

## Is the Mercosur Trade Accord on Its Last Legs?

*Brazilian Foreign Affairs Minister Carlos França and his Argentine counterpart, Santiago Cafiero, on Oct. 8 announced an agreement to reduce the Mercosur common external tariff (CET) by 10 percent. The external trade penalties currently paid by members of the regional organization average 13 percent. Both countries compromised in the agreement, as Brazil initially wanted a larger CET reduction, and Argentina wanted no reduction at all. What does this move say about the significance of Mercosur in the Southern Cone, as well as the organization's survival in the region? How will the decision affect domestic economic competition, as well as the broader trade relationship between Argentina and Brazil? How might Mercosur's other members, Uruguay and Paraguay, respond?*

**Arturo Porzecanski, research fellow at the Center for Latin American & Latino Studies at American University:** “The recently agreed marginal cut on most import tariffs from non-Mercosur countries, from 13 percent to 10.8 percent, is a meaningless compromise between Argentina and Brazil that does nothing to revive the fortunes of this floundering Southern Cone trade agreement. Mercosur was supposed to have become a seamlessly functioning customs union, in which intra-area commerce flowed freely, supplemented by a single trade regime vis-à-vis the rest of the world. However, despite the passage of three decades, there is neither unfettered trade among its four members nor do they apply equal treatment to trade with nonmember countries. Argentina has been a chronic violator of the letter and spirit of Mercosur, applying as it has a multitude of varying taxes, subsidies, restrictions and controls on its exports, imports and capital flows that have disrupted and distorted trade flows within Mercosur. Argentina has also blocked progress on a preferential trade agreement between Mercosur and the European Union, the negotiations for which have taken more than a decade. Paraguay and Uruguay have been on the losing end of Mercosur: their residents have been discouraged from buying cheaper and better-quality manufactured goods from Asia, Europe and the United States to support inefficient industries in Argentina and Brazil. Other than dissolving Mercosur and going their separate ways, the four countries would be best off by abandoning their quest for a common trade regime versus the rest of the world, while focusing all their efforts on eliminating barriers to trade among themselves.”