

6-27-2003

# Mercosur Summit Promises Regional Cooperation

LADB Staff

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

---

## Recommended Citation

LADB Staff. "Mercosur Summit Promises Regional Cooperation." (2003). <https://digitalrepository.unm.edu/notisur/13160>

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 Promises Regional Cooperation**

*by LADB Staff*

*Category/Department:* Latin America

*Published:* 2003-06-27

The XXIV Summit of the Southern Cone Common Market (MERCOSUR) met in Asuncion, Paraguay, June 18, with significant changes in the lineup of participants since the last summit. A major commitment by the group was to maintain a unified position in any negotiations for the Free Area of the Americas (FTAA), especially regarding agriculture.

Attending the summit for the first time were Brazil's Luiz Inacio Lula da Silva and Argentina's Nestor Kirchner. They were joined by host country Paraguay's Luis Gonzalez Macchi and Uruguay's Jorge Batlle. Gonzalez Macchi introduced his successor Nicanor Duarte, who takes office Aug. 15. The presidents of Chile, Ricardo Lagos, and Bolivia, Gonzalez Sanchez de Lozada, MERCOSUR associate members, also attended, as did invited guest President Hugo Chavez of Venezuela.

The summit took place at a time of renewed commitment by the newly elected presidents of Argentina and Brazil to revamp MERCOSUR, seriously damaged by years of economic crisis in the region, and make it a strong instrument that should rapidly expand to the rest of South America beginning with Peru and Venezuela. Peruvian government officials have expressed interest, and Chavez applied for membership in 2001.

Recent recoveries in the Argentine and Brazilian economies have improved prospects for closer integration, and Kirchner and Lula want a South American alliance based on the model of the EU. Objectives for the revived MERCOSUR include macroeconomic policy convergence to include the creation of a common currency; the conclusion of talks to standardize the bloc's common external tariff (Arancel Externo Comun, AEC), which currently averages about 14%; the creation of a MERCOSUR parliament; and multilateral infrastructure projects to help physical integration in the area.

An overarching objective is the development of a unified position regarding trade and cooperation negotiations with the US, the European Union (EU), the World Trade Organization (WTO), and within the FTAA.

The effort to finalize rules on the AEC, applied to all goods coming from outside the bloc, appears the most likely to be implemented by the 2006 goal. When Kirchner addressed MERCOSUR leaders, he set out the most ambitious plan to overhaul the trade bloc since its creation 12 years ago.

In contrast to previous Argentine governments, Kirchner's administration sees MERCOSUR as a vital engine for economic growth. By reviving MERCOSUR, both Argentina and Brazil believe they will gain a stronger bargaining position in the FTAA.

"Argentina has finally understood its destiny in America," said Argentine Foreign Minister Rafael Bielsa in an interview in Argentine daily El Clarin. "For many years, Argentina wanted to eat like

Parisians, dress like Londoners, and, ultimately, sunbathe like residents of Miami. But the truth is that the suburbs of Buenos Aires look much more like those of Rio than those of Paris."

Lula and Kirchner also said they want to see closer ties with the Comunidad Andina de Naciones (CAN), which includes Peru, Venezuela, Bolivia, Colombia, and Ecuador. Lula called for creating, before the end of the year, a free trade area between the CAN member countries and MERCOSUR. Both Chavez and Ecuadoran President Lucio Gutierrez have expressed support for the idea.

President Lagos said that rather than be only a trade association, MERCOSUR should adopt a more clearly defined political role, especially given the differences in economies of member states. "Commerce is one thing and political relations another," Lagos told reporters. "It's one thing to have a commercial understanding and another to have [an aligned] foreign policy, and that's what we want to focus on."

Building on Lagos' ideas, Lula called for establishing an elected MERCOSUR parliament and urged that the trade bloc also take on a social and cultural role. "We have to make a MERCOSUR that is democratic and participatory, [we have] to strengthen the political, social and cultural dimensions, and give it a human dimension," said Lula.

Kirchner emphasized the need for a "democratically transparent MERCOSUR, capable of solidarity that expands with equality and social justice," supporting the call for a regional parliament and a MERCOSUR "that facilitates the access of other countries of the region."

## *Results less than expected*

Expectations exceeded the concrete results, with little progress made toward a common currency or a regional parliament but a strong commitment to strengthen the political agenda and expand regional integration creating a genuine single market by 2006. The presidents did agree to create an Instituto Monetario for MERCOSUR, which would have a long-term goal of setting up a common currency within the bloc.

Argentina's Economy Minister Roberto Lavagna explained that the proposal does not mean a single currency, but a common currency for the MERCOSUR countries, which would not eliminate local currencies."

A positive outcome was the formal recognition of the asymmetry among member nations, a longstanding complaint of Uruguay and Paraguay. "It is a very important step because it signifies that these countries with superior economies to ours agreed to a series of measures that will allow us to reduce or amortize the differences between our economies," said Paraguay's Foreign Minister Jose Antonio Moreno Ruffinelli. "I can't say which measures will be adopted because they will be the object of negotiation for the rest of the year, but basically what is important is the political will to acknowledge that asymmetries exist and support the less developed countries," said Moreno Ruffinelli.

Another important result was the agreement to present a unified initial offer of reduction of tariffs on agricultural products in the FTAA negotiations. The approved text states that the issues around agriculture, especially the subsidies that distort trade, should be topics for discussion in the FTAA talks and in the WTO to find a balance in the negotiations. Progress must translate in "better access conditions for agricultural production and exports from developing countries," said the statement.

At the meeting, Chavez told reporters that the FTAA is a "thousand-headed monster," and he said it was unthinkable to support it in its present form. He said it was not possible to "impose on a group of countries so diverse, on economies so dissimilar as ours, on a model as broken as Latin America, a scheme of disintegration that will only benefit a tiny group and will jeopardize the rest." The leaders agreed to meet again in 60 days to examine in more depth regional integration and to again consider the creation of a parliament.

The final declaration's commitment to consolidate MERCOSUR by 2006 has a strong political connotation since the US-sponsored FTAA is scheduled to begin in 2005. "Choosing 2006 for the consolidation of MERCOSUR is not a political move," said Kirchner, adding, "I'm not a fundamentalist, but I believe we should first consolidate MERCOSUR without dismissing the European Union, United States or any other country." He also said that the FTAA should start in 2005, "although the timetable will be determined by reality and not a simple calendar decision."

Earlier in the meeting, Lula recalled that "presidential elections in Brazil, Argentina, and Paraguay clearly indicate that our electorates favor MERCOSUR; we proposed MERCOSUR as a priority and the electorate approved, so we are now in the midst of a new political scene far more inclined and committed to the task of regional integration."

A bright spot at the meeting was the signing of a framework trade agreement with India that will lead to the conclusion of a preferential trade deal in August. That should boost trade between MERCOSUR and India by about US\$3 billion during the next five years. Current trade flows are less than US\$2 billion.

After signing the agreement, MERCOSUR leaders said they would work toward similar deals with South Africa, South Korea, the EU, and CAN.

Despite the enthusiastic words, Chilean analyst Libardo Buitrago said the meeting had not succeeded in revitalizing MERCOSUR, but had only produced a final declaration "with 24 points of good intentions."

### *Lula causes concern on trip to Washington*

Following the meeting, Lula went to Washington, DC, where he met with US President George W. Bush. In a joint statement following the meeting, the two leaders reaffirmed the commitment to finalize the FTAA by January 2005. This caused consternation among FTAA opponents in Latin America.

On June 24, Brazil's O Globo newspaper, citing government sources, reported that Lula had agreed to the 2005 deadline to put pressure on his MERCOSUR partners to move more quickly on regional integration. The paper reported that another factor that convinced Lula to accept the 2005 date was the agreement that he reached with the US to negotiate sensitive issues, such as financial services and intellectual property rights, within the WTO. Brazil still maintains that the 2005 date for the FTAA is "merely indicative, not legal."

Some analysts regard the next few months of negotiations as crucial for the FTAA, ahead of a high-profile ministerial meeting in Miami in November. "If there isn't progress to illustrate the talks are really moving forward by Miami, then you might question the ability to meet the [January 2005] deadline," said Jeff Schott of the Institute for International Economics in Washington.

-- End --