An Outlook of Mercosur Trade

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Introduction

- This presentation is based on some of the results of research work carried out by the MercoNet.

- The main purpose of this presentation is to point out the principal characteristics of Mercosur trade composition and evolution.

Contents

- The progress of Mercosur
- Mercosur trade evolution
- Composition of trade by destination and origin
- Reorientation and trade intensity
- Pattern of trade
- Conclusions

Progress of Mercosur: a free trade area

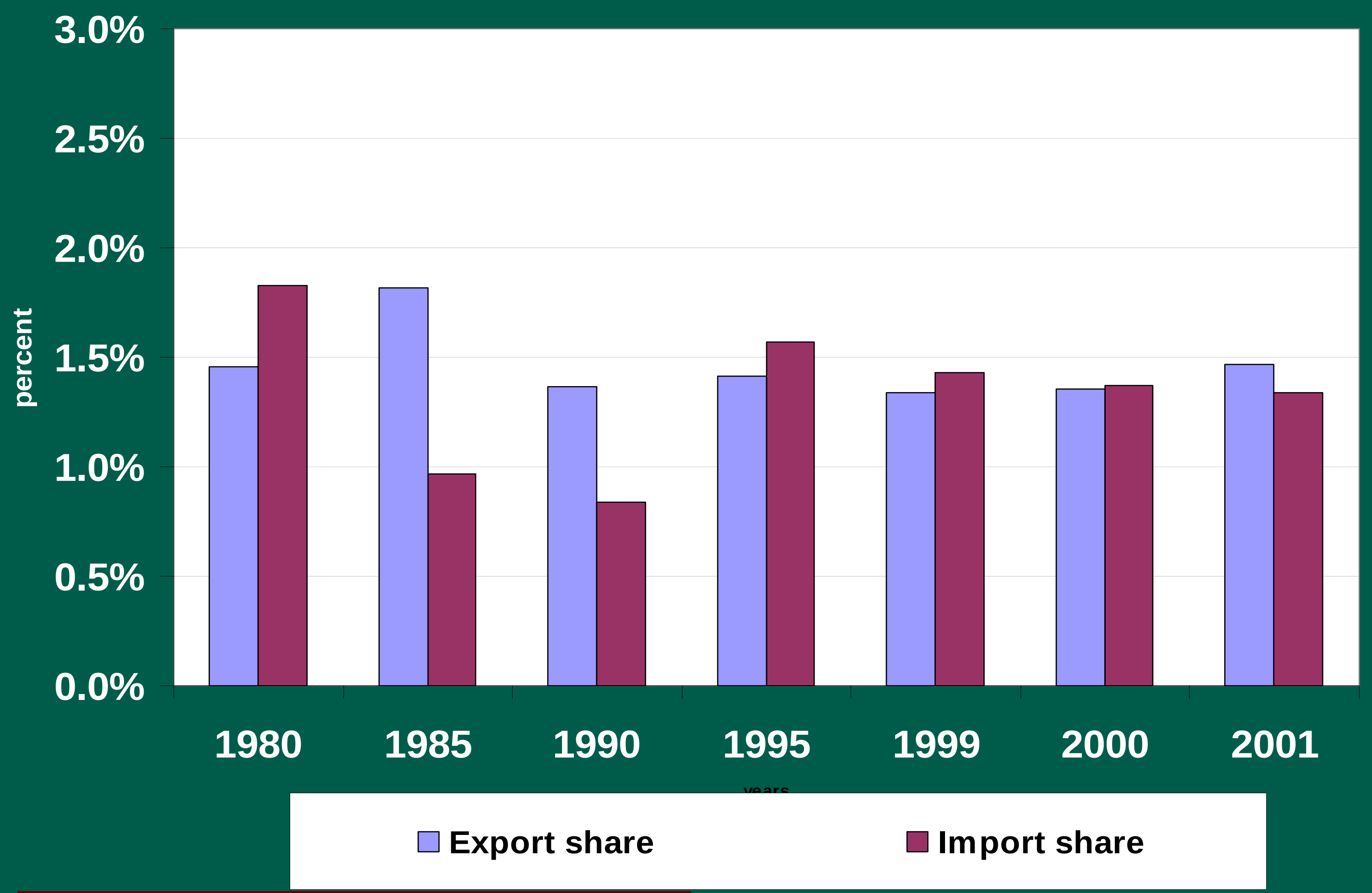
- Mercosur started in 1991 with the purpose of becoming a customs union. Most intra-bloc tariffs were zero by 1994.
- In 1994 the Ouro Preto Protocol was approved, setting the Adapting Regime for further intra-bloc liberalization.
- The Adapting Regime established a schedule for the gradual reduction of remaining tariffs, except those in the automotive and in the sugar sectors. By 1999 all other tariffs were zero in the case of Argentina and Brazil and by 2000 they were completely eliminated in Paraguay and Uruguay.
- In 2001 the regime for the automotive sector was agreed.
- In 2001 intra-bloc tariffs increased in Argentina, Paraguay and Uruguay due to the economic crisis

Progress of Mercosur: a customs union

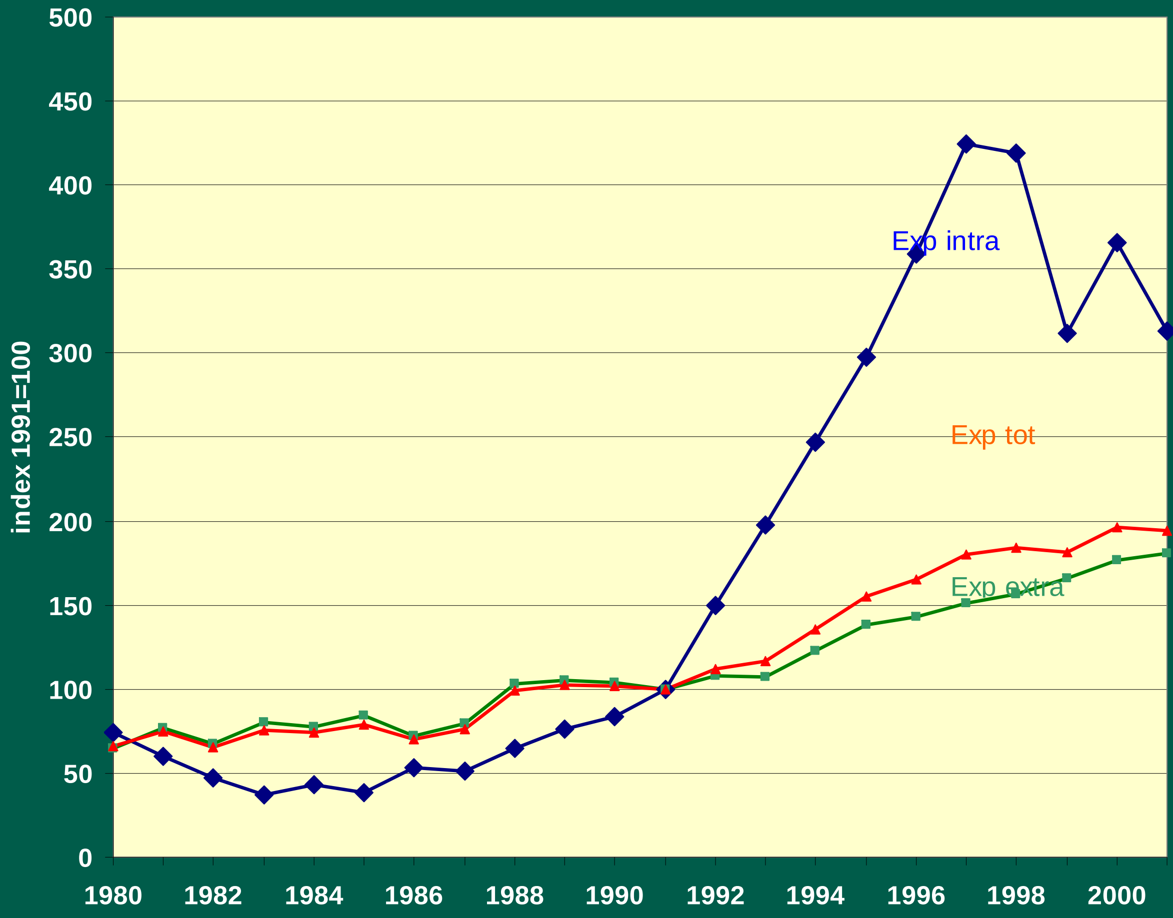
The Common External Tariff was approved in Ouro Preto (maximum 20%) together with several especial regimes:

- List of exceptions to the CET (specific for each country) - national tariffs converged to the CET by 2001.
- Capital goods - tariffs will converge to the CET by 2006.
- Computer science and telecommunications - tariffs will converge to the CET by 2006
- CET for the automotive sector agreed in 2001 (max 35%)
- In 2001 the CET was abandoned for certain items and a special group was appointed to review it

Mercosur share in world trade



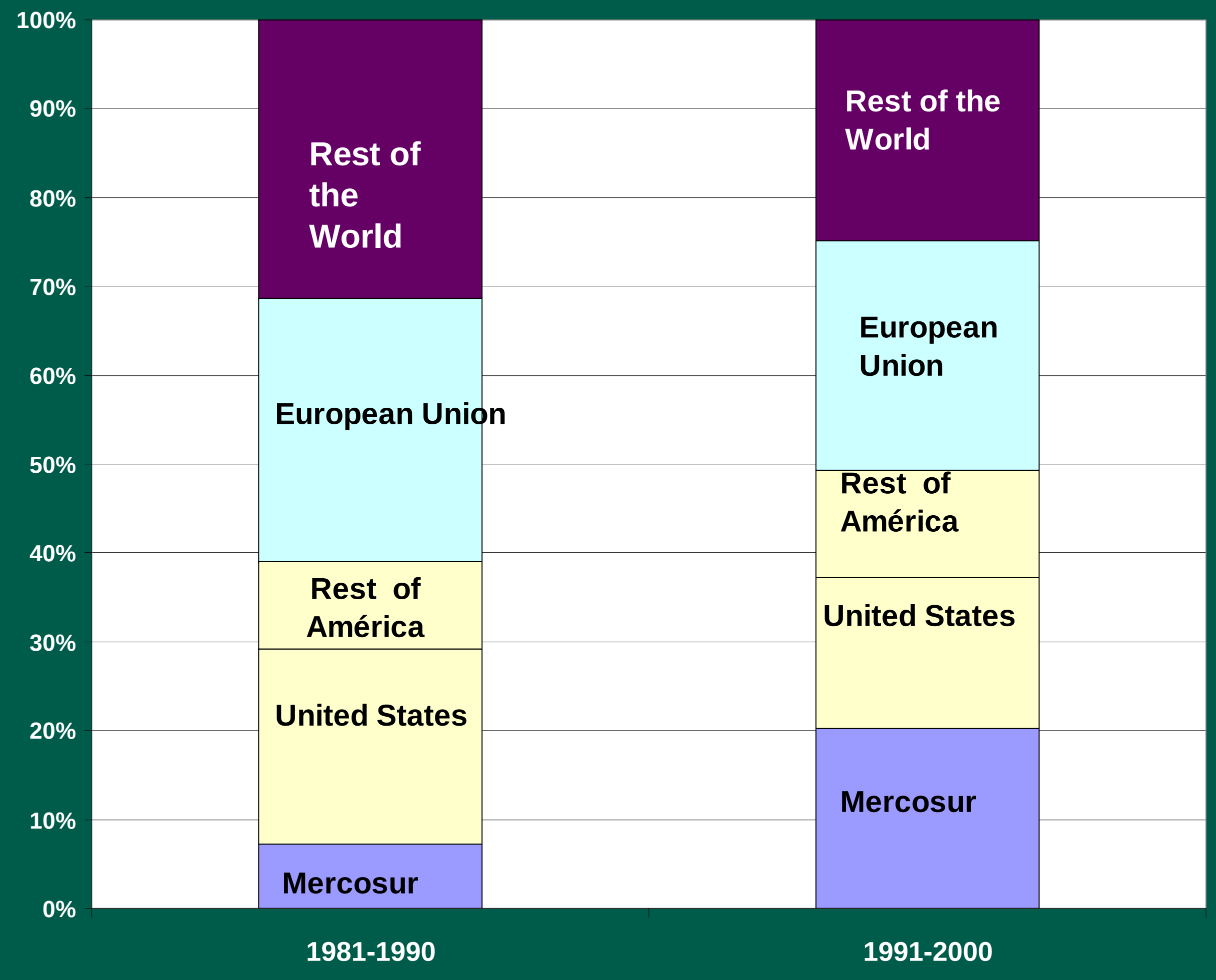
Export growth



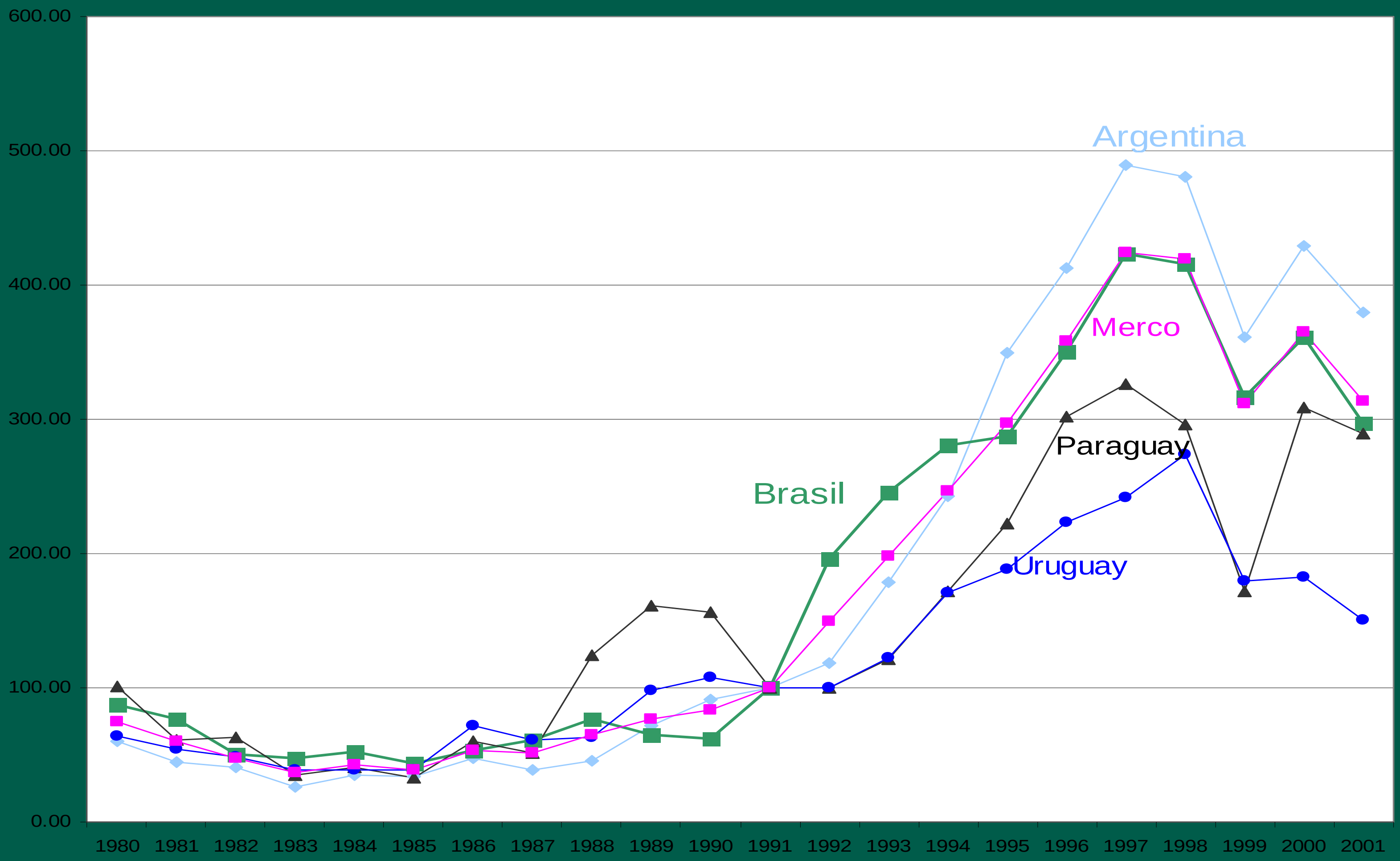
Export growth by destination

	Annual growth	
Countries/regions	1981-1990	1991-2000
Mercosur	1.19%	15.02%
United States	7.90%	5.04%
Rest of America	4.65%	8.51%
European Union	4.54%	2.33%
Rest of the Worl	3.24%	3.49%
TOTAL	4.40%	5.61%

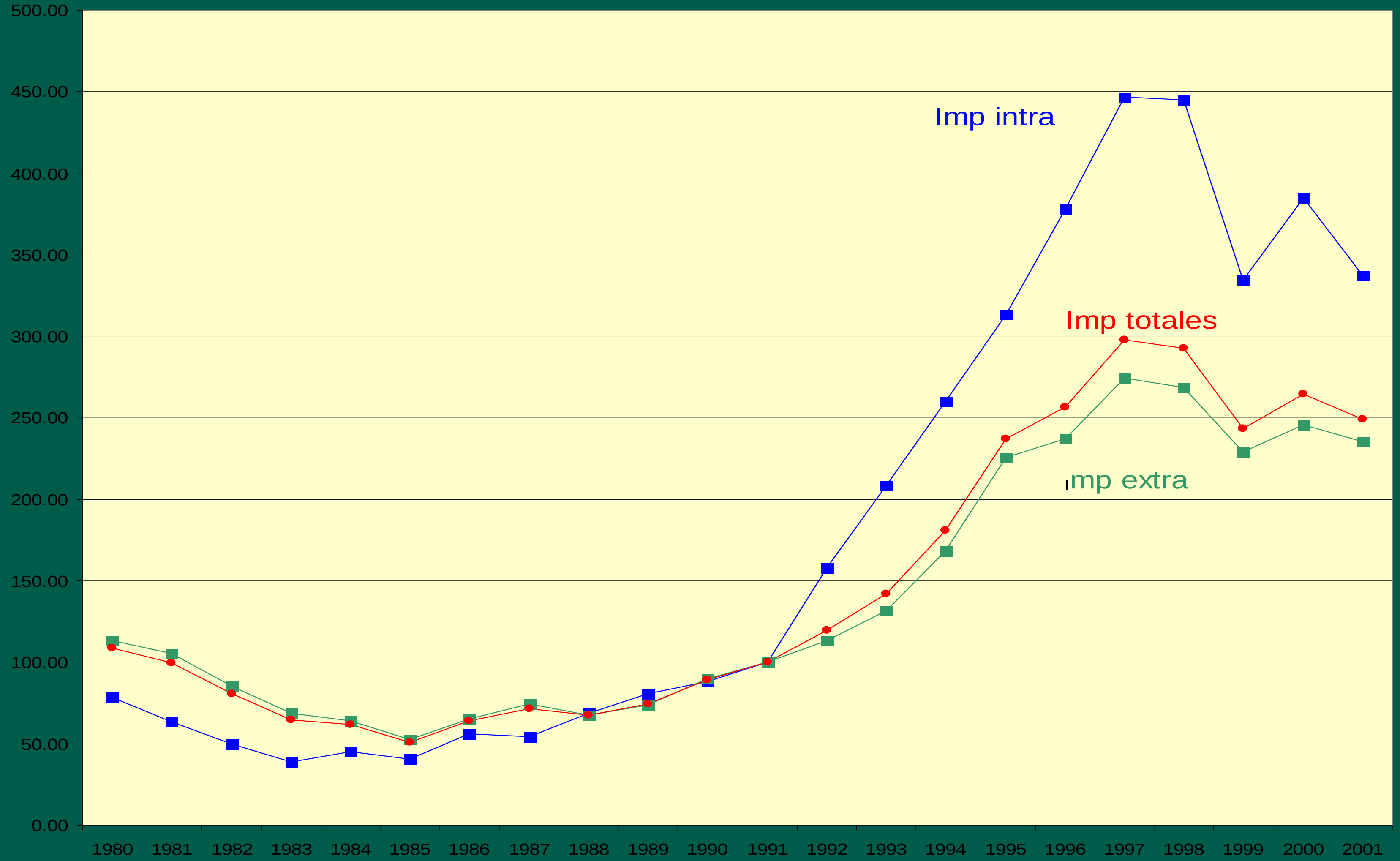
Export composition by destination



Intra Export growth by country



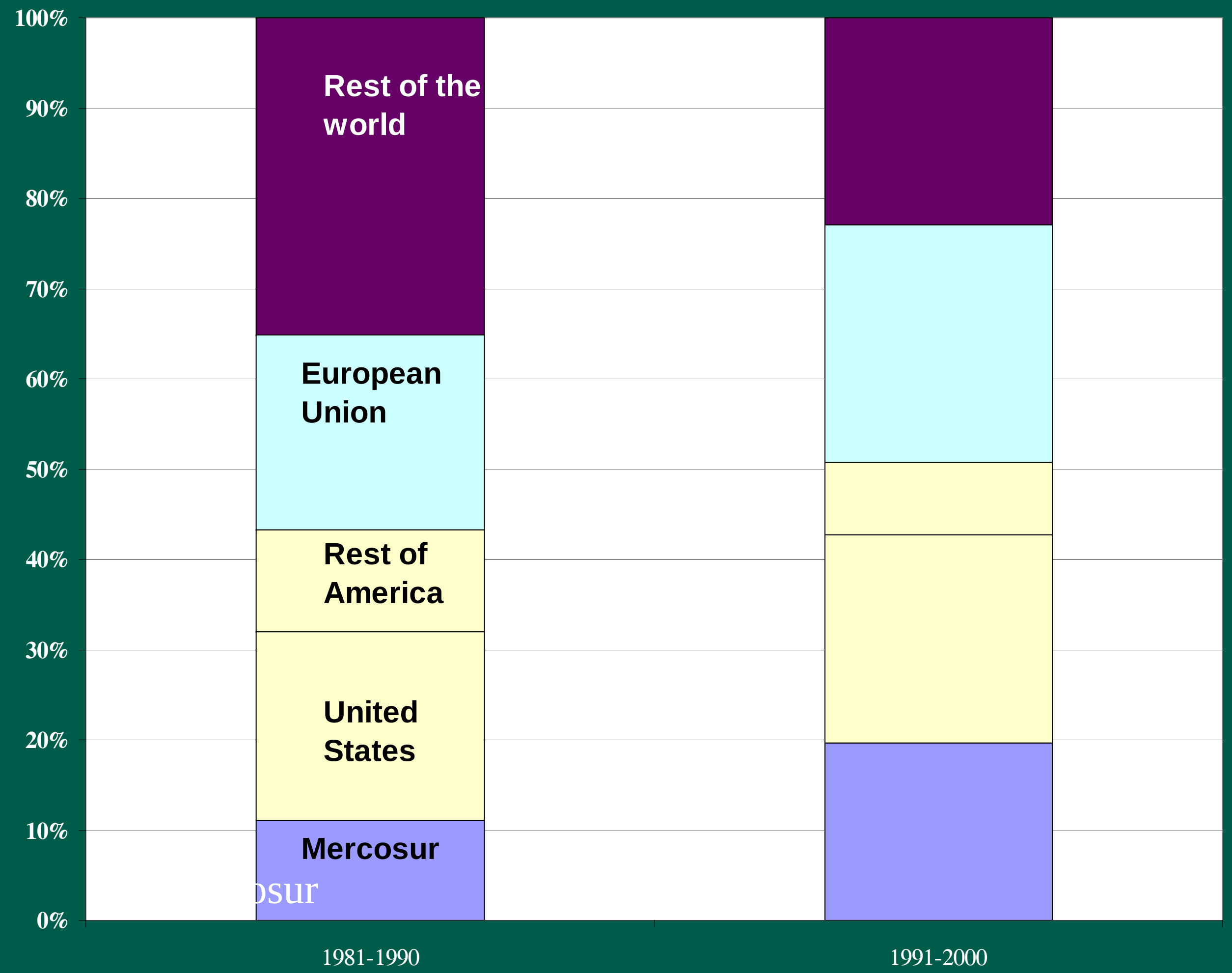
Import growth



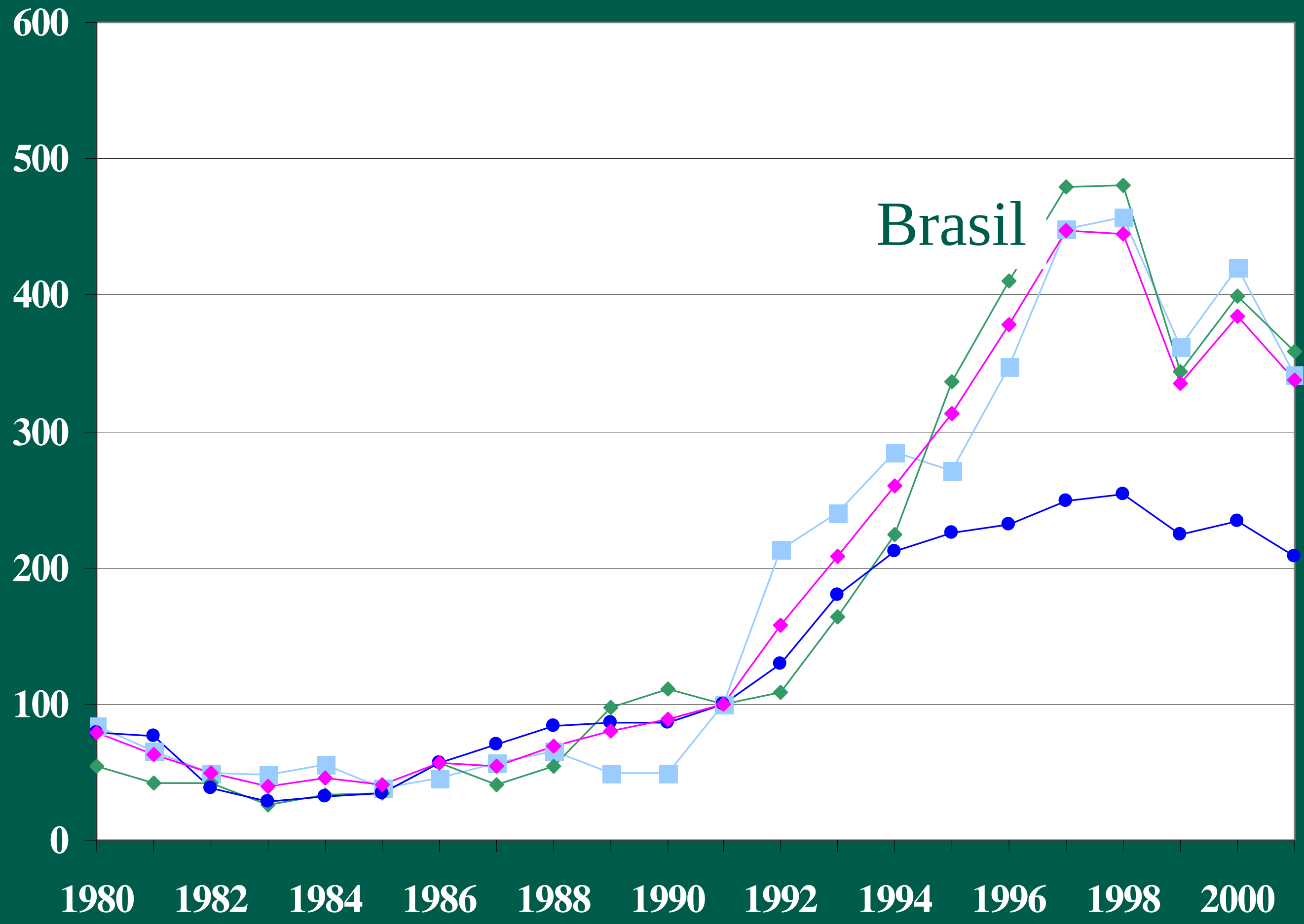
Import growth by origin

	Crecimiento anual	
Países/Regiones	1981-1990	1991-2000
Mercosur	1.19%	15.46%
Estados Unidos	0.07%	9.41%
Resto de América	-4.03%	11.11%
Unión Europea	-1.17%	11.64%
Resto	-4.01%	9.05%
TOTAL	-1.93%	10.94%

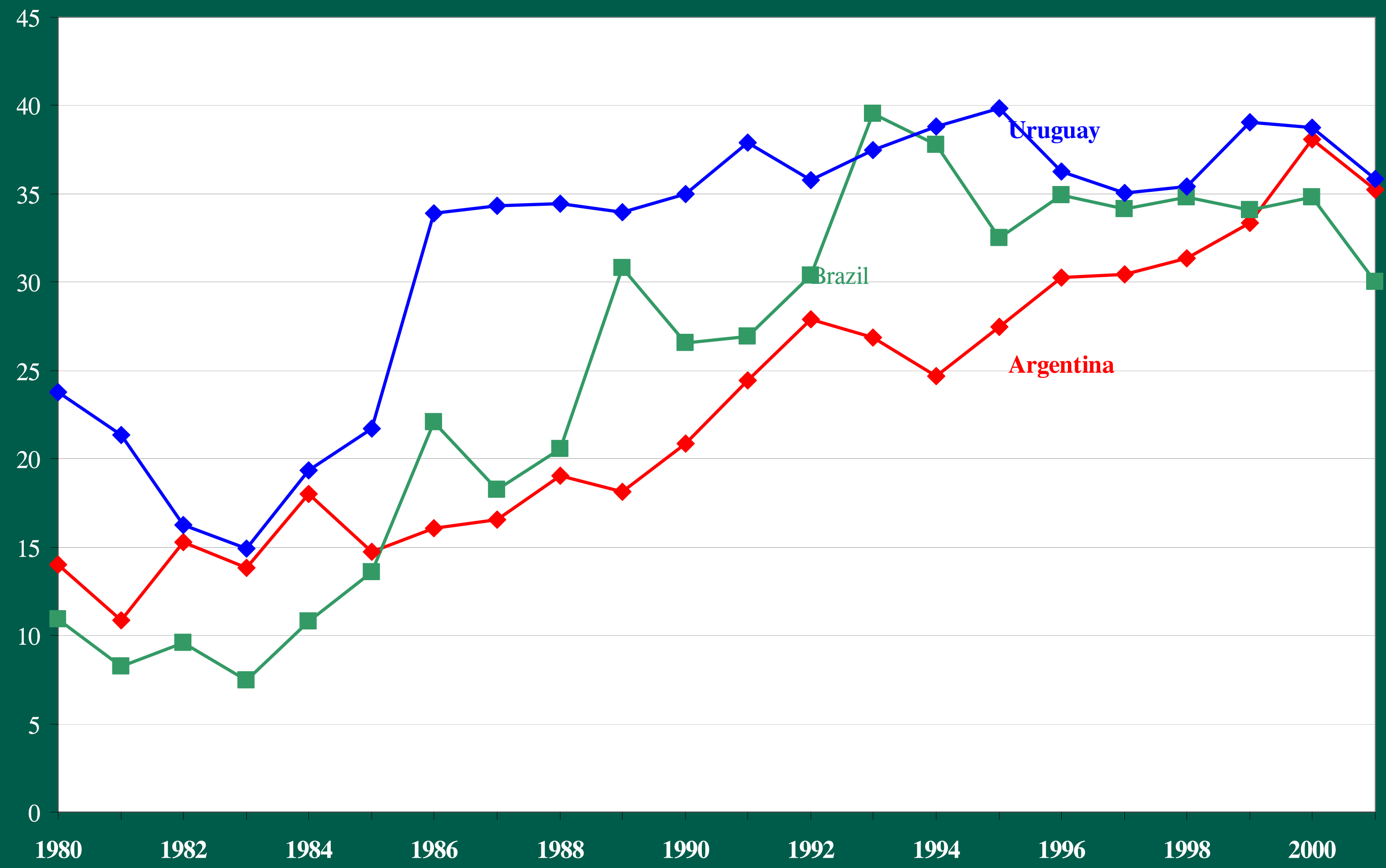
Import composition by origin



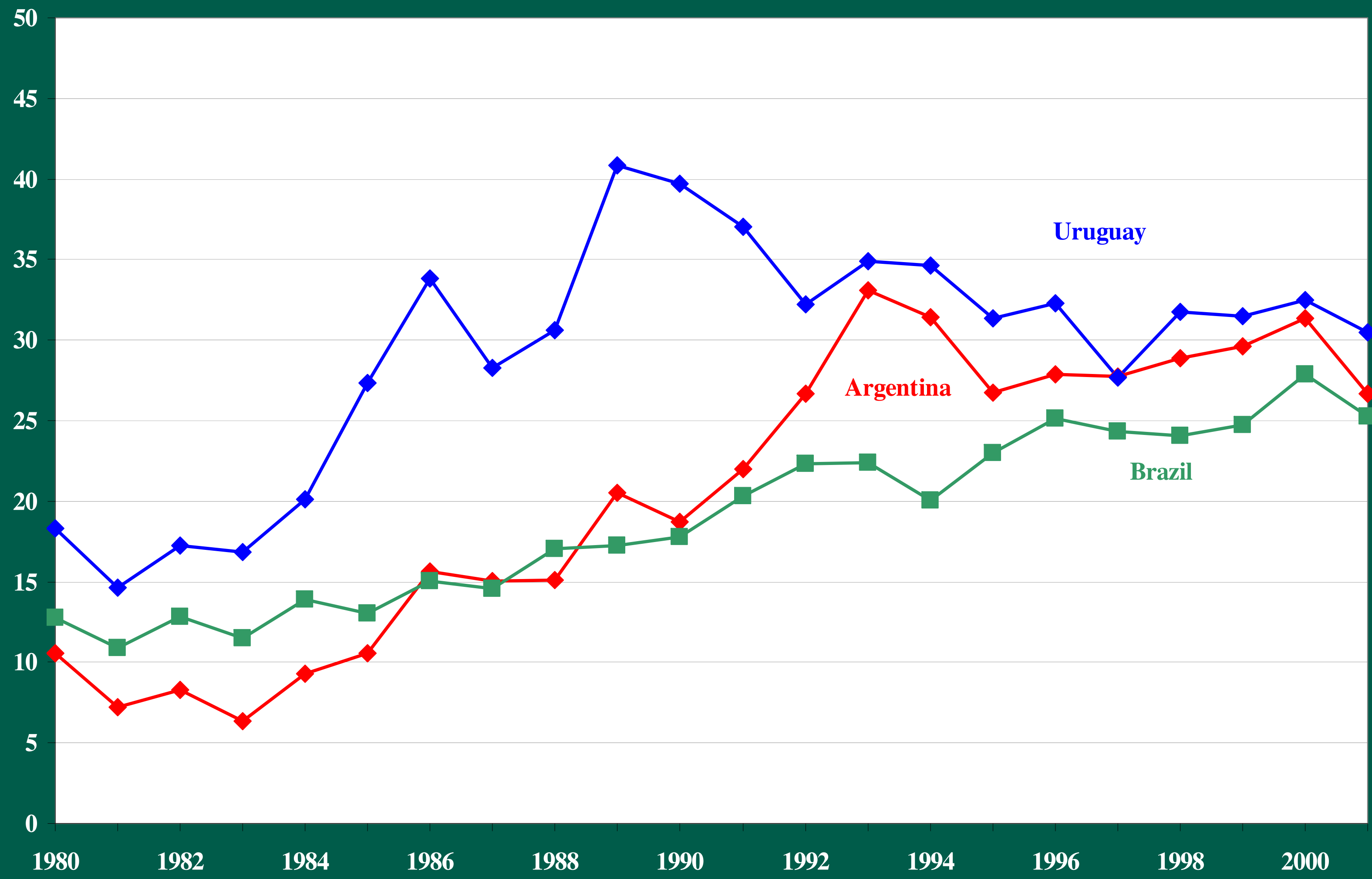
Intra import growth



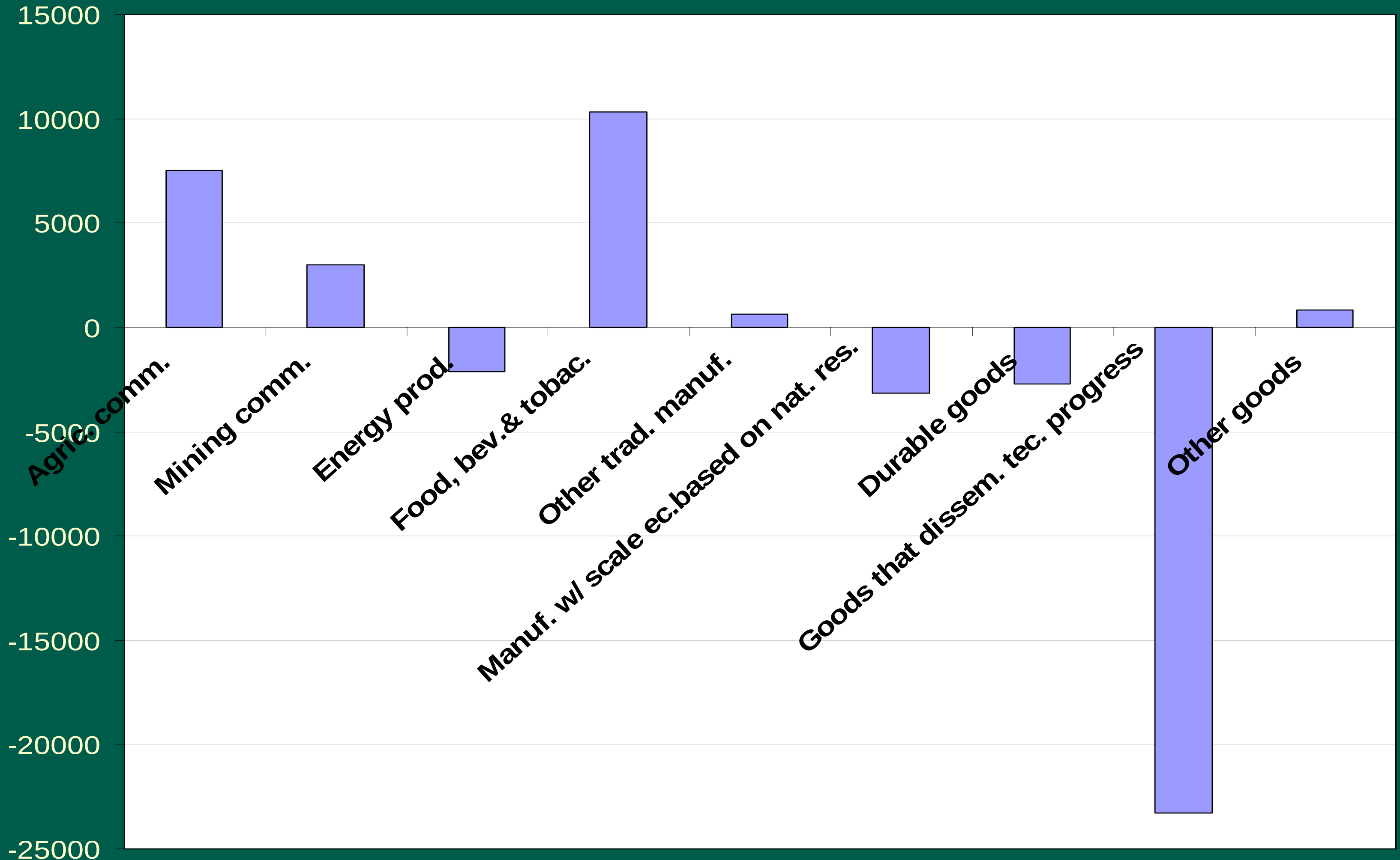
Mercosur export intensity index



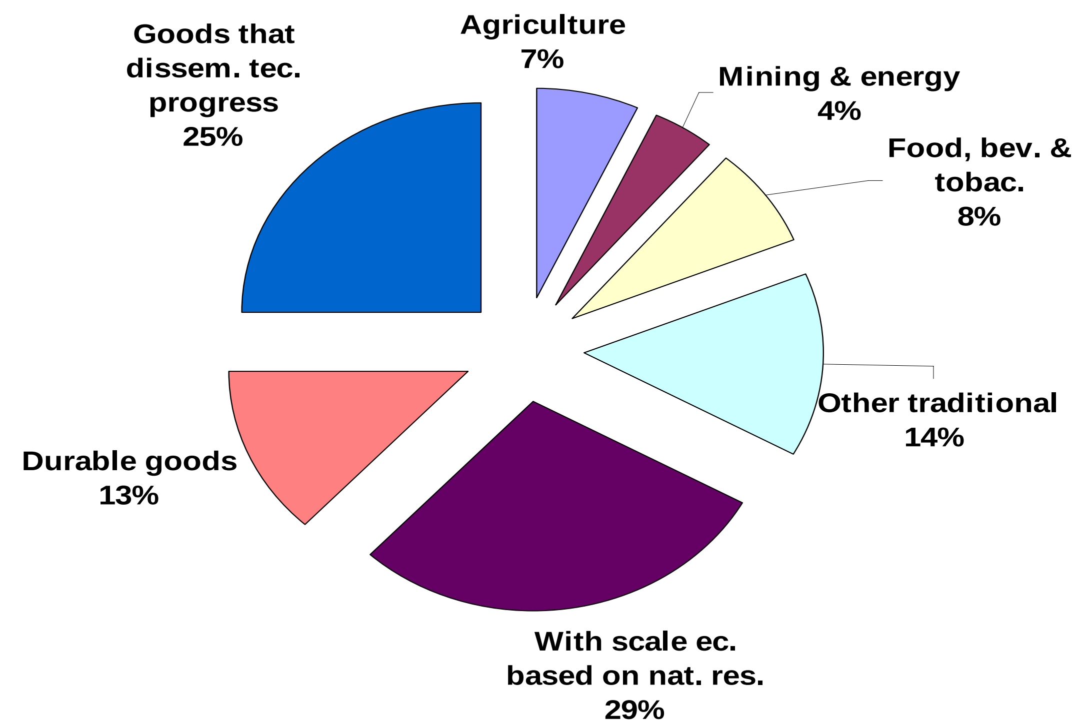
Mercosur import intensity index



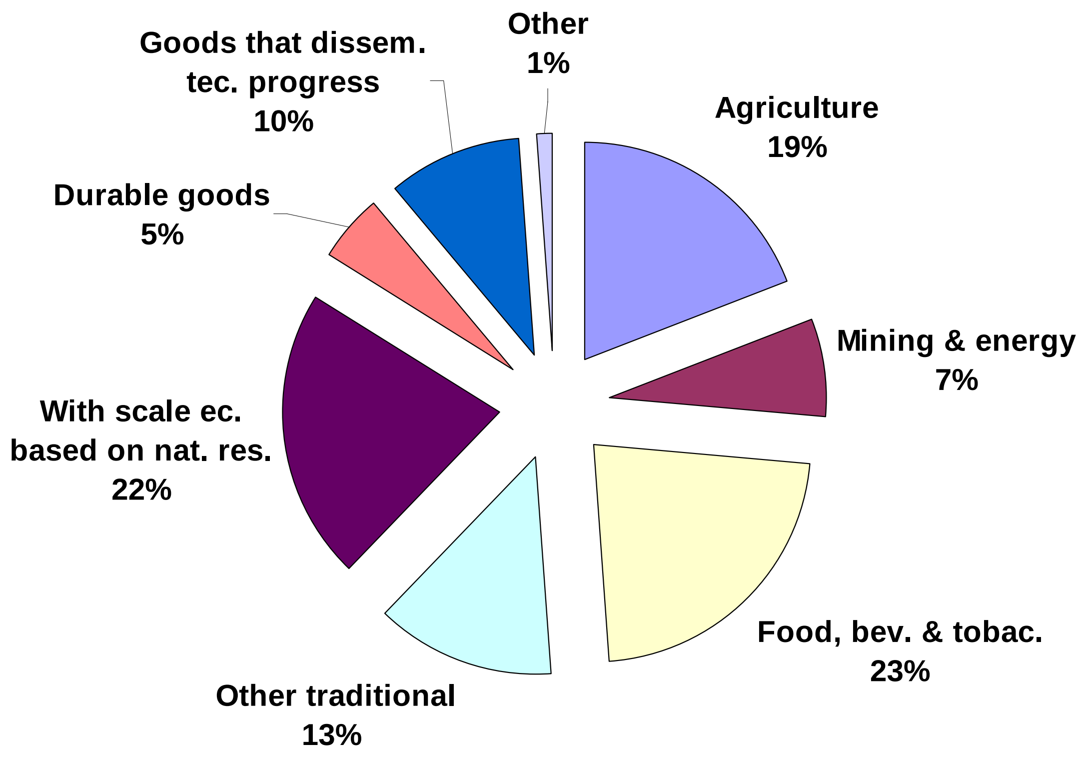
Specialization pattern



Composition of exports intra-Mercosur



Composition of exports extra-Mercosur



Conclusions (1)

- Despite the recent setback in the completion of the customs union, Mercosur made significant progress in the liberalization of its intra-bloc trade
- Mercosur trade shows a remarkable increase in the nineties, but its share in world trade did not change significantly. The increase was much higher in the case of imports than in the case of exports.
- In both cases, the growth of intra-bloc trade was much more intense than trade with other countries

Conclusions (2)

- As a consequence, trade composition by destination shows an increase in commercial ties between Mercosur partners
- The intensity indexes give evidence of this increasing trend
- The specialization pattern shows that trade within Mercosur is composed of goods with a higher level of value added, while trade with the rest of the world is mostly composed of primary goods and traditional manufacturing.
- The evidence of Mercosur shows the importance of an integration agreement to create trade and to facilitate the development of activities with greater impact on the economy.