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THE SINGLE EUROPEAN MARKET AND ITS IMPACT ON U.S.-LATIN AMERICAN TRADE RELATIONS*

WOLF GRABENDORFF**

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I. INTRODUCTION

The imminent completion of the Single European Market (SEM) has produced a great deal of anxiety among the European Community's (EC) trading partners, developed and developing alike. Given the recent dynamic evolution of the EC's economic development and its significant participation in world trade (38%)¹ — it is not surprising that the ramifications of the SEM are hot topics today, especially after the General Agreement on Tariffs and Trade (GATT) negotiations broke down.²

In addition to inter-regional trade relations, the implementation of the SEM will affect many other areas of international economic relations. In this respect, section II of this paper will briefly

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1. Excluding intra-EC trade, which accounts for approximately 60% of the member states' foreign trade, EC participation still accounts for 20% of all world trade.

2. On December 7, 1990, the Uruguay Round multinational trade negotiations collapsed when developing countries walked out after a significant reduction in farm subsidies could not be reached.

discuss some major features and trends of EC-Latin American economic relations. Section III will then consider the SEM's effects on world trade, specifically with regard to its impact on third-world countries. Section III will also examine in greater detail what those effects might be for developing countries. Section IV will single out the possible effects the SEM will have on Latin American trade relations with the EC, as analyzed in a study by the Instituto de Relaciones Europeo-Latinamericanas (IRELA). Lastly, based on possible scenarios for Latin American-EC trade relations after 1992, section V will address the possible impact of such developments on U.S.-Latin American trade relations and draw cautious conclusions on possible outlooks for the immediate future.

II. RECENT FEATURES AND TENDENCIES OF EC-LATIN AMERICAN RELATIONS

From a Latin American perspective, relations with the EC are viewed in light of the continuous decline of the trade relationship. Criticism centers upon the protectionism resulting from the EC's Common Agricultural Policy (CAP)³ and the subsidized export of its agricultural surplus.

This view, which came to the fore during the difficult negotiations of the Uruguay Round, tends to overlook the important elements in EC-Latin American economic relations with regard to the increase of Official Development Assistance (ODA) and the new instruments developed by the EC with regard to furthering the industrial cooperation between the two regions. While some of those instruments will indirectly aid the process of restructuring the trade relationship between the two regions over the long term, one has to acknowledge that, in spite of all the EC initiatives, the problems in the economic relationship between the two regions will

3. The CAP is the EC's protectionist regime concerning agricultural products. See Minta, *The Lome Convention and the New International Economic Order*, 27 *How. L.J.* 953, 957-58 (1984). As Professor Minta states,

[the CAP combines] internal price supports for community farmers, with high tariffs, variable levies, import quotas, and in some cases outright prohibitions, on a wide range of agricultural products. These have the effect of restricting or excluding the importation of usually less expensive foreign agricultural products into the community, for the benefit of community farmers, but at the expense of foreign producers and the community's consumers who must pay the higher community prices.

Id. at 957.

remain for years to come.⁴

The EC's ODA represents nearly 6% of the EC's total budget expenditures. Compared to bilateral aid of its member countries, ODA appears more concentrated towards EC-associated African countries.⁵ Among non-associated developing countries, more EC aid is channeled to Asia than to Latin America, since the latter region absorbs only 33% of the development assistance granted to this group of countries.

In the period 1987-1989, the ODA to Latin America from the EC and from its eight member states belonging to the Organization for Economic Co-operation and Development (OECD)⁶ Development Aid Committee (DAC),⁷ represented approximately 47% of DAC's total developmental aid. The EC's share of this contribution was just 19%, while the eight member states accounted for the remaining 81% (Table 1). However, the EC's contribution, including a high grant component, is counterbalanced by a strong orientation towards projects in the social sector, particularly the rural areas. Financial and technical assistance, followed by food aid, comprise nearly 50% of EC's developmental assistance (Table 2). The poorer countries in Central America and the Andean region⁸ are the principal beneficiaries of this assistance.

According to the new guidelines of the EC Commission discussing developmental co-operation with non-associated countries,⁹ EC developmental assistance to Latin America should be geared to the receiving country's level of economic progress. In fact, the guidelines draw a further distinction between less developed economies, for which the traditional tools of financial and technical co-operation should continue to play a major role, and other relatively more advanced economies that need other kinds of assistance, such as foreign investment promotion for joint production programs and

4. Grabendorff, *European Community Relations with Latin America: Policy Without Illusions*, J. INTER-AM. STUD. & WORLD AFF., at 69 (1987).

5. Almost 60% of ODA assistance goes to EC associated African countries. European Community member states' bilateral aid to the same region only constitutes 45% of the total EC ODA to the region.

6. Convention on the Organization for Economic Co-operation and Development, Dec. 14, 1960, 12 U.S.T. 1728, T.I.A.S. No. 4891, 888 U.N.T.S. 179. The signatories to the OECD Convention are the developed market economies.

7. The eight member states include Belgium, Denmark, Germany, France, Holland, Italy, Spain, and the United Kingdom.

8. The Andean region is comprised of Bolivia, Colombia, Ecuador, Peru, and Venezuela.

9. EUR. PARL. DOC. (COM No. 90) 176 (1990).

co-operation in science and technology.

The last two years have seen the birth of various initiatives to support and strengthen the increasingly selective use of development co-operation. In 1988, new programs for industrial cooperation between the two regions were established. These programs were efficiently geared to identify the needs of recipient countries, to contribute to the transfer of know-how and technology, and to aid in the progressive opening of their economies, while stimulating integrated production and marketing activities of enterprises in both Central America and the Andean region. These new programs envisage the supply of financial assistance to promote joint ventures between small and medium-sized European companies and local enterprises (EC International Investment Partners) and the extension of a computerized network of European enterprises to Latin American countries (BC-NET). Furthermore, the EC granted specific support to the countries most affected by illicit drug production. The EC has agreed to remove, for the next four years, its tariff barriers to exports from Bolivia, Colombia, Ecuador, and Peru, which thus receive the same treatment as the least developed countries within the Generalized System of Preferences (GSP).¹⁰ Hopefully, this measure will stimulate alternative crops production.

On the whole, more attention is paid to the support of private sector initiatives and local entrepreneurs' associations, environmental and demographic problems, and local food production. This interest corresponds to the overall tendency of the EC's development co-operation, as seen, for instance, in the renewal of the Lomé Convention (Lomé IV)¹¹ by the greater emphasis on these

10. The GSP is a system whereby the developed members of the GATT have granted preferential treatment to a wide range of imports from most of the lesser developed countries. The System was adopted as a result of pressure by less developed countries. This pressure resulted in the establishment of the United Nations' Conference on Trade and Development (UNCTAD), which became the principal forum for debate on the GSP. The GSP was officially implemented on July 1, 1971 by the European Economic Community (EEC), with most developed countries, including the United States, following thereafter. It should be noted that the GSP remains voluntary, in that there is no legal obligation on GATT members to grant preferences. The developed countries have resisted integrating agricultural products into the framework of GSP.

11. African, Caribbean and Pacific States — European Economic Community Convention, Dec. 15, 1989, 29 I.L.M. 783 (1990). The Lomé Convention is a multilateral agreement between the 12 EEC states and 66 African-Caribbean-Pacific states (ACP). *Id.* It encompasses a comprehensive trade preferences regime. *Id.* The current treaty, Lomé IV, went into effect for a ten-year period commencing on March 1, 1990. *Id.*

issues and the inclusion of specific new sections for other issues. Furthermore, the process of democratization and the deepening of regional integration pursued by Latin American countries have received support from the EC, which considers them a means for achieving closer ties between the two regions. In this respect, the EC provided remarkable technical and financial assistance to foster initiatives of economic co-operation in several sub-regions, such as in Central America and the Southern Cone.¹²

In contrast to the stagnation of trade flows,¹³ the EC has increased its investment flows in Latin America as compared with the United States, demonstrating a particularly active involvement over the last decade in Brazil, Argentina, and the countries of the Andean Pact. In the late 1970s, the major EC investor countries accounted for about 25% of total direct investment from the EC, United States, and Japan. A decade later, the EC members' contribution amounted to more than 45%, in spite of a significant increase in the investment outflows from the other two major investor countries (Table 3).¹⁴

A few studies have pointed out different features of European versus U.S. or Japanese multinational companies operating in Latin America with regard to such aspects as product diversification, technology adaptation and linkages with local suppliers. However, on the whole, the results are neither homogeneous nor consistent and certainly can be partially explained by the different sectoral distributions of the samples used for these analyses.

The ongoing policies of structural adjustment and the progressive opening of the Latin American economies can contribute to attract new inflows of foreign investment from both U.S. and European enterprises, while the latter could be stimulated further by the implementation of the SEM.

III. THE SEM AND ITS IMPLICATIONS FOR WORLD TRADE

The different mechanisms, which are now, for the most part,

12. Argentina, Brazil, Chile, and Uruguay comprise the Southern Cone.

13. See *infra* text accompanying notes 25-36 for a discussion of the stagnation of trade flows.

14. Chile draws the highest relative advantage from foreign direct investment as measured by its percentage of Gross Domestic Product (GDP). During 1987-89, Chile's GDP averaged more than 5%. In 1989 it was estimated at 6%. *Fostering Direct Investment in Latin America*, IIF (Washington, D.C. 1990).

in place to allow for a free movement of goods, services, capital, and persons among the twelve member states of the EC after 1992, are mainly concerned with intra-EC regulations that facilitate a high degree of competition between European or European-based enterprises. The possible effects of harmonization efforts on foreign trade can be characterized in two ways:

1) Increased international competitiveness of European enterprises will give rise to the possibility of easing previously-existing trade barriers — assuming that third countries will reciprocate (with exceptions in the case of developing countries).¹⁵

2) Increased internal competitiveness might give rise to calls for the postponement of trade liberalization measures, given the need for intra-EC enterprises to adapt internally to the new realities of the SEM.

The ways in which such apparently contradictory effects are played out will depend on economic pressure groups and the member states' projections of their positions after the completion of the SEM. It is therefore difficult to foresee the extent to which increased competitiveness within the EC will be beneficial for the liberalization of the trade regime with third countries — an effect that is certainly intended by the EC authorities and found expression during the negotiations of the Uruguay Round of the GATT.

Given the importance of the CAP for the general integration effect and consensus-building within the EC, it was not surprising that the successful conclusion of the Uruguay Round has been held up by CAP-related issues. The EC is the world's largest importer and the second largest exporter of agricultural products (not including intra-EC trade) and therefore is sensitive to changes in the agricultural trade structure — although such changes are certainly necessary. The effects of the CAP on the international economy are distorting, not only with regard to excessive production but also to price support for exports to third countries.¹⁶ One can generally assume that the effects of the SEM on the CAP will be somewhat limited since all possible changes with regard to the trade-related issues of the CAP will have to come from GATT agreements.

15. Koopmann, *Handelspolitik der EG im Zeichen des Binnenmarktes*, WIRTSCHAFTSDIENST No. 8 (1989).

16. Rosenblatt, *The Common Agricultural Policy of the European Community, Principles and Consequences*, IMF (Washington, D.C., Nov. 1988). Such effects are especially negative with regard to some Latin American countries.

The position of developing countries relative to this issue is far from unanimous. Most of these countries endeavour to secure easier access to industrial countries for their agricultural exports. A complete and rapid implementation of agricultural trade liberalization by the major world producers would probably result in higher food import prices for countries dependent on imports of cereals, meats, and dairy products. In Latin America, the benefits of such a liberalization process would be concentrated in only a few countries, while short to medium-term costs would be spread over several countries in the region. In the short run, significant benefits are estimated to accrue to Argentina, Brazil,¹⁷ and Cuba. However, the net income effect would still be positive for the region as a whole.¹⁸

Given the relatively higher income elasticity and price elasticity of demand in Latin American countries, industrial products are likely to be affected by the incremental growth effects and the regulatory changes brought about by the SEM. Among these products, some highly research- and development-intensive goods (e.g., telecommunications materials) will possibly overcome present diseconomies of scale through the elimination of intra-EC barriers. The corresponding import flows to the EC market might consequently undergo some trade diversion, while EC exports could be strengthened.

This result may reverse or at least change the negative trend of the 1970s and 1980s, when production of the manufacturing sector grew much more slowly in the EC than in the United States and Japan. Between 1973 and 1985, the corresponding EC growth rate was, respectively, six times and eight times lower than the U.S. and Japanese rates. This slow performance, contrasted with the comparatively high growth of internal demand in the Community, particularly for high-tech goods, was offset by the increasing contribution of imports.¹⁹ Common EC-wide trade and industrial policy measures will have to substitute for national barriers applied by individual member states for "sensitive" products (e.g., textiles, cars, iron, and steel). At present, these products are subject to quotas and other trade restrictions. The outcome will de-

17. Brazil is also a strong importer of the temperate agricultural products.

18. *Rondo de Uruguay. Hacia una Posición Latinoamericana Sobre los Productos Agrícolas*, 39 COMERCIO EXTERIOR No. 6, 458 (Mexico City, Mexico 1989).

19. *Europa 1992 y sus Consecuencias Económicas Sobre América Latina* (Santiago, Chile 1990).

pend on the nature of the compromise between those member states that are more liberal and open, and those that are the more protectionist. The EC has used quotas and voluntary export restraint agreements to protect its markets to a lesser extent from Latin American countries than from other regions, particularly Asia and Eastern Europe. Hence, the eventual removal or "downward" harmonization of such measures at the EC level should benefit Latin America, albeit to a more limited degree.

As previously mentioned, the increased international competitiveness of European industry is likely to affect the developing countries' exports to some extent. However, recent trends in the EC's external trade policy, as in the case of the renewal of the GSP, point to an increased differentiation in the preferential access granted to developing countries, thus hindering such access for the relatively more competitive exporters.²⁰ The efforts at granting a differentiated preferential treatment to the poorer economies is, in any case, partly justified by the particularly low use which these countries have made so far of the GSP.

IV. THE POSSIBLE EFFECTS OF THE SEM ON LATIN AMERICA

Latin American trade relations with the EC are characterized by asymmetry, and by the relatively marginal role of Latin America in the EC's foreign trade, which can be explained in three very basic ways:

1) Unlike other areas of the developing world, such as the ACP states and the Mediterranean countries, Latin America does not benefit from specific EC policies of preferences, except for the GSP, which applies to all developing countries.

2) About 75% of Latin American exports to the EC are primary products, for which a relatively lower demand elasticity exists; this has often been coupled with a high degree of substitution during the last decade, and exacerbated by the CAP policies.

3) Latin American exports to the EC lack diversification, especially with regard to semi-manufactured or manufactured goods.

Nevertheless, Latin American exports to the EC have increased by some 6% from 1988 to 1989, reaching US\$29 billion (Table 4). From 1980 to 1988, the average annual increase was only

20. *EG-Binnenmarkt und Handelspolitik Gegenüber Entwicklungsländern*, WOCHENBERICHT, June 1989, at 245-53.

around 2%. Although the participation of imports from Latin America in overall EC imports decreased from more than 7% in 1985 to 5.9% in 1989, EC exports to Latin America increased by almost 7% between 1988 and 1989, reaching more than US\$17 billion. This left Latin America with a positive trade balance of US\$11.9 billion in 1989.²¹

The asymmetrical nature of the EC-Latin American trade relations has been structural for decades. While the EC mainly exports industrial goods, Latin America trades agricultural and other primary products. Latin America therefore suffers greatly from the price fluctuations of primary products (as well as their increased production or substitution by the EC). In contrast with the experience of newly industrializing Asian countries, Latin American countries have so far failed to sufficiently diversify their exports to the EC. This negative performance can probably be attributed more to a lack of quality standards than to EC import barriers restricting the access of these products in the European market.

At present, nearly 67% of total Latin American exports outside the region consist of primary products. Compared to the corresponding figure for 1980, there has been a decrease of more than 15% in the region's total export share of these products. Changes in volumes and the negative trend in primary product prices are partly responsible for the reduction. With regard to volume, the saturation of the outlet markets in industrial countries has meant that tropical products for export have undergone slow growth. This is a major problem for some Central American and Caribbean economies because tropical products comprise a significant portion of their exports. Secondly, for certain products, there has been a substitution of temperate products for tropical ones (e.g., vegetable oil versus coconut oil), or a reduction in the consumption of energy-intensive products for industrial use (e.g., copper) and of natural resources for agricultural use.

World commodity prices have been adversely affected by two things. First, the price trend has been influenced by the substantial increase in international interest rates, which has inflated the costs of storage and buffer stocks of primary products and the debt service of debtor countries, thus forcing currency devaluations and efforts to increase exports by these countries. Second, prices are af-

21. *Documento de Base—Relaciones Entre la Comunidad Europeas y América Latina: Balance y Perspectivas Febrero 1989-Marzo 1991* IRELA (Madrid, Spain 1991).

fects by the stronger fluctuations in the exchange rates — which have strengthened calls for a new protectionism — and the overvaluation of the U.S. dollar, which has obliged primary producers using dollars (such as Latin American producers) to reduce their sale prices in order to remain competitive in countries whose currencies have been losing value relative to the U.S. dollar.²² On the other hand, the devaluation of the U.S. dollar since 1986 and the policies of internal demand control implemented in the United States have more recently impeded the maintenance by Latin American countries of a high trade surplus with the United States.²³

In the case of EC-Latin American trade relations, the share of food and primary products, including fuel, fluctuated during the 1980s between nearly 60% and 80% of Latin America's total commodity exports to the EC (Table 5). Regarding trade relations with other developed regions, this sectoral bias towards primary products seems to have been diluted by a gradual diversification in composition according to product.²⁴

However, the pace of sectoral diversification toward a greater share of manufactured exports has been higher in the export flows to trade partners other than the EC. While this share, which amounted to 11% of ALADI (Asociación Latinoamericana de Integración) exports, was roughly equal for the United States and the EC in 1970, in 1987 the share was nearly 40% for the United States and less than 21% for the EC. In fact, U.S. imports of industrial products from Latin America, measured in U.S. dollars, have grown by nearly 19% annually since 1980, as compared with growth rates of about 7% and 4.5% in the cases of Japan and the EC, respectively. This development is also reflected by the decreasing relevance of the EC within the OECD as an outlet market for Latin American manufactured exports (Table 6).

The increasing relevance of the U.S. market for Latin American manufactured exports is particularly evident in the case of some Mexican products, especially electrical equipment and as-

22. *Exportaciones Latinoamericanas de Productos Básicos: Situación y Perspectivas* LC/R 778 (Santiago, Chile 1989).

23. See *Statistical Abstract of the United States*, U.S. Dep't of Commerce, Bureau of the Census, 806 (1990) [hereinafter *Statistical Abstract*].

24. The thirteen main Latin American commodities exported to the EC accounted for 83% of the total in 1985 and 73% in 1988. *Las Políticas Macroeconómicas de la Comunidad Europea y Sus Efectos Sobre las Economías Latinoamericanas y del Caribe* CEPAL (Santiago, Chile 1990).

sembly parts for passenger motor vehicles. Between 1984 and 1989, the annual increase in manufactured products belonging to the forty most relevant commodities exported to the U.S. market was almost 23%. This is much higher than the corresponding figure for the forty top commodities as a whole (less than 6%) and for total Mexican exports to the United States (6.5%). This evolution is attributable to a large extent to the *maquila* sector, which is estimated to account for about 40% of Mexican exports to the United States. In spite of the attempts to diversify their production activities and create linkages with the other sectors of the national economy, the dependency of the *maquilas* on fluctuations in the U.S. economy and the world prices of manufactured goods actually reduces the potential benefit which Mexico can draw from this sector.

In a situation similar to that of the U.S. market, Latin American countries have suffered a loss in their share of the total manufactured imports of the EC, including such traditional products as textiles, to the benefit of other exporting areas, particularly Southeast Asia (Table 7).

One can conclude, therefore, that the SEM effects on commercial relations with Latin America are of less importance than with those regions of Southeast Asia or traditional, developed countries where the manufactured goods dominate trade relations. In this sense, the effects on Latin America — both positive and negative — will be somewhat marginal, because the SEM will have less effect on primary products than on manufactured products.

A recent IRELA study on the impact of the SEM on Latin American exports to the EC concludes that, on the optimistic assumption of 7% growth in the EC, Latin American exports would be affected (taking trade diversion into account) positively by about 50% of their total volume, marginally by 22%, and negatively by about 28%.

Those products (typically industrial) with a higher demand elasticity will benefit relatively more from these growth effects, provided they do not suffer strong trade diversion effects. The eventual downward harmonization of external tariffs and consumption taxes among EC member states could also favor Latin American exports of some food and primary products, particularly if these measures are accompanied by an orientation of consumer preferences toward Latin American products, as seems to be the trend with coffee and bananas.

The greater attention the EC has given to environmental problems may also lead to the establishment of stricter rules on environmental control for refineries and mineral processing industries in order to stimulate indirectly the relocation of these plants toward raw materials exporting countries, including Latin America.

SEM related measures are also likely to be aimed at gradually phasing out subsidies of large energy consumers in metal processing, thus similarly contributing to the improvement of the competitive position of Latin American smelters. Typically, only one or two countries account for each mineral product exported to the EC from Latin America. For instance, in 1988, Brazil supplied 100% of the region's iron ore and refined tin exports to the EC, and 86% of primary aluminum exports; Chile provided, in turn, 82% of copper exports.

In some cases, imports of commodities and services from Latin America will have to face new difficulties due to the establishment of common technical and health norms and regulations. In the service sector, the creation of the SEM in areas such as transport, insurance, finance, and marketing will probably invoke the application of rules of reciprocity with third countries, a condition which is less feasible in the case of Latin American countries because of differences in quality standards and costs. Measures geared to protect the environment (*e.g.*, air traffic noise regulation) are also likely to restrict or impede the capacity of Latin American service industries to expand their activities into the EC market.

Latin American countries will be able to draw some benefit from the SEM as long as their exports achieve a higher price and quality competitiveness. This scenario appears more realistic for middle-income countries which have a larger and more diversified productive structure and are in a relatively more favored position to establish trade and investment links with other regions of the world. However, these countries may have to overcome problems of regional adjustment for similar products in the European countries. In view of the stronger competition likely to come from the rapidly growing economies of Southeast Asia and the increased need to adapt to the enlarged market created by the SEM, these countries should endeavour to diversify further their exports and provide them with better marketing facilities.

V. U.S.-LATIN AMERICAN TRADE: RECENT TRENDS AND THE IMPACT OF THE SEM

Compared to EC-Latin American trade relations, Latin American countries (LA20) have a higher share of U.S. trade flows. In addition, the U.S. market constitutes a relatively more important trading partner for those countries. In 1988, LA20 represented nearly 11% of total U.S. imports and 12% of total U.S. exports (Tables 8-9). Although clearly declining in comparison to the beginning of the 1970s, the LA20 share still represents nearly 33% of developing countries' trade with the U.S. If intra-regional trade is included, the U.S. in turn covers an increasing percentage of Latin American trade over the 1980s. This percentage exceeded 40% in the second half of the decade (Table 10).

In terms of performance in the 1980s, relative to other trading partner areas of the U.S., Latin American exports have shown a more dynamic growth than Middle Eastern and African exports, but a slower pace of growth than Asian and industrial countries' exports to the United States. On the whole, in spite of the increasing concentration of Latin American exports to the U.S. market over the last decade, the countries of the region have not drawn any remarkable benefit from the import expansion of the United States in the early 1980s. Latin American countries thus lost the first position which they held among developing regions as a major supplier to the United States, while Southeast Asian countries increased their share substantially.²⁵

Unlike EC-Latin American trade, the participation of Latin America in total U.S. trade flows is higher in exports than in imports. The same result is maintained relative to U.S. trade with developing countries. In other words, while Latin American countries contribute relatively more to U.S. exports than to U.S. imports, EC-Latin American trade relations are characterized by the opposite performance. However, in the former case, U.S. imports from Latin America grew by about 4% a year in the period 1980-1988, while the corresponding figure for EC imports is less than 1%.²⁶

With regard to individual countries' trade, the orientation of

25. Moneta, *Relaciones Comerciales y Financieras de América Latina con Japón y Estados Unidos: El Papel del Comercio, la Asistencia y los Flujos Financieros* 144 INTEGRACIÓN LATINOAMERICANA 11-22 (Buenos Aires, Argentina Apr. 1989)

26. Computed from International Monetary Fund (IMF) statistics.

trade flows toward the U.S. market is particularly notable in some Latin American countries. Mexico, Honduras, the Dominican Republic, and Haiti show a high and increasing dependence on U.S. imports at a level equivalent to more than 50% of the imports of those countries in 1988 (Table 11). Similarly, Mexico, the Dominican Republic, and Haiti send more than 50% of their exports to the U.S. market (Table 12). In absolute terms, both U.S. import and export flows are highly concentrated with three main trading partners — Mexico, Brazil, and Venezuela — which together account for approximately 75% of total U.S.-Latin American trade. Mexico's share, by far the largest, increased over the last decade.

The above considerations underline the high dependence and increasing concentration of Latin American countries towards the United States as a major trade partner in recent years, in contrast with the apparent diversification of the 1970s. From 1980 to 1987 the U.S. trade deficit increased from US\$25 billion to almost US\$160 billion as a consequence of a severe slowdown of export growth and a continuous upward trend of imports.²⁷ Among other reasons, the lower levels of external demand in the highly-indebted Latin American countries contributed to this performance. Some estimates attribute between 10% and 20% of the U.S. trade deficit to the serious economic problems of Latin America.²⁸ However, this negative trend appears to have been reversed during the late 1980s. Between 1987 and the first half of 1990, U.S. export volume increased 72%, while U.S. import volume increased by only 21%, leading to a progressive shrinking of the trade deficit to an annualized US\$92 billion in the first half of 1990.²⁹

In Latin America, the opposite tendency in external trade can be identified over the last decade, with export growth being higher than import growth, coupled with a slowdown of GDP growth in most countries. Consequently, the U.S. trade balance with Latin America changed from a surplus of US\$1.3 billion in 1980 to a deficit of some US\$18.6 billion in 1984,³⁰ which decreased to US\$7.8 billion in 1988 in line with the overall trend.³¹ The U.S. adjustment

27. Between 1982 and 1986, U.S. imports increased in volume by 60%, while U.S. exports grew by only 6%. See *Statistical Abstract supra* note 23, at 804.

28. De Clercq, *The United States and the European Community: Brothers Yet Foes?*, EUR. AFF. 16-24 (Autumn 1987).

29. See *Statistical Abstract supra* note 23, at 806-09.

30. See *id.* at 806.

31. Bouzas & Barboza, *Las Relaciones Económicas Entre Estados Unidos y los Países de América Latina y el Caribe en 1989* FLASCO (Buenos Aires, Argentina 1990).

process, aimed at achieving better internal and external equilibrium, is likely to require a further import contraction in the early 1990s, with particularly negative implications for those Latin American countries who currently enjoy a trade surplus with the United States, such as Brazil, Mexico, and Venezuela.

The persistent, though declining, U.S. trade deficit suggests, that there will be no sustained Latin American export growth in the U.S. market for the beginning of 1990, especially in view of the higher oil prices in international markets. The sectoral composition of trade flows seems, nonetheless, to have proceeded toward a greater balance. On the one hand, especially non-traditional, manufactured products have attained the highest growth of Latin American exports to the U.S. market. On the other hand, U.S. agricultural and raw material-based exports to Latin America have grown faster than the exports of manufactured products.³² However, U.S. exports to the world and to the EC have been sectorally concentrated approximately to the same extent as imports. With regard to Latin American trade flows, U.S. exports still appear relatively more concentrated in a few main commodities on the import side, despite the significant decline of imports of crude oil and oil products. A similar picture arises if one examines U.S. trade relations with Mexico, its main Latin American trade partner (Table 13).

President Bush's administration has shown itself particularly interested in giving priority to trade relations with Latin America. This openness is clearly evident in the similar proposals from the United States and Latin America for the elimination of agricultural subsidies in the framework of the current GATT negotiations. More broadly, the recent proposals put forward within the Enterprise for the Americas Initiative include the restructuring of the Latin American official debt to the U.S. government, the supply of additional funds to the Inter-American Development Bank for the promotion of direct investment in the region and, in the long term, the setting up of a free-trade area, provided that Latin American countries adhere to their structural adjustment and trade liberalization programs. Import barriers are likely to persist for steel products, temperate food items, patents for medical equipment, and sugar, thus hindering the exports of several Latin

32. *El Comercio Internacional en 1987-88* GATT (Geneva, Switzerland 1988); Georgiu, *Corrientes Comerciales Entre Estados Unidos y América Latina: 1967-1985*, 144 INTERGRACIÓN LATINOAMERICANA 23-30 (Buenos Aires, Argentina Apr. 1989).

American countries.³³

Along with similar initiatives recently undertaken at the sub-regional level, one can consider the Enterprise for the Americas Initiative as a further attempt to improve the efficiency and potential growth of the productive structures of the partner countries involved by better exploring economies of scale and comparative advantages.³⁴ Estimates on the static effects of the elimination of trade barriers predict an eventual 7.2% increase of export earnings for Latin American countries relative to their total exports.

These estimates do not include improved conditions resulting from possible trade diversion due to the substitutability in the U.S. market of some items produced in and exported from other regions. The former would in fact suffer from a comparative disadvantage brought about by the free trade-induced changes in relative prices.³⁵

Within the above framework, the SEM certainly will have an impact on U.S.-Latin American trade. The additional income effect brought about by the SEM in EC countries will positively affect aggregate import demand, including demand of imports from the United States and Latin America. If both trade partners are able to respond effectively to this increased demand, they will profit from increased export growth and, hence, eventually stimulate their own inter-regional trade.

At the same time, a more productive and efficient industrial structure in the EC might compete more successfully with U.S. firms, not only within the EC but also in the United States and in third country markets. In view of the low levels of growth expected for other developing regions, this may particularly concern some Latin American and Asian countries. The higher the elasticity of substitution between U.S. and European products appears to be, the more the resulting competition will be felt.

In recent years, many U.S. companies have reduced their investment activities or even divested in several Latin American countries, while European firms have, on the whole, tended to

33. *The Bush Enterprise for the Americas Initiative: A Preliminary Analysis by the SELA Permanent Secretary* SELA Doc. (Caracas, Venezuela, Sept. 1990).

34. Davrieux, *Prospects for the Re-establishment of Economic Growth in Latin America*, in INTERNATIONAL FORUM ON LATIN AMERICAN PERSPECTIVES 21-23 IDB-OECD (Paris, France, Nov. 1990).

35. *América Latina Frente a la Iniciativa Bush: Un Examen Inicial* CEPAL (Santiago, Chile, Sept. 1990).

strengthen their presence in the region, as highlighted in section II with reference to foreign investment flows. However, the recent attention of European investors to Eastern European countries may, in the long run, reduce the potential for renewed investment flows to Latin America.

For specific products, the emphasis of the SEM on deregulation and competition, which also implies the dismantling of bilateral preferential trade agreements of individual member states with extra-EC suppliers, is likely to effect a gradual shift of EC imports toward geographically closer exporters, provided that similar price and quality conditions are met. A case in point might be the eventual increased orientation of EC import demand toward the Mediterranean countries for products that have so far constituted a substantial share of Latin American exports to the EC, such as agricultural and food items.

Thus, a greater concentration of Latin American exports on their "traditional" outlet markets is bound to follow. In this regard, it is relevant to try to assess the growth potential of Latin American exports to the U.S. market. Alternative regression equations have been applied to the period 1970-1988 and have subsequently been used for forecasting Latin American total exports to the United States, based on projections of total U.S. imports for the first half of the 1990s. According to the different results of these analyses, in the period 1988-1995, Latin American exports to the United States would increase by a rate ranging from 0.3% to 6.9% per year; this would represent either a substantial deterioration, which appears unlikely to happen or, alternatively, an improvement when compared with about 4.1% of yearly growth in the period 1980-1988. The corresponding growth rates for total U.S. imports are about 7.5% and 5% for the last decade and the following forecasting period, respectively.

According to the most pessimistic results of the regression analyses, corresponding to those of equation (2) in the appendix, Latin American exports to the United States would undergo a slowdown in their growth rate until reaching negative growth rates in the last three years of the forecast period. On the other hand, under the most favorable outlook envisaged by the forecasting exercises, Latin America would represent nearly 13% of U.S. imports in 1995, a level nearly equivalent to the average figure achieved in the 1980s.

VI. PERSPECTIVES FOR THE FUTURE

In spite of the declining participation of the EC market in total Latin American exports over the last two decades, this market will continue to affect significantly the evolution of Latin American exports, especially in the case of those countries like Chile, for which the EC represents an important share of its export market. The analysis in the preceding sections has stressed the existence of some specific problems in these trade relations, such as the structural asymmetry in terms of sectoral composition of flows and their concentration in few major products and countries.

The implementation of the SEM is expected to bring about positive and negative implications for Latin American trade relations, the result depending on various aspects which include regulatory changes, income and price effects, evolution of the internal demand, and transformations in the production structure. The overall assessment should not overlook substantial differences among individual products and specific countries as well as their capacity to obtain a greater bargaining power through their sub-regional integration processes.

Other factors, along with the SEM, can be expected to contribute to a reshaping of the Latin American position in the world economy: the still pending outcome of GATT negotiations, the political and economic changes occurring in Eastern Europe, the chronic upheaval in the Middle East, and finally, the capability of Latin American countries themselves to effectively carry out, without excessive social costs, their structural adjustment programs.

On the whole, even though for the first time in GATT negotiations the participants have discussed topics of particular concern to developing countries, no substantial resolutions have so far been taken. Therefore, there is a risk of a further strengthening of large trading blocks in different world regions, a concern promoted by the Americas Initiative. In Europe, this process is already apparent in East-West economic relations, especially with the inclusion of Hungary and Poland in the EC GSP and the elimination of almost all EC import quotas restricting trade of industrial goods from those countries as well as from Bulgaria and Czechoslovakia. A following phase could envisage the establishment of association agreements with this group of countries.

For Latin America, the changes in Eastern Europe could have a diversion impact, especially in direct investment flows from the

EC, whereas trade flows might be affected only in the long run. However, in the latter case it is possible to foresee positive effects for the demand of certain Latin American products, particularly tropical foodstuffs.

In order to offset partly the negative impact of trade and investment diversion due to the SEM, the EC will not pay compensations to the developing countries eventually suffering from these losses, but it is likely to put more emphasis on technical co-operation.³⁶ In Latin America, the EC contribution in this respect appears still to lie at modest levels, but it seems to have undergone improvements in quality by better focusing on priority targets and least developed countries and regions. This contribution seems appropriate in view of the limited scope for increased Latin American participation in their principal, external, outlet market in the coming few years, as indicated by the projections of Latin American exports to the United States.

36. Weimann, *The Implications of the Uruguay Round and the Single Market for the European Community's Trade Policy Towards Developing Countries*, German Development Institute (Berlin, Germany 1990).

Appendix††

In order to obtain projections for total U.S. imports, a logarithmic autoregressive trend model has been applied on the estimation period, with results given in equation (1) below. A predictive failure test applied on the last two years of the time series is used for the extrapolation points at robust and significant estimates. The Durbin-h test is also significant at the 5% level. T-statistics are given in brackets, under the estimated parameters.

The results thus obtained have been applied in three alternative forecasting equations by assuming Latin American (Western Hemisphere) exports to the United States depending on the overall import demand of the country. Equation (2) uses the proportionate rate of change, expressed as the difference of annual logarithm values. For equations (3) and (4) the Cochrane-Orcutt procedure has been applied to remove positive autoregressive processes in the estimated residuals, but the Durbin-Watson test is inconclusive. The root mean sum of the square of prediction errors of the last two equations concerning the last two years of the real time series (1987 and 1988) seems to point at slightly better results when using equation (3).

†† Prepared by Stefano Mainardi. The statistical information has been drawn from *Direction of Trade Statistics*, IMF (Washington, D.C., various years).

Results of forecasts (millions of US\$)

| | (1) | (2) | (3) | (4) |
|---------------|-------|-------|-------|------|
| 1988 (actual) | 459.9 | 53.7 | 53.7 | 53.7 |
| 1992 | 571.3 | 59.83 | 68.2 | 77.5 |
| 1995 | 647.4 | 61.72 | 77.53 | 91.5 |

$$\log(M_{us}) = 0.492 + 0.93 \log(M_{us})_{-1} \quad R^2 = 0.98 \text{ (1)}$$

(2.97) (28.91) Dh = -0.89

$$r(MLA_{us}) = -0.045 + 1.33 r(M_{us}) \quad R^2 = 0.66 \text{ (2)}$$

(-1.12) (5.57) DW = 1.65

$$MLA_{us} = 4.09 + 0.11 M_{us} \quad R^2 = 0.97 \text{ (3)}$$

(0.48) (4.95) DW = 1.35

$$\log(MLA_{us}) = -2.786 + 1.13 \log(M_{us}) \quad R^2 = 0.98 \text{ (4)}$$

(-3.67) (8.43) DW = 1.36

Table 1

EC trade with Latin America-20 (a), 1965-1989

(in millions US \$)

| Year | EC-12 imports | | EC-12 exports | | |
|------|---------------|---------------------|---------------|--------|---------------------|
| | Value | Growth Y.rate(%) | Balance | Value | Growth Y.rate(%) |
| 1965 | 3,801 | - | 1,529 | 2,272 | - |
| 1970 | 4,967 | - | 1,090 | 3,877 | - |
| 1975 | 9,683 | - | -717 | 10,400 | - |
| 1980 | 23,160 | 24.6 | 4,074 | 19,086 | 15.9 |
| 1981 | 22,843 | -1.4 | 4,008 | 18,835 | -1.3 |
| 1982 | 21,549 | -5.7 | 6,630 | 14,919 | -20.8 |
| 1983 | 22,180 | 2.9 | 10,765 | 11,415 | -23.5 |
| 1984 | 22,875 | 3.1 | 10,990 | 11,885 | 4.1 |
| 1985 | 23,104 | 1.0 | 11,232 | 11,872 | -0.1 |
| 1986 | 20,018 | -13.4 | 5,731 | 14,287 | 20.3 |
| 1987 | 22,508 | 12.4 | 6,557 | 15,951 | 11.6 |
| 1988 | 27,437 | 21.9 | 11,230 | 16,207 | 1.6 |
| 1989 | 29,175 | 6.3 | 11,882 | 17,293 | 6.7 |

(a) Latin America-20 = Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Cuba, Haiti, Dominican Republic, Colombia, Venezuela, Ecuador, Peru, Brazil, Chile, Bolivia, Paraguay, Uruguay and Argentina.

Source: Commission of the European Communities

Table 2

Structure of EC imports and exports to/from
Latin America-20 by UCIT classification, 1981-1989

(percentages)

| UCIT Classif. | 1981 | | 1985 | | 1986 | | 1987 | | 1988 | | 1989 | |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | M | X | M | X | M | X | M | X | M | X | M | X |
| UCIT 0 | 36.3 | 5.3 | 35.0 | 4.2 | 43.5 | 5.1 | 37.6 | 4.7 | 36.3 | 5.0 | 33.3 | 6.8 |
| UCIT 1 | 1.2 | 1.9 | 1.7 | 1.2 | 2.2 | 1.5 | 2.0 | 1.5 | 1.7 | 1.8 | 1.6 | 1.7 |
| UCIT 2 | 16.2 | 0.7 | 18.2 | 1.1 | 17.3 | 1.4 | 17.1 | 1.4 | 18.8 | 1.3 | 18.2 | 1.3 |
| UCIT 3 | 26.0 | 0.7 | 23.5 | 1.5 | 13.3 | 0.8 | 15.6 | 1.0 | 9.6 | 0.9 | 10.4 | 1.2 |
| UCIT 4 | 1.1 | 0.1 | 1.7 | 0.1 | 0.9 | 0.4 | 0.6 | 0.3 | 0.5 | 0.5 | 0.8 | 0.6 |
| UCIT 5 | 1.5 | 11.7 | 2.5 | 18.1 | 2.6 | 16.7 | 2.8 | 16.0 | 2.8 | 16.5 | 3.4 | 15.9 |
| UCIT 6 | 10.8 | 16.7 | 11.0 | 11.4 | 13.3 | 12.4 | 13.1 | 12.0 | 16.6 | 11.8 | 19.1 | 11.9 |
| UCIT 7 | 3.9 | 49.0 | 4.4 | 47.0 | 4.1 | 46.8 | 5.9 | 48.0 | 6.4 | 49.7 | 7.3 | 47.0 |
| UCIT 8 | 1.6 | 6.7 | 1.0 | 6.9 | 1.5 | 8.0 | 2.1 | 7.0 | 2.5 | 6.8 | 2.7 | 6.7 |
| UCIT 9 | 1.5 | 7.2 | 1.0 | 8.5 | 1.3 | 6.9 | 3.2 | 8.1 | 4.9 | 5.7 | 3.5 | 6.9 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Note: Figures since 1986 are for EC-12

UCIT 0: Foodstuffs

UCIT 1: Beverages and Tobacco

UCIT 2: Raw materials

UCIT 3: Fuels

UCIT 4: Oils and Fats

UCIT 5: Chemicals

UCIT 6: Manufactured goods

UCIT 7: Transport equipment and machinery

UCIT 8: Miscellaneous manufactured articles

UCIT 9: Other

M = Imports

X = Exports

Source: Commission of the European Communities

Table 3

**OECD Imports of Industrial Products (SITC 5 - 8, excl. 68)
from the World and from Latin America 1970, 1980 and 1987**

| SITC Code | Product groups/ Countries | World | | | LA (1) | | |
|--------------|---------------------------------|---------------------------------|---------|------------|--------|--------|--------|
| | | 1970 | 1980 | 1987 | 1970 | 1980 | 1987 |
| | | | | mic. US-\$ | | | |
| 5 | Chemicals | 15,170 | 93,572 | 152,560 | 451 | 1,337 | 2,230 |
| 6 | Manufactured goods (2) | 36,675 | 178,404 | 252,184 | 384 | 3,441 | 7,561 |
| 7 | Machinery and transport equipm. | 57,148 | 307,626 | 614,327 | 244 | 3,944 | 13,802 |
| 8 | Misc. manufactured articles | 19,266 | 126,015 | 242,174 | 175 | 2,375 | 5,734 |
| Total | | 128,259 | 705,617 | 1,261,245 | 1,254 | 11,097 | 29,327 |
| | of which: | | | | | | |
| EC | | 69,335 | 411,398 | 651,429 | 304 | 3,244 | 4,595 |
| U.S.A. | | 24,152 | 123,362 | 309,102 | 559 | 6,227 | 20,373 |
| Japan | | 5,115 | 27,488 | 56,400 | 54 | 669 | 1,001 |
| Other | | 29,659 | 143,369 | 244,314 | 337 | 957 | 3,368 |
| | | percentage shares (total = 100) | | | | | |
| EC | | 54.1 | 58.3 | 51.6 | 24.2 | 29.2 | 15.7 |
| U.S.A. | | 4.0 | 3.9 | 4.5 | 4.3 | 6.0 | 3.4 |
| Japan | | 4.0 | 3.9 | 4.5 | 4.3 | 6.0 | 3.4 |
| Other | | 23.1 | 20.3 | 19.4 | 26.9 | 8.6 | 11.5 |

Notes: (1) excl. Cuba. — (2) classified chiefly by material; excl. division 68, i.e. non-ferrous metals.

Source: OECD, *Foreign Trade by Commodities*, Vol. II, 1982 and 1987. Paris 1984 and 1989, resp.

Table 4

LA's Percentage Shares in the Imports of the EC, U.S. and Japan by Industrial Product Groups 1970, 1980 and 1987

| ISIC Code | Product groups | EC | | | U.S.A. | | | Japan | | |
|------------------------------|-------------------------|------|------|------|--------|------|------|-------|------|------|
| | | 1970 | 1980 | 1987 | 1970 | 1980 | 1987 | 1970 | 1980 | 1987 |
| 321 | Textiles | 2.9 | 7.1 | 5.4 | 4.6 | 9.9 | 8.5 | 2.2 | 2.3 | 2.0 |
| 322 | Wearing apparel | 0.2 | 1.8 | 1.0 | 3.1 | 8.6 | 7.7 | 0.2 | 0.1 | 0.1 |
| 323 | Leather | 16.6 | 16.3 | 9.2 | 13.5 | 17.5 | 14.4 | 5.9 | 2.5 | 1.4 |
| 324 | Footwear | 1.4 | 8.8 | 8.3 | 3.5 | 15.6 | 20.6 | 0.0 | 2.3 | 0.5 |
| 331 | Wood and wood products | 3.0 | 2.9 | 2.7 | 5.0 | 5.7 | 6.7 | 0.2 | 1.3 | 1.2 |
| 332 | Furniture and fixtures | 1.1 | 0.3 | 0.5 | 10.6 | 6.3 | 12.4 | 0.3 | 0.3 | 0.1 |
| 341 | Paper | 0.1 | 2.2 | 2.7 | 0.3 | 2.4 | 5.7 | 0.0 | 7.1 | 4.8 |
| 342 | Printing a. publishing | 1.3 | 1.6 | 1.4 | 3.9 | 4.6 | 2.5 | 0.3 | 0.1 | 0.2 |
| 351 | Industrial chemicals | 2.1 | 2.0 | 2.1 | 2.7 | 4.6 | 5.9 | 2.0 | 2.8 | 2.0 |
| 352 | Other chemical prod. | 3.2 | 2.0 | 1.9 | 7.3 | 5.2 | 4.5 | 1.2 | 0.7 | 0.5 |
| 355 | Rubber products | 0.5 | 1.4 | 1.9 | 2.5 | 0.8 | 4.9 | 0.0 | 0.4 | 0.3 |
| 356 | Plastic products | 0.1 | 0.4 | 0.5 | 4.0 | 2.8 | 2.9 | 0.0 | 0.3 | 0.1 |
| 361 | Pottery, china, earthw. | 0.1 | 1.3 | 2.3 | 1.6 | 4.3 | 6.6 | 0.9 | 0.5 | 0.6 |
| 362 | Glass and glass prod. | 0.4 | 0.7 | 1.2 | 2.7 | 5.1 | 11.2 | 0.1 | 1.2 | 0.2 |
| 369 | O. non-met. products | 0.1 | 0.9 | 1.4 | 6.8 | 9.2 | 14.1 | 0.7 | 1.1 | 0.5 |
| 371 | Iron and steel | 1.0 | 4.5 | 5.5 | 2.0 | 4.8 | 9.5 | 4.8 | 9.5 | 14.2 |
| 381 | Metal products | 0.3 | 0.6 | 0.6 | 1.7 | 3.7 | 4.9 | 0.0 | 0.3 | 0.2 |
| 382R | Machinery | 0.2 | 0.6 | 0.7 | 0.8 | 2.2 | 4.4 | 0.0 | 0.6 | 0.2 |
| 3825 | Office, EDP | 1.5 | 1.0 | 0.3 | 5.8 | 5.2 | 2.9 | 0.1 | 10.8 | 3.5 |
| 383 | Electrical machinery | 0.2 | 0.5 | 0.7 | 4.4 | 12.0 | 11.5 | 0.0 | 0.3 | 0.3 |
| 3843 | Motor vehicles | 0.7 | 3.2 | 3.6 | 0.3 | 1.5 | 4.4 | 0.0 | 2.8 | 0.2 |
| 384R | Oth. transp. equipm. | 0.5 | 1.5 | 2.3 | 1.8 | 1.9 | 5.1 | 0.0 | 1.6 | 0.3 |
| 385 | Precision engineer. | 0.1 | 0.2 | 0.2 | 0.6 | 3.2 | 3.6 | 0.0 | 0.1 | 0.1 |
| 390 | Other manufacturing | 1.9 | 1.0 | 1.3 | 2.7 | 5.2 | 5.0 | 4.8 | 3.9 | 2.7 |
| Subtotal SITC 6-8 (excl. 68) | | 1.2 | 2.2 | 1.9 | 2.3 | 5.0 | 6.6 | 1.0 | 2.4 | 1.8 |
| 311/2 | Food products | 28.6 | 29.1 | 28.2 | 39.5 | 44.6 | 34.2 | 11.3 | 10.5 | 8.4 |
| 313 | Beverages | 1.0 | 2.6 | 4.2 | 0.7 | 2.9 | 7.6 | 0.6 | 0.7 | 1.8 |
| 314 | Tobacco manufactures | 0.3 | 1.4 | 0.8 | 7.0 | 37.5 | 32.4 | 0.0 | 0.0 | 0.0 |
| 353/4 | Petroleum refineries | 5.5 | 7.4 | 1.3 | 42.8 | 31.1 | 30.6 | 2.3 | 1.9 | 0.7 |
| 372 | Non-ferrous metals | 14.5 | 12.9 | 11.8 | 17.4 | 15.2 | 16.6 | 11.3 | 17.7 | 15.3 |
| Subtotal Other manuf. prod. | | 21.2 | 17.8 | 16.3 | 31.5 | 30.5 | 26.7 | 8.8 | 8.9 | 7.2 |
| Total | | 8.0 | 6.0 | 5.6 | 12.0 | 12.3 | 10.9 | 6.5 | 3.8 | 4.0 |

Source: OECD, *Foreign Trade by Commodities*, Magnetic Tapes.

Table 5

Participation of LA 20 in total imports and in imports from
developing countries of EC 12 and U.S.A., 1970-1988

(Values in percentage of total)

| Year | EC 12 | | World | USA | |
|------|-------------|------------|-------|------------|--|
| | Extra-EC 12 | Dev. Coun. | | Dev. Coun. | |
| 1970 | 8.10 | 21.29 | 11.96 | 45.75 | |
| 1975 | 5.94 | 13.00 | 11.92 | 28.39 | |
| 1980 | 5.90 | 12.90 | 12.19 | 25.55 | |
| 1981 | 6.47 | 14.25 | 12.27 | 27.73 | |
| 1982 | 6.59 | 15.26 | 13.31 | 30.63 | |
| 1983 | 7.30 | 18.00 | 13.82 | 32.46 | |
| 1984 | 7.24 | 18.63 | 12.98 | 32.51 | |
| 1985 | 7.45 | 19.42 | 12.58 | 34.15 | |
| 1986 | 6.08 | 18.88 | 10.74 | 30.49 | |
| 1987 | 5.78 | 18.11 | 10.95 | 28.58 | |
| 1988 | 6.04 | 20.11 | 11.13 | 28.81 | |
| 1989 | 5.9 | 19.6 | | | |

Source: EC 12 = Calculated on the basis of figures from EUROSTAT, *External Trade Statistical Yearbook*, Bruxelles-Luxembourg: EUROSTAT (1988); EUROSTAT, *External Trade Monthly Statistics*, Bruxelles-Luxembourg: EUROSTAT (1989)

USA, Japan = Calculated on the basis of figures from International Monetary Fund (IMF), *Direction of Trade Statistics*, Washington, D.C.: IMF (1989, 1987, 1976)

Table 6

Participation of LA 20 in total exports and in exports to developing countries of EC 12 and U.S., 1970-1988

(Values in percentage of total)

| Year | EC 12 | | World | USA |
|------|-------------|------------|-------|------------|
| | Extra-EC 12 | Dev. Coun. | | Dev. Coun. |
| 1970 | 7.21 | 23.26 | 13.18 | 43.91 |
| 1975 | 7.08 | 18.38 | 14.49 | 38.00 |
| 1980 | 6.35 | 15.41 | 16.33 | 41.14 |
| 1981 | 6.38 | 14.29 | 16.66 | 40.72 |
| 1982 | 5.37 | 12.25 | 14.18 | 32.87 |
| 1983 | 4.27 | 10.38 | 11.28 | 28.15 |
| 1984 | 4.29 | 11.47 | 12.07 | 31.48 |
| 1985 | 4.11 | 12.07 | 13.07 | 34.62 |
| 1986 | 4.24 | 13.49 | 12.87 | 35.73 |
| 1987 | 4.10 | 13.30 | 12.49 | 35.03 |
| 1988 | 3.79 | 12.12 | 12.51 | 33.93 |

Source: EC 12 = Calculated on the basis of figures from EUROSTAT, *External Trade Statistical Yearbook*, Bruxelles-Luxembourg: EUROSTAT (1988); EUROSTAT, *External Trade Monthly Statistics*, Bruxelles-Luxembourg: EUROSTAT (1989)

USA, Japan = Calculated on the basis of figures from International Monetary Fund (IMF), *Direction of Trade Statistics*, Washington, D.C.: IMF (1989, 1987, 1976)

Table 7

Participation of EC 12, U.S., and LA 20 in the trade of LA 20,
1970-1988

(Values in percentage of total trade)

| Year | Imports from | | | Exports to | | |
|------|--------------|------|-------|------------|------|-------|
| | EC 12 | USA | LA 20 | EC 12 | USA | LA 20 |
| 1970 | 27.3 | 39.7 | 13.1 | 31.3 | 30.9 | 11.9 |
| 1975 | 24.2 | 33.9 | 13.3 | 25.5 | 28.5 | 16.6 |
| 1980 | 19.1 | 34.1 | 14.7 | 23.8 | 30.0 | 16.3 |
| 1981 | 18.0 | 35.1 | 15.4 | 22.4 | 28.4 | 16.4 |
| 1982 | 17.6 | 33.0 | 17.9 | 23.4 | 31.3 | 15.0 |
| 1983 | 16.7 | 31.0 | 19.2 | 23.3 | 34.9 | 11.8 |
| 1984 | 16.4 | 32.2 | 20.3 | 21.8 | 38.5 | 12.1 |
| 1985 | 17.5 | 35.5 | 18.2 | 22.9 | 38.7 | 11.6 |
| 1986 | 20.9 | 35.5 | 16.6 | 22.8 | 38.5 | 12.8 |
| 1987 | 19.4 | 39.5 | 14.5 | 20.0 | 43.5 | 11.8 |
| 1988 | 17.7 | 42.8 | 13.9 | 21.1 | 41.2 | 11.0 |

Source: Calculated on the basis of figures from International Monetary Fund (IMF), *Direction of Trade Statistics*, Washington, D.C.: IMF (1989, 1987, 1976)

Table 8

Participation of EC 12, U.S. and LA 20 in the imports of LA 20,
1980-1988

| Country | EC 12 | | | USA | | | LA 20 | | |
|-------------|-------|------|------|------|------|------|-------|------|------|
| | 1980 | 1985 | 1988 | 1980 | 1985 | 1988 | 1980 | 1985 | 1988 |
| MEXICO | 14.9 | 13.0 | 9.7 | 61.6 | 66.6 | 74.9 | 4.1 | 4.6 | 1.6 |
| GUATEMALA | 13.9 | 13.8 | 17.7 | 34.5 | 31.2 | 43.0 | 29.1 | 39.9 | 22.2 |
| HONDURAS | 11.7 | 14.6 | 10.5 | 42.4 | 41.0 | 56.8 | 26.5 | 30.2 | 13.0 |
| EL SALVADOR | 9.5 | 10.5 | 10.0 | 20.0 | 33.9 | 42.3 | 62.5 | 44.7 | 31.3 |
| NICARAGUA | 8.9 | 24.8 | 29.4 | 27.5 | 8.5 | 1.3 | 55.6 | 32.8 | 29.2 |
| COSTA RICA | 13.4 | 15.1 | 12.9 | 34.3 | 34.7 | 39.0 | 31.4 | 31.1 | 30.9 |
| PANAMA | 7.1 | 8.3 | 10.6 | 33.8 | 31.5 | 18.7 | 17.8 | 28.6 | 9.8 |
| CUBA | 39.2 | 26.2 | 31.2 | 0.0 | 0.0 | 0.2 | 10.4 | 28.9 | 13.6 |
| HAITI | 11.4 | 11.8 | 12.3 | 53.4 | 62.2 | 62.0 | 4.3 | 5.7 | 3.6 |
| DOM. REP. | 10.5 | 10.0 | 9.4 | 44.8 | 33.7 | 56.3 | 25.6 | 40.7 | 21.0 |
| COLOMBIA | 20.4 | 19.6 | 20.5 | 39.5 | 35.3 | 36.7 | 16.1 | 23.5 | 16.3 |
| VENEZUELA | 23.6 | 23.1 | 26.6 | 47.8 | 47.5 | 44.0 | 8.9 | 10.8 | 11.2 |
| ECUADOR | 17.9 | 21.9 | 20.8 | 35.6 | 30.5 | 33.1 | 12.4 | 19.5 | 18.8 |
| PERU | 17.9 | 23.4 | 21.8 | 29.7 | 28.2 | 29.9 | 11.2 | 25.4 | 29.6 |
| BRAZIL | 16.5 | 14.6 | 21.6 | 18.6 | 19.7 | 20.9 | 11.8 | 12.3 | 12.5 |
| CHILE | 19.9 | 19.6 | 19.5 | 28.6 | 21.3 | 19.7 | 24.5 | 25.5 | 26.8 |
| BOLIVIA | 19.3 | 18.7 | 12.5 | 28.5 | 20.6 | 21.0 | 27.9 | 46.5 | 56.8 |
| PARAGUAY | 17.0 | 16.1 | 20.0 | 9.9 | 7.9 | 10.1 | 51.3 | 55.4 | 43.5 |
| URUGUAY | 19.1 | 16.7 | 20.9 | 9.8 | 7.6 | 7.9 | 37.0 | 35.5 | 50.7 |
| ARGENTINA | 29.7 | 28.0 | 27.5 | 22.6 | 18.2 | 18.8 | 21.2 | 34.6 | 32.7 |

Source: Calculated on the basis of figures from International Monetary Fund (IMF), *Direction of Trade Statistics*, Washington D.C.: IMF (1989, 1987)

Table 9

Participation of EC 12, U.S. and LA 20 in the exports of LA 20,
1980-1988

| Country | EC 12 | | | USA | | | LA 20 | | |
|-------------|-------|------|------|------|------|------|-------|------|------|
| | 1980 | 1985 | 1988 | 1980 | 1985 | 1988 | 1980 | 1985 | 1988 |
| MEXICO | 15.3 | 18.2 | 9.1 | 65.4 | 60.4 | 72.9 | 6.0 | 5.4 | 4.3 |
| GUATEMALA | 25.0 | 15.3 | 19.2 | 7.7 | 36.2 | 40.2 | 32.5 | 24.7 | 19.0 |
| HONDURAS | 24.5 | 25.8 | 23.9 | 52.8 | 49.9 | 49.4 | 12.6 | 5.2 | 5.7 |
| EL SALVADOR | 20.2 | 25.7 | 27.1 | 41.0 | 48.2 | 39.4 | 28.6 | 17.1 | 19.2 |
| NICARAGUA | 34.6 | 32.7 | 32.1 | 38.7 | 15.0 | 0.4 | 19.7 | 7.8 | 13.1 |
| COSTA RICA | 23.7 | 23.5 | 25.8 | 33.8 | 39.5 | 44.4 | 34.1 | 22.4 | 16.4 |
| PANAMA | 12.9 | 16.2 | 21.1 | 49.3 | 64.1 | 49.5 | 18.3 | 12.0 | 16.6 |
| CUBA | 30.4 | 32.0 | 28.7 | 0.0 | 0.0 | 0.0 | 8.9 | 6.3 | 5.2 |
| HAITI | 38.3 | 13.2 | 10.7 | 56.6 | 82.1 | 84.8 | 0.7 | 1.5 | 1.0 |
| DOM. REP. | 10.2 | 13.2 | 8.9 | 52.2 | 76.2 | 79.3 | 10.1 | 1.5 | 1.1 |
| COLOMBIA | 36.8 | 34.8 | 28.6 | 27.1 | 32.8 | 40.4 | 16.4 | 11.9 | 11.9 |
| VENEZUELA | 17.4 | 20.2 | 11.1 | 27.7 | 46.0 | 48.9 | 12.4 | 13.9 | 13.3 |
| ECUADOR | 8.0 | 4.4 | 9.2 | 32.6 | 57.1 | 45.9 | 19.3 | 9.3 | 14.7 |
| PERU | 20.0 | 22.5 | 29.6 | 32.1 | 33.9 | 21.7 | 17.9 | 13.9 | 15.0 |
| BRAZIL | 30.5 | 26.9 | 27.7 | 17.4 | 27.1 | 25.8 | 17.8 | 9.5 | 11.6 |
| CHILE | 37.1 | 33.5 | 36.1 | 12.6 | 22.5 | 19.7 | 24.3 | 14.3 | 12.7 |
| BOLIVIA | 24.4 | 20.9 | 18.4 | 25.7 | 14.1 | 17.2 | 36.7 | 60.2 | 54.8 |
| PARAGUAY | 30.8 | 50.1 | 30.6 | 5.5 | 1.3 | 3.6 | 45.4 | 32.1 | 29.3 |
| URUGUAY | 31.4 | 22.6 | 26.2 | 7.8 | 15.1 | 11.3 | 37.3 | 27.8 | 27.3 |
| ARGENTINA | 30.4 | 24.5 | 30.5 | 8.9 | 12.2 | 15.3 | 24.3 | 21.9 | 17.9 |

Source: Calculated on the basis of figures from International Monetary Fund (IMF), *Direction of Trade Statistics*, Washington D.C.: IMF (1989, 1987)

Table 10
Sectoral concentration of U.S. trade flows

| | 1984 | 1988 | | 1984 | 1988 |
|----------------|------|------|----------------|------|------|
| X^W | 68.4 | 69.8 | M^W | 64.5 | 66.0 |
| $X^W_{(3)}$ | 12.9 | 14.3 | $M^W_{(3)}$ | 25.6 | 19.9 |
| X^{EC} | 72.2 | 75.8 | M^{EC} | 67.5 | 67.7 |
| $X^{EC}_{(3)}$ | 18.9 | 22.9 | $M^{EC}_{(3)}$ | 20.2 | 15.9 |
| X^{LA} | 67.1 | 67.5 | M^{LA} | 82.0 | 74.9 |
| $X^{LA}_{(3)}$ | 12.5 | 12.6 | $M^{LA}_{(3)}$ | 46.5 | 25.1 |

Notes: X^W : percentage in total U.S. exports to the world (top 40 commodities)
 $X^W_{(3)}$: percentage in total U.S. exports to the world (top 3 commodities)
 X^{EC} : percentage in total U.S. exports to EC (top 40 commodities)
 $X^{EC}_{(3)}$: percentage in total U.S. exports to EC (top 3 commodities)
 X^{LA} : percentage in total U.S. exports to LA (top 40 commodities)
 $X^{LA}_{(3)}$: percentage in total U.S. exports to LA (top 3 commodities)
 M^W : percentage in total U.S. imports from the world (top 40 commodities)
 $M^W_{(3)}$: percentage in total U.S. imports from the world (top 3 commodities)
 M^{EC} : percentage in total U.S. imports from EC (top 40 commodities)
 $M^{EC}_{(3)}$: percentage in total U.S. imports from EC (top 3 commodities)
 M^{LA} : percentage in total U.S. imports from LA (top 40 commodities)
 $M^{LA}_{(3)}$: percentage in total U.S. imports from LA (top 3 commodities)
LA: Western Hemisphere (excluding Cuba)

Source: Calculated on the basis of figures from U.S. Department of Commerce (1989); *U.S. Foreign Trade Highlights 1988* International Trade Administration, July, 1989.