



STRENGTHENING AND WIDENING MARKETS AND  
OVERCOMING SUPPLY SIDE CONSTRAINTS  
FOR AFRICAN AGRICULTURE

Lusaka, June 2007

PANEL 5. SOUTH – SOUTH TRADE

EXPERIENCES OF REGIONAL INTEGRATION  
IN LATIN AMERICA

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# MERCOSUR

Asunción Treaty, 1991

ARGENTINA

BRASIL

PARAGUAY

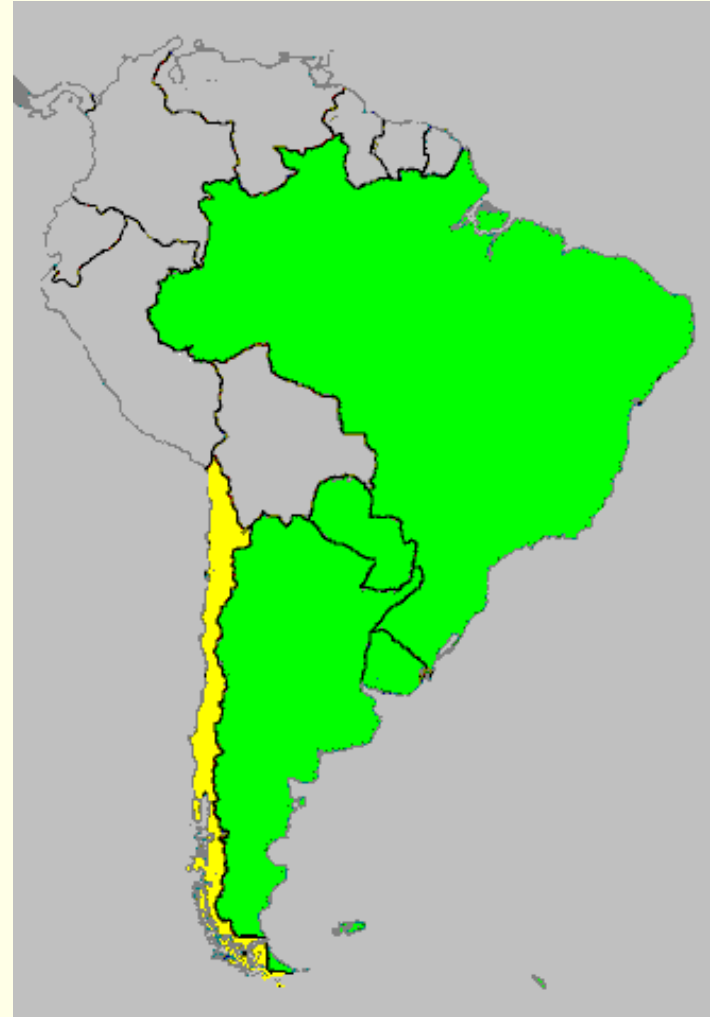
URUGUAY

Later, only Trade Agreements  
with:

Chile

Bolivia

Venezuela



## MERCOSUR OBJECTIVES

- Free movement of goods, services and people
- Common trade policy
  - Common external tariff : 0 to 20% (since 1995)
  - Common trade negotiations
- Coordination of macro-economic and sectoral policies
- Harmonization of national legislations

Currently Mercosur is an imperfect Customs Union

# INSTITUTIONAL STRUCTURE

- COMMON MARKET COUNCIL  
Ministerial Meetings - Foreign Affairs and Economy Ministers
  
- COMMON MARKET GROUP  
Executive: Secretaries and Central Bank's Presidents
  - Working groups
  - Trade Commission
  - Administrative Secretariat
  
- RELATED INSTITUTIONS
  - Joint Parliamentary Commission
  - Economic and Social Consultative Forum

Pro's and con's of a non-specific bureaucracy

## MERCOSUR ECONOMIC AND SOCIAL INFORMATION - 2006

	AREA Million Square Km	POPULATION Million	GDP (dollars) Billion d/capita	
<b>ARGENTINA</b>	<b>2.8</b>	<b>38.8</b>	<b>212</b>	<b>5,458</b>
<b>BRASIL</b>	<b>8.5</b>	<b>186.8</b>	<b>1,068</b>	<b>5,717</b>
<b>PARAGUAY</b>	<b>0.4</b>	<b>5.9</b>	<b>9</b>	<b>1,483</b>
<b>URUGUAY</b>	<b>0.2</b>	<b>3.2</b>	<b>19</b>	<b>6,007</b>
<b>TOTAL</b>	<b>11.9</b>	<b>234.7</b>	<b>1,308</b>	<b>5,573</b>

# MERCOSUR RESULTS: 1rst. decade

## Trade growth, but open regionalism

(imports - billion dollars and %)

	1990	1994	2000	Variation 00/90 (%)	(Value)
INTRA-MERCOSUR	4.2	12.0	17.7	321	13.5
EXTRA-MERCOSUR	25.1	50.8	66.8	166	49.5
TOTAL	29.3	62.8	84,5	188	55.2

Strong dynamics: optimistic view

## MERCOSUR RESULTS : 2nd. period

(imports - bilion dollars and %)

	1990	2000	2004	Variation 04/90 (%)	(Value)
<b>INTRAMERCOSUR</b>	4.2	17.7	17.7	421	13.5
<b>EXTRAMERCOSUR</b>	25.1	69,0	73.4	292	48.3
<b>TOTAL</b>	29.3	86.7	91.1	311	61.8

Little intra-trade dynamics after 2000

## ARGENTINA EXPORTS

(Billion dollars)

	1990	1998	2000	2003	2005
MERCOSUR	1.83	9.41	8.39	5.55	7.56
EXTRA MERCOSUR	10.52	17.02	17.95	24.01	32.46
USA	1.67	2.19	3.11	3.03	4.32
EU	3.27	4.60	4.69	5.88	6.42
JAPAN	0.40	0.66	0.40	0.37	0.31
CHINA	0.24	0.68	0.80	2.44	3.18
TOTAL	12.35	26.4	26.34	29.57	40.01

Initial intra-trade creation, decrease during the 2000s

## MERCOSUR EXPORTS

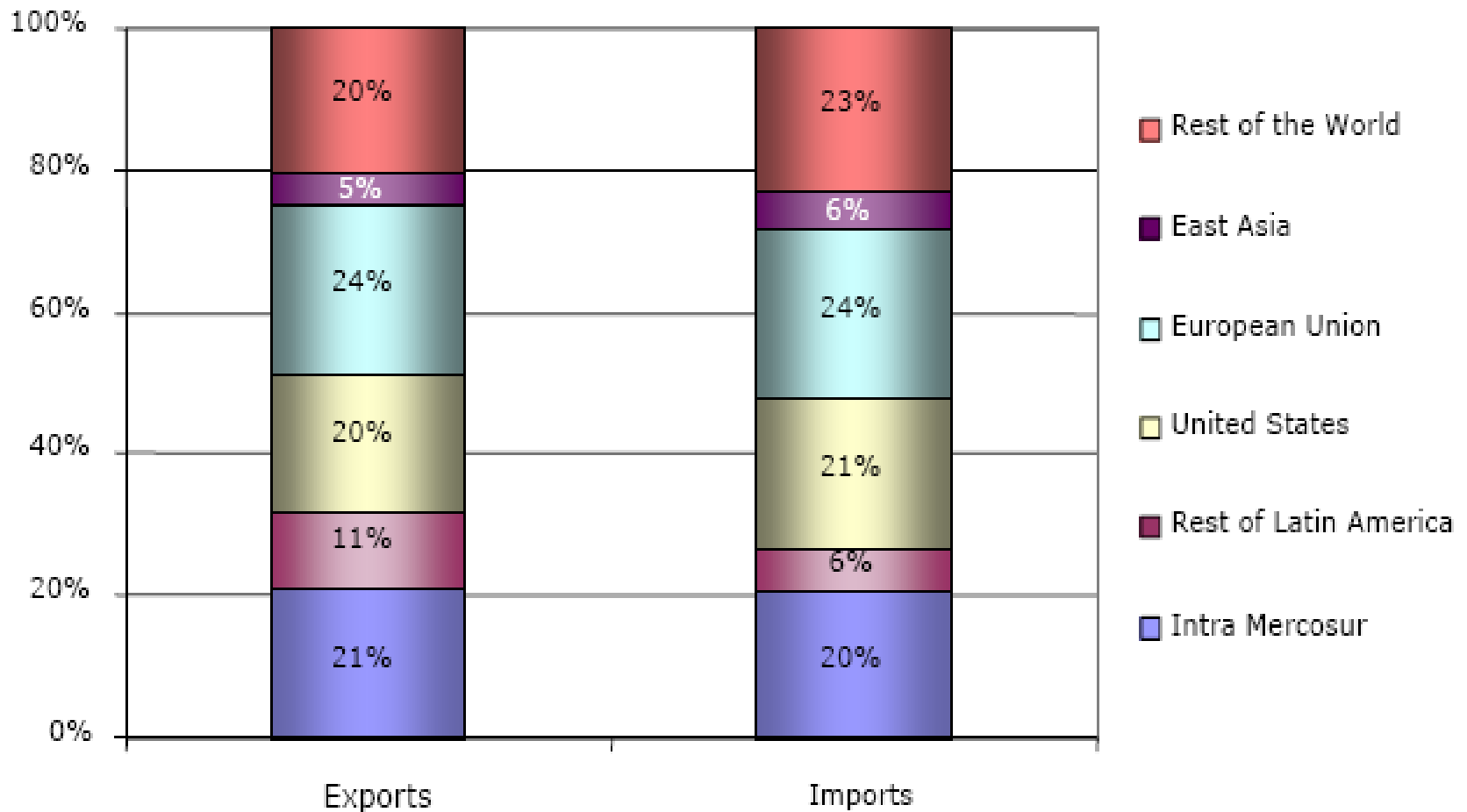
(billion dollars)

	1993	1998	2000	2002	2004
MERCOSUR	10.1	20.3	17.7	10.2	17.2
EXTRA MERCOSUR	44.0	61.0	66.9	78.7	118,3
USA	9.3	12.2	16.5	18.4	24.3
UE	14.4	20.1	20.0	20.8	30.7
JAPAN	2.8	2.9	2.9	2.5	3.2
ALADI without Mexico	4.3	7.0	7.2	8.5	12.3
REST of the WORLD	11,9	17,6	18,2	25,4	42,7

MERCOSUR is a global trader; little intra-trade growth after 2000

# MERCOSUR IS A GLOBAL TRADER

## Geographic Distribution of Exports and Imports



## INTRA-BLOCS TRADE

(exports - % of total)

BLOC	1990	1995	2000	2003
MERCOSUR - 4	8.9	20.5	21.0	11.9
EUROPEAN UNION - 15	64.9	64.0	62.4	61.9
NAFTA - 3	42.6	46.0	55.7	56.1
ANDEAN C M - 5	4.2	12.2	8.9	9.4
APEC - 21	67.5	72.4	72.7	72.3

Trade integration depends on the size of the markets involved

## MERCOSUR LESSONS:

### First stage of a globalization strategy for small countries

- Intra-trade creation during the 90s
- Increased scale for international competitiveness. Platform to develop larger regional firms and integrated initiatives
- Increased market to attract foreign investment
- Strengthening negotiating power of small countries in international fora
- Opportunity for macro-economic and sectoral policies coordination and to stabilize trade policies

## MERCOSUR LESSONS (cont):

### Main problems emerged

- Little intra-trade growth after 2000
- Free trade zone vs. customs union
  - Lack of FTAA with other countries
  - Difficulties with the Common External Tariff
  - Difficulties faced by the smaller countries of the group
- Institutional problems related with a non-specific bureaucracy
  - Lack of harmonized macro-economic and sectoral policies
  - Changes in competitiveness of members after currency devaluations
  - Problems with dispute settlement cases
  - Little progress in services and government procurement