

REGIONAL TRADE ARRANGEMENTS: A PRACTITIONER'S ROADMAP

AMERICAN BAR ASSOCIATION

Chicago, Illinois

November 13, 2000

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INTERNATIONAL CONTEXT

FOUR MAIN ELEMENTS

- **Markets globalization**, associated with an important and persistent increase of world trade
- Impossibility of reaching a **new set of multilateral rules** in international trade
- Underlying **risk of financial crisis**, increased by the gap among the technological development and the rhythm on which new rules can be set to manage this new scenario
- Emergence of **Civil Society claims** on the benefits distribution of the globalization process

INTERNATIONAL CONTEXT OUTCOMES

- **Increased competition** between companies and nations, generates an **oversupply of negotiation initiatives**
- **Multiplication of regional trade agreements** that, although WTO complying, add new trade rules
- Consequently, companies face an over determined system → **more unknowns than equations**
- Companies trade strategies and policies depend now on endogenous factors **and** on foreign markets regulatory frameworks

MERCOSUR TODAY

AN "IMPERFECT" CUSTOMS UNION

THE "PERFECT" SIDE

- TRADE POLICY RULES (COMMON EXTERNAL TARIFF)
- TRADE AGREEMENTS "4 + 1" (CHILE, BOLIVIA)
- TRADE NEGOTIATIONS AS A BLOCK (FTAA, EU)

THE "IMPERFECT" SIDE

- TARIFF EXCEPTIONS; NON TARIFF BARRIERS; EXPORT POLICIES AND INCENTIVES; ETC.
- BILATERAL TRADE AGREEMENTS (ANDEAN COMMUNITY, MEXICO)

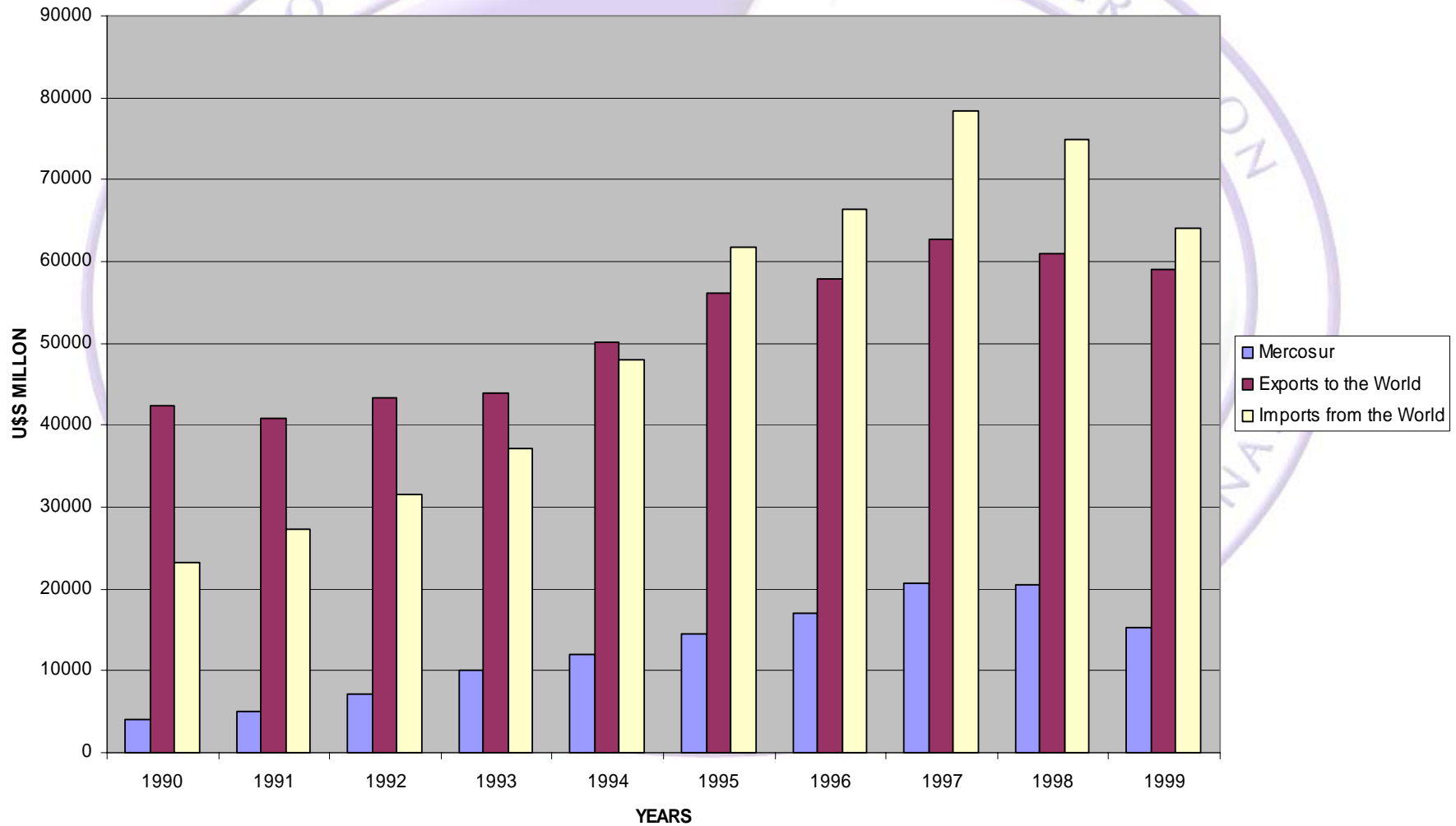
MERCOSUR: MAIN TRADE RULES – OVERVIEW (a)

- **COMMON EXTERNAL TARIFF (CET): AVERAGE 11%**
- **CET ESCALATION: FROM A MINIMUM OF 2% TO A MAXIMUM OF 20%**
- **EXCEPTIONS: OVER A FEW NUMBER OF PRODUCTS UNTIL 01/01/01 – MAXIMUM OF 35% (WTO BOUNDED TARIFF)**
- **CAPITAL GOODS, INFORMATICS AND COMMUNICATION DEVICES: EXCEPTED UNTIL 2006**
- **CET TRANSITORY INCREASED: 3% UNTIL THE END OF 2000**
- **RULES OF ORIGIN: 60% OF FOB VALUE OF REGIONAL CONTENTS**
- **EXTRA-REGIONAL EXPORT INCENTIVES: WTO COMPLYING**
- **INTRA-REGIONAL EXPORT INCENTIVES: DRAW-BACK, TEMPORARY ADMISSION, REIMBURSEMENT OF INDIRECT TAXES FOR EXPORTS, FINANCIAL INCENTIVES FOR CAPITAL GOODS EXPORTS**

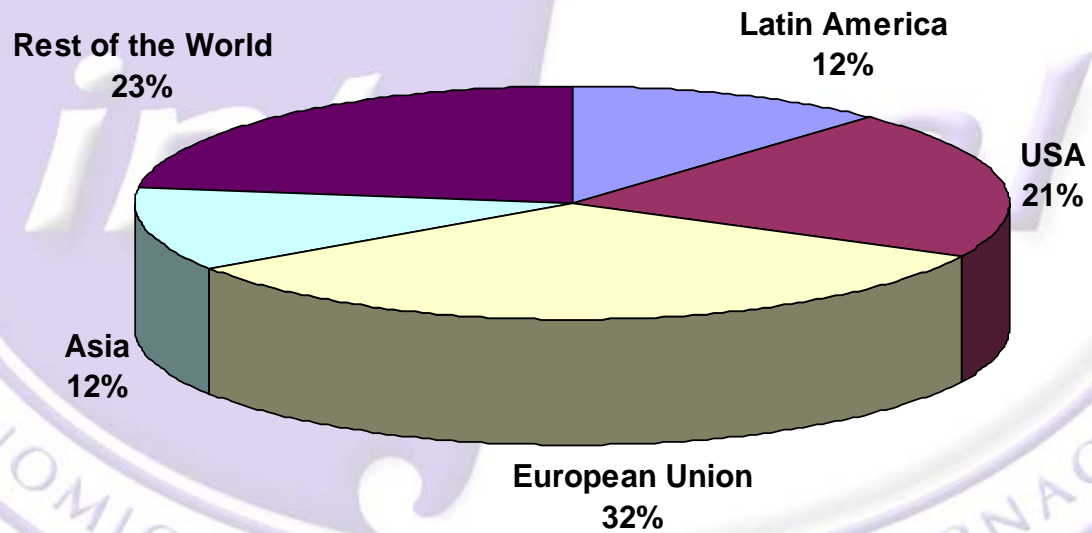
MERCOSUR: MAIN TRADE RULES – OVERVIEW (b)

- DISPUTE SETTLEMENTS (PROTOCOL OF BRASILIA)
- COMMON SAFEGUARDS AND ANTIDUMPING AGREEMENTS FOR IMPORTS FROM OUTSIDE THE REGION
- COMPETITION POLICY:
 - MERCOSUR COMPETITION DEFENSE PROTOCOL
 - NATIONAL ANTIDUMPING POLICIES EFFECTIVE UNTIL 31/12/2000
- SERVICES AGREEMENT: LIBERALIZATION IN A 10 YEARS PERIOD
- FREE TRADE ZONES: MUST COMPLY ORIGIN RULES
- SPECIAL SECTORAL REGIMES: SUGAR, AUTOMOTIVE, TEXTILE

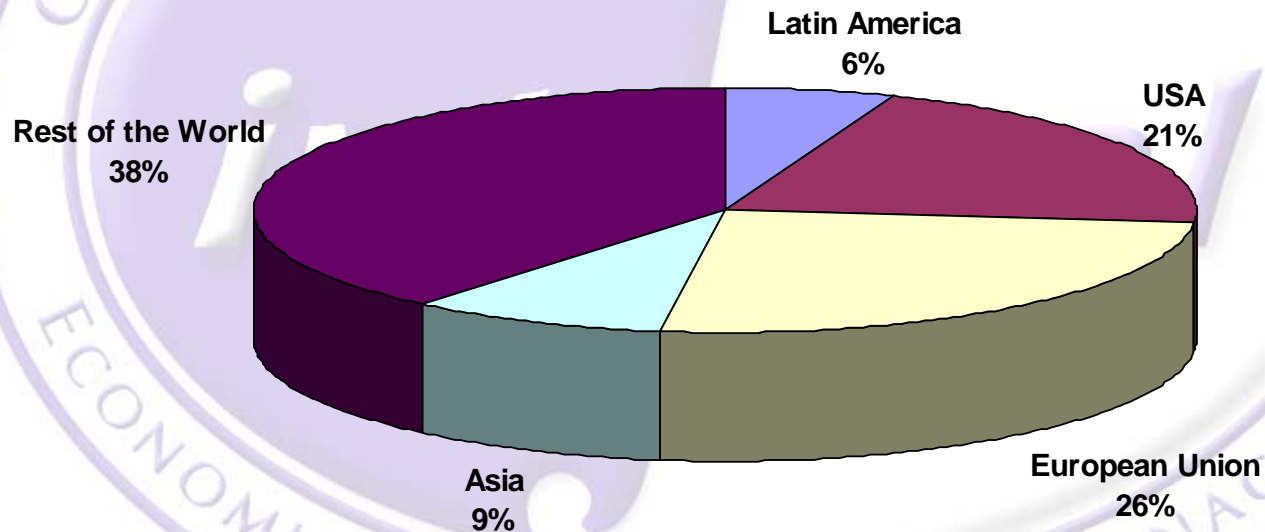
Mercosur Intra And Extra Regional Trade



Mercosur Exports by Destination Regions



Mercosur Imports by Origin Regions



MERCOSUR: THE **1999 CRISIS** OF THE INTEGRATION PROCESS

CAUSES AND RESULTS

- **BRAZIL FINANCIAL CRISIS AND CURRENCY DEVALUATION**
- **IMBALANCE OF RELATIVE EXCHANGE RATES**
- **DEEP ECONOMIC RECESSION AND DRAMATIC INTRA-REGIONAL TRADE FALL**
- **INCREASE IN COMMERCIAL CONFLICTS AND SECTORAL CLAIMS**
- **VIRTUAL NEGOTIATIONS CEASE**

MERCOSUR CURRENT SITUATION AND FUTURE PROJECTION

THE ANSWER TO THE CRISIS: THE "RE-LAUNCHING" AGENDA

- POLITICAL REAFFIRMATION OF MERCOSUR
- COORDINATION OF MACROECONOMIC POLICIES:
A "MINI" MAASTRICHT
- CET REVISION: COMMON REGIME FOR CAPITAL
GOODS AND FURTHER TARIFF REDUCTIONS
- FULL ELIMINATION OF NON TARIFF BARRIERS
- HARMONIZATION OF EXPORT, PRODUCTION AND
INVESTMENT FISCAL INCENTIVES
- COMMON FOREIGN TRADE POLICY
- CHILE ACCESSION AS A FULL MEMBER

Crossroads

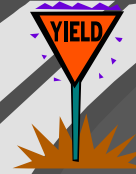
DEEPENED CUSTOMS UNION

COMMON TRADE POLICY

MERCOSUR

BACKLASH?

FREE TRADE



Information Sources

Some Useful Links

MERCOSUR ADMINISTRATIVE SECRETARIAT

<http://www.mercosur.org.uy>

- Mercosur's Official Bulletin
- Official Documents: Decisions, Resolutions and Directives
- Calendar of Meetings
- Institutional Organization
- Dispute Settlement Cases
- Working Groups and Executive Organisms Meetings Acts

[TAILOR-MADE INFORMATION AND OTHER RELATED LINKS](#)

INTELLIGENCE TRADE REPORT <http://www.f-integral.com/itr>

INTEGRAL <http://www.f-integral.com>