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Workshop “Mercosur: current scenario and outlook for the Milei presidency and impact of new US trade policy” organized by the Korean Embassy

MERCOSUR
Background and Recent Developments

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Buenos Aires, July 10th 2025

Four Seasons Hotel

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Topics

1. **MERCOSUR Main Features**
2. **Economic and Trade Dynamics**
3. **MERCOSUR Trade Agreements and Negotiations**
4. **Argentina: Pattern of Trade, Recent Economic Developments, Trade Negotiations with USA.**

MERCOSUR Countries

Venezuela

Area 0,9 M km^2

Population 28,5 M

Bolivia

Area 1, 1 M km^2

Population 12,2 M

Argentina

Area 2,8 M km^2

Population 45,5 M

- Member States
- Acceded in 2024 (Bolivia)
- Suspended State (Venezuela)

Brazil

Area 8, 5 M km^2

Population 203,1 M

Paraguay

Area 0, 4 M km^2

Population 6,1 M

Uruguay

Area 0, 2 M km^2

Population 3,5 M

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MERCOSUR: A Historical Turning Point for Southern Cone Countries

Treaty of Asunción, 1991: A new framework for Argentina-Brazil relations.

- **Geopolitical implications:** rivalry vs. integration.
- **Initial vision:** deep economic integration (European model). A work program for the creation of the single market, free mobility of capital and labor. Monetary union?

However, several factors restricted the ambitions of the integration project as initially conceived:

- **Macro instability.**
- **Divergent trade strategies amongst member countries.**
- **Asymmetries between member countries.**

MERCOSUR: Main Features

An imperfect custom union

Harmonized tariffs with numerous exceptions

Customs revenues are collected at national level.
No revenue sharing

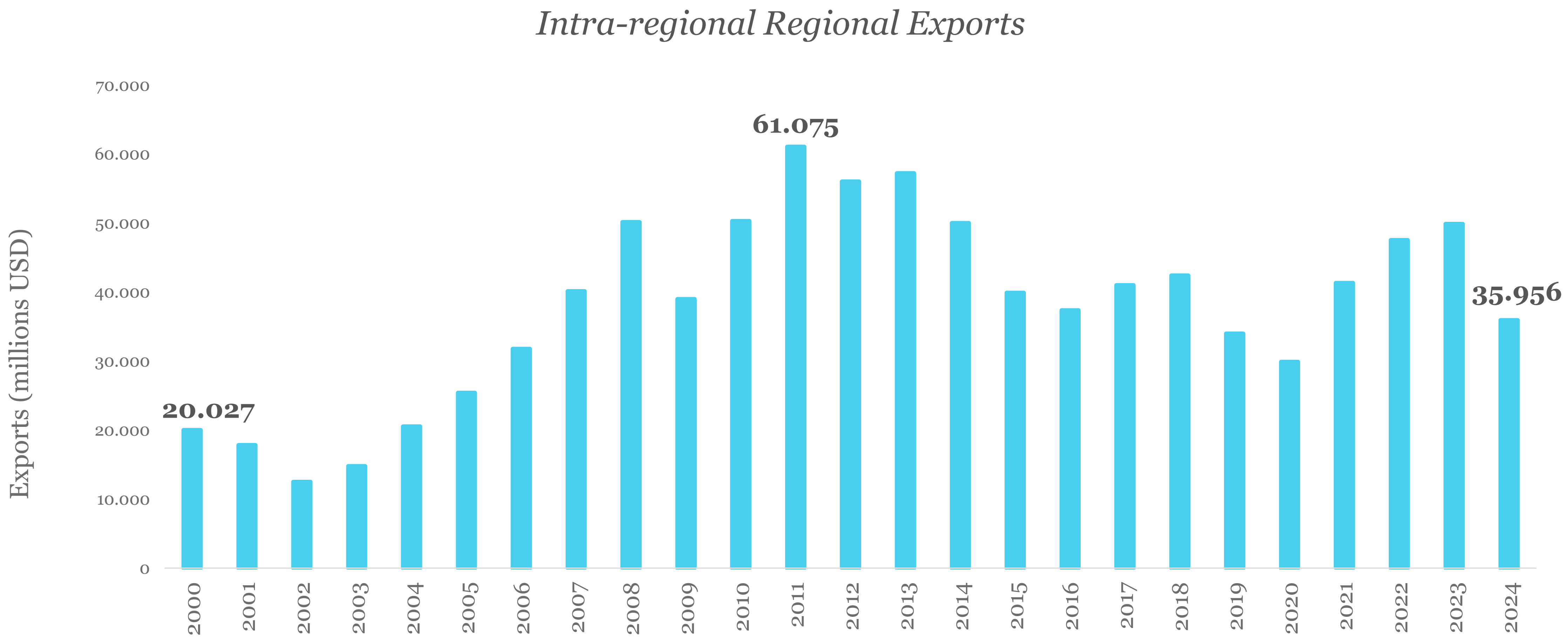
There is no single custom territory: goods don't circulate freely at regional level

Intergovernmental coordination.
There is no supranational bodies

Legislation should be incorporated by each member state

Trade negotiations should be conducted at regional level

Intraregional Trade: A Changing Picture



Source: Author's own elaboration based on SECEM (MERCOSUR)

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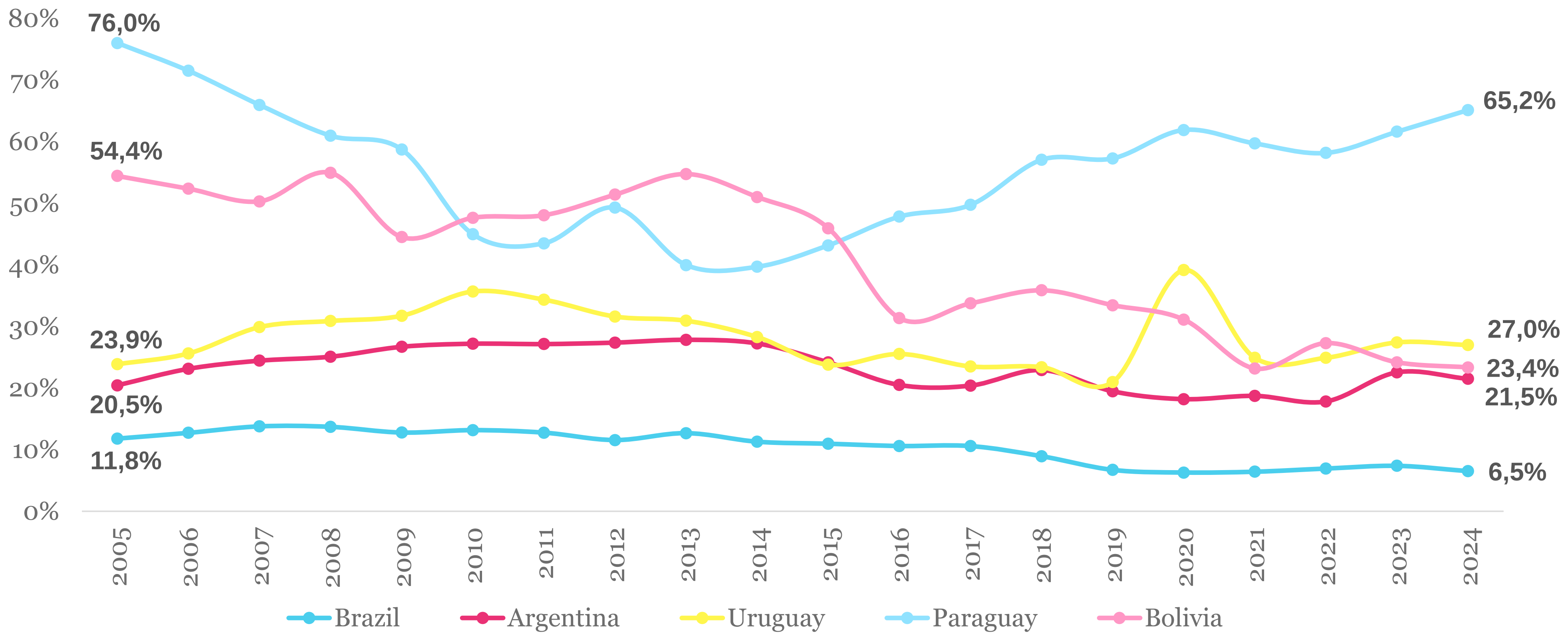
Relevance of the Regional Market

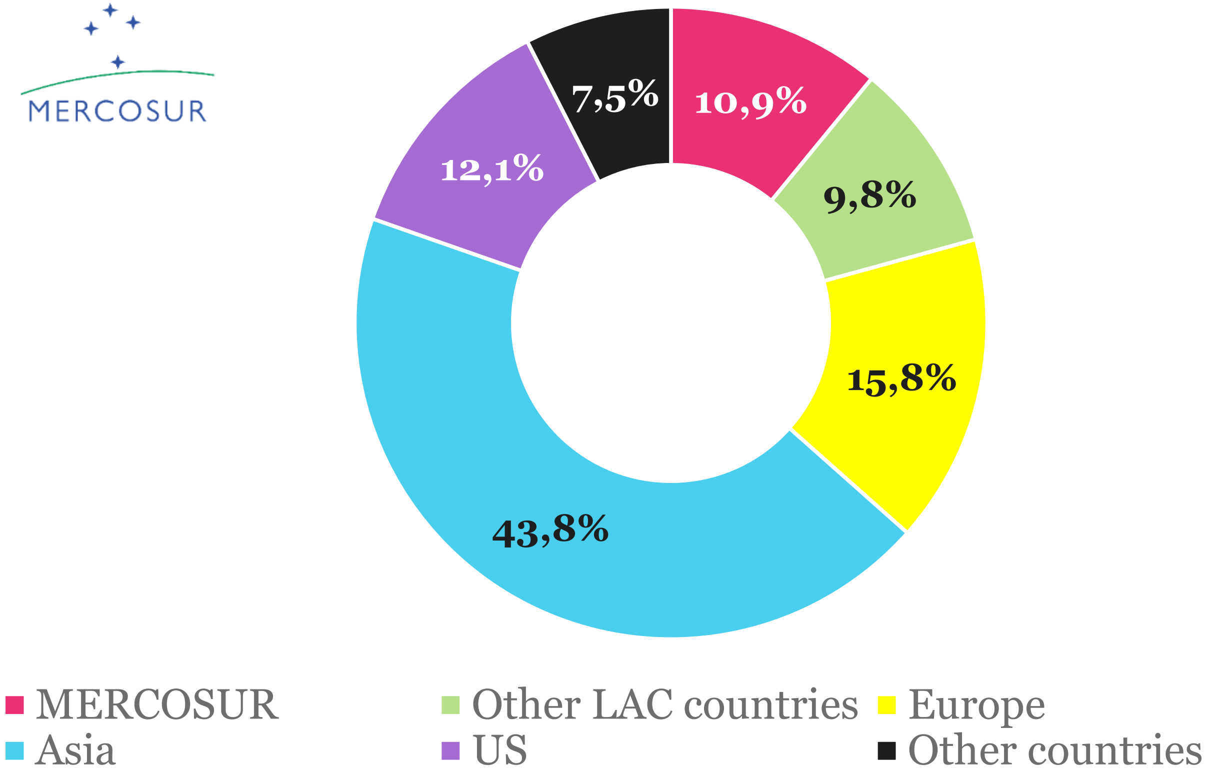
Relevance of MERCOSUR as a destination for member countries' exports
(As a % of Each Country's Total Exports)



Source: Author's own elaboration based on SECEM (MERCOSUR)

MERCOSUR: Export Destinations

Export destinations of MERCOSUR countries
(As a % of Total Exports)



Exports 2024
(In billions of US dollars)

Argentina	79,7
Brazil	337,0
Paraguay	10,8
Uruguay	10,2
Bolivia	9,1

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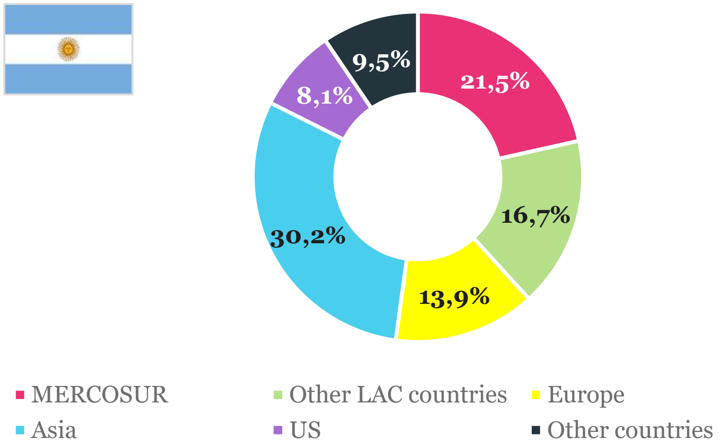
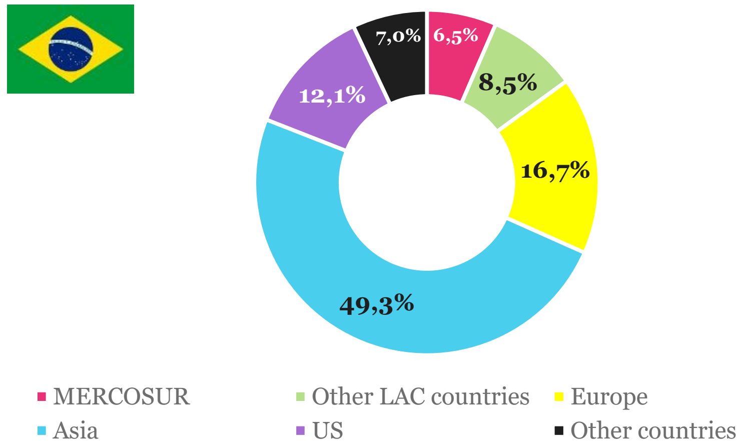
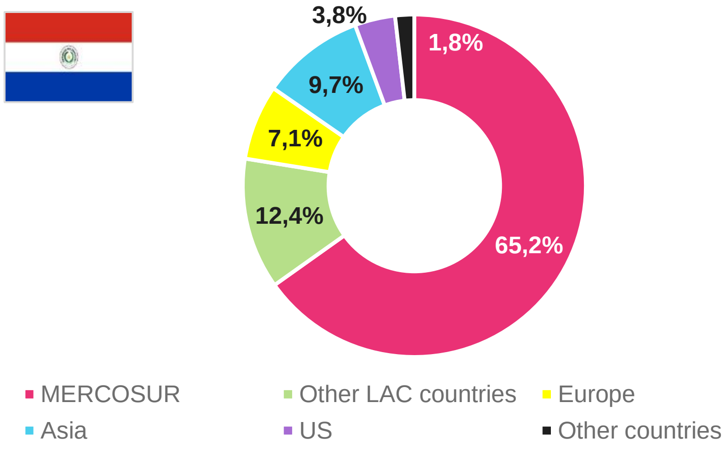
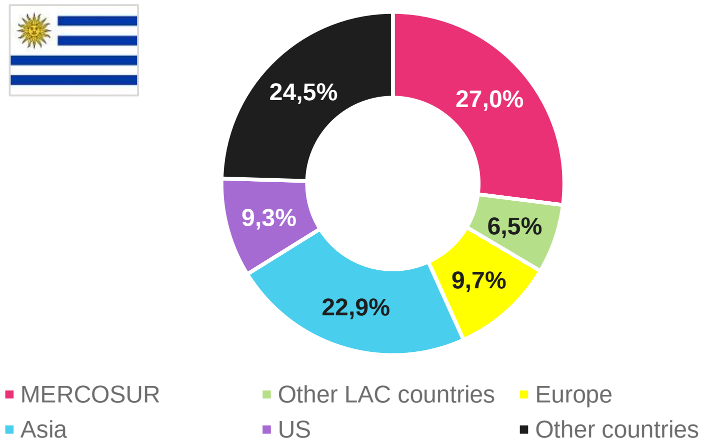
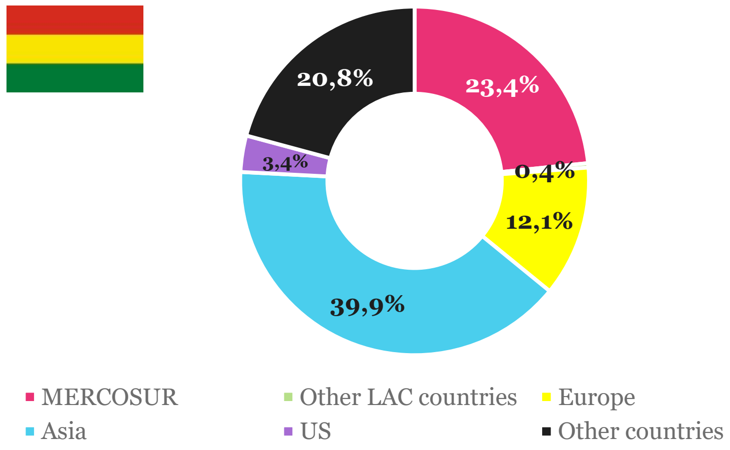
MERCOSUR: Export Destinations











Source: Author's own elaboration based on International Trade Center

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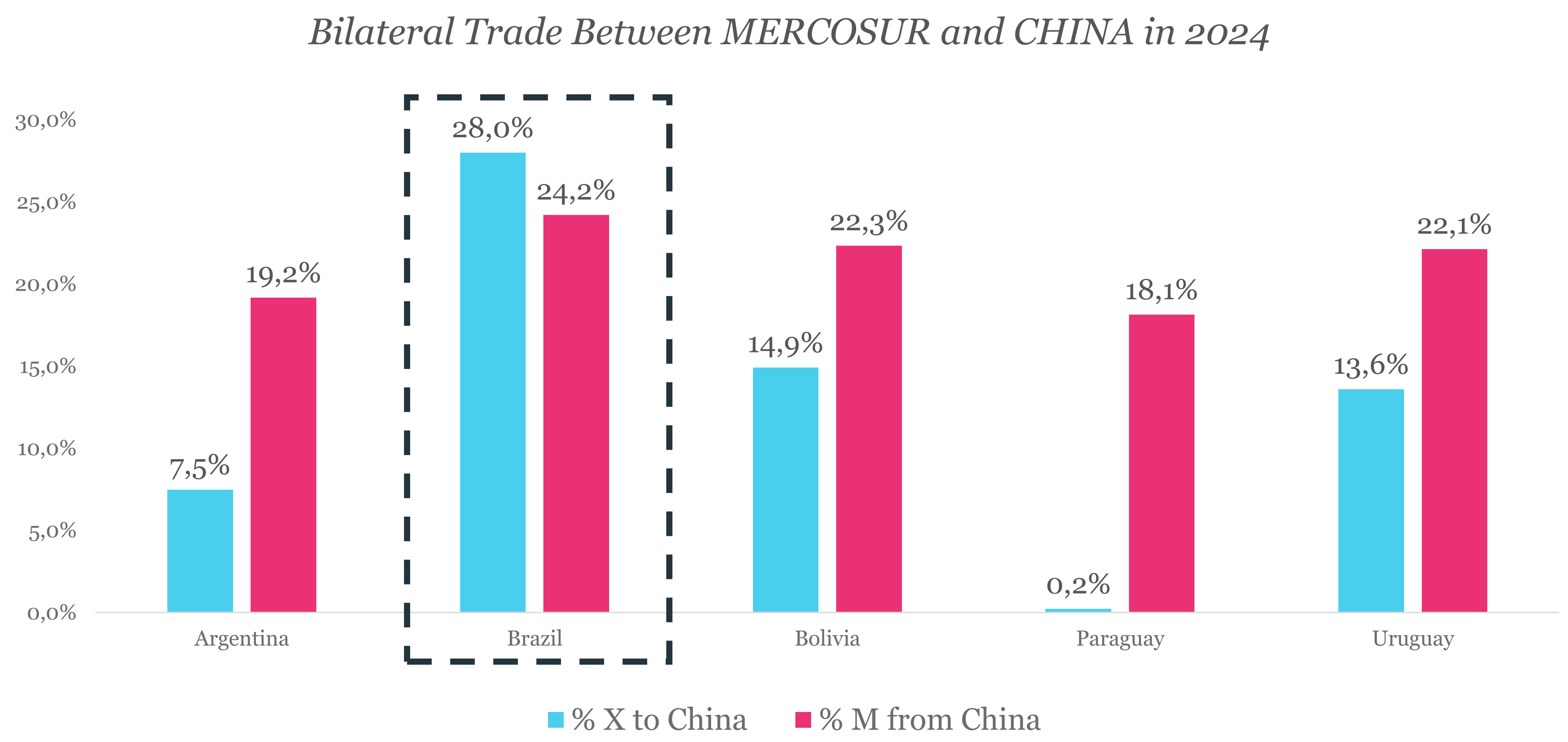
China: Trade Flows with MERCOSUR Countries



Source: Author's own elaboration based on International Trade Center

MERCOSUR: Trade Negotiations

Mercosur's Free Trade Agreements (FTAs), by negotiation status

		% of global GDP	% of global goods imports
APPROVED FTAs/PTAs	Israel, Egypt, Palestine, SACU, India, Mexico & LAC Countries	7,7%	10,9%
CONCLUDED AGREEMENTS	UE-27, Singapore, EFTA	18,1%	19,3%
ONGOING NEGOTIATIONS	Republic of Korea, Canada, United Arab Emirates, Lebanon, Panama	5.5%	5,1%
EXPLORATORY DIALOGUES	Vietnam, Dominican Republic, Indonesia, El Salvador, Japan	5,5%	4,6%

Source: Author's own elaboration based on IDB, 2025.

MERCOSUR - EU: A Complex and Long Negotiation

MERCOSUR - EU: A Comprehensive Agreement

The Agreement involves two separate parts:

1. **Political dialogue and cooperation:** includes shared commitments in areas such as democracy, human rights, the environment, the fight against drug trafficking, terrorism, money laundering, and others.
2. **Trade in goods and services:** market access, investment, trade facilitation, sanitary and phytosanitary regulations, among others.

A **unique agreement between both blocs** as a result of **over two decades of negotiations**.

It links **two regions with different levels of development** — and both facing **low growth**.

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Tariff Liberalization Offers

Offers of Tariff Reductions between MERCOSUR and the EU

	MERCOSUR	EU
Immediate liberalization	**14.1%**	**74.0%**
4 years	10.3%	7.4%
7/8 years	5.0%	5.5%
10 years	42.4%	5.0%
Up to 10 years	**72.0%**	**92.0%**
15 years	15.5%	
15 years with grace period	3.2%	
Up to 15 years	**90.7%**	
PE (Special Scheme)	0.1%	0.7%
PF (Final Phase-out)	0.0%	0.0%
TQ (Tariff Quota)	0.2%	7.1%
Partial access	**0.3%**	**7.8%**
Exclusions	**9.1%**	**0.3%**

Source: Author's own elaboration based on SECEM (MERCOSUR).

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Argentina

Pattern of trade, recent economic developments, trade negotiations with the USA

Argentina: A Commodity Exporter

Export complexes, participation according to product differentiation

	2022	2023	Variation % 23/22
Non-Differentiated	**78%**	**72%**	**-30%**
Cereals and Oilseeds	66%	56%	-41%
Hydrocarbons	10%	14%	-5%
Mining and Derivatives	4%	6%	-2%
Meats	4%	5%	-4%
Differentiated	**22%**	**28%**	**-4%**
Automotive Complex	44%	48%	-4%
Meats (Differentiated)	7%	6%	-20%
Pharmaceutical Complex	6%	6%	0%
Wine Complex	5%	4%	-17%
Total (mill. USD)	**86,742**	**65,592**	**13%**

Source: Author's own elaboration based on Bernini et al. (2018).

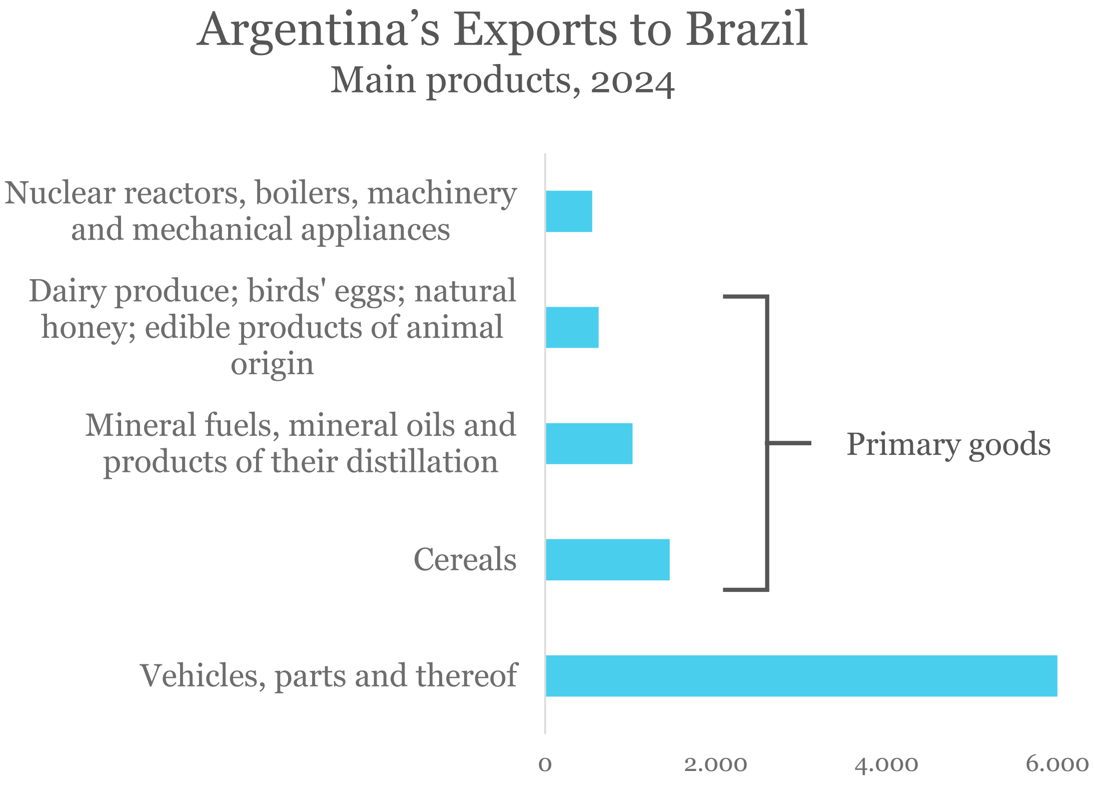
Argentina and the Pattern of Trade

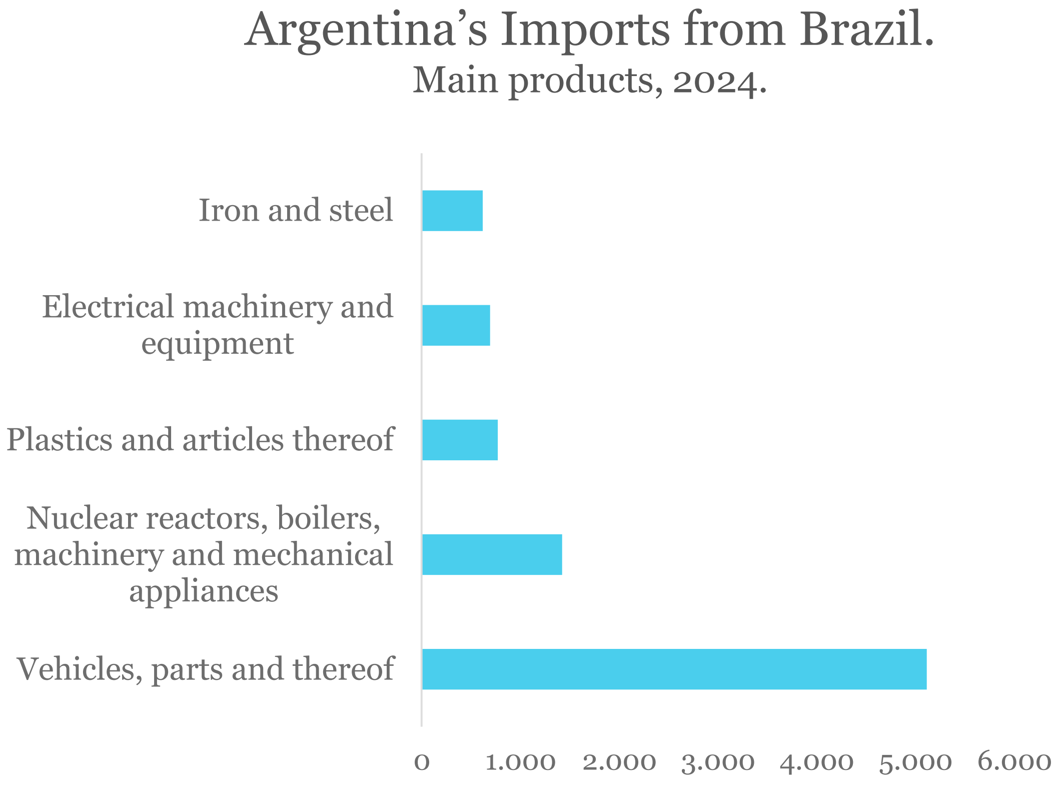
Regional share of exports, by type of product (2023)

Region	Non-Differentiated (commodities)	Differentiated (excl. Automotive Complex)	Automotive Complex
LATAM	28%	56%	96%
Rest of the World	72%	44%	4%

Source: Author's own elaboration based on Bernini et al. (2018).

Bilateral Trade Between Argentina and Brazil





In USD millions

Source: Author's own elaboration based on International Trade Center

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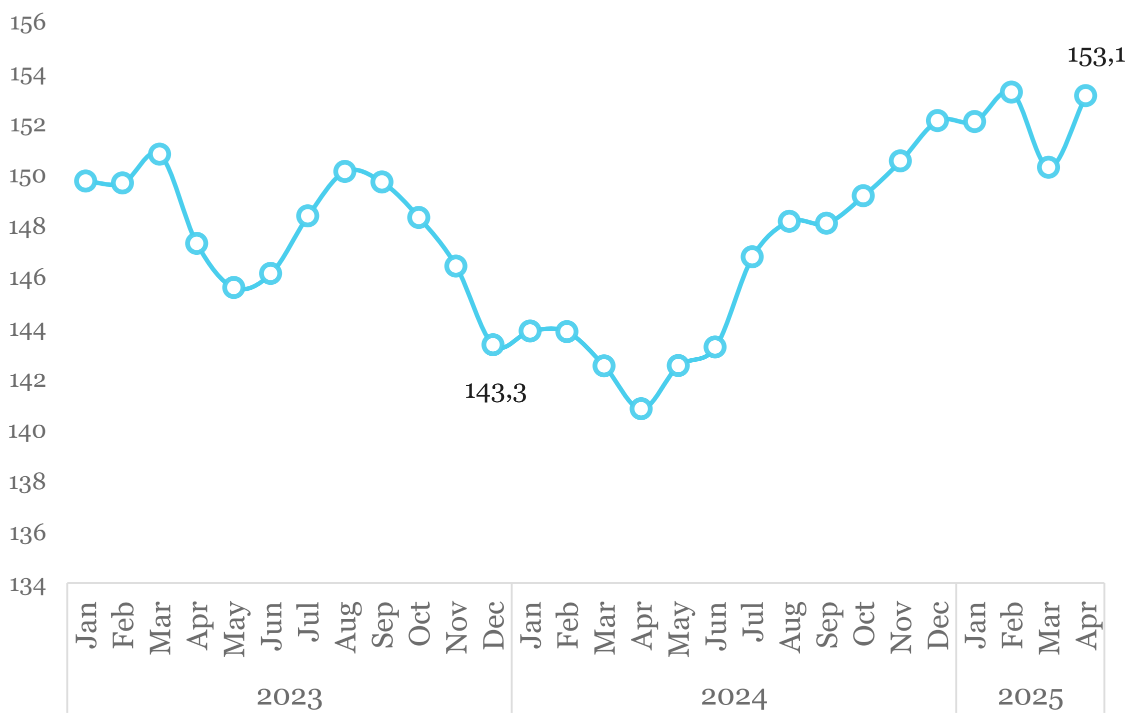
Argentina’s Macroeconomic Framework: Stabilization, Reform and Trade Policies

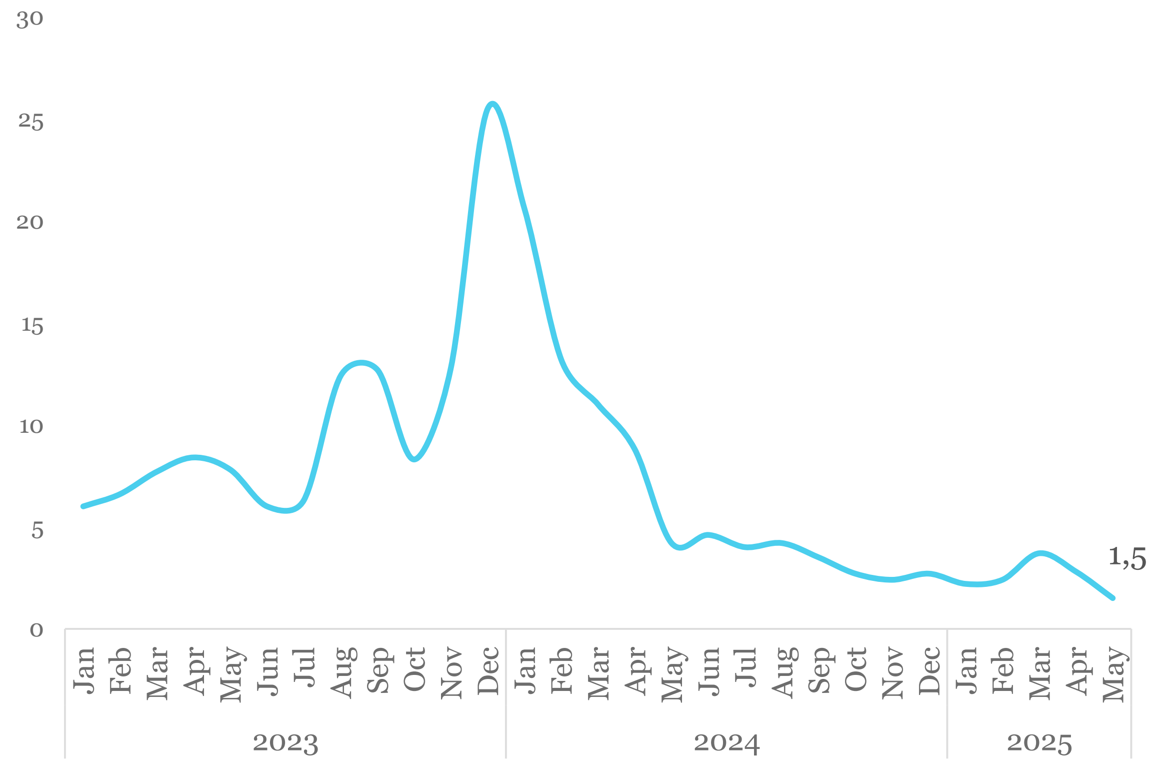
Economic Activity

(Monthly index seasonally adjusted) 2004=100.



Source: Author's own elaboration based on INDEC, EMAE.

Monthly Inflation Rate from 2023 to 2025



Source: Author's own elaboration based on BCRA

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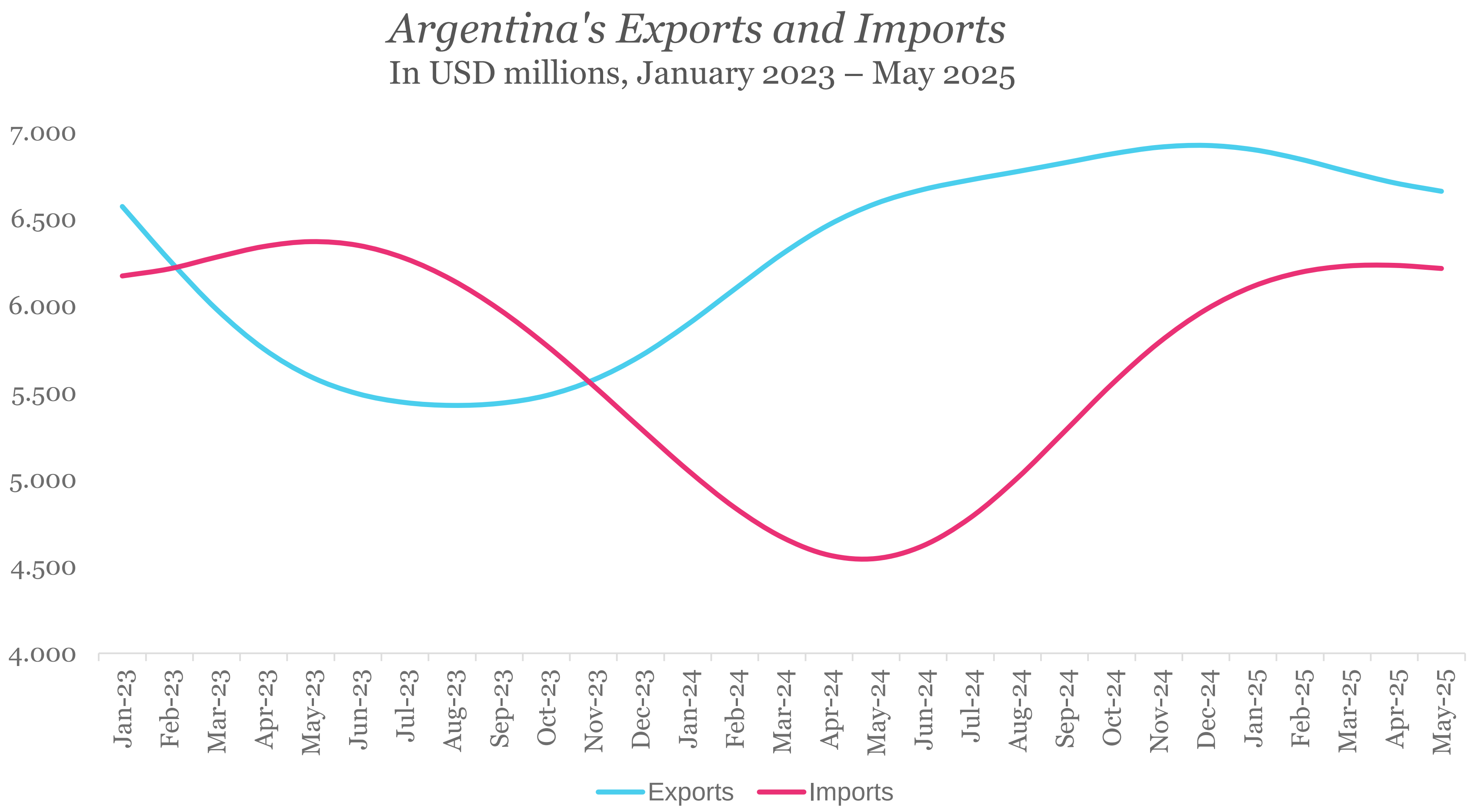
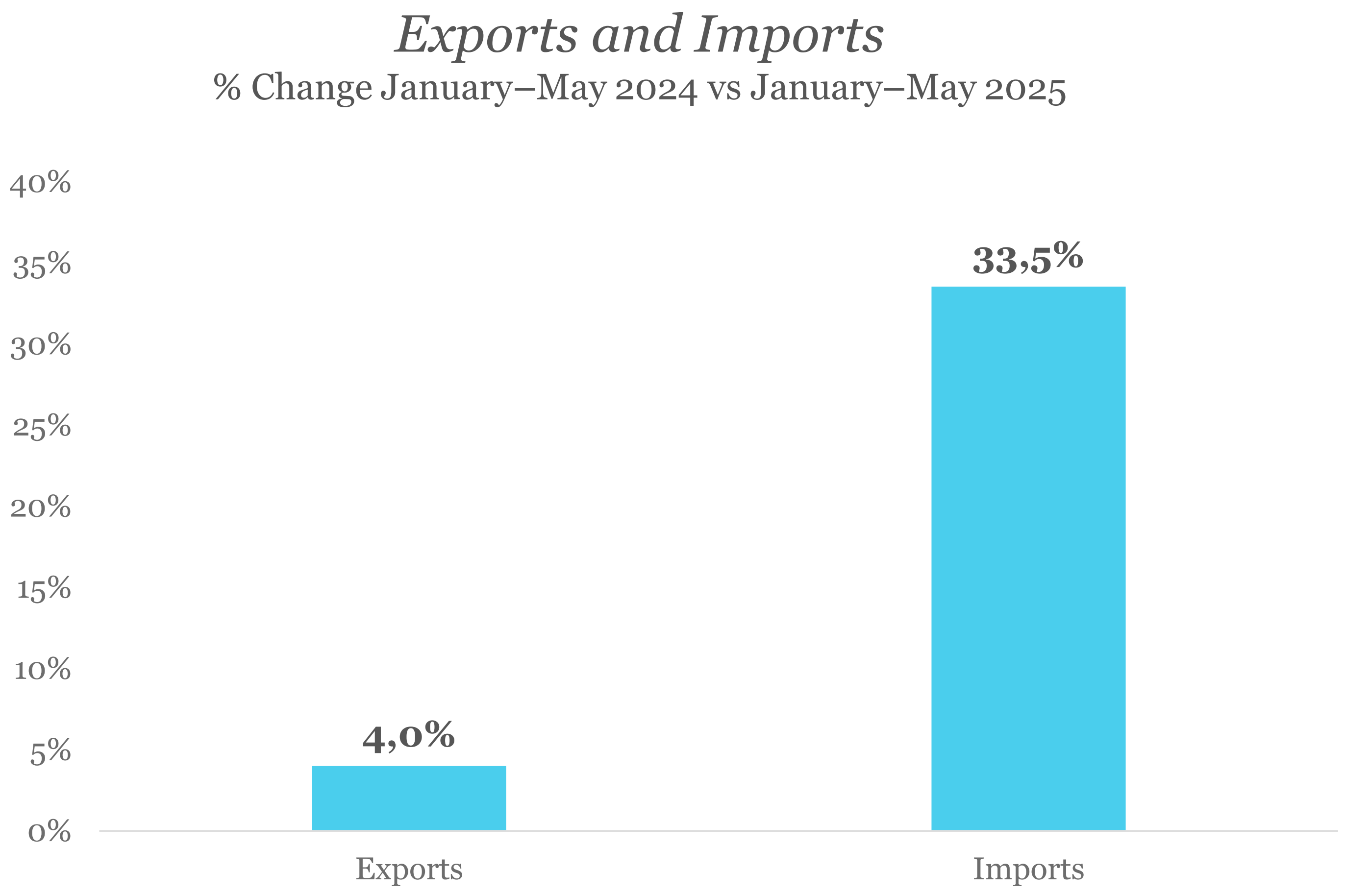
Argentina: Economic Recovery and Trade Flows



Source: Author's own elaboration based on INDEC

Argentina: High Short Term Income Elasticity of Imports



Source: Author's own elaboration based on INDEC

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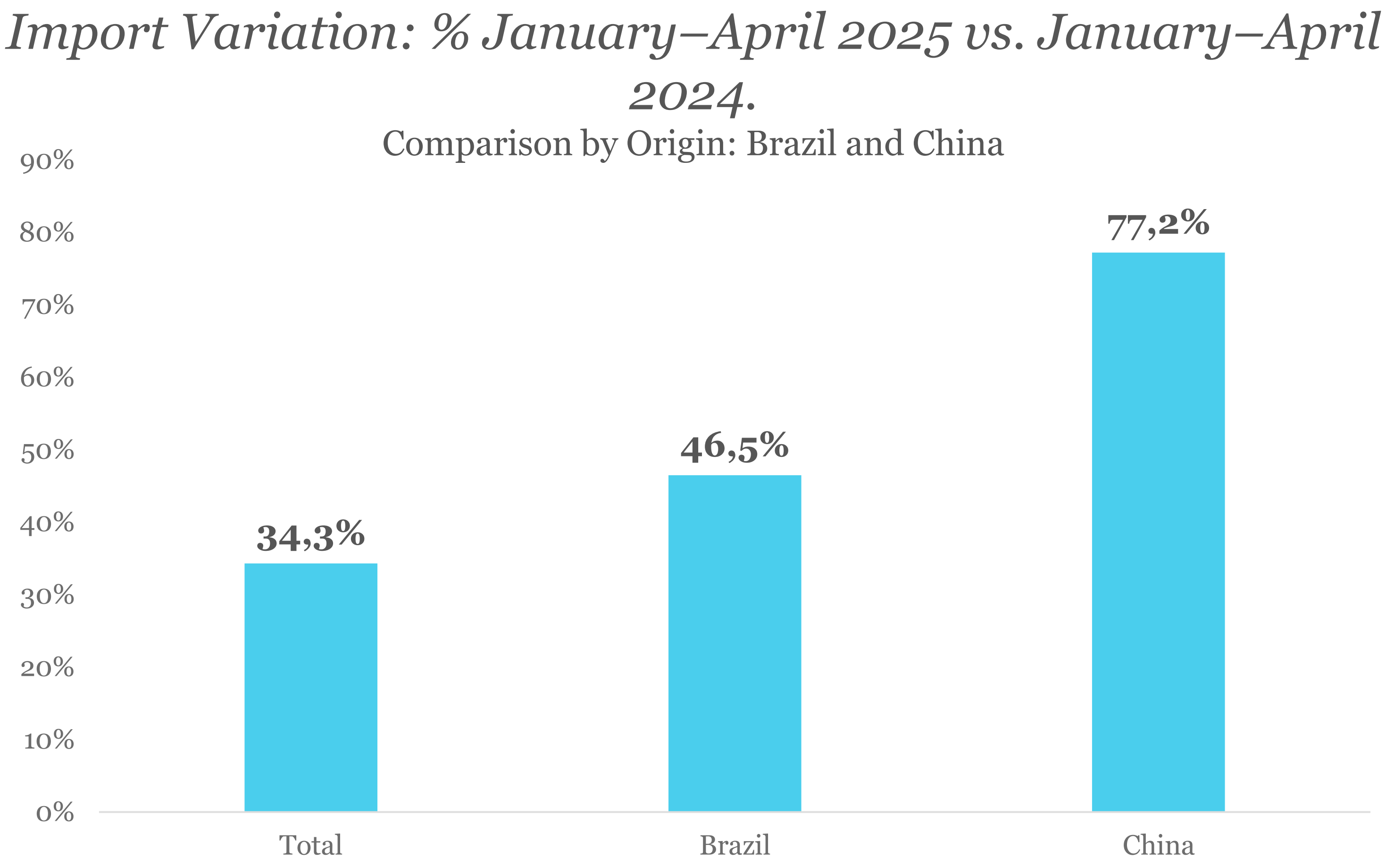
Brazil and China Are Gaining Market Shares in Argentina

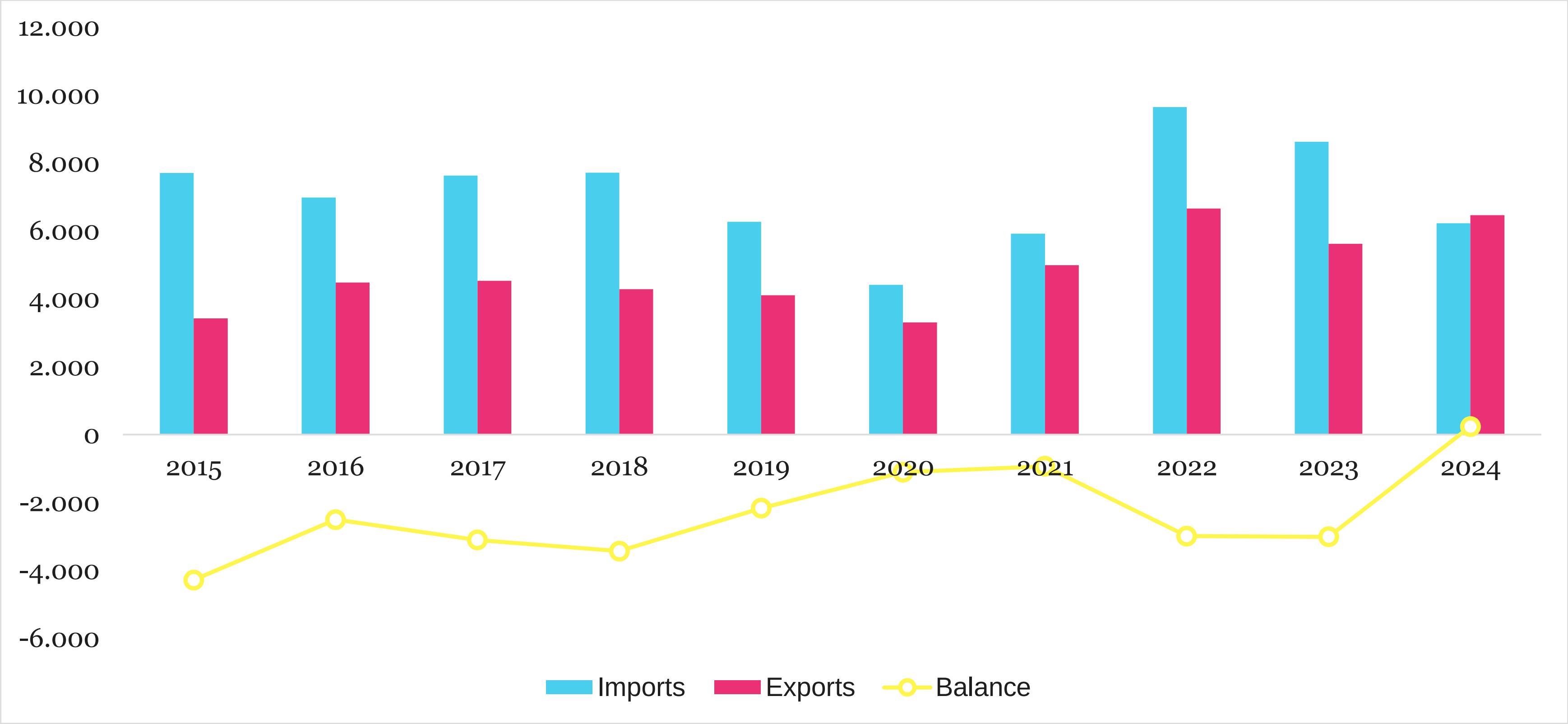


Source: Author's own elaboration based on INDEC

Argentina— USA: Trade Flows (Goods)

Bilateral commerce between Argentina and USA: imports, exports and trade balance

2015- 2024



Source: Author's own elaboration based on INDEC

Argentina— USA: Trade Negotiations

Tariff issues

1. Steel and aluminium: **25% tariff rates**

2. **10% flat rate**

Other issues (USA)

- Like-new products
- Patents: pharma, use of GM sedes
- Trademark infringment— Informal trading
- Remanufactured goods

Argentina— USA: Trade Negotiations

Different types of agreements:

1 Existing Agreements

- Trade and Investement Framework Agreement (TIFA, 2016)
- Bilateral Investment Treaty (BIT, 1991)

2 No agreement with MERCOSUR required

- Double Taxation Agreement
- Mutual Recognition Agreement (TBT)
- Trade Facilitation Agreement (WTO)

3 MERCOSUR approval is required

- Partial Preference Agreement (specific sectors o list of goods)
- Common External Tariff flexibility (MFN) – MERCOSUR
- Negotiations at different speeds (MERCOSUR)

Concluding Remarks

- MERCOSUR needs to make progress in consolidating its institutional framework and the rules concerning intra-regional trade in goods and services.
- The agenda of external trade negotiations is moving forward (Singapur, EFTA, EU).
- The MERCOSUR – EU Agreement is of critical importance for both regional blocs.
- There are different types of agreements that can provide support to Argentina – US trade negotiations. Some of them need MERCOSUR approval.

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