

promote industrial competitiveness by reducing business risk and allowing business to make long-term plans and investments which will improve productivity.

9.2 Economic Benefits

Economic analyses of the affects of trade liberalization in the western hemisphere show that all countries participating make significant economic gains. Most notably, a 1994 study by Drusilla Brown and her colleagues looked at the results of NAFTA extension by examining the effects of tariff removal. This study showed that each country added to NAFTA made significant gains in terms of GDP growth.⁸⁷ Although the model used in this study does not capture many of the additional dynamic effects of trade liberalization and does not consider FDI and the cross-border movement of workers, it does show that Argentina would make economic gains from NAFTA accession just from the basic step of removing import duties. When all factors are considered, including the longer-term benefits created by more secure access, it is clear that Argentina would profit from NAFTA accession.

9.3 Seal of Approval

NAFTA accession will increase foreign investment in Argentina by reducing foreign investors' risk. Although Argentine domestic investment law, the Argentina-U.S. Bilateral Investment Treaty (BIT) and Argentina-Canada Foreign Investment Protection Agreement (FIPA) provide protection for Canadian and U.S. investors, NAFTA's investment provisions provide better security as they are part of a larger, more comprehensive agreement that underpins the central principles of non-discrimination and transparency that lie at the heart of creating a predictable business climate.

9.4 Playing on a Big League Team

The MERCOSUR countries have agreed in the Treaty of Asunción to develop a common commercial policy toward third countries. Clearly, one of the MERCOSUR countries' aims is to band together to present a common front in international trade negotiations. But is the MERCOSUR area really significant enough in economic terms to have much clout? As presently constituted, the MERCOSUR countries represent roughly 4% of world GDP. This is considerably less than the share of the NAFTA

⁸⁷ An Assessment of Extending NAFTA to Other Major Trading Countries in South America, Drusilla K. Brown, et al. (Ann Arbor, Michigan: University of Michigan, Institute of Public Policy Studies, 1994).