

## **What is the Mercosur?**

The *Mercosur* (*Mercosul* in Portuguese) is a trade agreement between the countries of Argentina, Brazil, Paraguay and Uruguay. The group is committed to create a common market in the southern cone of South America by eliminating duties and non-tariff barriers, establishing common external tariffs, and coordinating their fiscal, monetary and trade policies. The Mercosur will come into effect on January 1, 1995 (Paraguay and Uruguay have been granted an additional year to remove their product exemptions from the global, linear and automatic tariff reduction schedule.)

## **Who does it involve?**

The nations of Argentina, Brazil, Paraguay and Uruguay represent 190 million consumers, a combined GDP of \$450 billion, and trade worth over \$6.2 billion. As a trading block, they form an important and powerful alliance.

## **What led to the Mercosur?**

Brazil and Argentina began to integrate their economies during the mid-1980s as both countries were adjusting to the transition to democracy and the need to compete in a changing world market. The economies of Paraguay and Uruguay had already been closely linked to those of their much larger neighbours through tradition and previous trade agreements.

In March 1991, the Presidents of Argentina, Brazil, Paraguay and Uruguay signed the *Treaty of Asuncion* which established the Mercosur. Three months later, the *Rose Garden Agreement* was signed with the U.S.A. This created a consultative council on commerce and investment for the newly formed alliance.

The *Brasilia Protocol* was signed at the first meeting of the *Mercosur Council* in December 1991. Several institutions were established to regulate and monitor trade between the Mercosur countries. A convention was also signed between the Stock Exchanges of Buenos Aires and Sao Paulo to permit individuals and corporations of each country to invest in the stock market of every Mercosur member.

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