MERCOSUR: The Common Market of the South

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The Southern Cone Common Market, or MERCOSUR (MERCOSUL in Portuguese), was established by the Treaty of Asuncion in March 1991, entering into force in November of that year. With the initial participation of Argentina, Brazil, Paraguay and Uruguay, MERCOSUR has a combined population of more than two hundred million and a combined GDP in excess of one trillion US dollars. MERCOSUR has taken steps to function as a free trade area and a customs union as of 1 January 1995, a process that is to be completed by 2006. A common external tariff was introduced and, with the exception of a list of special products, trade in most goods is free of tariffs among its members. MERCOSUR's long-term aim is to achieve a fully integrated common market, including free movement of goods, services, and people.

MERCOSUR was made possible by concerted actions taken by Argentine and Brazilian leaders towards economic integration and political cooperation. After both nations returned to civilian rule (Argentina in 1983 and Brazil in 1985), their domestic and foreign policies changed markedly. Decisions were taken at the highest political level to end unnecessary mutual suspicion and uncoordinated behavior, and to embark on a new era of fruitful relations.

Measures for economic, political, and security collaboration were implemented from the mid-1980s onwards, with the aim of creating a benign environment for economic integration and political cooperation between the two largest South American countries. Two smaller neighbors, Uruguay and Paraguay, were invited to join because their economies were strongly linked to Argentina and Brazil and because they were also ending a period of military rule and seemed committed to democratic values. Political and economic coordination and a cooperative security framework were established in tandem, each measure helping to consolidate the other.

Headquarted in Montevideo, Uruguay, MERCOSUR has so far avoided the creation of a complex web of supranational institutions. Decision making lies with the presidents and senior ministers of participating countries. MERCOSUR's main negotiating body is the Common Market Group, comprising of four representatives and their deputies from the foreign ministries. The Group is charged with shaping domestic legislation from member countries to conform to the international economic requirements of MERCOSUR. The Group then makes recommendations to the Common Market Council—the highest decision- and policy-making body composed of the foreign and economic ministers of participating countries—which approves the new legislation. The presidents of MERCOSUR countries assemble twice a year.

In 1996, MERCOSUR expanded its original core group with two associate members, Bolivia and Chile. While Bolivia and Chile neither apply a common external tariff nor fully participate in the decision-making process, their association has contributed to improved economic and political links.

MERCOSUR is committed to democracy, human rights, and the peaceful resolution of conflicts as well as to economic growth and development. It has become a single bloc in regional and multilateral forums, including trade negotiations with, among others, the Andean Community, the European Union, and the United States. MERCOSUR requires constant dialogue among participating states, and initiatives such as the coordination of certain areas of economic policy and deeper economic integration are now part of the agenda.