

Distr.
RESTRICTED
LC/R.1584
16 January 1996
ENGLISH
ORIGINAL: SPANISH

ECLAC
Economic Commission for Latin America and the Caribbean

**CHARACTERISTICS OF THE CENTRAL AMERICAN ISTHMUS AND THE
DOMINICAN REPUBLIC WHICH MIGHT AFFECT THEIR
PARTICIPATION IN THE FREE TRADE AREA OF
THE AMERICAS (FTAA)**

This document was prepared by ECLAC Subregional Headquarters in Mexico. It has been reproduced without formal editing.

95-11-1418

CONTENTS

	<u>Page</u>
SUMMARY	1
I. ELIGIBILITY AND READINESS OF THE SMALL COUNTRIES TO PARTICIPATE IN FTAA	3
A. PRELIMINARY REMARKS ON ELIGIBILITY AND READINESS	3
B. DEFINITION OF READINESS	5
II. COMPARATIVE ANALYSIS OF THE ELIGIBILITY AND READINESS OF THE CENTRAL AMERICAN ISTHMUS AND THE DOMINICAN REPUBLIC	7
A. ELIGIBILITY OF THE CENTRAL AMERICAN ISTHMUS AND THE DOMINICAN REPUBLIC	7
1. Choice of eligibility indicators for the seven countries	7
2. Macroeconomic eligibility	8
3. Non-macroeconomic eligibility	10
B. STRUCTURAL READINESS	12
1. Selection of indicators of structural readiness	12
2. Macroeconomic and sectoral structure	13
3. Diversification and export growth	14
4. Human resources	15
5. Infrastructure	17
C. POLICY READINESS	18
1. Choice of policy readiness indicators	18
2. Macroeconomic policy	18
3. Trade policy	20
4. Policies in support of changing production patterns	21
5. Trade and macroeconomic risks	22

III.	INCREASING THE READINESS OF THE CENTRAL AMERICAN ISTHMUS AND THE DOMINICAN REPUBLIC TO JOIN FTAA	25
A.	ELIGIBILITY	25
B.	STRUCTURAL FACTORS	26
C.	POLICY READINESS	27
D.	RISKS	29
	BIBLIOGRAPHY	30
	STATISTICAL ANNEX	31

TABLES

1	Macroeconomic eligibility	10
2	Non-macroeconomic eligibility	11
3	Macroeconomic and sectoral structure	14
4	Export diversification and performance	15
5	Human resources	16
6	Infrastructure	17
7	Macroeconomic policy	19
8	Trade policy	20
9	Policies conducive to changing production patterns	22
10	Commercial risks	23
11	Macroeconomic vulnerability	24

SUMMARY

The vast differences between the Central American isthmus and the Dominican Republic and the bigger Latin American countries pose the danger that the net benefits which the first group of countries derive from their membership of the Free Trade Area of the Americas (FTTA) will not be very significant. In order to increase these benefits, it will be necessary to readjust and strengthen certain domestic policies in the small countries, and, at the same time, to promote determined international cooperation efforts which can substantially enhance their readiness to participate in an ambitious hemispheric integration process.

In some cases small countries are in a better position than big ones. This is true in respect of certain criteria which may be deemed relevant to a country's macroeconomic eligibility to begin negotiations for FTAA. In particular, inflation rates and exchange rate fluctuations have been more moderate in the Central American countries and the Dominican Republic. However, these countries have made less progress in relation to other possible eligibility criteria, such as the assumption of international commitments in the areas of employment, the environment and intellectual property rights. This could reflect a lesser institutional capacity to adapt to a changing international environment increasingly ruled by norms of reciprocity.

The Central American isthmus and the Dominican Republic also have some characteristics which reveal their relative lesser development and may reflect a lesser capacity to adapt their production patterns to the challenges of FTAA. A larger agricultural sector than in big countries, a higher proportion of the labour force employed in agriculture and a lower level of urbanization have as their corollary a lower level of industrial and service development. This situation is exacerbated in most small countries by regressive conditions in education and infrastructure, which mean that they are structurally less ready to become part of FTAA.

All of this is compounded by the higher risks which threaten the sustainability of their policies. Some risks originate in the domestic policy sphere, in which countries are less equipped to cope with broad and ambitious integration processes. Thus, small countries are more dependent on foreign trade for their fiscal revenues than are big countries, and they maintain a lower percentage of international reserves. Similarly, a strong dependence on external financing, a more liberalized trade system and a concentrated and vulnerable export structure pose greater external risks for the Central American isthmus and the Dominican Republic than for big countries.

In order to increase their readiness to join FTAA, the small countries should continue to implement macroeconomic policies and institutional changes designed to achieve low inflation rates, stable exchange rates and higher levels of saving and reserves; promote gradual processes of trade liberalization, particularly in agriculture; implement policies and allocate resources to improve the coverage and quality

of education and increase the assimilation of technology; and, in general, make a significant effort to improve their public administration.

Nevertheless, domestic policies will not suffice to increase the readiness of the Central American isthmus and the Dominican Republic. It will also be essential to strengthen international cooperation in support of institution-building and public administration in the region; establish a balance-of-payments financial support mechanism to deal with the consequences of possible disequilibria in a context of greater integration; encourage intraregional investment in small countries to promote changes in their production patterns; support their participation in multinational technology transfer and dissemination projects; ensure that their principal exports have real and continuing access to markets; and recognize that exacting rules of origin discriminate against the exports of small countries because of their lesser sectoral integration, as reflected in weak internal linkages.

I. ELIGIBILITY AND READINESS OF THE SMALL COUNTRIES TO PARTICIPATE IN FTAA

A. PRELIMINARY REMARKS ON ELIGIBILITY AND READINESS

Much attention has been given recently to the possibility that some countries are more "ready" than others to join the North American Free Trade Agreement (NAFTA) or the Free Trade Area of the Americas (FTAA). There are two types of criteria in this regard. First, there are the eligibility criteria, or requirements which the countries in the hemisphere, including the Central American and Caribbean countries, must meet in order to begin negotiations for a free trade agreement. Secondly, there is "readiness", which determines a country's potential to benefit from free trade and trends towards globalization. There may be a certain relationship between the two types of criteria, but they are not necessarily the same.

For example, the clearest and most recent list of eligibility criteria which, in the view of the United States Government, a Caribbean Basin country must meet before entering into negotiations for a reciprocal free trade agreement with the United States is contained in H.R. 553, Section 202, which stipulates requirements in the following areas:

- The country must be a member of the World Trade Organization (WTO)
- Equitable access to markets
- Status of export subsidies
- Fiscal discipline
- Progress in protecting intellectual property rights
- Progress in abolishing barriers to trade in services
- Granting of equal treatment to domestic and foreign investors
- Tariff spread adjusted to WTO
- Progress in liberalizing trade
- Readiness to adapt to objectives relating to trade with the United States (H.R. 553)

Similarly, annex 4, entitled "Implementing Procedure for Future FTA", the United States Government memorandum on trade policy towards Latin America after NAFTA defines the eligibility criteria by stipulating that a country must:

1. Provide "fair and equitable" access to its markets for United States exports, or have made significant strides towards liberalizing its markets, and be of economic interest to the United States, e.g., by providing potential market opportunities for United States enterprises and creating jobs.

2. Have the institutional capacity to fulfil the serious, long-term commitments involved and the economic policies required for the success of the free trade agreement, including a truly stable macroeconomic environment, market-oriented policies and openness to the multilateral trade system. The criteria for demonstrating such commitment include several years of reforms approved by the International Monetary Fund (IMF), full acceptance of the results of the Uruguay Round, sound investment policies and a high degree of protection of intellectual property rights.

3. Agree that the integration agreement shall be based on reciprocity, with no expectation of "special and differentiated" treatment based on its less developed status.

4. Have no outstanding claims or disputes relating to the United States Generalized System of Preferences (GSP) in such areas as workers' rights, expropriation or intellectual property rights. Furthermore, the applicant country must agree to apply specific criteria consistent with NAFTA in the employment and environmental areas.

In a more academic context, Hufbauer and Schott (1994) propose a methodology for assessing the readiness of a country or subregion to join a hemispheric free trade zone. This methodology assigns a score to each economy and ranks the countries in the hemisphere according to their readiness. Hufbauer and Schott define an indicator for each of the macroeconomic and microeconomic variables, which they deem most important for assessing the readiness of a subregion or country to join a free trade zone or to initiate an economic integration process and parameters for assessing the behaviour of countries in the list of each of these indicators.

The authors define the following seven variables for constructing a global indicator, by country and subregion, of readiness to join a free trade zone.

1. Price stability (the less stable, the lower the readiness score).
2. Budget discipline (the higher the deficits, the lower the score).
3. External debt (the higher the debt, the lower the score).
4. Exchange rate stability (the less stable, the lower the score).
5. Degree of market orientation of policies in each country (the greater the State involvement and the less liberalized the markets, the lower the score).
6. Degree of dependence of government income on trade taxes (the more dependent on trade taxes, the lower the score).
7. Functioning democracy (the more inadequate the democratic system, and the greater the problems of governability, the lower the score assigned to the country).

Hufbauer and Schott have undoubtedly made a valuable contribution to the discussion of the readiness of countries to participate in free trade zones. One advantage of their methodology is its simplicity and compactness since a ranking of countries and subregions can be obtained with a few indicators —hence the great interest which it has aroused. Nevertheless, a closer examination reveals several difficulties.

The question of what is really being measured is particularly relevant. The results actually reflect several concepts. Some indicators can be interpreted as eligibility criteria or requirements—in other words, the minimum scores which countries must achieve in order to be eligible to negotiate. Others are clearly indicators of the quality of the macroeconomic policy framework; together they reflect structural aspects of the economies, and are more specifically linked to the countries' relative degree of development. This makes for a certain ambiguity in the Hufbauer and Schott methodology which detracts from its usefulness as a readiness analysis tool.

B. DEFINITION OF READINESS

For countries such as those of Central America and the Caribbean, strategic decisions on movement towards either unilateral free trade or membership of FTAA, and domestic policy priorities and negotiating positions, are critically dependent on the analysis and assessment of each country's readiness to benefit from joint participation in free trade areas with larger, relatively more developed economies, as compared with the costs and benefits of alternative choices. What needs to be considered is the readiness of various countries to submit to the discipline and fulfil the obligations imposed by exacting treaties such as NAFTA and to make the necessary legal and institutional changes, particularly if such trade agreements are reciprocal rather than concessional (as opposed to trade arrangements which involve developed and underdeveloped countries, such as the Caribbean Basin Initiative (CBI)).

The issue concerns not only small economies but all countries engaged in collective efforts to achieve hemispheric or subregional integration. In the context of agreements which include countries such as the United States and Canada and a large, diverse group of much less developed and much smaller economies, the task is to design a framework for integration which is politically, economically and socially viable and of utmost benefit to all its members.

The challenge for governments is to formulate the most appropriate and sustainable economic policies which can ensure a real rise in living standards. How can sustainable growth be promoted? What are the appropriate policies and key structural elements which will enable a country or region to participate successfully in the global economy and attract international investment? It is essential to answer these questions if policy priorities are to be established in countries seeking to increase their readiness to benefit from free trade and trends towards globalization. These questions show that there are requirements in terms of both policy frameworks and other structural factors which may be conceptualized as part of the definition of readiness.

Specifically, it is necessary to distinguish among three concepts:

1. Eligibility criteria: The requirements defined by big countries or groups of countries (General Agreement on Tariffs and Trade (GATT)/WTO, NAFTA, the European Union, hemispheric agreements within FTAA, etc.) for the purpose of granting trade preferences to third countries or incorporating new members into the group. What is involved are externally fixed criteria over which Central America and the Caribbean have little influence.

2. Structural readiness: This refers to the status or condition of the main structural factors of country X which determine the potential costs and benefits to X of joining a free trade zone, given the characteristics of the treaty in question and those defined by the broader context of globalization trends

or forces. Of particular interest is the set of political and structural criteria which the country will have to meet in order to benefit from or take advantage of accession to free trade agreements under the new global economic conditions.

3. Policy readiness: This refers to the readiness of country X in terms of the type, orientation, quality and sustainability of its policies (macroeconomic policies, changing production patterns, social policies) and whether they are consistent or compatible with free trade in general and with membership of a given free trade area. This indicator may strengthen or weaken qualifications in relation to (1) or (2).

By their nature, eligibility requirements or criteria represent rather static goals, which must be attained before countries reach the negotiating table. Accordingly, it is in the interest of applicant countries that this set of requirements be kept to a minimum, i.e., that it constitute a "short list" of criteria. In contrast, the factors to be considered under (2) and (3) are more dynamic; they refer to gradual processes of approaching goals, and include broader and possibly different policies. The concept of risk was added to the above factors so as to allow for the probability of destabilization which could arise after a country joins a free trade area.

As shown below, it is of strategic importance for any country in the hemisphere to be able to assess its own readiness. In fact, a qualitative and quantitative assessment of readiness is crucial both externally and internally, for two reasons.

First, it is crucial externally, i.e., vis-à-vis other trading partners in the hemisphere, particularly the United States, because the ranking assigned to each country will influence perceptions concerning the likelihood of its applying to join NAFTA. In other words, the readiness indicators represent a country's credentials when it comes to negotiating in earnest. It is important to note that meeting these criteria also sends an indirect message to capitals regarding a country's investment climate.

Secondly, on the domestic front, a methodology using specific indicators enriches the national debate over the development model and whether each country is ready or far enough advanced in its stability and economic reforms to apply for membership of an ambitious free trade agreement like NAFTA. An appropriate set of indicators in this regard would give an idea of the degree of effort needed and the tasks to be accomplished if such membership is to be not only viable but beneficial.

II. COMPARATIVE ANALYSIS OF THE ELIGIBILITY AND READINESS OF THE CENTRAL AMERICAN ISTHMUS AND THE DOMINICAN REPUBLIC

A. ELIGIBILITY OF THE CENTRAL AMERICAN ISTHMUS AND THE DOMINICAN REPUBLIC

1. Choice of eligibility indicators for the seven countries

Any country which is considering the possibility of opening its economy to international competition with developed countries such as the United States and Canada needs, as a matter of self-interest, to meet a number of criteria. It is therefore appropriate for some eligibility criteria to coincide with what are actually important criteria from the countries' own point of view. For example, to establish a certain order which maintains a stable macroeconomic framework, without high overall deficits or excessively high interest rates, is one of the requirements, because it reduces uncertainty for investors and eliminates relative price distortions that raise the country cost. In other words, it avoids a bias against the competitiveness of companies operating in that country.

Table A-1 of the statistical annex contains a list of factors to be regarded as eligibility criteria, and distinguishes between those of a macroeconomic nature and those which are not macroeconomic.

In order to highlight specific aspects of the countries of the Central American isthmus and the Dominican Republic, the indicators for the biggest Latin American countries, with populations of over 20 million, are then contrasted with the indicators for the seven countries in the first group, which have populations of under 10 million.¹ The results of this exercise are entirely comparative (ordinal) and should not be taken as an indicator of each country's individual (absolute) eligibility.

With regard to the macroeconomic indicators that have been selected, the justification for limiting participation in the FTAA negotiation process to countries that have made progress in stabilizing their economies is given added force by the current need to consolidate fiscal and monetary discipline in order to avoid a situation in which relatively minor imbalances could be magnified by the volatility of the international financial markets. Making macroeconomic criteria the basis of eligibility for countries to join FTAA reduces the risk that imbalances in one country will spread rapidly to the others as a result of the

¹ While the definitions of small countries are variable and relative, the most common one is based on population data. Various studies which have analysed small countries have defined them as having populations of between 5 and 15 million. See Perkins and Syrquin (1989).

greater interdependence that integration produces, and means that difficulties stemming from severe recessions or sudden devaluations are avoided.²

In terms of "non-macroeconomic" eligibility, membership in GATT/WTO would serve as a partial guarantee that the participants in the integration process will ensure that the rules of the integration agreements are compatible with WTO rules and that the negative effects of the diversion of trade do not have a serious impact. Indicators on the environment and workers' rights are included because the countries make mention of these subjects in the Declaration of Principles of the Summit of the Americas and undertake to make their trade liberalization and environmental policies mutually supportive and to secure the observance and promotion of workers' rights. The number of international agreements signed on labour and environmental matters is only an approximate indicator of the consideration shown for the commitments made in these fields, but it is complemented by the more direct indicator of human rights violations. It is well known that there is a hemisphere-wide objective of creating a community of democracies in which there is a fundamental respect for human rights.

Lastly, the inclusion of the degree of international commitment shown in the area of the protection of intellectual property rights as a criterion of eligibility is due on the one hand to the high priority given by the United States to this matter, which is an element of "**Realpolitik**" that must not be underestimated; and on the other hand to the fact that the conceptual context of globalization and technological revolution outlined at the beginning of this document suggests that, for developing countries, modernizing their legislation in this field in fact works in their own interest, provided that this modernization is accompanied by science and technology policies and by technological innovation that permit local companies to take advantage of modern legislation.

2. Macroeconomic eligibility

Macroeconomic criteria of eligibility seek, in general, to ascertain the degree of control exercised by the national authorities over the principal macroeconomic aggregates. The aim is to establish the institutional capacity of a candidate country to fulfil the commitments inherent in a free trade agreement, in particular its capacity to maintain a macroeconomic climate that favours free trade. These criteria are thus closely linked with the success of stabilization policies, or at least with their external manifestations: inflation, fiscal deficit, current account balance and variations in the nominal exchange rate.

A high score with respect to these criteria does not guarantee that an economy is ready to take advantage of a free trade agreement; however, not passing the test means that the national authorities still do not have sufficient control over the principal economic variables to be able to serve as a serious partner in a round of negotiations.

² ECLAC (1995).

Box

Methodology for comparative analysis

Measuring each country's readiness depends on the behaviour of a set of indicators that are grouped into four categories: eligibility, structure, policies and risks. In order to evaluate each country's relative position with regard to these four categories, it is necessary to define a methodology for collecting the individual data.

The methodology chosen was to classify the countries according to each of the indicators, the country with the highest qualification being placed at level 1, the second at level 2, down to level 13 as the lowest ranking. In the case of an equal score with respect to an indicator, two or more countries are placed at the same level. In order to determine a country's classification with respect to each of the four broad criteria, the average of the levels at which it was placed was calculated; the resulting figure was used to classify the 13 countries following the same method that was used for the individual indicators.

In order to provide a basis for comparison between the two groups of countries and to determine how representative the differences in their indicators were, the degree of importance of the differences between the two averages was statistically verified.

The purpose of the individual indicators chosen, which are listed and explained in the tables in the annex, is to create a picture of the various facets of a country's economic situation that are linked with the concept of readiness. As can be seen, these include static and dynamic aspects. Where the availability of data permitted, averages over three years were used to calculate the static indicators (1992-1994) in order to reduce the impact of variations.

As can be seen in table 1,³ there is not a great difference between big and small countries in terms of the eligibility indicators taken as a whole, although small countries tend on average to be less ready.⁴ However, this apparent uniformity conceals great contrasts in terms of the individual indicators. In particular, the small countries achieve greater stability in terms of prices, whether they be internal (CPI) or with reference to foreign currencies (nominal exchange rate) (see table A-2). On the other hand, they are in an unfavourable position in terms of the size of their fiscal and external deficits. This is probably connected with their low capacity with respect to domestic savings, which are 5% of GDP lower than the average savings of big countries.

³ To put countries in a specific order, a simple average of each country's rankings with respect to the selected indicators was used. The four categories that appear in table 1 were then created in order to group the countries according to similar levels of eligibility or readiness.

⁴ Nevertheless, it needs to be pointed out that the small economies make up a more diverse group than the big ones as far as their classification is concerned. In particular, the highest and lowest rankings are consistently found within this same group of small countries, and this holds true for the four criteria analysed.

Table 1

MACROECONOMIC ELIGIBILITY

(Relative ranking)

Degree of eligibility	Countries
Very high	Panama Dominican Republic Argentina
High	Mexico Colombia El Salvador
Medium	Guatemala Brazil Peru
Low	Costa Rica Venezuela Nicaragua Honduras

Source: Table A-2.

3. Non-macroeconomic eligibility

A comparison of the fulfilment of non-macroeconomic eligibility requirements by the small countries of the Central American isthmus and the Dominican Republic with fulfilment by the bigger countries of Latin America shows that the former have tended to enter into a smaller number of international commitments concerning regulations on labour, the environment and intellectual property (see table A-3). The contrast is especially clear when the small countries are compared with Argentina, Brazil and Mexico.

This contrast could be interpreted as meaning that small countries have less capacity to enter into and fulfil new international commitments. This could be the result of the proportionately higher costs of maintaining a public administration in a small country than in a big one, which is one of the disadvantages often associated with the modest size of the countries.⁵

Within this same line of reasoning, it has been argued that the modest size of small countries normally implies greater homogeneity, which fosters social cohesion and facilitates adjustments to

⁵ In particular, the weakness of the public sector in small countries could be the result of three factors: diseconomies of scale, scarcity of skilled personnel, and relatively weak institutional infrastructures. See United Nations (1993) pp. 11 and 14.

confront changing scenarios.⁶ Unfortunately, recent conflicts of varying intensity in a number of countries in the Central American isthmus show that in these cases the potential positive effect of their small size has been offset by other factors. This has been demonstrated by reports of human rights violations that have also been associated with a weak institutional framework and that reduce the political qualifications of a country to enter into an inter-American trade negotiations process. Nevertheless, this problem is not shared by all small countries, while some of the bigger countries do in fact also have this problem.

To sum up, the non-macroeconomic eligibility of small countries does not seem to be very well established, comparatively speaking, especially with respect to making international commitments concerning intellectual property, the environment and labour issues. Recognition of their institutional weakness (which in some cases extends beyond public management and includes fields such as the administration of justice), and also measures taken by the inter-American community to correct their deficiencies, could help to improve the eligibility of small countries. Table 2 contains a comparative classification of countries using the simple average of their rankings in terms of each indicator of this type of eligibility.

Table 2

NON-MACROECONOMIC ELIGIBILITY

(Relative ranking)

Degree of eligibility	Countries
Very high	Mexico Argentina Brazil
High	Panama Peru Costa Rica
Medium	Guatemala Dominican Republic Colombia
Low	Nicaragua Honduras Venezuela

Source: Table A-3.

⁶ See Katzenstein (1985).

B. STRUCTURAL READINESS

1. Selection of indicators of structural readiness

An economy's structural capacity to benefit from free trade with other economies that are differently endowed with factors, productive structures and organizational capabilities illustrates the difficulties that arise when countries at different levels of development join together in a free trade agreement. In particular, the less developed partners may feel that they are deriving little benefit from the arrangement, and this sentiment is in many cases reinforced by the tendency to concentrate investment in the more developed countries of the area covered by the trade agreement. For this reason, it is important to evaluate the structural factors that affect readiness.

It would not be correct, however, to think of structural factors as requirements for participation in a free trade area, since they change slowly over the course of time as a consequence of evolutionary and cumulative processes of investment and learning. To categorize them as requirements would be to delay the possibility of countries with low scores with respect to these factors becoming active participants in the hemispheric agreement or in subregional agreements.⁷

A better approach would be to propose that these factors serve as an indicative that shows how far it would be desirable for the productive structure and quality of factors in a given country to progress in the medium and long term, in order to gain the maximum advantage from the process of opening up the economy and to compete effectively in the free trade area. Taking full advantage of a free trade area will depend on two types of effects: those that derive from a more efficient allocation of existing resources as a result of the elimination of trade barriers (static effects) and those that are connected to the way in which economic integration affects the growth rates of the participating countries (dynamic effects).

The static benefits of a free trade area are, in general, greater: 1) the higher the barriers to trade were prior to the formation of the free trade area; 2) the lower the trade barriers are with the rest of the world after its formation; 4) the larger the market is that has been created by the formation of the free trade area; and 5) the closer together geographically the members of the free trade area are.

The strength of these trade effects depends partially on the trade policies adopted by the contracting parties of a free trade area, but also on structural factors that affect the degree to which the tariff reductions actually result in lower offering prices and on the responsiveness of supply and demand to price changes in both markets. On the other hand, improving well-being by reallocating resources inevitably creates adjustment costs, whose level and distribution will depend on each country's circumstances and flexibility.

The most important dynamic effects of a free trade agreement between a country or group of Latin American countries and, for example, the United States are dependent upon the increase in real access to the United States market that is obtained under the agreement and upon effective utilization of the opportunities for trade and investment that broader access provides. Specifically, effective utilization of the opportunities for trade and investment created by the agreement requires a degree of international

⁷ See ECLAC (1995e).

competitiveness that is not an automatic by-product of trade liberalization. The ability of small countries to take advantage of market opportunities can be hampered by supply-side limitations such as an inadequate infrastructure, fragmented and inefficient capital markets, a poorly-trained workforce, insufficient managerial and technological skills and know-how, and other institutional deficiencies.

On the basis of these considerations, the critical structural factors that determine an economy's potential for benefiting from and taking advantage of free trade opportunities can be classified according to the following categories: macroeconomic and sectoral structure, linkages with the global economy, human resources, and infrastructure.

Table A-4 presents these factors concerning structural readiness and the proposed variables for measuring each of them, together with a short commentary. These factors and their corresponding measurement variables can be seen as an "internal strength index" of the capacity to take advantage of the opportunities offered by the global economy.

2. Macroeconomic and sectoral structure

The structural criteria of readiness are conceptually linked with each country's internal supply situation and its capacity to take advantage of the potential benefits of a free trade area: balance of goods and services markets, development of the financial sector, attractiveness to foreign investment, overall factor productivity, etc. In this sense, structural readiness and economic strength (in qualitative terms, discounting the effects of size) are largely synonymous.

Generally speaking, the indicators that have been selected suggest that small countries are at a disadvantage in terms of their macroeconomic and sectoral structures (see table 3). The only exception is Panama, which is among the top five countries with the highest score in this area, whereas the six remaining small countries are placed in the middle or lower portion of the scale.

Thus, although there are no significant differences between small and big countries in terms of per capita GDP growth and financial depth, statistically significant differences can be observed in terms of indicators of less relative development such as agricultural output as a percentage of GDP, urbanization, and the share of firewood in residential energy consumption (see table A-5). In all of these cases, small countries are in a noticeably less favourable position, with Guatemala, Honduras and, to a lesser extent, Nicaragua being particularly behind in development. There is also a statistically significant difference in terms of population density, which is an indicator of geographical size and of the relative availability of natural resources. El Salvador, followed by the Dominican Republic, have a particularly high density. Both countries' greater availability of manpower (and their smaller supply of natural resources) is reflected in a higher proportion of labour-intensive exports (articles of clothing) than of exports of natural resources (especially agricultural products).⁸

⁸ See Buitelaar and Fuentes (1991).

Table 3

MACROECONOMIC AND SECTORAL STRUCTURE

(Relative ranking)

Readiness	Countries
Very high	Argentina Venezuela Brazil Panama Peru
High	Mexico
Medium	Colombia El Salvador Costa Rica
Low	Dominican Republic Guatemala Nicaragua Honduras

Source: Table A-5.

3. Diversification and export growth

A country whose growth depends primarily on exports, and that also has a diversified basket of exportable goods and is well-positioned in the export of products for which there is great demand in international trade, will be readier to take on the challenge of trade liberalization. These same characteristics will make such a country less likely to suffer a balance-of-payments crisis caused by the progress of trade liberalization in the hemisphere.

There is no indication that the countries of the Central American isthmus and the Dominican Republic are in an especially disadvantageous position as regards the diversification and growth of their exports (see table 4). Thus, when compared with other, larger countries, the Dominican Republic and Costa Rica are in a favourable position. Both stand out for having a high proportion of exports that correspond to the United States' fastest-growing import sectors (favourable "positioning"). In addition, Costa Rica has experienced strong growth in its total exports of goods and services, and the degree of diversification of exports from the Dominican Republic to the United States is relatively high. Although Mexico's score is higher than that of these countries, Brazil's score—with less rapid total export growth and less ability to increase the proportion of its exports that fall within United States import categories—is similar (see table 4 and table A-6).

Table 4

EXPORT DIVERSIFICATION AND PERFORMANCE

(Relative ranking)

Readiness	Countries
Very high	Mexico Dominican Republic Costa Rica Brazil
High	Guatemala El Salvador Colombia
Medium	Argentina Venezuela
Low	Honduras Panama Nicaragua Peru

Source: Table A-6.

Argentina and Venezuela are in less advantageous positions than El Salvador and Guatemala owing to the more favourable positioning of the latter countries' exports (see table A-7). These latter countries have also experienced greater growth in the export of goods and services (Guatemala) or in recent years have increased their market share in specific United States import categories (El Salvador).

The great differences that exist among small countries are attested by the observation that, in contrast to the Dominican Republic and Costa Rica, some of them are in less favourable positions owing to limited growth of total exports (Honduras), very low value of exports (Panama and Nicaragua), unfavourable positioning (Nicaragua), or a low degree of diversification (all three). Nevertheless, Peru has an even less favourable score as a result of an unfortunate combination of these factors.

4. Human resources

The challenge of increasing competitiveness and productivity in the context of developing linkages with the global economy requires skilled human resources capable of assimilating and adapting new technologies on a continuing basis. Highly-educated and well-trained human resources constitute one of an economy's main structural factors in taking advantage of the opportunities of free trade.

A comparative analysis of the human resources indicators shows that the disadvantages of small countries stem from two sources: the proportion of manpower employed in modern sectors (non-agricultural) is clearly lower than in bigger countries, and their index of educational achievement, which combines the adult literacy rate with the average years of schooling, is also less favourable (see table A-7). It follows from these findings that small countries will tend to have greater difficulties than bigger ones in adjusting to liberalization of trade in the agricultural sector, with the consequent potential displacement of agricultural employment. This difficulty could become magnified even more by the lower level of education in Central America and the Dominican Republic, which is reflected in a low capacity for adaptation in the general workforce.

This deficiency is partially compensated for by recent productivity increases by the total workforce in a few countries such as El Salvador, Panama and Costa Rica, which are surpassed only by Argentina. Costa Rica and, to a lesser extent, Panama also have comparatively high productivity ratios in the agricultural workforce. Table 5 shows the results obtained from this group of indicators of structural readiness in terms of human resources. The outcome is that among small countries only Costa Rica and Panama have a high score with respect to structural readiness regarding human resources, while the others have a medium (Dominican Republic) or low score (El Salvador, Nicaragua, Guatemala and Honduras).

Nevertheless, as indicated above, the small countries as a group might face greater adjustment problems in the agricultural sector than the big ones, owing to the greater proportion of manpower employed in this sector. Among the big countries, on the other hand, Brazil alone receives a medium score in connection with the group of indicators of structural readiness in terms of human resources, whereas the others receive a rating of high or very high.

Table 5

HUMAN RESOURCES
(Relative ranking)

Readiness	Countries
Very high	Argentina Costa Rica Colombia
High	Panama Venezuela Mexico Peru
Medium	Dominican Republic Brazil
Low	El Salvador Nicaragua Guatemala Honduras

Source: Table A-7.

5. Infrastructure

One of the critical factors that determine "structural competitiveness", and one of the factors that attract productive investment flows, is the availability and quality of infrastructure (transport, energy, telecommunications) at a country's disposal. In terms of the three indicators selected (see table A-8), there is a statistically significant difference between small and big countries only in the case of residential electric power consumption, which is lower in smaller countries, especially in Guatemala and Nicaragua. This would reflect a low percentage of coverage by basic services, especially energy.

All in all, with respect to this and to the other infrastructure indicators, Costa Rica and Panama clearly stand out when compared with the other small countries and are among the countries that show the greatest structural readiness in terms of infrastructure (see table 6). The rest of the small countries show medium readiness (Dominican Republic and El Salvador) or low readiness (Nicaragua, Honduras and Guatemala). Although it is true that their smaller geographical areas result in lower requirements in terms of paved roads per inhabitant, such as in El Salvador, the lower-scoring countries also have very unfavourable ratings in terms of number of telephone lines and energy consumption.

Table 6

INFRASTRUCTURE

(Relative ranking)

Readiness	Countries
Very high	Venezuela Costa Rica Argentina-Panama
High	Brazil Mexico
Medium	Colombia Dominican Republic El Salvador
Low	Peru Nicaragua Honduras Guatemala

Source: Table A-8.

C. POLICY READINESS

1. Choice of policy readiness indicators

The optimum policies with respect to hemisphere-wide integration are policies that would ensure that a country that becomes party to a particular free trade agreement derives the maximum benefit from it. The policy readiness of a country can be measured by how closely its policies approach the optimum. It is not always easy to determine the extent of the gap, in part because of debate about the potential effects of some policies and in part because of the difficulty of measuring the way in which policies are implemented. The estimates and comparative analysis set forth below must therefore be taken as a preliminary approximation to be refined at some later stage when more definitive results can be obtained.

In this regard, macroeconomic policies, trade policies and policies of support for changing production patterns are considered as separate categories, and some risk indicators are also defined. The indicators for these categories are shown in table A-9 of the statistical annex. These policies have been selected for consideration on the assumption that in order to take advantage of trade and investment opportunities, there is a need ensure long-term stability, to improve the investment climate and to eliminate relative price distortions and an anti-export bias, so that export activities are profitable.

Moreover, liberalized trade regulations, including low, uniform tariffs, which enable producers to have access to foreign goods, services, capital equipment, information and technology are essential for creating an environment that can attract new investment both domestic and foreign. A vigorous policy based on respect for multilateral trade commitments will also cut down on the potential for reprisals or unfair trade practices by other countries and thereby reduce risk.

A policy aimed at promoting competitiveness, however, cannot be based solely on macroeconomic and trade policy. Complementary policies are needed, among them policies aimed at enhancing human and natural resources and extending and improving the efficacy of the infrastructure. Without these complementary support measures and policies fostering more modern production patterns, the potential for growth offered by access to a wider market will be hard to realize in these countries. Some of the indicators of these policies are considered below.

2. Macroeconomic policy

The indicators selected to reflect macroeconomic policy readiness measure results rather than actual policies. This set of indicators in general focuses on fiscal and monetary measures, since these are the most direct tools of macroeconomic management available to authorities.

In contrast to the results obtained by some other criteria, the small countries are at a distinct disadvantage compared with the big countries in terms of the quality and sustainability (within the context of a free trade area) of their macroeconomic policies. With the exception of Panama and the Dominican Republic, the small countries rank clearly below the big countries (Argentina excepted) in the overall rating of their fiscal and monetary policies (see table 7). In view of the importance of this criterion, from both a static (readiness) and a dynamic perspective (future impact on other indicators), the differences are a cause for concern.

Surprisingly, although the small countries are more open to international trade, they do not in general back their currencies with foreign exchange or ensure the continuity of their import flows through international reserves (see table A-10). While net external assets in the big economies represent over 100% of the monetary base, the figures may even be negative in the small countries. Similarly, the big countries maintain international reserves sufficient to cover more than seven months of imports, while the small countries cover less than four months' worth. This means that the small countries have little autonomy or scope in the management of their foreign exchange policy, and over time the trend of their real exchange rate is more predictable than for the big economies (the average prediction errors are 3.8% and 7.4%, respectively).

On the fiscal level, it is observable that the small economies are still highly dependent on taxes on foreign trade, a situation that could have dramatic consequences because of the double cost that would be involved: first, the loss of income from tariff reductions and, second, the diversion of trade that would probably occur if the tariffs applicable to the rest of the world were kept relatively high when the country joined the free trade area.

The fact that the governments of the small countries are making a bigger effort in terms of investment is positive, because it should make for a better infrastructure in the future. Since, however, they are not compensating for the extra capital expenditure with greater public sector saving (the rates of saving are even somewhat lower than for the big countries), the consequences are the large fiscal deficits mentioned earlier. Low public sector saving in comparison with investment also results in heavy dependence on external aid. Official development assistance to the small countries represented nearly 10% of GDP in 1991, whereas for the big countries it was under 1%.

In this monetary and fiscal picture characterized by strong contrasts between the two groups, the great exception is the striking similarity in the thrust of their domestic credit policy. Despite the differences noted earlier in the size of fiscal deficits and in levels of inflation and money supply, in all cases (except in Nicaragua) the bulk of domestic credit goes to the private sector.

Table 7

MACROECONOMIC POLICY
(Relative ranking)

Readiness	Countries
Very high	Panama Colombia Mexico
High	Dominican Republic Peru Venezuela
Medium	Brazil Costa Rica El Salvador
Low	Guatemala Honduras Argentina Nicaragua

Source: Table A-10.

3. Trade policy

The trade policy indicators suggest that the small countries are lagging slightly behind in this area. The mean tariff tends to be higher in the small countries; the Dominican Republic and Panama represent extreme cases, with a mean tariff close to or higher than 20% (see table A-11). The trade history of these two countries differs from that of the Central American countries, which in the past adopted a common external tariff that represented less effective protection and pursued a less extreme import substitution policy than the larger countries.

The wider tariff spread in the small countries is also statistically significant and is explained by the atypical tariff policies of the Dominican Republic and Panama and by the surtaxes that Honduras and Nicaragua have applied on top of the Central American common external tariff. The low mean tariffs and narrow tariff spreads in El Salvador and Guatemala, on the other hand, place them among the countries with the best scores in these areas.

Looking at other trade indicators, the small countries have signed fewer Tokyo Round agreements and have generally been late in becoming parties to the General Agreement on Tariffs and Trade (GATT); these indicators reveal a certain lag in their participation in multilateral organizations and arrangements, despite the fact that they are among the chief beneficiaries of stable, transparent trade regulations. On the other hand, the small countries have been less apt to resort to subsidies or restrictive practices subject to GATT investigation; even discounting for their late entry into GATT, the low number of investigations is probably indicative of relatively less complex and more transparent trade policies. It is likely, although it cannot be demonstrated empirically for lack of an appropriate indicator, that the lesser complexity of trade policy in the small countries also extends to less frequent use of non-tariff barriers to imports.

The indicators taken together do not support categorical conclusions about the relative trade policy readiness of the small countries (see table 8). Countries both large and small can be found at each readiness level in this respect. Nevertheless, the relative lag and lesser complexity of trade policy in the small countries that can be tentatively identified based on the available information may point to a need for technical cooperation in this area.

Table 8

TRADE POLICY (Relative ranking)

Readiness	Countries
Very high	Brazil Mexico Guatemala
High	El Salvador Nicaragua Colombia
Medium	Dominican Republic Peru
Low	Argentina Costa Rica Panama Honduras

Source: Table A-11.

4. Policies in support of changing production patterns

Education is the area in which big and small countries appear to differ most in readiness under the category of policies in support of changing production patterns (see table A-12). Specifically, the pupil/teacher ratio is considerably higher in the small countries than in the big ones, and the difference is even more pronounced at the secondary level than at the primary. The difference does not necessarily reflect higher expenditure on education, although there is a correlation between the two variables in the most extreme cases, such as Guatemala, the Dominican Republic and El Salvador. Moreover, the lack of human resource readiness already evident in the structural sphere would not appear to be offset by comparatively more ambitious education policies.

Another area of contrast between the big and small countries, and a possible indicator of a more "market-friendly" approach, relates to privatized telecommunications companies. It happens that among the small countries only the Dominican Republic has a privatized telecommunications company, whereas among the larger countries only Brazil and Colombia have failed to privatize their telecommunications.

Energy consumption as a percentage of GDP, an indicator of energy efficiency, does not differ widely between the small countries as a group and the larger. None the less, the group figures conceal major differences, particularly among the small countries, where the greater efficiency of Costa Rica and Panama contrasts with the inefficiency of Honduras, El Salvador and Nicaragua.

In contrast to other indicators, it is interesting that there is little difference in terms of total protected area, one indicator of environmental policy readiness. For countries with a small territory, in which land is a very scarce resource, to have the same proportion of land set aside as the larger countries implies that they actually have an environmental policy of broader scope than the latter.

Finally, infrastructure investment policy indicators, including the increase in telephone lines and highway density, reveal no major differences between large and small countries. Nevertheless, the very lack of difference in policies means that the gap between countries that have already made infrastructure investment and those less favorably placed will not be closed. Argentina, for example, which has the most telephone lines per inhabitant, had a greater percentage increase in telephone installations between 1988 and 1992 than Nicaragua, which has the fewest lines per inhabitant.

Comparison of this set of indicators combined supports the conclusion that most of the big countries are better prepared than the smaller countries in terms of policies of support for changing production patterns. There are important exceptions to this generalization, such as Panama (very high level of readiness) and Peru (low) (see table 9).

Table 9

POLICIES CONDUCTIVE TO CHANGING PRODUCTION PATTERNS

(Relative ranking)

Readiness	Countries
Very high	Argentina Venezuela Mexico Panama
High	Brazil Dominican Republic
Medium	Costa Rica Colombia Honduras
Low	Guatemala Peru El Salvador Nicaragua

Source: Table A-12.

5. Trade and macroeconomic risks

This discussion of readiness would be incomplete without an evaluation the risks economies might face upon becoming part of a free trade area and measuring their capacity to respond. In such a context of free trade and greater openness to international flows, external shocks, which may destabilize economies and in extreme cases force them to withdraw temporarily or definitively from the trade agreement, assume even greater importance. Therefore, the viability of integration agreements is assessed on the basis of a set of indicators designed to reveal the degree of trade structure weakness, liquidity risk exposure and capacity to withstand and finance temporary adverse situations with domestic resources.

a) Trade vulnerability

The literature on small countries indicates that the level of openness (imports plus exports of goods and services as a percentage of GDP) is significantly higher for the small countries than for the larger countries of Latin America (see table A-13). A higher level of openness can be viewed as an indicator of more thorough readiness, because it demonstrates a greater degree of integration into the global market, a greater capacity to utilize comparative advantage and a greater likelihood that an increase in exports will contribute to growth in GDP.

On the other hand, the same indicator can suggest a vulnerability to external shocks if paired with a rigid or highly concentrated export structure. While the level of concentration of small-country exports is not appreciably different than that of the larger countries of Latin America, the greater degree of openness of the former makes them more vulnerable to external shocks than the latter.

When other considerations regarding the trade structure of the respective countries are figured into the analysis, the preliminary conclusions become even less favourable to the small countries. One of the main export categories of the countries of Central America and the Dominican Republic, for example, is clothing (particularly garments assembled in-bond), a mark of vulnerability, because the garment industry is highly susceptible to protectionist pressures and is "foot-loose" —in other words, it can shift readily from one country to another. Moreover, even setting aside exports by the maquiladora industry, the export product line is generally more concentrated in the smaller than in the larger countries (in 1992-1994 the 10 most important products represented on average 68% of the exports of the small countries, compared with 56% for the larger countries).

If the 13 countries under consideration are scored according to their ranking for each of the indicators developed (openness, export concentration and percentage of total exports represented by garment exports), it is observable that the smaller are in fact the more vulnerable (see table 10).

Table 10

COMMERCIAL RISKS

(Relative ranking)

Degree of vulnerability	Countries
Low	Brazil Argentina Mexico
Medium	Peru Colombia Venezuela Dominican Republic
High	Costa Rica El Salvador Guatemala
Very high	Panama Nicaragua Honduras

Source: Table A-13.

b) Macroeconomic vulnerability

As in other areas of readiness, the smaller countries generally score below big ones in the evaluation of country risk. Given the greater degree of openness of small countries, which amplifies the effect of an international price shock on national income, and the greater vulnerability of their foreign trade structure, their macroeconomic risk exposure is heavy.⁹

The weak point of small countries is their dependence on external financing and transfers; their average trade deficit level is higher than that of the other group (9.5% compared to 1.3% of GDP) (see table A-14). On average the smaller countries also depend on official assistance for a high proportion of their revenues, at a time when this type of support for development is increasingly coming under fire. The developed countries are tending to abandon aid policy in favour of increased trade with developing countries. It is significant in this regard that the creation of FTAA coincides with a decline in official aid from the United States.

Despite their external dependence, there are some risk factors that do not affect the small countries. To begin with, the relative level of external indebtedness is much lower in these economies, with the exception of Nicaragua. Moreover, their small size helps them in renegotiating their official debt on favourable terms or repurchasing their commercial debt in secondary markets. Secondly, despite their greater reliance on agricultural exports, the small countries do not suffer from great volatility in foreign exchange income (fluctuation of 6.4%, compared with 8% for the larger countries). Finally, they are distinguished by the greater competitiveness of their real exchange rates, which enables them to avoid sharp exchange rate adjustments. The combined effect of this set of variables is reflected in the ranking shown in table 11.

Table 11

MACROECONOMIC VULNERABILITY (Relative ranking)

Degree of vulnerability	Countries
Low	Panama Venezuela Dominican Republic Brazil
Medium	Costa Rica Colombia
High	Mexico Honduras Guatemala
Very high	Argentina El Salvador Peru Nicaragua

Source: Table A-14.

⁹ By macroeconomic risk is meant here the possibility that a temporary fluctuation of external origin may have a major disruptive effect on domestic income.

III. INCREASING THE READINESS OF THE CENTRAL AMERICAN ISTHMUS AND THE DOMINICAN REPUBLIC TO JOIN FTAA

A. ELIGIBILITY

The macroeconomic eligibility of the Central American countries and the Dominican Republic to participate in a negotiating process for FTAA does not appear to be any less than that of the bigger Latin American countries. In recent years, moreover, the countries considered have shown lower inflation rates and narrower exchange rate fluctuations. This implies that, as the process of hemispheric integration advances, the small countries should monitor the macroeconomic eligibility of the big countries.¹⁰

In contrast, balance-of-payments deficits have generally been larger in the countries considered than in the big countries; this is consistent with a smaller volume of domestic savings and a greater dependence on official capital flows, a characteristic which they tend to share with other small economies. Accordingly, in order to strengthen the eligibility of the Central American countries and the Dominican Republic, it will be necessary to continue to implement macroeconomic policies geared to maintaining lower inflation rates and stable exchange rates while promoting domestic saving. This will probably be a more urgent task than in other, bigger countries on the continent.¹¹

Small countries have a limited capacity to shoulder international commitments in the fields of employment, the environment and intellectual property rights. This could be deemed to be a reflection of their institutional weakness, which in some cases extends to other areas, such as the administration of justice. This inadequacy is partially associated with the countries' small size, lack of sufficient skilled labour and high costs, which are due to their inability to take advantage of the economies of scale offered by public administration. In some cases, the situation has been exacerbated by internal conflicts, emigration, persecution and exile, which has increased the shortage of highly skilled technicians and professionals. This weakness, and the importance and difficulty of implementing institutional reforms to promote domestic saving, suggest that in order to increase the eligibility of these countries, international cooperation will have to contribute to strengthening their institutions, especially their public administration.

¹⁰ See, e.g., ECLAC (1995a).

¹¹ It will be an easier task to increase the eligibility of big countries than of small ones, since stabilization can be achieved more easily than an increase in domestic saving.

B. STRUCTURAL FACTORS

The greater openness of these small economies (imports plus exports as a percentage of GDP) suggests that expanding their exports will make a more sizeable contribution to GDP growth than an equivalent percentage increase in bigger, closed economies. Moreover, these countries' non-traditional exports have grown rapidly in recent years.

However, several indicators of the structural readiness required in order to benefit from an agreement such as FTAA suggest that the Central American isthmus and the Dominican Republic are disadvantaged as compared with the big Latin American countries. This is clearly reflected in the fact that the smaller countries have a relatively larger agricultural sector, employing a higher percentage of the labour force, and a lower level of urbanization. The corollary of this is a lower level of industrial and service development, which could be deemed to be an indicator of relative lesser development.

In addition to the above, most of the countries considered have a less educated population and a low ratio of basic service coverage. A low educational level obviously limits the flexibility and adaptability of the labour force as a whole to the changing and exacting requirements of participation in FTAA; meanwhile, a lack of infrastructure raises transaction costs, making exports more expensive and discouraging foreign direct investment.

Added to these signs of relatively lesser development are possible structural disadvantages arising from small size. Thus, it is likely that the increase in productivity and external linkages associated with export growth will be smaller in smaller and less developed countries.¹² This is due, on the one hand, to the fact that a smaller industrial sector limits the opportunities for dissemination of technology to the agricultural sector through the supply of inputs (fertilizers and equipment), services and technologies adapted to country conditions.¹³ On the other hand, the relatively smaller size of the industrial sector implies a greater degree of internal linkages in general. This set of limitations can prove to be more serious than disadvantages in the eligibility sphere, especially given that overcoming them requires actions within a longer time-frame.

In particular, the characteristics of the agricultural sector pose a dilemma for small countries. On the one hand, they need to have an agricultural sector free of hemispheric constraints in order to facilitate their exports, which are mainly agricultural. On the other hand, it can be assumed that the competitiveness of the rest of the (non-exporting) agricultural sector will be weak in those countries which lack an adequate infrastructure and have a large, relatively unskilled, rural labour force. In addition, the technologies available internationally emphasize large-scale agricultural production, in contrast to the conditions under which most small-country producers operate.

It would be advisable to prolong the process of trade liberalization in the agricultural sector (especially for producers of basic grains) in order to reduce the costs of adjustment, unless there are firm expectations that a more rapid trade liberalization will ensure a faster reallocation of resources through new investment in export activities and infrastructure. This will, in large measure, depend on substantial flows of external capital, both official and private.

¹² See Hotchkiss, Moore and Rockel (1994).

¹³ See Milner and Westaway (1993).

As to private capital, consideration should be given to the ECLAC proposal for establishing special incentives to promote investment by bigger countries in the smaller countries in the hemisphere, which in recent years has become an increasingly frequent occurrence.¹⁴ However, improving the quality of human capital also requires huge social efforts in each small country, in order to ensure both a sharp increase in educational resources and institutional reforms to guarantee their efficient use. Increased investment is also needed in key sectors, such as ports, telecommunications and energy.

Moreover, the greater difficulty that small countries face in enhancing the quality of education becomes an exacerbated constraint in the light of the structural gap that already exists between small and big countries in the educational field. This weak base, other structural obstacles mentioned earlier and the existence of economies of scale in scientific and technological research also explain why small countries are less technologically developed. For this reason, it is essential for small countries, including small developed (e.g., European) countries,¹⁵ to focus on activities that facilitate the dissemination and absorption of technologies and on joint technology development projects. These are areas in which special attention to the needs of small countries is warranted.

Lastly, the weakness of internal linkages means that small countries have more difficulties than big countries in complying with rules of origin that have high transformation or value-added requirements. Accordingly, equivalent rules of origin for big and small countries can discriminate against the latter.

C. POLICY READINESS

The policy indicators that can be identified suggest that the Central American countries and the Dominican Republic are lagging behind in terms of the readiness of several of their economic and social policies. As their fiscal revenues are more dependent on foreign trade taxes, entry into FTAA could erode their tax base as a result of tariff reductions. Furthermore, they tend to maintain smaller international reserves, whether these are calculated in terms of months of imports or as a support for their monetary base. This increases the risk of their being unable to compensate internally for the effects of temporary external shocks. In both cases, an increase in readiness depends mainly on internal efforts, although the greater vulnerability of these countries to external shocks, which would increase under FTAA, might justify some type of compensatory financing mechanism that would avoid the negative impact of temporary disequilibria on reciprocal trade and investment flows within the hemisphere.

With regard to trade policy, small countries, like big ones, have reduced their levels of protectionism in recent years. Even so, trade barriers have not been lowered as dramatically in small countries, since their very size and traditional openness meant that their previous protectionist and import-substitution policies could not be carried to the same extremes as in big countries. Nevertheless, this later, less radical trade liberalization in small countries is now also reflected in a greater tariff deviation. This is attributable to the institutional weakness of governments and to protectionist pressures exerted by oligopolies which have greater lobbying strength than they would have in big markets.

¹⁴ See ECLAC (1994). There is also a danger that investment will be concentrated in bigger, more developed countries.

¹⁵ Katzenstein (1985), pp. 44-45 and 63.

The concentration of manufacturing activity in a small number of enterprises increases the social and political costs of any conversion required in order for tariffs to be lowered; while small- and medium-scale enterprises may have valid fears regarding a lowering of the barriers that still remain, the actual current structure of protectionism in the Central American countries tends to favour the capital-intensive sectors that use imported inputs; these are the concentrated sectors in which large enterprises operate.¹⁶

Increasing readiness in this sphere means, first of all, recognizing that trade policy has greater importance in small countries than big ones, since small countries are more dependent on trade. By the same token, the use of trade policy for purposes that are not strictly commercial results in high costs for small countries,¹⁷ and the combination of growing demands for reciprocity (unlike in previous decades) and decreased negotiating power makes them vulnerable to bilateral pressures from big economies. In addition, the countries considered are more sensitive to increased protectionism, and they derive greater benefits from multilateral rules that are transparent and strictly applied.

It should be recalled that the institutional weakness of governments in the trade area has meant late entry into GATT. In this field, international technical cooperation can play an important role in institution-building, given the tradition of subregional integration and the numerous advantages of strengthening the implementation of trade policy in all of the countries considered.

As stated earlier, if small countries are to close their technological gap, they must promote activities which make it possible to absorb and disseminate technologies. However, in exchanging a growth path based on comparative advantages deriving solely from labour and natural resources¹⁸ to one based on a growing assimilation of technological progress, these countries face not only problems associated with the shortage of skilled labour, the need for manpower training and the weakness of the scientific and technological infrastructure, but also problems of investment and financing. In particular, with the exception of atypical cases in which there is a strong financial tradition, the domestic market is too small to support a secondary working capital market in domestic securities (securities exchange); where such activity exists, it is generally in its infancy, and is limited to transactions involving public securities.

What is more, if the domestic banking system is well developed in proportion to the size of the economy, the necessarily small volume of financial operations in these countries creates serious limitations as regards the financing opportunities for investment projects. In particular, it will be exceedingly difficult for a bank to assume sole responsibility for financing a major investment project, and banks may reject the possibility of cooperating with competitors. Moreover, the concentration of credit portfolios in a few projects makes risk management difficult for the bank, and leads to greater risk aversion than in the case of large banks in big countries. Such risk aversion is reflected in a preference for short-term credit operations and in the concentration of longer-term loans in projects chosen more as a function of the borrowers' financial health than of the economic worth of their projects.

¹⁶ See ECLAC (1995b and 1995d).

¹⁷ See Lipsey (1991). Thus, there is a danger that some bilateral agreements may give rise to political benefits which do not outweigh their (net) economic costs.

¹⁸ See Buitelaar and Fuentes (1991).

The above implies that financial integration can take on special significance for small countries. It also underscores the need to promote regional foreign investment in order to supplement the domestic investment effort in the Central American isthmus and the Dominican Republic.

D. RISKS

The Central American countries and the Dominican Republic face greater external risks than big countries for several reasons. They are more dependent on transfers and external financing, receive a high percentage of their revenues in the form of official assistance and are characterized by greater openness, export concentration and trade vulnerability owing to the importance of maquila exports.

Greater financial vulnerability underscores the need for each small country to increase its level of international reserves. This could be supplemented, as indicated earlier, by a balance-of-payments financial support mechanism enabling countries to cope with the consequences of possible disequilibria in a context of greater hemispheric integration. In the light of the analysis of macroeconomic eligibility, such disequilibria are more likely to originate in big countries than in small ones.

Moreover, small countries are especially vulnerable to the danger of a decrease in official development assistance. In order to avoid this discriminatory effect in a context of liberalization, in which the export capacity of these countries is still uncertain, it will be necessary to strengthen, or, at least, secure at its current level, financial cooperation which does not translate into higher debt. This could be supplemented by a renegotiation of existing debts among the countries members of FTAA, bearing in mind the possibility of setting up debt-for-investment swaps, which will also stimulate intraregional investment in small countries.

Reducing the risks of trade also requires a joint effort by big and small countries in the hemisphere. It implies that small countries must continue and increase their efforts to diversify exports, and means recognizing the vital importance of secure access to foreign markets for the products which make up a high percentage of small countries' total exports, such as clothing. Lastly, it reaffirms the need to promote "open regionalism", so as to ensure that FTAA does not result in increased protectionism vis-à-vis third countries and is compatible with multilateral agreements to promote a greater diversification of extraregional markets.

BIBLIOGRAPHY

- Buitelaar, R. and J. A. Fuentes (1991), "The competitiveness of the small economies of the region", *CEPAL Review*, No. 43 (LC/G.1654-P), Santiago, Chile, April.
- ECLAC (Economic Commission for Latin America and the Caribbean) (1994), *Open Regionalism in Latin America and the Caribbean*. Economic Integration as a Contribution to Changing Production Patterns with Social Equity (LC/G.1801/Rev.1-P), Santiago, Chile. United Nations publication, Sales No. E.94.II.G.3.
- ____ (1995a), Posibles efectos de la coyuntura de México sobre el Istmo Centroamericano (LC/MEX/R.511), Mexico City, ECLAC subregional headquarters in Mexico, 30 March.
- ____ (1995b), El regionalismo abierto en América Central. Los desafíos de profundizar y ampliar la integración (LC/MEX/CCE/L.261), Mexico City, ECLAC subregional headquarters in Mexico, 7 April.
- ____ (1995c), Hacia una trayectoria de integración hemisférica para Centroamérica (LC/MEX/CCE/L.422), Mexico City, ECLAC subregional headquarters in Mexico, 18 September.
- ____ (1995d), Protección efectiva resultante del Sistema Arancelario Centroamericano (LC/MEX/CCE/L.423), Mexico City, ECLAC subregional headquarters in Mexico, 18 September.
- ____ (1995e), El grado de preparación para adherirse al TLCAN o al ALCA (INT.17-95), Mexico City, ECLAC subregional headquarters in Mexico, 19 June.
- Hotshkiss, J., R. Moore and M. Rockel (1994), "Export expansion and growth at different stages of development", *Journal of Economic Development*, vol. 19, No. 1.
- Hufbauer, G. and J. Schott (1994), *Western Hemisphere Economic Integration*, Washington, D.C., Institute for International Economics, February.
- Katzenstein, P. (1985), "Small states in world markets", *Industrial Policy in Europe*, Ithaca, Cornell University Press.
- Lipsey, R. (1991), "El libre comercio entre países desiguales", *Estudios económicos*, vol. 6, No. 1, January-June.
- Milner, C. and T. Westaway (1994), "The effect of size on sources of medium-term growth in developing countries", *Scottish Journal of Political Economy*, vol. 41, No. 2, May.
- Perkins, D. and M. Syrquin (1989), "Large countries: The influence of size", *Handbook of Development Economics*, H. Chenery and T.N. Svinivasen (eds.), vol. II, Amsterdam, Elsevier.
- United Nations (1993), *A Review of the Specific Development Needs of Small Member States and the Responsiveness of the United Nations Development System to these Needs*, Joint Inspection Unit, Geneva.

STATISTICAL ANNEX

Table A-1

ELIGIBILITY INDICATORS

Indicator	Coverage/period	Reason	Source
A. Macroeconomic eligibility			
Inflation	3-year average	Uncertainty in domestic decision-making, macroeconomic stability	IMF
Central government fiscal deficit	3-year average	Fiscal discipline, possible destabilizing effect on macroeconomic equilibria	ECLAC
Current account deficit	3-year average	Quality of macroeconomic adjustment, external vulnerability	ECLAC
Nominal exchange-rate stability	Percentage change, over 3 years	Uncertainty in international trade and financial investment	IMF
B. Non-macroeconomic eligibility			
Number of ILO conventions ratified	Most recent year	Indicator of willingness to respect labour agreements	World Bank
Number of (major) international conventions on the environment	Most recent year	Indicator of willingness to respect agreements on the environment	World Resources
Number of (major) international conventions on intellectual property rights ratified	Most recent year	Indicator of willingness to respect agreements on intellectual property	WIPO
Human rights violations	Most recent year 1994	Indicator of politico-institutional eligibility	Amnesty International UN
Membership (or non-membership) of GATT/WTO	Most recent year	Indicator of compliance with multilateral trade agreements	GATT/WTO

Table A-2
MACROECONOMIC ELIGIBILITY INDICATORS ^{a/}

Country	CPI (average over last 3 years)	Central Government fiscal balance (% of GDP) (3-year average)	Current account balance (% of GDP) (3-year average)	Nominal exchange-rate stability (percentage change 1992-1994)
Costa Rica	15.3 (8)	-3.6 (10)	-6.6 (10)	6.5 (8)
Dominican Republic	7.9 (2)	0.3 (2)	-3.4 (6)	1.6 (3)
El Salvador	13.7 (7)	-3.6 (10)	-4.6 (7)	1.9 (4)
Guatemala	12.5 (6)	-1.2 (8)	-6.5 (9)	4.5 (6)
Honduras	21.4 (9)	-6.5 (12)	-11.8 (12)	17.9 (10)
Nicaragua	11.8 (5)	-8.5 (13)	-51.0 (13)	12.3 (9)
Panama	1.3 (1)	-0.9 (6)	-2.4 (4)	- (1)
Mean	12.0 (5.4)	-3.4 (8.7)	-12.3 (8.7)	6.4 (5.9)
Standard deviation	5.8 (2.8)	2.9 (3.5)	16.0 (3.0)	6.0 (3.1)
Argentina	9.7 (4)	-0.2 (4)	-3.1 (5)	0.4 (2)
Brazil	1,522.5 (13)	-1.0 (7)	0.7 (1)	131.4 (13)
Colombia	23.4 (10)	1.0 (2)	-2.2 (3)	5.5 (7)
Mexico	9.0 (3)	1.7 (1)	-7.3 (11)	4.0 (5)
Peru	37.2 (11)	-0.3 (5)	-5.4 (8)	22.5 (11)
Venezuela	49.5 (12)	-4.5 (11)	-0.8 (2)	32.9 (12)
Mean	275.2 (8.8)	-0.5 (5.0)	-3.0 (5.0)	32.8 (8.3)
Standard deviation	558.0 (3.9)	2.0 (3.3)	2.7 (3.5)	45.6 (4.0)

Source: ECLAC, *Statistical Yearbook for Latin America and the Caribbean and Economic Survey of Latin America and the Caribbean*, and International Monetary Fund (IMF), *International Financial Statistics*.

Note: The ranking for each indicator is shown in brackets with 1 designating the best country and 13 the worst.

a/ The averages obtained for each indicator in the case of small countries differ significantly (0.05) from the average.

Table A-3

NON-MACROECONOMIC ELIGIBILITY INDICATORS

Country	Number of ILO conventions ratified a/	Number of (major) international conventions on the environment b/ c/	Number of (major) international conventions on intellectual property rights ratified d/ a/	Human rights violations e/ (1994) c/	Membership (or non-membership) of GATT/WTO
Costa Rica	48 (10)	12 (6)	3 (7)	- (1)	Yes (1)
Dominican Republic	28 (11)	9 (10)	3 (7)	- (1)	Yes (1)
El Salvador	6 (13)	8 (11)	5 (3)	3 (10)	Yes (1)
Guatemala	67 (4)	14 (4)	3 (7)	4 (13)	Yes (1)
Honduras	20 (12)	7 (13)	4 (5)	2 (6)	Yes (1)
Nicaragua	58 (7)	8 (11)	1 (13)	1 (4)	Yes (1)
Panama	70 (3)	15 (1)	2 (11)	- (1)	No (6)
Mean	42.43 (8.57)	10.43 (8.00)	3.00 (7.57)	1.43 (5.14)	(1.71)
Standard deviation	24.75	3.21	1.29	1.62	
Argentina	67 (4)	15 (1)	5 (3)	2 (6)	Yes (1)
Brazil	76 (1)	15 (1)	8 (2)	3 (10)	Yes (1)
Colombia	52 (8)	10 (8)	3 (7)	3 (10)	Yes (1)
Mexico	76 (1)	14 (4)	9 (1)	2 (6)	Yes (1)
Peru	67 (4)	11 (7)	4 (5)	2 (6)	Yes (1)
Venezuela	52 (8)	10 (8)	2 (11)	1 (4)	No (6)
Mean	65.00 (4.33)	12.50 (4.83)	5.17 (4.83)	2.17 (7.00)	(1.83)
Standard deviation	10.84	2.43	2.79	0.75	

Source: World Bank, Workers in an Integrating World, World Development Report 1995. World Resources, A Guide to the Global Environment, 1994-1995. WIPO, World Intellectual Property Organization (WIPO), General Information, Geneva, January 1995. Amnesty International, 1994 Report. United Nations, Commission on Human Rights, Report on the Fifty-first Session.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 13 the worst.

a/ The small country mean differs significantly from the big country mean with 90% reliability.

b/ Global conventions covering the environment: ozone layer, chloro-fluorocarbons control (Montreal), climate change, biological and toxic weapons, notification of nuclear accidents, assistance in connection with nuclear accidents, movement of hazardous substances (Basel), Antarctic Treaty, wetlands (Ramsar), world heritage, endangered species, migratory species, biodiversity, ocean dumping, pollution from ships (MARPOL), law of the sea.

c/ The small country mean does NOT differ significantly from the big country mean with 95% reliability.

d/ Includes all international treaties which provide for the substantive protection of intellectual property; facilitate protection of industrial property in the area of patents, marks, appellations of origin and industrial drawings and models; establish international classifications; and ensure protection of copyright and related rights. There are 18 such treaties.

e/ Involves the existence or otherwise of reports on missing detainees, extra legal executions, "death squads", and countries under consideration by the Commission on Human Rights. The Maximum (unfavourable) is 4 and the minimum (favourable) is 0.

Table A-4

STRUCTURAL READINESS INDICATORS

Indicator	Coverage/Period	Reason	Source
A. Economic and sectoral variables			
Growth of per capita GDP	5-year average 1991-1994	Net result of economic policies, governability in the event of a real shock	ECLAC, IMF
Financial depth (M2-M1)/M2	3-year average	Depth of domestic financial system and savings mobilization capacity	ECLAC, IMF
Population density	Last available year 1993	Less available land and greater population pressure mean, <i>ceteris paribus</i> , fewer resources and more disadvantages	World Bank
Agricultural output as % of GDP	-	Indicator of relative development	ECLAC, IMF
Urbanization as % of total population	Last available year 1993	Lower urbanization implies less national integration	GATT/WTO
Share of firewood in energy consumption (residential)	Last available year 1992	Measures energy sector's degree of modernization	OLADE
B. Export diversification and performance			
Growth in exports of goods and services	5-year average 1988-1993	Measures growth in total export supply capacity	ECLAC
Share in United States imports	Last available year 1994	Measures capacity to export to the hemisphere's largest market	United States Department of Commerce
Ranking in growth categories (exports to the United States)	5-year average 1991-1995	Measures capacity to export goods for which demand is increasing in the United States	United States Department of Commerce
Exports of manufactures as a percentage of merchandise exports	Last available year 1992	Measures capacity to export more highly processed goods	ECLAC
Increase in market share in categories of exports to the United States	Last available year 1994	Measures capacity to win market share in specific categories of imports to the United States	United States Department of Commerce

Table A-4 (concl.)

Indicator	Coverage/Period	Reason	Source
Number of categories of exports to the United States, whose total value amounts to over US\$ 500,000	Last available year 1994	Measures the diversification of exports to the United States	United States Department of Commerce
C. Human resources variables			
Relative level of productivity of agricultural workforce	Last available year 1993	Indicator of competitiveness of most backward sector	FAO World Bank
Change in productivity of total workforce	5-year average 1989-1994	Indicator of absorption of technical progress, overall factor productivity in recent years	ECLAC - CELADE
Educational achievement index	Last available year 1992	Comprehensive indicator of human resources' level of education: covers literacy, years of schooling	UNDP
Workforce employed in modern (non-agricultural) sectors	Last available year	Extent of employment in more technology-intensive sectors	ILO, World Bank
D. Infrastructure variables			
Number of telephone lines per 1,000 inhabitants	Last available year 1992	Proxy indicator of quality of infrastructure services in general, and telecommunications in particular	World Bank
Number of kilometres of paved road per 1 million inhabitants	Last available year 1992	Indicator of transport facilities and degree of territorial integration	World Bank ECLAC
Total per capita residential electric power consumption	3-year average 1992-1994	Proxy indicator of coverage of basic services, particularly energy, in a country	OLADE

Table A-5
MACROECONOMIC AND SECTORAL STRUCTURE INDICATORS

Country	Growth of per capita GDP (1991-1994)	Financial depth (M2-M1)/M2	Population density a/ (inhabitants per km ²) (1993)	Agricultural output as % of GDP b/	Urbanization (% of total population) b/ (1993)	Share of firewood in energy consumption (residential) a/ (1992)
Costa Rica	9.90 (5)	56.8 (9)	64.71 (10)	15.2 (9)	49.0 (10)	2.15 (5)
Dominican Republic	6.10 (7)	55.9 (10)	153.06 (12)	17.1 (10)	63.0 (7)	2.59 (8)
El Salvador	12.30 (3)	69.7 (3)	261.90 (13)	14.0 (7)	45.0 (11)	7.45 (9)
Guatemala	4.20 (8)	64.1 (7)	91.74 (11)	24.1 (12)	41.0 (13)	20.39 (13)
Honduras	11.10 (12)	53.4 (11)	47.32 (9)	18.6 (11)	43.0 (12)	15.62 (12)
Nicaragua	-11.50 (13)	32.0 (13)	31.54 (6)	31.2 (13)	62.0 (8)	12.80 (11)
Panama	21.00 (2)	84.5 (2)	32.89 (7)	10.4 (5)	53.0 (9)	2.15 (4)
Mean	6.16 (7.14)	59.49 (7.86)	97.60 (9.71)	18.66 (9.57)	50.9 (10.00)	9.02 (8.86)
Standard deviation	10.11 (4.22)	16.14 (4.10)	83.93 (2.56)	6.97 (2.82)	0.09 (2.16)	7.36 (3.44)
Argentina	27.70 (1)	67.0 (6)	12.22 (1)	6.0 (2)	87.0 (2)	0.19 (2)
Brazil	2.20 (11)	86.9 (1)	18.39 (3)	12.3 (6)	71.0 (5)	1.81 (3)
Colombia	9.40 (6)	44.9 (12)	31.34 (5)	14.3 (8)	72.0 (4)	2.34 (6)
Mexico	3.10 (9)	61.2 (8)	45.97 (8)	7.3 (3)	74.0 (3)	2.49 (7)
Peru	11.30 (4)	68.6 (4)	17.82 (2)	7.5 (4)	71.0 (5)	8.02 (10)
Venezuela	2.60 (10)	68.0 (5)	22.92 (4)	5.0 (1)	92.0 (1)	- (1)
Mean	9.38 (6.83)	66.10 (6.00)	24.77 (3.83)	8.73 (4.00)	77.8 (3.33)	2.48 (4.83)
Standard deviation	9.76 (3.87)	13.54 (3.74)	12.19 (2.48)	3.71 (2.61)	0.09 (1.63)	2.92 (3.43)

Source: FAO, Production Yearbook; UNDP, Human Development Report; World Bank, World Development Report; ILO, Labour Statistics Yearbook; and Latin American Energy Organization (OLADE), Estadísticas e indicadores económico-energéticos de América Latina y el Caribe.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 13 the worst.

a/ The small country mean differs significantly from the big country mean with 90% reliability.

b/ The small country mean differs significantly from the big country mean with 95% reliability.

Table A-6

EXPORT DIVERSIFICATION AND PERFORMANCE INDICATORS

Country	Growth in exports of goods and services (1988-1993)	Share in United States imports (percentages) (1994)	Ranking in growth categories (exports to the United States) (1991-1995)	Exports of manufactures (% of merchandise exports) (1992)	Increase in market share in categories of exports to the United States a/ (1994)	Level of diversification (exports to the United States) (1994)
Costa Rica	13.13 (2)	0.25 (7)	-7.84 (4)	25.6% (8)	12.72 (8)	186 (6)
Dominican Republic	4.38 (9)	0.47 (5)	-7.84 (3)	49.3% (3)	38.90 (5)	225 (3)
El Salvador	4.36 (10)	0.09 (11)	10.98 (1)	47.8% (4)	131.79 (2)	102 (10)
Guatemala	9.81 (3)	0.19 (8)	-12.10 (6)	29.9% (6)	38.58 (6)	150 (8)
Honduras	0.82 (13)	0.17 (9)	-9.26 (5)	12.9% (11)	109.57 (3)	110 (9)
Nicaragua	7.25 (8)	0.025 (13)	-107.14 (13)	7.0% (13)	311.90 (1)	26 (13)
Panama	13.32 (1)	0.05 (12)	-13.64 (7)	16.7% (10)	-18.18 (13)	53 (12)
Mean	7.58 (6.57)	0.18 (9.29)	-20.98 (5.57)	27.0% (7.86)	89.33 (5.43)	121.71 (8.71)
Standard deviation	4.75 (4.58)	0.15 (2.87)	38.86 (3.82)	0.17% (3.72)	111.28 (4.12)	70.72 (3.45)
Argentina	7.60 (7)	0.26 (6)	-45.87 (10)	26.3% (7)	13.05 (7)	193 (5)
Brazil	3.82 (11)	1.31 (2)	-20.37 (8)	56.9% (1)	-16.41 (11)	756 (2)
Colombia	8.31 (6)	0.48 (4)	-29.04 (9)	31.8% (5)	-6.91 (10)	209 (4)
Mexico	9.23 (4)	7.46 (1)	4.29 (2)	52.3% (2)	44.43 (4)	1,438 (1)
Peru	3.72 (12)	0.13 (10)	-55.45 (11)	17.3% (9)	-18.15 (12)	85 (11)
Venezuela	8.68 (5)	1.26 (3)	-74.39 (12)	11.0% (12)	4.29 (9)	167 (7)
Mean	6.89 (7.50)	1.82 (4.33)	-36.81 (8.67)	32.6% (6.00)	3.38 (8.83)	474.67 (5.00)
Standard deviation	2.48 (3.27)	2.81 (3.27)	27.79 (3.56)	0.19% (4.20)	23.41 (2.93)	529.83 (3.63)

Source: United States Department of Commerce; UNCTAD, Handbook of Trade and Development Statistics; ECLAC, *Statistical Yearbook for Latin America and the Caribbean*; IMF, *International Financial Statistics*.

Note: Increase in market share in categories of exports to the United States describes the extent to which a product obtains a larger market share (goods imported by the United States from a given country increase their share of total imports of this product). The ranking measures the increase in demand for export products, taking into account the change in United States imports from a given country of a product as a percentage of the change in total United States imports of that product (if the products exported are directed at the markets where demand for them is increasing). The ranking for each indicator is shown in brackets, with 1 designating the best country and 13 the worst.

a/ The small country mean differs significantly from the big country mean with 90% reliability.

Table A-7
HUMAN RESOURCES READINESS INDICATORS

Country	Relative level of productivity of agricultural workforce a/ (1993)	Change in productivity of total workforce (annual average) (1989-1994)	Educational achievement index (UNDP) b/ (1992)	Workforce employed in modern (non-agricultural) sectors c/ d/
Costa Rica	4.61 (2)	2.2 (4)	2.24 (4)	79.37 (6)
Dominican Republic	1.79 (9)	1.7 (5)	1.97 (8)	76.40 (9)
El Salvador	1.04 (12)	2.3 (2)	1.77 (11)	64.16 (12)
Guatemala	1.98 (8)	1.2 (7)	1.40 (13)	69.82 (11)
Honduras	0.63 (13)	0.9 (9)	1.77 (11)	61.79 (13)
Nicaragua	1.30 (11)	0.2 (13)	1.86 (10)	86.94 (4)
Panama	3.12 (5)	2.3 (2)	2.25 (2)	73.69 (10)
Mean	2.0 (10.00)	1.54 (6.00)	1.89 (8.43)	73.17 (9.29)
Standard deviation	1.38 (3.97)	0.81 (4.00)	0.30 (4.04)	8.76 (3.25)
Argentina	13.26 (1)	3.7 (1)	2.53 (1)	87.90 (3)
Brazil	2.94 (6)	0.4 (11)	1.91 (9)	77.16 (8)
Colombia	2.65 (7)	1.4 (6)	2.25 (2)	98.59 (2)
Mexico	3.24 (4)	0.9 (9)	2.10 (7)	77.40 (7)
Peru	1.79 (9)	0.4 (11)	2.16 (6)	99.12 (1)
Venezuela	4.16 (3)	1.1 (8)	2.21 (5)	86.53 (5)
Mean	4.67 (5.00)	1.32 (7.67)	2.19 (5.00)	87.78 (4.33)
Standard deviation	4.28 (2.90)	1.23 (3.78)	0.20 (3.03)	9.67 (2.80)

Source: FAO, Production Yearbook; UNDP, Human Development Report; World Bank, World Development Report; and ILO Labour Statistics Yearbook.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 13 the worst.

- a/ Own preparation. The figures are derived from the added value of agricultural output generated by the agricultural workforce. The figure for Brazil is for 1992.
- b/ The small country mean differs significantly from the big country mean with 90% reliability.
- c/ Data on the workforce employed in modern sectors were obtained from ILO and the World Bank. In the case of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Brazil, Colombia, Peru and Venezuela, the data are for 1992; in the case of the Dominican Republic, 1981; Argentina, 1980; and Mexico, 1990.
- d/ The small country mean differs significantly from the big country mean with 95% reliability.

Table A-8

INFRASTRUCTURE READINESS INDICATORS

Country	Number of telephone lines per 1,000 inhabitants (1992)	Number of kilometres of paved road per 1 million inhabitants (1992)	Per capita residential electric power consumption (boe) a/ (average 1992-1994)
Costa Rica	102 (2)	1,756 (3)	0.34 (2)
Dominican Republic	66 (8)	364 (10)	0.26 (4)
El Salvador	31 (9)	323 (12)	0.14 (9)
Guatemala	22 (11)	320 (13)	0.05 (13)
Honduras	21 (12)	443 (7)	0.11 (11)
Nicaragua	14 (13)	414 (8)	0.07 (12)
Panama	97 (3)	1,332 (4)	0.27 (3)
Mean	50.43 (8.29)	707.43 (8.14)	0.18 (7.71)
Standard deviation	37.53 (4.31)	586.15 (3.80)	0.11 (4.61)
Argentina	123 (1)	1,856 (2)	0.23 (7)
Brazil	71 (7)	929 (6)	0.21 (8)
Colombia	85 (5)	383 (9)	0.25 (5)
Mexico	80 (6)	1,019 (5)	0.24 (6)
Peru	27 (10)	347 (11)	0.12 (10)
Venezuela	91 (4)	10,296 (1)	0.36 (1)
Mean	79.50 (5.50)	2,471.67 (5.67)	0.24 (6.17)
Standard deviation	31.25 (3.02)	3,872.11 (3.88)	0.08 (3.06)

Source: ECLAC, *Statistical Yearbook for Latin America and the Caribbean*; Latin American Energy Organization (OLADE), Estadísticas e indicadores económico-energéticos de América Latina y el Caribe.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 13 the worst.

a/ The small country mean differs significantly from the big country mean with 95 % reliability.

Table A-9

POLICY READINESS AND RISK INDICATORS

Indicator	Coverage/Period	Reason	Source
A. Macroeconomic policy indicators			
Public investment/GDP	3-year average	Intensity of efforts to improve infrastructural services	ECLAC
Central government current saving	3-year average	Fiscal adjustment, domestic capacity to finance public investment	ECLAC
Central government primary saving	3-year average	Comprehensive fiscal adjustment	ECLAC
Change in financial depth	Comparative measurements of 2 extreme 2-year periods	Financial modernization process, growing confidence in currency	IMF
Credit to private sector/total domestic credit	3-year average	Capacity to channel bank financing to private sector, public sector does not crowd out private investment	IMF
Real interest rate	5 years	Soundness of monetary policy	IMF
Net external assets/monetary base	3-year average	Capacity to defend exchange rate, confidence in currency	IMF
Net international reserves/imports of goods and services	3-year average	Capacity to self-finance imports	ECLAC
Predictability of real exchange rate	Based on 16-year regression	Capacity to reduce fluctuations between inflation and exchange rates; authorities concerned with external competitiveness	ECLAC
Inflation tax/tax revenues	3-year average	Indicator of fiscal soundness (vulnerability in case of stabilization) transparency of macroeconomic policy	IMF

Table A-9 (cont.)

Indicator	Coverage/Period	Reason	Source
B. Trade policy indicators			
Average tariff	Last available year 1994	Measures closeness to or distance from free trade status	OAS
Tariff spread	Last available year 1994	Measures size of more protected and sensitive sectors and lack of tariff consolidation	OAS
Year entry into GATT	Last available year 1995	Indicator of experience in managing and negotiating multilateral agreements	GATT/WTO
Number of Tokyo Round agreements signed	Last available date May 1994	Measures compliance with GATT and multilateral trade agreements	GATT/WTO
Number of times country has been subject to investigations into use of countervailing duties (GATT)	1985-1994	Measures propensity to use countervailing duties as protectionist policy	GATT/WTO
C. Indicators of policies conducive to changing production patterns			
Public expenditure on education as percentage of GDP	Last available year 1992	Measures governmental and social efforts to promote education	UNESCO
Pupil/teacher ratio (primary and secondary education)	Last available year 1994	Measures quality of education policy	UNESCO, ECLAC
Privatization (yes or no) of telecommunications enterprises	Last available year 1994	Indicator of more market-oriented policies	Official information
Energy consumption/GDP	Last available year 1994	Measures energy saving or waste; depends on energy policy	OLADE
Total protected area/total area	Last available year 1993	Indicator of seriousness of environmental policy	World Resources
Increase in number of telephone lines	1990-1992	Indicator of economic policy focus on investment in communications	World Bank

Table A-9 (concl.)

Indicator	Coverage/Period	Reason	Source
Increase in highway density	1988-1992	Indicator of economic policy focus on investment in communications	World Bank ECLAC
Number of bilateral investment agreements signed with developed countries	Last available year 1994	Indicator of active policies to attract investment	UNCTAD
D. Risks Indicators of trade vulnerability			
Trade liberalization ratio (X + M)/GDP	3-year average 1992-1994	Greater vulnerability to external shocks	ECLAC
Level of concentration (exports of 10 leading products as percentage of total exports)	Last available year 1994	Greater vulnerability to changes in terms of trade and lack of diversified portfolio	ECLAC
Clothing exports to the United States (as percentage of total exports)	Last available year 1994	Vulnerability to protectionist pressures	United States Department of Commerce
E. Indicators of macroeconomic vulnerability			
Total external debt/exports of goods and services	Last available year	External capacity to finance external shocks and external liquidity constraints	ECLAC
Trade balance/GDP	3-year average	Basic external equilibrium	ECLAC
Cumulative overvaluations of real exchange rate	5 years	Probability of an exchange rate adjustment	ECLAC
Percentage change in foreign exchange earnings	5 years disregarding short-term trends	Uncertainty of commercial foreign exchange flows, probability of temporary liquidity crises	ECLAC
Interest on external debt/exports of goods and services	Last available year	Capacity to service existing debt and sign new agreements if necessary	ECLAC
Official development assistance	3-year average	Vulnerability to cut in external aid	World Bank
Domestic saving/GDP	3-year average	Domestic capacity to deal with external shocks, indicator of external macroeconomic stability	ECLAC

Table A-10
MACROECONOMIC POLICY READINESS INDICATORS

Country	Public investment/GDP (3-year average) a/	Central government current saving (percentages of GDP) (3-year average)	Central government primary saving (percentages of GDP) (3-year average)	Change in financial depth	Credit to private sector/domestic credit (3-year average)
Costa Rica	4.6 (7)	-1.6 (13)	2.0 (12)	3.3 (7)	71.3 (8)
Dominican Republic	8.0 (5)	8.2 (1)	9.1 (2)	5.5 (3)	99.1 (3)
El Salvador	14.0 (1)	-0.1 (11)	1.8 (13)	4.9 (4)	69.5 (10)
Guatemala	2.7 (12)	1.6 (5)	2.5 (10)	1.5 (9)	91.7 (4)
Honduras	11.8 (2)	0.8 (7)	4.2 (5)	-0.4 (12)	81.9 (7)
Nicaragua	11.3 (3)	-1.2 (12)	2.8 (9)	14.8 (1)	15.3 (13)
Panama	3.8 (9)	1.8 (4)	5.5 (3)	- (11)	107.1 (1)
Mean	8.0 (5.6)	1.4 (7.6)	4.0 (7.7)	4.2 (6.7)	76.6 (6.6)
Standard deviation	4.1 (3.7)	3.0 (4.2)	2.4 (4.1)	4.8 (3.9)	28.1 (3.9)
Argentina	1.0 (13)	0.8 (7)	2.2 (11)	3.6 (6)	70.3 (9)
Brazil	3.5 (10)	0.4 (9)	3.6 (6)	3.8 (5)	65.0 (12)
Colombia	7.1 (6)	8.0 (2)	11.5 (1)	0.6 (10)	88.7 (5)
Mexico	4.2 (8)	2.6 (3)	5.4 (4)	-3.0 (13)	85.3 (6)
Peru	3.3 (11)	1.2 (6)	3.4 (8)	10.4 (2)	101.8 (2)
Venezuela	8.7 (4)	- (10)	3.5 (7)	2.0 (8)	67.4 (11)
Mean	4.6 (8.7)	2.2 (6.2)	4.9 (6.2)	2.9 (7.3)	79.7 (7.5)
Standard deviation	2.6 (3.0)	2.7 (2.9)	3.1 (3.1)	4.1 (3.5)	13.3 (3.5)

Table 10 (concl.)

Country	Real interest rates (3-year average)	Net external assets/monetary base (3-year average) a/	Foreign trade tax/tax revenues a/	Inflation tax/tax revenues	International reserves/months of imports (3-year average) a/	Predictability of real exchange rate (average error 1992-1994) a/
Costa Rica	1.7 (1)	66.6 (9)	23.4 (8)	6.1 (7)	4.7 (7)	1.7 (2)
Dominican Republic	8.5 (11)	24.6 (10)	36.5 (13)	2.9 (5)	2.0 (11)	3.0 (4)
El Salvador	0.1 (5)	71.1 (8)	19.0 (5)	11.9 (12)	2.9 (10)	3.1 (5)
Guatemala	-0.5 (6)	15.9 (11)	24.1 (9)	9.6 (10)	3.3 (8)	2.0 (3)
Honduras	-1.3 (7)	-88.0 (12)	30.6 (12)	7.2 (8)	1.5 (12)	5.0 (6)
Nicaragua	4.3 (8)	-928.7 (13)	21.2 (7)	3.2 (6)	1.5 (12)	12.0 (13)
Panama	4.7 (9)	100.0 (1)	25.4 (10)	- (1)	11.1 (1)	- (1)
Mean	2.5 (6.7)	-105.5 (9.1)	25.7 (9.1)	5.8 (7.0)	3.9 (8.7)	3.8 (4.9)
Standard deviation	3.2 (3.0)	340.7 (3.7)	5.5 (2.6)	3.8 (3.3)	3.1 (3.6)	3.6 (3.7)
Argentina	8.9 (12)	74.3 (7)	28.4 (11)	2.0 (2)	7.2 (6)	9.0 (11)
Brazil	10.1 (13)	158.6 (3)	2.5 (1)	2.7 (4)	10.2 (2)	10.4 (12)
Colombia	2.3 (2)	139.8 (4)	19.2 (6)	8.5 (9)	8.5 (3)	9.0 (10)
Mexico	3.8 (3)	78.8 (6)	4.9 (2)	2.6 (3)	3.3 (8)	5.7 (9)
Peru	-4.0 (10)	136.0 (5)	12.6 (3)	11.2 (11)	8.3 (4)	5.4 (8)
Venezuela	0.3 (4)	176.0 (2)	12.8 (4)	29.8 (13)	7.3 (5)	5.0 (6)
Mean	3.6 (7.3)	127.3 (4.5)	13.4 (4.5)	9.5 (7.0)	7.5 (4.7)	7.4 (9.3)
Standard deviation	4.9 (4.5)	38.2 (1.7)	8.7 (3.3)	9.7 (4.2)	2.1 (2.0)	2.1 (2.0)

Source: ECLAC and IMF.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 13 the worst.

a/ The small country average differs significantly (by 0.05) from the big country average.

Table A-11

TRADE POLICY READINESS INDICATORS

Country	Mean tariff (1994)	Tariff spread (1994) ^{a/}	Year of entry into GATT	Tokyo Round agreements signed up to May 1994 ^{b/}	GATT investigations (1985-1994)
Costa Rica	11.74 (6)	7.88 (8)	1990 (8)	- (8)	1 (6)
Dominican Republic	19.80 (12)	9.40 (10)	1950 (2)	1 (6)	- (1)
El Salvador	9.21 (1)	6.06 (4)	1991 (9)	- (8)	1 (6)
Guatemala	10.82 (3)	7.07 (6)	1991 (9)	1 (6)	- (1)
Honduras	17.90 (11)	10.39 (11)	1994 (11)	- (8)	- (1)
Nicaragua	17.38 (10)	18.96 (12)	1950 (2)	- (8)	- (1)
Panama	27.50 (13)	31.50 (13)	Ongoing (12)	- (8)	- (1)
Mean	16.34 (8.00)	13.04 (9.14)	1978 (7.57)	0.29 (7.43)	0.29 (2.43)
Standard deviation	6.36	9.19	21.47	0.49	0.49
Argentina	15.82 (8)	9.22 (9)	1967 (5)	6 (1)	6 (11)
Brazil	10.69 (2)	7.17 (7)	1948 (1)	6 (1)	17 (13)
Colombia	11.57 (4)	6.40 (5)	1981 (6)	2 (4)	5 (10)
Mexico	11.58 (5)	4.15 (2)	1986 (7)	4 (3)	2 (8)
Peru	16.32 (9)	3.38 (1)	1951 (4)	2 (4)	6 (11)
Venezuela	11.80 (7)	6.04 (3)	Ongoing (12)	- (8)	3 (9)
Mean	12.96 (5.83)	6.06 (4.50)	1967 (5.83)	3.33 (3.50)	6.50 (10.33)
Standard deviation	2.44	2.11	17.13	2.42	5.39

Source: Preliminary report of the Organization of American States (OAS) Special Trade Commission to the meeting of ministers of foreign trade of the western hemisphere, 1995; General Agreement on Tariffs and Trade, General Review of Trends in International Trade and the Trading System, 1994.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 13 the worst.

^{a/} The small country mean differs significantly from the big country mean with 90% reliability.

^{b/} The small country mean differs significantly from the big country mean with 95% reliability.

Table A-12
POLÍCIAS CONDUCIVE TO CHANGING PRODUCTION PATTERNS

Country	Public expenditure on education (% of GNP) a/ (1992)	Pupil/teacher ratio (primary education) b/ (1992) c/	Pupil/teacher ratio (secondary education) d/ (1992) e/	Privatization of telecommunications enterprises	Energy consumption/GDP	Total protected area (% total area) (1993)	Increase in number of telephone lines (1988-1992)	Increase in highway density f/ (1990-1992)
Costa Rica	4.5 (5)	32 (8)	20 (8)	No (6)	2.1 (2)	12.1% (4)	9.7% (9)	65.8% (2)
Dominican Republic	1.6 (10)	47 (13)	15 (5)	Yes (1)	2.8 (4)	21.5% (2)	37.5% (1)	- (8)
El Salvador	1.6 (10)	38 (11)	28 (12)	No (6)	5.0 (12)	0.9% (13)	29.2% (2)	- (8)
Guatemala	1.2 (13)	34 (9)	14 (3)	No (6)	3.3 (8)	7.6% (6)	4.8% (12)	9.4% (7)
Honduras	4.0 (7)	38 (11)	23 (11)	No (6)	4.2 (11)	4.8% (9)	23.5% (4)	32.2% (3)
Nicaragua	4.1 (6)	37 (10)	35 (13)	No (6)	7.4 (13)	7.3% (7)	7.7% (11)	- (8)
Panama	5.5 (1)	23 (2)	20 (8)	No (6)	2.3 (3)	17.2% (3)	9.0% (10)	- (8)
Mean	3.21 (7.43)	35.57 (9.14)	22.14 (8.57)	(5.29)	3.87 (7.59)	10.2% (6.29)	17.3% (7.00)	15.3% (6.29)
Standard deviation	1.71 (3.95)	7.28 (3.53)	7.38 (3.69)	(1.89)	1.87 (4.56)	0.07% (3.82)	0.13% (4.55)	0.25% (2.63)
Argentina	3.1 (8)	18 (1)	8 (1)	Yes (1)	1.9 (1)	3.4% (10)	28.1% (3)	116.3% (1)
Brazil	4.6 (4)	23 (2)	14 (3)	No (6)	2.8 (4)	3.3% (11)	12.7% (8)	32.0% (4)
Colombia	3.1 (8)	28 (5)	21 (10)	No (6)	3.1 (6)	8.2% (5)	13.3% (7)	23.9% (6)
Mexico	5.2 (2)	30 (7)	16 (6)	Yes (1)	3.2 (7)	5.1% (8)	21.2% (5)	24.3% (5)
Peru	1.5 (12)	28 (5)	19 (7)	Yes (1)	3.8 (10)	3.2% (12)	3.8% (13)	- (8)
Venezuela	5.2 (2)	23 (2)	9 (2)	Yes (1)	3.4 (9)	30.2% (1)	18.2% (6)	- (8)
Mean	3.78 (6.00)	25.00 (3.67)	14.50 (4.83)	(2.67)	3.03 (6.17)	8.9% (7.83)	16.2% (7.00)	32.8% (5.33)
Standard deviation	1.47 (4.00)	4.47 (2.34)	5.24 (3.43)	(2.58)	0.65 (3.31)	0.11% (4.17)	0.8% (3.41)	0.43% (2.66)

Source: UNESCO, *Statistical Yearbook 1994*; Latin American Energy Organization (OLADE), *Energía en cifras*; World Bank, *World Resources, A Guide to the Global Environment*, World Development Report; United Nations Conference on Trade and Development (UNCTAD), *Bilateral Investment Treaties*; UNCTAD, World Investment Report; and ECLAC, *Statistical Yearbook for Latin America and the Caribbean*.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 13 the worst.

a/ Data are for 1991 for Guatemala and Honduras, 1989 for Brazil and 1990 for Peru.

b/ Data are for 1989 for the Dominican Republic, 1991 for Guatemala, Honduras, Argentina, Brazil and Venezuela and 1990 for Panama.

c/ The small country mean differs significantly from the big country mean with 95% reliability.

d/ Data are for 1988 for El Salvador, 1991 for Guatemala, Honduras, Argentina, Brazil and Venezuela, 1990 for Nicaragua and Panama and 1991 for the Dominican Republic, and are from the ECLAC *Statistical Yearbook*.

e/ The small country mean differs significantly from the big country mean with 90% reliability.

f/ Information on Nicaragua and El Salvador is from the ECLAC *Statistical Yearbook*.

Table A-13

TRADE RISK INDICATORS

Country	Trade liberalization ratio (X+M/PIB) <u>a</u> / (1992-1994)	Level of concentration (exports to the United States) <u>b</u> / (1994)	Clothing exports to the United States (% of total exports) <u>a</u> / (1994)
Costa Rica	0.84 (13)	49.54 (4)	41.44 (10)
Dominican Republic	0.53 (8)	47.60 (3)	49.81 (5)
El Salvador	0.48 (7)	51.20 (5)	65.34 (9)
Guatemala	0.43 (6)	58.30 (7)	46.24 (8)
Honduras	0.72 (12)	59.30 (8)	59.29 (13)
Nicaragua	0.68 (10)	83.10 (12)	17.12 (12)
Panama	0.69 (11)	67.70 (10)	9.62 (10)
Mean	0.62 (9.57)	59.53 (7)	41.27 (9.57)
Standard deviation	0.14 (2.64)	0.12 (3.27)	0.21 (2.64)
Argentina	0.15 (1)	53.39 (6)	0.06 (2)
Brazil	0.17 (2)	36.11 (1)	1.96 (1)
Colombia	0.36 (5)	73.92 (11)	11.31 (5)
Mexico	0.30 (4)	38.69 (2)	3.72 (3)
Peru	0.25 (3)	65.97 (9)	12.42 (4)
Venezuela	0.53 (8)	89.32 (13)	0.02 (5)
Mean	0.30 (3.83)	59.57 (7.00)	4.91 (3.33)
Standard deviation	0.14 (2.48)	0.21 (4.86)	0.06 (1.63)

Source: ECLAC, *Statistical Yearbook for Latin America and the Caribbean*; IMF, *International Financial Statistics*; and United States Department of Commerce.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 13 the worst.

a/ The small country mean differs significantly from the big country mean with 95% reliability.

b/ The level of concentration refers to the percentage of total exports accounted for by the 10 leading export products.

Table A-14

MACROECONOMIC RISK INDICATORS

Country	Total external debt/ exports of goods and services (1994)	Trade balance as % of GDP (1992-1994 average) ^{a/}	Competitiveness of real exchange rate (1990 = 100) ^{a/}	Percentage change in commercial foreign exchange earnings (1989-1994)	Total interest on debt/exports of goods and services	Domestic saving/GDP (3-year average)	Official assistance received/GNP (1991-1993 average) ^{a/}
Costa Rica	110.3 (2)	-5.8 (10)	101.3 (3)	4.4 (4)	6.4 (2)	15.8 (9)	2.20 (10)
Dominican Republic	184.7 (5)	-5.7 (9)	96.2 (5)	5.7 (6)	7.5 (4)	18.5 (5)	0.45 (6)
El Salvador	232.8 (7)	-15.3 (12)	82.8 (10)	6.9 (7)	7.0 (3)	13.4 (10)	5.10 (11)
Guatemala	100.8 (1)	-9.1 (11)	84.6 (9)	7.1 (9)	5.6 (1)	9.2 (12)	2.00 (8)
Honduras	266.2 (8)	-4.4 (7)	125.3 (1)	3.8 (2)	18.0 (9)	13.4 (10)	9.40 (12)
Nicaragua	2,992.0 (13)	-27.2 (13)	103.8 (4)	13.2 (13)	103.9 (13)	-9.5 (13)	32.75 (13)
Panama	182.0 (4)	0.8 (3)	100.0 (4)	3.8 (2)	0.0 (12)	34.0 (1)	1.50 (7)
Mean	582.3 (5.7)	-9.5 (9.3)	99.1 (4.9)	6.4 (6.0)	21.2 (6.3)	13.5 (8.6)	7.6 (9.6)
Standard deviation	985.2 (3.8)	8.5 (3.1)	13.1 (3.2)	3.0 (3.7)	34.1 (4.6)	11.0 (3.9)	10.6 (2.4)
Argentina	404.0 (11)	-1.9 (4)	78.0 (12)	7.0 (8)	16.3 (7)	16.4 (8)	0.10 (2)
Brazil	308.0 (10)	2.9 (1)	91.0 (7)	8.2 (10)	16.8 (8)	22.9 (2)	...
Colombia	179.0 (3)	-2.6 (5)	75.3 (13)	5.9 (6)	13.1 (5)	16.7 (7)	0.25 (5)
Mexico	271.0 (9)	-5.0 (8)	82.1 (11)	3.4 (1)	24.0 (11)	17.5 (6)	0.10 (2)
Peru	415.0 (12)	-3.2 (6)	87.2 (8)	12.3 (12)	21.2 (10)	18.6 (4)	2.05 (9)
Venezuela	223.0 (6)	2.2 (2)	94.2 (6)	11.2 (11)	15.9 (6)	19.8 (3)	0.10 (2)
Mean	300.0 (8.5)	-1.3 (4.3)	84.6 (9.5)	8.0 (8.0)	17.9 (7.8)	18.6 (5.0)	0.4 (3.5)
Standard deviation	87.1 (3.1)	2.9 (2.4)	6.8 (2.6)	3.0 (3.7)	3.6 (2.1)	2.2 (2.2)	0.7 (2.8)

Source: ECLAC and IMF.

Note: The ranking for each indicator is shown in brackets, with 1 designating the best country and 13 the worst.

^{a/} The small country mean differs significantly from the big country mean with 95% reliability.