INTER-AMERICAN DEVELOPMENT BANK
INTEGRATION AND REGIONAL PROGRAMS DEPARTMENT

Intal
Institute for the Integration of Latin America and the Caribbean

ITD
Integration, Trade and Hemispheric Issues Division

STA
Statistics and Quantitative Analysis Unit

The External Dimension of MERCOSUR: Prospects for North-South Integration with the European Union

Paolo Giordano

INTAL - ITD - STA
Occasional Paper 19

The External Dimension of MERCOSUR: Prospects for North-South Integration with the European Union

Paolo Giordano

INTAL ITD-STA

January, 2003
Occasional Paper 19

The Institute for the Integration of Latin America and the Caribbean (INTAL), the Integration, Trade and Hemispheric Issues Division (ITD) and the Statistics and Quantitative Analysis Unit (STA) of the Integration and Regional Programs Department of the IDB have organized a joint publication series:

WORKING PAPERS

Refereed technical studies providing a significant contribution to existing research in the area of trade and integration.

OCCASIONAL PAPERS

Articles, speeches, authorized journal reprints and other documents that should be of interest to a broader public.

Inter-American Development Bank
Integration and Regional Programs Department

Institute for the Integration of Latin America and the Caribbean IDB - INTAL
Esmeralda 130, 16th and 17th Floors (C1035ABD) Buenos Aires, Argentina - http://www.iadb.org/intal

Integration, Trade and Hemispheric Issues Division
Statistics and Quantitative Analysis Unit
1300 New York Avenue, NW. Washington, D.C. 20577 United States - http://www.iadb.org/int

Printed in Argentina

INTAL-ITD-STA
The External Dimension of MERCOSUR: Prospects for
North-South Integration with the European Union
Buenos Aires, 2003. 40 pages.
Occasional Paper 19
Available in pdf format at:
http://www.iadb.org/intal and/or *http://www.iadb.org/int/itd*

I.S.B.N. 950-738-141-4

US$ 5.00

Editing:
Susana Filippa

CONTENTS

THE EXTERNAL DIMENSION OF MERCOSUR: PROSPECTS FOR NORTH-SOUTH INTEGRATION WITH THE EUROPEAN UNION

Paolo Giordano*

The paper addresses the particular issues that arise during the negotiation of comprehensive trade and integration agreements, which involve political and cooperation dialogue in addition to trade liberalization talks. It explores the features of the New Regionalism that emerged in the Southern Cone region during the 1990s and in this light it analyzes MERCOSUR's South-South external agenda. Since the negotiation with the EU stands as a laboratory for a new model for North-South integration it provides a detailed analysis of the political and economic incentives for this integration process. The paper concludes by highlighting the prospect of this first-ever reciprocal North-South association between two customs unions. Particular attention is dedicated to the issues raised by the need of involving the civil society in international trade negotiations.

Contents

I. INTRODUCTION

The successful construction of closer ties among European countries through a sustained process of increasingly deeper regional integration has been inspiring many political leaders in the developing world, in particular in Latin America and the Caribbean (LAC). During the last decade the LAC region witnessed an unprecedented interest in regional integration. Unlike the old vintage of regional integration initiatives, the New Regionalism is an integral part of the structural reform process which is designed to make economies more open, more market-based, more socially equitable, more democratic and more internationally competitive in a globalizing world economy. MERCOSUR is a prominent example of this new wave of regional integration agreements.

Ever since the 1960's, the EU has established and built up an increasing series of political and trade relations as well as co-operation agreements with Latin America. This long-standing cooperation between the two regions allowed the Rio de Janeiro Summit in 1999 to go one step further and establish a strategic partnership. This Summit brought 48 countries from the European Union and Latin America together for the first time and an action plan was agreed upon in order to increase co-operation in the political, economic

---

* Economist with the Integration and Regional Programs Department of the Inter-American Development Bank (*paolog@iadb.org)*. Thanks to Paulo Roberto de Almeida, Robert Devlin, Fernando Quevedo, José Luis Machinea, Félix Peña and the participants of MERCOSUR Study Group of the Royal Institute of International Affairs (Chatham House) for their excellent comments and to Reuben Kline for providing valuable research assistance. All opinions expressed herein are those of the author and should not be interpreted as reflecting the views of the Inter-American Development Bank.

and cultural fields. All participants are now actively pursuing initiatives to implement this plan which was re-examined at the Madrid Summit in May 2002.

One of the most striking features of the New Regionalism is the increasing disposition of LAC countries to enter into reciprocal agreements with industrialized countries. The European Union has always favored the strengthening of regional integration in the region and has therefore supported MERCOSUR initiative from its very inception in 1991. The most significant result of the Rio de Janeiro Summit was the launch of formal negotiations "aiming at bilateral, gradual and reciprocal trade liberalization, without excluding any sector and in accordance with the WTO" between the EU and MERCOSUR, which should pave the way for a comprehensive Interregional Association Agreement.

Steps ahead of this Interregional Association process was the Free Trade Area of the Americas (FTAA) which was launched at the Miami Summit in 1994. The FTAA is undoubtedly the most ambitious collective initiative in the history of the Western Hemisphere and has already generated important externalities for the hemisphere and the multilateral system. The goal is to achieve a "balanced and comprehensive agreement" no later than January 2005, while entry into force will be sought no later than December 2005.

For MERCOSUR countries that are "global traders" it is particularly important to maintain balanced free trade relations with all major trading partners and to actively support the progress of the multilateral trading system. After the approval of the comprehensive Doha Development Agenda at the World Trade Organization (WTO), MERCOSUR countries have to insure that all preferential trade negotiations steadily advance at comparable rhythms and are complementary to the multilateral trading system.

Referring to MERCOSUR, this paper addresses the particular issues that arise during the negotiation of comprehensive trade and integration agreements. The second section explores the features of the New Regionalism that emerged in the Southern Cone region during the 1990s. In this light, the third section analyzes the South-South external agenda of MERCOSUR. Since the negotiation with the EU stands as a laboratory for a new model for North-South integration, the following section provides a detailed analysis of the political and economic incentives for this process. The paper concludes highlighting the prospect of this first-ever reciprocal interregional association between two customs unions.

II. THE NEW REGIONALISM

Reciprocal preferential trade agreements are very often the point of departure for formal regional integration. The New Regionalism of the 1990s is led by trade agreements with objectives of creating free trade areas or common markets. The defining difference between the New Regionalism and earlier experiences is the policy environment. The policy framework encircling the “old” Post-War regionalism in developing countries involved an inward-looking and protectionist/state-led import substitution strategy (Bulmer-Thomas [1994]). Meanwhile, the New Regionalism is inserted into a framework of policy reform that promotes open and competitive private market-based economies in a modern democratic institutional setting. Indeed, the New Regionalism is an extension of that very policy reform process (Devlin and Estevadeordal [2001]). In this framework, regional integration is part of a three-tier trade liberalization strategy that involved unilateral actions and regional and multilateral reciprocal negotiations.

Starting in the second half of the 1980s and with differences in the speed, modalities and scope, MERCOSUR countries unilaterally reduced tariff levels, eliminated quantitative restrictions and reformed their trade regimes to achieve increased openness and transparency. The simple unweighted average tariff dropped from 37% in 1985 to 17% in 1991, the tariff dispersion was reduced from 17% to 10% and the coverage of non-tariff restrictions was substantially reduced (Estevadeordal *et al* [2000]). The active participation of MERCOSUR countries in the multilateral trade negotiations of the Uruguay Round (1986-1994) further sustained the momentum for trade liberalization and resulted in the commitment to consolidate (“bind”) the maximum level of the Most Favored Nation tariffs.

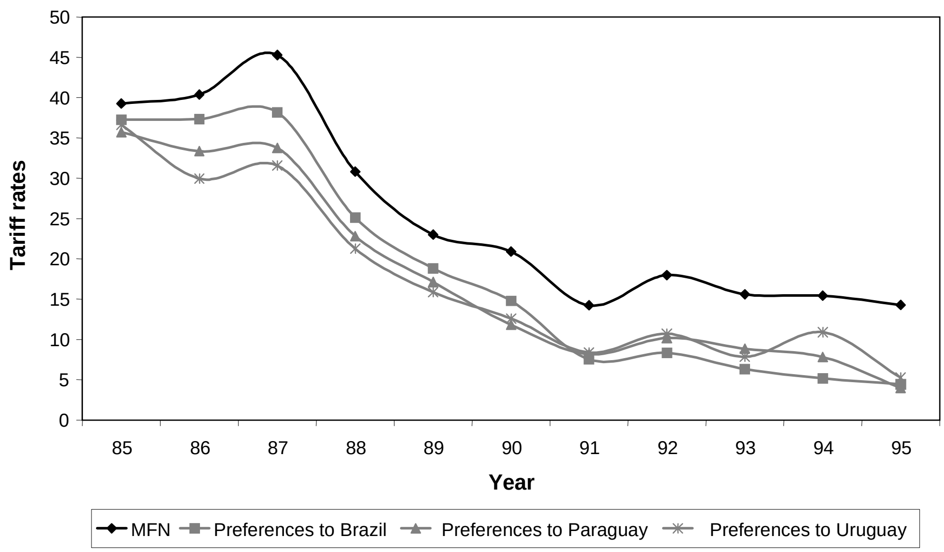
Regional integration functioned as an effective third-level strategic component that allowed unilateral and multilateral actions to be locked-in, and smoothed the structural adjustment and the fiscal impact of trade liberalization, hence mitigating the bureaucratic and political economy pressure for protectionism. The development of the regional market also promoted institutional and economic transformation that contributed to creating greater economic interdependence, in particular through the attraction of foreign direct investment and the creation of intra-industry trade flows. These may in turn stimulate dynamic efficiency gains and lead to a more mature insertion in the world economy.

Preferential trade liberalization may result in efficiency losses due to trade and investment diversion effects, asymmetric distribution of costs and benefits among member countries and adverse systemic effects that affect excluded third parties and weaken the multilateral trading system. As shown by Fig. 1, preferential and non-preferential liberalization proceeded at the same speed and resulted in almost constant preference margins. The regional integration process is therefore deemed to have achieved a sufficient degree of compatibility with the multilateral trading system.

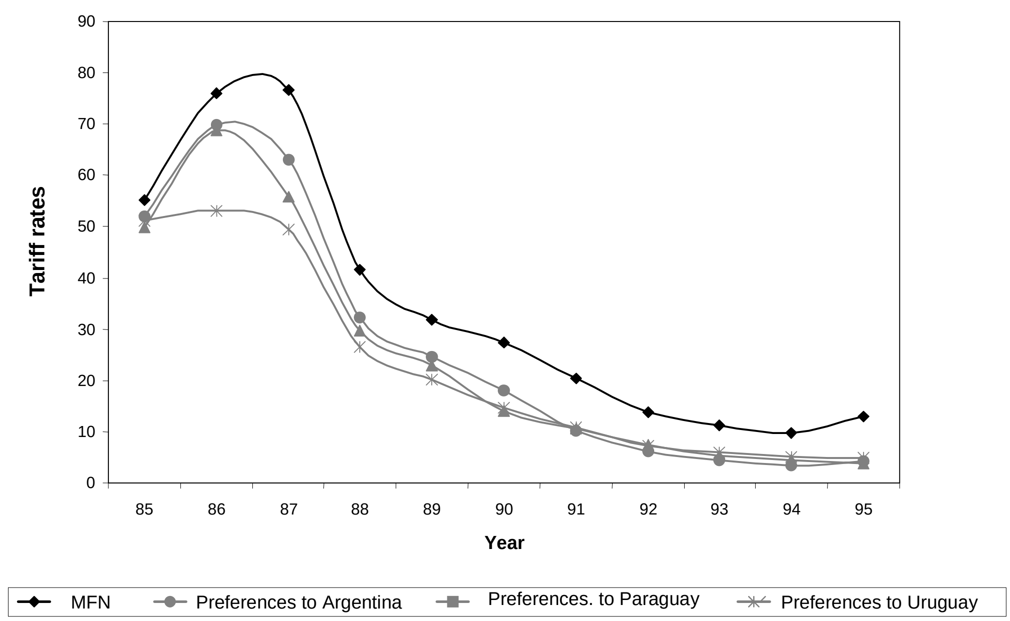
FIGURE 1

MERCOSUR: EVOLUTION OF MFN AND PREFERENTIAL TARIFFS

Argentina (1985-1995)



Brazil (1985-1995)



Source: Estevadeordal, Goto and Saez [2000].

But the scope of MERCOSUR goes far beyond the economic trade liberalization dimension. Growing and mutually beneficial economic interdependence among partners typically induces demands for additional economic and political cooperation to more fully exploit the advantages of the regional market. Growing interdependence through trade serves to drive forward a political agenda for deep integration and broad-based cooperation. Indeed, regional cooperation is embedded in a wider geopolitical project aiming at establishing a security network for fragile democracies and articulating national interest around a core of common strategic objectives. On the external side, regional integration should help increase bargaining power in international fora.

In this light, during the 1990s, the most dramatic change is the gradual shift from the traditional intra-regional focus of "South-South" preferential trade integration to growing interest in inter-regional "North-South" agreements, which link up commercially with industrialized countries in reciprocal free trade, often in conjunction with ambitious functional cooperation programs. This is something that would have been politically inconceivable before the new policy framework. At the South-South level, MERCOSUR countries inherited from the past a large amount of old preferential trading agreements, the so-called "Latin American Integration Association (LAIA) historic patrimony", which have to be renegotiated in order to avoid perforations of the newly established Common External Tariff (CET).[1] While at the North-South level, the signaling-reputation effect of MERCOSUR spurred the start of trade talks in the "4+1" format with the United States and in the "bloc to bloc" format with the EU, where MERCOSUR acts as a single negotiating entity.

[1] The objective of insuring that pre-existing preferential trade agreements between single MERCOSUR members and other LAIA members wouldn't circumvent the CET was achieved by freezing the negotiation of new bilateral agreements, by limiting the validity of the existing agreements to the date of entry into force of the CET and by adopting the CET (and its national exceptions) as the basis for the "multilateralization" of existing preferences into a new agreement (Magariños, [2000]).

Contents

III. THE SOUTH-SOUTH AGENDA: AN OVERVIEW

Market access negotiations with LAIA members were to some extent the consequence of an implicit built-in agenda of the Asunción Treaty, which envisions their accession to MERCOSUR five years after its entry into force (a tailor-made exception was designed for Chile). Negotiations involved countries situated in three concentric circles: those with Chile and Bolivia successfully ended with the conclusion of two separate Association agreements, those with the Andean Community countries are proceeding at a slow pace, while those with Mexico, although less ambitious, face very severe obstacles (Bouzas, [2000]).

a) Association of Chile and Bolivia

Negotiations with Chile and Bolivia ended in 1996 with the creation of two separate free trade areas. These agreements stand as a model for other intra-LAIA external negotiations of MERCOSUR as they confer to the partner countries the political status of MERCOSUR associated members. What makes these agreements unique is the requirement of gradually and automatically dismantling all tariffs, without allowing any permanent exception. These treaties also adopt rules very similar to those of MERCOSUR in the areas of non-trade barriers, rules of origin, safeguards and dispute settlement and are complemented with physical integration protocols.

MERCOSUR market access incentives were moderate in both cases, as Chile and Bolivia only account for 4% and 1% of total extra-regional trade respectively. Strategic interests for these agreements can be identified mainly with the objective of creating a precedent for the dynamic expansion of MERCOSUR in South-America, a prominent Brazilian diplomatic project (de Almeida [2002]). As such, they also highlighted some conflictive national interests. In fact, Argentina's desire for Chile's association was driven by genuine foreign policy and economic rationales, such as seeking to increase the credibility of MERCOSUR by making a country with a good reputation in international financial markets an associate member, but also to counterbalance the relative power of Brazil in MERCOSUR. In addition, both agreements didn't respond to the interests of the smaller members of MERCOSUR. They erode the latter's preferences in the regional market, without imposing on the associated members the need of paying the cost of adopting the CET.[2] After that the final communiqué of the first South American Presidential Meeting held in Brasilia in 2000 revived the project of a South American economic space, the negotiations explored the possibility of the full accession of Chile to MERCOSUR. This option, which faces technical difficulties due to the disparity in the level and the dispersion of the external tariffs, was finally dismissed when Chile announced the opening of formal free trade negotiations with the United States.

---

[2] For Argentina, Paraguay and Uruguay the cost of adopting the CET resides in the need of adopting a higher tariff on products such as capital goods which are not produced locally.

b) Negotiation with the Andean Community

The on-going negotiations with the Andean Community (CAN) face even more challenging issues. Market access incentives are moderate and asymmetrically distributed among MERCOSUR members: CAN accounts for only 4% of MERCOSUR external trade and the composition of Brazilian exports to CAN is dominated by manufactured goods, when compared to exports to CAN from other MERCOSUR countries. A free trade agreement with CAN would let Brazil penetrate relatively important external markets of manufactured goods, leveling the playing field with Mexico which benefits from preferential market access in Colombia and Venezuela by virtue of the Group of Three agreement signed in 1995, and by creating dynamic development effects in the poorest Northeastern regions, which are only marginally involved in MERCOSUR. In contrast, for Argentina and the smaller members of MERCOSUR their main interests are in natural resource based markets that CAN sees as sensitive. In addition, these countries also have other incentives identifiable with the erosion of preferences in the Brazilian market.

With this political-economy background, negotiations with CAN had and will have to overcome complex institutional and technical obstacles. Difficulties have been related with the "bloc to bloc" format for trade negotiations, hampered by the lack of implementation of the CET in both regions, and with the disagreement over the treatment of sensitive products. The technical negotiation on sensitive products reveals a substantially diverging view on the modalities to achieve regional integration. MERCOSUR rules out any type of special and differentiated treatment, beyond the concession of asymmetric timing for reciprocal tariff phase-out, while CAN favors permanent exceptions to free trade and non-reciprocal market access. Despite the reiterated political commitment to push forward MERCOSUR-CAN agenda, negotiators didn't even reach an agreement on the multilateralization of existing LAIA bilateral preferences, which would be the base of any possible bloc-to-bloc agreement.

An agreement between the two regions would necessarily cover all products as any partial agreement would harm the external negotiation credibility of MERCOSUR and would be opposed by the smaller members of MERCOSUR and Bolivia.[3] The relations between Brazil and Venezuela will be determinant for the future path of MERCOSUR-CAN negotiations. Stable and stronger relations between these two countries could in fact contribute to the construction of one important missing development axis in South America. Their future course is however highly unpredictable.

---

[3] Bolivia is a CAN member and thus part of MERCOSUR-CAN negotiation even though it has already signed a free trade agreement with MERCOSUR. Bolivia could ask for compensation if the CAN were to sign a more advantageous agreement with MERCOSUR.

c) Trade talks with Mexico

Trade talks with Mexico have less ambitious objectives but nevertheless face severe difficulties. Negotiations aim at the plurilateralization of national preferences and at establishing compensation for the entry of Mexico into NAFTA.[4] These negotiations, which are not conducted on a "4+1" format, highlight the difficulties in the design of a common negotiating strategy when national interests are highly divergent among MERCOSUR members.[5] However, recently, negotiations between Mexico and MERCOSUR regained momentum after the conclusion of an agreement for the creation of a free trade area and for the establishment of an Automotive Sectoral Agreement.

The review of the South-South chapter of the external agenda clearly shows how the adoption of the New Regionalism has changed the modalities of international trade negotiations in MERCOSUR. Two features seem particularly relevant in this light. The universal, lineal and automatic modality adopted for intra-regional trade liberalization sustained the commitment to liberalize extra-regional trade across-the-board, only considering longer than average phasing-out periods for sensitive products. But intra-LAC negotiations also show that the "4+1" format requires a mechanism to articulate the national interests into one sustainable common position. In other words, the new approach to intra-regional trade liberalization had positive spillovers on the external dimension of MERCOSUR, but at the same time the challenges on the external side call for an institutional strengthening of the whole regional integration process.

---

4 The LAIA treaty (1980) establishes that LAIA members should multilateralize to all LAIA partners the preferences granted to non-members (Art. 44). A subsequent memorandum of understanding established a waiver to this provision and an obligation for compensation. This clause is applicable to the case of Mexico entering into the NAFTA.

5 In this negotiation the distribution of costs and benefits among MERCOSUR members is highly asymmetrical. In fact, Mexico is seeking market access in sectors such as automobiles, telecommunications and computers in exchange for market access in agricultural products. The former require concessions from Brazil, while the latter would benefit principally Argentina and Uruguay.

Contents

IV. THE NORTH-SOUTH AGENDA: MERCOSUR-EUROPEAN UNION PROCESS

As mentioned, one of the most striking features of the New Regionalism is the willingness of MERCOSUR countries to negotiate reciprocal free trade agreements with industrialized countries. As in these cases market access incentives are sizeable, the negotiations for the FTAA and those with the EU are acid tests for MERCOSUR being an effective negotiation platform for achieving a better insertion into the global economy. The rest of the paper is mainly focused on the EU-MERCOSUR process.

Despite the strong and long lasting historical and cultural links between Europe and Latin America, in the past the formal cooperation initiatives between the two regions have been somewhat low-profile and mainly centered on individual countries rather than on sub-regions (IDB [2002]). During the 1990s the fundamental change in the nature of the relations between the two regions was largely due to the emergence of the New Regionalism in LAC. The EU adapted to this new trend by adopting the "differentiated" search for reciprocity in inter-regional economic agreements with the most advanced Latin American countries or regions (European Commission [1998]). Reciprocal trade liberalization negotiations are part of a more comprehensive development approach aiming at sustainable development, macroeconomic stability, poverty alleviation and the consolidation of democracy and good governance. The concept of "Political and Economic Association", the ultimate goal of negotiations with MERCOSUR, reflects the latitude of the approach.[6]

Negotiations started in November 1999 when MERCOSUR and EU negotiators presented to their ministers a document on the structure, methodology and calendar for the negotiations. In the first phase the parties agreed on selected issues regarding the political and cooperation dialogue, exchanged preliminary information on tariff barriers and exchanged proposals for the reduction of non-tariffs barriers. Trade talks entered the second phase in July 2001 when, through the exchange of negotiating texts for goods, services and government procurement, market access negotiations effectively started. The Second Presidential Summit held in Madrid in May 2002 was an occasion to reiterate the political commitment for the conclusion of this historical free trade agreement between two customs unions and to announce an agreement on business

[6] MERCOSUR has received support from the European Commission since its foundation. One year after its creation, in 1992, the European Commission signed an Inter-institutional Agreement with MERCOSUR to provide technical and institutional support to the fledging structures of MERCOSUR. At present, the EU-MERCOSUR relationship is based on the EU-MERCOSUR Interregional Framework Co-operation Agreement signed on December 1995 between the EC and its Member States and MERCOSUR and its Party States, which fully entered into force on July 1, 1999 (though provisional application already took place from 1996 onwards). This consists of three main elements: political dialogue, co-operation dialogue and trade negotiations. Its main objective has been the preparation of negotiations on an Interregional Association Agreement, which should include the liberalization of trade in goods and services, aiming at free trade, in conformity with WTO rules, as well as an enhanced form of co-operation and a strengthened political dialogue.

facilitation measures[7] (EU-LAC Summit Political Declaration [2002]; EU-LAC Summit Assessment Report [2002]; EU-MERCOSUR Joint Communiqué [2002]).

The negotiations for the Inter-regional Association Agreement are grounded on political and economic incentives; in both regions regional integration is an instrument to simultaneously achieve economic and foreign policy objectives.

a) Political incentives

Both regions share a similar view of regional integration and of its place in the international geopolitical order. Contrary to other integration processes that simply target the creation of free trade areas, the EU and MERCOSUR envision the construction of a common market, the deepening of political cooperation and the achievement of a prominent international role through regional integration policies. The Inter-regional Association Agreement is an instrument suited for the worldwide diffusion of a model of "deep" regional integration that may lay the foundations of a multi-polar global governance system.

For MERCOSUR countries regional integration has already become a high profile state policy, sometimes referred to as a destiny rather than an option. An agreement with the EU could provide incentives to consolidate the integration process and to increase internal legitimacy and external credibility. In order to consolidate a common position in front of the EU, MERCOSUR countries will have to achieve a high degree of intergovernmental coordination, which may have positive externalities on the whole integration process. The cooperation programs of the Interregional Association Agreement may also transfer to MERCOSUR valuable integration technologies from Europe, such as examples of compensation mechanisms, of regulatory reforms needed for deeper integration and even roadmaps for macroeconomic coordination and monetary unification. Finally, the conclusion of a reciprocal trade agreement with the EU would be a clear signal of unity and stability at the international level.

For the European Commission the agreement with MERCOSUR may become a model to be replicated in the reorganization of the trade and cooperation relations with other developing countries. The expansion process, the reform of the preferential trade relations with ACP (African, Caribbean and Pacific) countries and the reform of the Generalized System of Preferences call for a revision of the cooperation system of the EU. The institutional architecture of the EU-MERCOSUR Agreement which blends reciprocal free trade with political and cooperation dialogue would respect WTO obligations, rationalize and simplify the administrative management of preferential political and economic

[7] The EU-MERCOSUR negotiations have been paralleled by negotiations with Chile whose conclusion was announced in April 2002. The agreement covers all the areas of bilateral trade relations: a free trade area in goods; a Wine and Spirits Agreement; a Sanitary and Phytosanitary Agreement; a trade facilitation agenda; a free trade agreement in services; an investment agreement; an agreement on public procurement and rules on competition, intellectual property and dispute settlement.

relations and promote regional integration worldwide. The agreement with MERCOSUR would also allow some European countries to consolidate cultural and historical bilateral relations, such as those of Spain or Portugal with their former colonies or those of Italy with emigrated communities in South America. Last but not least, the agreement would institutionalize the growing interest of European business communities in the region.

Defensive interests sustained by very diverse rationales oppose those favorable to the agreement. In both regions the supporters of multilateralism emphasize the efficiency costs of discriminatory trade policies. In MERCOSUR, the main concern regards the eventual trade diversion effects on commercial flows with the US. Some go even further and support the "Chilean" solution: a radical unilateral trade liberalization that is believed to have positive effects on credibility in international financial markets, through the signaling of the commitment to liberal policies. In the same vein, in the EU the costs of protectionism are carefully documented (Messerlin [2001]). While additional concerns include the political and administrative costs of the proliferation of discriminatory trade agreements that may be eliminated through a clear-cut commitment to a multilateralist strategy.

In both regions the EU-MERCOSUR agreement is fiercely opposed by the social groups that would likely be affected by the elimination of the rents generated by trade protection. Both in Europe and in MERCOSUR the structural features of the political representation system overestimate the relative weight of pressure groups that are opposed to inter-regional free trade, such as farmers in France or certain industrialists in Brazil (Da Motta Veiga [2001]).

b) Economic incentives

The economic incentives for the Inter-regional Association can be *prima facie* explored through the review of the asymmetric development of trade and investment flows between the two regions during the last decade. (Giordano *et al* [2001]) provide a complementary wider detailed analysis of the most important negotiating issues. For the EU, MERCOSUR is a relatively minor trading partner that represents 2.3% of extra-EU trade, while the EU is MERCOSUR's primary trading partner accounting for 30% of total external trade. However, MERCOSUR is the most important partner of the EU in LAC, accounting for almost 50% of EU-LAC trade.

TABLE 1
MERCOSUR AND EUROPEAN UNION: GROWTH OF TRADE FLOWS, 1990-2000

(% average annual growth)

	To/From MERCOSUR	To/From EU	To/From Extra-Region	To/From World
European Union				
Exports	13.0	5.8	7.0	6.1
Imports	3.4	5.4	7.0	5.9
MERCOSUR				
Exports	16.9	4.0	4.9	6.4
Imports	16.4	13.6	11.5	12.3

Source: Own calculations on IMF-DOTS data.

In the last decade, inter-regional trade increased at an average annual rate of 7%. As shown in Table 1, the growth of trade flows benefited the EU more than MERCOSUR: EU exports to MERCOSUR increased by 13% annually, while the exports to the world only increased by 6%. EU imports from MERCOSUR only increased by 3% annually, compared to a 7% increase of extra-EU imports. The increase of bilateral trade flows allowed the EU to steadily increase the market share in MERCOSUR from 27% to 30% (with a peak of 35% in 1999). In contrast, the trade performance of MERCOSUR in the EU market has been much less dynamic. MERCOSUR exports to the EU increased at 4% annually, well below the growth of total exports (6%). Meanwhile, MERCOSUR imports from the EU (14%) outstripped extra-regional imports (11%). During the last decade the market share of MERCOSUR in the EU dropped from 3.2% to 2.3%.

The asymmetric dynamism of trade flows explains the change of the sign of the bilateral trade balance and the accumulation of a trade deficit in MERCOSUR after 1995 (Table 2). In fact, the growing trade deficit in industrial products due to the rapid expansion of manufactured imports has not been matched by an equivalent increase in agricultural exports from MERCOSUR, through which the latter used to generate trade surpluses. In the last three years, the reduction of the bilateral trade deficit was only due to the shrinking of MERCOSUR absorption capacity in manufactured products.

TABLE 2
MERCOSUR: BILATERAL TRADE BALANCE WITH THE EU, 1990-2000
(millions of dollars)

	1989	1995	1997	1998	1999	2000
All food products	6,460.4	8,081.6	10,350.4	9,710.1	9,466.8	8,597.9
Agricultural raw materials	449.1	1,252.1	760.5	750.8	794.7	1,038.8
Ores and metals	2,049.7	1,667.5	1,483.9	2,313.1	2,031.9	2,436.2
Fuels	-88.0	-439.2	-418.4	-365.1	-324.1	-273.9
Manufactured goods	-192.0	-13,549.7	-18,473.1	-18,837.0	-15,744.6	-12,661.6
Total	8,679.1	-2,987.6	-6,296.7	-6,428.1	-3,775.2	-862.6

Note: Aggregation for product categories based on UNCTAD classification: All food products: SITC 0 + 1 + 22 + 4; Agricultural raw materials: SITC 2 - 22 - 27 - 28; Ores and metals: SITC 27 + 28 + 68; Fuels: SITC 3; Manufactured goods: SITC 5 to 8, - 68.

Source: Own calculations on DATAINTAL.

The asymmetry of trade relations is also visible at the qualitative level (Table 3). The analysis of the sectoral composition of trade flows reveals that in 2000 MERCOSUR exported more natural resource based products to the EU (70%) than to the rest of the world (51%), while it imported relatively more industrial products from the EU (90%) than from the rest of the world (71%). This structure of international specialization characterized by the export of low value-added products and the import of products with high technological content has worsened during the 1990s.

TABLE 3
MERCOSUR: SECTORAL STRUCTURE OF TRADE FLOWS, 1989-2000

(percentage)

	Exports				Imports			
	EU		Rest of World		EU		Rest of World	
	1989	2000	1989	2000	1989	2000	1989	2000
Natural Resource Based	69.5	69.7	57.8	50.9	18.5	9.6	49.1	29.0
Manufacture	30.5	30.3	42.2	49.1	81.5	90.4	50.9	71.0
Total	100	100	100	100	100	100	100	100

Note: Aggregation for product categories based on UNCTAD classification: Natural Resource Based: SITC 0 to 4 + 68; Manufacture: SITC 5 to 8, less 68.

Source: Own calculations on DATAINTAL.

Given the transformation of the global economy and of business practices in the recent decades, trade relations must be analyzed along with the trend of foreign direct investment (FDI). In the last decade MERCOSUR has progressively become an important destination of FDI directed toward emerging markets. In 2000 MERCOSUR countries represented 57% of FDI directed toward Latin America and the Caribbean (Table 4). In particular, for many European transnational groups, a presence in integrating emerging markets such as MERCOSUR has become a necessity in facing the competition arising in global markets (Giordano and Santiso [2000]; Vodusek [2001]).

TABLE 4:
NET FOREIGN DIRECT INVESTMENT INFLOWS TO SELECTED LATIN AMERICAN COUNTRIES FROM THE WORLD AND THE EU, 1990-2000

(In Millions of US dollars and %)

	1990-1994*		1995-2000*		1998		1999		2000	
	Total	EU Share (%)	Total	EU Share (%)	Total	EU Share (%)	Total	EU Share (%)	Total	EU Share (%)
Total LAC	18,287	13.2	66,100	33.9	78,873	36.8	93,822	37.4	74,191	47.5
MERCOSUR share in total FDI to LAC (%)		26.1		49.7		49.8		60.6		57.3
MERCOSUR share in total EU FDI to LAC (%)		51.4		69.4		82.7		83.9		65.8
MERCOSUR	4,772	26.0	32,829	47.4	39,268	61.2	56,890	51.8	42,487	54.5
Argentina	2,971	15.6	10,742	49.1	6,849	54.9	23,930	74.4	11,957	38.6
Brazil	1,703	42.9	21,755	46.8	31,913	63.1	32,659	35.2	30,250	60.8
Chile	1,219	17.2	5,058	33.2	4,638	38.3	9,221	47.0	3,676	21.5
Mexico	5,430	6.8	11,265	16.9	11,312	13.9	11,786	13.6	12,950	18.6

Note: *Annual average.

Source: Based on data provided by ECLAC, Unit on Investment and Corporate Strategies and data provided by central banks and statistical reporting agencies (Vodusek [2001]).

In summary, for MERCOSUR the trade agreement with the EU is an opportunity to secure market access in its major export market and for balancing the trade deficit through the increase of agricultural exports and the diversification of manufactured exports. While for the EU the goal is to consolidate the commercial presence in their most dynamic emerging external market, to ensure a stable and foreseeable regulatory framework for direct investment, intellectual property protection and dispute settlement. Free trade with MERCOSUR would also open new business opportunities; in particular those related with private and public procurement associated with infrastructure development programs. Table 5 provides an overview of the market access issues of the interregional negotiation.

TABLE 5
EUROPEAN UNION AND MERCOSUR TARIFF PROTECTION

	MFN Tariffs							EU GSP rates to MERCOSUR members							
	EU			MERCOSUR				Argentina		Brazil		Uruguay & Paraguay		MERCOSUR (Avg.)	
Sector (ISIC 2 digit)	**Simple Avg**	**Max**	**StdDev**	**Simple Avg**	**Max**	**StdDev**	**Import Weighted Avg**	**Simple Avg**	**Max**	**Simple Avg**	**Max**	**Simple Avg**	**Max**	**Simple Avg**	**Import Weighted Avg**
Agriculture and Hunting	4.8	282.4	7.5	9.6	19.0	4.3	8.6	3.9	282.4	4.1	282.4	3.8	240.0	3.9	2.3
Forestry	0.9	20.8	3.0	7.6	17.0	3.0	9.5	0.5	20.8	0.8	20.8	0.5	14.6	0.6	0.3
Fishing	9.0	23.0	4.2	12.0	13.0	2.9	8.2	7.0	23.0	7.0	23.0	7.0	23.0	7.0	7.4
Coal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petroleum and Gas	0.2	8.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Metal Ore	0.0	0.0	0.0	5.3	7.0	0.8	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Mining	0.1	6.5	0.4	6.5	13.0	1.9	7.6	0.0	4.6	0.0	4.6	0.0	4.6	0.0	0.001
Food, Beverages and Tobacco	10.3	464.2	14.5	15.1	23.0	4.2	18.0	9.3	464.2	9.5	464.2	8.3	464.2	9.1	9.8
Textile	8.6	17.0	3.6	20.5	23.0	3.2	20.7	7.1	17.0	7.3	17.0	7.1	11.9	7.2	4.2
Wood	2.6	10.0	2.8	15.1	21.0	4.8	18.7	1.1	7.0	1.1	7.0	1.1	7.0	1.1	0.9
Paper	3.6	8.0	2.5	14.0	19.0	5.0	11.4	0.4	8.0	3.5	8.0	0.4	4.9	1.4	0.3
Chemicals	4.7	84.8	4.4	12.1	23.0	5.4	12.1	1.5	84.8	1.6	84.8	1.5	72.1	1.5	1.5
Pottery and Glass	3.3	12.0	2.7	14.1	23.0	4.5	14.6	1.3	8.4	1.4	8.4	1.3	8.4	1.3	2.1
Iron and Steel	2.7	10.0	1.9	13.2	21.0	4.2	13.7	1.0	7.0	1.6	7.0	1.0	7.0	1.2	2.9
Machinery and Equipment	2.4	22.0	2.2	17.2	23.0	4.7	16.2	0.9	15.4	0.9	15.4	0.9	15.4	0.9	2.8
Other Manufactures	2.9	7.7	1.4	20.3	23.0	3.1	21.0	0.7	5.2	1.1	5.2	0.7	3.3	0.8	0.2
All sectors	4.8	464.2	5.9	15.4	23.0	5.7	15.3	3.0	464.2	3.2	464.2	2.9	464.2	3.0	4.1

Note: To calculate average tariffs, standard deviation and trade weighted tariffs are first aggregated using available data at 6 digit HS level. However, to obtain maximum values the most disaggregated data available is used, which is at 10 digit level for the EU and on 8 digit level for Mexico and MERCOSUR. Each country's or region's tariffs are weighted with the imports from the respective trading partner in 1998.

Source: Estevadeordal and Krivonos [2001] based on official UNCTAD data and the information in the EU Regulations.

The EU and MERCOSUR have a complementary structure of comparative advantages and trade flows which are currently concentrated in the sectors that enjoy the highest level of nominal protection (Estevadeordal and Krivonos, [2001]). Inter-regional trade liberalization will therefore require a very intense negotiation to reap the potential gains stemming from international specialization.

c) Estimated effects of trade liberalization

As shown by Computable General Equilibrium (CGE) model simulations, interregional trade liberalization may produce welfare gains for all participants, although these may be sizeable for MERCOSUR and negligible for the EU (Table 6). From MERCOSUR perspective, the EU-MERCOSUR process is highly complementary with the FTAA. MERCOSUR countries are in fact "global traders" that present a geographical diversified trade pattern and would benefit both from multilateral and balanced North-South preferential opening.

TABLE 6
ECONOMY WIDE EFFECTS OF TRADE LIBERALIZATION

(% change from benchmark)

	Real GDP				Exports				Imports			
	EU-MSUR FTA	FTAA	Partial EU-MSUR FTA	EU-MSUR FTA plus FTAA	EU-MSUR FTA	FTAA	Partial EU-MSUR FTA	EU-MSUR FTA plus FTAA	EU-MSUR FTA	FTAA	Partial EU-MSUR FTA	EU-MSUR FTA plus FTAA
EU	0.11	-0.01	0.10	0.10	1.14	-0.07	0.98	1.06	1.16	-0.02	0.97	1.13
Argentina	4.13	2.47	2.05	6.44	12.60	6.67	5.49	19.05	10.05	5.75	4.98	15.58
Brazil	4.89	3.36	2.89	8.03	12.93	8.50	6.44	21.29	9.78	7.13	5.60	16.79
US	0.03	0.22	0.02	0.25	0.12	1.92	0.05	2.05	0.12	1.13	0.01	1.24

Note: Partial EU-MERCOSUR FTA excludes free trade in agriculture.

Source : Inter-American Development Bank, *Integration and Regional Programs Department.*

Even though it is well known that CGE simulations have to be taken with caution, the results show that both regions are likely to expand exports in all sectors. Besides the expansion in industrial exports, the EU is likely to expand exports in agribusiness products, particularly in niche food processing goods (not shown here). From the EU perspective the inter-regional agreement may therefore produce economic gains, including gains for capital-intensive agribusiness. MERCOSUR countries may, on the other hand, increase traditional exports and substantially boost economic growth. In contrast, partial liberalization excluding agriculture is likely to reduce welfare gains in both regions, while a broad agreement including investment and services liberalization provisions is likely to expand welfare even further.[8]

[8] The simulations consider the elimination of *ad valorem* tariffs, domestic support in agriculture and export subsidies. The welfare effect stemming from the liberalization of services or investment are not captured here. The results presented here are an approximation of the welfare effects of the agreements under negotiations.

The inter-regional agreement is likely to feature cross-fertilization interactions with other regional or multilateral liberalization processes.[9] The FTAA and the EU-MERCOSUR process may in fact mutually reinforce each other, resulting in additional welfare gains due to the elimination of trade diversion effects and to the full exploitation of the dynamic effects of trade liberalization. Moreover, such a dual track free trade strategy would help MERCOSUR countries to diversify the sectoral pattern of exports and balance the political economy pressures for trade protection and discrimination.[10] As mentioned, the symmetrical distribution of the benefits and costs of trade liberalization among MERCOSUR members is a key condition for maintaining the momentum for the coordination of external trade negotiations.

---

[9] See Monteagudo and Watanuki [2001] for a detailed CGE model based analysis of the external trade liberalization scenarios of MERCOSUR.

[10] The FTAA would provide relatively more benefits to manufactured goods producers located in Brazil, while free trade with the EU would provide relatively more benefits to agribusiness exporters located in Argentina and Uruguay. The parallel negotiation of the two North-South agreements would thus allow balancing the incentives for trade liberalization among MERCOSUR members.

Contents

V. PROSPECTS FOR THE EU-MERCOSUR INTERREGIONAL ASSOCIATION PROCESS

The prospects for the EU-MERCOSUR process may be assessed considering the time path of the negotiations, the scope of the trade agreement and of the political and cooperation dialogue and some additional institutional issues that may be crucial for the negotiation process and its implementation.

Unlike in the FTAA, where the parties agreed on concluding the negotiations no later than December 2004 (entry into force will be sought no later than December 2005) the EU-MERCOSUR process is not framed by a specific deadline. Negotiations are simply urged to be "concluded at the earliest possible date". The speed of the EU-MERCOSUR negotiations may hence depend on the exogenous achievements of other international negotiations, in particular those for the FTAA. Following the entry into force of the NAFTA and the loss of market shares in Mexico due to trade diversion effects, the EU reinforced its political and commercial relations with Mexico, hurriedly negotiating a free trade agreement.[11] The EU is MERCOSUR's main trading partner, the main provider of direct investments and represents an important political partner to counterbalance the growing American interest in the region. If the same scenario of trade diversion were to be repeated in South America, for the EU the costs of the entry into force of FTAA would be much higher than those incurred in Mexico.

If the FTAA negotiations advance steadily, it is likely that the 2005 deadline will implicitly be relevant also for the EU-MERCOSUR process. In fact, both the FTAA and the EU-MERCOSUR process are part of a wider triangular relation involving the European Union, MERCOSUR and the United States. Furthermore, the conclusion of the EU-MERCOSUR trade agreement is subordinated to the conclusion of the multilateral negotiations at the WTO, which share the same 2005 deadline. In this light, the recent approval of a very ambitious working program for EU-MERCOSUR trade negotiations and the approval of the Trade Promotion Authority in the United States may sustain the momentum for these intertwined trade integration processes. Assuming the implementation of the trade liberalization commitments to last a minimum of 15 years, the time horizon for the completion of the EU-MERCOSUR association may be reasonably set at 2020 at the earliest. This calls for a forward-looking appraisal of the EU-MERCOSUR association's costs and benefits.

The scope of the trade agreement is constrained by the multilateral rules set in GATT Art. XXIV (and GATS Art. V), as well as the relevant provisions of the Understanding on Art. XXIV resulting from the Uruguay Round. The treaty administered by the WTO establishes that trade liberalization must cover "substantially all trade". The (unofficial) interpretation of this clause is

---

[11] EU-Mexico relations are regulated by the Economic Partnership, Political Co-operation and Co-operation Agreement entered into force on October 1st 2000. The trade aspects of the Agreement cover trade in goods, government procurement, a co-operation mechanism in the field of competition, a consultation mechanism in respect of intellectual property matters, and a dispute settlement mechanism. A separate agreement covers trade in services and the liberalization of investment and related payments. In addition, two sectoral agreements concern the mutual recognition and protection of designations for alcoholic beverages, and the co-operation regarding the control of precursors and chemical substances frequently used in the illicit manufacture of narcotic drugs. The trade agreement was negotiated in only 11 months but faced neither the complex liberalization of sensitive agricultural products nor the institutional issues related to the bloc to bloc format for negotiations.

that trade liberalization must cover 90% of bilateral trade flows, without excluding any sector (Thorstensen [2001]). The greatest challenge for negotiators is therefore to tackle the agricultural "deadlock", where political economy pressure for trade protection is entrenched with genuine concerns about the "multifunctionality" of rural activities (MERCOSUR Chair, [1999, 2000 and 2001]). As one of the main issues in agriculture trade liberalization is the reduction of subsidies and of domestic support, it is unlikely that an agreement between the EU and MERCOSUR could be reached independently of the progress of multilateral negotiations in this area. However, the successful launch of the Doha Development Agenda at the last WTO Ministerial meeting opens a window of opportunity for the EU-MERCOSUR process. The two regions may in fact reach a comprehensive inter-regional agreement based on market access concessions, which foresee the acceptance of the rules-setting agreed at the multilateral level.[12] Nevertheless the new Farm Bill of the United States suddenly obscures the prospects for a rapid conclusion of multilateral negotiations in agriculture, and indirectly also those of regional processes such as the FTAA or the EU-MERCOSUR negotiation.

However, the most significant feature of the interregional association agreement is the trade-cooperation nexus built-in in the legally subscribed single undertaking. The strategic priorities adopted in Rio de Janeiro and reiterated in Madrid are the basis for a cooperation program functional to the reciprocal free trade relations under negotiations. In October 2000, the European Commission decided to focus on three priorities for the future: the promotion of human rights, the promotion of technology based societies and the reduction of social imbalances (European Commission [2001]). These programs certainly target key areas for the development of the entire Latin American region. However, some additional focused initiatives targeting the specific needs of developing countries entering into reciprocal North-South free trade relations with an asymmetric level of economic development and institutional capacity may be suited to fully exploit the potential of the Interregional Association Agreement (Peña [2002]). In this sense, the challenge is to promote an "integrated approach" to the EU-MERCOSUR process (Giordano [2002]).

Ultimately, it is difficult to overestimate the importance of addressing some crucial institutional issues. The interregional association agreement is an innovative project that needs forward looking political vision and a constantly reiterated high-level commitment. However, political will needs to be accompanied by a steadfast interest of the business communities of both regions. In this sense the delivery of trade facilitation measures, which sustain the growth of dynamic interdependence between the two regions, is a key factor for the outcome of the negotiation process.[13]

In addition, both regions need to strengthen the convergence of national interests into a common position. As mentioned, the imperfection of MERCOSUR customs union is certainly

---

[12] Indeed, after the launch of the new multilateral round, a new type of systemic relations between regionalism and multilateralism may emerge: the latter may set the rules of the international trading system, while the former may principally address market access issues.

[13] These should address both the restrictions to intra-MERCOSUR trade flows and to the trade flows between the EU and MERCOSUR and focus on: i) customs and customs procedures; ii) standards, technical regulations and conformity assessment procedures; and iii) on electronic commerce (MEBF [2001 and 2002]).

an issue that calls for a prompt solution.[14] But trade negotiations target a "WTO-plus" horizontal agreement covering issues such as services, foreign investment or intellectual property rights on which the Commission's competence is restricted.[15] As the final agreement will have to be ratified by all EU member states, its content must satisfy the interests of all EU member countries. This highlights the need to promote in every single country of both regions an open debate on the costs and benefits of the EU-MERCOSUR agreement, which involve both the parliaments and the civil society.

The end of the Twentieth century witnessed the onset of a passionate debate on the vices and virtues of trade liberalization and globalization. Perhaps the most exciting feature of this debate is the prominent role assumed by civil society organizations. As clearly pointed out by Ostry [2002]: "The national policy-making process is the result of a two level game: the structure and dynamics of the process at the national level and the interaction between national players at the supranational level. […] Governments must recognize that a broad consultative process makes policy-making more complex and difficult. In particular with the changed terrain of trade policy and the uneasy mix of traditional "economic" and "social" issues the demand on governments has seriously increased. But that's the name of the game and it's wise to face it. […] Broader participation should be regarded as a necessary, though not sufficient, condition to sustain trade liberalization. Government officials (and Ministers) by providing a continuing account of the negotiations enhance the understanding by stakeholders and legislatures of the dynamic constraints of the negotiations. […] But if the stakeholders can have a voice in the outcome it may, over time, engender a sense of "ownership" in the process and the policy itself."

The EU-MERCOSUR process has a window of opportunity of becoming a laboratory to explore new ways of interactions between supranational and national executive and legislative bodies, international institutions and representatives of the civil society. Some isolated pioneering experiences have already demonstrated the benefits of the organization of a constructive mechanism allowing elements of civil society to channel opinions in a disciplined way to trade negotiators. The EU-MERCOSUR process could become a model for cooperation with civil society for other regional initiatives and lead to valuable reputation effects for both the EU and MERCOSUR on the international scene.

---

[14] The exclusions of certain sectors from the agreed CET, the temporary lack of implementation of the CET, the need for intra-regional trade flows to comply with rules of origin, the lack of harmonization of customs procedures and the insufficiency of cross border transport infrastructure are, among others, priority areas. Although some of these issues have to be addressed by sovereign national authorities, others may be the focus of inter-regional or multilateral-funded cooperation initiatives.

[15] In the Treaty of Rome, Article 133 allows the EC to negotiate, conclude and implement trade agreements with other countries of the world. The Nice Treaty introduced the logic of parallelism, which aligns the decision-making mechanism for trade negotiations on internal decision-making rules. To this end, it provides that agreements on services and trade-related aspects of intellectual property are to be decided under the same qualified majority rule applicable under Article 133 (previously, such agreements were treated as "mixed" and therefore subject to the unanimity rule). However, investment is not included in Article 133 (except for services, via "mode 3" of the GATS). Every single country therefore has a veto power in an agreement covering investment.

Contents

VI. CONCLUSION

The nineties witnessed an unprecedented resurgence of integration initiatives in Latin America and the Caribbean of which MERCOSUR is a paradigmatic example. Compared to earlier experiences with regional integration, this New Regionalism is inspired by more complex structural transformation objectives, is implemented with more stringent trade liberalization modalities and features a potentially broader geographical scope. In MERCOSUR, the adoption of the New Regionalism has been accompanied by a growing external trade liberalization agenda.

The record of the South-South chapter of the agenda shows that the new approach to intra-regional trade liberalization had positive spillovers on the external dimension of MERCOSUR, but also that the challenges on the external side call for an institutional strengthening of the whole regional integration process. The preservation/consolidation of the customs union and the convergence of national strategic interest into a common negotiating position distinguish themselves as the main challenges for MERCOSUR serving the objective of increasing the bargaining power of member countries in international fora, in particular in North-South negotiations.

As economic incentives are overwhelmingly located in the access to the EU and US markets, the North-South segment of the agenda is the most crucial for achieving the objective of an incisive insertion into the global economy. For MERCOSUR countries that are "global traders" it is particularly important to maintain balanced free trade relations with all major trading partners and to actively support the progress of the multilateral trading system. In this sense, for MERCOSUR the prospects of the association with the EU chiefly depend on the outcome of the trade pillar of the negotiation.

It seems that the EU strategy is reactive while MERCOSUR lacks the sufficient institutional capacity to impose a proactive agenda. The timing of the trade negotiation is thus likely to be long and principally determined by the exogenous dynamic of the on-going negotiations at the WTO and in the FTAA. To maintain momentum with the process both regions may fully exploit the potential of this particular inter-regional integration negotiation, by envisioning and promoting an "integrated" approach to the EU-MERCOSUR association.

Such an integrated approach may rely at least on two strategic components. On the one hand, the parties may fuel the trade-cooperation nexus built-in in the negotiation process by designing a cooperation program functional to the peculiar challenges of reciprocal free trade between two unequally developed customs unions. On the other hand, the parties may develop a wide inclusive dialogue with all the constituencies of the business community and of the civil society, in order to take advantage of new ideas and promote a sense of ownership of the policies under negotiation. This innovative approach to international trade negotiations may require an increased focus on economic development issues in the political dialogue.

Inter-institutional cooperation between national, supra-national and regional financial institutions, early results in the field of business facilitation and a broad inclusive debate on trade liberalization, regionalism and globalization may imprint an endogenous driving force into the EU-MERCOSUR process and ultimately turn out to be the key ingredients for the worldwide diffusion of a new model of North-South integration.

Contents

BIBLIOGRAPHY

BOUZAS, ROBERTO. “Aspectos estrategicos en las negociaciones del MERCOSUR” in Estevadeordal Antoni and Carolyn Robert (eds) *Las Americas sin barreras: negociaciones comerciales de acceso a mercados*. Washington, D.C.: Inter-American Development Bank. 2000.

BULMER-THOMAS, VICTOR. *The Economic History of Latin America Since Independence*, Cambridge: Cambridge University Press. 1994.

DA MOTTA VEIGA, PEDRO. "The political economy of trade negotiations in MERCOSUR", in Giordano *et al. (eds) Towards an agreement between the EU and MERCOSUR*. 2001.

DE ALMEIDA, PAULO ROBERTO. “Mercosul em sua primeira década (1991-2001): Uma avaliação política a partir do Brasil”, *INTAL-ITD-STA Occasional Paper*, N°14. Buenos Aires: IDB/INTAL. 2002.

DEVLIN, ROBERT AND ANTONI ESTEVADEORDAL. “What’s new in the New regionalism in the Americas”, in Bulmer-Thomas (ed) *Regional Integration in Latin America and the Caribbean: The Political Economy of Open Regionalism*. London: ILAS-University of London, 2001; and *INTAL/ITD STA Working Paper* N° 6. Buenos Aires: IDB/INTAL. 2001.

ESTEVADEORDAL, ANTONI AND EKATARINA KRIVONOS. “Market access negotiations” in Giordano *et al. (eds) Towards an agreement between the EU and MERCOSUR*. Paris: Presses de Sciences Po. 2001.

______________, JUNICHI GOTO AND RAUL SAEZ. “The New Regionalism in the Americas: The case of MERCOSUR”, *INTAL-ITD Working Paper*, N°5. Buenos Aires: IDB/INTAL. 2000.

EUROPEAN COMMISSION. "Concerning the Establishment of an Interregional Association Between the European Union and MERCOSUR", *Commission Staff Working Paper*. Brussels: European Commission. 1998.

______________. *Annual Report on the implementation of the European Commission’s External Assistance*, Brussels: European Commission. 2001.

EU-MERCOSUR. "Joint Communiqué Madrid", 17/05/2002. Available on line at: *http://europa.eu.int/comm/external_relations/MERCOSUR/ass_neg_text/ma05_02.htm*. 2002.

EU-LAC. "Summit Assessment Report". Madrid, 17/05/2002, available on-line at: *http://europa.eu.int/comm/world/lac/conc_en/assrep.htm.*

_____________. "Summit Political Declaration" Madrid, 17/05/2002, available on line at: *http://europa.eu.int/comm/world/lac/conc_en/decl.htm*. 2002.

GIORDANO, PAOLO. (ed.), *An integrated approach for the European Union - MERCOSUR Association*. Paris: Chaire MERCOSUR de Sciences Po. 2002.

GIORDANO, PAOLO AND JAVIER SANTISO. "La course aux Amériques : les stratégies des investisseurs européens dans le MERCOSUR", *Problèmes d'Amérique Latine*, N° 39. 2000.

__________, Marie Françoise Durand and Alfredo Valladão. *Toward an agreement between Europe and MERCOSUR*. Paris: Presses de Sciences Po. 2001.

INTER-AMERICAN DEVELOPMENT BANK. *Periodical Note on Integration and Trade in the Americas*. Washington: Integration and Regional Programs Department. 2002.

MAGARIÑOS, GUSTAVO. "MERCOSUR una unión económica emergente", in Estevadeordal Antoni and Carolyn Robert (eds) *Las Americas sin barreras: negociaciones comerciales de acceso a mercados*. Washington, D.C.: Inter-American Development Bank. 2001.

MEBF - MERCOSUR European Union Business Forum. *Buenos Aires Statement on Business Facilitation*, available on-line, *http://mebf.repsol-ypf.com/pdf/BsAs_Statement.pdf*. 2001.

_____________. European Union Business Forum. *Madrid Declaration*, available on-line, *http://mebf.repsol-ypf.com/pdf/MEBF_Madrid_Declaration.pdf.*

MERCOSUR CHAIR. "Les enjeux de la négociation UE-MERCOSUR et le "noeud" agricole", *Rapport Annuel.* Paris: Institut d'Etudes Politiques de Paris. 1999.

_____________. "Towards an agreement between Europe and MERCOSUR", *Annual Report*, Institut d'Etudes Politiques de Paris, Paris. 2000.

_____________. "An integrated approach for the EU-MERCOSUR association", *Briefing Notes*, Paris: Institut d'Etudes Politiques de Paris. 2001.

MESSERLIN, PATRICK. *Measuring the costs of protection in Europe: European commercial policy in the 2000s*. Washington, D.C.: Institute for International Economics. 2001.

MONTEAGUDO, JOSEFINA AND MASAKAZU WATANUKI. "A CGE Impact Analysis of MERCOSUR's Integration Alternatives", Integration and Regional Programs Department, Inter-American Development Bank, mimeo. 2001.

OSTRY, SYLVIA (ed). *Trade Policy-Making Process. Level one of the Two Level Game. INTAL-ITD-STA Occasional Paper*, N°13. Buenos Aires: IDB/INTAL. 2002.

PEÑA, FÉLIX. "Los Resultados de la Cumbre de Madrid y la Cooperación Regional de la Unión Europea con América Latina", Inter-American Development Bank, mimeo. 2002.

THORSTENSEN, VERA. "The WTO framework ", in Giordano *et al* (eds) *Towards an agreement between the EU and MERCOSUR*. 2001.

VODUSEK, ZIGA. *Foreign Direct Investment in Latin America*. Washington, D.C.: Inter-American Development Bank. 2001.

Contents

INTAL PUBLICATIONS

REGULAR PUBLICATIONS

Integration & Trade. Three journal issues (English and Spanish) by subscription or individual issue purchase.

INTAL Monthly Newsletter (English, Portuguese and Spanish - Internet).

SUB-REGIONAL INTEGRATION REPORTS

ANDEAN Report. Annual publication (Spanish). English version: Internet.

CARICOM Report. Annual publication (English).

CENTRAL AMERICAN Report. Annual publication (Spanish). English version: Internet.

MERCOSUR Report. Annual publication (English, Portuguese and Spanish).

SPECIAL REPORTS

Integración energética en el Cono Sur (Spanish). Mario A. Wiegers. 1996.

Integración en el Sector Transporte en el Cono Sur (Spanish):

- *Transporte Terrestre.* José Alex Sant'Anna. 1997.
- *Puertos y vías navegables.* Martín Sgut. 1997.
- *Los ferrocarriles y su contribución al comercio internacional.* Ian Thomson. 1997.

El impacto sectorial de la integración en el MERCOSUR (Spanish and Portuguese). Juan José Taccone and Luis Jorge Garay (Eds.) 1999.

Impacto del TLCAN en las exportaciones de prendas de vestir de los países de América Central y República Dominicana. Spanish (Internet).

INTAL: 35 años de Compromiso con la Integración Regional. Spanish.

América Latina a principios del Siglo XXI: Integración, Identidad y Globalización. Actitudes y expectativas de las elites latinoamericanas. Spanish (Internet).

Perspectivas y Desafíos del Proceso de Integración Argentino-Chileno a Diez Años del ACE 16 (Spanish). 2002.

WORKING PAPERS

The Integration Movement in the Caribbean at Crossroads: Towards a New Approach of Integration (English). Uziel Nogueira. 1997.

MERCOSUL e Comércio Agropecuario (Portuguese). Ives Chaloult and Guillermo Hillcoat. 1997.

Las relaciones de comercio e inversión entre Colombia y Venezuela (Spanish). Eglé Iturbe de Blanco. 1997.

DISSEMINATION PAPERS

Integración y democracia en América Latina y el Caribe (Spanish). Alvaro Tirado Mejía. 1997.

Estado de evolución en la elaboración e implementación de las Normas ISO 14.000 y CODEX Alimentarius (Spanish). Laura Berón. 1997.

Evolución institucional y jurídica del MERCOSUR (Spanish). Vicente Garnelo. 1998.

Comercio Electrónico: conceptos y reflexiones básicas (Spanish). Gerardo Gariboldi. 1999.

Cómo expandir las exportaciones de los países dentro de una economía globalizada (Spanish). Rubens Lopes Braga. 1999.

La dimensión cultural: base para el desarrollo de América Latina y el Caribe: desde la solidaridad hacia la integración. (Spanish) Alejandra Radl. 2000.

Capital social y cultura. Claves olvidadas del desarrollo (Spanish). Bernardo Kliksberg. 2000.

Los países pequeños: Su rol en los procesos de integración (Spanish). Lincoln Bizzozero - Sergio Abreu. 2000.

DATABASES - SOFTWARE

DATAINTAL (CD-ROM) Sistema de estadísticas de comercio de América

Base INTAL MERCOSUR (BIM)

Base de datos bibliográficos (INTEG)

Directorio de las Relaciones Económicas de América Latina y el Caribe con Asia-Pacífico (CD-ROM)

Instrumentos básicos de integración económica en América Latina y el Caribe. Updated to July, 2002.

Rueda de Negocios

INTAL/ITD/STA PUBLICATIONS

Contents

WORKING PAPERS

Una evaluación de la homogeneidad macroeconómica y del desarrollo de la región centroamericana (Spanish). Florencio Ballestero. 1998.

Towards an Evaluation of Regional Integration in Latin America in the 1990s (English). Robert Devlin and Ricardo Ffrench-Davis. 1998.

Negotiating Preferential Market Access: The Case of NAFTA (English). Antoni Estevadeordal. 1999.

El ALCA y la OMC: Especulaciones en torno a su interacción (Spanish). Jaime Granados. 1999.

The New Regionalism in the Americas: The Case of MERCOSUR. (English). Antoni Estevadeordal, Junichi Goto and Raúl Saez. 2000.

What's New in the New Regionalism in the Americas? (English). Robert Devlin and Antoni Estevadeordal. 2001 (also available in Spanish).

Metodología para el análisis de regímenes de origen. Aplicación en el caso de las Américas (Spanish). Luis J. Garay S. y Rafael Cornejo. 2001.

A ALCA no limiar do século XXI: Brasil e EUA na negociação comercial hemisférica (Portuguese). Antonio José Ferreira Simões. 2002.

The Outlier Sectors: Areas of Non-Free Trade in the North American Free Trade Agreement (English). Eric Miller. 2002.

Las trabas no arancelarias en el comercio bilateral agroalimentario entre Venezuela y Colombia (Spanish). Alejandro Gutiérrez S. 2002.

Métodos casuísticos de evaluación de impacto para negociaciones comerciales internacionales (Spanish). Antonio Bonet Madurga. 2002.

Regional Banks and Regionalism: A New Frontier for Development Financing (English). Robert Devlin and Lucio Castro. 2002.

OCCASIONAL PAPERS

ALCA: Un proceso en marcha (Spanish). Nohra Rey de Marulanda. 1998.

The Caribbean Community: Facing the Challenges of Regional and Global Integration (English). Anneke Jessen and Ennio Rodríguez. 1999.

Government Procurement and Free Trade in the Americas (English). Jorge Claro de la Maza and Roberto Camblor. 1999.

Financial Services in the Trading System: Progress and Prospects (English). Eric Miller. 1999.

The FTAA: Some Longer Term Issues (English). Robert Devlin, Antoni Estevadeordal and Luis Jorge Garay. 1999.

The Free Trade Area of the Americas and MERCOSUR-European Union Free Trade Processes: Can they Learn from Each Other? (English). Robert Devlin. 2000.

Negotiating Market Access between the European Union and MERCOSUR: Issues and Prospects (English). Antoni Estevadeordal and Ekaterina Krivonos. 2000.

La integración comercial centroamericana: Un marco interpretativo y cursos de acción plausible (Spanish). Jaime Granados. 2001.

NAFTA and the Mexican Economy: Analytical Issues and Lessons for the FTAA (English). J. Ernesto López-Córdova. 2001.

Breaking from Isolation: Suriname's Participation in Regional Integration Initiatives (English). Anneke Jessen and Andrew Katona. 2001.

Regional Public Goods in Official Development Assistance (English). Marco Ferroni. 2001.

Search for a New Partnership in Trade and Investment between Latin America and Asia-Pacific (English). Mikio Kuwayama. 2001. Spanish version: Internet.

The Trade Policy-Making Process Level One of the Two Level Game: Country Studies in the Western Hemisphere (English and Spanish). 2002.

Mercosul em sua primeira década (1991-2001): Uma avaliação política a partir do Brasil (Portuguese). Paulo Roberto de Almeida. 2002.

Diseños institucionales y gestión de la política comercial exterior en América Latina (Spanish). Jacint Jordana and Carles Ramió. 2002.

A Study on the Activities of IFIs in the Area of Export Credit Insurance and Export Finance (English). Malcom Stephens and Diana Smallridge. 2002.

El proceso de integración Argentina-Brasil en perspectiva: El ciclo cambiario y la relación público-privada en Argentina (Spanish). Ricardo Rozemberg and Gustavo Svarzman. 2002.

Regional Aspects of Brazil's Trade Policy (English). Eduardo A. Haddad (coord.), Edson P. Domínguez and Fernando S. Perobelli. 2002.

The External Dimension of MERCOSUR: Prospects for North-South Integration with the European Union (English). Paolo Giordano. 2003.

INT/ITD PUBLICATIONS

Contents

WORKING PAPERS

Common Market of the Southern Cone: MERCOSUR. Martin Arocena. Working Paper # 204. September 1995 (also available in Spanish).

From Miami to Cartagena: Nine Lessons and Nine Challenges of the FTAA. Robert Devlin and Luis Jorge Garay. Working Paper # 211. July 1996 (also available in Spanish).

Facts, Fallacies and Free Trade: A Note on Linking Trade Integration to Labor Standards. Donald J. Robbins. Working Paper # 214. May 1997.

What can European Experience Teach Latin America About Integration. L. Alan Winters. Working Paper # 215. May 1997.

Economic Integration and Equal Distribution. Willem Molle. Working Paper # 216. May 1997.

Towards Free Trade in the Western Hemisphere: The FTAA Process and the Technical Support of the Inter-American Development Bank. Enrique V. Iglesias. Working Paper # 217. July 1997 (also available in Spanish)

Convergence and Divergence Between NAFTA, Chile, and MERCOSUR: Overcoming Dilemmas of North and South American Economic Integration. Raúl A. Hinojosa-Ojeda, Jeffrey D. Lewis and Sherman Robinson. Working Paper # 219. May 1997.

Transport Infrastructure in Latin America. Arturo Vera Aguirre. Working Paper # 221. July 1997 (also available in Spanish).

MERCOSUR: Achievements and Challenges. Carlos Sepúlveda and Arturo Vera Aguirre. Working Paper # 222. September 1997 (also available in Spanish).

SPECIAL PUBLICATIONS

Periodic Note on Integration and Trade in the Americas, July 1995; February, August and December 1996; July and December 1997; August and December 1998; February and October 1999; October and December 2000; May 2002; December 2002. (also available in Spanish, and 1997 versions are available in Portuguese).

The Euro and its Effect on the Economy and the Integration of Latin America and the Caribbean. Roberto Zahler. Paper presented at the Seminar "Euro and its International Impact" on occasion of the Annual Meetings of the Boards of Governors. France, March 16, 1999 (also available in Spanish).

Extract from the Bank's 1996 Report on Economic and Social Progress in Latin America, Part II, Chapter 2: Trade Liberalization, 1996 (also available in Spanish).

European Economic and Monetary Union: Recent Progress and Possible Implications for Latin America and the Caribbean. March 1997 (also available in Spanish).

Globalization and Regional Integration: Consequences for Latin America. Speech delivered by Enrique V. Iglesias at the Seminar on "A Critical View of Globality". Mexico City, November 1997 (also available in Spanish).

Protection, Preferential Tariff Elimination and Rules of Origin in the Americas - An Overview. Luis Jorge Garay and Antoni Estevadeordal. June 1995 (also available in Spanish).

The New Face of Regional Integration in Latin America and the Caribbean. Speech delivered by Enrique V. Iglesias at The Annual World Bank Conference on Development in Latin America and the Caribbean. Montevideo, July 1997 (also available in Spanish).

Free Trade Area of the Americas: From Miami to Belo Horizonte. Speech delivered by Enrique V. Iglesias at the III Business Forum of the Americas. Belo Horizonte, May 1997 (English, Portuguese and Spanish).

Transpacific Partnership: Latin America's Role. Speech delivered by Enrique V. Iglesias at the XII International General Meeting of the Pacific Economic Cooperation Council (PECC XII). Santiago, September, 1997 (also available in Spanish).