

Current development of trade between the European Union and Mercosur

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Abstract

The present thesis examines the structure and the development of the foreign trade between European Union and the Mercosur (Southern Common Market) during the period of 2002 - 2013. The main aim of this work is to assess the current trade, development and tendency by product, at the same time if some imported or exported goods are decline or increasing the trade.

This work also evaluate the commerce tendency between this two blocks, through asses the agreement, the barriers in import, in order to find new opportunities of investments by assessing whether the market is saturated without any possibility of new business or the opposite the market present market prospects and there is chance to fulfil this scarcity.

Key works: Mercosur, European Union, Import, Export, Balance Trade, Barriers, Competitiveness.

Abstrakt

V předkládané diplomové práci byla analyzována struktura a vývoj obchodu mezi Evropskou unií a Mercosurem v průběhu let 2002 až 2013. Hlavním cílem této práce je zhodnotit vývoj vzájemného obchodu a mezinárodní konkurenceschopnost těchto dvou ekonomických bloků. Cílem bylo rovněž vyhodnotit tendenci pro jednotlivé sektory a produkty a nalézt nové možnosti investic pomocí odhadu zda trh je saturovaný bez možnosti nových obchodních aktivit nebo naopak je na něm nedostatek nějakého produktu a je tak možnost tento trh vstoupit.

Klíčová slova: Mercosur, Evropská unie, mezinárodní obchod, export, import, obchodní balance, obchodní překážky

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1. Introduction

International trade is a fundamental component of the world economy. It affects welfare and economic growth, employment as well as quality of people's lives. Commerce among countries has been changing in last decades. Currently, the major tendency is a creation of bigger economic blocks by grouping countries in economic unions such as European Union in Europe and MERCOSUR in South America, in order to boost their trade and get better benefits for their markets as well as make them more attractive for investment by elimination of trading barriers.

The negotiations between European Union in Latin America started many years ago since fifties but started to be more active at the beginning of nineties when the European Union increased the trade flows with the Mercosur.

Mercosur (or southern common market, in Spanish Mercado Común del Sur) is a trade union in South America which was created by the "Treaty of Asuncion" on 26th of March in 1991, Protocol of Ouro Preto 16th December 1994. It is composed by 5 members Brazil, Argentina, Paraguay and Uruguay and was joined by Venezuela in July 2012. Mercosur has also 5 associated members, Bolivia, Chile, Peru, Colombia and Ecuador, which means that they have right to enter to the wide trade market of Mercosur but they do not have the right to vote in meetings.

The European Union has proved a remarkable interest for Mercosur since its creation¹. Dialogues between EU and Mercosur started with the agreement of cooperation signed on December 1995 which at that time was mostly focused on the progressive expanding of free trade areas and eventually in the freedom of sensitive agricultural products coming from both sides. However, after that, the negotiations and conversations were deteriorating because of unceasingly disagreements in sensitive's points on the agreement, which ended in the result of the broken relations in 2004. Only one year after, the EU and the Mercosur interchanged documents with their propositions about the points that they would not give away, the so called "red lines" and it was just until 2010 when they resume formally negotiations again (Sanchez-Diez, 2012).

Motivation of EU to continue with functional dialogues with Mercosur will depend very much on the level of stability and the advancement by the Mercosur in terms of custom union. And from the point of view, Mercosur inducement could be based on trade and integrity on the matter of performing greater character to involve into Free trade areas negotiations with the EU. (Martinez-Zarzoso, 2003)

In the case of Mercosur there is a large history of the government intervention for promoting the productive activities. In spite of the policies of trade liberalization implemented from 90ties, but this kind of activities affect the process of integration

¹ Only after a month of the sign of the treaty of Asuncion, it was celebrated the first meeting between the European commission and the Council of the Common Market and the foreign ministers of Latino American sectors.

Now days, the European Union is the main commercial partner of Mercosur representing more than 21% of its foreign trade which it is represented graphically in this work, whereas for European Union, Mercosur represents only 3% of foreign trade making it 8th foreign trade partner for European Union (EC, 2015).

2. Aim of the thesis

The main goal of this diploma thesis was to examine the current development of trade between European Union and Mercosur. In addition to the current development analysis, the goal was also to evaluate development of comparative advantages of each of the blocks over time in order to identify sectors undergoing positive development or are in decline and thus should be focused or avoided on in terms of possible financial investments, through analyzing each sector of products and taking into account trading barriers.

Another related objective was to analyze in detail the sectors and products with relative importance within the international trade of these two blocs. The goal was also to parse basic association agreement with Mercosur, the framework agreement and the free trade areas in the territory of Latin America and beyond.

This thesis aims to fill the gap in current literature because there are several articles and assessments about Mercosur-EU Trade Agreement and its development, but specifically I did not find information on a comparative advantage and on the development and evaluation of trade between these two economy blocks during the last decades and for the most important sectors.

The important goal was also to identify the comparative advantage of the present blocks, EU and Mercosur, and evaluate the causes such as the technical advantage, the globalization environment, which push countries to the innovation and new free trade agreements that eliminate the tariff and non-tariff barriers. The concept of sectorial competitiveness was analyzed from the point of view of the variation of competitive advantage between sectors.

3. Methodology

The first step was a research of existing printed and electronic sources. The information was obtained mostly from scientific journals and articles, international trade institutions as well as from official websites of Economic Commission for Latin America and Caribbean, Mercosur and European Union. Data on exportation and importation for Mercosur and EU were collected from the World Organization Trade official database and Eurostat database (EC, 2015).

The data from Eurostat are divided by groups of products as well as by “higher” sections according to official The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS). HS started being implemented in 1988 and since then has been used by the World Customs Organization (WCO) (formerly the Customs Co-operation Council), an independent intergovernmental organization based in Brussels, Belgium, with more than 200 member countries. Because data from the last year 2014 were incomplete, i.e. they were missing for many of the groups; we used datasets from period from 2002 to 2013.

By summing data of all groups and within each section the total yearly values of import and export were calculated and consequently analyzed. The first step was the analysis of the development of trade of each product group in time, which was done using second-order polynomial regression in the R2.12.0 statistical environment (R Development Core Team, 2010).

The outcome of these regressions was plotted using the “*ggplot2*” package (Wickham, 2009). The differences in trade between years 2002 and 2013 in absolute as well as relative values were also calculated in order to point out products with highest growth, i.e. the most perspective products for possible investments.

All calculations as well as mentions in text were carried out as from side of EU, i.e. the export from EU to Mercosur is referred to as export and import from Mercosur into EU as import throughout the thesis.

In order to test competitiveness of Mercosur and EU in each product trade, the Balassa Index of Revealed Comparative Advantage (RCA) was calculated. RCA is one of the most used methods to measure the advantage in trade of a country is. The model on which it is based assumes that there is a direct relationship between commercial advantages and the balance trade of a country, considering that exports show the specialization of a country, whereas the imports the disadvantage or weakness on the specialization of specific product of a given country or group of countries. Starting from data of exports and total imports of every sector of Mercosur, the RCA defines the proportion of the balance trade of one sector respect to its total commerce, which reflects the advantages in trade of this group of countries, watching the changes produced over time considering its competitive position in the market. For the calculation the following formula (Balassa, 1977):

$$RCA_{ij} = (x_{ij}/X_i) / (x_{aj}/X_a)$$

x_{ij} : exports of product j from country i

X_i : total exports from country i

x_{aj} total exports of product j from the reference area (e.i. EU)

X_a : total exports from reference area

4. Literature and sources overview

4.1. Models of International trade

International trade is a field in economics that applies microeconomic and macroeconomics models to understand the mechanisms of trade around the world, some example from important authors and their theories are described below.

4.1.1. Adam Smith's theory of absolute advantage (1776 "The Wealth of Nations")

According to the argumentation of Smith's theory, the wealth of nation has a lot of do with the goods and services that a country offers to its citizens, rather than gold reserves it holds.

The full use of resources available in a country may increase the national production and consequently goods and services which they can be provide at lower cost (because of the absolute advantage).

The theory of Adam Smith explains that every country should specialize in production of a good or service which can offer for the lowest cost and exchange it in the international trade, and that should import the goods or services which are more expensive to produce inside the country, so every country can gain from the commercialization.

The criticism to this theory is that it fails to explain how free trade can be advantageous for both countries, if one of them cannot produce any product at lower cost, how this country can participate and somehow gain from free trade?, in order to explain this phenomena David Ricardo took this example and developed the comparative advantage.

4.1.2. Ricardo's Theory of Comparative Advantage (1817 "The Principles of Political Economy and Taxation")

This model tries to clarify the differences in comparative advantage based on the use of technology through the nations, under the assumption all factor are similar. The labour theories of value outline the root of the Ricardian model of trade. This model highlight that the differences of technology are the main cause at the back in international trade activities. A difference from other theories which propose that trade is favourable for some but not for others. (Policonomics.com, 2015)

To better understanding, we suppose the following situation (Table1):

Two countries "A" and "B" with the same population and similar characteristics

Country “A” produce 1 pair of shoes in 1 hour and country “B” in 3 hours
 Country “A” produce 1 computer in 2 hours and country “B” in 4 hours

Table 1 example

	Country A	Country B
1 Pair for shoes	1 hour	3 hours
1 Computer	2 hours	4 hours

At first sight we think, country “A” is more productive in manufacturing the two goods and country “B” is in disadvantage against country “A”, but we are thinking in absolute cost or absolute advantage, but if we think in the relative cost we will have different result.

In relative cost or the opportunity cost for country “A” the cost of produce 1 pair of shoes is $\frac{1}{2} = 0,5$ (Table 2), that mean, country “A” can produce in 1 hour 1 pair of shoes and 0,5 computer, and 1 the relative cost of 1 computer is $\frac{2}{1}=2$ country “A” can produce 1 computer and give up to produce 2 pair of shoes instead.

For the country “B” (Table 2) the relative cost is 1 pair of shoes is $\frac{3}{4}=0,75$ and the relative cost of 1 computer is $\frac{4}{3} = 1,3$, put it this in a table the results looks more different.

Table 2 example relative advantage

	Country A	Country B
1 Pair for shoes	0,5	0,75
1 Computer	2	1,3

So, the comparative advantage for country “A” is to produce pair of shoes and for country “B” is to produce Computers. Every country should produce the goods or services which have lower opportunity cost in comparison with the other country, and with this exchange both countries will be beneficial.

4.1.3. Heckscher-Ohlin Model (1935: Bertil Ohlin's Interregional and International Trade, based on earlier work by Eli Heckscher)

Hecksher – Ohlin Model had roots in the theory of Comparative advantage of David Ricardo which state that countries specialize and export the goods or service in which have

and intensive factor of production and tends to import the goods in which have higher relative cost in produce it. (Bajo Rubio, 1991)

This model try to explain how works the flows in International Trade, the causes and the variation of the comparative advantage in the time, how influence in the commerce the GDP size of a country

4.1.4. New trade theory (The “new growth theory” and “new trade theory”: Romer, Krugman, Helpman: 1980s)

This model attempt to explain that big economies of scale and network effects, are substantial aspects for defining international trade patterns, affecting main businesses in the market.

In this theory, economy of scale and network effects can be so important that prevail over the traditional theories of comparative advantages. Explain the fact, that, for example, two countries may not have visible advantage in producing determinate good from each other in a period of time. But according to the new trade theory if one country concentrates producing specific industrial's sector then may gain from economies of scale and network effects, coming from the advantage of the specialization (Krugman, P. R., 1979).

Paul Krugman was a mentor academic in developing New Trade Theory. He was awarded a Nobel Prize (in 2008) in economics for his contributions in modelling these ideas. “for his analysis of trade patterns and location of economic activity” (Finegold, 2014).

4.2. International trade

Through the history, human being had increased their recourses, products, services and markets which ones are now for consumer, commerce had changed in a way that affect us deeply. The international trade let us has more variety, quality or lower prices (H. Contreras, n.d.).

Last four decades International trade got transcendental importance in the growth of economies within countries, contributed mainly by the development of transport, communication and technology. The creation and evolution of multinational companies around the world all the sum of these facts gives to the international trade a big importance (Gutierrez, 2014).

The acceleration of international trade and the tendency of globalization started after World War II. (Soubotina,& Sheram 2000). This globalization and multilateral liberalization between markets take us to analyze the barriers in commerce, especially from point of view of Mercosur and European Union.

International trade affects everyday life of most people in the world. Simple things like when one goes to the shop and can choose wine from Italy, France, California or Australia, or be able to buy bananas from Ecuador or apples from Chile in the Czech Republic are clear outcomes of international trade.

But not everything is good, this globalization and trade liberalization have some contradictions, for example, countries' economies now are more susceptible by global issues (Investopedia, 2003), e.g. when prices of petroleum go up also prices of goods and transports go up, which means a decrease in welfare of the nation. Another example of potential negative effect is, when economically powerful countries such as China, USA and EU get into an economic crises it has an effect on the economies of the rest of the world.

Anyway, although the globalization and the free trade areas looks good, there are still some reasons why countries chose to keep tariff and keep control on their imports. According with Baldwin and Freund (2011), three main reasons;

- a) In terms of trade a country may consider to apply tariff to push down the price of its imports in comparison with the price of its exports, therefore improve the welfare of the entire country.
- b) Another reason keeping tariffs could be political interests to be used for internal redistribution within the states, i.e. to shift income to some favored industry.

In the international trade regulatory organizations which control and organize the world trade exist , among which the most important is the World Trade Organization and its newly meetings called the Doha Round.

4.2.1. Doha Round

Empirical data on trade provide overall account of how countries forming regional trade blocks have changed their external tariffs proposing that Regionalism is benign and therefore nations decrease barriers and reduce or eliminate tariffs on importing goods and services (Baldwin and Freund 2011)

A good example of trade liberalization is the “Doha Round” started when in 2001 meet 153 countries of the WTO and they called themselves “trade liberalization club” (Saylor org. 2015) now the number of members increased to 157, they take decisions about commerce liberalization and regulations. (WTO 2001).

The Doha Round is the newest method of trade negotiations between the World Trade Organization member states. The main propose of this round is to succeed in the improvement of the international trade organization. Its aim is to achieve major reform of the international trading system by means of reducing or eliminating barrier and ruling the trade market. “The work programme” covers about 20 areas of trade. The round is also known semi-officially as the Doha Development Agenda as a fundamental objective is to improve the trading prospects of developing countries” (WTO, 2015).

4.2.2. Criticism to globalization and Free Trade Areas

According to the Capitalist economic theory it is said that a full release in global markets is the most competent method to bring up development in a country. The reason for it is that each country has a comparative advantage in producing the goods and services in which they are more efficient. Consequently, this brings specialization on production between these goods and services, i.e. the citizen of a nation can consume the amount of good that it wants to consume.



In reality, the global market and the elimination of barriers do not necessary bring growth and development within a state. For example, powerful and rich countries or big corporations dominate the marketplace and create unequal conditions for modest countries and domestic producers. Some of the critics of free trade have the opinion that a lot of the world's richest countries protect their economies and their own growth at the expenses of the weakest countries. Additionally, transnational companies are so dominating that they create rules which only benefits themselves. For this reason, a number of non-governmental organisations have begun to sponsor "fair trade," arguing that trade can promote development if it is environmentally sustainable and includes respect for human and labor rights (Forum 2015).

4.2.3. Trade Diversion (Viner 1950)

The work of Viner has central roots in the trade integration and the evaluation of welfare loses from conforming custom unions during a period when was believed that trade unions intensify free trade and world well-being. Certainly, empirical work from this period was in support of custom union mostly in Europe (Lipse, 1960).

For example, the “*country B*” imported mostly coffee from “*country C*” (Fig.1) before joining the free trade area because *country C* produces it at cheaper price. However, when “*country B*” joined FTA the “common external tariff” made it more costly to import coffee from “*country C*” than from countries inside the union, thus “*country A*” became the majority exporter of coffee to “*country B*”. So it is evident that trade was diverted from “*country C*” and created between “*country B*” and “*country A*” and at the end “*country C*”, i.e. the country outside FTA was losing because of the FTA and the custom unions.

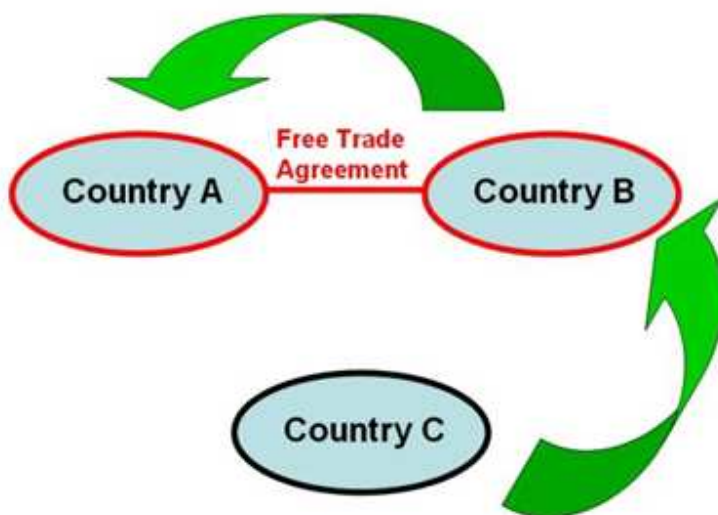


Figure 1 Viner’s free trade area (Source: world custom organization)

It is noticed that Viner did not believe that custom unions could enlarge or reduce the welfare of a country.

4.2.4. Free Trade Areas (Richardson 1993)

The model developed by Richardson claimed how trade protections of Free Trade Areas could be stronger than it seems. Richardson built a division between FTA in which countries arrange their individual external tariff and Custom Union in which outside duties are mutually agreed between countries, he made a distinction between Trade diversion and the trade creation.

For example, presume *country A* small one and this country arrange a FTA (Fig 2) with a bigger *country B* until now *country C* were left out from the picture. Suppose that the commerce between these countries it is inefficient, they are auto producer, another point it is we assume that *country B* is not as much fruitless than in *country A* and the commerce occur merely for the excessive protection by the lobbying actions of local biggest companies or producers. As a Result of the Free Trade Areas, the industries in *country A* shift to the basis of buying from *country C* to *country B*.

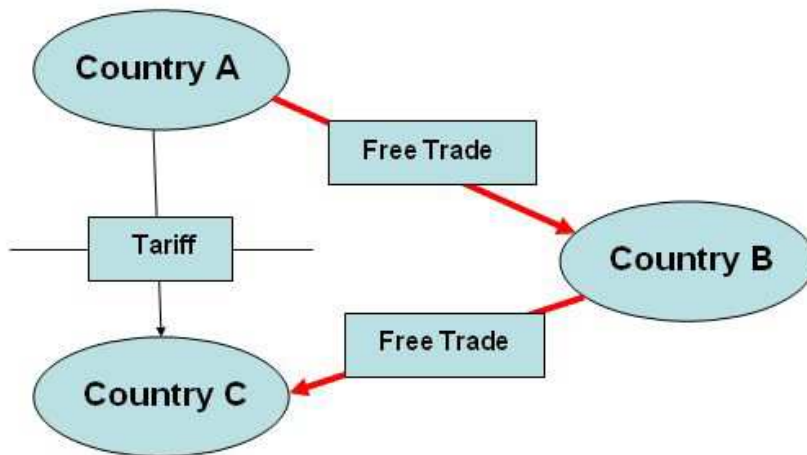


Figure 2 Richardson's FTA example (Source: World Custom Organization)

4.3. History of Trade Integration in Latino America

The process of integration in Latin America started in 1960 when Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay signed an agreement called the Treaty of Montevideo, establishing the Latin American Free Trade Association (LAFTA) at which one year later Colombia, Ecuador, Venezuela and Bolivia were added. This group of countries agreed a common market in Latin America without tariff sand barriers and also approved the clause of the Most Favoured Nation (MFN) which automatically extends equal trade advantages to the members. However, this process of integration failed because of several reasons such as the economy differences and inexperience of countries in negotiations, the application of protectionist policies and the creation of the Andean Group (GA) as a subgroup with autonomy. (Mora and Rodriguez, 2011; p.8).

LAFTA reorganized in 1980 into the Latin American Integration Association (ALADI) which now has 13 members: Argentine Republic, Republic of Bolivia, Federative Republic of Brazil, Republic of Chile, Republic of Colombia, Republic of Cuba, Republic of Ecuador, United Mexican States, Republic of Panama, Republic of Paraguay, Republic of Peru, Eastern Republic of Uruguay and Bolivarian Republic of Venezuela Through this association it was proposed to create a common market for goods (but not services) within Latino America, but nevertheless, and despite of good intentions of the members this objective was negatively affected by the apparitions of new regionals agreements such as CARICOM (Caribbean Community) in 1973, SICA (Centro American Integration System), MERCOSUR in 1991, UNASUR (South American Nations Union) in 2008, and Pacific Alliance in 2012.

The last few years Mercosur has intensified the negotiations with thirds parties, even though the preliminary results where overestimated. The signed FTA's were: in 1996 with

Chile, 1997 with Bolivia, 2000 with South Africa and Cuba, 2003 with Mexico and with the Andean Community, in 2005 with Ecuador, Columbia and Venezuela (Vaillant 2006).

4.4. Agreements for elimination of barriers in International Trade

The development of a does not depend only on its internal commerce but also on its international trade. This development in foreign trade could not be done effectively without the existence of agreements between countries. The main function of the agreements is to eliminate barriers that obstruct the circulation and trade of goods and services between the nations. The set of agreement stretches members' countries an equal condition on their importations and exportations as well as the reductions of tariff and quotas.

Main barriers in trade are tariffs, which is a tax on imports, collected by the federal government and which raises the price of the importer goods and services to the consumers. Also known as duties or import duties, tariffs usually aim first to limit imports and second to raise revenue. Another barrier is quotas; quota is a limit on the amount of a certain type of good that may be imported into the country. Quota can be either voluntary or legally enforced. The aim of tariff and quotas is similar, they exist in order to control imports and protect domestic production and farmers from an unfair competition with foreigner companies (Infoplease.com, 2015).

International trade has changed dramatically along the time; industrialized countries and developing nations have reduced its tariff significantly and eliminated their barriers. Meanwhile, this multilateral liberalization has been accompanied by the signing of many regional agreements which have helped to set up rules and deepen the regional and worldwide trade. The tendency of creation of Free Trade Areas has been advantageous for Latin America, because they have given them the possibility to raise its exports to the international markets (Castilla, 2005).

An upcoming EU-Mercosur Association Agreement (presently still in mediation) should provide a boost to regional trade integration among the countries of Mercosur and stimulate new opportunities for trade and investment with the EU by removing tariff and non-tariff barriers to trade and Foreign Direct Investment. The EU-Mercosur Association Agreement will cover, among other issues, trade in goods and services, investment; intellectual property rights (IPR) aspects including protection of geographical indications, government procurement, technical barriers to trade and sanitary and phyto-sanitary aspects.(Ec.europa.eu, (2015).

4.5. The interregional framework of cooperation agreement between European Union and Mercosur ²

On 15th of December of 1995 the interregional framework cooperation agreement between European Union and Mercosur was signed in Madrid. This pact has the main objective to create an interregional association which would include the free trade area.

Despite the mostly economic character of the agreement, it has political premises inspired in internal and international policies of the all members of the union how essential element of the interregional pact.

The agreement must try the strengthening of the relationship between EU and Mercosur and encourage the economic, trade, cooperation field in order to achieve the integration of the all members, increasing and diversifying the commercial exchange (Escudero 2002)

The main content of the agreement is based on the technical cooperation and the share in technological knowledge. It is worth mentioning the agreement has not preferential, transitory and evolutionary character and also the co-existence of bilateral agreement between EU and Mercosur members. The spirit of the pact has central values in the common policies of cooperation of the EU in direction to the developing countries.

Some aspects referred to the agreement it is found the improvement to the access to the markets, the identification of sensitive and primary products, cooperation in matters of competition restrictive practices, homogenization of origin norms, cooperation in agricultural and industrial policies, custom union and intellectual right cooperation, cooperation in the services market, management, investment and economic cooperation. The measures of the agreement include the exchange of information, the development of new training techniques, and coordination of activities in the relevant international organizations, exchanges of officials and senior personnel from customs and tax departments, simplification of customs procedures, and technical assistance

During 2000 EU and Mercosur started discussions for an Association Agreement containing three main chapters: about political dialogue, collaboration and free trade area. Conversations were postponed in 2004 because of differences about trade. Political relations continued, and on 2008 in the city of Lima, EU and MS signed a new agreement concerning about science and technology, infrastructure and renewable energy. In May 2010 EU and Mercosur reopened again negotiations regarding to free trade areas.

The European Commission has assigned an amount of EUR 31 million to realize a sort of plans through the National Indicative Programme for Uruguay during 2007-2013. 60% of this quantity is meant for social and regional unity, while the residual 40% is devoted to originality, investigation and economic progress (EC, 2015).

² Decision 1999/279 / EC of the Council of 22 March 1999 on the conclusion, on behalf of the European Community, the interregional framework cooperation agreement between the European Community and its Member States, on the one hand, and the Market Common South and its Member States on the other.

4.6. Development of trade between EU and Mercosur

Mercosur mainly trade basic products to the EU that mean 80% of its exports are formed by minerals, coffee, tobacco, meat, fish, fruits, cereals, fats and oils. In the other side, the most commonly goods buy for Mercosur from EU are the material and machinery transport, chemical products, and manufactured products.

Nowadays, the greatest value of imports from Mercosur to EU comes from Brazil from section 5 corresponding to “mineral products” with the amount of 49.820 million euro, Argentina main export products to EU are foodstuffs beverages and tobacco, Paraguay exports mostly vegetable products, whereas Uruguay main exports to EU are live animals and animal products.

The trade between European Union and Mercosur was increasing in imports and exports during 2002 to 2008; between 2008 and 2009 global economic crisis caused significant drop in mutual trade, but since 2009 it has recovered to pre-crisis or higher trading values (Fig. 3 and 4).

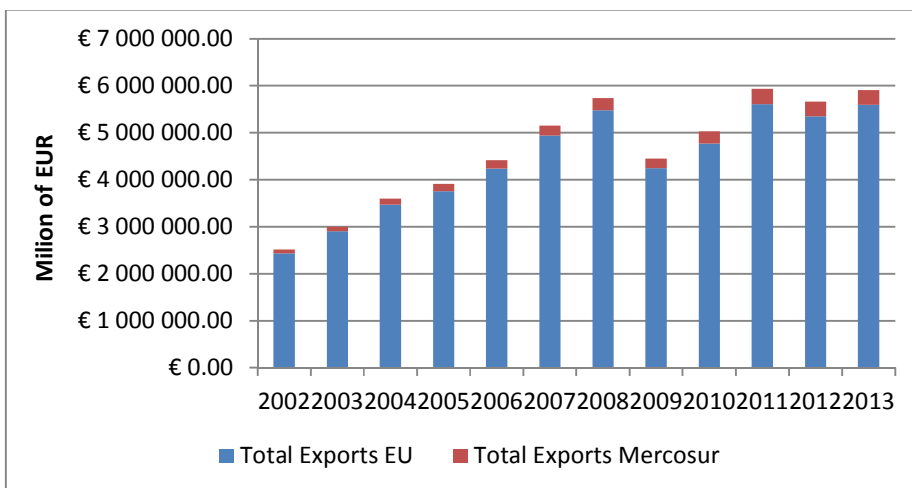


Figure 3 total trade in exports from EU to Mercosur (Total Exports EU) and from Mercosur to EU (Total Exports Mercosur) in period 2002-2013 (based on WTO data)

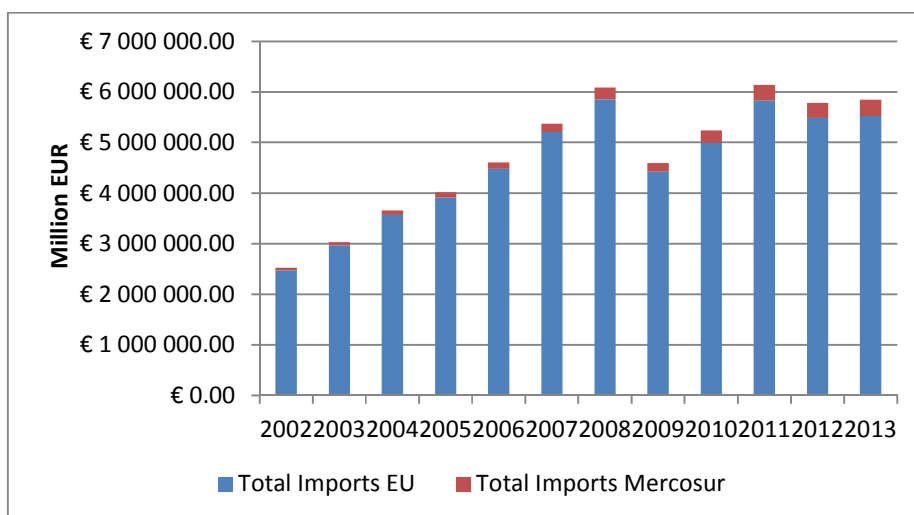


Figure 4 total trade in imports from EU to Mercosur (*Total Imports EU*) and from Mercosur to EU (*Total Imports Mercosur*) in period 2002-2013 (based on WTO data)

The first expectation from the agreement between EU and Mercosur was an increase in the negotiations and the reciprocal gradual liberalization of the commerce between the 2 blocks (Escudero 2002). The figures 3 and 4 demonstrate that development until 2008, suggesting the expectations fulfilled, but the crisis broke the trend.

The interest from EU to the Mercosur is in respond not only because they can get in to the 200 millions of people but also because of the relative comparative advantages in some of their products which will identify later in this work.

Empirical data verified that full liberalization on FTA should increase the trade between this two blocks but could disadvantage some Latino American partners of Mercosur for example, Bolivia, Chile (Boyer 2010).

4.7. International trade competitiveness

In current times, where the globalization and the market liberalization it is part of our every days life, the international trade it is every time more intense, especially about perishable goods with high economic impact, as well as other regions exporters of food in the world. In this scenario the study of the competitiveness and comparative advantages, are different concepts when we are analyzing the economic sector linked to the international trade (de Pablo, 2011).

In order to study the competitiveness between European Union and Mercosur we examine the relative sectorial commercial balances using the RCA.

The revealed comparative advantage of a state is calculated by the comparative heaviness of a percentage of total sales of goods or services in a country over the percentage of world export in those products (Balassa 1977).

- When $RCA > 1$, it means that country “X” has a revealed comparative advantage on product “Z”.
- When $RCA < 1$, it means that country “X” has a revealed comparative disadvantage on product “Z”.

With this approach it is concordance with others studies where it is sustained that the competitiveness it is not global neither affect to all the countries equally, but only might be understood in the context of geographical specifications (Romero, 2007)

4.8. Agricultural Trade between Mercosur and European Union

Ricardian argument is that the differential in the productive factors between countries and or regions are the results of the specialization, also the differentials that derive from this knowledge, which should take us to the international trade integration and the establishment of new custom unions. In the case of Mercosur and the European Union the global patterns of specialism are mainly deriving from production mostly complementary instead of been competitive (Mulder, 2003). According with the study of Mulder last decades from 1990 to 1999 Mercosur has increased the trade of the agro food and the EU decreased.

In the following figure 5 it is show that Brazil brings around 64% of the imports of agro food to the EU followed by Argentina with the 32% during the year 2005. The significance of unindustrialized goods commerce between Mercosur and the EU is revealed by the 22% share of Mercosur in EU the purchase of agricultural products (EC, 2005)

2005 EU25 imports of agricultural products from Mercosur

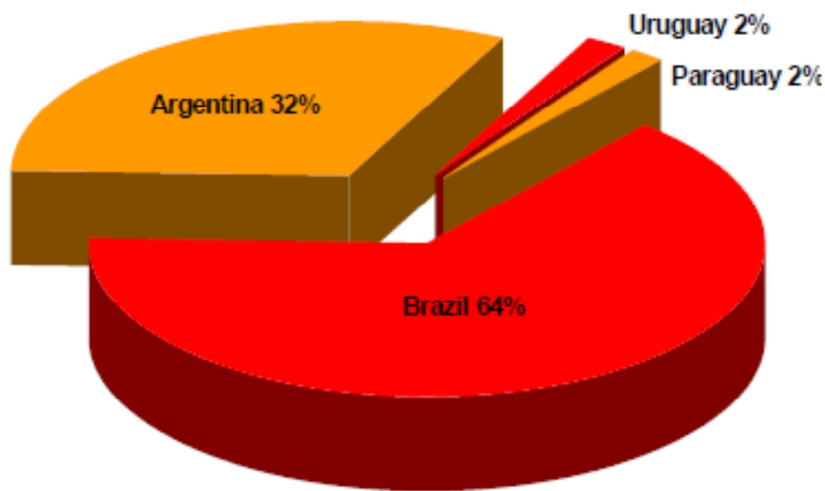


Figure 5 Mercosur - Trade - European Commission (Source: *Ec.europa.eu*, 2005)

The rivalries between countries which export the agricultural products had been changing and tend to be more passionate in the international markets, specifically from the basic goods or agro goods in which low prices had more competitiveness, however sometimes quality, diversity and brand had a significant role in the definition of the price of the good.

The competitiveness-price plays a significant differentiation of products especially we are taking about the interchange of scale volumes of homogeneous goods, often offered on raw or with the minimal modification, while the competitiveness from quality occurs when countries sell manufactured goods with final consumption (Mulder 2003).

The part of the outcome of analysis of the work of Mulder is that Mercosur and the EU in 80'ties Mercosur had average respect to prices in comparison with EU but in 90' it was a tendency in lower the relative unitary prices coming from Mercosur. Inverse from products agro industrial exported from EU to Mercosur it was an increase. However, although EU strategy was focus in the differentiation of goods destined to Mercosur, this type of trade was reduce because of the quotas imposed by Latino American markets.

4.8.1. Barriers in the Agricultural Sector

The last two decades, Mercosur's movements on international trade suggest that South American nations have a steady rising tendency, clear example come from Brazil which grow almost nine times during 1991 to 2011(Moseykin 2014).

Certainly, Mercosur member states have been classical dealers of non-manufactured good to the worldwide markets for many years. "Argentina is a largest supplier of soy and its

derivative products, maize, wheat, linseed oil and its fractions, sunflower oil and Brazil a largest supplier of coffee, cocoa, sugar cane, meat, and oil-seeds. Paraguay is a major supplier cotton, beef, oil-seeds, sugar cane, wheat, maize, feeding stuff for animals, leather, and wood. Uruguay is a major supplier of beef, soy and its derivatives, rice, wheat, dairy products, cellulose, wood, and wool” (Moseykin 2014)

Between EU and the Mercosur as a result of the specialization they have the existence of important divergence as well as commercial policies in both cases at sectorial and global level. For example, Agro food and agricultural products in general are relatively protected by the EU, meanwhile, in the Mercosur the industrial products account with mayor protection in its market. It is worth it to mention other kinds of protections are internal mechanism helping local farmer protecting them from foreign manufacturers within Mercosur and EU.

We will review some of the access conditions for agricultural products coming from Mercosur to EU. Firstly, trade relationship of the EU to the world is characterized for the imposing of restrictions and regulations. The EU apply horizontal policies, that is, Common Agricultural Policies (CAP)³, and the policies referred to the total of countries which trade with the continent like the common trade policy, that define the conditions of access to the European market and the conditions of exit of the European goods. In addition, the existence of special regimes with regulations in the textile market, the iron and steel. Applies also to mention vertical policies, which consist in specific preferential agreements with certain countries or group of countries, which apply privilege conditions at the time of enter to the European market (Mulder 2003).

In this circumstances, the agricultural subject have high relatively importance for the negotiation on trade between Mercosur and the EU. Primarily, because this type of products have a highlighter place for the bilateral trade, especially in the case of the exportations of Mercosur and the secondly, because the CAP (Common Agricultural Policy of the EU) the agricultural sector are with the most restrictive regulation.

4.8.2. Mercosur's Tariff Protection

The Common External Tariff (CET) of Mercosur⁴ has been a source of conflict between EU and Mercosur from its creation in 1995. Changes and updates in the same, next to the regime of multiple exceptions, are the main causal of questioning and review.

The CET it is a system in which commodities are classifies and identify in common tariff for the importations with thirds parties. Every commodity identified in the CET has and added value expressed in percentage, which is the called tariff which should paid before enter to any Mercosur country. At the beginning of its existence CET consider 11 proportional parts with a range between 0% and maximum of 20% by the year 1998 the rate increased 3%. Nowadays, the maximum was modified to 35% (Fundacion INAI, 2011).

³ The common agricultural policy (CAP) is the agricultural policy of the European Union. It gears a method of agricultural subsidies and other platforms. It was introduced in 1962 and has experienced numerous alterations since then. criticised on the bases of its expenses, and its ecological and caring effects.

⁴ Decision 22/94 del consejo Mercado comun

The CET have an exceptions list of products, and Mercosur member states have the right to choose which products will be in this list of exceptions on tariffs (Uruguay, 2015).

At the beginning was a list of 100 exception, in December 2010 each member state was permitted to choose a sovereign tariff of the CET for a specific number of lines and now from 2012 Mercosur release a new list of exceptions in the CET, in which every member could chose until 200 exceptions on the common external tariff (El Observador, 2012).

The principal aim of the CET is the strengthening of customs unions and the harmonization of the tariff policies in most of the products with the goal of improving the intra-regional trade and the commercialization with thirds countries (Fundacion INAI, 2011).

In 1992 was decided for the members of Mercosur that the common external tariff should have a range between 0% and maximum of 20% and this arrangement include a list of exceptions with products that could have different tariff with a maximum of 35% (OAS, 2015)

5. Practical Part

In this part of the work, it is collected all data, information, protectionism, in order to evaluate and conclude about Mercosur and European Union international trade.

5.1. Mercosur's Common External Tariffs

The CET since their agreement considered four exceptions, which are the following;

1– The internal tariff on elements of the ‘Adaptation Regime’, which consist in the case of the internal tariff was greater than the CET, associated countries may have the possibility of set a superior external tariff.

2– By 2001, the agreement was set a list of approximately 300 tariff as an exception CET was to converge for these items by 2001 (2006 for Paraguay).

3– CET on 1136 tariff-lines relating to the capital goods sector was to meet to 14% by 2001 for Argentina and Brazil (2006 for Uruguay and Paraguay).

4– For computers and telecommunications sector, the aim was to congregate by 2006 for all nations.

The middling Common External Tariff functional by Mercosur in 2011 was 11.50% and the nations are authorized to request import tariffs in form autonomous about common external tariff only in the sector of computer and telecommunications products, sugar and some capital goods (Indian Council, 2013).

As is shown in the result part, during the 2008 was a decelerating economy growth, and there was an increasing propensity to submit protectionist procedures.

5.1.1. Exception list, temporal reductions and excluded sectors.

The Common external Tariff (CET) of Mercosur started since 1994 and since then had been important tool in the process of regional integration, and as its name said implies the existence of common external tariff for the importations for all countries integrated by Mercosur for with thirds countries (Table 3). The main aim of CET is to coordinate the tariff policies for almost all products trade in the worldwide favouring the intraregional trade at the expenses of the importations coming from abroad (Foundation INAI, 2011).

This point causes great nervousness between MERCOSUR and EU and the concern about the possibility to eliminate the CET and the effect of full liberalization on trade between these two blocks (Boyer, 2010).

Table 3 General Structure of Mercosur's CET divided by sectors

CET	SECTOR OR PRODUCT
35%	Automobiles (chap. 87) Textiles (chap. 57, 61 to 64)
26% y 28%	Dairy Products (chap. 04) 28% Textiles (chap. 50 to 56, 58 to 60) 26%
20%	Products of the food industry (chap. 17,18,22,and 24) Manufactures of leather and fur (chap. 42 and 43) Footwear, hats and other (chap. 64 and 66) Ceramic products Manufactures of iron or steel. Machines and appliances, electrical equipment and parts thereof; equipment for recording or playback of sound, equipment for recording or reproduction of images and sound on television, and parts and accessories for these devices. Transport Equipment Instruments and apparatus of optics, photography or cinematography,

	measurement, control, or precision; instruments and surgical medical equipment; watches arms, ammunition and parts and accessories thereof toys, games and articles for recreation or sport; its parts and accessories (Chap. 95)
12% and 18%	<p>Agricultural Products: include dairy and other of the cap. 04 Oils, soy and sunflower, rice, wheat flour and derivatives.</p> <p>Products of the food industries; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes (except some products of Chapters 18 and 23)</p> <p>In regard to non-agricultural goods (Chap. 28 Onwards), tariffs vary between 0% and 18 %, in response to the needs of the block to protect or to source specific products.</p>
0% and 10%	<p>Live animals and animal products (with the exception of certain products from the cap. 04) (chaps. 1 To 5)</p> <p>Vegetable products (except rice, wheat flour and derivatives) (chaps. 6 To 14)</p> <p>Residues and waste from the food industries; prepared for animals (Chap. 23)</p> <p>Mineral Products (chaps. 25 To 27)</p> <p>in regard to non-agricultural goods (Chap. 28 Onwards), tariffs vary between 0% and 18 %.</p>

Modified from: Magazine “Bolsa de comercio de Rosario”

In average, the group of imports from EU to Mercosur It is overloaded with a tariff around 12,9%. However if take out the information of sector activity perceived, clearly that the sectors with lower levels of barrier are the extractives industries followed by the agricultural products.

5.2. Mercosur Non-Tariff Barriers

Non-tariff barriers are a different form of restricts trade where barriers to trade are set up and take a form other than a tariff. Nontariff barriers include quotas, levies, embargoes, sanctions and other restrictions, and are frequently used by large and developed economies (Investopedia, 2007) Some examples of non-tariff barriers in Mercosur are following;

5.2.1. Registration, Documentation and Customs Procedures

In Argentina, importer should submit before the importation the “Prior Sworn Import Declarations” (“Declaración Jurada Anticipada de Importación” – DJAI), and other needed import endorsements. Often the Argentinean authorities give the authorization of DJIAs provisional until importers comply with trade preventive obligations.

These restrictions are being methodically postponed or decline to remove by the Argentinean authorities under not clearly bases (EC, 2015).

5.2.2. Preference for national goods in public procurement

The Public procurement at the governmental administration stage gives favouritism to goods and services of national origin when these ones are similar or have the same status and conditions from foreign products.

5.2.3. Length of time for processing import applications

Some European Union members were facing longer time in the process of get import authorizations for agriculture products and complications to find proper information about;

- Import prerequisites
- State of imports applications.
- And info from capable authorities, in this case from SENASA (Servicio Nacional de Sanidad y calidad agroalimentaria,- in spanish) (Argentina gob, 2015)

5.2.4. Exporting tariff

Argentinean authorities have put very high export duties especially for agricultural products, the export tariff are levied horizontally in the majority of exports, including metal raw material and other minerals, hides and skins, oil and natural gas amongst other commodities.

5.2.5. Increase of tariff rates

The Brazilian authorities began to expand tariffs in form of exclusions to the Mercosur Common External Tariff (CET) founded on Mercosur verdicts in the latest years.

“Mercosur decisions of 2010 foresee that members can temporarily apply a list of 100 exceptions to the CET until 31 December 2015. Every 6 months 20% of the Common MERCOSUR Nomenclature (NCM) tariff lines can be modified” (EC, 2015).

These kinds of procedures influence enormously the European exporters, affecting the exports opportunities and increasing uncertainty concerning tariffs.

5.2.6. Indirect taxation issues

Some matters regarding taxation. Brazilian authorities trying to provide welfare and support to the domestic producer and exporter, by inter alia;

- 1) Imposed higher obligation in taxes to imports than the internal products.
- 2) Provisory tax rewards to the use of internal goods.
- 3) Contributing with subsidies to the exportations. (EC, 2015)

5.2.7. Regulation affecting Geographical Indications: "Sanitary Regulation"

The lately adapted parameter "National Sanitary Regulation" contains a negligent organization and allows the use of European *Geographical Indication* (GI) designations to label food products, frequently arranged with the added word "type". This kind of procedure could generate a possibility of confusion among consumers.

5.3. European Union's Tariff Protections

The UE protectionism to the trade is applied in different forms; some of them and from the point of view of countries of Mercosur are Tariff and tariff quotas, subsidies, policies of trade defense, environmental measures, sanitary and Phytosanitary restrictions, technical obstacles, public procurements (Gob. Argentina, 2013)

5.3.1. Subsidies

European Union applies one of the most questionable commercial measures in the multilateral trade; the subsidies to exports. The Common Agricultural Policy gives enormous subsidies to production and the exports. Placing in disadvantage the importers of products for the same category from Mercosur to the European Union because this subsidies are pierced to the final price in the alimentary products resulting in values artificially lower (Gob. Argentina, 2013).

5.3.2. Environmental Measures or "green protectionism"

The environmental argumentation for the adoption of measure in some cases is inconsistent with the multilateral system of trade and with the international trade law in environmental matter and affect the exports from developing countries.

This environmental European measures are not based in scientific principles, nor in valid international rules, but in methodology elaborated at unilateral defined unilaterally, as disguised barriers, harming the external sells of developing countries (Cancilleria.gob.ar, 2013).

5.3.3. Sanitary and Phytosanitary Measures

The EU apply numerous sanitary and phytosanitary measures which hinder the imports in the common market. Most of them are difficult to overcome for developing countries. some examples are the biotechnology in the agricultural production, where the EU keep high standards, and other case is the plagues residuals which the limits of precaution of EU impede the circulation of trade.

5.3.4. Technical Barriers

Regulations for wines, rules of the scheme for the registration, evaluation, authorization and restriction of chemicals (REACH), regulations on animal welfare.

5.3.5. Public procurement

During past years, the EU and developed countries had intended to be agreeing in the multilateral field about regulatory topics with developing countries, it is the case of the access to the public procurement.

In this scenario, the EU members are analyzing a proposal of new rules in which EU members could exclude contracts over a value of EUR 5 million in the case that the offer have more than 50% of local content of a country and in which public procurement does not provide treatment of "substantial reciprocity" to the EU. The question is how will be the criteria used for the evaluation of "substantial lack of reciprocity" for the access to the public procurement with thirds parties (Informeindustrial.com.ar, 2013).

5.3.6. Meursing Table Tariff Codes

This way, for the processed foodstuff commodities, such as confectionary, baked goods, and miscellaneous, are a matter of a specific table tariff code procedure in the EU. Under this scheme, the EU charges a duty for every imported good according with the product substances, for example, one cookie can pay 20 different types of tariffs; for milk, for flour, sugar, etc.

As a result, for the exporter it is not easy way to determine the tariff which should pay before to realize the sell and prepare their costs, producing a disadvantage in the negotiation of the prices for a fair competition (Gob. Argentina, 2013).

5.4. Mercosur Extra zone Trade

The extra zone shows the interchange of goods and services with countries which are not members of Mercosur. In other words, the extra zone trade are all destinations out from Mercosur countries. Extra zone and intra zone had been increasing from Mercosur in a remarkable way since 2009 but decreasing in 2013 (Fig 6).

The exports to the extra zone represent 85,9% of total exports of the block and are concentrated in natural resources and thereof. By 2013 the sales of Mercosur kept same levels than the year before

The main extra-regional partners of Mercosur are United States, European Union and China (Fig 6 and 7).

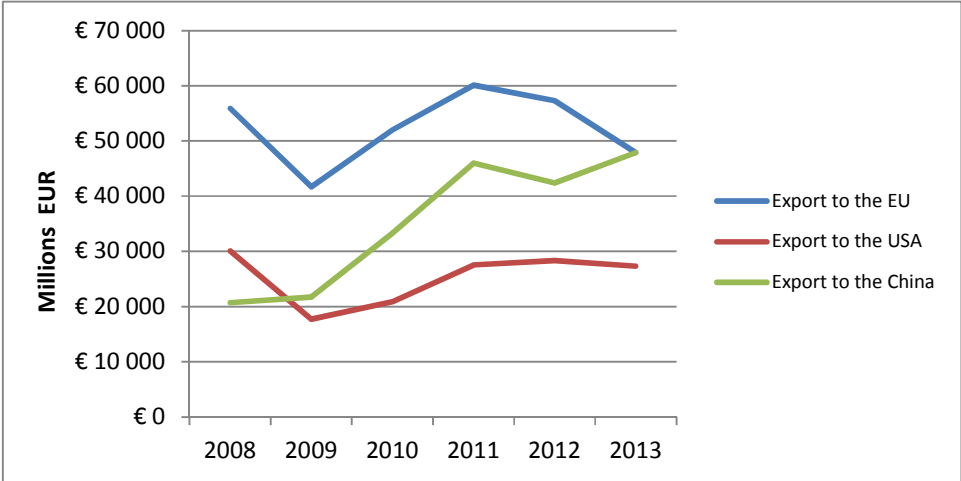


Figure 6 Main export partners for MERCOSUR



Figure 7 Main import partners of Mercosur

European Union the main trading partner for Mercosur (Fig 7) and by 2013 it meets with the imports and exports from China, leaving nearly equal.

5.5. Mercosur Intra zone Trade

The trade within Mercosur have a high correlation with the global economy cycle, increase when there is an expansive phase and decrease when is a reduction of the economic activities, that can be explained for the composition of the based flows, where manufactured products have a high participation in comparison to the rest of the world. Thus the growths of the exports in the intra zone in 2013 react especially because of the dynamic in the automobile regional market, in so far as the decrease when the internal demand between the members during the first semester of 2014.

In the following picture (Fig 8 and 9), we take the example Brazil, because it is the main export/import ally in Mercosur, with Latin American partners.

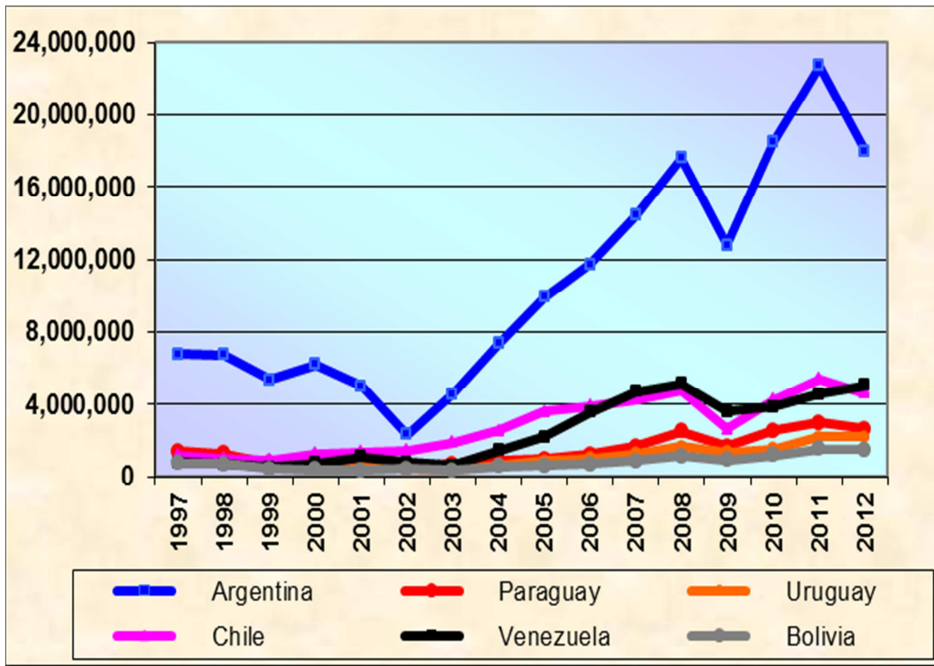


Figure 8 exports of Brazil in thousand dollars (modified from gob. Uruguay 2015)

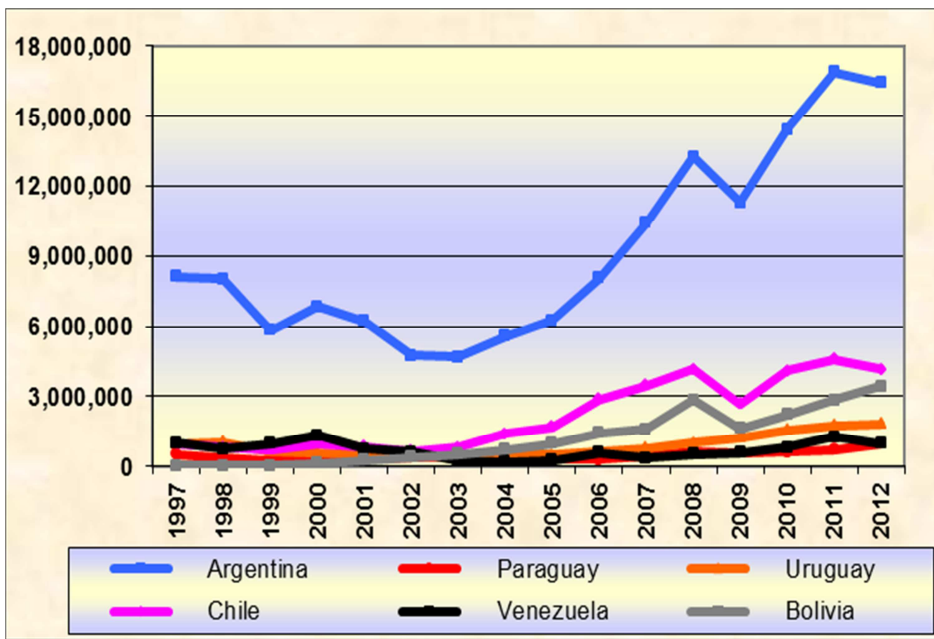


Figure 9 Imports of Brazil in thousand dollars (modified from gob. Uruguay 2015)

5.6. European Union Foreign Trade

In table 4, Germany is the biggest economy for the European Union followed by Netherlands and France.

Table 4 European Union's ranking by exports during 2014

Rank	Reporter	Value Eur	Rank	Reporter	Value Eur
1	Germany	1,359,840,842,775	15	Slovak Rep.	77,843,749,770
2	Netherlands	605,122,171,515	16	Finland	66,667,291,830
3	France	524,864,763,090	17	Romania	62,763,375,015
4	Italy	475,810,830,540	18	Portugal	57,592,188,765
5	United Kingdom	456,115,246,785	19	Slovenia	32,499,082,215
6	Belgium	422,107,612,965	20	Greece	32,369,952,015
7	Spain	290,475,634,905	21	Lithuania	29,128,425,300
8	Poland	194,988,036,780	22	Bulgaria	26,358,582,510
9	Austria	159,525,057,780	23	Luxembourg	17,235,533,880
10	Czech Rep.	156,400,704,765	24	Estonia	14,439,984,615
11	Sweden	148,183,361,010	25	Latvia	13,076,584,920
12	Ireland	105,719,970,825	26	Croatia	12,244,292,955
13	Denmark	99,840,481,515	27	Malta	2,524,256,280
14	Hungary	99,665,916,615	28	Cyprus	1,619,149,230

5.6.1. EU main Export partners

According to the data information from European Commission China, Russia and USA are the main importers partners into EU out of the Mercosur countries Brazil is the biggest EU importer, being the 10th main commercial partners of EU in general and if we counted Mercosur it should take place number 8th with amount of 47,110 million euro (Fig 10).

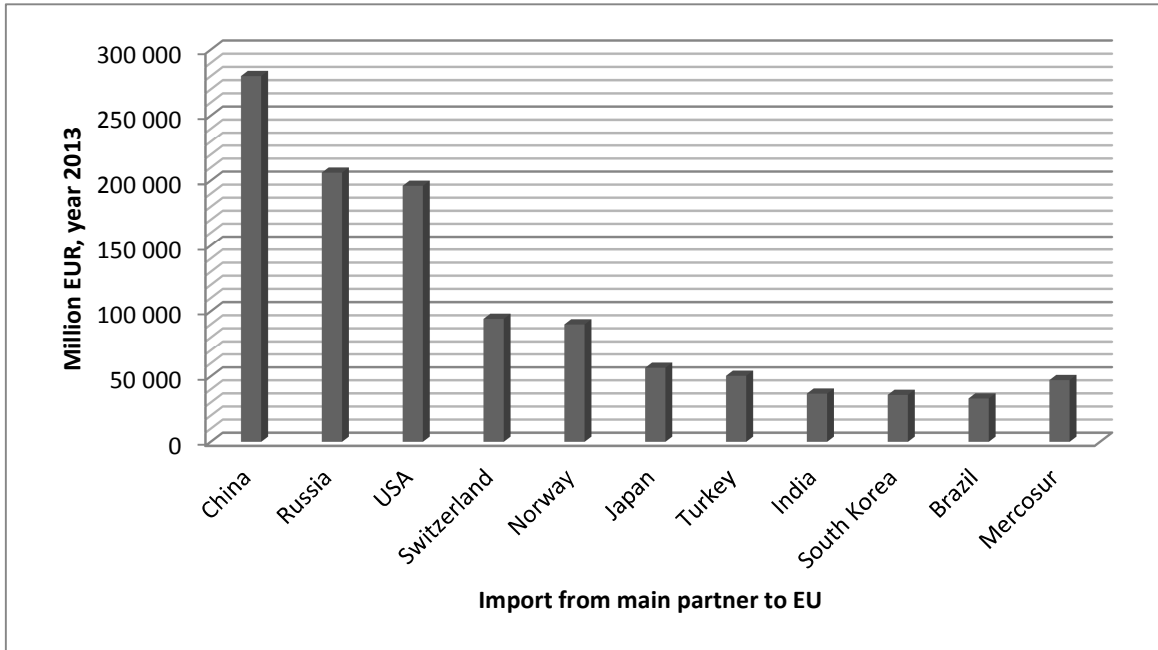


Figure 10 Import into the EU from 10 main commercial partners 2013

In relative values, China represent the 16.6% of the total imports consisting mainly of machinery, transport and manufacture goods, Russia represent 12.3% mainly mineral products, mineral fuels, lubricants and related materials, USA imports represent the 11.7% of the total import with mainly machinery, transport, chemical products, mineral products, mineral fuels and lubricants (table 5).

Table 5 share in (%) of total imports of the 10th biggest importers into EU in 2013

No	EU Imports from	million euro	share %
1	China	280,095	16.60
2	Russia	206,146	12.30
3	USA	196,098	11.70
4	Switzerland	94,305	5.60
5	Norway	90,064	5.40

6	Japan	56,565	3.40
7	Turkey	50,401	3.00
8	India	36,809	2.20
9	South Korea	35,840	2.10
10	Brazil	33,096	2.00
	MERCOSUR⁵	47,110	2.90

USA, Switzerland and China were the main export partners for EU the year 2013, out of MERCOSUR Brazil receives the greater deal of EU exports and was positions as the 9th biggest export partner for EU (Fig 11) and Mercosur as a whole should be taking place number 6th on the EU export list.

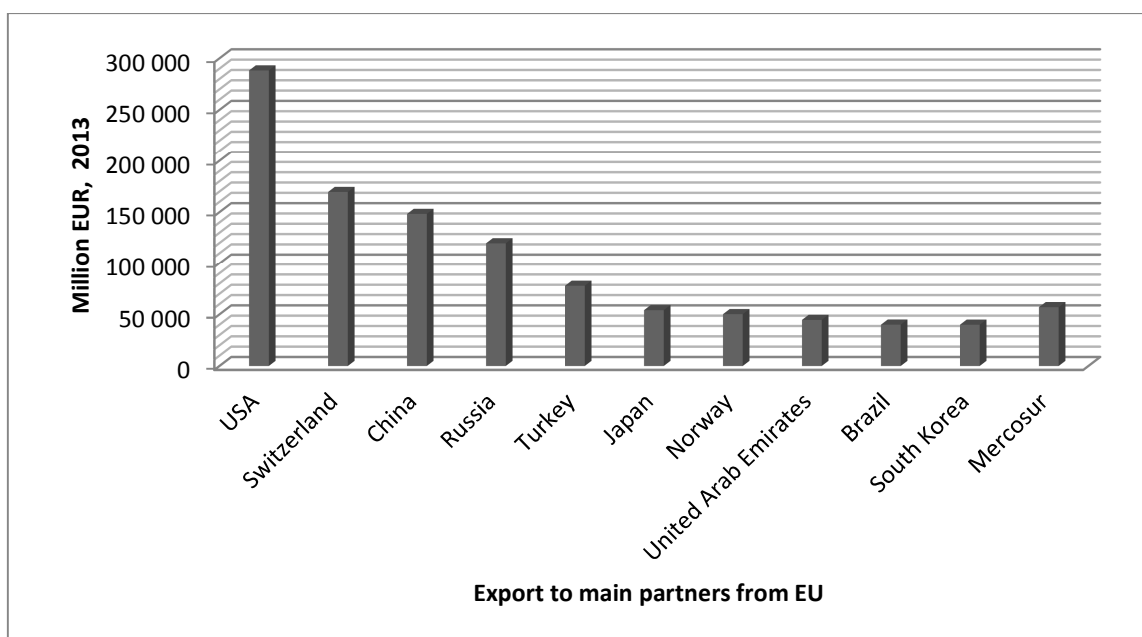


Figure 11 main destination of exports from EU the year 2013

16.6% of the European Union exports represent to USA with machinery, chemical products, transport equipment, optical and photographic instruments and chemicals products being the most exported products, 9.8% go to Switzerland (table 6) consisting mainly of pearls and precious metals, machinery, transport and chemical products, 8.5% of the total EU export is to China containing principally machinery, transport equipment, manufactured and chemical goods.

⁵ Venezuela is included in the numbers.

Table 6 share (%) of total exports from EU to main trade partners in 2013

No	EU exports to	million euro	share %
1	USA	288,263	16.6
2	Switzerland	169,566	9.8
3	China	148,297	8.5
4	Russia	119,780	6.9
5	Turkey	77,755	4.5
6	Japan	54,076	3.1
7	Norway	50,225	2.9
8	United Arab Emirates	44,652	2.6
9	Brazil	40,043	2.3
10	South Korea	39,968	2.3
	MERCOSUR⁶	56,957	3.3

In the balance trade of European Union there is a surplus in exports of goods to USA, Switzerland and United Arab Emirates. On the contrary, EU is in disadvantage compared to China, Russia and Norway is a notable deficit on the exports to these countries (Fig 12)

⁶ Venezuela is included in the numbers.

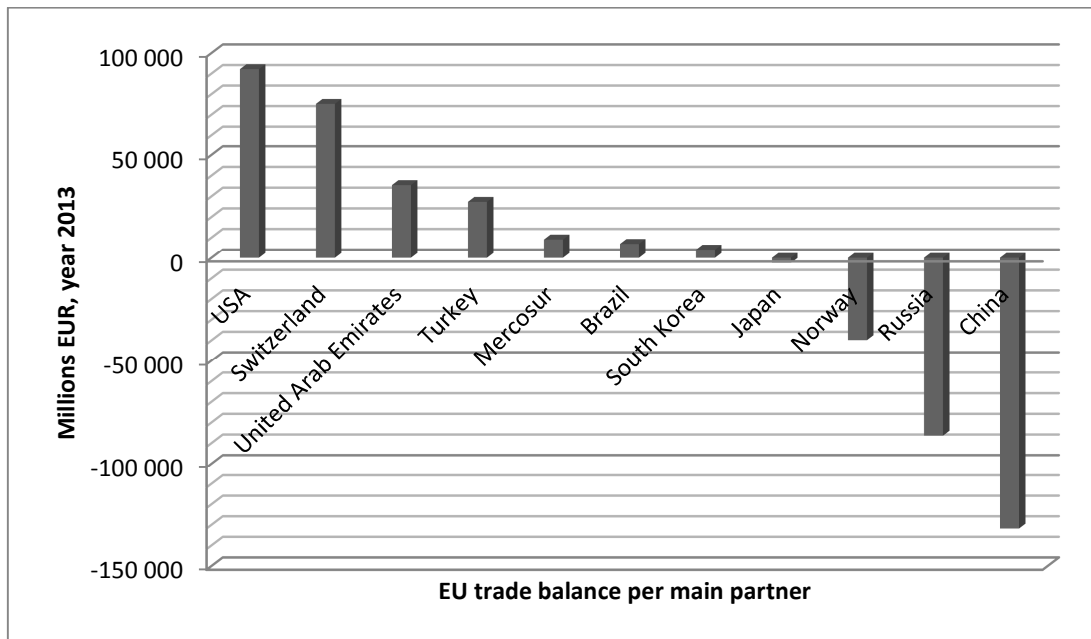


Figure 12 Balance Trade EU corresponding 2013

5.7. Evaluation of trade between EU/Mercosur

The assessment of trade possibilities between EU/Mercosur pass through the understanding the geography of their exchange. We have identified the grade of relation between this two blocks and recognize three basic features of their commerce; Intense, Asymmetric and a pattern in the commercial relations north-south.

1. **Intense**; because in the last decades (2002-2013) had duplicate the trade, especially the imports carried out from EU to Mercosur increase in average inter-annual rate of 16% and for the same period the exports increase in average inter-annual rate of 5%.
2. **Asymmetric**; Mercosur is a partner with not much relevance for EU since represent only the 14% in total commerce (Puerto Sanz, 2004). However, Mercosur is the main partner for EU in Latino America and inversely EU is the main commercial partner for Mercosur.
3. Finally, **specialisation of bilateral commerce** fits to the typical parameters in the trade between developed and developing countries. Mercosur's Imports from EU are concentrated in the sectors of chemical products, petroleum and oil, rubber and talked, metals, machinery and electric equipment and transport equipment. In general, we can consider that the goods imported for Mercosur have greater level of sophistication than Mercosur can provide. In the following section is describing the main products imported and exported by EU/MS (Puerto Sanz, 2004).

In summary form, it can be concluded that yearly imports from MERCOSUR to EU increased steadily from 2002 to 2008 but sharply dropped in 2009 (Fig. 10). Between the years 2010-2011 there was a significant recovery of the exportation of Mercosur, whose increment reach the annual rate of 27,8% but this dynamic was not sustainable and in 2012 began a period of reduction of the total exports again falling around 2,8%. (Fig 13) by 2013 the week performances continue but only around 1%.

The exportation from EU to MERCOSUR had increasing tendency from 2003 to 2008 then dropped significantly in 2009 but recovered in 2010, surpassing the values from 2008, and has continued increasing since then.

In most of the years the total value of import exceeded significantly the total value of export from EU to MERCOSUR but it changed in the year 2013 when export became higher than import. The general tendency from 2003 to 2008 was a steady increase of the difference between import and export (in favour of import) but since 2008 this difference started narrowing until 2013 when export surpassed the import for the first time (Fig 13).

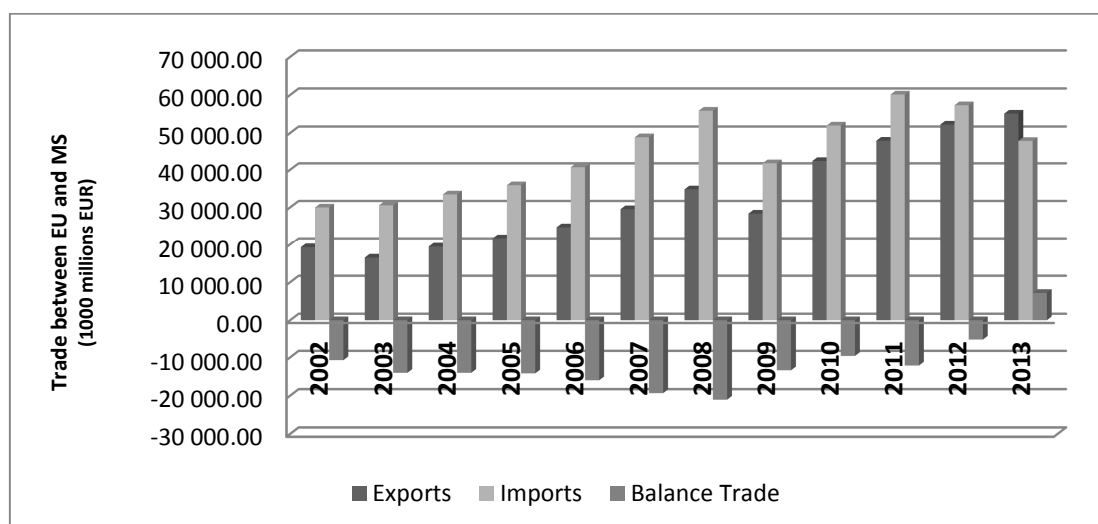


Figure 13 yearly amounts of exports and imports between EU/MERCOSUR during 2002 to 2013

5.7.1. The major imported products from European Union to the Mercosur

In this section we will identify which is the main product imported from European Union to Mercosur countries.

Because Brazil is the biggest country within Mercosur, European Union imports largely from Brazil principally mineral product i.e. cooper, Iron, aluminium ores and slags, with an

amount of 11.076 thousand million euro during the year 2011, after that imports significantly drop until 2013 going down to 6.935 thousand million euro, the second most important good are beverages, spirits, tobacco with a value of 6.555 thousand million euro followed by vegetable products 5.433 thousand million euro for the year 2013.

Argentina is the second main economy inside Mercosur and European Union import from this country since 2002 until 2013 mainly beverages, spirits, vinegar, tabaco from 2002 there is a notable increase from 2.358 thousand million euro until 2008 almost double to 4.394 thousand million euro, in 2009 there is a decrease to 3.839 thousand million euro and until 2013 it is almost similar values of imports of this product.

In the case of Paraguay there is small trade in comparison with Brazil and Argentina and it is mainly vegetable products which from 2002 started with 61 thousand euro which until 2008 increased remarkably to 388 thousand euro, in 2009 was a decrease in imports but in 2010 and 2011 notable improving and increased to more than double to 1.022 million thousand euro and from 2013 small decline to 908 thousand euro.

Uruguay is the smallest economy inside Mercosur and represent the lowest trade with EU in which the main product imported by EU are live Animals, animal products increasing from 2003 until 2008 in this year is the highest amount of imports with 424 thousand euro which had a small decrease until 2013 to 342 thousand euro, from 2008 there is a notable increase in the imports of pulp of wood, paper and fibrous cellulosic which in 2013 reach the amount of 282 thousand euro, in the year 2013 there also and increment of importing of vegetable products with the amount of 351 thousand euro

5.7.2. The main products exported from European Union to Mercosur countries

By the period of 2002 – 2013, Brazil and Argentina is the core of the exportations from European Union to Mercosur, Brazil is mostly importer of products of EU.

Brazil exports from EU are primarily machinery and mechanical appliances, electrical equipment, parts thereof. With a value of 12.523 thousand million euro on 2013, this is followed by chemical products or allied industries like pharmaceutical products 8.138 thousand million euro.

For Argentina as well as Brazil machinery and mechanical appliances, electrical equipment, parts thereof are the main exported goods from the EU but from 2012 to 2013 there is a decrease in chemical products and increase in transport equipment.

In the case of Uruguay European Union is mainly exporting to them machinery and mechanical parts, having the best of exports in 2012 and after that a fall in 2013 and a lightly increasing exportation of chemical products.

Paraguay is the smallest importer of EU inside Mercosur, and their main importations are machinery and mechanical appliances and electronic equipment, followed by vehicles and chemical products.

5.7.3. Analysis per country of Mercosur

Brazil is by far the largest exporter into EU followed by Argentina, which is approximately half of the Brazil's total export value (Fig 14).

In Brazil, Argentina and Uruguay there is evident similar development in the studied period of time. Their export tended to increase slowly until 2004 or 2005 then grew up quickly until 2008 but dropped significantly in 2009. Then there was a quick recover to pre-2009 values until 2011 when the values started to drop constantly (Fig. 14). The value of Paraguay export was comparably lower and did not decrease as much as in the other MERCOSUR countries, and, in addition, more than doubled in 2010 (compared with 2009) and in following years continued with the increase export values, although there was a slight decrease after 2011 (Fig. 15). As in other countries it rose from 2003 but the rise stopped already in 2007 when yearly export dropped then recovered in 2008 but a year after sharply decreases and never recovered again to or close to pre-2009 values (Fig. 14).

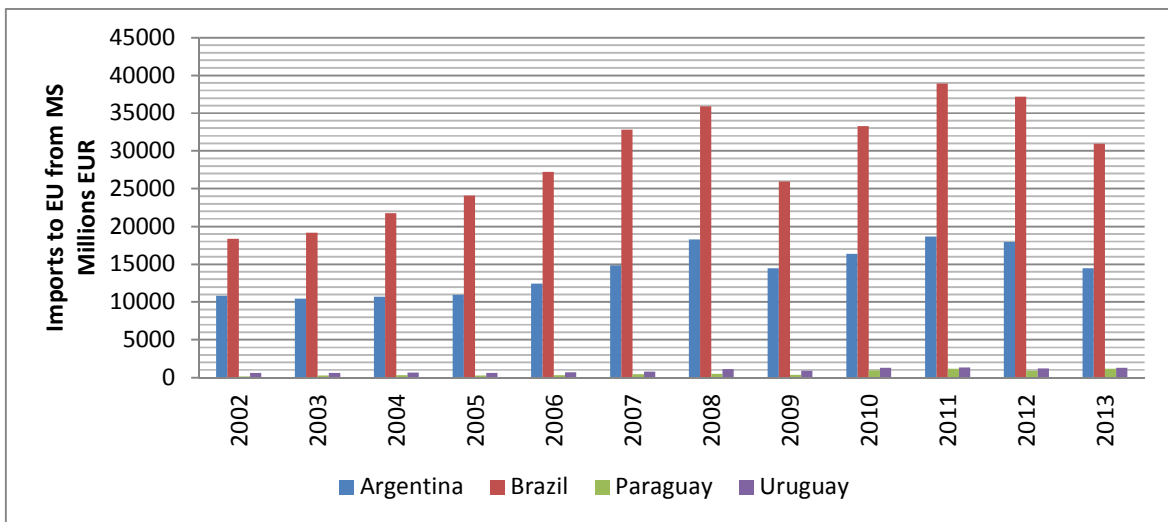


Figure 14 imports to EU from Mercosur

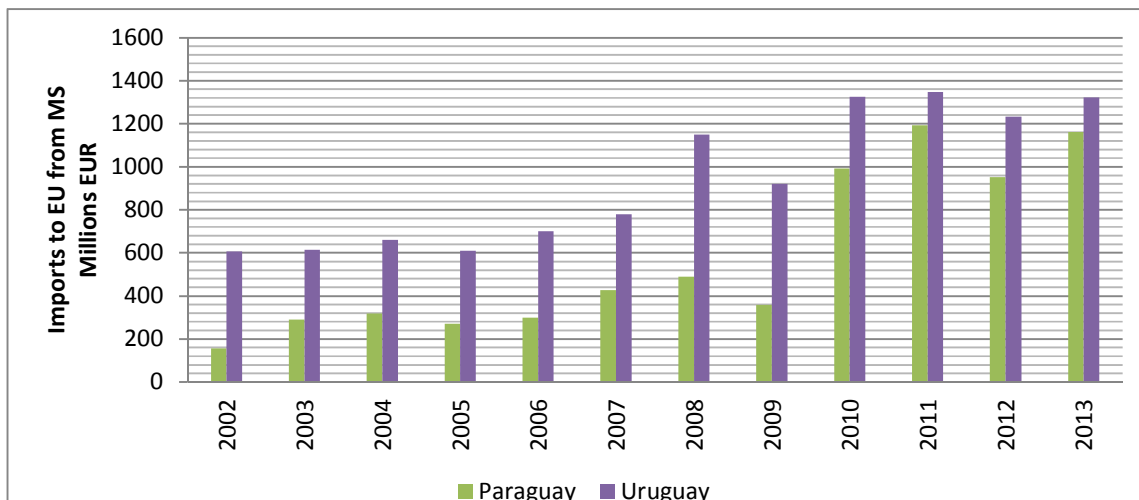


Figure 15 Development of total yearly import values from all Mercosur countries into EU in years 2002-2013 (only Paraguay and Uruguay for better clarity)

The per capita standardized yearly import values showed different inter-countries comparison than unstandardized ones because the two biggest exporters per capita were Argentina and Uruguay. Argentina itself was the greater per capita exporter in the past but Uruguay became the biggest per capita exporter within MERCOSUR in 2013. This change was due to greater overall increase in Uruguay exportation and also due to significant drop in Argentina exportation from 2012 to 2013 whereas Uruguay underwent slight increase in the same period of time (Fig 16 and 17).

a)

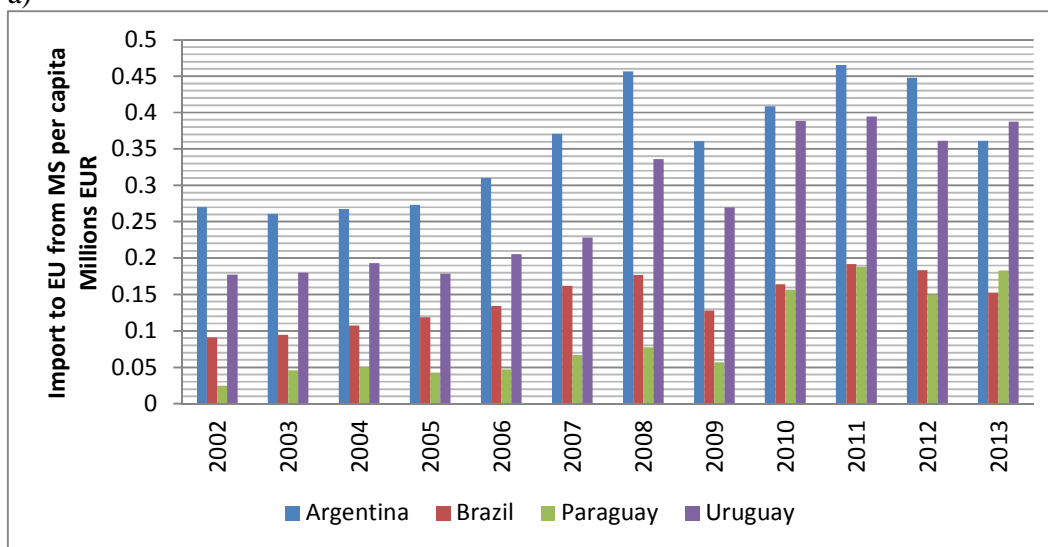


Figure 16 Development of total yearly import values from all MERCOSUR countries into EU in years 2002 – 2013 standardized per capita.

b)

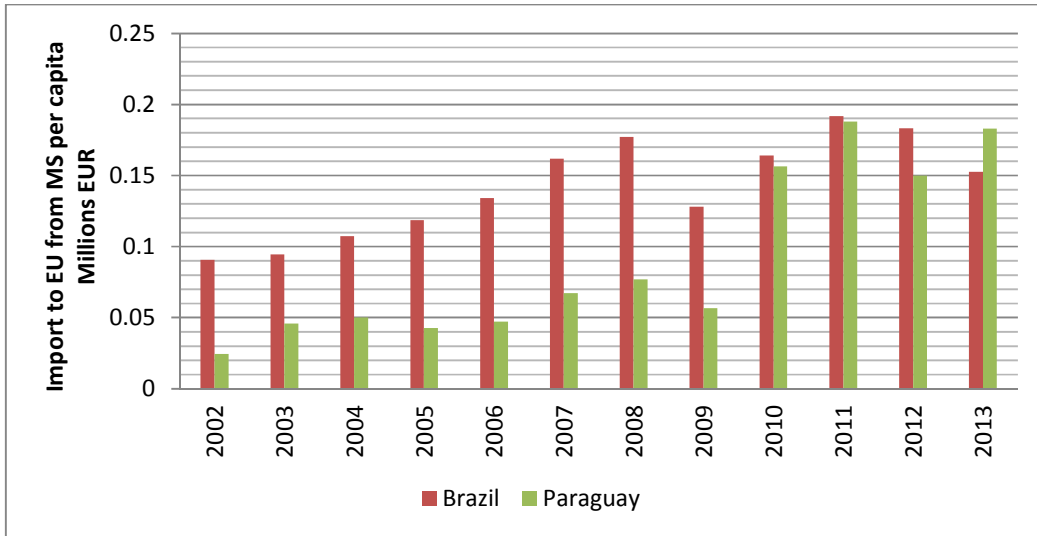


Figure 17 Development of total yearly import values from all MERCOSUR countries into EU in years 2002 – 2013 standardized per capita (only Brazil and Paraguay for better clarity)

Total exports from EU to the Mercosur countries during the period of 2002 -2013 underwent significant development. Brazil is the main destination country constantly increasing until 2009, then a quick recovering and during 2012 and 2013 increasing almost 50%. (Fig 18 and 19)

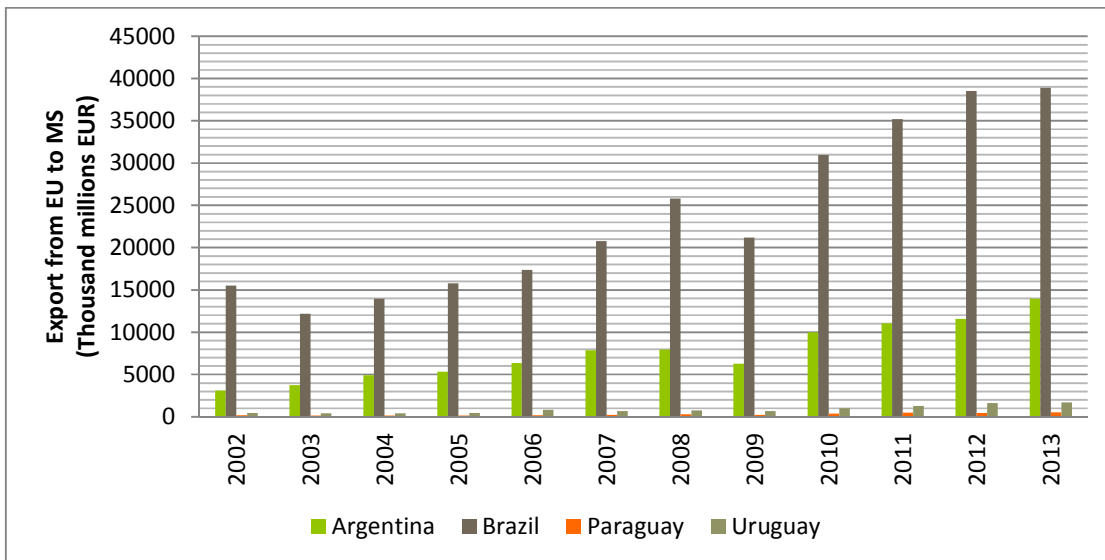


Figure 18 Development of total yearly export values from EU to MERCOSUR in years 2002 – 2013

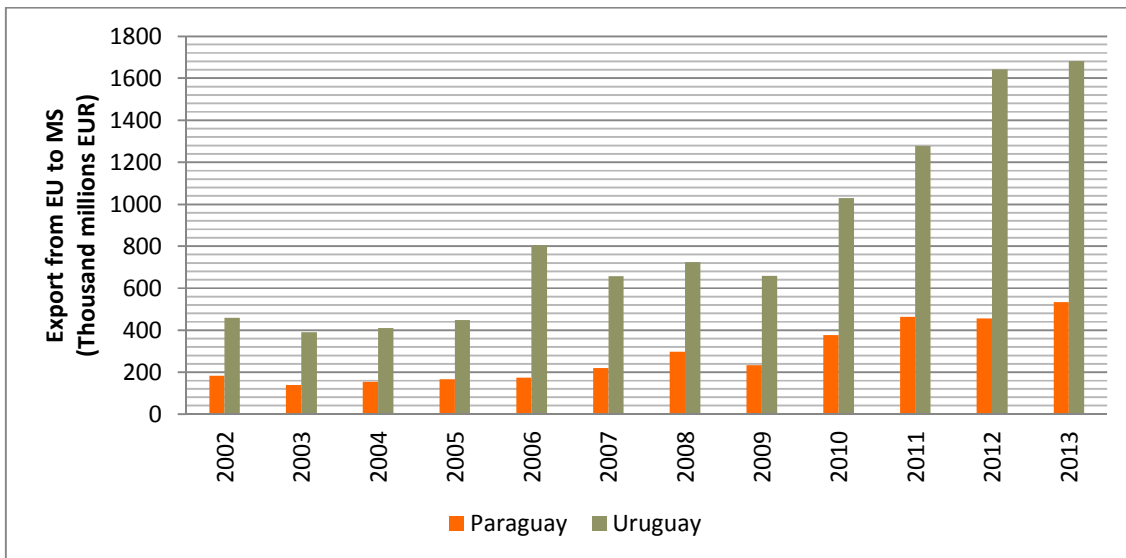


Figure 19 Development of total yearly export values from EU to MERCOSUR countries in years 2002 – 2013 (only Paraguay and Uruguay for better clarity)

Per capita exportation ranking of other MERCOSUR countries also changed during the course of time. In years 2002 until 2013 Uruguay lead the exports per capita and in the year 2012 and 2013 there is a notable increasing in exports per cap (Fig 20 and 21).

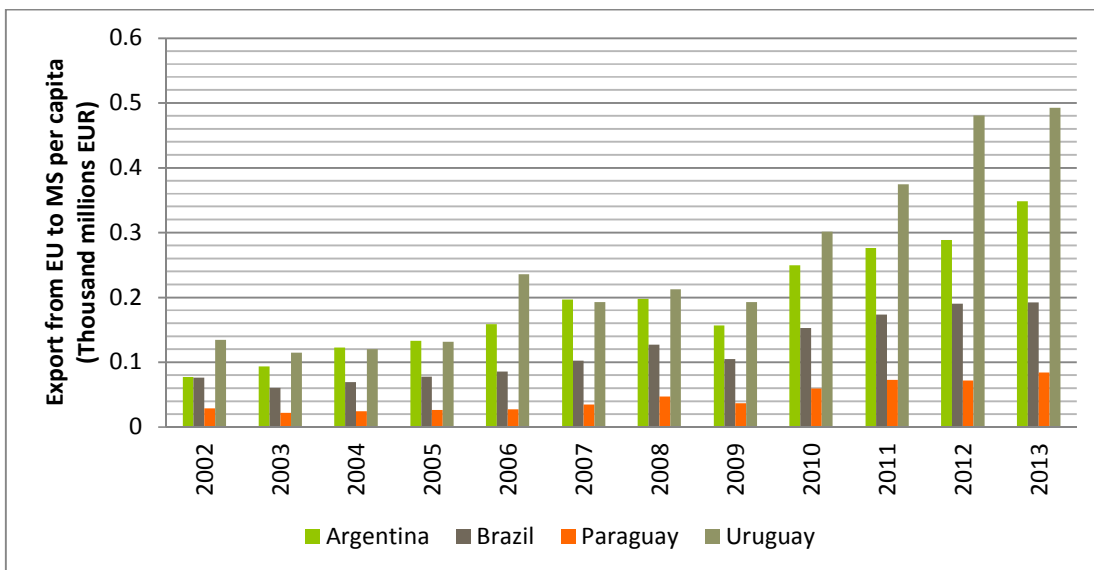


Figure 20 Development of total yearly export values from EU to all MERCOSUR countries in years 2002 – 2013 standardized per capita.

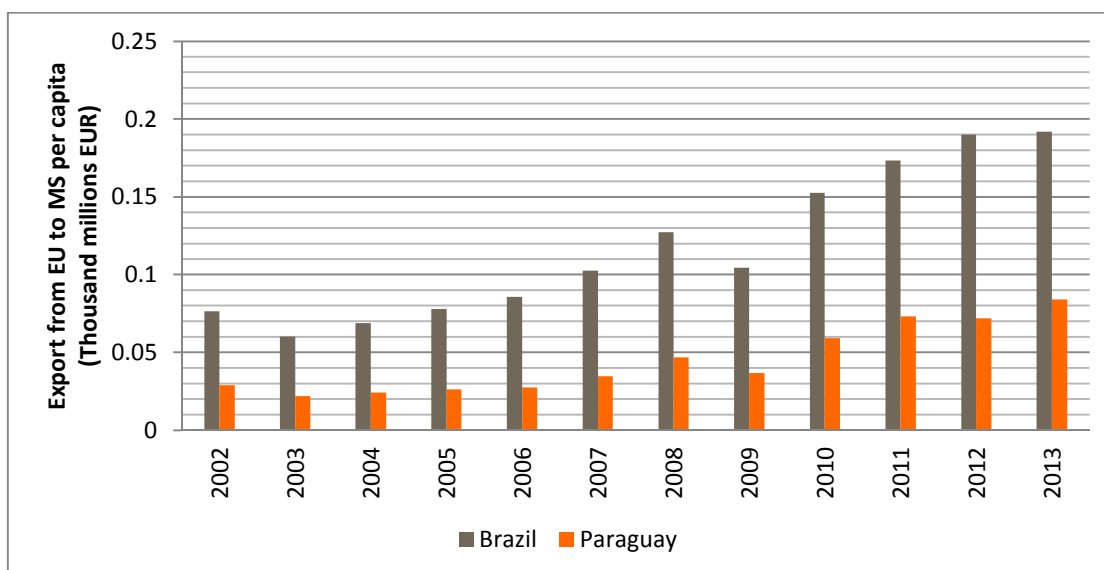


Figure 21 Development of total yearly export values from EU to all MERCOSUR countries in years 2002 – 2013 standardized per capita (only Brazil and Paraguay for better clarity)

5.8. Development of import and export of main products

(i) Section 1 – Animals and animal products

In almost all animal products import from Mercosur to EU was superior to export (Fig. 22) The difference was most pronounced in meat and fish & crustacean products. However, the imports did not change or decreased in time whereas exports of all products increased ($P < 0.05$).

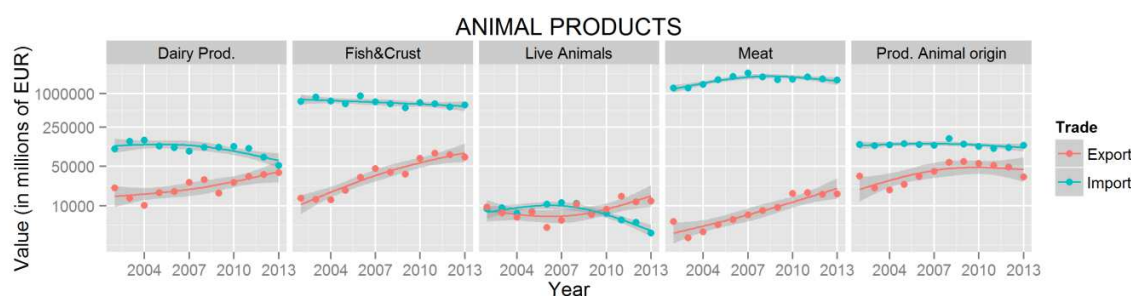


Figure 22 Development of import and export of Section 1 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(ii) Section 2 – VEGETABLE PRODUCTS

The import was greater than export in cereals, coffee and tea, oils seed as well as vegetables but lower in products of the milling industry and lac; gums, resins and similar products

(Fig. 23). As is sector 1, most imports either decreased or showed now tendency whereas exports increased steadily ($P < 0.05$).

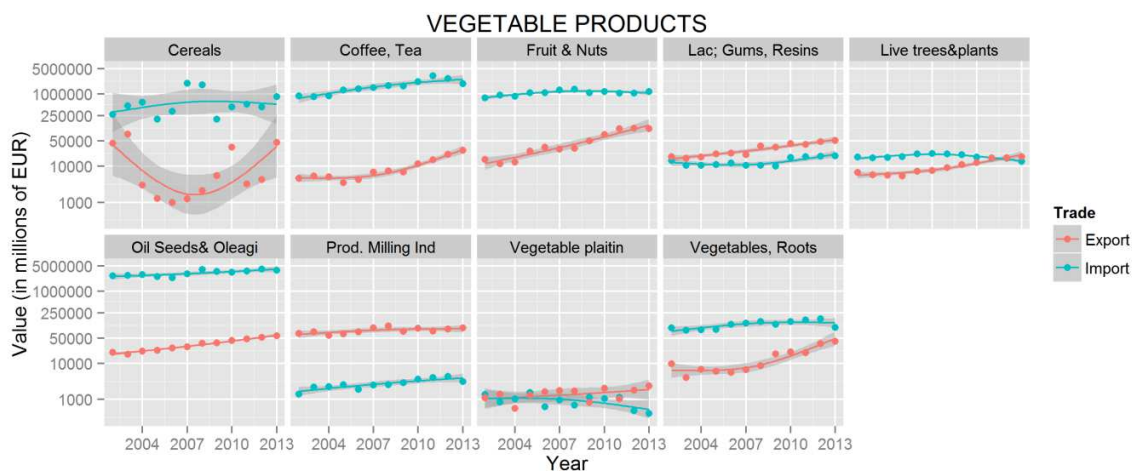


Figure 23 Development of import and export of Section 2 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(iii) Section 3 – ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PREPARED EDIBLE FATS; ANIMAL OR VEGETABLE WAXES

The exports of animal and vegetable fats and oils were lower than imports until 2013 when the difference between them became insignificant because of increase in export and decrease in import (Fig. 24).

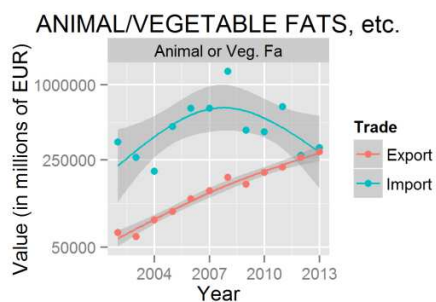


Figure 24 Development of import and export of Section 3 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(iv) Section 4 - PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES

The import was higher than export in five out of 9 products of sector 4 but lower only in 1 product (Fig. 25). The export showed mostly no trend whereas export increased steadily.

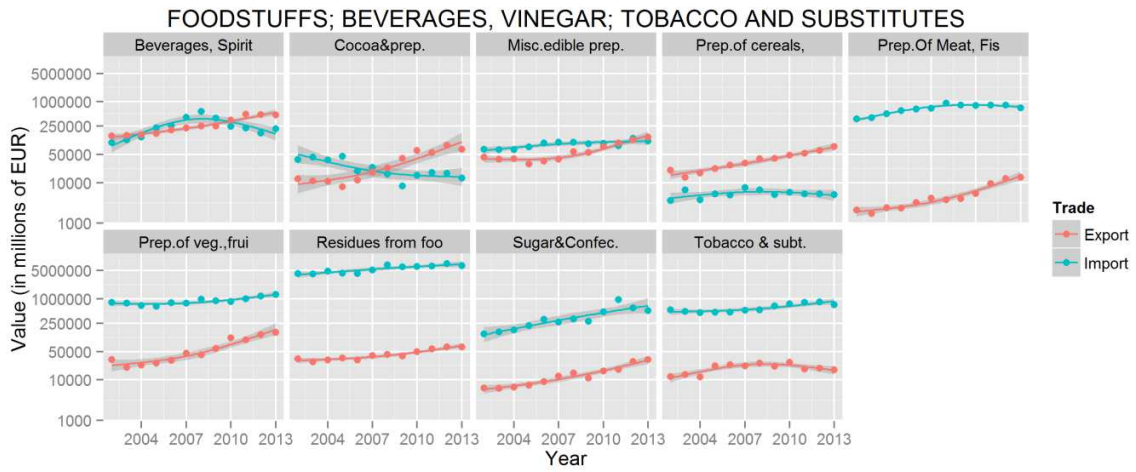


Figure 25 Development of import and export of Section 4 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(v) Section 5 - MINERAL PRODUCTS

Import was greater than export in two of the three product groups in the section 5 (Fig. 26). Both export and import increased in Mineral Fuels & Oils and in Orea, Slag & Ash whereas in Salt, Sulphur the import did not change but the export increased significantly, almost reaching the value of import (Fig. 26).

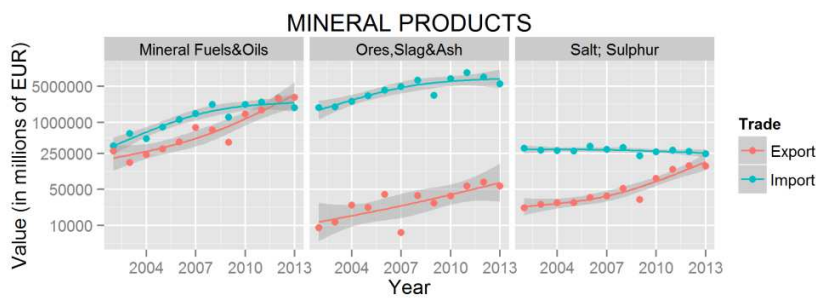


Figure 26 Development of import and export of Section 5 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(vi) Section 6 - PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES

In this sector, imports were greater than exports in most of the product groups for most of the years (Fig. 27). Exports showed positive development in all product groups but imports varied from positive to negative tendency (Fig. 27).

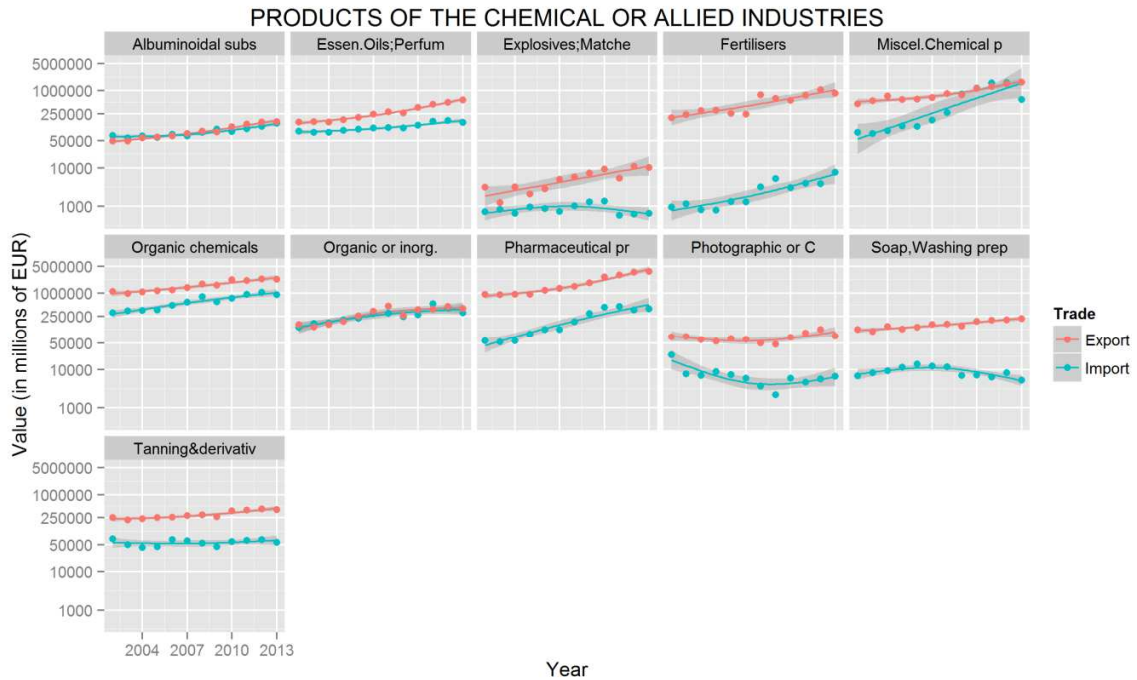


Figure 27 Development of import and export of Section 6 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(vii) Section 7 - PLASTICS AND ARTICLES THEREOF; RUBBER AND ARTICLES THEREOF

Export was significantly greater than import and had positive tendency in both product groups of the section 7 (Fig. 28).

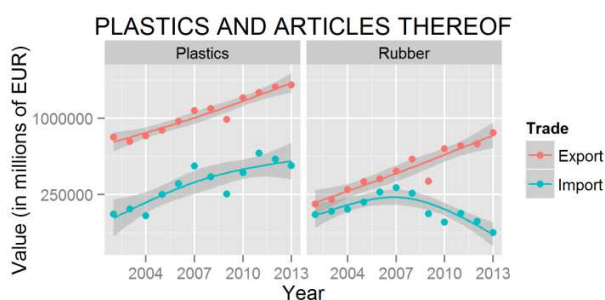


Figure 28 Development of import and export of Section 7 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(viii) Section 8 - RAW HIDES AND SKINS, LEATHER, FURSKINS AND ARTICLES THEREOF; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT

Imports were mostly higher than exports in this section but both export and imports tended to change little over the studied time period (Fig. 29).

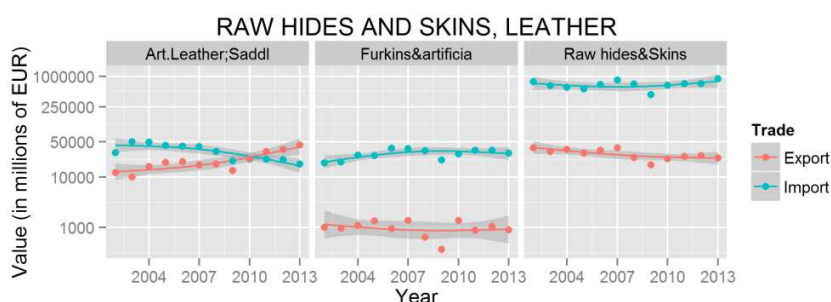


Figure 29 Development of import and export of Section 7 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(ix) Section 9 - WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL; CORK AND ARTICLES OF CORK; MANUFACTURES OF STRAW, OF ESPARTO OR OF OTHER PLAINTING MATERIALS; BASKETWARE AND WICKERWORK

Imports of wood and wood articles and manufactures of straw were greater than exports whereas exports were greater in whereas cork and cork articles (Fig. 30).

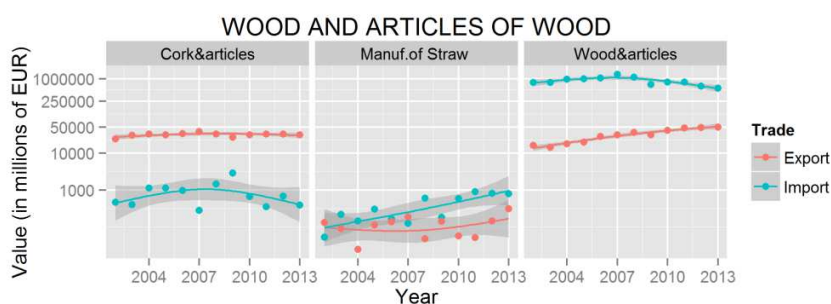


Figure 30 Development of import and export of Section 9 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(x) Section 10 - PULP OF WOOD OR OF OTHER FIBROUS CELLULOSIC MATERIAL; RECOVERED (WASTE AND SCRAP) PAPER OR PAPERBOARD; PAPER AND PAPERBOARD AND ARTICLES THEREOF

Whereas export of paper processed products was greater than import, the import was much higher than export in the raw pulp and related cellulosic materials (Fig. 31), which was also one of the most imported groups from Mercosur.

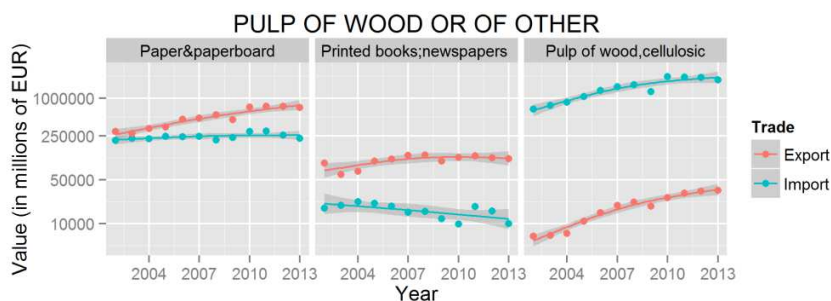


Figure 31 Development of import and export of Section 10 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(xi) Section 11 - TEXTILES AND TEXTILE ARTICLES

Almost all product groups in section 11 had exports higher or similar to imports except for wool, fine or coarse animal hair, import of which represented the greatest traded value of all product group in this section (Fig. 32).

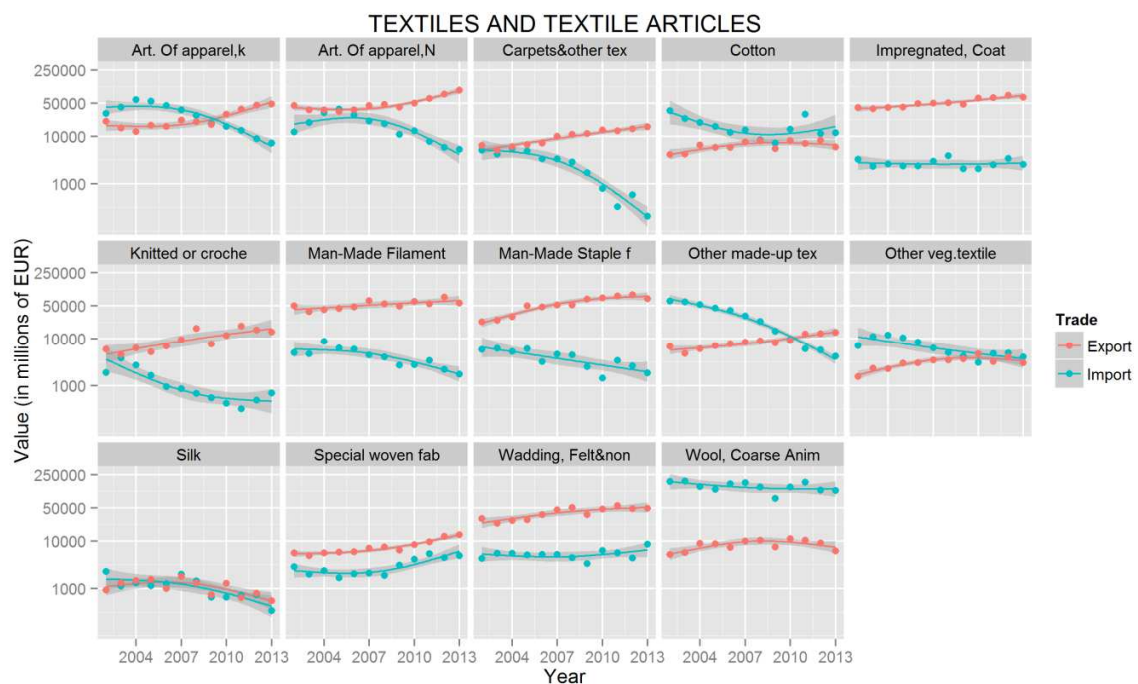


Figure 32 Development of import and export of Section 11 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(xii) Section 12 – FOOTWEAR, HEADGEAR, UMBRELLAS, SUN UMBRELLAS, WALKING STICKS, SEAT-STICKS, WHIPS, RIDING-CROPS AND PARTS THEREOF; PREPARED FEATHERS AND ARTICLES MADE THEREWITH; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR

The export was greater than import in most of the product groups of section 12 except for Footwear and gaiters, in which import was much larger than export and which also represented the most traded product group of section 12. However, the imports in the last years had negative tendency whereas the tendency of exports was generally positive (Fig. 33).

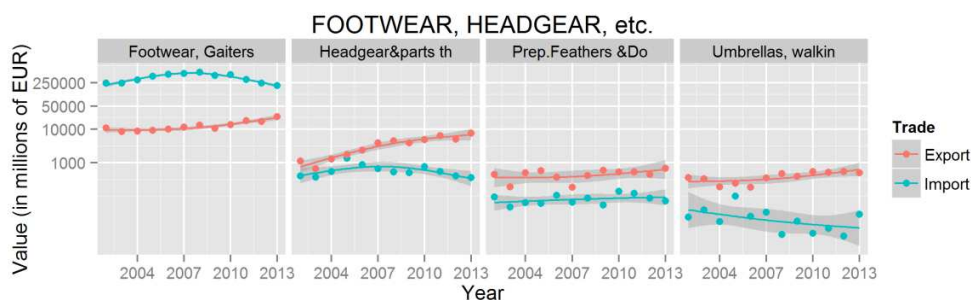


Figure 33 Development of import and export of Section 12 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(xiii) Section 13 - ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS; CERAMIC PRODUCTS; GLASS AND GLASSWARE

There was a contrasting tendency in the section 13 because import had strong negative tendency whereas mostly dominating export had significantly positive tendency (Fig. 34).

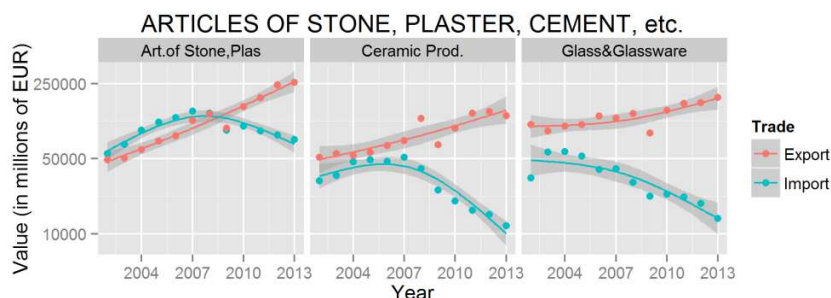


Figure 34 Development of import and export of Section 13 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(xiv) Section 14 - NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METALS, METALS CLAD WITH PRECIOUS METAL, AND ARTICLES THEREOF; IMITATION JEWELLERY; COIN

In the only group of this section imports were significantly higher than export and the difference between them even increased over time (Fig. 35).

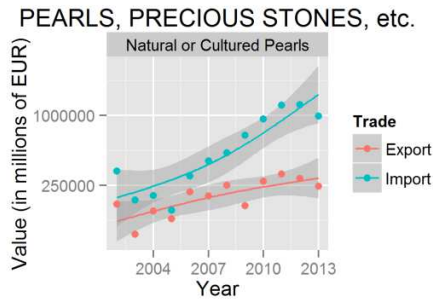


Figure 35 Development of import and export of Section 14 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(xv) Section 15 - BASE METALS AND ARTICLES OF BASE METAL

In most of the product groups export constantly increased over studied period of time whereas there was a significant decline in import from 2008 to 2013 (Fig. 36).

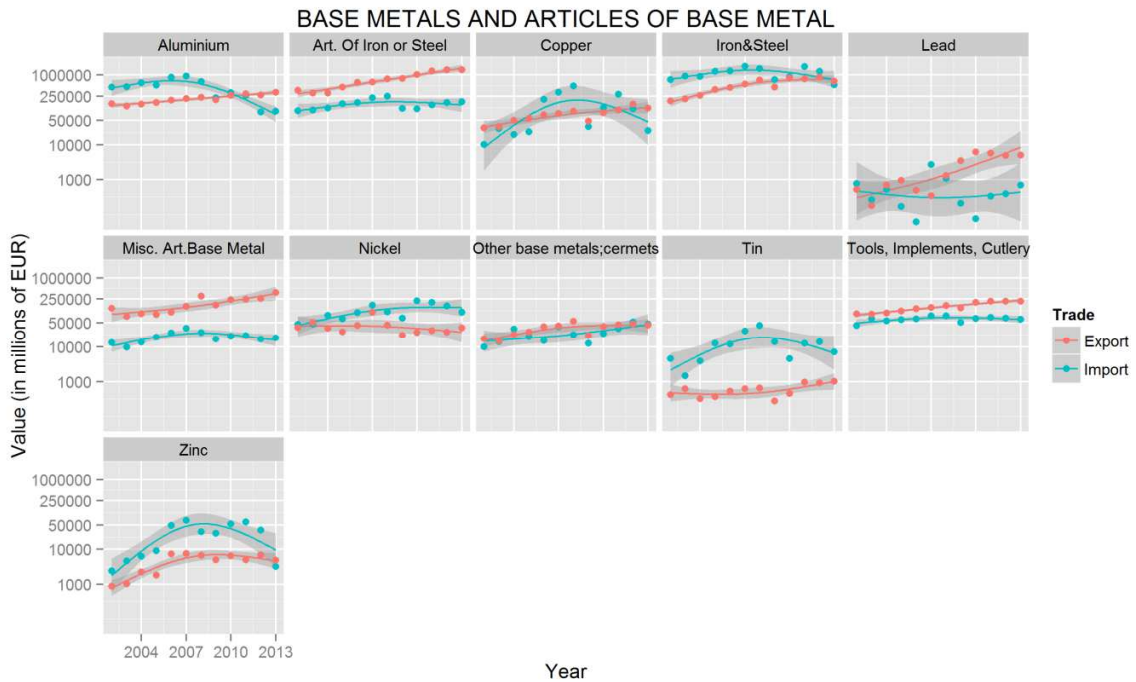


Figure 36 Development of import and export of Section 15 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

**(xvi) Section 16 – NUCLEAR REACTORS, MACHINERY AND MECHANICAL APPLIANCES;
ELECTRICAL EQUIPMENT**

The export was greater than import in the section 16 and the difference increased over time (Fig. 37). In all the product groups export constantly increased over studied period of time whereas there was a significant decline in import from around 2007 to 2013 (Fig. 37).

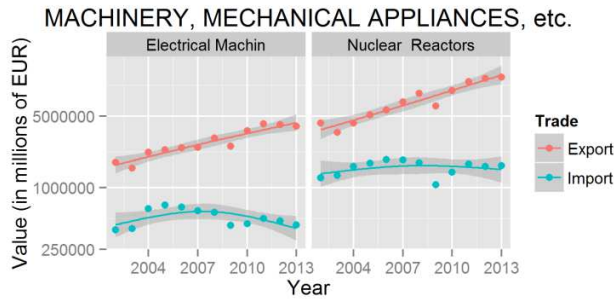


Figure 37 Development of import and export of Section 16 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(xvii) Section 17 - VEHICLES, AIRCRAFT, VESSELS AND ASSOCIATED TRANSPORT EQUIPMENT

In this section, export was greater than import in most of the products and years (Fig. 38). Both exports and imports raised steadily with the exception of vehicles, in which import decreased sharply after 2008 (Fig. 38).

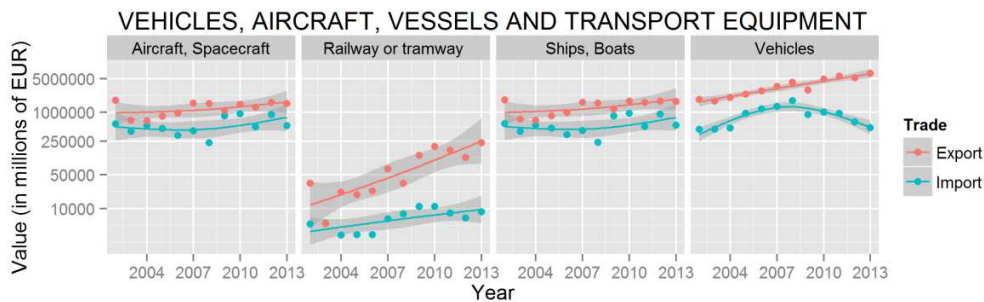


Figure 38 Development of import and export of Section 17 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(xviii) Section 18 - OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; CLOCKS AND WATCHES; MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES THEREOF

The export exceeded import in all products groups of the section 18 (Fig. 39). The significant raise is evident only in exports of optical and related products (Fig. 39).

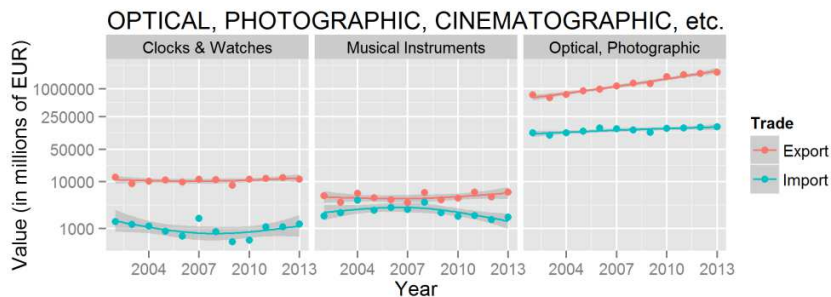


Figure 39 Development of import and export of Section 18 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(xix) Section 19 - ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF

Arms and related parts and accessories represent only a small fraction of trade between EU and Mercosur. However, there was a steep increase over studied period of time (Fig. 40), indicating that it may become more important in the future.

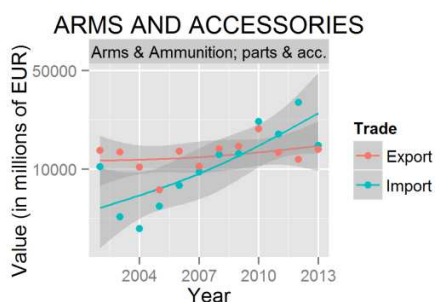


Figure 40 Development of import and export of Section 19 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

(xx) Section 20 - MISCELLANEOUS MANUFACTURED ARTICLES

Trade of Furniture and bedding clearly dominated this section (Fig. 41). In the last observed year 2013 the trade in all product groups was dominated by export, but in Furniture and bedding imports were much superior to exports until 2012 when export surpassed import due to contrary development of the two parts of the trade (Fig. 41).

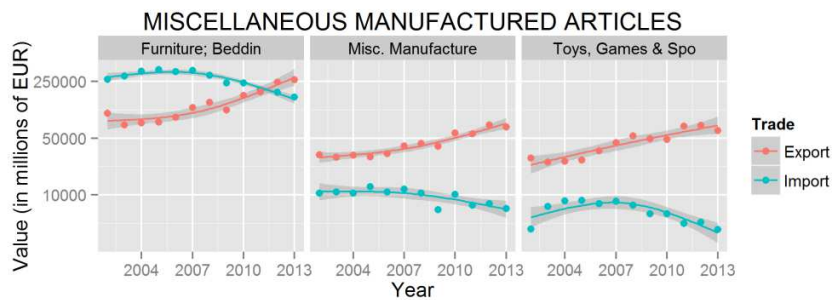


Figure 41 Development of import and export of Section 20 product groups from 2002 to 2013. Each line represents polynomial model for either export or import for given group of products. The shaded area around each line marks 95% confidence intervals. Details on used abbreviations are shown in table 13.

5.9. Main changes in export and import over time

In absolute values, the main increase in imports over the period of time from 2002 to 2013 occurred in ores, slag and ash and in residues from food industry, imports of which were far higher than in other products (Table 7).

Table 7 Values of import of the 10 product groups with largest increase in absolute import value.

Rank	Product groups	Import		Abs. Change	Relat. Change
		2002	2013		
		in millions EUR		%	
1	Ores, Slag & Ash	1 911 905.22	5 573 039.28	3 661 134.07	191.49
2	Residues from food ind.	4 202 014.11	6 584 815.35	2 382 801.25	56.71
3	Mineral Fuels & Oils	346 238.78	1 900 407.60	1 554 168.81	448.87
4	Pulp of wood, cellulosic	666 784.97	1 974 674.56	1 307 889.59	196.15
5	Oil Seeds & Oleaginous fruits	2 650 482.22	3 788 357.46	1 137 875.24	42.93
6	Coffee, Tea	875 724.18	1 907 852.71	1 032 128.53	117.86
7	Natural or Cultured Pearls	330 954.26	990 624.03	659 669.77	199.32
8	Organic chemicals	308 176.63	926 260.80	618 084.17	200.56
9	Cereals	272 711.78	829 190.01	556 478.23	204.05
10	Miscel. Chemical prod.	82 835.52	591 212.33	508 376.81	613.72

In terms of relative values, the main increase in imports happened in Manufactures of Straw and related products, Fertilisers and Miscellaneous Chemical products. However, only Miscellaneous Chemical products belonged among the groups of higher traded values whereas other two represent only a fraction of total imports but several other high value groups were among the most increasing (Table 8).

Table 8 Values of import of the 10 product groups with largest increase in relative import value

Rank	Product groups	Import		Abs. Change	Relat. Change
		2002	2013		
		in millions EUR		%	
1	Manuf. of Straw	54.19	802.84	748.65	1381.4
2	Fertilisers	954.07	7 590.63	6 636.56	695.6
3	Miscel. Chemical prod.	82 835.52	591 212.33	508 376.81	613.7
4	Pharmaceutical prod.	57 157.74	391 740.73	334 583.00	585.4
5	Mineral Fuels&Oils	346 238.78	1 900 407.60	1 554 168.81	448.9
6	Other base metals; cements	10 063.94	47 147.75	37 083.81	368.5

7	Sugar&Confec.	136 923.31	510 102.76	373 179.45	272.5
8	Cereals	272 711.78	829 190.01	556 478.23	204.1
9	Organic chemicals	308 176.63	926 260.80	618 084.17	200.6
10	Natural or Cultured Pearls	330 954.26	990 624.03	659 669.77	199.3

In exports, the major increase in value was in nuclear reactors and boilers and in vehicles which both increased far more than the other groups (Table 9).

Table 9 Values of import of the 10 product groups with largest increase in absolute export value.

Product groups	Export			
	2002	2013	Abs. Change	Relat. Change
	in millions EUR			%
Nuclear Reactors, Boilers	3481582.18	12106485.44	8624903.27	247.73
Vehicles	1709544.97	6374402.64	4664857.68	272.87
Mineral Fuels&Oils	276115.17	3022188.30	2746073.12	994.54
Pharmaceutical prod.	953256.18	3677526.52	2724270.34	285.79
Electrical Machinery; reproducers	1555522.80	3998476.75	2442953.95	157.05
Optical, Photographic	645822.05	2251198.76	1605376.71	248.58
Organic chemicals	1102973.27	2311693.86	1208720.58	109.59
Miscel. Chemical prod.	453812.52	1640476.67	1186664.15	261.49
Plastics	656703.00	1836263.51	1179560.51	179.62
Art. Of Iron or Steel	303045.89	1433466.28	1130420.39	373.02

In terms of relative increase in exports, impressive raise over 1000% occurred in Railway and tramway, Lead and in Headgear and parts, but export of a number of other product groups boosted significantly over the time (Table 10).

Table 10 Values of import of the 10 product groups with largest increase in absolute export value.

Product groups	Export			
	2002	2013	Abs. Change	Relat. Change
	in millions EUR			%
Railway or tramway	4858.00	229333.18	224475.17	4 620.73
Lead	180.35	5043.24	4862.89	2 696.33

Headgear&parts thereof	669.73	7755.86	7086.14	1 058.07
Mineral Fuels&Oils	276115.17	3022188.30	2746073.12	994.54
Fruit & Nuts	15265.22	110059.05	94793.83	620.98
Prep.Of Meat, Fish	2085.82	13632.98	11547.15	553.60
Ores,Slag&Ash	8875.73	57455.70	48579.97	547.34
Salt; Sulphur	21848.09	139390.61	117542.53	538.00
Works art, Collectors pieces&antiques	7868.15	47929.66	40061.52	509.16
Coffee, Tea	4533.12	27320.35	22787.23	502.68

5.10. Relative Comparative Advantage

RCA for main groups of trading products showed that EU has comparative advantage in most of the products (RCA > 1; table 11). The greatest advantage of EU lies in technologically complex products such as Integrated circuits and electronic components, electronic data processing and office equipment, office and telecom equipment etc. The only exception to this was clothing which had the third largest RCA of all products.

Table 11 Revealed Comparative Advantage of EU

Group of products	Revealed Comparative advantage of EU										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Integrated circuits and electronic components	7.21	8.22	10.57	14.58	16.34	55.69	26.92	19.95	24.77	20.66	19.37
Electronic data processing and office equipment	12.50	13.50	13.88	11.87	12.92	18.62	16.88	14.33	18.26	17.83	18.93
Clothing	6.43	5.78	5.84	6.49	7.94	9.68	12.31	14.58	15.88	15.79	15.81
Office and telecom equipment	3.78	4.33	5.69	3.98	4.34	5.96	5.86	6.45	9.63	11.58	13.84
Telecommunications equipment	1.94	2.22	3.10	2.10	2.44	3.08	3.19	3.81	6.02	8.13	10.62
Scientific and controlling instruments	4.99	6.23	5.88	5.82	5.16	5.45	5.82	6.27	7.71	7.90	8.22
Pharmaceuticals	6.38	7.70	7.72	8.09	7.32	7.43	7.29	6.87	7.42	7.40	6.93
Miscellaneous manufactures	5.33	5.59	5.40	5.42	5.49	5.65	6.23	6.18	6.97	7.28	6.71
Other manufactures	2.41	2.61	2.60	2.82	3.04	3.30	3.81	4.15	4.72	5.41	5.38
Other machinery	3.00	2.82	2.58	2.42	2.49	2.64	2.84	3.04	3.19	3.31	3.09
Textiles	1.84	1.70	1.76	1.77	1.88	2.00	2.26	2.47	2.54	2.93	3.04
Personal and household goods	0.90	0.96	0.97	1.08	1.23	1.42	1.70	1.95	2.15	2.82	2.95
Chemicals	2.26	2.32	2.28	2.26	2.13	2.25	2.22	2.33	2.51	2.47	2.41
Machinery and transport equipment	2.19	2.30	2.08	1.92	1.96	2.03	2.08	2.39	2.39	2.48	2.41

Manufactures	1.87	1.91	1.82	1.77	1.81	1.92	1.98	2.23	2.32	2.39	2.34
Non-ferrous metals	0.69	0.71	0.77	0.90	0.94	1.00	1.14	1.13	1.55	1.74	1.92
Other chemicals	1.75	1.75	1.72	1.70	1.60	1.70	1.67	1.67	1.84	1.84	1.79
Other semi-manufactures	1.21	1.18	1.19	1.28	1.26	1.36	1.58	1.60	1.65	1.87	1.75
Automotive products	1.70	1.71	1.59	1.33	1.30	1.45	1.45	1.55	1.44	1.56	1.58
Transport equipment	1.49	1.65	1.40	1.30	1.28	1.33	1.32	1.55	1.49	1.57	1.55
Other transport equipment	1.13	1.51	1.06	1.23	1.23	1.06	1.07	1.54	1.63	1.59	1.49
Fish	0.37	0.37	0.46	0.57	0.50	0.63	0.69	0.74	0.78	0.86	0.90
Fuels	0.38	0.41	0.49	0.58	0.58	0.59	0.72	0.58	0.66	0.78	0.85
Iron and steel	0.47	0.49	0.54	0.53	0.62	0.75	0.71	0.71	0.86	0.84	0.81
Fuels and mining products	0.35	0.37	0.42	0.46	0.48	0.48	0.53	0.43	0.41	0.44	0.52
Raw materials	0.45	0.41	0.42	0.44	0.45	0.45	0.46	0.46	0.47	0.51	0.49
Agricultural products	0.26	0.25	0.25	0.26	0.26	0.25	0.25	0.26	0.26	0.26	0.26
Food	0.24	0.23	0.23	0.24	0.24	0.23	0.23	0.24	0.24	0.24	0.24
Other food products	0.23	0.23	0.22	0.24	0.24	0.22	0.22	0.23	0.23	0.23	0.23
Ores and other minerals	0.14	0.15	0.17	0.15	0.16	0.17	0.14	0.12	0.10	0.10	0.11

Source; WTO statistical data.

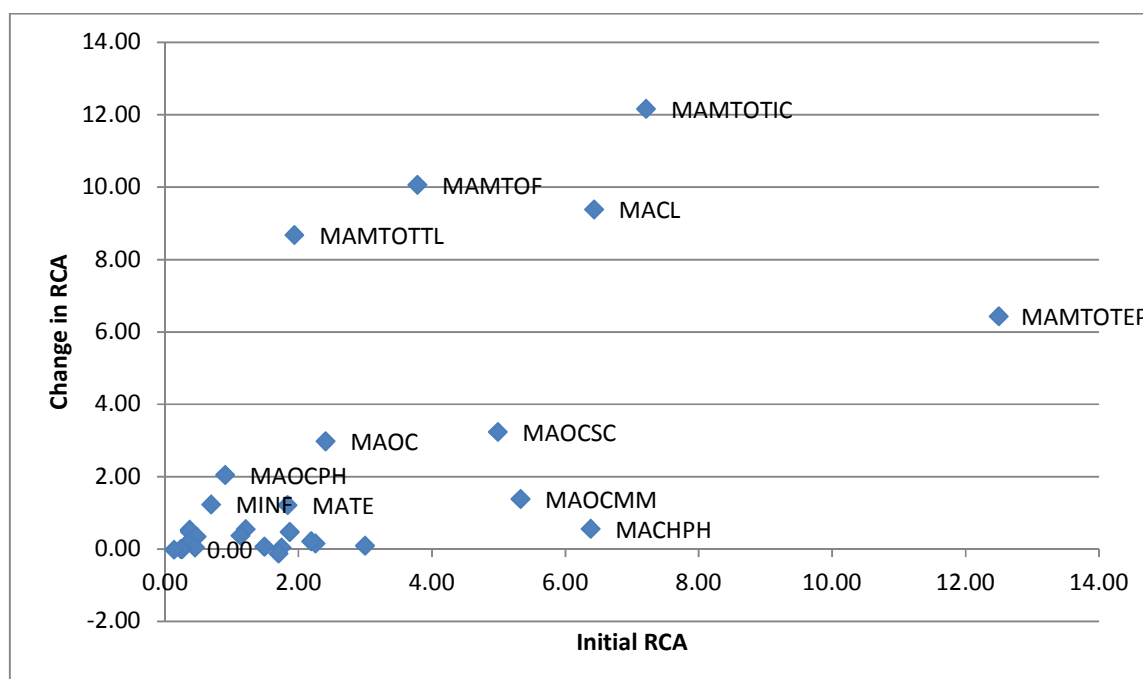


Figure 42 Main changes of RCA during 2002-2012

Relative comparative advantage of Mercosur is comparatively in less products and the magnitude of this advantage is also lower in general. Out of all products, Mercosur has greatest RCA in raw materials, minerals, food and agricultural products, most of which are un- or little processed primary products.

Table 12 Revealed Comparative Advantage of MERCOSUR

Group of products	Revealed Comparative advantage of MERCOSUR										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Ores and other minerals	7.30	6.60	5.96	6.78	6.21	5.92	6.92	8.64	9.75	10.20	9.03
Other food products	4.26	4.40	4.46	4.25	4.24	4.49	4.46	4.35	4.31	4.40	4.40
Food	4.17	4.30	4.32	4.10	4.10	4.32	4.30	4.19	4.15	4.23	4.24
Agricultural products	3.85	4.00	4.00	3.79	3.79	3.97	3.99	3.91	3.84	3.88	3.91
Raw materials	2.22	2.45	2.37	2.26	2.20	2.20	2.16	2.18	2.12	1.95	2.05
Fuels and mining products	2.87	2.69	2.40	2.17	2.10	2.07	1.90	2.34	2.43	2.26	1.91
Iron and steel	2.11	2.05	1.84	1.88	1.60	1.34	1.40	1.41	1.16	1.19	1.23
Fuels	2.66	2.47	2.06	1.74	1.74	1.71	1.38	1.72	1.52	1.29	1.17
Fish	2.70	2.72	2.15	1.75	2.01	1.60	1.45	1.35	1.28	1.16	1.11
Other transport equipment	0.88	0.66	0.95	0.82	0.81	0.94	0.94	0.65	0.61	0.63	0.67
Transport equipment	0.67	0.61	0.72	0.77	0.78	0.75	0.76	0.65	0.67	0.64	0.64
Automotive products	0.59	0.59	0.63	0.75	0.77	0.69	0.69	0.64	0.70	0.64	0.63
Other semi-manufactures	0.83	0.85	0.84	0.78	0.79	0.73	0.63	0.63	0.61	0.54	0.57
Other chemicals	0.57	0.57	0.58	0.59	0.62	0.59	0.60	0.60	0.54	0.54	0.56
Non-ferrous metals	1.44	1.41	1.30	1.11	1.07	1.00	0.87	0.89	0.65	0.58	0.52
Manufactures	0.54	0.52	0.55	0.56	0.55	0.52	0.50	0.45	0.43	0.42	0.43
Machinery and transport equipment	0.46	0.44	0.48	0.52	0.51	0.49	0.48	0.42	0.42	0.40	0.42
Chemicals	0.44	0.43	0.44	0.44	0.47	0.44	0.45	0.43	0.40	0.41	0.42
Personal and household goods	1.11	1.04	1.04	0.93	0.81	0.71	0.59	0.51	0.47	0.35	0.34
Textiles	0.54	0.59	0.57	0.56	0.53	0.50	0.44	0.40	0.39	0.34	0.33
Other machinery	0.33	0.35	0.39	0.41	0.40	0.38	0.35	0.33	0.31	0.30	0.32
Other manufactures	0.42	0.38	0.38	0.35	0.33	0.30	0.26	0.24	0.21	0.18	0.19
Miscellaneous manufactures	0.19	0.18	0.19	0.18	0.18	0.18	0.16	0.16	0.14	0.14	0.15
Pharmaceuticals	0.16	0.13	0.13	0.12	0.14	0.13	0.14	0.15	0.13	0.14	0.14
Scientific and controlling instruments	0.20	0.16	0.17	0.17	0.19	0.18	0.17	0.16	0.13	0.13	0.12
Telecommunications equipment	0.52	0.45	0.32	0.48	0.41	0.32	0.31	0.26	0.17	0.12	0.09
Office and telecom equipment	0.26	0.23	0.18	0.25	0.23	0.17	0.17	0.15	0.10	0.09	0.07
Clothing	0.16	0.17	0.17	0.15	0.13	0.10	0.08	0.07	0.06	0.06	0.06
Electronic data processing and office equipment	0.08	0.07	0.07	0.08	0.08	0.05	0.06	0.07	0.05	0.06	0.05
Integrated circuits and electronic components	0.14	0.12	0.09	0.07	0.06	0.02	0.04	0.05	0.04	0.05	0.05

The Principal component analysis of RCA of EU revealed greatest variation along the PC1 axis (Fig. 43). Evidently, MAMTOTIC, MACL, MAMTOF and MAMTOTTL were shifted significantly further to the right on the PC1 axis than the rest of the products (Fig. 43) but

there was no clear pattern in the other products. The PC1 itself was by the most important principal component, explaining 78.4% of total variation in the RCA data. The PC1 was strongly correlated with change in RCA in observed period from 2002 to 2012 (Pearson's $r = 0.93$, $P < 0.001$) indicating that the change in RCA caused the greatest deal of variation in the RCA data. Clearly, MAMTOTIC, MACL, MAMTOF and MAMTOTTL had greater increase in RCA during the studied period than other products (Fig. 43).

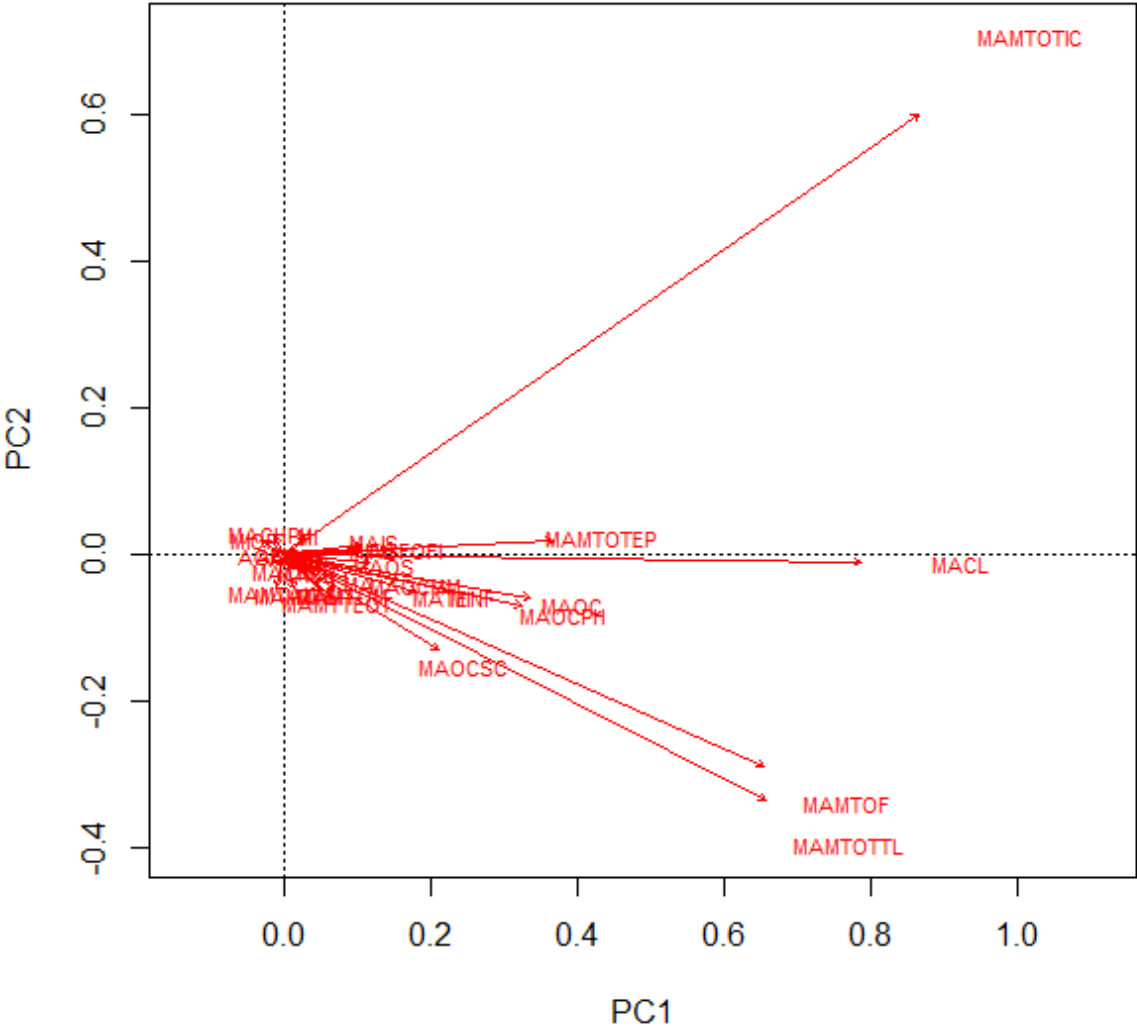


Figure 43 Principal component analysis of the RCA of EU for product groups over the studied period of time.

The original RCA had positive effect on the RCA ($R^2 = 0.37$, $P < 0.001$) changes which suggests that the higher was RCA of a given product the more pronounced was the increase in its competitiveness (Fig. 44).

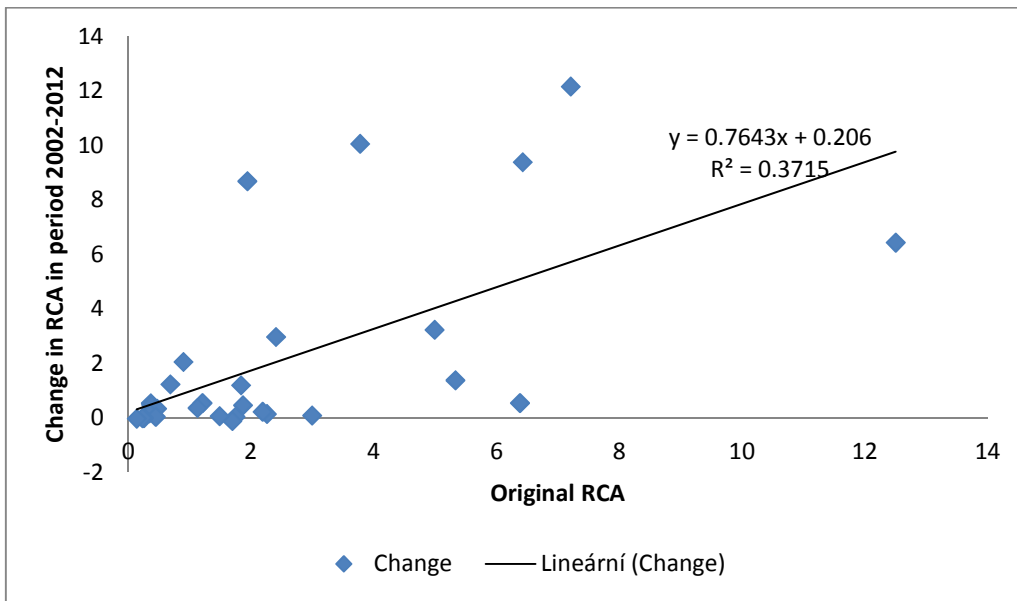


Figure 44 Relationship between RCA of EU at the beginning of the study period and its change over following 10 years in absolute values.

However, the change in RCA in relative values was not affected by the original RCA ($P > 0.05$; Fig. 45)

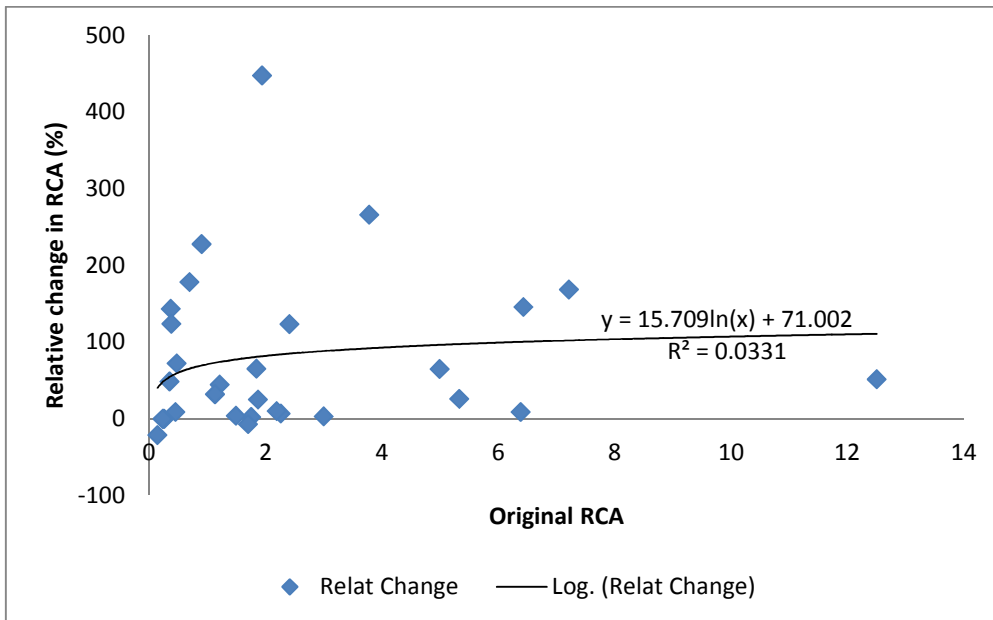


Figure 45 Relationship between RCA of EU at the beginning of the study period and its relative change over following 10 years.

6. Discussion

Free trade areas agreements and custom unions have been for one of the major global issues in international trade the last decades and their influence on the development dynamics of economies on all spatial levels (i.e. from global to regional and national) has been steadily increasing. The importance and the effort and resources invested into the creation, preparation and adjustment of the agreement on free trade are reflected also by a relatively high number of studies that have analyzed and assessed strengths and weaknesses of already existing free trade areas (e.g., Bond et al., 2004, Krueger, 1997, Bagwell and Staiger, 1997, Panagariya and Findlay, 1996). In spite of such wealth of literature, Mercosur, the biggest custom union and a trading block in South America, has received only a little attention in it. This little attention is little surprising because Mercosur members and associates belong among world biggest exporters of especially agricultural related products and minerals and their importance in global trade has been growing rapidly (Moseykin 2014). The analysis of the history between European Union and Mercosur revealed that although the European Union has demonstrated a remarkable interest in some kind of free trade agreement with Mercosur since its creation in 1991, and especially for Mercosur it would likely to mean boost of their exports to EU, the mutual frequent dialogues on the trade barrier “relaxation” have never resulted in any significant concrete advance in this respect, however, the process is still ongoing. This conclusion about stuck but ongoing negotiation process between European Union and Mercosur agrees with García de la Cruz (2010), who found lack of political will, big differences among Mercosur countries in many aspects, lack of trading interest of many EU countries as well as newly established trading barriers in some Mercosur countries as the main reasons for so far unsuccessful outcomes of the negotiations.

The results of this thesis clearly demonstrate interesting development in mutual trade between EU and Mercosur. The exports from Mercosur to EU grew in faster rate than imports from EU, i.e. the positive trade balance increased in favor of Mercosur until 2008 but than this trend changed and the difference between Mercosur exports and imports started to decrease, turning negative in 2013 for the first time. The change means that the value of EU exports to Mercosur became superior to the imports from Mercosur. This significant change in trading balance between EU and Mercosur have been caused by decline or stagnation of exports from Mercosur after 2009 while the imports from EU have been steadily growing. In terms of Mercosur countries, the drop in exporting values was especially evident for Brazil and Argentina, by far the two largest economies of Mercosur which dragged down also the statistics for whole Mercosur area. This negative or neutral trend in Mercosur exports and steady increase in imports from EU is also evident in most in as well as within most of the analyzed product groups, which indicates that European union is increasing its trading balance not only in their traditional product groups such as higher technology products and services but also in areas of production previously strongly dominated by Mercosur exporters such as agricultural products. Based on these results, it is evident that European Union has been constantly gaining advantage over Mercosur in terms of mutual trade and this trend is likely to continue in near future.

The results of this thesis also show that, apart from “typical” raw or little processed materials such as minerals, oils or metals, Mercosur has significantly increased exportation of higher-technology goods such as pharmaceutical products. However, the big increases in exports of EU to Mercosur found in this study for most product groups over the studied

period, either in absolute or more clearly in relative values, confirm the above mentioned finding that these EU exports have significantly and in much faster pace than the exports of Mercosur.

The analysis of relative comparative advantage has also demonstrated that it increased in favor of EU for most of the products over the studied period, which only supports the increasing dominance in mutual trade between EU and Mercosur. The most apparent increases in competitiveness were noticed among high-tech electronic and telecommunication products but also in relatively low-tech clothing.

7. Conclusion

The objective of this work was to analyse the commerce between Mercosur and the EU. The main importance was to identify main trade goods and relative competitiveness by product through the data and graphs.

The results of the analysis show that Brazil is by far the largest exporter out of Mercosur countries into EU followed by Argentina. EU mainly import from Brazil Mineral Products, such as cooper, iron, aluminium ores and slags, from Argentina EU import mostly beverages, spirits, vinegar, tobacco, from the smallest member of Mercosur Paraguay and Uruguay the EU import vegetable products, live animals and animal products.

From the other side, the most exported goods from EU to the Mercosur are primarily machinery and mechanical appliances, electrical equipment to Brazil, Argentina, Paraguay and Uruguay.

In general, the period examined (2002 to 2013) had an increased trade line between these two blocks, but 2009 showed a decrease in mutual commerce which was likely because of the global economic crisis with a quick recovery from 2010.

In this work, was also identified some of the barriers, tariffs and non-tariffs. In the case of Mercosur we have identified as the most limiting (for international trade) the Common External Tariff which reaches up 35% in some products. In the case of non-tariff barriers we had recognize for e.i. bureaucracy in documentation at the moment of import to Mercosur (example the Prior Sworn Import Declaration), public procurement favoritism, indirect taxation issues, sanitary regulations. In the case of European Union we distinguish subsidies for the exporters, environmental measures, meursing table tariff codes.

Another analysis was in terms of relative values, the main increase in imports to the EU happened in manufactures of straw and related products, fertilizers and miscellaneous chemical products. However, only miscellaneous chemical products belonged among the groups of higher traded values whereas other two represent only a fraction of total imports but several other high value groups were among the most increasing and in terms of relative increase in exports from EU, impressive raise over 1000% occurred in railway and tramway, lead and in headgear and parts, but export of a number of other product groups boosted significantly over the time.

As a result of the relative comparative advantage analysis the greatest advantage of EU lies in technologically complex products such as integrated circuits and electronic components, electronic data processing and office equipment, office and telecom equipment etc. The only exception to this was clothing which had the third largest RCA of all products and the relative comparative advantage of Mercosur is comparatively in less products and the magnitude of this advantage is also lower in general. Out of all products, Mercosur has greatest RCA in raw materials, minerals, food and agricultural products, most of which are un- or little processed primary products.

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ABREVIATIONS

Table 13 description by section

SECTION I	LIVE ANIMAL; ANIMAL PRODUCTS
01	LIVE ANIMAL
02	MEAT AND EDIBLE MEAT OFFAL
03	FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES
04	DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED
05	PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED
SECTION II	VEGETABLE PRODUCTS
06	LIVE TREES AND OTHER PLANTS
07	EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS
08	EDIBLE FRUIT AND NUTS
09	COFFEE, TEA, MATÉ AND SPICES
10	CEREALS
11	PRODUCTS OF THE MILLING INDUSTRY
12	OIL SEEDS AND OLEAGINOUS FRUITS
13	LAC; GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS
14	VEGETABLE PLAITING MATERIALS
SECTION III	ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PREPARED EDIBLE FATS; ANIMAL OR VEGETABLE WAXES
15	ANIMAL OR VEGETABLE FATS AND OILS
SECTION IV	PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES
16	PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, MOLLUSCS OR OTHER AQUATIC INVERTEBRATES
17	SUGARS AND SUGAR CONFECTIONERY
18	COCOA AND COCOA PREPARATIONS
19	PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK; PASTRYCOOKS' PRODUCTS
20	PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS
21	MISCELLANEOUS EDIBLE PREPARATIONS
22	BEVERAGES, SPIRITS AND VINEGAR
23	RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED ANIMAL FODDER

24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES
SECTION V	MINERAL PRODUCTS
25	SALT; SULPHUR; EARTHS AND STONE; PLASTERING MATERIALS, LIME AND CEMENT
26	ORES, SLAG AND ASH
27	MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES
SECTION VI	PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES
28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OF RADIOACTIVE ELEMENTS OR OF ISOTOPES
29	ORGANIC CHEMICALS
30	PHARMACEUTICAL PRODUCTS
31	FERTILISERS
32	TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERIVATIVES; DYES, PIGMENTS AND OTHER
33	ESSENTIAL OILS AND RESINOIDS; PERFUMERY, COSMETIC OR TOILET PREPARATION SOAP, ORGANIC SURFACE-ACTIVE AGENTS, WASHING PREPARATIONS, LUBRICATING PREPARATIONS, ARTIFICIAL WAXES, PREPARED WAXES, POLISHING
34	ALBUMINOIDAL SUBSTANCES; MODIFIED STARCHES; GLUES; ENZYMES
35	EXPLOSIVES; PYROTECHNIC PRODUCTS; MATCHES; PYROPHORIC ALLOYS; CERTAIN COMBUSTIBLE
36	PHOTOGRAPHIC OR CINEMATOGRAPHIC GOODS
37	MISCELLANEOUS CHEMICAL PRODUCTS
SECTION VII	PLASTICS AND ARTICLES THEREOF; RUBBER AND ARTICLES THEREOF
39	PLASTICS AND ARTICLES THEREOF
40	RUBBER AND ARTICLES THEREOF
SECTION VIII	RAW HIDES AND SKINS, LEATHER, FURSKINS AND ARTICLES THEREOF; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILKWORM GUT)
41	RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER
42	ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR
43	FURSKINS AND ARTIFICIAL FUR; MANUFACTURES THEREOF
SECTION IX	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL; CORK AND ARTICLES OF CORK; MANUFACTURES OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARE AND WICKERWORK
44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL
45	CORK AND ARTICLES OF CORK
46	MANUFACTURES OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARE AND
SECTION X	PULP OF WOOD OR OF OTHER FIBROUS CELLULOSIC MATERIAL; RECOVERED (WASTE AND SCRAP) PAPER OR PAPERBOARD; PAPER AND PAPERBOARD AND ARTICLES THEREOF
47	PULP OF WOOD OR OF OTHER FIBROUS CELLULOSIC MATERIAL; RECOVERED (WASTE AND SCRA
48	PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD PRINTED BOOKS, NEWSPAPERS, PICTURES AND OTHER PRODUCTS OF THE PRINTING
49	INDUSTRY;

SECTION XI	TEXTILES AND TEXTILE ARTICLES
50	SILK
51	WOOL, FINE OR COARSE ANIMAL HAIR; HORSEHAIR YARN AND WOVEN FABRIC
52	COTTON
53	OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN AND WOVEN FABRICS OF PAPER YAR
54	MAN-MADE FILAMENTS; STRIP AND THE LIKE OF MAN-MADE TEXTILE MATERIALS
55	MAN-MADE STAPLE FIBRES
56	WADDING, FELT AND NONWOVENS; SPECIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES
57	CARPETS AND OTHER TEXTILE FLOOR COVERINGS
58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY
59	IMPREGNATED, COATED, COVERED OR LAMINATED TEXTILE FABRICS; TEXTILE ARTICLES OF A KIND SUITABLE FOR INDUSTRIAL USE
60	KNITTED OR CROCHETED FABRICS
61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED
62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED
63	OTHER MADE-UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS
	FOOTWEAR, HEADGEAR, UMBRELLAS, SUN UMBRELLAS, WALKING STICKS, SEAT-STICKS, WHIPS, RIDING-CROPS AND PARTS THEREOF; PREPARED FEATHERS AND ARTICLES MADE THEREWITH; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR
SECTION XII	
64	FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES
65	HEADGEAR AND PARTS THEREOF
66	UMBRELLAS, SUN UMBRELLAS, WALKING STICKS, SEAT-STICKS, WHIPS, RIDING-CROPS AND PARTS
67	PREPARED FEATHERS AND DOWN AND ARTICLES MADE OF FEATHERS OR OF DOWN; ARTIFICIAL
SECTION XIII	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS; CERAMIC PRODUCTS; GLASS AND GLASSWARE
68	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS
69	CERAMIC PRODUCTS
70	GLASS AND GLASSWARE
SECTION XIV	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METALS, METALS CLAD WITH PRECIOUS METAL, AND ARTICLES THEREOF; IMITATION JEWELLERY; COIN
71	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METALS, METALS C
SECTION XV	BASE METALS AND ARTICLES OF BASE METAL
72	IRON AND STEEL
73	ARTICLES OF IRON OR STEEL
74	COPPER AND ARTICLES THEREOF
75	NICKEL AND ARTICLES THEREOF
76	ALUMINIUM AND ARTICLES THEREOF
78	LEAD AND ARTICLES THEREOF
79	ZINC AND ARTICLES THEREOF
80	TIN AND ARTICLES THEREOF

81	OTHER BASE METALS; CERMETS; ARTICLES THEREOF
	TOOLS, IMPLEMENTS, CUTLERY, SPOONS AND FORKS, OF BASE METAL; PARTS
82	THEREOF OF BASE METAL
83	MISCELLANEOUS ARTICLES OF BASE METAL
SECTION XVI	MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT; PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES
	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS
84	THEREOF
	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS
85	AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS
SECTION XVII	VEHICLES, AIRCRAFT, VESSELS AND ASSOCIATED TRANSPORT EQUIPMENT
	RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING STOCK AND PARTS THEREOF;
86	RAILWAY
	VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS AND
87	ACCESSORIES
88	AIRCRAFT, SPACECRAFT, AND PARTS THEREOF
89	SHIPS, BOATS AND FLOATING STRUCTURES
SECTION XVIII	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; CLOCKS AND WATCHES; MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES THEREOF
90	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING
91	CLOCKS AND WATCHES AND PARTS THEREOF
92	MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES OF SUCH ARTICLES
SECTION XIX	ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF
93	ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF
SECTION XX	MISCELLANEOUS MANUFACTURED ARTICLES
94	FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS,
95	TOYS, GAMES AND SPORTS REQUISITES; PARTS AND ACCESSORIES THEREOF
96	MISCELLANEOUS MANUFACTURED ARTICLES
SECTION XXI	WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES
97	WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES
98	COMPLETE INDUSTRIAL PLANT
99	SPECIAL COMBINED NOMENCLATURE CODES

Table 14

Abbrev.	Description	Abbrev.	Description	Abbrev.	Description
MAMTOTIC	Integrated circuits and electronic compon.	MATE	Textiles	MAMTTEOT	Other transport equip.
MAMTOTE	Electronic data processing and office equip.	MAOCPH	Personal and household goods	AGFOFI	Fish
MACL	Clothing	MACH	Chemicals	MIFU	Fuels

MAMTOF	Office and telecom equipment	MAMT	Machinery and transport equip.	MAIS	Iron and steel
MAMTOTT					Fuels and mining prod.
L	Telecommunications equipment	MA	Manufactures	MI	
MAOCSC	Scientific and controlling instruments	MINF	Non-ferrous metals	AGRA	Raw materials
MACHPH	Pharmaceuticals	MACHOC	Other chemicals	AG	Agricultural products
MAOCMM	Miscellaneous manufactures	MAOS	Other semi-manufactures	AGFO	Food
MAOC	Other manufactures	MAMTAU	Automotive products	AGFOOF	Other food products
MAMTOM	Other machinery	MAMTTE	Transport equipment	MIOR	Ores and other minerals