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Few Gains Attained at 14th MERCOSUR Summit

by LADB Staff
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Leaders of the Southern Cone Common Market (MERCOSUR) met in Ushuaia, capital of the Argentine province of Tierra del Fuego, July 23-24. Other than documents affirming their commitment to democracy and declaring the MERCOSUR region a "Peace Zone," the 14th MERCOSUR summit was more noteworthy for what it failed to do than for what it did.

MERCOSUR comprises Argentina, Brazil, Paraguay, and Uruguay, with Bolivia and Chile as associate members. It is the world's fourth-largest economic power, after the US, the European Union (EU), and Japan. The trade bloc has close to 200 million inhabitants in an area of 12 million sq km, and its US$1.1 trillion combined GDP accounts for 80% of South America's total GDP.

South African President Nelson Mandela was a special invited guest at the summit, the first time a foreign head of state has been invited. Brazil is South Africa's largest trading partner in South America, with two-way trade reaching more than US$424 million in 1997. Argentina, which has had diplomatic relations with South Africa for almost 100 years, also has growing trade ties, with two-way trade of US$250 million in 1997.

In his address, Mandela expressed interest in strengthening ties between his country and the region, while cautioning that globalization must not exclude the weakest nations. "Globalization is a phenomenon that we cannot deny," said Mandela. "All we can do is accept it." He said that, while globalization has advantages like making the economy more dynamic and promoting trade and investment, it also carries "the major risk of continuing to benefit the powerful at the expense of the weakest." MERCOSUR leaders said the political stability provided by their customs union had helped make the area the world's largest recipient of foreign investment and increased their ability to ride out the effects of the Asian financial crisis.

Argentine President Carlos Saul Menem, host of the meeting, told the group that in 1997 the region received US$25 billion in investment. "In their discussions, the presidents emphasized the large increase in foreign direct investment, which in a sense is the vote of confidence in the economies," Jorge Campbell, Argentina's secretary of economic relations and chief trade negotiator, told journalists.

Progress stalled on cars and sugar

Among the unfinished business was an agreement on automobile exports, scheduled for completion last April. MERCOSUR leaders postponed signing the agreement that they had hoped would open the market, with some exceptions, for commerce and production of vehicles after 2000 with a common external tariff of 35% for importing vehicles or parts. With doubts raised by Paraguay, which will have a new government in August, demands by Uruguay for special treatment, and deep differences regarding bilateral agreements between Argentina and Brazil, the issue was postponed until 1999.

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"The agreement is 90% done, and we only have some details left, but the problem is that the 10% remaining is the most difficult," said Campbell. Other commitments made at the last summit which were not met include progress toward a MERCOSUR common currency and an agreement on sugar exports. The heads of state recognized that a common currency most strongly urged by Menem was "too ambitious" and complex to resolve quickly. In the liberalization of services, the four countries were unable to agree to open telecommunications "despite determined efforts" that won concessions from Uruguay, but found Brazil unwilling to budge.

Nevertheless, agreements were reached to open, within 10 years, diverse financial and professional services, such as accounting, and maritime transportation within the bloc. The presidents also agreed to give equal treatment for companies from any MERCOSUR member that take part in public- sector tenders in another country. "The only sectors that are now missing are cars and sugar," said Campbell.

The presidents also converted the clause on democracy in the original MERCOSUR agreement to the Ushuaia Protocol, with force of law in member countries. The protocol stipulates that any government that does not respect its democratic institutions will be excluded from the bloc. The leaders also declared the MERCOSUR countries, along with Bolivia and Chile, a Peace Zone, free of arms of mass destruction. They agreed to greater cooperation on regional security and defense, with special attention to the common border area shared by Argentina, Brazil, and Paraguay.

MERCOSUR tells EU free trade must include agriculture

At Ushuaia the presidents discussed the recent decision by the European Union Commission to open free-trade talks with MERCOSUR. The EU executive approved the move despite strong opposition from European farmers who fear a flood of cheap food imports. But the MERCOSUR leaders insisted that no talks can take place that do not include agriculture.

"Liberalization of agriculture trade is a central worry for MERCOSUR. If there is no free trade [in agriculture], it is going to be very hard to reach an agreement with the EU," said Brazil's Industry Minister Jose Botafogo Goncalves. [Sources: Reuters, 07/10/98, 07/22/98, 07/24/98; Notimex, 07/20/98, 07/22/98, 07/24/98; CNN, 07/24/98; Clarin (Argentina), 07/22/98, 07/25/98; El Nuevo Herald (Miami), 07/22/98, 07/26/98; Inter Press Service, 07/23/98, 07/27/98]

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