

Presentation on Mercosur
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Let me be clear upfront: The U.S. government welcomes and supports the Mercosur and its objectives.

Mercosul, or Common Market of the South, was formed by Argentina, Brazil, Paraguay, and Uruguay in 1991. Bolivia and Chile joined as associated members in 1996.

Although primarily seen as a trade union, Mercosur is more than that. It was created with two overarching objectives – to strengthen political ties among the members and within the region, and to deepen economic integration in the region. Indeed, in some ways it is more a political instrument than a trade and economic tool.

On the trade side, the story is mixed: trade between Mercosur members increased steadily from its creation until the late 1990s, both in absolute amounts and as a share of the members' trade. This is a sign of increased integration, certainly a welcome development. U.S. companies increased their investment in the region to take advantage of the expanded market, strengthening ties between the U.S. and the region.

Unfortunately, with the economic crises that hit the region beginning in 1998, trade fell between its members. Because of the crises, the Mercosur members imposed additional trade barriers with non-members, and, in some instance, between themselves. Perhaps even more significant, though, was the dramatic devaluations, first of Brazil and later of Argentina, which also caused trade friction between the members. On top of it all, demand fell with the crises, particularly in Argentina in 2002/2.

These crises were unfortunate in many ways, including the set-back for regional integration. The good news is that trade is beginning to pick up again. And perhaps even more important, Mercosur as an institution survived these stressful moments because of the importance the members place on the institution. Furthermore, the members learned from their experience and are now discussing ways to coordinate their macroeconomic policies.

Turning to the political sides of the discussion, the political objectives of the Mercosur are impressive: pluralist, democratic societies; defense of fundamental liberties, human rights, the environment, and sustainable development. These are objectives we all support, and we applaud the emphasis that the Mercosur places on these key requirements for human dignity. These objectives have a practical side as well. For example, during the recent troubles in Bolivia, other Mercosur members reminded Bolivian leaders of the important democratic requirements of the Mercosur partnership.

Above all, the Mercosur represents the desire of its members to work together in a positive constructive manner, a goal which we warmly embrace. Sure, there have been problems, and I expect a degree of friction is inevitable for an organization that includes

four members – two of which are much larger than the other two – each with its own set of concerns. The important point is that the Mercosur leaders have worked hard to overcome problems, such as the economic crises, and have repeatedly emphasized the importance of strengthening Mercosur. I, for one, would much rather see the countries of the Southern Cone preoccupied with automobile policy and exchange rate fluctuations rather than viewing each other as enemies.

Finally, I'd like to say that the United States is committed to working with the Mercosur and its members. The U.S. and the Mercosur members have met several times under auspices of the 1991 Rose Garden agreement, which creates a framework for "4 plus 1" consultations on trade. More recently we have focused our attention on the FTAA. There were well-publicized differences between U.S. and Mercosur proposals on how to shape the FTAA negotiations, but our trade negotiators worked hard in Miami last week to bridge that gap and develop an approach that addresses the interests and needs of all FTAA members. We look forward to continued constructive – and no doubt at times difficult – negotiations with the Mercosur and its members in the FTAA and elsewhere as we all pursue our common objectives of democracy, trade, regional integration and economic growth.