

MERCOSUR has attracted the attention of many foreign investors interested in the potential of a large, unified market in South America.

MERCOSUR is not purely an economic union. The MERCOSUR accord offers the governments of the southern cone a way to transcend old political rivalries and build stronger relations through active economic cooperation. Some participants in the agreement hope that MERCOSUR will evolve beyond the Treaty of Asunción into a political entity uniting the member states.

Nonetheless, doubts and much unfinished business remain. During the transition period of MERCOSUR, several influential voices in Argentina expressed concern that joining MERCOSUR, as it is presently constituted, would not be in Argentina's national interest because of the economic disparity between Brazil and Argentina and the difficulty in coordinating economic policy. Jorge Blanco, the President of the Unión Industrial Argentina, argued in a December 1993 letter to the Argentine Minister of the Economy that the goal of regional free trade and fair competition would be impossible since:

Brazilian industry benefited from low-cost electricity rebates and other fiscal incentives, cheap raw material costs from state suppliers, and below-market, long-term financing from official banks for capital-good exports.³

Jorge Vilches, a columnist for *El Cronista*, Argentina's leading business and economic newspaper, wrote in a November 1994 article for the *Wall Street Journal*:

As good as things may look for Brazil at the moment, no one should be fooled. Brazil remains a sick giant, with a horrendous bureaucracy, serious political disunity and real potential for slipping right back into the grips of hyperinflation. It doesn't have the stability, the widely available advanced technologies, the capacity to make huge capital investments, or the middle-class markets to make it the powerhouse of any trading block. During the past 35 years, more than a dozen Latin American trade schemes have failed because of the glaring absence of a fully developed giant like the U.S.⁴

In his article, Vilches implied that Argentine Finance Minister Domingo Cavallo shared these misgivings.

³ Richard Kessler, "Argentine Industry Seeking Delay in South America Free Trade", *Journal of Commerce*, 2 December 1993, p. 4A.

⁴ Jorge A. Vilches, "The Americas: Latin Trade Agreements Could Shut Out NAFTA Members", *Wall Street Journal*, 25 November 1994, p. 9.