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Trade and equilibrium among the ALADI countries

*Jorge Torres Zorrilla and Eduardo Gana**

The Latin American economic crisis, basically caused by the adjustment of the external sector with a view to generating surpluses to service the debt with the international financial system, has had a powerful adverse effect on the trade flows of the ALADI countries. Nevertheless, an effective co-operation among them is now more necessary than ever in order to overcome the external bottleneck and restore the levels of intra-zonal trade. The reactivation of zonal trade should, moreover, generate additional trade on a relatively more balanced and stable basis than in the past, through the multilateral linkages within the zone.

The authors put forward a methodology for selecting products that could potentially be traded among the countries of the zone and for determining which of those products could serve as pivots for the recovery of the trade flows. An important conclusion in this latter regard is that future negotiations within ALADI should give special consideration to the trade relations between the three largest countries in the Association and the eight medium-sized and small countries, since this axis represented the greater part of intra-zonal trade in the past and was the most affected by the contraction of zonal imports in recent years. Another interesting conclusion is that the short-term reactivation of trade might be based on a relatively limited number of products for potential reciprocal trade, which would considerably ease possible negotiations between the two groups of countries.

At the same time, it is possible that the use of a number of non-traditional forms of trade, such as counter-trade and the like, might help to dynamize the recovery of the trade flows of the ALADI countries.

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I

The Latin American economic crisis and its effects on zonal trade

The share in world trade of the international trade of the countries of the Latin American Integration Association (ALADI) shows a persistent decline: from 5.7% of total world transactions in 1960 it had fallen to 4.5% in 1983. This historic trend can be explained by the greater relative dynamism of international trade in other regions of the world, such as the trade among the OECD countries or that of the Arab oil-producing countries, since the energy crisis which began in 1973.

Apart from its decreasing participation in world trade, it should be noted that from 1982 the zone has suffered a sharp contraction of global imports, which fell from US\$92.1 billion in 1981 to US\$ 52.6 billion in 1984 (over 40%). For their part, global exports, which in 1981 amounted to US\$ 85.6 billion, dropped in the two following years by 4.8% and 0.7% respectively, to rise again in 1984 to US\$ 87.7 billion.

Latin America's export effort has encountered two formidable obstacles: on the one hand, the traditional deterioration in the terms of trade, which penalizes primary commodities (80% of the exports of the region) and, on the other, the growing protectionism in the industrialized countries which restricts access to those markets which absorb close on 70% of Latin American exports.

Along with the aforesaid factors which have limited the exports of the zone since 1977, the external debt of the ALADI countries has acquired its own dynamic, which has little to do with the trade balance of these countries (see table 1). Between 1977 and 1982 the trade balance showed a deficit of US\$ 33.6 billion, while the debt during the same period increased by US\$ 204.1 billion. One reason for this phenomenon is factor services, especially interest payments, which during the same years amounted to US\$ 118.5 billion, equivalent to 58% of the increase in the debt. This suggests that the debt is mainly of financial origin and that consequently it is in this field that

Table 1
ALADI COUNTRIES: SOME ITEMS OF THE BALANCE OF PAYMENTS AND EXTERNAL DEBT
(Millions of dollars at current prices)

Years	Merchandise balance	Trade balance (goods and services)	Factor services	Profits	Interest paid	Balance on current account	Disbursed external debt
1970	1 124	-160	-2 505	1 695	1 143	-2 671	
1971	211	1 116	-2 793	1 742	1 316	-3 924	
1972	339	-1 015	-2 734	1 498	1 628	-3 770	
1973	2 425	1 094	-3 793	2 325	2 304	-2 692	40 322
1974	721	-1 322	-4 705	2 639	3 506	-5 992	53 850
1975	-4 881	-7 842	-5 225	2 129	4 417	-13 010	62 439
1976	-826	-3 841	-6 429	2 026	5 600	-10 184	82 515
1977	411	-3 198	-7 729	2 699	6 584	-10 832	98 503
1978	-1 955	-6 943	-9 609	3 204	9 064	-16 556	141 991
1979	1 541	-4 877	-12 999	3 666	13 645	-17 879	166 644
1980	662	-7 897	-17 475	3 612	20 270	-25 267	209 542
1981	582	-10 117	-27 299	4 742	30 411	-37 218	262 989
1982	11 844	-594	-36 965	4 692	38 552	-37 820	302 672
1983	32 709	26 874	-33 420	2 776	34 441	-6 254	324 482
1984	40 375	36 409	-36 115	2 697	38 391	+693	337 862
1960-1969	14 965	6 813	-16 698	12 507	5 221	-10 382	
1970-1979	-891	-29 217	-58 526	23 622	49 207	-89 509	
1980-1981	1 199	-18 617	-44 765	8 376	50 661	-62 483	
1982-1983	42 799	28 184	-69 971	7 626	72 236	-41 842	

Source: ECLAC, on the basis of data supplied by the International Monetary Fund.

the solution to its servicing and inordinate growth should be found.

When the time came to repay the debts to the banks and governments of the industrialized countries, Latin America was faced with the hard fact that its export revenues were not sufficient to finance necessary imports together with the servicing of the external debt, and it was overtaken by the financial crisis of 1982. This made it necessary to apply processes of adjustment of the balance of payments and fiscal accounts which sought to obtain the balance-of-payments surplus needed to finance the inflated external debt.

The adjustment programmes led to drastic cutbacks in the imports of most of the countries of the zone and to a decline in domestic production. This reduction in imports was caused by the fall in the levels of overall demand and by the policy of increasing import prices through the application of such instruments as exchange devaluation, high tariffs and non-tariff restrictions.

The most disturbing aspect of the present

situation, however, is that, because of the sluggish recovery of the world economy, it is likely that this state of affairs will persist in the coming years and create a bottleneck for the economic growth of the ALADI countries. It is more than ever necessary today to have effective regional co-operation in order to overcome the external bottleneck, and the priority measure for achieving this goal is the recovery of intra-zonal trade, which has suffered a substantial decline.

In the period 1960-1983 this trade was more dynamic than the trade of the countries of the region with the rest of the world, since it registered an average annual growth rate of 15%. Taken as a whole, the countries' exports to the zone grew faster than their total sales to the exterior. At the same time, in all the countries except Brazil the average growth of their imports from the zone was higher than that of their total external purchases.

In the period 1960-1983 there were five countries with a surplus (Venezuela, Brazil,

Argentina, Mexico and Ecuador), five countries with a deficit (Paraguay, Chile, Uruguay, Colombia and Peru), and one country which just about achieved a balance throughout the period (Bolivia).

When the trade in oil is excluded, however, the picture as regards the trade balances undergoes a radical change. The oil-producing countries with a surplus (Venezuela, Mexico and Ecuador) show a deficit in their trade with the zone, while two of the deficit countries (Chile, Colombia) show a surplus or a balance, particularly in recent years. Brazil's trade surplus with ALADI increases, reaching US\$ 3.2 billion in 1981, which accounts for a high percentage of the total imbalance within ALADI in that year.

In conclusion, the country with the greatest surplus in intra-zonal trade is Brazil, followed by Argentina. The remaining countries show a clear deficit or a relative equilibrium in their trade.

The external crisis caused the collapse of zonal trade in 1982-1983. Intra-zonal exports fell from US\$ 11.1 billion in 1981 to barely US\$ 7.1 billion in 1983, which constitutes a fall of 36% (US\$ 4 billion). The recovery in intra-zonal trade to US\$ 8.1 billion estimated for 1984 represents a growth of 14% in relation to the depressed levels of 1983.

An analysis by countries shows that all, with the exception of Bolivia (thanks to its increased sales of petroleum gas to Argentina), reduced their exports to the zone. The greatest falls between 1981 and 1983 were recorded for Brazil (US\$2 151 million), Argentina (US\$715 million) and Venezuela (US\$ 716 million).

At the same time, all the countries except Colombia reduced their imports from the zone

between 1981 and 1983. The greatest falls applied to Mexico (US\$884 million), Chile (US\$705 million), Uruguay (US\$513 million), and Venezuela (US\$ 509 million):

The aim of reactivating zonal trade will probably run into the problem of trade imbalance which was so marked in the boom period. Hence it seems advisable that the measures for regional co-operation should be such as to help to generate relatively more balanced and stable intra-zonal trade than in the past. What is needed is not only the recovery of the former trade flows but the generation of new equilibrating flows from the countries at present in deficit. This gives an added importance to the new forms of trading such as counter-trade. If these mechanisms are properly managed for zonal trade they could contribute to the trade reactivation proposed as an objective of the Quito Declaration and Plan of Action.

It must be emphasized that the ideal of equilibrium in trade refers to the multilateral relations within the zone and not to bilateral flows or to the occasional imbalances which naturally occur in trading operations. Similarly, the products which are not subject to preferential import treatment, that is, those which are marketed at international prices, should not be strictly included in this concept of equilibrium, since they do not represent a greater cost for the importing countries.

The main maladjustment in the Latin American balance of payments occurs in the services account—particularly that of financial services—with the industrialized countries; it is with those nations that trade surpluses must be generated in order to compensate for the imbalance.

II

Potentials for trade recovery

The trade potential of the Latin America countries, and in particular of ALADI, is enormous. Very substantial possibilities of import substitution would be opened up merely through the diversion in favour of regional producers of the purchases made from third countries of prod-

ucts which Latin America exports to the rest of the world.

The potential is even greater, however, when one considers the amount of trade that could be generated by the reciprocal opening-up of the ALADI economies in the long term. This would

perhaps require large margins of preference in the different foreign trade instruments in respect of products coming from neighbouring countries, which would be a subject for long-term trade negotiations. For the present, the possibilities of the recovery of intra-zonal trade should preferably be defined in a short-term context.

From this angle the analysis should centre in the first place on the trade relationship between the three largest countries of the zone and the medium-sized and small countries. The trade between Argentina, Brazil and Mexico and the other eight countries represented the greater part of intra-zonal trade in the period 1981-1983, and the trade imbalance among the ALADI

countries is basically explained by the relationship of these three countries with the other members of the Association. The collapse of intra-zonal trade between 1981 and 1983 is also concentrated precisely in this relationship.

The foregoing does not imply a disregard for the remaining trade relationships within ALADI. What is postulated is that the nerve centre of intra-zonal trade is—and may become still more so—the relationship between the three largest countries and the remaining ALADI countries. The trade between Argentina, Brazil and Mexico has its own dynamic, and the remaining trade is basically that of the Andean group, which follows its own paths.

III

Analysis of intra-ALADI trade

The analysis of trade presented here was based on the information on products with established trade flows. It does not study the possibilities of new export products because of the obvious difficulties in their determination and appreciation and because the statistical sources give the data for external trade only.

For the analysis of trade possibilities, use was made of a sample of each country's export products to the zone which were simultaneously imported in considerable amounts from the rest of the world. The basic information was prepared by the ALADI Secretariat for each subheading of the Tariff Nomenclature. This information provides the potential demand for the export products of the zone and permits the calculation of the trade diversion which might be generated if this demand were partially met by zonal supply.

The analysis accepts that it would not be expedient to redirect exports being made to third countries, since these external sales are already obtaining foreign exchange. What is posited is an increase in exports to ALADI by making greater use of installed capacity.

The methodology of the analysis considers, for each product, the level of demand (imports

from the rest of the world), exports to the rest of the world and exports to ALADI.¹

It is assumed, in the first place, that the relative importance of the exports to the rest of the world is a basic variable for measuring the export potential, since it offers an index of the capacity for competition of the country analysed. Thus, the analysis excludes products which are not exported to third countries but only to the ALADI market, since such sales can generally only be made when protected by a margin of preference or favoured by geographical proximity. Secondly, it is assumed that the increase in the production and supply of goods exportable to the ALADI market is a function of the situation as regards prices and costs of access to the zonal markets and of the level of output of the producing country's economy.

The ratio between the exportable supply and the conditions of access to the zonal market is expressed in the price-elasticity of the supply. An additional correction is introduced by applying the index of the level of output of the supplying economy.

¹The method is described in ECLAC (1985a).

The formula used is: $dx/x = e \cdot (dp/p)$. I, in which dx/x is the percentage change in exports, e is the price-elasticity of the supply, I is an index of production of the supplying country and dp/p is the relative price variation. This formula enables an estimate to be made of the level of potential exports (dx). Clearly, these additional exports cannot be greater than ALADI'S demand from the rest of the world, so that this restriction must be introduced into the method.

For the application of the model two levels of economic growth are assumed (3% and 5% annually), which define the extreme values for index I . Three different values {low, medium and high: 1.0, 1.5 and 2.0} are used for the elasticity of supply, depending on the relative levels of export of each product considered to the ALADI market and to the world, compared with total demand.

The levels adopted for price variations (dp/p) are 10% and 20%; the first level is the lowest that will guarantee a reaction from zonal supply, while the second is presented in other studies as the probable maximum limit for the Regional Tariff Preferences of the Montevideo Treaty of 1980 (INTAL, 1982 and De María, 1982).

It must be stressed that the foregoing method does not constitute a system of statistical projections of intra-zonal trade. The trade level which is finally achieved will depend on many other variables not included, such as the extent of recovery of the Latin American economies, their degree of openness to zonal trade, the exchange, monetary and fiscal policies adopted and the level of growth and economic policies of the industrial centres.

Another factor which has been left out of consideration but which may play an important role in the trade linkages among the countries of the zone is the cost of transport of the goods and the traditional commercial links which may exist. The cost of transport may be decisive, since the distances between some of the member countries of ALADI are very great and access to the markets may therefore prove extremely difficult. Moreover, there have traditionally been commercial links between neighbouring countries or those with some geographical proximity.

The application of the aforesaid method to the case of the trade flows from the eight medium-sized and small countries to the market

of Argentina, Brazil and Mexico gives the following results. The growth potential of exports to the market of the three large countries is in the range of US\$ 350 to US\$ 650 million per year. In this potential Colombia and Chile are clearly pre-eminent, followed by Ecuador, Paraguay, Peru, Uruguay and Venezuela, with Bolivia having the lowest level of export potential. If these additional exports to Argentina, Brazil and Mexico were made within a balanced trade system, the total increase in zonal trade that might be expected would be between US\$ 700 and US\$ 1 300 million. This increased trade represents only a part of the fall which has taken place in trade between the two groups (US\$2.6 billion between 1981 and 1983).

Finally, a group of products for export from each of the medium-sized and small countries to the market of Argentina, Brazil and Mexico has been defined at a very disaggregated level (BTN subheadings). This group could be understood as a list of the comparative advantages of each country *vis-à-vis* the zone at the present time (table 2 contains a list of the main BTN sub-items with trading potential from each of the medium-sized and small countries to the three large countries).

In order to calculate the potential trade balance between the two groups and put forward options aimed at securing a relative equilibrium in intra-zonal trade, there remains to be analysed the export potential from Argentina, Brazil and Mexico to the markets of the medium-sized and small ALADI countries. In this case, it does not seem necessary to present a list of sub-items from Argentina, Brazil and Mexico, in view of the range of options of exportable supply from these countries.

The method of estimating the export potential from the three largest countries to the remaining ALADI countries is similar to that described in ECLAC (1985b), adjusted to take into account the aim of balanced potential trade between the two groups of countries. The adjustment consists in defining a list of products, of special interest to the medium-sized and small countries, to which preferential treatment would be granted only in respect of supplies coming from these countries. The exportable supply of these products from Argentina, Brazil and Mexico would be subject to the same treatment as that

Table 2
LIST OF THE MAIN POTENTIAL EXPORT PRODUCTS FROM THE MEDIUM-SIZED AND SMALL
COUNTRIES OF ALADI TO THE MARKET OF ARGENTINA, BRAZIL AND MEXICO

BTN Sub-item	Description	Imports of Argentina, Brazil and Mexico from the rest of the world	Exports to the rest of the world	Exports to ALADI	Total Exports	Minimum new exports	Maximum new exports
<i>Bolivia</i>							
230400	Oil-cake	16 190	54	3 437	3 451	797	1 755
260108	Tin ores	7 445	40 813	203	41 016	3 899	3 899
440502	Sawnwood	9 644	439	8 262	8 701	1437	3 163
<i>Colombia</i>							
020101	Beef	16 615	3917	41469	45 386	7211	15 878
252300	Hydraulic cement	16 112	24 338	9 980	34 318	1 157	2 547
270101	Coal	465 083	1461	9 765	11226	2 264	4 985
420200	Travel goods (suitcases)	5 645	11914	9 723	21637	1 127	2 482
610100	Men's outerwear	59 195	30 792	25 354	60 146	3 403	7 493
610200	Women's outerwear	61 526	14219	13 720	27 939	3 181	7 004
610300	Men's underwear	25 442	3 277	4 408	7 685	1 022	2 250
610400	Women's underwear	7 139	2 148	9 226	11 374	1 070	2 355
710203	Other precious or semi-precious stones	12 542	40 185	35	40 220	3 987	3 987
840100	Steam generators	101 919	237	3 820	4 057	886	1950
<i>Chile</i>							
030300	Shellfish and other crustaceans	3 083	38 608	250	38 858	3 083	3 083
070500	Dried pulses	106 967	5 426	10 808	16 234	2 506	5 518
080500	Fruit	12 460	2 034	9 673	11 707	1682	3 704
220500	Wines	15 107	3 775	7414	11 183	1289	2 839
310500	Other fertilizers	36 458	5 474	12 240	17 714	2 128	4 687
440501	Sawnwood, coniferous	22 751	39 736	15 101	54 837	1 751	3 855
470105	Bleached wood pulp	5 666	65 292	45 557	110 849	5 281	5666
480101	Newsprint	29 208	2 002	24 857	26 859	4 322	9 517
480105	Other paper and paperboard	88 947	532	8219	8 751	1906	4 196
710702	Gold and alloys	10 164	82 053	-	82 053	8 205	8 205
730700	Blooms and billets; iron or steel	57 096	8 083	23 588	31671	4 102	9 031
740104	Refined copper	58 458	957 170	261 252	1 218 422	30 286	58 458
740300	Copper bars, shapes and wire	7 244	1976	21976	23 952	2 548	5 610

BTN Sub-item	Description	Imports of Argén tina, Brazil and Mexico from the rest of the world	Exports to the rest of the world	Exports to ALADI	Total Exports	Minimum new exports	Maximum new exports
<i>Ecuador</i>							
030300	Shellfish and other crustaceans	3 083	10 600	485	11 085	623	623
160400	Canned fish	1835	936	52 185	53 121	1835	1 835
170400	Confectionery	1353	16	2 806	2 822	488	1 074
270900	Crude petroleum	8 568 341	1 064 489	90 556	1 175 145	20 996	46 280
<i>Paraguay</i>							
120104	Soya	138 947	13 961	75 651	89 612	13 155	28 966
320100	Vegetable tanning extracts	1912	20	4 952	4 972	861	1 896
440502	Other sawnwood	9 644	850	18 982	19 832	3 301	7 268
441302	Other planed wood	2 697	6	9 480	9 486	1 648	2 697
<i>Perú</i>							
160400	Canned fish	1 835	29 773	14 302	44 075	1 658	1835
271004	Refined fuels	42 932	194213	1	194 214	19 420	19 420
710500	Silver and its alloys	2 952	172 819	17 797	190 616	2 068	2 952
710702	Gold and its alloys	10 164	54 871	2 184	57 055	3 521	3 521
711200	Jewelry	1 941	19 369	32	19 401	1908	1908
740104	Refined copper	58 458	215 821	43 431	259 252	5 035	11 086
890102	Ships	255 591	2 937	4 359	7 296	1011	2 225
<i>Uruguay</i>							
010200	Uve catie	43 036	1 306	7 184	8 490	1666	3 668
020101	Beef	16615	128 721	41 869	170 590	4 854	10 687
100601	Unprocessed rice	7 983	11 521	40 031	51 552	4 641	7 983
610100	Men's outerwear (woollen)	59 125	2 392	6 342	8 734	1470	3 238
610200	Women's outerwear (woollen)	61 526	12 304	5 551	17 855	1287	2 834
<i>Venezuela</i>							
281600	Liquefied ammonia	2 873	53 703	662	54 365	2 873	2 873
290102	Other hydrocarbons	170 787	10 860	18 629	29 489	4319	9 510
310202	Other nitrogenous fertilizers	129 776	10 799	20 541	31 340	4 763	10 486
390100	Condensation chemical products	136 443	670	3 895	4 565	903	1988
731516	Steel sheets and plates	27 959	3 301	4 177	7 478	968	2 132
760102	Unfinished aluminium	53 583	284 324	13 180	297 504	16 570	16 570

Source: ECLAC (1985a).

applied to third countries, or in any case to less favourable treatment than that given to the medium-sized and small countries.

The initial result obtained from the calculations is that the potential exports of Argentina to the medium-sized and small countries vary from a maximum of US\$ 450 million of new exports to a minimum of US\$ 250 million per year. The predominant export products are found in the agricultural and food sectors, the metalworking sector and capital goods. The potential exports of Brazil to the medium-sized and small countries are calculated as ranging from US\$ 1 150 million to US\$ 660 million. These levels alone are higher than all the potential exports estimated from the medium-sized and small countries to the combined market of Argentina, Brazil and Mexico. The predominant sector for Brazilian exports as regards the number of products and volume of trade is the metalworking sector and that of capital goods. Finally, the potential exports of Mexico to these countries reach a maximum of US\$ 170 million per year of new exports and a minimum of US\$ 110 million, the predominant sector being that of fuels and chemical products.

It is appreciated that the joint export potential of the three large countries to the medium-sized and small countries of ALADI far exceeds the export potential of the latter to the former, despite the fact that an adjustment was made in the method through the definition of a list of products of interest to the medium-sized and small countries which were not taken into account in calculating the exports of Argentina, Brazil and Mexico.

An evolution of trade such as that indicated is not viable in the present circumstances and a new concept of trade equilibrium and harmony will have to be considered in order to restore the dynamics of intra-zonal trade.

It should be noted that the disequilibria estimated do not refer to the global trade among the member countries, but to the potential new trade. The global trade may incorporate a structural disequilibrium with the zone caused by the non-coincidence of supplies and demands of the country and the region, but this will not be serious as long as there is a trading equilibrium with all the countries of the world as a whole.

To gain a more precise idea of the concept of

trade equilibrium and harmony it would be necessary to examine in which countries the estimated disequilibrium is concentrated, calculating the exports made by Argentina, Brazil and Mexico to Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela separately, and thus deducing indirectly the imports which each smaller country would make from the three large countries. In this way it would be possible to define the trade balance of each medium-sized and small country with the three large countries taken together, and vice versa.

Trade equilibrium is not the only useful factor for assessing the relation of each country with ALADI. The concept of trade harmony also incorporates the criterion of the quality of the trade. A different weighting should be given to the export of a manufacture, compared with that of a primary product. At the same time it would be necessary to consider the direct and indirect effect on domestic production and the net contribution of an export to the balance of foreign exchange, deducting the content of imported inputs, which in some cases can be significant.

Through the application of the methodology of calculating the potential trade flows it can be seen that most of the medium-sized and small countries would register a negative trade balance with the three largest countries. The only exceptions are Uruguay and Paraguay, with a surplus, and Bolivia, with balanced trade. Venezuela shows a substantial deficit, corresponding to 75% of the total deficit between the two groups of countries. Other notable deficits are those of Colombia, Peru and Ecuador.

In conclusion, the system of import substitution and the implicit market allocation of the proposed model reveals a major imbalance on the side of Venezuelan trade and the disequilibria are more marked for the medium-sized countries which have greater economic and trade capacity for overcoming them.

The problem of the trade balance can also be analysed from the standpoint of the three largest countries, but in this case the mechanical application of the method of disaggregating exports by countries of destination would give an overestimation of the exports to Mexico from the medium-sized and small countries. As there is no tradition of exports to that country, it was necessary to include an additional adjustment in the

calculation method. The final estimate is that the three largest countries would have a surplus in their trade relations with the other eight ALADI countries.

All the foregoing shows the seriousness of the trade imbalance between the medium-sized and small countries on the one hand and Argentina, Brazil and Mexico on the other, along with the need to consider, in the course of the coming trade negotiations among the member countries of ALADI, differential treatment in order to achieve the balanced and harmonious development of intra-regional trade, at least in respect of the increases in trade. One solution might be the utilization of a system of limited commercial openness with maximum import quotas per product, in the medium-sized and small countries which consider it desirable. Another suggestion is to review Venezuela's exports to the three large countries. In this case it would be logical to consider a larger supply of oil to Brazil from Venezuela. Although this is a product in which trade preferences do not operate to any significant extent, the expansion of this zonal trade to replace extra-zonal supplies would be sufficient to balance the trade flows.

It might also be feasible to promote the practice of counterpart trade among regional enterprises and the adoption of global counter-trade agreements among the ALADI countries. It might even be possible to amplify this mechanism and consider non-compensated trade agreements in favour of the medium-sized and small countries in their trade with the three large countries, which would help to achieve intra-zonal trade equilibrium.

A category of trade in which the application of counter-trade might be negotiated is that of some public sector imports and of primary products available in the zone. Frequently these latter imports are made through State marketing enterprises and generally enjoy tariff exemptions and freedom from non-tariff restrictions. Many products which meet these conditions are already in the lists of the estimated potential exports. A future task would be the selection of these primary products in accordance with fixed criteria, the determination of the levels of State imports of these products, and the study of the price and financing conditions which apply to them at the present time.

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