

RESILIENCY AND TRADE DIVERSIFICATION OF THE MERCOSUR

Jazztin Jairum P. Manalo

The Graduate School, University of Santo Tomas, Philippines
jazztinjairum.manalo.gs@ust.edu.ph

Louie Benedict R. Ignacio

The Graduate School, University of Santo Tomas, Philippines
lignacio@ust.edu.ph

Abstract

The Southern Common Market or MERCOSUR is one of the emerging regional blocs (or groups) that existed within the Latin American Region to promote economic growth and integration for the benefit of its member states. Through the Treaty of Asuncion the founding members include Brazil, Argentina, Paraguay, and Uruguay as full members. MERCOSUR admitted Venezuela as a full member but suspended its membership due to political unrest that happened. Nevertheless, the MERCOSUR also has its share of associate members such as that of Chile to further promote regional networking, bilateral trade, and even multilateral relations. This study aims to examine the different trade policies and diversification presented by the MERCOSUR through its member states with focus on its founding countries and that of Chile. It will utilize qualitative data and analyze the collected data through documentary and content analysis comprehensively to address and compare the strategies done by the member states. Comparison includes their agricultural products, trade strategies, historical progress, political influence, and most important would be the increase or decrease for its economy. Considering that the study is limited to secondary data, recommendations include additional primary data research to utilize and maximize the state and non-state actors who are involved in the progress and growth of these member states. Lastly, one has to consider that there can be changes in terms of the enhancement of trade relations and involvement due to the continuously changing economic climate overtime taking into account that the member states of the MERCOSUR are still developing countries.

Keywords: *MERCOSUR, trade diversification, regional integration, economic growth*

JEL Classification: *F53, O19, P45, P51*

I. INTRODUCTION

Trade relations within the MERCOSUR have its roots during its establishment through the Treaty of Asuncion. This important economic cooperation and integration within South America has continuously shaped the processes and capabilities of the member countries in terms of enhancing their respective economy, ideally for the benefit of their people. Through the Treaty of Asuncion in 1991, countries such as Brazil, Uruguay, Paraguay, and Argentina formed as the original founding members of the MERCOSUR. During its early years of existence as a Regional Organization, MERCOSUR underwent several changes in terms of trade patterns in order to effectively address the economic conditions within the region back then. Yeats (1998) gave an example such as the changes in natural factors such as transportation costs with which scholars recommend that may be reduced through adoption of new shipping technologies or improvement of port, storage, and handling facilities. In addition to this, Chile joined the MERCOSUR as an associate member in 1996 through an Economic Complementation Agreement.

MERCOSUR's establishment would not be possible without the support of the Leaders involved during that time such as President Andres Rodriguez of Paraguay and Uruguay; President Carlos Menem of Argentina; and President Fernando Collor de Mello of Brazil. The Regional Organization was able to improve and provide important services for enhancing the economies of its member states through improvement of intra-regional trade and tariff reduction on imports. Looking closely in the history of the Regional Organization, MERCOSUR itself had experienced several challenges in leadership and even that of governance within each of its member states. The region had experienced a series of military dictatorships and economic crises, which had hindered the development of robust trade relationships among the countries (Caichiolo, 2017). The creation of the MERCOSUR was seen as a way to promote regional integration and economic growth, with the ultimate goal of

improving the living standards of the citizens of the member states.

In 2012, Venezuela was admitted as a full member wherein it served as bridge among several important geographical sources of economic activity such as those between the Amazon Basin, the River Plate Basin and other proposed cooperation projects existing which can be further strengthened for the activities of the MERCOSUR (Reisdoerfer & Castillo, 2022). While MERCOSUR does not have any provision in terms of expulsion, it has suspended Venezuela temporarily in December 2016 (Cascione, 2017), due to the inconsistency of the country's compliance within the regulations of the Regional Group aside from its political controversies and unrest. Interestingly, the worsening Venezuelan Crisis that has been identified as a problem for South American Regional Governance has also led to worsen the situation and giving Venezuela extra-regional influence or powers (Barros & Gonçalves, 2021).

Despite the challenges that MERCOSUR has encountered, it was able to at least address its goal (though this is subject to each of the country members' experience and expectations). MERCOSUR enhances economic ties among South American nations and boosts their competitiveness in the global marketplace. It also allows member nations to discuss trade deals with other nations and organizations. For instance, MERCOSUR has trade deals with nations like the European Union, Israel, and Egypt. Nevertheless, there are certain drawbacks that have to be taken into consideration. Critics argue that MERCOSUR has not achieved its maximum potential, hindered by elevated tariffs, non-tariff obstacles, and regulatory discrepancies among its member nations. Complaints have arisen regarding MERCOSUR's sluggish advancement in enacting economic reforms and tackling internal disparities leading scholars to recommend that the region has to respond to the need of these conceptual changes and ever changing status of the economic climate (Koval & Andrianova, 2022).

In the future, MERCOSUR's commerce may experience specific enhancements. A significant matter is the current discussions for a trade deal between MERCOSUR and the European Union, which would establish one of the biggest trading blocs globally. Within its current status of EU-MERCOSUR Association Agreement, the impacts of imports towards agriculture within EU Markets were to be of minor measures rather than having a significant impact. In addition to this, geopolitical disruptions such as the Russia-Ukraine conflict face uncertainty toward a more secure and diverse supply chain (Mendoza & Moshhammer, 2023). There is an increasing interest in broadening the MERCOSUR trade pact to other areas, including Asia and the Middle East. MERCOSUR trade significantly fosters economic cooperation and collaboration between South American nations. Although the group has benefited the economies of its member nations, challenges must be tackled for it to thrive. By tackling these challenges and investigating new prospects for trade collaboration, MERCOSUR can persist in fostering economic growth and advancement in the region, emphasizing the need for innovation in the process.

Research Statement

The main goal of this research is to examine the dynamics of trade diversification in the MERCOSUR bloc, concentrating on the economic, political, and structural elements that affect the diversification of trade patterns between its member countries. This research aims to have the potential to bring about significant positive changes in the trade dynamics of MERCOSUR. By highlighting the significance of the study below such as:

- a. The topic of trade diversity in MERCOSUR is of paramount importance in the current global economic landscape. Examine the existing condition of trade diversity in MERCOSUR to further understand its significance.
- b. Present the current state of trade diversification in MERCOSUR, determine the key sectors, nations, and trading partners engaged, and how trade trends have changed.
- c. Analyze the Main Factors of Trade Diversification by examining the internal and external elements that facilitate or obstruct trade diversification in MERCOSUR, such as policy structures, regional integration efforts, economic diversification approaches, and international market trends.
- d. Observe the Economic Effects of Trade Diversification on MERCOSUR Nations by determining the influence of trade diversification on the economic outcomes of MERCOSUR member countries, focusing on its effects on GDP growth, employment, industrial advancement, and foreign exchange revenue.
- e. Highlight the importance of MERCOSUR in Broadening International Trade Connections. In order to investigate the impact of MERCOSUR's trade diversification approach on its global economic stance,

especially regarding its trade pacts with the European Union, China, and other significant trading partners.

Objectives of the Study

It answers to address the following objectives:

- a. Recognize Obstacles and Prospects for Additional Diversification by pinpointing major obstacles MERCOSUR encounters in diversifying trade infrastructure issues, political conflicts, and rivalry from other regional groups and investigate possibilities for improving economic integration and expanding trade ties beyond conventional sectors.
- b. Offer Policy Suggestions for Improving Trade Diversification in order to provide actionable policy suggestions for MERCOSUR and its member countries to enhance trade diversification, foster sustainable economic growth, and boost resilience against global economic changes.

II. METHODOLOGY

Research Design

In order to conduct the study, employment of qualitative methodology through comprehensive literature review, document analysis, and a content analysis to be done for examining and observing the dynamics of trade diversification within the MERCOSUR. The methodology is chosen to ensure an in-depth understanding and provide significance on the factors that revolve around trade diversification within the region such as analyzing its patterns, determining the challenges involved, opportunities that were given through scholarly selection of policy-related studies and literature involving state and non-state actors.

Data Collection and Analysis

Additionally, a comprehensive literature review will serve as the basis and main mode of method for data collection. The different literatures needed for document analysis will also focus on research papers such as academic journal articles, government reports, research publications from international organizations, policy papers, and may even include books that include MERCOSUR's trade diversification within the historical, political, economic, and that of the current era.

The next stage of analyzing the data will utilize content analysis, which will aid in interpreting and synthesizing the results from the systematic literature review that was done. Krippendorff (2004) stated content analysis as "a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use." Content analysis facilitates the creation of cohesive themes and interpretations from qualitative data, highlighting the experiences and viewpoints of MERCOSUR's member nations and their attempts at trade diversification.

Data Presentation

With the qualitative nature of the study, the findings may be limited to existing reports only and may have some limited information especially in presenting the experiences of the countries involved. Considering that it is limited to secondary data from published studies, more recent events and developments that happened in the MERCOSUR may not be included. Data presentation will be done thematically and organized around the key research questions and the emerging trends identified in the review through the experiences of the country members, with emphasis on Argentina, Brazil, Uruguay, Paraguay, and Chile. Key findings from the literature will be grouped into distinct subthemes, such as economic integration, trade diversification strategies, political influences, and external trade relations. Each theme will be presented with a summary of the main insights drawn from the reviewed sources, followed by a synthesis of the literature's contributions to understanding trade diversification within MERCOSUR. The presentation may also include visual aids, such as tables and charts, to illustrate trends in trade patterns, key trading partners, and the evolution of diversification strategies over time. The presentation will also deliver content analysis in a clear manner, emphasizing the historical background, key pivotal moments, and the interaction of internal and external elements (Edmunds, 2022) influencing MERCOSUR's efforts in trade diversification. Through this, the presentation of the study will provide a clear,

organized overview that captures the complexities of MERCOSUR's trade diversification and the implications for its future economic resilience.

III. RESULTS AND DISCUSSION

Federative Republic of Brazil

Brazil's trade approaches under MERCOSUR and its interactions with other nations illustrate a complicated interaction of regional factors and worldwide economic influences. Brazil, the biggest economy in South America, has traditionally used its status in MERCOSUR to improve trade connections with surrounding nations, even as it contends with significant obstacles that impact its overall trade effectiveness. The founding of MERCOSUR in 1991 was a crucial turning point towards regional integration, seeking to promote free trade among member nations—Argentina, Paraguay, and Uruguay—while enabling Brazil to broaden its market reach (CFR.org Editors, 2023). Nonetheless, despite early achievements that resulted in a fivefold boost in intra-bloc commerce during the 1990s, recent events have cast doubt on the viability and efficacy of these approaches (Price, 2012). Internal conflicts in MERCOSUR and outside pressures from global markets have impeded Brazil's capacity to benefit fully from its membership.

Brazil's involvement in MERCOSUR has influenced its trade strategies and policies. The nation's economy depends significantly on exports, especially agricultural items, minerals, and manufactured products. Through its membership in MERCOSUR, Brazil has obtained access to a broader market and has enjoyed lowered trade restrictions within the group. This has enabled Brazilian firms to broaden their operations and enhance their competitiveness, making them a source of pride in the international market. However, according to a study published by the Inter-American Bank Development Bank (2009), the new issues on the trade agenda have come from the increasing strategic importance of non policy trade costs, which traditionally have been left out of the main thrust of trade policy. In this case, Brazil still has to respond to the rampant changes as a leading country and a need for urgency and calls toward trade policies that can be efficient in reducing its tariff barriers for the benefit of their fellow MERCOSUR member countries.

A report done by Harisson, Rutherford, & Tarr (2003) stated that The Free Trade Agreement of the Americas (FTAA), the EU-MERCOSUR accord, and updates to multilateral trade policies will all positively impact Brazil. The strategy of the Brazilian government to negotiate the FTAA and the EU-MERCOSUR agreement at the same time, while also promoting multilateral liberalization via the Doha Agenda, will enhance the advantages of each of these initiatives. It projected that the lowest-income households usually benefit about three to four times more than the average for Brazil from any of the policies, given that the United States safeguards its most heavily protected markets. Both the FTAA and the EU-MERCOSUR agreements generate net trade benefits for the participating nations, but countries that are excluded typically suffer losses from these agreements.

Furthermore, the study of Cesar de Oliveira et.al. (2024) emphasized the reduction in tariffs and export subsidies through multilateral trade liberalization which leads to global benefits exceeding four times those of both the FTAA and the EU-MERCOSUR agreement. This indicates the ongoing significance of multilateral negotiations to the global trading community has been active and continuously improving.

Argentine Republic

Argentina, one of the largest economies in the region, has been involved in developing the bloc's trade policies and procedures. Protectionist and liberal policies have historically characterized Argentina's trade patterns. In the early 20th century, the nation was among the top global agricultural exporters, emphasizing beef, wheat, and corn (Pinillia & Rayes, 2017). Nonetheless, the government's protectionist measures, implemented in the 1940s, decreased trade openness and moved towards import-substitution industrialization. This inward-focused strategy suppressed competition and innovation, ultimately obstructing economic growth. In the 1990s, Argentina initiated a liberalization, privatization, and deregulation process that boosted trade openness and attracted foreign investment — the nation's entry into the MERCOSUR trade bloc in 1991 greatly enhanced regional trade integration. The World Bank Report in 2008 stated that trade liberalization was an important part of the reforms done by Argentina in the 1990s with support of adopting the Common External Tariff given by

the MERCOSUR. This led to a more open trade market within other countries in the world which had a positive and negative impact on the country.

In the early 2000s, Argentina was very much idealistic and ambitious in terms of its trade negotiations especially in the countries of the Americas through the FTAA and that of the EU with several initiatives to fellow Latin American Countries and other developing countries in the world (Regúnaga & Rodriguez, 2015). Argentina's trade strategy in MERCOSUR often involves high-level figures such as government officials, trade negotiators, and business leaders. These individuals represent Argentina's interests and ensure the country benefits from participating in regional trade organizations. Argentina's trade policy in MERCOSUR has had positive and negative effects on the country's economy. For example, membership in MERCOSUR gives Argentina access to large markets and trade opportunities with other member countries, paving the way for increased trade and foreign investment, which bodes well for the country's economic future. Nevertheless, Argentina's trade strategy under MERCOSUR is not without challenges. These include trade conflicts, tariff differences, and slow progress towards greater integration within the group. Despite these challenges, Argentina's trade strategy has successfully promoted trade and economic development through access to a large market. Argentina also benefits from collaborative projects and joint strategies to strengthen regional development. However, Argentina also faces trade deficits, non-tariff barriers, and conflicts over trade policies with other member countries.

Prior to the foundation of the MERCOSUR, Argentina and Brazil had signed its Economic Integration and Cooperation Program (PICE). The PICE aims to strengthen the newly established democracies within countries in order to diversify and provide alternatives within bilateral trade (Veiga & Rios, 2019). Argentina's historical experience demonstrates the ongoing transition of its economy, which poses significant challenges to monetary management. Fanelli & Heymann (2002) indicated the loss of policy credibility (favoring dollarization of contracts) further complicates the task of identifying a stable 'working model'. Argentina had its criticisms toward MERCOSUR in terms of solely focusing on trade liberalization within the region rather than influencing or assisting its members for prioritizing a much promising integration within the region (Gezmiz, 2016). In addition to this, Argentina is considered as a primary beneficiary of its trade with neighboring countries such as Uruguay and Paraguay. The geographic proximity together with the influence of the MERCOSUR made it eligible to export products within these countries and develop a learning-by-exporting approach to expand its trade dynamics with the rest of the world as confirmed within the study of Bekerman & Rikap in 2010.

Oriental Republic of Uruguay

Uruguay has seen MERCOSUR as a crucial pathway for economic growth due to its small domestic market size (in terms of geography and population). From an economic standpoint, MERCOSUR offers Uruguay entry to more significant markets, enhancing trade and investment movements given its competitors are fellow smaller states with only Argentina and Brazil as the main competitor. Uruguay promotes and sells a significant portion of its agricultural products, particularly beef and dairy products, to surrounding nations (Rompaey, 2007). Consequently, MERCOSUR serves as a platform for Uruguay to improve its international trade connections, allowing it to capitalize on its agricultural advantages and broaden its trade partnerships beyond conventional markets.

Nonetheless, Uruguay's participation in MERCOSUR faces various challenges. The bloc faces differing economic conditions among its members, which may create tensions. For example, Uruguay has sometimes aimed to negotiate bilateral trade deals with nations like China (Bartesaghi, Gari, & Melgar, 2021) and the United States, leading to criticism from its MERCOSUR allies because of perceived risks to regional cohesion. Such ambitions reveal the fundamental conflict between national priorities and obligations to regional collaboration. According to the study of Estrades (2012), a small country like Uruguay, one of the small economies of MERCOSUR, the FTA may have an important impact on the economy, and also on income distribution and poverty alleviation. Highlighting its experience of bilateral relations with China, Uruguay is China's fourth and fifth largest sources of meat and soybeans. A study done by Mi (2023) found that Chinese exports to Uruguay mainly include electromechanical equipment, auto and locomotive parts, household appliances, mobile phones, chemicals and rubber, clothing, footwear and textiles. In 2021, the World Bank provided assistance in which more than 1,800 kilometers of highways were rehabilitated from impacts of tornadoes, heavy rainfall, droughts, and heat waves (World Bank, 2021).

Despite these difficulties, Uruguay's involvement in MERCOSUR reflects its dedication to achieving

regional integration and economic development. The country has been instrumental in promoting increased economic collaboration within the bloc, underscoring the significance of trade facilitation, infrastructure advancement, and regulatory consistency among the member countries. Uruguay's involvement with MERCOSUR highlights the intricacies of regional integration in today's global trade. Although offering considerable prospects for trade and development, the alliance also requires a careful balance between national goals and regional responsibilities, emphasizing the complex dynamics of South American geopolitics. It is important to note that this did not hinder Uruguay to have its economic boom from 2004-2014 which was driven by huge external demands, rebound from the crisis that it experienced, and the emergence of new sectors that the country can take advantage of (Che, 2021).

Republic of Paraguay

Paraguay boasts a rich trading history from the pre-Columbian period when native tribes participated in barter and commerce with surrounding areas (Bottino, 2022). Nonetheless, during the 16th-century Spanish colonization, Paraguay's trade dynamics experienced notable transformations. Throughout the years, Paraguay has implemented several trade strategies to boost its economic development and strengthen its stance in the global market. The nation's emphasis on agricultural exports like soybeans, beef, and timber has been a key factor in positioning it as a key player in the worldwide market (Beittel, 2017). These exports have not only contributed to Paraguay's economic growth but also enhanced its global reputation. Paraguay is recognized for its hydroelectric power production, allowing it to sell electricity to nearby nations such as Brazil and Argentina (IRENA, 2021). Like its fellow member states in the region, Paraguay is not without its own complex economic advantages and disadvantages of joining the MERCOSUR. For Paraguay, membership in this customs union has been a double-edged sword. While it has not led to the anticipated economic growth or trade diversification as per the study of Birch in 2014, it could be noted that the country's situation may have deteriorated without such integration.

MERCOSUR gave a platform for greater market access and participation in regional supply chains that would otherwise be unattainable for the government of Paraguay. The Fondoparala Convergencia Estructural del MERCOSUR (FOCEM) is particularly significant for Paraguay as it seeks to reduce economic asymmetries within the bloc. This assistance aims to enhance infrastructure development and socio-economic conditions within Paraguay, addressing some disparities that arise from being part of a larger economic community. FOCEM is a system designed to minimize structural disparities, according to Botelho (2013), MERCOSUR must still tackle policy discrepancies arising from insufficient coordination and alignment of rules and policies to enhance the integration process. This type of asymmetry can lead to decreased efficiency, thereby hindering the integration process. In addition to this, technological collaboration among MERCOSUR companies presents another avenue for growth and innovation in Paraguay. Studies indicate that shared knowledge and resources can bolster industrial competitiveness across member states (Alcorta, Plonski, & Rimoli, 1998). Paraguayan enterprises can improve their productivity and global competitiveness by fostering partnerships focused on innovation and technology transfer within MERCOSUR's framework.

Nevertheless, as a small country like Uruguay and Chile, Paraguay still has a long way to go when it comes to diversifying its trade dynamics especially for MERCOSUR. Upon closer look, it is clear that its practices are not necessarily new at all and that these innovations or even initiatives may still be in a "beginners" perspective if we compare it to that of Brazil and Argentina. Although the nation faces challenges like restricted market access and inadequate enforcement of intellectual property rights, there are also prospects for growth and advancement. Paraguay can enhance its status in the global economy by persistently investing in infrastructure and human resources (World Bank, 2019). While it is commendable that Paraguay has expanded its export goods aside from the usual agricultural products, it still has to implement strategies that will keep countries aside from that of the MERCOSUR to thoroughly convince countries outside of the Latin American region to patronize or at least afford these products as well.

Republic of Chile

Chile is not exempted from having the same experience of 'prologue' when it comes to the historical aspect of its trade diversification. Considering that it is also located within the Latin American Region but with a slight difference in terms of its products, Chile focuses on taking advantage of its natural resources such as forests (World Bank, 2020) in order to initiate a much more diversified economy. The significant economic policies of the 20th century, particularly during the neoliberal changes of the late 1970s and early 1980s, reshaped Chile's

trade environment. Focusing on open markets and attracting foreign investment, the Chilean government changed its approach from import substitution industrialization to free trade (Henderson, 2023). On the other hand, Hanni & Podestá (2019) further emphasized that the country capitalizes towards copper where it is one of the world's largest producers of the said resources. Aside from this, Chile also adapts and exports products like aquatic resources such as fish, fruits, and even wine which further demonstrated the innovative aspect and capability of the country (Global Water Partnership, 2006). Despite its competitors within the MERCOSUR, Chile has promoted government policies that are in line with the enhancement of its agriculture towards sustainability while maintaining its capacity to provide economic opportunities for its citizens (Raihan, 2023).

Chile's dynamics within the MERCOSUR differ significantly from those of Brazil, Argentina, Paraguay, and Uruguay. The main reason is that Chile still needs to become a full member of the MERCOSUR and prefers to be an associate member since its admittance in 1996. One of the strategic advantages for Chile in this arrangement is its access to larger markets dominated by MERCOSUR economies. While Chile promotes an open trade model, MERCOSUR has historically favored protectionist measures to shield domestic industries. This divergence often leads to negotiation friction, limiting the potential for more profound economic integration (Botto, 2021). Political fluctuations within MERCOSUR states can impact Chile's trade relations. Changes in government priorities, especially regarding trade liberalization, can pose risks to Chilean exports and investment. However, despite these challenges, Chile's reputation for stability and continued trade liberalization makes it a reliable and steadfast partner in regional trade discussions.

IV. CONCLUSION AND RECOMMENDATIONS

Regional Integration within the MERCOSUR is a significant factor when it comes to trade diversification as well. Campos (2016) has stated that “there are two features that best explain Mercosur’s regional integration: the state-led nature of the integration process as explained by inter-presidentialism and the importance of supply-side conditions. Inter-presidentialism merely describes what directs integration. The supply-side conditions argument seeks to describe the conditions under which integration flourishes and provides a deeper understanding by answering the question why leaders are willing to engage in integration.”

Leading countries, especially Brazil and Argentina, given their large economic opportunities would often provide or create more chances of trade inequality within the MERCOSUR. Given the results above, the Brazilian and Argentinian economy has a much more network and choices as preferences in comparison to Paraguay, Uruguay, and even Chile (in its capacity as associate member). Additionally, reliance of these countries in terms of the commodity exports that they have are more prone to external factors such as climate change, geographical location, and even changes in governance of each country. While domestic governance is not that much criticized, leaders of the founding countries in MERCOSUR play a significant role especially in maintaining their bilateral and even multilateral relations whether within the region or outside of the region. Potential strategies of the governments involved will influence their trade diversification especially to the specific demands of the market. The overall framework of MERCOSUR fosters regional cooperation and economic integration, which can lead to long-term stability and growth. MERCOSUR can enhance its effectiveness as a regional bloc by addressing the structural issues and promoting equitable trade practices.

Considering the fact that intra-regional trade has significantly shown progress and improvement, contributions towards economic growth within the members are still present and has hindered progress due to imbalances of trade and over-reliance on specific commodities that each member state can provide or promote in the market. Understanding the characteristics of MERCOSUR in comparison to other regional organizations may already consider that MERCOSUR focuses towards economic development mainly rather than the progress of the region as a whole. As such, it is recommended that governments of these countries find means to other alternative sources of export and provide newer products that they can promote to the market (whether international or local level such as within the region). Brazil and Argentina’s influence is a significant factor to consider and that its leaders' decisions will greatly affect the region, having a domino effect on its fellow MERCOSUR members. Familiarizing each government in terms of MERCOSUR’s history and trade patterns towards evolution and progress of the regional economic bloc will surely enhance the cooperativeness of the countries. This will then lead to the expansion of MERCOSUR’s membership to enhance its political and economic influence (considering that it was already able to admit Venezuela before).

MERCOSUR may also learn from the practices of other regional blocs and organizations for them to be

able to maintain and strengthen their relationship. As to what has been observed, even member states often rely on bilateral and multilateral trade agreements rather than affiliating themselves with MERCOSUR. This leads to 'gatekeeping' of the potential trade partners which prevents diversification and limiting the choices of not just the consumers but also those countries whom they can have potential trading agreements with.

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