

TRADE LIBERALIZATION AND HUMAN SECURITY IN MERCOSUR

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I - Introduction

Integration in Latin American has distant roots, and Simon Bolivar is usually nominated as its main idealist. In 1826, The Libertador imagined a Confederation that would congregate the recently independent American republics. That project, however, implied rather cultural and political aspects, than economical objectives¹.

In the economic sense, the Latin American integration project obtained more concrete features only after the creation of the Latin American Free Trade Association (ALALC)², the Latin American Economic System (SELA)³, the experiences in Central America and the Caribbean Region (CARIFTA and CARICOM)⁴, the Andean Pact⁵ and the Latin American Integration Association (ALADI)⁶. Besides, the work of the Economic Commission for Latin America and the Caribbean (CEPAL)⁷ always envisaged the necessity to stimulate the trade exchange among Latin American countries through regional agreements⁸. The CEPAL promoted these agreements as a necessary step to consolidate the policy of import substitution and to stimulate local development.

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¹ Cf. Baptista, 1998, p. 25.

² The treaty for the creation of ALALC was signed by eleven countries, in Montevideo, in 1960, with the objective to establish a free trade area and, in the long run, a Latin American common market.

³ The SELA was created in 1975, in Panama, to promote the regional cooperation and to accelerate the economic development. Cf. Mello, 1994, p. 641.

⁴ The Caribbean Free Trade Association (CARIFTA) was created in 1968. It was extinguished in 1972 and substituted by the Caribbean Community and Common Market (CARICOM).

⁵ The treaty for the Andean Pact was concluded in 1969, in Cartagena, and currently involves Peru, Bolivia, Ecuador, Colombia and Venezuela.

⁶ The ALADI was created by the Montevideo Agreement, in 1980. It substituted the ALALC Agreement and renewed the hopes for a comprehensive integration in Latin Americans.

⁷ The CEPAL was created by the UN Economic and Social Council, in 1948.

⁸ Cf. Baptista, 1998, p. 26.

In the Southern Corner, only in 1985, after the approach between Argentina and Brazil, common development plans were cogitated⁹. Both countries began to see their neighbors as a prospective support for their own political stability and attempts of economic change.

In 1991, the Treaty of Asuncion created the Common Market of the South (Mercosur), a joint effort involving Argentina, Brazil, Paraguay, and Uruguay in the search of common alternatives for economic development and international insertion. The Treaty entered into force in November 29th, 1991, promising a regional integration based on gradualism, pragmatism, and flexibility.

The history of Mercosur Member States keeps traces of similarity since its colonial past. The four countries spent the XX Century alternating authoritarian regimes and attempts of democratic consolidation. Incidentally, economic dependence towards developed countries had temporary halts, particularly in the 1970s, when the policy of import substitution had its golden phase.

In its initial phase, Mercosur was received with reservation, skepticism, and disinterest, due to the low degree of economic interdependence in the region. Nevertheless, along the years, it was consolidated as one of the most successful diplomatic initiatives in the Latin American history, once one considers the expansion in regional trade and investment¹⁰ and its contribution to promote social development and democracy in its Member States.

Initially conceived as an essentially economic project, the Mercosur later incorporated other elements, such as the democratic clause, the coordination of foreign policy, domestic security, judicial and education cooperation. As discussed above, once the economic objectives are surpassed, this amplified agenda keeps an important role in the construction of human security, for its contribution to social development, to the improvement of life quality, to the reduction of social inequalities, and to reinforce democratic institutions.

This paper proposes to demonstrate the Mercosur's innovative character, and how its institutions contributed to the elevation of human security in the Southern Corner. To achieve this aim, the first part analyses the history of Mercosur, addressing the challenges in the current

⁹ In 1985, the elected Argentinean and Brazilian Presidents signed the "Iguazu Declaration", when they declared their common will to strengthen political and economical relations. That Declaration was followed, in 1986, by a dozen of cooperation agreements, which established the institutional mechanisms for the cooperation between the two countries.

¹⁰ In 1982, Brazil exported roughly US\$ 1 billion to Argentina, Paraguay e Uruguay, while in 1997 this amount would be nine times bigger. Fonte: SECEX/MDIC <www.mdic.gov.br>.

macroeconomic situation. The second part revises the theories on regional integration and identifies the elements that reinforce human security. Next, these elements are compared with the Mercosur's experience. The final part puts some conclusions, nominating challenges to be surpassed as a requisite for trade liberalization to contribute to human security in Mercosur.

II - Mercosur: historical evolution and current challenges

As mentioned before, the approach between Argentina and Brazil is in the genesis of Mercosur. Although some bilateral agreements had been signed still during the authoritarian period¹¹, it was only in 1985 that the old-aged mistrust and historical rivalry could be overcome by a more cooperative behavior. Democracy allowed those governments to perceive their neighbor as an indispensable partner in the quest of new spaces in the international scenery.

The Argentinean-Brazilian approach in the 1980 was possible due to unprecedented historical factors: a) the concomitant advent of democracy; b) the necessity to join political efforts to face the economic crisis; c) the understanding that this approach was essential to a gradual and controlled trade liberalization¹²; d) the example of other regional trade agreements, as a means of promoting scale gains and production growth.

The Iguazu Declaration, signed by Presidents José Sarney and Raul Alfonsín in 1985 is the legal mark of this new period and the basis for the cooperation in the economic, trade, and nuclear fields. In July 20th, 1986, the **Argentinean-Brazilian Integration Act** was signed. It was the basis for the Integration and Economic Cooperation Program, which proposed the creation of a common economic space by the gradual and selective liberalization of specific sectors. Later, in November 1988, Argentina and Brazil signed the Treaty on Integration, Cooperation, and Development, whose Article 3 stipulated the total liberalization of goods and services in a ten-year period¹³.

The then elected Presidents, Fernando Collor de Mello and Carlos Menem proceeded with the integration project. In July 1990, they signed the Buenos Aires Act, that anticipated to December 31st, 1994, the creation of a common market between the two countries. All the previous

¹¹ The military governments ended in Argentina in 1983, and in 1985 in Brazil.

¹² Cf. Corrêa, 1999, p. 3.

commitments were consolidated in the Agreement of Economic Complementation n. 14 (ACE-14)¹⁴.

The next step was the Treaty of Asuncion, which aggregated Paraguay and Uruguay to the proposed common market. In fact, the ACE-14 and the Treaty of Asuncion are very similar documents, and the differences are mainly in some legal provisions. On this sense, Baptista asserts that the Treaty of Asuncion is the same ACE-14, covered with a more efficient legal structure¹⁵. The Treaty of Asuncion, signed on March 26th, 1990, envisaged the creation of a common market until 1995. Until then, there would be a three-year "transition period", when the legal and institutional framework would be organized.

However, during the transition period, Argentina and Brazil faced unexpected problems, that became serious obstacles to the negotiation of international commitments: a) economic stagnation¹⁶; b) high inflation rates¹⁷; c) the impeachment of the Brazilian President in 1992; d) the launching of the "Cavallo Plan", which linked the Argentinean peso to the U.S. dollar (*currency board*); and e) the rapid expansion of the Argentinean imports.

The expansion of the Argentinean imports became a source of disagreement with Brazil, since it could endanger the economic plan. The balance of payments became the fragile element in the "Cavallo Plan" and the center of the debate about the conduction of the Argentinean economic policy. Unsatisfied with the impact of the integration process in its economy and afraid with the rise of Brazilian exports, the Argentinean government expressed ambiguous signs about the prospective continental integration, as an alternative to Mercosul.

¹³ The relevant article reads that "The remotion of all tariffary and non-tariffary obstacles to the trade of goods and services in the territories of the two State Parties will be achieved gradually, in the maximum period of ten years (...)".

¹⁴ This Agreement was signed in the ALADI framework and its Article 3 mentions that "both countries agree to eliminate, at the very last in December 31, 1994, tariffs and any other restrictions to reciprocal trade".

¹⁵ Cf. Baptista. 1998, p. 34.

¹⁶ In 1990, the Brazilian GNP real increase was -5,1%; in 1991, 1,3%, in 1992, -0,3%; and in 1993, 4,4%. Cf. SECEX/MDIC <www.mdic.gov.br>.

¹⁷ Between 1991 and 1996, the Argentinean inflation rate was 115,2%; in Brazil, in the same period, the inflation rate reached 5.075,9%. Cf. MRE <www.mre.gov.br/Mercosur>.

Indeed, the "Enterprise for the Americas Initiative"¹⁸, promoted by the U.S. President George Bush, had been launched in 1990. The project was initially stagnated, but it was recuperated in 1994, during the "America's Summit", in Miami. The Menem Administration, after 1991, demonstrated some sympathy for the continental project. Nonetheless, due to the U.S. inertia on the matter, who never concretely proposed a free trade agreement to Argentina - either bilaterally or in NAFTA - Mercosur was still the best alternative¹⁹.

Mercosur also faced other institutional problem during the transition phase: its constitutive treaty envisaged the creation of a common market, without specifying the details of the mechanisms to be created. Thus, the creation of a free trade area had not been clearly asserted as a previous phase to the common market.

The Decision Mercosur/CMC/DEC n. 13/93 filled the loopholes about the integration aims when it approved the **Agenda for the Consolidation of the Customs Union**. This document affirmed the creation of the customs union as an essential phase in the building of the common market²⁰. Later, the necessity to consolidate the customs union was reasserted in the Protocol of Ouro Preto (1994) that consolidated the legal structure for Mercosur.

In Brazil, Mercosur had been initially a project from the diplomatic area that saw regional integration as the historic opportunity to create a new framework of stability, security, and development in South America. However, by the end of the transition period, Mercosur gathered popular support. The business community was involved in the project and began to create an interest-based web to sustain and influence the integration process. Furthermore, the Brazilian "Real Plan" also adopted a currency-board mechanism, and made possible an increasing trade exchange in the region.

¹⁸ About this Initiative, Oliveira (1997, p. 57) wrote that: "The 'Initiative for the Americas' was the first proposal to contemplate the creation of an hemispheric free trade area after the Cold War. Its main view was to the basis of a new pattern of relationship between the United States and Latin America, more appropriate with the end of polarization in the international system".

¹⁹ About that period, Correa (1999, p. 8) asserts that "had the United States, in 1992-93, given concrete signs that Argentina would be admitted in NAFTA, the [Mercosur] customs union would probably not have been constituted".

²⁰ Decision 13/93 presents an Introduction, where one reads that: "Integration in Mercosur has attained many results, especially in regional trade, that may be qualified as successful. However, different factors and the evolution of Mercosur itself generate the necessary redefinition of the integration process and the enrichment of its instruments. Thus, we reaffirm the aim to establish, in 1.1.1995, one customs union as an essential step for the construction of the future common market".

The customs union entered into force on January 1st, 1995, but institutional vacuums persisted. The pending agenda listed many relevant matters for the intra-block free circulation of goods, and for the definition of an extra-block common trade policy. Besides, its initial phase coincided with the economic efforts to control the effects of the Mexican currency crisis in 1994²¹, and to guarantee the economic plans of currency stabilization.

In 1995, the Miami Summit also occurred, and it launched the agenda for a Free Trade Area of the Americas (FTAA), and established 2005 as the deadline for its consolidation. These events reinforced the advocates of a deeper integration in Mercosur, as a means to guard its identity along the future hemispheric negotiations. These positions were kept in the III FTAA Ministerial Meeting, in 1997, when the Final Declaration asserted formally the FTAA would coexist with the regional and bilateral agreements in the continent²².

The prospect of FTAA, therefore, put the debate over the acceleration of Mercosur in the center of the regional foreign policy agenda. After 1998, Mercosur entered in a new phase, which was substantially affected by the evolution of the regional economic situation. Until then, the intra-block trade growth had increased formidably.

By January 1999, however, the abrupt change in the Brazilian currency regime devaluation included new difficulties to an already complex scenario. In fact, after the Real devaluation, the other Mercosur countries feared an invasion of Brazilian products on their markets. Argentinean, Paraguayan, and Uruguayan industries increased demands for safeguards measures in the intra-block trade. These measures had been already regulated by the Treaty of Asuncion (Annex IV), and taking the matter again to the negotiating table was time-consuming. The Brazilian invasion never happened, but the episode diminished the mutual trust, hardly built among the trade partners.

In 1999, some tendencies could be predicted in the regional situation: a) the first phase of the integration - when trade and scale advantages were easily gained through tariff reductions - had been extinguished; b) the complex negotiation agenda related to the customs union was more time-

²¹ The Mexican crisis had visible impact to divert investments from Latin America. In Brazil, foreign direct investments in 1994 amounted only to US\$ 1,9 billion, while in 2000 this amount was comparable to US\$ 30 billions. Fonte: BACEN <www.bancocentral.gov.br>.

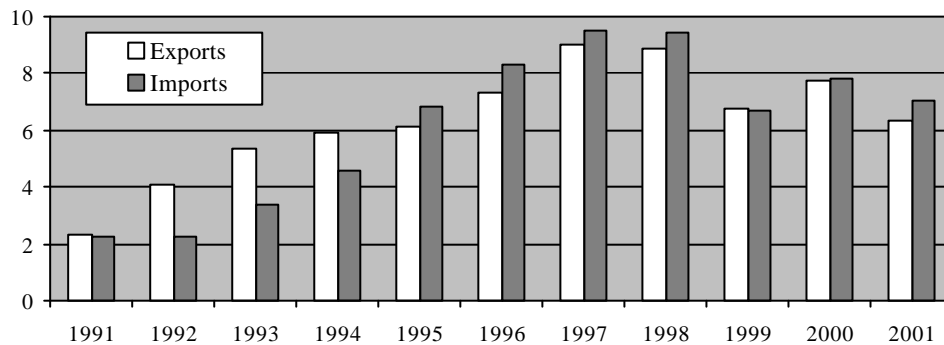
²² Section 5(b): "The FTAA can co-exist with bilateral and sub-regional agreements, to the extent that the rights and obligations under these agreements are not covered by or go beyond the rights and obligations of the FTAA". Cf. Declaration of the Ministerial Meeting, Belo Horizonte, Brazil, May 16th, 1997 <www.ftaa-alca.org>.

consuming than initially planned; c) economic recession hit the two main economies in Mercosur, and that reduced the negotiators' trades-off and increased protectionist pressures from national industries which faced new competitors; the "adequacy regime", that allowed extra tariffs on sensible sectors even in the intra-block trade, ended in 1998²³; and e) the intra-block trade was expected to decrease 25% in 1999.

Unfortunately, these pessimistic expectations were confirmed along 1999²⁴. The intra-block trade recuperated some of its vitality in the following year, but was again reduced in 2001. The following graphic illustrates this evolution:

Trade between Brazil and Mercosur States

1991-2001 (US\$ billions)²⁵



The graphic demonstrates that 1999 ended eight consecutive years of trade expansion and lead the Mercosur countries to re-evaluate expectations and redefine priorities. The clash of trade interests and the rise of protectionist measures made possible the first cases submitted to the

²³ Brazil had few products in this exceptional regime, and thus received smoothly the impacts of the intra-block trade. The other Mercosur partners, however, suffered a higher impact, that provoked protectionist reactions from national industries. *See* Corrêa, 1999, p. 24.

²⁴ 'Another blow to Mercosur'. Disponível em: <www.economist.com>.

²⁵ Source: SECEX/MDIC <www.mdic.gov.br>.

Mercosur dispute settlement system, involving claims against national measures for industry protection and concessions of subsidies²⁶.

Facing this new crisis, the Mercosur State Parties re-launched the block in 2000²⁷, as a political sign of confidence in the regional integration. This political move was shadowed by the increasing instability in Argentina and the slow recovery of the Brazilian economy²⁸.

Therefore, since 1999, Mercosur had a small evolution on the strengthening of the customs union, and very few products were excluded from the Common External Tariff. In spite of the economic gains in the first decade of Mercosul - intra-block trade increased four times during this period - the integration project faces increasing problems as consequences from economic instability and political inertia²⁹.

In fact, while in Argentina the economic crisis took the regional integration to a second level of concern, in Brazil all the attentions are directed to the next general elections (October 2002). In this context, the consolidation of Mercosur is no more a political priority, and the aforementioned urgency in the building of a cohesive regional project, before the FTAA, has diminished, as a consequence of the unpredictable U.S. behavior on the matter.

III - Regional integration and human security

The end of the last century watched the impressive growth in the number of regional trade agreements. More than 70 agreements were notified to the GATT/WTO in the last two decades, and almost every country in the world is somehow involved in some regional arrangement. These

²⁶ The Mercosur dispute settlement system was regulated by the Protocol of Brasília (1991), based on a mechanism of ad hoc arbitration. Since 1999, eight cases have been decided, involving Argentina and Brazil (six cases), Argentina and Uruguay (one case), and Brazil and Uruguay (one case). In February 2002, the system was revised in the Protocol of Olivos that created an appeal mechanism based on the WTO Dispute Settlement Understanding. For the cases decided in Mercosur, *see* <<http://www.mercosur.gov.uy>>.

²⁷ Mercosur/CMC/DEC n. 23/00.

²⁸ The Brazilian GNP growth rate in 1998 was only 0,2%; in 1999, 0,8%; in 2000, 4,4%; and in 2001, 1,5%.

²⁹ According to Mueller (2001, p. 16): “free trade agreements tend to stagnate or disintegrate. With the lack of the goal of deepening the integration, they usually mutate towards low-level ‘trade councils’ with a concentration on a few special agreements that rarely go beyond the liberalization that is being achieved at multilateral levels”.

agreements shall be compatible with GATT Article XXIV³⁰, and some common grounds may be inferred from their constitution.

In economic terms, regional integration is justified on the better resource allocation, on scale gains brought by an enlarged market, on the growth of investment capacity, on a more efficient labor division, on the stimulus to competition, and on better production quality. Nevertheless, the political arguments may appear still more relevant than the economic gains. Thus, economic integration may be an alternative to regional conflicts, such as the European Coal and Steel Community, which was imagined as an alternative to the secular French-German warfare³¹, or to reinforce the negotiation power of the involved States facing other interests³².

Besides the aforementioned arguments, one may add the "demonstration effect" provoked by the European experience. This experience has been used, in different degrees, as a paradigm to more recent regional agreements. At the same time, one may notice the attraction that successful regional integration provokes on its neighbors.

The latter assertion may be historically demonstrated by the European enlargement in the last decades, although the reasons for this enlargement go beyond the new members' desire to participate in an eventful venture. In fact, many countries are also attracted by the fear that the evolution of regional integration may imply new barriers to non-members. Thus, the apprehension with contingent

³⁰ Article XXIV.4 of GATT reads that: "The contracting parties recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or of a free-trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories".

³¹ Even in NAFTA, political gains would surpass economic advantages, according to Krugman (1997, p. 165): "If the United States rejects NAFTA, it will virtually be asking for a return to the bad old days of U.S.-Mexican relations. For the United States, this agreement is not about jobs. It is not even about economic efficiency and growth. It is about doing what we can to help a friendly government succeed. It will be a monument to our foolishness if our almost wholly irrational fears about NAFTA end up producing an alienated or even hostile nation on our southern border".

³² One example may be found in the Treaty of Asuncion, whose preamble grounds the South American block as an adequate answer to the other existing regional agreements: "*Teniendo en cuenta la evolución de los acontecimientos internacionales, en especial la consolidación de grandes espacios económicos y la importancia de lograr una adecuada inserción internacional para sus países*".

protection measures was converted on an important incentive to search the status of member in neighbor integration agreements³³.

From the world economy viewpoint, the impact of a regional integration agreement will depend on the nature of such agreement - if a free trade area, a customs union, a common market, or an economic union - and on the level of the intra-block trade liberalization. Traditionally, the economic literature evaluates this impact based on the positive promotion of trade ("trade creation") or the creation of barriers against extra-block trade ("trade diversion")³⁴. One common concern is that the use of new tariffs on non-members goods may induce the trade of less competitive products, denying national consumers and industries the access to more affordable goods³⁵.

More recently, the economic literature has presented criticisms against the huge number of regional trade agreements, considering the damage they may provoke on multilateralism, and their tendency to "guarantee free trade to members and relative protection against non-members"³⁶.

In the institutional view, the literature on the subject points phases, or integration levels, that may be characterized according to the degree of interdependence among national economies. These phases, nominated as ideal-types, do not necessarily correspond to one peremptory legal phase, since many legal models may be used to give legal grounds to the integration process³⁷. In other

³³ See Hoekman & Mavroidis, 1996, p. 225. According to these authors, the potential use of trade defense measures increases in regional agreements, because: a) "the expected pay-off for a unit of lobbying effort increases because the size of the protected market is bigger"; b) "once a common external trade policy applies, decision-making structures may be biased towards more rather than less protection or intervention". Litvak (1995, p. 596) asserts that one example of this tendency is the European farm sector, that became more protectionist after 1960.

³⁴ According to Robson, "trade creation refers to a union-induced shift from the consumption of higher-cost domestic products in favour of lower-cost products of the partner country (...). Trade diversion refers to union-induced shift in the source of imports from lower-cost external sources to higher-cost partner sources". **The economics of international integration**. London: Allen & Unwin, 1987. Apud Marceau, 1994, p. 174.

³⁵ On this matter, see Yeats, 1998, p. 01.

³⁶ Bhagwati, 1996, p. 865. This author proposes restrictions to the acceptance of regional agreements: "First, I would permit a PTA [preferential trade agreement] that is building a common market with full factor mobility, a common external tariff, and even political integration (...). Second, I would permit a PTA where it represents the only way to achieve multilateral free trade among nations because the multilateral trade negotiations process made available by the GATT/WTO is stalled" (Marceau, 1994, p. 869).

³⁷ According to the currently accepted models: a) in the free trade area, there is the free movement of goods and products among member states; b) in the customs union, members adopt a common external tariff, and harmonize their tax, monetary, and currency policies; c) in the common market, there is complete freedom of productive factors; d) in the economic union, the highest integration phase, the tax

words, there is not a strict correspondence between legal requisites and integration phases. Thus, although the adoption of a common external tariff should correspond to the harmonization of customs legislation, this is not always true, for instance. This situation may be explained by political divergences among the trade partners that obstruct legal uniformity.

Therefore, one may not imagine that regional integration is always a tranquil path. The harmonization of macroeconomic policies and legal provisions depends on long and complex negotiations, and the attempts to expedite this process proved impracticable even in the European experience. In Europe, as in other integration experiences, the belief that the market alone would be capable of regulating the integration evolution proved a liberal superstition.

Economic theory demonstrates that trade liberalization, whether in multilateral or regional scope, brings multiple benefits. However, the impact on wealth distribution is not automatic. Without a policy for wealth distribution, the benefits from trade liberalization become reachable to few national citizens. The consequence is not only the opposition of marginalized sectors, but also demands for high customs tariffs, advocated by industries who are directly affected by foreign competitors.

Moreover, trade liberalization concentrates its efforts mainly on stimulating the more efficient resource allocation, without further concern for wealth distribution nor social justice. The consequence is a gap between the trade agenda and the development agenda that involves social and political factors usually ignored by trade liberalization.

The theoretical gap between trade liberalization and economic development increases with the liberal approach. That explains why other theoretical models that involve social concerns have been gaining relevance in recent academic research. The concept of human security may be understood in this environment, since its scope reflects the connection of many elements, such as: the reinforcement of human rights, the strengthening of democratic institutions, the elimination of social inequalities, environmental concerns, the attention to the spreading of knowledge and technology as a means to reduce economic inequalities, the concerns about globalization and its social implications, and the discernment on the world financial dimension.

and monetary policies are unified. For a current approach on the matter, *see* Marceau (1994, p. 167-192), Hoekman & Mavroidis (1996, p. 213-234) e Garré Copello (1991, p. 13-32).

The concept of human security still lacks a precise definition. The concept's vagueness and comprising character were recognized by the United Nations Commission on Human Security (HSC)³⁸. In its second meeting, the Commission adopted temporarily the concept developed by Sabina Alkire, in **Conceptual Framework of Human Security**³⁹, although the Commission asserted that it would demand future refinement.

The origin of the concept of human security is generally identified with the **United Nations Development Program Report** (1994). That report concluded that the changes in the world scenery after the Berlin Wall, the end of the Cold War, and the collapse of the socialist regime, would demand the adoption of a new perspective to analyze international relations and to construct the collective security. Thus, the realist doctrines centered on the use of force, territorial integrity, and political-economical autonomy, were criticized, while the necessity of a new model of security became evident. A model not based on states nor nations, but on individuals. This is the *people-centred* aspect in the concept of human security⁴⁰.

In the relevant literature, some steps are commonly indicated as essential to the construction of human security: a) the promotion of development, emphasizing fairness, sustainability, and popular participation; b) commitment with peace as a means to amplify the human security agenda; c) new North-South agreements based on fairness, and not on charity, emphasizing the global distribution of opportunities and the economic organization; d) equal access for goods from developing countries to the world markets, and the reduction of barriers to free trade; e) reform of international institutions, specially the IMF, the World Bank, and UN; and f) increase the role of civil society. Thus, the promotion of human security demands fairness, sustainability, democratization, and social participation in all decision levels.

³⁸ The HSC was created in January 2001. It works in New York, and to this date has promoted three meetings: Greentree Estate/New York (June 8-10, 2001); Tokyo (December 15-17, 2001), and Stockholm (June, 8-10 2002). The fourth meeting is scheduled to January-March 2003, and the Japanese government has manifested its interest to host it.

³⁹ In this document, the following definition is found: "The objective of human security is to safeguard the vital core of all human lives from critical pervasive threats, in a way that is consistent with long-term human fulfillment". <www.humansecurity-chs.org>.

⁴⁰ According to Bajpai (2000, p. 14), "Human security is not a concern with weapons – it is a concern with human life and dignity...It is concerned with how people live and breathe in a society, how freely they exercise their many choices, how much access they have to market and social opportunities – and whether they live in conflict or in peace".

Any historical research shall demonstrate that these concerns have, for long, been present on the debates on international relations. Nevertheless, the current moment conjugates some elements that turn more relevant the concept of human security. On one hand, the recognition that international problems became more visible and interdependent, requiring specific analysis and a high degree of political and social mobilization. On the other hand, contemporary society disposes of more efficient mechanisms to coordinate collective measures (such as the strengthening of multilateralism, and stable and politically acceptable international organizations)⁴¹.

However, the construction of human security demands social resources (mobilization), economic financing, and political will. These resources depend not only on the regular functioning of democracies, but also on the stimulus to public discussion⁴². Under this approach, human security also encompasses other priorities, such as the access to quality education and health.

As to globalization, the promotion of human security points the necessity of its advance in matters related to wealth distribution and reinforcement of democracy. Another debate relates to the link between economic liberalization and social instability, and the mechanisms to avoid this instability. Furthermore, mechanisms to assert general welfare, such as free movement of people, good level of consumption and information, and personal security, are also incorporated to the concept of human security by current literature⁴³.

On what concerns trade liberalization, the literature on human security perceives it not only as source of opportunities, but also as a challenge to social welfare. In fact, if the market has created new economic horizons, it is also known that protectionist barriers and disrespect to international law menace the stability of the multilateral system. Thus, if developing countries have adopted impressive steps towards trade liberalization⁴⁴, one may also question if: (a) there was a counterpart in market

⁴¹ In this sense, Sen (2000, p. 02) asserts that: “[w]e live in a world that is not only full of dangers and threats, but also one where the nature of the adversities are better understood, the scientific advances are more firm, and economic and social assets that can counter these menaces are more extensive. Not only do we have more problems to face, we also have more opportunities to deal with them”.

⁴² The democratic consolidation is essential to the concept of human security, according to Amartya Sen (2000, p. 3-4): "Democratic participation can directly enhance security through supporting human dignity (more on this presently), but they also help in securing the continuation of daily lives (despite downturns) and even the security of survival (through the prevention of famines)".

⁴³ Following this path, the II HSC Meeting recognized that: “The real issue is whether the enormous benefits potentially generated by globalisation are being equitably shared, and how we should choose among the alternative scenarios in which all parties gain”.

⁴⁴ See Evenett, 1999, p. 05.

opening in developed countries; (b) trade liberalization has brought spread advantages to the local population.

In this respect, regional trade agreements - and Mercosur is an example - reinforce human security as far as they constitute the first step towards a selective and gradual economic liberalization. While strengthening regional economic links, the member states may build effective instruments to limit the negative impacts of free trade and acquire international experience to negotiate in the multilateral level. We should stress, however, that the regional agreements are not, in economic terms, an alternative or substitution to the multilateral trading system, but a "building block", an important brick to construct the system⁴⁵.

IV - The current situation in Mercosur

In the case of Mercosur, its importance assumes particular characteristics. Although macroeconomic data point to its weakening and the project of hemispheric integration seduces the Member States with allegedly superior advantages and access to a more important market, there are still sound arguments to sustain the continuity of Mercosur. In fact, the approach between Argentina and Brazil, which is in the root of regional integration, is fundamental to preserve stability and collective security in the Southern Corner.

The Iguazu Declaration, in 1985, put an end to centuries of mistrust and rivalries in the region, when the two bigger Latin American economies attempted autonomous development projects, while they spent precious resources on reciprocal menaces. The creation of Mercosur allowed the military risks to be dissipated, and economic interdependence took the Member States to identify the others as partners in a transition from a "lost decade" (the 1980s) to a new phase of prosperity and development. Although the economic history has not yet reached this happy end, the political arguments in favor of regional integration are still intact.

In fact, if economic interests were decisive to promote the Treaty of Asuncion, other reasons were also considered. The understanding of these reasons is crucial to realize the comprehensive

⁴⁵ A different approach is adopted by Ethier (1998, p. 1.154). According to this author, regionalism is a symptom of the success of multilateralism ("the success of multilateral liberalisation induces a switch to regionalism, and the switch sustains the pace of liberalisation above what multilateral negotiations could deliver").

ambitions laid in Mercosur and its role in the consolidation of democracy. A good example, on this sense, is the immediate reaction from Mercosur partners during the political crisis in Paraguay, in 1996. But other positive effects may be demonstrated, based on poverty reduction, with economic growth, on the stimulus to intra-block investments, with the adoption of legal measures to facilitate capital circulation, and on the promotion of cultural exchange.

Thus, Mercosur may not be characterized as a regional agreement to protect inefficient producers and divide local market. It represents the building of a major project, with political, social, and cultural impact. Under this perspective, we may assert its importance as a mechanism to promote human security in the region.

Nevertheless, Mercosur's future development will depend on many variables. Some structural and institutional characteristics may help to understand these variables. In institutional terms, Mercosur is currently a customs union⁴⁶, and this phase may be prolonged, since the initial ambition for a common market was diminished in face of legal difficulties met during the transition period (1991-1994).

On the other hand, Mercosur involves national economies with a disproportionate weight, which were rapidly integrated, with a high level of intra-block exchange⁴⁷. That occurred even during acute macroeconomic instability that provoked serious oscillations in the trade balances. The collapse of the Argentinean economy and the uncertain elections in Brazil contribute to turn still more instable the regional situation, and to foster questionings about the future of Mercosur.

In spite of repeated crisis and current uncertainties, the evolution of Mercosur is still one of the most important projects of local governments. This expectation, however, will depend highly on the stabilization of the Argentinean economy and the growth recovery that allows the dynamic situation that characterized the early period of Mercosur.

⁴⁶ When Mercosur was analyzed by WTO, the Mercosur representative asserted that “the Southern Common Market has been a customs union since 1 January 1995, by sovereign decision of its four States Parties embodied in the decisions adopted at Ouro Preto, Brazil, in December 1994”. WTO, 1995, p. 8.

⁴⁷ “Between 1991-96, the [intra-block trade] average annual growth was 27.3%, compared with a 12.8% rate in the extra-block trade exchange growth rate. In 1997, the growth would be 19.9% [intra-block] and 14.4% [extra-block]. In the same year, the intra-Mercosur trade represented even 22.4% (almost ¼) of the total foreign trade of its members. The intra-block trade increased from US\$ 5.1 billions in 1991 to more than US\$ 20 billions in 1997. Conversely, in 1998, for the first time since Mercosur was created, the intra-block trade fell 0.5%” (Corrêa, 1999, p. 22).

In institutional terms, the Treaty of Asuncion is an essentially economic agreement, which envisages a future common market. The evolution of the process, however, encompassed other matters, such as the coordination of foreign policy, and the judicial and security cooperation. This enlargement evidences political interest on the process, and also the hope that the current crisis may be surmounted. Many examples of this enlargement may be cited:

- in 1995, Mercosur and European Union signed an inter-regional cooperation agreement, that seeks to strengthen the current relations and prepare the conditions to create the future Inter-regional Association, whose pillar shall be the progressive implementation of trade liberalization. The agreement involves cooperation in different fields, such as trade, environment, transports, science and technology, and repression to drug-trafficking.

- Mercosur has celebrated free trade agreements with Chile (1996) and Bolivia (1997), enlarging the access of different goods to those markets. Both Chile and Bolivia became "associate States", and shall become full members in ten years.

- in 1998, the agreement for the creation of a free trade area between Mercosur and the Andean Community was signed, expressly envisaging the deepening of regional integration in Latin America and to build legal instruments do promote regional development.

- in 1998, the Protocol on Democratic Commitment, between Mercosur, Bolivia, and Chile, was signed in Ushuaia (Argentina). This Protocol recognized the democratic institutions as indispensable condition for the existence of Mercosur.

- in the same meeting, the Mercosur countries signed a political declaration that asserted Mercosur as a peace zone, that reinforced the mechanisms, among Member States, of consultations related to security and defense. This declaration also marked the commitment to measures that promote mutual trust in the region.

- many other different agreements relating to judicial cooperation and security were signed among the four Mercosur members, Bolivia and Chile, and special meetings were scheduled among the Ministers of Justice and Interior.

In spite of these visible advances in the institutional sphere, the functioning of the customs union still is the unaccomplished and fundamental element for the evolution of Mercosur. On the other hand, the institutional cooperation serves as an important link to promote development and

reinforce democratic institutions. This is a natural consequence of long-term ambitions in any integration agreement that envisages more than trade liberalization.

In this sense, the coordination of foreign policy, particularly in the negotiations with the European Union⁴⁸ and in the FTAA, is extremely important for the future of Mercosur countries, for this coordination may increase their bargaining position and create opportunities for trade gains. At the same time, the coordination of foreign policy may serve as a mechanism to promote human security, since it favors fairer North-South relations and a better distribution of opportunities.

That explains why one of the greatest challenges for Mercosur will be the negotiation of the FTAA. The main risks derive from the asymmetric economic power of the involved countries, not only in dimension terms, but also relating to technology, productivity, and capacity of market penetration.

Thus, the constitution of a hemispheric block may represent a menace to the continuity and consolidation of Mercosur. Anyway, a hypothetical and - in the approach adopted in this work - undesirable dissolution of Mercosur would only occur as an express decision of its members. In other words, the creation of a hemispheric free trade area does not imply automatically the end of other regional agreements, as mentioned above. In the case of Mercosur, the FTAA may diminish the relevance of regional trade, but Mercosur possess a common political value and a specific historical identity that can be maintained, and that will not be built in the hemispheric sphere.

V - Conclusion

Mercosur crossed important steps towards the promotion of regional integration. The free trade area is already a reality, although some industries require adjustments and elimination of remaining barriers. The customs union, born in 1995, is still a process to be perfected. Concomitantly, elements of the future common market - such as services, government procurement, and macroeconomic policies - are being negotiated. The initial dynamic evolution, however, was hindered by economic crisis and political turmoil.

Since 1998, the intra-block trade has not maintained the early dynamics. Currency turbulence, either in Brazil and Argentina, are critical elements to consider in any prognosis about the

future of trade liberalization in Mercosur. In fact, the economic crisis promotes protectionism and unilateral barriers to regional trade, which may create resentment and disputes, debilitating the reciprocal confidence built along the last decades.

In spite of this somber economic scenario, some optimism may still be found in relation to the political future of Mercosur. In fact, the relevance of regional integration goes beyond trade liberalization, and is grounded on the promotion of trust, democracy, and security in the Southern Corner. As pointed all over this text, the diminishing of regional tensions and of defense expenses would be a reason enough to justify the enthusiasm and the Mercosur's existence.

This reason has been apprehended and valued by civil governments. Therefore, advocating Mercosur's continuing existence may be justified as a belief that regional integration shall be a relevant element for the promotion of economic development and human security in the Southern Corner.

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⁴⁸ Currently, the EU is the most important partner for Mercosur, and the addressee of most of Mercosur exports: 25.6%, while 18.4% of Mercosur exports goes to U.S., 3.8% to the Andean Community, and 3.8% to Chile. Cf. IADB <www.iadb.org>.

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