

5-21-1999

# MERCOSUR Summit Examines Regional Problems

LADB Staff

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

---

## Recommended Citation

LADB Staff. "MERCOSUR Summit Examines Regional Problems." (1999). <https://digitalrepository.unm.edu/notisur/12640>

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 Examines Regional Problems**

*by LADB Staff*

*Category/Department: Region*

*Published: 1999-05-21*

Latin American economic experts and government officials held a three-day summit May 5-7 on the future of the Southern Cone Common Market (MERCOSUR). The economic summit on MERCOSUR, sponsored by the Davos World Economic Forum, came just months after Brazil devalued its currency, unleashing a sharp economic downturn in the region that has strained relations among members. Participants came from 26 countries along with representatives from the Organization of American States (OAS) and multilateral lending agencies.

Inter-American Development Bank (IDB) president Enrique Iglesias co-chaired the summit, and Stanley Fischer, International Monetary Fund (IMF) deputy managing director, was one of the top guests. The agenda included the impact of the Brazilian crisis on South America, regional dollarization, and the outlook for economic growth in the region.

The Chilean government warned that MERCOSUR, which includes Argentina, Brazil, Paraguay, and Uruguay, with Bolivia and Chile as associate members, has become paralyzed following Brazil's devaluation of the real. It said unless member countries push the process of integration to include political integration, Chile will be in no hurry to become a full member. "MERCOSUR has to develop into something beyond being a tariff accord," said Chilean

Foreign Minister Jose Miguel Insulza. "It cannot be based only on customs tariffs, that does not interest us. MERCOSUR has to start a second life." "We must continue our efforts and direct the integration processes toward establishing a group of nations capable of having significant weight in the international arena in the face of the most powerful nations," said Chilean President Eduardo Frei in his opening address.

### ***Regional economic turmoil hits MERCOSUR***

MERCOSUR has come under increased strain as member countries, hit by economic problems, had to turn their attention to national issues. For example, Argentine industrialists, as well as those in Uruguay and Paraguay, have urged their governments to protect them from the anticipated flood of cheap goods from Brazil after the devaluation. Argentina, which ships a third of its exports to Brazil, is expecting its trade surplus with Brazil to turn swiftly into a deficit this year. Argentina maintains a fixed currency peg to the dollar, and Argentine President Carlos Saul Menem has advocated "dollarizing" regional economies.

Argentine opposition Deputy Graciela Fernandez Meijide rejected Menem's proposal, saying it would mean "a loss of sovereignty and make the US Federal Reserve the central bank of our countries." A unified MERCOSUR monetary system has less opposition but is still a long way from happening, said Fernandez Meijide. "The monetary union is desirable, but it would be difficult at this time since it requires a lot of prior work to make the macroeconomic policies compatible and create the necessary institutions for it to happen."

Fernandez Meijide also cautioned delegates not to overlook social development in the interest of economic development. "In the meetings of the Davos Forum the past few years, social development has been absent from the agenda, and the central concern was how to achieve economic development," said Fernandez Meijide. "Today however, social development is receiving more attention both by government and by business." She said many business leaders are convinced that the state must concern itself with social problems because "without social development, democracy is not sustainable." '

Felipe Lamarca, president of the Sociedad de Fomento Fabril (SOFOFA) of Chile, expressed the concern of business that the growing transnationalization of the economy could lead to the creation of oligopolies. "Chileans have the feeling that the country is for sale, and care must be taken regarding the creation of oligopolies," said Lamarca. He said that when transnationals consolidate their positions globally, they could begin to concentrate entire sectors of the economy in a few businesses.

### *Unilateral negotiating criticized*

Jose Luis Machinea, former president of the central bank of Argentina, also spoke of the need to give MERCOSUR new energy. In addition, he said, many complex negotiations have been in process for some time along with differences among member nations that have not been resolved. "The only way to avoid the damage is to avoid unilateral negotiations," he said referring to negotiations that Brazil began on tariffs with the Comunidad Andina de Naciones (CAN), comprising Bolivia, Colombia, Ecuador, Peru, and Venezuela.

Brazil and CAN are expected to finalize their agreement within the next few weeks. Despite the friction that the negotiations have caused within MERCOSUR, Brazil is confident that its agreement will soon include the MERCOSUR partners. "We are thinking that if Brazil reaches an understanding with CAN in June, surely Argentina, Uruguay, and Paraguay will become incorporated in it," said Mauro Laviola, vice president of the Brazilian Foreign Trade Association. [Sources: Reuters, 05/04-06/99; Clarin (Argentina), 05/06/99, 05/07/99; Spanish news service EFE, 05/11/99; Notimex, 05/04/99, 05/06/99, 05/07/99, 05/11/99, 05/17/99]

-- End --