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## **MERCOSUR Summit Exposes Bloc's Limitations**

by LADB Staff

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"If they ask us, not only me but also the other presidents, what stage of development the Southern Cone Common Market (MERCOSUR) is at, what steps we have taken in this indispensable regional-integration process, I believe that today we would all be as frank as I will be. MERCOSUR? It's here, it's going, developing very slowly to accommodate the interests and the timing of the countries with smaller economies, the urgencies of societies that, since the project got off the ground 18 years ago, hoped for a great leap forward allowing us to say there's where we're headed, against winds and floods, overcoming challenges and setbacks, beginning to enjoy the benefits that should come from a fully functioning common market."

The frankness of Uruguayan President Tabare Vazquez, MERCOSUR president pro tem for the next six months, encountered no contradictions when he summed up, on July 25, in Asuncion, Paraguay, the significance of the recently completed XXXVII Summit of MERCOSUR, comprising full members Argentina, Brazil, Paraguay, and Uruguay, as well as associate members Bolivia, Colombia, Chile, Ecuador, Peru, and Venezuela.

For the past two years, Venezuela has been waiting for the legislatures of Brazil and Paraguay to finally approve its full membership in the group. However, after two days of grueling deliberations by the economy and foreign relations ministers, and another two in which the presidents also participated, all the summit had to show was four accords that were a small part of what was on the agenda when they arrived in the Paraguayan capital.

### ***Political, not economic, accords reached***

The four accords are important and show how far a group of countries governed by progressive presidents can go toward understanding each other. But three are political, which is not the basic objective of the organization, created in March 1991; only one is economic and it already governs trade between Argentina and Brazil, the trade bloc's two largest associates. The presidents agreed to repudiate the international patent regimen and prioritize people's right to health by announcing that they would begin to jointly manufacture vaccines to respond to the H1N1 flu pandemic.

In early August, health ministers will meet in Quito, Ecuador, to discuss strategies for vaccine production and create a unified technical secretariat. With maturity and determination, the presidents agreed not to recognize the de facto Honduras regime, which took over following a coup (see NotiCen, 2009-07-02). They also agreed not to recognize any future government that might result from a fraudulent electoral process.

In an act of redemption and recognition of the cultures that existed before the conquistadores arrived on the American continents, the heads of state incorporated Guarani, the language spoken by more than half the Paraguayan population, as the third official language of MERCOSUR, along with Spanish and Portuguese.

In a sovereign act, and now on a strictly economic plane, they agreed that the US dollar would no longer be the standard currency used for trade among members. Argentina and Brazil agreed in 2008 to use their own currencies and, beginning in 2010, Paraguay and Uruguay will do the same. In this way, a mix of national currencies (pesos, reis, guaranies) will be used to carry out intraregional commerce.

What the summit accomplished was not a lot, but it was also not insignificant. Member countries were, however, clearly unable to agree on how to move forward in shaping a common strategy to confront the global crisis. Or on taking another look at energy integration. Or on finding formulas to clear the way for Venezuela's full insertion into the group, which is being held up in Brazil and Paraguay by pressures from large and powerful economic groups. Or on reaching an agreement to eliminate the double tariff applied in some specific situations. Or on setting guidelines for adjusting the operations of a Fondo de Convergencia Estructural (FOCES), which administers infrastructure-investment resources in the two smaller member countries. Or on the possibility of creating an Alta Corte de Justicia that would intervene in conflicts among member countries.

But members did take some steps forward. There was agreement, for example, on supporting President Vazquez's promise to make, in the six months of his pro tem presidency, significant progress with the FOCES and forge a closer relationship with the European Union (EU) and the Central American and Caribbean integration process.

### *Problems remain unresolved*

Nevertheless, MERCOSUR continues to leave unresolved serious problems facing the members. Uruguay has not managed to get the organization to become involved in its conflict with Argentina regarding the blockade of a bridge uniting the two countries, which is vital for binational commercial exchange and for the free circulation of people. (November will mark three years that traffic has been interrupted on one of the three bridges across the Rio Uruguay, the border between the two countries.

A group of Argentine residents has taken over the bridge to protest the installation of a cellulose plant on the Uruguayan bank of the river. The Argentines allege that the plant causes contamination that endangers the health of future generations (see NotiSur, 2006-02-10, 2007-02-16, 2008-01-04). MERCOSUR also did not intervene in the conflict between Paraguay and Brazil regarding the distribution and use of, and fair payment for, energy generated by the Itaipu hydroelectric plant, which was somewhat resolved by Presidents Fernando Lugo of Paraguay and Luiz Inacio Lula da Silva of Brazil (see NotiSur, 2009-07-24) at the end of the summit.

Finally, Paraguay and Uruguay did not find a way to get Argentina and Brazil to end the application of trade barriers, imposed, claim the two smaller countries, because of the global economic crisis. "It is unacceptable that, as a direct and immediate result of the trade restrictions applied by other bloc associates [in obvious reference to the two large associates], and ours being a country with a very small domestic market, we are facing serious problems such as the paralyzation of production lines in various sectors and sending employees to collect unemployment insurance," complained Uruguayan Economy Minister Alvaro Garcia.

"The perception of MERCOSUR is that of a promising project that, nevertheless, has not fully gotten off the ground," said Claudia Zilla, researcher and analyst specializing in Latin American issues at the German Institute for International and Security Affairs in Berlin, in an interview with Deutsche Welle. "Perhaps more is expected of it than it can offer. In Latin America, they ask why MERCOSUR is conspicuous by its absence as a mediator when geopolitical tensions arise in the region. The question can be answered with another how can MERCOSUR become a major political player if it has not even reached its objectives in its area of specific and principal competency, which is trade?"

Zilla continued, "MERCOSUR is an imperfect free-trade zone that has still not really been transformed into a true customs union, an integration system that has been losing importance as a trampoline to propel its members onto the international market. But its political dimension has also lost importance."

She then asked a key question, "What is MERCOSUR's position on crucial issues such as climate change or the global crisis? No one knows." In her analysis for German national radio, Zilla concluded, "To become an influential political actor, MERCOSUR would have to foster greater internal coherence and participate on the international scene as a homogenous bloc, as a unit, or at least demonstrate that it can arbitrate the conflicts that arise among its own members, such as that of Uruguay with Argentina or that of Paraguay with Brazil."

To some extent, former Argentine vice president Carlos Alvarez (1999-2000), currently MERCOSUR political secretary and its delegate to international integration agencies, supported Zilla's reasoning when he said, during a press conference in Asuncion, "The supposed ideological affinities of the governments of the southern part of the continent have not served to achieve a strategic reorientation of our bloc, which unfortunately augurs difficult days ahead if member countries do not offer common proposals to people's problems."

Tabare Vazquez says that what are needed are "proposals and answers, such as those we need to give our workers, who await a future of unemployment insurance, but proposals and answers that adjust to reality. In the case of the trade restrictions, for example, we will work on them and analyze them in depth but also with realism, because we cannot forget that Brazil is our principal client and Argentina is our other important export destination. We have to treat both of them with great care, above all in times of crisis such as now."

-- End --