports to the European Union (Billions of US $)	25.5	45.8	36.4
Latin Exports to the EU/ Total EU Imports (%)	1.9%	1.5%	1.2%
Latin Exports to the EU/ Total Latin Exports(%)	16.0%	16.4%	13.0%
Gains to Latin America from negotiating with EU (Billions of US$)		9.4	
Gains to Latin America from negotiating with EU (% of Latinamerican GDP)		0.4%	
EU Exports to Latin America (Billions of US$)	34.2	61.4	48.8
EU Exports to Latin America/ Total Latin Imports (%)	18.7%	22.0%	17.5%
Gains to the EU from negotiating with Latin America (Billions of US$)		12.7	
Gains to the EU from negotiating with Latin America (% of EU GDP)		0.1%	

Table 3

SCENARIO 3:ASIAN PACIFIC (AP)

	1993[1/]	WITH AP (2005)	WITHOUT AP (2005)
Latin Exports to Asian Pacific (Billions of US$)	17.4	54.6	31.2
Latin Exports to Asian Pacific/Total Asian Pacific Imports(%)	2.1%	2.6%	1.5%
Latin Exports to A. Pacific/ Total Latin Exports(%)	10.9%	19.6%	11.2%
Gains to Latin America from negotiating with AP (Billions of US$)		23.4	
Gains to Latin America from negotiating with AP (% of Latin GDP)		1.0%	
Asian Pacific Exports to Latin America (Billions of US$)	24.7	77.4	44.3
Asian Pacific Exports to Latin America/ Total Latin Imports (%)	13.5%	27.7%	15.9%
Gains to Asian Pacific from negotiating with Latin America (Billions of US$)		33.1	
Gains to Asian Pacific of negotiating with Latin America (% of GDP of Asian Pacific)		0.3%	

68. In all three scenarios, both parties record trade gains in the presence of trade agreements. The largest gains would be generated in the case of the implementation of the FTAA, the smallest ones would accrue from the trade agreement with the European Union. The gains of LACs would in absolute values be lower than those of the European Union and the countries in the Asian-Pacific region. However, LAC benefits would be greater in relative terms if trade gains are weighted by GNP figures. Thus, LAC policy-makers are well-advised to pursue a policy of "open regionalism". The FTAA and closer links with other regions should be viewed to be complements.

Supply-side efforts

69. Many Latin American and Caribbean countries still have severe supply and marketing constraints and insufficient competitiveness in a greater number of production and export sectors. These constraints stand in the way of exploiting market access opportunities which may be obtained through economic integration arrangements, both within the Western Hemisphere and with other major regions. Thus, economic integration does not relieve Latin American and Caribbean countries and producers of their responsibility to accelerate steps aimed to remove supply constraints and achieve international competitiveness. Increasing investment to expand and diversify export supply capabilities as well as investment in infrastructure will be crucial. Strategies to attract foreign investors, develop human resources and harness R&D capabilities may need to be strengthened.

NOTES

1. Some of the more recent initiatives include: Mexico and Costa Rica (1994); Mexico and Chile (1991); Argentina and Chile (1991); Chile and Venezuela (1993); Chile and Bolivia (1993); Chile and Colombia (1993); Brazil and Peru (1993); El Salvador, Guatemala and Honduras (1992) which became the Central American Group of Four with the admission of Nicaragua in 1993; Mexico, Columbia and Venezulea - the Group of Three (1994); Colombia, Venezuela and CACM (February 1993); Mexico and CACM (1991); Venezuela and CARICOM non-reciprocal trade accord (1992); and Colombia and CARICOM reciprocal trade accord (1992).

2. The products excluded from duty-free treatment are: textiles and clothing articles which are subject to textile agreements; certain footwear which was not eligible for duty-free entry under the US GSP in 1983; prepared tuna in airtight containers; petroleum and petroleum products; watches and watch parts if such products contain any material from countries not accorded MFN treatment.

3. See for instance N.C. Lustig, B.P. Bosworth and R.Z. Lawrence (eds), North American Free Trade: Assessing the Impact, Washington, D.C.: Brookings (1992); G.C. Hufbauer and J.J. Schott, NAFTA: and Assessment, Washington, D.C.: Institute for International Economics (1993).

4. See USITC, Potential Impact on the US Economy and Selected Industries of the North American Free Trade Agreement, Washington, DC: US International Trade Commission (1993). See also E.V.K. Fitzgerald, "The potential impact of NAFTA on the Latin American economy", Development Studies Working Paper No. 68, Finance and Trade Policy Research centre, University of Oxford, April 1994.

5. See H.E. Sobarzo, "A General Equilibrium Analysis of the gains from trade for the Mexican economy of a North American Free Trade Agreement", Documento de Trabajo No. II-91, Mexico City: Colegio de Mexico (1991).

6. See "Follow-up to the recommendations adopted by the Conference at its eighth session: evolution and consequences of economic spaces and regional integration processes", report by the UNCTAD secretariat (TD/B/40(1)7); furthermore "Major new developments in large economic spaces and regional integration processes and their implications", report by the UNCTAD secretariat (TD/B/SEM.1/2).

7. "Effects of the HAFTA on the access of Central American agriculture and livestock exports to the United States", Iberoamerican Institute of Agricultural Cooperation (1992).

8. See USITC, Potential Impact on the US Economy and Selected Industries of the North American Free Trade Agreement, Washington, DC: US International Trade Commission (1993).

9. According to GATT, bilateral trade between US and Canada has significantly expanded in sectors liberalized by the CUFTA: in these sectors, Canadian exports increased in value by 33 per cent between 1988 and 1992, compared with a 2 per cent increase in exports to the rest of the world. This increase was widespread. Canadian imports from the US increased by 28 per cent in comparison to 10 per cent for the rest of the world. This increase was concentrated in processed food, clothing, household furnishing and other household goods. See: GATT, Trade Policy Review, Canada 1995

10. Nachrichten für den Aussenhandel, 27.5.94

11. In a similar manner as in NAFTA, the large expectations set by foreign investors into MERCOSUR may have also contributed to a surge of FDI in particular in Argentina (from $2.4 billions in 1991 to 4.2 and 6.3 billions in 1992 and 1993). The sharp setback in 1994, however, also illustrated the sensitivity of FDI to overall economic performances, as much as the likelihood that successful economic reforms and privatization in Latin America may have also contributed to attracting FDI.

12. Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Vincent and the Grenadines, Saint Lucia, St. Kitts and Nevis, Surinam, Trinidad and Tobago, United States, Uruguay Venezuela.

13. See the estimations in chapter 3, table 1.

14. See Gary C. Hufbauer and Jeffrey J. Schott, <u>Western Hemisphere Economic Integration,</u> Institute for International Economics, Washington, DC (July 1994).

15. See for some projections Gary C. Hufbauer and Jeffrey J. Schott, <u>Western Hemisphere Economic Integration</u>, Institute for International Economics, Washington, DC (July 1994).

16. Source: UNSO COMTRADE data base.

17. Source: UNCTAD, World Investment Directory, Volume 4, 1994.

18. See "Recent Changes in the European Union and their Potential Effects on Latin America". Chapter III.F. ECLAC, LC/R.1507, March 1995.

19. Currently, APEC is composed of Australia, Brunei, Darussalam Canada, Republic of Korea, Chile, China, Philippines, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Singapore, Thailand, Taiwan Province of China, United States.

20. The Bilateral Investment Treaty would commit signatories (i) to extend national treatment to foreign investors, (ii) to refrain from requiring such investors to show minimum export performance or minimum national value added, (iii) not to prescribe minimum national participation in ownership or management, and (iv) not to set conditions relating to technology transfer. The Intellectual Property Rights Agreement would greatly extend the coverage of intellectual property, lengthen the period of protection given and require the installation of legal and enforcement machinery to deal with breaches of intellectual property rights.

21. Japan China, Hong Kong, Malaysia, Philippines, Thailand, Indonesia, Republic of Korea, Taiwan Province of China, Singapore, Australia, New Zealand.

ANNEX: Table 1

Integration and preferential arrangements of developing countries in Latin America and the Caribbean

Grouping/country	NAFTA	APEC	CBI	CARIBCAN	ACP/OCT[1/]	US/ATPA	EU SPECIAL GSP	EU ASSOCIATION AGREEMENT[2/]
LAIA:								
MERCOSUR								X
Argentina								
Brazil								
Paraguay								
Uruguay								
ANCOM								
Bolivia						X	X	
Colombia						X	X	
Ecuador						X	X	
Peru						X	X	
Venezuela							X	
Chile	X[2/]	X						
Mexico	X	X						X[2/]
CACM								
Costa Rica			X			X	X[3/]	

Grouping/country	NAFTA	APEC	CBI	CARIBCAN	ACP/OCT[1/]	US/ATPA	EU SPECIAL GSP	EU ASSOCIATION AGREEMENT[2/]
El Salvador			X			X	X[3/]	
Guatemala			X			X	X[3/]	
Honduras			X			X	X[3/]	
Nicaragua							X[3/]	
CARICOM								
Bahamas			X	X	X			
Barbados			X	X	X			
Belize			X	X	X			
Guyana			X	X	X			
Jamaica			X	X	X			
Trinidad & Tobago			X	X	X			
OECS			X	X	X			
Other ECLAC								
Bermuda				X				
Cuba								
Dominican Rep.			X		X			
Haiti			X		X			
Netherlands Antilles			X		X			
Aruba			X		X			
Panama			X				X[3/]	

Grouping/country	**NAFTA**	**APEC**	**CBI**	**CARIBCAN**	**ACP/OCT**[1/]	**US/ATPA**	**EU SPECIAL GSP**	**EU ASSOCIATION AGREEMENT**[2/]
Suriname					X			
British Virgin Islands			X	X	X			
Cayman Islands				X	X			
Turks and Caicos Islands				X	X			

1/ Other overseas countries and territories of the EU in America include Greenland, St. Pierre and Miquelon, Anguilla, British Antartic Territory, Falkland Islands, South Georgia and the Sandwich Islands.

2/ Agreements under negotiation.

3/ For specified agricultural products.

ANNEX TABLE 2

Exports of Latin American and Caribbean countries by main region of destination, 1987 and 1994 and average annual growth rates in percentage (Shares in total exports of country of origin)

Region of destination / Country of Origin	World 1994		American DCs			NAFTA			EEC			SOUTH AND SOUTH EAST ASIAN DCS		
	Billion $	Growth rate 1987-94	Shares		Growth rate	Shares		Growth rate	Shares		Growth rate	Shares		Growth rate
			1987	1994		1987	1994		1987	1994		1987	1994	
<u>American DC's</u>	172.0[1]	9[2]	17	30	18	26[2]	28[2]	10[2]	22	23	9	4	8	18
<u>LAIA</u>														
Argentina	15.8	14	24	46	25	16	13	10	28	25	12	7	8	14
Bolivia	1.1	10	58	39	4	17	34	22	22	26	13	1	1	9
Brazil	43.6	8	14	25	14	30	24	4	26	27	8	6	10	16
Chile	11.4	12	17	22	16	23	19	9	33	23	7	7	15	25
Colombia	8.9	9	17	23	13	41	39	7	27	29	10	0	2	32
Ecuador	3.0[3]	7	19	21	9	57	48	4	7	16	22	3	11	37
Mexico	62.0	...	8	5	9	...	88	...	15	4	-2	2	1	3
Paraguay	0.8	13	49	61	16	4	8	22	35	28	9	2	2	6
Peru	4.3	10	18	19	11	33	23	5	23	32	16	7	15	24
Uruguay	2.0	7	31	54	16	17	10	0	28	20	2	7	9	11

[1] Countries reporting to UNSO for 1987 and 1994.

[2] Excluding data for Mexico, which changed as of 1992 and now include the assembly exports to US.

[3] 1993 and 1987-1993

Region of destination / Country of Origin	World 1994		American DCs			NAFTA			EEC			SOUTH AND SOUTH EAST ASIAN DCS		
	Billion $	Growth rate 1987-94	Shares		Growth rate	Shares		Growth rate	Shares		Growth rate	Shares		Growth rate
			1987	1994		1987	1994		1987	1994		1987	1994	
Venezuela	16.6	7	15	34	20	7	55	44	2	9	37	1	0	-1
CACM[4]														
Costa Rica	1.8	10	16	22	17	47	51	12	27	24	8	1	1	15
El Salvador	0.8	4	23	50	17	47	27	-4	26	25	4	0	0	-8
Guatemala	1.5	8	33	45	13	40	38	7	16	11	2	1	3	18
Honduras	0.6	-3	7	10	1	57	55	-4	25	27	-2	0	0	3
Nicaragua	0.4	7[5]	15	30	20	17	47	26	42	24	-3	2	0	-22
CARICOM														
Barbados	0.1[3]	-3	27	48	7	31	27	-5	22	23	-2	0	1	8
Belize	0.1	...	...	8	...	...	54	...	...	41	...	0	0	...
Trinidad and Tobago	2.0	4	22	39	12	61	52	2	12	8	-3	1	1	7
OTHERS														
Panama	0.5	7	12	21	16	69	43	-1	14	24	15	0	1	45

[4] 1992 and 1987-1992.

[5] 1988-1994.