MEĐUNARODNA KONKURETNOST MERCOSUR-A

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THE INTERNATIONAL COMPETITIVENESS OF MERCOSUR[14]

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UDC / UDK: 339.13.012:339.137.2(8)
JEL classification / JEL klasifikacija: F13
DOI: https://doi.org/10.22598/pi-be/2022.16.2.97
Preliminary report / Prethodno priopćenje
Received / Primljeno: June 20, 2022 / 20. lipnja 2022.
Accepted for publishing / Prihvaćeno za tisak: November 16, 2022 / 16. studenog 2022.

Summary

Over last 30 years, The Southern Common Market (MERCOSUR), as 4th largest trade block, undoubtedly exists and functions. In year 1991, Argentina, Brazil, Paraguay, and Uruguay established MERCOSUR (Mercado Común del Sur). Venezuela joined in year 2006 but suspended since 2016. By signing a trade agreement, four member states of Latin America accepted unilateral trade liberalization programs, dismantled trade barriers, and enforced market expansion. This investigation is implemented through the commonly used international trade indicators and aims at unveiling status of international competitiveness and comparative advantages of MERCOSUR countries. The observed period is from 2014-2019. The main hypothesis assumes satisfactory state of the international competitiveness of MERCOSUR member states within observed period. The key results discuss the position of MERCOSUR member countries' international competitiveness together with the collected results of MERCOSUR trading bloc indicators. The paper's concluding remarks aim at identifying the trading situation of MERCOSUR member countries, along with the proposals intended for achieving the higher levels of their international competitiveness.

Keywords: *MERCOSUR; regional integration; international competitiveness; trading bloc.*

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[14] The paper was financially supported by the University of Rijeka, under the project number uniri-drustv-18-16.

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1. INTRODUCTION

Mercado Común del Sur (Mercosul in Portuguese language) can be considered as regional trade bloc located in Latin America. It is well recognized as The Southern Common Market or MERCOSUR in English.

MERCOSUR represents a political, economic, and societal integration project for Latin America (Malamud 2010a, Lomeu Campos, 2016). As a regional trade bloc, it experienced significant success in integration but also confronted some integration challenges. Nevertheless, MERCOSUR passed through a remarkable development owing to its integration. However, at the turn of the century, integration slowed down significantly, and MERCOSUR has been considered as one of the major challenges in recent times (Campbell, Rozemberg, and Svarzman 1999, Kaltenthaler and Mora 2002, Malamud, 2005(a), Lomeu Campos, 2016).

Actually, MERCOSUR represents international agreement establishing intergovernmental institutions with several goals: the completion of a common market and a customs union, including 4 freedoms. It refers to common policy areas and the associated harmonization (Verveale, 2005). Argentina, Brazil, Paraguay, and Uruguay signed the Treaty de Asunción in 1991 thereby founding MERCOSUR. This is in accordance with the Treaty of Montevideo, signed in 1980, which formed the Asociación Latinoamericana de Integración (ALADI) or the Latin American Integration Association (Ghazalian,2013).

By signing Treaty, member countries initiated to extend earlier bilateral obligations in reducing tariff rates and enhanced trade liberalization between Argentina, Brazil, Paraguay, and Uruguay (Lomeu Campos, 2016). This treaty set MERCOSUR's foundations, and integration was created as a three-step procedure (Mattli 1999, Preusse 2000, Mahrukh 2012). Initally, a free-trade area was established in the period between 1991 and December 1994 with trade liberalizations and a reduction in tariffs between MERCOSUR member states. This first objective was accomplished within the stipulated period.

The first wave of MERCOSUR happened with Venezuela being in the final stage of becoming a full member, following the signature of a membership agreement in 2006. However, Venezuela was suspended since 2016. MERCOSUR associate member states do not have full voting rights and full free access to the markets of MERCOSUR states. They benefit from decreased tariff rates and other non-tariff preferences. Meanwhile, they are not required to impose the common external tariff rates that are applied in the case of MERCOSUR states (Ghazalian,2013).

Nowadays, MERCOSUR stand as the fifth largest economy in the world. Its territory covers the surface over 14,869,775 km² with population of 295,007,000

inhabitants (MERCOSUR,2021). The EU is Mercosur's number one trade and investment partner (EUROPA, 2021). GDP per capita in 2019 was 6,728$ and the debt was 93.78% of MERCOSUR's GDP (Countryeconomy, 2021).

They key aim of this research is to calculate and evaluate the international competitiveness of MERCOSUR member countries based on the commonly accepted indicators of international trade and, according to the results, to recommend methods and activities to improve their international competitiveness. The main hypothesis of the paper assumes satisfactory state of the international competitiveness of MERCOSUR member states within observed period. The scientific contribution includes the results of international competitiveness and revealed comparative advantages of the analyzed MERCOSUR member states.

Paper sums up four interrelated sections. After an introduction, the second part shows the previous research on the topic of competitiveness, international competitiveness, and the conducted research on MERCOSUR regional integration. In the third section, the methodology follows. The fourth part includes reveals the effects of international competitiveness analysis, obtained by using international trade indicators. Final section of the paper contains proposals and concluding remarks.

2. PREVIOUS RESEARCH

The OECD and DTI (Department of Trade and Industry) underlined the significance of technological factors aimed at building competitiveness. DTI (DTI, 1994) classifies company competitiveness as the ability to produce the right products and services at the right time and at the right price. The OECD's definition (OECD, 1992), from a micro perspective, identifies competitiveness as the company's ability to compete, maximize profits, and achieve growth based on costs and prices by using technology, improving quality, and maximizing the performance of its products.

A major number of scientists have been investigating the link between competitiveness and technological capabilities. A country's competitiveness is, however, complicated by two distinct notions of productive efficiency: its relative efficiency (or comparative advantage) in producing tradable products; and the absolute level of production costs relative to other countries (Bell et.al, 1995).

Researchers like Edwards and Fagerberg (2001), Kaldor (1971), Porter (2001), Lall (2001), and Wignaraja (2003), institutions such as the OECD, have opposed the views of other scientists, who observed competitiveness only from the perspective of price-based factors, while highlighting the non-price factors, such as technology. The discussion led to a reconsideration of traditional theories of competitiveness.

The competitiveness as a term has number of sophisticated features like complexity, composite character, and the systematic concept of itself as a category. In general, literature recognizes two different perspectives of the competitiveness. The general macroeconomic perspective reveals international competitiveness in terms of price-based factors. On the other side, the microeconomic perspective investigates competitiveness at the firm level with nonprice-based factors, where strict orientation was on the competition between firms.

The macroeconomic aspect includes the internal and external balance of economies, where focus was on the impact of price-based factors on the competition. The microeconomic aspect looks at the internal dynamics of a company, which makes the company strong or weak to influences (Wignaraja, 2003, Galović, 2021).

The microeconomic perspective identifies competitiveness at the firm level. The perspective, as such, comprises the rivalry between firms and their strategies. In the last few decades, the microeconomic perspective has taken on other elements, namely the impact of technology and innovation. Lall (2001) modifies the neoclassical theory, whose assumptions are made on the theory saying that technology is accessible to all firms that implement technologies at technically "high" levels. Nevertheless, this is a long-term learning procedure that starts with the import of technology and continues with the innovations (Galović, 2015; Galović, 2021).

Despite its high popularity in scientific circles, international competitiveness is considered from various standpoints (Krugman, 1994 De Grawe, 2010). Additionally, international competitiveness is a quite widespread concept that can be verified at various levels: production, industrial or sectoral, regional, state, trade bloc, or as an aspect of global trade. Likewise, there is a close connection between all these levels of competitiveness (Anca, 2008). It represents a concept studied not only from an economic perspective but also from a political, historical and cultural viewpoint. Even in economics, international competitiveness is linked with different theoretical approaches, i.e., classical, and neoclassical Keynesian theories, development economics, new growth theory, and modern trade theory.

In scientific literature, international competitiveness is often associated with exports; yet there is a diversity of scientists' perspectives. Krugman (1994) claims that imports are one of the essential principles of international trade, while exports are beneficial for allowing the product profit and necessary acquisition of cheaper and better foreign products. Without considering Krugman's perspective, Meiliene, Snieska (2010), Saboniene (2009), and Armstrong, Taylor (2005) tend to prove the importance of exports in the country's competitiveness. They argue that competitiveness is related to the increase in the economy's exports (which is not related to the increase in imports) that

allows activities to expand to foreign markets, resulting in increased revenues and diversified export structure (Galović, 2021).

Literature includes several generally accepted theories which analyze the issues of international competitiveness. The reality is that international competitiveness arises from the competition (Porter, 1990). Moreover, many researchers have described competitiveness as a relative and multidimensional concept (Spence and Hazard, 1988; Flanagan et al., 2007) that is normally regarded as a synonym for achievement and economic power in the global environment (Srivastava et al., 2006). A few economists also approve that the origins of international studies on competitiveness can be reached in classical theories of international trade (Olczyk, 2016).

There is relatively small number of studies which have strong orientation towards evaluating trade performance of MERCOSUR regional integration. Most consulted resources are mainly focused on the role of regional integration and its impact on member countries and their economies. Vervaele (2005) discusses about genesis and development of MERCOSUR, its institutional infrastructure, realization of MERCOSUR objectives, law issues etc. Almeida (2018) analyzes historical context of MERCOSUR integration and its perspective. Lomeu Campos (2016) focuses on Mercosur, from its formation to year 2016, engaging with theory, academic researches and official government speeches to identify what controlled integration in this regional bloc. Concludes that state leadership, especially that of Brazil's, was and continues to be crucial in shaping the MERCOSUR regional integration. Bianculli (2020) observed the link between the internal politicization of regional cooperation and external relations through the analysis of MERCOSUR and the relaunch of the negotiation process with the EU in 2010. Author concluded that internal politicization does not translate into international paralysis, but rather can reinforce and support the external agenda of regional blocs, further research could explore whether and how this holds for other policy areas.

Moreover, based on the implemented analysis, Connolly and Gunther (1999) concluded that MERCOSUR is diverting trade in manufactured goods from lower cost non-members to higher cost members. According to the authors, MERCOSUR member countries undertaken a similar degree of trade liberalization in a multilateral setting, countries might have achieved even larger benefits from their efforts to open up trade. Anaam (2000) studied the progress of MERCOSUR and concluded the lack of international competitiveness of MERCOSUR regional integration and no benefits from protection measures. Traistaru-Siedschlag and Martincus (2006) analysed patterns of relative manufacturing concentration in Argentina, Brazil, and Uruguay within the period 1985–1998. The concluded that localization of demand and comparative advantages are the main driving forces of these patterns. Borraz et.al. (2011) studied the relationship between trade, poverty, and inequality by analyzing the impact of trade liberalization

through prices and income of MERCOSUR. They concluded that the effect of trade on poverty (and income inequality) differs by country and by region. Ghazalian (2013) using multiplicative form of the gravity model, predicted the effects of MERCOSUR enlargement on trade in primary agricultural commodities. Ghazalian (2013) discovered that MERCOSUR enlargement would generate considerable increases in exports from the full members to the associate members. Stender (2018) revealed the roots of integration-induced trade effects for MERCOSUR in a gravity model framework. The conclusions indicate pure trade creating effects on the import side but also the existence of trade diversion with associate countries when refining extra-bloc country status. Extra-bloc import growth of MERCOSUR is characterized by non-tariff determinants and trade creation in pooled commodity imports for the largest fraction reduces from differences in the tariff treatment between trading partners.

3. THE METHODOLOGY

The methodology of this research is used by incorporating indicators which measure international competitiveness of four member countries (Argentina, Brazil, Paraguay, and Uruguay) of MERCOSUR regional integration. The studied period is from 2014 to 2019. To effectively measure the international competitiveness and trade of MERCOSUR countries, the indicators of intra-industry trade (*IITR*), export-import ratio (*EXIM*), trade openness index (*TOI*), share of exports in GDP (*EGDP*), and trade balance (*TBAL*) are applied. The indicators were implemented to analyze the advantages and limitations of the economy's international trade flows (Galović, 2021). These indicators indicate the level of trade specialization and competitiveness in foreign markets (Bezić and Galović, 2013; Bezić and Galović, 2014). The key objective of the methodology is to indicate the differences in the trade flows of the MERCOSUR regional integration. The data is downloaded from the UNCTAD statistical database - UNCTADSTAT (2021).

Analyses of industrialization and economic growth factors underline the relevance of intra-industry trade (World Bank, 2014). Intra-industry trade causes extra advantages in international trade as well as comparative advantages due to the access to bigger markets.

Intra-industry trade indicator was initially created by Balassa, explaining it as the degree to which the export value of an industry corresponds with the value of its imports (Balassa, 1966). IITR indicator, according to scientist Balassa, represented the unweighted average of the trade deficit in the country's total international trade and measured inter-industry trade (Galović, 2021). The major limitation of this indicator is related to the equal importance of all industries, regardless of their share in trade and the

negligence of trade imbalance. Based on Balassa's research, Grubel and Lloyd (1975) continued developing this intra-industry trade model.

Moreover, Grubel and Lloyd (1975) and Greenaway (1986,1989) claim that intra-industry trade would have better effect in the case of RTA (regional trade agreements) between developed countries. The reason is that intra-industry trade would grow more, the greater is the economies of scale, the higher is the per capita income, and the more diversified is the demand (Kim & Lee, 2021).

Intra-industry trade indicator (*IITR*) measures the value of total trade that stayed after deducting the absolute value of net exports or imports. To compare the countries, the measures are expressed as a percentage of exports and imports of each MERCOSUR member state. According to the UNCTAD statistical database (2021), the intra-industry trade indicator is assessed as following:

$$IITR_i = \left(1 - \frac{|expo_i - impo_i|}{expo_i + impo_i}\right) x100 \qquad (1)$$

where:
$expo_i$ – exports of the country "i" of MERCOSUR
$impo_i$ – imports of the country "i" of MERCOSUR

The results differ between 0 and 100. If an observed country exports and imports nearly equal quantities of a specific product, the value of the index reveals higher values. If the trade is mostly one-way (either exported or imported), the index indicates lower values.

The export-import ratio *(EXIM)* indicates the share of exports in imports of the examined MERCOSUR country. Values more than 1 imply a positive trade balance, while values less than 1 reveal a negative trade balance (EUROSTAT, 2020). The equation of the ratio of exports and imports is:

$$EXIM_i = \frac{expo_i}{impo_i} x100 \qquad (2)$$

where:
$expo_i$ – exports of the country "i" of MERCOSUR
$impo_i$ – imports of the country "i" of MERCOSUR

The ratio indicates whether a country exports more than it imports or vice versa. Apart from providing insight into the state of trade balance (exports – imports), the

indicator's advantage is the countries' comparison. Higher export-import ratio results benefit that country meaning that it can have more export than its value of imports.

Trade openness generates numerous advantages for the economy, comprising the better transfer of technology, knowledge, and skills, increased labor, and total factor productivity, as well as economic growth and development. Another interpretation of the trade openness index is that it calculates the degree to which a domestic economy is open to external shocks. To the extent that an economy depends on export demand and imported inputs/products, it is subject to potential transmission of disturbances from abroad. However, the trade-to-GDP ratio varies across countries because of differences in trade policies, factor endowments, and geographical locations irrespective of realizations of external shocks (Fujii, 2017).

The trade openness index *(TOI)* measures the openness of the observed MERCOSUR country. It is calculated as the sum of the values of total exports and imports in relation to the realized gross domestic product of the MERCOSUR member country in each period. The equation is:

$$TOI_i = \frac{expo_i + impo_i}{GDP_i} \qquad (3)$$

where:
$expo_i$ – exports of the country "i" of MERCOSUR
$impo_i$ – imports of the country "i" of MERCOSUR
GDP_i – gross domestic product of the country "*i*" of MERCOSUR

The share of exports in GDP *(EGDP)* represents the indicator of export preferences. The export preference indicator measures the overall degree of reliability in domestic producers in foreign markets (UNCTAD, 20201). When measuring the export preference indicator of a particular country, the following elements of the equation are:

$$EGDP_i = \frac{expo_i}{GDP_i} \qquad (4)$$

where:
$expo_i$ – exports of the country "i" of MERCOSUR
$impo_i$ – imports of the country "i" of MERCOSUR
GDP_i – gross domestic product of the country "*i*" of MERCOSUR

The increasing share of exports in GDP shows a higher export preference. In contrast, the decreasing share of exports in the GDP of the MERCOSUR member state indicates the lower degree of export preference.

The trade balance indicator *(TBAL)* can be understood as the calculated difference between export and import activities of the analyzed country. A positive value (exports are greater than imports) implies a trade surplus, while a negative numbers (imports are greater than exports) reveals a trade deficit. It is calculated as following:

$$TBAL_i = expo_i - impo_i \quad (5)$$

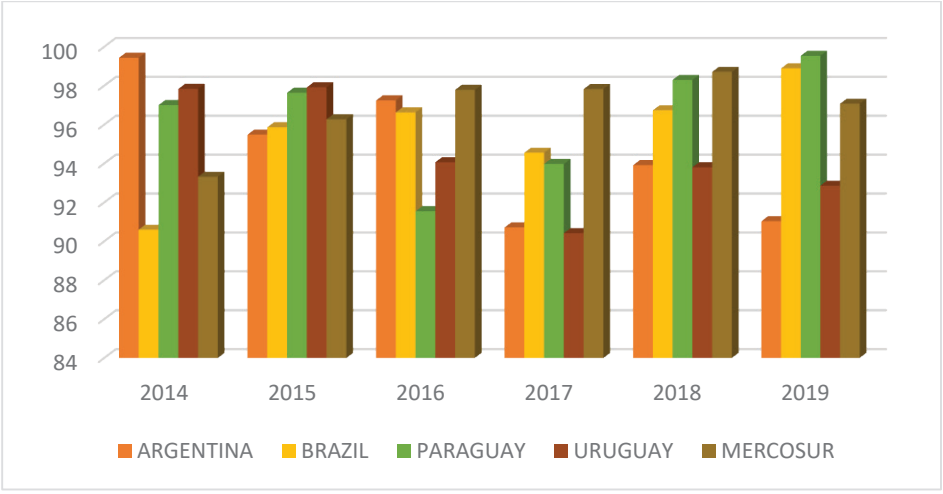
where:
$expo_i$ – exports of the country "i" of MERCOSUR
$impo_i$ – imports of the country "i" of MERCOSUR

These equations are included in this research to analyze the international competitiveness of MERCOSUR countries. The results of the used methodology are following in the next paper section.

4. THE RESULTS

This part of the research analyzes the international competitiveness of MERCOSUR regional integration which includes Argentina, Brazil, Paraguay, Uruguay, and the total results of MERCOSUR member countries. The analysis refers to period from 2014 to 2019. The results are based on the implementation of the intra-industry trade indicator *(IITR),* export-import ratio *(EXIM)*, trade openness index *(TOI)*, share of exports in GDP indicator *(EGDP)*, and trade balance *(TBAL)* indicator. Figure 1 below indicates the intra-industry trade of MERCOSUR in from 2014 to 2019.

Figure 1. Intra-industry trade of MERCOSUR *(IITR)*



Source: Author's processing according to UNCTAD statistical database (2021)

Intra-industry trade of MERCOSUR has expanded significantly after the creation of MERCOSUR regional integration. Intra-industry trade of MERCOSUR was not only higher than that with non-Mercosur countries, but the former increased much rapidly in the 1990s than the latter (Kim & Lee, 2021).

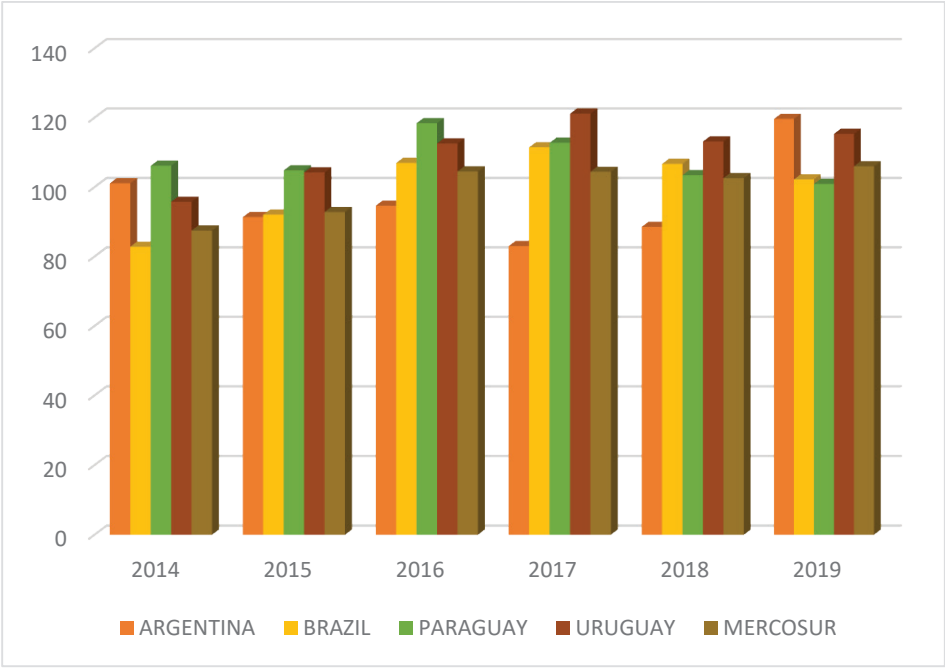
Most of the observed MERCOSUR countries recorded values closer to 100. The analysis indicates relatively volatile trend for each MERCOSUR country as well. This shows two-way trade with almost similar level of exports and imports. The exemption would be Argentina from year 2017 to 2019. In total, MERCOSUR's *IITR* results gravitate from values 93 to 98. In general, Paraguay seems to be MERCOSUR member state with highest intra-industry trade values. In year 2019 Brazil recorded the second highest value of IITR indicator, right after Paraguay.

Paraguay is exporting mostly to neighboring Brazil, and Argentina, Chile, Russia, and United States. Most exports come from Brazil, United States, China, Argentina, and Chile. In 2019, Brazil recorded world's biggest exports of soybeans, sulfate chemical wood pulp, poultry meat, frozen bovine meat, and raw sugar. Brazil was the world's biggest importer of pesticides, special purpose ships, potassic fertilizers mixed mineral or chemical fertilizers and phosphatic fertilizers (OEC,2021).

The lowest level of *IITR* indicator was in the case of Argentina. That implies on one-way trade. If we compare Figure 1. with Figure 5., the conclusion is obvious – Argentina seems to be import-oriented MERCOSUR country especially within the period

from 2014 to 2018. Following Figure 2 shows the share of exports within the imports of MERCOSUR countries in the period from 2014 to 2019.

Figure 2. Export-import ratio of MERCOSUR (*EXIM*)



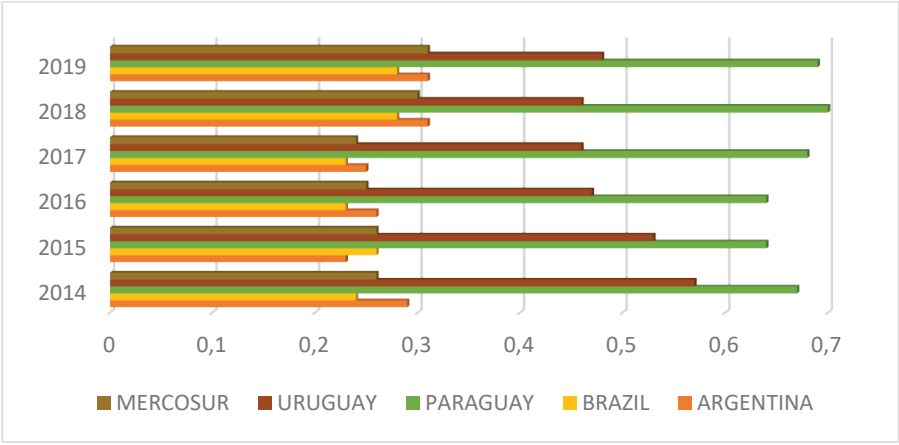
Source: Author's processing according to UNCTAD statistical database (2021)

In general, the highest export import ratio is recorded in the case of Paraguay (period from 2014- 2016), Uruguay (years 2017 and 2018) and Argentina (year 2019). MERCOSUR in total recorded values between 87% and 106% of the *EXIM* indicator. By this, MERCOSUR could be clearly seen as more export than import oriented regional integration. On the other side, Argentina and Brazil are characterized by lowest results of *EXIM* indicator. In year 2019, the economy of Argentina started to recover which could be seen in most of presented charts. Brazil represents the key destination market for Argentinian exports, a trend that has intensified since the creation of Mercosur. In 1997, Argentina's exports to Brazil amounted to almost a third of its total exports; and imports from Brazil had a share of around 20 percent of the country's total imports. On the other hand, Brazil's dependency on the Argentine market is smaller (the Argentine share in both Brazilian exports and imports was some 10 percent) (Monteagudo and Masakazu, 2003).

In 2019, Argentina had the position of the world's biggest exporter of soybean meal, soybean oil, bran, other vegetable residues and waste, and ground nut oil. However, Argentina mostly imported cars, refined petroleum, vehicle parts, petroleum gas, and soybeans importing mostly from Brazil, China, United States, Germany, and Paraguay (OEC,2021).

When talking about Brazil, at the beginnings of MERCOSUR regional integration, Brazil was the country with the highest potential for growth in intra-regional exports through furthering economic integration to the level of its regional neighbors. This opportunity to increase exports was embraced, and as Brazil engaged in increasing integration, intra-regional trade increased (Kim & Lee, 2021). On the other side, Brazil confronted with structural economic challenges like trade and debt crisis. Brazil is also characterized by more restrictive trade barriers in global trade. Nevertheless, by being integrated more intensively in MERCOSUR, Brazil liberalized its trade systematically - especially within the MERCOSUR. The following figure includes MERCOSUR trade openness indicator. The observed period is from 2014 to 2019.

Figure 3. Trade openness indicator of MERCOSUR *(TOI)*



Source: Author's processing according to UNCTAD statistical database (2021)

According to the results, Paraguay recorded the highest level of trade openness. Uruguay follows with a value less than half of Paraguay's TOI indicator. MERCOSUR in total shows minimum volatility in TOI indicator with minimum value of 0,23 in 2017 to 0,31 in 2019.

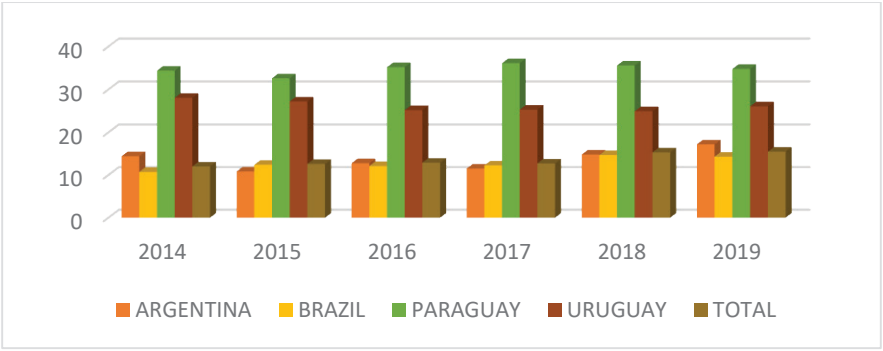
The lowest trade openness is present for Brazil and Argentina. Their values of Brazil reached maximum result of 0,28 which is significantly lower than in case of

Paraguay (0,7 in year 2019). Paraguay has undoubtably good performance from the results of *TOI, EXIM* and *IITR* indicators.

The openness for which the Paraguayan economy had long been known did not vanish with the adoption of the Treaty de Asunción. Paraguay continued to be a quite open economy - formally and informally - while developing more varied ties within the region. Trade with Mercosur has been growing quicker than Uruguay's trade with the rest of the world (Birch, 2014).

Following Figure 4. answers on a question how high the export preference of MERCOSUR member countries is.

Figure 4. Share of exports in GDP of MERCOSUR *(EGDP)*

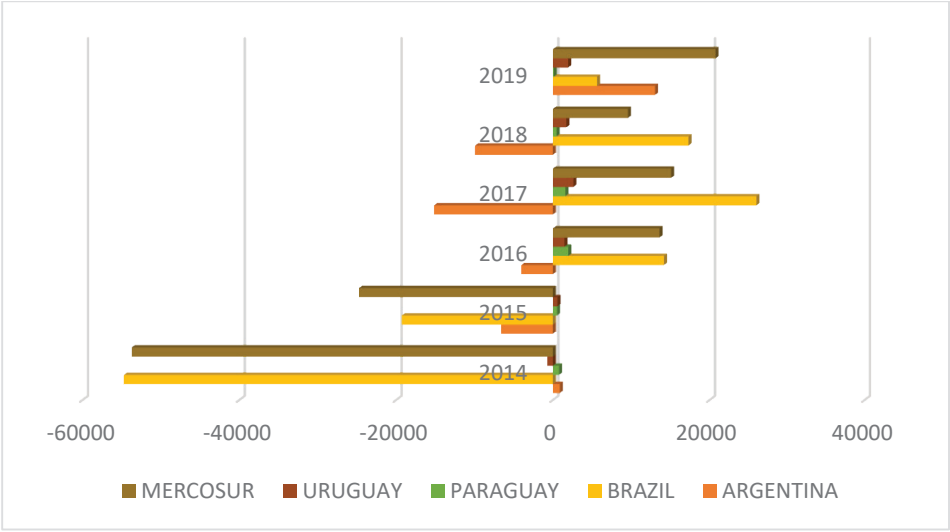


Source: Author's processing according to UNCTAD statistical database (2021)

According to presented results of Figure 4, Paraguay confirms it's as the most export-oriented country of MERCOSUR. Paraguay unquestionably exceeds MEROCSUR's average level of EGDP indicator.

In 2019, the most exported products in Paraguay include soya beans with 20% ($1.57 billion) of total exports, Electrical energy (with 20% or $1.56 billion of total exports). Oilcake and other solid residues have the share 9% ($689 million) of total exports of Paraguay (Trendeconomy, 2021). The group of leading trading partners covers Brazil (32 percent of total exports and 21 percent of imports) and Argentina (23 percent of exports and 9 percent of imports). Other countries are China and the USA (Trading economics, 2021). Uruguay is classified as the second-best country in export orientation while Argentina and Brazil are positioned on the last place in share of exports in GDP. Clearly, Argentina and Brazil belong to the group of import-oriented countries. Following Figure 5. illustrates the trade balance of MERCOSUR regional integration for the period from 2014 to 2019.

Figure 5. Trade balance indicator of MERCOSUR *(TBAL)*



Source: Author's processing according to UNCTAD statistical database (2021)

The Figure 5. provides additional proofs for the level of international competitiveness of MERCOSUR member states. This figure shows trade balance of goods and services. The trade surplus is specific for majority of member countries (except Argentina) from year 2016 to year 2019. Years 2014 and 2015 were not promising for MERCOSUR– trade deficit was present. However, positive values of MERSOSUR regional integration are recorded for the period 2016-2019.

It could be clearly stated that Brazil had trade surplus (years 2016, 2017 and 2018). Paraguay and Uruguay are switching positions on 2nd place with trade balance indicator within the observed period. The most continuous trade deficits are recorded in the case of Argentina (except the years 2014 and 2019). Argentina confirms its position as a MERCOSUR member state with highest level of import dependence. Nevertheless, Brazil recorded the deepest trade deficit in year 2014. In general, MERCOSUR regional integration recorded a volatile trend of trade deficit in year 2014 and 2015. Trade surplus of MERCOSUR was achieved from 2016 to 2019. The deepest trade deficit was recorded in year 2014 while highest trade surplus could be seen in year 2019.

5. CONCLUSION

In Latin America, the most vital trade arrangement is the MERCOSUR (Mercado Común del Sur, or Southern Common Market). MERCOSUR is established through the implementation of new policy framework of south American member countries (Brazil, Argentina, Paraguay, and Uruguay). MERCOSUR as regional integration was created in March 1991. The main goals of MERCOSUR regional integration included to removal of any barriers, duties, and other limitations that refer to member countries' equal trade and to begin a program of gradual, linear, and automatic tariff reductions for imports from non-member countries.

The formation of MERCOSUR had significant impact on the growth of intra-regional trade. MERCOSUR member states faced advantages but structural limitations (Brazil's currency devaluation in year 1999 and Argentine crisis in year 2001) which influenced on the MERCOSUR's economic and trade performance. The MERCOSUR regional integration represents fourth largest integrated market after NAFTA, the European Union, and Japan.

The results of analysis confirm the main research hypothesis which assumes satisfactory state of the international competitiveness of MERCOSUR member states within the period from 2014 to 2019. Main goal of the research is achieved as well. Based on the implementation of the basic indicators (the intra-industry trade indicator *(IITR),* export-import ratio *(EXIM)*, trade openness index *(TOI)*, share of exports in GDP indicator *(EGDP)*, and trade balance *(TBAL)* indicator), this research provided the results of international trade/competitiveness of MERCOSUR regional trade integration.

The results of this research imply satisfactory international competitiveness of Paraguay and Uruguay as leading economies with trade surplus. The applied indicators indicate less favorable positions of Argentina and Brazil in terms of trade competitiveness. These countries confirm their positions as more import-oriented countries.

If we sum up the results international competitiveness, we could validate overall satisfactory position of MERCOSUR. MERCOSUR's trade trends seem to be more volatile at the beginning of the observed period (2014 and 2015) following by the trade deficits and weak export orientation. The rest of the observed period imply on recovery along with trade surplus, export orientation and increased export competitiveness for the most of MERCOSUR member states.

MERCOSUR exists more than 30 years. It faced political, economic challenges. In modern time, the global COVID-19 crisis impacted on the international competitiveness of MERCOSUR and its international trade partners. In near future we

can expect challenges for MERCOSUR from COVID-19 implications. Concerning that MERCOSUR's economy is not small, we can expect prompt recovery in trade.

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MEĐUNARODNA KONKURETNOST MERCOSUR-A[16]

Tomislav Galović

Sažetak

Zajedničko tržište Južne Amerike (MERCOSUR), nedvojbeno postoji i djeluje tijekom posljednjih trideset godina. 1991. godine Argentina, Brazil, Paragvaj i Urugvaj kao četvrti najveći trgovinski blok, osnovali su MERCOSUR (Mercado Común del Sur). Venezuela se pridružila 2006. godine, ali je suspendirana od 2016. godine. Potpisivanjem trgovinskog sporazuma četiri države članice Latinske Amerike prihvatile su jednostrane programe liberalizacije trgovine, uklonile trgovinske prepreke i potaknule širenje tržišta. Ovo istraživanje provodi se na temelju prihvaćenih pokazatelja međunarodne trgovine te ima za cilj identificirati međunarodnu konkurentnost i komparativne prednosti zemalja MERCOSUR-a. Promatrano razdoblje je od 2014. do 2019. godine. Temeljna hipoteza pretpostavlja zadovoljavajuće stanje međunarodne konkurentnosti država članica MERCOSUR-a u promatranom razdoblju. Ključni rezultati objašnjavaju poziciju međunarodne konkurentnosti zemalja članica MERCOSUR-a zajedno s prikupljenim rezultatima pokazatelja trgovinskog bloka MERCOSUR-a. Zaključna razmatranja rada imaju za cilj identificirati trgovinsku situaciju zemalja članica MERCOSUR-a. Dani su i prijedloge za dostizanje više razine njihove međunarodne konkurentnosti.

Ključne riječi: *MERCOSUR; regionalna integracija; međunarodna konkurentnost; trgovinski blok.*

[16] Ovaj rad je financijski potpomognut od strane Sveučilišta u Rijeci, projekt broj uniri-drustv-18-16.