

Japan. Chile exports mainly copper cathodes and car parts to Argentina. Argentina exports crude oil, soya, wheat and meat to Chile.

It is interesting to look at how the pattern of Argentina's trade changes if Chile is considered as part of the NAFTA. When Chile is included, the NAFTA countries begin to approach MERCOSUR in their importance to Argentina as an export market (19% for NAFTA vs. 23% for MERCOSUR in 1994). On the import side, including Chile gives the NAFTA countries a larger share of the Argentine market than MERCOSUR (27% for NAFTA vs. 23% for MERCOSUR in 1994). The existing trade links between Argentina and the current NAFTA members are enough to justify an Argentine accession. Chilean accession, followed potentially by other NAFTA accessions in the hemisphere by countries such as Colombia<sup>66</sup>, will make the underlying economic logic for an Argentine accession increasingly clear.

## 7.2 Investment

Unfortunately, it is difficult to gauge accurately the importance of different investors in the Argentine economy because there are no comprehensive statistics.<sup>67</sup> However, these numbers that do exist do tell us two things: the U.S. is probably the largest investor in Argentina and U.S. investment is growing.

The U.S. Embassy in Buenos Aires has attempted to measure American direct investment in Argentina by surveying U.S. firms known to have made investments in that country. The Embassy estimates that more than US\$2 billion of new direct investment was made by U.S. firms in 1994, US\$1.4 billion in 1993 and US\$232 million in 1992. Much of the 1993 investment was in purchases of Argentine firms being privatized, while most of the 1994 investment was in new projects. Official

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<sup>66</sup> It is interesting to look at the effect a Colombian accession to NAFTA would have on Argentina's trading patterns. In 1994, a NAFTA 5, including Colombia and Chile, would have taken 23% of Argentina's exports compared to 19% for the NAFTA 4. Its share of the Argentine import market would have remained at the same as the NAFTA 4 (at 27% in 1994). Source, IMF Direction of Trade Statistics Yearbook 1994 and IMF Direction of Trade Statistics Quarterly, June 1995.

<sup>67</sup> "All restrictions on the movement of capital in or out of Argentina were eliminated in 1989. There are also no reporting requirements, which results in virtually no solid data existing as to the nature of capital flows into and out of the private sector." See Economic Policy and Trade Practices: Argentina, U.S. Department of State, 19 July 1994.