

## With or Without You: Argentina, Brazil and NAFTA

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was in a multibillion dollar "investment war" with Argentina over automobiles. However, her description of the situation is at odds with this denial:

We had an asymmetric situation in terms of treatment of the auto sectors. We are trying to see how to negotiate within Mercosur a common set of rules, which means exactly the conditions for attracting investments ... They are going to be very symmetrical.<sup>41</sup>

One must ask how this symmetry will be achieved and at whose expense.

Argentine car manufacturers are very concerned. In mid 1995, the investor relations manager for Volkswagen and Ford licensee Autolatina said: "All the investments that have been announced in Argentina depend on Mercosur."<sup>42</sup> Mauricio Marcri, president of Sevel, the Argentine licensee for Fiat and Peugeot, said: "If there are quotas, there is no MERCOSUR ... Argentina will have no choice but to withdraw from the MERCOSUR."<sup>43</sup> Many observers believe that the Brazilian government is using these changes in its import regime as a tactic to encourage companies to invest in Brazil rather than Argentina.<sup>44</sup> The recent triumphant declaration of "We won the battle for automobile investments"<sup>45</sup> with which Brazilian Planning Minister José Serra greeted the announcement of new Brazilian investments by Volkswagen and Fiat lends credence to this analysis.

Barring artificial measures, such as Brazil's auto import quotas, Argentina is better positioned than Brazil to attract foreign investment because its free market economic policies create a more favourable environment for business. Carrying out these policies after decades of statist economic policies was painful for Argentina. If MERCOSUR is to function to underpin competitive, market-based growth, then the onus should be on Brazil to improve the quality of its economic environment, not to side-swipe Argentine efforts through protectionist measures. Unless Brazil can bring

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<sup>41</sup> "Brazil, Argentina Not in "Investment War" - Minister", Reuter News Service, 22 June 1995.

<sup>42</sup> "Argentina, Wobbly Mercosur Rules Worry Argentine Car Makers", Reuters News Service, 6 June 1995.

<sup>43</sup> "Argentine Carmaker Says Brazil Could Bury Mercosur", Reuter News Service, 4 July 1995.

<sup>44</sup> "Brazil, Argentina Car Dispute Threatens Trade Group", Australian Financial Review, Reuter Business Brief, 23 June 1995.

<sup>45</sup> "Brazil Nabs \$550 million Investments from Automakers", Reuter News Service, 11 July 1995.