

MERCOSUR: The Treaty of Asunción two decades on

March 26, 2011, marked the twentieth anniversary of the creation of the Southern Common Market (MERCOSUR), which was inaugurated with the signing of the Treaty of Asunción. Since then, the process of integration has seen significant progress and some setbacks, and has experienced days of boom and optimism, and others of crisis and skepticism. In recent years, the bloc has been determined to make the process more inclusive and has sought to reduce asymmetries via the production of regional public goods, with instruments like production integration and infrastructure development.

The origins of the integration process can be found in the mid-1980s in the context of the rebuilding of the region's democracies. Argentina and Brazil began to form political and economic ties that sought to turn their old historical rivalry into a constructive relationship. The global situation also acted as a stimulus for the bloc's creation, and the expansion of the domestic market through integration and joint participation in international forums were vitally important in terms of achieving better integration in the global scene. Uruguay and Paraguay saw the advantages of Argentina and Brazil's rapprochement and, considering the costs of remaining outside the process due to the close links of their economies to those of the two largest future partners, they decided to join the incipient integration process. After numerous negotiations, the Treaty for the Constitution of MERCOSUR was signed March 26, 1991. It came to be known as the Treaty of Asunción.¹

The model that inspired the creators of the bloc was deep integration in the style of Western Europe, in spite of the differences of context between the two blocs. The targets and deadlines adopted were ambitious nevertheless. In light of the decisions taken a couple of decades ago, MERCOSUR's initial goals today appear difficult to achieve. Many of the question marks raised by critics of the bloc are to do with this discrepancy between the original provisions and the reality of everyday life.

While many of the arguments urging more progress in MERCOSUR's real integration are relevant and worthy of our attention, we cannot when we look back ignore certain standout achievements. First, the road to integration was the result of the member countries' democratic transition and institutional normalization, in a process that has in turn contributed to strengthening these members' political stability. Strengthening the ties between the partners and eliminating flashpoints is, without a doubt, MERCOSUR's most valuable achievement. The bloc has helped to modify the countries' foreign agendas, which, some years back, were dominated by conflictive or even military scenarios. Furthermore, the integration scheme has increased the trade flow between countries, whose economies were virtually watertight in the early days of the process.

¹ Caetano (2011).

Second, intrazone trade has shown great buoyancy—in spite of the contraction between 1999 and 2002 (Graph 1)—and the regional market has gained in importance in terms of the member countries' total trade. While their current share is below the peaks of the late 1990s, this has taken place against the background of record expansion of the partners' total trade flows (Graph 2). The importance of regional markets is particularly relevant in the case of products with higher added value, as MERCOSUR is mainly responsible for the increase in exports of manufactured goods.² The lack of progress in the Doha Round and the proliferation of regional trade agreements (RTAs) in the rest of the world reinforce MERCOSUR's relative importance for its member countries. Another positive sign of greater interdependence is the proliferation of intrabloc direct investment, especially from Brazil.

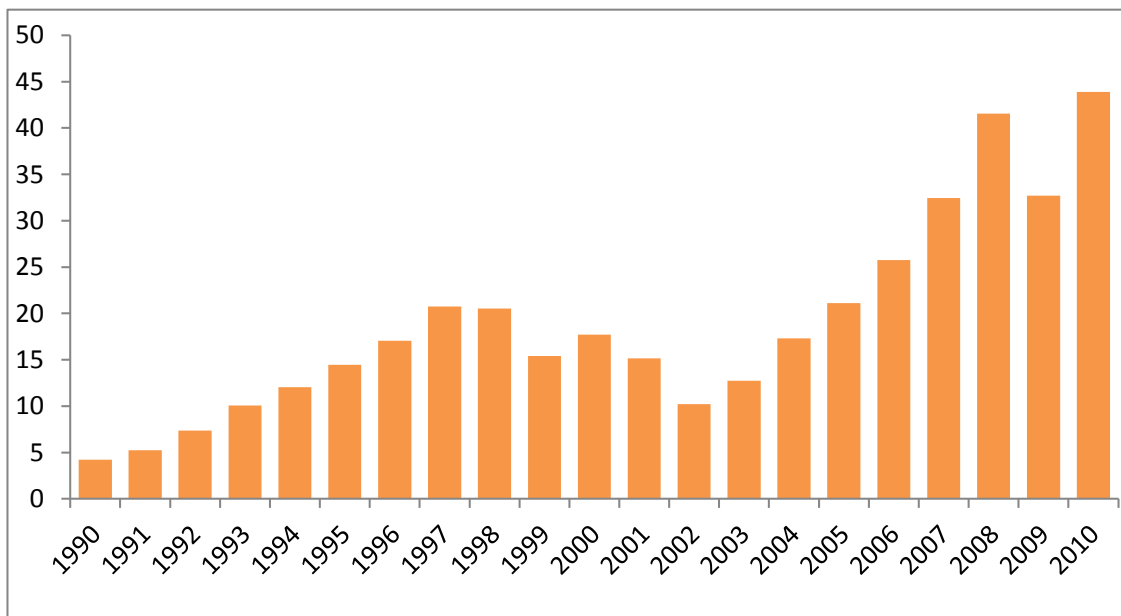
Third, the regional ambit is seeing higher levels of political cooperation, even beyond MERCOSUR, as in the case of the Union of South American Nations (UNASUR), which could act as a framework for integration in non-trade areas, such as physical and social integration. This would strengthen MERCOSUR and could enhance the region's international bargaining power.³

However, these achievements aside, the current context and future global economic scenarios present MERCOSUR with decisions in several areas. These include: deepening economic and trade integration, and consolidating the institutions and rules of common applicability; coexisting and at the same time mitigating asymmetries so as to achieve a more equitable distribution of the benefits associated with the integration process; amalgamating the bloc's positions in the various different areas of international negotiations, beyond the importance of Brazil as a global player; and, faced with the stagnation of the Doha talks and the growth of regionalism, obtaining access to important markets via preferential trade agreements (PTAs).

² Gayá & Michalczewsky (2011).

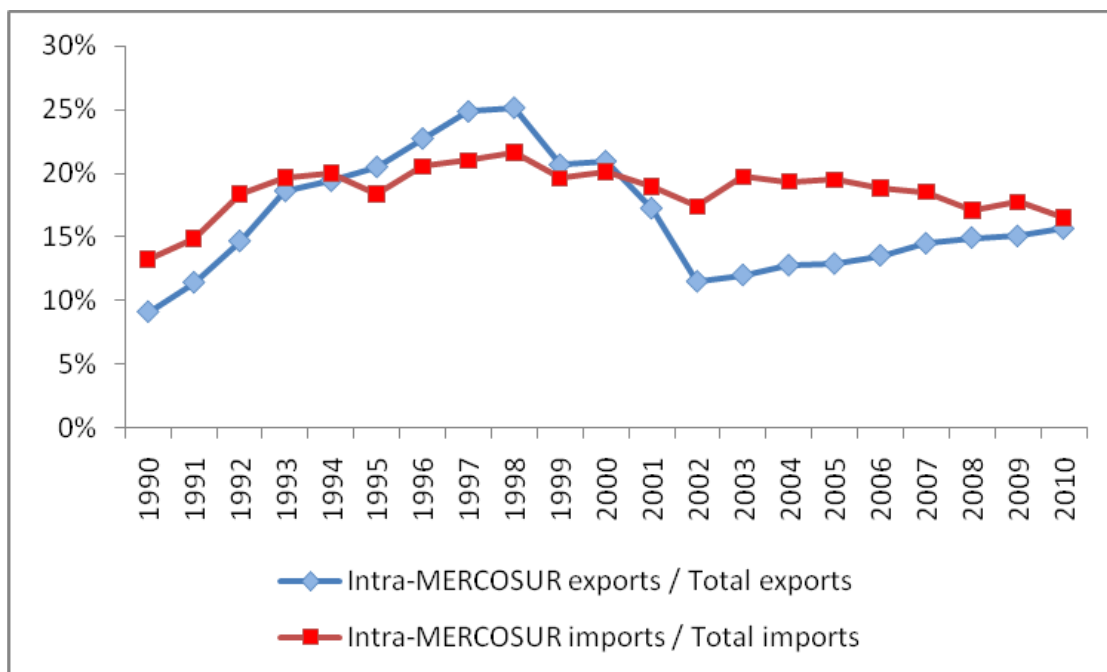
³ Rozemberg (2010).

Graph 1. Evolution of intra-MERCOSUR exports
In billions of dollars



Source: CEI based on INDEC, SECEX, BCP, BCU, and IMF.

Graph 2. Share of intra-MERCOSUR trade in total MERCOSUR exports and imports
As percentage



Source: CEI based on INDEC, SECEX, BCP, BCU, and IMF.

References

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