

economies (25%), the EU (20%), Japan (9%) or China (9%). Expanding MERCOSUR to create a South American Free Trade Area would not increase the economic size of the bloc significantly, as the rest of South America has a combined share of only 2% of world GDP. MERCOSUR is not, and cannot become big enough to play hard ball in international trade and investment negotiations.

If becoming part of a powerful trading bloc is Argentina's aim, it would be much better off joining the NAFTA. Not only is the NAFTA larger and more powerful than MERCOSUR, the NAFTA countries' trade policy interests are much closer to those of Argentina than to those of Brazil. Argentina has committed itself more clearly to liberal economic policies and will benefit from the increasingly free movement of goods, capital, technology and information across international frontiers. Brazil, in line with its ambivalence about the value of economic liberalization, has shown a marked tendency, in many cases, to oppose measures in multilateral trade negotiations which would encourage greater economic liberalization. Clearly, in trade policy terms, Argentina's strategic interests are closer to those of the NAFTA countries than those of Brazil. There are advantages to being inside a big tent, influencing policy development from within, rather than attempting to do so from a distance.

10. Conclusion

If this Paper is correct in its argument, over the next several years Argentina's leadership will make important decisions about its national interest. Broadly, the question is how to match Argentina's trade policy with its liberal domestic economic policy? Specifically, Argentines will have to consider whether MERCOSUR in its present form is an arrangement that truly encourages economic growth and stronger connections to the world economy and whether it is sufficient to meet Argentina's medium to longer term needs and aspirations. This Paper has argued that without radical and swift reform in Brazil, MERCOSUR could become a drag on Argentina's development. Moreover, even if MERCOSUR continues to consolidate gradually, a supplemental link to the NAFTA through accession would bring major benefits.

I believe that if Argentina maintains its present domestic economic policies it must, at some point, choose international trading arrangements that match more closely its domestic policies. NAFTA accession is not the only option, but given the