



## SOUTHERN COMMON MARKET



### *CMC Extraordinary Meeting*

On 6 October, the Common Market Council (CMC) held its Fourth Extraordinary Meeting in the city of Montevideo, Uruguay.

Two very important topics for the MERCOSUR at the institutional level were highlighted: (i) the creation of the MERCOSUR Committee of Permanent Representatives (MCPR); and (ii) the signature of an Inter-Institutional Agreement with the MERCOSUR Joint Parliamentary Committee (JPC).

#### *(i) Creation of the MCPR*

Using the powers vested upon it by the Ouro Preto Protocol, the CMC decided to create this body which will be made up of Permanent Representatives from each MERCOSUR member country and a Chairperson. The MCPR will operate on a permanent basis in the city of Montevideo and will be supported by the MERCOSUR Secretariat.

Among the duties of this new MERCOSUR body will be that of assisting the CMC and the *Pro Tempore* Presidency of the bloc in all the activities required by them, as well as that of submitting proposals to the CMC in matters related to the MERCOSUR integration process, external negotiations and setting up of the Common Market. Moreover, the MCPR will also have the responsibility of strengthening economic, social and parliamentary relations in the MERCOSUR, establishing links with the JPC, the Economic and Social Consultation Forum (ESCF) and the Specialized Meetings of the MERCOSUR.

According to CMC Decision 11/03, the MCPR shall be headed by a renowned political personality, a national of one of the member countries and appointed by the Council upon the proposal of the Presidents of the MERCOSUR State Parties. Through CMC Decision 14/02, Eduardo Duhalde, former President of Argentina, was appointed Chairman of the MCPR.

This appointment is for a two-year term and could be extended by the CMC for an additional year. The extension of such period must be decided upon before the original date envisaged for completion of the term.

The Chairperson of the MCPR will participate in the CMC meetings and in the Meetings of Ministers of the MERCOSUR. Through a mandate provided by the CMC, the chairperson can also represent the MERCOSUR in its relations with third countries, groups of countries or international organizations.

#### *(ii) CMC-JPC Inter-institutional Agreement*

Through this instrument, the CMC and JPC agreed to set the bases for an inter-institutional dialogue based on two mutual commitments:

- (a) the CMC undertakes the firm commitment to consult the JPC on those issues that require legislative approval for their inclusion in the legal systems of the MERCOSUR member countries; and
- (b) the JPC firmly undertakes to promote, through its National Offices, a responsible task of internalization of the MERCOSUR regulations, particularly those adopted by the CMC, which resulted from a consensus with the Joint Parliamentary Committee.

The endorsement of this agreement was construed by both sub-regional bodies as a step towards deepening the MERCOSUR institutional structure and reinforcing the democratic legitimacy of the integration process.

After this agreement between both MERCOSUR bodies, the setting up of a regional Parliament which summarizes the plurality of the peoples of the region on the basis of citizenship representation is considered the next unavoidable step of the integration process. Meanwhile, in the framework of the limits set by the Asunción Treaty and the Ouro Preto Protocol, the inter-institutional agreement puts a bet on giving greater participation to the Parliaments of the MERCOSUR countries in the sub-regional integration process.

## DECISIONS ADOPTED AT THE CMC FOURTH EXTRAORDINARY MEETING

Montevideo, 6 October 2003

N°	Title
11/03	MERCOSUR Committee of Permanent Representatives
12/03	Meeting of the MERCOSUR Ministers of Tourism
13/03	Appointment of Technical Consultants for the Technical Advisory Sector of the MERCOSUR Secretariat
14/03	Appointment of the Chairperson of the MERCOSUR Committee of Permanent Representatives
15/03	Budget for the Chairperson's Office at the MERCOSUR Committee of Permanent Representatives

### *First Meeting of Chief Justices*

On 16-17 October, the *Pro Tempore* Presidency of MERCOSUR and the Konrad Adenauer Foundation, with the support of the MERCOSUR Secretariat, organized the First Meeting of Chief Justices of the MERCOSUR State Parties.

The main objective of this meeting held in Montevideo, Uruguay, was to promote the debate on sub-regional integration aspects related to the duties of the Judiciary and to assess the possibility of coordination actions to contribute to their strengthening.

The experience of the European Union (EU) court of justice was discussed as well as the evolution of case law and the role of the court in building community law and harmonizing laws. Special consideration was given to the existence of conflicts of hierarchy with the constitutional provisions and the role of the community courts to reconcile the different levels of legislation which operate in the regional integration process.

One of the panels dealt with this last issue although it referred particularly to the application of MERCOSUR regulations in the national legal systems of the member countries. This is a topic which deserved special attention vis-à-vis the different constitutional hierarchies attached to international treaties (such as those that set up the Southern Common Market) in the sub-region's countries, together with the imminently inter-governmental nature of the MERCOSUR. In this context, it was noted how easily conflicts arise regarding hierarchy of regulations and also the interest in designing instruments that could help to minimize such disputes during the current stage of the integration process.

Finally, the panel assessed the prospects of creating a permanent legal institution for the MERCOSUR. During this part of the meeting, the actual possibilities in this field were analyzed taking into account the current inter-governmental set-up of the MERCOSUR. It was pointed out that in the sub-region's countries there is always the possibility for regulations arising from the MERCOSUR institutions to be considered unconstitutional or in conflict with internal rules and regulations. This brings about a jurisdictional vacuum which requires appropriate institutional treatment to achieve the legal certainty levels called upon by the deepening of the integration process.

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## *Buenos Aires Consensus*

The Presidents of Argentina, Néstor Kirchner, and of Brazil, Luiz Inácio Lula da Silva reached a set of agreements during the visit of the Brazilian Head of State in mid-October, among which it is worth highlighting the Buenos Aires Consensus.

This document includes political definitions shared by both leaders on core issues of the comprehensive development of their countries, among which the strategic option for the regional integration process which spins around the MERCOSUR can be pointed out.

The Presidents ratified what they called a profound conviction that the MERCOSUR is not only a trade bloc but a catalyst of values, traditions and a shared future. Thus the respective governments are working to strengthen this through the upgrading of their institutions, the deepening of trade and political relationships and the inclusion of new countries.

These definitions led the heads of state to emphasize that regional integration is a strategic option for reinforcing the insertion of their countries in the world since it increases, among other things, their negotiation capability. They coincided specifically that this increase in their negotiating capability, together with a greater decision-making autonomy, will allow them to more efficiently face the movements which tend to destabilize the financial capital used for speculation purposes and the opposed interests of the most developed blocs, enhancing the voice of their governments at the several multilateral organizations and forums.

The Buenos Aires Consensus also makes reference to the overall contents of the South American integration process whose essential objective is to set up a development model which links growth, social justice and the dignity of citizens.

In this respect, they restated the commitment of Argentina and Brazil to continue with a close coordination of positions in the search for balanced agreements to increase MERCOSUR relations with the remaining members, particularly the Andean Community.

Regarding the hemispheric integration prospects they agreed to continue participating from the MERCOSUR in the negotiations on the Free Trade Area of the Americas (FTAA), with a view to achieving a balanced agreement which respects the uneven interests of all participants. Moreover, this agreement should give the process the necessary flexibility to allow negotiations to develop according to the situation of each country and bloc involved. In this sense, the Buenos Aires Consensus reasserts the proposal of a methodological format submitted by the MERCOSUR since it considers that such proposal is a realistic option to reach a satisfactory hemispheric agreement in January 2005.



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## *CAN-MERCOSUR third round of negotiations*

The Third Meeting of Negotiations between Colombia, Ecuador and Venezuela, the Andean Community member countries (CAN) and the MERCOSUR ended in Lima Peru on 24 October with a view to completing negotiations on a Free Trade Agreement between both blocs before 31 December 2003.

Firstly the delegations reviewed the fulfillment of the commitments undertaken and the tasks agreed upon at the Second Meeting. It was highlighted that throughout the month of October the lists of products for immediate rebate were exchanged and the MERCOSUR sent the lists of Supplementary Notes referred to in the General Text of the Agreement.

During this Third Meeting progress was made in treating issues related to standards, among which it is worth pointing out the CAN counterproposal for the Certificate of Origin Regime. On the other hand, the MERCOSUR delivered its comments on the General Regime of Origin and its proposal on Specific Requirements of Origin. These topics were analyzed by a Working Group and progress achieved was set forth in the text on the Certificate of Origin Regime.

In the same manner, a review was made of the texts on Safeguards and Technical Standards and Regulations as well as of the CAN counterproposal on Sanitary and Phytosanitary Measures.

Moreover, the delegations discussed the text on Dispute Settlement consolidated at the last Meeting and agreed upon the wording of the pertinent Additional Protocol.

With respect to the Trade Liberalization Program, an official communiqué highlights that the parties coincided on the need to acknowledge asymmetric treatments in favor of Ecuador and Paraguay. In this respect, Paraguay pointed out that it would request an immediate tax rebate for a list of products of its interest. However, the MERCOSUR stated that negotiations should encompass the whole of the tariff universe, without exceptions.

Regarding rebate schedules, many ideas were exchanged among which it is worth stressing the position of the CAN countries that insisted on the need to have a difference of four years between Argentina and Brazil's tax rebate period and that of the Andean countries. The Argentine delegation pointed out that the maximum difference could not be over two years.

Also in relation to the Trade Liberalization Program, they continued analyzing the proposals of both trade blocs and, with respect to sensitive products, the MERCOSUR set forth its stance of not maintaining asymmetries regarding rebate terms.

Finally, the delegations exchanged lists of requests for improvements in the offers initially submitted and decided to set up a Working Group for the automotive sector for which proposals were exchanged and preliminary comments were made.

Quite a large group of approximately 80 representatives – including the private sector- participated in the Third Round of Negotiations. When commenting on the results of the meeting, the Secretary-General of the Andean Community, Guillermo Fernández de Soto, stated that substantial definitions were achieved thus leading to optimism with respect to the fulfillment of the envisaged terms.





### *Taxation in MERCOSUR*

INTAL published a study by Alberto Barreix and Luiz Villela entitled “Tributación en el MERCOSUR: Evolución y comparación de posibilidades de coordinación”.

This publication is an input of the IDB Integration and Regional Programs Department to the consolidation of the MERCOSUR macroeconomic coordination process since tax harmonization has not been a priority in the sub-region, despite its inclusion in the Asunción Treaty and the need to bear this topic in mind for further economic integration.

The research work by Barreix and Villela finds that, at a first glance, the tax systems of the MERCOSUR countries are basically very similar. In all cases, tax collection is structured on the prevalence of general taxes on goods and services, a high share of payments and contributions to social security and a traditionally low revenue through direct taxes.

However, no sooner the analysis is deepened, there are clear differences between the standards of the different countries and little progress can be seen in terms of harmonization of taxation concepts, systems and procedures in the sub-region. According to the authors this is because the main objective of the bloc was the trade in goods and related services. Consequently, taxation was considered a collateral issue to the trade objective and agreements on this topic were addressed at avoiding barriers to trade in goods. In this context, specific agreements were set forth for general taxes on sales and selective excise taxes.

Another decisive element which accounts for the little progress made in harmonization is the lack of provisions for assigning sovereignty in favor of community rules, particularly regarding taxes. Thus the MERCOSUR moves away from the Andean Community or European Union experiences where there are supranational bodies which have jurisdiction to enforce community decisions or directives.

Although the main objective of the study is to identify in the tax systems of the four MERCOSUR member countries existing asymmetries which could significantly affect the integration process, the authors are clear about the fact that the most difficult part is to submit technically sound and politically feasible solutions to accelerate integration among the members. Therefore, based on the experience gained in other interaction processes and the disparity in the tax structures in force in the MERCOSUR, the options proposed would have to be guided by criteria to ensure that: (i) they do not entail an unnecessary reduction of the member countries’ fiscal sovereignty; (ii) they do not result in a significant loss of revenue; (iii) they do not harm the competitive position of the country vis-à-vis the other members or third countries; (iv) they do not facilitate new evasion or avoidance options; (v) transition and administrative costs are not high; (vi) although the sequence and duration of adjustments can be different in each country there should be a schedule of clearly defined goals.

Likewise, the study envisages the need to prioritize the following topics: (a) strengthening the tax treaties or agreements among the MERCOSUR countries; (b) enhancing and reinforcing the guidelines to be followed for transfer prices in international transactions; (c) intensifying cooperation among the tax authorities, particularly for extending the use of joint audits, anticipated price agreements and very especially, exchange of information; (d) coordinating joint actions to avoid harmful tax competition which could affect the flow of investments to the region; (e) the need to minimize customs formalities and



coordinate such procedures among the member countries; and (f) progress in the institutionalization of mechanisms to settle disputes so that they do not hinder integration.

To conclude, the authors point out the importance of achieving an adequate coordination of customs matters because an upgrading of the customs union and the common market is hindered by the border controls on trade. Customs controls at the border should be restrained to trade with third countries, while intra-MERCOSUR operations should have *ex post* control once in the market or establishments. Of course, this will require a high degree of integration and cooperation among the member country customs and the remaining tax authorities.

The document is available in pdf format at: <http://www.iadb.org/intal/ingles/publicaciones/i-infesp.htm>

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### *Fiscal impact on the MERCOSUR integration*

“ **MERCOSUR: Impacto Fiscal de la Integración Económica**” ( only in Spanish) is the title of another of INTAL's publications which brings together papers that were analyzed at a technical workshop organized by the IDB Integration and Regional Programs Department, through INTAL, in June 2003.

The volume edited by Luiz Villela, Alberto Barreix and Juan José Taccone is made up of a series of studies on the main tax issues which are relevant for the MERCOSUR integration process to the extent that they have an impact on competitiveness, the attraction of new investments, the level of fiscal revenue and its distribution among the national jurisdictions.

The articles are organized into six sections. The first includes a study by Villela and Barreix which analyzes the tax systems and their recent evolution in four MERCOSUR countries. The authors examine the convergent and divergent elements in the tax structures and submit a coordination proposal which aims at favoring trade and investment in the South American bloc.

The second part is devoted to studying competitiveness and sectoral fiscal incidence in the MERCOSUR. A paper by Ernesto Rezk and Fernando Rezende assesses sectoral fiscal incidence in Argentina and Brazil using a methodology based on the effective marginal tax rate. The authors examine the effects of the tax burden on the competitiveness of the productive chain of beef, poultry breeding and the soybean complex.

In the third part, Peter D. Byrne analyzes the special tax regimes in the sub-region and the implications of tax policies and trade on regional integration. Byrne specifically analyzes the different tax instruments available for export and investment incentives, such as bilateral agreements, withholdings on capital income, free zones and business reorganization.

The fourth section provides a critical view by the private sector of the tax systems in force in the four MERCOSUR countries. In the first of these papers, Pablo Dukarevich and Martín Barreiro point out aspects of the Argentine tax system which affect or worry foreign investors. In turn, Antonio C. Q. Ferreira and Clarissa Giannetti Machado refer to the Brazilian system and María Sol Martínez and Cynthia Fatecha make reference to the Paraguayan case. At the end of this section, Daniel Ferrere describes the practical tax problems which affect investment and competitiveness in Uruguay.

The last two parts include reform proposals for the Argentine and Brazilian tax systems with a view to promoting a competitive insertion of these countries in the international economic system. Hugo González Cano and Ricardo Varsano, respectively, assess the features of the tax systems in Argentina and Brazil, with the purpose of correcting existing distortions and increasing the efficiency of the tax structures in force in the two big member countries of the MERCOSUR.

The document is available in pdf format at: <http://www.iadb.org/intal/ingles/publicaciones/i-infesp.htm>.



## *The United States trade policy vis-à-vis the agreement with Central America*

This month, within the framework of the Special Initiative on Trade and Integration (SITI), INTAL published a Working Document which analyzes the impact of the US trade and agricultural policy on the trade liberalization and integration that would take place via a US-Central American Free Trade Agreement.

Dale Hathaway's study looks at several of the major legislative actions that took place in the US during 2002, which in her understanding can substantially affect trade negotiations with that country. Through such legal instruments the author examines US import protection for agricultural products that will be decisive in negotiations with Central American countries.

The two main legislative actions were the enactment of the 2002 Farm Bill and the passage of the Trade Promotion Authority (TPA), which provides for "fast track" treatment of trade agreements by the US Congress.

The document points out that the 2002 farm bill was widely denounced as a major reversal of the US farm policy, away from the earlier move towards reduced levels of support to key commodities. The support levels for some commodities were raised but the projected spending under the new legislation is at the same level as the subsidy levels for the supported commodities as was recorded in the immediately preceding year. In this respect, Hathaway finds that even though the changes in the policies were less drastic than most critics claim, the US domestic subsidy programs are a major barrier to the achievement of a successful regional free trade agreement. The farm bill also authorizes the various export programs that the US government uses to support the increased exports of US farm products. The most important of these is the export credit programs that include some elements of subsidy to commodity exports. Hathaway considers that these programs are not likely to create significant problems in a regional trade agreement as the one under consideration since they are of primary concern to competing exporters in this sector. On the other hand, the author believes the various market development programs appear to have little or no distorting effects on the agricultural markets and the direct US export subsidies are limited to a modest program on manufactured dairy products and should not be a problem for a regional free trade agreement.

However, the document considers that it is unrealistic to believe that countries of the region will open their domestic markets to competition from highly subsidized US commodity producers.

The TPA contains several new restrictions on US negotiators. This legislation lays out a list of sensitive agricultural products and requires special procedures before any liberalization can occur. The list of sensitive products includes a number of agricultural products of particular interest to Central American countries. In addition to the list of sensitive products the US has some significant tariffs on a number of products that the Central American countries export to that market. Elimination of these tariffs can provide significant gains in market access for some products. The author concludes that the success of negotiations and the approval of a US-Central American free trade agreement will require major political will on both sides to overcome the great hurdles that currently exist.

SITI Working Document No. 4 of the INTAL-ITD Series was originally published in English under the title: "*The impacts of US Agricultural and Trade Policy on Trade Liberalization and Integration via a US-Central American Free Trade Agreement*".

A copy can be found at:

[http://www.iadb.org/intal/ingles/publicaciones/i-serie\\_Intal-ITD-STA\\_IECI-WP.htm](http://www.iadb.org/intal/ingles/publicaciones/i-serie_Intal-ITD-STA_IECI-WP.htm)

and/or

<http://www.iadb.org/int/itd>



## *MERCOSUR Report presented at the UFRGS*

At the Federal University of Rio Grande do Sul (UFRGS, its acronym), INTAL presented the Portuguese version of the MERCOSUR Report. The main traits of the sub-regional integration process in 2001-2003 were set forth at the meeting recently sponsored by the Institute, the Masters in International Relations of the UFRGS, the Economy and Statistics Foundation (FEE) and the Brazilian Center for Documentation and Studies of the River Plate Basin (CEDEP).

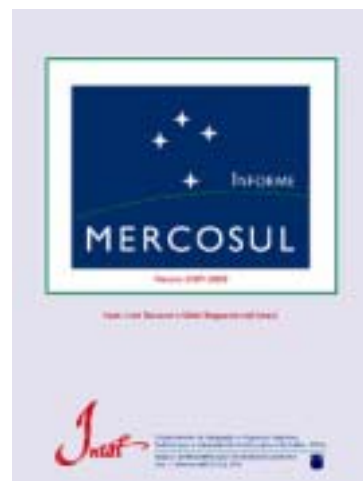
Presentations were made by Ricardo Rozemberg, one of the authors of the Report and Uziel Nogueira, its co-editor and Senior INTAL Economist.

These experts in integration characterized the period covered by this MERCOSUR Report as one of an unprecedented economic crisis for the South American bloc, which was blamed on a strong external shock –which took on different characteristics in each country- and that mainly affected the two main economies of the bloc with the exhaustion of volunteer or market funding. This situation appeared in a context in which the region's foreign trade followed a trend of strong shrinkage, after which the intra-bloc exchanges lost share vis-à-vis flows from the rest of the world. It was however noted that not all branches or sectors were equally affected by the decrease in the sub-regional economic activity which was defined as a process of “demercosurization”.

After describing and analyzing the essential traits of the crisis, the presentation focused on a look into the future. In this respect, it was deemed that the strength of the bloc could be reasserted through a strong political will which would allow the recreation of common interests among the MERCOSUR countries. This would entail readjusting the main customs union instruments to current sub-regional and international conditions so that the integration process can once again become a very positive game for the four countries.

Moreover, it was argued that the deepening of integration currently requires the focusing of negotiating efforts on some topics, such as the elimination of restrictions on intra-regional free trade and the consolidation of the Customs Union and a common external tariff.

In the opinion of the speakers, the fact of focusing on the topics should go side by side with institutional signals promoting a greater technical and political coordination in the MERCOSUR to reach the basic consensus required for deepening integration.



## *Regional course on international agricultural trade*



INTAL co-organized a Regional Course-Workshop on International Agricultural Trade and Policies with the Inter-American Institute for Cooperation on Agriculture (IICA), the World Trade Organization (WTO) and the Forum of Agronomy Schools of the MERCOSUR, Chile and Bolivia.

The main objective of the Course held in Montevideo, Uruguay on 13-18 October was to train professionals of the public, private and academic sectors for analyzing the main agricultural sectoral policies and international agricultural negotiations, particularly those that take place in the framework of the WTO. The analytical view of the Course focused on the regional standpoint of the extended MERCOSUR so as to build a collective view from those countries on the policies affecting the international market of agricultural products.

Throughout the course there appeared the growing conditioning effect on the agricultural policies –at different levels- of the national trade and macroeconomic policies together with the commitments and disciplines arising from the regional integration and international trade agreements, particularly after the GATT Uruguay Round and the setting up of the WTO.

The importance of these causal interactions was highlighted as from the first sessions where reference was made to the situation and trends of international agricultural trade as well as to the mapping of trade agreements in their regional articulation with the agricultural sector. These topics were previously tackled in the presentation of national agricultural policies of the extended MERCOSUR, which included trade and non-trade policies, those of support to agriculture and agri-exports development as well as those related to border protection and rural development.

The program also included the review of the Common Agricultural Policy (CAP) of the European Union (EU) and the US Agricultural Act of 2002. The policies stemming from these important instruments were part of workshop activities that analyzed the effects on the agricultural sector of the extended MERCOSUR.

The bilateral and regional agreements in the framework of LAIA were also analyzed in conjunction with agricultural negotiations currently underway in the framework aimed at setting up the Free Trade Area of the Americas (FTAA) and in

the MERCOSUR-EU and WTO negotiations. The multilateral outlook also included the Agreement on Sanitary and Phytosanitary Measures, the dispute settlement procedure and new topics such as the environment and GMOs.

The Economic Commission for Latin American and the Caribbean (ECLAC), the Latin American Integration Association (LAIA), the MERCOSUR Secretariat (MS) and the European Union (EU) also provided technical cooperation to the Course-Workshop.

### *Course on trade policies for the LAIA countries*



On 20-31 October 2003, the Third Short Course on Trade Policies for the member countries of the Latin American Integration Association (ALADI) was held in Montevideo, Uruguay at the ALADI headquarters.

This meeting which was co-organized by INTAL, WTO, LAIA and the Government of Spain was directed by specialists and international officials who made presentations on the main principles of the multilateral trade system and on trade policy topics of particular interest for the Association's member countries.

The grounding of the international trade system was presented on the basis of the Doha Declaration and on that of the Ministerial Meeting in Cancun, particularly regarding the interests and prospects of the Latin American countries vis-à-vis the stances voiced by the representatives of the different countries at the last ministerial meeting in Mexico.

Market access was one of the Course's main topics. Participants worked on the different protection instruments and on market opening, carefully analyzing the existence of quantitative restrictions and other non-tariff measures used in contemporary international trade.

Negotiations on agriculture and the application to this trade of the so-called trade remedies –that is, antidumping, safeguards, subsidies and countervailing duties- became the pivots thoroughly studied during the course due to their incidence on the trade interests of the Latin American countries.

Finally, the Course dealt with issues related to trade in services, intellectual property and dispute settlement. These subjects were tackled from a theoretical and informative viewpoint which included the analysis of specific aspects of negotiations underway which was timely supplemented by practical exercises aimed at preparing the lists usually used in regional and international trade negotiations.

### *Workshop on the WTO for university teachers*

This month the third meeting organized by INTAL and the WTO was the Regional Workshop for University Teachers and Academicians from Latin America on topics related to the World Trade Organization.

The Workshop was held at the INTAL Auditorium on 27-29 October in the framework of a joint program between both institutions with the purpose of increasing technical assistance and training in subjects related to multilateral trade negotiations, encouraging at the same time capacity-building in the Latin American and Caribbean countries.

The objective of this workshop, addressed to academicians and researchers working on topics related to international trade, was to build a platform to discuss teaching of this subject, which could also deepen academic cooperation in the region.

The meeting started with a presentation of the WTO and INTAL prospects on teaching, research and capacity-building in the fields of international trade and regional integration, as well as the sustained support of these institutions to articulating a regional scope program to relate the supply of higher education in international trade matters to the training demands of the region's countries.

The meeting's agenda included the presentation of didactic material prepared by WTO for trade policy courses. These materials contain a teaching methodology especially designed for the subject which focuses on the practical aspects of international trade operations. These documents were compared and discussed in line with the curricula and teaching practices of the international trade system and organization which are offered at some of the main universities and teaching centers in Latin America.

Likewise, participants of the meeting carried out a preliminary assessment of the status of research in the region regarding the topics of the workshop as well as progress made in research, support programs for the PhD studies, academic exchange programs and collaboration in research. Debates in this area were triggered and conducted by Patrick Low, Director of the WTO Economic Research and Statistics Division and by Juan José Taccone, IDB/INTAL Director.

Patrick Low and Robert Devlin, Deputy Manager of the IDB Integration and Regional Programs Division were in charge of setting forth the conclusions and closing the meeting. They coincided on the need to continue and follow-up on the goals that led the organization to organizing this workshop, particularly regarding the strengthening of joint activities and academic networks that disseminate knowledge on international trade at a regional level.

## BIBLIOGRAPHIC REFERENCES



**DIANA TUSSIE AND MERCEDES BOTTO  
(COORD.)**

*EL ALCA Y LAS CUMBRES DE LAS AMÉRICAS  
¿UNA NUEVA RELACIÓN PÚBLICO-PRIVADA?*

Buenos Aires: FLACSO and Editorial Biblos;  
2003. 295 pp

The book presents an analysis of the scope and impact of the Free Trade Area of the Americas (FTAA) initiative regarding the regional agenda and relations among the several actors. The diversity and plurality of topics, players and levels of action involved in the processes stemming from the summits of the Americas are the scenario that the authors of the book defined as key to identify the mechanisms and interdependence between the international and national phenomena. Something similar happens

with the relationships between state and non-state players which in contemporary literature and in this publication is called "complex multilateralism".

The book reflects a dual objective: to map the government players participating in the summits of the Americas and to identify factors that favor or inhibit the nationalization of transnational agendas and vice versa.

With a view to seizing the wealth which characterizes the process of negotiation and discussion in the framework of the summits of the Americas, this book delves into the topic of participation from three points of view: the studies carried out at the national level, the thematic ones and those on players. The first ones privilege the description of the State and the evolution of horizontal –between similar or peer organizations- and vertical relations –between organizations and the State- of the civil society in each country and in terms of FTAA negotiations.

On the other hand, the thematic studies focus their attention on the description and analysis of the status of non-trade agendas at the regional and national levels, concentrating on the progress achieved regarding openness and participation of non-state players.

Finally, the approach regarding the players focuses on characterizing transnational collective actions –channeled through networks-, their linkage to national organizations, governments and other international organizations.

Despite existing differences among the various approaches, all case studies compare and seek an answer to three queries about (i) the identification of sectors or players which participate in the regional agenda; (ii) resources and strategies used for collective action; and (iii) the impacts they have had on the government agenda.

Comparative analysis of the results of the different inputs shows an initial trend of strong contrasts regarding topics. While the trade agenda progresses systematically and sustainably towards the building of government consensus –above all with respect to transparency and oversight- the remaining agendas come across resistance and obstacles in the debate at the regional level. It is however noted that the trade agenda acts as an engine that drags along and subjects the other agendas. In this dragging effect, government leadership increasingly shares a few negotiation spaces with the transnational networks.

The book is structured into four sections. The first has an introduction on internalization of the participation agenda which focuses on the regional debate (Mercedes Botto and Diana Tussie) and a paper on transnational networks of civil society (Roberto P. Korzeniewicz and William C. Smith). The second section includes three papers on the participation of

civil society in the fields of the environment (Marisa von Bulöw), education (Marcela Fajardo) and the reform of the judiciary (Carlos H. Acuña and Gabriela Alonso).

The third section includes four case studies on civil society in the trade integration process: Argentina (María C. Guiñazú), Brazil (Antonio J. Junqueira Botelho), Mexico (Alejandro Natal and Tonatiuh González) and Chile (Francisco Rojas Aravena and Coral Pey).

The last section presents a work by Mercedes Botto on myths and realities of non-governmental participation.

**ALFREDO G. A. VALLADÃO (Ed.)**

*THE COSTS OF OPTING OUT. THE EU-MERCOSUR AGREEMENT AND THE FREE TRADE AREA OF THE AMÉRICAS*

Paris, France: Chaire MERCOSUR de Sciences Po, 2003. 142 pp

The book brings together the input of European and Latin American economists who have developed three computable general equilibrium (CGE) models which aim at answering questions such as: what are the costs of the Free Trade Area of the Americas (FTAA) for the European Union (EU) with and without an agreement with the MERCOSUR? What is the cost of the FTAA for the MERCOSUR with and without an agreement with the EU? What are the options of the FTAA for Brazil?

A few studies have been carried out to assess costs and the economic consequences of participating in trade agreements resulting from EU-MERCOSUR negotiations and the FTAA. In contrast, the Working Group on EU-MERCOSUR negotiations which in 1999 established the MERCOSUR Chair at the Science-Po in Paris decided to adopt a different approach to highlight the costs of opting out of these agreements. From this standpoint, all models show that in the trade in goods, simultaneous negotiations of preferential trade have the possibility of producing significant gains in market access. However, the other side of the coin of market access for the countries involved is the probably significant cost that would result from import liberalization and the adjustments stemming therefrom. These potentially high costs become visible in the domestic political debates –above all through sectors competing with imports- while the voices of the potential exporters and recipients of investments would be less audible.

The studies in this publication tackle some of the problems arising from the above-described situations although they state that the conclusions from the applied CGE models are only valid for market access of goods. This hinders the scope of conclusions on the negotiations examined since they include sectors and fields of the economy which go far beyond the exchange of goods and cannot be easily formalized.

Apart from the possible limitations and advantages of these models –as most econometric tools- the book points out the importance of supporting negotiations with formal analysis instruments.

The exercise set forth through the studies proves that the best scenario for the MERCOSUR is that in which the bloc can materialize free trade agreements in the FTAA framework and with the EU. In contrast, the worst scenario is the *status quo*, particularly if it is considered that the protection structure in the U.S.A. and especially in the EU is strongly targeted to sectors and products in which the MERCOSUR countries have clear competitive advantages. Between both extreme scenarios there are others in which only one of the agreements is completed and in which the MERCOSUR countries are part of several bilateral agreements.

The scenario in which the completion of both agreements is presupposed combines the effects on the FTAA production (more balanced between agriculture and industry) and those stemming from the agreement with the EU (more focused on the agribusiness). According to the studies, the FTAA has the potential of contributing gains to the MERCOSUR industrial sectors –particularly from Brazil- thus moderating the strong intra-industrial specialization which would arise from a free trade agreement between the EU and the South American bloc.

The book is structured into three chapters and an introduction by Roberto Bouzas and Pedro da Motta Veiga. In the first chapter, Renato G. Flôres Jr. examines the costs and opportunities of the different scenarios for Brazil. In the second chapter, Hernán Lacunza, Jorge Carrera and Martín Cicowicz present the effects on the MERCOSUR of the FTAA and the EU-MERCOSUR agreements based on the use of the analysis of a computable general equilibrium. Finally, in the third chapter, Antoine Bouët, David Laborde, Sophie Tarascou and Anne Yapaudjian-Thibaut present the costs that the FTAA would have for the EU, with and without a free trade agreement with the MERCOSUR.

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### *Cooperation for training in economic diplomacy*

This month, the Economics Institute of the Campinas State University (UNICAMP), Brazil, in collaboration with the United Nations Conference on Trade and Development (UNCTAD) launched a Specialization Course on Economic Diplomacy. According to the agreement, and as a pioneer experience in Latin America, the Economics Institute of this prestigious Brazilian university would become part of a network of institutions in developing countries devoted to training in international negotiations and academic research on matters related to these countries' external economic agenda.

The Secretary-General of UNCTAD, Rubens Ricúpero, considered the implementation of this agreement with UNICAMP, a specific action within the UNCTAD efforts to support developing countries in establishing strategies for international economic negotiations from positions arising from the reality of these countries. In turn, the Brazilian organizers of the course stated that this initiative is essential given the country's current situation in which it is conducting a series of simultaneous negotiations, from those in the framework of the World Trade Organization (WTO), those of the Free Trade Area of the Americas (FTAA) through those of sub-regional and regional integration.

The agreement with UNCTAD will moreover allow a constant updating of topics, issues and positions of the main countries participating in international economic relations. It will also permit access to a global view of the problems faced by developing countries in trade, finance, investments and the transfer of technology in contemporary international relations.

This global view could be enriched with local inputs and vice versa as the inter-institutional cooperation launched a month ago becomes consolidated.

UNCTAD technicians will support the UNICAMP course through videoconferences, classes and seminars. Likewise, they will provide training manuals developed by this international organization and will facilitate access to their publications and databanks.

The Course will last 372 hours and will be given by 19 teachers of the UNICAMP Economics Institute. For further information please visit: <http://www.eco.unicamp.br/cursos/ECO700.html>

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