

agreement on a common external tariff to reach agreement on substantive issues related to macroeconomic policy.⁶²

Argentina does have one real and practical option to supplement MERCOSUR membership. Argentina could accede to the NAFTA. Accession to the NAFTA would provide companies exporting from Argentina with secure access to a prosperous market of more than 420 million consumers. This would encourage both trade and investment. The NAFTA has proven to be a secure and stable agreement which can accommodate countries at different levels of economic development, while providing for the settlement of trade disputes that occasionally arise within a clear and consistent set of rules. Argentina already has substantial commercial, investment and technology ties with the NAFTA members. Argentina's trade regime makes it, for the most part, NAFTA-ready. The technical obstacles to NAFTA accession imposed by Argentina's membership in MERCOSUR, although important, are not insurmountable, as I shall detail in section 8 below.

Of course, discussion of the possibility of a NAFTA accession by Argentina is predicated on an existing economic relationship between Argentina and the NAFTA countries important enough to merit the effort. This Paper will, therefore, next look at what economic ties exist before analyzing potential technical obstacles to a NAFTA accession.

7. Economic Integration with the NAFTA Countries

A trade agreement, if it is not to be a largely irrelevant political gesture, must reflect real or potential economic relationships between its parties. As the data presented below shows, Argentina has well established and important commercial and investment ties with all of the NAFTA countries.

7.1 Merchandise Trade

International direct investment and trade in services are becoming more important but merchandise trade is still, by far, the most important kind of international economic exchange.⁶³ The pattern of Argentina's merchandise trade

⁶² "Argentina, Brazil at Odds on Hemispheric Trade Path, Official Says", Inside NAFTA, 9 August 1995, pp. 10-1.

⁶³ For example, in 1994 Argentina imported US\$4.3 billion of services compared to US\$21.5 billion in merchandise. Source: Direccion Nacional de Cuentas Internacionales, from the Foreign Ministry of Argentina's World Wide Web Internet homepage.