

12-19-1997

# MERCOSUR Summit Accelerates Integration

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/notisur>

---

## Recommended Citation

LADB Staff. "MERCOSUR Summit Accelerates Integration." (1997). <https://digitalrepository.unm.edu/notisur/12448>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiSur by an authorized administrator of UNM Digital Repository. For more information, please contact [amywinter@unm.edu](mailto:amywinter@unm.edu).

## **MERCOSUR Summit Accelerates Integration**

*by LADB Staff*

*Category/Department: Region*

*Published: 1997-12-19*

The presidents of Argentina, Paraguay, Brazil, Uruguay, Bolivia, and Chile which comprise the MERCOSUR member countries and associate members met in Montevideo, Uruguay, in mid-December for the 13th MERCOSUR Summit. At the conference, the presidents took steps to consolidate the six-year-old pact and made a commitment to strengthen the process of political, economic, financial, social, cultural, and scientific integration.

Meeting before the presidents arrived, MERCOSUR's finance and foreign ministers also advanced the goal of a single market modeled on the European Union (EU) by agreeing to implement free trade in services during the next 10 years.

Until now, MERCOSUR's agreements have only covered goods. The presidents signed three agreements: a protocol for the 10-year phase in of free trade in services; an agreement to begin discussions on leveling competition in government purchase contracts; and a resolution to Chile active membership with voice and vote.

During the summit, the presidents discussed recently increased tariffs to third countries, the general anti-dumping law, and how the bloc's richer members might aid the poorer countries (see NotiSur, 11/21/97). They also moved toward a common social security policy, which will recognize the rights of workers and their families to social security while creating a similar social-security legal framework in each member country. Argentine President Carlos Menem, whose country now takes over the rotating MERCOSUR presidency from Uruguay for the next six months, vowed to work toward a common currency and common MERCOSUR passport.

### ***Asian crisis sends a warning through Latin America***

In a joint communique, the presidents stressed the importance of democracy as a necessary condition for cooperation in MERCOSUR and the need for scientific cooperation to prevent brain drain. They also expressed their satisfaction at the measures taken by their respective governments to lessen the impact of the financial turmoil in Asia through consultation and coordination. Reverberations from the financial crisis in Asia, which shook Latin American stock markets in October and November, permeated the meeting.

The leaders expressed their conviction that strengthening MERCOSUR ties will protect them from financial turmoil in a globalized world. "Globalization brings opportunities. It generates growth and dynamism, but it can also bring insecurity," said Uruguay's President Julio Sanguinetti at the close of the summit. "We feel deeply that we must strengthen our integration to face a global world."

### ***Lack of fast track hampers US influence with MERCOSUR***

Leaders said they were generally pleased with early progress toward free trade with the EU, but feared negotiations with the US will be painful and drawn-out. "We have seen changes, with a

much more positive attitude by the EU, which is urgently seeking to accelerate the process," said Uruguay's acting Foreign Minister Carlos Perez del Castillo. MERCOSUR and the EU which is already MERCOSUR's largest trading partner are on track to begin negotiations for a free-trade agreement by the end of 1998 or early 1999. While prospects of a deal with the EU look good, Perez said chances of a similar pact with the US slumped with the refusal of the US Congress to grant President Bill Clinton fast-track negotiating authority (see NotiSur, 11/14/97). "We aren't going to put any obstacles in the way if the US does not have fast track, but we are convinced that its absence means a more difficult beginning for negotiations and more difficult progress," Perez said.

Clinton launched the drive for a hemispheric free-trade area (Free Trade Area of the Americas, FTAA) at the 1994 summit in Miami. At the time, several countries said they would not negotiate if the US Congress did not grant fast-track authority to Clinton. Now, however, that position has softened a little, with MERCOSUR countries saying that negotiations can begin at the April Summit of the Americas in Santiago, pending further US congressional action.

"Sufficient elements exist to launch the negotiating process," said Perez. He added, however, that "if fast track is not formalized, the negotiating process will no longer make sense." Chile's President Eduardo Frei called for MERCOSUR to use its growing strength to avoid being overrun by the US and Canada in Santiago. "Let us avoid what has always happened in international meetings, when the developed world always imposes the objectives that interest it," Frei said.

### *Treaties with Andean Community, Mexico move slowly*

Before the MERCOSUR summit, hope was high that a deal would be wrapped up between MERCOSUR and the Andean Community to create a vast South American free-trade zone of nine nations, 308 million consumers, and a combined GDP of US\$861 billion. "There is a huge amount of political will on both sides to move together," said Perez, speaking for MERCOSUR. The main sticking point appeared to be the schedule of tariff reductions: MERCOSUR proposed reducing them in 10 to 12 years while the Andean nations had been pushing for a 20-year time frame but backed down to 18 years.

Bolivia, a member of the Andean group which also includes Colombia, Ecuador, Peru, and Venezuela did not wait for its partners to sign an agreement with MERCOSUR and instead became a MERCOSUR associate member. Trade between the two blocs in 1996 reached US\$3.5 billion, but each bloc sells only a fraction of its exports to the other. Negotiations are expected to resume in February. Work toward free trade between MERCOSUR and Mexico is also undergoing a rough time, partly because of Brazil's insistence that areas such as telecommunications, computers, household electric goods, and the car industry be excluded.

MERCOSUR's member countries have separate bilateral trade agreements with Mexico, but these expire at the end of 1997. Brazil will not extend its pact with Mexico, while the other three MERCOSUR countries will grant an extension. Also during the summit, the presidents of Paraguay and Uruguay ratified the 3-percentage point increase in tariffs (Arancel Externo Comun, AEC) on goods from outside the bloc, which was established by Argentina and Brazil following the eruption of the Asian financial crisis. Paraguay and Uruguay agreed to the increase after obtaining exemptions for key imports for their industrial sector. [Sources: Agence France- Presse, 12/14/97;

Reuter, 12/14/97, 12/15/97; BBC, Inter Press Service, Spanish news service EFE, Xinhua, 12/15/97;  
Notimex, 12/15/97, 12/16/97; Clarin (Argentina), 12/16/97, 12/17/97]

-- End --