Analysis of the Evolution of Social and Economic Indicators of the Mercosur’s Members: 1980-2012

L. Aparecida Bastos, J. Leige Lopes, J. Crepaldi, R. Monteiro da Silva

Abstract—The objective of this study is to analyze the evolution of some social and economic indicators of Mercosur’s economies from 1980 to 2012, based on the statistics of the Latin American Integration Association (LAIA). The objective is to observe if after the accession of these economies to Mercosur (the first accessions occurred in 1994) these indicators showed better performance, in order to demonstrate if economic integration contributed to improved trade, macroeconomic performance, and level of social and economic development of member countries. To this end, the methodologies used will be a literature review and descriptive statistics. The theoretical framework that guides the work are the theories of Integration: Classical Liberal, Marxist and structural-proactive. The results reveal that most social and economic indicators showed better performance in those economies that joined Mercosur after 1994. This work is the result of an investigation already completed.

Keywords—Economic integration, mercosur, social indicators, economic indicators.

I. INTRODUCTION

The different social and economic cycles, as well as technological progress that the company has experienced over the years has led to a rapid and dynamic internationalization of markets. In this context, governed by the globalization process, the strategy to increase commercial gain and increase political power in international negotiations that the country has adopted, cooperated in the creation of a new process of economic and trade adjustment between nations, called "economic integration". This process has encompassed all regions of the globe, starting with European integration as the precursor in 1948. Latin America, in this way, after European integration, also embraced the same process in the 1960s with the formation of the Latin American Free Trade Association (LAFTA) with the Montevideo Treaty 1960 (MT-60), and later with LAIA, with the Montevideo Treaty of 1980 (MT-80). Under the MT-80, the integration of countries in sub-regional blocs i.e., countries with similar levels of growth and/or economic development would be free to join and create sub-regional integration blocs within the framework of ALADI, to seek reductions or tariff eliminations to ensure trade expansion, inter and extra-regional, and could climb the steps of the integration process towards the construction of Mercosur as a common market.

Mercosur, understood as a complex process of progressive construction of an integrated space in the Southern Cone, far transcends the economic achievements, political and diplomatic accumulated during the years of its existence, starting from the signing of the Treaty of Asuncion on March 26, 1991 [1]. It is relatively strongly linked to the historical and political context of South America that goes beyond the simple concept of a customs union or common market, since it presents inherent characteristics of society and a cultural point of view that goes beyond the results already achieved in business, including political and diplomatic plans of the four member countries. [2]. The sociological reality and the effective range of Mercosur in geo-economics and the recent political and economic history of the region, beyond the mere area covered by the combined territory of the four original member countries (Argentina, Brazil, Paraguay and Uruguay, in 1994, Venezuela in 2012) and the two associated countries (Bolivia and Chile in 1996). Similarly, the historical time of Mercosur development goes beyond mere chronology of 17 years. In order to understand the creation of Mercosur makes it necessary to go back to the second half of the 20th century to design the real influence of this period in the coming decades in Latin America that culminate on the creation of Mercosur. In fact, approximation processes, cooperation and integration between Argentina, Brazil, Paraguay and Uruguay, which resulted in the Asuncion Treaty of 1991 and further integrationist construction, was linked to the political and structural projects, both internal and external, to the sub-regional scheme. Its main historical stages of development could be summarized around a few symbolic dates; that long journey, which probably exceeds half a century of trials, positive achievements and frustrations, accompanied this process [1].

Mercosur combined elements of the European Community experience with the typical partial opening of the preferential schemes of LAIA. This model was very clear when it comes to their goals of industrial complementarity, but entailed the disadvantage of requiring the negotiation of specific and partial agreements to establish the goal of a common market in 10 years: 1989 to 1998. With these elements, the "cornerstone" of Mercosur was built [1]. But Argentina and Brazil aimed not only for a bilateral agreement, and extended the proposal to other countries in the sub-region. Therefore, the block has emerged as an attempt to form a common market among members, in order, in the long term, for the establishment of a single currency and the free movement of people, goods and services. This would be done through a process of a reduction of tariff and non-tariff barriers between

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its integrated countries in order to expand trade in the region and increase national markets.

The tendency to Mercosur integration emerged from some events that changed the international scene after the mid-80's, such as: 1. the signing of the Single European Act in 1986, signaling the closure of the European internal market from 1993; 2. the rise of new centers of power in the world (European Union and Japan-East Asia), 3- the formation of NAFTA (1991) 3-non-completion of the Uruguay Round (1990), and 4 - the initiative of the Americas, "by the Bush administration (1990), generating the prospect of greater exposure of the economies of Latin America to North America economy [3], [4].

The idea of Mercosur's creation was given to guide member countries to adjust to a more competitive and integrated world economy and to promote internally increased competition, stimulating domestic competition in the block through reductions in tariff barriers. Tariff reductions could, consequently, provide increased production and exports within the block, in order that members of Mercosur develop greater efficiency and competitiveness in international markets. The world economic system, with the numerous changes that have been presented in the economic relations between nations, tends to two processes: one of globalization and other of regionalization, presenting a new global scenario, which is expressed in the economic integration of national economies within economic blocs in different parts of the world. In this context, the Common Market of the South arises as one of the most relevant events in the process of Latin American economic integration, which idealizes the free mobility of goods, services and factors of production [5].

Designed by Argentina and Brazil, taking as a landmark the Signing of the Treaty of Asuncion for both in 1991, Paraguay and Uruguay, countries with much smaller economies that depend of the consumer markets of Argentina and Brazil, realizing they could be left out of the integrationist process and be unable to gain access to these neighboring markets, decided to also join the agreement in 1994, conforming thus to Mercosur.

As stated, the root of the process leading to the formation of Mercosur originated in the rapprochement between Argentina and Brazil, during the government of Raul Alfonsin and José Sarney in the mid-1980s, which was considered by many scholars as the most relevant event in the political and strategic landscape of the region throughout the 20th century.

Chronologically, the first formal step in the integration between the two economies was the signing of the Treaty of Integration, Cooperation and Development between Brazil and Argentina on November 29, 1988, which culminated in the Program of Integration and Economic Cooperation (PIEC), providing for the complete liberalization of trade, goods and services between them within a maximum period of 10 years. In the next decade, more particularly on July 6, 1990, Argentine and Brazilian presidents Carlos Menem and Fernando Collor de Mello signed the Buenos Aires Act, anticipated for the end of 1994, the deadline for the formation of the market common between the two countries. This act was decisive for Paraguay and Uruguay, in August 1990, which decided to join the ongoing process, since they glimpsed the reciprocal benefits that integration could bring to their economies. Such accession culminated in the signing of the Treaty of Asuncion, on March 26, 1991, which was ratified on December 17, 1994, by the Black Gold Protocol.

The creation of a Common External Tariff (CET) among members on January 1, 1995, marked the effective beginning of the customs union of Mercosur, but the customs union was incomplete because of the immense difficulty in establishing a common external tariff that would please all countries involved. In June 25, 1996, in a meeting held in the city of San Luis (Argentina), Chile and Bolivia were accepted as the newest members of Mercosur. On July 31, 2012, under the presidency of Hugo Chavez from Venezuela, this country also formally joined the bloc. In the context of the integration of Mercosur, the aim of this study is to show the evolution of some social and economic indicators selected of Mercosur members, namely: Argentina, Brazil, Paraguay, Uruguay and Venezuela, during the period extending from 1980 to 2012.

II. THEORIES OF INTEGRATION AND THE VARIOUS STAGES OF THE PROCESS OF ECONOMIC INTEGRATION

According to most of important researchers of Latin American Integration of recent decades among many others of equal prestige, integration is essential for the sustainable development of integrated region. The integration is important to improve trade and the macroeconomic performance of countries in the bloc, providing an increase in commercial and financial exchanges and technological exchanges within the same region and with the rest of the world[1], [6], [7]. In fact, the integration is nothing more than a set of economic and political strategies to meet the most immediate and plausible aspirations of countries, without, however, to have the power to reduce the geopolitical interests of those in farming areas of influence [8].

The integration is nothing more than a set of economic and political strategies used to meet the most immediate and plausible aspirations of countries, without, however, having the power to reduce the geopolitical interests of the same countries in their areas of influence [9]. However, economic integration worldwide is supported by some theories of integration according to interests and policies of integrated countries in order to expand their business, markets and its political and economic relations with other countries or economic blocs [10]. They are: The Structural-Voluntarist theory; the Classical Liberal theory and the Marxist conception. According to the structural-voluntarist conception, integration constitutes the means by which countries can achieve economic and social well-being, due to the better use of all factors of production of the integrated nations [1]. Thus, according to this theory, for the underdeveloped countries it would represent economic emancipation from the industrialized countries, since it would be responsible for the viability of the economic development achieved by the expansion of domestic markets. Already the classical-liberal theory, according to the author, sees integration as an
automatic unfolding of the market economy, a natural consequence of modern capitalism that lacks expertise and competence to generate production. Economic integration is considered to be an irreversible process [11] because it is a consequence of modern capitalism. It allows for the reduction of production costs, market expansion, and ensures a better allocation of production and facilitates competition. This would generate gains to all integrated nations through the reduction of tariff barriers, reduction of production costs and the generation of new jobs. Already the classical-liberal theory, according to the author, sees integration as an automatic unfolding of the market economy, a natural consequence of modern capitalism that lacks expertise and competence to generate production. For the Marxist conception, the integration is considered as a form of perpetuation of the situation of dependence and underdevelopment to the integrated countries. All favorable defenses to the processes of integration, according to the Marxist conception, converge on the idea of the perpetuation of the domination of interests of developed countries in relation to developing countries in the bloc and between different blocs [1]. However, integration does not occur instantly and quickly [12]. The process is performed stepwise. The integration itself is in an ordered series of successive acts that trigger the integration, i.e. it is carried out in stages, from the most superficial (Tariff Preference Zone) to the most complete (Economic and Monetary Union). Reference [1], citing [12] emphasizes that the process of integration can occur in two distinct levels agreed between the signatory countries, namely: a more superficial level, referred to as "shallow integration", which complete only changes in the commercial sphere of the countries involved and a more comprehensive level, called "deep integration", which involves changes in social and political structures, other than those purely commercial. The more superficial stage of shallow integration is the Preferential Tariff Zone, which is the reciprocal adoption, between two or more countries of the preferential tariff levels, namely: the tariffs on trade between group member countries are lower than the rates charged to non-member countries. The difference between the agreed rates and those applied in trade with third markets gives the name of margin of preference [13]. The second phase, the Free Trade Zone, is a reduction to the zeroing of tariff barriers between the integrated countries. To this end are deadlines for the market and the public sector of integrated countries to adapt themselves to the reductions and future tariff elimination, which can be made with respect to one or more products (or even all products of exports), according to the group of countries integrated interest [13]. This is a very complex phase of the integration process, since it is not easy to negotiate as will be implemented the External Common Tariff (ECT) of each product, especially when the countries listed in the integration process have different growth rates and at various stages of economic development [1]. The first stage of deeper integration constitutes the stage of the Common Market, where in addition to the measures set out in the Free Trade Zone and the Customs Union, is the free and total mobility of goods, services and people within the integrated market. Thus, it is observed that this phase of integration goes far beyond trade. This phase requires the harmonious coordination of the macroeconomic policies of each of the countries involved (definition of common goals in the field of interest, fiscal and exchange rate, for example). Currently, it has the European Union as the main model. The biggest difference between the Common Market and the Customs Union is that the latter only regulates the free movement of goods, while the Common Market also provides for the free movement of other productive factors [13]. The Economic and Monetary Union and the Total Integration Union are the last two stages, where it is assumed that beyond zeroing tariffs between the countries integrated and the establishment of technical Common External Tariff is the free mobility between services, people and goods between them. Each country must then give up part of their sovereignty in favor of a new type of coordinated and joint action of all integrated countries, being put into practice by supranational organizations, which will ensure political and economic stability of the integrated countries, in addition to promoting growth and economic development. There is also the creation of a single central bank, a single currency and a common macroeconomic policy to ensure that growth and economic development to take place in all integrated countries without distinction [1], [13].

Mercosur, currently, is in the last stage of the shallow integration phase: it is now considered a Customs Union incomplete. The greatest difficulties in moving forward in the process are the historic rivalries between its members and the large differences in the level of economic growth between the integrated countries, which are hindering implementation of a Common External Tariff that pleases everyone involved, given the diversity the production capability and export of the integrated bloc. The great differences that permeate member countries are the major hurdle in the continuity of the Mercosur integration process. These differences between the countries can also be better perceived in Tables I-V. Social indicators of the Mercosur member countries selected for analysis include the total population, the urban population, the illiterate population, unemployment rate, HDI, birth rate, mortality rate, life expectancy at birth and infant mortality rate. Among the economic indicators, we selected the GDP per capita, GDP growth rate of exports and total imports. The database was all extracted from official statistics Latin America Integration Association (LAIA) and the Foreign Trade System (FTS). Table I shows the selected social indicators in Argentina from 1980 to 2012 [14].

We can see by Table I that population growth in the country during this period, which was already concentrated more than 80% in urban areas in 1980, exceeds 90% from 2010. There was also a broad expansion of HDI and a drop in illiteracy rates in the country. However, the low unemployment rate of 2.6% in 1980 skyrocketed in the 1990s and reached a level of 15.1% in 2000, which was probably the result of previous international crises: Mexican Crisis (1994), Asian Crisis (1997), the Russian crisis (1998) and the devaluation of the
Real in Brazil in 1999, and by 2010 the unemployment rate was already showing a decline to 7.7% and remained stable at 7.2% in the following year.

The birth rate has been falling in the country in parallel to the increase in HDI, with a small expansion in 2012. Mortality and infant mortality rates have fallen over the period of analysis and there was a significant increase in the population life expectancy, jumping from 69.5 years in 1980 to 76 years in 2012.

Table II shows the evolution of social indicators in Brazil, 1980-2012 [14].

Among the member countries of Mercosur, Brazil is the second country in the bloc with less concentration of its population in urban areas, although these percentages have expanded greatly after 2000. In 1980, 65.5% of the population lived in urban areas. In 2012, this percentage rose to 84.9%. The HDI of the country, which was the worst HDI when compared to the other member states in 1980, also showed a significant positive development over the years, reaching 0.742 in 2012, although it still has the second worst HDI among other member countries. The unemployment rate in the country decreased from 1980 to 1990, but increased in 2000 due to international crises, but has once again decline and at 2012 stood at only 5.5%. Brazil recorded the lowest unemployment rate of the bloc in 2012. There was also a drop in the birth rate as HDI increased, as well as a reduction in mortality rates and the life expectancy in Brazil, which was only 62.7% years in 1980, jumped to 73.6% years in 2012.

Table III shows the evolution of the social indicators of Paraguay from 1980 to 2012 [14].

Paraguay is the country with the most concentrated population in rural areas. In 1980, 50.4%, slightly more than half of the total population was concentrated in urban areas. Over the years, the concentration of population in urban areas in the country increased in percentage terms, but Paraguay is still the country with the most concentrated population in rural areas, compared to the other member countries. The level of illiteracy in the country has decreased, although no official data could be found for the years to 2010. Regarding the unemployment rate, Paraguay showed the same trend as other members with a higher unemployment rate in 2000, due to external crises. Mortality rates in the country also declined, while the birth rate, as well as the HDI increased over the years. Life expectancy of Paraguay jumped from 66.8 years in 1980 to 72.2 years in 2012.

Table IV shows the social indicators of Brazil for the same period of analysis [14].
Uruguay is also a country where almost all of its population lives in urban areas. The illiterate population is very small, although we did not find official data for the years beyond 2010. The unemployment rate in the country followed the same cycle of unemployment in other member countries, with its peak in 2000 and registering further falls. The country’s HDI also increased and the mortality and birth rates decreased. The life expectancy of the Uruguayan, which was already the longest compared to the other member states in 1980, further increased in 2012, reaching an average range of 76.9 years.

Table V shows the social indicators for the period 1980-2012 [14].

Table VII shows the same selected social indicators for Brazil, within the analysis period.

In 1980, while Brazil had the highest growth rate of GDP in the period of analysis: 9.2% (second only to Paraguay with 11.7%) GDP per capita was the lowest for the period and exports exceeded imports.

Although Brazil has generally recorded a trade balance surplus from the 90s, GDP growth was very small in the years 2011 and 2012. However, we see a major expansion in GDP per capita in the country from 2010.

Paraguay had its worst economic downturn in 2000, recording GDP growth rate at -2.3%, the country experienced its best phase in 2010 with a growth rate of GDP of 13.1%, exceeding all other member economies. However, GDP suffered a drastic fall in 2011 and recorded negative growth in 2012. Exports of Paraguay barely exceeded its imports in the year 2000. Interestingly, this was also the year of greatest challenge for all member economies of the bloc due to international crises and the devaluation of the Real in Brazil.

Table IX shows the same selected economic indicators for Uruguay [14].

Uruguay sees a positive GDP growth trend per capita from 2010, with the lowest rate recorded in 2000. However, exports of Uruguay also were slightly higher than imports in the 2000, the year the country experienced a major crisis.
Finally, Table X shows the evolution of the same economic indicators for Venezuela [14].

Venezuela, in turn, showed a decline in GDP per capita only in 1990, with continued expansion from the year 2000 and a slight decrease from 2011 to 2012. However, contrary to other economies in the bloc, Venezuela registered a negative growth of GDP in 2010, the year of further expansion of other economies. We can see that all of the bloc’s member economies showed the same trend of expansion and/or contraction of GDP per capita and GDP growth rate, unlike Venezuela, which, not being an official member of the bloc during this period showed different rate behavior. Venezuela also recorded a positive trade balance throughout the analysis period.

### TABLE IX

**Economic Indicators of Uruguay: 1980-2012**

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<tbody>
<tr>
<td>GDP per capita US$</td>
<td>3,841</td>
<td>3,302</td>
<td>6,875</td>
<td>11,531</td>
<td>13,961</td>
<td>14,728</td>
</tr>
<tr>
<td>GDP growth rate (%)</td>
<td>4.0</td>
<td>6.0</td>
<td>-1.8</td>
<td>8.4</td>
<td>7.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Global exports (millions US$, FOB)</td>
<td>1,059</td>
<td>1,708</td>
<td>2,299</td>
<td>6,741</td>
<td>7,912</td>
<td>8,709</td>
</tr>
<tr>
<td>Global imports (millions US$, CIF)</td>
<td>1,604</td>
<td>1,415</td>
<td>3,466</td>
<td>8,622</td>
<td>10,726</td>
<td>11,652</td>
</tr>
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</table>

### III. CONCLUSIONS

Based on the results, we note that, with regard to the social indicators of the Mercosur’s economies in the period from 1980 to 2012, Paraguay is the country with the most concentrated population in rural areas. In 1980, 50.4%, slightly more than half of the total population was concentrated in urban areas. Over the years the concentration of population in urban areas in the country increased in percentage terms, but Paraguay continues to have a higher population concentration in rural areas, compared to other members.

All member economies recorded a decline in the birth, infant mortality and mortality rates in line with the rise in HDI, and all members reported a significant increase in life expectancy. However, it may be noted that among the members, Brazil is the country with the worst HDI of the bloc and Uruguay is the member with the longest life expectancy. The illiteracy rate of all member countries also fell during the analysis period.

With regard to the economic indicators, we can see that after 1980, the highest growth rate of GDP of the member economies of the Mercosur (excluding Venezuela) was in 2010. GDP per capita showed significant increases over the years in all member economies, except in the case of Venezuela. The year of the highest decrease in the growth rate of GDP for member economies was the year 2000. This can be explained by recessive consequences brought about by the international crises of the 1990s, namely: crisis Mexican (1994), the Asian crisis (1997) and the Russian crisis (1998) followed by the devaluation of the Real in Brazil in 1999. We can see that all of the bloc’s member economies showed the same trend of expansion and/or contraction of GDP per capita and GDP growth rate, unlike Venezuela, which, not being an official member of the bloc during this period, recorded different rate behavior and whose decline occurred in 2010.

With regard to trade balance, Brazil and Venezuela showed positive trade balances throughout the analysis period. Argentina presented surplus balances from the year 2000, even in adverse conditions as a result of the international crisis. Paraguay and Uruguay showed positive trade balances only in the years subsequent to the international crises (after year 2000). Venezuela, however, presented different behavior from other economies in the bloc, showing positive trade balances throughout the analysis period, despite recording a severe decline in its growth rate in 2010.

### REFERENCES