

Common Currency for Trade in Mercosur

January 25, 2023

Tuesday, 24th January 2023: Buenos Aires: During his first international visit, after taking over as the President of Brazil, Luiz Inacio Lula da Silva discussed with the Argentina President Alberto Fernandez had a preliminary discussion on creating a Common Currency for Trade in Mercosur, with the objective of reducing the role of US Dollar.

They also decided to re-launch the Strategic Alliance between the two nations.



Brazilian President, Luiz Inácio Lula da Silva and Argentina President Alberto Fernández

With Declaration of Mutual Cooperation in the

Economic & Financial areas, Defense, Health, Science & Technology and Innovation

AGREEMENTS: 1. On manufacturing 6×6” Wheeled Armored Combat Vehicles: signed by Argentine Defense Minister, Jorge Taiana, and Brazilian Foreign Relations Minister, Mauro Vieira

2. Joint research, development and production of vaccines, medicines and innovations related to the 4th technological revolution in the health field: signed by Health Ministers of Argentina and Brazil- Carla Vizzoti, and Nísia Trindade Lima
3. Binational Program for Strategic Cooperation in Science, Technology & Innovation: signed by the Argentina Minister Daniel Filmus, and the Brazilian Minister Luciana Barbosa de Oliveira Santos
4. The Argentine Economy Minister, Sergio Massa, and Brazil's Finance Minister, Fernando Haddad, signed a Memorandum of Understanding on Economic & Financial Integration

Notes: The Chinese President Xi Jinping has also initiated a program to reduce the role of Dollar and to use its own currency of Yuan for non-oil trade with the countries of the Gulf Coordination Council.

1. Please read about “Xi Jinping: Replacing US Dollar as the International Currency” of December 11, 2022 at <https://diginews360.com/xi-jinping-replacing-us-dollaras-the-international-currency/>

2. Please read about the strategic objectives of China and Saudi Arabia at <https://diginews360.com/part-2-saudi-arabia-the-changes-in-china/> dated December 26, 2022.

BACKGROUND NOTE on MERCOSUR

Reference: Mercosur: South America’s Fractious Trade Bloc at <https://www.cfr.org/backgroundmercosur-south-americas-fractious-trade-bloc>

Mercosur (The Southern Common Market) is an economic and political bloc consisting of Argentina, Brazil, Paraguay, and Uruguay. It was Founded in 1991 to create a common market, spur development, and bolster democracy.

Venezuela joined as a full member in 2012, but it was suspended indefinitely in late 2016 for failing to comply with the bloc’s democratic principles.

ASSOCIATE MEMBERS: Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname are associate members of Mercosur. They receive tariff reductions when trading with the full members but do not enjoy full voting rights or free access to

their markets. Bolivia was invited to join as a full member in 2012, but its accession has not yet received authorization from Brazil's Congress.

STRUCTURES:

1. Common Market Council: Mercosur's highest decision-making body: The Council consists of the foreign and economy ministers of each member state, or their equivalent, and decisions are made by consensus. The group's presidency rotates every six months among its full members, following alphabetical order.
2. Common Market Group: coordinates macroeconomic policies
3. Trade Commission
4. PARLASUR: Parliament, which has an advisory role.
5. Structural Convergence Fund: for regional infrastructure projects; Contributions are in proportion to the country's GDP. Brazil, with a GDP of \$1.4 trillion, contributes 60 percent, Argentina 30 percent, and Paraguay and Uruguay 5 percent each. More than \$1 billion in nonrefundable loans has been disbursed since the fund was created in 2004.

TENSIONS due to CHINA: Uruguay is a participant in China's Belt and Road Initiative, China's infrastructure program, and talks of Argentina joining remain underway.

Recent efforts by Uruguay to establish an FTA with China have also been a source of tension between bloc members. While Brazil supports pursuing an FTA with China, Argentina has publicly opposed it, citing concerns that a trade deal could lead to an influx of cheap Chinese imports to the region.

China has said it intends to increase bilateral trade with South America by \$500 billion by 2025. If it succeeds, it may be difficult to ignore it.

Other Trade Agreements: In 1994, U.S. President Bill Clinton proposed the Free Trade Area of the Americas (FTAA), which would have eliminated or reduced trade barriers among the countries in the Western Hemisphere, excluding Cuba. But it has yet to be finalized.

Mercosur reached a comprehensive trade deal with the EU in 2019 after twenty years of negotiations. But it has not yet been ratified.

Mercosur's Member Countries

● Associate members ● Full members

