Distr.
RESTRICTED

LC/R.1728
8 August. 1997

ENGLISH
ORIGINAL: SPANISH

E C L A C
Economic Commission for Latin America and the Caribbean

PROMOTING ECONOMIC LINKS BETWEEN THE INTEGRATION SCHEMES OF LATIN AMERICA AND THE CARIBBEAN */

*/ This document was prepared by Eduardo Gana, consultant to the International Trade, Finance and Transport Division of ECLAC and was financed with funds from the Government of the Netherlands within the framework of Project BT-HOL-94-S44 "Promotion of trade and investment in Latin America and the Caribbean". The opinions expressed herein are those of the author and do not necessarily reflect the views of the Organization. This document has not undergone formal editing but has been checked for correct terminology and references.

The document will be submitted to the Meeting on "Promotion of intra-regional trade and investment in Latin America and the Caribbean", organized by the Secretariat of ECLAC, which is to be held in Port of Spain, Trinidad and Tobago, 23 and 24 September 1997.

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ABSTRACT

The aim of this document is to present a detailed examination of trade between the different subregional integration schemes of Latin America and the Caribbean, with particular emphasis on trading activity between the member countries of the Latin American Integration Association (LAIA), the Central American Common Market (CACM) and the Caribbean Community (CARICOM). For the purpose of evaluating ease of access to the markets of the region, the study looks at partial agreements on economic complementation entered into within the framework of the Treaty of Montevideo, and at the structure and level of the relevant tariffs.

The study likewise analyzes the main features of foreign investment regimes in the region, the incipient flows of intraregional capital and the factors that have caused these to develop.

The document ends with a number of recommendations for measures intended to increase the links between the various integration schemes in Latin America and the Caribbean.

This work falls into three sections. The first deals with trends in regional trade; the second covers intraregional investment; and the third and last offers some recommendations for possible measures to improve economic ties between the integration schemes of the region.

PRESENTATION

Despite the substantial progress that has been made towards integration in Latin America and the Caribbean, a number of challenges remain. These stem above all from the diversity of the economies of the Central American Common Market, the Caribbean Community and the other integration schemes in the region, and the fragility of the economic links between them.

The project "Promotion of trade and investment in Latin America and the Caribbean", financed with the help of funds from the Government of the Netherlands, addresses precisely that issue, its objective being to enhance the contribution of trade and investment to the economic growth and development of the countries in the region.

It is in the framework of this Project that a regional meeting is to be held in Port of Spain in Trinidad and Tobago under the auspices of the Secretariat of ECLAC, to debate the main outlines of policies that can contribute towards strengthening economic links throughout the region. A number of documents, of which this work is one, have been prepared to provide background information to guide the debate.

The author wishes to give very special thanks to the staff at ECLAC, Héctor Assael, Director of the International Trade, Finance and Transport Division, for his help in planning the document and his comments at the end; Johannes Heirman, Economic Affairs Officer, for providing an abundance of carefully selected literature, and his assistance at every stage of the work; and the Statistician Jaime Contador for his considerable help in preparing statistical material and his patience in exploring alternative avenues which led us to data normally overlooked. Nonetheless, it must be stressed that any errors or omissions are the exclusive responsibility of the author.

EXECUTIVE SUMMARY

A. TRENDS IN REGIONAL TRADE

During the 1990s, the total exports and imports of the countries of Latin America and the Caribbean have increased steadily, while trade within the region has developed even more favourably.

Thus, if we examine the situation in the 1990s, we find that there has been a sharp acceleration in the amount of trade being generated in subregional integration groupings; a trend which, if it continues, will come to have great economic significance for the member countries of the different schemes, as is already happening in the Central American Common Market (CACM) and the Southern Common Market (MERCOSUR), for example.

Nonetheless, the bulk of the trade within the region is concentrated in just a few of the integration schemes. In fact, taking the average for the period 1993-1995, the Latin American Integration Association (LAIA) accounted for 93% of aggregate subregional exports; MERCOSUR for 55%; the Andean Community (AC) for 23%; the Group of Three for 26%; CACM for 5%; and the Caribbean Community (CARICOM) for 2%. Generally speaking, this situation is consistent with the size and level of development of the countries making up each subregional grouping. It should be borne in mind that the member countries of MERCOSUR, the AC and the Group of Three are also members of LAIA.

Again, analysis of trade between the subregional integration groupings indicates that the strongest trading ties are to be found in the Group of Three-AC-MERCOSUR triangle. Next in order are the links that the Group of Three has with CACM and CARICOM and those that the AC has with CACM and CARICOM. The ties of MERCOSUR with CACM and CARICOM, and those of CACM and CARICOM with one another, are much weaker.

For these trading axes to be understood correctly, it must be noted that Colombia and Venezuela, which are members of both the Group of Three and the AC, together account for a little over three quarters of the trade between the two groupings, whilst Mexico accounts for one third. Likewise, Venezuela, Mexico, Brazil and Colombia are the most active countries in trade with CACM and CARICOM, which explains the links of the Group of Three and the AC with the integration schemes of Central America and the Caribbean and, at a lower level, those of MERCOSUR with the two subregions, sustained almost exclusively by Brazil.

Although the percentages of exports from the member countries of LAIA to CACM and CARICOM do not appear to be very substantial, in absolute terms their sales to the two groupings are higher than sales within the subregions constituted by the member countries of these schemes. Thus, LAIA exports to CACM averaged 1,494 million dollars a year in the period

1993-1995, while trade between the members of CACM was 1,259 million dollars. In the case of CARICOM, LAIA exports to this grouping were 1,158 million dollars, while trade within it was around 555 million dollars.

The pattern of exports to CACM and CARICOM is dominated by fuels and lubricants, supplied for the most part by Venezuela and Mexico; manufactured items, coming mainly from Mexico, Brazil and Venezuela; machinery and transport equipment, most of it originating from Mexico and Brazil; and chemical products sold by Mexico and Colombia.

Sales to LAIA by both the CACM and the CARICOM countries, at an annual average of 251 and 303 million dollars respectively for the period 1993-1995, are much lower than the levels of exports they receive from the Association, so trade between these groupings is quite unbalanced.

As regards the composition of CACM exports to LAIA, these are dominated by basic products which represent 76% of the total, while 23% are manufactures and 1% unclassified products. CARICOM sales to LAIA on the other hand centre around chemical products (35% of the total), manufactured articles (26%), fuels and lubricants (24%), inedible crude materials (4%) and machinery and transport equipment (4%).

When we examine the level and structure of tariffs in the integration schemes of the region, as a way of assessing the access opportunities available for these markets, we find that the tariffs of the countries of MERCOSUR, the AC, CACM and CARICOM tend to be quite similar, since the average fluctuates between minimum values of around 9% (El Salvador, Bolivia and Uruguay) and maximums of some 13 to 17% (Honduras, Nicaragua, Peru and Argentina). The rest of the member countries of these groupings fall between these two extremes. Nonetheless, tariff scatter ranges (standard deviation) and absolute minimums and maximums are wildly different. In fact, the gap between the scatter coefficients of Bolivia and Chile, which at less than 1% indicate virtually flat tariffs, and tariffs with a great number of different bands, reflected in scatter values of over 8% (Brazil, Honduras, Nicaragua and the Caribbean countries), is revealing of the different notions held about the role of tariffs in protecting sectors of the economy from outside competition, whether in a differentiated way or not.

From the point of view of the CACM and CARICOM countries, the greatest opportunities, in tariff terms, for gaining access to markets in the five countries of LAIA with which they trade most – Argentina, Brazil, Colombia, Mexico and Venezuela – are in farm products (Argentina and Brazil only); mining products; and certain branches of industry such as chemicals, paper and basic metals and printed matter.

Again, although numerous limited scope agreements have been signed between countries in LAIA, CACM and CARICOM on the basis of Article 25 of the 1980 Treaty of Montevideo, these have not generated all the positive effects hoped for, even though they contained asymmetrical preferences favouring the smaller countries. These preferences have in some cases proved inadequate to stimulate the export performance of the Central American and Caribbean countries, and their duration and scope should be re-examined.

B. INTRAREGIONAL INVESTMENT

As regards intraregional investment, a number of considerations are put forward in this document, and these are summarized below.

Intraregional foreign direct investment (FDI) is estimated at between 3% and 5% of the total FDI received by the countries of the region, with wide variations between countries in terms of the proportion represented by investment of regional origin in the FDI total. The incomplete figures available indicate that the proportion ranges from 1% in Brazil to 12% in Argentina. The figure for Chile is put at 3.8%; for Bolivia, 11.5%; Colombia, 6.8%; Ecuador, 5.1%; Peru, 5.9%; and Venezuela, 0.9%.

Intraregional investment, although tiny in relation to the total volume of FDI received by the region, is gaining in importance as it now represents a powerful trend which, as integration schemes continue to be consolidated, has a strong tendency to accelerate. Indeed, if we consider certain pairs of countries in Latin America and the Caribbean, such as Argentina-Chile; Argentina-Brazil; Mexico and the countries of the Central American Isthmus; Colombia-Venezuela; Chile-Peru, etc., we can see that intraregional investment is beginning to assume significant proportions in these countries by comparison with investment from developed countries.

Generally speaking, intraregional investment is long term and is highly integrated into the economies of recipient countries. This is very important, because it represents a long-term commitment, and it can be quickly and easily assimilated, coming as it does from countries with similar idiosyncrasies. Furthermore, many Latin American countries have adapted technologies in ways which make them better suited to the needs of potential recipient countries in the region than the technologies used in developed nations.

In view of the linkage that is considered to exist between FDI and foreign trade, an expanding process of intraregional investment could facilitate the development of new and further-reaching commercial ties between the countries of the region. It is particularly important, then, for investment of regional origin to be promoted in those countries or subregions which have smaller trade flows with the rest of the region. It is possible that, if a substantial flow of regional FDI can be directed to the member countries of CACM and CARICOM, new opportunities may thereby arise for exports from these subregions to the other countries of Latin America.

The member countries of CARICOM are in fact in a position to turn themselves into an attractive destination for Latin American investors wishing to exploit the comparative advantages that this subregion derives from its geographical position, the good educational standards of its people, its tourist attractions, its stable political regimes and institutions, and the agreements giving it preferential access to the markets of the United States and the European Union. Many of these advantages make it feasible to consider investments aimed at promoting trade not only in goods, but in services as well, as it is probably to this area that Caribbean conditions are best suited. For this, the right of access to the markets of the United States and Europe needs to be maintained for goods and, as far as possible, extended to services, in which the Caribbean has or could develop comparative advantages.

Since legislation and the new economic openness are favourable to foreign investment in general, intraregional investment should be stimulated by bilateral agreements or special promotional regimes within the overall integration processes of the region. Experience suggests that it is the major business groupings of Latin America and the Caribbean that have the greatest potential to develop the size and operating capabilities of transnational firms, which means that these can operate under the same system of incentives as are granted for FDI originating from developed countries. Nonetheless, small or medium-sized firms in the region, which could play an important role in many countries, may need particular financing mechanisms, resources or facilities to enable them to establish contacts or carry out market research.

Again, work needs to be done to record and track intraregional investment, using standardized methodologies and gathering information both from governments and from the investors themselves, so that the effects of mechanisms for promoting such investment can be monitored and evaluated. This kind of work, which of course is equally necessary for all FDI wherever it originates, is a necessary basis for initiating processes to harmonize investment incentive policies, and thereby avoid unnecessary costs being incurred for what may be insignificant results, uneconomic locations or unfair advantages which might lead to a deterioration in relations within the integration groupings.

Most of the instruments used to regulate foreign investment in the countries of the region apply the same treatment to all investment capital, regardless of whether it comes from within the region or elsewhere. This is doubtless due to the fact that capital flows of regional origin were negligible until recently.

In addition to the ever-increasing number of bilateral agreements signed between countries in the region to promote and protect investment and regulate the establishment of binational firms, measures have also been adopted within the subregional integration groupings to provide unified treatment to investment originating from the subregion itself and that from other countries. In this respect, the Andean Community has had the longest and most eventful history of any subregional grouping.

C. SOME RECOMMENDATIONS

A primary consideration, before any recommendations are formulated, is that attempting to achieve balance in bilateral trade is not only utopian, but can lead to paralysis in reciprocal trade. Efforts should be directed, as far as possible, towards achieving overall balance in the trade between these countries and the rest of the world, coupled with acceleration of exports and imports by pairs of countries or subregions in Latin America and the Caribbean.

Another factor to be considered is that tariff preferences granted to less economically developed countries, even if they do not involve reciprocity, do not always lead to higher market share in the country granting them.

Furthermore, the consequences for a country's economy of opening up unilaterally to international trade are closely related to the market size and degree of development of that country. Thus, for the larger and more highly developed countries of the region, opening up to the nations of Central America and the Caribbean is a calculated risk that should not produce very significant effects on the balance of payments or the domestic activities of their own firms, even in the more sensitive sectors. The reason for this is that the export potential of many of the individual member countries of CACM and CARICOM is limited due, in the case of agricultural products, to the size of their territories or the scarcity of people willing to work in the countryside – especially in the CARICOM countries – and, in other sectors, by a lack of internal demand sufficient to sustain competitive levels of output.

In view of the limited export potential of the countries of CACM and CARICOM, and of the difficulties they are experiencing in maintaining their privileges in the United States market, it is quite likely that any preferential treatment granted by the member countries of LAIA to these nations would be welcomed positively in both subregions. This could also lead to wider and presumably more balanced economic links between the more and less developed countries of the region, with benefits for both parties.

Again, the countries of the Caribbean are in an advantageous geographical position, standing as they do at the crossroads of major sea routes and close to the market of the United States. They also have good air connections, thanks to tourism, and an adequate telecommunications infrastructure. Their labour forces are highly educated, and having English as a mother tongue is also an advantage. Their institutional and political systems have been fairly stable and this, combined with the other factors mentioned, has been favourable to the development of various service sector activities, notable among them being tourism and financial services.

It is, then, possible that services could be a significant component of exports from the CARICOM countries to those of LAIA. At the top of the list are the growing popularity of the Caribbean as a destination for Latin American tourists, and the financial intermediation services that some countries provide to investors from the region. Again, the deepwater ports of the

Caribbean are in a position to increase their activities as goods transhipment and load partition centres for trade flows to and from Latin America. In general, the advantages of the Caribbean should be exploited to develop services which complement the commercial linkages between the two subregions.

1. Asymmetrical trade liberalization and policy harmonization

In the climate of openness now prevailing throughout the region, which reduces the cost of tariff concessions in terms of forfeited tax revenue and diverted trade, it seems logical to encourage trade agreements between the member countries of LAIA or its subregional groupings such as MERCOSUR, the Group of Three and the AC on the one hand, and CACM and CARICOM on the other.

The new agreements could include asymmetrical trade liberalization in favour of the CACM and CARICOM countries, in view of the manifest imbalance in the trade between them and the member countries of LAIA and its subregional groupings. For such liberalization to be effective, it should be incorporated into long-term agreements with clear rules for tariff reductions and removal of non-tariff barriers, extending if possible to the whole range of tariffs or, if this is impracticable, covering those sectors or products for which the countries of Central America and the Caribbean have shown that their potential exports have comparative advantages.

The export growth based on the assembly plant system that has been experienced by some of the countries of Central America and the Caribbean, although it has generally had beneficial results, puts these countries in a very vulnerable position with respect to the United States, their main customer. Really secure access to the markets of the other countries in the region could make these activities more stable and generate intraregional investments which would ensure sustainability for the whole system.

Again, after examining the trade policy regulations and instruments adopted in LAIA, MERCOSUR, the AC, CACM and CARICOM, a number of studies have pointed to the desirability of harmonizing these regulations and instruments, in order to make the proposed links between the integration schemes of Latin America and the Caribbean more fluid and coherent.

In this respect, it should be borne in mind that as almost all the countries in the region are or will be members of the World Trade Organization (WTO), the undertakings entered into in the Uruguay Round and the regulations of the WTO put a "floor" under trade policy harmonization. Setting out from these, general guidelines could be drawn up to bring about convergence between the regulations and instruments of the subregional integration agreements.

2. Cooperation in infrastructure and in increasing the export production capacity of the countries of CACM and CARICOM

Many of the medium-sized and large countries of Latin America have shown that they possess adequate installed capacity in construction and project engineering, as well as international experience in both infrastructure projects and in basic industries. Taking into account the nature of large projects of this type, experience suggests that most of them are not repeated regularly within a given country, but rather at long intervals, and that again they tend to be concentrated in investment cycles where several projects come together at the same time, after which the number of initiatives drops.

In turn, the smaller countries of the region need to increase their domestic production capacity, both to meet domestic demand and to increase production for export. This will involve not only installing or expanding production plant, but also improving infrastructure to facilitate access to domestic and international markets.

It appears, then, that there is scope for combining the capabilities and technology possessed by the larger countries of the region, and some of the medium-sized ones, with the needs of the smaller countries. If a mechanism that matches capabilities to needs is to operate, two key requirements are financing and a way of identifying and studying projects that are of particular importance to less developed countries.

As regards the long-term financing that is needed for the investments involved, it is worth remembering that a substantial proportion of the inputs used for civil construction work and for plant and equipment are produced in the countries of the region, which means that the component imported from outside countries can be quite modest. In other words, a large part of the investment going into this type of project can be financed in the national currencies of the countries providing services and supplies. At the same time, it should be recalled that certain countries in the region have large trade surpluses with the countries of CACM and CARICOM, so that they are in a position to find some way of putting a proportion of these resources into an investment financing fund.

Another way of working towards the same end is for the countries of CACM and CARICOM to participate in the Andean Development Corporation (ADC), which could be extended to the whole of Latin America and the Caribbean as an instrument for channelling investment resources both from the countries of the region themselves and from outside countries, which is what it has been doing first in the AC, and then in other countries to which membership has been extended.

As regards identifying and studying infrastructure and basic industry projects in the member countries of CACM and CARICOM, it is possible to conceive of a specialist body carrying out this function. This work could be carried out by a small group of highly trained professionals who would select project ideas in the countries concerned and subject them to evaluation and priority criteria, in agreement with the authorities of those countries.

3. **Production complementation for exporting to outside markets**

Another course of action worth examining, in terms of creating a suitable framework for joint initiatives between firms in the member countries of LAIA, CACM and CARICOM, is production complementation, the aim of which is to bring together production, financial, technological, human resources and business capabilities from two or more countries in order to achieve the maximum of efficiency and international competitiveness in producing goods or services of a given kind, and thus to participate in the markets of developed countries.

The approach envisaged is to make use of certain opportunities for achieving greater market share in developed countries, in particular the market access opportunities obtained from the United States and the European Union, by complementing the comparative advantages of the countries of CACM and CARICOM with the commercial capabilities of certain countries in LAIA. For this, potential participants need to be encouraged to match up their production capabilities, with incentives being provided for tie-ups between companies, joint investment, exchanges of technology and trained staff, complementary provision of components and parts, product research and development work, marketing agreements and, in general, strategic alliances that can combine the potential strengths of large and small countries in the region.

In general, production complementation comes about within a country when there are complex production chains involving numerous agents of production; this is true of both goods and services. Production complementation involving business units from different countries of the region is relatively uncommon, but is becoming more widespread among transnational firms as they come increasingly to rely on parts, components and services from their own subsidiaries to make the final product, because ultimately this is how they best serve their own interests.

Link-ups by companies from the countries of Central America and the Caribbean with others from LAIA in the form of production complementation agreements are in no way an obstacle to firms from the countries for which goods or services are produced under this system becoming involved as well.

4. Stimulating intraregional investment into CACM and CARICOM

In many cases, foreign trade and FDI are bound up with one another. Furthermore, export-oriented multinational companies prefer to conduct their activities in countries which have open economies. Again, FDI has a demonstrable tendency to concentrate in the countries of the region that have larger domestic markets such as Brazil, Mexico and Argentina. At the same time, some short-term investment has proved volatile and cyclical.

Intraregional investments, on the other hand, tend to be long term and to involve inputs of production and administration technology which can be quickly and easily absorbed in the recipient countries of the region. These characteristics should make them attractive to countries that have balance of payments problems, are in the process of privatizing state firms, need to develop new productive sectors for goods and services or infrastructure, or need to increase their exportable output.

Considering that economic openness and the regulations governing foreign investment very often do not discriminate positively in favour of investors from the region, incentives for promoting and stimulating intraregional capital investment would have to arise from bilateral or multilateral agreements. More specifically, it is considered that the best approach is for the member countries of CACM and CARICOM to take the initiative in promoting agreements and policy measures that give businesses from the LAIA member countries incentives to develop production activities in these subregions, whether their output is intended for domestic markets or outside ones. Treaties dealing with double taxation and other similar instruments could be incorporated into these agreements; the treatment provided by these should in no case be less advantageous than that offered to countries from outside the region.

The lack of interest felt by investors from the region in the countries of Central America and the Caribbean, due to the small size of their individual economies, can be remedied by vigorous integration measures that really do produce an enlarged economic space. One step in this direction is uniformity in foreign investment regimes and in the incentives given to investors. It is also desirable, as far as possible, for negotiations with the countries of the other subregions of Latin America to be organized jointly by the member countries of CACM and CARICOM respectively.

From another point of view, bearing in mind the linkage that normally exists between investment and foreign trade and vice versa, success in promoting intraregional investment into those countries that have smaller trade flows could contribute to the emergence of new opportunities for exports from those countries to the other subregions of Latin America.

Finally, apart from the comparative advantages which the member countries of CACM and CARICOM enjoy in their own right, they also benefit from preferential access to the markets of the United States and the European Union, a feature which could be attractive to intraregional investors looking to collaborate in setting up new production for export to these markets.

I. TRENDS IN REGIONAL TRADE

A. TRADE WITH THE WORLD

Total exports from the countries of Latin America and the Caribbean belonging to one or other of the region's economic integration schemes grew by 80.8% between 1990 and 1995, i.e. by a cumulative annual rate of 12.5%, increasing from 120,003 to 216,962 million dollars in that period. The integration schemes included in this analysis are: the Latin American Integration Association (LAIA); the Caribbean Community (CARICOM); the Andean Community (AC); the Group of Three; the Central American Common Market (CACM); and the Southern Common Market (MERCOSUR).

Something similar happened with total imports, which rose from 93,481 to 227,192 million dollars, i.e. by 143.0% – a cumulative annual rate of 19.41% – from 1990 to 1995. It should be noted that both the export and the import figures refer to a sample representing some 97 to 98% of the total trade of the Latin American and Caribbean integration schemes with the rest of the world.

Table 1
INTEGRATION SCHEMES IN LATIN AMERICA AND THE CARIBBEAN: EXPORTS AND IMPORTS TO THE WORLD
(millions of dollars and percentages)

YEAR	EXPORTS		IMPORTS	
	VALUE	% INCREASE	VALUE	% INCREASE
1980	89.662	-	94.465	-
1985	95.664	66.7	62.780	-33.5
1990	120.003	25.5	93.481	48.9
1991	118.087	-1.6	111.616	19.4
1992	140.822	19.3	149.248	33.7
1993	154.474	9.7	170.723	14.4
1994	179.034	15.9	201.412	18.0
1995	216.962	21.2	227.192	12.8

Source: ECLAC, on the basis of official figures.

As can be seen from Table 1, total imports fell sharply in the 1980s, mainly as a result of the external debt crisis, but a stage of rapid growth began in 1990. Exports, on the other hand, had a steadier rate of growth, falling only once, in 1991. Over the last four years of the period (1992 to 1995), however, as the economies of the region recovered, imports overtook exports, reversing the tendency towards trade surpluses.1/

Although the deficit between total exports and imports reached almost 10.2 billion dollars in 1995, this represents only 5% of exports in that year, which is certainly less than the freight and insurance values that are included in the CIF definition but not in the FOB one.

The region's biggest exporters in 1995 were: Mexico; Brazil; Argentina; Venezuela; Chile; and Colombia, with 79; 46; 21; 19; 16; and 10 billion dollars respectively. Again, of these nations, which were also the biggest importers, Brazil and Colombia had trade deficits in that year, while Venezuela had a substantial surplus of slightly over 8 billion dollars, and Argentina and Chile ended 1995 with a small surplus of exports over imports.

B. TRADE WITHIN THE SUBREGIONAL INTEGRATION SCHEMES

Trade within the subregional integration schemes – represented by exports – also experienced a sharp increase during the 1990s, in terms both of absolute values and of percentages, growing faster than trade with the rest of the world. Thus, in 1995 this trade amounted to 17.3% of total sales to the world (see Table 2).

The size and level of development of the countries forming LAIA mean that it is this integration grouping that makes the greatest contribution to the region's total trade, as well as to trade within the subregions. It should be borne in mind that, as the member countries of the AC, MERCOSUR and the Group of Three are also members of LAIA, it is logical to include the trade of these subregional groupings in the trade of the Association, while at the same time producing separate figures for them given that they are autonomous entities. Likewise, with the AC and the Group of Three there is another layer involved, since Colombia and Venezuela are members of both schemes at the same time.

1/ It should be noted that exports are normally recorded at their FOB values and imports in CIF terms, which produces a difference of around 8% between the two values.

Table 2
INTEGRATION SCHEMES IN LATIN AMERICA AND THE CARIBBEAN: EXPORTS TO THE WORLD AND WITHIN SUBREGIONS
(millions of dollars and percentages)

YEAR	EXPORTS		
	TO THE WORLD	WITHIN SUBREGIONS	%
1980	89.662	13.920	15.5
1985	95.664	9.062	9.5
1990	120.003	14.970	12.5
1991	118.087	17.788	15.1
1992	140.822	22.849	16.2
1993	154.474	25.267	16.4
1994	179.034	29.981	16.7
1995	216.962	37.554	17.3

Source: ECLAC, on the basis of official figures.

Having clarified these points, it can be affirmed that in 1995, in relative terms, the two integration schemes in the region that had the highest level of trade between their member countries were CACM and MERCOSUR, their respective rates being 21.2 and 20.5% of total exports.

Details of the value of exports from the subregional integration schemes of Latin America and the Caribbean for the period 1993-1995 are given in Table 3, the corresponding percentages being shown in Table 3a.

The CACM is a grouping formed of five Central American countries: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Trade within this subregion passed 25% of total trade as early as the beginning of the 1980s. However, due to the economic crisis and to political problems, total trade dropped considerably in the middle of that decade, and trade within the subregion was even more seriously affected. Only in 1992 did both of these flows begin to recover, with total exports eventually surpassing 1980s levels, and with the share of trade within the subregion gradually approaching the level seen then.

Table 3
EXPORTS FROM SUBREGIONAL INTEGRATION SCHEMES IN LATIN AMERICA AND THE CARIBBEAN, 1993-95
(millions of dollars)

		Destination							
Origin	**Years**	**LAIA**	**Mercosur**	**AC**	**G.Three**	**CACM**	**Caricom**	**Others**	**World**
LAIA	1993	23.679	12,827	6,598	5,556	1,350	929	118,809	144,767
	1994	28,253	15,395	7,794	6,227	1,507	1,502	137,273	168,535
	1995	35,428	19,830	10,499	6,983	1,624	1,043	166,662	204,757
Mercosur	1993	15,587	10,026	2,506	2,391	278	134	38,422	54,421
	1994	18,195	12,045	2,704	2,410	290	134	43,298	61,917
	1995	21,175	14,339	3,442	2,261	295	198	48,404	70,072
AC	1993	4.698	931	2,890	2,429	566	674	23,373	29,310
	1994	5.902	1,263	3,485	2,877	627	1,247	27,276	35,052
	1995	8,466	2,512	4,850	3,450	610	695	29,975	39,746
G.Three	1993	4,895	1,318	2,846	2,400	994	785	67,636	74,310
	1994	5,785	1,497	3,400	2,687	1,125	1,359	78,457	86,726
	1995	9,197	3,149	4,994	3,484	1,233	818	97,595	108,843
CACM	1993	197	12	67	145	1,101	33	3,568	4,899
	1994	278	19	112	192	1,228	33	3,954	5,496
	1995	278	15	146	175	1,449	32	5,087	6,846
Caricom*/	1993	256	81	102	153	23	487	4,042	4,808
	1994	299	103	104	159	23	500	4,181	5,003
	1995	354	132	118	183	10	677	4,318	5,359

Source: ECLAC, on the basis of official figures.

*/ In cases where information was not available on the exports of CARICOM countries, the import data declared by their trading partners were used, corrected to FOB values.

Table 3a
EXPORTS FROM SUBREGIONAL INTEGRATION SCHEMES IN LATIN AMERICA AND THE CARIBBEAN, 1993-95
(percentages)

		Destination							
Origin	**Years**	**LAIA**	**Mercosur**	**AC**	**G.Three**	**CACM**	**Caricom**	**Others**	**World**
LAIA	1993	16.4	8.9	4.6	3.8	0.9	0.6	82.1	100.0
	1994	16.8	9.1	4.6	3.7	0.9	0.9	81.5	100.0
	1995	17.3	9.7	5.1	3.4	0.8	0.5	81.4	100.0
Mercosur	1993	28.6	18.4	4.6	4.4	0.5	0.2	70.6	100.0
	1994	29.4	19.5	4.4	3.9	0.5	0.2	69.9	100.0
	1995	30.2	20.5	4.9	3.2	0.4	0.3	69.1	100.0
AC	1993	16.0	3.2	9.9	8.3	1.9	2.3	79.7	100.0
	1994	16.8	3.6	9.9	8.2	1.8	3.6	77.8	100.0
	1995	21.3	6.3	12.2	8.7	1.5	1.7	75.4	100.0
G.Three	1993	6.6	1.8	3.8	3.2	1.3	1.1	91.0	100.0
	1994	6.7	1.7	3.9	3.1	1.3	1.6	90.5	100.0
	1995	8.4	2.9	4.6	3.2	1.1	0.8	89.7	100.0
CACM	1993	4.0	0.2	1.4	3.0	22.5	0.7	72.8	100.0
	1994	5.1	0.3	2.0	3.5	22.3	0.6	71.9	100.0
	1995	4.1	0.2	2.1	2.6	21.2	0.5	74.3	100.0
Caricom*/	1993	5.3	1.7	2.1	3.2	0.5	10.1	84.1	100.0
	1994	6.0	2.1	2.1	3.2	0.5	10.0	83.6	100.0
	1995	6.6	2.5	2.2	3.4	0.2	12.6	80.6	100.0

Source: ECLAC, on the basis of official figures.
*/ In cases where information was not available on the exports of CARICOM countries, the import data declared by their trading partners were used, corrected to FOB values.

As regards MERCOSUR, the four member countries of this economic integration scheme – Argentina, Brazil, Paraguay and Uruguay – entered into a formal compact only in March 1991, with the signing of the Treaty of Asunción. Since that date, the dynamism of trade within that subregion has been so extraordinary that it virtually tripled between 1991 and 1995, rising from 5,103 to 14,339 million dollars in that period. In October 1996 there came into force an Acuerdo de Complementación Económica [Economic complementation agreement] between MERCOSUR and Chile and, subsequently, Bolivia.

The members of LAIA, which can be regarded as the institution that gave birth to the subregional schemes of South America and Mexico by providing the legal framework for them, are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and

Venezuela. In 1995, trade within this area amounted to 17.3% of the total exports of the member countries.

For reasons of information availability, it has not been possible to obtain complete figures for the countries belonging to CARICOM – Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and The Grenadines, Surinam and Trinidad and Tobago – and it was therefore decided to work mainly with figures from their trading partners. In the case of trade within the subregion, this has been assessed on the basis of information obtained from 5 member countries. In 1995, the Community accounted for some 12.6% of the total exports of these countries.

The Group of Three, consisting of Colombia, Mexico and Venezuela, although it has officially existed for only a short time, has been steadily increasing trade among its members in absolute terms. This trade, which represented some 3.2% of total exports in 1995, has followed a pattern similar to that of the trade of its member countries with the rest of the world.

Table 4 gives a summary of developments in trade with the world and trade within the subregional schemes of Latin America and the Caribbean for the years 1980, 1985 and 1990-1995. This table confirms what has already been stated about the dynamism of the different groupings and the absolute and relative importance of the trade carried on between the member countries of each. LAIA is the most important grouping in terms of absolute total exports, followed by the Group of Three, MERCOSUR, the AC, CACM and CARICOM. As regards exports between the member countries of each scheme, LAIA is still the biggest, followed this time by MERCOSUR, the AC, the Group of Three, CACM and CARICOM.

If we look at the 1990s, we find that trade within the subregional groupings accelerated sharply. If this tendency were to continue, integration would come to take on increasing economic importance for the participating countries. This is particularly true of CACM and MERCOSUR, as in both groupings trade between member countries is over 20% and is still growing quickly. To a slightly lesser degree the same holds good for LAIA. Trading links between AC members, which were weak to begin with, are now active and are gaining in importance.2/

As regards trade within LAIA, the average shares of the member countries in this trade during the period 1993-1995 3/ were: Brazil (33%); Argentina (25%); Venezuela (9%); Chile (8%); Mexico (7%); Colombia (6%); Uruguay (3%); Peru (3%); Ecuador (2%); Paraguay (2%); and Bolivia (1%). These shares do not tally in all cases with the size of the country or its total trade. So, for example, Mexico, which is the region's main exporter, sends only 3% of its total exports to the other LAIA countries, while over half of Paraguayan and Uruguayan trade is within LAIA.

2/ It should be noted that in April 1997 Peru decided to withdraw from the Andean Community.

3/ It was decided to work with a three year average to avoid short-term fluctuations that might distort the analysis.

Table 4
INTEGRATION GROUPINGS IN LATIN AMERICA AND THE CARIBBEAN: EXPORTS TO THE REST OF THE WORLD AND WITHIN SUBREGIONS
(millions of dollars and percentages)

Years	LAIA			MERCOSUR			AC		
	World	Within subregions	%	World	Within subregions	%	World	Within subregions	%
1980	79,567	10,982	13.8	29,520	3,420	11.6	30,020	1,193	4.0
1985	89,232	7,112	8.0	35,191	1,952	5.5	26,002	682	2.6
1990	112,694	12,302	10.9	46,403	4,127	8.9	31,751	1,324	4.2
1991	110,781	15,105	13.6	45,896	5,103	11.1	29,232	1,767	6.0
1992	134,182	19,417	14.5	50,467	7,216	14.3	27,916	2,216	7.9
1993	144,767	23,679	16.4	54,421	10,026	18.4	29,310	2,890	9.9
1994	168,535	28,253	16.8	61,917	12,045	19.5	35,052	3,485	9.9
1995	204,757	35,428	17.3	70,072	14,339	20.5	39,746	4,850	12.2
Years	**GROUP OF THREE**			**CACM**			**CARICOM*/**		
	World	**Within subregions**	**%**	**World**	**Within subregions**	**%**	**World**	**Within subregions**	**%**
1980	38,680	725	1.9	4,465	1,135	25.4	5,630	328	5.8
1985	43,939	468	1.1	3,501	544	15.5	4,328	201	4.6
1990	51,050	1,044	2.0	3,907	624	16.0	5,255	240	4.6
1991	49,494	1,205	2.4	4,069	710	17.4	5,025	218	4.3
1992	67,293	1,767	2.6	4,638	919	19.8	5,187	344	6.6
1993	74,310	2,400	3.2	4,899	1,101	22.5	4,808	487	10.1
1994	86,726	2,687	3.1	5,496	1,228	22.3	5,003	500	10.0
1995	108,843	3,484	3.2	6,846	1,449	21.2	5,359	677	12.6

Source: ECLAC, on the basis of official figures.
*/ In cases where information was not available on the exports of CARICOM countries, the import data declared by their trading partners were used, corrected to FOB values.

Ranking the countries by the relative importance to them of trade with their LAIA partners, the order for 1993-1995 is: Paraguay (56%); Uruguay (51%); Argentina (44%); Bolivia (41%); Brazil (23%); Colombia (21%); Chile (20%); Peru (19%); Ecuador (18%); Venezuela (16%); and Mexico (3%). As can be seen, it is not only the smaller countries that are dependent on their trading relations with the other members of LAIA; countries like Argentina and Brazil also have a substantial interest in the LAIA market. See Tables 5, 5a and 5b. In the Appendix will be found Tables 1A, 2A and 3A, which contain similar information for each of the years 1993 and 1995.

Table 5
EXPORTS FROM LATIN AMERICAN AND CARIBBEAN COUNTRIES TO SUBREGIONAL INTEGRATION SCHEMES, 1993-1995 AVERAGE
(millions of dollars)

Respondents	LAIA	Mercosur	AC	G.Three	CACM	Caricom	Subtotal	Others	World
Argentina	7,289	5,088	967	642	53	16	7,358	9,272	16,631
Bolivia	387	176	183	66	0	3	389	544	933
Brazil	9,621	5,822	1,845	1,644	231	134	9,986	32,768	42,754
Chile	2,373	1,416	806	371	37	3	2,413	9,474	11,887
Colombia	1.835	167	1,431	858	162	68	2,065	6,782	8,847
Ecuador	665	104	345	281	30	2	696	2,971	3,667
Mexico	2,073	896	865	612	568	128	2,769	61,170	63,939
Paraguay	445	393	17	13	0	4	450	340	790
Peru	751	197	332	327	22	8	781	3,278	4,059
Uruguay	964	833	56	55	3	1	967	907	1,874
Venezuela	2,718	925	1,451	1,387	387	792	3,896	13,410	17,306
LAIA	**29,120**	**16,017**	**8,297**	**6,255**	**1,494**	**1,158**	**31,772**	**140,915**	172,686
Mercosur	**18,319**	**12,137**	**2,884**	**2,354**	**288**	**155**	**18,762**	**43,375**	62,137
AC	**6,355**	**1,569**	**3,742**	**2,919**	**601**	**872**	**7,828**	**26,875**	34,703
G.Three	**6,626**	**1,988**	**3,747**	**2,857**	**1,117**	**987**	**8,730**	**81,229**	89,960
Costa Rica	82	11	36	45	301	12	395	1,914	2,311
El Salvador	30	1	13	27	355	2	387	452	838
Guatemala	120	3	53	82	486	12	618	975	1,592
Honduras	5	0	2	5	43	7	54	589	644
Nicaragua	14	0	3	12	75	0	89	273	362
CACM	**251**	**15**	**108**	**171**	**1,259**	**33**	**1,543**	**4,203**	**5,747**
Antigua,Bar.	15	5	10	10	0	n.a.	15	19	34
Bahamas	23	12	2	10	3	n.a.	26	639	664
Barbados	4	3	1	1	0	63	68	43	111
Dominica	0	0	0	0	0	n.a.	0	90	90
Grenada	2	0	2	2	0	n.a.	2	20	22
Jamaica	32	17	11	14	0	37	70	1,405	1,475
Montserrat	0	0	0	0	0	n.a.	0	5	5
Sta.Lucia	0	0	0	0	0	n.a.	0	107	107
St.Kitts-Nev	0	0	0	0	0	n.a.	0	35	35
St.Vicent-G.	1	0	0	1	0	n.a.	1	87	89
Trinidad Tbg.	174	33	77	111	14	436	624	930	1,555
Belice	10	0	0	10	0	5	15	167	182
Guyana	7	0	4	5	0	13	20	294	314
Suriname	35	34	0	0	0	n.a.	35	340	375
Caricom*/	**303**	**105**	**108**	**165**	**19**	**555**	**876**	**4,181**	**5,057**
TOTAL	**29,674**	**16,138**	**8,513**	**6,591**	**2,772**	**1,745**	**34,191**	**149,299**	**183,49**

Source: ECLAC, on the basis of official figures.

*/ In cases where information was not available on the exports of CARICOM countries, the import data declared by their trading partners were used, corrected to FOB values.

Table 5a
EXPORTS FROM LATIN AMERICAN AND CARIBBEAN COUNTRIES TO SUBREGIONAL INTEGRATION SCHEMES, 1993-1995 AVERAGE
(percentages)

Respondents	LAIA	Mercosur	AC	G.Three	CACM	Caricom	Subtotal	Others	World
Argentina	24.6	31.5	11.4	9.7	1.9	0.9	21.5	6.2	9.1
Bolivia	1.3	1.1	2.2	1.0	0.0	0.2	1.1	0.4	0.5
Brazil	32.4	36.1	21.7	24.9	8.3	7.7	29.2	21.9	23.3
Chile	8.0	8.8	9.5	5.6	1.3	0.2	7.1	6.3	6.5
Colombia	6.2	1.0	16.8	13.0	5.9	3.9	6.0	4.5	4.8
Ecuador	2.2	0.6	4.1	4.3	1.1	0.1	2.0	2.0	2.0
Mexico	7.0	5.6	10.2	9.3	20.5	7.3	8.1	41.0	34.8
Paraguay	1.5	2.4	0.2	0.2	0.0	0.2	1.3	0.2	0.4
Peru	2.5	1.2	3.9	5.0	0.8	0.5	2.3	2.2	2.2
Uruguay	3.2	5.2	0.7	0.8	0.1	0.1	2.8	0.6	1.0
Venezuela	9.2	5.7	17.0	21.0	14.0	45.4	11.4	9.0	9.4
LAIA	**98.1**	**99.3**	**97.5**	**94.9**	**53.9**	**66.3**	**92.9**	**94.4**	**94.1**
Mercosur	**61.7**	**75.2**	**33.9**	**35.7**	**10.4**	**8.9**	**54.9**	**29.1**	**33.9**
AC	**21.4**	**9.7**	**44.0**	**44.3**	**21.7**	**49.9**	**22.9**	**18.0**	**18.9**
G.Three	**22.3**	**12.3**	**44.0**	**43.3**	**40.3**	**56.6**	**25.5**	**54.4**	**49.0**
Costa Rica	0.3	0.1	0.4	0.7	10.8	0.7	1.2	1.3	1.3
El Salvador	0.1	0.0	0.2	0.4	12.8	0.1	1.1	0.3	0.5
Guatemala	0.4	0.0	0.6	1.2	17.5	0.7	1.8	0.7	0.9
Honduras	0.0	0.0	0.0	0.1	1.5	0.4	0.2	0.4	0.4
Nicaragua	0.0	0.0	0.0	0.2	2.7	0.0	0.3	0.2	0.2
CACM	**0.8**	**0.1**	**1.3**	**2.6**	**45.5**	**1.9**	**4.5**	**2.8**	**3.1**
Antigua,Bar.	0.1	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0
Bahamas	0.1	0.1	0.0	0.2	0.1	0.0	0.1	0.4	0.4
Barbados	0.0	0.0	0.0	0.0	0.0	3.6	0.2	0.0	0.1
Dominica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Grenada	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica	0.1	0.1	0.1	0.2	0.0	2.1	0.2	0.9	0.8
Montserrat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sta.Lucia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
St.Kitts-Nev	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
St.Vicent-G.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Trinidad Tbg.	0.6	0.2	0.9	1.7	0.5	25.0	1.8	0.6	0.8
Belice	0.0	0.0	0.0	0.1	0.0	0.3	0.0	0.1	0.1
Guyana	0.0	0.0	0.1	0.1	0.0	0.7	0.1	0.2	0.2
Suriname	0.1	0.2	0.0	0.0	0.0	0.0	0.1	0.2	0.2
Caricom*/	**1.0**	0.7	**1.3**	**2.5**	**0.7**	**31.8**	**2.6**	**2.8**	**2.8**
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: ECLAC, on the basis of official figures.

*/ In cases where information was not available on the exports of CARICOM countries, the import data declared by their trading partners were used, corrected to FOB values.

Table 5b
EXPORTS FROM LATIN AMERICAN AND CARIBBEAN COUNTRIES TO SUBREGIONAL INTEGRATION SCHEMES, 1993-1995 AVERAGE
(percentages)

Respondents	LAIA	Mercosur	AC	G.Three	CACM	Caricom	Subtotal	Others	World
Argentina		30.60	5.81	3.86	0.32	0.09	44.25	55.75	100.0
Bolivia	43.83	18.86	19.64	7.04	0.00	0.29	41.71	58.29	100.0
Brazil	41.43	13.62	4.32	3.85	0.54	0.31	23.36	76.64	100.0
Chile	22.50	11.91	6.78	3.12	0.31	0.03	20.30	79.70	100.0
Colombia	19.96	1.88	16.17	9.70	1.83	0.76	23.34	76.66	100.0
Ecuador	20.74	2.83	9.41	7.65	0.81	0.05	18.98	81.02	100.0
Mexico	18.13	1.40	1.35	0.96	0.89	0.20	4.33	95.67	100.0
Paraguay	3.24	49.73	2.11	1.65	0.04	0.51	56.94	43.06	100.0
Peru	56.40	4.86	8.18	8.06	0.55	0.20	19.25	80.75	100.0
Uruguay	18.50	44.47	2.97	2.93	0.14	0.05	51.62	48.38	100.0
Venezuela	51.42	5.34	8.38	8.02	2.23	4.57	22.51	77.49	100.0
LAIA	15.71	**9.28**	**4.80**	**3.62**	**0.86**	**0.67**	**18.40**	**81.60**	**100.0**
Mercosur	**16.86**	**19.53**	**4.64**	**3.79**	**0.46**	**0.25**	**30.19**	**69.81**	**100.0**
AC	**29.48**	**4.52**	**10.78**	**8.41**	**1.73**	**2.51**	**22.56**	**77.44**	**100.0**
G.Three	**18.31**	**2.21**	**4.16**	**3.18**	**1.24**	**1.10**	**9.70**	**90.30**	**100.0**
Costa Rica	**7.37**	0.49	1.57	1.95	13.01	0.50	17.08	82.85	100.0
El Salvador	3.56	0.08	1.59	3.18	42.35	0.24	46.12	53.88	100.0
Guatemala	3.54	0.21	3.33	5.15	30.55	0.75	38.84	61.26	100.0
Honduras	7.54	0.00	0.36	0.73	6.63	1.04	8.44	91.46	100.0
Nicaragua	0.78	0.00	0.92	3.40	20.61	0.09	24.56	75.34	100.0
CACM	3.86	**0.27**	**1.89**	**2.97**	**21.91**	**0.57**	**26.85**	**73.13**	**100.0**
Antigua,Bar.	**4.37**	15.73	29.50	29.50	0.00	0.00	45.23	54.77	100.0
Bahamas	45.23	1.86	0.25	1.51	0.40	0.00	3.86	96.14	100.0
Barbados	3.46	3.01	0.90	0.60	0.30	56.91	61.13	38.87	100.0
Dominica	3.91	0.00	0.37	0.37	0.00	0.00	0.37	99.63	100.0
Grenada	0.37	1.50	7.51	7.51	0.00	0.00	10.51	89.49	100.0
Jamaica	10.51	1.13	0.75	0.95	0.02	2.53	4.72	95.28	100.0
Montserrat	2.17	0.00	0.00	0.00	0.00	0.00	0.00	100.0	100.0
Sta.Lucia	0.00	0.00	0.00	0.00	0.00	0.00	0.31	99.69	100.0
St.Kitts-Nev	0.31	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.0
St.Vicent-G.	0.00	0.00	0.38	1.50	0.00	0.00	1.50	98.50	100.0
Trinidad Tbg.	1.50	2.12	4.97	7.16	0.90	28.07	40.16	59.84	100.0
Belice	11.19	0.00	0.18	5.31	0.18	2.75	8.24	91.76	100.0
Guyana	5.31	0.11	1.38	1.59	0.00	4.14	6.27	93.73	100.0
Suriname	2.12	9.16	0.00	0.00	0.00	0.00	9.24	90.76	100.0
Caricom*/	9.24 **5.99**	**2.08**	**2.14**	**3.26**	**0.37**	**10.97**	**17.33**	**82.69**	**100.0**
TOTAL	**16.17**	**8.80**	**4.64**	**3.59**	**1.51**	**0.95**	**18.63**	**81.37**	**100.0**

Source: ECLAC, on the basis of official figures.

*/ In cases where information was not available on the exports of CARICOM countries, the import data declared by their trading partners were used, corrected to FOB values.

In the case of CACM, the countries that made the largest contribution to trade within the subregion in 1993-1995 were: Guatemala (39%); El Salvador (28%); Costa Rica (24%); Nicaragua (6%); and Honduras (3%). As a market for their total exports, CACM accounted for the following percentages for each of these countries: El Salvador (42%); Guatemala (31%); Nicaragua (21%); Costa Rica (13%); and Honduras (7%). As this information shows, El Salvador, Guatemala and Nicaragua are closely linked in terms of trade with the Central American market, whilst Costa Rica and Honduras are linked to it only to a much lesser extent.

Although MERCOSUR is a relatively new integration scheme, its member countries now participate actively in this market. Thus, Paraguay and Uruguay place 50% and 44% respectively of their total exports in MERCOSUR, while the figure for Argentina is 31%, and for Brazil 14%. On the other hand, trade within MERCOSUR is led by the two biggest countries, Brazil and Argentina, which account for 48% and 41.9% of the total respectively. Uruguay contributes 7% and Paraguay 3%.

In the AC, trade within the subregion is led by Venezuela and Colombia, with 39% and 38% respectively. They are followed by Ecuador (9%); Peru (9%); and Bolivia (5%). However, the importance of the AC as a market for its members' sales abroad shows a different order: Bolivia places some 20% of its exports in the AC; Colombia 16%; Ecuador 9%; Venezuela 8%; and Peru likewise 8%. Consequently, the relative importance of this grouping for each of its member countries, while it has increased steadily over recent years, is still modest.

As regards CARICOM, the limited nature of the information available means that the kind of country-by-country analysis carried out for the other groupings is not possible in this case. The data available on country-by-country exports within the subregion reaches only up to 1992, and is incomplete. In respect of sales within the subregion, the period 1993-1995 has had to be covered using information from Barbados, Jamaica, Trinidad and Tobago, Belize and Guyana. To assess the value of trade flows with the other integration groupings it proved necessary, as mentioned earlier, to turn to sources in countries which are trading partners of members, using the values declared by these for imports to arrive at approximate figures for exports from the CARICOM countries. The relevant figures can be found in the Appendix, Table 4A.

Finally, the Group of Three, which is a recent grouping and one which is still consolidating, is headed in terms of exports within the subregion by Venezuela (49%), followed by Colombia (30%) and Mexico (21%). As regards the percentage of total exports going from each of these countries to the others in the grouping, the situation is as follows: Colombia (10%), Venezuela (8%) and Mexico (1%).

As has been noted, most of the trade within the region is concentrated in particular integration schemes. On average for the period 1993-1995, LAIA accounted for 93% of total aggregate exports within subregions; MERCOSUR for 55%; the AC for 23%; the Group of Three for 26%; CACM for 5%; and CARICOM for 2%. The respective percentages can be seen in the Subtotal column of Table 5a. Generally speaking, the situation is consistent with the size and degree of development of the countries making up each subregional grouping.

C. TRADE BETWEEN THE SUBREGIONAL INTEGRATION SCHEMES

Now, in what follows it is the trade links existing between the integration schemes that will be examined. Tables 5, 5a and 5b provide useful information for this, as what they show, in matrix form, is the value and percentage composition of exports from the subregional groupings as an average for the years 1993-1995. In the case of LAIA and the two integration schemes that make it up, and for CACM, data are given for each individual member country.

Using the information from these tables, we obtain the following conclusions:

a) Of all exports destined for the region, the member countries of LAIA send 91.7% of their exports to the Association itself; 50.4% to MERCOSUR; 26.1% to the AC; 19.7% to the Group of Three; 4.7% to CACM and 3.6% to CARICOM. These percentages can be deduced from Table 5.

b) Although the percentages of exports from the member countries of LAIA to CACM and CARICOM do not appear to be very large, the absolute value of their sales to the two groupings is higher than the value of the trade carried out within these subregions by the member countries of the two schemes themselves. Thus, LAIA exports to CACM averaged 1,494 million dollars a year in the period under consideration, whilst trade between the CACM countries was 1,259 million dollars. In the case of CARICOM, LAIA exports to this grouping were 1,158 million dollars, and their trade between themselves was around 555 million dollars.4/

c) LAIA exports to CACM came mainly from Mexico (38%); Venezuela (26%); Brazil (16%); and Colombia (11%). It should be noted that Mexican exports to the Central American market were higher than the exports of any individual CACM member country to its own subregion.

d) As regards LAIA trade with CARICOM, this was carried out mainly by Venezuela (68%); Brazil (12%); Mexico (11%); and Colombia (6%). Here, Venezuela likewise has a much greater presence in the CARICOM market than do the members of the Caribbean Community themselves.

e) As can be seen, exports to CACM and CARICOM came mainly from the member countries of the Group of Three and Brazil. The former have had a cooperative relationship with Central America and the Caribbean that goes beyond the commercial, and that has found its highest expression in the San José Accord on cooperation in hydrocarbons (Mexico and, particularly, Venezuela) and in various commercial and cooperative agreements.

4/ Note that the figure for trade within CARICOM covers only four member countries, and so is undoubtedly too low.

f) From the CACM point of view, sales from this grouping to the member countries of LAIA, at 251 million dollars, are much lower than the 1,494 million dollars in exports to the Central American subregion declared by the Association, which means that the trade between the two groupings is quite unbalanced. CACM exports to LAIA come mainly from Guatemala and Costa Rica, with 120 and 82 million dollars respectively, representing 7.5% and 3.6% of their total world sales, and 24.7% and 27.2% of their exports to CACM.

g) From the CARICOM point of view the situation is similar, as their exports to LAIA average 303 million dollars a year and they receive 1,158 million dollars of exports from this grouping. The CARICOM country that records the highest exports to LAIA is Trinidad and Tobago, with 174 million dollars, representing 11.2% of its total sales to the world. Next come Surinam and Jamaica, with 35 and 32 million dollars apiece, representing 9.3% and 2.2% respectively of their total exports. In turn, Trinidad and Tobago exports to CARICOM were worth an average of 436 million dollars in the period 1993-1995, which makes it, within the Community, the country most closely linked to the region and to its own subregion.

h) The trade links between CACM and CARICOM are quite weak and their exports to one another are in the region of 2.1% and 2.4% of their total sales to the region (33 million dollars worth of exports from CACM to CARICOM and 19 million dollars worth of sales from CARICOM to CACM).

i) The trading links between MERCOSUR, the AC and the Group of Three show great dynamism for the period 1993-1995, with substantial growth in sales to one another. The only exception to this trend of accelerating exports is the presence of MERCOSUR in the Group of Three market, which showed a tendency to stabilize during those years. Thus, Group of Three exports to MERCOSUR and the AC increased by 139% and 76% respectively; those from the AC to the same groupings grew by 170% and 42%; and those from MERCOSUR to the AC increased by 37% over the period.

j) The member countries of MERCOSUR declared average annual exports to the AC and the Group of Three of 2,884 and 2,354 million dollars respectively for the period 1993-1995, and received 1,569 and 1,988 million dollars, respectively, from these subregional groupings. The trade imbalance in favour of MERCOSUR that the relationship with the AC evinces reached fairly substantial proportions in 1993, but diminished appreciably in the two following years. In the case of trade between MERCOSUR and the Group of Three, exports between them are more balanced. Figures for the years 1993, 1994 and 1995 will be found in Tables 1A, 2A and 3A of the Appendix.

k) Despite the dynamism evinced by the trade links between MERCOSUR, the AC and the Group of Three, their relative importance as markets for one another's exports is still not crucial if compared with the total trading activity of each of these groupings. Nonetheless, they take on more importance if the situation is looked at in terms of their exports within their subregions. For MERCOSUR, in fact, the AC and the Group of Three represent 4.6% and 3.8% respectively of its total exports, but 23.8% and 19.4% of exports between MERCOSUR countries.

In the case of the AC, MERCOSUR and the Group of Three represent 4.6% and 8.5% of its total sales, but 41.9% and 78% of intra-Andean exports. It is worth re-emphasizing that the AC and the Group of Three have two large member countries in common, Colombia and Venezuela. Finally, for the Group of Three, MERCOSUR and the AC markets account for 2.2% and 4.2% respectively of its total sales to the world.

To sum up, the main trade axes between the integration schemes of Latin America and the Caribbean are: AC-Group of Three, basically due to the fact that Colombia and Venezuela are members of both; MERCOSUR-AC; and MERCOSUR-Group of Three. If the trade between these groupings is weighted by trade with the rest of the world and with the region, the result is the same and these three axes are still the most important. They are followed by the Group of Three-CACM axis: Group of Three-CARICOM; AC-CARICOM; and AC-CACM. Some way behind come the MERCOSUR-CACM axis; MERCOSUR-CARICOM; and CACM-CARICOM. If we apply the weightings mentioned, the order does not change appreciably. The listing given can be found in the Appendix, Table 5A.

D. THE STRUCTURE OF LAIA TRADE WITH CACM AND CARICOM

In order to examine the structure of LAIA trade with CACM and CARICOM by product type, the exports of these three integration groupings have been classified using the ten sections of the SITC, Revision 2. This enables trade to be broken down into broad product categories. A summary of the contents of each of the SITC sections can be found in the Appendix.

1. Trade between LAIA and CACM

The average annual exports of LAIA to CACM for the period 1993-1995, which amounted to 1,494 million dollars, were concentrated mainly in the following sections: fuels and lubricants (27.1% of all exports); manufactured articles (27%); machinery and transport equipment (17.8%); chemical products (13.6%); miscellaneous manufactured articles (6.4%); and food and live animals (5.5%).

The countries supplying fuels and lubricants were: Venezuela (291 million dollars); Mexico (50 million dollars); Colombia (41 million dollars); and Ecuador (20 million dollars). In the case of manufactured articles, the main exporters were: Mexico (149); Brazil (104); Venezuela (74); and Colombia (35). Machinery and transport equipment came chiefly from Mexico and Brazil (129 and 95, respectively). The biggest supplier of chemical products was Mexico (126), followed by Colombia (35). Miscellaneous manufactured articles were exported mainly by Mexico (50) and Colombia (26). Finally, food and live animals originated principally in Mexico (47) and Chile (14). The figures in brackets refer to millions of dollars.

Table 6
EXPORTS FROM LATIN AMERICAN COUNTRIES TO THE CENTRAL AMERICAN COMMON MARKET, BY PRODUCT TYPE (SITC SECTIONS), AVERAGE FOR 1993-1995
(millions of dollars)

Informer	Total	0 Food and live animals	1 Beverages and tobacco	2 Crude materials, inedible	3 Fuels and lubricants	4 Oils, fats and waxes	5 Chemicals	6 Manufact. goods	7 Machinery & transp. equipment	8 Miscell. manufact. articles	9 Not classified
Argentina	53	3	0	0	2	8	7	15	16	2	0
Bolivia	0	0	0	0	0	0	0	0	0	0	0
Brazil	231	2	1	2	0	2	14	104	95	11	0
Chile	37	14	2	0	1	0	4	11	2	2	0
Colombia	162	5	0	1	41	1	35	35	19	26	0
Ecuador	30	3	0	0	20	0	3	2	0	1	0
Mexico	568	47	2	14	50	0	126	149	129	50	1
Paraguay	0	0	0	0	0	0	0	0	0	0	0
Peru	22	7	0	1	0	0	1	12	1	1	0
Uruguay	3	0	0	0	0	0	0	3	0	0	0
Venezuela	387	2	0	0	291	0	13	74	3	3	0
LAIA	**1,494**	**82**	**6**	**19**	**405**	**12**	**203**	**403**	**266**	**95**	**2**
Mercosur	**288**	**5**	**1**	**2**	**2**	**10**	**22**	**121**	**111**	**13**	**0**
AC	**601**	**17**	**1**	**2**	**352**	**1**	**52**	**123**	**23**	**30**	**0**
G.Three	**1,118**	**54**	**2**	**16**	**382**	**1**	**173**	**258**	**152**	**79**	**1**
Costa Rica	301	71	1	5	1	10	58	93	33	28	1
El Salvador	355	63	8	3	0	3	77	128	21	52	0
Guatemala	486	95	10	18	5	8	130	146	22	53	0
Honduras	43	7	0	1	0	5	7	15	3	4	0
Nicaragua	74	42	2	9	3	0	4	8	3	3	0
CACM	**1,260**	**279**	**21**	**36**	**10**	**26**	**277**	**389**	**81**	**140**	**1**

Source: ECLAC, on the basis of official figures.

Table 6a
EXPORTS FROM LATIN AMERICAN COUNTRIES TO THE CENTRAL AMERICAN COMMON MARKET, BY PRODUCT TYPE (SITC SECTIONS), AVERAGE FOR 1993-1995
(percentages)

Informer	Total	0 Food and live animals	1 Beverages and tobacco	2 Crude materials, inedible	3 Fuels and lubricants	4 Oils, fats and waxes	5 Chemicals	6 Manufact. goods	7 Machinery & transp. equipment	8 Miscell. manufact. articles	9 Not classified
Argentina	100.0	5.00	0.00	0.00	3.75	15.63	13.13	27.50	30.00	4.38	0.00
Bolivia	100.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brazil	100.0	1.01	0.58	0.72	0.14	1.01	6.20	44.81	41.07	4.61	0.00
Chile	100.0	37.27	5.45	0.91	2.73	0.00	11.82	29.09	6.36	6.36	0.00
Colombia	100.0	3.29	0.21	0.82	25.05	0.62	21.36	21.36	11.50	15.81	0.00
Ecuador	100.0	10.11	1.12	0.00	66.29	0.00	8.99	6.74	1.12	3.37	1.12
Mexico	100.0	8.27	0.35	2.52	8.74	0.00	22.11	26.28	22.76	8.86	0.12
Paraguay	100.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Peru	100.0	31.34	0.00	2.99	0.00	1.49	4.48	52.24	4.48	4.48	0.00
Uruguay	100.0	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00
Venezuela	100.0	0.43	0.00	0.09	75.34	0.00	3.36	19.22	0.86	0.69	0.00
LAIA	**100.0**	**5.49**	**0.40**	**1.29**	**27.10**	**0.83**	**13.58**	**26.99**	**17.80**	**6.38**	**0.11**
Mercosur	**100.0**	**1.74**	**0.46**	**0.69**	**0.81**	**3.59**	**7.64**	**42.13**	**38.43**	**4.40**	**0.12**
AC	**100.0**	**2.77**	**0.11**	**0.39**	**58.48**	**0.22**	**8.59**	**20.40**	**3.88**	**4.99**	**0.06**
G.Three	**100.0**	**4.83**	**0.21**	**1.43**	**34.15**	**0.09**	**15.48**	**23.08**	**13.57**	**7.04**	**0.06**
Costa Rica	100.0	23.73	0.33	1.66	0.33	3.33	19.29	30.82	10.86	9.42	0.33
El Salvador	100.0	17.84	2.25	0.75	0.00	0.85	21.78	35.96	5.92	14.55	0.00
Guatemala	100.0	19.53	1.99	3.70	1.10	1.64	26.66	29.95	4.59	10.97	0.00
Honduras	100.0	16.41	0.78	3.13	0.00	11.72	17.19	34.38	6.25	10.16	0.00
Nicaragua	100.0	56.95	2.24	12.11	4.48	0.00	5.38	10.76	3.59	4.48	0.00
CACM	**100.0**	**22.12**	**1.67**	**2.86**	**0.79**	**2.06**	**21.96**	**30.85**	**6.46**	**11.14**	**0.08**

Source: ECLAC, on the basis of official figures.

The information on the value of exports from the member countries of LAIA to CACM, classified using the SITC sections, appears in Table 6. Table 6a shows the structure of this trade in percentages. Information on MERCOSUR, AC and Group of Three exports to CACM has been included in the form of both values and percentages, showing the average for 1993-1995.

The Group of Three is the most active trader with CACM, followed by the AC. This is due to the fact that Mexico is a member of the first-named integration scheme, this being the country that has the greatest and most diversified trade with the Central American grouping. Thus, Mexico is the biggest exporter to CACM of manufactured articles, machinery and transport equipment, chemical products, food and live animals, and miscellaneous manufactured articles. It is surpassed only by Venezuela in exports of fuels and lubricants. Supplies from the latter country mainly fall into that category and the manufactured articles category. Brazil, again, also appears as a significant supplier of manufactured articles and machinery and transport equipment. Finally, Colombia has quite diversified exports to CACM, as these include the following sections: fuels and lubricants, chemical products, manufactured articles, machinery and transport equipment, and miscellaneous manufactured articles.

In the AC, it is the involvement of Venezuela and Colombia that is the determining factor in trade links with CACM, as the other countries belonging to the grouping have only limited trade or none with the Central American scheme.

Something similar happens with MERCOSUR, with almost all trade links between this grouping and CACM being generated in Brazil and, to a lesser extent, Argentina. It should be noted that Argentinean exports to Central America increased steadily in the period 1993-1995. Chile, which is not a formal member of MERCOSUR, has also increased its sales in CACM.

If we look at the figures from the CACM side, exports from this grouping to the member countries of LAIA, which averaged 251 million dollars a year from 1993-1995, break down to 43% food and live animals, 15% manufactured articles, 14.1% chemical products, 14% inedible crude materials, 6% miscellaneous manufactured articles, 4% oils, fats and waxes, 3% machinery and transport equipment, 1% unclassified, 0.7% beverages and tobacco, and 0.6% fuels and lubricants. This structure of CACM exports to LAIA is fairly similar to the structure of its sales to the rest of the world, where food and live animals (62% of the total), manufactured articles (11%), miscellaneous manufactured articles (8%) and chemical products (8%) likewise predominate.

Nonetheless, exports from the CACM countries to their own subregion have a considerably larger manufacturing component, with manufactured articles accounting for 31%, miscellaneous manufactured articles for 11% and machinery and transport equipment for 6.5%, which means that almost 50% of products are from the industrial sector, besides which 22% are from the chemical products sector. These data are shown at the bottom of Tables 6 and 6a. It can thus be seen that trade within CACM points towards the development of exports with a higher degree of value added.

The main LAIA buyers of products exported by CACM are: Mexico, Venezuela, Peru, Chile and Colombia. In turn, the main Central American exporters to LAIA are Guatemala (120 million dollars), Costa Rica (82 million dollars) and El Salvador (30 million dollars).

Guatemalan exports to the member countries of LAIA consist in large part of food and live animals (57%); inedible crude materials (20.5%); manufactured articles (9.5%); and chemical products. Costa Rican sales to LAIA consist largely of chemical products (24%); food and live animals (22.3%); manufactured articles (18.4%); miscellaneous manufactured articles (11.2%); and oils, fats and waxes (10.3%). Exports from El Salvador are based on food and live animals (46%); manufactured articles (32%); and chemical products (16%).

The structure of exports from the member countries of CACM to the Group of Three and the AC do not differ much from those that this grouping sends to LAIA, except in the case of food and live animals, and of manufactured articles. The relevant information can be consulted in Tables 7 and 7a, export values and percentages being given in each case. In both categories, Mexican purchasing has a great influence, as this country, relatively speaking, buys less food and live animals and more manufactured articles.

To sum up, the composition of exports from the member countries of LAIA to CACM is dominated by fuels and lubricants, most of which are supplied by Venezuela and Mexico; manufactured articles, originating mainly from Mexico, Brazil and Venezuela; machinery and transport equipment, coming from Mexico and Brazil; and chemical products, exported by Mexico and Colombia. Thus, in addition to fuels and lubricants and chemical products – which represent 40.7% of exports – 8.2% corresponds to other basic products, and the remaining 51.2% is made up of manufactures.

As regards exports from the countries of CACM to LAIA, basic products predominate with 76% of the total, and manufactures contribute 23%, with 1% unclassified products. It can thus be seen that LAIA exports considerably more than it imports from CACM in terms of value, diversity and the percentage of manufactured products.

2. Trade between LAIA and CARICOM

Exports from the member countries of LAIA to CARICOM, which averaged 1,163 million dollars a year in the period 1993-1995,5/ consisted mainly of fuels and lubricants (75% of all exports) and to a lesser extent of manufactured articles (9%); machinery and transport equipment (4%), inedible crude materials (3.7%), and food and live animals (3%). The relevant information will be found in Table 8, in values, and in Table 8a, in percentages.

5/ This figure differs from the one given in Table 5 - by 5 million dollars - due to values being rounded off in millions.

Table 7
EXPORTS FROM CACM TO LAIA, MERCOSUR, AC AND THE GROUP OF THREE,
BY SITC SECTIONS, AVERAGE FOR 1993-1995
(thousands of dollars)

Informer	Total	0 Food and live animals	1 Beverages and tobacco	2 Crude materials, inedible	3 Fuels and lubricants	4 Oils, fats and waxes	5 Chemicals	6 Manufact. goods	7 Machinery & transp. equipment	8 Miscell. manufact. articles	9 Not classified
To LAIA											
Costa Rica	82,208	18,328	62	3,102	1,524	8,457	19,725	15,155	4,256	9,192	2,407
El Salvador	29,990	13,759	210	186	0	0	4,767	9,617	279	1,173	0
Guatemala	119,872	68,456	1,224	24,540	0	0	9,775	11,395	786	3,695	0
Honduras	4,940	1,018	6	1,604	0	345	944	698	109	217	0
Nicaragua	14,089	6,275	363	5,902	1	2	218	266	934	121	7
CACM	**251,100**	**107,837**	**1,866**	**35,334**	**1,525**	**8,804**	**35,429**	**37,132**	**6,364**	**14,397**	**2,414**
To Mercosur											
Costa Rica	11,421	4,149	20	494	23	0	303	4,066	103	2,149	113
El Salvador	477	78	0	115	0	0	27	212	26	20	0
Guatemala	3,507	2,796	9	265	0	0	180	53	23	182	0
Honduras	40	0	0	34	0	0	0	1	4	1	0
Nicaragua	122	43	0	0	0	0	0	0	79	0	0
CACM	**15,567**	**7,067**	**28**	**908**	**23**	**0**	**510**	**4,333**	**235**	**2,351**	**113**
To AC											
Costa Rica	36,218	7,639	42	1,821	648	339	9,240	7,403	2,963	5,075	1,048
El Salvador	13,311	10,725	3	1	0	0	1,421	1,022	45	95	0
Guatemala	52,908	45,104	230	4,576	0	0	1,399	1,118	137	346	0
Honduras	2,103	216	5	1,263	0	0	422	71	36	90	0
Nicaragua	3,352	2,434	29	38	0	0	88	68	597	91	7
CACM	**107,893**	**66,118**	**309**	**7,698**	**648**	**339**	**12,571**	**9,682**	**3,778**	**5,697**	**1,055**
To G.Three											
Costa Rica	45,044	13,480	2	1,254	1,327	8,116	5,204	8,790	1,993	3,647	1,192
El Salvador	26,793	12,818	210	57	0	0	3,522	8,963	182	1,042	0
Guatemala	82,251	33,622	1,188	23,676	0	0	8,457	11,169	720	3,419	0
Honduras	4,531	802	6	1,537	0	345	936	695	12	198	0
Nicaragua	12,336	5,663	329	5,877	1	2	188	219	30	28	0
CACM	**170,915**	**66,385**	**1,735**	**32,401**	**1,328**	**8,463**	**18,306**	**29,836**	**2,937**	**8,334**	**1,192**

Source: ECLAC, on the basis of official figures.

Table 7a
EXPORTS FROM CACM TO LAIA, MERCOSUR, AC AND THE GROUP OF THREE,
BY SITC SECTIONS, AVERAGE FOR 1993-1995
((percentages)

Informer	Total	0 Food and live animals	1 Beverages and tobacco	2 Crude materials, inedible	3 Fuels and lubricants	4 Oils, fats and waxes	5 Chemicals	6 Manufact. goods	7 Machinery & transp. equipment	8 Miscell. manufact. articles	9 Not classified
To LAIA											
Costa Rica	100.00	22.30	0.08	3.77	1.85	10.29	23.99	18.44	5.18	11.18	2.93
El Salvador	100.00	45.88	0.70	0.62	0.00	0.00	15.89	32.07	0.93	3.91	0.00
Guatemala	100.00	57.11	1.02	20.47	0.00	0.00	8.15	9.51	0.66	3.08	0.00
Honduras	100.00	20.61	0.13	32.47	0.00	6.98	19.11	14.13	2.20	4.39	0.00
Nicaragua	100.00	44.54	2.58	41.89	0.00	0.01	1.55	1.89	6.63	0.86	0.05
CACM	**100.00**	**42.95**	**0.74**	**14.07**	**0.61**	**3.51**	**14.11**	**14.79**	**2.53**	**5.73**	**0.96**
To Mercosur											
Costa Rica	100.00	36.33	0.17	4.33	0.20	0.00	2.66	35.60	0.90	18.81	0.99
El Salvador	100.00	16.41	0.00	24.02	0.00	0.00	5.59	44.48	5.38	4.19	0.00
Guatemala	100.00	79.73	0.25	7.56	0.00	0.00	5.12	1.52	0.65	5.18	0.00
Honduras	100.00	0.84	0.00	85.71	0.00	0.00	0.00	2.52	10.92	1.68	0.00
Nicaragua	100.00	35.42	0.00	0.00	0.00	0.00	0.00	0.00	64.31	0.27	0.00
CACM	**100.00**	**45.40**	**0.18**	**5.83**	**0.15**	**0.00**	**3.27**	**27.83**	**1.51**	**15.10**	**0.73**
To AC											
Costa Rica	100.00	21.09	0.12	5.03	1.79	0.94	25.51	20.44	8.18	14.01	2.89
El Salvador	100.00	80.57	0.02	0.01	0.00	0.00	10.68	7.68	0.34	0.71	0.00
Guatemala	100.00	85.25	0.43	8.65	0.00	0.00	2.64	2.11	0.26	0.65	0.00
Honduras	100.00	10.25	0.25	60.06	0.00	0.00	20.08	3.39	1.71	4.26	0.00
Nicaragua	100.00	72.60	0.87	1.12	0.00	0.00	2.64	2.03	17.81	2.71	0.20
CACM	**100.00**	**61.28**	**0.29**	**7.14**	**0.60**	**0.31**	**11.65**	**8.97**	**3.50**	**5.28**	**0.98**
To G.Three											
Costa Rica	100.00	29.25	0.00	2.79	2.95	18.03	11.56	19.53	4.43	8.10	2.65
El Salvador	100.00	47.84	0.78	0.21	0.00	0.00	13.15	33.45	0.68	3.89	0.00
Guatemala	100.00	40.88	1.44	28.79	0.00	0.00	10.28	13.58	0.88	4.16	0.00
Honduras	100.00	17.71	0.14	33.93	0.00	7.61	20.65	15.33	0.26	4.37	0.00
Nicaragua	100.00	45.91	2.67	47.64	0.01	0.01	1.52	1.78	0.24	0.23	0.00
CACM	**100.00**	**38.84**	**1.02**	**18.96**	**0.78**	**4.95**	**10.71**	**17.46**	**1.72**	**4.88**	**0.70**

Source: ECLAC, on the basis of official figures.

Table 8
EXPORTS FROM LATIN AMERICAN COUNTRIES TO THE CARIBBEAN COMMUNITY, BY SITC SECTIONS, AVERAGE FOR 1993-1995
(millions of dollars)

Informer	Total	0 Food and live animals	1 Beverages and tobacco	2 Crude materials, inedible	3 Fuels and lubricants	4 Oils, fats and waxes	5 Chemicals	6 Manufact. goods	7 Machinery & transp. equipment	8 Miscell. manufact. articles	9 Not classified
Argentina	25	7	0	1	5	5	1	4	2	0	0
Bolivia	3	0	0	1	2	0	0	0	0	0	0
Brazil	141	20	7	35	2	1	5	38	28	5	1
Chile	3	2	0	0	0	0	0	1	0	0	0
Colombia	62	2	2	0	39	1	7	5	2	3	0
Ecuador	1	0	0	0	1	0	0	0	0	0	0
Mexico	126	3	1	1	81	0	8	15	15	2	0
Paraguay	2	0	0	2	0	0	0	0	0	0	0
Peru	6	1	0	1	4	0	0	0	0	0	0
Uruguay	1	0	0	0	0	0	0	0	0	0	0
Venezuela	792	4	1	1	735	0	10	35	3	2	0
LAIA	**1,163**	**38**	**11**	**43**	**868**	**6**	**30**	**99**	**49**	**13**	**1**
Mercosur	**169**	**27**	**7**	**38**	**7**	**5**	**6**	**42**	**30**	**6**	**1**
AC	**863**	**7**	**3**	**4**	**780**	**1**	**17**	**41**	**5**	**6**	**0**
G.Three	**980**	**9**	**4**	**3**	**855**	**1**	**25**	**56**	**19**	**8**	**0**
Costa Rica	13	0	0	0	0	1	4	2	0	4	0
El Salvador	2	1	0	0	0	0	0	1	0	0	0
Guatemala	10	2	0	0	0	0	5	2	0	1	0
Honduras	7	0	0	6	0	0	1	0	0	0	0
Nicaragua	1	1	0	0	0	0	0	0	0	0	0
CACM	**34**	**4**	**0**	**6**	**1**	**1**	**10**	**5**	**0**	**5**	**0**

Source: ECLAC, on the basis of official figures.

Table 8a
EXPORTS FROM LATIN AMERICAN COUNTRIES TO THE CARIBBEAN COMMUNITY, BY SITC SECTIONS, AVERAGE FOR 1993-1995
(percentages)

Informer	Total	0 Food and live animals	1 Beverages and tobacco	2 Crude materials, inedible	3 Fuels and lubricants	4 Oils, fats and waxes	5 Chemicals	6 Manufact. goods	7 Machinery & transp. equipment	8 Miscell. manufact. articles	9 Not classified
Argentina	100.0	26.32	0.00	5.26	18.42	18.42	3.95	15.79	7.89	1.32	0.00
Bolivia	100.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brazil	100.0	13.98	4.98	24.88	1.66	0.47	3.32	27.01	19.67	3.79	0.71
Chile	100.0	50.00	10.00	0.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00
Colombia	100.0	3.74	3.21	0.00	63.10	1.07	11.23	8.56	2.67	5.35	0.00
Ecuador	100.0	0.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00
Mexico	100.0	2.64	1.06	0.79	64.12	0.00	6.07	12.14	11.61	1.58	0.00
Paraguay	100.0	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Peru	100.0	11.11	0.00	16.67	61.11	0.00	0.00	0.00	0.00	0.00	0.00
Uruguay	100.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Venezuela	100.0	0.46	0.08	0.17	92.84	0.00	1.26	4.42	0.38	0.29	0.00
LAIA	**100.0**	**3.27**	**0.97**	**3.67**	**74.68**	**0.52**	**2.61**	**8.49**	**4.21**	**1.15**	**0.09**
Mercosur	**100.0**	**15.94**	**4.33**	**22.44**	**4.33**	**3.15**	**3.35**	**24.61**	**17.52**	**3.35**	**0.59**
AC	**100.0**	**0.77**	**0.35**	**0.46**	**90.39**	**0.08**	**2.01**	**4.75**	**0.54**	**0.73**	**0.00**
G.Three	**100.0**	**0.95**	**0.37**	**0.27**	**87.22**	**0.10**	**2.52**	**5.68**	**1.97**	**0.85**	**0.00**
Costa Rica	100.0	2.50	0.00	0.00	0.00	10.00	32.50	17.50	2.50	27.50	0.00
El Salvador	100.0	33.33	0.00	0.00	16.67	0.00	16.67	33.33	0.00	0.00	0.00
Guatemala	100.0	22.58	0.00	0.00	3.23	0.00	45.16	22.58	0.00	9.68	0.00
Honduras	100.0	0.00	0.00	86.36	0.00	0.00	9.09	0.00	0.00	0.00	0.00
Nicaragua	100.0	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CACM	**100.0**	**11.88**	**0.00**	**18.81**	**1.98**	**3.96**	**29.70**	**15.84**	**0.99**	**13.86**	**0.00**

Source: ECLAC, on the basis of official figures.

As in the case of CACM, the main supplier of fuels and lubricants was Venezuela, with annual exports of 735 million dollars. Next came Mexico with 81 million and Colombia with 39 million dollars. Manufactured articles exported to CARICOM, which had a value of 99 million dollars, came primarily from Brazil (38 million dollars) and Venezuela (35 million dollars). Machinery and transport equipment originated mainly from Brazil (28 million dollars), as did inedible crude materials (35 million dollars) and food and live animals (20 million dollars).

In terms of which groupings are most involved in trading with CARICOM, the Group of Three and AC stand out due to the fact that Venezuela, which is the most active country in exporting to the Caribbean nations (792 million dollars) is a member of both. The second biggest trader with these countries from the Group of Three is Mexico (126 million dollars), whose sales are concentrated in fuels and lubricants, as already mentioned, and in manufactured articles and machinery and transport equipment. Colombia, the other member of the Group of Three, exports goods worth on average 62 million dollars a year to CARICOM, of which 63% are fuels and lubricants, while the remainder fall into various sections, with chemical products being somewhat more important than the rest (7 million dollars).

Brazil is the second most important country in terms of the value and diversity of its exports to CARICOM. Of its annual average of 141 million dollars in sales for the period 1993-1995, a significant proportion consisted of manufactured articles (38 million dollars); inedible crude materials (35 million dollars); machinery and transport equipment (28 million dollars) and food and live animals (20 million dollars). Although the figures for other sections, such as beverages and tobacco, chemical products and miscellaneous manufactured articles, show lower values, they still represent a substantial percentage of total exports in these categories.

Exports by CARICOM to the member countries of LAIA, which averaged 303 million dollars a year in the period 1993-1995, consisted in the main of chemical products (35.7% of the total); manufactured articles (25.9%); fuels and lubricants (23.6%); inedible crude materials (4.2%); and machinery and transport equipment (4.2%).6/ See the information in Tables 9 and 9a.

The biggest buyers of CARICOM products were Brazil (33% of the total); Mexico (23%); Colombia (20%); Venezuela (12%); and Chile (6%). Brazil bought mainly chemical products and fuels and lubricants; Mexico, manufactured articles; Colombia, fuels and lubricants, and manufactured articles; Venezuela, manufactured articles; and Chile, chemical products.

Of the CARICOM member countries, Trinidad and Tobago sells most to LAIA with exports representing 57% of the total, followed by Jamaica with 10.4%.

6/ The value of exports from the CARICOM countries has been obtained from the import figures declared by their trading partners.

Table 9
IMPORTS BY LATIN AMERICAN COUNTRIES FROM THE CARIBBEAN COMMUNITY, BY SITC SECTIONS, AVERAGE FOR 1993-1995
(millions of dollars)

Informer	Total	0 Food and live animals	1 Beverages and tobacco	2 Crude materials, inedible	3 Fuels and lubricants	4 Oils, fats and waxes	5 Chemicals	6 Manufact. goods	7 Machinery & transp. equipment	8 Miscell. manufact. articles	9 Not classified
Argentina	5	0	0	1	0	0	3	0	0	0	0
Bolivia	0	0	0	0	0	0	0	0	0	0	0
Brazil	101	0	0	1	21	0	70	1	6	1	0
Chile	19	0	0	0	5	0	12	0	0	0	0
Colombia	59	0	1	3	34	1	7	13	0	0	0
Ecuador	8	0	0	0	3	0	0	4	0	0	0
Mexico	70	1	3	2	6	0	9	44	1	3	0
Paraguay	0	0	0	0	0	0	0	0	0	0	0
Peru	6	0	0	0	1	0	0	4	0	0	0
Uruguay	0	0	0	0	0	0	0	0	0	0	0
Venezuela	35	4	0	6	0	0	6	12	6	2	0
LAIA	**303**	**6**	**5**	**13**	**71**	**1**	**108**	**78**	**13**	**6**	**0**
Mercosur	**105**	**1**	**0**	**1**	**22**	**0**	**73**	**1**	**7**	**1**	**0**
AC	**108**	**4**	**1**	**9**	**38**	**1**	**14**	**33**	**6**	**2**	**0**
G.Three	**165**	**5**	**5**	**11**	**41**	**1**	**23**	**69**	**6**	**5**	**0**
Costa Rica	9	0	0	0	0	0	7	2	0	0	0
El Salvador	4	0	0	0	1	0	0	3	0	0	0
Guatemala	5	0	0	0	2	0	0	2	0	0	0
Honduras	5	0	0	0	2	0	0	2	0	0	0
Nicaragua	1	0	0	0	0	0	0	1	0	0	0
CACM	**24**	**0**	**0**	**0**	**4**	**0**	**8**	**11**	**0**	**0**	**0**

Source: ECLAC, on the basis of official figures.

Table 9a
IMPORTS BY LATIN AMERICAN COUNTRIES FROM THE CARIBBEAN COMMUNITY, BY SITC SECTIONS, AVERAGE FOR 1993-1995
(percentages)

Informer	Total	0 Food and live animals	1 Beverages and tobacco	2 Crude materials, inedible	3 Fuels and lubricants	4 Oils, fats and waxes	5 Chemicals	6 Manufact. goods	7 Machinery & transp. equipment	8 Miscell. manufact. articles	9 Not classified
Argentina	100.0	7.14	0.00	14.29	0.00	0.00	57.14	7.14	0.00	7.14	0.00
Bolivia	100.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brazil	100.0	0.33	0.00	0.66	21.19	0.00	69.54	0.99	5.96	0.66	0.00
Chile	100.0	0.00	0.00	1.75	28.07	0.00	64.91	0.00	0.00	0.00	0.00
Colombia	100.0	0.00	1.69	5.06	57.30	1.12	12.36	22.47	0.00	0.00	0.00
Ecuador	100.0	0.00	0.00	0.00	34.78	0.00	4.35	56.52	0.00	0.00	0.00
Mexico	100.0	1.90	4.74	3.32	9.00	0.00	13.27	62.56	1.42	3.79	0.00
Paraguay	100.0	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Peru	100.0	0.00	5.88	0.00	23.53	0.00	0.00	64.71	0.00	0.00	0.00
Uruguay	100.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Venezuela	100.0	10.48	0.00	16.19	0.00	0.00	17.14	33.33	16.19	5.71	0.00
LAIA	**100.0**	**1.87**	**1.65**	**4.19**	**23.57**	**0.22**	**35.68**	**25.88**	**4.19**	**1.98**	**0.00**
Mercosur	**100.0**	**0.63**	**0.00**	**0.95**	**21.20**	**0.00**	**68.99**	**1.27**	**6.33**	**0.63**	**0.32**
AC	**100.0**	**3.70**	**1.23**	**8.33**	**34.88**	**0.62**	**13.27**	**30.56**	**5.56**	**1.85**	**0.00**
G.Three	**100.0**	**3.23**	**2.83**	**6.46**	**24.65**	**0.40**	**13.74**	**41.82**	**3.84**	**3.03**	**0.00**
Costa Rica	100.0	0.00	0.00	0.00	0.00	0.00	75.00	25.00	0.00	0.00	0.00
El Salvador	100.0	0.00	0.00	0.00	18.18	0.00	0.00	81.82	0.00	0.00	0.00
Guatemala	100.0	0.00	0.00	6.67	33.33	0.00	6.67	46.67	0.00	0.00	0.00
Honduras	100.0	0.00	0.00	0.00	42.86	0.00	7.14	50.00	0.00	0.00	0.00
Nicaragua	100.0	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00
CACM	**100.0**	**0.00**	**0.00**	**1.41**	**18.31**	**0.00**	**32.39**	**46.48**	**1.41**	**0.00**	**0.00**

Source: ECLAC, on the basis of official figures.

The composition of exports from CARICOM to LAIA, MERCOSUR, the Andean Group and the Group of Three varies considerably in the case of chemical products and manufactured articles, due to the large amounts purchased by Brazil in the first category and the significant buying of manufactured articles by Mexico.Comparison of the structure of exports between LAIA and CARICOM in their trade with one another leads to the conclusion that LAIA sales are heavily slanted towards fuels and lubricants supplied by Venezuela, Mexico and Colombia, while CARICOM exports, despite the significant weight of chemical products in these, are more diversified and include a substantial proportion of manufactured products (32%). In exports from LAIA to CARICOM, manufactured products have a weight of only 13.9%.

3. The share of Brazil, Colombia, Mexico and Venezuela in trade with CACM and CARICOM

As has been mentioned, among LAIA countries Venezuela and Mexico are the biggest exporters to CACM and CARICOM respectively. Venezuela is a major supplier of mineral fuels and lubricants to the member countries of CACM, as can be seen from Table 10.7/ Thus, out of average exports to this grouping of 387 million dollars a year between 1993 and 1995, 291 million dollars, i.e. 75%, consisted of hydrocarbons. The main customers for its total exports were Guatemala, El Salvador and Costa Rica. At the same time, the first two countries named are also the main buyers of fuels and lubricants, together with Nicaragua, which is in third place as a buyer of hydrocarbons.

Likewise, Venezuela exported a yearly average of 791 million dollars worth of products to the member countries of CARICOM from 1993 to 1995, of which 735 million dollars worth, or 92.8%, consisted of fuels and lubricants. The biggest buyers of Venezuelan products were Surinam, Trinidad and Tobago, Jamaica and Bahamas, with fuels and lubricants accounting for a high percentage of their purchases, from 99.6% in the case of Surinam to 78.4% in that of Jamaica. Again, see Table 10.

In the case of Mexico, that country's sales to CACM averaged 568 million dollars a year between 1993 and 1995, of which 50 million dollars, or 8.8%, were mineral fuels and lubricants. The main recipients of total Mexican exports were Guatemala, El Salvador and Costa Rica, in that order. Costa Rica was the country that purchased the highest proportion of fuels and lubricants (17.6% of its total purchases from Mexico). In short, it can be seen from Table 11 that Mexico is not a very significant supplier of hydrocarbons in Central America, and that its exports consist mainly of manufactured articles, machinery and transport equipment and chemical products, of which it is an important supplier.

7/ The figures in boxes 10 to 13, which relate to CARICOM, differ in some cases from Table 5 due to the calculation method explained in previous notes.

Table 10
VENEZUELA: EXPORTS OF MINERAL FUELS AND LUBRICANTS, AND TOTAL EXPORTS, TO CACM AND CARICOM IN 1993, 1994 AND 1995
(millions of dollars and percentages)

Destination	Fuels and lubricants				Total				Fuels and lubricants as % of total			
	1993	1994	1995	Average	1993	1994	1995	Average	1993	1994	1995	Average
Costa Rica	11,481	59,109	82,546	51,045	60,178	87,299	129,453	92,310	19.08	67.71	63.77	55.30
El Salvador	96,087	111,957	52,567	87,537	108,828	118,318	63,826	96,991	90.13	94.62	82.36	90.25
Guatemala	68,946	80,411	113,661	87,673	110,366	108,582	143,011	120,653	62.47	74.06	79.48	72.67
Honduras	526	2,152	17.507	6,728	10,111	11,191	22,471	14,591	5.20	19.23	77.91	46.11
Nicaragua	81.511	78,760	15,142	58,471	86,527	81,247	18,660	62,145	94.20	96.94	81.15	94.09
CACM	**260,551**	**332,389**	**281,423**	**291,454**	**378,010**	**406,637**	**377,421**	**386,689**	**69.29**	**81.74**	**74.56**	**75.37**
Antigua,Bar.	0	0	0	0	165	159	322	215	0.00	0.00	0.00	0.00
Bahamas	57,060	30,107	42,714	43,294	57,815	30,312	46,403	44,843	98.69	99.32	92.05	96.54
Barbados	15,115	15,171	1,859	10,715	18,148	18,988	6,574	14,570	83.29	79.90	28.28	73.54
Dominica	264	0	0	88	402	330	732	488	65.67	0.00	0.00	18.03
Grenada	0	0	0	0	1,183	2,126	1,133	1,481	0.00	0.00	0.00	0.00
Jamaica	54,712	53,557	38,484	48,918	70,446	67,731	49,027	62,401	77.67	79.07	78.50	78.39
Montserrat	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
Sta. Lucia	189	0	78	89	1,038	533	601	724	18.21	0.00	12.96	12.29
St.Kitts-Nev	4,907	0	0	1,636	5,374	35	218	1,876	91.31	0.00	0.00	87.20
St.Vicent.G	0	0	0	0	594	360	493	482	0.00	0.00	0.00	0.00
Trinidad Tbg.	163,660	130,511	48,145	114,105	183,773	154,829	75,887	138,163	89.06	84.29	63.44	82.59
Belize	0	0	21,422	7,141	3,996	170	21,512	8,559	0.00	0.00	99.58	83.43
Guyana	1,615	2,157	1,409	1,727	8,807	9,611	7,728	8,715	18.34	22.44	18.23	19.82
Suriname	247,115	887,172	386,843	507,043	249,428	888,389	388,973	**508,930**	99.07	99.86	99.45	99.63
Caricom	**544,637**	**1,118,675**	**540,954**	**734,755**	**601,169**	**1,173,573**	**599,603**	**791,448**	**90.60**	**95.32**	**90.22**	**92.84**
CACM+Caricom	**805,188**	**1,451,064**	**822,377**	**1,026,210**	**977,179**	**1,580,210**	**977,024**	**1,178,138**	**82.40**	**91.83**	**84.17**	**87.10**
World	**11,928,733**	**12,644,353**	**14,558,290**	**13,043,792**	**15,022,863**	**16,377,247**	**18,814,219**	**16,738,110**	**79.40**	**77.21**	**77.38**	**77.93**
% Average	**6.75**	**11.48**	**5.65**	**7.87**	**6.50**	**9.65**	**5.19**	**7.04**				

Source: ECLAC, on the basis of official figures.

Table 11
MEXICO: EXPORTS OF MINERAL FUELS AND LUBRICANTS, AND TOTAL EXPORTS, TO CACM AND CARICOM IN 1993, 1994 AND 1995
(millions of dollars and percentages)

Destination	Fuels and lubricants				Total				Fuels and lubricants as % of total			
	1993	1994	1995	Average	1993	1994	1995	Average	1993	1994	1995	Average
Costa Rica	34.251	13.990	10.142	19.461	99,078	99,075	134,571	110,908	34.57	14.12	7.54	17.55
El Salvador	22,574	4,682	143	9,133	113,197	134,585	144,430	130,737	19.94	3.48	0.10	6.99
Guatemala	16,185	16,697	19,883	17,588	203,499	223,004	302,604	243,036	7.95	7.49	6.57	7.24
Honduras	169	5,038	259	1.822	37,707	75,340	66,381	59,809	0.45	6.69	0.39	3.05
Nicaragua	3,093	1,816	728	1,879	20,620	21,062	30,240	23,974	15.00	8.62	2.41	7.84
CACM	**76,272**	**42,223**	**31,155**	**49,883**	**474,101**	**553,066**	**678,226**	**568,464**	**16.09**	**7.63**	**4.59**	**8.78**
Antigua,Bar.	9	7	519	178	204	436	969	536	4.41	1.61	53.56	33.25
Bahamas	35,563	363	48,962	28,296	44,721	16,384	59,193	40,099	79.52	2.22	82.72	70.56
Barbados	0	16	62	26	121	310	193	208	0.00	5.16	32.12	12.50
Dominica	0	7	0	2	50	580	567	399	0.00	1.21	0.00	0.58
Grenada	26	30	0	19	155	43	47	82	16.77	69.77	0.00	22.86
Jamaica	39,197	54,001	40,968	44,722	44,570	60,037	49,619	51,409	87.94	89.95	82.57	86.99
Montserrat	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
Sta. Lucia	0	0	0	0	7	46	3	19	0.00	0.00	0.00	0.00
St.Kitts-Nev	0	0	0	0	0	0	0	0	0.00	0.00	0.00	ERR
St.Vicent.G	176	204	318	233	176	204	320	233	100.00	100.00	99.38	99.71
Trinidad Tbg.	0	1,645	2	549	1,501	12,506	10,428	8,145	0.00	13.15	0.02	6.74
Belize	7,822	6,795	5,868	6,828	26,710	23,289	20,500	23,500	29.28	29.18	28.62	29.06
Guyana	0	0	0	0	142	184	437	254	0.00	0.00	0.00	0.00
Suriname	0	0	0	0	1,293	1,275	2,161	1,576	0.00	0.00	0.00	0.00
Caricom	82,793	**63,068**	**96,699**	**80,853**	**119,650**	**115,294**	**144,437**	**126,460**	**69.20**	**54.70**	**66.95**	**63.94**
CACM+Caricom	159,065	**105,291**	**127,854**	**130,737**	**593,751**	**668,360**	**822,663**	**694,925**	**26.79**	**15.75**	**15.54**	**18.81**
World	**7,280,289**	**17,205,684**	**18,181,154**	**17,555,709**	**51,831,914**	**60,459,481**	**79,324,301**	**63,871,899**	**14.05**	**11.92**	**10.31**	**11.83**
% Average	**2.18**	**1.46**	**1.56**	**1.73**	**1.15**	**1.11**	**1.04**	**1.09**				

Source: ECLAC, on the basis of official figures.

As regards CARICOM, Mexico is a weaker exporter of fuels and lubricants than Venezuela. Its total sales averaged 126 million dollars a year in 1993 to 1995, and its hydrocarbon exports 81 million (63.9%). Jamaica, the Bahamas and Belize were its main customers as regards both its total exports and its exports of fuels and lubricants.

Taking CACM and CARICOM together, it can be seen that Venezuelan exports to these markets averaged 1,178 million dollars a year during 1993-1995, accounting for 7% of the country's total sales to the world. 87% of these sales consisted of fuels and lubricants which, in turn, represented 7.9% of total Venezuelan hydrocarbon exports. The conclusion is that for Venezuela the English-speaking Caribbean and Central American countries represent a very important market for the fuels and lubricants category, the Caribbean nations in particular. Again, for the English-speaking Caribbean countries, total purchases from Venezuela represent something in the region of 11% of their total imports, while the figure for the CACM member countries is 4%. In both cases, as was mentioned, the hydrocarbons component is very high.

As regards Mexico, its aggregate exports to CACM and CARICOM averaged 695 million dollars a year for the period 1993-1995. These exports represented some 1.1% of the country's total sales to the world. Again, only 18.8% of its exports to these groupings consisted of fuels and lubricants, with a share of 1.7% of total placings of these products in the world market.

It will thus be seen that the respective positions of Mexico and Venezuela in the markets of the member countries of CACM and CARICOM are to some extent complementary, the one nation being chiefly a supplier of manufactures, and the other of fuels and lubricants.

Among the LAIA countries, Brazil is the third-largest exporter to CACM and CARICOM. Its exports, which averaged 372 million dollars a year to both groupings in the period 1993-1995, went mainly to Costa Rica (98 million); Guatemala (61 million); Trinidad and Tobago (54 million); Jamaica (39 million); El Salvador (36 million); and Honduras (32 million). They consisted mainly of manufactured articles and machinery and transport equipment, which on average represented 71% of its total sales to the two integration groupings. See Table 12.

For Brazil, in the period 1993-1995 the combined market of CACM and CARICOM accounted for an average of 0.9% of its total exports and 1.4% of its sales of manufactured articles and transport equipment.

Colombia ranks fourth in LAIA as an exporter to CACM and CARICOM. In the period being examined, its annual sales to these integration schemes averaged 225 million dollars; these went in particular to Costa Rica (90 million); Trinidad and Tobago (41 million); Guatemala (30 million); El Salvador (19 million); and Honduras (16 million). These exports were dominated by fuels and lubricants; chemical products; and manufactured articles, which accounted for an average of 72% of Colombia's total sales to the Central American and Caribbean groupings. See Table 13.

Table 12
BRAZIL: EXPORTS OF MANUFACTURED ARTICLES AND MACHINERY AND TRANSPORT EQUIPMENT, AND TOTAL EXPORTS, TO CACM AND CARICOM IN 1993, 1994 AND 1995
(millions of dollars and percentages)

Destination	Manufactured articles and machinery and transport equipment				Total				Manufactured articles and machinery and transport equipment as % of total			
	1993	1994	1995	Average	1993	1994	1995	Average	1993	1994	1995	Average
Costa Rica	87,654	99,032	72,388	86,358	96,851	110,629	84,868	96.116	88.67	89.52	85.29	88.02
El Salvador	30,570	34,664	26,529	30,588	33,465	41,091	34,103	36,220	91.35	84.36	77.79	84.45
Guatemala	50,776	45,734	51,219	49,243	61,593	58,837	61,186	60,539	82.44	77.73	83.71	81.34
Honduras	34,053	23,459	27,830	28,447	36,498	26,597	31,702	31,599	93.30	88.20	87.79	90.03
Nicaragua	4,726	4,084	3,680	4,163	5,146	4,765	4,523	4,811	91.84	85.71	81.36	86.53
CACM	**207,779**	**206,973**	**181,646**	**198,799**	**235,553**	**241,919**	**216,382**	**231,285**	**88.21**	**85.55**	**83.95**	**85.95**
Antigua,Bar.	1,049	978	1,644	1,224	1,692	1,462	2,196	1,783	62.00	66.89	74.86	68.62
Bahamas	1,354	1,164	718	1,079	8,728	15,040	9,852	11,207	15.51	7.74	7.29	9.63
Barbados	3,540	3,465	3,901	3,635	5,571	5,450	6,091	5,704	63.54	63.58	64.05	63.73
Dominica	611	521	282	471	939	995	606	847	65.07	52.36	46.53	55.67
Grenada	549	463	521	511	735	647	780	721	74.69	71.56	66.79	70.91
Jamaica	25,406	23,219	31,016	26,547	37,996	30,959	47,412	38,789	66.86	75.00	65.42	68.44
Montserrat	39	14	15	23	56	35	23	38	69.64	40.00	65.22	59.65
Sta. Lucia	1,191	1,022	1,150	1,121	1,699	1,486	1,795	1,660	70.10	68.78	64.07	67.53
St.Kitts-Nev	66	38	15	40	66	73	79	73	100.00	52.05	18.99	54.59
St.Vicent.G	7,094	6,788	744	4,875	7,749	7,376	1,362	5,496	91.55	92.03	54.63	88.71
Trinidad Tbg.	12,666	13,849	15,199	13,905	38,269	53,625	69,042	53,645	33.10	25.83	22.01	25.92
Belize	1,047	872	271	730	1,310	1,119	1,103	1,197	76.42	77.93	24.57	60.97
Guyana	5,307	6,584	10,873	7,588	6,009	7,648	12,119	8,592	88.32	86.09	89.72	88.31
Suriname	2,342	3,385	5,084	3,604	6,942	10,472	15,713	11,042	33.74	32.32	32.36	32.64
Caricom	**62,261**	**62,362**	**71,433**	**65,352**	**117,821**	**136,387**	**168,173**	**140,794**	**52.84**	**45.72**	**42.48**	**46.42**
CACM+Caricom	**270,040**	**269,335**	**253,079**	**264,151**	**353,374**	**378,306**	**384,555**	**372,078**	**76.42**	**71.20**	**65.81**	**70.99**
World	**18,372,696**	**19,656,938**	**20,511,895**	**19,513,843**	**38,679,359**	**43,355,160**	**46,145,804**	**42,726,774**	**47.50**	**45.34**	**44.45**	**45.67**
% Average	**1.47**	**1.37**	**1.23**	**1.35**	**0.91**	**0.87**	**0.83**	**0.87**				

Source: ECLAC, on the basis of official figures.

Table 13
COLOMBIA: EXPORTS OF FUELS, CHEMICAL PRODUCTS AND MANUFACTURED ARTICLES, AND TOTAL EXPORTS, TO CACM AND CARICOM IN 1993, 1994 AND 1995
(millions of dollars and percentages)

Destination	Fuels, Chemical Products and Manufactured Articles				Total				Fuels, Chemical Products and Manufactured Articles as % of total			
	1993	1994	1995	Average	1993	1994	1995	Average	1993	1994	1995	Average
Costa Rica	56,099	68,562	69,222	64,628	84,320	92,702	93,034	90,019	66.53	73.96	74.41	71.79
El Salvador	8,348	16,680	9,827	11,618	14,701	24,498	17,283	18,827	56.79	68.09	56.86	61.71
Guatemala	17,554	17,873	22,608	19,345	26,958	29,360	34,937	30,418	65.12	60.88	64.71	63.60
Honduras	10,141	7,853	11,899	9,964	14,748	13,031	20,530	16,103	68.76	60.26	57.96	61.88
Nicaragua	2,134	1,832	9,425	4,464	3,734	5,072	12,445	7,084	57.15	36.12	75.73	63.01
CACM	**94,276**	**112,800**	**122,981**	**110,019**	**144,461**	**164,663**	**178,229**	**162,451**	**65.26**	**68.50**	**69.00**	**67.72**
Antigua,Bar.	78	77	52	69	415	348	187	317	18,80	22.13	27.81	21.79
Bahamas	510	17,019	38	5,856	1,677	18,057	2,289	7,341	30.41	94.25	1.66	79.77
Barbados	19	97	46	54	1,219	1,839	704	1,254	1.56	5.27	6.53	4.31
Dominica	10	29	161	67	63	167	212	147	15.87	17.37	75.94	45.25
Grenada	2	4	2	3	61	138	188	129	3.28	2.90	1.06	2.07
Jamaica	2,426	3,615	5,649	3,897	8,447	6,475	7,993	7,638	28.72	55.83	70.67	51.01
Montserrat	136	140	95	124	167	140	95	134	81.44	100.00	100.00	92.29
Sta. Lucia	1,071	834	869	925	1,436	1,373	1,351	1,387	74.58	60.74	64.32	66.68
St.Kitts-Nev	4	6	5	5	56	13	5	25	7.14	46.15	100.00	20.27
St.Vicent.G	78	169	175	141	118	183	418	240	66.10	92.35	41.87	58.69
Trinidad Tbg.	48,903	13,481	53,559	38,648	50,084	16,685	55,755	40,841	97.64	80.80	96.06	94.63
Belize	316	464	348	376	320	479	372	390	98.75	96.87	93.55	96.33
Guyana	7	25	919	317	11	56	1,423	497	63.64	44.64	64.58	63.83
Suriname	788	1,409	1,556	1,251	904	2,007	2,706	1,872	87.17	70.20	57.50	66.82
Caricom	**54,348**	**37,369**	**63,474**	**51,730**	**64,978**	**47,960**	**73,698**	**62,212**	**83.64**	**77.92**	**86.13**	**83.15**
CACM+Caricom	**148,624**	**150,169**	**186,455**	**161,749**	**209,439**	**212,623**	**251,927**	**224,663**	**70.96**	**70.63**	**74.01**	**72.00**
World	**3,411,669**	**3,555,158**	**4,851,506**	**3,939,444**	**7,454,693**	**8,880,181**	**10,152,682**	**8,829,185**	**45.77**	**40.03**	**47.79**	**44.62**
% Average	**4.36**	**4.22**	**3.84**	**4.11**	**2.81**	**2.39**	**2.48**	**2.54**				

Source: ECLAC, on the basis of official figures.

The combined markets of both groupings took an average share of 2.5% of Colombia's total exports and 4.1% of the fuels and lubricants, chemical products and manufactured articles that this country places on the world market.

To sum up, the combined exports of Brazil, Colombia, Mexico and Venezuela to the member countries of CACM and CARICOM averaged 2,470 million dollars a year for the period 1993-1995, accounting for 13% of the total imports of the two integration schemes. In the case of Brazil, Colombia and Mexico, exports to the two subregions evinced a strong pattern of growth. The sales of Venezuela fluctuated, dropping sharply in 1995 from the year before.

From the point of view of their relative importance for the exporting countries, it may be said that sales to the countries of CACM and CARICOM are not very significant for Brazil and Mexico, at around 1% of their total exports; somewhat more important for Colombia at 2.5%, and fairly important for Venezuela, representing 7% of the total sales of that country to the world.

As regards their structure, the exports of these four countries were based on mineral fuels and lubricants, manufactured articles, machinery and transport equipment and chemical products.

4. Trade between CACM and CARICOM

Despite their geographical proximity, trade between CACM and CARICOM is fairly limited. In fact exports from the member countries of CACM to the English-speaking countries of the Caribbean averaged 33 million dollars a year in the period 1993-1995, whilst the sales of the member countries of CARICOM averaged 19 million dollars a year over the same period. The CACM surplus, which was 10 million dollars in 1993, increased to 22 million dollars in 1995 due to a fall in exports from CARICOM, as can be seen in Tables 1A, 2A and 3A of the Appendix.

On the CACM side, the main countries exporting to CARICOM are Costa Rica, Guatemala and Honduras with sales of 15, 10 and 7 million dollars respectively in 1995. The products exported were chiefly: Costa Rica, books and printed matter; packaging; fats and oils; medicines; plastic sealing devices; soaps; hides and skins; bottle tops; tyres; and stoves and cookers. Guatemala, medicines; weed-killers; natural asphalts and bitumens; tyres; plastic sealing devices; maize; preparations for soups; insecticides; soaps, bottle tops, packaging; paints; ball-point pens; and toothpastes. Honduras, sawn and unprocessed conifer wood; ethylene polymers; paints and varnishes; scaffolding material; melons and watermelons. Exports thus consisted mainly of products from the chemical industry and other light manufactures, and articles from the agricultural sector.

Exports to CACM from CARICOM originated largely from Trinidad and Tobago, with fluctuating values that, in the years 1993-1995, averaged 14 million dollars a year. CARICOM sales consisted mainly of steel products (steel bars, wire and wire rods); propane gas; heavy oils; urea; potassium nitrate, aluminium sulphates, sulphurs and iron oxides; orange concentrate; packaging for drinks; and brake linings. To sum up, these exports consisted of some construction materials, some fuels, minerals, orange concentrate and light manufactures (Permanent Secretariat of the General Treaty on Central American Economic Integration, 1997).

In general, it can be said, in the cases of both CACM and CARICOM, that the countries concerned are trying to move towards greater economic openness, with all the benefits and costs that are involved in reorienting and transforming the system of production to make it more competitive. At the same time, both subregions have a strong mutual interest in maintaining and expanding their access to the United States market where, with the aid of the preferences obtained under the Caribbean Basin Initiative (CBI), they have managed to place substantial quantities of products, notably textiles and clothing.

In the process leading to the establishment of the Free Trade Area of the Americas (FTAA) Agreement, again, the two subregions have shared interests and concerns as they prepare for competition with the larger economies of the Western Hemisphere. The countries of the two subregions have collaborated to address this issue, preparing joint studies and working programmes on matters relating to cooperation and technical assistance for this purpose. Again, the accession of Mexico to NAFTA is forcing them to seek similar access opportunities for the United States market, especially in those sectors where they already have a presence because of the CBI. The presence of Mexico in NAFTA is a matter of concern to them because of the new attractions that the country offers for investment from the United States.

As long ago as 1992, a Consultative Forum was set up by CACM and CARICOM with the objective of strengthening links between the two integration schemes. Through this, they have agreed on a number of activities to be pursued jointly in the areas of trade promotion and tourism; improvements to transport, especially sea transport; cooperation on information and statistics; and preservation of access for their exports to the United States market.

Similarly, at the CARICOM Special Conference of Heads of Government in October 1992, an agreement was reached to promote the establishment of an Association of Caribbean States whose purpose would be to make progress both in economic integration and in working cooperation with the other countries of the Caribbean Basin. After a number of meetings in Jamaica, Trinidad, the Dominican Republic, Mexico and Venezuela, a formal agreement setting up the Association of Caribbean States (ACS) was signed in Cartagena, Colombia, in July 1994, by 24 full members and France, representing the associate members Guadeloupe, Guyana and Martinique. The current member countries are: Antigua and Barbuda, Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Granada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Mexico, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Surinam, Trinidad and Tobago and Venezuela.

The ACS is a grouping of Caribbean and Latin American countries set up to act as a forum for consultation, concerted action and cooperation between the states, countries and territories of the Caribbean Basin. It is based in Trinidad and Tobago.

To achieve all this, in view of the low levels of reciprocal trade that have been achieved between the member countries of CARICOM and CACM, the ACS undoubtedly has a great deal of work to do in establishing trade promotion mechanisms to enable better results to be achieved. Similarly, it can exert influence to help create stronger economic links with the nations of the Group of Three, which also belong to the ACS.

E. THE STATE OF TARIFF PROTECTION IN THE COUNTRIES OF THE REGION

1. Some considerations on the role of tariffs and the difficulty of establishing common external tariffs

Tariffs are an instrument of trade policy that operate in conjunction with other mechanisms such as exchange rates, subsidies, non-tariff barriers and others. Their main purposes are to protect domestic producers and to obtain tax revenue. Indirectly, however, they can produce a bias against exports by making imported supplies more expensive, and for this reason tariffs should, in theory, be as low as possible. At the same time, to encourage correct allocation of resources and avoid complexities when tariffs are applied, these should tend to be uniform or, failing this, to have as few different levels and as small a spread and as few bands as possible.

There is without question a worldwide trend towards lower tariffs and elimination of non-tariff barriers, this being the result of successive rounds of GATT negotiations and the conviction held by developed countries of the advantages of free and transparent international trade. There are of course exceptions to this general rule, and protectionist habits are still to be found in the form of defensive treatment of particular sectors, such as farming or textiles; exorbitant tariff bands to discourage imports of certain manufactures; or the use of managed trade instruments, such as non-tariff barriers or other measures for controlling trade such as so-called "voluntary" restrictions.

In the region, there has been a large reduction in overall tariffs, with lower spreads, accompanied by a sharp reduction in the use of non-tariff barriers. These economies are now much more open than they used to be, and this is true of both larger and smaller countries in the region.

These circumstances have helped to increase trading links between the countries of the region, have been instrumental in reinforcing integration processes, and have contributed to the launching of new initiatives in this area. It is apparent that over the last few years, new attitudes have emerged in Latin America and the Caribbean, favouring economic integration and trade agreements, both inside the region itself and with countries outside. These attitudes can be put down to the opening up of national economies and to the changes that have taken place on the international scene.

Nonetheless, it must be pointed out that for many of the smaller countries in the region the process of opening up to imports, with the tariff reductions that this entails, has meant a substantial fall-off in an important source of tax revenue, and this effect is accentuated in the case of economies for which trade with the outside is a very important factor. This is true above all of certain of the Central American and Caribbean countries where revenue from import tariffs tends to represent a substantial proportion of total tax revenues – generally over 15%, and in some cases over 50%. Generally speaking, tariffs are easier to collect than other taxes such as income or consumption taxes, for example. As a result, although reforms have been undertaken in certain countries with a view to reducing the importance of tariffs to the tax budget, these have not always been successful.

Again, where integration schemes are concerned, differences of objectives in national policies aimed at providing protection against outside competition may, as progress is made towards establishing customs unions, endanger the aim of shaping a common policy to deal with competition from outside countries. Accepting a common external tariff (CET) that covers all tariffs in their entirety entails a high level of political commitment and a certain loss of autonomy in the management of policies concerned with tariffs on outside countries.8/

The intractability of certain specific disagreements over the way protection policies should be applied to outside countries has made it necessary to draw up lists of exceptions to the CET, in order to resolve the cases of products for which common treatment is not possible. The products in question, generally speaking, are ones which countries consider to have a strategic character, or which are particularly sensitive to international competition.

It is these factors that have made it difficult to adopt common external tariffs in customs unions and, when they are adopted, to apply them strictly in practice. This has been the experience of MERCOSUR, the AC, CACM and CARICOM.

It should also be noted that the existence of non-tariff barriers, which have not been completely eliminated in the countries of the region, continues to act as a source of distortion in trade, and of conflicts over the way they are applied, which is often far from transparent. For this reason, and because of the sheer variety of measures of this kind, it is not always possible to obtain public information about non-tariff barriers. By way of example, an ECLAC study found 202 non-tariff measures being applied by Argentina; 31 by Bolivia; 203 by Brazil; 124 by Chile; 115 by Colombia; 95 by Ecuador; 36 by Paraguay; 96 by Peru; 101 by Uruguay; and 87 by Venezuela (ECLAC, 1996a). The non-tariff measures thus employed by the member countries of LAIA are very diverse and have effects on the prices of imported products, the amount that can enter, their physical characteristics, sanitary requirements, etc. The analysis that follows, therefore, concentrates on tariffs and, in particular, the ACS.

8/ On this point, see Garay and Estevadeordal (1995).

2. Tariffs in MERCOSUR, the AC, CACM and CARICOM

a) MERCOSUR

In MERCOSUR, the CET began to operate in January 1995. The range for tariffs is 0 to 20%, within which there are 11 different levels. The CET applies to 80% of all products imported from outside countries. The remaining 20% are excluded from the system, tariffs for these being set by the individual countries. These exceptions will be done away with on 1 January 2001 or, in the case of a few categories, in 2006 (LAIA, 1996). Among the categories not subject to the CET are entire sectors of industry such as motor vehicles, communications and computing.

Some indicators for the structure of the MERCOSUR CET are: tariff average, 11.1%; the level of the most frequent (modal) tariff is 14%, this applying to 24.4% of all products; and the scatter range (standard deviation) is 6.22%.

Considering that the CET does not at present apply to products included in adaptation and convergence systems – 20% of the CET sphere – the differences between the tariffs applied by the member countries of MERCOSUR are substantial. Argentina has the highest average, at 13.4%, if the statistical rate is taken, while Uruguay has the lowest, at 9.9%. See Table 14. As regards ranges, in Argentina the tariff varies from 0 to 30%; in Brazil from 0 to 70%; in Paraguay from 0 to 28%; and in Uruguay from 0 to 35%. As regards the modal tariff, i.e. the most frequent, this is 18% in Brazil; 10% in Argentina; and 2% in Paraguay and Uruguay.

b) Andean Community

As regards the AC, it should be recalled that at the beginning of the 1970s its member countries approved a common minimum external tariff, which was of limited application. In recent years, the IV Andean Presidential Council decided to adopt a CET with four tariff levels depending on the degree to which products were processed, giving special treatment to Bolivia. On this basis, Decision 370 applying to the CET was approved in November 1994, and at the same time it was ruled that Bolivia would retain its flat-rate tariff of 10% for an indefinite period, except for certain items for which the rate would be 5%. Peru did not sign this undertaking and subsequently, in April 1997, announced its decision to withdraw from the Andean Community.

The CET levels in the AC are 5, 10, 15 and 20% depending, as was mentioned, on the degree to which products are processed. The deadline for implementing the CET expired on 31 January 1995, and was met by Colombia and Ecuador. Venezuela incorporated it into its domestic legislation in April 1995.

Table 14
LATIN AMERICA AND THE CARIBBEAN: TARIFF MEAN AND SCATTER RANGE
(percentages)

Countries	Tariff mean	Tariff scatter range	Countries	Tariff mean	Tariff scatter range
Argentina (a)	13.40	7.10			
Brazil	10.00	8.20			
Paraguay	10.40	7.00	Antigua y Barb.	n.a	n.a
Uruguay	9.90	7.30	Bahamas	11.79	12.14
Mercosur AEC	**11.14**	**6.22**	Barbados	11.79	12.14
Bolivia	9.80	0.99	Belize	11.79	12.14
Colombia	11.40	6.50	Dominica	11.79	12.14
Ecuador	11.20	6.50	Grenada	11.79	12.14
Peru (b)	16.32	3.38	Guyana	11.79	12.14
Venezuela	12.00	6.30	Jamaica	11.79	12.14
AC AEC	**13.44**	**4.54**	Montserrat	n.a	n.a
Chile	10.96	0.66	St.Kitts y Nev.	11.79	12.14
Mexico	11.58	4.15	S. Vicent y G.	11.79	12.14
Costa Rica	11.74	7.88	Sta. Lucia	11.79	12.14
El Salvador	9.21	6.06	Suriname	n.a	n.a
Guatemala	10.82	7.07	Trinidad Tbg	11.79	12.14
Honduras	17.90	10.39	**Caricom AEC(c)**	11.79	12.14
Nicaragua	17.38	18.96			
CACM AEC	**9.11**	**5.80**			

Source: ECLAC, "Internal policy measures to facilitate the integration of smaller economies into the Free Trade Area of the Americas" (LC/R.1641/Rev.1; WP/96/5/Rev.2; INT.44/96/Rev.2), Mexico City, ECLAC Subregional Headquarters in Mexico, 1996; and Latin American Integration Association (LAIA), "El arancel externo común en la Comunidad Andina y el Mercosur. Análisis comparativo" (ALADI/SEC/DI/828), September, General Secretariat, 1996).

NB: The figures for national tariffs and common external tariffs (CETs) are simple arithmetical averages. (a) The tariff mean for Argentina includes the statistical rate. (b) In April 1997 Peru decided to withdraw from the Andean Community, while keeping its average tariff at 13%. (c) The tariffs for the CARICOM countries presuppose that the CET tariff is in operation.

The structure of the AC CET is, in broad terms: minimum tariff 5% and maximum 20%; average tariff 13.4%; and most frequent tariff 10%, applying to 38.2% of NANDINA items. The list of exceptions includes a number of items with a tariff rate of 0, which generally applies when a product is not produced locally or a country is dependent on supply from outside, and some with tariffs of over 20%, when it was considered that the CET level approved did not provide adequate protection for the domestic market, in sectors such as textiles, motor vehicles and others.

If we look at the three countries of the AC which operate the CET and their individual lists of exceptions, we find that Colombia has a tariff varying between 0 and 40%, while the tariffs of Ecuador and Venezuela vary from 0 to 35%. Average tariffs are 11.4% for Colombia; 11.2% for Ecuador; and 12% for Venezuela. Scatter ranges and modal tariffs are broadly similar between the three countries.

c) Central American Common Market

Although the main features of the CACM CET were established in 1995, the tariff measures agreed were gradually put into practice only in 1996. In 1995, the Central American Tariff and Customs Board had reduced the tariff floor for capital goods not produced in CACM to 1%, and had set the objective of getting this down to zero for raw materials. For finished products the target was 15%, with levels of 5% and 10% for raw materials and inputs produced in the area. Likewise, countries were authorized to reduce the tariff for raw materials not produced in the region down to 1% from January 1996.

The main advance achieved during 1996 was that the five countries accepted and began to implement individual timetables for removing tariffs. The intention is for capital goods and raw materials to be subject to tariffs of no more than 1% in all the countries by the deadline of January 1999. The maximum tariff for finished products should be down to 15% by December 2000 in Honduras, while in the rest of the countries this level should be achieved by various dates in 1999, with the exception of Nicaragua, which should have achieved it by January 1997 (ECLAC, 1997).

An important issue in CACM is the way surcharges are applied by member countries. Thus, as of December 1995 the CET coexisted with an administrative surcharge of 2% applied by Honduras, except to medicines imported by the government, while Nicaragua had tax stamps and a special consumption tax of 5%. Likewise, the CET exceptions list included around 19% of all items, and for over a third of these the difference between tariffs in different countries was in excess of five percentage points.

As Table 14 shows, average 1994 tariff rates in the countries of CACM were as follows: Costa Rica 11.7%; El Salvador 9.2%; Guatemala 10.8%; Honduras 17.9%; and Nicaragua 17.4%. The simple average of the means of the countries in the grouping was 13.4%, with a scatter range of 10.1%. The scatter range or standard deviation of tariffs varied from 6.1% in El Salvador to 19% in Nicaragua, which shows that there were substantial differences both in tariff means and in banding. In the same table are shown the tariff mean (9.11%) and tariff scatter range (5.8%) which would obtain if the CET were applied.

d) Caribbean Community

In the case of CARICOM, a plan was adopted in 1992 to implement the basic structure of a CET in successive stages, to culminate in 1998. This plan consisted in a gradual reduction of the maximum level of 45% to arrive at values ranging from 5% to 20%. The only exception envisaged was for farm products, for which tariffs of up to 40% would be permissible (ECLAC, 1996a). The first stage of the revised CET has already been organized by all the member countries of CARICOM. As for the second stage, which entails reducing non-agricultural tariff rates to a maximum of 35%, this has been put into effect in all the member countries except for Antigua and Barbuda, Belize (which has been granted a two year moratorium) and Saint Lucia (which is expected to implement it on 1 April 1997). Finally, the plan is for the third phase to be finalized in the first half of 1997.

With the CET fully operative in CARICOM, the tariff mean would be uniform at a level of 11.8% with a scatter range of 12.1%, the same for all the countries. To have an identical tariff mean and scatter range for all the countries in the grouping would represent a significant step towards establishing a customs union.

3. Considerations on tariff levels and structure

On the face of it, tariffs in the countries of MERCOSUR, the AC, CACM and CARICOM tend to be quite similar, as the mean varies from around 9% at the bottom end (El Salvador, Bolivia and Uruguay) to some 13% to 17% at the top end (Honduras, Nicaragua, Peru and Argentina). The rest of the member countries of these groupings fall between these two extremes. Nonetheless, scatter ranges (standard deviation) and absolute maximums and minimums differ considerably. The gap between the scatter coefficients of Bolivia and Chile – which, at less than 1%, indicate practically uniform tariffs – and tariffs with a great number of different bands, reflected in dispersions of over 8% (Brazil, Honduras, Nicaragua and the Caribbean countries), is revealing of the different views held on the role of tariffs in protecting sectors of the economy from outside competition, whether a differentiated approach is followed or not. Again, see Table 14.

Likewise, absolute tariff limits also vary appreciably – from 0 to 70% in the case of Brazil – insofar as the CET is not fully implemented in the integration schemes.

Setting out from the basis that the countries of CACM and CARICOM have an interest in the protection structure of the Latin American markets with which they have maintained the strongest commercial ties, either because these are closer to them, are larger or have given them preferential tariff treatment, the average protections of the main sectors in Argentina, Brazil, Colombia, Mexico and Venezuela will be examined next by way of example. As was mentioned, Chile has a uniform tariff of 11% for all sectors.

As can be seen from Table 15, in Argentina, Brazil, Colombia, Mexico and Venezuela the average mining sector tariff is appreciably lower than the manufacturing sector tariff. Taking Argentina and Brazil, the average agricultural sector tariff is also lower than the manufacturing sector tariff, whilst in the other three countries both averages are quite similar. The high level of protection evinced by Mexico in the agricultural sector is possibly due to the sensitivity of that country to competition from the neighbouring United States, whilst the concern shown for this sector in Colombia and Venezuela may well be due to its social repercussions.

Although the tariff average is not the most appropriate indicator for measuring the degree of protection in manufacturing industry, it may be noted that Brazil has the highest mean here, followed by Mexico, a situation that corresponds to the level of development of these countries. Within the manufacturing sector, Argentina has the highest tariff averages in the textile and leather industry (17.7%); other manufactures (16.2%); the paper and printed matter industry (13.3%); and metal products and machinery. Brazil has a relatively higher level of protection in the textile and leather industry (17.9%); metal products and machinery (16%); and other manufactures (15%). In Colombia the highest tariff averages are found in the textile and leather industry (18.1%); food products, beverages and tobacco (16.9%); other manufactures (15.2%); cork and wood products (14%); and the non-metallic minerals industry (13%). Mexico shows its highest averages in the textile and leather industry (16.8%); food products, beverages and tobacco (15%); cork and wood products (14.8%); and the non-metallic minerals industry (14.4%). Finally, Venezuela has its highest averages in the textile and leather industry (18.2%); foods products, beverages and tobacco (17.5%); other manufactures (14.8%); cork and wood products (14.2%); and the non-metallic minerals industry (13.6%).

Thus, the most highly protected branches of industry in the five countries are the textile and leather industry; food products, beverages and tobacco, except in Argentina and Brazil; other manufactures, with the exception of Mexico; and cork and wood products, excluding Brazil.

Table 15
AVERAGE TARIFFS FOR MAIN PRODUCTION SECTORS
(percentages)

Sectors	Argentina	Brazil	Colombia	Mexico	Venezuela
Farming	**6.6**	**6.6**	**11.5**	**12.3**	**11.8**
Mining	**3.0**	**3.2**	**5.4**	**8.0**	**4.8**
Manufacturing	**11.6**	**12.5**	**11.5**	**12.0**	**11.9**
Food products, beverages and tobacco	11.8	12.2	16.9	15.0	17.5
Textile and leather industry	17.7	17.9	18.1	16.8	18.2
Cork and wood products	11.7	10.5	14.0	14.8	14.2
Paper and printed matter industry	13.3	9.9	12.1	9.2	12.2
Chemical industry, petroleum and coal	7.8	8.0	7.6	11.3	7.9
Non-metallic minerals industry	11.0	10.9	13.0	14.4	13.6
Basic metal industries	11.4	9.5	7.9	9.9	8.0
Metal products, machinery	13.1	16.0	10.6	10.0	10.7
Other manufactures	16.2	15.9	15.2	11.3	14.8

Source: Latin American Integration Association (LAIA) "El arancel externo común en la Comunidad Andina y en el MERCOSUR. Análisis comparativo" (ALADI/SEC/DI/828), General Secretariat, September 1996. The figures for Mexico are the author's own estimates.

Note: The tariff figures are simple averages for June 1996, with the exception of the Mexican figures, which are for 1994.

As against this, the sectors with the lowest tariff averages are the chemical industry, petroleum and coal, except in Mexico; basic metal industries, except Argentina; and the paper and printed matter industry, which has the lowest averages in Brazil and Mexico.

In short, the greatest market access opportunities in the five countries selected, in terms of the lowest tariffs, are found in agricultural products, though only in the cases of Argentina and Brazil; in mining sector products; and in the branches of industry where tariff averages are very low, such as the chemical industry, petroleum and coal, the basic metal industries and the paper and printed matter industry. These are generally basic industries where local production facilities are fairly well developed.

The fact is that, hitherto, exports from the CACM countries to the region have consisted mainly of food and live animals, manufactured articles, chemical products and inedible crude materials. For their part, the member countries of CARICOM have exported principally chemical products, manufactured articles and fuels and lubricants. It can be seen, then, that sales by the CACM and CARICOM countries correspond to a great extent to those sectors or branches which have the lowest tariff averages.

It should also be pointed out that numerous agreements have been signed between various countries in LAIA to establish trade preferences in favour of the CACM and CARICOM countries, and this is the issue that will now be looked at.

F. AGREEMENTS ENTERED INTO BETWEEN THE COUNTRIES OF LAIA, CACM AND CARICOM IN THE CONTEXT OF ARTICLES 24 AND 25 OF THE TREATY OF MONTEVIDEO

The nine member countries of LAIA which have entered into agreements with Central American and Caribbean countries have done so under the auspices of articles 24 and 25 of Chapter IV of the 1980 Treaty of Montevideo, dealing with convergence and cooperation with other countries and integration areas in Latin America. Article 24 provides that "member countries may establish multilateral association or relationship systems encouraging convergence with other countries and areas of economic integration of Latin America, including the possibility of agreeing with these countries or areas the establishment of a Latin American tariff preference". Article 25 likewise provides that "member countries may draw up partial scope agreements with other Latin American countries and areas of economic integration".

Partial scope agreements are those concluded by some but not all of the member countries of LAIA, and they may cover trade, economic complementation, agriculture or trade promotion, or adopt other procedures. They must be open to accession, subject to negotiation, by the other member countries, and may contain clauses to encourage convergence with other Latin American countries. Concessions granted by the participating member countries will not be extensive to the others, excepting the relatively less developed countries.

Finally, Article 27 of the 1980 Treaty of Montevideo states that member countries may draw up partial scope agreements with other developing countries or their economic integration areas outside Latin America, following procedures similar to those stipulated for the Latin America countries.

On the basis of these regulations, nine member countries of LAIA have signed 34 agreements with countries in Central America and the Caribbean, of which 2 were entered into by Colombia and Venezuela with the countries of CARICOM and 32 are of a bilateral nature. Of the agreements signed, 28 are in operation. See Table 16.

The main characteristics of the agreements mentioned are:

a) The main provisions of the agreements are fairly similar and deal with the granting of tariff and non-tariff preferences and with the relevant trade policy measures; they are thus classed as trade agreements. The agreement concluded between Mexico and Costa Rica to set up a free trade zone is not however classified as such;

b) There are differences between the agreements as regards the scale of preferences, the application of quotas to imports and the life of the agreements;

c) The concessions granted by Colombia, Mexico and Venezuela are unilateral, there being in practice no symmetry, although in the case of Colombia there is provision for the other party to grant tariff preferences to that country provided economic conditions allow it;

d) The agreements, generally speaking, do not envisage programmes to dismantle import charges, and were negotiated on the basis of a limited set of tariff items, i.e. positive lists;

e) In accordance with the provisions of Article 25 of the 1980 Treaty of Montevideo, preferences granted by the member countries of LAIA under the agreements referred to must be extended automatically and without compensation to relatively less economically developed countries belonging to the Association (LAIA, 1997a).

Of the 4 member countries of LAIA with the strongest trading ties to CACM and CARICOM – Venezuela, Mexico, Brazil and Colombia – Colombia and Venezuela, acting within the framework of Article 25 of the Treaty of Montevideo, have signed agreements with all the countries of CACM and CARICOM as integration groupings. Mexico has agreements with all the countries of CACM until a free trade zone is implemented, but has not entered into any agreement with CARICOM, either collectively or with its separate members. Brazil, for its part, has not signed agreements with CACM or with CARICOM either.

Table 16
AGREEMENTS ENTERED INTO BY THE MEMBER COUNTRIES OF LAIA WITH COUNTRIES IN CENTRAL AMERICA AND THE CARIBBEAN IN THE CONTEXT OF ARTICLE 25 OF THE 1980 TREATY OF MONTEVIDEO

	Colombia		Mexico		Venezuela	
Signed with	**Signing Date**	**Duration**	**Signing Date**	**Duration**	**Signing Date**	**Duration**
Costa Rica	02/03/84	3 years *	22/07/82	1 year* ***	21/03/86	3 years *
El Salvador	24/05/84	3 years *	06/02/86	30/06/97	10/03/86	3 years *
Guatemala	01/03/84	3 years *	04/09/84	30/06/97	30/10/85	3 years *
Honduras	30/05/84	3 years *	03/12/84	30/06/97	20/02/86	3 years *
Nicaragua	02/03/84	3 years *	08/04/85	31/12/96	15/08/86	3 years *
Panama	09/07/93	3 years *	22/05/85	3 years *		
CARICOM	24/07/94	Indefinite			13/10/92	**
Cuba	08/07/94	3 years *	11/03/83	4 years *	12/01/89	3 years *
	Argentina		**Bolivia**		**Brazil**	
Signed with	**Signing Date**	**Duration**	**Signing Date**	**Duration**	**Signing Date**	**Duration**
Cuba	16/03/84	30/09/97	06/05/95	10 years *	16/10/89	30/09/97
	Ecuador		**Peru**		**Uruguay**	
Signed with	**Signing Date**	**Duration**	**Signing Date**	**Duration**	**Signing Date**	**Duration**
Cuba	01/08/95	3 years *	25/08/94	3 years *	06/03/87	30/09/97

Source: Latin American Integration Association (LAIA), "Evolución de las negociaciones y el comercio entre los países de la ALADI y los países de Centroamérica y el Caribe", (ALADI/SEC/DI/912), General Secretariat, 6 February 1997.
Notes: * Renewable for the same period; ** The terms of the Agreement do not specify its duration; *** On 5 April 1994 Mexico and Costa Rica signed a free trade treaty.

The agreements concluded by Colombia and Venezuela with CARICOM are relatively recent – July 1994 and October 1992, respectively – so that it is difficult to gauge their effect on the trade of these countries. Colombia and CARICOM signed an agreement on trade and economic and technical cooperation, which includes a programme to free trade on the basis of "asymmetrical reciprocity", as it takes into account the differing levels of development of Colombia and the member countries of CARICOM. In other words, Colombia agreed to grant free access for goods coming from CARICOM, by doing away with non-tariff barriers and lifting tariffs under a set timetable. Treatment for Colombian imports on the CARICOM side is limited to extending most favoured nation treatment to that country. In addition, the agreement contains provisions dealing with technical regulations, the service sector and dispute settlement, among other things.

The Acuerdo sobre Comercio e Inversiones [Agreement on Trade and Investment] signed between Venezuela and CARICOM is also an "asymmetrical reciprocity" or "one way" agreement, whereby Venezuela undertakes to grant free access to its market in accordance with a timetable for reducing tariffs and eliminating non-tariff barriers. CARICOM is to give most favoured nation treatment to all imports from Venezuela. The agreement again includes issues such as technical regulations, treatment of investment, double taxation agreements, services trade, transport and dispute settlement (LAIA, 1995a).

In Table 17, it can be seen that the combined exports of the member countries of CARICOM to Colombia grew from 46 to 69 million dollars between 1993 and 1995. Taking the three years together, the balance of trade was marginally in Colombia's favour (by 3 million dollars). In this same period, CARICOM exports to Venezuela first fell in 1994, and then recovered slightly, without however returning to 1993 values. Sales by Venezuela to CARICOM, for their part, fell sharply over the three years, from 352 to 210 million dollars, while the balance, which has traditionally been very much in Venezuela's favour, dropped from 306 to 179 million dollars.

Although one might have reservations when dealing with figures covering only a short period, the conclusion is that to date the impact on trade of the agreements signed by Colombia and Venezuela with CARICOM, whereby asymmetrical tariff preferences are granted to this grouping, has not been significant. Undoubtedly, the CARICOM countries are still strongly affected by structural factors that make it difficult to exploit the concessions to better effect.

As regards the CACM countries, Colombia and Venezuela signed agreements with these between 1984 and 1986, and these have been renewed every 3 years (again, see Table 16). The results of these agreements have been fairly negative for the CACM countries in their relationship with Colombia, as aggregate exports from the five countries only increased from 16 to 21 million dollars between 1993 and 1995, while Colombian exports to CACM grew from 145 to 179 million dollars. The CACM trade deficit grew from 129 to 158 million dollars, those most affected being Costa Rica and Guatemala.

As regards trading relations between the CACM countries and Venezuela, the scenario is somewhat better given that exports from the former grew from 21 to 77 million, while Venezuelan sales fluctuated upwards and downwards. The effect of all this was that the Venezuelan surplus fell from 355 to 300 million dollars.

As regards the agreements signed by Mexico with the CACM countries, which date from 1982 to 1986, since 1991 (Tuxtla Gutiérrez Agreement) the governments of both parties have tried to turn them into the basis for a free trade zone. This initiative has encountered various difficulties, and these have led Costa Rica and Nicaragua to opt for the bilateral route with Mexico. El Salvador, Guatemala and Honduras have entered into joint negotiations to further their aim of setting up a free trade zone between the three of them. Finally, Costa Rica and Mexico signed a free trade treaty that came into force in 1995, with numerous exceptions covering things like dairy products and poultry, potatoes, onions, bananas and coffee. Negotiations with the three countries of the Northern Triangle are expected to produce results during 1997, and in the meantime Mexico has agreed to extend the current partial scope agreements with each of the Central American countries until June 1997.

Table 17
COLOMBIA, MEXICO, VENEZUELA: TRADE WITH COUNTRIES WITH WHICH AGREEMENTS WERE SIGNED IN THE CONTEXT OF ARTICLE 25 OF THE TREATY OF MONTEVIDEO
(millions of dollars fob)

Signed with	EXPORTS			IMPORTS			BALANCE		
	1993	1994	1995	1993	1994	1995	1993	1994	1995
	COLOMBIA *								
Costa Rica	84	93	93	7	7	7	77	86	86
El Salvador	15	25	17	2	1	1	13	24	16
Guatemala	27	29	35	5	7	9	22	22	26
Honduras	15	13	21	1	1	3	14	12	18
Nicaragua	4	5	13	1	0	1	3	5	12
CACM	**145**	**165**	**179**	**16**	**16**	**21**	**129**	**149**	**158**
Caricom	**64**	**46**	**71**	**46**	**63**	**69**	**18**	**(17)**	**2**
Cuba	20	35	18	3	13	23	17	22	(5)
Panama	160	143	133	22	27	27	138	116	106
TOTAL	**389**	**389**	**401**	**87**	**119**	**140**	**302**	**270**	**261**
	MEXICO								
Costa Rica	100	99	135	22	28	16	78	71	119
El Salvador	113	135	145	14	19	8	99	116	137
Guatemala	204	223	303	62	83	51	142	140	252
Honduras	38	75	66	7	4	4	31	71	62
Nicaragua	21	22	30	11	11	8	10	11	22
CACM	**476**	**554**	**679**	**116**	**145**	**87**	**360**	**409**	**592**
Cuba	95	269	353	7	12	6	88	257	347
Panama	147	167	221	61	24	9	86	143	212
TOTAL	**718**	**990**	**1 235**	**184**	**181**	**102**	**534**	**809**	**1 151**
	VENEZUELA								
Costa Rica	60	88	129	9	3	11	51	85	118
El Salvador	109	120	64	8	10	10	101	110	54
Guatemala	110	118	143	3	20	54	107	98	89
Honduras	10	12	22	1	0	0	9	12	22
Nicaragua	87	82	19	0	0	2	87	82	17
CACM	**376**	**420**	**377**	**21**	**33**	**77**	**355**	**387**	**300**
Caricom	**352**	**281**	**210**	**46**	**29**	**31**	**306**	**252**	**179**
Cuba	120	91	112	3	5	2	117	86	110
TOTAL	**848**	**792**	**699**	**70**	**67**	**110**	**778**	**725**	**589**

Source: Latin American Integration Association (LAIA), "Evolución de las negociaciones y el comercio entre los países de la ALADI y los países de Centroamérica y el Caribe", (ALADI/SEC/DI/912), General Secretariat, February 1997.
Notes: Imports of Colombia are in cif values.

The commercial results of Mexico's agreements with the member countries of CACM have been unsatisfactory for these nations, as their exports to Mexico in 1995 were lower than they had been in 1993, while their imports grew steadily from 476 to 679 million dollars in that period. As a result, their trade deficit grew from 360 to 592 million dollars. The countries worst affected by these negative balances were Guatemala, El Salvador and Costa Rica.

The situation of Cuba, which has agreements with Colombia, Mexico and Venezuela based likewise on Article 25, is very similar, as the country has large deficits with Mexico and Venezuela, and only with Colombia does it have a more balanced trading position.

It is interesting to contrast the cases mentioned with that of Brazil, which has signed only a partial scope agreement with Cuba. Brazilian exports to the member countries of CACM were 236, 242 and 216 million dollars in the years 1993, 1994 and 1995 respectively, while imports from these countries were 7, 8 and 12 million dollars over the same period. Thus, while Brazilian sales to the Central American countries have fluctuated around 231 million dollars, imports, which started out from very low levels, have grown appreciably. As regards the trade links between Brazil and CARICOM, there has been a substantial increase in trade in both directions, with this rising from 196 million dollars in 1993 to 296 million dollars in 1995. The important thing is that not only have Brazilian exports grown, from 118 to 168 million dollars between 1993 and 1995, but so have those of CARICOM, from 78 to 128 million dollars in the same period, leaving Brazil with a constant trade surplus of 40 million dollars.

Thus, the partial scope agreements entered into within the framework of Article 25 of the Treaty of Montevideo have not generated all the positive effects that were expected of them, despite containing asymmetrical tariff preferences in favour of the smaller countries. These preferences have proved in some cases inadequate to stimulate exports from the Central American and Caribbean countries, and should be complemented by other instruments to promote trade or develop output for export. The aim is to invigorate the trading performance of all the countries and subregions of Latin America and the Caribbean, and this entails strengthening exports from the smaller or less developed countries.

To sum up, analysis of trade between the subregional integration schemes leads to the conclusion that, for the period 1993-1995, the groupings with the strongest trading ties are the triangle of the Group of Three, AC and MERCOSUR. Next in order are the linkages between the Group of Three, CACM and CARICOM, and those of the AC with CACM and CARICOM. Finally, and some distance behind are the MERCOSUR-CACM-CARICOM and CACM-CARICOM axes. See Appendix, Table 5A.

For these trading axes to be understood correctly, it must be recalled that Colombia and Venezuela, which are members of the Group of Three and the AC at the same time, jointly account for something over three quarters of the trade between the two groupings, while Mexico contributes 23%. Again, Venezuela, Mexico, Brazil and Colombia are the most active countries in terms of trade with CACM and CARICOM, which explains the linkages of the Group of Three and the AC with the two integration schemes of Central America and the Caribbean and, at a lower level, those of MERCOSUR with both subregions, which are sustained almost exclusively by Brazil.

Table 18
SUBREGIONAL INTEGRATION GROUPINGS: 1996 ECONOMIC INDICATORS, ESTIMATED

Economic Indicators	SUBREGIONAL GROUPINGS				
	Mercosur	AC	G.Three	CACM	Caricom
Population (Millions)	206,9	101,3	149,9	30,4	5,9*
Total GDP (Billions of dollars**)	664,1	193,9	384,2	30,2	16,4*
GDP per head (1990 dollars)	3,210	1,915	2,564	991	2,772*
1995 exports (Millions of dollars***)	70,072	39,746	108,843	6,846	5,359
Trade Balance (Billions of dollars)	0.5	3.7	13.3	-3.8	-2.8*
External capital flows (Billions of dollars)	29.5	8.6	11.6	1.7	0.8*

Source: Inter-American Development Bank (IDB), "Integración y comercio en América. Una estimación preliminar del comercio para 1996", Nota periódica, Washington, D.C., December 1996; and ECLAC, on the basis of official figures.

Notes: * Includes only Bahamas, Barbados, Belize, Guyana, Jamaica, Surinam and Trinidad and Tobago. ** Gross Domestic Product in billions of 1990 dollars. *** Total exports in millions of current dollars.

Setting out from these facts, i.e. the concentration of trading power in the hands of a few countries in the region, the weak trading links between certain integration groupings such as CACM and CARICOM, and between these two and MERCOSUR, and the imbalance in trade between Central America and the Caribbean and the rest of Latin America, it is necessary to reflect on the measures that can be organized to invigorate all of the trading relationships within the region. Such reflections will be found in the last section, which contains recommendations.

II. INTRAREGIONAL INVESTMENT

In this section, a number of arguments will be put forward to reinforce the idea that the process, now underway, of strengthening economic links between the member countries of LAIA, CACM and CARICOM should include a programme of action to stimulate trade and, side by side with this, another one to promote intraregional investment. This is because there is a considerable amount of evidence pointing to the conclusion that international trade and FDI are not independent processes in the world at large. If this inter-relation is extrapolated, it is logical to have a strategy that includes trade promotion measures alongside measures to foster intraregional investment.

A. THE RELATIONSHIP BETWEEN INTERNATIONAL TRADE AND FOREIGN DIRECT INVESTMENT

For some time past, there has been concern about the linkage that exists between international trade and foreign direct investment (FDI). The issues that have been debated most in this area are, on the one hand, whether there is a relationship of causality between the two variables, i.e. whether positive FDI flows make exports grow more than they would in the absence of these investment flows, or whether rising exports attract higher FDI. On the other hand, there has been debate as to whether an increase in one of these variables is regularly associated with an increase or fall in the other, in other words, whether the two variables – exports and FDI – are correlated. If this correlation does emerge, it might be negative, indicating that trade and FDI are substitutes for one another; or positive, in which case the two factors are complementary.

The existence of this correlation means that trade policies affect FDI flows, and that policies bearing on FDI influence trade flows and, consequently, that both sets of policies would benefit from being integrated with one another.

This is so much the case that among the new issues dealt with in the Uruguay Round of GATT was an Agreement on Trade-Related Investment Measures (TRIMs). TRIMs are measures that countries put in place to further their economic development objectives, in the form of requirements on the ways in which investment must be made, local content rules and incentives for transferring technology that the country concerned is interested in. In the same way, TRIMs are regarded as a mechanism for correcting distortions caused by the commercial practices of transnational firms, such as restrictions on buying and selling, distribution channels, activities to be developed, price manipulation and others (Saéz, 1994).

As an example of the changes that TRIMs can bring to foreign investment practices, it is worth mentioning the prohibition of local content requirements imposed on investors in certain jurisdictions. Again, in 1999 the TRIMs agreement is to be reviewed to consider possibly including multilateral rules on investment and competition policy (SELA, 1996).

The concrete effects of the TRIMs agreement on Latin American and Caribbean countries will depend on the importance given to this type of measure in domestic legislation, as in the future these regulations may limit the scope of this legislation to control foreign direct investment.

In the services sector, the General Agreement on Trade in Services (GATS) lays down regulations on the commercial presence of companies set up in a country with foreign investment to supply services. GATS contains rules on the right to set up a business, national treatment and most favoured nation treatment for the services sectors that each country is prepared to negotiate on within the framework of the WTO (SELA, 1996).

In support of what has been said about the relationship between trade and investment, detailed studies on FDI in mining and other industries based on natural resources have demonstrated a strong positive correlation between FDI and the exports of the country receiving this investment. Likewise, analyses covering a wide range of industries have found a high degree of positive linkage between aggregate FDI flows and the total exports of the country in which the investment is made (WTO, 1996).

Again, indirect evidence based on sectoral studies shows that FDI is frequently carried out by companies that are already large exporters. These findings are backed up by research which has found that foreign-owned firms tend to export a larger proportion of their output than locally owned firms.

These conclusions are particularly valid for host countries that have a low level of import protection. Economies which are open to international trade are highly attractive to export-oriented FDI, as is shown by studies comparing FDI flows into relatively open markets in certain countries in Asia with flows into the markets of Latin America which, until recently, were relatively highly protected. The former tend to attract FDI from companies that are big exporters, while the latter received investments from firms that were primarily oriented towards the local market (WTO, 1996).

Another important consideration for multinational companies wishing to make a specific investment is the size of the market. Free trade areas or customs unions, by removing internal barriers to trade, give firms the opportunity to service the integrated market thus formed from one or more production sites, and thus to reap the benefits of economies of scale. From this base, the firm may then be in a position to increase its competitiveness sufficiently to gain access to outside markets.

In the specific case of the member countries of CACM and CARICOM, the attractions of the domestic market will be heightened to the extent that the economic spaces produced by the different integration processes operate effectively, or that these provide a platform for exporting to markets in developed countries offering preferential treatment. Both of these factors can be significant incentives for investments originating from the countries of the region, in particular those that find it difficult to gain access to these markets.

B. AN APPROACH TO DEVELOPING INTRAREGIONAL INVESTMENT

Encouraged by economic integration, economic openness, the creation of Latin American multinationals, privatization processes, preferential conditions for FDI, increased political stability and various other factors, intraregional investment has been growing and evincing a potential unheard of in the past.

These capital flows between the countries of the region, although still limited, reflect the internationalization of firms, which are trying to make the maximum use of the intangible assets that they have accumulated in the form of skills, information and technological know-how. These intangible assets can be highly attractive to countries in the region wishing to take advantage of the experience that companies have built up in improving their administration and production capabilities, as this experience can be applied virtually unaltered to other countries in Latin America and the Caribbean.

Measuring intraregional investment flows is quite difficult, as only limited information is available. Indeed, a number of countries in the region have abolished registration and approval requirements for foreign investment, in the belief that they can thereby stimulate it. Others keep only incomplete records which do not include the origin of the investment, or attribute it to what are merely countries of transit, such as tax havens. Finally, greater freedom in the currency markets means that registers are incomplete or undervalue capital inflows or outflows, as there are few formalities involved in using these markets, which means that in many cases inland revenue services are not involved at all (Farías, 1996).

As regards FDI from the rest of the world, the aggregate figures show that the region has experienced a sustained increase in capital inflows during the present decade, placing it among the most attractive emerging markets for FDI. Thus, in 1995 Latin America and the Caribbean received 27% of the FDI going to developing countries, and almost 9% of the world total. Accumulated FDI in the region, measured at current prices, was 175 billion dollars in 1995, a figure that increased by 23 billion dollars over that year despite the Mexican crisis. FDI goes for preference to a handful of recipient countries, in particular Mexico (55 billion dollars of "stock"), Brazil (51 billion), Argentina (29 billion), Chile (12 billion) and Colombia (11 billion). Flows increased from 1991 onwards for the member countries of LAIA, with some oscillations for certain countries in particular (Argentina; Venezuela; Brazil, with a drop in 1993; and Mexico and Peru, where there was a fall in 1995). The large fluctuations in FDI flows to certain countries in the period 1991-1995 can in most cases be largely put down to the privatization of certain big public companies (LAIA, 1997b).

As regards intraregional FDI, this is estimated to have been from 3% to 5% of the total FDI going into the countries of the region, with large variations in each country as regards the proportion represented by investment of regional origin in the sum total of FDI. Incomplete figures suggest that this proportion varied from 1% in Brazil to 12% in the case of Argentina. The proportion for Chile was put at 3.8%; for Bolivia, 11.5%; Colombia, 6.8%; Ecuador, 5.1%; Peru, 5.9%; and Venezuela, 0.9% (ECLAC, 1996a).

Again, it has been observed that a very high proportion of intraregional investment is carried out in countries that are close to or have strong links with the investor country. This is the case, for example, with Chilean investments in Argentina; Argentinean investments in Brazil and vice versa; Mexican investment in Central America; and Venezuelan investment in Colombia.

The most active country in terms of investment in neighbouring or nearby countries is Chile. Although the figures vary considerably depending on the source of information used – from 3,753 million dollars for the period 1975-1996, if we go by investments registered by the Central Bank of Chile, to 12,185 million dollars in 1990-1996 according to the Foreign Investment Committee – what is certain is that capital movements have been primarily in the direction of Argentina (46.6%); Peru (13.2%); Colombia (7.8%); Brazil (6.1%); Mexico (3.9%); Panama (3.2%); Venezuela (2.3%) and Bolivia (1.9%). The explanation for the large difference between the values recorded by the two institutions is to be found in the fact that the regulations currently operating in Chile do not require all investment activities abroad to be recorded, so it is up to investors to decide whether to do this or not. In some cases, they have decided to work directly with commercial banks without recording their investments at the Central Bank, and to use outside sources of supplementary financing in the form of capital provided by foreign partners or credits negotiated in the international markets, thereby taking advantage of interest rates lower than those on offer in the Chilean market. The Foreign Investment Committee, on the other hand, uses statements made by investor companies to the financial press (Figueroa, 1997).

Among the factors that help to explain why Chile has such a great capacity to invest abroad are the reduction in the country's foreign debt burden, an increase in the domestic savings rate, the experience that has been built up in particular market segments, and access to outside sources of financing (American Depository Receipts or ADRs, among others). Furthermore, the relatively small size of the domestic market provides an incentive to enter foreign markets, either through exports or through investment.

According to the figures available, by the middle of 1995 Argentina had invested 360 million dollars in Brazil, this investment being concentrated in the food products sector and in financial services. These figures are certainly an underestimate, however, as in Argentina there is no requirement to register foreign investment. Brazilian investment in MERCOSUR totalled 353 million dollars, most of it being in various manufacturing industries and the financial sector (ECLAC, 1996a).

As regards Mexico, direct investment flows from that country to the rest of Latin America have been put at 638 million dollars for the period 1990-1994, of which 514 million dollars went to South America, in particular Argentina, Bolivia, Brazil, Chile, Ecuador, Peru and Venezuela, and 124 million dollars were invested in the Central American Isthmus. The main recipient countries in that subregion were Panama (30 million); Guatemala (29.7 million); El Salvador (25 million); Nicaragua (20 million); Costa Rica (17.4 million) and Honduras (2 million).

In the case of Mexico, the development model and policies pursued by the country have had a decisive influence on the drive by certain manufacturing and services companies to invest abroad, these being companies which at one time enjoyed a degree of protection but which, since the country was opened up for trade, have developed sufficient capabilities to compete at a world level. Among the factors that characterize Mexican firms investing abroad are: a privileged position in the Mexican market, with few competitors and generally speaking with a high degree of vertical and horizontal integration in their production processes; reliance on their own competitive advantages and the dynamics of the sector in which they operate; and their relative autonomy in respect of the domestic policies of the recipient country. Nonetheless, availability of finance is a serious limiting factor, making it difficult for larger numbers of Mexican companies to invest abroad, particularly those that are not of very great size.

Companies in the Mexican services sector are in a special position, due to their greater financial vulnerability. With these firms, the macroeconomic situation in Mexico and the dynamics of the domestic market are, alongside competitive advantages, very important factors in explaining their foreign investment decisions. This is particularly true of the construction and banking sectors, which are dependent on domestic demand and on savings and investment behaviour, which are what determines their ability to invest abroad (ECLAC, 1996b).

The figures available for the Caribbean countries do not distinguish between FDI from Latin America and that originating from other sources. Nonetheless, it may be assumed that a high percentage of the 817 million dollars recorded in 1993 relates to FDI originating from developed countries. This is certainly the case with Trinidad and Tobago, which received 373 million dollars in that year, 91% of it from the United States and 8% from the United Kingdom (ECLAC, 1995a).

A general consideration arising from the information analyzed is that intraregional investment is notably long term, and represents a commitment to the economies of recipient countries. It thus constitutes a pool of tangible and intangible assets incorporated into companies, providing a long-term resource in terms of technology and management capability. As a result, this type of FDI is less exposed to temporary financial crises, as these do not compromise long-term macroeconomic management. In contrast, capital transfers involving a high proportion of portfolio investments are normally speculative and volatile in the short term, which means they are more sensitive to the higher returns that may be obtained in other areas or countries.

The main conclusions that can be drawn from this section are:

a) Intraregional investments, which are only a very small proportion of the total volume of FDI that the region receives, are growing in importance, as the process now has a strong momentum, with a marked tendency to accelerate as integration schemes continue to strengthen. Again, if we consider particular pairs of countries in Latin America and the Caribbean, such as Argentina-Chile; Argentina-Brazil; Mexico and the countries of the Central American Isthmus; Colombia-Venezuela; Chile-Peru, etc., we can see that intraregional investment is beginning to take on substantial proportions in these countries by comparison with investment originating from developed countries.

b) Generally speaking, intraregional investment is long term and is highly integrated into the economies of recipient countries. This is very important, because it represents a long-term commitment, and it can be quickly and easily assimilated, coming as it does from countries with similar idiosyncrasies. Furthermore, many Latin American countries have adapted technologies in ways which make them better suited to the needs of potential recipient countries in the region than the technologies used in developed nations.

c) Considering the linkage which is considered to exist between FDI and foreign trade, a strengthened process of intraregional investment could facilitate the development of new and further-reaching trading ties between the countries of the region. It is particularly important, therefore, for investment from the region to be promoted in those countries or subregions which have less highly developed trade flows with the rest of the region. Thus, if a substantial flow of FDI from the region can be directed to the member countries of CACM and CARICOM, there may well arise new opportunities for exports from those subregions to other countries in Latin America.

d) The member countries of CARICOM can turn themselves into an attractive destination for Latin American investors wishing to exploit the comparative advantages that this subregion derives from its geographical position, the good educational standards of its people, its tourist attractions, its stable political regimes and institutions, and the agreements giving it preferential access to the markets of the United States and the European Union. Many of these advantages make it feasible to consider investments aimed at promoting trade not only in goods, but in services as well, as it is probably to this area that Caribbean conditions are best suited. For this, the right of access to the markets of the United States and Europe needs to be maintained for goods and, as far as possible, extended to services, in which the Caribbean has or could develop comparative advantages.

e) Since legislation and the new economic openness are favourable to foreign investment in general, intraregional investment should be stimulated by bilateral agreements or special promotional regimes within the overall integration processes of the region. Experience suggests that it is the major business groupings of Latin America and the Caribbean that have the greatest potential to develop the size and operating capabilities of transnational firms (Calcagno, 1996), which means that these can operate under the same system of incentives as is available to FDI originating from developed countries. Nonetheless, it is possible that small or medium-sized firms in the region, which could play an important role in many countries, may need particular financing mechanisms, resources or facilities to enable them to establish contacts or carry out market research.

f) Again, work needs to be done to record and track intraregional investment, using standardized methodologies and gathering information both from governments and from the investors themselves, so that the effects of mechanisms for promoting such investment can be monitored and evaluated. This kind of work, which of course is equally necessary for all FDI wherever it originates, is a necessary basis for initiating processes to harmonize investment incentive policies, and thereby avoid unnecessary costs being incurred for what may be insignificant results, uneconomic locations or unfair advantages which might lead to a deterioration in relations within the integration groupings (LAIA, 1995b).

C. CURRENT REGULATIONS AND BILATERAL AND SUBREGIONAL AGREEMENTS

Most of the instruments used to regulate the treatment of foreign investment in the countries of the region apply to capital investment in general, regardless of whether it comes from within the region or elsewhere. This is doubtless due to the fact that capital flows of regional origin were negligible until recently.

1. The general principles applied to treatment of foreign investment

Reflecting the profound changes that have taken place in the development strategies of the countries of Latin America and the Caribbean, policies on foreign investment have developed considerably, with the more restrictive features gradually being done away with and incentives for outside capital increased. The main features of the rules adopted are:

a) Application of the principle of equal treatment for domestic and foreign investors.

b) Abolition of prior approval processes in most countries, although in a great many cases investments still have to be registered for the investor to benefit from guarantees covering repatriation of capital and remittance of profits. Only in Chile and Uruguay is prior authorization still compulsory, as it is considered important to assess the quality of the investment.

c) Reduction in the number of sectors reserved to the State and domestic investors. Certain restrictions are maintained on investment in mass communications media, defence and national security, atomic energy, some forms of transport and, in certain cases, activities linked to mining, hydrocarbons and the financial sector.

d) Abolition of most of the provisions that used to restrict immediate remittance of profits generated by foreign investments, without limit as to amount. Likewise, in all the countries of the region, capital can be re-exported virtually without restriction. There are some exceptions, these being Costa Rica, the Dominican Republic, Argentina and Brazil as regards automatic profit remittance; and Nicaragua, Uruguay, Chile, Argentina, Brazil and Costa Rica for repatriation of capital until a certain amount of time has elapsed, or if otherwise permitted.

In addition to these measures, mention should be made of others like the conversion of foreign debt into capital and the creation of export processing zones and industrial free trade zones. The latter have had positive results in Central America and parts of the Caribbean, the Dominican Republic in particular. Foreign investors have used export platforms of this type in that subregion because they enabled them to use low-cost local labour and to take advantage of import quotas set for the United States market (ECLAC, 1995b).

Generally speaking, there is agreement in many respects as regards certain basic principles applying to foreign investment, such as private property; national and most favoured nation treatment; unrestricted transfer of profits and capital; dispute settlement; ever-wider access to any sector of the economy; and other crucial regulatory criteria. There are however still differences in the way investments are approved and registered; in the definition of an investor and the legal force of regulations, in both national and international courts; in limitations relating to executive staff and foreign workers in companies; in the rules on compulsory purchase and indemnification; in access to the exchange markets, although there is agreement on the essential points; in tax treatment and rates and types of taxes and incentives; and in the way the bodies responsible for approving, registering and promoting foreign investment are organized and who they are responsible to.

To attract foreign investment, many countries in the region apply special measures or incentives that are incorporated into their legislation or made the subject of special laws. The most common incentives (LAIA, 1997b) are: i) Tax incentives (preferential tax rates, tax exemptions, accelerated depreciation, social security dues, special treatment for reinvestment and other similar incentives); ii) Financial incentives (donations, preferential credits and loan guarantees); iii) Tariff incentives (lower tariff and non-tariff barriers for goods produced, exemption from charges on imported inputs); iv) Exchange of debt for company capital (profit from discounting external debt); v) Industrial free trade zones; and vi) Others (infrastructure support, preferential state contracts and provision of certain services).

A number of studies carried out under the auspices of the United Nations have concluded that the effects of incentives to encourage investors to commit their capital have been relatively insignificant compared to other factors like low labour costs, the existence of adequate infrastructure, proximity to markets, political and economic stability and the development potential of the countries concerned. Incentives may be effective in cases where the conditions for placing capital are immaterial or equivalent in more than one potential recipient country (LAIA, 1997b).

2. Bilateral and subregional agreements within LAIA

In the 1990s, intraregional investment began to increase sharply in the region. This hitherto unheard-of process has given rise to bilateral agreements to promote and protect investment, and to regulations to govern the establishment of binational companies among the signatory countries. The terms of these bilateral agreements are fairly similar, as they follow models used internationally under the auspices of the Transnational Corporations Division of the United Nations (Code of Conduct on Transnational Corporations).

Agreements of a bilateral nature have been signed between the following LAIA member countries: Argentina-Bolivia; Argentina-Chile; Argentina-Ecuador; Argentina-Peru; Argentina-Venezuela; Bolivia-Chile; Bolivia-Mexico; Brazil-Chile; Brazil-Venezuela; Colombia-Uruguay; Chile-Ecuador; Chile-Paraguay; Chile-Uruguay; Chile-Venezuela; Ecuador-Paraguay; Ecuador-Uruguay; and Paraguay-Peru, i.e. 17 agreements between pairs of countries.

In addition to the agreements just listed, measures have also been adopted within the subregional integration processes to give unified treatment to foreign investment originating from the subregion itself or from outside countries. In this respect, the AC is perhaps the subregional grouping with the longest and most eventful history. In the Andean Community, a long road has been travelled, from Decision 24 of the Cartagena Agreement in 1973, to Decision 291 in 1991, which follows the general trend of opening up the region to foreign capital. In this Decision, although a distinction was drawn between domestic, subregional and foreign investors, no privileges were granted to investors from the AC as against those bringing in capital from outside countries, and in general its provisions follow the same tendency as was described in the previous section.

The AC has long had a Régimen Uniforme para Empresas Multinacionales Andinas (EMA) [system of standard treatment for Andean multinationals], which has also undergone a number of changes. The last of these was approved by Decision 292 of 1991. By 1992, 29 EMAs had been registered. Its provisions tend to give these firms the same treatment as that established for domestic companies in the AC member countries.

In MERCOSUR, reciprocal promotion and protection of investments among member countries is governed by the Protocolo de Colonia [Colonia Protocol], approved in 1993 (Decision no. 11/93). In essence, this Protocol stipulates that MERCOSUR investors will be given no less favourable treatment than domestic investors or those from outside countries. In this case too the general guidelines most commonly applied in the Foreign Investment Statutes of the region are followed. As regards disputes between the countries of MERCOSUR over the way the Protocol is to be applied, these are resolved within the framework of the Brasilia Protocol. Disputes between an investor and a Contracting Party can be taken to the competent courts in the country receiving the investment, or to international arbitration, at the choice of the investor. Again, certain sectors in the four member countries of MERCOSUR are temporarily exempted from national treatment.

In MERCOSUR, furthermore, investments originating from countries which are not members of this integration scheme are regulated through Decision no. 11/94.

The Economic Complementation Agreement between Colombia, Mexico and Venezuela, known as the Group of Three, contains similar provisions to the bilateral investment promotion and protection agreements as regards its approach to national treatment, most favoured nation treatment, the absence of performance requirements, reserved sectors, compulsory purchase and compensation, transfers and dispute settlement.

Finally, some of the economic complementation partial scope agreements signed in recent years within the framework of the 1980 Treaty of Montevideo contain clauses covering the way investments are treated, but normally only lay down the principle of promoting and facilitating reciprocal investments, though some of them also express the intention of establishing a double taxation agreement (LAIA, 1997b).

III. SOME RECOMMENDATIONS FOR MEASURES TO IMPROVE ECONOMIC LINKS BETWEEN THE INTEGRATION SCHEMES OF LATIN AMERICA AND THE CARIBBEAN

Some aspects that need to be borne in mind before recommendations are formulated are suggested by the experience gained to date, in particular as regards tariff concessions, differences in the variety of exportable output and in the export production capabilities of the countries in the different integration schemes, the effectiveness of the instruments that support foreign trade, and the centripetal force exercised by the United States market on many of the countries in the region, among other things.

A primary consideration is that attempting to achieve balance in bilateral trade is not only utopian, but can lead to paralysis in reciprocal trade. Efforts should be directed, as far as possible, towards achieving overall balance in the trade between these countries and the rest of the world, coupled with an acceleration in importing and exporting activity by pairs of countries or subregions in Latin America and the Caribbean.

Another factor to be considered is that the tariff preferences conceded to less economically developed countries, even if they do not involve reciprocity, do not always lead to higher market share being obtained in the country conceding them. This has been observed in the cases of the agreements signed within the framework of Article 25 of the 1980 Treaty of Montevideo by Colombia, Mexico and Venezuela with the countries of CACM and CARICOM. Although, generally speaking, only a very short time has been available to assess the effects of the agreements, and they have been applied only partially or without clear projection into the future, one has the feeling that lifting tariffs may be insufficient to foster significant trade flows, unless supported by other trade promotion instruments.

In addition, the consequences for a country's economy of opening up unilaterally to international trade are closely related to the size of that country's market and the degree of development there. Thus, for the larger and more developed countries of the region to open up to the nations of Central America and the Caribbean is a calculated risk that should not produce particularly significant effects on the balance of payments or the domestic activities of their own firms, even in the more sensitive sectors. This is the case because the individual export capacity of many of the member countries of CACM and CARICOM is limited – in the case of farm products, by their physical size or the lack of people interested in working in the countryside, this being particularly true of the CARICOM countries; and in other sectors by the insufficiency of internal demand to sustain competitive scales of production.

There are exceptions in the case of particular exports based on natural resources, such as wood in the Central American countries, bauxite in Jamaica and hydrocarbons in Trinidad and Tobago. Again, some export industries have been helped to develop by preferential treatment, examples being textiles and clothing, which take advantage of the market access facilities provided by the United States, as well as edible fruits and certain types of fish and sea food.

Preferential treatment in the United States originated mainly with the Caribbean Basin Initiative and the rules governing assembly of that country's components abroad. The entry of Mexico into NAFTA represents a serious threat to the countries of Central America and the Caribbean that benefit from this preferential treatment, as Mexico is a significant competitor in almost all of the export activities of those countries.

Given the limitations on production for export by the countries of CACM and CARICOM, and the difficulties they are facing in maintaining their privileges in the United States market, it is quite likely that there would be a positive welcome in both subregions for preferential treatment granted by the member countries of LAIA. This could also lead to a strengthening of economic links between the more and less highly developed countries of the region, presumably providing better balance, with benefits for both parties.

The indicators shown in Table 18, which are estimates for 1996, give a useful overview of the size of the MERCOSUR, AC, Group of Three, CACM and CARICOM markets. They reveal the large differences in population, total gross domestic product, export values, external capital flows and trade balances. The only variable for which, on average, those CARICOM countries for which information is available outperform the AC and the Group of Three is domestic product per head, as projected for 1996. So, for example, total exports from MERCOSUR, the AC and the Group of Three in 1995 were, respectively, 10, 6 and 16 times as great as those of CACM, and 13, 7 and 20 times as great as those of CARICOM.

Nonetheless, the countries of the Caribbean are in an advantageous geographical position, standing as they do at the crossroads of major sea routes and close to the market of the United States. They also have good air connections, thanks to tourism, and an adequate telecommunications infrastructure. Their labour forces are highly educated, and having English as a mother tongue is also an advantage. Their institutional and political systems have been fairly stable and this, combined with the other factors mentioned, has been favourable to the development of various service sector activities, notable among them being tourism and financial services.

It is, then, possible that services could be a significant component of exports from the CARICOM countries to those of LAIA. At the top of the list are the growing popularity of the Caribbean as a destination for Latin American tourists, and the financial intermediation services that some countries provide to investors from the region. Again, the deepwater ports of the Caribbean are in a position to increase their activities as goods transhipment and load partition centres for trade flows to and from Latin America. In general, the advantages of the Caribbean should be exploited to develop services which complement the commercial linkages between the two subregions.

Both the Caribbean and the countries of Central America, which also have a number of advantages, should act as a corridor joining together the north and south of America, whether the FTAA becomes a reality or not.

A. ASYMMETRICAL TRADE LIBERALIZATION

In the climate of openness now prevailing throughout the region, which reduces the cost of tariff concessions in terms of forfeited tax revenue and diverted trade, it seems logical to encourage trade agreements between the member countries of LAIA or its subregional groupings such as MERCOSUR, the Group of Three and the AC on the one side, and CACM and CARICOM on the other. The scope of articles 25 and 27 of the 1980 Treaty of Montevideo is sufficiently comprehensive and flexible to embrace partial agreements that complete those already signed and to include new ones that close the circle of potential agreements.

The new agreements could include asymmetrical trade liberalization in favour of the CACM and CARICOM countries, in view of the manifest imbalance of the trade between them and the member countries of LAIA and its subregional groupings. For such liberalization to be effective, it should be incorporated into long-term agreements with clear rules for tariff reductions and removal of non-tariff barriers, extending if possible to the whole range of tariffs or, if this is impracticable, covering those sectors or products for which the countries of Central America and the Caribbean have shown that their exportable output has competitive advantages. Again, it has been seen that an apparent openness to trade is not enough unless trade is also facilitated by removing obstacles of every kind and enabling countries to develop their dynamic comparative advantages, perhaps even with the involvement of companies from the country that is opening its market. Stability and compliance with agreements is another very important factor if trade is to be developed on the basis of these advantages and not of contingent factors.

The export growth based on the assembly plant system that has been experienced by some of the countries of Central America and the Caribbean, although it has generally had beneficial results, puts these countries in a very vulnerable position with respect to the United States, their main customer. Really secure access to the markets of the other countries in the region could make these activities more stable and generate intraregional investments which would ensure sustainability for the whole system.

In fact, it is the textile and leather manufacturing sectors, two of the activities for which the assembly plant system operates, that encounter the highest levels of tariff protection in Argentina, Brazil, Colombia, Mexico and Venezuela, the very countries which are the biggest potential markets for exports from CACM and CARICOM to LAIA.

As for the countries of CACM and CARICOM, the gradual process of opening up to the member countries of LAIA could be subjected to the timescales laid down in the World Trade Organization (WTO) agreements, which suggest a maximum period of 10 years, with the possibility of special exceptions, to which a period of 15 years would be applied. The moves towards openness should take account of progress in negotiations within FTAA and the possible consequences of these for all the countries in the region.

Again, the relatively low level of development of certain branches of the industrial sector and of intersectoral relations in the countries of Central America and the Caribbean makes it advisable for the rules of origin used there to be less demanding in respect of domestic content or the degree of processing than are those applied in the countries of the other integration schemes in the region.

In addition, since in general the effort involved in bilateral negotiations is greater for a small country than for a large one, and given the growing complexity and breadth of the issues discussed, which requires the negotiators to have on hand a large team of trade policy specialists, something that may not always be available, there is a case for giving preference to multilateral agreements. This would involve joint negotiations between the member countries of CACM and the Group of Three, the AC and MERCOSUR, or with the larger members of each of these schemes. The same would hold good for CARICOM. Of course, there is the precedent of the agreements signed by CARICOM with Colombia and Venezuela, and by Mexico with Costa Rica, which could be built upon.

B. SOME GUIDELINES FOR HARMONIZING TRADE POLICY REGULATIONS AND INSTRUMENTS

After examining the trade policy regulations and instruments adopted in LAIA, MERCOSUR, the AC, CACM and CARICOM, a number of studies have pointed to the desirability of harmonizing these regulations and instruments, in order to make the proposed links between the integration schemes of Latin America and the Caribbean more fluid and coherent.9/

In this respect, it should be borne in mind that as almost all the countries in the region are or will be members of the World Trade Organization (WTO), the undertakings entered into in the Uruguay Round and the regulations of the WTO put a "floor" under trade policy harmonization. Setting out from these, general guidelines could be drawn up to bring about convergence between the regulations and instruments of the subregional integration agreements. These should cover the following aspects, on the basis of the GATT regulations already in existence:

i) Review of the rules on origin agreed in the subregional integration schemes, with the aim of unifying them on the basis of common principles covering definition, declaration and certification and evidence of origin, following the criterion that the regulations should be less

9/ See, for example, LAIA/ECLAC/SELA (1994).

demanding – at least temporarily – as regards the domestic content or degree of processing required of products manufactured in the smaller countries;

ii) Adoption of common criteria for a system of escape clauses laying down the corrective measures to be applied to imports from the region or from outside countries that cause or threaten to cause severe prejudice to domestic or joint production activities;

iii) Establishment of procedures and criteria for preventing and correcting distortions in competition resulting from dumping and subsidies by applying antidumping and compensatory duties, in respect both of countries within the region and outside countries;

iv) Agreement on a harmonized system for export incentives, provided they are not considered to be subsidies;

v) Initiation of a process to set up a general regulatory framework for settling disputes between countries which stem from the application of regulations and instruments established in the context of the subregional integration agreements;

vi) Adoption of a single form for Tránsito Aduanero Internacional [international customs transit] and inclusion of air, water and railway transportation procedures in order to facilitate journeys involving different forms of transport. Similarly, harmonization of the criteria for special customs arrangements; and

vii) Thorough-going use of a common customs terminology, based on the Harmonized System, that enables the different tariffs of the region to be compared and applied with the necessary consistency. Likewise, there should be common rules on customs valuations.

The aspects listed are considered to be important factors for complementing such tariff preferences as may be granted by the countries of LAIA to CACM and CARICOM, and are a necessary step in the establishment of FTAA. At present, the trade policy regulations and instruments of the subregional integration schemes contain some notable similarities, but also differences that may stand in the way of reciprocal trading links.

C. COOPERATION IN INFRASTRUCTURE AND IN INCREASING THE EXPORT PRODUCTION CAPACITY OF THE CACM AND CARICOM COUNTRIES

Many of the medium-sized and large countries of Latin America have demonstrated that they possess sufficient installed capacity in project and construction engineering, and international experience both in infrastructure projects (highways, bridges, ports, railway installations, airports, thermoelectric and hydroelectric power plants, metropolitan railways, telephone networks, sanitary works, hospitals, schools and other miscellaneous projects) and in basic industries (petrochemicals, heavy chemicals, mining, iron and steel-making, prospecting and exploitation of hydrocarbons, paper and cellulose, dockyards, etc.).

Given the nature of large projects of this type, experience suggests that most of them are not repeated regularly within a given country, but rather at long intervals, and that again they tend to be concentrated in investment cycles with a number of projects coming together at the same time, after which the number of initiatives drops. To cope with these large variations in demand, engineering, construction and assembly firms and manufacturers of capital goods in the more developed countries in the region have had to create installed capacity that is capable of responding adequately at times of peak demand. This means that during periods of lower national investment, these companies are obliged to work in external markets, curtail their activities or close down.

Over the last few years, as a result of diminishing state involvement in investment and a fall in the savings rate in many of the countries of the region, the installed capacity that is in place for planning and executing infrastructure and basic industry construction projects is not being fully utilized.

In turn, the smaller countries of the region need to increase their domestic production capacity, both to meet domestic demand and to increase production for export. This will involve not only installing or expanding production plant, but also improving infrastructure to facilitate access to domestic and international markets.

It appears, then, that there is scope for combining the capabilities and technology possessed by the larger countries of the region, and some of the medium-sized ones, with the needs of the smaller countries. If a mechanism that matches capabilities to needs is to operate, two key requirements are financing and a way of identifying and studying projects that are of particular importance for less developed countries.

As regards the long-term financing that is needed for the investments involved, it is worth remembering that a substantial proportion of the inputs used for civil construction work and for plant and equipment are produced in the countries of the region, which means that the component imported from outside countries can be quite modest. In other words, a large part of the investment going into this type of project can be financed in the national currencies of the countries providing services and supplies. At the same time, it should be recalled that countries like Brazil, Colombia, Mexico and Venezuela have large trade surpluses with the countries of CACM and CARICOM, so that they are in a position to find some way of putting a proportion of these resources into an investment financing fund. This was the philosophy behind the decision by the Venezuelan Investment Fund (VIF) to convert a proportion of the debts incurred by Central American and Caribbean countries in buying oil into concessionary financing for investments and infrastructure (ECLAC, 1996c).

Another way of working towards the same end is for the countries of CACM and CARICOM to participate in the Andean Development Corporation (ADC), which could be extended to the whole of Latin America and the Caribbean as an instrument for channelling investment resources both from the countries of the region themselves and from outside countries, which is what it has been doing first in the AC, and then in other countries to which membership has been extended. The current members of the ADC, in addition to Bolivia, Colombia, Ecuador, Peru 10/ and Venezuela as members of the AC, are Brazil, Chile, Mexico, Paraguay and Trinidad and Tobago.

As regards identifying and studying infrastructure and basic industry projects in the member countries of CACM and CARICOM, it is possible to conceive of a specialist body carrying out this function. This work could be carried out by a small group of highly trained professionals who would select project ideas in the countries concerned and subject them to evaluation and priority criteria, in agreement with the authorities of those countries. The assistance of the IDB, the UNDP, the ADC or other institutions supporting these subregions could be sought to set up a body of this type.

It is well known that one of the most serious problems facing less developed countries is a lack of domestic capacity to generate projects in new activities or those of some technological complexity, whether in the public or private sector. The dearth of well thought out investment initiatives, in turn, limits access to sources of investment financing and technological development.

In addition to there being no inventory of investment projects that benefit the countries of Central America and the Caribbean, there is not much experience of joint action between larger and smaller countries. Nonetheless, certain initiatives, such as the exploitation of hydroelectric resources shared between Brazil and Paraguay and between Argentina and Uruguay, show that it is possible to channel substantial financial resources from the outside into projects of this type. A body of the kind proposed could collaborate in preparing applications for financing to national or international financing bodies, such as the IDB, the World Bank, the ADC or others like them.

D. PRODUCTION COMPLEMENTATION FOR EXPORTING TO OUTSIDE MARKETS

Another course of action worth examining, in terms of creating a suitable framework for joint initiatives between firms in the member countries of LAIA, CACM and CARICOM, is production complementation, the aim of which is to bring together production, financial, technological, human resources and business capabilities from two or more countries in order to achieve the maximum of efficiency and international competitiveness in producing goods or services of a given kind, and thus to participate in the markets of developed countries.

10/ Note that in April 1997 Peru announced its withdrawal from the Andean Community.

The purpose of this is to make use of certain opportunities for achieving greater market share in developed countries, in particular the market access opportunities obtained from the United States and the European Union, by complementing the comparative advantages of the countries of CACM and CARICOM with the commercial capabilities of certain countries in LAIA. For this, those involved need to be encouraged to match up their production capabilities through the provision of incentives for tie-ups between companies, joint investment, exchanges of technology and trained staff, sharing out of work on components and parts, product research and development work, marketing agreements and, in general, strategic alliances that can combine the potential strengths of large and small countries in the region.

As can be appreciated, a substantial part of this work lies in the hands of governments, which need to devise suitable policies if production complementation initiatives are to come into effect. Some of these policies will be of a functional kind, i.e. they need to create the right general conditions for production complementation action to become viable. Others, however, will be of a selective nature, which means they will be aimed at promoting production complementation in specific sectors, branches or lines of products or services. The other part of the task is, of course, up to businesses and investors who, if provided with a set of favourable rules, will be able to harness all their ability and imagination to the search for the right production complementation formula for each individual case.11/

In general, production complementation comes about within a country when there are complex production chains involving numerous agents of production; this is true of both goods and services. Production complementation involving business units from different countries of the region is relatively uncommon, but is becoming more widespread among transnational firms as they come increasingly to rely on parts, components and services from their own subsidiaries to make the final product, because ultimately this is how they best serve their own interests.

Production complementation is a philosophy of action that can take on different legal or organizational forms, and the participants may be public or private bodies or a mixture of the two. Within the region, the best-know examples are projects to carry out joint exploitation of natural resources (the binational hydroelectric plants at Itaipú, Salto Grande, Yaciretá, and others), the supply of natural gas (Bolivia-Brazil and Argentina-Chile), the communications satellite which the countries of the Andean Community are planning to obtain for their joint use, the electrical interconnection between some of the countries of Central America, and agreements on joint employment of passenger and aircraft maintenance services. Where integration processes have advanced, as in the case of MERCOSUR, so production complementation initiatives have gradually arisen in industrial and services sectors (vehicles, machine tools, communications, banking, tourism, etc.).

A concrete example of production complementation in action can be found in the case of assembly firms, which essentially operate on the basis of the relatively low cost of local labour

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11/ Gana (1995) can be consulted on this subject.

and the tariff preferences temporarily granted by the country providing the market, often acting as an enclave which does not contribute a great deal in the form of technology or development of the production chains concerned. The products normally made under this arrangement are clothing and televisions, radios, computers, calculators and other electronic devices. If countries wish to increase their comparative advantages in factors of production other than just low-cost labour, concerted action with suitably qualified companies in the LAIA countries, acting through production complementation agreements, could help to achieve this. In concrete terms, production complementation measures could be put in place to achieve larger-scale production, improve quality standards, adapt to new environmental standards, improve process technologies, move forward in the production chain by developing domestic inputs and services, and other similar initiatives.

Link-ups by companies from the countries of Central America and the Caribbean with companies from LAIA to enter into production complementation agreements are in no way an obstacle to firms from the countries for which goods or services are produced under this system becoming involved as well.

E. ENCOURAGING INTRAREGIONAL INVESTMENT IN CACM AND CARICOM MARKETS

As has been seen in the previous sections, foreign trade and FDI are frequently bound up with one another. Furthermore, export-oriented multinational companies prefer to conduct their activities in countries which have open economies. Likewise, FDI has a demonstrable tendency to concentrate in the countries of the region that have larger domestic markets such as Brazil, Mexico and Argentina. At the same time, some short-term investment has proved volatile and cyclical.

Intraregional investments, on the other hand, tend to be long term and to involve inputs of production and administration technology which can be quickly and easily absorbed in the recipient countries of the region. These characteristics should make them attractive to countries that have balance of payments problems, are in the process of privatizing state firms, need to develop new productive sectors for goods and services or infrastructure, or need to increase their exportable output.

Considering that economic openness and regulations governing foreign investment very often do not discriminate positively in favour of investors from the region, incentives for promoting and stimulating intraregional capital investment would have to arise from bilateral or multilateral agreements. More specifically, it is considered that the best approach is for the member countries of CACM and CARICOM to take the initiative in promoting agreements and policy measures that give businesses from the LAIA member countries incentives to develop production activities in these subregions, whether their output is destined for domestic markets or outside ones. Treaties dealing with double taxation and other similar instruments could be incorporated into these agreements; the treatment provided by these should in no case be less advantageous than that offered to countries from outside the region.

The lack of interest felt by investors from the region in the countries of Central America and the Caribbean, due to the small size of their individual economies, can be remedied by vigorous integration measures that really do produce an enlarged economic space. One step in this direction is uniformity in foreign investment regimes and in the incentives given to investors. It is also desirable, as far as possible, for negotiations with the countries of the other subregions of Latin America to be organized jointly by the member countries of CACM on the one hand, and CARICOM on the other.

From another point of view, bearing in mind the linkage that normally exists between investment and foreign trade and vice versa, success in promoting intraregional investment into those countries that have smaller trade flows could contribute to the emergence of new opportunities for exports from those countries to the other subregions of Latin America.

Finally, apart from the comparative advantages which the member countries of CACM and CARICOM enjoy in their own right, they also benefit from preferential access to the markets of the United States and the European Union, a feature which could be attractive to intraregional investors looking to collaborate in setting up new production activities in order to export to these markets.

APPENDICES

APPENDIX A

BRIEF DESCRIPTION OF THE CONTENTS OF THE DIFFERENT SECTION OF THE STANDARD INTERNATIONAL TRADE CLASSIFICATION (SITC), SECOND REVISION

SECTION O. Food and live animals chiefly for food.

Live animals chiefly for food; meat and meat preparations; dairy products and birds' eggs; fish, crustaceans and molluscs, and preparations thereof; cereals and cereal preparations; vegetables and fruit; Sugar, sugar preparations and honey; coffee, tea, cocoa, spices, and manufactures thereof; feeding stuff for animals (not including unmilled cereals; miscellaneous edible products and preparations.

SECTION 1. Beverages and tobacco.

Beverages; tobacco and tobacco manufactures.

SECTION 2. Crude materials, inedible, except fuels.

Hides, skins and furskins, raw; oil seeds and oleaginous fruit; crude rubber (including synthetic and reclaimed); cork and wood; pulp and waste paper; textile fibres (other than wool tops) and their wastes (not manufactured into yarn or fabric); crude fertilizers and crude minerals (excluding coal, petroleum and precious stones); metalliferous ores and metal scrap; crude animal and vegetable materials, n.e.s.

SECTION 3. Minerals fuels, lubricants and related materials.

Coal, coke and briquettes; petroleum, petroleum products and related materials; gas, natural and manufactured; electric current.

SECTION 4. Animal and vegetable oils, fats and waxes.

Animal oils and fats; fixed vegetable oils and fats; animal and vegetable oils and fats, processed, and waxes of animal or vegetable origin.

SECTION 5. Chemicals and related productos, n.e.s.

Organic chemicals; inorganic chemicals; dyeing, tanning and colouring materials; medicinal and pharmaceutical products; essential oils and perfume materials; toilet, polishing and cleansing preparation; fertilizers, manufactured; explosives and pyrotechnic products; artificial resins and plastic materials, and cellulose esters and ethers; chemical materials and products, n.e.s.

SECTION 6. Manufactured goods classified chiefly by material.

Leather, leather manufactures, n.e.s. and dressed furskins; rubber manufactures, n.e.s.; cork and wood manufactures (excluding furniture); paper, paperboard, and articles of paper pulp, of paper or of paperboard; textile yarn, fabrics, made-up articles, n.e.s., and related products; non-metallic mineral manufactures, n.e.s.; iron and steel; non-ferrous metals; manufactures of metal, n.e.s.

SECTION 7. Machinery and transport equipment.

Power generating machinery and equipment; machinery specialized for particular industries; metalworking machinery; general industrial machinery and equipment, n.e.s. and machine parts, n.e.s.; office machines and automatic data processing equipment; telecommunications and sound recording and reproducing apparatus and equipment; electric machinery, apparatus and appliances, n.e.s., and electrical parts thereof (including non-electrical counter-parts, n.e.s., of electrical household type equipment); road vehicles (including air cushion vehicles); other transport equipment.

SECTION 8. Miscellaneous manufactured articles.

Sanitary, plumbing, heating and lighting fixtures and fittings, n.e.s.; furniture and parts thereof; travel goods, handbags and similar container; articles of apparel and clothing accessories; footwear; professional, scientific and controlling instruments and apparatus, n.e.s.; photographic apparatus, equipment and supplies and optical goods, n,.e.s.; watches and clocks; miscellaneous manufactured articles, n.e.s.

SECTION 9. Commodities and transactions not classified elsewhere in the SITC.

Arms and combat vehicles; gold other than currency.

STATISTICAL APPENDIX

Table 1A
EXPORTS FROM LATIN AMERICAN AND CARIBBEAN COUNTRIES TO THE SUBREGIONAL SCHEMES, 1993
(millions of dollars)

Respondents	LAIA	Mercosur	AC	CACM	Caricom	G.Three	Others	World
Argentina	5,287	3,684	792	40	9	561	7,781	13,117
Bolivia	302	154	125	0	0	47	435	737
Brazil	9,144	5,394	1,645	236	118	1,766	29,211	38,709
Chile	1,796	1,104	569	32	2	270	7,239	9,069
Colombia	1,474	127	1,168	144	64	800	5,777	7,459
Ecuador	517	76	283	26	1	194	2,417	2,961
Mexico	1,598	766	633	474	120	466	49,713	51,905
Paraguay	343	287	10	0	6	5	378	727
Peru	582	149	269	20	7	254	2,528	3,137
Uruguay	813	661	59	2	1	59	787	1,603
Venezuela	1,823	425	1,045	376	601	1,134	12,543	15,343
LAIA	**23,679**	**12,827**	**6,598**	**1,350**	**929**	**5,556**	**118,809**	**144,767**
Mercosur	**15,587**	**10,026**	**2,506**	**278**	**134**	**2,391**	**38,422**	**54,421**
AC	**4,698**	**931**	**2,890**	**566**	**673**	**2,429**	**23,373**	**29,310**
G.Three	**4,895**	**1,318**	**2,846**	**994**	**785**	**2,400**	**67,636**	**74,310**
Costa Rica	77	9	29	269	10	48	1,586	1,942
El Salvador	25	0	8	306	3	24	383	717
Guatemala	78	3	27	418	13	56	829	1,338
Honduras	6	0	2	51	7	6	599	663
Nicaragua	11	0	1	57	0	11	171	239
CACM	**197**	**12**	**67**	**1,101**	**33**	**145**	**3,568**	**4,899**
Antigua, Bar.	7	0	7	0	n.a	7	21	28
Bahamas	28	13	2	5	n.a	15	805	838
Barbados	1	0	1	0	62	0	49	112
Dominica	0	0	0	0	n.a	0	92	92
Grenada	4	0	4	0	n.a	4	21	25
Jamaica	30	7	19	1	36	22	1,296	1,363
Montserrat	0	0	0	0	0	0	2	2
Sta.Lucia	0	0	0	0	n.a	0	120	120
St. Kitts-Nev	0	0	0	0	n.a	0	37	37
St. Vicent-G.	3	0	0	0	n.a	3	95	98
Trinidad Tbg.	99	7	61	17	370	74	778	1,264
Belize	21	0	1	0	5	21	153	179
Guyana	9	0	8	0	14	7	274	297
Suriname	55	55	0	0	n.a	0	301	356
Caricom*	**256**	**81**	**102**	**23**	**487**	**153**	**4,043**	**4,808**
TOTAL	**24,132**	**12,920**	**6,767**	**2,474**	**1,499**	**5,854**	**126,420**	**154,474**

Source: ECLAC, on the basis of official figures.
*/ In cases where information was not available on the exports of CARICOM countries, the import data declared by their trading partners were used, corrected to FOB values.

Table 2A
EXPORTS FROM LATIN AMERICAN AND CARIBBEAN COUNTRIES TO THE SUBREGIONAL SCHEMES, 1994
(millions of dollars)

Respondents	LAIA	Mercosur	AC	CACM	Caricom	G.Three	Others	World
Argentina	6,957	4,803	881	46	9	608	8,791	15,803
Bolivia	436	201	203	0	0	79	569	1,005
Brazil	9,744	5,920	1,775	242	117	1,733	33,271	43,374
Chile	2,338	1,363	772	37	2	392	8,683	11,060
Colombia	1,577	161	1,147	165	65	712	7,113	8,920
Ecuador	717	81	393	30	1	310	3,025	3,773
Mexico	1,818	724	833	553	120	548	58,015	60,506
Paraguay	469	425	7	1	6	7	346	822
Peru	782	208	322	25	7	349	3,240	4,054
Uruguay	1,025	897	41	1	1	62	891	1,918
Venezuela	2,390	612	1,420	407	1,174	1,427	13,329	17,300
LAIA	**28,253**	**15,395**	**7,794**	**1,507**	**1,502**	**6,227**	**137,273**	**168,535**
Mercosur	**18,195**	**12,045**	**2,704**	**290**	**134**	**2,410**	**43,298**	**61,917**
AC	**5,902**	**1,263**	**3,485**	**627**	**1,247**	**2,877**	**27,276**	**35,052**
G.Three	**5,785**	**1,497**	**3,400**	**1,125**	**1,359**	**2,687**	**78,457**	**86,726**
Costa Rica	81	13	34	286	10	41	1,838	2,220
El Salvador	38	1	16	343	3	33	429	813
Guatemala	142	5	58	475	13	101	877	1,502
Honduras	4	0	2	40	7	4	560	613
Nicaragua	13	0	2	84	0	13	250	348
CACM	**278**	**19**	**112**	**1,228**	**33**	**192**	**3,954**	**5,496**
Antigua, Bar.	12	0	12	0	n.a	12	20	32
Bahamas	19	8	1	1	n.a	10	568	588
Barbados	2	2	0	0	54	0	45	101
Dominica	1	0	1	0	n.a	1	94	95
Grenada	1	0	0	0	n.a	0	19	20
Jamaica	42	31	7	0	39	10	1,364	1,445
Montserrat	0	0	0	0	n.a	0	3	3
Sta.Lucia	0	0	0	0	n.a	0	92	92
St. Kitts-Nev	0	0	0	0	n.a	0	32	32
St. Vicent-G.	1	0	1	0	n.a	1	78	79
Trinidad Tbg.	191	42	80	20	395	114	1,092	1,698
Belize	6	0	0	0	5	6	163	174
Guyana	6	1	2	0	7	4	295	308
Suriname	19	18	0	0	n.a	0	320	339
Caricom*	**299**	**103**	**104**	**23**	**500**	**159**	**4,183**	**5,003**
TOTAL	**28,830**	**15,517**	**8,010**	**2,758**	**2,035**	**6,578**	**145,410**	**179,034**

Source: ECLAC, on the basis of official figures.

*/ In cases where information was not available on the exports of CARICOM countries, the import data declared by their trading partners were used, corrected to FOB values.

Table 3A
EXPORTS FROM LATIN AMERICAN AND CARIBBEAN COUNTRIES TO THE SUBREGIONAL SCHEMES, 1995
(millions of dollars)

Respondents	LAIA	Mercosur	AC	CACM	Caricom	G.Three	Others	World
Argentina	9,624	6,778	1,227	74	29	756	11,245	20,972
Bolivia	422	173	222	0	8	71	628	1,058
Brazil	9,947	6,153	2,115	216	168	1,434	35,821	46,179
Chile	2,985	1,780	1,007	41	6	451	12,500	15,532
Colombia	2,454	212	1,977	178	74	1,062	7,455	10,161
Ecuador	760	154	359	33	3	338	3,470	4,266
Mexico	2,802	1,199	1,130	678	144	821	75,783	79,407
Paraguay	524	466	33	0	0	27	296	820
Peru	889	235	405	22	10	378	4,065	4,986
Uruguay	1,053	942	67	5	1	44	1,042	2,101
Venezuela	3,941	1,738	1,887	377	600	1,601	14,357	19,275
LAIA	**35,428**	**19,830**	**10,499**	**1,624**	**1,043**	**6,983**	**166,662**	**204,757**
Mercosur	**21,175**	**14,339**	**3,442**	**295**	**198**	**2,261**	**48,404**	**70,072**
AC	**8,466**	**2,512**	**4,850**	**610**	**695**	**3,450**	**29,975**	**39,746**
G.Three	**9,197**	**3,149**	**4,994**	**1,233**	**818**	**3,484**	**97,595**	**108,843**
Costa Rica	89	12	46	347	15	46	2,319	2,770
El Salvador	26	1	16	416	0	23	543	985
Guatemala	140	2	74	566	10	89	1,220	1,936
Honduras	5	0	3	37	6	4	607	655
Nicaragua	18	0	7	83	1	13	398	500
CACM	**278**	**15**	**146**	**1,449**	**32**	**175**	**5,087**	**6,846**
Antigua, Bar.	27	16	11	0	n.a	11	15	42
Bahamas	22	16	2	2	n.a	5	543	567
Barbados	10	8	2	1	73	2	36	120
Dominica	0	0	0	0	n.a	0	84	84
Grenada	2	1	1	0	n.a	1	20	22
Jamaica	24	12	7	0	37	10	1,555	1,616
Montserrat	0	0	0	0	n.a	0	11	11
Sta.Lucia	1	0	0	0	n.a	0	109	110
St. Kitts-Nev	0	0	0	0	n.a	0	37	37
St. Vicent-G.	0	0	0	0	n.a	0	89	89
Trinidad Tbg.	232	50	91	5	544	146	921	1,702
Belize	2	0	0	1	5	2	186	194
Guyana	5	0	3	0	18	4	314	337
Suriname	30	30	0	0	n.a	0	399	429
Caricom*	**354**	**132**	**118**	**10**	**677**	**183**	**4,318**	**5,359**
TOTAL	**36,060**	**19,977**	**10,763**	**3,083**	**1,752**	**7,341**	**176,067**	**216,962**

Source: ECLAC, on the basis of official figures.

*/ In cases where information was not available on the exports of CARICOM countries, the import data declared by their trading partners were used, corrected to FOB values.

Table 4A

LAIA, MERCOSUR, AC AND GROUP OF THREE: IMPORTS FROM CARICOM IN 1993, 1994 AND 1995

(thousands of dollars and percentages)

ORIGIN	LAIA 1993	LAIA 1994	LAIA 1995	LAIA Average	LAIA %	ORIGIN	AC 1993	AC 1994	AC 1995	AC Average	AC %
Antigua, Bar.	6,590	11,802	27,475	15,289	5.0	Antigua, Bar.	6,564	11,671	11,210	9,815	9.1
Bahamas	27,988	18,672	21,535	22,732	7.5	Bahamas	1,519	631	2,182	1,444	1.3
Barbados	761	2,241	9,680	4,227	1.4	Barbados	537	394	2,030	987	0.9
Dominica	218	861	382	487	0.2	Dominica	206	583	212	334	0.3
Grenada	4,343	749	1,551	2,214	0.7	Grenada	4,087	180	853	1,707	1.6
Jamaica	29,728	42,262	23,955	31,982	10.6	Jamaica	19,247	6,926	6,715	10,963	10.1
Montserrat	77	68	169	105	0.0	Montserrat	59	68	169	99	0.1
Sta.Lucia	215	368	602	395	0.1	Sta.Lucia	172	316	437	308	0.3
St. Kitts-Nev	0	3	4	2	0.0	St. Kitts-Nev	0	2	0	1	0.0
St. Vicent.G	2,567	905	299	1,257	0.4	St. Vicent.G	175	904	115	398	0.4
Trinidad Tbg.	99,034	190,620	232,155	173,936	57.4	Trinidad Tbg.	60,763	80,267	90,528	77,186	71.4
Belize	20,623	5,919	2,148	9,563	3.2	Belize	912	56	180	383	0.4
Guyana	8,883	5,591	4,737	6,404	2.1	Guyana	7,636	2,085	3,113	4,278	4.0
Suriname	54,834	18,793	29,565	34,397	11.4	Suriname	316	208	252	259	0.2
Caricom	**255,861**	**298,854**	**354,257**	**302,991**	**100.0**	**Caricom**	**102,193**	**104,291**	**117,996**	**108,160**	**100.0**

ORIGIN	MERCOSUR 1993	MERCOSUR 1994	MERCOSUR 1995	MERCOSUR Average	MERCOSUR %	ORIGIN	GROUP OF THREE 1993	GROUP OF THREE 1994	GROUP OF THREE 1995	GROUP OF THREE Average	GROUP OF THREE %
Antigua, Bar.	1	11	16,177	5,396	5.1	Antigua, Bar.	6,589	11,791	11,298	9,893	6.0
Bahamas	12,511	7,716	16,209	12,145	11.5	Bahamas	14,805	10,463	5,066	10,111	6.1
Barbados	91	1,592	7,500	3,061	2.9	Barbados	392	494	1,942	943	0.6
Dominica	0	0	3	1	0.0	Dominica	184	666	222	357	0.2
Grenada	256	480	691	476	0.5	Grenada	4,087	180	860	1,709	1.0
Jamaica	6,573	30,870	11,938	16,460	15.6	Jamaica	22,118	10,287	10,332	14,246	8.6
Montserrat	0	0	0	0	0.0	Montserrat	76	68	169	104	0.1
Sta.Lucia	1	0	17	6	0.0	Sta.Lucia	172	368	481	340	0.2
St. Kitts-Nev	0	0	0	0	0.0	St. Kitts-Nev	0	0	4	1	0.0
St. Vicent.G	2	0	1	1	0.0	St. Vicent.G	2,559	905	298	1,254	0.8
Trinidad Tbg.	7,047	42,364	50,195	33,202	31.5	Trinidad Tbg.	74,097	113,674	145,513	111,095	67.4
Belize	0	3	0	1	0.0	Belize	20,569	5,767	2,137	9,491	5.8
Guyana	31	1,236	245	504	0.5	Guyana	7,075	3,653	3,978	4,902	3.0
Suriname	54,518	18,494	29,282	34,098	32.4	Suriname	316	298	283	299	0.2
Caricom	**81,031**	**102,766**	**132,258**	**105,352**	**100.0**	**Caricom**	**153,039**	**158,614**	**182,583**	**164,745**	**100.0**

Source: ECLAC, on the basis of official figures.

Table 5A
SUBREGIONAL INTEGRATION SCHEMES IN LATIN AMERICA AND THE CARIBBEAN: EXPORT TRADE AXES BETWEEN THE SUBREGIONS, AVERAGE FOR 1993-1995
(millions of dollars and percentages)

Subregions			Subregions			Total (3) (1)+(2)	Exports to the World* (4)	Exports to the region** (5)	Percentages	
Origin	Destination	Exports (1)	Origin	Destination	Exports (2)				(3)/(4)	(3)/(5)
G.Three	AC	3,747	AC	G.Three	2,919	6,666	124,663	16,558	5.3	40.3
Mercosur	AC	2,884	AC	Mercosur	1,569	4,453	96,840	26,590	4.6	16.7
Mercosur	G.Three	2,354	G.Three	Mercosur	1,988	4,342	152,097	27,492	2.9	15.8
G.Three	CACM	1,117	CACM	G.Three	171	1,288	95,707	10,273	1.3	12.5
G.Three	Caricom	987	Caricom	G.Three	165	1,152	95,017	9,606	1.2	12.0
AC	Caricom	872	Caricom	AC	108	980	39,760	8,704	2.5	11.3
AC	CACM	601	CACM	AC	108	709	40,450	9,371	1.8	7.6
Mercosur	CACM	288	CACM	Mercosur	15	303	67,884	20,305	0.4	1.5
Mercosur	Caricom	155	Caricom	Mercosur	105	260	67,194	19,638	0.4	1.3
CACM	Caricom	33	Caricom	CACM	19	52	10,804	2,419	0.5	2.1

Source: ECLAC, on the basis of official figures.
Notes: * Corresponds to the sum total of exports to the world by the pair of schemes concerned. ** Corresponds to the sum total of exports to the integration groupings of Latin America and the Caribbean by the pair of schemes concerned.