

"Mercosur: What to Expect in 2025?"

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In December 2024, the 65th MERCOSUR Presidential Summit occurred in Montevideo, Uruguay. This meeting of the most important economic bloc in Latin America had significant repercussions, generating major headlines in newspapers worldwide due to the conclusion of negotiations for an agreement with the European Union. However, such headlines might overshadow the bloc's current challenges and prospects.

This article aims to analyze the current state of MERCOSUR (comprising Brazil, Argentina, Paraguay, Uruguay, and Bolivia). It will outline the bloc's general characteristics and the issues and challenges it faces today, including demands for flexibility from countries like Uruguay and, currently, Argentina under the leadership of Javier Milei. It will also put the December 2024 Presidential Summit into perspective, focusing on three key aspects: the future of the potential agreement with the European Union, possibilities for agreements with Asian countries, and expectations for 2025, particularly with changes in leadership such as the election of center-left candidate Yamandú Orsi in Uruguay.

MERCOSUR AS A REGIONAL INTEGRATION PROCESS

MERCOSUR (Southern Common Market) is a regionalism process that emerged in the 1990s as part of a new wave of regionalism in Latin America. It sought an "open regionalism" perspective, unlike the regionalism processes of the 1970s and 1980s, which focused on integration among members while protecting themselves from the rest of the world (Bianculli 2016). Driven by Brazil and Argentina, the Treaty of Asunción was signed to create a common market alongside Uruguay and Paraguay, involving the free circulation of goods, services, and productive factors, a common external tariff and trade policy, and coordination of macroeconomic policies (Caetano 2011). However, these objectives remain unmet and are unlikely to be achieved.

Despite the challenges the bloc has faced over more than 30 years in meeting its goals, it has attracted the interest of other countries. Venezuela joined the process but is currently suspended due to the existence of a democratic clause. It is important to note that while this process was originally conceived as an economic integration mechanism, in the second decade of the 21st century and under the leadership of leftist governments within the bloc, more social aspects were incorporated into MERCOSUR, including a Structural Convergence Fund, the Institute of Public Policies on Human Rights, and MERCOSUR's Social Institute. Another country of interest, Bolivia, participated as an associate member but joined as a full member for the first time at the December 2024 meeting.

MERCOSUR has served and continues to serve as a platform for Brazil's leadership in South America and has made significant progress in intra-bloc trade. However, when compared to the objectives set by its founders, it has failed to meet those expectations. The bloc has not achieved the status of a customs union, as there are numerous exceptions in the common external tariff, sectors excluded from the free trade area (such as automotive and sugar), double collection of tariffs, and the existence of free trade zones.

The most significant criticism of the bloc, which intensifies under more liberal governments leading member states, is the lack of finalized agreements between MERCOSUR and other blocs worldwide. While other economic and trade blocs have advanced in establishing free trade agreements with countries or regional processes (such as Pacific Alliance), MERCOSUR's commercial network remains limited. MERCOSUR has agreements with several Latin American countries but stands out only for agreements with global South countries, such as Egypt, partial agreements with India, and the Southern African Customs Union; and also, as an exception, with Israel. In this sense, unlike Latin American countries such as Chile or Peru, MERCOSUR lacks trade agreements with economies in the global North.

CHALLENGES FOR MERCOSUR – SUMMIT 2024

The speeches delivered by the presidents of MERCOSUR during the summit held at the iconic MERCOSUR Building in Montevideo, Uruguay, in December 2024 offer insights into the bloc's current state and its prospects. The address by Javier Milei, President of Argentina, highlights the challenges the bloc faces, challenges that have also been echoed by other center-right governments in Argentina (such as Mauricio Macri's administration from 2015–2019) and by Uruguayan governments, both left-wing (Tabaré Vázquez from 2015–2020) and right-wing (Luis Lacalle Pou from 2020–2025).

Milei, who has been highly critical of MERCOSUR—going so far as to threaten withdrawal during his campaign—criticized the bloc's common external tariff, which raises the cost of importing goods. He argued that while MERCOSUR was founded initially to deepen trade ties, it has become a prison that prevents member countries from fully capitalizing on their export potential (Gobierno Argentina 2024). Accordingly, Milei called for greater autonomy and loosening the constraints that, in his view, stifle rather than strengthen member states. This was a clear appeal for the bloc's flexibilization, which would allow each country to negotiate agreements individually rather than collectively, as stipulated by Resolution 32/00, a commitment to joint negotiation of the accords.

In contrast, Brazilian President Luiz Inácio Lula da Silva offered a different perspective on MERCOSUR, emphasizing the importance of a united and interconnected MERCOSUR within South America and its role in addressing global agenda topics such as gender equality, social justice, and combating racism. Lula's vision for MERCOSUR extends beyond commercial issues and debates over greater openness. He underlined that Brazil's approach to integration aims to reduce inequalities, both within and between countries (El País 2024).

Uruguay, one of the smaller members of this regionalism process and the holder of the pro tempore presidency of MERCOSUR at the time, shares Milei's stance on demanding greater flexibility within the bloc. Even during the outgoing administration of Luis La Calle Pou, Uruguay sought closer ties with China, exploring the possibility of establishing a bilateral free trade agreement—though China ultimately refrained from advancing beyond feasibility studies. This was mainly due to pressure from larger member states such as Brazil and, at the time, Argentina under Alberto Fernández (2019–2023).

WHAT TO EXPECT FOR 2025

The LXV MERCOSUR Summit gained significant relevance due to the presence of the President of the European Commission, Ursula von der Leyen. At this summit, the conclusion of negotiations for an association agreement between MERCOSUR and the European Union (MERCOSUR 2024) was announced. The history of relations between these blocs spans several years, beginning with the framework cooperation agreement signed in the 1990s and culminating in the 2019 announcement of negotiation completion. In this context, it is crucial to understand what was announced at the 2024 summit to grasp future perspectives.

Since 2023, seven rounds of negotiations have taken place in an intense process that resulted in the Association Agreement between MERCOSUR and the European Union being ready for legal review and translation. Both blocs committed to carrying out these activities in the coming months with a view to the future signing of the agreement (MERCOSUR 2024). The fact that the agreement includes political cooperation in addition to trade issues makes its signing and ratification more complex, as it encompasses topics under the individual jurisdiction of member states. In this regard, despite criticism of MERCOSUR's openness to trade, as is often said in this part of the world, "the ball is in the European Union's court." What will happen with this agreement will depend on European countries.

Regarding advancing other free trade agreements, MERCOSUR is negotiating with developed economies such as Canada. Additionally, there have been longstanding negotiations with European countries outside the European Union, such as the European Free Trade Agreement (EFTA). Finalizing negotiations with the European Union could give new impetus to the EFTA agreement, given the MERCOSUR presidents' goal of agreeing by the first half of 2025.

The possibility of engaging with Asian countries remains on the agenda. MERCOSUR and Singapore have already signed a free trade agreement that is close to entering into force. Moreover, negotiations with the United Arab Emirates are in advanced stages, prioritizing the prompt conclusion of the discussions. A potential free trade agreement with Indonesia and South Korea is on the negotiation agenda, although not in the short term. However, the latter poses significant challenges, particularly for countries with robust industries like Brazil. On the other hand, despite Uruguay's insistence on maintaining constant dialogue with China through the MERCOSUR-China Dialogue Mechanism, a free trade agreement with China is not expected in the near term.

An analysis of what may happen in 2025 with MERCOSUR cannot overlook the fact that Argentina is assuming the pro tempore presidency of the bloc, which rotates alphabetically every six months. Javier Milei's December 2024 speech explains what to expect under Argentina's bloc leadership. The Argentine president proposes relaxing MERCOSUR rules to allow member countries to negotiate and sign bilateral trade agreements with third parties (Ámbito 2024). The issue is that such decisions require consensus within the bloc, which conflicts with Brazil's position against lowering MERCOSUR's status. Additionally, Argentina lost a key ally in Uruguay for seeking greater flexibility, as the ruling party lost the election to a center-left coalition.

Milei, unlike during his electoral campaign, is no longer advocating for leaving MERCOSUR but rather for changing its operational framework. As he stated in his speech, "If a bloc does not facilitate trade, what is its purpose?" (Página 12, 2024). He intends to negotiate a free trade agreement with the United States once Trump takes office. However, this objective seems challenging due to Trump's protectionist policies, the economic complementarities, and MERCOSUR's regulatory framework. This task will not be easy, so it is expected that besides these ambitious objectives, Argentina may begin with other measures, such as reducing the bloc's common external tariff and eliminating non-tariff barriers.

Ultimately, the early months of 2025 will be critical in observing how the bloc progresses in negotiations. However, to understand MERCOSUR's future, attention should focus on how the European Union advances toward signing the agreement, a crucial step for the South American bloc.

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