

# The role of MERCOSUR in regional economic integration and its impact on international negotiations

Diginomics.

2025; 4:159

DOI: 10.56294/digi2025159

ISSN: 3072-8428

## *El papel del MERCOSUR en la integración económica regional y su impacto en la negociación internacional*

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**Cite as:** López Salinas P, Zaragoza Alvarado GA. The role of MERCOSUR in regional economic integration and its impact on international negotiations. Diginomics. 2025; 4:159. <https://doi.org/10.56294/digi2025159>

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## ABSTRACT

The Southern Common Market (MERCOSUR) has been one of the main regional blocs in Latin America, with tangible effects on the economic integration and international negotiations of its member countries. This paper analyzes how Mexico's participation, although not as a full member, has been influenced by treaties and parallel agreements with this organization. The analysis focuses on how MERCOSUR promotes common regulatory frameworks, facilitates intraregional trade, and generates challenges for countries outside the bloc. To this end, a practical case of trade negotiations with Argentina and Brazil, key MERCOSUR members, is used to assess the applicable international legislation. The selection of current regulations is based on bilateral treaties, framework agreements, and principles of international economic law. The paper seeks to identify tariff barriers, dispute settlement mechanisms, and provisions related to investments and services. The conclusion highlights the importance of understanding these multilateral organizations so that Mexico can strategically position itself in international negotiations.

**Keywords:** MERCOSUR; Economic Integration; International Trade; Bilateral Treaties; Trade Negotiations; Mexico; International Economic Law.

## RESUMEN

El Mercado Común del Sur (MERCOSUR) ha sido uno de los principales bloques regionales en América Latina con efectos tangibles en la integración económica y en las negociaciones internacionales de sus países miembros. Este trabajo analiza cómo la participación de México, aunque no como miembro pleno, se ha visto influenciada por tratados y acuerdos paralelos con este organismo. El análisis se centra en cómo el MERCOSUR promueve marcos normativos comunes, facilita el comercio intrarregional y genera retos para países fuera del bloque. Para ello, se toma un caso práctico de negociaciones comerciales con Argentina y Brasil, miembros clave del MERCOSUR, y se evalúa qué legislación internacional es aplicable. La selección de normatividad vigente se basa en tratados bilaterales, acuerdos marco y principios del derecho internacional económico. Se busca identificar las barreras arancelarias, mecanismos de solución de controversias y disposiciones relacionadas con inversiones y servicios. La conclusión destaca la importancia de comprender estos organismos multilaterales para que México pueda posicionarse estratégicamente en negociaciones internacionales.

**Palabras clave:** MERCOSUR; Integración Económica; Comercio Internacional; Tratados Bilaterales; Negociación Comercial; México; Derecho Económico Internacional.

## INTRODUCTION

The Southern Common Market (MERCOSUR), created in 1991 with the signing of the Treaty of Asunción,<sup>(1)</sup> is one of the most important economic integration processes in Latin America, with both commercial and legal implications for its member states and third countries.<sup>(2)</sup> Although Mexico is not a full member of this bloc, its interaction with MERCOSUR has had a significant impact on the configuration of its economic relations with South America, primarily through bilateral agreements and cooperation mechanisms developed within the framework of the Latin American Integration Association (ALADI).

The literature on regional economic integration has extensively documented the benefits and challenges faced by member countries of trade blocs,<sup>(3,4,5,6)</sup> but fewer studies are focusing on the so-called regulatory spillover effect, understood as the influence that a bloc's regulatory frameworks exert on non-member countries.<sup>(7,8)</sup> This phenomenon is particularly relevant in strategic sectors such as the automotive, agri-food, and pharmaceutical industries, where the harmonization of technical standards, rules of origin, and dispute settlement procedures can influence bilateral negotiations.<sup>(9,10,11)</sup>

In the case of Mexico, its relationship with MERCOSUR has been marked by specific treaties—such as Economic Complementation Agreement No. 6 with Argentina and No. 53 with Brazil—which have incorporated provisions inspired by the bloc's regulations. However, gaps remain in the analysis of how these interactions shape Mexico's negotiating position and its ability to insert itself into regional value chains in the Latin American context.

This paper examines the impact of MERCOSUR on international negotiation dynamics from the perspective of a non-member country, taking as a case study the trade relations between Mexico and Brazil in the automotive sector. It analyzes the applicable multilateral and bilateral legal frameworks, identifies the main barriers and opportunities, and assesses the strategic potential of greater integration with the bloc. In this way, the research seeks to provide empirical evidence and critical reflection for the design of trade policies that strengthen market diversification and Mexico's international competitiveness.<sup>(12,13)</sup>

## DEVELOPMENT

### Origin and Legal Structure

MERCOSUR, founded on March 26, 1991, with the signing of the Treaty of Asunción, represents one of the most ambitious attempts at economic integration in Latin America. The founding countries—Argentina, Brazil, Paraguay, and Uruguay—established as their central objective the creation of a common market that would allow the free movement of goods, services, and productive factors, as well as the harmonization of macroeconomic policies. Venezuela subsequently joined as a full member in 2012, although it is currently suspended. Bolivia has made progress in its accession process.

MERCOSUR is not only a trade agreement but also a complex institutional framework that integrates political, legal, and social dimensions. Its main regulatory instruments include: the Ouro Preto Protocol,<sup>(14)</sup> which grants legal personality to the bloc; the Olivos Protocol,<sup>(15)</sup> which regulates dispute settlement; and a series of decisions and resolutions binding on the States Parties. The bloc has intergovernmental bodies such as the Common Market Council, the Common Market Group, and the Trade Commission.

In legal terms, the structure of MERCOSUR is based on the

principle of limited supranationality. This means that decisions adopted by consensus among the members must be incorporated into national law for implementation, which poses significant challenges in terms of legislative integration.

### Main Objectives and Progress of MERCOSUR

MERCOSUR's main focus is regional economic integration, understood as a process that goes beyond simple tariff reduction. Its fundamental objectives include:

- The free movement of goods, services, and productive factors.
- The establishment of a common external tariff (CET).
- The adoption of coordinated macroeconomic policies.
- The promotion of balanced and sustainable economic development.

During its first decades, MERCOSUR made significant progress, especially in the liberalization of intraregional trade. By the end of the 1990s, more than 90 % of trade between its members was tariff-free. However, the integration process has been marked by political tensions, economic asymmetries, and internal crises that have hindered the complete consolidation of the common market.

It should be noted that the bloc has developed agreements with third countries and economic groups, such as the European Union (EU), India, Egypt, and the European Free Trade Association (EFTA). These agreements reflect MERCOSUR's negotiating capacity on the international stage and the importance of regional coordination to strengthen the negotiating position of its members.

### Mexico-MERCOSUR Relations: A Bilateral and Observer Approach

Mexico is not a full member of MERCOSUR, but it has developed a strategic relationship with the bloc through various channels. In 2004, Mexico was admitted as an Observer State of MERCOSUR, which allows it to attend meetings and have access to information on the integration process.

In addition, Mexico has signed bilateral treaties with several members of the bloc, notably the Economic Complementation Agreement No. 54 (ACE 54) with Uruguay and ACE 6 with Argentina.<sup>(16)</sup> It also maintains active trade relations with Brazil through mechanisms such as ACE 53. These agreements, concluded under the framework of ALADI, seek to establish tariff preferences and regulate specific issues such as rules of origin, sanitary measures, and technical barriers.

The lack of a comprehensive free trade agreement between Mexico and MERCOSUR is due, in part, to differences in trade policies. Mexico maintains an open, high economy with agreements with more than 50 countries, while MERCOSUR has taken a more protectionist stance. However, the potential for greater cooperation remains, especially given the need for trade diversification away from markets such as the United States and China.<sup>(17,18)</sup>

### MERCOSUR as a Regulatory Benchmark in International Negotiations

Although Mexico is not part of MERCOSUR, its negotiations with member countries are inevitably influenced by the regulations and principles governing that bloc. This

phenomenon is known as the normative spillover effect. In other words, the rules and standards adopted within an economic bloc can influence the practices of countries outside it.

For example, technical, sanitary, or phytosanitary standards harmonized by MERCOSUR can become de facto standards in negotiations with third countries, such as Mexico. Similarly, dispute settlement procedures adopted within the bloc are used as a model in bilateral treaties.

This effect is particularly relevant in sectors such as the automotive, agri-food, and pharmaceutical industries, where regulatory harmonization facilitates trade. In addition, Mexico can draw on MERCOSUR's experience in integrating production chains to strengthen its participation in regional value chains, especially if progress is made in bilateral treaties with key countries such as Brazil or Argentina.

### Legislation Applicable to Legal Acts with Parties of Different Nationalities

When Mexico negotiates or establishes trade relations with MERCOSUR countries, various international and national regulations come into play. At the international level, bilateral agreements signed under the ALADI framework (such as ACE 6 and ACE 54) constitute the legal basis for regulating trade. These instruments establish rules on tariffs, certificates of origin, dispute settlement mechanisms, safeguards, and technical cooperation.

In addition, principles of international economic law apply, such as most-favored-nation (MFN) treatment, national treatment, and the provisions of the World Trade Organization (WTO), as both Mexico and the MERCOSUR countries are members.<sup>(19,20)</sup>

At the national level, the Foreign Trade Law, the Customs Law, and the Mexican Commercial Code regulate legal acts and international contracts. In the event of disputes, contracts often include jurisdiction or international arbitration clauses under the New York Convention<sup>(21)</sup> on the recognition and enforcement of foreign arbitral awards.

### Case Study: Mexico–Brazil Trade Negotiations in the Automotive Sector

One of the most representative sectors in negotiations between Mexico and MERCOSUR, particularly Brazil, is the automotive industry. Since 2002, both countries have established mechanisms to regulate trade in vehicles and auto parts. These agreements have included quotas, specific rules of origin, and temporary restrictions to protect local industries.

In 2019, a new automotive agreement was signed between Mexico and Brazil under ACE 55, which establishes a gradual liberalization of automotive trade. This treaty is relevant because it integrates elements of MERCOSUR regulatory harmonization, such as technical and safety standards.<sup>(22,23)</sup>

During these negotiations, various pieces of legislation were applied:

- The ACE 55 as the legal framework.
- National legislation of both countries.
- WTO rules on national treatment and transparency.
- Dispute settlement procedures provided for by ALADI.

This example demonstrates how MERCOSUR regulations, even without directly including Mexico, influence the content and structure of bilateral agreements. It also highlights the need

for Mexican negotiators thoroughly understand the dynamics of regional blocs such as this one.<sup>(24,25)</sup>

### Challenges and Opportunities for Mexico in relation to MERCOSUR<sup>(26)</sup>

#### Challenges:

- Internal protectionism within the bloc: Countries such as Argentina and Brazil have adopted restrictive trade policies, limiting market access.
- Lack of supranational institutions: MERCOSUR's intergovernmental structure hinders the uniform application of rules.
- Economic asymmetries: Differences in economic size and industrial development between Mexico and MERCOSUR countries can create imbalances.

#### Opportunities

- Market diversification: Reduce trade dependence on the United States.
- Integration of production chains: Especially in agribusiness and manufacturing.
- Cooperation in innovation and sustainability: MERCOSUR has promoted sustainable development and digital integration programs.

### CONCLUSION

MERCOSUR represents a unique experience in economic integration, which, although it does not include Mexico as a full member, has a significant influence on its trade relations with South America. The existence of bilateral treaties between Mexico and MERCOSUR countries reveals the need to thoroughly study their regulatory structures, legal principles, and institutional mechanisms. This understanding allows for strengthening the Mexican government's negotiating capabilities, increasing the competitiveness of its exports, and promoting a long-term strategic vision in international trade policy.

### FINANCING

None.

### CONFLICT OF INTEREST

The authors declare that there is no conflict of interest.

### AUTHOR CONTRIBUTION

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