

XLVIII Summit of Heads of State of MERCOSUR and Associated States

July 17, 2015

INTRODUCTION

The XLVIII Summit of Heads of State of MERCOSUR and Associated States will be held in Brasilia on 17 July 2015. The meeting will be preceded by the XLVIII Ordinary Meeting of the Common Market Council between Foreign Affairs and Finance Ministers of MERCOSUR Countries, on 16 July, and by preparatory meetings held from 13 to 15 July.

In parallel, Brasília will also host the MERCOSUR Social Summit from 14 to 16 July. The meeting this year is dedicated to the theme "Advancing in MERCOSUR through more Integration, more Rights and more Active Participation".

The Fifth MERCOSUR Business Forum is also taking place in Belo Horizonte in parallel with the Heads of State Summit.

MERCOSUR

Bloc composition

Created in 1991, the Southern Common Market - MERCOSUR - consists of five States Parties: Brazil, Argentina, Paraguay and Uruguay as founding States, and Venezuela, which completed its accession process in mid-2012.

The Protocol of Accession of the Plurinational State of Bolivia to MERCOSUR, signed in 2012, initiated that country's accession process as a State Party to the bloc.

The Associated States of MERCOSUR are Chile, Peru, Colombia and Ecuador, as well as Guyana and Suriname, which acquired that status in July 2013. All countries in South America are linked to MERCOSUR, whether as a State Party or as an Associate State.

GDP and population

MERCOSUR countries, if combined, would be the fifth largest economy in the world, with a GDP of US\$3.2 trillion in 2014. The bloc's population nears 286 million, with a GDP per-capita of US\$10,348.

Goals

MERCOSUR aims to consolidate political, economic and social integration among its members, strengthen the links between citizens of the bloc and help improve their quality of life.

Principles

MERCOSUR aims to establish a common market among its States Parties. According to Article 1 of the Treaty of Asunción, the creation of a common market entails:

- The free movement of goods, services and production factors between countries in the bloc;
- The establishment of a common external tariff and the adoption of a joint trade policy in relation to third-party States or groups of States and the coordination of positions in regional and international economic and trade forums;
- The coordination of macroeconomic and sectoral policies between the States Parties;
- The commitment of the States Parties to harmonize legislation in relevant areas, in order to strengthen the integration process.

Brazil's Pro Tempore Presidency of MERCOSUR

Brazil holds the Pro Tempore Presidency of MERCOSUR for the first half of 2015. During the XLVIII MERCOSUR Summit, Brazil will hand over the Pro Tempore Presidency to the Republic of Paraguay.

Brazil has established as one of the priorities of its Presidency to define a joint strategy to ensure the bloc's participation in the international scene, by establishing ties with other economic blocs such as the European Union and the Pacific Alliance.

During the MERCOSUR-European Union Ministerial Meeting, held in Brussels in June, the two blocs agreed to work towards an exchange of market access offers during the last quarter of 2015.

Negotiation meetings were also held between MERCOSUR and the European Free Trade Association (EFTA), a bloc composed of Switzerland, Norway, Iceland and Liechtenstein, which are not part of the European Union.

The first meeting of MERCOSUR with the Pacific Alliance, a trade bloc comprising Chile, Colombia, Mexico and Peru, was held in November 2014. Since then, MERCOSUR has presented an action plan for strengthening dialogue on issues such as trade facilitation, greater interaction between private sectors, customs cooperation, and digital certification.

There have also been negotiations with South Korea, Japan, Lebanon and Tunisia.

MERCOSUR IN NUMBERS

Territory

MERCOSUR has an area of 12,789,558 km², or about three times the area of the European Union.

| STATES PARTIES | AREA |
|------------------|---------------------------|
| Argentina | 2,791,810 km ² |
| Brazil | 8,502,728 km ² |
| Paraguay | 406,750 km ² |
| Uruguay | 176,220 km ² |
| Venezuela | 912,050 km ² |

Source: <http://www.ibge.gov.br/paisesat/main.php> (in Portuguese)

Population

Combined, the population of MERCOSUR reaches 285.5 million, including various ethnicities and national origins.

| STATES PARTIES | POPULATION (in millions) |
|----------------|--------------------------|
| Argentina | 42.0 |
| Brazil | 202.8 |
| Paraguay | 6.9 |
| Uruguay | 3.4 |
| Venezuela | 30.5 |

Source: Prepared by DIC (Division of Business Intelligence) of the Ministry of Foreign Affairs, based on estimates from the IMF - WEO (World Economic Outlook), April 2015 and from MERCOSUR

Gross Domestic Product (GDP)

MERCOSUR countries have a combined nominal GDP of US\$ 3.18 trillion. If it were treated as a single country, the bloc would rank as the fifth largest economy in the world.

According to the IMF the outlook for the GDP of the bloc's countries for 2015 ranges between a 7% contraction and 3.99% growth.

| GDP | Argentina | Brazil | Paraguay | Uruguay | Venezuela | MERCOSUR |
|----------------------------|-----------|---------|----------|---------|-----------|----------|
| GDP (US\$ billion) | 540.2 | 2,353.0 | 29.7 | 55.1 | 205.8 | 3,184 |
| GDP per-capita (US\$) | 12,873 | 11,604 | 4,305 | 16,199 | 6,757 | 10,348 |
| PPP GDP (US\$ billion) | 947.6 | 3,263.8 | 58.3 | 70.0 | 538.9 | 4,879 |
| PPP GDP per-capita (US\$) | 22,582 | 16,096 | 8,449 | 20,556 | 17,695 | 17,076 |
| Growth projection for 2015 | -0.31 | -1.03 | 3.99 | 2.80 | -7.00 | --- |

Source: Prepared by DIC (Division of Business Intelligence) of the Ministry of Foreign Affairs, based on estimates from the IMF - WEO (World Economic Outlook), April 2015 and from the MERCOSUR

| GDP ranking | Country | 2014 (US\$ billion) |
|-------------|-----------------|---------------------|
| 1 | United States | 17,429 |
| 2 | China | 10,380 |
| 3 | Japan | 4,616 |
| 4 | Germany | 3,860 |
| | MERCOSUR | 3,184 |
| 5 | UK | 2,945 |
| 6 | France | 2,850 |

| | | |
|----|--------|-------|
| 7 | Brazil | 2,353 |
| 8 | Italy | 2,148 |
| 9 | India | 2,050 |
| 10 | Russia | 1,857 |

Source: Prepared by DIC (Division of Business Intelligence) of the Ministry of Foreign Affairs, based on estimates from the IMF - WEO (World Economic Outlook), April 2015.

Foreign Trade

MERCOSUR exports peaked in 2011 and have declined in recent years, both within the bloc and in exchanges with the rest of the world.

Intra-block MERCOSUR Exports (US\$ billion)

| Exporters | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Brazil | 26.5 | 32.4 | 27.9 | 29.5 | 25.1 |
| Argentina | 18.6 | 22.6 | 22.1 | 21.5 | 18.6 |
| Paraguay | 2.9 | 3.4 | 3.6 | 3.8 | 3.9 |
| Uruguay | 2.4 | 2.7 | 2.8 | 2.8 | 2.7 |
| Venezuela ⁽¹⁾ | 1.7 | 2.1 | 2.0 | 1.7 | 1.6 |
| MERCOSUR | 52.1 | 63.2 | 58.3 | 59.3 | 51.9 |

(1) Venezuela did not report data regarding UNCTAD; therefore, the statistics were prepared by "mirroring", i.e. based on information provided by trading partners.

Source: Prepared by DIC (Division of Business Intelligence) of the Ministry of Foreign Affairs, based on data from the UN/UNCTAD/ITC/TradeMap, June 2015 and from the Aliceweb system of the Foreign Trade Secretariat of the Brazilian Ministry of Development, Industry and Foreign Trade.

Exports between MERCOSUR States Parties and the world (US\$ billion)

| Exporters | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------|-------|-------|-------|-------|-------|
| Brazil | 201.9 | 256.0 | 242.6 | 242.0 | 225.1 |
| Argentina | 68.2 | 84.1 | 80.9 | 76.6 | 68.3 |
| Paraguay | 6.5 | 7.8 | 7.3 | 9.4 | 9.7 |

| | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Uruguay | 6.7 | 7.9 | 8.7 | 9.1 | 9.3 |
| Venezuela ⁽¹⁾ | 62.5 | 81.3 | 85.1 | 77.8 | 68.2 |
| MERCOSUR | 345.9 | 437.0 | 424.6 | 415.0 | 380.6 |

(1) Venezuela did not report data to UNCTAD; therefore, the statistics were prepared by "mirroring", i.e. based on information provided by trading partners.

Source: Prepared by DIC (Division of Business Intelligence) of the Ministry of Foreign Affairs, based on data from the UN/UNCTAD/ITC/TradeMap, June 2015 and from the Aliceweb system of the Foreign Trade Secretariat of the Brazilian Ministry of Development, Industry and Foreign Trade.

MERCOSUR AND THE LIFE OF CITIZENS

Social Integration

MERCOSUR has as one of its main goals to establish regional citizenship by consolidating the rights created for the citizens of the bloc over its 24 years of existence and adding new rights to that list.

Currently, citizens of MERCOSUR State Parties enjoy a series of rights, including:

- **Travel Documents:** Citizens of MERCOSUR States Parties and Associated States do not need a passport or a visa to travel around the region. Travelers can simply produce a national identity card or other document considered valid in order to travel.
- **Residence Agreement:** Citizens of States Parties and Associated States that are part of the agreement benefit from simpler processes when applying for a resident visa.
- **Multilateral Social Security Agreement:** The Agreement secures access to social security benefits for migrant workers and their families, thus allowing the citizens of a State Party to have their time worked in another State Party counted towards retirement, disability or bereavement benefits.
- **Educational Integration:** MERCOSUR has educational integration protocols on the revalidation of diplomas, certificates and degrees and the recognition of secondary-level, technical and non-technical studies. The protocols cover graduate studies as well. There is also the ARCU-SUL System for full equivalence of higher education degrees and the *Marca* student mobility program.

Citizenship Statute

In order to broaden the civic integration agenda, the Action Plan for the Development of a [Citizenship Statute](#) was approved in 2010, seeking to expand and consolidate the set of rights and benefits granted to citizens of States Parties.

The Action Plan is structured around three general objectives: (i) implementation of a free movement policy for persons in the region; (ii) equal civil, social, cultural and economic rights and liberties to nationals of MERCOSUR States Parties; and (iii) equal access to work, health and education.

A few noteworthy elements of the Citizenship Statute that have seen recent progress in their implementation include:

- Creation of the Integrated MERCOSUR Mobility System (SIMERCOSUL): unifies and extends the programs that award exchange scholarships to students, faculty and researchers from higher education institutions in the region. It prioritizes degrees and courses accredited by the ARCU-SUL System and initiatives that encourage Spanish and Portuguese learning within MERCOSUR.
- Creation of a MERCOSUR common vehicle license plate, which will facilitate both the movement of people and the control of vehicles traveling within the bloc. The model for the unified plate has been approved and will become mandatory for all new vehicles in the States Parties beginning in 2016.
- Review of the integrated border control rules of the States Parties and facilitation of migration flows between countries.
- Review of the MERCOSUR Social and Labor Declaration and harmonization of the labor and social security legislation, with the approval in 2013 of the Plan to Facilitate the Movement of Workers within MERCOSUR.

MERCOSUR TIMELINE

26/MAR/1991 - Argentina, Brazil, Paraguay and Uruguay sign the **Treaty of Asunción**, which sets the goals, timelines and instruments to be adopted for the construction of the Southern Common Market. One such instrument is the Trade Liberalization Program, consisting of progressive, linear and automatic tariff reductions (as well as the elimination of non-tariff restrictions or measures of equivalent effect and other restrictions on trade between the States Parties) towards zero tariff by 1994.

19/SEP/1991 - MERCOSUR Joint Parliamentary Commission is created by initiative of members of the parliaments of the States Parties of the bloc.

29/NOV/1991 - The provisions of the Treaty of Asunción enter into force through the signing of Economic Complementation Agreement No. 18 under the Latin American Integration Association (ALADI).

17/DEC/1991 - Brasilia Protocol - Establishes the dispute settlement system for the transition period. It provides for four dispute resolution levels, each with their own procedures: direct negotiations, intervention by the Common Market Group, arbitration, and individual claims.

05/AUG/1994 - The **Common External Tariff (CET)** is approved, to be applied to imports from outside the region beginning on January 1st 1995.

01/DEC/1994 - The MERCOSUR Trade Commission is created in order to ensure the implementation of a common trade policy.

16-17/DEC/1994 - The **Ouro Preto Protocol** is signed, which complements the Treaty of Asunción by establishing the institutional foundations of MERCOSUR.

23/JUL/1998 - The **Protocol of Montevideo on Trade in Services of MERCOSUR** is signed, laying down the general rules for intra-bloc services trade.

15/DEC/1997 - The **MERCOSUR Administrative Headquarters** is established in Montevideo, with the official name of *Edifício MERCOSUL* ('MERCOSUR Building').

24/JUL/1998 - The XIV Meeting of MERCOSUR Presidents approves the **Ushuaia Protocol**, which gives legal force to the democratic clause in the Bloc's States Parties. Thus, a signatory country that does not respect democratic principles cannot remain in MERCOSUR.

19/FEB/2002 - The Presidents of MERCOSUR signs **The Olivos Protocol** in Buenos Aires establishing a **Permanent Review Tribunal (PRT)**, in order to improve the bloc's dispute settlement mechanism.

06/OCT/2003 - Creation of the Commission of Permanent MERCOSUR Representatives (CPMR), headquartered in Montevideo, as a body of the Common Market Council (CMC).

16/DEC/2004 - The **MERCOSUR Structural Convergence Fund (FOCEM)** is created during a meeting of the MERCOSUR Summit in Ouro Preto. The Fund's aim is to finance structural convergence, competitiveness, social cohesion and institutional infrastructure programs.

07/DEC/2005 - The **Montevideo Protocol on Trade in Services of MERCOSUR** enters into force following ratification by Argentina, Brazil and Uruguay.

09/DEC/2005 - Signature of the **Constitutive Protocol of the MERCOSUR Parliament**.

24/MAY/2006 - Signature of the **Protocol of Accession of Venezuela to MERCOSUR**.

24/FEB/2007 - Signature of the **Constitutive Protocol of the MERCOSUR Parliament.**

07/MAY/2007 - Parliament establishment session in Montevideo.

18/DEC/2007 - Signature of the **Framework Agreement on Trade between MERCOSUR and the State of Israel.**

02/AUG/2010 - Signature of the **Framework Agreement on Trade between MERCOSUR and the Arab Republic of Egypt.**

02/AUG/2010 - Approval of the **MERCOSUR Customs Code (CAM)** by CMC Decision No. 27/10. The standard sets a framework for the establishment of common customs legislation and enables the joint treatment of rules governing the matter within the bloc.

16/DEC/2010 - The Common Market Council adopts the **MERCOSUR Customs Union Consolidation Program** under CMC Decision No. 56/10. The Program seeks to make progress in the following areas: elimination of double collection of the Common External Tariff (CET); improvement of the common trade policy; full establishment of free trade within the block; and promotion of competition on a fair and balanced basis within MERCOSUR.

20/DEC/2011 - Signature of the **Framework Agreement on Trade between MERCOSUR and the Palestinian Liberation Organization on behalf of the Palestinian National Authority.**

20/DEC/2011 - Signature of the **Montevideo Protocol on Commitment to Democracy in MERCOSUR (Ushuaia II).**

12/AUG/2012 - Entry into force of the **Protocol of Accession of Venezuela.**

06/DEC/2012 - Implementation of the **Strategic Plan for Social Action.**

07/DEC/2012 - Signature of the **Protocol of Accession of Bolivia to MERCOSUR.**

07/DEC/2012 - Creation of the **MERCOSUR Business Forum.**

17/DEC/2014 - Signature of the **Framework Agreement on Trade and Economic Cooperation between MERCOSUR and the Lebanese Republic.**

17/DEC/2014 - Signature of the **Framework Agreement on Trade and Economic Cooperation between MERCOSUR and the Republic of Tunisia.**