with the NAFTA countries shows that they are, in fact, important trading partners. When the impact of Chilean accession (and possibly the accession of other countries in the hemisphere) is considered, the case for a NAFTA connection becomes even stronger.

Despite the great surge in Argentine exports to MERCOSUR in the 1990s, Argentine exports to the NAFTA countries grew in absolute terms, while the NAFTA has maintained much of its relative importance as a combined export market for Argentina.[64] As Chart 1 shows, the NAFTA countries have taken roughly 15% of Argentine exports for some time. Most Argentine exports to the NAFTA countries went to the U.S., but both Canada and Mexico were important export markets commensurate with their economic size (see Table 1). As Argentine industry continues to restructure in the dynamic environment of the modern Argentine economy, Argentine exporters should become increasingly competitive and improve their export performance to North America. This process would, of course, be considerably enhanced by guarantees of secure access under a comprehensive agreement such as the NAFTA.

The opening of Argentina to the outside world under Menem has resulted in a growing influx of imports from the NAFTA countries, again principally from the U.S.. Most of these imports have been either capital goods, for use in modernizing and restructuring Argentine industry, or consumer goods to meet the great surge in demand that resulted from the opening of Argentina's economy after decades of protectionism. As Chart 2 shows, the NAFTA countries have maintained a significant share (roughly 25%) of the Argentine import market despite the rapid growth in trade between Brazil and Argentina.

If Chile were to accede to the NAFTA, the importance of the NAFTA countries to Argentina as trading partners would increase substantially. Bilateral trade between Chile and Argentina almost doubled between 1991 and 1994.[65] As a result, Argentina is now Chile's third most important trading partner after the U.S. and

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[64] 15% of Argentina's exports went to current NAFTA countries in 1989 compared to 14% in 1994. Source, IMF Direction of Trade Statistics Yearbook 1994 and IMF Direction of Trade Statistics Quarterly, June 1995.

[65] Bilateral trade between Chile and Argentina was US$ 811 million in 1991 and US$1.59 billion in 1994. Bilateral trade grew by 35% between 1993 and 1994. Chile's exports to Argentina were US$ 635 million in 1994. Source: Dicom quoted in Latin America Regional Reports: Southern Cone, 16 March 1995.