

towards the establishment of the free trade area of the Americas, a process that is in the real, long-term interest of both Brazil and Argentina.

The real obstacles to Argentine accession are likely to be political rather than technical. Brazil's vision of itself as a potential world power is linked closely with its desire to be the dominant member of a regional trading bloc. Argentine accession to the NAFTA would effectively end the Brazilian dream of building a South American trade bloc around MERCOSUR and under its leadership. Given sufficient flexibility on the part of the MERCOSUR members, the agreement could survive and even be strengthened by Argentine accession to the NAFTA. However, a MERCOSUR which is evolving towards convergence with the NAFTA might be perceived by some in Brazil as a less effective vehicle for Brazilian ambitions than MERCOSUR as it presently stands. Brazil might well take a hard-line stance against the evolution of MERCOSUR which would accommodate an Argentine interest in NAFTA accession. In this case, Argentina would want to take a hard look at which arrangement better served its national interest.

9. Is the Game Worth the Prize?

Why would Argentina want to pursue NAFTA accession given the technical obstacles that would have to be overcome and the political tension with Brazil that might accompany the negotiations? I would argue that, for Argentina, NAFTA accession is well worth the price. Argentina would gain in four ways: by securing access to a large developed market, by making immediate and longer term economic gains from greater trade liberalization, by getting the NAFTA "seal of approval" for its foreign investment environment and by strengthening its position for future international trade negotiations.

9.1 Secure Access

Joining NAFTA provides secure access to a sophisticated, prosperous market with more than \$7 trillion of GDP. Although the NAFTA area is not Argentina's predominant export destination today, it is one of the most promising markets for Argentine export expansion. Argentina exporters are becoming increasingly competitive as they change to meet the demands of the country's newly liberalized economic environment. This improved competitiveness gives Argentina's exporters the potential to increase exports substantially to the U.S. and the other NAFTA countries. Accession to the NAFTA will provide secure access for competitive Argentine exports. Most probably, accession would result in both a significant increase in Argentine exports in absolute terms and an increase in the share of Argentine exports going to the NAFTA countries. Indeed, accession will itself help