

THE CREATION OF A QUALIFIED FREE TRADE ZONE

This report argues for a greater proximity between the European Union and the Mercosul, based on creation of a *qualified free trade zone between integrated areas*.

Taking into account the new international economic conditions which indicate increasing globalization of production and markets and the formation of integrated regional areas, the proposal has the merit of setting up a new challenge for those who defend integration as a way to re-organize the international system: the challenge is to seek a new relationship which can bring economic areas and not just individual countries together through regional integration.

The elements necessary to set up this new regime of international relations include:

- trade liberalization with the elimination of tariffs and trade barriers and the definition of a list of sensitive products which might be exempted until liberalization becomes fully effective;
- the creation of mechanisms for fostering and protecting investment;
- the creation of mechanisms for fostering the transfer of technology and protecting intellectual property;
- trade liberalization in the service sectors;
- the negotiation and harmonization of common trade instruments and rules to avoid the use of measures which are considered disloyal such as dumping, subsidies, discriminatory rules of origin and to protect technical and health standards;
- the establishment of a system for resolving conflicts;

For the successful initiation of a new phase in the relations between Latin America and the European Union, however, the Southern Cone countries need to demonstrate an unequivocal political will for the fulfillment of their integration project. The common market must be made a reality, existing trade barriers between members eliminated and the phase of institutional construction initiated. The Mercosul can only achieve equality with the European Union if it reinforces its institutions. Only an adequate institutional framework can create the legal and administrative conditions necessary for trade liberalization. At the same time, the Mercosul's capacity to impose itself in the international arena is equally relevant. This will only become possible when its members speak with one voice about the wider international economic and political issues. This requires prior coordination of member states' policies.