
Foreword

Mercosur has become an important regional actor in the Southern Cone of Latin America. The still-evolving customs union formed by four countries—Argentina, Brazil, Paraguay, and Uruguay—plus two associate members—Bolivia and Chile—may yet expand to include other countries in the region. Mercosur's dynamism raises critical policy questions regarding the process of building a Free Trade Area of the Americas, an initiative proposed by the United States in 1994. The controversy over the issue of hemispheric integration underscores the divergence between the broad U.S. approach, which seeks to use the North American Free Trade Agreement as a model for creating a Free Trade Area of the Americas by the year 2005, and the slower, incremental approach advocated by the countries of Mercosur.

Mercosur has already created significant new trade flows both within the member countries and externally, particularly with the European Union and with other Latin American countries. Another important element that has emerged from the economic integration process is Mercosur's role in the consolidation of democratic institutions in the region.

This volume provides a comprehensive review of the origins, current status, and future evolution of Mercosur. In the first chapters the authors provide a historical overview of Mercosur; they explain the importance of Brazil—the largest economy of Mercosur—and its powerful negotiating position within the bloc; and they explore the complexities of reconciling the domestic and foreign policy goals of the member countries, particularly Argentina and Brazil, with trade negotiations and the process of economic integration. The discussion then turns to some of the most pressing issues that Mercosur countries must resolve: finding the right balance between “broadening” and “deepening” the trade arrangement and finding a regional approach to an industrial policy that will make Mercosur more competitive. The final chapters deal with Mercosur's external trade negotiations, the evolving biregional relationship between Mercosur and the European Union, and the U.S. approach to Mercosur and hemispheric integration.

This volume is the culmination of a one-year project on Mercosur that marks the first phase of a broader SAIS program on regional integration in the Western Hemisphere. The project was carried out with the support of the William and Flora Hewlett Foundation. Other SAIS publications completed with the Hewlett Foundation's support include *Mexico's Private Sector: Recent History, Future Challenges* (1998), *The Mexican Peso Crisis: International Perspectives* (1996), *The Challenge of Institutional Reform in Mexico* (1995), *Political and Economic Liberalization in Mexico: At a Critical Juncture?* (1993), *Mexico's External Relations in the 1990s* (1991), and *Mexico and the United States: Managing the Relationship* (1988).

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