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**READINESS OF SMALL COUNTRIES TO PARTICIPATE
IN THE FREE TRADE AREA OF THE AMERICAS (FTAA)***

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EXECUTIVE SUMMARY

The evident differences that may be observed between the hemisphere's small countries on the one hand and the larger countries of Latin America on the other give rise to the conclusion that the small countries run the risk of not being able to take practical advantage of the potential benefits of their prospective membership in the Free Trade Area of the Americas (FTAA). It will thus be necessary to readjust and strengthen certain domestic policies in the small countries and, at the same time, promote decisive international cooperation efforts to substantially enhance their readiness to participate in an ambitious hemispheric integration process.

In respect of certain criteria that may be considered relevant to a country's macroeconomic eligibility to begin negotiations for FTAA, the group of small countries of the Central American isthmus, the Caribbean and South America are in a favourable position, having experienced lower rates of inflation and more moderate exchange rate fluctuations. On the whole, however, these countries have made less progress with respect to other eligibility criteria, specifically with regard to making international commitments in the areas of labour, the environment and intellectual property. This could reflect a lesser institutional capacity to adapt to a changing international environment increasingly governed by principles of reciprocity.

The fact that most of the small countries are relatively less developed may reflect less structural readiness to benefit from FTAA. A relatively larger agricultural sector than in big countries and a lower level of urban development have as their corollary a lower level of industrial and services development. Low export diversification with a low total value, or with a high proportion of vulnerable products such as textiles, does not facilitate their linkage with a competitive and changing hemispheric market. Appalling education and infrastructure ratings in some of these countries exacerbate the situation, demonstrating clearly the need to take their lower relative development level into account.

In terms of their policy readiness, the big and small countries show fewer differences. Small countries are more dependent on foreign trade for their fiscal revenues, they maintain a lower percentage of international reserves, they have wider tariff spreads, and the ratio of teachers to pupils in secondary education is lower. But they also seem to have more transparent trade policies, have more stable and predictable exchange rates and, in the case of the English-speaking Caribbean, allocate more resources to education. Nevertheless, the indispensable presence of external financing, and also greater trade liberalization and a concentrated and vulnerable export structure, reveal these economies' high exposure to external imbalances.

In order to increase their readiness for FTAA, the small countries —with varying emphasis, depending on the group of small countries in question— should give priority to reforming their tax systems in order to reduce their dependency on taxes on foreign trade; increase the amount of human and financial resources devoted to negotiation and management of matters connected with trade policy; ensure

that future trade liberalization processes are implemented gradually, giving priority to reducing tariff spreads as a first step; implement policies and allocate resources to improve education coverage and quality, and strengthen their science and training infrastructures in order to facilitate the assimilation of technology. It is also clear that they should continue to implement macroeconomic policies and institutional changes designed to achieve low inflation rates, stable exchange rates and higher levels of saving and reserves.

But domestic policies are not sufficient to increase the readiness of the Central American isthmus, the Caribbean and the small South American countries. It is also indispensable to intensify intraregional cooperation in the areas of public administration, trade, finance, investment and technology. A case can thus be made for strengthening public administration in small countries through support for training human resources for trade policy management, and through supplying technical and advisory assistance in order to improve the administration of domestic taxes, implement reforms of the regulatory framework and improve the efficiency of social compensation mechanisms.

With regard to trade, it would be advisable to agree on an asymmetrical liberalization of agricultural and manufacturing trade with a longer transition period in smaller countries, but with well-defined time limits compatible with World Trade Organization (WTO) agreements. Furthermore, reciprocal liberalization should be accompanied by rules of origin that are less strict for small economies and also by greater assurance of access to the markets of big countries, especially for sensitive goods that constitute a significant proportion of the export offerings of the smaller economies. Making a political decision to promote multilateral as opposed to bilateral negotiation procedures with small countries could also provide vital support for the participation of these economies in FTAA.

Financial cooperation should include the institution of a financial support mechanism for the balance of payments in order to deal with the effects of possible imbalances within a context of greater integration, and also the establishment of a hemispheric fund for the contracting of advisory services that could be of use to small countries. At the same time, it would be advisable to increase or at least to maintain the present level of financial assistance that is directly channelled to these economies.

It would also be possible to create incentives to intraregional investment in small countries by granting concessional credits or fiscal incentives. Another way of stimulating investment would be to convert small countries' high and sustained trade deficits into financing for public or private projects undertaken by countries with surpluses in the countries with deficits. In general, it would be appropriate to secure the active participation of the hemisphere's private sectors in the formulation and negotiation of the measures agreed upon in favour of the small countries in order to ensure the business community's commitment to these measures.

Lastly, various activities or programmes, such as subregional postgraduate programmes or specialized training courses, could be devised to disseminate "soft" technologies in small countries. The transfer of "hard" technologies could be achieved by allowing users in small countries to have access to the research facilities of institutes of science and technology in more developed countries, by promoting technical cooperation activities, by taking advantage of the expertise of the national technology councils of the big countries, and by organizing technological missions for business people from small countries.

INTRODUCTION

This study, which is based on an earlier version devoted to Central America and the Dominican Republic,¹ attempts to identify those characteristics of the hemisphere's small economies most likely to affect their participation in the Free Trade Area of the Americas (FTAA), and to suggest cooperation activities which might facilitate their sustained participation in hemispheric integration. Particular attention is paid to the small countries of South America, the Central American isthmus and the Caribbean.

The first part of the study attempts to define what is meant by such countries' "readiness" for integration into a hemispheric free trade zone. In particular, a distinction is drawn between their eligibility to enter into negotiations and their level of structure and policy readiness to benefit from FTAA. A series of indicators is then established to allow measurement of these variables.

The second part of the document includes a comparative analysis of these indicators in the small countries identified and in six big Latin American countries (with populations of over 20 million), in order to draw conclusions about the specific characteristics of small countries. Based on the results of the comparison, each country is ranked according to its score for eligibility, structural readiness and policy readiness in relation to FTAA.

The third part presents some reflections on how to improve the eligibility and readiness of the small countries of the hemisphere in those areas where they are at a certain disadvantage compared with larger countries, including members of the North American Free Trade Agreement (NAFTA). Lastly, the fourth part puts forward suggestions for international cooperation activities which might help to ensure the sustained participation of the small countries in FTAA.

¹ ECLAC, Characteristics of the Central American isthmus and the Dominican Republic which might affect their participation in the Free Trade Area of the Americas (FTAA) (LC/R.1584), Santiago, Chile, 29 November 1995.

I. ELIGIBILITY AND READINESS OF THE SMALL COUNTRIES TO PARTICIPATE IN FTAA

A. PRELIMINARY REMARKS ON ELIGIBILITY AND READINESS

Much attention has been given recently to the possibility that some countries are more "ready" than others to join the North American Free Trade Agreement (NAFTA) or the Free Trade Area of the Americas (FTAA). There are two types of criteria in this regard. First, there are the eligibility criteria, or requirements which the countries in the hemisphere, including the Central American and Caribbean countries, must meet if they are going to begin negotiations for a free trade agreement. Secondly, there is "readiness", which determines a country's potential to benefit from free trade and trends towards globalization. There may be a certain relationship between the two types of criteria, but they are not necessarily the same.

For example, the clearest and most recent list of eligibility criteria which, in the view of the United States Government, a Caribbean Basin country must meet before entering into negotiations for a reciprocal agreement with the United States is contained in H.R. 553, Section 202, which stipulates requirements in the following areas:

- The country must be a member of the World Trade Organization (WTO)
- Equitable access to markets
- Status of export subsidies
- Fiscal discipline
- Progress in protecting intellectual property rights
- Progress in abolishing barriers to trade in services
- Granting of equal treatment to domestic and foreign investors
- Tariff spread adjusted to WTO
- Progress in liberalizing trade
- Readiness to adapt to objectives relating to trade with the United States (H.R. 553).

Similarly, annex 4, entitled "Implementing Procedure for Future FTA", the United States Government memorandum on trade policy towards Latin America after NAFTA defines the eligibility criteria by stipulating that a country must:

1. Provide "fair and equitable" access to its markets for United States exports, or have made significant strides towards liberalizing its markets, and be of economic interest to the United States, e.g., by providing potential market opportunities for United States enterprises and creating jobs.

2. Have the institutional capacity to fulfil the serious, long-term commitments made and the economic policies required for the success of the free trade agreement, including a truly stable macroeconomic environment, market-oriented policies and openness to the multilateral trade system. The

criteria for demonstrating such commitment include several years of reforms approved by the International Monetary Fund (IMF), full acceptance of the results of the Uruguay Round, sound investment policies and a high degree of protection of intellectual property rights.

3. Agree that the integration agreement shall be based on reciprocity, with no expectation of "special and differentiated" treatment based on its less developed status.

4. Have no outstanding claims or disputes relating to the United States Generalized System of Preferences (GSP) in such areas as workers' rights, expropriation or intellectual property rights. Furthermore, the applicant country must agree to apply specific criteria consistent with NAFTA in the employment and environmental areas.

In a more academic context, Hufbauer and Schott (1994) propose a methodology for assessing the readiness of a country or subregion to join a hemispheric free trade zone. This methodology assigns a score to each economy and ranks the countries in the hemisphere according to their readiness. Hufbauer and Schott define an indicator for each of the macroeconomic and microeconomic variables, which they deem most important for assessing the readiness of a subregion or country to join a free trade zone or to initiate an economic integration process and parameters for assessing the behaviour of countries in the list of each of these indicators.

The authors propose the following variables for constructing a global indicator, by country and subregion, of readiness to join a free trade zone.

1. Price stability (the less stable, the lower the readiness score).
2. Budget discipline (the higher the deficits, the lower the score).
3. External debt (the higher the debt, the lower the score).
4. Exchange rate stability (the less stable, the lower the score).
5. Degree of market orientation of policies in each country (the greater the State involvement and the less liberalized the markets, the lower the score).
6. Degree of dependence of government income on foreign trade taxes (the more dependent on trade taxes, the lower the score).
7. Functioning democracy (the more inadequate the democratic system, and the greater the problems of governability, the lower the score assigned to the country).

Hufbauer and Schott have undoubtedly made a valuable contribution to the discussion of the readiness of countries to participate in free trade zones. One advantage of their methodology is its simplicity and compactness since a ranking of countries and subregions can be obtained with a few indicators, hence the great interest which it has aroused.² Nevertheless, a closer examination reveals several difficulties.

² See, for example, Salazar and Segura (1994).

The question of what is really being measured is particularly relevant. The results actually reflect several concepts. Some indicators can be interpreted as eligibility criteria or requirements—in other words, the minimum scores which countries must achieve in order to be eligible to negotiate. Others are clearly indicators of the quality of the macroeconomic policy framework; together they reflect structural aspects of the economies, and are more specifically linked to the countries' relative degree of development. This makes for a certain ambiguity in the Hufbauer and Schott methodology which detracts from its usefulness as a readiness analysis tool.

B. DEFINITION OF READINESS

For small countries in the hemisphere, strategic decisions on movement towards either unilateral free trade or membership of FTAA, and domestic policy priorities and negotiating positions, are critically dependent on the analysis and assessment of each country's readiness to benefit from joint participation in free trade areas with larger, relatively more developed economies, as compared with the costs and benefits of alternative choices. Although it is true that theoretically small countries should benefit more from a free trade agreement with big economies, what needs to be considered is the readiness of various countries to submit to the discipline and fulfil the obligations imposed by exacting treaties such as NAFTA and to make the necessary legal and institutional changes, particularly if such trade agreements are reciprocal rather than concessional (as opposed to trade arrangements which involve developed and underdeveloped countries, such as the Caribbean Basin Initiative (CBI)).

The issue concerns not only small economies but all countries engaged in collective efforts to achieve hemispheric or subregional integration. In the context of agreements which include countries such as the United States and Canada and a large, diverse group of much less developed and much smaller economies, the task is to design a framework for integration which is politically, economically and socially viable and of utmost benefit to all its members.

The challenge for governments is to formulate the most appropriate and sustainable economic policies which can ensure a real rise in living standards. How can sustainable growth be promoted? What are the appropriate policies and key structural elements which will enable a country or region to participate successfully in the global economy and attract international investment? It is essential to answer these questions if policy priorities are to be established in countries seeking to increase their readiness to benefit from free trade and trends towards globalization. These questions show that there are requirements in terms of both policy frameworks and other structural factors which may be conceptualized as part of the definition of readiness.

Specifically, it is necessary to distinguish among three concepts:

1. Eligibility criteria: The requirements defined by big countries or groups of countries (General Agreement on Tariffs and Trade (GATT)/WTO, NAFTA, the European Union, hemispheric agreements within FTAA, etc.) for the purpose of granting trade preferences to third countries or incorporating new members into the group. What is involved are criteria fixed externally or in accordance with an already established regulatory model over which small countries have little influence.

2. Structural readiness: This refers to the status or condition of the main structural factors of country X which determine the potential costs and benefits to X of joining a free trade zone, given the characteristics of the treaty in question and those defined by the broader context of globalization trends

or forces. Of particular interest is the set of political and structural criteria which the country will have to meet in order to benefit from or take advantage of accession to free trade agreements under the new global economic conditions.

3. Policy readiness: This refers to the readiness of country X in terms of the type, orientation, quality and sustainability of its policies (macroeconomic policies, changing production patterns, social policies) and whether they are consistent or compatible with free trade in general and with membership of a given free trade area. This indicator may strengthen or weaken qualifications in relation to (1) or (2).

By their nature, eligibility requirements or criteria represent rather static goals, which must be attained before countries reach the negotiating table. Accordingly, it is in the interest of applicant countries that this set of requirements be kept to a minimum, i.e., that it constitute a "short list" of criteria. In contrast, the factors to be considered under (2) and (3) are more dynamic; they refer to gradual processes of approaching goals, and include broader and possibly different policies. The concept of risk was added to the above factors so as to allow for the probability of destabilization which could arise after a country joins a free trade area.

As shown below, it is of strategic importance for any country in the hemisphere to be able to assess its own readiness. In fact, a qualitative and quantitative assessment of readiness is crucial both externally and internally, for two reasons.

First, it is crucial externally, i.e., vis-à-vis other trading partners in the hemisphere, particularly the United States, because the ranking assigned to each country will influence perceptions concerning the likelihood of its applying to join NAFTA. In other words, the readiness indicators represent a country's credentials when it comes to negotiating in earnest.

Secondly, on the domestic front, a methodology using specific indicators enriches the national debate over the development model and whether each country is ready or far enough advanced in its stability and economic reforms to apply for membership of an ambitious agreement like NAFTA. An appropriate set of indicators in this regard would give an idea of the degree of effort needed and the tasks to be accomplished if such membership is to be not only viable but beneficial.

II. COMPARATIVE ANALYSIS OF THE ELIGIBILITY AND READINESS OF THE SMALL COUNTRIES IN THE HEMISPHERE

A. ELIGIBILITY OF SMALL COUNTRIES

1. Choice of eligibility indicators

Any country which is considering the possibility of opening its economy to international competition with developed countries such as the United States and Canada needs, as a matter of self-interest, to meet a number of criteria. It is therefore appropriate for some eligibility criteria to coincide with what are actually important criteria from the countries' own point of view. For example, to establish a certain order which maintains a stable macroeconomic framework, without high overall deficits or excessively high interest rates, is one of the requirements, because it reduces uncertainty for investors and eliminates relative price distortions that raise the country cost. In other words, it avoids a bias against the competitiveness of companies operating in that country.

Table A-1 of the statistical annex contains a list of factors to be regarded as eligibility criteria, and distinguishes between those of a macroeconomic nature and those which are not macroeconomic.

In order to highlight specific aspects of small countries, the indicators for the biggest countries in the hemisphere, with populations of over 20 million,³ are then contrasted with the indicators for the countries in the first group, which have populations of under 10 million,⁴ and a distinction is drawn between the small countries of the Central American isthmus and the Dominican Republic⁵ the Caribbean⁶ and South America.⁷ The results of this exercise are entirely comparative (ordinal) and should not be taken as an indicator of each country's individual (absolute) eligibility.

³ These countries are Argentina, Brazil, Colombia, Mexico, Peru and Venezuela. As additional points of reference, data are also included for Canada and the United States, and for Chile, which constitutes an intermediate case in that it has a population greater than 10 million but less than 20 million.

⁴ While the definitions of small countries are variable and relative, the most common one is based on population data. Various studies which have analysed small countries have defined them as having populations below 15 million, 10 million and 5 million. See Perkins and Syrquin (1989).

⁵ Includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and the Dominican Republic.

⁶ Includes Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname, and Trinidad and Tobago.

⁷ Includes Bolivia, Ecuador, Paraguay and Uruguay.

With regard to the macroeconomic indicators that have been selected, the justification for limiting participation in the FTAA negotiation process to countries that have made progress in stabilizing their economies is given added force by the current need to consolidate fiscal and monetary discipline in order to avoid a situation in which relatively minor imbalances could be magnified by the volatility of the international financial markets. Making macroeconomic criteria the basis of eligibility for countries to join FTAA reduces the risk that imbalances in one country will spread rapidly to the others as a result of the greater interdependence that integration produces, and means that difficulties stemming from severe recessions or sudden devaluations are avoided.⁸

In terms of "non-macroeconomic" eligibility, membership in GATT/WTO would serve as a partial guarantee that the participants in the integration process will ensure that the rules of the integration agreements are compatible with WTO rules and that the negative effects of the diversion of trade do not have a serious impact. Indicators on the environment and workers' rights are included because the countries make mention of these subjects in the Declaration of Principles of the Summit of the Americas and undertake to make their trade liberalization and environmental policies mutually supportive and to secure the observance and promotion of workers' rights. The number of international agreements signed on labour and environmental matters is only an approximate indicator of the consideration shown for the commitments made in these fields, but it is complemented by the more direct indicator of human rights violations. It is well known that there is a hemisphere-wide objective of creating a community of democracies in which there is a fundamental respect for human rights.

Lastly, the inclusion of the degree of international commitment shown in the area of the protection of intellectual property rights as a criterion of eligibility is due on the one hand to the high priority given by the United States to this matter, which is an element of "**Realpolitik**" that must not be underestimated; and on the other hand to the fact that globalization and the technological revolution suggest that, for developing countries, modernizing their legislation in this field in fact works in their own interest, provided that this modernization is accompanied by science and technology policies and by technological innovation that permit local companies to take advantage of modern legislation.

2. Macroeconomic eligibility

Macroeconomic criteria of eligibility seek, in general, to ascertain the degree of control exercised by the national authorities over the principal macroeconomic aggregates. The aim is to establish the institutional capacity of a candidate country to fulfil the commitments inherent in a free trade agreement, in particular its capacity to maintain a macroeconomic climate that favours free trade. These criteria are thus closely linked with the success of stabilization policies, or at least with their external manifestations: inflation, fiscal deficit, current account balance and variations in the nominal exchange rate.

A high score with respect to these criteria does not guarantee that an economy is ready to take advantage of a free trade agreement; however, not passing the test means that the national authorities still do not have sufficient control over the principal economic variables to be able to serve as a serious partner in a round of negotiations.

⁸ ECLAC (1995c).

Box

METHODOLOGY FOR COMPARATIVE ANALYSIS

Measuring each country's readiness depends on the behaviour of a set of indicators that are grouped into four categories: eligibility, structure, policies and risks. In order to evaluate each country's relative position with regard to these four categories, it is necessary to define a methodology for collecting the individual data.

The methodology chosen was to classify the countries according to each of the indicators, the highest qualification being placed at level 1, the second at level 2, down to level 13 as the lowest ranking. In the case of an equal score with respect to an indicator, two or more countries are placed at the same level. In order to determine a country's classification with respect to each of the four broad criteria, the average of the levels at which it was placed was calculated; the resulting figure was used to classify the 13 countries following the same method that was used for the individual indicators.

In order to provide a basis for comparison between the two groups of countries and to determine how representative the differences in their indicators were, the degree of importance of the differences found between the two averages was statistically verified.

The purpose of the individual indicators chosen, which are listed and explained in the tables in the annex, is to create a picture of the various facets of a country's economic situation that are linked with the concept of readiness. As can be seen, these include static and dynamic aspects. Where the availability of data permitted, averages over three years were used to calculate the static indicators (1992-1994) in order to reduce the impact of variations.

As can be seen in table 1,⁹ there is not a great difference between big and small countries in terms of the eligibility indicators taken as a whole, although small countries tend on average to be less ready.¹⁰ However, this apparent uniformity conceals great contrasts in terms of the individual indicators. In particular, the small countries achieve greater stability in terms of prices, whether they be internal (CPI) or with reference to foreign currencies (nominal exchange rate) (see table A-2). On the other hand, they are in an unfavourable position in terms of the size of their fiscal and external deficits. This is probably connected with their low capacity with respect to domestic savings, which are 5 % of GDP lower than the average savings of big countries.

⁹ To put countries in a specific order, a simple average of each country's rankings with respect to the selected indicators was used. The four categories that appear in table 1 were then created in order to group the countries according to similar levels of eligibility or readiness. Unfortunately, not all the necessary information was available for all countries; in particular a significant amount of data for Antigua and Barbuda was not available.

¹⁰ Nevertheless, the small economies make up a more diverse group than the big ones as far as their classification is concerned. In particular, the highest and lowest rankings are consistently found within this same group of small countries, and this holds true for the four criteria analysed.

Table 1

MACROECONOMIC ELIGIBILITY

(Relative ranking)

Degree of eligibility	Countries	
Very high	Barbados Panama Saint Vincent and the Grenadines Saint Kitts and Nevis	Chile Saint Lucia United States Belize
High	Dominican Republic Argentina Canada Bahamas	Mexico Trinidad and Tobago Colombia Dominica
Medium	Grenada Guatemala El Salvador Guyana	Paraguay Ecuador Uruguay Brazil
Low	Costa Rica Peru Bolivia Venezuela Jamaica	Haiti Suriname Nicaragua Honduras

Source: Table A-2.

In contrast to the greater monetary and exchange-rate stability of the small economies (greater in the Caribbean economies, less in those of South America, with those of Central America occupying an intermediate position), an unfavourable situation exists with regard to the size of the fiscal and external deficits in the hemisphere's small countries taken as a group. The fiscal deficit tends to be greater in the Central American isthmus and the Dominican Republic, contrasted with a less uniform picture in the Caribbean, where three of the smallest countries have even produced a fiscal surplus. The current account deficit also tends to be greater in the small countries, a phenomenon that is linked to the weakness of their domestic savings capacity but that is offset by the greater relative volume of capital inflows, especially by Official Development Assistance (ODA).

As a result, ensuring a high level of macroeconomic eligibility requires domestic policies aimed at increasing savings, supported in certain cases by indispensable fiscal reforms, and also by a continuous flow of external financing to complement these measures. To sum up, although the smallest countries are obliged to maintain a more stable macroeconomic position than the bigger countries, they also need to make a greater internal and external effort to consolidate that position.

Table 2

SOME INDICATORS OF MACROECONOMIC ELIGIBILITY

(Arithmetical mean)

	Consumer Price Index (annual percentage variation)	Central Government fiscal balance (% of GDP)	Percentage change in nominal exchange rate
Central American isthmus and Dominican Republic	12.0	-3.4 ^a	6.4
Caribbean countries	13.5	-4.9	13.7
Small South American countries	29.8	-1.4	13.0
Small countries as a group ^b	15.8 ^a	-4.1	11.4
Big Latin American countries	275.2	-0.6	32.8

Source: Table A-2.

^a The mean differs significantly (in statistical terms) from the big country mean.^b Includes the Caribbean countries, the small South American countries, the Central American isthmus and the Dominican Republic.3. Non-macroeconomic eligibility

A comparison of the fulfilment of non-macroeconomic eligibility requirements by the small countries in the hemisphere with fulfilment by the bigger countries of Latin America shows that the former have tended to enter into a smaller number of international commitments concerning regulations on labour, the environment and intellectual property (see table 3). The contrast is especially clear when the small countries are compared with Argentina, Brazil and Mexico. The number of such commitments entered into is low in the Caribbean, somewhat higher in the Central American countries and high in the South American countries, where the average is affected by Uruguay, which in this respect is in a better position than the big countries (see table A-3).

Table 3

SOME INDICATORS OF NON-MACROECONOMIC ELIGIBILITY
(Arithmetical mean)

	Number of ILO conventions ratified	Number of (major) international conventions on the environment signed	Number of conventions on intellectual property ratified	Total (1+2+3)
	(1)	(2)	(3)	
Central American isthmus and Dominican Republic	42 ^a	10	3 ^a	55
Caribbean countries	22 ^a	7 ^a	3 ^a	32
Small South American countries	57	12	4	73
Small countries as a group	34 ^a	9 ^a	3 ^a	56
Big Latin American countries	65	13 ^a	5	83

Source: Table A-3.

^a The mean differs significantly (in statistical terms) from the big country mean.

This contrast could be interpreted as meaning that most small countries have less capacity to enter into and fulfil new international commitments. This could be the result of the proportionately higher costs of maintaining a public administration in a small country than in a big one, which is one of the disadvantages often associated with the modest size of the countries.¹¹ In particular, the weakness of the public sector in small countries could be the result of three factors: lack of economies of scale, scarcity of skilled personnel, and relatively weak institutional infrastructures.

It has also been argued that the modest size of small countries normally implies greater homogeneity, which fosters social cohesion and facilitates adjustments to confront changing scenarios.¹² The favourable situation regarding human rights in the English-speaking Caribbean countries supports this argument (see table A-3). Unfortunately, recent conflicts of varying intensity in a number of countries in the Central American isthmus show that in these cases the potential positive effect of their small size has been offset by other factors. This has been demonstrated by reports of human rights violations that have also been associated with a weak institutional framework and that reduce the political qualifications of a country to enter into an inter-American trade negotiations process. Nevertheless, this problem is not confined to these small countries, since some of the bigger countries also have this problem.

¹¹ See United Nations (1993), pp. 11 and 14.

¹² See Katzenstein (1985).

To sum up, the non-macroeconomic eligibility of small countries does not seem to be very well established, comparatively speaking, especially with respect to making international commitments concerning intellectual property, the environment and labour issues. Recognition of their institutional weakness (which in some cases extends beyond public management and includes fields such as the administration of justice) and of their lack of economies of scale with respect to public administration, and also technical cooperation and financial measures taken by the inter-American community to correct their deficiencies, could help to improve the eligibility of small countries. Table 4 contains a comparative classification of countries using the simple average of their rankings in terms of each indicator of this type of eligibility; it should be noted that the category with the least eligibility contains only small countries.

Table 4

NON-MACROECONOMIC ELIGIBILITY

(Relative ranking)

Degree of eligibility	Countries	
Very high	Uruguay Canada Mexico Chile	Brazil Argentina Costa Rica Panama
High	Barbados Peru Suriname Dominican Republic	United States Paraguay Trinidad and Tobago Jamaica
Medium	Guatemala Bolivia Colombia Nicaragua	Venezuela Grenada Bahamas Saint Kitts and Nevis
Low	Saint Lucia Guyana Belize Ecuador Honduras	El Salvador Dominica Saint Vincent and the Grenadines Haiti

Source: Table A-3.

B. STRUCTURAL READINESS

1. Selection of indicators of structural readiness

An economy's structural capacity to benefit from free trade with other economies that are differently endowed with factors, productive structures and organizational capabilities illustrates the difficulties that arise when countries at different levels of development join together in a free trade agreement. In particular, the less developed partners may feel that they are deriving little benefit from the arrangement, and this perception is in many cases reinforced by the tendency to concentrate investment in the more developed countries of the area covered by the trade agreement. For this reason, it is important to evaluate the structural factors that affect readiness.

It would not be correct, however, to think of structural factors as requirements for participation in a free trade area, since they change slowly over the course of time as a consequence of evolutionary and cumulative processes of investment and learning. To categorize them as requirements would be to delay the possibility of countries with low scores with respect to these factors becoming active participants in the hemispheric agreement or in subregional agreements.¹³

It would be better for these factors to serve as an indicative goal for a given country in terms of productive structure and quality in the medium and long term, in order to gain the maximum advantage from the process of opening up the economy and to compete effectively in the free trade area. Taking full advantage of a free trade area will depend on two types of effects: those that derive from a more efficient allocation of existing resources as a result of the elimination of trade barriers (static effects) and those that are connected to the way in which economic integration affects the growth rates of the participating countries (dynamic effects).

The static benefits of a free trade area are, in general, greater: 1) the higher the barriers to trade were prior to the formation of the free trade area; 2) the lower the trade barriers are with the rest of the world after its formation; 3) the stronger the trade flows were prior to the formation of the free trade area; 4) the larger the market is that has been created by the formation of the free trade area; and 5) the closer together geographically the members of the free trade area are.

The strength of these trade effects depends partially on the trade policies adopted by the contracting parties of a free trade area, but also on structural factors that affect the degree to which the tariff reductions actually result in lower offering prices and on the responsiveness of supply and demand to price changes. On the other hand, improving well-being by reallocating resources inevitably creates adjustment costs, whose level and distribution will depend on each country's circumstances and flexibility.

¹³ See ECLAC (1995e).

The most important dynamic effects of a free trade agreement between a country or group of Latin American countries and, for example, the United States are dependent upon the increase in real access to the United States market that is obtained under the agreement and upon effective utilization of the opportunities for trade and investment that broader access provides. Specifically, effective utilization of the opportunities for trade and investment created by the agreement requires a degree of international competitiveness that is not an automatic by-product of trade liberalization. The ability of small countries to take advantage of market opportunities can be hampered by supply-side limitations such as an inadequate infrastructure, fragmented and inefficient capital markets, a poorly-trained workforce, insufficient managerial and technological skills and know-how, high fixed costs in the area of information and in connection with entering and operating in new markets for national firms that are medium-sized or small at the continental level, and other institutional deficiencies.

On the basis of these considerations, the critical structural factors that determine an economy's potential for benefiting from and taking advantage of free trade opportunities can be classified according to the following categories: macroeconomic and sectoral structure, linkages with the global economy, human resources, and infrastructure.

Table A-4 presents these factors concerning structural readiness and the proposed variables for measuring each of them, together with a short commentary. These factors and their corresponding measurement variables can be seen as an "internal strength index" of the capacity to take advantage of the opportunities offered by the global economy.

2. Macroeconomic and sectoral structure

The structural criteria of readiness are conceptually linked with each country's internal supply situation and its capacity to take advantage of the potential benefits of a free trade area: balance of goods and services markets, development of the financial sector, attractiveness to foreign investment, overall factor productivity, etc. In this sense, structural readiness and economic strength (in qualitative terms, discounting the effects of size) are largely synonymous.

Generally speaking, the indicators that have been selected suggest that small countries are less ready in terms of their macroeconomic and sectoral structures (see table 5). Although the small countries display considerable diversity with respect to their ranking on the basis of structural criteria, it should also be noted that all the countries that are structurally less ready are small.

Thus, although there are no significant differences between small and big countries in terms of per capita GDP growth and financial depth, statistically significant differences can be observed in terms of indicators of less relative development such as agricultural output as a percentage of GDP, urbanization, and the share of firewood in residential energy consumption (see table 6 and table A-5). The three groups of small countries share a strong agricultural tradition that is especially marked in Haiti, Paraguay and Honduras, where the agricultural sector produces more than 30% of GDP. With the exception of the Bahamas and Uruguay, the small countries also represent societies that are less urbanized than those of the big countries. In general, the greater importance of the agricultural sector in these countries, together with a lower ratio of urbanization, puts them at a competitive disadvantage on the hemispheric level, since these characteristics could be considered to reflect a lower level of industrialization, less developed support services and less use of advanced technology.

Table 5

ECONOMIC AND SECTORAL STRUCTURE
(Relative ranking)

Readiness	Countries	
Very high	Argentina Uruguay Venezuela Chile	Canada Peru Panama Bahamas
High	Brazil United States Saint Kitts and Nevis Mexico	Bolivia Saint Lucia Trinidad and Tobago Grenada
Medium	Dominica Jamaica Colombia Saint Vincent and the Grenadines	El Salvador Suriname Barbados Belize
Low	Costa Rica Guyana Dominican Republic Ecuador Honduras	Paraguay Guatemala Nicaragua Haiti

Source: Table A-5.

Table 6

SOME ECONOMIC AND SECTORAL STRUCTURE INDICATORS
(Arithmetical mean)

	Population density	Agricultural output as % of GDP	Share of firewood as % of residential energy	Urbanization (% of total population)
Countries of the Central American isthmus and Dominican Republic	97.6 ^a	18.7 ^a	9.0 ^a	50.9 ^a
Caribbean countries	184.8 ^a	15.4	7.6	48.6 ^a
Small South American countries	18.6	20.3 ^a	4.3	64.3
Small countries as a group	131.6 ^a	17.2 ^a	7.5	52.0 ^a
Big Latin American countries	24.8	8.7	2.3	77.8

Source: Table A-5.

^a The mean differs significantly (in statistical terms) from the big country mean.

The geographical density of the Central American countries, and especially of the Caribbean countries, is also considerably higher than that of the big countries. All things being equal, this greater density implies a lower availability of natural resources. The small South American countries, on the other hand, having a greater geographical area (especially in the case of Bolivia), have a population density that is not appreciably different from that of the big Latin American countries. The greater availability of manpower in Central America and the Caribbean (and their smaller supply and diversity of natural resources) is reflected in a higher proportion of labour-intensive exports (articles of clothing) than of exports of natural resources (especially agricultural products).¹⁴

Lastly, the Central American countries have a level of firewood use (as a proportion of residential energy consumption) that is significantly higher than that of the big countries, which is an indication of a lower degree of energy sector modernization. This situation, which is especially notable in Guatemala and Honduras, does not apply in the other small countries except for Haiti and Guyana, where the proportion is even higher. Combined with the other liabilities that have already been mentioned, this factor is an additional reason for classifying these countries among those that are structurally less ready to benefit from FTAA.

These indicators, in addition to those presented below, show that smallness is not equivalent to lesser relative development. Nevertheless, it can also be demonstrated that most of the hemisphere's small countries exhibit signs of lesser relative development, which interferes with the transition and adjustment process needed to take advantage of the opportunities offered by FTAA. The promotion of a balanced and sustained integration process should take into account both the size and the development level of the countries concerned.

3. Diversification and export growth

A country whose growth depends primarily on exports, and that also has a diversified basket of exportable goods and is well-positioned in the export of products for which there is great demand in international trade, will be readier to take on the challenge of trade liberalization. These same characteristics will make such a country less likely to suffer a balance-of-payments crisis caused by the progress of trade liberalization in the hemisphere.

The hemisphere's small countries have a smaller share of goods imported by the United States, and their exports to that country are less diversified than in the case of the big countries. Both phenomena can be attributed to the small size of their economies. Nevertheless, great differences may be observed among the various groups of small countries, owing mainly to the rapid growth of maquila (in-bond assembly) in the Dominican Republic and in the Central American countries in recent years.¹⁵ The Central American countries have thus had greater success than the big countries in increasing their market share of United States import categories, in contrast with the other small countries, whose performance has not differed from that of the big countries. In addition, the Caribbean countries' share of total United States imports, and also the degree of diversification of the small South American and Caribbean countries' exports to the United States, are significantly lower than in the case of the big countries. The same holds true for the Central American countries (see table 7).

¹⁴ See Buitelaar and Fuentes (1991).

¹⁵ See the section on trade vulnerability. Jamaica, Saint Lucia, Haiti, and Saint Vincent and the Grenadines also have a very high proportion of maquila exports.

Table 7

EXPORT DIVERSIFICATION AND PERFORMANCE

Comparison of some indicators

(Arithmetical mean)

	Share in United States imports	Increase in market share in categories of exports to the United States	Level of diversification (exports to the United States)
Central American isthmus and Dominican Republic	0.18	89.3 ^a	121.7
Caribbean countries	0.03 ^a	-70.6	20.5 ^a
Small South American countries	0.08	23.4	36.5 ^a
Small countries as a group	0.08 ^a	-8.3	52.7 ^a
Big Latin American countries	1.82	3.38	474.7

Source: Table A-6.

^a The mean differs significantly (in statistical terms) from the big country mean.

When compared with other, larger countries, the Dominican Republic, Guatemala, Costa Rica and El Salvador are in a favourable position. Although Mexico's score is higher than that of these countries, Brazil's score —with less rapid total export growth and less ability to increase the proportion of its exports that fall within United States import categories— is not (see table 8 and table A-6).

Argentina, Colombia and Venezuela are in less advantageous positions than the Dominican Republic, Costa Rica, El Salvador and Guatemala owing to the more favourable positioning of the latter countries' exports, to greater growth in the export of goods and services (Costa Rica and Guatemala) or to a greater increase in their market share in specific United States import categories (El Salvador, Dominican Republic and Guatemala).

The differences that exist among small countries are attested by the observation that, in contrast to the Dominican Republic (third in the total rankings) some of them, especially some of the smallest of the Caribbean countries, are in less favourable positions owing to limited growth of total exports (Saint Vincent and the Grenadines, Trinidad and Tobago, Barbados and Bahamas), very low value of exports (Dominica, Grenada, Saint Vincent and the Grenadines, Saint Lucia, Barbados), unfavourable positioning (Suriname, Bahamas and Guyana), or a low level of diversification (the great majority of Caribbean countries). Only Peru has an even less favourable score as a result of an unfortunate combination of these variables, while the rest of the big countries demonstrate a high or very high level of readiness with respect to their export diversification and performance (see table 8).

Table 8

EXPORT DIVERSIFICATION AND PERFORMANCE

(Relative ranking)

Readiness	Countries	
Very high	Mexico Canada Dominican Republic Guatemala	Costa Rica El Salvador Brazil Chile
High	Colombia Jamaica Argentina Saint Kitts and Nevis	Venezuela Paraguay Honduras Panama
Medium	Guyana Ecuador Uruguay Trinidad and Tobago	Haiti Nicaragua Bolivia Barbados
Low	Saint Lucia Peru Suriname Dominica	Grenada Belize Saint Vincent and the Grenadines Bahamas

Source: Table A-6.

4. Human resources

The challenge of increasing competitiveness and productivity in the context of developing linkages with the global economy requires skilled human resources capable of assimilating and adapting new technologies on a continuing basis. Highly-educated and well-trained human resources constitute one of an economy's main structural factors in taking advantage of the opportunities of free trade.

The average level of human resources in the small countries as a group does not differ substantially from the level of the big Latin American countries, and many small countries produce even better indicators than do Mexico or Brazil (see tables 9 and A-7). Only the Central American countries, as a group of small countries, are in an unfavourable position with respect to these variables. In particular, these countries' disadvantages stem from two sources: the proportion of manpower employed in modern sectors (non-agricultural) is clearly lower than in bigger countries, and their educational achievement, index, which combines the adult literacy rate with the average years of schooling, is also less favourable (see table 10). Only Haiti has an educational achievement index comparable to the lowest in Central America (Guatemala). Furthermore, the Caribbean countries have an average proportion of manpower employed in modern sectors that is comparable to that of the Central American countries, but the greater statistical dispersion resulting from extreme cases such as Bahamas, Suriname and Trinidad and Tobago, which have very small agricultural sectors, prevents it from being significantly different (in statistical terms) from that of the big countries.

Table 9

HUMAN RESOURCES

(Relative ranking)

Readiness	Countries	
Very high	United States Canada Barbados Argentina	Dominican Republic Trinidad and Tobago Uruguay Suriname
High	Colombia Bahamas Paraguay Venezuela	Chile Costa Rica Peru Guyana
Medium	Grenada Panama Mexico Belize	Saint Lucia Dominica Saint Kitts and Nevis Bolivia
Low	Brazil Saint Vincent and the Grenadines Nicaragua Jamaica Ecuador	Guatemala El Salvador Honduras Haiti

Source: Table A-7.

Table 10

SOME HUMAN RESOURCES INDICATORS

(Arithmetical mean)

	Educational achievement index	Workforce employed in modern (non-agricultural) sectors ^a
Central American isthmus and Dominican Republic	1.9 ^b	73.2 ^b
Caribbean countries	2.2	77.3
Small South American countries	2.1	88.0
Small countries as a group	2.1	77.9
Big Latin American countries	2.2	87.8

Source: Table A-7.

^a Percentage of total workforce.^b The mean differs significantly (in statistical terms) from the big country mean.

It can be deduced from these conclusions that the adjustment difficulties that result from liberalization of agricultural trade, with the resulting potential displacement of agricultural employment, would tend to be greater in the small Central American countries and in almost all the Caribbean countries. These difficulties would be magnified by the lower level of education in Central America, which results in a low capacity for workforce adaptation in general, and also by the greater importance of the agricultural sector as a source of income (see the previous section) in the three groups of small countries. Under these circumstances, a sweeping and rapid liberalization of agricultural imports can result in very high economic and social costs; a domestic adjustment aimed at appropriate reallocation of resources in order to compete at the hemispheric level may therefore take place at a very slow pace.

The lower level of educational readiness in the countries of the Central American isthmus contrasts with their better export performance, as mentioned in the previous section. This better performance is attributable to the fact that in a number of these countries the low wages that are beneficial to the maquila exports offset the disadvantage of having less skilled workers. In other small countries, such as those in South America, the educational level is higher but export performance is lower, while there are Caribbean countries in both types of situation. To sum up, for the small countries as a group it has been demonstrated once again that there are structural factors that are a threat to the sustainability of their exports (maquila) or that limit the growth of the rest of their exports.

5. Infrastructure

One of the critical factors that determine "structural competitiveness", and one of the factors that attract productive investment flows, is the availability and quality of infrastructure (transport, energy, telecommunications) at a country's disposal. In terms of the three indicators selected (see table A-8), there are no statistically significant differences between small and big countries. In fact, five of the eight countries with the highest levels of readiness in this area are small (see table 11).

Notable differences can once again be observed among the small countries, with less favourable indicators in the countries of the Central American isthmus and the Dominican Republic (telephone lines and paved roads) and in the small South American countries (residential electric power consumption) than in the Caribbean countries (see table 12). This situation has to do with a closer association between the relative development level and the state of the infrastructure than between the latter and the size of the countries. Thus, most of the English-speaking Caribbean countries, together with Costa Rica, Panama and Uruguay, exhibit indicators that are appreciably better than those of the rest of the small countries, most of which have a low level of readiness in this area, together with Peru, while Brazil, Colombia and Mexico achieve a medium score.

C. POLICY READINESS

1. Choice of policy readiness indicators

The optimum policies with respect to hemisphere-wide integration are policies that would ensure that a country that becomes party to a particular free trade agreement derives the maximum benefit from it. Readiness with respect to any given policy can be measured by how closely it approaches the optimum. It is not always easy to determine the extent of the gap, in part because of debate about the potential

Table 11

INFRASTRUCTURE

(Relative ranking)

Readiness	Countries	
Very high	United States Canada Bahamas Barbados	Suriname Uruguay Venezuela Trinidad and Tobago
High	Grenada Costa Rica Panama Dominica	Saint Lucia Argentina Saint Vincent and the Grenadines Saint Kitts and Nevis
Medium	Belize Chile Mexico Jamaica	Brazil Colombia Dominican Republic Guyana
Low	Paraguay Ecuador El Salvador Peru Honduras	Bolivia Nicaragua Guatemala Haiti

Source: Table A-8.

Table 12

SOME INFRASTRUCTURE INDICATORS

(Arithmetical mean)

	Number of telephone lines per 1,000 inhabitants	Number of kilometres of paved road per 1 million inhabitants	Residential electric power consumption Kw- hours per capita
Small countries of the Central American isthmus and Dominican Republic	50.4	707.4	305.6
Caribbean countries	177.3	4 573.8	435.6
Small South American countries	69.3	858	291.3
Small countries as a group	122.3	2 826.8	373.6
Big Latin American countries	79.5	2 471.7	372.3

Source: Table A-8.

effects of some policies and in part because of the difficulty of measuring the way in which policies are implemented. The estimates and comparative analysis set forth below must therefore be taken as a preliminary approximation to be refined at some later stage when more definitive results can be obtained.¹⁶

In this regard, macroeconomic policies, trade policies and policies conducive to changing production patterns are considered as separate categories, and some risk indicators are also defined. The indicators for these categories are shown in table A-9 of the statistical annex. These policies have been selected for consideration on the assumption that in order to take advantage of trade and investment opportunities, there is a need to ensure long-term stability, to improve the investment climate and to eliminate relative price distortions and an anti-export bias, so that export activities are profitable.

Moreover, liberalized trade regulations, including low, uniform tariffs, which enable producers to have access under competitive conditions to foreign goods, services, capital equipment, information and technology are essential for creating an environment that can attract new investment both domestic and foreign. A vigorous policy based on respect for multilateral trade commitments will also cut down on the potential for reprisals or unfair trade practices by other countries and thereby reduce risk.

A policy aimed at promoting competitiveness, however, cannot be based solely on macroeconomic and trade policy. Complementary policies are needed, among them policies aimed at enhancing human and natural resources and extending and improving the efficacy of the infrastructure. Without these complementary support measures and policies fostering more modern production patterns, the potential for growth offered by access to a wider market will be hard to realize in these countries. Some of the indicators of these policies are considered below.

2. Macroeconomic policy

The indicators selected to reflect macroeconomic policy readiness measure results rather than actual policies. This set of indicators in general focuses on fiscal and monetary measures, since these are the most direct tools of macroeconomic management available to authorities.

Surprisingly, although small countries are more open to international trade, they do not in general necessarily ensure the continuity of their import flows through a higher relative level of international reserves than big countries (see tables 13 and A-10). The three groups of small countries are characterized by the fact that they maintain significantly lower (statistically speaking) levels of international reserves (calculated in months of imports) than big countries, which leaves them little room to implement expansionary policies or to cope with external shocks. This takes on particular importance in the context of increasing hemispheric integration which, although contributing to greater export diversification, may also make small countries vulnerable to possible macroeconomic disequilibria in their larger trading partners. Small countries' lower level of reserves also helps to make trends in the real exchange rate more predictable than in big countries, which is consistent with small countries' lower degree of autonomy and scope in the management of macroeconomic policy in general. This also confirms the need for especially cautious macroeconomic and exchange rate policies in small countries.

¹⁶ In particular, a full analysis of policies conducive to changing production patterns requires qualitative information which it has not been possible to obtain owing to lack of time and resources.

Table 13

SOME MACROECONOMIC POLICY INDICATORS

(Relative ranking)

	Foreign trade taxes/tax revenues	International reserves (months of imports)	Predictability of real exchange rate (average error)
Central American isthmus and Dominican Republic	25.8 ^a	3.9 ^a	3.8 ^a
Caribbean countries	31.5	2.1 ^a	3.6 ^a
Small South American countries	12.9	3.1 ^a	3.6 ^a
Small countries as a group	26.0	2.8 ^a	3.7 ^a
Big Latin American countries	13.4	7.5	7.4

Source: Table A-10.

^a The mean differs significantly (in statistical terms) from the big country mean.

On the fiscal level, it is observable that the small economies are still highly dependent on taxes on foreign trade. This is true of both Central American and Caribbean countries. On average, 26% of tax revenues in the countries of Central America and the Dominican Republic come from these sources, and 31% in the Caribbean. In the small countries of South America, however, with a structure more similar to that of the large emerging economies, the figure is 13%. Greater fiscal dependence on foreign trade could involve a double cost: first, the loss of income from tariff reductions and, second, the diversion of trade that would probably occur if the tariffs applicable to the rest of the world increased (to compensate for the reduction for FTAA members) or were kept relatively high when the country joined FTAA.

The importance of restructuring the tax systems of the majority of small countries should not be ignored. Moreover, since small countries do not meet their need for higher investment with greater public sector saving (the rates of saving are even somewhat lower than for the big countries), large fiscal deficits already exist, as mentioned earlier. Low public sector saving in comparison with investment also results in heavy dependence on external aid. Official development assistance to the countries of Central America and the Dominican Republic represented nearly 10% of GDP in 1991, 7% for the Caribbean countries and 4% for the small South American economies, whereas for the big countries it was under 1%.

In this monetary and fiscal picture characterized by strong contrasts between the two groups, the great exception is the striking similarity in the thrust of their domestic credit policy. Despite the differences noted earlier in the size of fiscal deficits and in levels of inflation, in the great majority of cases (with the exception of Nicaragua, Guyana, Haiti and Suriname during the period in question) the bulk of domestic credit always goes to the private sector. Moreover, there are no appreciable differences between big and small countries as regards the real interest rate and inflation tax. In general, the level

of readiness of macroeconomic policies as a whole does not appear to be greater in big countries than in small ones, and the smaller Caribbean countries are felt to have a considerably more solid macroeconomic policy than the majority of countries in the continent (see table 14).

Table 14

MACROECONOMIC POLICIES

(Relative ranking)

Readiness	Countries	
Very high	Panama United States Saint Lucia Dominica Saint Vincent and the Grenadines	Saint Kitts and Nevis Grenada Colombia Mexico
High	Belize Canada Ecuador Guatemala	Peru Paraguay Chile Barbados
Medium	Dominican Republic Costa Rica Bahamas Uruguay	Trinidad and Tobago Brazil Bolivia Venezuela
Low	Jamaica El Salvador Argentina Honduras	Guyana Nicaragua Haiti Suriname

Source: Table A-10.

3. Trade policy

Examination of trade policy indicators as a whole does not suggest a significant difference between small and big countries (see table 15). The mean tariff does not tend to be higher in the small countries; the Dominican Republic and Panama represent extreme cases, with a mean tariff close to or higher than 20%.¹⁷ (see table A-11). The trade history of these two countries differs from that of the members of the Central American Common Market, which in the past adopted a common external tariff that represented less effective protection and pursued a less extreme import substitution policy than the larger countries. As to the Caribbean Community (CARICOM) and the small countries of South America, the mean tariff is not significantly different from that of the big countries.

¹⁷ Nevertheless, taxes on foreign trade represent a greater proportion of tax revenue in Central America and the Caribbean than in big countries. (See preceding section.)

Table 15

TRADE POLICY

(Relative ranking)

Readiness	Countries	
Very high	United States Chile Bolivia Canada	Guatemala Jamaica Paraguay Trinidad and Tobago
High	Brazil Guyana Barbados Dominican Republic	Mexico Belize El Salvador Saint Vincent and the Grenadines
Medium	Dominica Saint Lucia Colombia Grenada	Saint Kitts and Nevis Uruguay Peru Bahamas
Low	Nicaragua Costa Rica Honduras Argentina	Ecuador Venezuela Panama

Source: Table A-11.

However, the wider tariff spread in Central American and Caribbean countries is statistically significant.¹⁸ Like big countries, small ones have reduced their levels of protection in recent years. Even so, the reduction was not as great in small countries, since their very size and their traditional openness would not allow their earlier policies of protection and import substitution to be taken to the same lengths as in big countries. However, this later, less radical trade liberalization in the small countries is now reflected in their wider tariff spread. This may be explained by the institutional weakness of governments, and by the protectionist pressures arising from oligopolies which have greater lobbying power than they would have in big markets. It may also mean that, being more accustomed to higher levels of protection, these large companies are less prepared than companies in larger countries, which are protected by tariffs with a narrower spread.

Looking at other trade indicators, the small countries have signed fewer Uruguay Round agreements and have generally been late in becoming parties to the General Agreement on Tariffs and Trade (GATT)—though there are some exceptions such as Haiti, Nicaragua and Uruguay in the 1950s; these indicators reveal a certain lag in their participation in multilateral organizations and arrangements, despite the fact

¹⁸ No information was available for Haiti and Suriname. Their tariff spread was assumed to be equivalent to that of the common external tariff of CARICOM.

that they are among the chief beneficiaries of stable, transparent trade regulations. Nevertheless, the small countries have also been less apt to resort to subsidies or restrictive practices subject to GATT inquiries. Apart from reflecting their late entry into GATT, this is probably indicative of relatively less complex and more transparent trade policies, which contributes to the favourable ranking of small countries in relation to trade policy readiness among all the countries of the hemisphere. It is likely, although it cannot be demonstrated empirically for lack of an appropriate indicator, that the lesser complexity of trade policy in the small countries also extends to less frequent use of non-tariff barriers to imports.

The indicators taken together do not support categorical conclusions about the relative trade policy readiness of the small countries (see table 16). Countries both large and small can be found at each readiness level in this respect. Nevertheless, a certain lag and the lesser complexity of trade policy in the small countries can be attributed to deficiencies in public administration, in many cases —particularly in the majority of English-speaking Caribbean countries— through lack of economies of scale, but also to institutional weaknesses or lack of specialist human resources in other countries.

In these cases, the more limited negotiating power resulting from smaller size is compounded by the difficulties of forming a complete team of negotiators, especially one capable of addressing a continually expanding agenda of trade agreements. This problem is exacerbated in the case of bilateral negotiations, where small countries cannot avail themselves of the pool of information, experience and knowledge that would be available in joint or multilateral negotiations.

Table 16

SOME TRADE POLICY INDICATORS

(Arithmetical mean)

	Tariff spread	Year of entry into GATT	GATT/WTO investigations 1985-1994
Central American isthmus and Dominican Republic	13.0 ^a	1978	-
Caribbean countries	12.1 ^{a b}	1978	-
Small South American countries	5.2	1979	1
Small countries as a group	11.2 ^a	1978	-
Big Latin American countries	6.1	1967	7

Source: Table A-11.

^a The mean differs significantly (in statistical terms) from the big country mean.

^b Refers to the spread of the CARICOM Common External Tariff.

4. Policies conducive to changing production patterns

Education is the area in which big and small countries appear to differ most in readiness under the category of policies conducive to changing production patterns (see tables 17 and A-12). Specifically, the pupil/teacher ratio in secondary education is considerably higher in small countries than in big ones, and the difference is even more pronounced at primary level in the countries of Central America and the Dominican Republic.¹⁹ This difference does not necessarily reflect higher expenditure on education, although there is a correlation between the two variables in the most extreme cases, such as Guatemala, the Dominican Republic and El Salvador. Nevertheless, the lack of human resource readiness already evident in the structural sphere in the countries of Central America and the Dominican Republic would not appear to be offset by comparatively more ambitious education policies. This is not the case, by contrast, in the Caribbean countries, where public education expenditure is appreciably higher than in big countries, despite the low level to be found in Haiti.

Another area of contrast between big and small countries, and a possible indicator of a more "market-friendly" approach, relates to privatized telecommunications companies. It happens that among the small Latin American countries only the Dominican Republic has a privatized telecommunications company, whereas among the larger countries only Brazil and Colombia have failed to privatize their telecommunications.

Table 17

SOME HUMAN RESOURCES POLICY INDICATORS

(Arithmetical mean)

	Pupil/teacher ratio (primary education)	Pupil/teacher ratio (secondary education)	Public expenditure on education (% of GDP)
Central American isthmus and Dominican Republic	35.6 ^a	22.4 ^a	3.2
Caribbean countries	26.7	19.3 ^a	5.4 ^a
Small South American countries	24.5	19.5 ^a	2.6
Small countries as a group	29.0	20.2 ^a	4.3
Big Latin American countries	25.0	14.5	3.8

Source: Table A-8.

^a The mean differs significantly (in statistical terms) from the big country mean.

¹⁹ It is worth noting that the pupil/teacher ratio is equally low in the United States and Canada, while in the big Latin American countries the ratio is still very poor in primary education.

However, the majority of telecommunications companies in the smaller countries of the English-speaking Caribbean depend on mainly private capital, which generally indicates that they have never been nationalized. This suggests that there have been no dramatic changes (such as nationalization and complete privatization) in the ownership of telecommunications companies in these countries.

The foregoing —particularly the lack of recent privatizations in the small countries on the mainland and in the largest countries of the Caribbean—²⁰ tends to reflect the fact that smaller size imposes limits on administrative reforms which seek to improve institutional operation. Thus, one of the most important areas in administrative modernization programmes has been the restructuring of functions in order to achieve greater efficiency —for example, delegating to third parties who can carry out those functions better. However, the specific nature of administrative functions, which do not always find direct parallels in the private sector, and the limited range of providers of services in small countries, hinders the process of granting such concessions. Even when it is feasible to farm out such services, the lack of competition resulting from the small number of providers leads to a loss of revenue for the government and monopolistic prices for consumers, as well as lower economic efficiency in public administration.

The differences are not as marked as regards other indicators. Energy consumption as a percentage of GDP, an indicator of energy efficiency, does not differ widely between the small countries as a group and the larger. Nonetheless, the group figures conceal major differences, particularly among the small countries, where the greater efficiency of Barbados, Costa Rica and Uruguay contrasts with the inefficiency of Haiti, Guyana, Suriname and Nicaragua.

There are also greater differences among small countries than between small and big countries, in terms of total protected area, one indicator of environmental policy readiness. For countries with a small territory, in which land is a very scarce resource, to have the same proportion of land set aside as the larger countries implies that they actually have an environmental policy of broader scope than the latter. This can be seen in some small countries with an even greater proportion of their territory designated as protected areas than is the case in big countries, such as in the Dominican Republic, Panama, Belize, Costa Rica and Ecuador. There are, however, others where such areas are extremely small, such as Jamaica and Uruguay.

Finally, infrastructure investment policy indicators, including the increase in telephone lines and in highway density, reveal no major differences between big and small countries. Nevertheless, the very lack of difference in policies has two implications. On the one hand, the gap between countries that have made fewer infrastructure investments and those more favourably placed will not be closed. Argentina, for example, which has the most telephone lines per inhabitant, had a greater percentage increase in telephone installations between 1988 and 1992 than Nicaragua, which has the fewest lines per inhabitant. On the other hand, the greater unit cost of infrastructure investment for small countries clearly means that they will have to make a greater effort if they are to reach a level equal to that of big countries.

To summarize, comparison of this set of indicators combined does not support categorical conclusions concerning the differences between big countries and small ones in terms of policies conducive to changing production patterns (see table 18). However, the small countries reveal some weakness in the area of secondary education, even though some of them —in the Caribbean— are making

²⁰ However, efforts are currently being made in some small countries to privatize telecommunications companies.

a greater effort by allocating greater public expenditure to education. It is also important to bear in mind the relatively greater investment effort small countries will need to make in order to maintain levels of infrastructure equivalent to those enjoyed by big countries.

Table 18

POLICIES CONDUCTIVE TO CHANGING PRODUCTION PATTERNS

(Relative ranking)

Readiness	Countries	
Very high	United States Argentina Canada Chile	Venezuela Grenada Saint Vincent and the Grenadines Barbados
High	Suriname Mexico Saint Kitts and Nevis Panama	Dominica Brazil Saint Lucia
Medium	Bolivia Dominican Republic Guatemala Uruguay	Guyana Paraguay Costa Rica Bahamas
Low	Colombia Peru Ecuador Trinidad and Tobago Haiti	Honduras El Salvador Jamaica Nicaragua

Source: Table A-12.

Note: Belize is not included owing to insufficient information.

5. Trade and macroeconomic risks

This discussion of readiness would be incomplete without an evaluation of the risks economies might face upon becoming part of a free trade area and measuring their capacity to respond. In such a context of free trade and greater openness to international flows, external shocks, which may destabilize economies and in extreme cases force them to withdraw temporarily or definitively from the trade agreement, assume even greater importance. Therefore, the viability of integration agreements is assessed on the basis of a set of indicators designed to reveal the degree of trade structure weakness, liquidity risk exposure and capacity to withstand and finance temporary adverse situations with domestic resources.

a) Trade vulnerability

The literature on small countries indicates that their level of openness (imports plus exports of goods and services as a percentage of GDP) is significantly higher than for larger countries, which can be seen in the three groups of small countries when compared with the big countries of Latin America (see tables 19 and A-13). A higher level of openness can be viewed as an indicator of more thorough readiness, because it demonstrates a greater degree of integration into the global market, a greater capacity to utilize comparative advantage and a greater likelihood that an increase in exports will contribute to growth in GDP.

Table 19

TRADE VULNERABILITY INDICATORS
(Arithmetical mean)

	Trade liberalization ratio (X + IM/GDP)	Level of concentration of exports to United States ^a	Clothing exports to United States (as % of total exports)
Central American isthmus and Dominican Republic	0.62 ^b	59.5	41.3 ^b
Caribbean countries	1.07 ^b	81.2 ^b	22.8
Small South American countries	0.49 ^b	81.5 ^b	3.6
Small countries as a group	0.84 ^b	74.9 ^b	25.0
Big Latin American countries	0.29	59.6	4.9

Source: Table A-12.

^a Percentage of total exports accounted for by the leading export products.

^b The mean differs significantly (in statistical terms) from the big country mean.

On the other hand, the same indicator can suggest a vulnerability to external shocks if paired with a rigid or highly concentrated export structure. Thus, the degree of concentration of exports is higher (in statistically significant terms) for the small countries of the Caribbean and South America than that of the big countries. Moreover, while the level of concentration of exports from the countries of Central America and the Dominican Republic to the United States is not appreciably different than that of the larger countries of Latin America,²¹ the greater degree of openness of the former makes them more vulnerable to external shocks than the latter.

²¹ If maquila exports are discounted, the export product line is generally more concentrated in the smaller than in the larger countries (in 1992-1994 the 10 most important products represented on average 68% of the exports of the small countries, compared with 56% for the larger countries).

When other considerations regarding the trade structure of the respective countries are figured into the analysis, the preliminary conclusions become even less favourable to the small countries. One of the main export categories of the countries of Central America and the Dominican Republic, for example, is clothing (particularly garments assembled in-bond), which is also of paramount importance to several Caribbean countries such as Saint Lucia, Jamaica and Haiti. Since the garment industry is highly susceptible to protectionist pressures and is "foot-loose" —in other words, it can shift readily from one country to another— this increases the vulnerability of these countries.

If the countries under consideration are ranked according to their score for each of the indicators developed (openness, export concentration and percentage of total exports represented by garment exports), it is observable that the smaller tend in fact to be those that are more exposed to risks connected with trade, since all the countries within the high or very high vulnerability categories are small countries (see table 20).

Table 20

TRADE VULNERABILITY

(Relative ranking)

Degree of vulnerability	Countries	
Low	Brazil Argentina Mexico Canada	Chile Uruguay Haiti Peru
Medium	Suriname Venezuela Colombia Dominican Republic	Guatemala Paraguay Ecuador El Salvador
High	Panama Costa Rica Bolivia Grenada	Trinidad and Tobago Bahamas Nicaragua Honduras
Very high	Barbados Dominica Saint Kitts and Nevis Belize Haiti	Guyana Jamaica Saint Lucia Saint Vincent and the Grenadines

Source: Table A-13.

b) Macroeconomic vulnerability

The smaller countries generally score below big ones in the evaluation of country risk, though not as clearly as in relation to trade vulnerability. In particular, Peru is among the countries with the highest macroeconomic vulnerability, and Argentina and Colombia have high vulnerability (see table 21). However, given the greater degree of openness of small countries, which amplifies the effect of an international price shock on national income, and the greater vulnerability of their foreign trade structure, their macroeconomic risk exposure is heavy.²²

Table 21

MACROECONOMIC VULNERABILITY

(Relative ranking)

Degree of vulnerability	Countries	
Low	Canada United States Barbados Panama	Trinidad and Tobago Belize Saint Lucia Saint Kitts and Nevis
Medium	Chile Jamaica Costa Rica Brazil	Dominican Republic Venezuela Mexico Ecuador
High	Grenada Colombia Paraguay Honduras	Dominica Argentina Saint Vincent and the Grenadines Uruguay
Very high	El Salvador Guatemala Guyana Peru Suriname	Bahamas Haiti Bolivia Nicaragua

Source: Table A-14.

The weak point of small countries is their dependence on external financing and transfers: their average trade deficit level is higher than that of the other group (9.1% compared to 1.3% of GDP) and official assistance as a proportion of GDP is higher (6.8% compared to 0.4%), at a time when this type of support for development is increasingly coming under fire (see tables A-14 and 22). The developed

²² By macroeconomic risk is meant here the possibility that a temporary fluctuation of external origin may have a major disruptive effect on domestic income.

countries are tending to abandon aid policy in favour of increased trade with developing countries. It is significant in this regard that the creation of FTAA coincides with a decline in official aid from the United States.

Despite their external dependence, there are some risk factors that do not affect small countries. To begin with, the relative level of external indebtedness tends to be lower in these economies, especially in the Caribbean, although there are important exceptions such as Nicaragua, Guyana and Bolivia. In any case, their small size helps them in renegotiating their official debt on favourable terms or repurchasing their commercial debt in secondary markets, and the total interest on their external debt is lower, especially in the Caribbean. Secondly, despite their greater reliance on agricultural exports, small countries do not suffer from great volatility in foreign exchange income (fluctuation of 8.2%, compared with 8% for the larger countries). Finally, they are distinguished by the greater competitiveness of their real exchange rates, which enables them to avoid sharp exchange rate adjustments.

Table 22

SOME MACROECONOMIC RISK INDICATORS

(Arithmetical mean)

	Trade balance (% of GDP)	Competitiveness of real exchange rate	Total interest on foreign debt/exports of goods and services	Official assistance received/GDP
Central American isthmus and Dominican Republic	-9.05 ^a	99.1	10.0 ^a	7.6
Caribbean countries	-10.8 ^a	114.5	6.1 ^a	7.1 ^a
Small South American countries	-2.6	94.6	14.2	4.2
Small countries as a group	-9.1 ^a	106.7 ^a	8.8 ^a	6.7 ^a
Big Latin American countries	-1.3	84.6	14.1	0.4

Source: Table A-13.

^a The mean differs significantly (in statistical terms) from the big country mean.

III. INCREASING THE READINESS OF SMALL COUNTRIES TO JOIN FTAA

A. ELIGIBILITY

The macroeconomic eligibility of small countries to enter into a negotiating process for FTAA does not appear to be any less than that of the bigger Latin American countries. In recent years, moreover, they have shown lower inflation rates and narrower exchange rate fluctuations.²³

In contrast, fiscal and balance-of-payments deficits have generally been larger in the countries considered than in the big countries; this is consistent with a smaller volume of domestic savings and a greater dependence on official capital flows, a characteristic which small economies tend to share. Accordingly, in order to strengthen the eligibility of small countries, it will be necessary to continue to implement macroeconomic policies geared to maintaining lower inflation rates and stable exchange rates while promoting domestic saving, both public and private. This will probably be a more urgent task than in other, bigger countries on the continent.²⁴ In the Caribbean countries and, more particularly, those of Central America, both eligibility and policy readiness could be strengthened by fiscal reform to reduce the deficit and the proportion of revenue derived from taxes on foreign trade.

Small countries have a more limited capacity than big ones to shoulder international commitments in the fields of employment, the environment and intellectual property rights. This could be deemed to be a reflection of their institutional weakness, which in a small number of cases extends to other areas, such as the administration of justice. This inadequacy is partially associated with their small size, lack of sufficient skilled labour and high costs, which are due to their inability to take advantage of the economies of scale offered by public administration. In some cases, the situation has been exacerbated by internal conflicts, emigration, persecution and exile, which has increased the shortage of highly skilled technicians and professionals. This weakness, and the importance and difficulty of implementing institutional reforms to promote domestic saving, suggest that in order to increase the eligibility of these countries, international cooperation will have to contribute to strengthening their institutions, especially their public administration.

²³ For this reason, small countries should evaluate the macroeconomic eligibility of big countries. See, e.g., ECLAC (1995a).

²⁴ It will be an easier task to increase the eligibility of big countries than of small ones, since stabilization can be achieved more easily than an increase in domestic saving.

Lastly, the macroeconomic and non-macroeconomic eligibility ranking of the three members of NAFTA is high or very high, lending weight to the idea that this agreement could be one of the foundations or basic reference points for FTAA. However, a number of countries, big and small, are in similar positions, notably Chile and Panama, whose eligibility rankings are in fact higher.

B. STRUCTURAL FACTORS

The greater openness of small economies (imports plus exports as a percentage of GDP) suggests that expanding their exports will make a more sizeable contribution to GDP growth than an equivalent percentage increase in bigger, closed economies. Moreover, these countries' non-traditional exports have grown rapidly in recent years.

However, several indicators of the structural readiness required in order to benefit from an agreement such as FTAA suggest that the small countries of the hemisphere are disadvantaged as compared with the big Latin American countries. This is clearly reflected in the fact that the smaller countries have a relatively larger agricultural sector, and a lower level of urbanization. The corollary of this is a lower level of industrial and service development, which could be deemed to be an indicator of relative lesser development.

In addition to the above, some small countries have a less educated population and a low ratio of basic service coverage. A low educational level obviously limits the flexibility and adaptability of the labour force as a whole to the changing and exacting requirements of participation in FTAA; meanwhile, a lack of infrastructure raises transaction costs, making exports more expensive and discouraging foreign direct investment.

Added to these signs of relatively lesser development are possible structural disadvantages arising from small size. Thus, it is likely that the increase in productivity and external linkages associated with export growth will be smaller in smaller and less developed countries.²⁵ This is due, on the one hand, to the fact that a smaller industrial sector limits the opportunities for dissemination of technology to the agricultural sector through the supply of inputs (fertilizers and equipment), services and technologies adapted to country conditions.²⁶ On the other hand, the relatively smaller size of the industrial sector implies a greater degree of internal linkages in general. Lastly, the higher population density of Central American and Caribbean countries implies, other things being equal, lower availability of natural resources and greater dependence on labour-intensive exports, especially maquila.

This set of limitations can prove to be more serious than disadvantages in the eligibility sphere, especially given that overcoming them requires actions within a longer time-frame, or that they may severely limit the margins for diversification of exports. It is not surprising, for example, that the degree of diversification of exports from small countries to the United States is appreciably lower than that of big countries in the region.

²⁵ See Hotchkiss, Moore and Rockel (1994).

²⁶ See Milner and Westaway (1993).

The weakness of internal linkages also means that small countries have more difficulties than big countries in complying with rules of origin that have high transformation or value-added requirements. Accordingly, equivalent rules of origin for big and small countries can discriminate against the latter.

The characteristics of the agricultural sector pose a dilemma for small countries. On the one hand, they need to have an agricultural sector free of hemispheric constraints in order to facilitate their exports, which are mainly agricultural. On the other hand, it can be assumed that the competitiveness of the rest of the (non-exporting) agricultural sector will be weak in those countries which lack an adequate infrastructure and have a large, relatively unskilled, rural labour force. In addition, the technologies available internationally emphasize large-scale agricultural production, in contrast to the conditions under which most small-country producers operate.

It would be advisable to prolong the process of trade liberalization in the agricultural sector (especially for producers of basic grains) in order to reduce the costs of adjustment, unless there are firm expectations that a more rapid trade liberalization will ensure a faster reallocation of resources through new investment in export activities and infrastructure. This will, in large measure, depend on substantial flows of external capital, both official and private.

As to private capital, consideration should be given to the ECLAC proposal for establishing special incentives to promote investment by bigger countries in the smaller countries in the hemisphere, which in recent years has become an increasingly frequent occurrence.²⁷ The structural obstacles mentioned earlier and the existence of economies of scale in scientific and technological research also explain why small countries are less technologically developed. For this reason, it is essential for small countries, including small developed (e.g. European) countries,²⁸ to focus on activities that facilitate the dissemination and absorption of technologies and on joint technology development projects. These are areas in which special attention to the needs of small countries is warranted.

Improving the quality of human capital also requires huge social efforts in each small country, in order to ensure both a sharp increase in educational resources —as can already be seen in Caribbean countries— and institutional reforms to guarantee their efficient use. Increased investment is also needed in key sectors, such as ports, telecommunications and energy, given that smaller size frequently raises the unit cost of investment, even when deficiencies in these areas owe more to a relatively lower level of development than to the size of a country.

The indicators for NAFTA members suggest a high or very high level of structural readiness in most cases (that is, economic and sectoral structure, export diversification and performance, human and infrastructural resources), though Mexico's level of readiness in terms of infrastructure and human resources is lower. No Latin American or Caribbean country has such a high ranking as the United States or Canada, though Uruguay comes very close, differing from Canada only as regards export diversification and performance.

²⁷ See ECLAC (1994). There is also a danger that investment will be concentrated in bigger, more developed countries.

²⁸ Katzenstein (1985), pp. 44-45 and 63.

The fact that a small country such as Uruguay can achieve such a high level of structural readiness demonstrates that size is not necessarily the most important element in determining structural readiness. It may therefore be that international cooperation activities based solely on criteria of size are insufficient to provide the full range of support measures which would be needed to improve the level of structural readiness of Latin America and the Caribbean. However, the available indicators also lend support to the thesis that the level of development of the majority of small countries is generally lower than that of big countries. There are several examples of countries where size-related disadvantages compound deficiencies which arise from a lower level of development.

C. POLICY READINESS

The policy indicators that can be identified suggest that small countries' level of readiness appears to be lagging behind, but that, in general, the gap is not as great as in terms of structural readiness. As regards fiscal policy, their tax revenues are more dependent on foreign trade taxes, which means that entry into FTAA could erode their tax base as a result of tariff reductions. Furthermore, they tend to maintain smaller international reserves, calculated in terms of months of imports, which increases the risk of their being unable to compensate internally for the effects of temporary external shocks. In both cases, an increase in readiness depends mainly on internal efforts, although the greater vulnerability of these countries to external shocks, which would increase under FTAA, would justify a compensatory financing mechanism that would avoid the negative impact of temporary disequilibria on reciprocal trade and investment flows within the hemisphere.

With regard to trade policy, the concentration of manufacturing activity in a small number of enterprises increases the social and political costs of any conversion required in order for tariffs to be lowered in smaller countries. While small- and medium-scale enterprises may have valid fears regarding a lowering of the barriers that still remain, it is significant that the current structure of protectionism in the Central American countries tends to favour the capital-intensive sectors that use imported inputs: these are the concentrated sectors in which large enterprises operate.²⁹ Thus, small countries' greater tariff deviation may be a reflection as much of the lower level of readiness of their companies to compete in the hemisphere, as of the absence of adequate policies conducive to changing production patterns.

Increasing readiness in this sphere means, first of all, recognizing that trade policy has greater importance in small countries than big ones, since small countries are more dependent on trade. By the same token, the use of trade policy for purposes that are not strictly commercial results in high costs for small countries,³⁰ and the combination of growing demands for reciprocity (unlike in previous decades) and decreased negotiating power makes them vulnerable to bilateral pressures from big economies. In addition, the countries considered are more sensitive to increased protectionism, and they derive greater benefits from multilateral rules that are transparent and strictly applied.

²⁹ See ECLAC (1995b and 1995d).

³⁰ See Lipsey (1991). Thus, there is a danger that some bilateral agreements may give rise to political benefits which do not outweigh their (net) economic costs.

It should be recalled that the institutional weakness of governments in the trade area has meant late entry into GATT. In this field, international technical cooperation can play an important role in institution-building, given the tradition of subregional integration and the numerous advantages of strengthening the implementation of trade policy in all of the countries considered.

As to policies conducive to changing production patterns, it is worth noting the high pupil-teacher ratio in secondary education in small countries, despite higher levels of public education expenditure in some of them. As stated earlier, if small countries are to close their technological gap, they must promote activities which make it possible to absorb and disseminate technologies. However, in exchanging a growth path based on comparative advantages deriving solely from labour and natural resources³¹ to one based on a growing assimilation of technological progress, these countries face not only problems associated with the shortage of skilled labour, the need for manpower training and the weakness of the scientific and technological infrastructure, but also problems of investment and financing.

In particular, with the exception of atypical cases in which there is a strong financial tradition, the domestic market is too small to support a secondary working capital market in domestic securities (securities exchange); where such activity exists, it is generally in its infancy, and is limited to transactions involving public securities. What is more, if the domestic banking system is well developed in proportion to the size of the economy, the necessarily small volume of financial operations in these countries creates serious limitations as regards the financing opportunities for investment projects.

In particular, it will be exceedingly difficult for a bank to assume sole responsibility for financing a major investment project, and banks may reject the possibility of cooperating with competitors. Moreover, the concentration of credit portfolios in a few projects makes risk management difficult for the bank, and leads to greater risk aversion than in the case of large banks in big countries. Such risk aversion is reflected in a preference for short-term credit operations and in the concentration of longer-term loans in selected projects, more as a function of the borrowers' financial health than of the economic worth of their projects.

The above implies that financial integration can take on special significance for small countries. It also underscores the need to promote regional foreign investment in order to supplement the domestic investment effort.

As with eligibility, levels of policy readiness among the members of NAFTA are high or very high and here, too, they are accompanied by other countries of the hemisphere with similar levels, including particularly Barbados, Chile and Saint Vincent and the Grenadines. None of the larger Latin American countries has a high or very high level of readiness in any of the three groups of indicators of identified policies. This tends to confirm that big countries do not perform appreciably better than small ones in this area.

³¹ See Buitelaar and Fuentes (1991).

D. RISKS

Small countries face greater external risks than big countries for several reasons. They are more dependent on transfers and external financing, receive a high percentage of their revenues in the form of official assistance and are characterized by greater openness, export concentration and trade vulnerability owing to the importance of maquila exports. By contrast, the NAFTA countries have a lower trade vulnerability, and low or medium (Mexico) macroeconomic vulnerability. Big countries such as Argentina and Brazil, as well as Chile, have a low level of trade vulnerability, while Panama and some of the English-speaking Caribbean countries have a lower level of macroeconomic vulnerability, illustrating how domestic policy can offset at least some of the risks arising from smaller size and greater financial openness.

Potential financial vulnerability underscores the need for each small country to increase its level of international reserves and to apply prudent macroeconomic policies. This could be supplemented, as indicated earlier, by a balance-of-payments financial support mechanism enabling countries to cope with trade vulnerability and the consequences of possible disequilibria in a context of greater hemispheric integration which, in the light of the analysis of macroeconomic eligibility, are more likely to originate in big countries than in small ones.

Moreover, small countries are especially vulnerable to the danger of a decrease in official development assistance. In order to avoid this discriminatory effect in a context of liberalization, in which the export capacity of these countries is still uncertain, it will be necessary to strengthen, or, at least, secure at its current level, financial cooperation which does not translate into higher debt. This could be supplemented by a renegotiation of existing debts among the countries members of FTAA, bearing in mind the possibility of setting up debt-for-investment swaps, which will also stimulate intraregional investment in small countries.

Reducing the risks of trade also requires a joint effort by big and small countries in the hemisphere. It implies that small countries must continue and increase their efforts to diversify exports, and means recognizing the vital importance of secure access to foreign markets for the products which make up a high percentage of small countries' total exports, such as clothing. Lastly, it reaffirms the need to promote "open regionalism", so as to ensure that FTAA does not result in increased protectionism vis-à-vis third countries and is compatible with multilateral agreements to promote a greater diversification of extraregional markets.

IV. INTERNATIONAL COOPERATION TO ENSURE THE SUSTAINED PARTICIPATION OF SMALL COUNTRIES IN FTAA

The differences in policy readiness between small and big countries are not as great as the differences in structural readiness. The small countries are making efforts internally which may be regarded as comparable³² with those made by the big countries, but they face greater structural disadvantages. Ensuring that this inequality of structural readiness is not a source of instability or an obstacle to the process of integrating the small countries must be one of the key objectives of international cooperation.

The suggestions presented below for international cooperation in the interests of small countries are based on two considerations. First, they arise from the characteristics and needs which distinguish such countries from the larger countries of the continent. There are obviously other requirements, but these are not considered here since they do not necessarily arise from the common characteristics of the selected group of small countries.³³ Secondly, they include measures geared to facilitating, rather than avoiding, these countries' adjustment to FTAA requirements, on the basis that readjusting in order to attain full membership of FTAA would generate maximum benefits for small countries, while there are also transition costs which need to be minimized. The suggestions for international cooperation are grouped under the headings of public administration, trade, financing, investment and science and technology.

A. PUBLIC ADMINISTRATION

Public administration in small countries should be improved or facilitated because of the needs, direct or indirect, arising from the commitments of integration. Such needs are associated with the disadvantages of small size, which in turn are reflected in the difficulties experienced by small countries in assuming some international commitments or in applying policies which may improve their eligibility and readiness to join FTAA. The needs which arise directly from the implementation of agreements have to do with matters connected with trade, but other needs arise which are associated with the broader challenges to be faced as a result of hemispheric integration, and which have to do with matters such as regulatory frameworks or social policy.

³² At times they are greater, as with public education expenditure in the Caribbean.

³³ In particular, the value and distribution of the benefits of integration may be determined more by a relatively low level of development than by size.

- **Preparation of human resources for administration of trade policy**

Small countries' lower level of development and lack of economies of scale require an increase in international technical cooperation in order to strengthen the institutional framework and improve the administration of rules and procedures in matters relating to compensation and anti-dumping rights, rules of origin, rules of competition, investment regulations, and various regulations governing the connections between trade and investment, intellectual property rights, the environment and employment.

For success in the negotiation and implementation of FTAA, it is essential to have available a group of people who understand how these regulations are applied in small countries themselves and in their main trading partners. If the small countries are to be capable of taking initiatives and reacting rapidly in these matters, both at the negotiation stage and once the agreements have entered into force, it is essential to have a high degree of specialization and to invest heavily in education and training. This requires the creation of a certain level of subregional expertise to cater to the needs of groups of small countries. In this way, each small country would not necessarily be obliged to obtain its own high-level experts to cover every area, but could draw on the resources of public and private subregional integration organizations, which would act as centres providing this kind of service to each country or group of countries. This would mean that some technical cooperation would be directed towards the integration organizations, with a clear emphasis on human resource training.

- **Technical cooperation to improve the administration of domestic taxes**

The tax systems of the countries of Central America and the Caribbean depend to a very large extent on duties on foreign trade. The successful incorporation of these countries into a continent-wide system of free trade clearly requires the reduction and, eventually, the elimination of this dependence. Unless it is effectively made up from other tax sources, the disappearance of this income from foreign trade duty represents a risk for macroeconomic stability, since it could engender profound fiscal imbalances.

Fortunately, the tax structures of all these countries include property, income and value added taxes. Correct administration of these taxes could compensate for the losses incurred by the abolition of foreign trade duty. Technical and administrative support would thus be required to strengthen the fiscal administrations of Central American and Caribbean countries in order to ensure the success of the transition from a tax system based largely on foreign trade duty to one based on domestic taxation.

- **Consultation and training in support of reform of the regulatory framework**

It is also necessary to strengthen public administration in other areas. Fundamental to the improvement of the eligibility and readiness of small countries is increasing domestic saving³⁴ and

³⁴ The lower capacity of small countries to generate domestic saving has already been noted.

public and private investment.³⁵ To achieve this, it is necessary not only to ensure price and real exchange rate stability (where small countries' performance has been favourable), but also to promote reforms such as the establishment of new regulatory frameworks.

In particular, it is necessary to design and implement a policy of deregulation in sectors where, given current economic trends and as a result of international commitments, the private sector can be expected to take greater risks and invest more heavily, whereas the public sector takes on a less prominent role as direct provider of services and a more active regulatory role. The promotion of these reforms, which range from the pension system to telecommunications, requires specialist consultation and an expansion of local high-level technical and administrative personnel capable of contributing to their implementation and sustainability in each country. These activities may in some cases stimulate the expansion of trade in services insofar as they involve a combination of deregulation, greater participation of national and foreign providers, and new regulatory frameworks favouring the efficient provision of services.

- **Technical cooperation to strengthen the mechanisms for social benefits**

There is also a need for technical cooperation in connection with the disequilibrium and costs which may be incurred by the expansion of trade, in particular in countries such as those of Central America, where a process of reconstruction is beginning after prolonged periods of internal strife. The liberalization of markets side by side with highly unequal access to land, capital and technology could exacerbate the imbalances and disparities which exist in each country. A broad range of policies is needed to prevent this, implying institutional reforms to improve the functioning of labour, land and capital markets, and a reinforcement of social policies and social security safety nets which may reduce the costs of transition.

B. TRADE

Granting small countries longer periods for trade liberalization does not imply circumventing reciprocity, but simply adjusting it in order to ensure the sustainability of integration agreements. In this sense it is important to bear in mind the increased security which comes with reciprocity and well-defined regulations, as opposed to non-reciprocal preferences authorized on the basis of criteria which have been laid down unilaterally and which can be altered or interpreted in an arbitrary fashion. Small countries should therefore not put off opening up to hemispheric trade indefinitely, but should be given a longer, though clearly limited, transition period.

- **Asymmetrical liberalization of agricultural trade**

While there is no evidence of a significant difference between small countries and big ones as regards their export capacity, the lower level of development of the small countries of Central America, the Caribbean and South America is reflected in the agricultural sector, which is larger

³⁵ In some cases, the need for technical cooperation goes beyond the regulatory framework and includes sectors such as the administration of justice, especially in countries which have recently undergone severe domestic conflict.

than that of big countries. This, and the fact that the agricultural workforce is less well qualified than that of the manufacturing and service sectors, would normally imply greater problems in adjusting to the liberalization of trade in agricultural products. At the same time, however, the size of the agricultural sector tends to make it a more important source of exports than other sectors. Since a sustainable integration process depends on comparable increases in exports and imports, without excessive social upheavals, it would thus be appropriate to allow asymmetrical liberalization of trade in agricultural products, which would enable the small countries to open up to agricultural imports at a slower pace than the big countries.

- **Asymmetrical liberalization of manufacturing trade**

Similarly, the lower level of industrial development in these countries, which have more concentrated industries than the bigger countries, and a level of tariff protection which sometimes favours the largest companies, also implies greater potential adjustment costs with regard to the liberalization of reciprocal trade. Once again, a more gradual opening-up of small countries' manufacturing sectors would be appropriate as a contribution to the sustainability of the integration process.

- **Limited transition periods**

WTO and NAFTA agreements suggest that a maximum transition period of 10 years is appropriate, with possible exceptions which would be granted 15 years. Small countries would be able to avail themselves of this exemption, which would mean that the big countries would have a shorter time to open their markets to exports from the small ones. This transition procedure, supplemented by domestic policies and international cooperation measures, should give sufficient time to promote a process of investment and reallocation of resources which will enable the small countries to readjust and take full advantage of the opportunities offered by FTAA.

- **Security of access to the markets of the big countries**

One essential element of the success and sustainability of reciprocal trade liberalization in a small country would be the simultaneous entry of external investment and the expansion of exports. Both demand a high degree of security of access to foreign markets. The expansion of maquila exports in recent years explains the relatively favourable export performance of some small countries, but places them in a very vulnerable position. Greater access is also necessary for exports of "sensitive" products (textiles, in particular) from small countries to big ones, for two reasons. First, these items have greater importance within the range of exportable goods: to prevent such expansion would damage the export readiness of the small countries. Secondly, since they are small exporters, they are less able to cause adjustment problems in the big countries.

- **Less demanding rules of origin**

The lower level of development in the industry and the inter-sectoral links of small countries makes it appropriate to apply less demanding rules of origin (in terms of national content or degree of transformation) to them than to big countries, otherwise the volume of exports subject to

preferences could be severely restricted. It might also be possible to dispense with the application of rules of origin for imports below a given value, which would favour small countries and small producers in general.³⁶ Further, cumulative rules of origin could also be adopted, allowing the aggregate value or the transformation process of some countries to be recorded as a whole.

- **Multilateral rather than bilateral negotiations**

The cost of bilateral negotiations is greater for a small country than for a big one. Bilateral negotiations also require a wide range of specialists in a growing number of commercial areas or in areas related to the trade under negotiation. The majority of small Latin American and Caribbean countries do not have such large teams of trade policy specialists at their disposal, which means that they risk entering into negotiations from a weak technical position. Where a big country, with greater negotiating power, is negotiating with a small one, the situation is naturally unbalanced, and as a result unequal bilateral agreements are reached, which are of limited benefit to the small country.

Multilateral negotiations would reduce costs for small countries, which would be able to pool their knowledge on the various matters under negotiation, possibly with the technical support of regional or multilateral organizations. This multilateral process does not necessarily imply a joint negotiation on the part of small countries or groups of small countries, though it does not exclude it. Their shared characteristics, as reflected in the indicators in this study, reveal common interests which might justify joint negotiations. More particularly, joint technical teams could be formed to negotiate specific matters.

Nevertheless, there are internal and external factors which may provide an incentive to individual negotiation rather than collective action on the part of a group of countries with shared interests. Internal factors include the risk that one member of the group is less eligible or less ready for negotiation, which would hold the group back. External factors include the advantage of gaining preferential access to a partner's market before the other members of the group. In order to mitigate the effect of these factors and to promote progress in trade negotiations by multilateral processes, the big countries could stimulate international cooperation and hemispheric integration in two ways: through technical and financial cooperation to strengthen small countries' technical teams, bearing in mind the possibility of using the integration organizations for this; and by taking the political decision not to encourage bilateral negotiations between big and small countries.

C. FINANCING

The greater price and exchange rate instability of some big countries, combined with the commercial vulnerability and greater dependence on transfers and external financing of the small countries, raises the need for financing mechanisms which could neutralize external shocks which might occur in a context of increasing hemispheric integration. Particular attention should be paid to financing which offsets balance-of-payment deficits in the small countries, although this could form part of a mechanism which benefited all the countries in the hemisphere.

³⁶ ECLAC (1994), p. 82.

- **Balance-of-payments support**

A hemisphere-wide balance-of-payments support mechanism, in conjunction with the multilateral financial organizations, could contribute significantly to the adjustment of foreign accounts in the countries and thus avoid disproportionately adverse effects on intrahemispheric trade.³⁷ Such a mechanism could be implemented either through an existing unilateral financial organization such as the Inter-American Development Bank (IDB), or by expansion of the Latin American Reserve Fund³⁸ to cover the entire hemisphere, or by means of a new instrument, as part of the institutional structure established for FTAA.

- **Hemispheric fund for contracting of advisory services**

Claims and judicial procedures related to unfair trading practices normally entail contracting technical and legal advisers, involving very high costs for small countries. These costs will rise inasmuch as new agreements extend to matters which are not purely commercial and to the establishment of dispute settlement procedures. Thus, the full participation of small countries in the process of hemispheric integration could be facilitated by establishing a multilateral fund which would enable them to obtain specialized services related to the integration process.

- **Strengthening of official development aid**

The smaller countries of the hemisphere are more dependent on official development aid than the big ones. Given the problems to be expected during the transition to more reciprocally open economies and the reallocation of resources towards increasing exports, the continual reduction of official aid, which has been a noticeable trend in recent years, could hit small countries particularly hard. Current levels of financial cooperation should thus be improved or at least sustained, without increasing indebtedness.

D. INVESTMENT

Small countries have smaller domestic markets and, in certain cases, inadequate infrastructure and a less well-qualified labour force, which could result in a high concentration in the larger countries of fresh investment generated by hemispheric integration. This in turn could lead to an unsustainable integration process, in which small countries would have good reason to abandon agreements because of the polarizing effect of the concentration of benefits in the big countries. Achieving a more balanced distribution of investments demands a set of measures ranging from domestic policies within the small countries which aim to increase the accumulation of physical and human capital by allocating resources, to hemispheric agreements providing incentives for direct investment in the small countries from within the hemisphere.³⁹

³⁷ ECLAC (1994), p. 69.

³⁸ This has already been expanded —it previously covered only the Andean countries.

³⁹ ECLAC (1994), p. 88.

- **Concessionary credit to finance intraregional investment**

It may thus be appropriate to set up lines of credit with a concessionary element, to stimulate direct investment by the larger countries in the small ones. These special lines of credit could be set up in multilateral finance organizations at the subregional level or higher.

- **Fiscal incentives to stimulate intraregional investment**

Another possibility, within the framework of investment agreements, would be double taxation agreements under which a lower tax rate would apply to investments in small countries or which, alternatively, would authorize the issue of tax savings certificates to Latin American and Caribbean companies which invested in small countries. Financial institutions or development banks could be used to implement such schemes.

- **Investment projects linked to high and sustained trade deficits**

The Venezuelan Investment Fund (VIF) experiment involved the conversion of part of the duty on purchases of oil by Central American and Caribbean countries into concessionary financing for infrastructure investment. Drawing on this experience, a mechanism could be established to convert part of the small countries' high and sustained trade deficits into financing, by countries with a surplus, of public and private projects in those with a deficit. Since it would involve small countries and extreme cases, this would probably not require excessive resources. Debt for investment swap schemes could also be actively promoted in which a net addition of foreign capital could be guaranteed for small countries.

- **Private sector participation**

Special attention should be paid to the involvement of investors from both big and small countries in selection and negotiation of matters of importance to the small countries, since these countries' ability to benefit from the opportunities offered by FTAA will depend in large part on the business sector's approval of and commitment to the measures agreed.

E. TECHNOLOGY

There are clear economies of scale which would permit a wide range of individual cooperation activities. This applies to both "soft" and "hard" technologies.

- **Training for the diffusion of "soft" technologies**

As regards "soft" or administrative technologies, larger countries could develop or expand their activities in support of small countries by:

- a) implementing subregional postgraduate programmes in areas of scientific and technological interest; and

- b) organizing specialist courses primarily designed to support training centres (currently considered the most important element in national systems of innovation) in small countries. Numerous experiments in these areas have already been carried out.

- **Programmes for transfer of "hard" technologies**

It is particularly important:

- a) to implement programmes enabling small countries to use the research facilities of science and technology institutes in big countries;
- b) to authorize technical cooperation with users in small countries through councils of technology in big countries (e.g. the National Council for Science and Technology of Mexico or the National Council for Scientific and Technological Development of Brazil); and
- c) to arrange technological missions so that business people from small countries can visit "best practice plants" in the most advanced sectors and countries of the region.

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STATISTICAL ANNEX

Table A-1

ELIGIBILITY INDICATORS

Indicator	Coverage/Period	Reason	Source
A. Macroeconomic eligibility			
Inflation	3-year average	Uncertainty in domestic decision-making, macroeconomic stability	IMF ECLAC
Central Government fiscal deficit	3-year average	Fiscal discipline, possible destabilizing effect on macroeconomic equilibria	ECLAC World Bank
Current account deficit	3-year average	Quality of macroeconomic adjustment, external vulnerability	ECLAC IMF
Nominal exchange-rate stability	Percentage change, over 3 years	Uncertainty in international trade and financial investment	IMF
B. Non-macroeconomic eligibility			
Number of ILO conventions ratified	Most recent year 1995	Indicator of willingness to respect labour agreements	World Bank ILO
Number of (major) international conventions on the environment	Most recent year 1993	Indicator of willingness to respect agreements on the environment	World Resources UNEP
Number of (major) international conventions on intellectual property rights ratified	Most recent year 1994	Indicator of willingness to respect agreements on intellectual property	WIPO
Human rights violations	Most recent year 1994	Indicator of politico-institutional eligibility	Amnesty International UN
Membership (or non-membership) of GATT/WTO	Most recent year 1995	Indicator of compliance with multilateral trade agreements	GATT/WTO

Table A-2
WESTERN HEMISPHERE: MACROECONOMIC ELIGIBILITY INDICATORS

Country	Consumer Price Index a/ (Average annual percentage variation) 1992-1994	Central Government fiscal balance (% of GDP) b/ c/ 1992-1994	Current account balance (% of GDP) d/ (average of the past 3 years)	Nominal exchange-rate stability (percentage change) 1992-1994
Big Latin American countries				
Argentina	9.7 (17)	-0.2 (9)	-3.1 (13)	0.4 (10)
Brazil	1,522.5 (33)	-1.0 (13)	0.7 (4)	131.4 (32)
Colombia	23.4 (25)	1.0 (7)	-2.2 (9)	5.5 (19)
Mexico	9.0 (14)	1.7 (2)	-7.3 (23)	4.0 (15)
Peru	37.2 (28)	-0.3 (10)	-5.4 (18)	22.5 (30)
Venezuela	49.5 (30)	-4.5 (25)	-0.8 (5)	32.9 (31)
Mean	275.22 (24.50)	-0.55 (11.00)	-3.02 (12.00)	32.8 (22.8)
Standard deviation	611.24 (7.50)	2.17 (7.77)	2.95 (7.48)	49.91 (9.41)
Chile				
	11.3 (18)	2.3 (1)	-1.7 (7)	5.4 (18)
Central American isthmus and the Dominican Republic				
Costa Rica	15.3 (22)	-3.6 (19)	-6.6 (21)	6.5 (20)
El Salvador	13.7 (21)	-3.6 (19)	-4.6 (17)	1.9 (13)
Guatemala	12.5 (20)	-1.2 (14)	-6.5 (19)	4.5 (16)
Honduras	21.4 (24)	-6.5 (29)	-11.8 (27)	17.9 (28)
Nicaragua	11.8 (19)	-8.5 (31)	-51.0 (32)	12.3 (24)
Panama	1.3 (3)	-0.9 (12)	-2.4 (10)	0.0 (1)
Dominican Republic	7.9 (13)	0.3 (8)	-3.4 (14)	1.6 (12)
Mean	11.9 (17.43)	-3.43 (18.86)	-12.33 (20.00)	6.39 (16.29)
Standard deviation	6.24 (7.23)	3.17 (8.55)	17.32 (7.53)	6.52 (8.88)

Table A-2 (cont.)

Country	Consumer Price Index a/ (Average annual percentage variation) 1992-1994	Central Government fiscal balance (% of GDP) b/ c/ 1992-1994	Current account balance (% of GDP) d/ (average of the past 3 years)	Nominal exchange-rate stability (percentage change) 1992-1994
Small South American countries				
Bolivia	9.5 (16)	-4.9 (27)	-6.8 (22)	6.9 (21)
Ecuador	38.9 (29)	-0.8 (11)	-2.8 (12)	14.4 (26)
Paraguay	18.8 (23)	1.5 (3)	-8.6 (26)	9.8 (23)
Uruguay	52.0 (31)	-1.3 (15)	0.9 (3)	20.7 (29)
Mean	29.80 (24.75)	-1.38 (14.00)	-4.33 (15.75)	12.95 (24.75)
Standard deviation	19.22 (6.75)	2.65 (10.00)	4.24 (10.34)	6.02 (3.50)
Caribbean countries				
Bahamas	3.2 (11)	-2.9 (17)	-7.3 (23)	0.0 (1)
Barbados	0.6 (1)	-1.8 (16)	1.8 (2)	0.0 (1)
Belize	2.0 (4)	-7.6 (30)	-2.7 (11)	0.0 (1)
Dominica	2.8 (6)	-6.5 (28)	-14.1 (29)	0.0 (1)
Grenada	3.1 (10)	-4.4 (24)	-17.0 (30)	0.0 (1)
Guyana	2.8 (6)	-22.2 (33)	-	4.5 (16)
Haiti	36.5 (27)	-4.0 (23)	-8.4 (25)	7.4 (22)
Jamaica	34.3 (26)	-4.6 (26)	-3.9 (15)	16.2 (27)
Saint Kitts and Nevis	2.5 (5)	1.2 (6)	-18.0 (31)	0.0 (1)
Saint Vincent and the Grenadines	2.9 (9)	1.3 (4)	-6.5 (19)	0.0 (1)
Saint Lucia	3.9 (12)	1.3 (4)	-13.6 (28)	0.0 (1)
Suriname	71.1 (32)	-10.6 (32)	-1.8 (8)	135.9 (33)
Trinidad and Tobago	9.2 (15)	-3.1 (18)	3.5 (1)	13.4 (25)
Mean	13.45 (12.62)	-4.92 (20.08)	-7.33 (18.50)	13.65 (10.08)
Standard deviation	21.14 (9.77)	6.28 (10.31)	7.13 (10.91)	37.15 (12.49)

Table A-2 (concl.)

Country	Consumer Price Index a/ (Average annual percentage variation) 1992-1994	Central Government fiscal balance (% of GDP) b/ c/ 1992-1994	Current account balance (% of GDP) d/ (average of the past 3 years)	Nominal exchange-rate stability (percentage change) 1992-1994
Canada	1.2 (2)	-3.6 (19)	-4.0 (16)	3.5 (14)
United States	2.8 (6)	-3.8 (22)	-0.9 (6)	1.5 (11)
Mean	2.00 (4.00)	-3.70 (20.50)	-2.45 (11.00)	2.50 (12.50)
Standard deviation	1.13 (2.83)	0.14 (2.12)	2.19 (7.07)	1.41 (2.12)

Source: ECLAC, *Statistical Yearbook for Latin America and the Caribbean and Economic Survey of Latin America and the Caribbean*; International Monetary Fund (IMF), *International Financial Statistics*.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

a/ Data are for 1990-1992 for Guyana; for 1991-1993 for Suriname and Saint Lucia.

b/ The mean for the Central American isthmus and the Dominican Republic differs significantly from the big country mean with 90% reliability.

c/ Data for Guyana are for 1992 only; for Saint Lucia they are for 1988-1990; for Saint Kitts and Nevis, for 1991-1993. Data for Dominica, Grenada, Jamaica, Saint Vincent and the Grenadines and Suriname were obtained from the World Bank, "Caribbean Region Current Situation, Regional Issues and Capital Flows", 1992; they relate to the period 1989-1990.

d/ Data are for 1990-1991 for Bolivia.

Table A-3

WESTERN HEMISPHERE: NON-MACROECONOMIC ELIGIBILITY INDICATORS

Country	Number of ILO conventions ratified a/ b/	Number of (major) international conventions on the environment b/ c/	Number of (major) international conventions on intellectual property rights ratified a/ b/ d/	Human rights violations b/ e/ f/ 1994	Membership (or non- membership) of GATT/WTO
Big Latin American countries					
Argentina	67 (5)	15 (2)	5 (7)	2 (24)	Yes (1)
Brazil	76 (2)	15 (2)	8 (3)	3 (29)	Yes (1)
Colombia	52 (10)	10 (13)	3 (16)	3 (29)	Yes (1)
Mexico	76 (2)	14 (7)	9 (1)	2 (24)	Yes (1)
Peru	67 (5)	11 (11)	4 (11)	2 (24)	Yes (1)
Venezuela	52 (10)	10 (13)	2 (21)	1 (15)	No (16)
Mean	65.00 (5.67)	12.50 (8.00)	5.17 (9.83)	2.17 (24.17)	- (3.5)
Standard deviation	10.84 (3.61)	2.43 (5.14)	2.79 (7.70)	0.75 (5.12)	- (6.12)
Chile					
	48 (12)	15 (2)	5 (7)	1 (15)	Yes (1)
Central American isthmus and the Dominican Republic					
Costa Rica	48 (12)	12 (10)	3 (16)	0 (1)	Yes (1)
El Salvador	6 (31)	8 (21)	5 (7)	3 (29)	Yes (1)
Guatemala	67 (5)	14 (7)	3 (16)	4 (33)	Yes (1)
Honduras	20 (27)	7 (23)	4 (11)	2 (24)	Yes (1)
Nicaragua	58 (8)	8 (21)	1 (29)	1 (15)	Yes (1)
Panama	70 (4)	15 (2)	2 (21)	0 (1)	No (16)
Dominican Republic	28 (18)	9 (17)	3 (16)	0 (1)	Yes (1)
Mean	42.3 (15.00)	10.43 (14.43)	3.00 (16.57)	1.43 (14.86)	- (3.14)
Standard deviation	24.75 (10.71)	3.21 (8.12)	1.29 (7.04)	1.62 (14.08)	- (5.67)

Table A-3 (cont.)

Country	Number of ILO conventions ratified a/ b/	Number of (major) international conventions on the environment b/ c/	Number of (major) international conventions on intellectual property rights ratified a/ b/ d/	Human rights violations b/ e/ f/ 1994	Membership (or non- membership) of GATT/WTO
Small South American countries					
Bolivia	43 (14)	9 (17)	3 (16)	1 (15)	Yes (1)
Ecuador	56 (9)	10 (13)	2 (21)	2 (24)	No (16)
Paraguay	35 (17)	11 (11)	4 (11)	1 (15)	Yes (1)
Uruguay	97 (1)	16 (1)	6 (5)	1 (15)	Yes (1)
Mean	57.75 (10.25)	11.50 (10.50)	3.75 (13.25)	1.25 (17.25)	-
Standard deviation	27.56 (6.99)	3.11 (6.81)	1.71 (6.85)	0.50 (4.50)	-
Caribbean countries					
Bahamas	26 (22)	9 (17)	2 (21)	0 (1)	No (16)
Barbados	36 (16)	6 (27)	7 (4)	0 (1)	Yes (1)
Belize	27 (21)	6 (27)	0 (30)	0 (1)	Yes (1)
Dominica	20 (27)	4 (31)	0 (30)	0 (1)	Yes (1)
Grenada	28 (18)	6 (27)	0 (30)	0 (1)	Yes (1)
Guyana	40 (15)	6 (27)	2 (21)	1 (15)	Yes (1)
Haiti	23 (26)	7 (23)	2 (21)	3 (29)	Yes (1)
Jamaica	25 (24)	10 (13)	5 (7)	1 (15)	Yes (1)
Saint Kitts and Nevis	0 (32)	7 (23)	2 (21)	0 (1)	Yes (1)
Saint Vincent and the Grenadines	0 (32)	3 (33)	0 (30)	0 (1)	Yes (1)
Saint Lucia	25 (24)	4 (31)	2 (21)	0 (1)	Yes (1)
Suriname	26 (22)	9 (17)	4 (11)	0 (1)	Yes (1)
Trinidad and Tobago	12 (29)	7 (23)	6 (5)	0 (1)	Yes (1)
Mean	22.15 (23.69)	6.46 (24.54)	2.46 (19.38)	0.38 (5.31)	(2.15)
Standard deviation	11.92 (5.50)	2.07 (6.01)	2.37 (9.71)	0.87 (8.83)	(4.16)

Table A-3 (concl.)

Country	Number of ILO conventions ratified a/ b/	Number of (major) international conventions on the environment b/ c/	Number of (major) international conventions on intellectual property rights ratified d/ b/ d/	Human rights violations b/ e/ f/ 1994	Membership (or non- membership) of GATT/WTO
Canada	28 (18)	15 (2)	4 (11)	0 (1)	Yes (1)
United States	11 (30)	14 (7)	9 (1)	1 (15)	Yes (1)
Mean	19.5 (24)	14.5 (4.5)	6.5 (6)	0.5 (8)	(1)
Standard deviation	12.02 (8.49)	0.71 (3.54)	3.54 (7.07)	0.71 (9.90)	(0.00)

Source: World Bank, Workers in an Integrating World, World Development Report 1995, World Resources, A Guide to the Global Environment, 1994-1995; World Intellectual Property Organization (WIPO), General Information, Geneva, January 1995; Amnesty International, 1994 Report; United Nations, Commission on Human Rights, Report on the Fifty-first Session; ILO, Lists of ratifications by convention and country; UNEP, Index of treaties and other international agreements relating to the environment.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

a/ The mean for the Central American isthmus and the Dominican Republic differs significantly from the big country mean with 90% reliability.

b/ The big country mean differs significantly from the mean for the Caribbean countries with 95% reliability.

c/ Global conventions covering the environment: ozone layer, chloro-fluorocarbons control (Montreal), climate change, biological and toxic weapons, notification of nuclear accidents, assistance in connection with nuclear accidents, movement of hazardous substances (Basel), Antarctic Treaty, wetlands (Ramsar), world heritage, endangered species, migratory species, biodiversity, ocean dumping, pollution from ships (MARPOL), law of the sea.

d/ Includes all international treaties which provide for the substantive protection of intellectual property; facilitate protection of industrial property in the area of patents, marks, appellations of origin and industrial drawings and models; establish international classifications; and ensure protection of copyright and related rights. There are 18 such treaties.

e/ Involves missing detainees, extralegal executions, "death squads", and countries under consideration by the United Nations Commission on Human Rights.

f/ The big country mean differs significantly from the mean for the small South American countries with 90% reliability.

Table A-4

STRUCTURAL READINESS INDICATORS

Indicator	Coverage/Period	Reason	Source
A. Economic and sectoral variables			
Growth of per capita GDP	5-year 1991-1994	Net result of economic policies, governability in the event of a real shock	ECLAC
Financial depth (M2-M1)/M2	3-year average	Depth of domestic financial system and savings mobilization capacity	IMF
Population density	Last available year 1993	Less available land and greater population pressure mean, <i>ceteris paribus</i> , fewer resources and more disadvantages	World Bank ECLAC
Agricultural output as % of GDP		Indicator of relative development	ECLAC World Bank
Urbanization as % of total population	Last available year 1993	Lower urbanization implies less national integration	ECLAC World Bank Guía del Mundo
Share of firewood in energy consumption (residential)	Last available year 1992	Measures energy sector's degree of modernization	OLADE ECLAC
B. Export diversification and performance			
Growth in export of goods and services	5-year average 1988-1993	Measures growth in total export supply capacity	ECLAC IMF
Share in United States imports	Last available year 1994	Measures capacity to export to the hemisphere's largest market	United States Department of Commerce
Ranking in growth categories (exports to the United States)	5-year average 1991-1995	Measures capacity to export goods for which demand is increasing in the United States	United States Department of Commerce
Exports of manufactures as a percentage of merchandises exports	Last available year 1992	Measures capacity to export more highly processed goods	ECLAC UNCTAD
Increase in market share in categories of exports to the United States	Last available year 1994	Measures capacity to win market share in specific categories of imports to the United States	United States Department of Commerce

Table A-4 (concl.)

Indicator	Coverage/Period	Reason	Source
Number of categories of exports to the United States, whose total value amounts to over US\$ 500,000	Last available year 1994	Measures the diversification of exports to the United States	United States Department of Commerce
C. Human resources variables			
Relative level of productivity of agricultural workforce	Last available year 1993	Indicator of competitiveness of most backward sector	FAO World Bank ECLAC
Educational achievement index	Last available year 1992	Comprehensive indicator of human resources' level of education: covers literacy, years of schooling	UNDP
Workforce employed in modern (non-agricultural) sectors	Last available year	Extent of employment in more technology-intensive sectors	ILO, World Bank
D. Infrastructure variables			
Number of telephone lines per 1,000 inhabitants	Last available year 1992	Proxy indicator of quality of infrastructure services in general, and telecommunications in particular	World Bank UNDP
Number of kilometres of paved road per 1 million inhabitants	Last available year 1992	Indicator of transport facilities and degree of territorial integration	World Bank ECLAC
Total per capita residential electric power consumption	3-year average 1992-1994	Proxy indicator of coverage of basic services, particularly energy, in a country	OLADE ECLAC

Table A-5
WESTERN HEMISPHERE: ECONOMIC AND SECTORAL STRUCTURE INDICATORS

Country	Growth of per capita GDP \bar{g} /1991-1994	Financial depth (M2-M1)/M2	Population density b / \bar{g} / d / (inhabitants per km2)	Agricultural output as % of GDP \bar{g} / f	Share of firewood in energy consumption (residential) b / \bar{g} / 1992	Urbanization (% of total population) d / \bar{g} / f / 1993
Big Latin American countries						
Argentina	27.70 (2)	67.0 (11)	12.22 (7)	6.0% (5)	0.19 (9)	87 (3)
Brazil	2.20 (25)	86.9 (1)	18.39 (11)	12.3% (15)	0.96 (13)	71 (10)
Colombia	9.40 (16)	44.9 (28)	31.34 (15)	14.3% (18)	2.34 (17)	72 (9)
Mexico	3.10 (23)	61.2 (18)	45.97 (19)	7.3% (7)	2.49 (18)	74 (8)
Peru	11.30 (8)	68.6 (7)	17.82 (9)	7.5% (8)	8.02 (24)	71 (10)
Venezuela	2.60 (24)	68.0 (9)	22.92 (13)	5.0% (4)	0 (1)	92 (1)
Central American isthmus and the Dominican Republic						
Chile	21.90 (3)	80.40 (3)	18.19 (10)	8.4% (10)	4.08 (21)	84 (5)
Central American isthmus and the Dominican Republic						
Costa Rica	9.90 (10)	56.8 (22)	64.71 (21)	15.2% (22)	2.15 (15)	49 (21)
El Salvador	12.30 (7)	69.7 (6)	261.90 (30)	14.0% (17)	7.45 (23)	45 (24)
Guatemala	4.20 (22)	64.1 (15)	91.74 (22)	24.1% (28)	20.39 (29)	41 (28)
Honduras	11.10 (9)	53.4 (26)	47.32 (20)	18.6% (24)	15.62 (27)	43 (26)
Nicaragua	-11.50 (32)	32.0 (30)	31.54 (16)	31.2% (31)	12.80 (26)	62 (14)
Panama	21.00 (4)	84.5 (2)	32.89 (17)	10.4% (12)	2.15 (15)	53 (17)
Dominican Republic	6.10 (18)	55.9 (23)	153.6 (24)	17.1% (23)	2.59 (19)	63 (13)
Central American isthmus and the Dominican Republic						
Mean	7.59 (14.57)	59.49 (17.71)	97.59 (21.43)	18.7% (22.43)	9.02 (22.00)	50.86 (20.43)
Standard deviation	9.98 (9.93)	16.14 (10.47)	83.93 (4.69)	0.07% (6.40)	7.36 (5.74)	8.88 (5.91)

Table A-5 (cont.)

Country	Growth of per capita GDP g/ 1991-1994	Financial depth (M2-M1)/M2	Population density b/ g/ d/ (inhabitants per km2)	Agricultural output as % of GDP g/ f/	Share of firewood in energy consumption (residential) b/ g/ 1992	Urbanization (% of total population) d/ g/ h/ 1993
Small South American countries						
Bolivia	4.80 (21)	66.6 (12)	6.43 (4)	21.0% (20)	4.68 (22)	59 (15)
Ecuador	5.60 (19)	-64.0 (32)	38.72 (18)	14.8% (21)	3.22 (20)	57 (16)
Paraguay	0.10 (26)	49.7 (27)	11.55 (6)	31.0% (30)	8.17 (25)	51 (19)
Uruguay	17.20 (5)	78.8 (4)	17.74 (8)	14.3% (18)	1.17 (14)	90 (2)
Mean	6.93 (17.75)	32.78 (18.75)	18.61 (9.00)	20.3% (22.25)	4.31 (20.25)	64.25 (13.00)
Standard deviation	7.27 (9.00)	65.61 (13.00)	14.18 (6.22)	0.8 (5.32)	2.95 (4.65)	17.50 (7.53)
Caribbean countries						
Bahamas	-4.70 (30)	67.9 (10)	19.38 (12)		0.00 (1)	85 (4)
Barbados	-6.80 (31)	64.4 (13)	604.65 (33)	7.2% (6)	0.00 (1)	44.8 (25)
Belize	8.80 (17)	54.3 (25)	8.88 (5)	19.2% (25)		50 (20)
Dominica	9.70 (11)	68.2 (8)	94.66 (23)	23.5% (27)	0.00 (1)	41 (28)
Grenada	9.70 (11)	64.4 (13)	270.58 (31)	11.2% (14)	0.87 (11)	
Guyana	28.90 (1)	55.8 (24)	3.77 (3)	28.8% (29)	20.33 (28)	30.3 (31)
Haiti	-34.70 (33)	19.2 (31)	248.39 (28)	37.8% (32)	68.94 (30)	30.3 (31)
Jamaica	13.50 (6)	43.7 (29)	200.45 (26)	8.6% (11)	0.65 (10)	53 (17)
Saint Kitts and Nevis	9.70 (11)	78.1 (5)	153.55 (25)	7.5% (8)	0.00 (1)	41 (28)
Saint Vincent and the Grenadines	9.70 (11)	64.1 (15)	323.52 (32)	14.3% (18)	0.00 (1)	43 (26)
Saint Lucia	9.70 (11)	60.7 (19)	222.58 (27)	12.3% (15)	0.00 (1)	47 (22)
Suriname	-0.8 (27)	-105.6 (33)	2.53 (1)	11.0% (13)	0.95 (12)	47 (22)
Trinidad and Tobago	-3.70 (29)	57.8 (25)	249.12 (29)	3.3% (2)	0.00 (1)	71 (10)
Mean	3.77 (17.62)	45.62 (19.23)	184.77 (21.15)	15.4% (16.67)	7.64 (8.17)	48.62 (21.94)
Standard deviation	14.91 (10.87)	47.64 (9.23)	169.84 (11.62)	0.10 (9.65)	20.15 (10.68)	15.62 (8.22)

Table A-5 (concl.)

Country	Growth of per capita GDP <u>a/</u> 1991-1994	Financial depth (M2-M1)/M2	Population density <u>b/ c/ d/</u> (inhabitants per km2)	Agricultural output as % of GDP <u>e/ f/</u>	Share of firewood in energy consumption (residential) <u>b/ g/</u> 1992	Urbanization (% of total population) <u>d/ e/ h/</u> 1993
Canada	-1.12 (28)	61.4 (17)	2.88 (2)	2.1% (1)		77 (6)
United States	5.47 (20)	57.4 (21)	27.50 (14)	3.3% (2)		76 (7)
Mean	2.18 (24.00)	59.40 (19.00)	15.19 (8.00)	2.7% (1.50)		76.50 (6.50)
Standard deviation	4.65 (5.66)	2.83 (2.82)	17.41 (8.49)	0.01 (0.71)		0.71 (0.71)

Source: World Bank, World Development Report; Latin American Energy Organization (OLADE), Estadísticas e indicadores económico-energéticos de América Latina y el Caribe; UNDP, Human Development Report; ECLAC, *Economic Survey of Latin America and the Caribbean*; Instituto del Tercer Mundo, Guía del Mundo; ECLAC, *Statistical Yearbook for Latin America and the Caribbean*; IMF, *International Financial Statistics*.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

a/ Data are for 1991-1993 for Canada and the United States.

b/ The big country mean differs significantly from the mean for the countries of the Central American isthmus and the Dominican Republic with 90% reliability.

c/ Data are for 1990 for Barbados, Belize, Dominica, Guyana, Haiti and Suriname.

d/ The big country mean differs significantly from the mean for the Caribbean countries with 95% reliability.

e/ The big country mean differs significantly from the mean for the countries of the Central American isthmus and the Dominican Republic with 95% reliability.

f/ The big country mean differs significantly from the mean for the small South American countries with 95% reliability.

g/ Data for Bahamas, Dominica, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Saint Lucia are ECLAC estimates.

h/ Data are for 1992 for Bahamas, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

Table A-6
WESTERN HEMISPHERE: EXPORT DIVERSIFICATION AND PERFORMANCE INDICATORS

Country	Growth in exports of goods and services f/ 1988-1993	Share in United States imports b/ 1994	Ranking in growth categories (exports to the United States) 1994	Exports of manufactures (% of merchandise exports) g/ 1992	Increase in market share in categories of exports to the United States d/ 1994	Level of diversification (exports to the United States) h/ g/ 1994
Big Latin American countries						
Argentina	7.60 (14)	0.26 (8)	-45.87 (22)	26.3% (18)	13.05 (15)	193 (6)
Brazil	3.82 (25)	1.31 (3)	-20.37 (17)	56.9% (4)	-16.41 (22)	756 (3)
Colombia	8.31 (11)	0.48 (5)	-29.04 (19)	31.8% (14)	-6.91 (21)	209 (5)
Mexico	9.23 (7)	7.46 (2)	4.29 (8)	52.3% (6)	44.43 (7)	1,438 (2)
Peru	3.72 (26)	0.13 (14)	-55.45 (25)	17.3% (23)	-18.15 (23)	85 (14)
Venezuela	8.68 (9)	1.26 (4)	-74.39 (28)	11.0% (29)	4.29 (18)	167 (9)
Mean	6.89 (15.33)	1.82 (6.00)	-36.81 (19.83)	32.6% (15.67)	3.38 (17.67)	474.67 (6.50)
Standard deviation	2.48 (8.21)	2.81 (4.43)	27.79 (7.03)	0.19 (9.69)	23.41 (5.99)	529.83 (4.42)
Chile						
	7.97 (13)	0.27 (7)	-2.21 (9)	13.1% (26)	28.69 (12)	188 (7)
Central American isthmus and the Dominican Republic						
Costa Rica	13.13 (4)	0.25 (10)	-7.84 (11)	25.6% (20)	12.72 (16)	186 (8)
El Salvador	4.36 (24)	0.09 (16)	10.98 (7)	47.8% (8)	131.79 (3)	102 (12)
Guatemala	9.81 (5)	0.19 (11)	-12.10 (13)	29.9% (15)	38.58 (10)	150 (10)
Honduras	0.82 (31)	0.17 (12)	-9.26 (12)	12.9% (28)	109.57 (4)	110 (11)
Nicaragua	7.25 (15)	0.025 (21)	-107.14 (29)	7.0% (31)	311.90 (1)	26 (20)
Panama	13.32 (3)	0.05 (17)	-13.64 (15)	16.7% (24)	-18.18 (24)	53 (16)
Dominican Republic	4.38 (23)	0.47 (6)	-7.84 (10)	49.3% (7)	38.90 (9)	225 (4)
Mean	7.58 (15.00)	0.18 (13.29)	-20.98 (13.86)	27.0% (19.00)	89.33 (9.57)	121.71 (11.57)
Standard deviation	4.75 (11.30)	0.15 (5.02)	38.86 (7.13)	0.17 (9.42)	111.28 (8.14)	70.72 (5.22)

Table A-6 (cont.)

Country	Growth in exports of goods and services a/ 1988-1993	Share in United States imports b/ 1994	Ranking in growth categories (exports to the United States) 1994	Exports of manufactures (% of merchandise exports) c/ 1992	Increase in market share in categories of exports to the United States d/ 1994	Level of diversification (exports to the United States) e/ 1994
Small South American countries						
Bolivia	5.01 (19)	0.039 (18)	-66.12 (27)	15.7% (25)	42.71 (8)	23 (22)
Ecuador	7.11 (16)	0.260 (8)	-51.02 (24)	4.0% (32)	31.06 (11)	64 (15)
Paraguay	19.26 (1)	0.012 (23)	-23.56 (18)	9.2% (30)	149.32 (2)	18 (23)
Uruguay	9.71 (6)	0.025 (20)	-49.03 (23)	36.7% (11)	-129.46 (30)	41 (17)
Mean	10.27 (10.50)	0.08 (17.25)	-47.43 (23.00)	16.4% (24.50)	23.41 (12.75)	36.50 (19.25)
Standard deviation	6.29 (8.43)	0.12 (6.50)	17.65 (3.74)	0.14 (9.47)	114.97 (12.09)	20.82 (3.86)
Caribbean countries						
Bahamas	2.74 (27)	0.031 (19)	-202.31 (32)	20.3% (22)	-118.62 (29)	25 (21)
Barbados	2.63 (28)	0.005 (27)	48.63 (2)	37.5% (10)	-108.26 (28)	14 (25)
Belize	8.01 (12)	0.008 (25)	-63.15 (26)	12.9% (27)	-21.90 (25)	14 (26)
Dominica	4.62 (22)	0.001 (30)	-13.62 (14)	29.2% (16)	-5.73 (20)	0 (33)
Grenada	5.00 (20)	0.001 (30)	-14.99 (16)	32.1% (13)	-106.29 (27)	4 (30)
Guyana	13.49 (2)	0.015 (22)	-122.08 (30)	26.1% (19)	79.79 (5)	16 (24)
Haiti	-10.22 (33)	0.009 (24)	35.01 (3)	83.2% (1)	-444.09 (32)	33 (19)
Jamaica	7.05 (17)	0.112 (15)	-31.23 (20)	61.3% (3)	16.25 (14)	87 (13)
Saint Kitts and Nevis	8.94 (8)	0.003 (29)	31.86 (4)	53.3% (5)	27.76 (13)	9 (29)
Saint Vincent and the Grenadines	-2.44 (32)	0.001 (30)	87.03 (1)	23.2% (21)	-253.07 (31)	4 (32)
Saint Lucia	6.90 (18)	0.004 (28)	20.45 (5)	29.2% (17)	-58.92 (26)	13 (27)
Suriname	0.90 (20)	0.007 (26)	-242.68 (32)	...	69.51 (6)	10 (28)
Trinidad and Tobago	2.04 (29)	0.167 (13)	-36.16 (21)	33.0% (12)	6.27 (17)	37 (18)
Mean	3.82 (20.62)	0.03 (24.46)	-38.71 (15.85)	0.37 (13.83)	-70.56 (21.00)	20.46 (25.00)
Standard deviation	5.84 (9.36)	0.05 (5.71)	97.69 (11.93)	0.20 (8.04)	144.30 (9.23)	22.80 (5.87)

Table A-6 (concl.)

Country	Growth in exports of goods and services <u>a/</u> 1988-1993	Share in United States imports <u>b/</u> 1994	Ranking in growth categories (exports to the United States) 1994	Exports of manufactures (% of merchandise exports) <u>c/</u> 1992	Increase in market share in categories of exports to the United States <u>d/</u> 1994	Level of diversification (exports to the United States) <u>b/ e/</u> 1994
Canada	4.65 (21)	19.425 (1)	17.36 (6)	0.38 (9)	-1.53 (19)	2445 (1)
United States	8.41 (10)			0.764 (2)		
Mean	6.53 (15.50)	19.43 (1.00)	17.36 (6.00)	0.57 (5.50)	-1.53 (19.00)	2445.00 (1.00)
Standard deviation	2.66 (7.78)			0.27 (4.95)		

Source: United States Department of Commerce; UNCTAD, Handbook of Trade and Development Statistics; ECLAC, Statistical Yearbook for Latin America and the Caribbean; IMF, *International Financial Statistics*.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

a/ Data for Bolivia cover the period from 1988-1992.

b/ The big country mean differs significantly from the mean for the Caribbean countries with 95% reliability.

c/ Data are for 1990 for Bahamas and Haiti; 1991 for Dominica, Guyana, Saint Vincent and the Grenadines, and Saint Lucia; 1989 for Grenada, and Saint Kitts and Nevis.

d/ The big country mean differs significantly from the mean for the countries of the Central American isthmus and the Dominican Republic with 95% reliability.

e/ The big country mean differs significantly from the mean for the small South American countries with 90% reliability.

Table A-7

WESTERN HEMISPHERE: HUMAN RESOURCES READINESS INDICATORS

Country	Relative level of productivity of agricultural workforce <u>a/</u> 1993	Educational achievement index <u>b/</u> (UNDP) 1992	Workforce employed in modern (non- agricultural) sector <u>c/ d/ e/</u>
Big Latin American countries			
Argentina	13.26 (4)	2.53 (4)	87.90 (11)
Brazil	2.94 (13)	1.91 (27)	77.16 (20)
Colombia	2.65 (14)	2.25 (14)	98.59 (4)
Mexico	3.24 (11)	2.10 (25)	77.40 (19)
Peru	1.79 (23)	2.16 (21)	99.12 (1)
Venezuela	4.16 (8)	2.21 (19)	86.53 (13)
Mean	4.67 (12.17)	2.19 (18.33)	87.8 (11.3)
Standard deviation	4.28 (6.43)	0.20 (8.38)	9.67 (7.71)
Chile	2.03 (19)	2.39 (7)	80.9 (16)
Central American isthmus and the Dominican Republic			
Costa Rica	4.61 (7)	2.24 (17)	79.37 (18)
El Salvador	1.04 (29)	1.77 (30)	64.16 (31)
Guatemala	1.98 (21)	1.40 (32)	69.82 (28)
Honduras	0.63 (32)	1.77 (31)	61.79 (32)
Nicaragua	1.30 (27)	1.86 (28)	86.94 (12)
Panama	3.12 (12)	2.25 (14)	73.69 (25)
Dominican Republic	1.79 (23)	1.97 (26)	76.40 (23)
Mean	2.07 (21.57)	1.89 (25.43)	73.17 (24.14)
Standard deviation	1.38 (9.13)	0.30 (7.11)	8.76 (7.20)

Table A-7 (cont.)

Country	Relative level of productivity of agricultural workforce <u>a/</u> 1993		Educational achievement index <u>b/</u> (UNDP) 1992		Workforce employed in modern (non-agricultural) sector <u>c/ d/ e/</u>	
Small South American countries						
Bolivia	1.17	(28)	1.85	(29)	98.80	(3)
Ecuador	1.78	(25)	2.12	(23)	68.80	(30)
Paraguay	2.50	(15)	2.14	(22)	98.83	(2)
Uruguay	7.42	(6)	2.47	(6)	85.40	(14)
Mean	3.22	(18.50)	2.15	(20.00)	87.96	(12.25)
Standard deviation	2.85	(10.02)	0.25	(9.83)	14.25	(13.02)
Caribbean countries						
Bahamas	2.02	(20)	2.39	(7)	94.30	(7)
Barbados	9.12	(5)	2.61	(3)	89.90	(9)
Belize	3.49	(9)	2.23	(18)	69.34	(29)
Dominica	2.25	(18)	2.25	(14)	72.86	(26)
Grenada	2.26	(17)	2.27	(12)	77.08	(21)
Guyana	1.97	(22)	2.28	(11)	83.18	(15)
Haiti	0.07	(33)	1.21	(33)	34.30	(33)
Jamaica	1.01	(30)	2.32	(10)	72.74	(27)
Saint Kitts and Nevis	1.42	(26)	2.38	(9)	74.85	(24)
Saint Vincent and the Grenadines	0.75	(31)	2.27	(12)	76.78	(22)
Saint Lucia	2.33	(16)	2.12	(23)	79.54	(17)
Suriname	22.52	(3)	2.19	(20)	90.70	(8)
Trinidad and Tobago	3.35	(10)	2.48	(5)	89.60	(10)
Mean	4.04	(18.46)	2.23	(13.62)	77.32	(19.08)
Standard deviation	5.97	(9.85)	0.33	(8.17)	15.21	(8.72)

Table A-7 (concl.)

Country	Relative level of productivity of agricultural workforce <u>a/</u> 1993	Educational achievement index <u>b/</u> (UNDP) 1992	Workforce employed in modern (non-agricultural) sector <u>c/ d/ e/</u>
Canada	25.52 (2)	2.80 (2)	96.5 (6)
United States	27.05 (1)	2.81 (1)	97.1 (5)
Mean	26.28 (1.50)	2.81 (1.50)	96.80 (5.50)
Standard deviation	1.08 (0.71)	0.01 (0.71)	0.42 (0.71)

Source: World Bank, World Development Report; UNDP, Human Development Report; ECLAC, *Statistical Yearbook for Latin America and the Caribbean*; FAO, Production Yearbook; IMF, *International Financial Statistics*; ILO, Labour Statistics Yearbook.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

- a/ Data are for 1981 for Dominica and Grenada; 1980 for Belize, Saint Kitts and Nevis, Saint Vincent and the Grenadines, and Saint Lucia. Data are for 1989 for Bahamas and are an ECLAC estimate based on official figures.
- b/ The mean for the small South American countries differs significantly from the big country mean with 90% reliability.
- c/ The mean for the small South American countries differs significantly from the big country mean with 95% reliability.
- d/ Data are for 1992 for Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Brazil, Colombia, Peru and Venezuela; 1981 for the Dominican Republic; 1980 for Argentina; and 1990 for Mexico.
- e/ Data are for 1991 for Bolivia, Paraguay, Trinidad and Tobago, Canada and the United States; 1990 for Ecuador and Haiti; 1980 for Suriname, Bahamas, Belize, Guyana, Saint Kitts and Nevis, Saint Vincent and the Grenadines, and Saint Lucia; 1985 for Uruguay; 1982 for Barbados and Jamaica; and 1981 for Belize.

Table A-8

WESTERN HEMISPHERE: INFRASTRUCTURE INDICATORS

Country	Number of telephone lines per 1,000 inhabitants a/ 1992		Number of kilometres of paved road per 1 million inhabitants b/ 1992		Total residential electric power consumption (kilowatt-hours per capita) c/ 1990-1992
Big Latin American countries					
Argentina	123	(11)	1856	(16)	365.20 (13)
Brazil	71	(21)	929	(21)	334.20 (14)
Colombia	85	(19)	383	(27)	379.49 (11)
Mexico	80	(20)	1019	(20)	411.26 (9)
Peru	27	(28)	347	(29)	209.86 (20)
Venezuela	91	(17)	10296	(3)	533.90 (6)
Mean	79.50	(19.33)	2,471.67	(19.33)	372.32 (12.17)
Standard deviation	31.25	(5.54)	3,872.11	(9.31)	105.43 (4.79)
Chile	94.00	(16)	808.00	(22)	401.83 (10)
Central American isthmus and the Dominican Republic					
Costa Rica	102	(13)	1756	(17)	517.99 (7)
El Salvador	31	(26)	323	(30)	190.07 (21)
Guatemala	22	(29)	320	(31)	73.03 (30)
Honduras	21	(30)	443	(25)	170.06 (24)
Nicaragua	14	(32)	414	(26)	103.97 (29)
Panama	97	(15)	1332	(19)	708.49 (3)
Dominican Republic	66	(23)	364	(28)	375.78 (12)
Mean	50.43	(24.00)	707.43	(25.14)	305.63 (18.00)
Standard deviation	37.53	(7.44)	586.15	(5.34)	237.63 (10.74)

Table A-8 (cont.)

Country	Number of telephone lines per 1,000 inhabitants <u>a/</u> 1992	Number of kilometres of paved road per 1 million inhabitants <u>b/</u> 1992	Total residential electric power consumption (kilowatt-hours per capita) <u>c/</u> 1990-1992
Small South American countries			
Bolivia	33 (25)	258 (32)	166.75 (25)
Ecuador	48 (24)	476 (24)	188.97 (22)
Paraguay	28 (27)	592 (23)	245.33 (17)
Uruguay	168 (7)	2,106 (14)	564.02 (5)
Mean	69.25 (20.75)	858 (23)	291.27 (17.25)
Standard deviation	66.38 (9.25)	843 (7)	184.82 (8.81)
Caribbean countries			
Bahamas	533 (3)	7,261 (5)	1,264.21 (2)
Barbados	421 (4)	6,006 (6)	1,534.75 (1)
Belize	101 (14)	4,506 (10)	187.75 (23)
Dominica	204 (6)	8,508 (4)	145.27 (27)
Grenada	295 (5)	5,750 (9)	234.43 (19)
Guyana	20 (31)	5,981 (7)	107.41 (28)
Haiti	8 (33)	110 (33)	19.74 (31)
Jamaica	70 (22)	1,881 (15)	240.21 (18)
Saint Kitts and Nevis	90 (18)	3,254 (13)	316.33 (15)
Saint Vincent and the Grenadines	154 (8)	4,397 (11)	159.81 (26)
Saint Lucia	123 (11)	4,131 (12)	265.90 (16)
Suriname	144 (9)	5,949 (8)	494.10 (8)
Trinidad and Tobago	142 (10)	1,724 (18)	692.70 (4)
Mean	177.31 (13.38)	4,573.79 (11.62)	435.59 (16.77)
Standard deviation	154.03 (9.90)	2,367.90 (7.58)	464.43 (10.30)

Table A-8 (concl.)

Country	Number of telephone lines per 1,000 inhabitants <u>a/</u> 1992	Number of kilometres of paved road per 1 million inhabitants <u>b/</u> 1992	Total residential electric power consumption (kilowatt-hours per capita) <u>c/</u> 1990-1992
Canada	592 (1)	11,451 (2)	
United States	565 (2)	14,453 (1)	
Mean	578.50 (1.50)	12,952.00 (1.50)	
Standard deviation	19.09 (0.71)	2,122.73 (0.71)	

Source: World Bank, World Development Report; Latin American Energy Organization (OLADE), Estadísticas e indicadores económico-energéticos de América Latina y el Caribe; ECLAC, *Statistical Yearbook for Latin America and the Caribbean*; UNDP, Human Development Report.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

- a/ Data for the Caribbean countries, except for Jamaica and Trinidad and Tobago, are from UNDP and correspond to the 1990-1992 average.
- b/ The figures for the Caribbean countries, except for Jamaica and Trinidad and Tobago, and for Paraguay, are from ECLAC. Data are for 1993 for Paraguay, and Saint Vincent and the Grenadines; 1991 for Barbados and Belize; 1990 for Suriname; 1988 for Saint Lucia; 1985 for Haiti, Bahamas, Saint Kitts and Nevis, Dominica and Guyana; 1983 for Grenada. Data for Belize, Dominica, Grenada, Guyana and Saint Lucia are ECLAC estimates based on official figures.
- c/ Data for Bahamas, Belize, Dominica, Saint Kitts and Nevis, Saint Vincent and the Grenadines, and Saint Lucia are ECLAC estimates based on official figures.

Table A-9

POLICY READINESS AND RISK INDICATORS

Indicator	Coverage/Period	Reason	Source
A. Macroeconomic policy indicators			
Central Government current saving	3-year average	Fiscal adjustment, domestic capacity to finance public investment	ECLAC World Bank
Credit to private sector/Total domestic credit	3-year average	Capacity to channel bank financing to private sector, public sector does not crowd out private investment	IMF
Real interest rate on deposits	3-year average	Soundness of monetary policy	IMF
Net international reserves/imports of goods and services	3-year average	Capacity of self-finance imports	ECLAC IMF
Predictability of real exchange rate	Based on 16-year regression	Capacity to reduce fluctuations between inflation and exchange rates; authorities concerned with external competitiveness	ECLAC IMF World Bank
Inflation tax/Tax revenues	3-year average	Indicator of fiscal soundness (vulnerability in case of stabilization), transparency of macroeconomic policy	IMF ECLAC
Foreign trade tax/Tax revenues	Last available year 1992	Measures fiscal dependency on foreign trade	IMF IDB
B. Trade policy indicators			
Average tariff	Last available year 1994	Measures closeness to or distance from free trade status	OAS
Tariff spread	Last available year 1994	Measures size of more protected and sensitive sectors and lack of tariff consolidation	OAS
Year entry into GATT	Last available year 1995	Indicator of experience in managing and negotiating multilateral agreements	GATT/WTO
Number of Tokyo Round agreements signed	Last available date May 1994	Measures compliance with GATT and multilateral trade agreements	GATT/WTO

Table A-9 (cont.)

Indicator	Coverage/Period	Reason	Source
Number of times country has been subject to investigations into use of countervailing duties (GATT)	1985-1994	Measures propensity to use countervailing duties as protectionist policy	GATT/WTO
C. Indicators of policies conducive to changing production patterns			
Public expenditure on education as percentage of GDP	Last available year 1992	Measures governmental and social efforts to promote education	UNESCO
Pupil/teacher ratio (primary and secondary education)	Last available year 1992	Measures quality of education policy	UNESCO ECLAC
Privatization (yes or no) of telecommunications enterprises	Last available year 1992	Indicator of more market-oriented policies	Official information
Energy consumption/GDP	Last available year 1992	Measures energy saving or waste; depends on energy policy	ECLAC World Bank
Total protected area/total area	Last available year 1993	Indicator of seriousness of environmental policy	World Resources
Increase in number of telephone lines	1990-1992	Indicator of economic policy focus on investment in communications	World Bank UNDP
D. Risks Indicators of trade vulnerability			
Trade liberalization ratio (X + M)/GDP	3-year average 1992-1994	Greater vulnerability to external shocks	ECLAC IMF
Level of concentration (exports to the United States of 10 leading products as percentage of total exports)	Last available year 1994	Greater vulnerability to changes in terms of trade and lack of diversified portfolio	United States Department of Commerce
Clothing exports to the United States (as percentage of total exports)	Last available year 1994	Vulnerability protectionist pressures	United States Department of Commerce

Table A-9 (concl.)

Indicator	Coverage/Period	Reason	Source
E. Indicators of macroeconomic vulnerability			
Total external debt/exports of goods and services	3-year average (1991-1993)	External capacity to finance external shocks and external liquidity constraints	World Bank
Trade balance/GDP	3-year average	Basic external equilibrium	ECLAC IMF
Cumulative overvaluations of real exchange rate	5 years	Probability of an exchange rate adjustment	ECLAC IMF World Bank
Percentage change in foreign exchange earnings	5 years disregarding short-term trends	Uncertainty of commercial foreign exchange flows, probability of temporary liquidity crises	ECLAC IMF
Interest on external debt/exports of goods and services	3-year average (1991-1993)	Capacity to service existing debt and sign new agreements if necessary	World Bank
Official development assistance	3-year average	Vulnerability to cut in external aid	UNDP
Domestic saving/GDP	3-year average	Domestic capacity to deal with external shocks, indicator of external macroeconomic stability	IMF

Table A-10
WESTERN HEMISPHERE: MACROECONOMIC POLICY READINESS INDICATORS

Country	Central Government current saving a/ (percentages of GDP) (3-year average)	Credit to private sector/domestic credit b/ (3-year average)	Real interest rates c/ (on deposits) e/ (3-year average)	Foreign trade tax/tax revenues d/ e/ 1992	Inflation tax/tax revenues	International reserves/months of imports (3-year average) f/ g/ h/	Predictability of real exchange rate (average error 1992-1994) i/ g/ h/
Big Latin American countries							
Argentina	0.8 (21)	70.3 (24)	8.9 (28)	28.4 (23)	2.0 (7)	7.2 (7)	9.0 (26)
Brazil	0.4 (24)	65.0 (28)	10.1 (29)	2.5 (2)	2.7 (11)	10.2 (2)	10.4 (28)
Colombia	8.0 (3)	88.7 (10)	2.3 (8)	19.2 (16)	8.5 (18)	8.5 (4)	9.0 (26)
Mexico	2.6 (13)	85.3 (14)	3.8 (11)	4.9 (4)	2.6 (10)	3.3 (12)	5.7 (21)
Peru	1.2 (19)	101.8 (5)	-4.0 (24)	12.6 (10)	11.2 (21)	8.3 (5)	5.4 (20)
Venezuela	0.0 (25)	67.4 (27)	0.3 (12)	12.8 (11)	29.8 (29)	7.3 (6)	5.0 (17)
Mean	2.17 (17.50)	79.75 (18.00)	3.57 (18.67)	13.40 (11.00)	9.47 (16.00)	7.47 (6.00)	7.42 (23.00)
Standard deviation	2.99 (8.29)	14.54 (9.65)	5.30 (9.37)	9.49 (7.75)	10.64 (8.25)	2.31 (3.41)	2.31 (4.29)
Chile	5.3 (7)	75.2 (21)	5.3 (22)	11.7 (8)	17.7 (26)	9.1 (3)	5.2 (19)
Central American isthmus and the Dominican Republic							
Costa Rica	-1.6 (28)	71.3 (23)	1.7 (5)	23.4 (20)	6.1 (16)	4.7 (9)	1.7 (8)
El Salvador	-0.1 (26)	69.5 (25)	0.1 (13)	19.0 (15)	11.9 (24)	2.9 (14)	3.1 (15)
Guatemala	1.6 (17)	91.7 (8)	-0.5 (15)	24.1 (21)	9.6 (19)	3.3 (12)	2.0 (11)
Honduras	0.8 (21)	81.9 (15)	-1.3 (16)	30.6 (25)	7.2 (17)	1.5 (25)	5.0 (17)
Nicaragua	-1.2 (27)	15.3 (32)	4.3 (18)	21.2 (19)	3.2 (14)	1.5 (25)	12.0 (29)
Panama	1.8 (15)	107.1 (3)	4.7 (21)	25.4 (22)	0.0 (1)	11.1 (1)	0.0 (1)
Dominican Republic	8.2 (2)	99.1 (7)	8.5 (27)	36.5 (26)	2.9 (12)	2.0 (20)	3.0 (14)
Mean	1.36 (19.43)	76.56 (16.14)	2.50 (16.43)	25.74 (21.14)	5.84 (14.71)	3.86 (15.14)	3.83 (13.57)
Standard deviation	3.29 (9.18)	30.36 (10.81)	3.51 (6.83)	5.97 (3.72)	4.13 (7.16)	3.39 (8.82)	3.91 (8.64)

Table A-10 (cont.)

Country	Central Government current saving a/ (percentages of GDP) (3-year average)	Credit to private sector/domestic credit b/ (3-year average)	Real interest rates (on deposits) g/ (3-year average)	Foreign trade tax/tax revenues d/ g/ 1992	Inflation tax/tax revenues	International reserves/months of imports (3-year average) f/ g/ h/	Predictability of real exchange rate (average error 1992-1994) f/ g/ h/
Small South American countries							
Bolivia	3.1 (12)	81.1 (17)	10.8 (30)	10.1 (7)	11.5 (23)	1.4 (27)	1.7 (8)
Ecuador	6.7 (5)	87.1 (12)	-0.3 (14)	14.6 (13)	9.6 (19)	4.2 (10)	6.0 (23)
Paraguay	2.1 (14)	81.0 (18)	2.5 (9)	19.3 (17)	11.4 (22)	4.2 (10)	4.1 (16)
Uruguay	4.3 (9)	68.4 (26)	-5.5 (26)	7.5 (5)	23.0 (28)	2.6 (15)	2.6 (13)
Mean	4.05 (10.00)	79.40 (18.25)	1.88 (19.75)	12.88 (10.50)	13.88 (23.00)	3.10 (15.50)	3.61 (15.00)
Standard deviation	1.98 (3.92)	7.87 (5.80)	6.81 (9.88)	5.19 (5.51)	6.15 (3.74)	1.36 (8.02)	1.88 (6.27)
Caribbean countries							
Bahamas	1.5 (18)	77.8 (20)	1.9 (7)	59.0 (30)	2.1 (8)	1.0 (30)	1.6 (7)
Barbados	1.8 (15)	63.6 (29)	4.5 (19)	12.1 (9)	1.5 (5)	2.1 (19)	2.0 (11)
Belize	12.4 (1)	91.7 (8)	6.0 (23)	55.4 (29)	0.9 (2)	1.8 (21)	0.2 (2)
Dominica	4.6 (8)	79.5 (19)	1.2 (2)			1.8 (21)	1.1 (3)
Grenada	0.7 (23)	86.4 (13)	1.7 (5)			2.4 (16)	1.1 (3)
Guyana	-19.2 (31)	10.1 (33)	23.6 (31)	13.4 (12)	17.0 (25)	6.4 (8)	
Haiti	-3.7 (29)	36.9 (31)		20.9 (18)	133.4 (30)	0.3 (32)	7.9 (25)
Jamaica	3.8 (11)	115.6 (1)	-4.0 (24)	18.0 (14)	17.9 (27)	1.4 (28)	7.1 (24)
Saint Kitts and Nevis	3.9 (10)	101.1 (6)	3.4 (10)	46.4 (27)	1.6 (6)	2.2 (17)	1.4 (6)
Saint Vincent and the Grenadines	6.4 (6)	104.4 (4)	1.5 (3)	51.6 (28)	3.1 (13)	2.2 (18)	1.1 (3)
Saint Lucia	7.0 (4)	108.0 (2)	1.6 (4)	28.7 (24)	2.5 (9)	1.8 (21)	1.7 (8)
Suriname	-16.4 (30)	46.7 (30)					12.6 (30)
Trinidad and Tobago	1.0 (20)	73.7 (22)	-1.9 (17)	9.4 (6)	3.9 (15)	1.8 (21)	5.8 (22)
Mean	0.29 (15.85)	76.58 (16.77)	3.59 (13.18)	31.49 (19.70)	18.39 (14.00)	2.10 (21.00)	3.61 (12.00)
Standard deviation	8.91 (10.22)	30.66 (11.80)	7.18 (10.04)	19.57 (9.01)	40.91 (9.99)	1.47 (6.56)	3.83 (10.26)

Table A-10 (concl.)

Country	Central Government current saving a/ (percentages of GDP) (3-year average)	Credit to private sector/domestic credit b/ (3-year average)	Real interest rates (on deposits) c/ (3-year average)	Foreign trade tax/tax revenues d/ e/ 1992	Inflation tax/tax revenues	International reserves/months of imports (3-year average) f/ g/ h/	Predictability of real exchange rate (average error 1992-1994) i/ j/ k/
Canada		87.3 (11)	4.5 (19)	3.2 (3)	1.0 (4)	1.0 (30)	
United States		81.7 (16)	1.0 (1)	1.7 (1)	0.9 (2)	1.2 (29)	
Mean		84.5 (13.5)	2.75 (10.0)	2.45 (2.0)	0.95 (3.0)	1.1 (29.5)	
Standard deviation		3.96 (3.54)	2.47 (12.73)	1.06 (1.41)	0.07 (1.41)	0.14 (0.71)	

Source: ECLAC, *Statistical Yearbook for Latin America and the Caribbean and Economic Survey of Latin America and the Caribbean*; World Bank, Caribbean Region, "Current economic situation"; IMF, *International Financial Statistics*; ECLAC, *Selected Statistical Indicators of Caribbean Countries*; IMF, *Government Finance Statistics*; IDB, *Economic and Social Progress in Latin America*.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

- a/ Data for the Caribbean countries, except for Trinidad and Tobago, Bahamas and Haiti, were obtained from the ECLAC publication "Selected Statistical Indicators of Caribbean Countries".
- b/ Data for Uruguay, Chile, Dominica, Grenada, Haiti, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago fall under the heading "Monetary panorama", while the rest fall under the heading "Banking panorama".
- c/ Data for Nicaragua do not take into account the effect of the "price maintenance clause" that indexes capital to the exchange rate.
- d/ The big country mean differs significantly from the mean for the countries of the Central American isthmus and the Dominican Republic with 95% reliability.
- e/ Data are for 1989 for Trinidad and Tobago; 1990 for Ecuador and Saint Vincent and the Grenadines; 1991 for Canada and Saint Lucia; 1993 for Bolivia, Chile, Paraguay, Saint Kitts and Nevis, and the United States; and 1994 for Belize.
- f/ The mean for the small South American countries differs significantly from the big country mean with 95% reliability.
- g/ The mean for the Caribbean countries differs significantly from the big country mean with 95% reliability.
- h/ The big country mean differs significantly from the mean for the countries of the Central American isthmus and the Dominican Republic with 90% reliability.

Table A-11

WESTERN HEMISPHERE: TRADE POLICY INDICATORS

Country	Mean tariff \bar{a} / 1994	Tariff spread $\bar{a}/\bar{b}/\bar{c}/$ 1994	Year of entry into GATT	Tokyo Round agreements signed up to May 1994 $\bar{c}/\bar{d}/\bar{e}/$	GATT investigations $\bar{c}/\bar{d}/\bar{f}/$ 1985-1994
Big Latin American countries					
Argentina	15.82 (26)	9.22 (16)	1967 (13)	6 (3)	6 (30)
Brazil	10.69 (6)	7.17 (13)	1948 (1)	6 (3)	17 (33)
Colombia	11.57 (9)	6.40 (10)	1981 (16)	2 (7)	5 (29)
Mexico	11.58 (10)	4.15 (4)	1986 (18)	4 (5)	2 (26)
Peru	16.32 (27)	3.38 (3)	1951 (8)	2 (7)	6 (30)
Venezuela	11.80 (23)	6.04 (6)	Ongoing (30)	0 (14)	3 (28)
Mean	12.96 (16.83)	6.06 (8.67)	1967 (17)	3.33 (6.50)	6.50 (29.33)
Standard deviation	2.44 (9.50)	2.11 (5.20)	17.13 (6.83)	2.42 (4.09)	5.39 (2.34)
Chile	10.96 (8)	0.66 (1)	1949 (4)	4 (5)	1 (21)
Central American isthmus and the Dominican Republic					
Costa Rica	11.74 (11)	7.88 (15)	1990 (19)	0 (14)	1 (21)
El Salvador	9.21 (4)	6.06 (7)	1991 (21)	0 (14)	1 (21)
Guatemala	10.82 (7)	7.07 (12)	1991 (21)	1 (9)	0 (1)
Honduras	17.90 (29)	10.39 (18)	1994 (26)	0 (14)	0 (1)
Nicaragua	17.38 (28)	18.96 (30)	1950 (5)	0 (14)	0 (1)
Panama	27.50 (31)	31.50 (31)	Ongoing (30)	0 (14)	0 (1)
Dominican Republic	19.80 (30)	9.40 (17)	1950 (5)	1 (9)	0 (1)
Mean	16.34 (20.00)	13.04 (18.57)	1978 (16)	0.29 (12.57)	0.29 (6.71)
Standard deviation	6.36 (12.06)	9.19 (8.92)	21.47 (8.95)	0.49 (2.44)	0.49 (9.76)

Table A-11 (cont.)

Country	Mean tariff 1994 \bar{a} /	Tariff spread $\bar{a}/\bar{b}/\bar{c}$ / 1994	Year of entry into GATT	Tokyo Round agreements signed up to May 1994 $\bar{c}/\bar{d}/\bar{e}/$	GATT investigations $\bar{c}/\bar{d}/\bar{f}/$ 1985-1994
Small South American countries					
Bolivia	9.80 (5)	0.99 (2)	1990 (19)	0 (14)	0 (1)
Ecuador	11.91 (24)	6.28 (9)	Ongoing (30)	0 (14)	1 (21)
Paraguay	8.03 (2)	7.72 (14)	1994 (26)	1 (9)	0 (1)
Uruguay	14.74 (25)	5.86 (5)	1953 (9)	0 (14)	1 (21)
Mean	11.12 (14.00)	5.21 (7.50)	1979 (21.00)	0.25 (12.75)	0.50 (11.00)
Standard deviation	2.89 (12.19)	2.93 (5.20)	1,139.59 (9.20)	0.50 (2.50)	0.58 (11.55)
Caribbean countries					
Bahamas	11.79 (12)	12.14 (19)	Ongoing (30)	0 (14)	0 (1)
Barbados	11.79 (12)	12.14 (19)	1967 (13)	0 (14)	0 (1)
Belize	11.79 (12)	12.14 (19)	1983 (17)	0 (14)	0 (1)
Dominica	11.79 (12)	12.14 (19)	1993 (23)	0 (14)	0 (1)
Grenada	11.79 (12)	12.14 (19)	1994 (26)	0 (14)	0 (1)
Guyana	11.79 (12)	12.14 (19)	1966 (12)	0 (14)	0 (1)
Haiti			1950	1	0
Jamaica	11.79 (12)	12.14 (19)	1963 (11)	1 (9)	0 (1)
Saint Kitts and Nevis	11.79 (12)	12.14 (19)	1994 (26)	0 (14)	0 (1)
Saint Vincent and the Grenadines	11.79 (12)	12.14 (19)	1993 (23)	0 (14)	0 (1)
Saint Lucia	11.79 (12)	12.14 (19)	1993 (23)	0 (14)	0 (1)
Suriname			1978	0	0
Trinidad and Tobago	11.79 (12)	12.14 (19)	1962 (10)	0 (14)	0 (1)
Mean	11.79 (12)	12.14 (19)	1978 (10)	0.15 (14)	0.00 (1)
Standard deviation	0.00 (0.00)	0.00 (0.00)	15.79 (6.47)	0.38 (1.51)	0.00 (0.00)

Table A-11 (concl.)

Country	Mean tariff 1994 <u>a/</u>	Tariff spread <u>a/ b/</u> <u>c/</u> 1994	Year of entry into GATT	Tokyo Round agreements signed up to May 1994 <u>c/ d/ e/</u>	GATT investigations <u>c/ d/ f/</u> 1985-1994
Canada	8.66 (3)	7.00 (11)	1948 (1)	10 (1)	14 (32)
United States	6.36 (1)	6.08 (8)	1948 (1)	9 (2)	2 (26)
Mean	7.51 (2.00)	6.54 (9.5)	1948 (1)	9.50 (1.50)	8.00 (29.00)
Standard deviation	1.63 (1.41)	0.65 (2.12)	0.00 (0.00)	0.71 (0.71)	8.49 (4.24)

Source: Preliminary Report of the Organization of American States (OAS) Special Trade Commission to the meeting of ministers of foreign trade of the western hemisphere, 1995; General Agreement on Tariffs and Trade, General Review of Trends in International Trade and the Trading System, 1994.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

a/ Data are for 1993 for the United States and Canada.

b/ The mean for the countries of the Central American isthmus and the Dominican Republic differs significantly from the big country mean with 90% reliability.

c/ The big country mean differs significantly from the mean for the Caribbean countries with 95% reliability.

d/ The mean for the countries of the Central American isthmus and the Dominican Republic differs significantly from the big country mean with 95% reliability.

e/ The big country mean differs significantly from the mean for the small South American countries with 95% reliability.

f/ The big country mean differs significantly from the mean for the small South American countries with 90% reliability.

Table A-12

WESTERN HEMISPHERE: POLICIES CONDUCTIVE TO CHANGING PRODUCTION PATTERNS

Country	Public expenditure on education (% of GNP) a/ b/ 1992	Pupil/teacher ratio (primary education) c/ d/ 1992	Pupil/teacher ratio (secondary education) e/ f/ g/ 1992	Privatization of telecommunications enterprises	Energy consumption/GDP h/ 1992	Total protected area (% total area) g/ i/ 1993	Increase in number of telephone lines j/ 1988-1992
Big Latin American countries							
Argentina	3.1 (21)	18 (2)	8 (1)	Yes (1)	0.29 (8)	3.4% (18)	28.1% (9)
Brazil	4.6 (15)	23 (8)	14 (4)	No (15)	0.62 (20)	3.3% (20)	12.7% (7)
Colombia	3.1 (21)	28 (18)	21 (24)	No (15)	0.82 (27)	8.2% (10)	13.3% (16)
Mexico	5.2 (12)	30 (25)	16 (11)	Yes (1)	0.39 (12)	5.1% (13)	21.2% (13)
Peru	1.5 (32)	28 (18)	19 (17)	Yes (1)	0.62 (20)	3.2% (21)	3.8% (24)
Venezuela	5.2 (12)	23 (8)	9 (2)	Yes (1)	1.18 (30)	30.2% (2)	18.2% (15)
Mean	3.78 (18.83)	25.00 (13.17)	14.50 (9.83)	(5.67)	0.65 (19.50)	8.9% (14.0%)	16.2% (15.67)
Standard deviation	1.47 (7.63)	4.47 (8.54)	5.24 (9.24)	(7.23)	0.32 (8.43)	0.11 (7.24)	0.08 (4.97)
Chile	2.9 (23)	25 (13)	14 (4)	Yes (1)	0.60 (18)	18.1% (4)	44.6% (6)
Central American isthmus and the Dominican Republic							
Costa Rica	4.5 (16)	32 (26)	20 (19)	No (15)	0.65 (22)	12.1% (7)	9.7% (19)
El Salvador	1.6 (30)	38 (31)	28 (32)	No (15)	0.40 (13)	0.9% (22)	29.2% (8)
Guatemala	1.2 (33)	34 (27)	14 (4)	No (15)	0.24 (3)	7.6% (11)	4.8% (23)
Honduras	4.0 (19)	38 (31)	23 (29)	No (15)	0.79 (25)	4.8% (15)	23.5% (12)
Nicaragua	4.1 (17)	37 (29)	35 (33)	No (15)	1.22 (31)	7.3% (12)	7.7% (21)
Panama	5.5 (9)	23 (8)	20 (19)	No (15)	0.52 (16)	17.2% (5)	9.0% (20)
Dominican Republic	1.6 (30)	47 (33)	15 (8)	Yes (1)	0.68 (23)	21.5% (3)	37.5% (7)
Mean	3.21 (22.00)	35.57 (26.43)	22.14 (20.57)	(13.00)	0.64 (19.00)	10.2% (10.71)	17.3% (15.71)
Standard deviation	1.71 (9.02)	7.28 (8.48)	7.38 (11.50)	(5.29)	0.31 (9.18)	0.07 (6.50)	0.13 (6.58)

Table A-12 (cont.)

Country	Public expenditure on education (% of GNP) \bar{a}/\bar{b} / 1992	Pupil/teacher ratio (primary education) \bar{c}/\bar{d} / 1992	Pupil/teacher ratio (secondary education) \bar{e}/\bar{f} / 1992	Privatization of telecommunications enterprises	Energy consumption/GDP h/ 1992	Total protected area (% total area) g/ i/ 1993	Increase in number of telephone lines j/ 1988-1992
Small South American countries							
Bolivia	2.7 (26)	25 (13)	18 (13)	No (15)	0.47 (15)	8.4% (9)	26.9% (10)
Ecuador	2.7 (26)	29 (21)	22 (27)	No (15)	0.61 (19)	39.3% (1)	2.1% (28)
Paraguay	2.2 (28)	23 (8)	20 (19)	No (15)	0.40 (13)	3.6% (17)	7.7% (22)
Uruguay	2.8 (24)	21 (6)	18 (13)	No (15)	0.53 (17)	0.2% (32)	25.4% (11)
Mean	2.60 (26.00)	24.50 (12.00)	19.50 (18.00)	(15.00)	0.50 (16.00)	12.9% 14.75	15.5% (17.75)
Standard deviation	0.28 (1.63)	3.42 (6.68)	1.91 (6.63)	(0.00)	0.09 (2.58)	0.18 (13.23)	0.12 (8.73)
Caribbean countries							
Bahamas	6.2 (7)	28 (18)	21 (24)	No (15)	0.31 (10)	0.3% (23)	1.5% (30)
Barbados	7.9 (2)	19 (4)	18 (13)	Yes (1)	0.32 (11)	0.3% (23)	3.2% (26)
Belize	5.4 (11)	26 (15)	14 (4)	Yes (1)	0.25 (6)	12.7% (6)	
Dominica	5.8 (8)	29 (21)	22 (27)	No (15)	0.17 (1)	0.3% (23)	137.2% (2)
Grenada	6.9 (5)	27 (17)	20 (19)	Yes (1)	0.29 (8)	0.3% (23)	360.9% (1)
Guyana	4.7 (14)	34 (27)	21 (24)	Yes (1)	0.88 (29)	0.3% (23)	105.0% (3)
Haiti	2.0 (29)	29 (21)	19 (17)	No (15)	0.18 (2)	0.3% (23)	-11.1% (32)
Jamaica	4.1 (17)	37 (29)	26 (31)	No (15)	0.83 (28)	0.1% (33)	55.6% (5)
Saint Kitts and Nevis	2.8 (24)	21 (6)	15 (8)	Yes (1)	0.24 (3)	0.3% (23)	18.4% (14)
Saint Vincent and the Grenadines	6.7 (6)	20 (5)	25 (30)	Yes (1)	0.27 (7)	0.3% (23)	81.2% (4)
Saint Lucia	5.5 (10)	29 (21)	18 (13)	Yes (1)	0.24 (3)	0.3% (23)	1.7% (29)
Suriname	8.3 (1)	23 (8)	12 (3)	No (15)	0.76 (24)	4.5% (16)	10.8% (18)
Trinidad and Tobago	4.0 (19)	26 (15)	20 (19)	No (15)	0.79 (25)	3.4% (18)	0.7% (31)
Mean	5.41 (11.77)	26.77 (15.92)	19.31 (17.85)	(7.46)	0.42 (12.08)	1.80% (21.54)	63.75% (16.25)
Standard deviation	1.87 (8.48)	5.23 (8.17)	4.03 (9.31)	(7.26)	0.27 (10.50)	0.04 (6.02)	1.05 (12.82)

Table A-12 (concl.)

Country	Public expenditure on education (% of GNP) <i>a/ b/</i> 1992	Pupil/teacher ratio (primary education) <i>c/ d/</i> 1992	Pupil/teacher ratio (secondary education) <i>e/ f/ g/</i> 1992	Privatization of telecommunications enterprises	Energy consumption/GDP <i>h/</i> 1992	Total protected area (% total area) <i>i/ j/</i> 1993	Increase in number of telephone lines <i>j/</i> 1988-1992
Canada	7.6 (3)	17 (1)	16 (11)	Yes (1)		5.0% (14)	2.6% (27)
United States	7.0 (4)	18 (2)	15 (8)	Yes (1)		10.5% (8)	3.7% (25)
Mean	7.3 (3.5)	17.5 (1.5)	15.5 (9.5)			7.8% (11)	3.2% (26)
Standard deviation	0.42 (0.71)	0.71 (0.71)	0.71 (2.12)	(0.00)		0.04 (4.24)	0.01 (1.41)

Source: UNESCO, *Statistical Yearbook 1994*; Latin American Energy Organization (OLADE), *Energía en cifras*; *World Resources, A Guide to the Global Environment*; World Bank, *World Development Report*; ECLAC, *Statistical Yearbook for Latin America and the Caribbean*; UNDP, *Human Development Report*.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

a/ Data are for 1991 for Bolivia, Saint Kitts and Nevis, Guatemala, Honduras, and Trinidad and Tobago; 1990 for Peru, Barbados, Guyana, Saint Vincent and the Grenadines, Suriname and Dominica; 1989 for Brazil; and 1986 for Saint Lucia, Bahamas and Grenada.

The mean for the Caribbean countries differs significantly from the mean for the big Latin American countries with 90% reliability.

b/ Data are for 1989 for the Dominican Republic and Saint Lucia; 1991 for Guatemala, Honduras, Argentina, Brazil, Venezuela and Chile; 1990 for Panama; 1990 for Bolivia, Jamaica, Saint Vincent and the Grenadines, Bahamas, Ecuador, United States, Grenada, Guyana and Suriname; and 1991 for Saint Kitts and Nevis, and Trinidad and Tobago.

c/ The mean for the Central American isthmus and the Dominican Republic differs significantly from the big country mean with 95% reliability.

d/ Data are for 1991 for Guatemala, Honduras, Argentina, Brazil, Venezuela, Chile, Dominican Republic, Belize, Saint Kitts and Nevis, and Saint Lucia; 1990 for Nicaragua, Panama, Bolivia, Saint Vincent and the Grenadines, Bahamas, Dominica, Ecuador, Grenada, Suriname, and Trinidad and Tobago; 1988 for El Salvador; and 1985 for the United States.

e/ The mean for the Central American isthmus and the Dominican Republic differs significantly from the big country mean with 90% reliability.

f/ The mean for the Caribbean countries differs significantly from the mean for the big Latin American countries with 95% reliability.

g/ Arrived at by dividing per capita electric power consumption (kilowatt-hours) by per capita GDP (in dollars).

h/ Data for Bahamas, Barbados, Dominica, Grenada, Saint Kitts and Nevis, Saint Vincent and the Grenadines, and Saint Lucia are ECLAC estimates.

i/ Data for Guyana, Suriname, Bahamas, Barbados, Dominica, Grenada, Haiti, Saint Kitts and Nevis, Saint Vincent and the Grenadines, and Saint Lucia show the change from 1986-1988 to 1990-1992.

Table A-13

WESTERN HEMISPHERE: TRADE VULNERABILITY INDICATORS

Country	Trade liberalization ratio (X+M/GDP) a/ b/ c/ 1992-1994	Level of concentration (exports to the United States) b/ c/ 1994	Clothing exports to the United States (% of total exports) a/ 1994
Big Latin American countries			
Argentina	0.15 (1)	53.39% (9)	0.06% (3)
Brazil	0.17 (2)	36.11% (1)	1.96% (10)
Colombia	0.36 (8)	73.92% (16)	11.31% (18)
Mexico	0.30 (7)	38.69% (3)	3.72% (12)
Peru	0.25 (4)	65.97% (13)	12.42% (21)
Venezuela	0.53 (13)	89.32% (27)	0.02% (2)
Mean	0.29 (5.83)	59.57% (11.50)	4.91% (11.00)
Standard deviation	0.14 (4.45)	0.21 (9.50)	0.06 (7.69)
Chile	0.56 (17)	50.72% (7)	1.43% (9)
Central American isthmus and the Dominican Republic			
Costa Rica	0.84 (23)	49.54% (6)	41.44% (24)
El Salvador	0.48 (12)	51.20% (8)	65.34% (30)
Guatemala	0.43 (9)	58.30% (10)	46.24% (26)
Honduras	0.72 (22)	59.30% (11)	59.39% (29)
Nicaragua	0.68 (19)	83.10% (20)	17.12% (22)
Panama	0.69 (20)	67.70% (14)	9.62% (17)
Dominican Republic	0.53 (13)	47.60% (5)	49.81% (27)
Mean	0.62 (16.86)	59.53% (10.57)	41.27% (25.00)
Standard deviation	0.15 (5.46)	0.12 (5.16)	0.21 (4.47)

Table A-13 (cont.)

Country	Trade liberalization ratio (X+M/GDP) a/ b/ c/ 1992-1994	Level of concentration (exports to the United States) b/ c/ 1994	Clothing exports to the United States (% of total exports) a/ 1994
Small South American countries			
Bolivia	0.45 (11)	89.57% (29)	4.23% (13)
Ecuador	0.55 (16)	89.06% (26)	0.64% (8)
Paraguay	0.54 (15)	85.95% (23)	3.08% (11)
Uruguay	0.43 (9)	61.48% (12)	6.63% (14)
Mean	0.49 (12.75)	81.51% (22.50)	3.64% (11.50)
Standard deviation	0.06 (3.30)	0.13 (7.42)	0.02 (2.65)
Caribbean countries			
Bahamas	1.01 (25)	89.40% (28)	0.07% (4)
Barbados	0.95 (24)	77.72% (18)	12.07% (20)
Belize	1.18 (27)	84.60% (21)	33.13% (23)
Dominica	1.19 (28)	78.83% (19)	12.03% (19)
Grenada	1.12 (26)	90.71% (30)	0.00% (1)
Guyana	1.79 (33)	86.68% (24)	8.24% (16)
Haiti	0.27 (6)	38.21% (2)	53.09% (28)
Jamaica	1.22 (29)	68.87% (15)	60.68% (30)
Saint Kitts and Nevis	1.36 (30)	85.28% (22)	6.82% (15)
Saint Vincent and the Grenadines	1.40 (31)	87.94% (25)	41.55% (25)
Saint Lucia	1.44 (32)	75.64% (17)	68.00% (32)
Suriname	0.25 (4)	96.90% (32)	0.42% (6)
Trinidad and Tobago	0.70 (21)	94.59% (31)	0.36% (5)
Mean	1.07 (24.31)	81.18% (21.85)	22.80% (17.53)
Standard deviation	0.44 (9.20)	0.15 (8.13)	0.25 (10.50)

Table A-13 (concl.)

Country	Trade liberalization ratio (X+M/GDP) a/ b/ c/ 1992-1994	Level of concentration (exports to the United States) b/ c/ 1994	Clothing exports to the United States (% of total exports) a/ 1994
Canada	0.59 (18)	43.35% (4)	0.46% (7)
United States	0.22 (3)		
Mean	0.41 (10.5)	43.35% (4)	0.46% (7)
Standard deviation	0.26 (10.61)		

Source: ECLAC, *Statistical Yearbook for Latin America and the Caribbean*; IMF, *International Financial Statistics*; and United States Department of Commerce.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

Note: The level of concentration (column 2) refers to the percentage of total exports accounted for by the 10 leading export products.

a/ The mean for the Central American isthmus and the Dominican Republic differs significantly from the big country mean with 95% reliability.

b/ The big country mean differs significantly from the mean for the small South American countries with 95% reliability.

c/ The big country mean differs significantly from the mean for the Caribbean countries with 95% reliability.

Table A-14

WESTERN HEMISPHERE: MACROECONOMIC VULNERABILITY INDICATORS

Country	Total external debt/exports of goods and services a/ b/ 1991-1993	Trade balance as % of GDP (1992-1994 average) c/ d/	Competitiveness of real exchange rate (1990 = 100) e/ f/ 1994	Percentage change in commercial foreign exchange earnings (1989-1994)	Total interest on debt/ exports of goods and services a/ e/ 1991-1993	Domestic saving/GDP (3-year average)	Official assistance received/GRP g/ (1991-1993 average)
Big Latin American countries							
Argentina	437.8 (27)	-1.9 (11)	78.0 (28)	7.0 (20)	21.2 (29)	16.4 (17)	0.10 (4)
Brazil	307.6 (23)	2.9 (2)	91.0 (22)	8.2 (23)	9.4 (19)	22.9 (7)	0.00 (1)
Colombia	164.2 (16)	-2.6 (12)	75.3 (29)	5.9 (17)	12.0 (21)	16.7 (16)	0.25 (10)
Mexico	191.9 (19)	-5.0 (18)	82.1 (26)	3.4 (3)	12.8 (23)	17.5 (15)	0.10 (4)
Peru	477.1 (28)	-3.2 (13)	87.2 (23)	12.3 (27)	16.5 (27)	18.6 (12)	2.05 (17)
Venezuela	208.7 (20)	2.2 (4)	94.2 (21)	11.2 (24)	12.8 (23)	19.8 (11)	0.10 (4)
Mean	297.88 (22.17)	-1.27 (10.00)	84.63 (24.83)	8.00 (19.00)	14.12 (23.67)	18.65 (13.00)	0.43 (6.67)
Standard deviation	133.30 (4.71)	3.14 (5.97)	7.43 (3.31)	3.33 (8.56)	4.15 (3.72)	2.43 (3.74)	0.80 (5.85)
Chile							
	157.2 (15)	0.2 (7)	95.5 (20)	5.7 (15)	11.1 (20)	27.6 (3)	0.47 (12)
Central American isthmus and the Dominican Republic							
Costa Rica	150.3 (14)	-5.8 (20)	101.3 (9)	4.4 (7)	3.7 (9)	15.8 (19)	2.20 (19)
El Salvador	130.7 (12)	-15.3 (28)	82.8 (25)	6.9 (18)	5.7 (13)	13.4 (24)	5.10 (22)
Guatemala	140.7 (13)	-9.1 (23)	84.6 (24)	7.1 (21)	6.8 (14)	9.2 (31)	2.00 (16)
Honduras	327.5 (25)	-4.4 (15)	125.3 (3)	3.8 (4)	14.6 (25)	13.4 (25)	9.40 (29)
Nicaragua	2960.3 (31)	-27.2 (33)	103.8 (8)	13.2 (29)	27.2 (30)	-9.5 (33)	32.75 (32)
Panama	278.0 (22)	0.8 (6)	100.0 (12)	3.8 (4)	7.3 (15)	34.0 (2)	1.50 (14)
Dominican Republic	189.3 (18)	-5.7 (19)	96.2 (18)	5.7 (15)	4.6 (11)	18.5 (13)	0.45 (11)
Mean	596.69 (19.29)	-9.53 (20.57)	99.14 (14.14)	6.41 (14.00)	9.99 (16.71)	13.54 (21.00)	7.63 (20.43)
Standard deviation	1044.91 (7.06)	9.20 (8.77)	14.13 (8.40)	3.29 (9.49)	8.39 (7.76)	12.90 (10.79)	11.48 (7.76)

Table A-14 (cont.)

Country	Total external debt/exports of goods and services a/ b/ 1991-1993	Trade balance as % of GDP (1992-1994 average) c/ d/ 1994	Competitiveness of real exchange rate (1990=100) e/ f/ 1994	Percentage change in commercial foreign exchange earnings (1989-1994)	Total interest on debt/ exports of goods and services a/ e/ 1991-1993	Domestic saving/GDP (3-year average)	Official assistance received/GNP g/ (1991-1993 average)
Small South American countries							
Bolivia	492.7 (29)	-4.5 (16)	127.8 (2)	13.5 (30)	15.3 (26)	9.3 (30)	12.10 (31)
Ecuador	366.0 (26)	2.1 (5)	78.4 (27)	5.0 (11)	12.5 (22)	23.1 (6)	2.07 (18)
Paraguay	96.0 (9)	-7.8 (21)	97.4 (17)	11.2 (24)	8.2 (16)	15.7 (20)	1.97 (15)
Uruguay	317.8 (24)	-0.2 (8)	74.7 (30)	4.9 (10)	20.6 (28)	13.5 (23)	0.83 (13)
Mean	318.13 (22.00)	-2.60 (12.50)	94.58 (19.00)	8.65 (18.75)	14.15 (23.00)	15.40 (19.75)	4.24 (19.25)
Standard deviation	165.44 (8.91)	4.42 (7.33)	24.28 (12.62)	4.37 (9.84)	5.20 (5.29)	5.78 (10.08)	5.27 (8.10)
Caribbean countries							
Bahamas		-10.7 (25)	95.7 (19)	14.8 (31)		10.1 (28)	0.10 (4)
Barbados	76.1 (7)	2.3 (3)	99.0 (13)	5.0 (11)	5.3 (12)	15.9 (18)	0.13 (8)
Belize	67.0 (6)	-8.6 (22)	103.9 (7)	3.9 (6)	2.5 (8)	20.6 (10)	6.13 (24)
Dominica	82.5 (8)	-21.0 (30)	98.4 (15)	6.9 (18)	1.8 (6)	10.3 (27)	7.57 (27)
Grenada	100.8 (10)	-26.9 (32)	100.5 (11)	4.4 (8)	1.8 (6)	13.2 (26)	6.20 (25)
Guyana	695.7 (30)	-12.5 (26)	322.4 (1)		29.6 (31)	34.9 (1)	32.90 (33)
Haiti	216.2 (21)	-13.1 (27)	110.2 (6)	28.0 (32)	4.3 (10)	5.9 (32)	6.20 (25)
Jamaica	167.9 (17)	-4.9 (17)	117.8 (5)	5.5 (14)	8.4 (17)	25.4 (4)	4.17 (20)
Saint Kitts and Nevis	40.7 (4)	-21.7 (31)	100.8 (10)	5.1 (13)	1.3 (3)	24.3 (5)	5.70 (23)
Saint Vincent and the Grenadines	49.6 (5)	-20.0 (29)	98.2 (16)	7.8 (22)	1.5 (5)	9.9 (29)	9.60 (30)
Saint Lucia	28.4 (3)	-10.2 (24)	98.7 (14)	2.4 (2)	1.3 (3)	14.5 (22)	4.80 (21)
Suriname		-1.6 (10)	25.1 (31)	12.9 (28)		21.1 (9)	8.23 (28)
Trinidad and Tobago	111.3 (11)	8.9 (1)	118.2 (4)	11.8 (26)	9.1 (18)	22.5 (8)	0.17 (9)
Mean	148.74 (11.09)	-10.77 (21.31)	114.51 (11.69)	9.04 (17.58)	6.08 (10.82)	17.58 (16.85)	7.07 (21.31)
Standard deviation	189.77 (8.35)	10.24 (10.46)	66.55 (7.85)	7.12 (10.15)	8.29 (8.42)	8.10 (11.03)	8.35 (8.93)

Table A-14 (concl.)

Country	Total external debt/exports of goods and services a/ b/ 1991-1993	Trade balance as % of GDP (1992-1994 average) c/ d/	Competitiveness of real exchange rate (1990=100) e/ f/ 1994	Percentage change in commercial foreign exchange earnings (1989-1994)	Total interest on debt/ exports of goods and services a/ e/ 1991-1993	Domestic saving/GDP (3-year average)	Official assistance received/GNP g/ (1991-1993 average)
Canada	0.0 (1)	-0.5 (9)		4.7 (9)	0.0 (1)	18.00 (14)	0.00 (1)
United States	0.0 (1)	-3.8 (14)		1.3 (1)	0.0 (1)	15.60 (21)	0.00 (1)
Mean	0.00 (1)	-2.15 (11.5)		3.00 (5)	0.00 (1)	16.80 (17.5)	0.00 (1.00)
Standard deviation	0.00 (0.00)	2.33 (3.54)		2.40 (5.66)	0.00 (0.00)	1.70 (4.95)	0.00 (0.00)

Source: IMF, *International Financial Statistics and Government Finance Statistics*; ECLAC, *Economic Survey of Latin America and the Caribbean*; World Bank, *World Debt Tables*; UNDP, *Human Development Report*; ECLAC, *Statistical Yearbook of Latin America and the Caribbean*.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 33 the worst.

- a/ Data are for 1990-1992 for Barbados, Dominica, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia and the Dominican Republic; for Guyana and Haiti, the 1989-1991 average is given.
b/ The big country mean differs significantly from the mean for the Caribbean countries with 90% reliability.
c/ The big country mean differs significantly from the mean for the countries of the Central American isthmus and the Dominican Republic with 90% reliability.
d/ The big country mean differs significantly from the mean for the Caribbean countries with 95% reliability.
e/ The big country mean differs significantly from the mean for the countries of the Central American isthmus and the Dominican Republic with 95% reliability.
f/ Data are for 1992 for Guyana; 1993 for Saint Lucia and Suriname.