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THE ECONOMIC IMPORTANCE OF LATIN AMERICA FOR THE UNITED STATES

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

MAY 22, 1990

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CONTENTS

WITNESSES AND STATEMENTS

TUESDAY, MAY 22, 1990

SUBMISSIONS FOR THE RECORD

TUESDAY, MAY 22, 1990

APPENDIX

TUESDAY, MAY 22, 1990

THE ECONOMIC IMPORTANCE OF LATIN AMERICA FOR THE UNITED STATES

TUESDAY, MAY 22, 1990

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, pursuant to notice, at 9 a.m., in room SD-G50, Dirksen Senate Office Building, Hon. Paul S. Sarbanes (vice chairman of the committee) presiding.

Present: Senators Sarbanes, Bingaman, Rockefeller, and Graham; and Representative Fish.

Also present: Stephen Quick, chief economist; and Kathy Chumachenko, professional staff member.

OPENING STATEMENT OF SENATOR SARBANES, VICE CHAIRMAN

Senator SARBANES. The committee will come to order.

On behalf of the Joint Economic Committee, I want to welcome this distinguished panel of witnesses and other members of the Council of the Americas to today's hearing on the economic importance of Latin America for the United States.

I understand that the council members will be hearing from the President later in the morning, and we have a limited amount of time available to us to address this complex and important subject.

Therefore, I'll make these opening remarks as brief as possible in order to permit the maximum amount of time for the witnesses' statements and for subsequent discussion with members of the committee.

I might say to our witnesses that there are a number of members who have indicated their intention to be with us this morning, but given the nature of their schedules, I think they'll probably be coming in and out over the course of the hearing.

It is my hope that this hearing will confirm three basic points.

First, the countries of the hemisphere are so closely connected by ties of trade and investment that a healthy hemispheric economy is essential for each country to achieve its fullest potential for growth.

When the region is in recession, as it has been for much of the 1980's, all countries, including the United States, suffer from lost employment, lost exports, and lost growth.

Second, the changes in the world economy in the next decade will make it even more imperative that we find ways for promoting economic growth in this hemisphere. The vibrant regional economies of Europe and Asia have demonstrated the potential rewards of integrating diverse national economies into rapidly growing regional trade and investment relationships.

None of us can afford to allow the Western Hemisphere to continue the 1980's pattern of stagnation into the 1990's.

And third, strong, economic growth in the hemisphere is an essential prerequisite for effective regional cooperation on a broad range of other important issues, such as narcotics trafficking and environmental deterioration.

It is in fact not in the interest of any country in the hemisphere for conditions to exist where desperately poor people grow narcotics or destroy their ecosystem in order to eke out subsistence for their families.

The true challenge for the 1990's is to find ways of restarting the growth process in Latin America and sustaining the momentum of growth through the remainder of the decade.

It is my hope that today's hearing will offer some guidance in accomplishing this difficult and challenging task.

I'll turn to my colleague, Congressman Fish, for any statement that he might have.

OPENING STATEMENT OF REPRESENTATIVE FISH

Representative FISH. Thank you, Paul, and I welcome also this distinguished panel. I will be even briefer than you because my throat is sore and the House goes in at 10 and I want to hear our panel.

I hope that in the course of what we'll be told this morning, that you will give us advice as to policies that you recommend to the U.S. Government to adopt to promote economic growth and trading opportunities in Latin America, as well as an assessment of World Bank and IMF programs in Latin America over the past few years and suggestions as to policies you advocate for multilateral organizations.

Thank you, Mr. Chairman.

Senator SARBANES. And we've been joined by Senator Rockefeller.

Jay, do you have any statement?

OPENING STATEMENT OF SENATOR ROCKEFELLER

Senator ROCKEFELLER. Thank you, Mr. Chairman. I just wanted to note that I think this is an important forum. I'm very honored and pleased, of course, to see that my Uncle David, David Rockefeller, Sr., is among the panelists. There's no part of the world, I think, where he had not advocated vigorous economic growth. And the part of the world under discussion this morning is one of his many key focuses.

So I look forward to what he and other panel members have to say.

Thank you, Mr. Chairman.

Senator SARBANES. Thank you. We have a distinguished panel led by David Rockefeller, the chairman of the Council of the Americas; Robert Black, the president of Texaco of Latin America/West Africa; James Forese, the vice president of finance of the IBM Corp.; Wolfgang Berndt, group vice president of Procter & Gamble;

and Alan Ockene, the vice president for Latin America of the Goodyear Tire & Rubber Co.; and our old friend, Bill Rogers, a very effective lawyer here in Washington, a partner in Arnold & Porter.

David, I think we'll turn it over to you for your presentation. And if you could then put your colleagues in whatever order you've worked out among yourselves, we would appreciate it.

I think we'll include the full statements of all of the panelists in the record. If you could proceed to summarize them, we'll move right through the panel, and then we'll have the questioning.

Thank you very much. We're pleased to have you here this morning.

STATEMENT OF DAVID ROCKEFELLER, CHAIRMAN, COUNCIL OF THE AMERICAS

Mr. ROCKEFELLER. Thank you, and good morning, Mr. Vice Chairman, and members of the Joint Economic Committee.

My name is David Rockefeller and I'm chairman of the Americas Society and its affiliate, the Council of the Americas. I'm indeed grateful for this opportunity to appear before you. I can think of few topics of greater long-term importance than that of our relationships with our neighbors to the south.

For this reason, I wish especially to commend the committee for its decision to hold these hearings. You've requested, and I've submitted, a somewhat longer statement to the committee for the record. But I would like to make a few brief comments at this time.

First, I'd like to say just a quick word about the Americas Society and its affiliates.

The society's principal purpose is to promote greater understanding here in the United States of the other nations and peoples of the Western Hemisphere. While the society has existed in its present form for less than 10 years, it was built upon other organizations, such as the Pan American Society, the Center for Inter-American Relations and, indeed, the Council of the Americas itself, which were in existence much longer.

The Americas Society, in effect, serves as a kind of umbrella for the group.

A few years ago, the society formed a chairman's international advisory council composed of some 80 prominent private citizens from all the larger countries in the hemisphere. And they've been very helpful in keeping us informed on important trends and developments in their countries.

We meet regularly three times a year with this body; one of the meetings generally is held in Latin America.

As a result of the advisory council's suggestions, the society has undertaken some very important conferences and study projects on subjects ranging from the relationship between the environment and economic growth in South America, to the debt problem and to strategies for restoring economic growth.

This latter project was undertaken in cooperation with the Washington-based Institute for International Economics, which commissioned three Latin American economists to write a paper on fundamental policy requirements for the restoration of Latin American economic growth.

I understand that copies of this study were delivered to each of your offices this Friday, so perhaps you've had a chance just to glance at it. It refers to the inward-looking, protectionist policies which pervaded Latin America for several crucial decades earlier in this century. It also makes a number of recommendations aimed at freeing up markets, reducing excessive reliance on state intervention, and adopting an outward-oriented economic strategy as a means of making the countries of Latin America more competitive.

It has certainly been encouraging, at least from my point of view, to see a number of our neighboring countries moving precisely in the direction recommended by the report. Mexico and Chile should certainly be included most prominently on that list, but others, including Jamaica, Venezuela, and Brazil, are also embarked on similar programs. Even Argentina seems to have its heart in the right place and is struggling to overcome 50 disastrous years of Peronist populism.

The Council of the Americas, which is having its 21st annual Washington conference yesterday and today, is composed of about 200 U.S. companies with active operations and interests in Canada, the Caribbean, and Latin America. The council has long believed that Latin America is important to the U.S. economy, and I know that my colleagues here today will want to speak more specifically about their activities in Latin America and how they relate to economic growth here at home.

We have two principal themes which we would like to discuss with you this morning.

First, we believe that Latin America, despite its erratic, inconsistent, and disappointing economic performance in the 1980's, offers large and growing opportunities for U.S. trade and investment which will be increasingly important to the national economic and security interests of the United States in the 1990's, as you yourself have suggested, Mr. Vice Chairman, in your opening statement.

And second, that for these economies to return to economic health, Latin American governments must create the conditions of fiscal and financial responsibility that will attract increased local private sector savings and investment, while at the same time opening their economies to participate in the increasing globalization of trade and investment.

We believe that, once in place, these reforms in restructured economies must be maintained for a number of years before their economic benefits become fully effective.

Concerning the first theme, our basic message to you today is simple and straightforward. We are convinced that Latin America is significant and important to the vital interests, economic as well as strategic, of the United States, and that our policy toward the hemisphere should take this into account.

Unfortunately, we do not believe that the importance of Latin America is sufficiently reflected in U.S. Government programs and policies, or by the press, in our educational system, or, indeed, that it is adequately understood by the general public in the United States.

It's our concern that, to the extent that we have focused on Latin America in the past, we have concentrated too much on the political problems of Panama, Nicaragua, and El Salvador, or on the surge of drugs or on debt. These are all important issues, but it seems to us that there are other ones as well. We tend not to have focused as much on the larger economies of Latin America, such as Mexico or Brazil, or on our stake in their success.

For instance, Mexico, with a population of 85 million, is our third largest export market, buying some $25 billion of our products each year. And, if appropriate policies are pursued, it's a market that holds out the promise of above-average rates of economic growth in the future, with commensurate growth in trade with the United States.

In view of the recent developments and popular discussion, it's instructive to compare the Latin American economies with those of Eastern Europe. U.S. economic interests in Latin America, presently and for the foreseeable future, vastly exceed our interest in Eastern Europe. Our exports in 1988 to all six Eastern European countries totaled $876 million, some 2 percent of our total exports to Latin America.

Whereas the book value of our private investment in Latin America totaled $49 billion in 1988, U.S. investments in Eastern Europe were valued at only several tens of millions of dollars.

The contrast is, of course, dramatic between these two regions, and, I believe, we should give a close look as to where our relative policy emphasis should be placed in view of these facts.

The United States depends heavily on its trade with Latin America. According to Department of Commerce estimates, the United States lost between $50 and $130 billion in exports to our traditional markets in Latin America during the 1980's. This resulted from a decline of exports as these nations struggled to service their foreign debt and because per capita GNP declined by an average of 8 percent during the "lost decade of development," the decade of the 1980's. And for the region, this has meant the loss of about $500 billion of purchasing power, according to estimates by the Inter-American Development Bank.

In any event, I believe, Mr. Vice Chairman, that these facts provide some examples of why it is in our selfish interest to have healthy and prosperous neighbors, both to our south and to the north. I know that my colleagues will be amplifying some of these themes, so I'll stop here. But I do wish to reiterate my great appreciation to the committee, and especially to its vice chairman, for their willingness to have had us at this very special hearing.

Thank you very much, Senator.

[The prepared statement of Mr. Rockefeller, together with an attachment, follows:]

PREPARED STATEMENT OF DAVID ROCKEFELLER

Mr. Chairman, distinguished Members of the Joint Economic Committee, other Members of the Senate and House of Representatives present, I would like to thank you for the opportunity for several corporate members of the Council of the Americas and me to appear before you this morning, and for others to present written testimony for the record. We would be pleased to answer any questions you may have.

As you know, the Council of the Americas is a U.S. business association made up of over 200 major U.S. multinational corporations doing business in Latin America and the Caribbean. It has been in operation in its present form for over 20 years, and is dedicated to achieving close, mutually beneficial relations between the United States and the countries of Latin America and the Caribbean.

We have two principal themes that we would like to discuss with you this morning.

-- We believe that Latin America -- despite its erratic, inconsistent and disappointing economic performance in the 1980s -- offers large and growing opportunities for U.S. trade and investment, which will be increasingly important to the national economic and security interests of the United States in the 1990s.

-- And secondly, that for these economies to grow, Latin American governments must create the conditions of fiscal and financial responsibility that will attract increased private sector savings and investment while opening their economies to participate in the increasing globalization of trade and investment. Once in place, these reforms in restructured economies must be maintained for a number of years before their economic benefits become widely apparent.

Concerning the first theme, our basic message to you today is simple and straight forward -- we are convinced that Latin America is of significant importance to the vital interests, economic as well as strategic, of the United States, a basic truth that will not come as a surprise to anyone. But we do not believe that this importance is sufficiently reflected in U.S. programs and policies, the press, and our educational system, or understood by the general public, despite sustained efforts over the years by a number of our political leaders, educators, journalists and other opinion makers. We also do not believe that our current, highly welcome cooperative relations with the Soviet Union and Eastern Europe permit us the luxury of stepping back from our responsibilities -- and opportunities -- in this Hemisphere.

We recognize that the very size of our economy -- the largest in the world -- often tends by comparison to downplay the economic importance of Latin America. Our GNP is some five times larger than the nearly one trillion dollar combined GNP of all the Latin American countries. As the world's largest exporter --and with by far the largest, and most open, import market in the world, the U.S. economy is of much greater importance to Latin America than the Latin American markets are to our economy. As the old saying goes, "When the U.S. economy catches cold, Latin America suffers pneumonia." For example, in 1988 the United States bought nearly $48 billion or 41 percent of Latin America's exports, while Latin America took only 13 percent of U.S. exports -- some $43 billion, smaller than our trade deficit with Japan. This is down from 18 percent of our exports purchased by the countries of Latin America in 1981.

Compared to Japan or the EC, however, the U.S. market is large as viewed from Latin America. In 1988 the EC bought $25 billion or 21 percent of Latin America's exports, while Japan only bought $6.6 billion or about six percent. From the EC's viewpoint, Latin America purchased less than two percent of its exports, some $20 billion. Japanese exports to Latin America totaled only $8.6 billion or 3.2 percent of Japan's total exports.

The basic, overwhelming asymmetry between the U.S. economy and those of Latin America, should not blind us to the fact that Latin America is important to our economy and our society in many ways. We have an enormous stake in a democratic and prosperous Latin America. In 1989 Mexico, with a population of 85 million persons, was our third largest individual export market, buying some $25 billion of our exports. And, if appropriate policies are pursued, these are markets that hold out the promise of above average rates of growth in the future.

The region is now blessed with elected, representative governments. Recent events in Nicaragua, and Panama are sweeping away the last authoritarian governments. Chile, Brazil, and Argentina have seen military governments replaced by civilian ones. This is a unique period in Latin America's history, and the "winds of freedom" are strong in the region. Only Castro's Cuba has so far been able to thwart the demands for freedom.

Recent dramatic changes in Eastern Europe have opened that region to the possibilities of political and economic freedoms, and to intercourse with the world's political and economic communities. Western European countries are eagerly pursuing economic opportunities in Eastern Europe with the promise of new investments and joint ventures. The economic unification of the Germanys is a process that is underway. All of these initiatives are expected to require large amounts of long-term investment capital, drawn from a limited pool of available world investment resources.

As welcome as these events are, our friends in Latin America fear that their economic and investment needs may be pushed even lower on the world's priority list as they seek to make their newly gained democracies economically viable. They sense that the world may be passing them by.

It is clear that our economic interests in Latin America, present and foreseeable, dwarf our economic interests in Eastern Europe. Our exports in 1988 to the six Eastern European countries totaled $876 million, some two percent of our exports to Latin America. While the book value of our private investment in Latin America totaled $49 billion at the end of 1988, limited U.S. investments in Eastern Europe were valued in the several tens of millions of dollars. Brazil's 140 million population alone substantially exceeds the 113 million people in Eastern Europe, which is only about a quarter of the 435 million inhabitants of Latin America.

It has been argued in some academic circles that due to the decline in East-West military superpower rivalries, the United States has lost interest in Latin America. It seems to me that this argument is based on a narrow, strictly military definition of security. We believe that a broader definition of U.S. security interests would include consideration of such items as:

-- immigration flows attracted by the strong U.S. market;

-- narcotics production, interdiction, and consumption;

-- narco-terrorism that threatens democracies in Colombia and Peru and which gained power in Panama, eventually requiring costly unilateral U.S. military intervention; and, perhaps the greatest threat to our survival of all,

-- environmental degradation.

All of these problems which affect our security and survival require healthy economies to solve them. To a large extent, these problems are the products of weak and declining economies.

The United States loses when Latin America loses. The United States lost between $50 and $130 billion in exports to our traditional markets in Latin America in the 1980s, according to Department of Commerce estimates. Imports by these nations were cut back to make partial payments on the foreign debt. Investment levels were slashed and per capita incomes fell during the 1980s by eight percent, truly Latin America's "lost decade of development." Latin America's average standard of living in 1989 stood at the same level as it did 12 years earlier. For the region, this has meant the loss of about $500 billion of purchasing power according to estimates by the Inter-American Development Bank.

Why such poor economic performance? Governments did not fulfil their responsibilities. Fiscal deficits exploded; inflation reached unheard of levels of 100 percent or more monthly; and domestic interest rates skyrocketed. The indigenous private sector responded accordingly, and large amounts of private savings were moved abroad to provide some hedge against inflation and large unexpected devaluations. Investment levels plummeted.

Latin American governments, slowly, one by one, are coming to realize that a new compact is needed between governments and their citizens. Responsible government economic management in those areas legitimately within its control, such as fiscal and monetary policy, will result in repatriated private savings -- "flight capital" if you will -- to take advantage of the investment opportunities created.

This process of economic restructuring is now well underway in Latin America. It includes:

-- trade liberalization to open up the economies to foreign competition and, in the process, making Latin American exports competitive in the new, global economy;

-- tax reforms and the restoration of fiscal discipline;

-- exchange rates which are more competitive;

-- privatization of inefficient and over-staffed government-owned commercial operations acquired in the era when "import substitution" policies were in vogue;

-- and removal of obstacles to foreign investment.

In a sharp reversal from previous policies, foreign investment is now courted by Latin America as one means of partially replacing foreign commercial bank lending which has dried up since the foreign debt crisis that started in 1982. The same economic policies that result in increased domestic investment and return of " flight capital" make a country attractive to the foreign investor. Well-managed economies attract investment from both domestic and foreign sources.

Latin America is learning that it must not only compete for capital and investment flows from the world's pool of savings, but that it must compete for the savings of its private sector and citizens as well.

Economic restructuring in the democratic countries is perhaps furthest along in Chile, Costa Rica, and Bolivia. Some countries have made substantial reform efforts -- Mexico, Jamaica, Uruguay, and Venezuela for example -- but have not yet benefited from higher rates of economic growth as the reform measures must be maintained for a number of years. Argentina, on the other hand, has tried several different approaches, so far with only minimal success. Brazil is just beginning the process. Peru has yet to achieve the consensus to undertake restructuring.

The United States needs a politically and economically healthy Latin America. The 1990s could be a decade of opportunity for Latin America and the Caribbean as well as for the United States. The time is right to focus on this new opportunity in Latin America. There are new governments, new attitudes, and a new openness to the ideas of free markets and competition. The United States should:

-- understand and encourage the needed changes taking place;

-- keep our markets as open as possible and eschew protectionist measures such as proposed legislation to increase restrictions on textile and clothing imports -one of the region's fastest growing exports;

-- implement an aggressive business development strategy to retain and expand our traditional export markets;

-- encourage new investment in Latin America as well as support existing investment;

-- assure a reliable and secure supply of essential energy imports;

-- make permanent and, as possible, improve the trade benefits available to the smaller countries of Central America and the Caribbean under the CBI -- the Caribbean Basin Initiative.

Mr. Chairman, Latin American governments <u>have</u> changed: Latin American economies <u>are</u> changing.

We are not here with our hats in hand. We are <u>NOT</u> proposing a new Marshall Plan for Latin America, which could detract from the imperative for economic restructuring. But we do believe that the financing resources available under the Brady Plan should be carefully monitored to assure that adequate international resources are available for those countries which do undertake painful, but necessary restructuring. The time may also be appropriate to consider some measure of relief from official indebtedness for those smaller economies that are restructuring, such as Jamaica, which have a high proportion of official debt that is not eligible for renegotiation under the Brady plan. All of these economies need some breathing room in order to fulfill their new free market potential.

Mr. Chairman, we are NOT proposing a Western Hemisphere trading bloc. Trade with the EC, Japan, and other areas of the world is equally as important as trade with Latin America. It is not a question of one or the other. The best hope for all countries is lower global trade barriers negotiated multilaterally. We strongly support U.S. efforts in the current GATT Uruguay Round. Those few Latin American countries not yet on board must be encouraged to overcome their concerns and actively participate in those negotiations. But, given the emerging trade patterns of the 1990s, including EC 1992, we do need to focus closely on the trade needs of our neighbors in this hemisphere.

We welcome the discussions with Mexico to explore ways to increase even more the burgeoning trade between our two countries, discussions which could conceivably eventually lead to a comprehensive trading area including Canada. But this increased trade must be brought about by lowering trade barriers, not by raising them to other countries. Given our long common border, immigration from Mexico will only become manageable when the living and working conditions for its people are substantially improved.

We also need to take another look at our trading and economic relationship with Brazil, which is already among the top ten economic powers in the world. A strong, growing and successful Brazil is important to U.S. security interests in the Hemisphere, as well as to our trade and investment interests.

Mr. Chairman, we must continue to encourage and support these countries as they implement political and economic reforms -- "restructuring" under the Baker and Brady plans -- which in the long run will benefit the United States as well. The U.S. business community did not write off Latin America even during the darkest days of the 1980s. Many U.S. companies have suffered financially as economic austerity programs have been implemented and this seems likely to continue. Nevertheless, we are optimistic that with encouragement and support from the United States and the international financial institutions, "restructuring" will lead to healthy economic growth in the Hemisphere.

COUNCIL OF THE AMERICAS

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THE UNITED STATES AND LATIN AMERICA IN THE GLOBAL ECONOMIC ENVIRONMENT OF THE 1990s

LATIN AMERICA: TRADE & INVESTMENT STATISTICS

Twenty-first Washington Conference for Corporate Executives
Department of State
Washington, D.C.
May 21 and 22, 1990

U.S. FOREIGN TRADE - 1988
(in billions of dollars)

	EXPORTS	%	IMPORTS	%
Total	$320.4	100.0	$459.9	100.0
atin America	43.8	13.7	53.7	11.6
Mexico	20.6	6.4	23.5	5.1
(L.A. less Mexico)	(23.2)	(7.2)	(30.2)	(6.6)
Venezuela	4.6	1.4	5.6	1.2
Brazil	4.3	1.3	10.0	2.2
. Europe	1.4	0.4	2.6	0.6
Hungary	0.1	0.03	0.3	0.1
Poland	0.3	0.1	0.4	0.1
Romania	0.2	0.1	0.7	0.2
Yugoslavia	0.5	0.2	0.9	0.2
Bulgaria	0.1	0.03	0.1	0.02
Czechoslovakia	0.1	0.03	0.1	0.02
Eastern Germany	0.1	0.03	0.1	0.02
rica	5.1	1.6	11.4	2.5
pan	37.7	11.8	93.2	20.3
C	75.9	23.7	88.7	19.3
United Kingdom	18.4	5.7	27.4	6.0
Germany	14.3	4.5	18.7	4.1
France	10.1	3.2	12.7	2.8
Netherlands	10.1	3.2	12.3	2.7

Source: International Monetary Fund, Direction of Trade Statistics Yearbook, 1989

LATIN AMERICAN FOREIGN TRADE - 1988
(in billions of dollars)

	EXPORTS	%	IMPORTS	%
Total	$116.1	100.0	$107.5	100.0
United States	47.8	41.2	44.7	41.6
EC	24.8	21.4	20.8	19.4
Germany	5.8	5.0	5.9	5.5
Netherlands	4.2	3.6	1.3	1.2
Italy	3.0	2.6	2.6	2.4
United Kingdom	3.0	2.6	2.5	2.3
France	2.9	2.5	5.1	4.7
Japan	6.6	5.7	7.0	6.5
Intra-Latin America	14.8	12.7	16.3	15.2
Canada	2.9	2.5	2.3	2.1

Source: International Monetary Fund, Direction of Trade Statistics Yearbook, 1989

EC FOREIGN TRADE - 1988
(in billions of dollars)

	EXPORTS	%	IMPORTS	%
Total	$1064.7	100.0	$1084.3	100.0
Intra EC	633.9	59.5	625.8	57.7
Western Hemisphere	19.8	1.9	28.1	2.6
Brazil	3.7	0.4	10.6	1.0
Mexico	2.7	0.3	3.0	0.3
Venezuela	2.8	0.3	1.3	0.1
Argentina	1.5	0.1	3.1	0.3
Chile	1.0	0.1	2.5	0.2

Source: International Monetary Fund, Direction of Trade Statistics Yearbook, 1989

JAPAN FOREIGN TRADE - 1988
(in billions of dollars)

	EXPORTS	%	IMPORTS	%
Total	$265.0	100.0	$187.5	100.0
Western Hemisphere	$8.6	3.3	$8.1	4.3
Panama	2.7	1.0	0.1	0.1
Mexico	1.8	0.7	1.6	0.9
Brazil	1.0	0.4	3.0	1.6
Chile	0.4	0.2	1.0	0.5
Venezuela	0.6	0.2	0.5	0.3
Argentina	0.3	0.1	0.5	0.3

Source: International Monetary Fund, Direction of Trade Statistics Yearbook, 1989

Emerging Trading Blocs? (billion dollars and percentage)

	1980		1986		1988	
EC-12						
Total Exports	687.8	100	788.3	100	1,064.7	100
of which: Intraregional Trade	383.8	56	450.0	57	633.9	60
Exports to ROW	304.0	44	338.3	43	430.8	40
to East Asia	26.4	4	37.2	5	57.8	5
to North America	44.6	6	84.5	11	98.9	9
North America*						
Total Exports	304.1	100	323.6	100	466.0	100
of which: Intraregional Trade	99.5	33	129.0	40	194.6	42
Exports to ROW	204.6	67	194.6	60	271.4	58
to East Asia	52.1	17	58.9	18	101.0	22
to EC-12	67.4	22	58.5	18	87.4	19
East Asia						
Total Exports	283.1	100	414.6	100	593.9	100
of which: Intraregional Trade	96.4	34	116.4	28	195.4	33
Exports to ROW	186.8	66	298.2	72	398.5	67
to North America	68.1	24	153.3	37	195.7	33
to EC-12	41.6	15	58.5	14	95.3	16

ROW = Rest of World

* United States, Canada, and Mexico

Source: GATT, International Trade 87-88, vol. II, Table AA10, Geneva 1988.
IMF, Direction of Trade Statistics Yearbook.

Source: Jeffrey J. Schott, "Is the World Devolving into Regional Trading Blocs?", Institute for International Economics, 1990

U.S. EXPORTS (F.A.S. VALUE) - 1988
(Billions of dollars)

Commodity (by tariff schedule)	Western Hemisphere	World	Exports to W.H. as % of U.S. World Exports
Total all commodities	$43.75	$316.47	13.82
7--Machinery and transport equipment	19.54	139.86	13.97
5--Chemicals & related products, nspf	5.56	32.66	17.02
6--Manufactured goods by chief material	4.47	23.76	18.81
8--Miscellaneous manufactured articles	4.08	26.51	15.39
0--Food and live animals	3.60	26.93	13.38
2--Crude materials--inedible, except fuel	2.48	25.51	9.72
3--Mineral fuels, animal & vegetable	1.52	8.23	18.47
4--Oils and fats, animal & vegetable	0.37	1.47	25.17
1--Beverages and tobacco	0.25	4.60	5.33

Source: U.S. Department of Commerce, International Trade Administration, Latin America Trade Review 1988, June 1989

U.S. IMPORTS (Customs Value) - 1988
(Billions of dollars)

Commodity (by tariff schedule)	Western Hemisphere	World	Imports from W.H. as % of U.S. total imports
Total all commodities	$52.37	$441.57	11.61
7--Machinery and transport equipment	13.79	197.05	7.00
3--Mineral fuels, lubricants, etc.	11.15	41.09	27.14
0--Food and live animals	8.14	20.11	40.48
6--Manufactured goods by chief material	6.39	61.64	10.37
8--Miscellaneous manufactured articles, nspf	5.97	70.47	8.47
5--Chemicals and related products, nspf	1.69	19.88	8.55
2--Crude materials, inedible, except fuel	1.67	13.40	12.46
1--Beverages and tobacco	0.49	4.14	11.84
4--Oils and fats,animal and vegetable	0.18	0.85	21.18

Source: U.S. Department of Commerce, International Trade Administration, Latin America Trade Review 1988, June 1989

U.S. EXPORTS (Customs Value)
(in billions of dollars)

Commodity (by Tariff Schedule)	1984			1988		
	World	Western Hemisphere	%	World	Western Hemisphere	%
Total all commodities	$224.00	$29.50	13.17	$321.81	$43.75	13.60
784-Parts of road vehicles & tractors	10.64	1.90	14.15	$13.17	$2.50	18.94
792-Aircraft; spacecraft; & assoc equip	11.08	0.50	4.50	29.32	1.53	7.39
764-Telecomunictn equip; tv, radio eq.	3.75	0.74	19.89	6.11	1.43	22.95
517 Organic chemicals & products nspf	5.04	1.11	22.00	7.78	1.40	17.95
588-Syn resins; rubber & plastic materi	4.07	0.72	17.83	7.31	1.37	19.18
759-Parts for office machs & adp machs	7.34	0.63	8.59	12.62	1.05	8.73
334-Petroleum products-refined	3.59	0.93	25.75	2.76	0.96	34.18
776-Electronic components and parts there	6.40	0.68	10.66	10.38	0.95	9.09
772-Elect appar, current carry; resist	2.51	0.57	22.92	3.83	0.90	23.66
778-Electrical machinery & apparatus, n	2.85	0.51	17.48	4.08	0.85	20.68
773-Electrical distributing equipment	0.86	0.31	36.05	1.63	0.64	51.53
723-Civil engineer & contractors' equip	3.79	0.75	19.76	3.61	0.80	22.33
752-Auto data proc (adp) machs & aux eq	7.23	0.41	5.69	11.64	0.78	6.72
875-Measuring, checking etc instruments	5.33	0.44	8.36	7.43	0.72	9.77
525-Inorganic chemicals & products nspf	2.20	0.45	20.41	2.73	0.59	21.67
044-Corn or maize--unmilled	7.08	0.71	9.96	5.19	0.57	11.02
728-Specialized industrial machinery, n	2.74	0.34	12.60	4.09	0.56	13.61
891-Articles of rubber or plastic nspf	1.31	0.28	21.37	2.07	0.55	26.57
081-Animal feeding-stuff, excl unml cer	2.23	0.31	13.96	3.43	0.52	15.29
251-Pulp and waste paper	2.00	0.27	14.11	3.73	0.48	13.03
598-Miscellaneous chemical products nsp	1.86	0.39	20.58	2.63	0.47	17.19
743-Pumps, nspf, compressor, filter eq.	1.40	0.24	17.14	2.02	0.46	22.77
749-Non-electric parts, nspf, for machy	1.58	0.33	20.89	1.90	0.46	24.21
699-Manufactueres & semi-mfrs--ba met, n	1.58	0.26	15.94	2.23	0.45	20.27

Source: U.S. Department of Commerce, International Trade Administration, Latin America Trade Review 1988, June 1989

U.S. EXPORTS (Customs Value)
(in billions of dollars)

Commodity (by Tariff Schedule)	1984			1988		
	World	Western Hemisphere	%	World	Western Hemisphere	%
641-Paper and paperboard	1.94	0.39	20.63	2.97	0.45	18.80
642-Paper, ppr pulp, & paperboard art, n	0.71	0.31	43.66	0.97	0.45	46.39
714-Internal combustion on engines, nspf &	3.55	0.24	6.53	6.21	0.42	6.71
741-Heating & cooling equipment & parts	1.91	0.26	13.47	2.65	0.42	15.56
716-Rotating electric plant & parts	0.86	0.19	22.09	1.10	0.38	34.55
541-Medicinal and pharmaceutical produc	2.66	0.32	11.96	4.05	0.38	9.37
511-Specified hydrocarbons & derivative	1.14	0.33	28.95	1.67	0.36	21.56
011-Meat--fresh, chilled, or frozen	1.13	0.14	13.09	2.33	0.35	15.00
045-Cereals, nspf--unmilled	0.90	0.36	40.00	0.71	0.33	46.48
761-Television receivers & combinations	0.20	0.16	80.00	0.45	0.31	68.89
736-Metalworking mach tools; & pts & ac	0.83	0.15	18.07	1.36	0.31	22.79

Source: U.S. Department of Commerce, International Trade Administration, Latin America Trade Review 1988, June 1989

U.S. IMPORTS (Customs Value)
(in billions of dollars)

Commodity (by Tariff Schedule)	1984			1988		
	World	Western Hemisphere	%	World	Western Hemisphere	%
Total all commodities	$330.68	$47.90	14.49	$441.57	$51.27	11.61
333+334-Crude and petroleum products	55.49	20.18	36.37	37.89	10.86	28.66
071-Coffee	3.28	2.42	73.78	2.47	1.94	78.54
057-Fruits & nuts, nspf, prepared	1.35	0.97	71.85	1.80	1.46	81.11
713-Internal combust piston engines	3.38	0.80	23.44	5.37	1.29	24.07
773-Electrical distributing equipment	1.11	0.49	41.14	2.56	1.28	50.00
788-Parts nspf of motor vehicles	8.35	0.57	6.73	14.75	1.25	8.78
036-Shellfish, fresh, frozen, salted	1.76	1.03	58.52	2.35	1.15	48.94
762-Radio receivers (am & am/fm)	2.50	0.40	16.08	4.98	1.14	22.00
851-Footwear, new	5.03	0.95	18.98	8.04	1.13	13.75
761-Television receivers & combinations	2.18	0.40	45.87	2.14	0.96	44.86
058-Fruits & nuts, prepared or preserved	1.32	0.92	69.70	1.22	0.93	76.23
772-Elect equipment, resist, etc.	2.23	0.52	23.64	4.36	0.89	20.19
843-Outwear app, cot, wool, mmf	4.14	0.30	7.22	6.49	0.75	11.59
682-Copper & copper alloys, wrght & unw	1.51	0.44	29.14	1.86	0.67	36.02
778-Electrical machinery & apparatus ns	3.15	0.40	12.38	5.97	0.66	11.07
842-Outer gear, (ex-shirts) tex nk	1.85	0.19	10.27	2.77	0.59	21.30
517-Organic chemicals & related products	4.26	0.47	10.98	6.95	0.59	10.85
764-Telecommunications equip	6.98	0.54	7.66	9.68	0.58	5.95
054-Veg,frsh, etc;dried legum veg	0.67	0.49	73.13	0.79	0.56	70.89
821-Furniture & parts thereof	2.61	0.17	6.62	4.79	0.52	10.83
846-Undergarments, knit	1.70	0.22	12.88	2.75	0.50	18.00
771-Non-rotating elect power equip	1.10	0.26	23.64	2.18	0.45	20.64
674-Plates and sheets, iron or steel	4.57	0.34	7.41	4.47	0.45	9.96
072-Cocoa	0.92	0.48	52.17	0.88	0.43	48.86
684-Aluminum and alumn alloys	2.45	0.26	10.24	3.44	0.43	12.50

Source: U.S. Department of Commerce, International Trade Administration, Latin America Trade Review 1988, June 1989

U.S. IMPORTS (Customs Value)
(in billions of dollars)

Commodity / Time Period	1984 World	1984 Western Hemisphere	1984 %	1988 World	1988 Western Hemisphere	1988 %
971-Gold, nonmonetary, ex ores	2.99	0.86	28.76	1.24	0.42	33.87
759-Parts of office machs	5.08	0.30	5.82	11.54	0.41	3.58
522-Inorganic chem elem	$1.45	$0.39	26.21	$1.65	$0.40	24.24
287-Ores & concentrates, of base metals	1.61	0.53	32.92	1.47	0.37	25.17
611-Leather	0.41	0.18	43.90	0.76	0.36	47.37
061-Sugar, sirups, molasses and honey	1.43	0.94	65.73	0.57	0.35	61.40
715-Parts of internal combustion engine	1.99	0.16	8.20	4.27	0.35	8.02
671-Pig iron,, etc., and ferroalloys	0.66	0.20	30.30	1.14	0.33	28.95
716-Rotating electric plant and parts	0.82	0.14	17.07	1.58	0.30	18.99
292-Vegetable materials, nspf, crude	0.68	0.23	33.82	0.97	0.29	29.90
642-Paper, paperbd, etc, cut to size	0.49	0.14	28.57	0.82	0.29	35.37

Source: U.S. Department of Commerce, International Trade Administration, Latin America Trade Review 1988, June 1989

LATIN AMERICA: U.S. SHARE OF FOREIGN DIRECT INVESTMENT 1988
(value in U.S. billion dollars)

COUNTRY	WORLD INV. IN L.A.	U.S.INV. IN L.A.	U.S. SHARE
Argentina	9.3	2.4	26%
Bolivia	0.2	0.1	51%
Brazil	24.3	11.8	49%
Chile	3.7	0.7	20%
Colombia	2.8	2.4	87%
Ecuador	2.1	0.4	21%
Paraguay	0.3	0.0	3%
Peru	4.8	1.1	22%
Uruguay	0.4	0.1	34%
Venezuela	3.8	2.3	60%
Total South America	51.7	21.4	41%
Mexico	8.9	5.5	62%
CBI	20.4	14.3	70%
TOTAL LATIN AMERICA	81.0	41.2	51%

1) Although Bermuda and French West Indies are included by BEA in their table for for Latin America, they are excluded from these calculations.
The Netherlands Antilles also have been excluded because of their tax-haven status.

SOURCE: U.S. share calculation based on U.S. investment total and world total obtained from Central Banks or USDOC estimates in such cases as Venezuela, Bolivia,Mexico,CBI.

Due to differences in data acquisition and calculation methodology, figures of BEA/DOC are likely to vary significantly from Latin American Central Banks.
Prepared by RD 12/27/89 14-Feb

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

Table 13.—U.S. Direct Investment Position Abroad, 1988

[Millions of dollars]

	All industries	Petroleum	Manufacturing								Wholesale trade	Banking	Finance (except banking), insurance, and real estate	Services	Other industries
			Total	Food and kindred products	Chemicals and allied products	Primary and fabricated metals	Machinery, except electrical	Electric and electronic equipment	Transportation equipment	Other manufacturing					
All countries	326,900	59,658	133,819	13,121	30,467	7,525	25,608	10,580	17,614	28,604	34,401	16,120	60,604	7,130	15,168
Developed countries	245,498	40,299	108,850	10,907	24,583	6,226	22,703	6,414	14,634	23,384	28,427	9,337	43,240	5,608	9,736
Canada	61,244	11,711	28,141	2,178	5,393	3,312	3,160	2,176	6,408	5,514	3,819	781	10,377	1,286	5,230
Europe	152,232	21,323	67,930	7,812	14,691	2,464	16,373	3,283	7,306	16,002	19,574	7,470	29,810	3,819	2,304
European Communities (12)	126,502	15,695	65,431	7,364	14,409	2,403	15,798	3,079	7,431	14,943	12,774	5,829	21,634	2,922	2,216
Belgium	7,224	551	3,897	286	2,181	109	203	231	(D)	(D)	1,477	412	780	73	34
Denmark	1,191	(D)	265	164	(D)	(D)	2	7	(*)	41	513	41	174	(D)	-1
France	12,495	926	8,047	293	1,753	155	3,025	250	456	2,114	2,377	235	446	176	237
Germany, Federal Republic of	21,673	2,043	14,200	854	1,377	523	4,074	601	3,927	2,843	1,114	1,578	1,921	-21	739
Greece	194	45	107	(D)	65	(*)	0	9	0	(D)	33	-24	(D)	(D)	5
Ireland	5,743	-9	4,138	659	1,010	139	750	412	8	1,161	16	9	1,662	-66	-7
Italy	9,075	401	6,361	476	1,657	124	2,980	335	135	854	1,153	253	481	170	56
Luxembourg	756	3	456	0	(D)	30	(D)	(D)	(*)	381	5	-199	93	0	0
Netherlands	15,367	2,212	4,073	1,371	2,220	403	767	95	(D)	(D)	2,419	173	3,178	887	427
Portugal	425	(D)	194	(D)	3	(D)	(D)	(D)	(D)	37	105	104	(D)	(D)	8
Spain	4,368	96	2,626	453	571	161	(D)	29	237	(D)	757	477	26	274	111
United Kingdom	47,991	9,327	18,867	2,715	3,546	731	3,347	997	2,469	5,061	2,905	2,271	12,850	1,312	558
Other Europe	25,730	5,628	2,499	448	283	56	574	203	-125	1,059	6,800	1,641	8,177	897	88
Austria	1,167	127	95	23	(D)	3	37	(D)	5	12	536	47	30	15	17
Finland	413	(D)	29	0	4	(*)	(D)	0	0	(D)	331	(D)	0	1	(*)
Norway	3,834	3,276	36	2	-12	-1	8	0	0	40	550	21	119	26	6
Sweden	1,089	(D)	627	42	34	13	(D)	(D)	(D)	49	222	(D)	50	-7	(D)
Switzerland	18,672	(D)	1,734	(D)	241	37	68	172	0	(D)	4,944	1,512	7,718	(D)	41
Turkey	193	41	62	(D)	(D)	(*)	(*)	10	2	(D)	33	24	0	(D)	(D)
Other	362	73	-85	0	0	3	(D)	0	(D)	(D)	83	(D)	260	11	(D)
Japan	16,868	3,468	7,876	582	2,430	197	2,630	852	630	753	3,473	262	1,258	206	325
Australia, New Zealand, and South Africa	15,154	3,798	4,903	535	2,068	253	540	103	290	1,114	1,560	824	1,795	297	1,977
Australia	13,058	3,069	4,178	519	1,853	140	414	97	257	898	1,322	(D)	1,685	255	(D)
New Zealand	826	(D)	217	-4	93	(D)	14	10	(D)	77	158	(D)	41	(D)	40
South Africa	1,270	(D)	508	20	122	(D)	113	-5	(D)	139	80	0	69	(D)	(D)
Developing countries	76,837	16,007	24,969	2,214	5,884	1,599	2,905	4,166	2,980	5,220	5,975	6,782	17,364	1,522	4,219
Latin America and Other Western Hemisphere	49,283	4,974	17,550	1,796	4,107	1,277	2,081	1,057	2,828	4,704	2,812	4,500	14,533	1,079	3,234
South America	21,687	2,421	12,378	1,225	2,576	991	1,990	651	1,646	3,299	681	1,323	1,741	701	2,443
Argentina	2,390	405	1,315	170	258	110	257	41	95	283	99	377	176	65	52
Brazil	11,810	244	9,004	506	1,739	977	1,733	477	1,505	2,265	55	661	1,272	470	104
Chile	731	71	9	37	138	(D)	0	(D)	(D)	(D)	32	247	220	34	117
Colombia	2,429	399	710	176	186	4	4	6	(D)	(D)	(D)	7	(D)	2	(D)
Ecuador	448	189	154	33	16	16	0	(D)	11	(D)	41	3	(D)	(*)	(D)
Peru	1,064	348	61	7	19	(D)	0	(*)	0	(D)	67	-6	(D)	(D)	(D)
Venezuela	2,273	634	1,141	231	205	95	-5	94	161	362	285	4	6	116	88
Other	543	130	84	64	14	2	4	0	-2	2	(D)	29	(D)	(D)	(D)
Central America	12,441	1,593	5,224	526	1,434	266	92	397	1,182	1,327	1,290	266	3,227	215	627
Mexico	5,516	60	4,586	257	1,197	234	92	382	1,182	1,243	376	(D)	-20	138	(D)
Panama	6,140	1,419	248	78	148	5	0	0	0	17	847	217	3,221	47	141
Other	785	114	390	191	89	27	0	16	0	67	66	(D)	26	31	(D)
Other Western Hemisphere	15,155	960	245	44	97	21	(*)	8	0	77	841	3,211	9,567	163	165
Bahamas	2,244	206	33	(D)	(D)	0	0	0	0	(*)	268	860	832	-35	29
Bermuda	19,880	114	0	0	0	0	0	0	0	0	406	(D)	19,265	58	(D)
Jamaica	136	(D)	70	15	44	0	0	0	0	11	22	7	(D)	33	(*)
Netherlands Antilles	-11,796	(D)	24	(D)	(D)	(D)	0	0	0	0	-28	(D)	-12,055	(*)	(D)
Trinidad and Tobago	429	(D)	10	8	-5	0	(*)	0	0	8	24	(D)	4	(D)	-5
United Kingdom Islands, Caribbean	3,577	(D)	(D)	1	0	0	0	(D)	0	0	64	2,147	1,242	63	40
Other	664	199	(D)	5	20	(D)	0	(D)	0	58	86	16	(D)	(D)	(D)
Other Africa	4,603	3,548	311	43	110	115	1	29	11	2	75	155	365	95	54
Saharan	2,097	1,752	76	25	(D)	9	1	4	10	(D)	44	66	3	78	79
Egypt	1,705	1,405	50	(D)	(D)	6	1	4	8	-4	(D)	65	-2	74	(D)
Libya	312	299	0	0	0	0	0	0	0	0	(D)	0	0	4	(*)
Other	79	48	26	(D)	(*)	3	0	0	2	(D)	6	(*)	5	(*)	-5
Sub-Saharan	2,506	1,796	235	18	(D)	106	0	25	(*)	(D)	31	89	362	17	-25
Liberia	132	53	0	0	0	0	0	0	0	0	(D)	2	44	(D)	49
Nigeria	1,342	1,214	58	0	48	-2	0	(D)	0	(D)	21	39	0	7	4
Other	1,032	528	178	18	(D)	109	0	(D)	(*)	-11	(D)	48	318	(D)	-77
Middle East	4,090	2,317	522	(*)	216	31	27	175	0	73	366	-238	779	110	234
Israel	722	58	228	0	24	2	(D)	172	0	(D)	(D)	4	133	34	(D)
Saudi Arabia	2,047	731	252	0	159	(D)	(*)	3	0	(D)	(D)	(D)	575	182	(D)
United Arab Emirates	680	562	22	0	(D)	0	(D)	0	0	-3	47	-9	(D)	-22	(D)
Other	641	965	20	(*)	(D)	(D)	1	0	0	-5	30	(D)	(D)	-84	-2
Other Asia and Pacific	18,860	5,168	6,286	375	1,451	176	796	2,905	142	441	2,721	2,065	1,685	237	697
Hong Kong	5,028	237	594	13	208	34	105	100	0	134	2,003	654	1,253	85	196
India	457	5	415	1	176	69	100	(D)	(D)	48	-1	35	2	(*)	(*)
Indonesia	3,006	2,638	92	7	59	8	4	-3	0	17	(D)	-3	46	-4	(D)
Malaysia	1,363	735	521	5	20	-1	16	429	0	52	63	-10	29	0	26
Philippines	1,305	127	612	238	236	17	-3	96	-2	29	101	263	145	73	-21
Singapore	3,005	559	2,000	21	192	-4	306	1,434	33	17	114	218	35	42	37
South Korea	1,302	10	497	58	104	(D)	(D)	224	2	74	49	567	137	12	30
Taiwan	1,546	(D)	1,161	23	392	24	239	382	63	39	172	179	(D)	-2	28
Thailand	1,126	596	326	9	47	(D)	(D)	215	0	29	64	99	(D)	11	(D)
Other	721	(D)	68	0	15	0	0	(D)	(D)	2	(D)	37	3	21	133
International	4,565	3,351													1,213
Addendum—OPEC [1]	10,229	6,383	1,721	271	507	145	8	116	173	509	478	101	728	209	603

* Less than $500,000 (±).

D Suppressed to avoid disclosure of data of individual companies.

1. See footnote 1, table 11.

Department of Commerce

August 1989

SURVEY OF CURRENT BUSINESS

Table 29.—U.S. Direct Investment Abroad: Country Detail for Selected Items

[Millions of dollars]

Line		Direct investment position					Capital outflows (inflows (−))					Income				
		1984	1985	1986	1987	1988	1984	1985	1986	1987	1988	1984	1985	1986	1987	1988
1	All countries	211,480	230,250	259,800	307,983	326,900	2,821	18,068	26,311	44,194	17,533	21,217	33,202	38,533	54,754	48,264
2	Developed countries	157,123	172,058	194,280	232,690	245,498	1,101	13,669	18,589	33,954	10,812	13,436	26,098	32,323	45,527	37,183
3	Canada	46,730	46,909	50,629	58,377	61,244	2,259	−705	2,565	7,450	4,101	4,910	4,307	5,063	6,990	8,954
4	Europe	91,589	105,171	120,724	146,243	152,232	47	13,622	14,054	22,376	3,335	7,399	19,800	22,971	32,975	22,033
5	European Communities (10)	69,500	81,380	95,629	115,865	121,709	−65	11,849	12,354	17,793	3,922	5,010	16,317	19,121	26,932	17,427
6	Belgium	4,584	5,038	5,006	6,757	7,224	142	485	237	1,735	263	251	948	1,479	1,744	959
7	Denmark	1,144	1,281	1,085	1,091	1,191	7	149	−157	−149	130	123	235	276	254	80
8	France	6,406	7,643	8,952	11,771	12,495	−404	1,504	1,236	2,222	754	357	1,447	2,043	2,759	1,321
9	Germany, Federal Republic of	14,823	16,764	20,932	24,792	21,673	−520	1,920	3,542	3,568	−3,521	272	3,401	4,826	6,056	1,683
10	Greece	265	210	87	132	194	−73	−36	−34	22	54	−15	−20	−122	33	56
11	Ireland	2,869	3,693	4,308	5,135	5,743	394	721	665	1,007	593	514	785	840	1,156	1,127
12	Italy	4,594	5,906	7,426	9,008	9,075	138	985	459	1,446	−12	345	1,025	2,650	2,127	1,120
13	Luxembourg	424	690	802	787	756	40	48	41	−30	152	59	79	148	147	57
14	Netherlands	5,839	7,129	11,643	14,361	15,367	−679	1,241	4,515	2,593	882	696	2,197	3,523	3,228	2,388
15	United Kingdom	28,553	33,024	35,389	42,031	47,991	891	4,831	1,850	5,370	4,627	2,405	6,224	3,456	9,428	8,636
16	Other Europe	22,089	23,791	25,095	30,378	30,523	112	1,773	1,700	4,583	−588	2,389	3,483	3,850	6,043	4,606
17	Austria	530	493	715	714	1,167	−15	−16	−103	−62	27	18	36	142	130	271
18	Finland	191	258	292	389	413	−7	71	27	94	24	38	85	94	159	104
19	Norway	2,841	3,215	3,216	3,844	3,834	−253	376	424	540	−74	760	601	481	502	421
20	Portugal	205	237	238	412	425	−22	15	35	118	32	−7	49	85	92	138
21	Spain	2,139	2,281	2,707	3,789	4,368	−146	197	389	1,005	485	32	312	432	1,294	1,393
22	Sweden	844	933	918	1,111	1,039	−42	71	49	145	−20	102	190	189	182	145
23	Switzerland	14,725	15,766	16,441	19,518	18,672	580	1,049	979	2,666	−983	1,394	2,119	2,371	3,668	2,153
24	Turkey	228	234	215	207	193	101	6	−22	−14	−26	52	49	27	33	−18
25	Other	385	375	302	394	362	−84	3	−79	92	−52	1	42	28	−21	(*)
26	Cyprus	17	16	13	10	6	−4	−1	−4	−3	−4	9	12	5	5	4
27	Greenland	0	0	−39	(D)	(D)	0	0	−36	(D)	(D)	0	0	(D)	−4	−4
28	Hungary	0	0	(D)	(D)	(D)	0	0	(D)	(D)	(D)	0	0	1	(D)	(D)
29	Iceland	7	8	8	8	9	1	1	(*)	(*)	(*)	2	1	1	1	1
30	Liechtenstein	327	350	339	411	377	7	37	−11	72	−14	20	61	62	(*)	15
31	Malta	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	2	(*)	(*)	2	2
32	Romania	(D)	(D)	5	1	3	(D)	(D)	(D)	−5	2	3	3	2	−6	2
33	Yugoslavia	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	−33	−35	(D)	(D)	(D)
34	Japan	7,936	9,235	11,472	14,671	16,868	−361	1,160	1,987	2,908	1,976	729	1,617	3,387	3,873	3,278
35	Australia, New Zealand, and South Africa	10,868	10,743	11,455	13,399	15,154	−844	−408	−17	1,220	1,400	398	373	902	1,689	2,926
36	Australia	8,918	8,772	9,340	11,143	13,058	−237	−271	−37	1,062	1,681	748	278	548	1,182	2,362
37	New Zealand	510	576	598	732	826	−60	42	21	121	46	17	61	69	141	19
38	South Africa	1,440	1,394	1,517	1,524	1,270	−548	−180	−1	37	−327	−367	35	285	267	45
39	Developing countries	49,153	52,764	61,072	70,676	76,837	2,382	4,226	8,610	10,057	6,897	7,223	6,845	6,726	9,100	10,823
40	Latin America and Other Western Hemisphere	24,627	28,261	36,851	44,905	49,233	−171	4,083	7,441	8,042	4,579	1,495	2,338	3,516	3,512	4,617
41	South America	18,714	17,623	19,813	20,690	21,637	103	−1,057	1,243	382	305	1,198	908	1,697	1,713	2,277
42	Argentina	2,753	2,705	2,913	2,673	2,390	104	10	210	−129	−224	60	115	367	222	173
43	Brazil	9,237	8,893	9,268	10,288	11,810	239	−251	123	572	1,403	544	524	833	985	1,641
44	Chile	47	88	265	343	731	−68	43	87	71	291	33	52	94	119	220
45	Colombia	2,111	2,148	3,291	3,241	2,429	−11	−466	198	−68	−1,369	201	164	153	180	−117
46	Ecuador	371	361	413	466	448	−75	−11	126	55	−19	81	93	79	20	8
47	Peru	1,902	1,243	1,103	1,084	1,064	−143	−218	−104	−42	−39	113	−37	−5	−56	−66
48	Venezuela	1,761	1,588	1,987	2,036	2,273	78	−218	545	−58	256	153	22	162	223	351
49	Other	534	597	572	560	543	−21	53	57	−19	9	14	−23	12	21	[illegible]
50	Bolivia	168	216	203	172	101	8	39	−2	−31	−72	19	−4	3	−12	[illegible]
51	French Guiana	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	2	(D)	3	5	(D)
52	Guyana	3	2	2	4	5	−4	−1	(*)	1	1	(*)	−1	(*)	(*)	(*)
53	Paraguay	26	29	21	14	9	−10	3	−8	−7	−5	−8	−2	−8	−18	[illegible]
54	Surinam	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	9	(D)	−7	38	(D)
55	Uruguay	88	96	117	133	124	−12	6	21	11	17	−8	(*)	21	8	[illegible]
56	Central America	9,853	9,658	10,698	11,657	12,441	−75	69	395	889	809	739	1,128	1,285	1,529	[illegible]
57	Mexico	4,597	5,088	4,623	4,898	5,516	190	436	−132	275	607	347	642	217	707	[illegible]
58	Panama	4,474	3,959	5,525	6,131	6,140	−373	−140	581	547	52	350	490	1,007	688	[illegible]
59	Other	782	611	549	629	785	108	−227	−54	67	150	41	−4	61	134	[illegible]
60	Belize	−35	2	(D)	−15	−16	11	−21	(D)	(D)	−1	(*)	−1	−2	(*)	[illegible]
61	Costa Rica	158	113	113	141	174	−9	−46	−1	25	33	12	−8	(*)	25	[illegible]
62	El Salvador	94	73	(D)	51	57	−6	−15	(D)	(D)	6	10	3	12	10	[illegible]
63	Guatemala	240	213	181	174	203	37	−27	−52	−7	21	20	−10	20	7	[illegible]
64	Honduras	288	171	167	185	231	72	−111	−4	4	46	−6	13	21	49	[illegible]
65	Nicaragua	39	39	51	93	137	3	−6	12	43	45	6	−2	11	43	[illegible]
66	Other Western Hemisphere	−3,941	980	6,341	12,558	15,155	−199	5,071	5,803	6,771	3,462	−442	302	534	565	[illegible]
67	Bahamas	3,331	3,795	2,991	2,706	2,244	−131	61	−929	−388	152	617	1,097	733	−15	[illegible]
68	Bermuda	13,019	13,116	15,373	19,100	19,880	1,068	599	1,552	4,085	857	1,265	1,415	1,740	2,261	[illegible]
69	Jamaica	257	122	106	102	156	−53	−116	−16	−16	28	29	30	53	96	[illegible]
70	Netherlands Antilles	−24,664	−20,499	−16,969	−14,257	−11,796	−1,908	4,092	4,852	3,020	2,722	−3,322	−3,220	−2,700	−2,197	[illegible]
71	Trinidad and Tobago	667	484	424	388	429	−195	−172	−105	−25	9	64	156	56	54	[illegible]
72	United Kingdom Islands, Caribbean	2,992	3,490	3,794	3,953	3,577	1,042	543	341	182	−415	872	774	609	315	[illegible]
73	Other	458	472	620	566	664	−21	64	106	−84	109	33	50	44	50	7
74	Antigua and Barbuda	4	(D)	7	(D)	11	(*)	(D)	(D)	(D)	(D)	1	1	1	1	[illegible]
75	Barbados	47	81	212	179	304	−11	49	94	(*)	125	7	18	17	19	[illegible]
76	Cuba	(D)	(D)	(D)	9	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	3	5	[illegible]
77	Dominica	(*)	(*)	1	1	1	(*)	(*)	(*)	1	−1	(*)	(*)	(*)	(*)	[illegible]
78	Dominican Republic	239	212	199	156	141	−10	11	−10	−106	−8	17	22	10	4	[illegible]
79	French Islands, Caribbean	11	9	12	26	22	−2	−2	3	14	−4	(*)	(*)	3	9	[illegible]
80	Grenada	(*)	(*)	(*)	1	1	(*)	(*)	(*)	1	(*)	0	0	0	0	[illegible]
81	Haiti	22	26	29	34	27	5	3	3	6	−4	6	8	6	6	[illegible]
82	St. Christopher and Nevis	0	0	0	1	(*)	0	0	0	1	−1	0	0	0	0	[illegible]
83	St. Lucia	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(*)	4	[illegible]
84	St. Vincent	1	1	(*)	2	2	1	1	−1	2	(*)	(*)	(*)	(*)	(*)	[illegible]

See footnotes at end of table.

TABLE 8.1.

U.S. DIRECT INVESTMENT POSITION ABROAD, BY COUNTRY,
YEAREND 1950, 1966, 1977, 1980, 1988

	Amount					Distribution					Average Annual Rate of Growth			
	1950	1966	1977	1980	1988	1950	1966	1977	1980	1988	1950-66	1966-77	1977-80	1980-88
	Millions of Dollars					Percent					Percent			
All Countries	11,788	51,792	145,990	215,375	326,900	100.0	100.0	100.0	100.0	100.0	9.7	9.9	13.8	5.4
Developed Countries	5,696	36,290	110,120	158,214	245,498	48.3	68.1	75.4	73.5	75.1	12.1	10.9	12.8	5.6
Canada	3,579	15,713	35,052	45,119	61,244	30.4	30.3	24.0	20.9	18.7	9.7	7.6	8.8	3.4
Europe	1,733	16,391	62,552	96,287	152,232	14.7	31.6	42.8	44.7	46.6	15.1	12.9	15.5	5.9
United Kingdom	847	5,421	16,709	28,460	47,991	7.2	10.5	11.4	13.2	14.7	12.3	10.8	19.4	6.7
EC (6)	637	7,256	30,688	45,109	66,590	5.4	14.0	21.0	20.9	20.4	16.4	14.0	13.7	5.0
Belgium and Luxembourg	69	800	5,289	6,911	7,980	0.6	1.5	3.6	3.2	2.4	16.6	18.7	9.3	1.8
France	217	1,790	6,490	9,347	12,495	1.8	3.4	4.4	4.3	3.8	14.1	12.4	12.9	3.7
Germany	204	2,808	11,189	15,415	21,673	1.7	5.4	7.7	7.2	6.6	17.8	13.4	11.3	4.4
Italy	63	988	3,186	5,397	9,075	0.5	1.9	2.1	2.5	2.8	18.8	11.2	19.2	6.7
Netherlands	84	870	4,534	8,039	15,367	0.7	1.7	3.1	3.7	4.7	15.7	16.2	21.0	8.4
Other Europe	248	3,714	15,155	22,719	37,651	2.1	7.2	10.4	10.5	11.5	18.4	13.6	14.4	6.5
Sweden	58	346	1,160	1,474	1,089	0.5	0.7	0.8	0.7	0.3	11.8	11.6	8.3	-3.7
Switzerland	25	1,880	7,182	11,280	18,672	0.2	3.6	4.9	5.2	5.7	31.0	13.0	16.2	6.5
Other Countries	165	1,488	6,813	9,966	17,890	1.3	2.9	4.7	4.6	5.5	14.7	14.8	13.5	7.6
Japan	19	731	4,593	6,225	16,868	0.2	1.4	3.1	2.9	5.2	25.6	18.2	10.7	13.3
Australia	201	1,855	5,823	7,654	13,058	1.7	3.6	4.0	3.6	4.0	14.9	11.0	9.5	6.9
New Zealand	25	110	410	579	826	0.2	0.2	0.3	0.3	0.3	9.7	12.7	12.2	4.5
South Africa	140	490	1,690	2,350	1,270	1.2	0.9	1.2	1.1	0.4	8.1	11.9	11.6	-7.4
Developing Countries	5,736	13,866	31,800	53,206	76,837	48.7	26.8	21.8	24.7	23.5	5.7	7.8	18.7	4.7
Latin America	4,577	9,752	27,514	38,761	49,283	38.8	18.8	18.8	18.3	15.1	4.8	9.9	12.1	3.0
South & Central America	4,445	8,595	17,583	26,535	34,128	37.7	16.6	12.0	12.3	10.4	4.2	6.7	14.7	3.2
Argentina	356	758	1,262	2,540	2,390	3.0	1.5	0.9	1.2	0.7	4.8	4.7	26.3	-0.8
Brazil	644	882	5,695	7,704	11,810	5.5	1.7	4.0	3.6	3.6	2.0	18.5	10.6	5.5
Chile	540	765	159	536	731	4.6	1.5	0.1	0.2	0.2	2.2	-13.3	49.9	4.0
Colombia	193	459	662	1,012	2,429	1.6	0.9	0.4	0.5	0.7	5.6	3.4	15.2	11.6
Mexico	415	1,329	3,201	5,986	5,516	3.5	2.6	2.2	2.8	1.7	7.6	8.3	23.2	-1.0
Panama	58	847	2,442	3,170	6,140	0.5	1.6	1.7	1.5	1.9	18.2	10.1	9.1	8.6
Peru	145	651	1,160	1,665	1,064	1.2	1.3	0.8	0.8	0.3	9.8	5.4	12.8	-5.4
Venezuela	993	2,136	1,560	1,908	2,273	8.4	4.1	1.0	0.9	0.7	4.9	-2.8	6.9	2.2
Other Countries	1,101	768	1,442	2,014	1,775	9.3	1.5	1.0	0.9	0.5	-2.2	5.9	11.8	-1.6
Other Western Hemisphere	131	1,157	9,932	12,226	15,155	1.1	2.2	6.8	5.7	4.6	14.5	21.6	7.1	2.7
Bahamas	0	290	997	2,712	2,244	0.0	0.6	0.7	1.3	0.7	N.A.	11.9	39.6	-2.3
Bermuda	0	143	7,708	11,045	19,880	0.0	0.3	5.3	5.1	6.1	N.A.	43.7	12.7	7.6
Other Countries	96	561	1,227	-1,532	-6,969	0.8	1.0	0.8	-0.7	-2.1	11.6	7.4	N.A.	N.A.

Source: Staff Report, Office of Trade and Investment Analysis, ITA, U.S. Department of Commerce, "Direct Investment Update: Trends in International Direct Investment", September 1989

TABLE B.1. - Continued

U.S. DIRECT INVESTMENT POSITION ABROAD, BY COUNTRY,
YEAREND 1950, 1966, 1977, 1980, 1988

	Amount					Distribution					Average Annual Rate of Growth			
	1950	1966	1977	1980	1988	1950	1966	1977	1980	1988	1950-66	1966-77	1977-80	1980-88
	Millions of Dollars					Percent					Percent			
Africa	146	1,344	2,071	3,778	4,603	1.2	2.6	1.4	1.8	1.4	14.9	4.0	22.2	2.5
Liberia	16	124	294	335	132	0.1	0.2	0.2	0.2	(**)	13.7	8.2	4.4	-11.0
Libya	(*)	335	45	575	312	(**)	0.6	(**)	0.3	0.1	N.A.	-16.0	133.8	-7.5
Nigeria	11	219	-21	18	1,342	0.1	0.4	(**)	(**)	0.4	20.6	N.A.	N.A.	71.4
Other Countries	120	696	1,753	2,850	2,817	1.0	1.3	1.2	1.3	0.9	11.6	8.8	17.6	-0.1
Asia	1,013	2,770	2,216	10,668	22,950	8.6	5.3	1.5	5.0	7.0	6.5	-2.0	68.9	10.0
Middle East a)	692	1,462	-3,287	2,168	4,090	5.9	2.8	-2.2	1.0	1.3	4.8	N.A.	N.A.	8.3
Israel	N.A.	64	253	379	722	N.A.	0.1	0.2	0.2	0.2	N.A.	13.3	14.4	8.4
Other Countries	692 b)	1,398	-3,540	1,784	3,368	5.9	2.7	-2.4	0.8	1.0	2.9	N.A.	N.A.	8.3
Other Asia and Pacific	321	1,308	5,503	8,505	18,860	2.7	2.5	3.8	3.9	5.8	9.2	14.0	15.6	10.5
Hong Kong	7	126	1,328	2,078	5,028	0.1	0.2	0.9	1.0	1.5	19.8	23.9	16.1	11.7
India	38	226	318	398	457	0.3	0.4	0.2	0.2	0.1	11.8	3.2	7.8	1.7
Indonesia	58	106	984	1,314	3,006	0.5	0.2	0.7	0.6	0.9	3.8	22.5	10.1	10.9
Malaysia	18	57	464	632	1,363	0.2	0.1	0.3	0.3	0.4	7.5	21.0	10.8	10.1
Philippines	149	486	837	1,259	1,305	1.3	0.9	0.6	0.6	0.4	7.7	5.1	14.6	0.4
Singapore	N.A.	30	516	1,204	3,005	N.A.	(**)	0.3	0.6	0.9	N.A.	29.5	32.6	12.1
South Korea	N.A.	42	395	575	1,302	N.A.	0.1	0.3	0.3	0.4	N.A.	22.6	13.3	12.4
Taiwan	(*)	58	259	498	1,546	(**)	0.1	0.2	0.2	0.5	N.A.	14.6	24.3	15.2
Thailand	3	51	237	361	1,126	(**)	0.1	0.2	0.2	0.3	19.4	15.0	15.1	15.3
Other Countries	48	126	165	186	721	0.4	0.2	0.1	0.1	0.2	6.2	2.5	4.1	18.5
International and Unallocated	356	2,636	4,070	3,955	4,565	3.0	5.1	2.8	1.8	1.4	2.3	4.0	-1.0	1.8

(*) - Less than ± $500,000.
(**) - Less than ± 0.1 percent.
N.A. - Not available or not applicable.
Note: Detail may not add to totals because of rounding.
a) Middle East countries are: Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Neutral Zone, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen (Aden), Yemen (Sana), and unallocated.
b) Includes Israel in 1950.
Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Selected Data on U.S. Direct Investment Abroad, 1950-76, February 1982; U.S. Direct Investment Abroad, 1966, Final Data; U.S. Direct Investment Abroad, 1977, March 1981; U.S. Direct Investment Abroad: Balance of Payments and Direct Investment Position Estimates, 1977-81, November 1986; and Survey of Current Business, August 1989. For certain countries for 1950, U.S. Department of Commerce, Office of Business Economics, U.S. Business Investments in Foreign Countries, 1960.

Source: Staff Report, Office of Trade and Investment Analysis, ITA, U.S. Department of Commerce, "Direct Investment Update: Trends in International Direct Investment", September 1989

04-Apr-90
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Series A
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TABLE 4 PRELIM
Summary of U.S. Trade with Latin America 1)
U.S. $ Billion; Total Exports F.A.S.;General Imports Customs Value)

	1981			1985			1986			1987			1988			1989			1990 Projection		
	EXP	IMP	BOT	EXP	IMP	BOT	EXP	IMP	BOT	EXP	IMP	BOT	EXP	IMP	BOT	EXP	IMP	BOT	EXP	IMP	BOT
ARGENTINA	2.2	1.1	1.1	0.7	1.1	-0.4	0.9	0.9	0.1	1.1	1.1	0.0	1.1	1.4	-0.4	1.0	1.4	-0.4	0.9	1.5	-0.6
BOLIVIA	0.2	0.2	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0
BRAZIL	3.8	4.5	-0.7	3.1	7.5	-4.4	3.9	6.8	-3.0	4.0	7.9	-3.9	4.2	9.3	-5.1	4.8	8.4	-3.6	5.5	9.2	-3.7
CHILE	1.5	0.6	0.9	0.7	0.7	-0.1	0.8	0.8	0.0	0.8	1.0	-0.2	1.1	1.2	-0.1	1.4	1.3	0.1	1.6	1.5	0.1
COLOMBIA	1.8	0.8	0.9	1.5	1.3	0.1	1.3	1.9	-0.6	1.4	2.2	-0.8	1.8	2.2	-0.4	1.9	2.5	-0.6	2.1	2.8	-0.7
ECUADOR	0.8	1.0	-0.2	0.6	1.8	-1.2	0.6	1.5	-0.9	0.6	1.3	-0.7	0.7	1.2	-0.6	0.6	1.5	-0.8	0.7	1.8	-1.1
PARAGUAY	0.1	0.0	0.1	0.1	0.0	0.1	0.2	0.0	0.1	0.2	0.0	0.2	0.2	0.0	0.2	0.2	0.0	0.1	0.2	0.1	0.2
PERU	1.5	1.2	0.3	0.5	1.1	-0.6	0.7	0.8	-0.1	0.8	0.8	0.0	0.8	0.7	0.1	0.7	0.8	-0.1	0.7	0.8	-0.1
URUGUAY	0.2	0.2	0.0	0.1	0.6	-0.5	0.1	0.5	-0.4	0.1	0.3	-0.3	0.1	0.3	-0.2	0.1	0.2	-0.1	0.1	0.2	-0.1
VENEZUELA	5.4	5.6	-0.1	3.2	6.5	-3.4	3.1	5.1	-2.0	3.6	5.6	-2.0	4.6	5.2	-0.7	3.0	6.8	-3.8	4.0	6.9	-2.9
SOUTH AMERICA	17.4	15.2	2.2	10.5	20.8	-10.3	11.7	18.4	-6.6	12.7	20.2	-7.6	14.6	21.6	-7.0	14.0	23.1	-9.1	15.9	24.9	-8.9
MEXICO	17.8	13.8	4.0	13.6	19.1	-5.5	12.4	17.3	-4.9	14.6	20.3	-5.7	20.6	23.3	-2.6	25.0	27.2	-2.2	27.5	28.5	-1.1
CARIBBEAN BASIN 2)	6.6	10.0	-3.4	6.1	6.9	-0.8	6.5	6.3	0.2	7.1	6.3	0.8	7.9	6.3	1.5	9.4	7.1	2.4	10.3	7.8	2.5
TOTAL LATIN AMERICA	41.8	39.0	2.8	30.3	46.9	-16.6	30.6	41.9	-11.3	34.4	46.8	-12.5	43.1	51.3	-8.1	48.4	57.4	-9.0	53.7	61.2	-7.5
US TRADE WITH REST OF WORLD	196.9	222.0	-25.1	188.9	298.4	-109.5	196.9	328.0	-131.1	218.5	359.1	-140.6	279.6	390.0	-110.4	315.4	416.0	-100.6	336.3	454.5	-118.2
US TRADE WITH WORLD	238.7	261.0	-22.3	219.2	345.3	-126.1	227.5	370.0	-142.5	252.9	405.9	-153.0	322.7	441.3	-118.6	363.8	473.4	-109.6	390.0	515.7	-125.7

Source:U.S. Department of Commerce

Notes: 1) Total figures and percentage changes are calculated from actual not rounded data.
2) Caribbean Basin includes Central America, Caribbean Islands, Guyana, and Suriname.

04-Apr-90

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

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02/22/90

Table 14.--U.S. trade data
Flow: Total exports
Type: F.a.s. value
Partner: TOTAL LATIN AMERICA
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities	30,577,160	34,388,400	43,124,291	48,368,614
784--Parts and accessories of motor vehicles, etc.	1,121,777	1,317,536	1,595,561	2,449,478
764--Telecommunications equipment, n.e.s. & pts, n.e.s.	930,615	1,081,956	1,397,244	1,611,933
792--Aircraft & associated equipmt; spcecrft veh; & pts	886,315	1,268,529	1,254,739	1,509,849
994--Estimate of shipments valued under $1,501	494,605	855,814	976,649	1,352,895
334--Oil (not crude) from petrol & bitum minerals etc.	838,007	1,143,468	978,481	1,316,848
772--Elecricl apparat for switchg or protectg elec circ	573,089	627,502	891,119	1,146,093
773--Equipment for distributing electricity, n.e.s.	475,648	647,092	887,189	966,701
723--Civil engineering & contractors' plant & equipment	955,331	788,756	926,969	954,467
778--Electrical machinery and apparatus, n.e.s.	427,991	553,563	677,450	933,322
713--Internal combust piston engs, and pts, n.e.s.	780,707	797,317	956,546	893,704
759--Parts etc for office mach & auto data process mach	733,342	808,696	1,042,931	892,636
874--Measuring/checking/analysing & contr inst&appt nes	473,146	573,378	672,556	840,924
752--Automatic data process machs & units thereof	517,440	554,405	767,139	825,188
776--Thermionic, cold cathode, photocathode valves etc.	635,512	703,811	904,196	819,119
044--Maize (not including sweet corn) unmilled	375,205	455,946	567,773	617,659
041--Wheat (including spelt) and meslin, unmilled	530,434	385,960	526,999	603,038
641--Paper and paperboard	384,302	466,541	547,534	600,088
699--Manufactures of base metal, n.e.s.	262,961	330,287	421,009	597,195
728--Machry etc specializd for particulr industries nes	412,754	399,909	480,098	547,549
642--Paper & paperboard, cut to size or shape, articles	275,733	327,373	440,400	543,883
931--Special transactions & commod not classif by kind.	201,381	238,232	240,789	538,614
741--Heatng & coolng equipmnt and pts thereof, n.e.s.	299,000	305,992	407,189	518,791
575--Plastics, n.e.s., in primary forms	324,234	390,454	473,331	484,585
251--Pulp and waste paper	263,315	397,825	481,759	478,216
222--Oil seeds/oleaginous frt for extr soft fix veg oil	372,610	495,389	565,153	463,996
893--Articles, nes of plastics	161,685	200,270	292,321	458,993
743--Pumps, air or other gas compressors and fans	289,970	377,654	500,114	441,369
045--Cereals, unmilled except wheat, rice, barley, maiz	147,502	152,686	336,595	440,455
511--Hydrocarbons nes & specified derivatives	377,572	419,771	448,555	437,402
744--Mechanical handlng equipmt, & pts thereof, n.e.s.	163,804	173,479	261,102	436,768
716--Rotating electric plant and parts thereof, n.e.s.	209,282	227,693	399,588	435,924
522--Inorganic chemical elements, oxides, halogen salts	308,201	347,768	458,429	398,833
562--Fertilizers (except crude of group 272)	200,754	195,796	198,795	396,513
771--Electric power machinery, and parts thereof	134,076	160,887	224,976	379,440
992--Shipments not over $10,000, not identified by kind	333,464	354,469	494,475	376,980
Total of items shown	15,871,761	18,526,206	22,695,754	26,709,450
Total other	14,705,399	15,862,194	20,428,537	21,659,164

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by Total exports, F.a.s. value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

02/22/90

Table 14.--U.S. trade data
Flow: General imports
Type: Customs value
Partner: TOTAL LATIN AMERICA
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities	41,910,984	46,843,051	51,249,296	57,355,024
333--Crude oil from petroleum or bituminous minerals	6,561,274	7,851,371	6,370,725	9,061,972
334--Oil (not crude) from petrol & bitum minerals etc.	4,465,961	4,579,596	4,490,077	4,919,667
071--Coffee and coffee substitutes	3,349,298	2,218,916	1,952,339	1,967,826
773--Equipment for distributing electricity, n.e.s	806,671	1,043,516	1,278,149	1,632,234
057--Fruit, nuts (not including oil nuts) fresh or drie	1,216,883	1,385,243	1,461,333	1,515,020
781--Motor cars & oth motor vehicles	435,644	1,415,768	1,613,318	1,458,036
851--Footwear	1,041,787	1,225,067	1,307,308	1,400,958
784--Parts and accessories of motor vehicles, etc	770,604	998,356	1,325,278	1,393,711
713--Internal combust piston engs, and pts, n.e.s	1,221,205	1,371,374	1,562,925	1,352,615
931--Special transactions & commod not classif by kind.	747,129	873,114	1,080,238	1,343,710
036--Crustacean etc frsh, ch, fz, drd, salted, etc	1,093,352	1,274,829	1,139,696	1,104,619
772--Elecricl apparat for switchg or protectg elec circ	545,944	664,589	887,808	1,043,575
764--Telecommunications equipment, n.e.s. & pts, n.e.s.	857,589	840,056	919,523	1,020,447
841--Men's or boy's coats, jackets etc, text, not knit.	425,153	554,103	724,985	863,510
761--Television receivers	227,525	340,135	611,110	855,613
842--Women/girls coats, capes etc, tex fabric, not knit	381,564	522,911	702,276	832,553
778--Electrical machinery and apparatus, n.e.s	438,540	573,502	660,011	794,488
682--Copper	457,867	455,833	735,327	779,006
054--Vegs fr, chld, froz; roots, tubers etc fresh, drie	691,756	568,255	563,930	770,974
762--Radiobroadcast receivers	675,073	896,631	1,144,028	729,729
845--Articles of apparel of textile fabrics nes	296,848	414,093	509,920	626,758
059--Fruit/veg juices unfermented not incl added spirit	555,030	707,776	859,885	624,086
821--Furniture & pts; bedding, mattresses, etc	283,195	363,235	516,148	617,640
752--Automatic data process machs & units thereof	170,195	381,698	527,285	498,435
776--Thermionic, cold cathode, photocathode valves etc.	401,712	365,730	370,813	460,658
061--Sugars, molasses and honey	526,980	350,888	353,287	460,210
771--Electric power machinery, and parts thereof	290,240	360,019	439,584	397,702
681--Silver, platinum & other platinum group metals	342,602	377,127	306,153	361,752
716--Rotating electric plant and parts thereof, n.e.s.	192,953	235,317	304,820	358,197
699--Manufactures of base metal, n.e.s	171,912	215,158	285,885	356,299
897--Jewelry, goldsmiths' & silversmiths' wares etc	192,479	271,755	262,392	343,589
522--Inorganic chemical elements, oxides, halogen salts	177,423	183,103	273,612	343,565
513--Carboxylic acids etc halides etc & derivatives	139,252	122,663	236,864	340,560
285--Aluminum ores & concentrates (including alumina).	171,018	216,327	309,808	340,532
894--Baby carriages, toys, games and sporting goods	187,473	191,771	276,460	326,931
Total of items shown	30,510,132	34,409,823	36,363,303	41,297,178
Total other	11,400,852	12,433,229	14,885,993	16,057,846

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by General imports, Customs value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

02/22/90

Table 12.--U.S. trade data
Flow: Total exports
Type: F.a.s. value
Partner: Mexico
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities	12,379,267	14,569,554	20,633,263	24,968,823
784--Parts and accessories of motor vehicles, etc.	716,048	868,562	1,132,190	2,004,975
764--Telecommunications equipment, n.e.s. & pts, n.e.s.	469,947	527,366	734,416	975,518
772--Elecricl apparat for switchg or protectg elec circ	431,249	461,982	667,695	923,687
773--Equipment for distributing electricity, n.e.s.	426,992	597,359	829,371	899,073
994--Estimate of shipments valued under $1,501	178,315	339,334	459,502	675,707
778--Electrical machinery and apparatus, n.e.s.	262,086	369,574	460,895	622,863
776--Thermionic, cold cathode, photocathode valves etc.	489,010	560,198	727,801	576,441
874--Measuring/checking/analysing & contr inst&appt nes	203,811	312,904	370,271	494,592
713--Internal combust piston engs, and pts, n.e.s.	396,409	371,573	459,842	478,265
759--Parts etc for office mach & auto data process mach	311,014	389,549	522,894	462,261
699--Manufactures of base metal, n.e.s.	142,867	191,754	260,819	459,109
044--Maize (not including sweet corn) unmilled	144,035	281,286	392,540	449,903
334--Oil (not crude) from petrol & bitum minerals etc.	250,080	380,855	297,023	439,766
642--Paper & paperboard, cut to size or shape, articles	196,984	237,387	348,099	436,069
251--Pulp and waste paper	193,333	273,434	342,744	363,228
893--Articles, nes of plastics	104,745	136,804	221,782	354,678
792--Aircraft & associated equipmt; spcecrft veh; & pts	108,378	172,059	133,279	349,063
931--Special transactions & commod not classif by kind.	62,908	53,318	70,520	327,470
222--Oil seeds/oleaginous frt for extr soft fix veg oil	243,220	266,889	402,352	325,241
045--Cereals, unmilled except wheat, rice, barley, maiz	65,401	64,279	146,314	323,356
771--Electric power machinery, and parts thereof	82,134	106,230	154,398	312,882
741--Heatng & coolng equipmnt and pts thereof, n.e.s.	148,395	125,325	185,776	279,444
728--Machry etc specializd for particulr industries nes	212,838	194,485	216,530	279,089
716--Rotating electric plant and parts thereof, n.e.s.	126,964	132,767	222,820	256,678
575--Plastics, n.e.s., in primary forms	147,509	155,911	186,958	243,819
821--Furniture & pts; bedding, mattresses, etc.	88,185	91,716	142,194	237,976
752--Automatic data process machs & units thereof	121,770	129,754	169,265	235,115
743--Pumps, air or other gas compressors and fans	131,458	187,539	272,067	232,432
511--Hydrocarbons nes & specified derivatives	200,923	214,746	222,985	230,187
992--Shipments not over $10,000, not identified by kind	143,028	161,171	286,335	227,097
775--Househld type elec & nonelec equipment, n.e.s.	39,751	48,452	150,146	220,684
582--Plates, sheets, film, foil & strip of plastics	120,318	157,244	239,925	204,881
894--Baby carriages, toys, games and sporting goods	40,863	60,274	139,150	201,107
684--Aluminum	67,098	84,421	122,216	196,717
898--Musical instruments and parts, records, tapes etc.	73,684	92,370	133,018	185,623
Total of items shown	7,141,752	8,798,870	11,824,129	15,484,994
Total other	5,237,514	5,770,684	8,809,134	9,483,829

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by Total exports, F.a.s. value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

Table 12.--U.S. trade data
Flow: General imports
Type: Customs value
Partner: Mexico
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities	17,301,723	20,270,785	23,276,890	27,186,258
333--Crude oil from petroleum or bituminous minerals	3,261,449	3,520,458	2,861,586	4,014,015
773--Equipment for distributing electricity, n.e.s.	759,532	1,001,225	1,211,340	1,539,735
781--Motor cars & oth motor vehicles	434,004	1,176,444	1,271,771	1,174,841
784--Parts and accessories of motor vehicles, etc	511,097	645,112	918,850	1,072,639
931--Special transactions & commod not classif by kind.	500,043	622,466	805,310	1,019,816
764--Telecommunications equipment, n.e.s. & pts, n.e.s.	810,385	787,265	881,962	1,004,451
772--Elecricl apparat for switchg or protectg elec circ	428,763	515,726	709,908	863,396
761--Television receivers	227,331	339,838	609,379	853,630
713--Internal combust piston engs, and pts, n.e.s.	880,161	966,411	1,006,981	822,867
762--Radiobroadcast receivers	404,264	602,308	920,396	720,394
778--Electrical machinery and apparatus, n.e.s.	383,550	496,242	594,350	719,850
054--Vegs fr, chld, froz; roots, tubers etc fresh, drie	629,650	498,423	499,789	688,096
821--Furniture & pts; bedding, mattresses, etc	232,627	304,276	440,823	530,325
071--Coffee and coffee substitutes	587,520	406,248	306,053	501,186
752--Automatic data process machs & units thereof	149,244	360,836	486,910	463,739
776--Thermionic, cold cathode, photocathode valves etc.	299,645	326,689	334,244	431,964
771--Electric power machinery, and parts thereof	266,144	328,634	403,940	361,876
036--Crustacean etc frsh, ch, fz, drd, salted, etc	343,648	419,590	325,511	327,917
681--Silver, platinum & other platinum group metals	238,135	275,945	243,445	320,017
716--Rotating electric plant and parts thereof, n.e.s.	175,995	207,516	264,279	310,892
699--Manufactures of base metal, n.e.s	132,743	172,605	228,748	302,354
001--Live animals other than animals of division 03	282,798	252,990	262,861	284,986
759--Parts etc for office mach & auto data process mach	135,157	90,967	123,527	284,618
775--Househld type elec & nonelec equipment, n.e.s.	84,646	128,651	174,776	267,405
874--Measuring/checking/analysing & contr inst&appt nes	123,182	152,978	195,382	258,606
894--Baby carriages, toys, games and sporting goods	116,683	121,986	202,033	252,976
642--Paper & paperboard, cut to size or shape, articles	141,864	169,595	200,120	251,516
057--Fruit, nuts (not including oil nuts) fresh or drie	148,832	188,060	190,006	227,356
841--Men's or boy's coats, jackets etc, text, not knit.	127,103	155,036	193,549	217,195
984--Est of low valued items eligible fr informal entry	86,147	127,366	149,254	213,273
112--Alcoholic beverages	162,864	249,352	229,202	207,724
334--Oil (not crude) from petrol & bitum minerals etc.	389,773	255,776	356,026	205,199
682--Copper	84,974	100,543	268,054	203,688
741--Heatng & coolng equipmnt and pts thereof, n.e.s.	69,427	133,786	166,200	199,691
872--Inst & appls, nes, for medical, dental etc purpose	85,277	119,275	155,911	196,852
Total of items shown	13,694,656	16,220,618	18,192,475	21,315,086
Total other	3,607,068	4,050,168	5,084,414	5,871,172

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by General imports, Customs value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

02/22/90

Table 13.--U.S. trade data
Flow: Total exports
Type: F.a.s. value
Partner: CBI
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities....................................	6,463,382	7,130,828	7,881,350	9,426,527
334--Oil (not crude) from petrol & bitum minerals etc..	478,549	584,493	450,111	572,113
994--Estimate of shipments valued under $1,501.........	211,373	338,125	324,558	443,691
792--Aircraft & associated equipmt; spcecrft veh; & pts	155,966	85,583	65,123	264,849
641--Paper and paperboard................................	162,127	188,499	238,443	243,366
845--Articles of apparel of textile fabrics nes........	98,019	124,760	168,185	225,273
041--Wheat (including spelt) and meslin, unmilled......	173,265	166,499	181,410	219,085
841--Men's or boy's coats, jackets etc, text, not knit.	112,314	156,148	196,349	205,558
781--Motor cars & oth motor vehicles...................	86,906	85,180	103,540	167,460
723--Civil engineering & contractors' plant & equipment	116,664	91,668	120,613	150,135
842--Women/girls coats, capes etc, tex fabric, not knit	90,569	99,512	130,816	147,395
044--Maize (not including sweet corn) unmilled.........	65,897	80,599	112,266	133,414
522--Inorganic chemical elements, oxides, halogen salts	51,824	58,184	112,118	126,485
772--Elecricl apparat for switchg or protectg elec circ	68,622	74,609	113,999	126,291
764--Telecommunications equipment, n.e.s. & pts, n.e.s.	91,304	97,566	96,067	124,872
778--Electrical machinery and apparatus, n.e.s.........	69,640	87,906	95,619	121,856
098--Edible products and preparations, n.e.s...........	109,167	118,737	129,045	121,659
571--Polymers of ethylene, in primary forms............	51,552	75,866	119,884	105,539
042--Rice..	57,778	65,423	79,516	101,418
741--Heatng & coolng equipmnt and pts thereof, n.e.s...	58,735	66,756	68,652	96,455
553--Perfumery, cosmetics or toilet prep, except soaps.	64,141	74,514	78,488	95,572
846--Clothing accessories, of tex, knit or nt, ex babie	26,422	34,556	39,826	93,988
081--Feeding stuff for animals not incl unmilled cereal	88,487	102,822	126,505	92,164
784--Parts and accessories of motor vehicles, etc......	58,400	63,612	64,016	91,791
843--Men's or boys' coats, jackets etc, text, knitted..	17,861	32,294	46,283	90,757
752--Automatic data process machs & units thereof......	60,843	61,563	65,865	86,207
992--Shipments not over $10,000, not identified by kind	112,254	112,886	119,430	85,030
222--Oil seeds/oleaginous frt for extr soft fix veg oil	30,683	48,286	55,602	83,957
642--Paper & paperboard, cut to size or shape, articles	61,491	65,124	65,914	83,015
248--Wood, simply worked and railway sleepers of wood..	56,200	65,368	80,130	82,715
713--Internal combust piston engs, and pts, n.e.s......	68,327	78,022	83,123	82,566
699--Manufactures of base metal, n.e.s.................	83,284	94,332	106,507	82,564
012--Meat nes & edible offal, frsh, chld, frz..........	58,144	62,050	78,069	82,140
562--Fertilizers (except crude of group 272)...........	30,600	26,906	31,208	81,049
122--Tobacco, mfg whether containing tobacco substitute	60,306	54,715	90,726	77,216
851--Footwear..	45,420	54,530	66,015	75,581
Total of items shown.....................................	3,233,134	3,677,694	4,104,021	5,063,228
Total other..	3,230,248	3,453,134	3,777,329	4,363,299

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by Total exports, F.a.s. value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

Table 13.--U.S. trade data
Flow: General imports
Type: Customs value
Partner: CBI
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities	6,256,522	6,324,016	6,337,807	7,067,137
334--Oil (not crude) from petrol & bitum minerals etc.	817,629	904,948	649,119	578,701
057--Fruit, nuts (not including oil nuts) fresh or drie	453,334	533,984	541,114	571,257
841--Men's or boy's coats, jackets etc, text, not knit.	260,304	341,271	442,660	550,073
333--Crude oil from petroleum or bituminous minerals	580,050	527,089	433,088	477,794
842--Women/girls coats, capes etc, tex fabric, not knit	221,894	303,042	390,817	454,222
071--Coffee and coffee substitutes	1,003,029	602,537	387,889	412,783
845--Articles of apparel of textile fabrics nes	176,033	256,335	324,359	393,279
513--Carboxylic acids etc halides etc & derivatives	105,817	88,648	154,097	277,859
285--Aluminum ores & concentrates (including alumina)	154,139	186,507	239,704	275,946
036--Crustacean etc frsh, ch, fz, drd, salted, etc	269,523	282,314	243,723	255,552
061--Sugars, molasses and honey	289,091	194,705	164,089	218,637
844--Women's or girls' coats, capes etc, textile, knit.	63,206	100,920	149,844	185,440
931--Special transactions & commod not classif by kind.	102,686	107,278	123,941	163,864
011--Meat of bovine animals, fresh, chilled or frozen	128,488	124,979	133,748	138,291
772--Elecricl apparat for switchg or protectg elec circ	85,212	108,358	135,506	134,194
897--Jewelry, goldsmiths' & silversmiths' wares etc	81,536	115,796	110,505	133,088
851--Footwear	76,156	92,135	109,108	120,163
843--Men's or boys' coats, jackets etc, text, knitted	33,169	57,213	72,467	105,039
522--Inorganic chemical elements, oxides, halogen salts	39,049	39,034	57,106	102,401
971--Gold, nonmonetary (excluding ores & concentrates).	118,319	133,375	106,521	84,107
034--Fish, fresh (live or dead), chilled or frozen	54,111	46,232	50,378	73,230
872--Inst & appls, nes, for medical, dental etc purpose	3,905	3,784	35,607	66,028
054--Vegs fr, chld, froz; roots, tubers etc fresh, drie	46,899	50,320	47,358	63,274
671--Pig iron, spiegeleisen etc. iron & steel powd etc.	21,433	32,412	60,047	56,634
894--Baby carriages, toys, games and sporting goods	63,306	59,859	59,579	55,656
072--Cocoa	83,511	85,471	79,698	54,794
848--Apparel & cl acc exc textile; headgear, all materl	19,308	21,307	31,029	53,686
778--Electrical machinery and apparatus, n.e.s.	40,795	58,172	42,254	52,709
512--Alcohols, phenols etc & halogenated etc derivativs	38,031	45,011	59,449	51,985
122--Tobacco, mfg whether containing tobacco substitute	36,335	38,492	39,837	37,220
846--Clothing accessories, of tex, knit or nt, ex babie	22,716	29,895	34,631	35,862
292--Crude vegetable materials, n.e.s.	29,081	33,768	32,112	34,532
642--Paper & paperboard, cut to size or shape, articles	14,741	10,249	23,039	34,333
821--Furniture & pts; bedding, mattresses, etc	17,296	21,880	30,594	32,730
121--Tobacco, unmanufactured; tobacco refuse	25,994	20,317	21,594	29,510
Total of items shown	5,576,125	5,657,637	5,616,609	6,364,871
Total other	680,397	666,379	721,198	702,266

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by General imports, Customs value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

02/22/90

Table 11.--U.S. trade data
Flow: Total exports
Type: F.a.s. value
Partner: total South America
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities	11,734,511	12,688,018	14,609,679	13,973,264
792--Aircraft & associated equipmt; spcecrft veh; & pts	621,971	1,010,888	1,056,338	895,937
723--Civil engineering & contractors' plant & equipment	710,566	570,936	639,975	681,897
764--Telecommunications equipment, n.e.s. & pts, n.e.s.	369,364	457,023	566,761	511,543
752--Automatic data process machs & units thereof	334,827	363,088	532,009	503,865
759--Parts etc for office mach & auto data process mach	389,260	375,093	470,430	384,797
784--Parts and accessories of motor vehicles, etc	347,329	385,363	399,354	352,711
713--Internal combust piston engs, and pts, n.e.s	315,971	347,721	413,581	332,873
321--Coal, pulverized or not, but not agglomerated	319,489	293,306	266,694	323,248
041--Wheat (including spelt) and meslin, unmilled	357,168	206,312	248,999	318,188
334--Oil (not crude) from petrol & bitum minerals etc	109,378	178,120	231,348	304,969
874--Measuring/checking/analysing & contr inst&appt nes	228,444	217,396	259,128	288,263
562--Fertilizers (except crude of group 272)	146,020	144,415	154,144	258,630
994--Estimate of shipments valued under $1,501	104,918	178,355	192,590	233,497
776--Thermionic, cold cathode, photocathode valves etc.	124,866	123,551	157,952	226,027
714--Engs and motors, nonelect & pts, n.e.s	174,656	211,887	264,877	211,994
728--Machry etc specializd for particulr industries nes	149,179	152,381	204,185	204,893
511--Hydrocarbons nes & specified derivatives	153,385	188,841	209,448	189,597
778--Electrical machinery and apparatus, n.e.s	96,265	96,083	120,936	188,604
744--Mechanical handlng equipmt, & pts thereof, n.e.s	49,912	51,409	78,739	179,848
575--Plastics, n.e.s., in primary forms	134,981	183,033	224,872	175,074
641--Paper and paperboard	157,553	179,637	174,622	174,453
743--Pumps, air or other gas compressors and fans	121,499	157,160	191,789	167,543
522--Inorganic chemical elements, oxides, halogen salts	178,119	196,695	248,923	164,818
514--Nitrogen-function compounds	128,332	128,126	140,298	164,077
597--Additives for min oils etc; antifreeze etc preps	148,142	157,808	157,048	153,906
523--Metallic salts and peroxysalts of inorganic acids.	108,945	137,249	136,611	152,583
931--Special transactions & commod not classif by kind.	75,243	114,073	96,448	150,903
741--Heatng & coolng equipmnt and pts thereof, n.e.s	91,869	113,912	152,761	142,892
515--Organo-inorganic & heterocyclic compounds etc	193,850	197,036	189,216	136,814
516--Organic chemicals, n.e.s	129,251	132,072	156,420	126,104
591--Insecticides, disinfectants etc, retail packed etc	86,555	86,125	95,762	122,420
513--Carboxylic acids etc halides etc & derivatives	97,885	98,294	123,751	117,471
724--Textile & leather machinery & pts thereof n.e.s	81,808	96,323	123,536	117,429
598--Miscellaneous chemical products, n.e.s	98,293	99,372	107,585	117,399
045--Cereals, unmilled except wheat, rice, barley, maiz	78,414	84,536	186,467	113,825
Total of items shown	7,013,705	7,713,616	8,973,596	8,889,092
Total other	4,720,807	4,974,402	5,636,083	5,084,171

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by Total exports, F.a.s. value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

Table 11.--U.S. trade data
Flow: General imports
Type: Customs value
Partner: total South America
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities	18,352,739	20,248,249	21,634,599	23,101,629
333--Crude oil from petroleum or bituminous minerals	2,719,775	3,803,824	3,076,052	4,570,162
334--Oil (not crude) from petrol & bitum minerals etc.	3,258,559	3,418,872	3,484,932	4,135,767
851--Footwear	865,031	997,217	1,046,131	1,110,422
071--Coffee and coffee substitutes	1,758,750	1,210,130	1,258,397	1,053,858
057--Fruit, nuts (not including oil nuts) fresh or drie	614,718	663,199	730,213	716,406
682--Copper	372,721	354,379	465,888	575,060
059--Fruit/veg juices unfermented not incl added spirit	507,547	637,383	762,317	542,443
713--Internal combust piston engs, and pts, n.e.s.	338,991	404,702	555,298	529,618
036--Crustacean etc frsh, ch, fz, drd, salted, etc.	480,181	572,925	570,462	521,150
784--Parts and accessories of motor vehicles, etc.	256,878	351,861	403,054	319,690
684--Aluminum	365,030	273,599	390,337	294,350
781--Motor cars & oth motor vehicles	927	239,269	341,417	283,125
611--Leather	157,530	240,027	334,006	270,802
072--Cocoa	371,958	470,437	324,671	247,701
842--Women/girls coats, capes etc, tex fabric, not knit	94,159	117,367	186,605	238,180
251--Pulp and waste paper	92,347	121,531	203,353	230,465
292--Crude vegetable materials, n.e.s.	160,053	176,230	214,504	225,413
671--Pig iron, spiegeleisen etc. iron & steel powd etc.	105,352	109,766	234,804	208,363
281--Iron ore and concentrates	126,089	132,666	159,162	206,733
061--Sugars, molasses and honey	199,968	112,968	146,735	199,093
792--Aircraft & associated equipmt; spcecrft veh; & pts	77,889	109,869	169,075	195,809
034--Fish, fresh (live or dead), chilled or frozen	147,362	203,489	161,656	194,653
673--Iron & nonalloy steel flat-roll prod, not clad etc	196,265	248,253	309,226	191,611
017--Meat & edbl meat offal prepared or presrved n.e.s.	164,274	231,805	194,629	188,047
672--Iron or steel primary forms & semifinish products.	71,584	94,419	131,587	183,905
667--Pearls, precious & semiprecious stones	117,954	121,014	152,388	174,944
931--Special transactions & commod not classif by kind.	144,400	143,370	150,987	160,030
897--Jewelry, goldsmiths' & silversmiths' wares etc.	66,711	88,818	99,288	152,406
687--Tin	103,126	98,907	146,109	144,536
971--Gold, nonmonetary (excluding ores & concentrates).	618,751	345,101	285,349	141,222
121--Tobacco, unmanufactured; tobacco refuse	135,175	103,413	128,931	134,977
845--Articles of apparel of textile fabrics nes	43,176	49,693	60,545	114,557
278--Crude minerals, n.e.s.	94,988	87,765	77,031	112,782
679--Iron & steel tubes, pipes & hol profiles, fittings	103,592	84,265	145,685	111,238
625--Rubber tires, inter treads, tire flaps & inn tubes	105,009	110,722	127,195	110,020
Total of items shown	15,036,818	16,529,254	17,228,019	18,789,540
Total other	3,315,921	3,718,995	4,406,580	4,312,090

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by General imports, Customs value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

02/22/90

Table 3.--U.S. trade data
Flow: Total exports
Type: F.a.s. value
Partner: Brazil
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities................................	3,856,403	3,994,026	4,247,224	4,799,438
792--Aircraft & associated equipmt; spcecrft veh; & pts	330,988	764,883	793,336	657,606
764--Telecommunications equipment, n.e.s. & pts, n.e.s.	231,394	300,250	361,162	298,261
321--Coal, pulverized or not, but not agglomerated.....	274,241	254,043	234,502	259,633
759--Parts etc for office mach & auto data process mach	223,282	183,872	227,179	209,453
776--Thermionic, cold cathode, photocathode valves etc.	98,368	98,702	123,879	190,441
752--Automatic data process machs & units thereof......	78,612	74,537	123,976	166,973
714--Engs and motors, nonelect & pts, n.e.s............	91,712	118,325	194,542	136,514
874--Measuring/checking/analysing & contr inst&appt nes	89,250	88,697	106,447	134,809
784--Parts and accessories of motor vehicles, etc......	72,538	92,317	108,187	126,378
723--Civil engineering & contractors' plant & equipment	112,157	87,075	77,837	114,540
713--Internal combust piston engs, and pts, n.e.s......	69,010	70,231	70,078	101,740
931--Special transactions & commod not classif by kind.	28,874	58,718	26,166	87,526
514--Nitrogen-function compounds.......................	61,582	46,030	45,248	77,652
515--Organo-inorganic & heterocyclic compounds etc.....	109,147	104,027	88,299	69,108
522--Inorganic chemical elements, oxides, halogen salts	94,414	86,901	76,600	64,729
778--Electrical machinery and apparatus, n.e.s.........	31,030	26,525	39,248	61,970
994--Estimate of shipments valued under $1,501.........	22,960	37,819	39,738	54,652
743--Pumps, air or other gas compressors and fans......	27,628	33,246	33,686	53,377
562--Fertilizers (except crude of group 272)...........	74,882	50,656	46,553	52,773
523--Metallic salts and peroxysalts of inorganic acids.	23,669	30,571	30,515	51,111
232--Syn rubber, reclm rub; waste etc of unhd rubber...	51,996	43,679	47,032	50,688
774--Electro-diagnostic apparatus......................	4,616	5,828	7,695	48,744
575--Plastics, n.e.s., in primary forms................	33,902	32,383	41,318	45,139
513--Carboxylic acids etc halides etc & derivatives....	28,355	20,471	29,781	44,082
541--Medicinal etc products, except medicaments........	24,425	20,966	22,876	42,650
516--Organic chemicals, n.e.s..........................	45,097	43,898	43,197	42,476
283--Copper ores & conc; cooper mattes; cement copper..	2	0	0*	42,367
728--Machry etc specializd for particulr industries nes	23,271	24,489	32,996	40,873
598--Miscellaneous chemical products, n.e.s............	37,752	27,968	30,064	37,662
772--Elecricl apparat for switchg or protectg elec circ	23,475	25,624	42,180	37,394
881--Photographic apparatus and equipment, nes.........	5,903	6,171	21,326	35,218
882--Photographic and cinematographic supplies.........	27,459	21,746	29,967	35,090
597--Additives for min oils etc; antifreeze etc preps..	37,961	35,693	42,058	33,735
611--Leather...	7,663	11,536	11,631	33,296
641--Paper and paperboard..............................	27,965	35,304	26,156	33,128
Total of items shown...................................	2,525,581	2,963,178	3,275,456	3,571,787
Total other..	1,330,822	1,030,848	971,768	1,227,651

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by Total exports, F.a.s. value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

Table 3.--U.S. trade data
Flow: General imports
Type: Customs value
Partner: Brazil
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities	6,812,862	7,865,423	9,323,755	8,379,033
851--Footwear	846,887	948,968	989,460	1,037,643
334--Oil (not crude) from petrol & bitum minerals etc.	380,169	611,197	710,993	681,214
713--Internal combust piston engs, and pts, n.e.s.	336,715	402,646	552,876	523,530
059--Fruit/veg juices unfermented not incl added spirit	460,957	574,976	699,220	472,681
071--Coffee and coffee substitutes	591,893	549,654	629,341	469,717
781--Motor cars & oth motor vehicles	863	239,221	341,302	282,413
784--Parts and accessories of motor vehicles, etc.	239,006	327,303	362,665	272,561
251--Pulp and waste paper	88,830	114,551	190,524	221,768
792--Aircraft & associated equipmt; spcecrft veh; & pts	72,854	108,652	167,647	194,920
673--Iron & nonalloy steel flat-roll prod, not clad etc	153,073	188,478	211,260	175,413
672--Iron or steel primary forms & semifinish products.	67,387	77,867	123,682	173,412
072--Cocoa	281,157	328,292	213,521	159,066
671--Pig iron, spiegeleisen etc. iron & steel powd etc.	69,926	76,132	164,654	142,869
121--Tobacco, unmanufactured; tobacco refuse	117,292	87,248	108,856	109,744
684--Aluminum	177,877	114,210	130,790	100,752
743--Pumps, air or other gas compressors and fans	41,656	55,326	80,834	96,489
723--Civil engineering & contractors' plant & equipment	38,113	60,408	62,630	94,553
625--Rubber tires, inter treads, tire flaps & inn tubes	103,233	103,666	115,171	93,218
687--Tin	62,607	87,695	115,457	91,894
281--Iron ore and concentrates	71,043	64,820	78,007	90,885
036--Crustacean etc frsh, ch, fz, drd, salted, etc	89,339	107,657	105,047	85,677
667--Pearls, precious & semiprecious stones	49,909	61,132	82,173	85,551
057--Fruit, nuts (not including oil nuts) fresh or drie	104,364	90,929	104,379	77,778
931--Special transactions & commod not classif by kind.	44,575	60,236	53,247	77,691
782--Motor vehicles for transpt of gds & spec pur vehs.	37,358	51,130	33,932	77,472
682--Copper	24,697	13,074	25,597	75,250
634--Veneers, plywood, particle bd, oth worked wood nes	62,496	75,414	72,746	70,893
285--Aluminum ores & concentrates (including alumina)	7,167	15,876	35,805	64,587
842--Women/girls coats, capes etc, tex fabric, not knit	40,759	50,943	63,421	62,148
676--Iron & steel bars, rods, angles, shapes & sections	33,503	35,641	60,772	58,119
741--Heatng & coolng equipmnt and pts thereof, n.e.s.	38,642	55,948	71,282	55,146
658--Made-up articles of textile materials, n.e.s.	40,083	46,238	58,587	54,357
522--Inorganic chemical elements, oxides, halogen salts	22,865	17,082	27,492	50,728
882--Photographic and cinematographic supplies	38,784	47,144	75,659	50,361
881--Photographic apparatus and equipment, nes	2,180	2,345	15,200	50,126
Total of items shown	4,838,257	5,852,100	6,934,230	6,480,627
Total other	1,974,605	2,013,323	2,389,525	1,898,406

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by General imports, Customs value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

02/22/90

Table 10.--U.S. trade data
Flow: Total exports
Type: F.a.s. value
Partner: Venezuela
(Thousands of dollars)

SITC rev 3 commodity — Time period	1986	1987	1988	1989
Total all commodities	3,136,697	3,559,586	4,573,024	3,035,703
723--Civil engineering & contractors' plant & equipment	249,992	172,745	225,862	239,952
334--Oil (not crude) from petrol & bitum minerals etc.	13,365	46,234	70,002	127,861
041--Wheat (including spelt) and meslin, unmilled	130,327	75,286	71,506	108,173
045--Cereals, unmilled except wheat, rice, barley, maiz	74,225	78,334	172,115	104,578
752--Automatic data process machs & units thereof	84,353	96,582	188,026	101,077
784--Parts and accessories of motor vehicles, etc.	184,562	188,607	196,271	93,984
081--Feeding stuff for animals not incl unmilled cereal	101,250	148,091	232,998	82,830
764--Telecommunications equipment, n.e.s. & pts, n.e.s.	49,920	62,086	102,959	76,396
728--Machry etc specializd for particulr industries nes	61,566	52,981	88,099	74,026
713--Internal combust piston engs, and pts, n.e.s.	103,651	129,109	175,142	73,319
737--Metalworkng machinery, and parts thereof, n.e.s.	39,575	60,170	80,352	64,677
251--Pulp and waste paper	37,766	84,414	95,708	58,595
741--Heatng & coolng equipmnt and pts thereof, n.e.s.	39,580	52,159	71,588	58,137
421--Fixed veg fats & oils, soft, crude, refined etc.	45,189	47,751	29,721	55,950
522--Inorganic chemical elements, oxides, halogen salts	21,669	40,719	70,671	55,791
778--Electrical machinery and apparatus, n.e.s.	31,569	33,258	41,179	54,694
562--Fertilizers (except crude of group 272)	10,502	26,394	17,770	52,195
759--Parts etc for office mach & auto data process mach	52,514	56,364	87,956	50,678
743--Pumps, air or other gas compressors and fans	46,316	65,571	90,442	50,133
874--Measuring/checking/analysing & contr inst&appt nes	50,647	41,339	59,431	48,149
511--Hydrocarbons nes & specified derivatives	38,627	69,788	72,755	48,049
597--Additives for min oils etc; antifreeze etc preps.	47,872	51,716	51,729	46,502
792--Aircraft & associated equipmt; spcecrft veh; & pts	60,218	92,766	85,534	45,639
335--Residual petroleum products, n.e.s. etc.	56,003	38,970	43,722	42,927
744--Mechanical handlng equipmt, & pts thereof, n.e.s.	18,429	14,554	31,404	36,338
575--Plastics, n.e.s., in primary forms	33,666	52,189	84,924	35,932
641--Paper and paperboard	36,166	44,424	47,009	35,452
598--Miscellaneous chemical products, n.e.s.	24,500	31,875	32,749	33,818
994--Estimate of shipments valued under $1,501	17,567	31,053	37,079	31,660
523--Metallic salts and peroxysalts of inorganic acids.	31,848	46,265	39,719	30,326
512--Alcohols, phenols etc & halogenated etc derivativs	26,672	33,214	47,137	26,974
516--Organic chemicals, n.e.s.	33,921	39,107	47,618	26,293
726--Printng & bookbindng machinery, & parts thereof.	19,537	23,173	16,231	25,772
724--Textile & leather machinery & pts thereof n.e.s.	24,334	36,688	60,480	25,142
657--Special yarns, special textile fabrics, etc.	32,534	31,398	32,080	24,825
Total of items shown	1,930,432	2,195,375	2,897,965	2,146,846
Total other	1,206,265	1,364,211	1,675,059	888,857

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by Total exports, F.a.s. value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

02/22/90

Table 10.--U.S. trade data
Flow: General imports
Type: Customs value
Partner: Venezuela
(Thousands of dollars)

SITC rev 3 commodity / Time period	1986	1987	1988	1989
Total all commodities	5,096,738	5,578,979	5,228,094	6,786,009
333--Crude oil from petroleum or bituminous minerals	1,830,422	2,657,160	2,114,971	3,055,247
334--Oil (not crude) from petrol & bitum minerals etc.	2,382,045	2,214,873	2,280,414	2,820,424
684--Aluminum	146,703	127,169	194,684	151,294
281--Iron ore and concentrates	50,489	54,739	75,443	110,367
278--Crude minerals, n.e.s	85,202	79,823	68,585	97,861
036--Crustacean etc frsh, ch, fz, drd, salted, etc	40,718	21,700	31,161	50,972
671--Pig iron, spiegeleisen etc. iron & steel powd etc.	17,960	12,924	37,239	39,896
784--Parts and accessories of motor vehicles, etc	8,461	13,685	23,371	28,575
034--Fish, fresh (live or dead), chilled or frozen	27,279	19,578	13,284	28,507
931--Special transactions & commod not classif by kind.	21,207	24,681	24,632	27,647
661--Lime, cement & fabricated construct materials nes.	32,567	19,093	17,387	23,553
288--Nonferrous base metal waste & scrap, n.e.s	6,363	12,218	18,667	19,057
342--Liquefied propane and butane	1,704	818	591	17,385
071--Coffee and coffee substitutes	45,560	18,764	10,488	14,718
773--Equipment for distributing electricity, n.e.s	6,802	6,328	7,898	14,448
693--Wire products (excl insulat elect) & fencng grills	6,112	8,748	11,184	14,369
674--Iron & na steel flat-rolled products, clad, etc	7,616	7,429	9,129	14,274
673--Iron & nonalloy steel flat-roll prod, not clad etc	18,757	13,041	18,029	12,838
679--Iron & steel tubes, pipes & hol profiles, fittings	13,748	14,462	10,841	12,480
321--Coal, pulverized or not, but not agglomerated	0	1,059	5,292	11,940
672--Iron or steel primary forms & semifinish products.	3,656	15,694	1,371	10,158
335--Residual petroleum products, n.e.s. etc	34,564	31,966	28,285	10,115
344--Petroleum gases & other gaseous hydrocarbons nes.	80,765	41,516	27,978	10,031
562--Fertilizers (except crude of group 272)	4,365	6,199	14,815	10,001
662--Clay and refractory construction materials	5,857	4,154	3,948	8,867
841--Men's or boy's coats, jackets etc, text, not knit.	1,508	2,346	5,961	7,514
896--Works of art, collectors' pieces and antiques	4,510	3,319	4,280	7,310
812--Sanitary, plumbing & heating fix & fittings nes	8,232	4,612	5,311	6,982
893--Articles, nes of plastics	3,769	4,251	5,639	6,942
692--Metal containers for storage or transport	2,812	2,283	2,608	6,677
741--Heatng & coolng equipmnt and pts thereof, n.e.s	597	328	394	5,863
642--Paper & paperboard, cut to size or shape, articles	9,704	9,866	6,918	5,646
699--Manufactures of base metal, n.e.s	4,691	5,961	5,087	5,231
641--Paper and paperboard	15,897	10,022	8,412	5,208
676--Iron & steel bars, rods, angles, shapes & sections	3,715	4,201	7,393	4,302
Total of items shown	4,934,355	5,475,009	5,101,691	6,676,695
Total other	162,383	103,970	126,404	109,314

Note: 1983-88 data are estimated.
Note: Compiled from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by General imports, Customs value in 1989.

Source: U.S. Department of Commerce, International Trade Administration, Office of South America

GROSS DOMESTIC PRODUCT PER CAPITA,[1] 1960–1989

TABLE 3

Country	1988 Dollars						As Percent of OECD's[2]				
	1960	1970	1980	1987	1988	1989	1970	1980	1987	1988	1989
Argentina	2,414.4	3,117.0	3,404.9	2,972.0	2,901.4	2,722.2	27.4	24.0	18.2	17.2	15.6
Bahamas	8,448.4	10,737.3	10,631.4	11,238.7	11,316.5	11,348.8	94.2	74.8	68.7	66.9	64.9
Barbados	2,000.4	3,530.5	3,994.0	4,092.3	4,232.7	4,377.4	31.0	28.1	25.0	25.0	25.0
Bolivia	634.4	817.7	982.5	723.8	723.9	721.2	7.2	6.9	4.4	4.3	4.1
Brazil	1,013.1	1,371.6	2,480.5	2,507.3	2,448.9	2,471.4	12.0	17.5	15.3	14.5	14.1
Chile	1,826.4	2,214.0	2,448.1	2,384.7	2,517.6	2,687.5	19.4	17.2	14.6	14.9	15.4
Colombia	926.7	1,156.6	1,594.9	1,711.3	1,738.9	1,763.6	10.2	11.2	10.5	10.3	10.1
Costa Rica	1,435.3	1,825.1	2,394.3	2,199.3	2,243.3	2,275.2	16.0	16.9	13.4	13.3	13.0
Dominican Republic	823.2	986.6	1,497.2	1,516.6	1,499.7	1,496.6	8.7	10.5	9.3	8.9	8.6
Ecuador	770.9	904.3	1,580.7	1,416.0	1,559.0	1,527.8	7.9	11.1	8.7	9.2	8.7
El Salvador	832.3	1,032.0	1,124.6	969.9	966.5	959.9	9.1	7.9	5.9	5.7	5.5
Guatemala	1,099.5	1,419.5	1,865.9	1,499.5	1,511.3	1,524.3	12.5	13.1	9.2	8.9	8.7
Guyana	1,007.7	1,110.6	1,215.1	1,026.2	1,047.9	1,030.9	9.7	8.6	6.3	6.2	5.9
Haiti	330.5	292.4	386.4	325.8	319.1	314.8	2.6	2.7	2.0	1.9	1.8
Honduras	619.5	781.5	954.3	850.6	857.6	854.5	6.9	6.7	5.2	5.1	4.9
Jamaica	1,610.2	2,364.1	1,880.2	1,835.6	1,842.7	1,832.2	20.8	13.2	11.2	10.9	10.5
Mexico	1,425.1	2,022.3	2,871.9	2,616.4	2,587.6	2,608.2	17.8	20.2	16.0	15.3	14.9
Nicaragua	1,054.7	1,495.4	1,147.3	921.2	793.8	743.2	13.1	8.1	5.6	4.7	4.2
Panama	1,264.3	2,017.3	2,621.8	2,743.5	2,256.5	2,100.3	17.7	18.5	16.8	13.3	12.0
Paraguay	779.2	931.0	1,612.5	1,510.8	1,560.1	1,600.3	8.2	11.4	9.2	9.2	9.1
Peru	1,233.5	1,554.1	1,716.5	1,663.6	1,479.3	1,241.0	13.6	12.1	10.2	8.8	7.1
Suriname	886.9	2,336.8	3,721.9	3,366.1	3,420.0	3,524.0	20.5	26.2	20.6	20.2	20.1
Trinidad and Tobago	3,848.5	4,927.1	8,115.8	5,805.2	5,510.4	5,281.1	43.2	57.1	35.5	32.6	30.2
Uruguay	2,351.5	2,478.3	3,214.9	3,012.3	3,009.5	3,022.8	21.8	22.6	18.4	17.8	17.3
Venezuela	3,879.2	4,941.2	5,224.8	4,482.5	4,617.2	4,135.4	43.4	36.8	27.4	27.3	23.6
Latin America	1,374.9	1,803.4	2,515.0	2,373.2	2,343.1	2,311.7	15.8	17.7	14.5	13.9	13.2

[1] See Methodology in *Economic and Social Progress in Latin America*, Methodological Notes, Appendix B, 1989.
[2] Due to differences in the methodology used by the IDB and OECD for conversion of national accounts to a common currency, the data are not strictly comparable with those published in previous issues of the annual report of previous years.
Source: The OECD's per capita GDP in constant 1988 U.S. dollars was estimated at $11,393 for 1970, $14,204 for 1980, $16,363 for 1987, $16,903 for 1988, and $17,499 for 1989. OECD Main Economic Indicators, November 1989.

Source: Inter-American Development Bank, 1989 Annual Report

U.S. ECONOMIC ASSISTANCE TO LATIN AMERICA (Millions of Dollars) (a)

Country	FY 1987 Obligation					FY 1988 Obligation					FY 1989 Obligation					FY 1990 Allocation					FY 1991 Request				
	ESF	DA	480 I	480 II	TOTAL	ESF	DA	480 I	480 II	TOTAL	ESF	DA	480 I	480 II	TOTAL	ESF	DA	480 I(f)	480 II	TOTAL	ESF	DA	480 I	480 II	TOTAL
Belize	5.4	7.3	0	0	12.7	0	7.4	0	0	7.4	0	7.6	0	0	7.6	0	6.5	0	0	6.5	0	7.3	0	0	7.3
Costa Rica	142.5	17.1	15.2	0.1	174.9	90.0	11.7	0	0.1	101.8	90.1	9.8	15.0	0.1	115.0	63.5	11.9	15	0.2	90.6	40.0	9.7	15	0	64.7
El Salvador(b)	281.5	132.4	30.1	6.4	450.4	195.0	70.1	41.5	12.9	319.5	190.9	62.3	40.0	8.1	301.3	130.6	58.8	35	4.5	229.0	180.0	64.1	35	4.9	284.0
Guatemala	115.0	34.9	18.9	8.5	177.3	79.8	30.0	18.0	5.4	133.2	80.5	33.3	18.0	10.3	142.1	56.5	30.1	18	8.5	113.1	60.0	34.3	18	7.5	119.8
Honduras	131.8	41.7	12.0	5.4	190.9	85.0	44.9	12.0	8.3	150.2	15.0	37.7	18.0	3.2	73.9	60.0	34.4	12	5.7	112.1	80.0	36.9	12	3.6	132.5
Panama	0	8.4	0	0	8.4	0	1.1	0	0	1.1	0	0	0	0.3	0.3	0	0	0	0	0	0	0	0	0	0
CA Regional(c)	2.5	17.4	0	0	19.9	4.9	24.6	0	0	29.5	13.6	22.0	0	0	35.6	2.6	0	0	0	2.6	0	0	0	0	0
ROCAP	5.3	31.3	0	0	36.6	0	24.8	0	0	24.8	0	33.2	0	0	33.2	0	21.4	0	0	21.4	0	20	0	0	20.4
C.A. Subtotal	684.0	290.5	76.2	20.4	1,071.1	454.7	214.6	71.5	26.7	767.5	390.1	205.9	91.0	21.9	708.9	313.2	162.9	80	19.0	575.2	360.0	172.8	80	16.0	628.8
Dom. Rep.	0.2	19.5	30.0	1.6	51.3	13.8	18.6	20.0	3.3	55.7	0	20.1	5.4	5.1	30.6	0	14.1	20	5.2	39.3	12.0	11.3	20	3.8	47.2
East Carib.	21.8	29.7	0	0	51.5	1.0	31.7	0	0	32.7	10.2	18.9	0	0	29.1	0	18.6	0	0	18.6	10.0	17.7	0	0	27.7
Guyana	0	0	5.7	0	5.7	0	0	6.9	0	6.9	0	0	7.0	0	7.0	1.0	0	4	0	5.0	2.0	0	7	0	9.0
Haiti	36.0	38.6	10.0	13.0	97.6	0.3	30.5	0.0	8.0	38.8	0	28.0	0	22.1	50.1	0	27.3	0	14.4	41.7	10.0	29.5	12	12.7	64.2
Jamaica(b)	24.9	17.4	35.8	0.7	78.8	0	19.1	33.6	1.3	54.0	25.0	51.6	37.4	6.2	120.2	5.0	14.0	30	4.2	53.2	17.0	15.6	30	3.6	66.2
Car. Subtotal	82.9	105.2	81.5	15.3	284.9	15.1	99.9	60.5	12.7	188.2	35.2	118.6	49.8	33.4	237.0	6.0	74.0	54	23.8	157.8	51.0	74.1	69	20.1	214.2
CBI SUBTOTAL	766.9	395.7	157.7	35.7	1,356.0	469.8	314.5	132.0	39.4	955.7	425.3	324.5	140.8	55.3	945.9	319.2	236.9	134	42.8	732.9	411.0	246.9	149	36.2	843.1
Bolivia(g)	7.5	20.5	20.0	12.6	60.6	7.8	29.6	20.0	14.8	72.2	11.7	24.6	17.0	16.3	69.6	20.2	21.1	20	13.3	74.6	30.8	23.5	20	12.1	86.4
Brazil	0	0	0	0	0	0	0	0	0	0	0	0	0	1.2	1.2	0	0	0	0.6	0.6	0	0	0	0	0
Colombia(g)	0	0	0	0	0	0	0	0	0.1	0.1	2.9	0	0	0.9	3.8	0	0	0	0.2	0.2	0	0	0	0	0
Ecuador	19.3	17.2	0	3.9	40.4	0	14.1	0	1.6	15.7	9.0	17.2	0	0.7	26.9	0	14.1	0	0.3	14.4	9.0	14.8	0	0	23.8
Mexico	0	0	0	0	0	0	0	0	3.2	3.2	0	0	0	4.3	4.3	0	0	0	2.3	2.3	0	0	0	0	0
Peru(g)	5.3	14.3	20.0	9.6	49.2	0.5	27.2	15.0	15.0	57.7	2.0	17.7	15.0	15.5	50.2	3.3	12.0	10	26.6	51.9	3.1	11.9	15	19.2	49.2
Uruguay	12.2	0	0	0	12.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Drug Initiative																					175.0	0	0	0	175.0
S.A. Subtotal	44.3	52.0	40.0	26.2	162.5	8.3	70.9	35.0	34.8	149.0	25.6	59.5	32.0	38.9	156.0	23.4	47.2	30	43.3	143.9	217.9	50.2	35	31.3	334.3
LAC Regional(d)	7.8	30.8	0	0	38.6	6.5	29.7	0	0	36.2	10.7	30.6	0.0	0.0	41.3	7.0	59.2	0	0	66.2	23.0	48.5	0	0	71.5
DPRP(e)																					0	25.0	0	0	25.0
Total (a)	819.0	478.5	197.7	61.9	1,557.1	484.6	415.1	167.0	74.2	1,140.9	461.6	414.6	172.8	94.3	1,143.3	349.6	343.4	164.0	86.0	943.0	651.9	370.6	184.0	67.4	1273.9

ARA/ECP: BLASST Update 3/15/90

(a) Excludes funding for USIA, Peace Corps, refugees, narcotics programs, and Section 416 food donations. World Food Program contributions and freight costs paid for PL 480 Title II are included under P.L. 480, Title II, through FY89

(b) Development Assistance (DA) includes disaster help, $50 million for El Salvador in FY87, $35 million for Jamaica in FY89.

(c) Combined for FY90 and FY91 into total for LAC Regional, except ILANUD and CADCC are still listed here under C.A. Regional for FY90. Includes $5 million for NED in Nicaragua in FY89 and $0.498 for CADCC earmark in FY90.

(d) Includes FY90 ESF earmark for ICITAP ($6.97 Million). Starting in FY90, Central American Regional projects, except for ILANUD and CADCC, are included in LAC Regional.

(e) DPRP=Development Policy Performance Fund

(f) Commodities may be provided from the P.L. 480 reserve for FY90, if the reserve is not needed for emergencies. Panama will be receiving $7 million from the reserve under P.L. 480, Title I.

(g) Additional FY91 economic assistance, similar in form to ESF, is being requested under the President's drug initiative. Depending upon the fulfillment of economic and narcotics-related condionality, notional allocations could be $65 million for Bolivia, $50 million for Colombia, and $60 million for Peru.

Notes: $3 million of FY90 environmental/gloal warming earmarks and $4 million of FY91 global warming requests will be included in DA activities.
Obligations include re-obligations and carryovers, e.g. FY88 ESF of $26.143 was obligated in FY89 and FY89 ESF of $100.564 is expected to be obligated in FY90.

Source: Department of State, Bureau of Inter-American Affairs, Office of Regional Economic Policy

Senator SARBANES. Thank you very much for a very helpful statement.

We've been joined by Senator Graham of Florida and we're very pleased he's here.

Bob, do you have any statement?

Senator GRAHAM. Thank you very much, Mr. Chairman. I do not have a statement, but I appreciate the opportunity to learn from such a distinguished panel.

Senator SARBANES. Thank you.

Mr. ROCKEFELLER. Mr. Berndt will be the next speaker.

Senator SARBANES. Mr. Berndt, please proceed.

STATEMENT OF WOLFGANG C. BERNDT, GROUP VICE PRESIDENT, PROCTER & GAMBLE CO.

Mr. BERNDT. Mr. Vice Chairman, distinguished members of the ommittee, my name is Wolfgang Berndt. I am group vice presilent of Procter & Gamble, with responsibilities for our business in atin America, Canada, and Eastern Europe.

As I look at the changes underway in the European Community nd in Eastern Europe, it is very clear that Western Europe is noving quickly to realize the opportunities with its neighbors to he east.

The United States has a similar opportunity with its neighbors o the south.

It is a little known fact that already in 1988, U.S. exports to Aexico were nearly 50 percent higher than to West Germany, vhich is Western Europe's largest economy, and it will be a long ime until Eastern Europe reaches West Germany's level.

We all can help achieve significant increases in exports, jobs, and rowth here in the United States by supporting the economic olicy changes underway in Latin America, by encouraging contructive solutions to the debt problem, and by supporting marketpening and economy-building results in the multilateral Uruguay ound, as well as later possible free trade negotiations with Aexico.

If sound agreements are reached, the committee should encourge their ratification.

Let me start with some key facts on our Latin American busiess.

We have operating subsidiaries in eight countries with about ,000 employees generating around $1 billion of sales. We are repesented in another eight countries through exports and licensing greements.

Senator SARBANES. Mr. Berndt, if you pull that microphone oser to you, it will be helpful, not only for the members, but for ie audience as well.

Mr. BERNDT. Yes. The majority of the products we sell, deterents, toilet soaps, shampoos, deodorants, toothpaste, as well as ough and cold remedies, are manufactured in our 17 Latin Amerin plants. Our business has doubled in dollar terms in the last 4 ears.

The U.S. exports related to our Latin American business have one even better. They have increased from $90 million 3 years ago to almost $200 million this year, and we expect them to exceed $250 million 2 years from now.

We have no exact way of knowing how many jobs these exports create here in the United States, but an estimate based on the Commerce Department's standard of one job per $46,200 of exports would suggest that our Latin American business today, with 8,000 employees, supports about 4,000 jobs in the United States.

So for every 100 employees in Latin America, we support 50 employees here in the United States.

Much more is possible.

Now, what changes does it take to generate significant additional growth? Venezuela provides a good example of the points I want to make.

Our business in Venezuela goes back to the early 1950's. But, until a few years ago, we were restricted to only a handful of product categories—toilet soap, laundry detergents, dishwashing products, shampoos, and toothpaste. The reason was that foreign investments were rigidly controlled, profit remittances were severely limited, and royalties for technology transfer to Venezuela were not allowed.

Price controls were depressing profit margins to the point that we were forced to sell at a loss in several of our product lines during the mid-1980's.

During 1987 and 1988, investment and price control regulations were somewhat eased, and starting last year, 1989, we've seen some very positive, fundamental changes.

Price controls have been abolished for our types of products. A 4-year program to eliminate tariffs and other trade barriers has been initiated. New foreign investment regulations have removed most of the restrictions we were under.

And finally, royalties and technical assistance fees are now allowed.

Assuming a successful outcome to the debt negotiations, a continuation and completion of these policies in the country and reasonably stable oil prices, we believe that the Venezuelan economy could start to grow again on a sustained basis.

We are well positioned to benefit as the economy develops, and this will further increase exports from the United States and jobs in this country.

In addition to our traditional product lines, we have been able recently to enter several new product categories, including baby diapers and sanitary napkins.

A similar positive story could be told about Mexico. I certainly agree with Mr. Rockefeller that there will be a significant positive impact on the economic performance here in the United States if the economies of our southern neighbors can be properly developed. By focusing attention on what renewed growth in Latin America could mean for the United States, and how the United States could assist in the process, this committee is making a very valuable contribution.

Thank you for the opportunity to share our views.

[The prepared statement of Mr. Berndt follows:]

PREPARED STATEMENT OF WOLFGANG C. BERNDT

Good morning, Mr. Chairman and Members of the Committee. My name is Wolfgang C. Berndt, and I am a Group Vice President of the Procter & Gamble Company. My responsibilities include the Company's businesses in Latin America, Canada and Eastern Europe. I am pleased to be invited to talk to you about opportunities presented to the United States by a growing and vibrant Latin America. I will also give you our views on which economic policies and practices, in Latin America and here in the United States, can help or hinder mutual economic development.

First, a few facts about our business in Latin America. We have operating subsidiaries in Brazil, Chile, Colombia, Guatemala, Jamaica, Mexico, Peru and Venezuela. They market brands in less than half of the product categories in which Procter & Gamble competes worldwide. We also sell, to varying extents, in most of the other countries in Latin America and the Caribbean, primarily by exporting products made by the operating subsidiaries. With about 8,000 employees, our operations in Latin America generate revenues of about of $1 billion per year.

There are four key messages I wish to bring you today:

-- One, that P&G's operations in Latin America are growing rapidly. This is because we recently have been entering additional product categories and expanding into new countries and because there have been favorable changes in economic policies throughout most of Latin America.

-- Two, that the goods and services we export to our Latin American operations support about 4,000 jobs in the United States. This is double the level of just three years ago; and

-- Three, that if all the countries involved, including the United States, continue to move in the right directions, and we continue to do our job in the Latin America market place, employment numbers in both places will grow substantially.

-- Four, that the Committee can help continued positive movement through encouraging creative and constructive solutions to the debt problem, and by supporting mutually-beneficial outcomes to the Uruguay Round and to bilateral negotiations that open markets, stimulate development and transfer of technology, attract investment and eliminate price controls.

And now, some background. Procter & Gamble is principally in the business of selling household consumer goods. Ten to one, you have at least one in your own home right now.

You probably know their brand names better than you know our Company name. Our detergent brands include Tide, Cheer, Dash, Bold and Oxydol in the U.S., as well as Ace and Ariel in Latin America. Our toilet soap brands include Ivory, Camay, Zest, and Safeguard (or Escudo as it is called in some Hispanic markets). Our well-known Pampers diapers are becoming increasingly available and popular in Latin America.

In our health and beauty care business, we have many long-established brands, such as Crest toothpaste and Head & Shoulders dandruff shampoo, plus many other excellent brands we have acquired through recent mergers. As we look at our endeavors around the world, both our business experience and our economic and market research indicate that there are three fundamentals necessary for success in our type of business.

First of all, we must produce goods that meet the needs of our customers -- the people who buy quantities of our products to sell to individuals -- and to our consumers -- the ultimate users. We have learned repeatedly, both here and abroad, that we must offer them value in terms <u>they</u> define . This almost always means excellent quality and performance at reasonable prices. Below-market-price products that do not fulfill their needs simply do not survive. Products that are too expensive can easily be supplanted by products made by a competitor.

Our ability to meet the needs of trade customers and consumers in Latin America often has been hampered by high duties and import prohibitions. For instance, at times we have had to buy high-cost, locally-produced raw materials from small manufacturers that cannot produce efficiently. The result was higher prices for our customers and our consumers. Similarly, we sometimes cannot offer high-quality products because we cannot get the necessary raw materials at an affordable cost. Thankfully, these conditions are changing rapidly. Mexico has joined the GATT and substantially reduced its duties, Venezuela is in the process of doing likewise. And Brazil appears to be following in their footsteps by eliminating its import bans on goods similar to those produced locally. (Although I should mention that they have substituted high duties, at least for the near-term.)

The second fundamental is that we must have access to the marketplace in order to do business. While outright bans on imports, exclusionary import duties and so forth create obvious barriers, others are less apparent. For example, requirements for substantial local equity participation may keep an investor out of a country if it cannot find a compatible joint venture partner. Even when it can, local equity requirements often discourage investment because they reduce potential rewards.

Recent Latin American trends are positive. As I just noted, Mexico and Brazil have reduced their import barriers. Both also have radically changed their foreign investment regulations in the past year in order to attract new capital. These changes include reducing requirements for local equity participation.

The third fundamental is the economic well-being of consumers in the countries in which we operate. Our ability to sell is closely linked to consumers' disposable income levels, and so we are very interested in and supportive of economic policies that create a broad middle class and maximize consumer income. Since we sell products that consumers use regularly and purchase repeatedly, our interest is long-term, rather than in just how much we can sell this month, this quarter, or even this year.

We have learned that for countries to develop high levels of consumer income (and for us to optimize our business), it is essential to have open, competitive, market-oriented policies. In country after country, we have learned that import substitution policies, artificially-restrained exchange rates and controls, price controls, heavy reliance on businesses owned and controlled by the government and other governmental efforts to manipulate the private sector's use of resources, while well-intentioned, simply do not work.

Successful economic development requires that countries make the most efficient use of the human, natural and capital resources available to them. While government policies to encourage the private sector to use these resources in specific ways are well-intended, they often do not achieve the desired goals. Too frequently, they drive away scarce capital, and they lead to the non-use or abuse of natural resources and the inadequate development of human resources.

This is precisely what has happened throughout Latin America because of policies that encourage wasted resources. The result has been a decline in per capita consumer income over the past decade. However, the decline could turn around if new market-oriented economic policies, such as those being pursued by Chile, Mexico, Venezuela and Brazil, are maintained and further expanded.

If the three fundamentals I've just discussed are met, -- namely that our products meet customer and consumer needs, we have access to the marketplace and consumer income grows broadly -- we will succeed in Latin America and also make a substantial contribution to the U.S. economy. We achieve the latter because we export substantial amounts of equipment, raw materials, services and also some consumer goods to these businesses from the United States.

I believe these points will come more clear if I tell you a bit about some of our Latin American businesses.

Venezuela

We have operated a wholly-owned subsidiary in Venezuela since 1950, opening a plant in Caracas two years later to produce detergents and toilet soaps, and adding a second detergent plan in Barquisimeto in 1981. We began producing shampoo in 1958, liquid cleaner in the '60s and toothpaste in the early '70s.

We entered Venezuela's paper category in 1988 when we formed a joint venture with Industrias Mammi to produce disposable diapers and sanitary napkins. We now wholly own this business.

We have sometimes found it difficult to do business in Venezuela, particularly in the '70s. The Andean Pact of 1973, which Venezuela joined, did not result in the development of a strong regional economy, as anticipated. Venezuela rigidly controlled foreign investments, limited profit remittances to an unrealistic percentage of registered capital, disallowed royalties for technology and intellectual property transferred to Venezuela and payments for other costs incurred in the United States on behalf of our Venezuelan business. Venezuela imposed high external trade barriers which were only partially eliminated between the Andean Pact nations. They were, in many cases, not natural trading partners anyway, one reason being the very Andes Mountains that lent their name to the Pact.

Imposition of a severe price control system in 1974 exacerbated the situation. We almost gave up because of problems in obtaining the foreign currency necessary for essential raw material and equipment imports and because of the price controls that forced us to sell products at a loss.

Then, when price controls artificially depressed prices, "grey market" operators moved in. They exported our products to other countries, where consumers couldn't distinguish them from P&G products sold under the same brand name. You might not see the difficulty until you understand that daily living conditions differ from country to country. Doing laundry, for instance. There are differences in whether people tend to wash in hot or cold water, in whether they wash by hand or with a machine and in how their countries' machines are esigned. This all affects how we formulate detergents sold in the different ocalities. Some consumers in Puerto Rico got hold of grey market detergent ormulated for use in Venezuela and didn't like its performance. Several alled our Sales Manager in San Juan to say they would never buy our products gain!

onetheless, we decided to hang on in hopes of a better day which, thankfully, as finally arrived. There has been a move to very positive economic policies n the past 18 months. We are also encouraged by the experience we have had ith moving the Headquarters of our Latin American Division from Cincinnati to aracas.

did this because we learned from the success of our European headquarters in ussels that it is important to have our management "on the ground." With nagers close to their marketplace, they can more easily recognize and derstand local conditions, communicate better and foster better cooperation ong countries in their region.

selected Caracas because Venezuela has a stable and democratic government at enjoys good relations with the rest of Latin America, good living nditions, central location and relatively good telephone communications and rline connections. From an operational perspective, it has turned out to be excellent decision.

ring our short tenure in Caracas, there has already been a major change in onomic policies which we believe augurs well for Venezuela's future. Price ntrols were completely abolished for most products in March of 1989, with ntrols now on only a small group of food and pharmaceutical products. In ril, a four-year program to eliminate tariffs and other trade barriers was initiated. Its second step, being implemented this month, reduces tariffs on raw materials that are not locally-produced to a maximum of 5% ad valorem, on locally produced raw materials to a range of 10-20%, and on our finished products to the 20-50% range. Venezuela intends to be an open economy by 1992, belonging to the GATT and conforming to its requirements.

In January of this year, Venezuela promulgated new foreign investment regulations that remove most, if not all, the restrictions and approvals previously in effect. Just by notifying the Foreign Investment Superintendency (known as SIEX), we can receive royalties of up to 5% on sales of locally produced goods. Higher amounts are possible, subject to authorization. There are no longer any restrictions on the remittance of profits and dividends. Venezuela expects to conduct successful negotiations on its foreign debt.

With these new policies, and with reasonably stable oil prices, the Venezuelan economy should start to grow again. We are confident we will enjoy a successful and mutually productive future in this country.

<u>Mexico</u>

Our business in Mexico goes back to 1952, when we started up a detergent plant there. From this foundation, we have also built a toilet soap plant and a combination nutritional/over-the-counter drug/personal care products plant. W currently are expanding into other product lines in Mexico and will need to ad new employees to the more than 3,000 we already have there. It took the bette part of 20 years to make our Mexican business profitable, showing that foreign investment requires both commitment and perseverance. For us to look at a foreign investment, we have to see not only a favorable welcome, but also a favorable environment for the long term.

We have grown in Mexico by meeting the specific needs of local consumers. For example, we pack detergents in polyethylene bags instead of the paperboard cartons preferred in many other countries. We do this in Mexico because the bags cost less than cartons, and they keep the cost of the product down to the level Mexican consumers can afford.

Our Mexico City plant has grown to be probably the largest detergent factory in the world. However, this is not entirely a "good news" story. We would have preferred to build a second detergent plant outside Mexico city. This would have lowered our costs and therefore our prices, and we would have had less impact on the the city's congestion and environment. But we could not build this plant because of the foreign investment regulations in effect at that time.

Under the much more liberal regulations enacted in May, 1989, we are expanding into new business categories, but I must mention that some of the expansion could - and should - have taken place a decade ago.

Overall, we are pleased with the market-oriented and politically courageous actions of the Salinas administration. They make good economic sense, and they move Mexico toward the per capita income growth that both it and we need. But more needs to be done as Mexico competes for the investment capital it needs in a world in which investment capital is getting more scarce.

It is important that Mexico eliminate its price controls as quickly as possible. They discourage investment and competition, which creates shortages and reduces employment. They are a problem for us because they cover products like detergents and toilet soaps. The fact that Mexico has removed price controls on other types of products only makes things worse for those of us still under controls. Further exacerbating the problem is that we don't benefit from supports and subsidies as do most of the other goods still under controls, as they're generally agriculture-based.

Peru

Our business in Peru started in the early 1950s with the importation of Ace detergent and Camay toilet soap. Their success led us to construct a plant in Peru. Today, we sell 15 different brands there, but that represents only about 10% of the product categories in which we compete globally. We have been limited by Peru's ineffective economic policies. They have led to serious inflation and foreign exchange problems that have squashed both consumer income and development of our business.

We have found it very difficult over the years to obtain foreign currency. We need foreign currency to remit profits, to be paid royalties for intellectual property we provide our Peruvian subsidiary, such as patents and trademarks, and to be paid for work we do outside Peru for our subsidiary.

When we consider Peru's economic problems and its "Shining Path" insurrection, we do not have as much near-term optimism about it as we do about the other Latin American countries in which we operate. We are somewhat encouraged, however, because both the presidential candidates have expressed support for market-oriented economic programs and the need to deal effectively with the insurgents.

Chile

P&G started local operations in Chile in 1983 by acquiring Laboratorio Geka, maker of the locally-popular Odontine toothpaste and Kent shampoo and cologne lines. We have added P&G products to the Geka lineup -- Crest, Camay and Moncler toilet soaps, Head & Shoulders and Pepto-Bismol. We have almost tripled the physical volume of Geka's business by modernizing their facilities and employing fewer but more highly educated employees. In Chile, again, we are marketing only a small part of our product line, but we do have avenues to expand. We have access to the marketplace, and we see a new government committed to maintaining constructive economic policies. We intend to improve at meeting our customers' needs in order to build our business to the level we believe we can achieve.

Colombia

Meeting the requirements of Colombian law in 1987, we entered a joint venture with Inextra, a local laundry soap company started in 1912. Later, changes in the law allowed us to purchase Inextra. Our Colombian operation now produces detergents, hair care products, Camay toilet soap, Vicks coughs and colds remedies and Clearasil acne products. Business growth is healthy, but the security problem for our employees severely restricts our ability to expand.

Brazil

Brazil has long been an important source of raw materials for Procter & Gamble. For many years, we referred to it as "the country of the future," meaning that we'd sell products there sometime in the future. We shied away from operating in Brazil because of limitations on foreign exchange needed for importing goods and services and for remitting of profits. Then in 1988, we had the opportunity to acquire Perfumarias Phebo via a combination of capital and debt equity swaps. This was exciting, as Phebo was Brazil's most successful local producer of soaps, colognes and deodorants. Its research and development resources were not up to internationally competitive standards (which is why it was sold), but P&G is strong in this area, and we'll be able to make a contribution.

We are encouraged for the long term by the economic objectives of Brazil's Collor administration, even though recent hyperinflation and the necessary measures courageously introduced to restrain it are causing immediate problems.

We see a profitable future for us in Brazil if it can "stay the course"; this includes staying away from price controls, permitting unrestricted low-duty imports, maintaining realistic rates of exchange and ensuring adequate protection of intellectual property.

Central America

Procter & Gamble established a presence in Central America in 1965 with contract manufacturing operations in Honduras for detergents and in El Salvador for toilet soap. We handled sales through distributors in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica.

In 1969, the so-called "Football War" broke out between El Salvador and Honduras; that was the soccer match that sparked hostilities. This made trade and currency transfers between the two countries impracticable. After this and a series of other difficulties, the Company withdrew. We returned when we acquired Richardson-Vicks in 1985, as that company had operations in Central America. These Richardson-Vicks operations are headquartered in Guatemala, where it manufactures health care products and exports them to El Salvador, Honduras, Costa Rica, Panama and the Dominican Republic.

A number of government actions have hampered the area's economic growth and our business growth over the years. Essentially, they tried to force companies into uneconomical local production, then tried to hold prices down to protect consumers. In addition, most Central American countries have laws that require companies to award distributors huge severance payments -- the gross profits on three to five years' business -- if we want to switch to a better distributor or start our own sales force.

Jamaica

Richardson-Vicks established a business in Jamaica in 1965, and that became a P&G business 20 years later. Our small plant there produces some of the Vicks' cough/colds products, exporting approximately 70% of them to other Caribbean countries. Our Jamaican business has made profits over the years despite severe economic problems. As a net earner of foreign exchange, it has been able to remit profits to the United States.

Though Jamaica now has a free market system, it has heavy import duties on consumer goods -- from 75% to 125%. These too often encourage uneconomic local production and diversion of resources.

Conclusions

As you have just heard, our business in Latin America has been growing very rapidly in recent years. This is partly because of entries into new countries and categories and partly because of good growth on our businesses.

In addition, we are enjoying the benefits of recent policy improvements. For example, by lowering its import barriers, Mexico made it possible to introduce

Downy fabric softener there, using imported product. This helped us decide whether the market is big enough to warrant investing in local manufacturing facilities. It also allowed us to assess distribution systems, develop marketing strategies, etc. The experience was successful, by the way, and we now manufacture Downy in Mexico and have started to introduce two additional new brands with imports from the U.S.

Growth in our Latin American business has led to increasing exports of goods and services from the United States. From a little over $90 million three years ago, imports will reach nearly $200 million in our current fiscal year, and we expect them to exceed $250 million by 1992 -- an increase of 185% in five years.

We cannot say exactly how many U.S. jobs these exports create, but using the Commerce Department's standard of one job per $46,200 of exports, I'd say we'v created 4,000 jobs in the U.S. That's up from just under 2,000 jobs three years ago. One can say that we support about 50 jobs in the United States fo every 100 people we employ in Latin America.

As satisfying as these numbers are, we do not believe they represent anything close to the results we <u>can</u> achieve. Even in Mexico, we are in only 16 produ categories and in Venezuela only 8, compared with over 30 in the United State

There is real potential for improving Latin America's living standards. Annu average per capita income in the Latin American countries in which we do business is only one-tenth the U.S. level of $20,000. Their per capita incom has been falling as ours has been growing.

Over 400 million people live in Latin America. They are blessed with a great diversity of natural resources but plagued by a severe shortage of capital. Some of the fundamentals for growth are in place, and most of the countries have turned in the right direction regarding management of their economies.

We can also look to the changes underway now in Europe for incentives to make progress in Latin America. The economic and legal integration of the European Community under the banner of "EC 92" will make it not only a larger potential market for this country, but also a stronger competitor. Beyond that, the rapidly occurring changes in Eastern Europe present their neighbors to the West with opportunities both to expand and become more efficient. It is, therefore, in the U.S.' interest to place a high priority on its neighbors to the South.

Recommendations

We have the opportunity to both help our Southern neighbors and to help ourselves. We can, and should, grasp this opportunity by:

-- Maintaining efforts to find creative and constructive approaches to resolving the debt problem.

-- Sustaining the drive for conclusions to the multilateral Uruguay Round, and to GATT-consistent bilateral negotiations, such as expanded trade and investment facilitation talks with Mexico ("TIFTS") and GATT accession negotiations with Venezuela that:

  -- Open markets to goods that earn their way competitively;
  -- Provide an attractive and stable environment for investment;
  -- Encourage the development and transfer of technology by ensuring adequate rewards to its developers; and
  -- Eliminate the distorting effects of price controls.

This Committee is already making a valuable contribution through its study and public discussion of the critical economic importance to this country of renewed growth in Latin America. I hope the Committee will go further and strongly support and encourage mutually-beneficial outcomes to these negotiations and their ratification by Congress.

Thank you for this opportunity to present our views. I will be glad to try to answer your questions.

Senator SARBANES. Thank you very much. We've been joined by Senator Bingaman of New Mexico.

Senator BINGAMAN. I have no statement. Thank you, Mr. Vice Chairman.

Mr. ROCKEFELLER. I'll call on Mr. Black.

Senator SARBANES. Mr. Black, we'd be happy to hear from you.

STATEMENT OF C. ROBERT BLACK, PRESIDENT, TEXACO LATIN AMERICA/WEST AFRICA

Mr. BLACK. Thank you, Mr. Rockefeller.

Good morning, Mr. Vice Chairman, and honorable members of the committee.

My name is Robert Black and I'm a vice president of Texaco, Inc., and president of our Latin America and West African division, a position that I have held for the past 3 years.

My division's responsibility is for Texaco's exploration, production, refining, and marketing operations in our geographical area.

Today, American businessmen are converging on Eastern and Western Europe and the Pacific Rim, attracted by economic opportunities there. However, in the rush to penetrate European and Asian markets, we feel the business community has largely overlooked and ignored a market of 425 million people immediately to our south in Latin America.

One reason for this lack of interest now, we feel, is the low rates of return that many American businesses have experienced in their earnings in the past. However, as has been alluded to by Mr. Rockefeller, we feel that political and economic developments taking place in Latin America today promise to make it one of our most important customers in the 1990's and beyond.

In light of these striking changes, we at Texaco strongly urge U.S. policies that:

One, encourage the conversion of debt into equity and expand the application of the Brady plan;

Two, foster the creation of business environments in these countries that will attact new investment capital, both local and international; and

Three, promote the economic integration of the hemisphere through incentives and the elimination of trade barriers.

In addition, we believe there is an urgent and particular interest in stabilizing Panama and Nicaragua. The evolution to democracy in both of these countries is threatened by severe economic crisis, and we strongly urge immediate U.S. economic assistance to bridge this economic crisis gap.

Texaco has operated in Latin America for over 85 years. In fact, our first exports as a company in 1906 were products from our Port Arthur refinery to Latin America. Our gross investment in the region at the end of the year 1989 was $1.3 billion, and we will be investing $150 million in Latin America this year.

We are projecting a revenue stream from our Latin American operations of $4.2 billion for the year 1990.

Latin America's oil reserves are estimated at 122 billion barrels of oil. However, Mexico and Venezuela account for four-fifths of those reserves and two-thirds of the production. There are only five

Latin American countries that are self-sufficient in oil. And certainly, the anticipated rise in oil price in the next decade could prove devastating to those other economies in the rest of the region.

Therefore, the necessity to attract the billions of dollars of investment that is required to discover, develop, and produce the potential reserves becomes a critical issue.

Focusing more on the Southern Cone, we feel that the Southern Cone offers geologically attractive areas for oil potential. It also offers an expanding market potential from the marketing side and is, in fact, demonstrating improvements in its business climate.

Chile, for example, stands out as the most successful market-oriented economy in the region today. It's largely deregulated and it's largely privatized. They have averaged a growth of over 5 percent per year for the last 6 years.

And, indeed, they are attracting record amounts of foreign investment. Indications are that over $4 billion will be invested in the next 3 years. Their exports have grown by 10 to 15 percent per year for the last 5 years. But, more importantly, their imports from the United States have grown from about $682 million in 1985 to over $1.4 billion, or double, by 1989.

Thus, we feel that, as the economies improve, the demand for U.S. products increases and they become our better customers.

In contrast to Chile, the economies of Argentina, Uruguay, and Paraguay continue to struggle with domestic forces that are reluctant to face the prospect of global competition.

In Argentina, the Government-stated policy of encouraging privatization and free markets is encountering stiff resistance. In the energy sector, however, Argentina's Houston plan has opened up vast areas for exploration, prompting Texaco with other companies to initiate operation in 11 blocks, and we've also acquired a lube oil blending plant, and would certainly be prepared to enter the marketing operations when business conditions warrant.

Now, similarly stated government intentions in Uruguay are not in fact reflected in their domestic policy. And certainly, this approach, then, has deterred capital formation and is making it difficult to stimulate economic growth.

Despite the recent change in government in Paraguay, and in the country's foreign investment laws, the Government appears reluctant to implement many of these reforms. However, in their oil exploration sector, they have implemented reforms and Texaco is capitalizing on these changes and, in fact, drilling our first exploratory well in that country today.

We feel that these developments in the Southern Cone are representative of Latin America. And, therefore, to encourage the move toward more liberalized economies, we feel that U.S. economic policy should focus on three major areas: debt, investment, and trade.

Latin America's external debt currently stands at about $450 billion. We feel that U.S. policy should promote the conversion of a higher percentage of that debt to equity. We feel that equity investment, rather than financial aid, should finance the economic expansion of Latin America in the 1990's.

To improve the business environment in the region, the United States should develop bilateral investment treaties aimed at removing institutional and structural barriers that impede the free flow of funds between the countries. These treaties should adhere to the doctrine of reciprocity, so that you establish a level playing field in these countries for the local investors and U.S. investors.

The competitive position of U.S. investors in Latin America has eroded over the last few years, we feel primarily due to inconsistent U.S. economic and foreign policies.

In a recent Texaco survey, conducted by an outside firm, it was found that Latin Americans want international investment and recognize the benefits of it. However, those same people overwhelmingly preferred investment from Japan rather than from the United States.

So there's no question that U.S businesses face tremendous global competition and U.S. economic policy should support the expansion of U.S. business overseas.

Furthermore, U.S. trade policy should strive to accelerate regional economic integration. For example, a Caribbean Basin type initiative, modified to include reciprocal terms and conditions, could be expanded in the hemisphere.

Gentlemen, every day in the world, companies like Texaco make billions of dollars of investment decisions around the globe. In order to attract these investment dollars to Latin America, those countries must provide investors with a stable and predictable business environment. The revival of economic growth in Latin America, we believe, translates directly into U.S. exports more than in the case of any other part of the world.

Our country's charge is to adopt the appropriate policies that will assist Latin America in enhancing these business environments.

Truly, we believe that in the decade of the 1990's, we have the opportunity to create a partnership of the Americas.

Thank you very much.

Senator SARBANES. Thank you very much, sir. Could I ask just one question for the record?

You said there were five countries in Latin America that were self-sufficient in oil. Do you have them?

Mr. BLACK. Let me see if I can tick those off. That would be Colombia, Equador, Trinidad——

Senator SARBANES. Mexico and Venezuela.

Mr. BLACK. Mexico and Venezuela.

Senator SARBANES. OK. Thank you very much.

Mr. ROCKEFELLER. Mr. Forese would be next.

[The prepared statement of Mr. Black follows:]

PREPARED STATEMENT OF C. ROBERT BLACK

INTRODUCTION

While the economic importance of Latin America as a region declined considerably during the 1980s - a period that some economists are referring to as Latin America's "lost decade of development" - political and economic developments taking place today promise to make the region one of the United States' most important customers in the 1990s. U.S. economic and foreign policy toward the countries of the region thus needs to be framed within the context of a customer-focused "quality" process; a policy that is sensitive to their needs and responsive to their requirements.

Burdened by high debt service ratios and the current worldwide depression in raw material prices, most of the countries of the region are unable to obtain the investment funds necessary to sustain a healthy rate of growth in their economies. As net importers of petroleum, the majority are vulnerable to increases in international petroleum prices, a trend that could further erode their scarce foreign exchange resources.

U.S. economic and foreign policy can support the region's overall move toward free-market economic systems and democratic stability by:

- encouraging the conversion of debt into equity through an expanded application of the Brady Plan. Equity, rather than bilateral loans or aid, should finance local economic expansion.

- fostering the creation of business environments that will attract new investment capital, especially in the oil sector.

- working to promote the economic integration of the region through the elimination of discriminatory trade barriers. Regional integration should lead eventually to hemispheric integration.

U.S. companies (and tax-payers) have invested billions of dollars in the economies of the region, seeking to develop and benefit from new sources of raw materials, a large pool of labor and markets for manufactured goods. While total U.S. direct investment grew steadily in the late 1980s, registering a 9.7% increase in 1988 over 1987, investments in the petroleum sector actually declined 21.7% in 1988. The cumulative book value of total U.S. direct investment in Latin America at end-1988 stood at $49.3 billion, with approximately $5 billion of that total invested in the petroleum sector. At end-1989, Texaco's gross investment in the region amounted to $1.3 billion. The company plans to invest over $150 million in 1990, with about 50% slated for Colombia, Brazil and Argentina.

TEXACO IN LATIN AMERICA

The Texaco name has been known throughout Central and South America and the Caribbean for more than 75 years. While the company employs about 4,500 people in the region, over 100,000 benefit indirectly from the company's operations.

Texaco conducts active exploration programs in 5 countries in the region covering a total of 44 million gross acres. Investigations are also underway in 5 other countries with exploration potential. Texaco produces oil and gas from onshore and offshore fields in Ecuador, Colombia and Trinidad, with equity production averaging 105,000 barrels of oil per day. In addition, the company's interest in gas produced and sold in Colombia and Trinidad averages 130 million cubic feet per day.

Texaco's manufacturing facilities consist of three wholly owned refineries in Guatemala, Honduras and Panama, and a re-refining plant in Mexico. The company also operates 9 lubricant blending plants, 3 grease plants and 2 additive plants.

Texaco branded-products are marketed in 39 countries throughout Central and South America and the Caribbean, through approximately 4,100 company owned and/or operated service stations. The company also operates 49 ocean terminals, 93 bulk plants and warehouses and 25 airport terminals. Refined product sales volumes in 1990 are projected to exceed 90 million barrels, while lubricant sales volumes are projected at 2.6 million barrels, giving the company an average 22% market share in the region. Revenues for 1990 are projected at $4.2 billion.

Texaco has a particular interest in stabilizing the business environments in Panama and Nicaragua. Texaco's largest refinery in Latin America is situated in Panama; the company also has retail networks in both Panama and Nicaragua. Texaco strongly encourages immediate Congressional approval of economic assistance for both these countries as they are currently in a severe economic predicament and further delays could result in social unrest. The strong and courageous actions to adopt and implement democratic principles of government in both these countries should be strongly supported.

STATE OF THE PETROLEUM INDUSTRY IN LATIN AMERICA

Over the past five years, a large surplus of crude oil productive capacity within OPEC and periodic overproduction by some members have caused international petroleum prices to decline sharply. However, as economic expansion in North America, Europe, the Far East and other major oil-consuming regions continues, this surplus is expected to decrease. As a result, world oil prices are projected to increase over the balance of the decade.

As a region, Latin America's total reserves are estimated at approximately 122 billion barrels. However, these reserves are unevenly distributed, with Mexico and Venezuela alone accounting for 88% of the total. Current production for the entire region stands at 6.2 million barrels a day, with Mexico and Venezuela again accounting for almost 70%. Current consumption is running at slightly less than 5 million barrels a day, making the region as a whole a net exporter of crude.

While 10 countries in the region produce oil, only Mexico, Venezuela, Colombia, Ecuador and Trinidad are self sufficient. As net importers of petroleum, the other economies are vulnerable to fluctuations of crude prices on the international market. In the absence of an integrated Latin American energy policy that would provide the region with increased energy security, the net oil importers are increasingly vulnerable to future shocks caused by rising petroleum prices. Such shocks may prove devastating for many of these economies already burdened by debt, interest payments and the current worldwide depression in raw material prices. The necessity for these countries to provide additional incentives to search for new crude reserves thus takes on special significance, particularly when one considers the risk and the billions of dollars of capital required.

A region that is not only working to improve the business environment but also has the attractive geological structures for oil reserves in addition to expanding market potential, is the Southern Cone comprising Chile, Argentina, Uruguay and Paraguay. The governments in these countries have changed over the past 12 months, and their economic scenarios are in a state of flux.

CHILE

Chile stands out as the most successful, open, market-oriented economic system in Latin America today. Price controls exist only on a very few basic items, restrictions on foreign investment are minimal and there are no limits on profit remittances. Export restrictions are virtually nonexistent, and tariffs have been reduced substantially to promote freer trade. Rules of competition and company formation are also relatively minimal, and the government has privatized numerous state-owned firms. Local producers are forced to compete against imports making the country fully competitive within the global market system. Monetary corrections are pegged to the differential between local and international inflation rates.

An export-oriented economy, Chile's $8 billion of exports in 1989 constituted about one-third of the country's Gross Domestic Product of $26 billion. Export volumes have increased 10 to 15% annually. The country enjoyed a $1.44 billion trade surplus in 1989. Chile's principal trading partner is the United States, with

24% of its imports originating in, and 21% of its exports destined for this country.

Deregulation of the economy through a lifting of price controls, the simplification of import procedures, elimination of trade barriers and an economic policy that encourages export-oriented manufacturing, have combined to create a business environment that is attracting record amounts of foreign investment. While foreign investment from 1985 through 1989 totalled $3.2 billion, approximately $4 billion is expected between 1990 and 1992. Currently, over $12 billion is in the investment pipeline. Investors have enjoyed outstanding rates of return on their investments in Chile. According to the Central Bank, the net profit margin of the corporate sector (including both foreign and local firms) was 38.9% in 1988.

Chile is perhaps Latin America's most stable economy. With manageable debt service ratio and inflation, the country has seen six years of uninterrupted economic growth. Annual real growth has averaged 5% per year over the past six years, enabling the country to reduce its foreign debt by $3 billion since 1987. Gross Domestic Product increased by almost 10% in 1989. Over 20% of GDP is reinvested in the economy, the highest percentage in Latin America. The country enjoys rising real wages and a rising level of disposable income.

Chile's only domestic source of crude comes from its wells in the Magellan Straits. The Chilean petroleum company ENAP (Empresa Nacional del Petróleo) may enter into joint ventures with foreign companies to explore and develop new oil wells - including those located in the Magellan Straits, which were considered off-limits until March 1986.

Texaco operates a lubricant blending plant in Chile and is actively considering making a major investment in retail marketing facilities. We are hopeful that with the recent changes in the hydrocarbons law, we will be able to begin exploring and developing potential reserves that the geological structures in this country offer.

ARGENTINA

In contrast to Chile, the other countries in the Southern Cone - Argentina, Paraguay and Uruguay - continue to struggle with opposing internal factions and forces that seek to retain the status quo and feel threatened by prospects of more efficient competition.

The business environment in Argentina is plagued by economic uncertainty as evidenced by its hyper-inflation of 5000% in 1989, and the government's inability to implement its economic policies. While the government has a stated policy of encouraging privatization and free markets, its initiatives continue to be blocked by powerful economic and political interests that seek to retain the protection of price controls and government privileges. The government has declared a three-year moratorium on the repatriation of new investment capital, with the president retaining the authority to suspend repatriation altogether.

Notwithstanding this, the government has been successful in providing internationally attractive terms and conditions under which investors can successfully bid and be awarded contracts to explore for oil in Argentina's attractive geological zones. Texaco recently returned to Argentina after an absence of 35 years. The company has obtained concessions on 11 blocks in three separate geographic areas in Argentina covering a total of 19.5 million acres. As required by Argentine law, Texaco is pursuing joint-ventures with local companies. Preliminary investigations have commenced, and the first two exploratory wells will be drilled shortly.

The company also acquired a lubricant blending plant and plans to modernize and expand it. However, these plans have been delayed because of a divergence in political agendas between the management of the state oil company - YPF (Yacimientos Petroliferos Fiscales) - and its union over the interpretation of a straight-forward supply contract. Texaco also plans to diversify into direct retail marketing as soon as the business environment permits.

URUGUAY

The new government in Uruguay appears to have adopted a more traditional approach. Current economic policies restrict private and government consumption, increase interest rates and reduce overall demand in an effort to control inflation and reduce the risk of devaluation. Regrettably, these measures will not have a favorable impact on the business environment, and both local and international investors will not receive the necessary assurances to either reverse capital flight and/or attract new international capital flows.

Consequently, it is very difficult to expect that the government's stated policy to privatize the economy, to liquidate state-owned firms and to convert the country into a market-oriented economy will succeed. It appears that the government does not fully comprehend the dynamics required to create the business environment in which capital flows will make those investments occur.

Texaco has been a participant in the Uruguayan economy since 1932. Texaco products are marketed through 88 retail outlets with lubricants commanding a 25% share of the market. Unfortunately, it appears that the country does not have the kinds of geological structures suitable for oil exploration. Therefore, its economy will continue to be economically dependent upon imported oil.

Like so many of our operations in Latin America, Texaco's operations in Uruguay have been economically strangled by regulations and laws that either directly or indirectly deny the company the opportunity to grow, make investments and create jobs. The most glaring example of this is the policy that reserves the right to develop new service stations for the state oil company ANCAP. Texaco is thus restricted from expanding its existing retail network.

PARAGUAY

In Paraguay, despite the liberalization of foreign investment laws in 1989 and of declared intentions to privatize many of the state-owned enterprises, the government appears to be reluctant to implement any of these initiatives. On the positive side, the country imposes no limits on the repatriation of capital.

Texaco has recently initiated exploration activities in Paraguay, where geological structures appear to hold the prospect that crude oil may be found. Texaco's concession area in the country covers 16.6 million acres, and the company is seeking more acreage. Geological and geophysical evaluations are underway and the first well is currently being drilled. Texaco also markets lubricants through a subsidiary of Texaco Brazil.

As is evident in the Southern Cone, there are two dramatic contrasts between the traditional and the global, between the state controlled and the free market, between the unpredictable and the stable business environment. The Southern Cone is representative of Latin America as a whole. Most of the countries are at a historic cross-roads in their political and economic development. Their governments are faced not only with increased popular expectations at home, but are required to seek ways to integrate themselves into a more complex and competitive international environment.

The U.S. government must become more sensitive to the needs of this entire region. These countries cannot afford costly and economically unjustified projects funded by multilateral loans or grants. To paraphrase President Menem, "Latin America does not need any more monuments to corruption." He was referring to the huge cost overruns on the Yacyretá hydroelectric project in Argentina. The case is repeated in country after country and project after project. More than bilateral or multilateral assistance, what the region needs is equity investment in the productive sector.

This region, as Peter Drucker has said, is the United States' most important customer. And yet a recent survey Texaco conducted in Latin America revealed that while Latin Americans understand the importance of and are receptive to foreign investment as a means of development, 70% would prefer more investment from Japan. Only 37% of those surveyed indicated a desire to see more investment from the United States. This indicates that there is a deep sense of lost credibility engendered in Latin America through inconsistent and inappropriate U.S. economic and foreign policies.

ISSUES AND RECOMMENDATIONS

As mentioned in the introduction, there are three areas that U.S. economic and foreign policy needs to address in Latin America:

Debt

The region's foreign debt burden, with all of its limitations, undermines investor confidence in the region. The fiscal and monetary policies governments adopt to manage their debt problems often result in acute shortages of hard currency. This scarcity of hard currency often interrupts petroleum supplies, and blocks the repatriation of shareholder dividends. Texaco as a company continuously finds itself having to make book adjustments to account for negative monetary corrections, which undermines the profitability of our operations. With low rates of return it is difficult for Texaco's Latin American operations to compete on a global basis for investment dollars, and consequently development plans in Latin America are often delayed if not cancelled.

U.S. economic policy toward the debt issue should encourage conversion into equity. U.S. policy should seek to accelerate the expanded application of the Brady Plan throughout Latin America. However, it should be realized that the Brady Plan is not a solution to the entire problem. A 20% reduction in debt will boost capital formation by only 1%. Therefore, the solution to the debt crisis has to be negotiated between the holders of the debt and potential equity investors. To encourage the development of more stable and predictable business environments to attract equity investors, U.S. policy should encourage Latin American governments to make market reforms by granting trade concessions.

Investment

The investment environment in the petroleum sector in Latin America is generally biased against foreign investors to favor state-owned or local companies. Through different tax and regulatory regimes, governments - often in collusion with local business interests - conspire to bar market entry or seek to economically strangle foreign competitors. This practice protects inefficient local firms and discourages potential investors at the expense of the local consumer.

The success of any economic recovery strategy in Latin America is contingent upon the adoption of a sound energy policy. As net importers of crude, most Latin American economies are vulnerable to petroleum price fluctuations. Consequently, it should be a regional priority to develop and expand oil reserves. Capital and technology must flow to prospective areas and conditions created to attract American firms willing to make long-term commitments. For this to occur, existing impediments must be removed. The current Brazilian constitutional provision reserving exploration for the state-owned oil company, PETROBRAS, is a particularly restrictive measure especially since this same company is currently exploring for oil in U.S. coastal waters.

U.S. economic policy toward promoting U.S. investments in Latin America should pursue the removal of inequitable or biased rules or regulations that adversely affect U.S. investors in the region. U.S. policy should follow the doctrine of reciprocity: The same laws and regulations that apply to U.S. investors in Latin America should apply to Latin American investors in the United States. To achieve this parity and hasten legislative and regulatory reform in Latin America so as to improve the business environment, bilateral investment treaties should be negotiated.

Trade

U.S. economic policy should be directed at accelerating the pace of development of regional economic integration in Latin America. U.S. policy should ensure that as the economies of Latin America shift toward exports, products from the region are treated fairly and equitably in the U.S. market and not subjected to protectionist action. By the same token, U.S. economic reciprocity should insist that U.S. companies are treated fairly and equitably by Latin American governments. To this extent, U.S. bilateral and multilateral economic assistance should be linked to trade liberalization and reform.

CONCLUSION

The investment environment in the petroleum sector in most of Latin America is biased against foreign investors to favor state or local petroleum companies. Government regulated price controls, subsidies and other non-monetary discriminatory treatment provide local companies with artificial protection and prevent U.S. investors from earning a reasonable rate of return on their investments.

The region's debt problem inhibits the economies of the region from undertaking monetary and fiscal reforms that would improve the business environment and attract equity capital. To operate successfully and earn a reasonable return on investment, domestic as well as international investors like Texaco need stable and predictable business environments that assure them of fair and equitable legal and regulatory treatment. Billions of dollars of investment decisions are made around the world everyday. Latin America simply has to provide the terms and conditions necessary for it to compete in global financial markets.

Texaco, has been an active partner in the development of Latin America for 75 years. The company's investments of over $500 million in the past five years have created thousands of jobs directly and indirectly, built miles of roads, schools, and hospitals, and transferred state-of-the-art technology into these economies. The company's operations have integrated local petroleum operations into the global economy.

U.S. economic and foreign policy should support and encourage U.S. business investments in Latin America. It is time that U.S. companies and their government work together to satisfy what we believe are our most important customers: the 425 million consumers of Latin America.

Senator SARBANES. Please proceed, Mr. Forese.

STATEMENT OF JAMES J. FORESE, VICE PRESIDENT OF FINANCE, IBM CORP.

Mr. FORESE. Good morning, Mr. Vice Chairman, and distinguished members of the Joint Economic Committee.

Senator SARBANES. Before you proceed, again, I remind each of you, if you could take the microphone very close to you, I think it will help.

Mr. FORESE. Thank you very much.

My name is Jim Forese and I am vice president of finance for the IBM Corp. and, until 3 weeks ago, I was group executive, IBM World Trade Americas Group.

In this latter capacity, my responsibilities included IBM's operations in Latin America.

We have been doing business in Latin America over 70 years, where we now employ over 11,000 people, almost all of whom are nationals of the countries in which they work. Our 1989 revenues were $2.3 billion.

We sell and service virtually the complete IBM range of products to 86 marketing and service locations in Latin America, complemented by 402 independent dealers and agents who market products such as our personal and minicomputers.

Our 18 educational centers for customers and employees contribute significantly to the computer literacy throughout the region. Seven software development institutes, located in our major markets, facilitate the development and exchange of local language application programs and international industry centers located in Brazil, Costa Rica, Mexico, and Venezuela, develop software solutions for our customers in industrial sectors such as manufacturing, distribution, education, and finance.

We have manufacturing plants in Martinez, Argentina, Sumare, Brazil, and Guadalajara, Mexico. A broad range of IBM equipment is exported primarily to other Latin American countries, but also to North America and Asia-Pacific nations, including Japan.

On the other hand, a variety of products, subassemblies and parts are exported from the United States to support the plants.

Our three scientific centers in Brazil, Mexico, and Venezuela cooperate in research to help solve national and regional problems. Over 200 partnership programs have been implemented in Latin America since 1975. IBM professionals and equipment are used to solve some of Latin America's most pressing social and economic needs, such as human resource development, health, ecology, and disaster relief.

Inflation, devaluation, economic mismanagement, and mounting foreign debt make Latin America a challenging business environment, indeed. Approximately 6 million new jobs must be generated every year. In an increasingly technological world, this represents a formidable challenge, made more difficult by insufficient real capital formation to sustain the necessary economic growth and chronic public deficits.

Added to these challenges has been the economic nationalism practiced by several governments.

In our industry, for example, Brazil excluded foreign-owned companies from the lower and faster growing end of the computer market. Other examples include the imposition of import licensing and high tariffs to protect local industries.

Recently, however, democratic Latin American governments have begun to pursue market-oriented economic policies. We have witnessed a lowering of business and dividend taxes, removal of many nontariff barriers, and the acceptance of intellectual property protection as a price for technological transfer and investment.

We believe the opportunities for our industry are very promising. Today, the United States has more than 20 times the number of computers installed as there are in all of Latin America. Therefore, the Latin American countries will require more intensive use of computers to boost their efficiency and productivity so that they can compete in today's global market place.

Our global competitors, particularly the Japanese, are expected to invest heavily in Latin America over the next 3 to 5 years. However, IBM is well positioned to seize the opportunities forecasted for Latin America.

Today, IBM Latin America is among the fastest growing operational units in our company, submitting dividends to the United States that contribute positively to the U.S. balance of payments.

Mexico provides a good example of what has been happening in the area. IBM Mexico has had to contend with government policies designed to promote development of a local computer industry. But a 1985 agreement with the Mexican Government allowed us to manufacture personal computers there and IBM Mexico's subsequent growth has helped it to become Mexico's 14th largest company and the seventh largest exporter.

We believe that President Salinas deserves recognition for the progress his government has made in eliminating restrictive government regulations controlling market access, issuing more liberal foreign investment regulations, and lowering tax rates.

Last month, Mexico announced that regulations controlling market access to the electronics sector are being eliminated.

The economic policy transformation underway in Mexico represents broad business opportunities. Vast improvements need to be made in the educational system, in the construction of highways, railroads, and ports and in the communications network. These areas will provide significant opportunities for U.S. companies.

The trend toward democracy and economic liberalization of Mexico and other Latin American countries is good news for U.S. business, as well as for Latin America. It will translate into more jobs, economic and political stability, and a better standard of living for the people, as well as increased trade and additional investment opportunities for businessmen.

Canada, with its 25 million people, is the United States' leading trading partner. Latin America, with more than 400 million people, surely offers dramatic possibilities of its own for greatly expanded investment opportunities and trade.

As the liberalization process continues, we believe Latin America's governments should enter into dialog with their business communities, as well as their trading partners on economic policy matters. One successful vehicle has been the bilateral business coalition which brings together business leaders from two trading nations to discuss issues, reach a consensus, and then dialog with their respective government officials. In the process, issues and positions are clarified and overall bilateral relations are improved.

IBM supports such coalitions and considers the Mexico U.S. Business Committee an ideal model for developing business-to-business negotiations. We are also a member of the Brazil U.S. Business Council and are supporting the formation of a Venezuela U.S. Business Council.

In our judgment, the U.S. should be a patient but focused friend, formulating its policies and actions to complement and support these countries' movements toward market-oriented economies.

A hemisphere characterized by democratically elected governments pursuing market-oriented economic policies is, in the end, the surest and least costly guarantee of peace and security and expanded trade relationships.

Thank you very much, Mr. Vice Chairman.

Senator SARBANES. Thank you, Mr. Forese.

Mr. ROCKEFELLER. Mr. Ockene is next.

[The prepared statement of Mr. Forese follows:]

PREPARED STATEMENT OF JAMES J. FORESE

I am Jim Forese, IBM vice president of finance and, until three weeks ago, group executive, IBM World Trade Americas Group. In the latter capacity, my responsibilities included IBM's operations in Latin America.

We appreciate this opportunity to discuss our views on Latin America based on 70 years experience of doing business there. This experience causes us to be optimistic about both the future of these countries and the business opportunities that will be provided to such American-owned companies as IBM.

To explain our optimism, we briefly describe our Latin American operations, the challenges of doing business in Latin America and, as an example of how we have specifically addressed this challenge, a discussion of IBM Mexico.

Business leaders in the U.S. and Latin America need to work together, with each other, and with their governments -- to address common problems. Today's hearing is an important opportunity along these lines.

IBM's Operations in Latin America

We operate in 17 Latin American countries, where we employ over 11,000 men and women. Our 1989 revenues were $2.3 billion.

Each of our 17 country operations is self-supporting, with its own Latin American management team. Virtually the ~~The~~ full range of our hardware and software products is sold and serviced in 86 IBM locations. These efforts are complemented by 402 independent dealers and agents who sell and service such products as our personal and mini-computers.

Our 18 educational centers for customers and employees contribute significantly to computer literacy throughout the region. 7 Software Development Institutes, located in Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela facilitate both the development and exchange of local language and unique application solutions. International Industry Centers in Brazil, Costa Rica, Mexico, and Venezuela develop major Latin American software solutions in manufacturing, distribution, process, finance, and K-12 education.

We have manufacturing plants in Martinez, Argentina; Sumare, Brazil; and Guadalajara, Mexico. These plants produce large and midrange systems, personal computers, high speed printers, magnetic tape drives and disk storage units. These products are exported primarily to other Latin American countries, but also to North America and Asia-Pacific nations, including Japan. A variety of products, sub-assemblies and parts are also exported from the U.S. to support these plants. Moreover, our worldwide manufacturing facilities subcontract the manufacturing and assembly of parts and components to more than 500 vendors in Argentina, Brazil and Mexico.

Finally, IBM's three scientific centers -- located in Brazil, Mexico and Venezuela -- cooperate in research to help solve some of Latin America's most pressing social and economic needs, such as human resource development, support of the handicapped, and improvements in public health. In partnership programs IBM undertakes jointly with universities and research institutes, we normally provide the expertise of our skilled professionals and computing resources. Since 1975, some 200 of these IBM partnership programs have been undertaken in Latin America. For example:

IBM equipment makes the U.S. National Library of Medicine's databases available to Latin American physicians. An academic, computer-based network, BITNET, enables researchers and scholars in Latin America to communicate with their colleagues in the U.S. and Europe.

IBM Brazil's scientific center is working with Electronorte, a large electricity utility to process Landsat satellite images that reveal changes in forested, planted and urban areas. This work helps urban ecological, and agricultural planners.

Finally, Project GENESIS, an Educational Research Center based in Costa Rica, has been developed with IBM support to assist Latin American governments create innovative grade school education programs.

The Challenges of Doing Business in Latin America

The Latin American economic and business environment has been challenging: inflation, periodic devaluations, economic mismanagement, and the accumulation of large foreign debt. The people of Latin America have, as a result, paid a high price: real per capita income in Argentina and Peru, for example, is less than it was 20 years ago.

With a population of over 400 million, increasing at a rate of 2% annually, Latin America must generate six million new jobs every year. Generating these new jobs is made difficult by insufficient real capital formation to sustain the necessary economic growth.

This difficult economic situation has been exacerbated by restrictive economic policies. Brazil, for example, in an attempt to encourage the development of a national data processing industry, excluded all foreign-owned companies, including IBM Brazil, from the fastest growing part of the computer market. Other policy examples include the import substitution policies of Mexico and the virtually region-wide practices of high tariffs and import licensing.

The ultimate challenge of doing business in Latin America is thus an unfortunate combination of poor economic management and restrictive policies. This combination has required business solutions that frequently "sub-optimize" commercial and economic potential. In those cases, for example, where IBM is precluded from parts of a market, our business scope, and therefore the contribution we can make to the local economy is by definition limited.

The Changing Environment.

In the late 1980s, Latin America governments sought to redress these inefficiencies by moving toward market-oriented economic policies. Combined corporate business income and dividend remittance taxes have been lowered in Argentina, Bolivia, Chile, Colombia, Ecuador, and Mexico. Non-tariff barriers have been removed in Chile, Mexico, and Venezuela. And intellectual property protection has been provided in Argentina, Brazil, Mexico, Chile, and Peru. In 1980, 10 of the 17 countries in which we do business were governed by authoritarian regimes. Today, all 17 of these countries' presidents owe their positions to a voting electorate. These elections have resulted in a new optimism. And, in our view, there is good reason to be optimistic.

IBM forecasts 4.5% annual growth between 1992 and 1995 in Latin America. If these growth rates are achieved, the opportunities for our industry are promising. There is a vast reservoir of potential customers who currently use little or no information technology. Today, the United States has more than 20 times the number of computers installed as there are in all of Latin America. Yet, as the region faces the challenge of competing in a global economy, it will require more intensive use of computers to boost efficiency and productivity. The push toward efficiency can open up opportunities for U.S. hardware and software vendors in a wide variety of application areas including computerized integrated manufacturing (CIM), automated control systems (ACS), patient information systems, executive information systems, and simulation and modelling techniques.

A region poised for such dynamic growth attracts competition. The Japanese government is providing overseas development assistance to several Latin American countries, and the private sector in Japan is positioned to invest heavily in Latin America over the next three to five years.

IBM is also well-positioned. Since 1986, we have had double-digit growth there, making IBM Latin America among the fastest growing operating units in our company. The return on our investment in the form of dividends contributes positively to the U.S. balance of payments.

Mexico as an Example

Although IBM Mexico started operations in 1927, it is still today a very young organization. Its 2,000 employees average 33 years of age. Its Guadalajara plant manufactures IBM's newest personal computer system, the PS/2, and some models of our AS/400 minicomputer.

The 1980's was a difficult economic period for Mexico including a sharp drop in oil prices, extremely high inflation, and a very large public deficit -- all resulting in a decline in Mexico's international competitiveness. Moreover, IBM Mexico for much of the same period had to operate under a government policy designed to promote the development of a local computer industry while limiting the ability by foreign-owned companies, such as IBM Mexico to compete. The government established industry regulations which required Mexican majority ownership of companies that wanted to manufacture personal computers in Mexico.

In 1985, after extended negotiations, the government finally authorized an IBM 100% owned subsidiary to manufacture and sell the Personal Computer in Mexico. Since that time, over 100 new businesses have been formed by Mexican entrepreneurs who sell these IBM products. Moreover, IBM Mexico sub-contracts manufacturing and assembly work to 60 local vendors.

Despite the adversities of the 1980s, IBM Mexico's revenues and profits have grown. In 1988 IBM was the country's 14th largest company, measured by total sales, and its 7th largest exporter.

Early this year, the Mexican government announced that its regulations controlling market access to the electronics sector were being eliminated. Mexico has also issued new, more liberal foreign investment regulations, and lowered its taxes to rates comparable to those of the United States.

IBM is helping Mexico acquire the knowledge and develop the necessary skills to compete successfully in today's global economy in a variety of ways. Through its plant in Guadalajara, it is transferring manufacturing technology. At its education center in Cuernavaca, it offers technical, marketing and managerial training to its Mexican employees, dealers, customers and vendors. And by developing software locally or by making available application programs from other Latin American countries, it is enhancing Mexico's productivity.

The economic policy transformation underway in Mexico represents broad opportunities for U.S. business. For example, Mexico needs to improve the quality of its primary and secondary school education. Over one-third of the population, about 30 million people, is currently in school, a potential market for U.S. hardware and software vendors.

Infrastructure improvements are needed in highway, railroad and ports construction and the communications network. For example, Mexico has the 14th largest economy worldwide, but is only 83rd in telephone capacity. Mexico has consequently committed $1.7 billion to upgrading its telecommunications networks, another potential opportunity for U.S. suppliers.

Summary

While we have highlighted Mexico as an important example of Latin America's changing directions, the trend toward democracy and economic liberalization throughout the region is good news for U.S. business as well as for Latin America. If these trends continue, they can translate into more jobs, increased trade, additional investment opportunities, and economic and political stability.

Canada, with 25 million people, is the United States' leading trading partner today. Latin America, with more than 400 million people, surely offers dramatic possibilities of its own for greatly increasing investment opportunities and trade.

The Latin American countries are at a critical juncture. We think it is the right time for them to enter into dialogue with their business communities on economic policy matters. This may be accomplished through national industry associations and chambers. Another vehicle is the bilateral business coalition, which brings together business leaders from two nations to discuss issues, reach a consensus, and then consult with their respective government officials. IBM supports such coalitions and considers the Mexico-U.S. Business Committee, sponsored by the U.S. Chamber of Commerce and the Council of the Americas, as an ideal model for developing business-to-business negotiations. We are also a member of the Brazil-U.S. Business Council and are supporting the formation of a Venezuela-U.S. Business Council.

IBM is encouraged by the improvement in the Latin American business environment. As that environment becomes freer, more open, and subject to market conditions rather than to government regulation, Latin America will continue to grow as a market for our products and services.

The United States should be a patient, but focused friend forming its policies and actions to complement and support these countries' movement toward market oriented economies. It is in their interest. It is in ours.

A hemisphere characterized by democratically-elected governments pursuing market-oriented economic policies is, in the end, the surest, and least costly, guarantee of hemispheric security.

Senator SARBANES. Mr. Ockene, please proceed.

STATEMENT OF ALAN L. OCKENE, VICE PRESIDENT, LATIN AMERICAN REGION, GOODYEAR TIRE & RUBBER CO.

Mr. OCKENE. Good morning, Mr. Vice Chairman, distinguished members of the committee. I'm Alan Ockene, vice president in charge of Latin America and the Caribbean for the Goodyear Tire & Rubber Co.

I've lived in overseas markets for 23 years, 13 in Latin America, 10 in Europe, and I've held my current position for the past 5 years.

Goodyear is a veteran in Latin markets. As borders closed to imports, Goodyear established manufacturing operations in the region. Starting in Argentina in 1931, Brazil in 1939, and Mexico in 1941, 12 plants in nine countries were established, now employing approximately 15,000 people. Tires and related products represent about 90 percent of our current sales of $1.3 billion. The balance consists of industrial rubber products, such as conveyor belts, hoses and industrial and automotive drive belts, packaging films and natural rubber.

Over the past 3 years, the region has accounted for 11 percent of the company's sales and 22 percent of its earnings.

With the exception of Chile, which has thrived economically with the liberalization of its economy, the rest of the region suffered in the decade of the 1980's. Banks, awash in oil money, and governments were eager to lend to Latin America's potentially high growth nations. Unfortunately, in most cases, huge bureaucracies, overstaffed and inefficient government-owned enterprises, and other wasteful practices absorbed these funds.

In the main, they did not reach the people and provide the economic opportunities for which they were intended.

Chile set the example of what could be accomplished with a policy of economic liberalization. The Mexicans followed as the government of President de la Madrid, despite the crash in petroleum prices and the ravages of the 1985 earthquake, started to tame inflation by reducing government deficits and opening the economy.

The pace of economic liberalization was quickened by the current government. Mexico has now passed the austerity stage and its economy is gaining strength.

Further back, but on the same path, are all the major Latin American nations, with Argentina and the bellwether country, Brazil, hindmost.

The situation is, however, extremely fragile. Both democracy and economic liberalization, which bear a Siamese twin relationship, must in the relatively short term provide higher living standards. If not, the people will again look to centralized government control with all that implies both economically and politically.

My company's situation in Brazil may be indicative of the implications of economic opening in Latin America for U.S. companies established in the area. Until recently, we were barred from importing our products into Brazil. And today, the tariffs are still too high to make importation practical.

The plan of the Government is to reduce tariffs gradually so as to provide opportunity for local industry to modernize and become competitive on a global basis where feasible.

As import barriers are lowered, Goodyear will be able to import product lines not available in Brazil. This is already taking place in Mexico. It will allow for a rationalization of our production and a consequent reduction in cost.

Furthermore, protectionist measures have forced us to purchase locally manufactured production equipment at a cost as high as double that of equipment imported from the United States. A reduction of duties will lower our investment requirements by impelling local suppliers to become more competitive or permitting us to import from the United States.

Another beneficial result for Goodyear of freer trade between Brazil and the United States is that trade in motor vehicles will grow and Goodyear will have an important share of the tires mounted on these vehicles.

In recent years, the trade has been unilateral: Brazil exports and the United States imports. In the future, trade will be bilateral. Since the growth prospects for both motor vehicles and tires are far greater in Brazil than they are in the United States, our exports from the United States should expand.

Both democracy and economic liberalization hang by a fragile thread in Brazil as well as the rest of Latin America. Our nation's support is necessary to a fulfillment of the region's potential, as well as our own. Our doors must be opened—and this is key—to products from the region, and theirs must, according to a fixed schedule, be opened to ours. Political stabilization will accompany economic stabilization and provide a higher level of economic activitiy and social well-being throughout the hemisphere.

We, Goodyear and other U.S. companies, know how to operate in Latin America. Without deprecating opportunities in Eastern Europe, the task of altering the economic infrastructure will impede rapid expansion there.

Moreover, those countries more naturally fall into the orbit of Western Europe. The same can be said for Latin America with respect to the United States.

A short time ago, conversations with Mexico centered around sectoral integration. Today, we are frankly discussing a North American free trade area. In a second phase, Central America cannot lag far behind Mexico. Brazil will be the key to South America. Already, there are intentions toward integration of the Southern Cone countries as well as the Andean Pact nations. A natural tendency over the longer term in hemispheric integration of a market which today approaches some 700 million people.

In order to encourage this trend, U.S. support of the Latin American and Caribbean economies now is crucial to the preservation of their democracies and the economic health of the Americas.

We in the business community would like to be partners with our governments in seeking economic initiatives.

By forming coalitions with the business communities of Latin nations, we could undertake business-to-business and business-to-government dialogs. Such coalitions already exist in the cases of

Mexico and Brazil and a Venezuelan-American coalition is in formation.

As recognition of the importance of Latin America to the United States grows, we would hope that the opinions of these binational business groups would find a welcome ear in our respective governments.

I appreciate the opportunity to express our views on this very important, but sometimes overlooked, subject.

Senator SARBANES. Thank you very much, sir.

Mr. ROCKEFELLER. Finally, Mr. Rogers.

Senator SARBANES. Please proceed, Mr. Rogers.

STATEMENT OF WILLIAM D. ROGERS, SENIOR PARTNER, ARNOLD & PORTER, AND VICE CHAIRMAN, KISSINGER ASSOCIATES, INC.

Mr. ROGERS. Mr. Vice Chairman, members, it has been suggested that I say a few words by way of summary and conclusion to the testimony of the business witnesses that you've heard thus far.

Developments over the past year in Latin America have been, indeed, encouraging. Meaningful reform is beginning to take hold. A number of countries have seen improvement in their domestic economic circumstances.

The reform programs are being instituted by leaders who have a real political mandate and who have been democratically elected.

In short, like Eastern Europe, Latin America is undergoing a real revolution. And the hemisphere today, I suggest, is better governed, more wisely led, and more legitimately managed than has been the case in our lifetime. But it is essential to remember that this recent encouraging development has come only after the end of a decade of almost unrelieved disaster for Latin America.

For the last 10 years, Latin America has essentially been dead in the water economically. GDP actually went down per capita in the first 5 years of the decade. And during that period, Latin America transferred resources net to the rest of the world on the order of $200 billion, resources vitally needed for the investment in plant, equipment, and infrastructure which must be the basis for Latin America's capacity to compete effectively in world markets in the future.

You heard today about the region's future from four U.S. corporations with active interests in Latin America. They are fairly representative, I think, of the membership of the Council of the Americas. They have provided massive employment to large numbers of Latin American workers, contributed significantly to the export earnings of the region, and bet their own investment dollars in that area.

And for that reason, I think it's fair to emphasize several conclusions which I have extracted from what they have put before the committee.

First, each of these companies attest to the fact that the private sector, foreign and domestic, has survived in Latin America, and that it forms a basis upon which private industrial growth in the years ahead is possible, given continued good policies and a fair break in external economic circumstances.

Second, the witnesses have applauded unanimously the economic liberalization which, it is fair to say, is sweeping the hemisphere. As Jim Forese of IBM has put it, an economic policy transformation is underway and, indeed, it is. One particular fact that I would bring to the committee's attention is the case of AeroMexico, which, for a 25-year period, consumed about $2.9 billion of subsidies from the Mexican Government, which, when it realized that only 9 percent of the people of Mexico had ever flown in an airplane, decided that the Government had no business spending that kind of money for that sort of luxury.

It privatized the company and for the first year, AeroMexico made a profit last year. This is typical of the economic revolution which is, indeed, as we have said, sweeping the hemisphere.

Next, the four witnesses have told you that the business climate in Latin America matters. There is no real prospect of expanding the savings rate in the world in the short term. Competition is very tough in international financial markets today. The flow of investment into Latin America by the entrepreneurs of the world will be related to the future business climate in that region.

Third, the witnesses have pointed out that their own self-interest is perfectly coincident with the interests of the countries in which they are doing business. Growth is the high road to national success. It is, by the same token, the key to the future prospects of individual U.S. firms in Latin America.

Fourth, they've emphasized that Latin American recovery is good news to the United States. In each instance, it will mean exports and more jobs for this country.

And fifth, they have told you that there is a correlation between political and economic stabilization. Economic disaster will shake democracy in Latin America to its foundations.

What does all this mean for the United States and for U.S. policy?

First, with all due respect, our own economic policies have turned us into a net capital importer of colossal proportions. We must, first and foremost, get our own policies right, and that means our budget deficit, in my judgment.

The imbalances of the United States in terms of fiscal and monetary policy and our external accounts greatly enhance the risk of adverse global economic developments, recession and inflation, which would make Latin recovery impossible.

Second, we should bend every effort to expand market access for Latin America.

Third, fresh private capital for Latin America is essential. There is no reasonable prospect of massive commercial bank lending in the future. The future, therefore, lies with the private capital markets.

Finally, the witnesses have sought to say that the importance of Latin America to the United States is not by any means limited to economics. Of course, as Latin America recovers, it will take more exports from the United States, and we will have an opportunity to recapture the $50 to $130 billion of exports in jobs we lost in the 1980's, as David Rockefeller mentioned.

But we have a much broader interest even than that in Latin America's future.

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For, as the East-West competition wanes, immigration, narcotics, environment, population, resource depletion will come to the fore. These will be the central issues on the new agenda of our international concerns.

This country's attention will shift from traditional security matters to the far more profound question whether in the next century the world will be livable and humane.

Latin America was essentially on the sidelines in the East-West conflict which has dominated our attention for 40 years. Latin America was in some ways fortunate in that respect. But it will be at the very center, in my view, of the new international agenda. The United States has a vast stake in the region's struggle to succeed.

Thank you, Mr. Vice Chairman.

[The prepared statement of Mr. Rogers follows:]

PREPARED STATEMENT OF WILLIAM D. ROGERS

Mr. Chairman and Members, it falls to me to say a few words by way of summary and conclusion to the testimony of the business representatives you have heard today.

All of us thank the Committee for the opportunity to meet with you. It is commendable that you, as the economic conscience of the Congress and the nation, should address the significance of Latin America to this nation's interests.

Attention here has been riveted on the historic processes underway in Europe; integration in the West, disintegration in the East; on the one side, the emergence of a new economic community with a distinct political personality and the sudden unification of Germany within the larger European unity; on the other, the disappearance of an empire and the crumbling of the Soviet economy; the two trends interacting, Western success forcing Eastern disintegration, Eastern disintegration thickening the ties within West Europe.

It is understandable that we should be transfixed by these earthshaking events in Europe. But we should not ignore Latin America in the process. The witnesses who have gone before have all stressed that Latin America counts, indeed now in my view more importantly than during the Cold War, and that it is timely and wise to redirect a fair share of our interest and our energies to that quarter of the globe.

Developments over the past year in Latin America have been encouraging. A number of countries have seen an improvement in their domestic economic circumstances. Innovative financing packages have been put together for Mexico, Costa Rica and Venezuela. The ratio of external interest payments to exports is coming slowly down. Meaningful reform is taking hold, though not without setbacks and pain, and the restructuring programs have been instituted by leaders who have been popularly elected, have a real mandate and whose political authority is a legitimate expression of democratic institutions and procedures. Like Eastern Europe, Latin America is undergoing a revolution. Political democracy and market economics are the order of the day everywhere, but Cuba. The Hemisphere, I suggest, is better, more legitimately and more wisely led today than at any time in the last half century.

But this recent encouraging development came only at the end of a decade of almost unrelieved disaster for Latin America. For years, Latin America was dead in the water economically. GDP per capita went down 2.1% annually between 1981 and 1985 and was flat for the next four years. Investment collapsed, it was said, by about 40% in real terms in the first half of the decade. Net capital inflow to Latin America was $38 billion on average in the late Seventies. Net transfer of resources abroad out of Latin America -- capital account minus profits and returns on external capital -- averaged $27 billion per year from 1983 to 1987.

The accumulated total of net transfers from Latin America since 1982 is on the order of $200 billion. Latin America thus paid net to its creditors abroad about half of its total stock of debt, and the debt remained. The world has been extracting resources from the region. Latin America became a capital exporter at the very moment it should have been expanding its investment base to compete in the global marketplace. Before the collapse of the Eighties, Latin America was importing capital equal to about 2% of its GDP; in the Eighties, it transferred about 3% of its GNP per year in the opposite direction -- a swing of 5%. To maintain domestic investment, savings would have had to rise 25%

-- an impossible task. The good news of recent months closes out a full decade of decay.

You have heard today about the region's future from four U.S. corporations with active interests in Latin America. They are fairly representative of the membership of the Council of the Americas at large, a community of enterprises which have invested their capital in the nations of Latin America, provided employment to large numbers of Latin American workers and contributed significantly to the export earnings of the region.

If I may, I would like to extract a few conclusions from what they have put before the Committee.

First, each of these companies attest to the fact that the private sector, foreign and domestic, has survived in Latin America, even against the government regulation, inflation, price controls, tariffs, government-supported competition, inefficiency and corruption which slowed Latin development in the Eighties. It is positioned to ignite the development of the region. With the right policies and a fair break from world economic conditions, Latin America can be a powerful base of private industrial growth in the years ahead.

Secondly, the witnesses applaud the economic liberalization which is sweeping the Hemisphere. As Jim Forese of IBM has put it, "an economic policy transformation" is underway. Open economies work, they are telling you, and because Latin America is moving country-by-country toward more open economies, they see significant new opportunities. They are, each one, optimistic about the future, if the favorable trends of domestic policy and the international economic circumstance continue -- optimistic, as Wolfgang Berndt of Proctor & Gamble has said, that there will be a "return to growth" in the Hemisphere. This is not a certainty. The prospects are "fragile." But the witnesses believe that the 1990's are a more hopeful time for Latin America than were the 1980's.

Next they have told you that the business climate in Latin America matters. The world pool of savings is limited. There is no real prospect for increasing the savings rate in the short term, in the United States or elsewhere. Demand for savings, on the other hand, is strong, in the United States, in West Europe, and particularly in a united Germany, and in the six newly-free nations of Eastern Europe. Competition is tough in the international financial markets today. The flow of investment into Latin America by the entrepreneurs of the world, as C. Robert Black of Texaco has emphasized, will be related to the business climate in the region.

Thirdly, the witnesses have pointed out that their self-interest is perfectly coincident with the interests of countries in which they are doing business. They want what their hosts want. Each nation desperately needs to expand output and enhance the consumption levels and economic well-being of its citizens. This is precisely the companies' interest as well. Growth is the high road to national success; it is, by the same token, the key to the future prospects of individual U.S. firms in Latin America.

Fourthly, they have emphasized that Latin American recovery is good news for the United States. In each instance, it will mean more exports and more jobs in the United States.

Fifth, they have told you that there is a correlation between political and economic stabilization. Economic disaster will shake democracy in Latin America to its foundations.

They see a distinction between countries, of course. Chile is said by most to be the model, the nation farthest along in the process of economic liberalization. Mexico has also made remarkable progress in this respect. And Venezuela is firmly embarked on the road to a more open market. A far-reaching program of reform is begun by the new Collor Administration in Brazil, which Alan Ockene of Goodyear has characterized as the "bellwether country."

What does all this mean for the United States?

-- First, our own macroeconomic policies have turned us into a net capital importer of colossal proportions. We must get our own policies right -- and that means first and foremost our budget deficit -- to reduce our unbalances, increase domestic savings and reduce the pressure from this country on world capital markets. Those imbalances greatly enhance the risk of adverse global economic developments -- recession and inflation -- which would make Latin recovery impossible.

-- Second, we should bend every effort to expand market access for Latin America, in North America, in Europe, in Japan and in the other industrializing regions of the world. This panel is unanimous that the best hope for that would be a crowning success for the Uruguay Round. If it fails, and if the barriers of protectionism continue to grow -- and here one can hardly avoid specific mention of the proposals in this Congress for even tighter constraints on textiles and agriculture -- then we will mock Latin America's hopes for economic recovery.

-- Third, fresh private capital for Latin America is essential. It is a near certainty that commercial bank lending, except for trade-related credits, will not be forthcoming in the amounts and on the terms to which Latin America became accustomed in the Seventies. And even if it were available, an increase in the already massive debt would only add to the heavy debt burden on the economies of the region. Latin America will be greatly advantaged, therefore, if it can attract the capital it requires in equity form. Banks should, of course, be encouraged to stay in the game; the international credit institutions will also have a major role to play. But Latin America should find its international financial resources through equity investment, and we should do all we can to promote such investment flows.

Finally, the witnesses have sought to say that the importance of Latin America for the United States is not by any means limited to economics. Of course, as Latin America recovers it will take more exports from the United States, and we will have an opportunity to recapture the $50-150 billion of exports and jobs we lost in the 1980's. But we have a broader interest even than that in Latin America's future.

As the East-West competition wanes, immigration, narcotics, environment, population and resource depletion come to the fore. These will be the central issues on the new agenda of our international concerns.

This country's attention will shift from traditional security concerns to the more profound question whether in the next century the world will be livable and humane.

Latin America was on the sidelines in the East-West conflict which dominated our attention for 40 years. Latin America was in some ways fortunate in that. But it will be at the center of the new international agenda. The United States has a vast stake in the region's struggle to succeed.

Senator SARBANES. Gentlemen, thank you very much. It has been a very helpful panel and we particularly appreciate both the breadth and the depth of the perceptions and perspectives that have been provided to the committee.

Senator Graham, I understand you have a markup. Senator Bingaman and I would be happy to go to you first for some questions before you have to leave the hearing.

Senator GRAHAM. Thank you very much, Mr. Vice Chairman. In light of the brief time I have, I'd like to go to the question of how do we build a base of support within the United States, within the business community, the political community, the general public, to take the initiatives that will allow us to avail of the opportunities that each of you have spoken of in Latin America?

I had a meeting last week with a prominent American journalist. I criticized him because so few of his columns have ever spoken of Latin America. His answer was Latin America is boring. It's boring to me and it's boring to my readers. They're not interested in it and I'm not interested in it. And therefore, I do not give any attention to its issues.

It seems to me fundamental that we change that psychology if we are going to initiate the kind of aggressive U.S. actions which you have spoken of.

I would be interested in your thoughts as to how we can take the level of interest, so obvious in this room, to a broader audience?

Mr. ROCKEFELLER. If I might respond, Senator, I'd like to do so.

The Council of the Americas and the Americas Society have been concerned with this very problem for 25 years. It is a very serious problem.

I wish we knew the answer.

I think, as is so often the case, self-interest is probably the best way to get people's attention. I think that just being concerned about troubles in Nicaragua and Panama and troubles with debt and drugs causes people to be concerned, but not really interested, in finding out more about what's going on.

I am hopeful that, as some members of the panel have already suggested, as tensions in the world subside, particularly in terms of the Soviet Union and fear of a nuclear war, and as other parts of the world organize themselves to be more efficient economically and more competitive with us, we would awaken to the fact that it's in our interest to do something about this hemisphere, that we'd better work together with our neighbors to find an economic solution which will make us in the Western Hemisphere more competitive in the world.

I think when that realization comes about, then there is more likely to be attention focused by our government and by the media, and then also by the people, as a whole.

But I do think that this is a critical subject and the Americas Society and the Council of the Americas would very much welcome an opportunity to cooperate with the Members of Congress. Therefore, we are particularly grateful for this opportunity today to talk with you.

I don't know if other members of the panel want to add to that.

Senator GRAHAM. Well, if I could move to a substantive topic to which I would hope that level of interest and enthusiasm be applied, and that is the evolution of the current United States, Canadian, and reference has been made to the Andean and the Argentine, Uruguay, Brazilian agreements, the evolution of all of those movements toward a hemispheric form of economic cooperation.

What would you describe as the benefit, the rationale, for the United States in wanting to pursue that type of a hemispheric agreement? And assuming that that rationale is available, how would you recommend that the United States proceed toward that objective?

Mr. ROCKEFELLER. Again, if I could say just a word, and I'm sure that my colleagues would like to respond as well.

It seems to me that the principal benefit is the fact that, increasingly, we live in a global community where trade and investment and communications are important. The size of our trade deficit is certainly a good indication of why we should be concerned.

As several of us indicated in our testimony, because of the economic plight of Latin America over the last decade, we have certainly lost tens of billions of dollars of export opportunities to Latin America which existed before, but which have not existed recently because of their economic plight.

If we can help in restoring their economies and at the same time make it easier for a freer flow of trade, I think that we will clearly be the beneficiaries.

I believe that we're already seeing that in relation to Canada. I find it encouraging that there is growing interest both in this country and in Mexico for similar arrangements. And I would hope that over time, we would have an opportunity to work much more closely and increase the flow of trade with the other nations of the hemisphere, not necessarily by identical means.

I have no doubt that it's in our interest and I would like to ask any of our fellow panelists if they would like to add to that.

Would you like to?

Mr. BERNDT. One point, in the context of the Canadian-United States agreement, an econometric study has been made which determined that there will be an increase in living standards in both countries, of course, disproportionately greater in Canada, which is the smaller economy, because of the more efficient allocation of resources that will come through open borders, the greater markets open to both economies, and the increase in international competitiveness that comes from it.

I would assume that the same logic would apply vis-a-vis Mexico. There is a plan to do a study along these lines to more precisely define the magnitude of the benefits to both sides and exactly where they would accrue.

So that, I think, would be the logic for expanding beyond Mexico, even though we will probably have to do this in steps and learn as we go along, as each country presents its own peculiar challenges.

Mr. ROCKEFELLER. Bill Rogers.

Mr. ROGERS. There are two additional things that perhaps might be said with respect to Senator Graham's question on expansion of reasonable trade relationships through reduction of tariffs within the region.

First, the fear is often expressed that increased regionalization would lead to trading blocs and would be inconsistent essentially with the generalization of tariff reductions and other trade-expanding measures through the GATT Uruguay Round.

I think, on reflection, that will turn out not to be the case. Indeed, in my judgment, 1992 in Europe will not produce a trend inconsistent with the Uruguay Round, but will further the objectives of the Uruguay Round and not make the Uruguay Round any more difficult.

So, too, with the developing relationships in East Asia.

I think the regionalization of trade relationships in this hemisphere is a logical outcome and should not cut across the GATT liberalization process.

Second, the remarkable thing about the interest in expanding free trade relationships in the hemisphere is that the Latins are suddenly open to the idea, which is part of the revolution in economic ideology that has occurred in the hemisphere.

I mean, the concept that there might be a free trade relationship between Mexico and the United States 5 years ago was incomprehensible in Mexico. Today, it's more than comprehensible, and so, too, in Brazil, Argentina, Venezuela, and Colombia.

I think this is a great opportunity to take advantage of the change in ideology which has occurred.

Mr. ROCKEFELLER. Bob Black.

Mr. BLACK. Mr. Rogers picked up a couple of points that I was going to make. I do think that we must overcome two things: One, the concern in this country that opening up of the trade barriers is detrimental to our interest; and two, in Latin America, the concern that opening up the trade barriers would lead to domination by the United States.

This is one of the reasons that we strongly feel U.S. policy must be geared to assist those countries and certainly not dominate their economies.

And also, to create a partnership. A partnership means that you have two people of equal standing, that both sides can benefit from these agreements. I think that when we come to realize in this country that what's good for Latin America is good for the United States, and in Latin America, that they recognize the same thing, then we can open the dialog and move forward on bilateral trade agreements or regional trade agreements with the countries in Latin America.

Senator SARBANES. Before I turn to Senator Bingaman, I'd like to first of all thank Senator Graham for his interest in this issue. As you know, he has in particular taken a very keen interest in the Caribbean initiative and the U.S. responsibilities to help foster economic development in the Caribbean and, more broadly, throughout Latin America, and we're very pleased that he was able to join us at this hearing.

We understand that he has a markup in another committee and he'll have to excuse himself.

I do want to pick up on Bill Rogers' point. Regionalization could cut across a broader internationalization, but it need not do so. And in fact, properly handled, could be complementary rather than contradictory.

I think it behooves us all, and that's talking about the entire international community, to assure that the growing regionalization which we see works hand-in-hand with a broader expansion of international trade. Therefore there has to be a concern. But properly handled and with an appropriate vision, it can provide a major boost to world economic growth and expansion, and it needs to be seen in those terms.

In fact, I'm encouraged by the fact that the Europeans, after an initial period where there was considerable apprehension that they were in fact creating a protected environment and excluding the rest of the world, have recognized the concern elsewhere and have thought to take steps to provide reassurance. They have also presented a different vision of what it is they're trying to do, which I think has eased some of the apprehension which has existed elsewhere.

Mr. ROCKEFELLER. Mr. Vice Chairman, I think all us on the committee would very much associate ourselves with what you've just said.

Senator SARBANES. Thank you. Senator Bingaman.

Senator BINGAMAN. Thank you, Mr. Vice Chairman. I want to thank the witnesses. I think it's very useful testimony.

Let me just ask two questions that are not directly related. I know your time is short and I'd like to get them out and get any comment you might have on them.

My first question is the free-trade agreement with Mexico that's been talked about. How realistic is it for us to expect something approaching a free-trade agreement between the United States and Mexico in the foreseeable future, meaning this decade?

We have the free-trade agreement with Canada. There's been a lot of talk in the last few months that perhaps we could do the same kind of thing with Mexico. I certainly favor increasing our trade with Mexico in a variety of ways. But is it realistic to expect that we would have a free-trade agreement along the same lines we talked about with Canada?

Mr. ROCKEFELLER. I'd like to ask Jim Forese to respond.

Senator BINGAMAN. OK.

Mr. FORESE. Senator, I think it probably is realstic in this decade, but I don't think that it's going to come next year or anything like that.

I think probably the most important point is that the Mexicans must continue to get their economy in shape. If they do, they can realistically, I think, have the kind of free-trade agreement that we have between the United States and Canada.

I think, clearly, the Mexican Government today thinks, as some of the other members have said, this is very important to them. I believe they now look to the United States for more and more investment, as opposed to perhaps looking as inwardly in the past, and then also to the East and West.

But I do not look for it to happen fairly quickly. I think it will be in 4 to 5 years. And it really is a function of how fast they get their own economic situation straightened out.

I also would just add one further comment.

I'm not so sure you're going to find many of the other countries, in our judgment, really looking to negotiate free-trade agreements right away. I think Mexico is perhaps going to be a bit of an experiment vis-a-vis what might happen there.

So I think others are taking an attitude of let's wait and see what happens in this particular case.

Senator SARBANES. I think the observation Mr. Black made is extremely important in this regard, and that is the sensitivity of how the United States approaches it.

In fact, a Canadian election was fought on the issue that the free-trade agreement represented a U.S. effort to move in and dominate the Canadian economy. That argument did not prevail in the election, but that was the central issue working off of the free-trade agreement.

Of course, the sensitivities to the south of us are much sharper. Your point about making it very clear this is an effort to work in a partnership and not in some effort to control or dominate the economic relationship is extremely important.

Mr. ROCKEFELLER. Alan Ockene.

Mr. OCKENE. Yes. My feeling on it is that an agreement will take place more quickly than is currently expected. I think it will take place during the tenure of the Salinas regime.

I think it makes sense to start with certain industries. For example, the automotive industry is getting very close to free trade now. In my industry, we're getting close to it, too.

So, it may go at different paces in different industries, and I would think that an agreement would cover that possibility. The Canadian agreement, I think, takes 10 years in order to really be a free-trade zone. It might be 15 or 20 years in the case of Mexico, but the agreement would be, I think, reached earlier.

Senator BINGAMAN. The other thing I wanted to ask was alluded to in some of the testimony, but maybe someone would have an additional comment. A few years ago, much of the conventional wisdom was that a major impediment to development in Latin America was the overhanging debt problem of those countries.

Much of that debt still remains. And yet, it does not figure prominently in any thing we've discussed today as a major obstacle that needs attention by our government.

Are we pursuing policies that, in fact, are dealing with this problem adequately, or is that still a major storm cloud on the horizon, or overhanging difficulty, that needs additional attention by the U.S. Government?

Mr. ROCKEFELLER. If I could say just a word about that.

As a former banker, I think there's no question that the negotiations that have taken place within the framework of the Brady plan in terms of Costa Rica and Mexico and Venezuela have gone a long way toward dealing with the problem for those countries. Although they're not fully resolved, these countries at least have been given breathing space. The great problem was that they were having to devote such a large percentage of their export earnings in hard currencies to servicing the debt so that they couldn't import necessary items that were essential to economic growth. And I think that they've gone a long way in that direction.

Similar negotiations are being undertaken now with Brazil. Those will be the key because Brazil is the biggest country in the region and it has the greatest prospect for growth if it can get its house in order and manage things.

Therefore, I think the key will be in relation to Brazil.

Argentina has a special situation. They've had more trouble for a longer period of time. I do think the present government is trying hard. We may have to provide more help to them.

Chile, on the other hand, did it on its own and has paid down its debt significantly and is well on the way, as several panelists have suggested.

In other words, I don't think there's a single answer. It's country by country. But I think a lot of progress has been made. And if we could deal with Brazil successfully in the next few months, then I think that the whole area would be much more ready to be able to deal with the problem.

I don't know if any of my colleagues would like to add to that. Would you, Bob Black?

Mr. BLACK. The only thing I would add is that I think with the implementation and the development of the Brady plan, the countries are now beginning to see a path out of the debt problem. That doesn't mean that the debt problem is resolved.

But in many discussions we have had with leaders in the countries the recognition has come about that with an action such as the Brady plan, the debt can be brought to a more reasonable level. The secret to success is private investment to permit the economy to grow so that the servicing of the remaining debt, as negotiated, is not such a burden on the economy.

I think, as Mr. Rockefeller alluded to, in the last few years, in many of the countries, the burden was so great that there was just no way that they could see to get out of this maze.

I think a path has been charted. And with time and on a country-by-country basis, the debt problem will be resolved.

Senator SARBANES. I think that's a very perceptive observation.

As one who worked on the debt problem, I want to acknowledge in particular Bill Roger's very substantial contribution on that issue.

The trouble with the previous policy is that you couldn't show the country a way out of its situation. At least the current policy, while perhaps inadequate in some instances, does chart a path that could work.

Gentlemen, I know you're going to have to leave us very shortly. Let me just put two very quick questions.

One is, I've had an interest in the quality of the Ambassadors we're sending abroad. And I notice that your president is George Landau, a very distinguished diplomat who rendered really outstanding service to the Nation during his career in the Foreign Service.

Has the Americas Society and the council interested itself in the quality of U.S. Ambassadors going to Latin America? And if not, I'd like to encourage you to do so.

I think the region is important to us. A first-class Ambassador in a country can make a difference to America's interest in that country. Because the region is important, Ambassadors shouldn't be, as they have been in some instances, simply throwaways.

Mr. ROCKEFELLER. Well, I should say, Mr. Vice Chairman, that our interest is very great. I wouldn't truthfully say that we have been used as a resource to help in the selection of Ambassadors. [Laughter.]

Senator SARBANES. You're probably not going to be looked to for that until you kick up a little bit of a ruckus with respect to some of the more inadequate ones, and I urge you to simply think about that.

The final point, and you might want to submit something for the record, is what Mr. Black noted in his prepared statement, and I'm quoting: "Burdened by high debt/service ratios and the current worldwide depression in raw material prices, most of the countries of the region are unable to obtain the investment funds necessary to sustain a healthy rate of growth in their economies."

And it's my own view that, in addition to internal economic reforms which these countries must make, the issue of external resources is fundamental in assessing the future of the region.

Bill Rogers alluded to this. The IMF world economic outlook in 1989 predicts that betweeen 1989 and 1994, countries in Latin America will not receive net inflows of financial resources and will instead continue to export capital at the rate of 2.2 percent of GNP per year.

Now, that's lower than the 2.9 percent capital outflow which they experienced in the period, 1983 to 1988, but it's still a capital outflow, a very substantial one, and it's a far cry from the 1.2 percent annual inflow which they experienced between 1974 and 1982.

Perhaps you might submit to us whether you share the view of the IMF staff that Latin America will continue to experience a substantial negative transfer of resources over the coming years. If not, what are the grounds for your disagreement? If you think there will be a net inflow, the sources are essentially five, as I read them—foreign governments, multilateral institutions, international commercial banks, multinational corporations, and the repatriation of moneys held abroad by citizens of the respective countries. We'd be interested in your view on the potential among these sources for changing the flow of capital so that, instead of being net exporters of capital, Latin American countries would become importers of capital.

Mr. ROCKEFELLER. If I could just make a general observation.

I think that this will depend very largely on sustained economic policies within the governments of the countries in question, which create an atmosphere of confidence. There's no question that an inflow of capital depends almost exclusively on confidence in the policies of the country and they need to be both sustained and consistent.

We've seen that happen already in Chile, where there has been a significant inflow of capital and actually, a paying off of a substantial part of their debt.

I think there is a good prospect that it will happen also in Mexico. There already has been, in the first few months of the Salinas government, a repatriation of some $3 billion of Mexican capital which previously had flown out of the country. But there probably is $50 billion still to come.

I'm told that the recent action of the Mexican Government to recommend—and hopefully, this will happen—the privatization of the banks, which were nationalized in the closing days of the Lopez Portillo government some 8 years ago, has created a very favorable impression. And, I think, that we're likely to see a significant return of capital.

I believe that is an important source, but it will depend on confidence. I believe investment from foreign sources is a second and, perhaps, the most important source.

I would have to say that, because the Brady plan and the policies of the U.S. Government have put considerable pressure on the commercial banks to write off significant amounts of their loans, I think that this has caused many, if not all, of the commercial banks to be very hesitant about extending new credits. I think it's going to be some time before the commercial banking system is a major new source of funds.

So it really leaves the other four that you mentioned. I would hope that the international agencies would do more, and there is a sign, an indication that they are. The increase in the funds of the IMF should certainly be helpful in that regard. And I think the World Bank and the Inter-American Development Bank are already seeking to do more.

So the international agencies hopefully will be a growing source.

I think the Export-Import Bank, which has been pretty dormant in recent years, under new leadership and with a new attitude toward trade, could also be looked to, especially if the Congress is willing to support it more than they've been willing in recent years.

Senator SARBANES. I would observe that with the help of both of my colleagues who are here, we are able to get through a major increase in the capital position of the Inter-American Development Bank in the last session of the Congress.

Mr. ROCKEFELLER. I think that that was very important and, frankly, under the leadership of Enrique Iglecias, a whole new look has been given to that organization. I feel that it really is a very important one that deserves support.

Senator SARBANES. I share that view. Well, gentlemen, we thank you very much. It has been a very helpful panel and we look forward to continuing to work very closely with you on what is, I think, a very important issue on our agenda.

Mr. ROCKEFELLER. Thank you, Mr. Vice Chairman. We value this opportunity and would welcome an opportunity to come back if you think we can be helpful.

Senator SARBANES. Thank you very much. The committee stands adjourned.

[Whereupon, at 10:25 a.m., the committee adjourned, subject to the call of the Chair.]

A P P E N D I X

A LATIN AMERICAN STRATEGY

BELL HELICOPTER TEXTRON INC.

Bell Helicopter Textron sales to Latin America have depended on export financing. Future sales cannot be expected to show increased levels without the assistance of export financing. In our case, the Canadian Government, through the Export Development Corporation (EDC), has provided financing for the majority of our sales in Latin America. EDC provides this service because the Bell commercial product line is now manufactured in Canada.

Of interest is the fact that Bell Helicopter Textron is presently trying to determine if Foreign Military Sales (FMS) funds can be used as down payments for commercial helicopters manufactured in Canada. (Even though the helicopters are manufactured in Canada, there is still a large U.S. content) Canada would finance the balance. We are interested in obtaining financing for commercial and military products that are used in the War on Drugs.

We, too, worry about the marketing potential of Europe 92. European companies have already targeted Latin America as a primary market. Financing does not seem to be a problem for them. It is estimated that European helicopter manufacturers have sold over $350 million worth of helicopters to Latin American countries during the last three years. There is no doubt that Europe will be our strongest competitor in Latin America in the 1990s.

To assist American aerospace companies (Canada and U.S.) in competing in this most important market, we need better financing options. EX-IM Bank and other financial institutions should be strengthened so that we have a more competitive footing with the Europeans. Bell, like most U.S. companies, offers worldwide service support that cannot be matched. Truly, the only area in which we need assistance is the financial area.

We urgently need a clear, well defined U.S. trade policy which mandates that EX-IM aggressively support U.S. exporters. EX-IM personnel must be able to travel with U.S. exporters to foreign countries, negotiate with prospective buyers of U.S. products, show some flexibility on terms and conditions for loans and work with other OECD lenders, particularly with EDC on co-financing products with both U.S. and Canadian content. Legislation is needed to allow EX-IM to finance and/or guarantee sales of equipment, supplies and services to military buyers, particularly in Latin America.

Bell Helicopter Textron Inc. of Fort Worth, Texas, is one of the world's leading producers of helicopters and spare parts for the United States Government, foreign governments and civilian markets.

More than half of all of the helicopters operating in the free world are Bell Helicopters.

Current production commercial helicopters include the turbine-powered, five-place Model 206B JetRanger III; the seven-place 206L LongRanger III, the twin-turbine powered six to ten-place Model 230, the 12 to 15-place Model 212 and the 412SP, an advanced four-bladed variant of the 212.

Military helicopters currently in the product line include the U.S. Army's AH-1S/F fully modernized Cobra, the U.S. Marines' AH-1W twin turbine Super Cobra, the Model TH-57 primary trainer for the U.S. Navy, the OH-58D advanced Scout, an armed version of the 412SP and the Model 406 Combat Scout.

Bell is teamed with McDonnell Douglas in the competition to build the U.S. Army's advanced LH Light Attack/Armed Reconnaissance helicopter for the late 1990s.

Latin American nations have always been very important customers for Bell Helicopter Textron. This market has remained firm except between 1983 and 1986 when internal economic and political problems resulted in a decrease in the number of Bell helicopters imported into the area. However, during the last three years helicopter sales to Latin America have shown a considerable increase as a result of adjustments and positive local programs undertaken by Latin American nations. During 1989 Bell Helicopter Textron orders and deliveries to Latin America exceeded $100 million. Export programs underway today and all forecasts indicate that this healthy situation will continue in the foreseeable future.

The future export potential appears to be even more positive because a new development in aerial flight is on the horizon that will add a new dimension to the aviation import/export trade picture between the United States and Latin American countries.

For more than three decades, Bell Helicopter Textron has been designing and developing a new technology that has finally resulted in a truly productive aircraft that will greatly expand the potentials for aerial flight. Today, the United States has created a worldwide technological competitive advantage with the TiltRotor aircraft - an aircraft that combines the take-off, landing, hover and low-speed capabilities of an ultra-modern helicopter with the high speed, long range and fuel efficient capabilities of modern turboprop airplanes.

Today, this new technological advantage is embodied in the V-22 "Osprey" TiltRotor aircraft that is in full scale development for the Department of Defense. Four of these aircraft are involved in an extensive flight test program. The FAA is participating in the military flight test program in preparation for commercial certification.

With the start of production of the V-22 or with the initial production of a commercial designed civil TiltRotor during this decade a new export market will be created that will significantly impact United States exports to Latin America.

Situations in the countries of Latin America create an ideal environment for the use of TiltRotor aircraft. So many countries of Latin America have relatively undeveloped surface transportation infrastructures. Vast areas of Latin America, containing undiscovered natural resources, are almost inaccessible. The Andean spine still acts as a natural barrier to trade, commerce and communications. Large offshore areas have yet to be explored and the continental shelf that offers the potential for huge energy reserves remains, to a large extent, undiscovered. Because the continental shelf extends hundreds of miles to sea, especially off Argentina, it is destined to remain unexplored until an aircraft with speed, range, and vertical flight capabilities can be brought into play. That aircraft is the TiltRotor.

Because TiltRotor aircraft do not need runways and because they can land or hover virtually anywhere, they are ideally suited to the developmental needs of the area. They can open up huge regions to economic development. They can bring aviation service to the populations of vast areas that do not now benefit from the advantage that aviation offers. They can overcome the barriers to communications posed by the Andean mountain chain. They can extend the capabilities of governments to conduct border and coastal surveillance, to mount effective reactions to natural and manmade disasters, and to provide medical and social programs to much of the forgotten population living way beyond the limits of city lights.

STATEMENT OF

J. MURFREE BUTLER

VICE CHAIRMAN - W. R. GRACE & CO.

SUBMITTED TO THE

JOINT ECONOMIC COMMITTEE

May 22, 1990

ON THE ISSUE OF

"THE ECONOMIC IMPORTANCE OF LATIN AMERICA

TO THE UNITED STATES"

My name is J. Murfree Butler. I am Vice Chairman of W. R. Grace & Co., an international specialty chemicals company with selected interests in energy, manufacturing and service businesses with sales exceeding $6 billion. Grace has major operating facilities in Europe, the Far East, the United States and Canada, as well as Latin America. Grace had its beginnings in Peru in the mid-Nineteenth Century. Today, Grace has over 2,000 employees in Latin America with manufacturing facilities in Argentina, Brazil, Chile, Colombia, Mexico and Venezuela. Additionally, Grace maintains sales offices in Argentina, Brazil, Chile, Colombia, Guatemala, Mexico, Venezuela and Peru. Total revenues in Latin America are in excess of $96 million.

My personal affinity for Latin America stems largely from my childhood years spent in Peru. Against this background, I am delighted to share with you my observations and comments on Latin American economics and its importance to the United States.

Historically, the economic interests of the United States and Latin America have been entwined. As we all know, over the years the relationship has not always been an easy one. This was particularly true during the post-World War II era when Latin America was undergoing rapid economic and social change which brought with it significant instability. During this period, many U.S. companies developed a belief that the instability translated into a business climate which was hostile to U.S. investment, or certainly difficult at best. The situation was further exacerbated in the 1970's by the economic dislocation associated with the infusion of petro dollars into the region and the resultant, near-crippling debt burden.

The foregoing notwithstanding, we at Grace believe that the economic future of Latin America is encouraging and that its importance to the U.S., both in political and economic terms, will increase significantly.

With Europe 1992 fast approaching, the emerging of the Pacific Rim countries and the evolution toward free market economies in Eastern Europe, there is much speculation on the evolution of large geopolitical trading blocks. Major international corporations are engaged in maneuvering to advantageously position themselves in these markets. However, due to the continuing perception of both political and economic difficulties in Latin America, there is a tendency to overlook the region's market potential and, more significantly, its potential importance to the U.S. We must not overlook the likelihood that Latin America could present greater market opportunities for U.S. products and services than perhaps Eastern Europe. Latin America has traditionally been one of the major overseas markets for U.S. products and services. It is a region with 400 million people and a major portion of the world's undeveloped natural resources.

The replacement of virtually all of Latin America's totalitarian regimes with elected democratic governments has been widely acclaimed. Another emerging important change on the Latin American scene, however, has received less attention: the highly restrictive populist and marxist economic policies which prevailed in many Latin countries over the last 10-20 years appear to have finally been discredited, even in the eyes of most of the region's political left.

Latin America is now embracing free market economic policies and the elected democratic administrations in most of the regions have repeatedly expressed their strong commitment to this approach. The governments and the people of these countries now look to the United States for leadership and reaffirmation that they are to be a major trading partner.

We at Grace believe that the problems which have plagued Latin America in the post-World War II period -- political instability, recession, inept government economic policies and severe foreign debt crisis -- are receding into the past. We believe the region represents not only a viable but a highly attractive area for U.S. business investment and trade. The long-term potential for growth is excellent and, because of its proximity to the U.S. and its resource base, this region is and will continue to be of prime importance to the long-term economic and security interests of the United States.

ASSOCIATION OF AMERICAN CHAMBERS OF COMMERCE IN LATIN AMERICA
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STATEMENT
OF
MARVIN R. CARTER

PRESIDENT

ASSOCIATION OF AMERICAN CHAMBERS OF
COMMERCE IN LATIN AMERICA

TO THE
CONGRESSIONAL JOINT ECONOMIC COMMITTEE

ON THE
"ECONOMIC IMPORTANCE OF LATIN AMERICA AND
THE CARIBBEAN TO THE UNITED STATES"

MAY 22, 1990

Mr. Chairman:

Thank you for the opportunity to submit this statement to your committee, on behalf of the Association of American Chambers of Commerce in Latin America (AACCLA). AACCLA was organized in 1967 by the existing American Chambers of Commerce (AmChams) in Argentina, Brazil, Colombia, Mexico, and Venezuela. Today, AACCLA has grown into an organization comprised of 22 AmChams in 20 Latin American and Caribbean countries -- representing over 16,200 American, host country, and third country companies and individuals. AACCLA's membership lives and works in Latin America and the Caribbean, and manages the bulk of U.S. trade, investment, and financial flows in the hemisphere. Consequently, AACCLA has a vested interest in a U.S. foreign policy that fosters political stability and economic growth -- essential conditions for peace and prosperity in the Americas.

Unfortunately, most of Latin America has been a victim of benign neglect and/or crisis management by foreign policy makers in both parties. This situation is reflected in the fact that during the 1980s, 95% of U.S. attention to the Western Hemisphere, excluding Mexico, was devoted to Central America. And although Central America is important to overall national interests, as a sub region, it only represents 5% of Latin America's total population, GNP, and land mass, as well as 5% of total U.S. trade and investment levels throughout the region.

Our traditional inattention to Latin America is being further diluted by increased attention to the historic events taking place in Eastern Europe and the Soviet Union. And while the demise of the Soviet Empire in Eastern Europe and prospects for a favorable end to the Cold War are justifiable grounds for increased foreign policy attention, it shouldn't be at the expense of developing a foreign policy that fosters political stability and economic growth in the Americas.

Realistically speaking, the U.S. will not be the principal actor in Eastern Europe's efforts to adopt democratic political systems and market economies. To the extent that the Eastern European countries are successful in their efforts, it will be the Western European countries that will be primarily responsible and they most likely will be the beneficiaries of increased trade and investment opportunities.

AACCLA believes that the 500th anniversary of the discovery of the Americas by Columbus, which takes place in 1992, is a unique milestone for the U.S. Government to focus attention on the long history and special bonds that tie the U.S. to the nations of Latin America.

In contrast to the crisis-oriented foreign policy approach to Latin America, government officials should take account of Latin America's economic importance to the U.S. Attention to the debt crisis has overshadowed the broader long-term economic interests under which hemispheric relations will prosper or decline.

On a day-to-day basis, U.S. exports and foreign investment are dominant features in inter-American relations. In 1989, the U.S. expanded its trade with Latin America by 12%, with $48.4 billion in exports (up from $43.1 billion in 1988) and $57.4 billion in imports (up from $51.3 billion in 1988). This was the best trade performance since the onset of the debt crisis. Latin America today accounts for about 13% of U.S. global trade -- a lower share than in 1981, but only 9% of the U.S. global trade deficit.

Inter-American trade benefits all countries in the hemisphere by creating jobs and by earning foreign exchange to balance trade accounts and service foreign debts. For these reasons, promoting hemispheric trade should be a priority; therefore, we should:

- Resist protectionism at home;

- Approve the Caribbean Basin Initiative enhancement legislation (CBI II);

- Consider expanding CBI - type trade benefits to the Cartagena Agreement countries of Colombia, Peru and Bolivia as a way to replace the coca crops with "alternative development" schemes;

- Preliminarily explore the possibility of hemispheric free trade zone -- a concept that President Reagan unsuccessfully floated;

- Ratify the Inter - American Commercial Arbitration Convention;

- Continue co - production tax incentives in items 9802.00.60 and 98.02.80 of the U.S. Harmonized Tariff Schedule (formerly TSUS items 806.30 and 807.00); and

- Increase funding for the Export - Import Bank.

With a population of 425 million and a gross regional product of $968 billion, Latin America offers more two-way trade potential than Eastern Europe, whose 7 countries have a total population of 136 million.

As Peter Drucker wrote in the <u>Wall Street Journal</u> on March 20th of this year:

> It would be a great deal easier to turn around Latin America than to turn around Eastern Europe, the region on which most attention is focused now. In sharp contrast to the Soviet Bloc, Latin America comfortably feeds itself and has a substantial surplus of both food and industrial raw materials. In larger countries there is an excellent supply of well-trained engineers, entrepreneurs, accountants, economists and lawyers. And they did not have to become moral eunuchs to get an education or to get and hold a decent job. Nor do the educated people of Latin America have to be "re-educated" to function in a free economy.

With respect to U.S. direct investment in Latin America, although the pace of new capital has slowed since the debt crisis, the U.S. continues to be Latin America's most important foreign investor, with $44.1 billion invested in 1988.

U.S. investment in the region makes a positive contribution both to the U.S. and host countries. It helps the countries in their development objectives by bringing needed capital, technology, managerial skills and access to world markets. It helps the U.S. economy by stimulating exports and by generating remittances that help reduce the U.S. balance of payments deficit.

For these reasons, the U.S. government should work multilaterally and bilaterally to facilitate the flow of foreign investment through:

- Support for the Overseas Private Investment Corporation (OPIC);

- Support for the Multinational Investment Guarantee Agency (MIGA);

- Support for the Inter-American Investment Corporation;

- Continuation of Section 911 tax exclusion for foreign income of U.S. citizens working overseas;

- Continuation of "936 funds" for CBI development programs; and

- Bilateral and multilateral efforts to discourage discriminatory treatment of U.S. foreign investment with particular emphasis on service industries and intellectual property protection.

With respect to Latin America's debt, AACCLA realizes that the sheer magnitude and complexity of the crisis has defied any one solution to date. The debt problem is truly international, and accordingly requires multilateral solutions. To this end, AACCLA believes that:

- The multilateral lending institutions should increase their support for those debtor countries which have implemented reforms, as well as voluntary debt reduction schemes, while at the same time requiring structural reforms in the other debtor countries.

- The U.S Government should reaffirm its support of the IMF, World Bank, and Inter-American Development Bank (IDB), by meeting its commitments to increase the capital resources of these multilateral lending institutions.

- In the menu of options for addressing the debt crisis, debt-equity swaps can be a mutually beneficial method for retiring debt, while stimulating much-needed productive investments into the region.

Unfortunately, despite some progress, debtor country commitments for policy and structural reform have been largely unfulfilled. Many of the Latin American countries are not resource poor, and would do well to emulate the policy - related successes of truly resource - poor developing nations such as Taiwan, Hong Kong, and Korea.

Despite the daunting problems positive change is possible -- and, in fact, is happening. Countries as diverse as Chile have already achieved a great deal. Venezuela and Jamaica are making serious efforts. And Brazil and Argentina are struggling to do so. For our part, we must have the vision and the will to become partners and protagonists in Latin America's struggle for economic renewal under democratic government.

Admittedly, the ideas expressed here are a tall order, particularly given the U.S. tendency to neglect the affairs of its own hemisphere. But vital U.S. interests, now -- and even more so in the future -- require that policies of this breadth and depth be taken. And it must be done soon. Those of us who know the region and can foresee its growing importance most clearly have a special responsibility. And that responsibility is to take the compelling case for Latin America to our companies, the public and above all our government. We cannot accomplish this task alone. And, in particular, we need the cooperation of Latin American government and industry leaders. Only if, together, we can raise the need for a positive policy toward Latin America to the highest levels of government can we, together, forge the degree of hemispheric cooperation needed to confront the challenges of the future.

Lilly

Eli Lilly International Corporation
Lilly Corporate Center
Indianapolis, Indiana 46285
(317) 276-2811

R. A. Cage
Vice President

May 16, 1990

Chairman, Joint Economic Committee

Dear Mr. Chairman

Eli Lilly and Company is a research-based corporation that develops, manufactures, and markets pharmaceuticals, medical instruments, diagnostic products, and animal health products. The company markets its products in 120 countries around the world, including the countries of Latin America and the Caribbean.

In today's global climate of exciting change, we must not lose sight of the important role the countries of Latin America must play in the future economic well-being of the United States. We must keep in mind that the over 415 million people of this region surpass in numbers the emerging Eastern Bloc countries. Our enthusiasm with the opening of the Eastern Bloc should proceed in conjunction with continued encouragement for stimulating the basically free market economies of Latin America.

We, of course, are aware of the many inherent challenges faced by these countries in trying to sustain orderly economic development. We believe the effort to be truly worthwhile for the nations of this region and the United States.

We encourage the Committee to look favorably upon initiatives to continue private sector developments in Latin America.

Sincerely,

Statement to The Joint Economics Committee

May 22, 1990

Latin America's Importance to Ford Motor Company

Introduction

Ford is pleased to participate in support of these Congressional hearings on "The Economic Importance of Latin America to the United States." With nearly 75 years experience in Latin America as a manufacturer and merchandiser of motor vehicles, automotive products and agricultural equipment, Ford believes it can testify to the importance of Latin America to its corporate operations. In so doing, we would like to share a number of observations on the evolution of and prospects for U.S. investment in the region which we hope may be helpful to members of the Joint Economics Committee.

While Ford's Latin American business presently involves automotive sales to virtually every national market in Central and South America as well as the Caribbean, today's statement focuses on past and present Ford operations in Mexico, Venezuela and Argentina with special attention to Brazil.

The Latin American Automotive Environment

Over time, Latin America has become increasingly important to the global auto industry. In an era of fierce competition for customers in mature automotive economies and productive overcapacity in industrialized countries, Latin America's developing automotive markets continue to hold a special attraction for the world's automotive manufacturers. Today, Ford maintains a manufacturing presence in four of the largest countries of the region: Brazil, Mexico, Argentina and Venezuela. Despite the inherent difficulties of participating in cyclical automotive markets which are limited in size and potential by demography, inadequate road systems, economic uncertainty, marginal infrastructures and political instability, most major manufacturers remain guardedly optimistic about the long-term promise of the region.

Compared to the North American, European or Japanese domestic markets, vehicle demand in Latin America is presently modest. With no fewer than 10 major manufacturers (three U.S., three Japanese, one German, one French and one Italian) competing in the region's 10 leading markets, 1989 combined car and truck sales for those markets totaled 1,545,000 (est.) units as compared to U.S. domestic sales last year of 14,845,000 (9,779,000 cars/5,067,000 trucks). Moreover, nearly 89 percent of all Latin American motor vehicle sales last year were concentrated in Brazil, Mexico, Argentina and Venezuela. The long term prospects for growth in these markets appear promising. Car sales last year (1989) for the Brazilian industry were greater than those recorded in Australia, Taiwan or such prominent European automotive markets as Belgium, Switzerland, Sweden or Austria.

With heightened industrialization, Latin American nations have been able to dovetail new domestic industries to the specialized needs of global automotive companies such as Ford. Benefits, in the form of new jobs, shared efficiencies, diminished business risks and channels of trade have been opened up for both the U.S. and Latin American nations. Concurrently, through the spread of multinational complementation, Brazil and Mexico have become significant trade partners with the United States. Although the volume and variety of Brazilian exports have diminished sharply in the past five years, Ford U.S. still receives the Ford Cargo medium truck, the Ford New Holland diesel engine and a wide range of automotive electronic and audio components from Brazil. Ford of Mexico (which now is part of Ford's North American Automotive Operations with Canada and the U.S.) supplies the Tracer compact car for North American sale as well as auto parts and components.

Political Stability

Despite the prospect of continuing challenges facing U.S.-headquartered enterprises such as Ford throughout Latin America, we are well aware of the great market potential behind projections of substantial Latin American economic and population growth into the next century. But equally, we are greatly encouraged, as foreign investors and profit-oriented business managers, that serious reform attempts are now being undertaken in many of the region's newly democratic regimes. Whether these reform attempts will be successful is still a question that can be answered only with patience on a country-by-country basis. However, the growing number of representative democratically elected governments and the awareness that politically painful steps may be necessary to halt endemic inflation, while coping with huge foreign and domestic debts, are both reflections of what appears, in some countries at least, to be a hopeful new Latin American resolve.

These long-overdue actions in Latin America reflect a defeat for the inefficiencies of economic isolationism and political dogma and a victory for the benefits of free choice in both the marketplace and government. Economic or political changes now taking place in such countries as Chile, Mexico, Paraguay and Venezuela are noteworthy. The unprecedented sweep of reforms set in motion in Brazil by President Fernando Collor de Mello, promise to be of unusual significance. One reason is, of course, the vast scale and unbudging duration of problems in Brazil, as the region's largest nation. Another is the strong possibility that Brazilian success in dealing with high inflation, excessive state involvement in the economy and the burden of foreign debt may decrease the skepticism surrounding governmental intentions and thereby strengthen public confidence in the nation's democratically elected leadership.

The importance of Brazil's success as an example to other regional neighbor-nations in confronting and dealing with these common but seemingly intractable Latin American problems cannot be overstated. Certainly, of no less importance to Americans, are the implications of successful reform in Latin America for the trade and commercial interest of the United States.

Ford in Latin America

Ford's more-than-three-quarters-of-a-century-long involvement in Latin America has covered a wide spectrum of business activity ranging from an early 17-year attempt to grow rubber for tires in the Amazon to the manufacture and assembly of motor vehicles, household "white goods", farm equipment and automotive and electronic components.

Today, although Ford has commitments of manufacturing, assembly or sales affiliates in 25 countries, Latin America remains a Ford priority. As noted above, Ford has manufacturing and/or assembly facilities in four Latin American countries:

In Mexico, Ford is represented by domestic , export, joint venture and maquiladora operations with 19,500 employees engaged in car, truck and automotive component production. Its exports to the United States in 1989 amounted to $1.3 billion and included vehicles, engines and components.

In Venezuela, Ford is represented by Ford of Venezuela with about 1,000 employees and some 90 dealers. It has been the country's largest truck and tractor producer and is a leading car assembler.

Since July, 1987, Ford's automotive and credit operations in <u>Argentina</u> and <u>Brazil</u> have been merged with those of Volkswagen in a joint venture known as Autolatina. Ford holds a 49 percent interest in Autolatina; VW, the remaining 51 percent. Autolatina is the largest private enterprise in Latin America, with more than 50,000 employees in Brazil and 8,000 in Argentina.

In addition, Ford operates the Arbor Electronics Plant and two Ford New Holland plants in Brazil. Arbor employs some 5,500 persons and is the single largest Ford source worldwide for electronic components ranging from car radios and graphic equalizers to intermittent windshield governor assemblies and speed control amplifiers. The Ford New Holland facilities produce diesel engines, agricultural tractors and combines.

<u>Brazil</u>

Both the size and longevity of Ford's investment in Brazil are proof of continuing confidence that this huge republic can eventually fulfill its as-yet-unrealized promise as a pivotal global economic power. During the seven decades that Ford has assembled vehicles in Brazil, it has tried to identify closely with the needs and aspirations of Brazilian citizens. In the process, Ford has played a constructive role in the industrialization, economic development and technological upgrading of the Brazilian nation.

Although clearly distinguishable from all other Latin American countries by its language (Portuguese) and its dominant size, Brazil has been viewed by many as a bellwether test of all of Latin America's ability to achieve both democratic stability and meaningful economic progress.

As trade has become truly globalized and Brazil has modernized its industrial infrastructure, Brazil-U.S. trade has increased. The mutual importance of trade between the two countries is instructive. In 1989, U.S. exports to Brazil amounted to $4.8 billion. At the same time, Brazilian exports to the United States totaled $8.4 billion. This $3.6 billion U.S. deficit reflected an erratic but continuing imbalance in trade between the two countries during the past decade as well as Brazil's past dependence on a policy of managed trade.

The automobile and the automotive industry have been significant elements in the trading relationship between the two countries. With Brazil's motor vehicle production rising annually to more than one million units during three of the past four years, the nation entered the circle of major automotive producers. At the same time, the republic has also become a major worldwide supplier of automotive exports, particularly electronic components.

In the 15 years from the beginning of the Government's special export program to 1987, Brazilian motor vehicle exports to other countries rose from fewer than 2,000 units to more than 345,000 units. As shown in the table below, according to the U.S. Department of Commerce, Brazil's 1989 automotive exports to the United States totaled $1,249,194,000.

<u>Brazilian Automotive Exports to the U.S. (1989)</u>

<u>Internal Combustion Piston Engines and Parts</u>	$523,530,000.
<u>Motor Cars and Other Motor Vehicles</u>	$282,413,000.
<u>Motor Vehicle Parts and Accessories</u>	$272,561,000.
<u>Rubber tires, Innertubes and Flaps</u>	$ 93.218.000.
<u>Motor Vehicles for Goods transport and Special Purpose Vehicles</u>	$ 77.472,000.
Total	$1,249,194,000.

U.S. exports of auto parts and engines to Brazil for the same period (1989) amounted to $360,000,000, helping to offset a portion of the substantial level of imports from Brazil.

Summary/Conclusion

The future of Brazil's automotive trade with the United States will ultimately reflect business perceptions of the former's competitive attributes compared with those of other developing nations, including Eastern Europe. Equally, it can mirror North American confidence that the Federative Republic of Brazil is becoming an acceptably stable and hospitable environment for foreign business investment. However, the promise of Brazil's huge population-driven domestic market is now unlikely to attract substantial foreign investment until there are clearer signs that the Collor Government's bold and innovative economic programs are finally taking hold. The challenge for the government, of course, is to "stay the course" with its economic stabilization program until the back of the inflationary cycle is broken and public confidence is firmly established in the continuity and value of the nation's promises. Once the public is truly convinced of the effectiveness and permanence of economic reform, "hedge buying" of real estate and major commodities should taper off, capital flight will halt and Brazilians will again provide the capital for investment in their own country.

The dramatic and unprecedented nature of President Collor's "shock treatment" program seems likely to impose hardships on many sectors of the economy. There is no doubt that the government's highly restrictive new monetary policy is already having a short term negative impact on the business climate. Moreover, without indexation or employment protection, wage and job cuts are only two of the burdens Brazil's middle class must now endure before the economy recovers. Because the "pain" of this stabilization plan is being spread broadly throughout the society, no single sector seems immune in the short-run.

We at Ford will be watching and carefully monitoring the results of Brazil's new reform effort. But, more importantly, as a corporate citizen of and business enterprise operating in Brazil, Ford will now be living and experiencing first hand the benefits of reform and their cost.

As business people, our assessment of change and its predictable impacts is governed by a calculus of measurable benefits affecting those to whom we are responsible both inside and outside our Company. Objective business decisions incorporating this yardstick have been responsible in the past for Ford's withdrawal from four of the eight Latin American countries in which we have had operations. Because of the time, resources and risk involved such decisions are subjected to constant corporate review.

In Ford's case, such assessments look at each national company's goals and operations separately and then, as complementary parts of changing global patterns of automotive manufacture and trade. Increasingly, investment and a manufacturing presence in Latin American countries have become preconditions to market access for many foreign companies. So long as profitability or market potential warrant, the Company will usually choose to maintain its foreign investment. In the four nations (Mexico, Venezuela, Argentina and Brazil) in which we maintain an active Ford presence today, our investment represents a confirmation of our belief in each country's ability to provide profits, growth and a favorable business environment.

As Congress considers the direction of American policy for Latin America, we hope members of the Joint Economics Committee will be mindful of the role that automotive-related manufacturing and commerce play in Brazil and other countries of the region. We hope they will take note of the U.S. investment in the automotive sectors of Brazil and Mexico as well as the two-way flow of finished goods and components between the U.S. and its neighbor-nations to the south.

By upgrading the technological sophistication, mobility and wealth-generating capabilities of these developing nations, the auto industry has joined with other productive sectors to strengthen their independence, economic autonomy and political stability. Whether these advances will be sufficient to transform Latin America's long tradition of public cynicism and civic indifference into the economic benefits of peaceful democratic change remains to be seen.

* * *

GTE Corporation

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STATEMENT TO THE JOINT ECONOMIC COMMITTEE

ON

THE ECONOMIC IMPORTANCE OF LATIN AMERICA TO THE U.S.

May 22, 1990

I am pleased to have the opportunity to submit the following statement regarding GTE's views on Latin America. The Joint Economic Committee's hearings on this subject are timely and serve to highlight the long-standing interest in, and commitment to, the Latin American region by GTE and other U.S. corporations.

Perspective on Latin America

Latin America continues to be an increasingly significant market for GTE Corporation.

GTE subsidiaries worldwide operate within one of three core businesses -- telecommunications, lighting and precision materials. Eleven GTE subsidiaries, representing each of these three core businesses, currently have operations or do business with customers in 16 Latin American countries and Puerto Rico.

GTE's largest single operation in Latin America is Companiä Dominicana de Telefonos, which provides public telephone service to the Dominican Republic and employs more than 5,800 persons.

Other GTE units operate 10 manufacturing facilities in eight countries as well as six plants in Puerto Rico. In addition, GTE businesses maintain 16 marketing offices in eight Latin American countries and sell to customers in six other countries as well as Puerto Rico. Total GTE employment in 13 Latin American countries is over 10,000 plus some 680 persons in Puerto Rico.

Further, GTE units have significant interests in, but own 50 percent or less of, production facilities in Mexico, Venezuela and Argentina.

GTE's combined interests in Latin America generate annual revenues of almost $400 million -- almost 15 percent of the corporation's total revenues from non-U.S. operations for 1989.

To recognize the importance of Latin America for GTE and to demonstrate the its faith in the future of the region, the corporation recently donated $250,000 in cash and equipment to aid economic and telecommunications redevelopment efforts in Panama. The contribution was made through the Caribbean Telecommunications Council and TechnoServ, a U.S.-based economic relief organization serving Africa and Latin America.

Positive Trends

GTE's optimism and interest in Latin America is based upon a number of encouraging trends.

Many Latin American countries are moving steadily toward solid economic and political reforms with increased emphasis on the advantages of capitalism. This creates opportunities within each of GTE's three core businesses.

At the same time, Latin American governments are realizing the importance of modern telecommunications in strengthening their countries' positions in the global marketplace.

This realization has prompted moves to privatize government-owned telecommunications operations. Privatization would speed modernization of the infrastructure and improve domestic and international services, while reducing the drain on government treasuries.

Growth Potential

GTE is enthusiastic about the business potential of Latin America. It is actively seeking acquisitions, joint venture and other opportunities within its three core businesses throughout the region.

For example, GTE Telephone Operations is seriously exploring acquisition and joint venture opportunities in Latin America, including the possibility of investing in Mexico's telephone company. In addition, GTE Mobile Communications recently pursued the opportunity to provide cellular mobile telephone service in Mexico.

In addition, GTE sees opportunities for "add-on businesses" that address customer requirements for information services applications and industry-specific telecommunications products and services.

However, there also are opportunities in Latin America within GTE's other core businesses. In Argentina, for example, the International Lighting Division of GTE Electrical Products is investing $6.7 million in a fluorescent and incandescent glass making facility. The plant is scheduled to be completed by late June, and production is scheduled to begin during the third of quarter of 1990.

The need to upgrade the telecommunications infrastructures of less developed Latin American countries also presents significant opportunities for business growth.

Internal GTE estimates indicate that new business opportunities in Latin America, if realized, could generate more than $3 billion annually in additional revenues. Internal GTE estimates also place potential annual growth rates in these countries between 20 and 40 percent for telecommunications products and services. Further, the profit potential for telecommunications businesses in the region is estimated at over 5 percent annually.

However, the support of the U.S. Government is critical if U.S. firms are to remain competitive in the region and U.S.-Latin American economic ties further strengthened. This support can take the form of trade missions, technical cooperation programs and access to competitive export financing, to name just a few. At the same time, the U.S. must take care not to damage U.S. interests and activities in Latin America through actions such as on-again, off-again export controls that give U.S. firms the image of unreliable suppliers.

In summary, GTE is pleased to have had the opportunity to participate in Latin America over the years and we look forward with renewed optimism to the expanding economic ties between the U.S. and the region.

SAMUEL F. SHAWHAN

Attachment I

GTE LATIN AMERICAN OPERATIONS

Business Unit Profiles

GTE TELEPHONE OPERATIONS

GTE Telephone Operations, headquartered in Irving, Texas, had 103,000 employees and revenues of over $12 billion in 1989.

GTE Telephone Operations provides local telephone service; markets, leases and sells telecommunications products and services; and supplies voice and data systems. Its markets include residential, business and government customers within franchise areas; business users of telecommunications products and systems outside franchise areas.

Compania Dominicana de Telefonos -- One of GTE's three international telephone operating companies. Based in Santo Domingo, the company serves the entire Dominican Republic over 300,000 access lines and employs more than 5,800 persons.

GTE TELECOMMUNICATIONS PRODUCTS AND SERVICES

Telecommunications Products and Services had 24,000 employees and revenues of almost $3 billion in 1989. The following units do business in Latin America:

GTE Information Services -- Headquartered in Tampa, Fla., this major GTE business group consists of the following businesses with interests in Latin America:

GTE Directories -- Sells Yellow Pages advertising and publishes telephone directories for GTE and independent telephone companies in 41 states and 11 countries, annually publishes more than 1,100 directories.

GTE Telecom -- Focuses on the engineering, design, implementation, and management of large, complex, multi-vendor communications systems for major industry, government and special events applications.

GTE Telecommunication Services -- Delivers specific, comprehensive, integrated information management products and services for the cellular and telecommunications industries nationwide.

GTE Spacenet -- Based in McLean, VA., it provides diversified telecommunications services and systems for business, news organizations and government agencies worldwide; private networks for data, video and voice communications; and U.S. and international earth station systems.

GTE ELECTRICAL PRODUCTS

GTE Electrical Products, headquartered in Danvers, Mass., had 28,000 employees and sales of over $2 billion in 1989. It consists of the following units that do business in Latin America:

International Lighting Division -- Manufactures lighting products and fixtures in 13 countries, and markets them throughout Canada, Europe, Latin America, and the Far East.

GTE Precision Materials -- Danvers, Mass., has four divisions:

Chemical and Metallurgical Division -- Worldwide supplier of refractory metal materials, phosphors and wire products.

Electronic Components and Materials Division -- Produces a broad range of precision components, assemblies and electronic interconnect devices.

Special Products Division -- Produces protectors, quartz crucibles, PBN products, process heaters, brazing alloys and advanced ceramics.

Valenite Corporation -- Manufactures cutting-tool inserts, machining systems and other high-performance products for the metal-cutting industry.

Allan K. Petersen
Area Vice President
Latin America

3M

Statement by 3M for Joint Senate/House Economic Committee

I welcome this opportunity to present 3M's views on the importance of Latin America to our company and to the economic well-being of the Western Hemisphere, including the United States.

3M has operated wholly-owned subsidiaries in Latin America since 1951. We presently operate in 16 countries (plus Puerto Rico) and have manufacturing or converting operations in 13 of them. We employ over 7,000 people in the area.

Our Latin American operations, though they comprise less than 10 percent of 3M's global sales, are growing, are profitable and are contributing to 3M's strong global results. Our share of market in some Latin American countries exceeds that in the U.S. on several product lines.

One in six 3M jobs in the U.S. is owed to our overseas operations, and last year our company exported over $1 billion of 3M products to customers outside the U.S. Our operations in Latin America helped to make this possible.

What 3M has accomplished in Latin America, other companies can do as well.

Because of our success, we continue to invest in our operations in the area. 3M Mexico has recently begun construction of a second manufacturing site, and similar capital investments are underway in Brazil and Chile, among other locations.

The Latin American economy is closely linked to the U.S. and North American economies. Much of the U.S. trade deficit in recent years (as is pointed out by Peter Drucker) results from deteriorating economic conditions in Latin American countries that formerly were among U.S. manufacturers' best foreign customers. (In many Latin American countries, U.S. exports historically have accounted for half or more of manufactured goods imports.)

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The trade deficit will not be eliminated by increasing exports to Europe and the Asia Pacific area alone. Latin America -- along with Canada -- should, geographically and geopolitically, be America's largest trading partner.

3M is of course investigating investment opportunities in the Eastern Bloc, but in my opinion Latin America poses better business prospects short-term. That is because (among other reasons) Latin America has a surplus of food and raw materials and an excellent supply of trained professionals accustomed to operating in free economies. It also has closer ties to the United States, even if these relationships have not always been benign.

Most important, Latin America has plenty of capital, so long as it can be enticed back from the overseas financial centers where it currently lies unused.

I urge members of Congress to support trade and economic policies that will encourage our Latin American neighbors to continue along the paths they are taking toward fiscal responsibility and market economies. It is in our country's best economic and security interests that this be done.

Finally, the emergence of popularly-elected governments throughout Latin America is no less noteworthy than similar events taking place in Eastern Europe today. It deserves our wholehearted and enthusiastic support.

Allan K. Petersen

Allan K. Petersen
Area Vice President, Latin America

5/14/90

Johnson & Johnson

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STATEMENT BY JOHNSON & JOHNSON

TO THE JOINT SENATE/HOUSE ECONOMIC COMMITTEE

MAY 29, 1990

Johnson & Johnson is pleased to submit for the Record our comments on some of the problems, opportunities and recent events in Latin America that impact upon U.S. economic and political policy as well as initiatives of the private sector. We commend the Joint Senate/House Economic Committee for focusing on this region which is vitally important to U.S. strategic and commercial interests.

Johnson & Johnson has a long established history in Latin America. We have been established in the region in some countries as far back as the early 1930's and today operate in all of the major Latin America and Caribbean markets. The majority of our companies in the region are wholly owned subsidiaries of Johnson & Johnson and they manufacture locally in almost all markets. Our product categories are in the broad health care field divided into three sectors: consumer, pharmaceutical and professional. We employ over 7,960 employees in our Latin American and Caribbean operations and under our philosophy of decentralization, the local general managers are either nationals or third country nationals of each country.

Our operating business philosophy is to encourage the growth of democracies, stable economies, to the extent possible, by prudent investment in job creating activity. We support U.S. policies and initiatives promoting the lowering of tariff barriers, encouraging growth of regional trading blocs, debt equity swaps where appropriate and privatization of stateheld enterprises and return of badly needed Latin flight capital now deposited overseas.

The region has seen a great number of favorable political changes in recent years, the majority of which espouse democratic principles as they move away from strongman or military junta governments. However, the political changes have not been easy, in many cases have been costly, and reflect the frustrations of a populace burdened with the multiple problems of an awesome debt burden and rampant inflation.

We encourage the Joint Senate/House Economic Committee to promote those kinds of policies that foster greater trade liberalization, commercial and infrastructural development, employment growth and debt reduction in Latin America. At the same time, as a health care company, we support the Administration's initiatives in helping many of our Latin neighbors in the war against drugs and the threat of narco-terrorism.

As a broad generalization, almost all of the region's governments face several common economic problems, generally declining GDPs with the exception of Chile, severe currency devaluations, high inflation, ongoing capital flight which dries up investment and job creation, high interest rates, diminished government and consumer buying power and lowered standards of living, which lead to problematical business conditions. Perhaps the Brady plan may open the door as a constructive initiative on the debt problem as a first step toward turning these economies around.

Johnson & Johnson strongly urges the Congress to rekindle interest in and refocus your attention on our Latin neighbors in an effort to help them solve these common problems. We are encouraged by Congress's intent to strengthen and extend the Caribbean Basin Initiative which has many economic and trade benefits for the 22 countries in that sector. An equally enlightened policy toward Latin America would be supported by the U.S. private sector in most cases. It would make a significant statement toward reaffirming the U.S.'s longstanding commitment to our neighbors in the Western Hemisphere.

John E. Avery
Company Group Chairman
Johnson & Johnson

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