Latin America offers tremendous opportunity as a source of new inbound and outbound trade growth for the Alliance Region and the rest of the country. The objective of the LATTS trade forecast analyses was to characterize the size and composition of these trade flows and to give some indication of how much bigger they could become by the year 2020. The forecasts produced by LATTS are for trade flowing through the gateways of the Southeastern Alliance Region, between the U.S. and Latin America, Asia, Europe, and the rest of the world. In keeping with the focus of this study, the greatest detail is available for Latin America.

Two scenarios were adopted for purposes of these analyses.

▶ The "Base Case" forecast assumed a continuation of recent trends and conditions until 2020.

▶ The "High Case" assumed that significant events could occur which would result in even greater trade with Latin America. These events could include:
  B Increased liberalization of trade, e.g., a Western Hemisphere Free Trade Agreement.
  B Higher economic growth trends for Latin America and/or the United States.
  B Changes in U.S. policies regarding trade with Cuba.

BASE CASE TRADE FORECAST

The Base Case forecast for trade flows between the United States, world regions, and Latin American countries used in this study is consistent with Standard & Poor's DRI's global economic outlook as of the Spring of 1998.

The Base Case outlook forecast inbound and outbound trade flows, in metric tons, by water, cross-border, and air for STCC based commodities. The trade flows were generated for Latin American countries and regions, and several other world regions both to and from the Southeastern Alliance gateways. To ensure a comprehensive measure of trade volumes handled at U.S. gateways, in-transit flows were also forecast at the same level of detail as the domestic flows.

A key source of information used in developing these forecasts was the DRI/Mercer World Sea Trade Service (WSTS). This service provides invaluable information to managers of international shipping services, port and transportation planners, governments and government agencies, and port authorities and other organizations whose futures are tied to the patterns of international trade.

WSTS integrates DRI's world trade databases and economic and trade models with Mercer's long-standing experience in world primary- and liner- shipping markets, to produce detailed historical data and forecasts of cargo movements for major trade routes around the world. The service is updated quarterly and summary results are published along with articles of interest in the World Sea Trade Service Review. The forecast used for this study was prepared in the first quarter of 1998.

The commodity set reported by WSTS was correlated with the STCC commodities used in this study. WSTS directly forecasts trade with Brazil, Argentina, and Mexico. For the other countries, specific forecasts were developed. The trade forecasts for these countries are consistent, on a regional basis, with the WSTS outlook for the Other Caribbean Nations, Western Latin America Countries, and Other Eastern Latin American Countries. Country specific forecasts were developed based on national differences in export, import, and GDP forecasts for each country relative to the WSTS region to which it belongs. All other countries and region's waterborne trade flows were derived directly from WSTS.

WSTS was used to forecast waterborne trade flows. Air and cross-border transportation flow forecasts were developed based on three factors:

▶ The waterborne forecast for the commodity corridor;

▶ The observed difference (1992 to 1996) between air/cross-border and waterborne trade growth trends for a commodity;

▶ A time trend that reduces the influence of the observed difference in trade growth by mode of transport as the forecast progresses.

This approach based air and cross-border commodity corridor flows on the waterborne forecasts. It also preserved observed shifts in modal shares but prevented them from changing too radically from current patterns by 2020. Goods not currently moving by a given mode in a specific commodity corridor were not predicted to move by that mode over the forecast interval.

Latin America in World Context

These analyses revealed that Latin America will remain the largest regional destination and origin for Southeastern Alliance gateway trade over the forecast period. By 2020, U.S. exports to Latin America through the Southeastern Alliance will be 341 million metric tons (MT), while imports will be 590 million MT. More than half of imports by volume will be crude oil. Total imports excluding crude oil will be 257 million MT in 2020. Regional comparisons of trade volume in 2020 are displayed in **Exhibit B2-1** and **B2-2**.

Latin American trade through the Southeastern Alliance gateways will also experience the fastest growth among world regions. Average annual growth

rates of exports will be 5.3% from 1996-2020, while imports will grow at a rate of

Exhibit B2-1
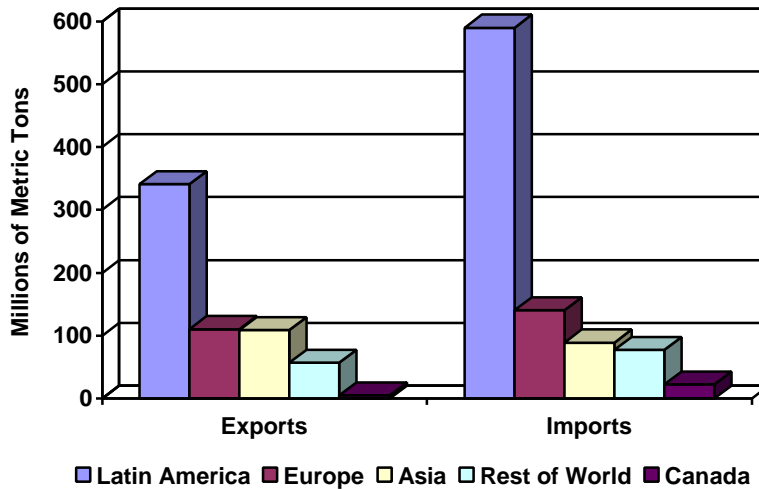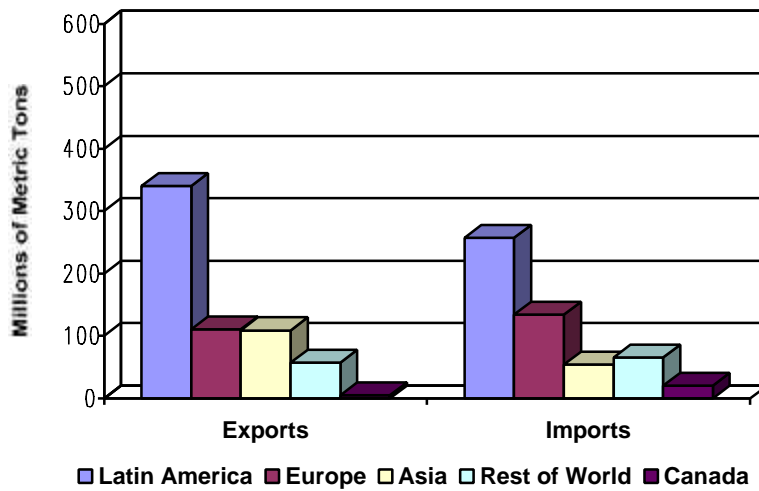**SOUTHEASTERN ALLIANCE GATEWAY BASE CASE FORECAST IN 2020**

Exhibit B2-2
SOUTHEASTERN ALLIANCE GATEWAY BASE CASE FORECAST IN 2020
EXCLUDING CRUDE OIL AND NATURAL GAS

3.8% per year. Excluding oil, however, Latin America drops to second place in growth rates, at an annual rate of growth of 4.0%. Total Asian imports through the Southeastern Alliance are forecast to decline at a rate of 4.0% per year, as oil sources switch from Asia to Latin America.   Growth in Asian imports excluding oil were forecast to grow at a rate of 4.8%. The fastest growth in volume imports excluding oil will occur from Europe, at 7.1% from 1996-2020.

Trade Overview

The distribution of trade forecast for 2020 resembles the situation in 1996. As can be seen in **Exhibit B2-3**, Mexico will continue to account for the majority of U.S. exports to Latin America through the Southeastern Alliance gateways. In fact, its share of exports will rise from 52% in 1996 to 63% in 2020. Brazil will remain the second largest destination for exports. Colombia, with a rapid annual average growth rate of 5.7% through 1996-2020, will account for the third largest share of exports in 2020.

There will be a shift in the dominant mode of transportation of goods to Latin America. In 1996, seaborne trade represented nearly 60% of exports. By 2020, because of the rapid growth in exports to Mexico, cross-border trade will account for 56% of exports, and water-borne exports will fall to 44%. While airborne exports will remain a small share of exports by volume, their growth will be extremely rapid—over 10% annually. Over the next 24 years, the total volume of airborne exports will rocket from 163,600 MT to 1.6 million MT.

Differentials in commodity rates of growth will also cause a shift in international transportation modes. A summary of the commodity forecast is displayed in **Exhibit B2-4**.

By volume, the largest commodity group exported in 2020 will continue to be primary goods. However, exports of manufactured goods will grow so rapidly that their volume will nearly equal that of primary manufactured exports by 2020. In all, total volume of exports to Latin America will be 3.4 times as large in 2020 as in 1996. Manufactured export volumes, in contrast, will be more than 5 times greater in the same period. **Exhibit B2-5** graphically displays the growth of the basic commodity exports.

As in 1996, Mexico will continue to dominate imports from Latin America in 2020 as well, accounting for 48% of import volume. The relative ranking of other countries will remain similar, with a few notable exceptions. As noted in **Exhibit B2-6**, imports from the group Other Caribbean Islands are forecast to actually decrease. This is primarily due to a decline of imports of petroleum products from this region. Imports from the Bahamas and Jamaica are also forecast to decline, as imports of metallic ores fall from this region. On the other hand, imports from Chile are expected to grow more rapidly than all other countries, with an average annual growth rate of 7.3% over the 1996-2020 period.
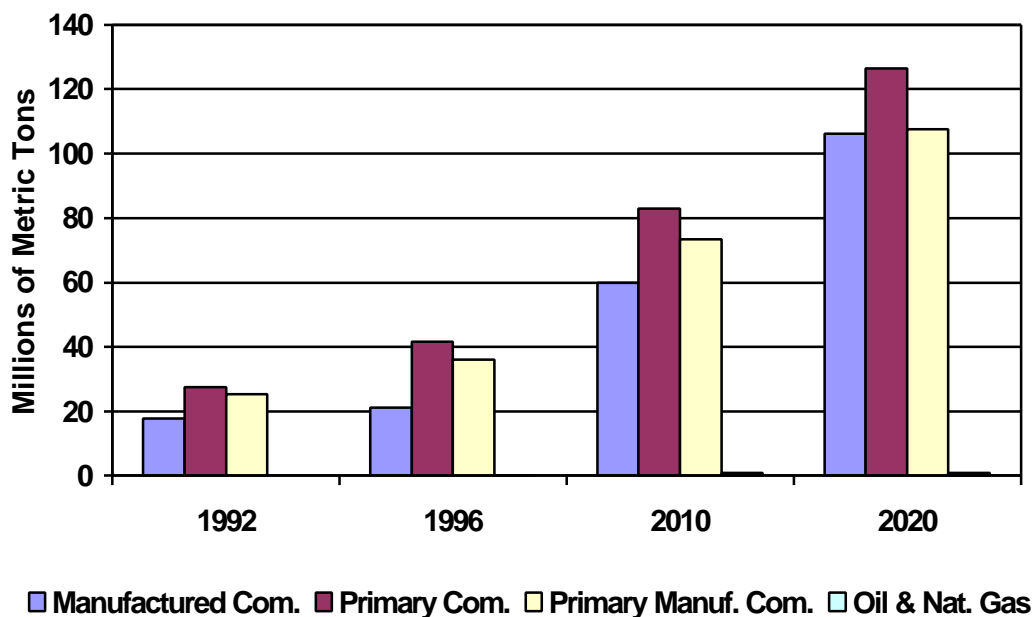
Exhibit B2-3
SOUTHEASTERN ALLIANCE GATEWAY EXPORTS TO LATIN AMERICA
BASE CASE FORECAST, METRIC TONS

Destination	1996	2010	2020	Average Annual Growth 92-96	Average Annual Growth 96-20
Latin America	**98,885,602**	**217,039,012**	**340,912,256**	**8.8%**	**5.3%**
Argentina	2,268,525	5,542,469	8,725,506	15.2%	5.8%
Bahamas & Jamaica	4,126,036	5,401,815	6,365,710	1.9%	1.8%
Bolivia	31,092	61,525	94,338	16.9%	4.7%
Brazil	10,851,376	16,862,942	24,394,136	6.8%	3.4%
Chile	2,686,576	4,722,995	7,572,099	16.7%	4.4%
Colombia	4,530,075	8,910,818	17,033,362	15.5%	5.7%
Cuba	61,305	68,192	89,000	8.4%	1.6%
Dominican Republic	2,550,369	5,103,361	7,302,893	4.1%	4.5%
Ecuador	1,187,841	2,272,223	3,721,449	12.3%	4.9%
Guyana, Suriname, French Guiana	592,974	1,272,611	1,774,079	1.4%	4.7%
Haiti	768,262	1,418,995	1,812,349	12.0%	3.6%
Mexico	51,707,658	132,077,557	215,114,496	11.4%	6.1%
Panama	1,753,150	2,675,329	3,804,070	2.0%	3.3%
Paraguay	69,359	168,112	273,157	29.3%	5.9%
Peru	1,561,749	3,098,856	5,138,733	8.9%	5.1%
Uruguay	236,985	376,747	575,924	11.7%	3.8%
Venezuela	4,238,707	10,614,734	16,632,803	- 1.9%	5.9%
Other Caribbean Islands	3,369,017	5,274,853	6,794,218	4.4%	3.0%
Other Central America	6,294,550	11,114,865	13,693,941	4.7%	3.3%

Exhibit B2-4
SOUTHEASTERN ALLIANCE GATEWAY EXPORTS TO LATIN AMERICA
BASE CASE FORECAST, METRIC TONS

Commodity	1996	2010	2020	Average Annual Growth 92-96	Average Annual Growth 96-20
Total All Commodities	**98,885,602**	**217,039,012**	**340,912,256**	**8.8%**	**5.3%**
Manufactured Commodities	21,052,288	59,829,933	106,138,559	4.2%	7.0%
Primary Commodities	41,714,220	82,966,092	126,340,816	10.9%	4.7%
Primary Manufactured Commodities	36,034,944	73,354,067	107,543,909	9.3%	4.7%
Crude Oil and Natural Gas	84,152	888,913	888,970	53.9%	10.3%

Exhibit B2-5
SOUTHEASTERN ALLIANCE GATEWAY EXPORTS TO LATIN AMERICA
BASE CASE FORECAST -- 1992-2020

■ Manufactured Com. ■ Primary Com. □ Primary Manuf. Com. □ Oil & Nat. Gas

Exhibit B2-6
SOUTHEASTERN ALLIANCE GATEWAY IMPORTS FROM LATIN AMERICA
BASE CASE FORECAST, METRIC TONS

Origin	1996	2010	2020	Average Annual Growth 92-96	Average Annual Growth 96-20
Latin America	**241,036,076**	**403,853,781**	**590,229,000**	**12.2%**	**3.8%**
Argentina	3,433,814	4,326,016	6,348,379	12.0%	2.6%
Bahamas & Jamaica	8,164,104	4,692,026	4,891,365	- 3.8%	- 2.1%
Bolivia	56,289	138,821	256,369	85.4%	6.5%
Brazil	11,299,131	22,403,666	34,791,506	20.1%	4.8%
Chile	1,397,031	3,959,407	7,506,106	13.5%	7.3%
Colombia	15,413,035	26,799,795	42,281,612	13.1%	4.3%
Cuba	9,159	9,243	12,683	10.7%	1.4%
Dominican Republic	718,346	1,428,517	2,098,862	6.2%	4.6%
Ecuador	4,707,453	7,301,977	10,245,129	27.4%	3.3%
Guyana, Suriname, French Guiana	1,651,698	2,009,073	2,356,077	- 0.4%	1.5%
Haiti	30,617	55,348	73,786	- 4.2%	3.7%
Mexico	98,536,416	190,323,710	285,924,105	16.3%	4.5%
Panama	408,345	428,576	605,720	7.8%	1.7%
Paraguay	38,673	84,208	145,294	120.4%	5.7%
Peru	1,210,074	2,085,349	2,960,689	19.9%	3.8%
Uruguay	63,971	94,128	134,188	23.3%	3.1%
Venezuela	66,346,218	120,512,557	169,336,895	9.1%	4.0%
Other Caribbean Islands	23,311,279	10,665,924	12,198,010	11.3%	- 2.7%
Other Central America	4,240,433	6,535,422	8,062,217	2.7%	2.7%

In 1996, U.S. imports from Latin America were overwhelmingly seaborne, both including and excluding crude oil imports. As with exports, imports by cross-border and air transportation will grow much more rapidly than water, at 6.2% and 6.5% respectively. Excluding oil imports, the share of trade that is waterborne will fall from 72.8% in 1996 to 55.2% in 2020, while cross-border imports will rise from 26.8% to 44.2% of total imports. In other words, cross-border imports are expected to rise to more than 4 times current levels under the Base Case forecast. Air imports also will rise by more than 4 times current levels, from 372,000 MT to 1.69 million MT in 24 years.

Commodity forecasts are displayed in **Exhibit B2-7** and **Exhibit B2-8**. The share of crude oil in Latin American imports will fall slightly by 2020, accounting for 56% in that year. Manufactured commodities will again experience the fastest growth under the Base Case forecast, rising at an annual average rate of 7.3%. In total, import volumes are expected to be 2.4 times higher in 2020 than in 1996. Manufactured imports are forecast to be 5.5 times higher in the same time frame.

Exhibit B2-7
SOUTHEASTERN ALLIANCE GATEWAY IMPORTS FROM LATIN AMERICA
**BASE CASE FORECAST, METRIC TONS**

Commodity	1996	2010	2020	Average Annual Growth 92-96	Average Annual Growth 96-20
Total All Commodities	**241,036,076**	**403,853,781**	**590,229,000**	**12.2%**	**3.8%**
Manufactured Commodities	15,186,956	43,244,039	83,046,906	14.1%	7.3%
Primary Commodities	34,894,318	59,360,811	89,410,202	7.4%	4.0%
Primary Manufactured Commodities	50,490,101	60,520,434	84,936,556	10.7%	2.2%
Crude Oil and Natural Gas	140,464,704	240,728,496	332,835,296	13.9%	3.7%

HIGH CASE TRADE FORECAST

A High Case forecast was developed to illustrate the impact of more favorable trade conditions in Latin America on trade flows with the United States. It is based on a scenario of fully liberalized trade and investment flows in the Western Hemisphere. While a certain degree of trade liberalization was assumed in the Base Case forecast, the High Case scenario incorporated a much more rapid and comprehensive move to free trade and investment.

High Case assumptions focused on the possible increase in both inbound and outbound traffic for each country and commodity. The increase was also assumed to depend on time. Trade liberalization was assumed to have an impact starting in the year 2000, becoming more pronounced in the second decade than the first.

Exhibit B2-8
SOUTHEASTERN ALLIANCE GATEWAY IMPORTS FROM LATIN AMERICA
BASE CASE FORECAST
1992-2020
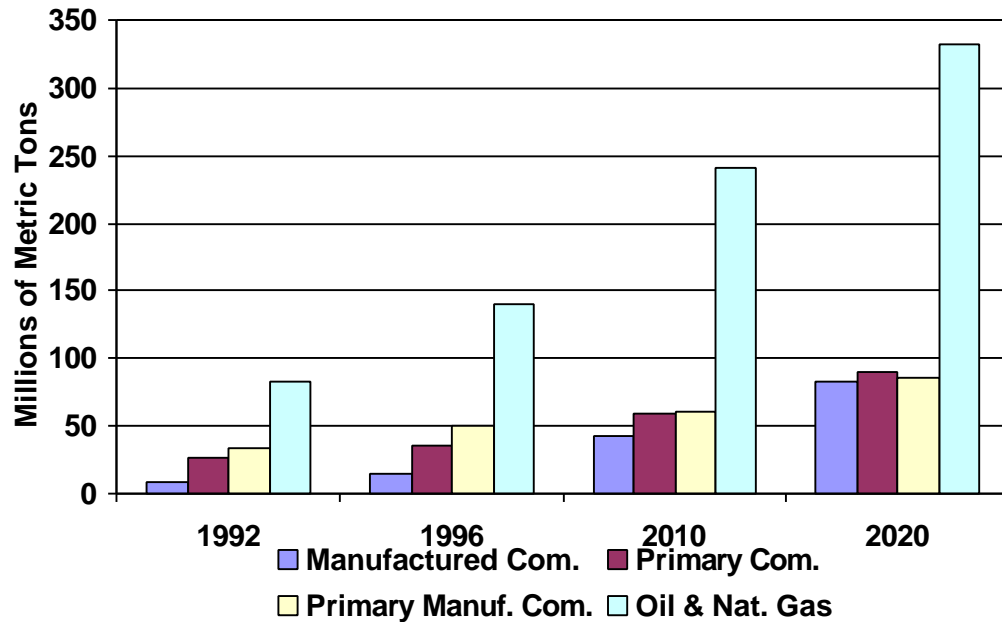
Trade flows with Cuba were handled uniquely. The High Case assumed that trade with Cuba would have been normalized in the year 2000. Inbound and outbound trade flows were forecast to rise very rapidly from existing levels (on a per capita basis) to levels expected in countries with similar incomes, natural resources, and domestic demand conditions in the region. Cuba was also expected to benefit significantly from the return of offshore capital, which would be used to finance U.S. exports to Cuba.

Forecast Results

U.S. exports to Latin America through the Southeastern Alliance were forecast to grow at an annual rate of 6.6% under the full trade liberalization scenario. This is more than 25% faster than under the Base Case forecast. With High Case assumptions, the volume of exports in 2020 will be 34% higher than the 2020 volume under the Base Case. Latin American country and commodity details are shown in **Exhibit B2-9** and Exhibit **B2-10**.

Exhibit B2-9
SOUTHEASTERN ALLIANCE GATEWAY EXPORTS TO LATIN AMERICA
HIGH CASE FORECAST, METRIC TONS

Destination	1996	High: 2010	High: 2020	High: Average Annual Growth 96-20	% Difference from Base in 2020
Latin America	**98,885,602**	**249,281,819**	**457,267,948**	**6.6%**	**34.1%**
Argentina	2,268,525	6,451,018	12,776,155	7.5%	46.4%
Bahamas & Jamaica	4,126,036	6,007,563	8,356,961	3.0%	31.3%
Bolivia	31,092	69,762	129,420	6.1%	37.2%
Brazil	10,851,376	19,689,440	35,998,109	5.1%	47.6%
Chile	2,686,576	5,517,308	11,109,829	6.1%	46.7%
Colombia	4,530,075	9,516,832	20,195,985	6.4%	18.6%
Cuba	61,305	8,471,690	12,626,550	24.9%	14,087.1%
Dominican Republic	2,550,369	5,674,151	9,596,087	5.7%	31.4%
Ecuador	1,187,841	2,398,395	4,293,522	5.5%	15.4%
Guyana, Suriname, French Guiana	592,974	1,370,763	2,150,029	5.5%	21.2%
Haiti	768,262	1,526,234	2,202,128	4.5%	21.5%
Mexico	51,707,658	144,815,538	273,799,518	7.2%	27.3%
Panama	1,753,150	2,834,588	4,465,489	4.0%	17.4%
Paraguay	69,359	183,500	342,873	6.9%	25.5%
Peru	1,561,749	3,453,418	6,764,402	6.3%	31.6%
Uruguay	236,985	447,384	875,039	5.6%	51.9%
Venezuela	4,238,707	11,841,372	21,940,618	7.1%	31.9%
Other Caribbean Islands	3,369,017	6,118,502	9,826,480	4.6%	44.6%
Other Central America	6,294,550	12,894,362	19,818,748	4.9%	44.7%

Exhibit B2-10
SOUTHEASTERN ALLIANCE GATEWAY IMPORTS FROM LATIN AMERICA
HIGH CASE FORECAST, METRIC TONS

Origin	1996	High: 2010	High: 2020	High: Average Annual Growth 96-20	% Difference from Base in 2020
Latin America	**241,036,076**	**426,062,372**	**681,643,141**	**4.4%**	**15.5%**
Argentina	3,433,814	4,551,535	7,265,864	3.2%	14.5%
Bahamas & Jamaica	8,164,104	5,056,939	5,984,510	-1.3%	22.4%
Bolivia	56,289	150,838	330,281	7.7%	28.8%
Brazil	11,299,131	25,922,085	50,130,779	6.4%	44.1%
Chile	1,397,031	4,564,440	10,856,431	8.9%	44.6%
Colombia	15,413,035	27,006,005	43,132,040	4.4%	2.0%
Cuba	9,159	2,364,015	3,614,912	28.3%	28,402.3%
Dominican Republic	718,346	1,627,870	2,903,338	6.0%	38.3%
Ecuador	4,707,453	7,373,744	10,521,871	3.4%	2.7%
Guyana, Suriname, French Guiana	1,651,698	2,144,034	2,814,052	2.2%	19.4%
Haiti	30,617	60,593	93,217	4.8%	26.3%
Mexico	98,536,416	198,990,801	329,908,894	5.2%	15.4%
Panama	408,345	459,400	730,542	2.5%	20.6%
Paraguay	38,673	90,040	174,208	6.5%	19.9%
Peru	1,210,074	2,202,251	3,428,301	4.4%	15.8%
Uruguay	63,971	110,308	198,647	4.8%	48.0%
Venezuela	66,346,218	123,507,852	180,220,713	4.3%	6.4%
Other Caribbean Islands	23,311,279	12,120,897	17,039,397	-1.3%	39.7%
Other Central America	4,240,433	7,758,730	12,295,129	4.5%	52.5%

All countries will experience faster growth under the High Case scenario. The six countries expected to gain the most from liberalization will have the highest gain in volume in 2020. Cuba's exports are forecast to be notably higher under free trade assumptions. The forecast methodology for Cuba resulted in total trade volumes increasing by 15870% in 2020, compared to Base Case forecasts of virtually no trade between Cuba and the U.S.

Manufactured commodities will experience the fastest gain over the Base Case forecast. By 2020, volumes of manufactured exports are forecast to be 42% higher than under the Base Case. In fact, these goods are very nearly the largest exports by volume under this scenario. Food products, apparel, electrical machinery, instruments, and miscellaneous manufacturing all were forecast to be 50% higher in 2020 under the full trade liberalization assumptions.

Air shipments will experience the fastest growth. Although airborne flows will still be a minor share of total exports by volume, the amount shipped by air will be 52% higher in 2020 under the High Case scenario. Waterborne exports will experience rapid growth as well, rising 44% above Base Case levels. Cross-border exports will be 27% higher in 2020.

Exhibit B2-11 and **Exhibit B2-12** report High Case forecasts for imports. Imports from Latin America will grow at an annual rate of 4.4% under High Case assumptions, compared to 3.8% under Base Case assumptions. The total import volume will be 16% higher in 2020 than under Base Case trade forecasts. Cuba again was forecast to experience spectacular growth under trade liberalization with the U.S., with imports growing at 28% per year.

Manufactured commodities again are forecast to experience the fastest growth under full trade liberalization. Volumes of manufactured imports in 2020 will be 43% higher than under the Base Case forecast. Food products, apparel, tobacco products, and miscellaneous freight will gain the most under free trade with Latin America.

It was assumed that crude oil and natural gas imports to the U.S. will not change under the High Case scenario of trade liberalization. For this reason, there is no percentage difference between the High Case forecast and the Base Case forecast in 2020.

As with exports, imports of goods by air will gain the most under the High Case forecast, rising to a volume of imports 49% higher in 2020 than in the Base Case trade forecast. However, cross-border imports are expected to gain more than waterborne imports. This results because the import commodities that are expected to gain the most under free trade are different from the export commodities most affected.

Exhibit B2-11
SOUTHEASTERN ALLIANCE GATEWAY EXPORTS TO LATIN AMERICA
HIGH CASE FORECAST, METRIC TONS

Commodity	1996	High: 2010	High: 2020	High: Average Annual Growth 96-20	% Difference from Base in 2020
Total All Commodities	**98,885,602**	**249,281,819**	**457,267,948**	**6.6%**	**34.1%**
Manufactured Commodities	21,052,288	71,167,755	151,038,008	8.6%	42.3%
Primary Commodities	41,714,220	92,143,560	157,465,448	5.7%	24.6%
Primary Manufactured Commodities	36,034,944	84,992,684	147,628,568	6.1%	37.3%
Crude Oil and Natural Gas	84,152	977,820	1,135,919	11.5%	27.8%

Exhibit B2-12
SOUTHEASTERN ALLIANCE GATEWAY IMPORTS FROM LATIN AMERICA
HIGH CASE FORECAST, METRIC TONS

Commodity	1996	High: 2010	High: 2020	High: Average Annual Growth 96-20	% Difference from Base in 2020
Total All Commodities	**241,036,076**	**426,062,372**	**681,643,141**	**4.4%**	**15.5%**
Manufactured Commodities	15,186,956	51,190,560	118,890,149	9.0%	43.2%
Primary Commodities	34,894,318	65,850,808	116,402,988	5.2%	30.2%
Primary Manufactured Commodities	50,490,101	68,229,013	113,426,552	3.4%	33.5%
Crude Oil and Natural Gas	140,464,704	240,792,016	332,923,424	3.7%	0.0%

SENSITIVITY ANALYSIS

As discussed, the High Case illustrates the impact of more favorable trade conditions on Latin American trade flows with the United States. Three additional scenarios were generated to examine the impact of changing some of the parameters used to determine the High Case.

A brief economic rationale was developed to support each of the scenarios generated by this sensitivity analysis. The rationale were strictly for expositional purposes and were not intended to imply that a comprehensive analysis was undertaken regarding the impact of each scenario. The first scenario considered a less optimistic trade outlook for Brazil than was envisioned in the High Case. The second scenario assumed that trade liberalization efforts would be less effective than the High Case scenario, while the third scenario assumed that Latin American transportation infrastructure will not be improved as rapidly as in the High Case. It should be noted that all three simulations considered higher levels of trade activity than the Base Case but that the level of activity possible in the High Case was constrained in some way. Effects of these alternative scenarios on the trade forecasts are compared in **Exhibit B2-13** and **Exhibit B2-14**.

Exhibit B2-13
COMPARISON OF HIGH CASE SCENARIOS
SOUTHEASTERN ALLIANCE GATEWAY EXPORTS TO LATIN AMERICA

Commodity	Annual Average Growth 96-20				
	Base	High Case	Brazil Scenario	Liberalization Scenario	Infrastructure Scenario
Total All Commodities	**5.3%**	**6.6%**	**6.1%**	**6.2%**	**6.1%**
Manufactured Commodities	7.0%	8.6%	8.1%	8.2%	8.0%
Primary Commodities	4.7%	5.7%	5.2%	5.4%	5.3%
Primary Manufactured Commodities	4.7%	6.1%	5.6%	5.7%	5.5%
Crude Oil and Natural Gas	10.3%	11.5%	10.9%	11.5%	11.0%

Commodity	% Difference from Base in 2020				
	Base	High Case	Brazil Scenario	Liberalization Scenario	Infrastructure Scenario
Total All Commodities	**0.0%**	**34.1%**	**21.2%**	**23.9%**	**20.7%**
Manufactured Commodities	0.0%	42.3%	29.3%	30.7%	26.1%
Primary Commodities	0.0%	24.6%	12.0%	16.9%	14.9%
Primary Manufactured Commodities	0.0%	37.3%	24.1%	25.5%	22.3%
Crude Oil and Natural Gas	0.0%	27.8%	13.9%	27.8%	15.6%

Exhibit B2-14
COMPARISON OF HIGH CASE SCENARIOS
SOUTHEASTERN ALLIANCE IMPORTS FROM LATIN AMERICA

Commodity	Annual Average Growth 96-20				
	Base	High Case	Brazil Scenario	Liberalization Scenario	Infrastructure Scenario
Total All Commodities	**3.8%**	**4.4%**	**4.2%**	**4.2%**	**4.2%**
Containerizable Commodities	7.3%	9.0%	8.5%	8.5%	8.4%
Bulk Commodities	4.0%	5.2%	4.7%	4.8%	4.7%
Break Bulk Commodities	2.2%	3.4%	3.0%	3.1%	2.9%
Crude Oil and Natural Gas	3.7%	3.7%	3.7%	3.7%	3.7%

Commodity	% Difference from Base in 2020				
	Base	High Case	Brazil Scenario	Liberalization Scenario	Infrastructure Scenario
Total All Commodities	**0.0%**	**15.5%**	**9.8%**	**10.5%**	**9.0%**
Containerizable Commodities	0.0%	43.2%	29.4%	30.3%	25.8%
Bulk Commodities	0.0%	30.2%	17.7%	19.5%	17.1%
Break Bulk Commodities	0.0%	33.5%	20.5%	22.7%	19.0%
Crude Oil and Natural Gas	0.0%	0.0%	0.0%	0.0%	0.0%

Note: Due to the assumption that crude oil and natural gas imports will not change under trade liberalization, neither the High Case nor alternative scenario forecasts differ from the Base Case.

Weak Brazilian Growth

Brazil has the largest economy in Latin America. High Case forecasts for Brazil indicate the economy should grow at 4.1% between 1996 and 2020. Brazilian economic performance is not, however, assured and any number of factors could reduce this level of activity. Any reduction in Brazil's economic activity would have widespread repercussions for the other countries in the region. This first scenario examining the sensitivity of the High Case results assuming that a smaller increase in country specific trade activity would take place than what was embodied in the High Case outlook.

Slower economic activity in Brazil will drop U.S. exports to this region from 5.1% per year in the High Case, to 4.7% annually, while import growth will fall from 6.4% to 6.0%. Many of the other major economies in Latin America also will slow their growth in trade with the U.S., particularly Mercosur countries and Mexico. In all, exports to Latin America will slow from 6.6% annual growth to 6.1% annual growth, and imports from Latin America will drop from 4.4% to 4.2% per year. Compared to other alternative scenarios, the effect of this scenario is a moderate reduction from the High Case. The exception is exports of primary commodities; growth for this commodity group will be reduced the most under this scenario. Trade in 2020 will be only two-thirds the projected volumes traded under the High Case.

Slower Trade Liberalization

The efficacy of trade liberalization efforts in the region over the next decade will have a bearing on the volume of trade that can be expected in the High Case. This second scenario examined the sensitivity of the High Case results to less optimistic assumptions for trade liberalization in the region and considered a smaller increase in commodity specific trade activity than was embodied in the High Case outlook.

Of the three scenarios, slower trade liberalization will dim the High Case scenario the least. Exports will fall from 6.4% annual growth under the High Case to 6.2%, while import growth will fall from 4.4% to 4.32% per annum. All countries will experience slower growth rates under this alternative scenario.

Slower Transportation Infrastructure Improvement

The volume of trade expected in the High Case can only be supported if transportation infrastructure in Latin America is improved significantly. If these improvements are delayed, specifically the privatization of port and railroads in Mexico and Brazil, bottlenecks will develop and trade in that region will fail to live up to its potential. The final scenario examined the sensitivity of the High Case results to a less pronounced rise in the time trend influencing trade than was embodied in the High Case outlook.

The slower transportation infrastructure improvement in Latin American countries has the potential to dampen growth the most from High Case projections. Exports in 2020 will be only 20.7% higher than the Base Case,

compared to 34.1% in the High Case forecast. Imports will be only 9% higher in 2020, two-thirds of the High Case forecast of 15.5% above Base Case levels. Inadequate infrastructure in Latin American economies will slow average annual growth in trade in each of the major economies by at least 0.5% per year.

MAJOR FINDINGS

The following are the major findings that resulted from the trade forecast analyses.

▶ Mexico's importance as a trading partner in Latin America will increase over the 24 year analyses period – from 44% of Latin American trade in 1996 to 54% in 2020 under the Base Case forecast.

▶ Manufactured goods – which have the highest value per ton and are the most easily transported in containers – will experience the fastest growth in both exports and imports. Total tonnage transported through the Southeastern Alliance will grow to more than five times its current levels by 2020.

▶ Due to the rapid growth in trade with Mexico, land transportation will increase in the share of total trade from 20% in 1996 to 33% in 2020.

▶ Under a High Case trade forecast, the volume of trade to Latin America through the Southeastern Alliance gateways will increase to 1.1 billion metric tons in 2020, 22% more than the Base Case forecast for 2020.