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Economic Policy Coordination By Mercosur Member-nations "impossible"

by Barbara Khol

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On Oct. 24 in Montevideo, Ariel Davrieux, planning and budget minister under the Julio Maria Sanguinetti administration (1985-1990), said coordination of macro- economic policies among MERCOSUR member-nations prior to 1994 is "absolutely impossible" due to Brazil's "chaotic" situation. Davrieux spoke at a round table organized by the economics department at the nation's main university. Davrieux pointed out that Brazil accounts for 65% of the combined GDP of MERCOSUR members (Argentina, Brazil, Paraguay and Uruguay). The Brazilian government, he said, lacks financial resources, is running a huge budget deficit, and resorts to "extemporaneous measures." As an example, Davrieux mentioned the government's freeze on bank deposits and subsequent gradual liberalization followed by statements that the deposits would be frozen once again when full access to deposits was restored. According to Davrieux, Brazil will likely determine MERCOSUR's tariffs on non-regional imports. In February, he said, President Fernando Collor de Mello adopted two policies: "on the one hand, he outlined a tariff policy for Brazil effective to Dec. 31, 1994, and on the other, he said he would implement the same tariffs as we do. "The only point of contact here is for us to impose Brazil's [tariff] because otherwise we will be unable to fulfill agreement commitments." (Basic data from AFP, 10/24/91)

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