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Venezuela Plans to Join MERCOSUR

by LADB Staff

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The Venezuelan government has announced its intention to become the fifth full and permanent member of the Southern Cone Common Market (MERCOSUR) in time for the body's December 8-9 meeting. The addition of oil-rich Venezuela to the trade bloc will strengthen the economic group of South American nations and potentially give greater heft to the bloc in future trade negotiations, with the group coming to represent 70% of the continent's GDP, according to Brazilian official statements.

An official from Uruguay, the current president of the bloc, said in October that Venezuela's addition would be formalized in December.

The Venezuelan government hailed the announcement, saying its membership would strengthen MERCOSUR.

"This is something that is historic for us. We are going to work very hard," President Hugo Chavez told reporters during a summit of Ibero-American leaders in Spain in mid-October.

The MERCOSUR bloc is composed of Argentina, Brazil, Uruguay, and Paraguay, and, until now, Venezuela, Peru, Bolivia, and Chile have been associate members. Associate-member status blocks those countries from participating in many important MERCOSUR tariff agreements. Venezuela has been an associate member since December 2004.

Venezuela, the world's fifth-largest oil supplier and among the top four suppliers to the US, has seen strong economic growth as crude prices have shot upward. The country which also has the region's largest natural-gas reserves has made efforts to deepen energy ties with other South American nations (see NotiSur, 2005-07-01 and NotiCen, 2005-09-08). The Venezuelan government's decision is another point in its ongoing efforts to integrate economically with other Latin American nations and decrease its dependence on the US. Earlier this year the government withdrew its foreign reserves from US Treasury securities and pulled out of military and drug-interdiction agreements with the US (see NotiSur, 2005-05-13 and 2005-10-21).

MERCOSUR talks with the European Union (EU) toward a bloc-to-bloc free-trade agreement (FTA) have come to a standstill on the issue of European subsidies to its agricultural sector (see NotiSur, 2004-10-15 and 2005-09-09).

The Brazilian government, along with a number of analysts, said that it did not expect Venezuela's inclusion as a full member of MERCOSUR to affect long-running trade talks between the South American bloc and the EU.
In September, the two blocs agreed to extend negotiations into 2006. Chavez setting aside prior criticisms? Chavez made statements in September, prior to the announcement of Venezuela's plan to join, that the neoliberal economic model that formed MERCOSUR, the Free Trade Area of the Americas (FTAA), and the Comunidad Andina de Naciones (CAN) had failed.

"MERCOSUR was born in the framework of neoliberalism," said Chavez. "The Andean Community was born in the framework of neoliberalism. That must be changed, it doesn't work. That concept failed." He also called the FTAA a "colonialist pretension....The US plan is colonialist, it is to hand everything over to the transnationals so they can dominate our peoples."

But Chavez explained his subsequent about-face, along with the MERCOSUR countries' acceptance of Venezuela's petition to join, as a matter of changing governments within MERCOSUR. "Before, Argentina with Carlos Menem (1989-1999) was under the yoke of the US, in the hands of imperialism and neoliberalism that impeded us from entering," he said. "Uruguay and Paraguay were in opposition, and only the Brazilian [President] Fernando Henrique Cardoso (1995-2002) supported us."

With the entrance of Uruguayan leftist President Tabare Vazquez and good relations between Venezuela and Paraguay's Nicanor Duarte, the opposition to Chavez's Venezuela has eroded. Chavez is critical of CAN countries Colombia, Ecuador, Peru, and Bolivia, which are seeking to negotiate an FTA with the US, but he does say that Venezuela's distancing itself from the Andean group may change in the future.

**Petro giant's membership will strengthen MERCOSUR**

"Venezuela has petroleum reserves to guarantee 200 years of supply to the American continent," said Chavez, as he promoted the decision to join the bloc. "Venezuela brings MERCOSUR the world's main reserve of petroleum. It is a great step." The president also says Venezuela can offer the process of social change that it is undergoing in his presidency, called the Alternativa Bolivariana de las Americas (ALBA, a Spanish homonym for dawn).

"The incorporation of Venezuela will give MERCOSUR a formidable potential as a market that encompasses an area from the Caribbean to Tierra del Fuego," said Chavez. The president said the entry of Venezuela "creates not an axis of evil but rather an axis of South American integration" headquartered in Caracas, Brasilia, and Buenos Aires.

Analysts say the entry of Venezuela would bring the total GDP of the bloc to some US$800 billion. There are a number of legal points that Venezuela must clarify before it can join. It must work out its adherence to the common external tariff (Arancel Externo Comun, AEC), and it has to determine the juridical compatibility of its current membership with CAN and the new bloc. If Venezuela enters, it will have the right to a vote and a veto at bloc deliberations.

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