MERCOSUR

EVOLUTION OF TRADE IN GOODS AND SERVICES

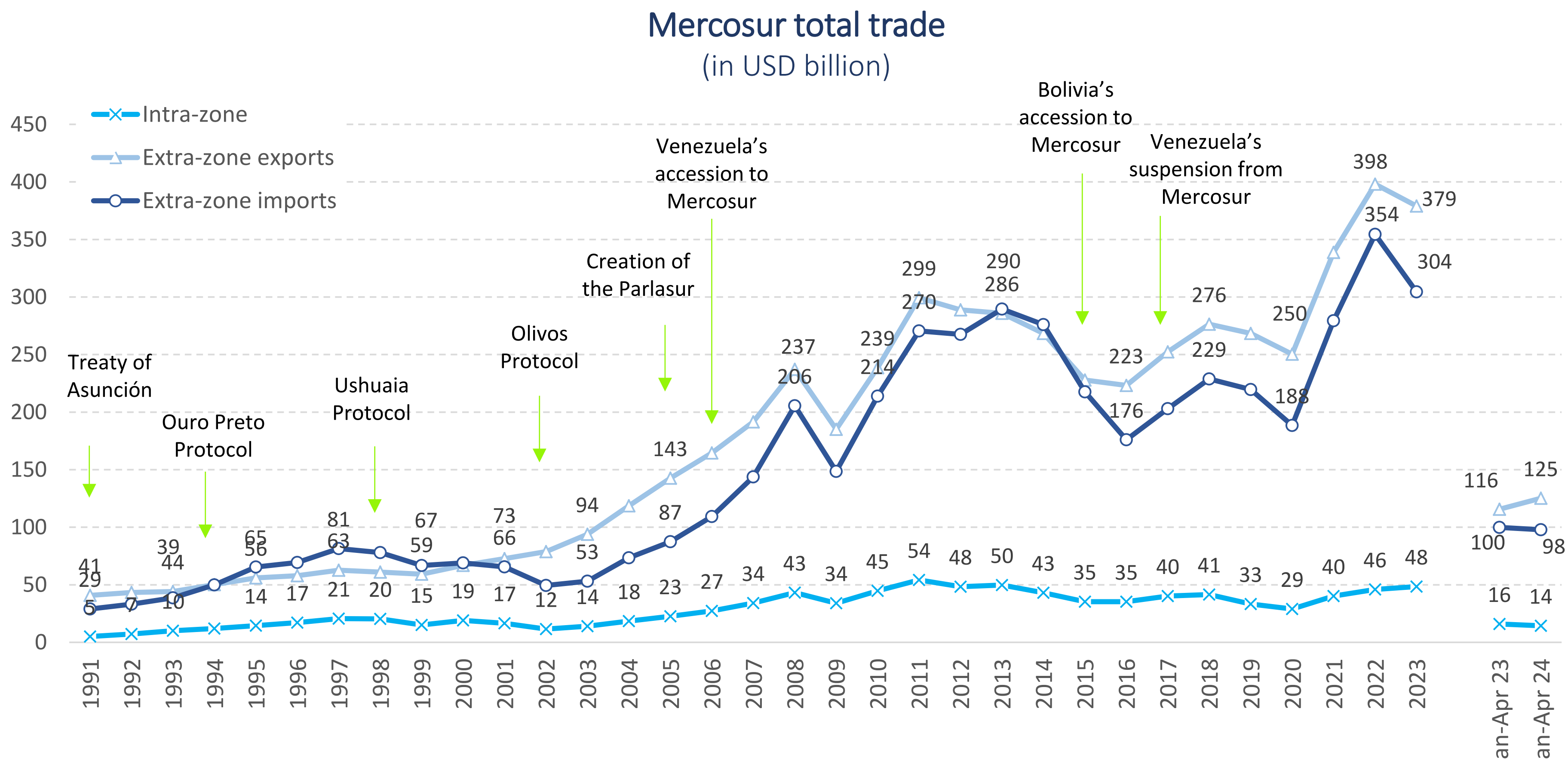
JUNE 2024

CEI Centre for International Economy

Ministry of Foreign Affairs, International Trade and Worship
Argentine Republic

GOODS

Mercosur trade has grown strongly since its creation. However, in the last 20 years the greatest expansion is seen in its extra-regional trade.

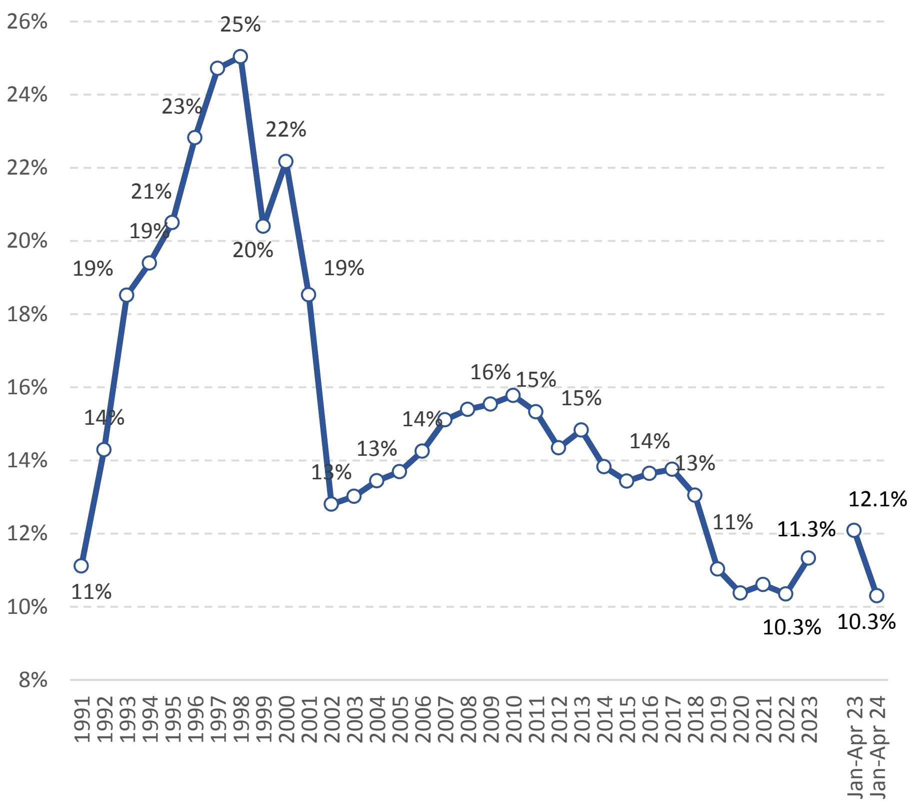


Mercosur total trade has been growing vigorously since its creation, reaching its record in 2022. In the first decade, intra-zone trade was strengthened. However, the last 20 years showed a solid expansion of extra-zone trade driven by higher commodity exports. Intra-zone trade also grew until 2011 –albeit at a slower pace– when a downward trend was observed, which began to reverse in the last three years. In 2023, the highest intra-bloc trade value since 2013 was recorded.

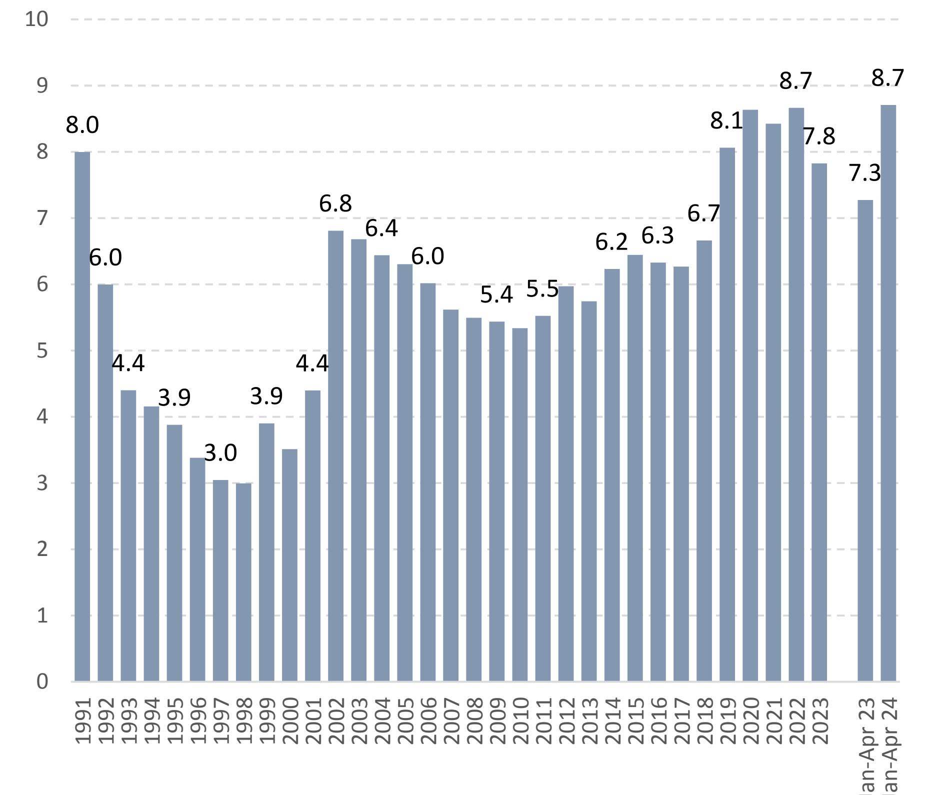
Source: Own elaboration based on Indec and Mercosur Secretariat

The share of intra-zone trade fell in the first months of 2024, slightly exceeding 10% of total exports, one of the lowest figures since the constitution of the bloc.

Share of intra-zone exports in total Mercosur exports



Mercosur extra-zone exports in relation to its intra-zone exports

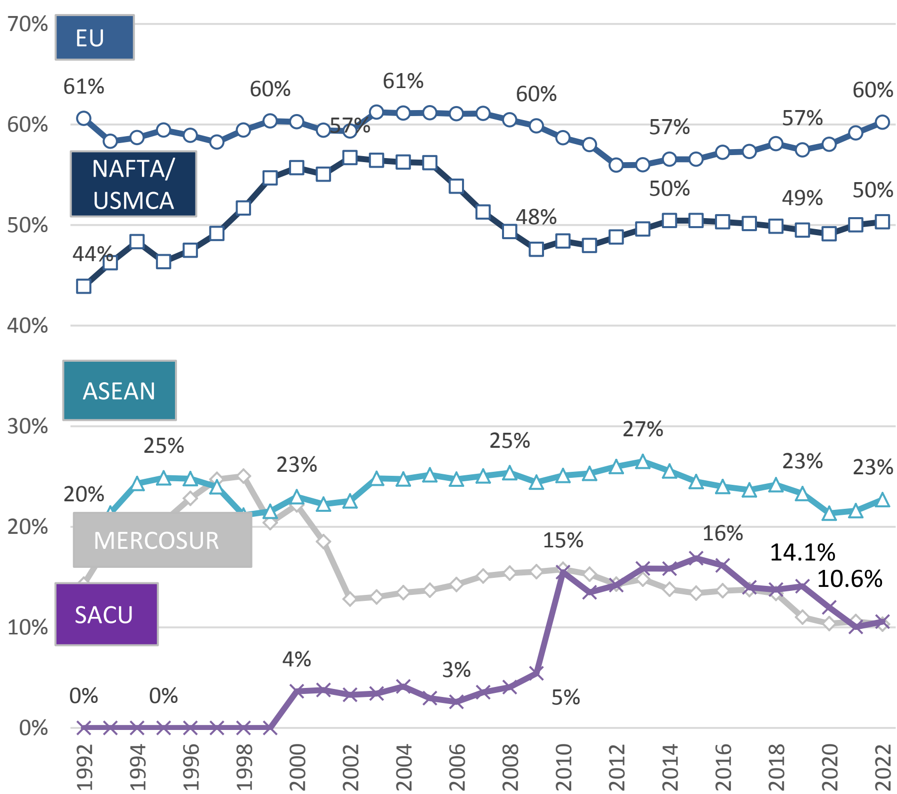


The last decade marked a sustained reduction in the share of intra-zone trade, with the exception of 2023 which showed a significant improvement. Levels of extra-zone trade remained high –albeit fluctuating. In the first quarter of 2024, the participation of trade within the bloc was among the lowest in history and extra-regional exports accounted for 8.7 times the exports within the bloc.

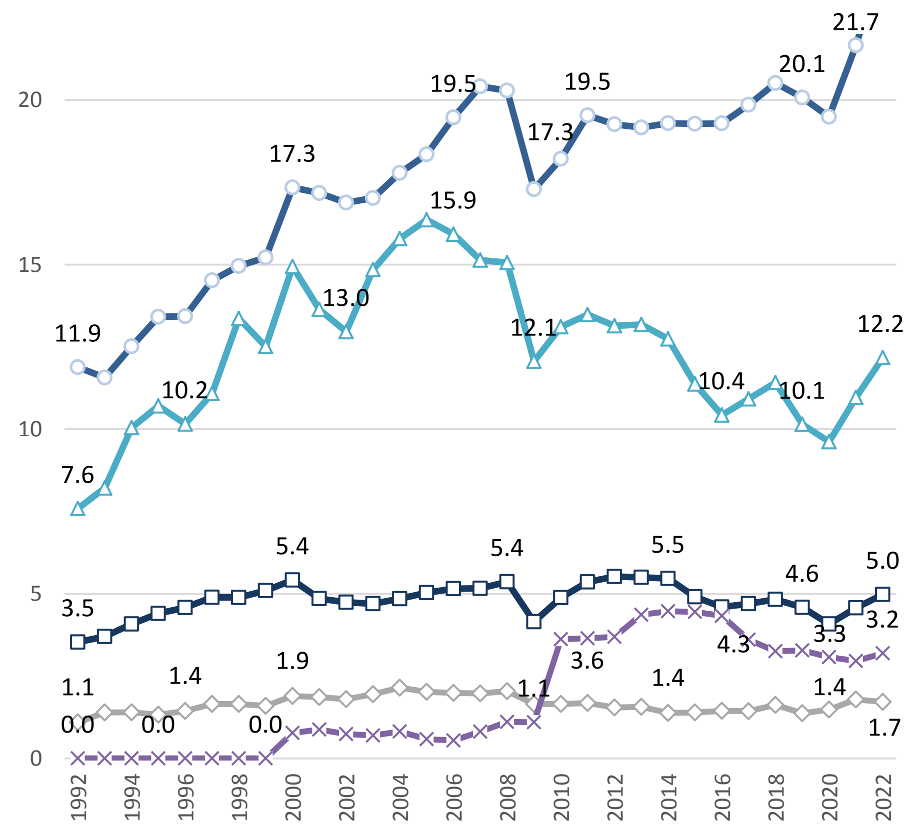
Source: Own elaboration based on Indec and Mercosur Secretariat

The low share of intra-Mercosur trade is also evident in comparison to other blocs such as the EU and NAFTA.

Intra-zone exports in relation to total exports by trade bloc (%)



Intra-zone exports in relation to GDP by trade bloc (%)



The weight of intra-zone trade is significantly lower than that of other blocs such as the EU, NAFTA and ASEAN. In the last decade, Mercosur has been losing relevance for the bloc's economies.

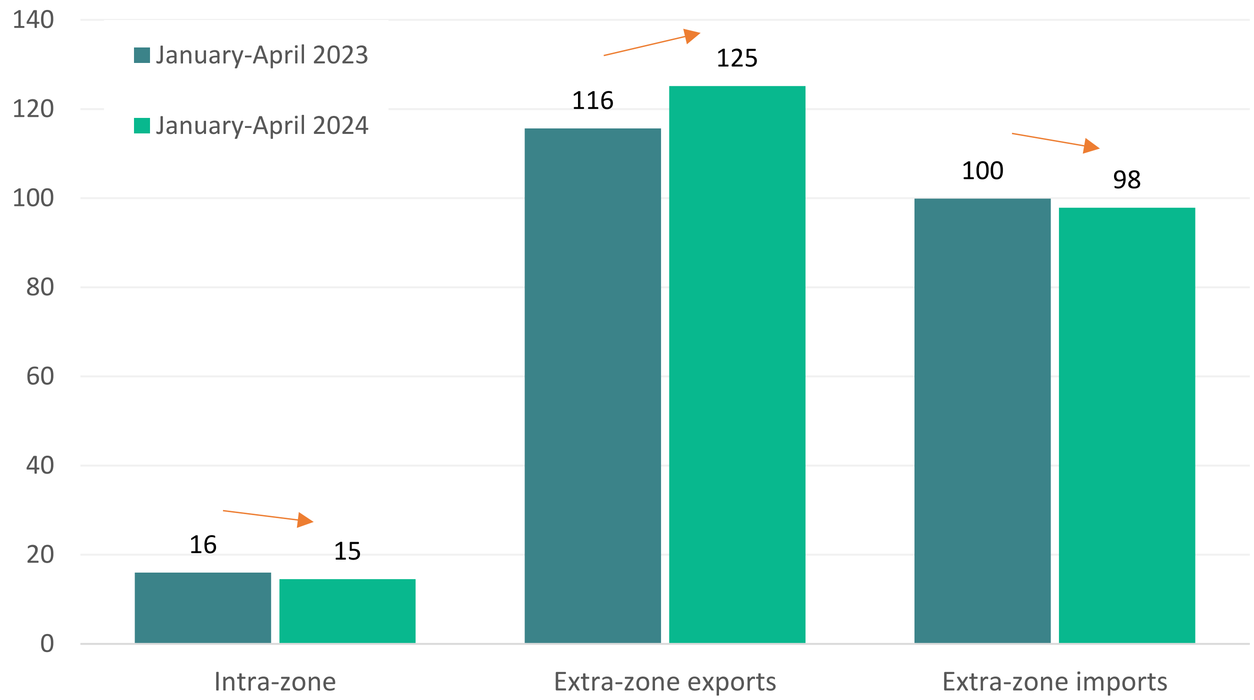
*EU 28.

Source: Own elaboration based on Indec, WITS and IMF

During the first months of 2024 trade between partners showed a slight contraction while extra-zone sales recorded an improvement.

Mercosur total trade in goods – January-April 2024/2023

(in USD million)

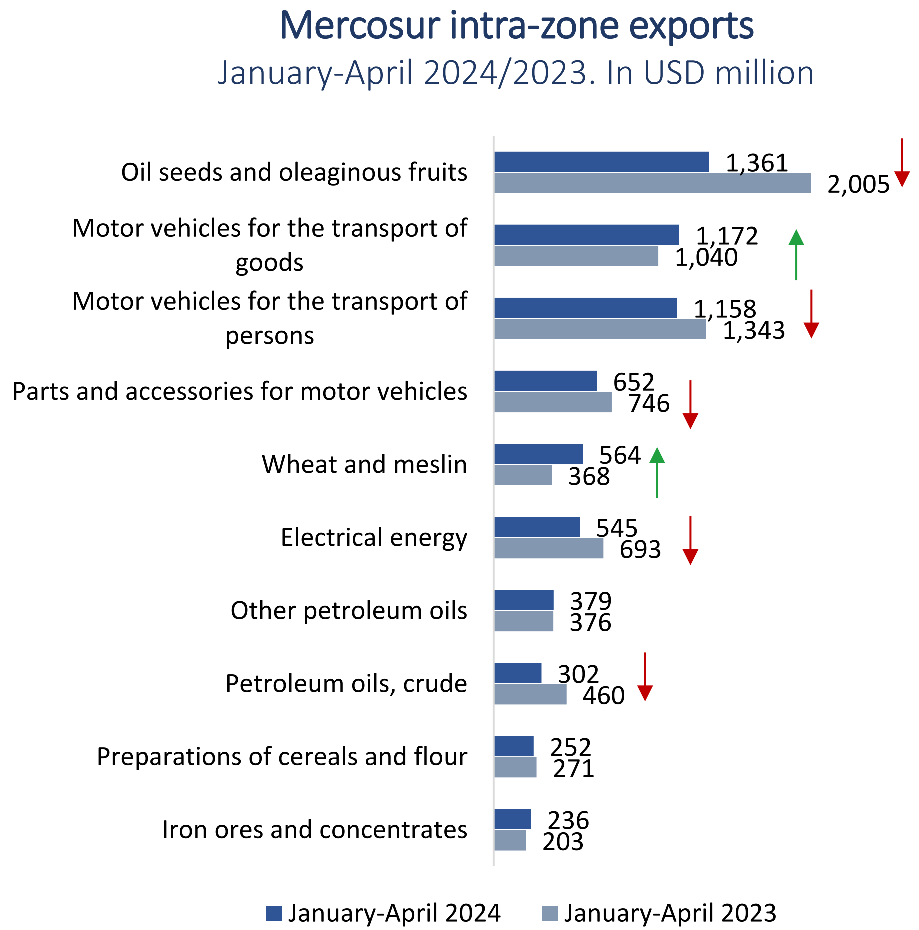


In the first four months of 2024, intra-bloc trade fell 9% year-on-year, while extra-zone exports showed an increase of 8%. In turn, extra-zone imports fell 2% during the same period.

Mercosur's trade balance with the rest of the world was positive by USD 27 million between January and April 2024, USD 10 million more than in the same period of the previous year.

Source: Own elaboration based on Indec and Mercosur Secretariat

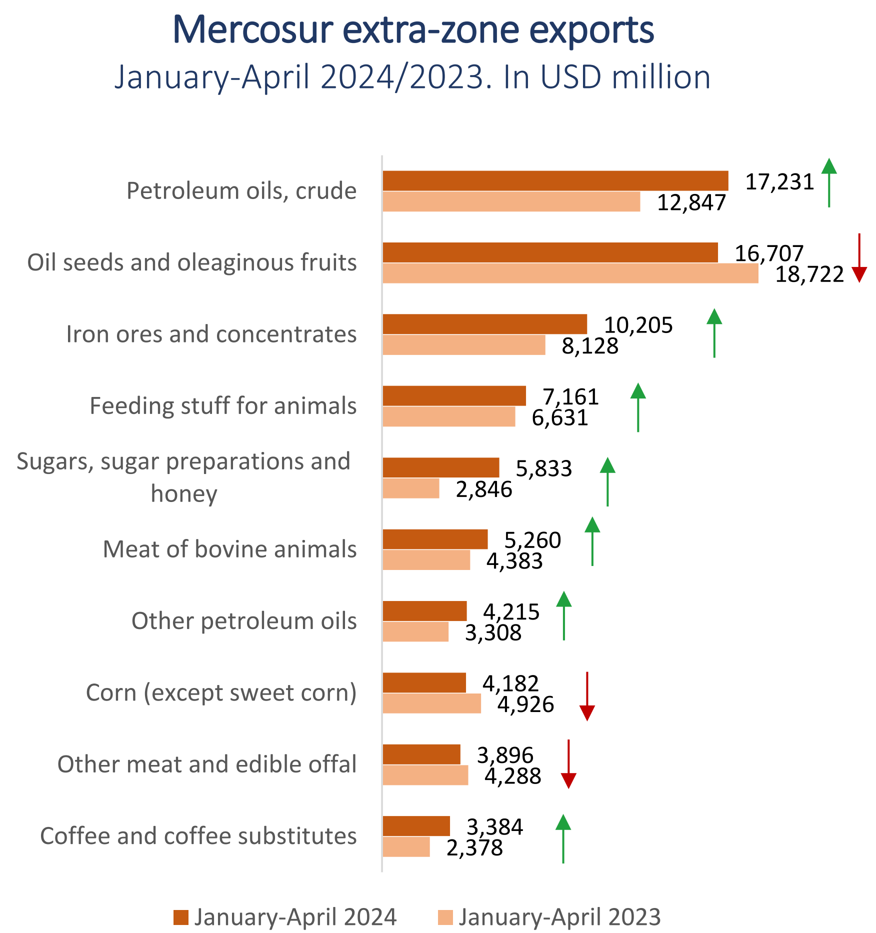
The drop in intra-zone trade in the first quarter of 2024 is essencially explained by the lower demand for soybeans.

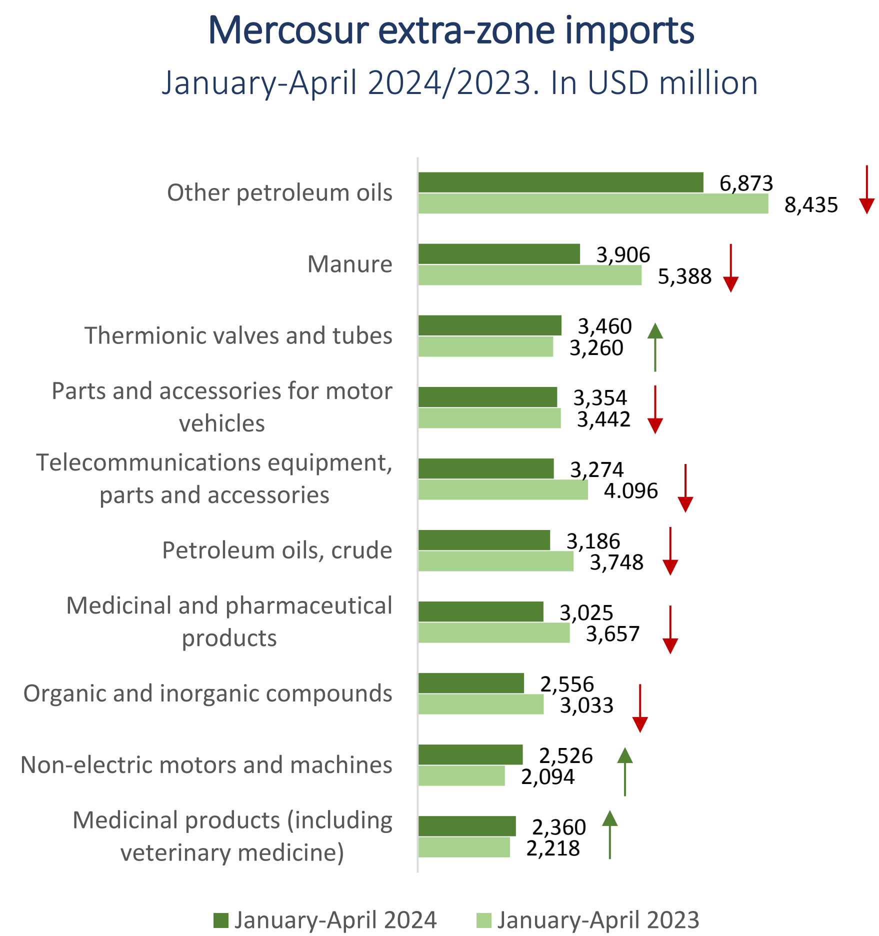


In the first four months of 2024, there was a sharp drop in intra-bloc trade in soybeans (38% less of Argentine purchases of soybeans from Paraguay and Brazil), motor vehicles for the transport of persons, auto parts, petroleum oils and electrical energy.

Source: Own elaboration based on Indec and Mercosur Secretariat

In the first months of 2024, extra-zone trade showed an increase in sales to the rest of the world while purchases registered a slight decline.

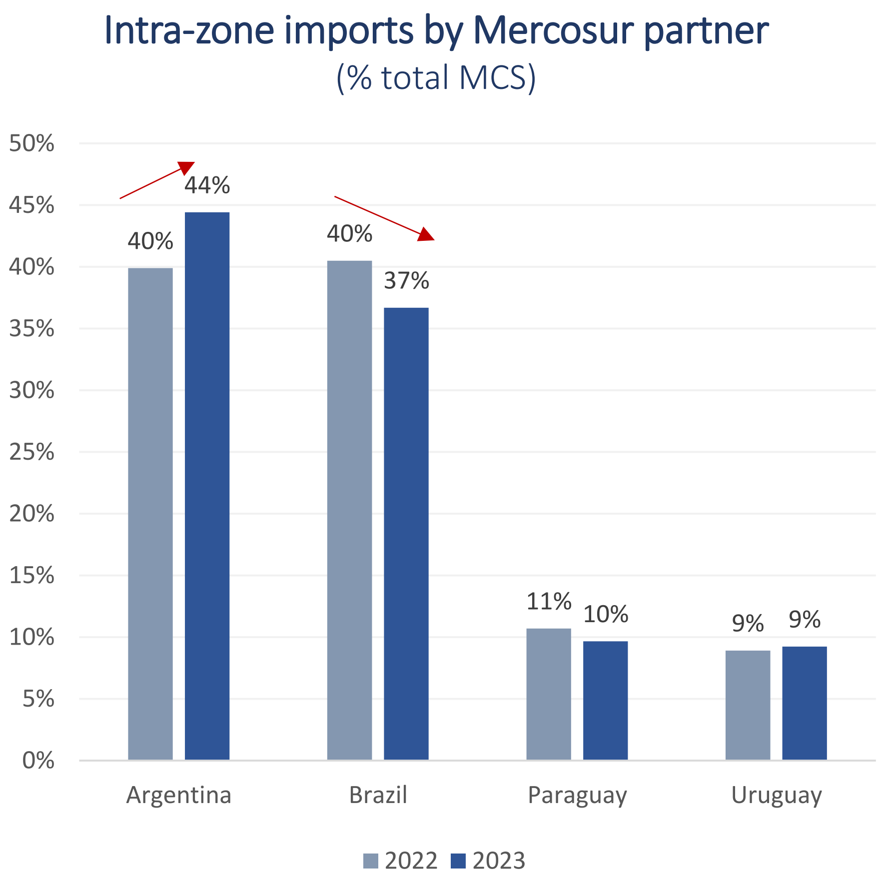


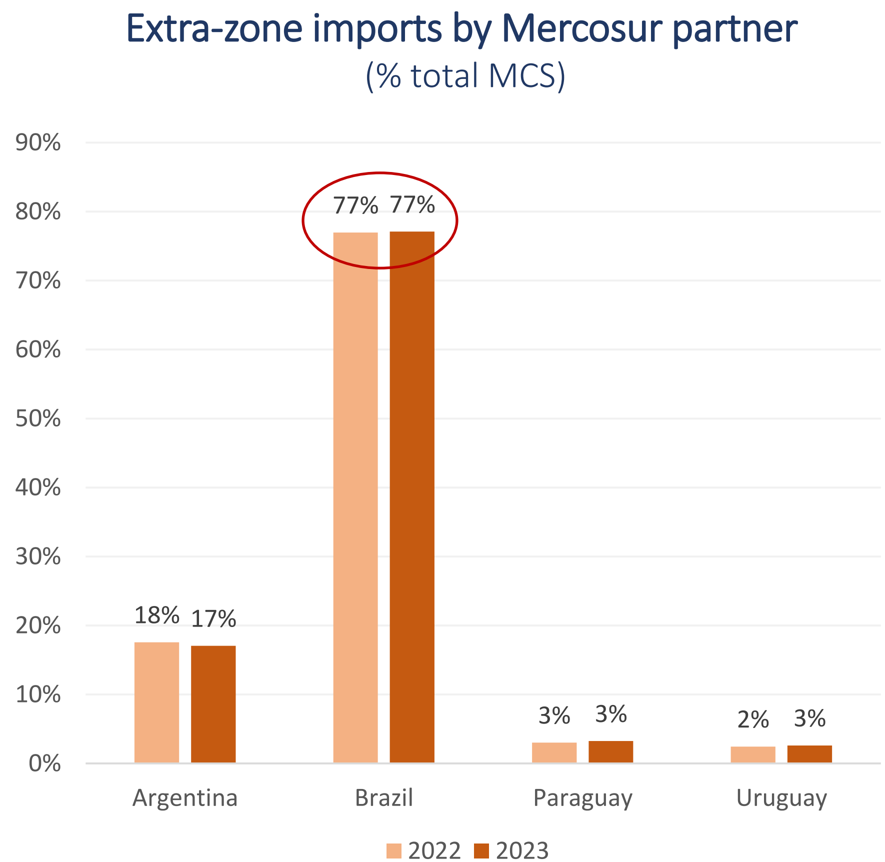


In January-April 2024, Mercosur exports to the rest of the world increased by 8% due to higher sales of petroleum oils, sugar, iron ore, and meat of bovine animals. Extra-zone imports fell 2%, mainly due to lower purchases of fuels, manure and telecommunications equipment and its parts.

Source: Own elaboration based on Indec and Mercosur Secretariat

Argentina was the partner that most increased its share of imports of the bloc in recent years.

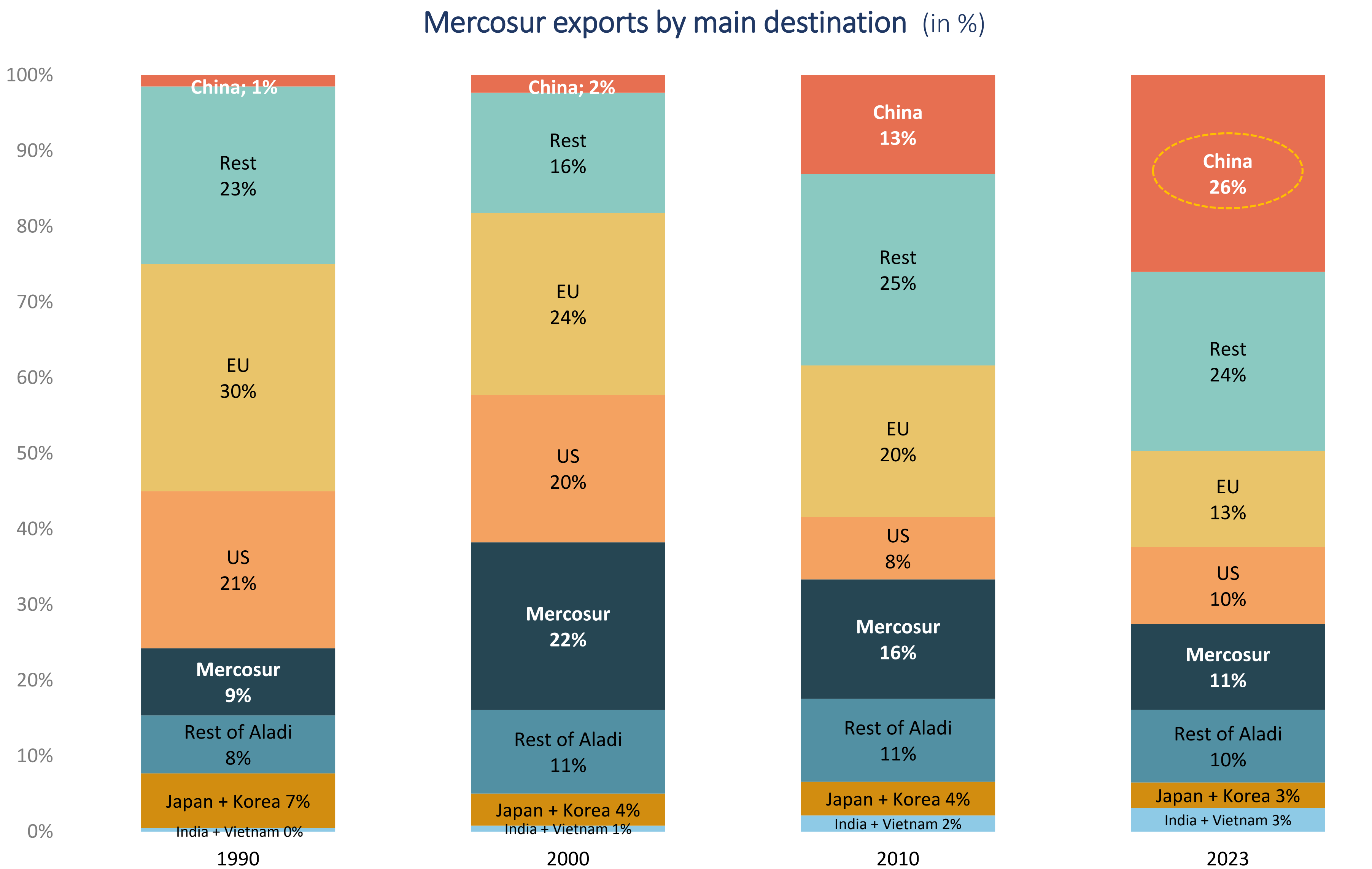




In recent years, Argentina has been the partner with the greatest rise in its share as a Mercosur importer. Despite being the largest economy in the bloc, Brazil has significantly reduced its share of regional imports. The distribution of extra-regional imports remains relatively stable among the partners, with Brazil concentrating almost 80% of Mercosur's total purchases from the world.

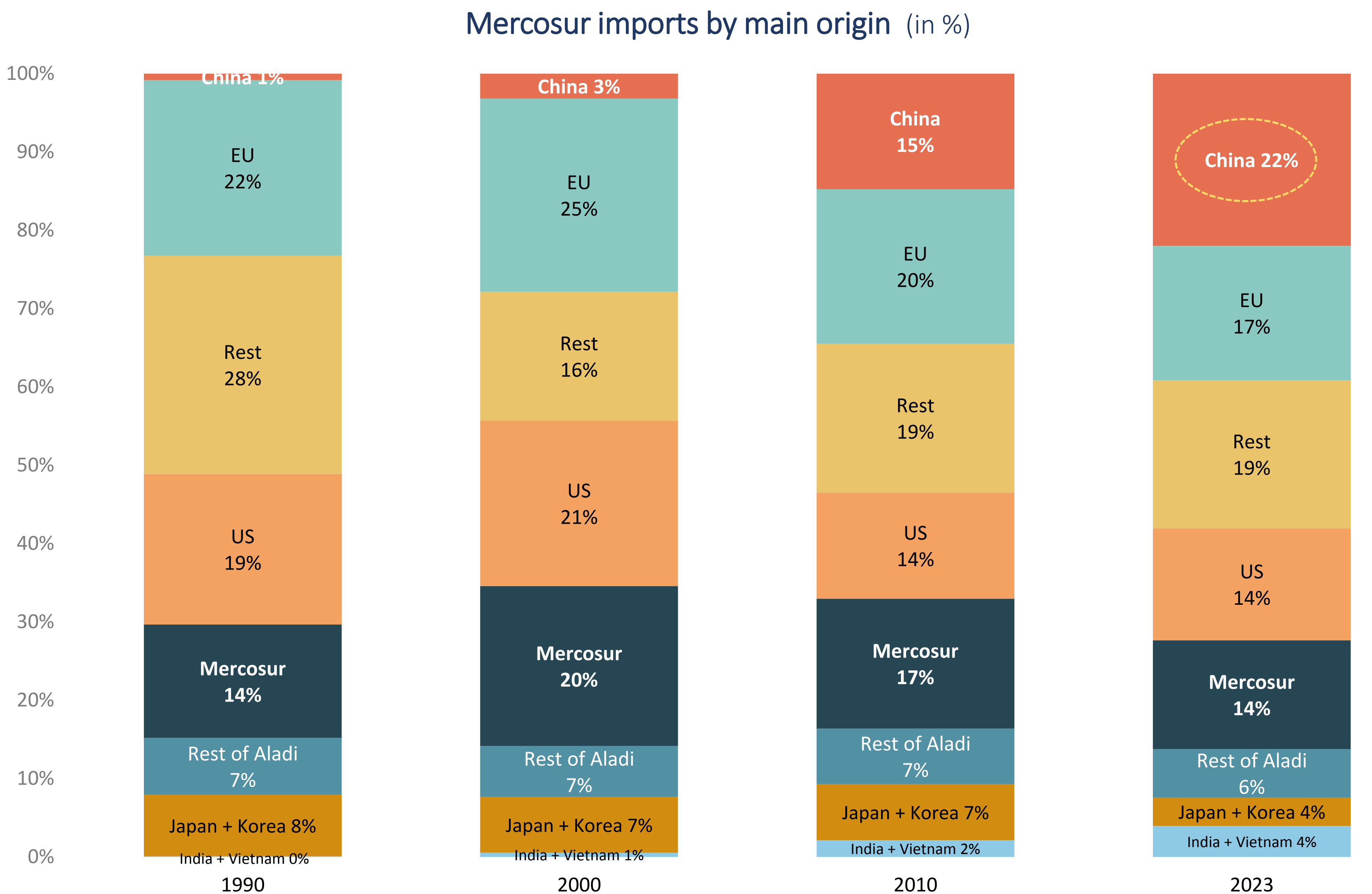
Source: Own elaboration based on Indec and Mercosur Secretariat

In recent decades China has grown as a partner of the bloc. Its share increased as an export destination to the detriment of traditional partners…



Source: Own elaboration based on Indec and Mercosur Secretariat

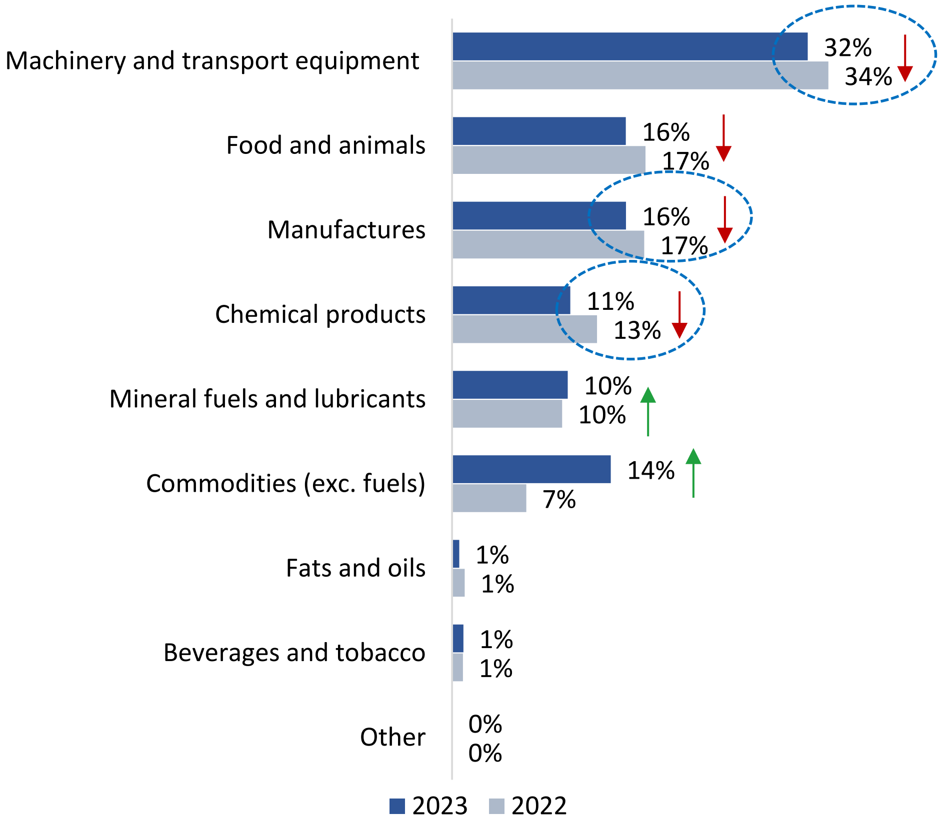
...and as the source of bloc imports.



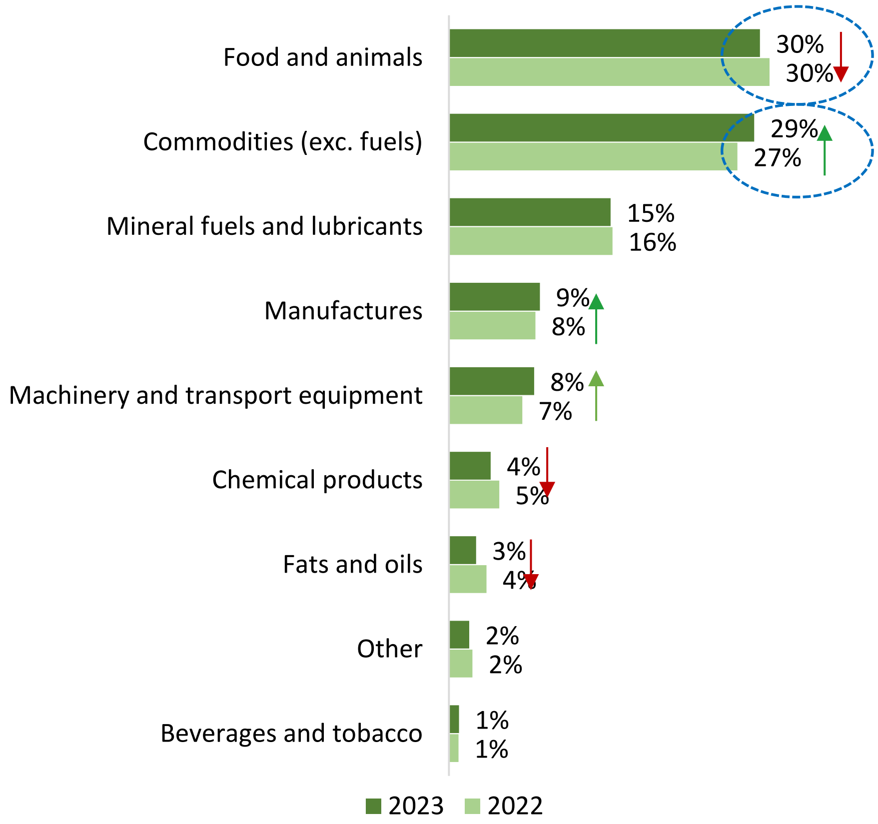
Source: Own elaboration based on Indec and Mercosur Secretariat

Extra-zone exports show a higher concentration in primary products while intra-zone trade shows a higher proportion of manufactures.

Intra-zone exports by main product group
(% of total)



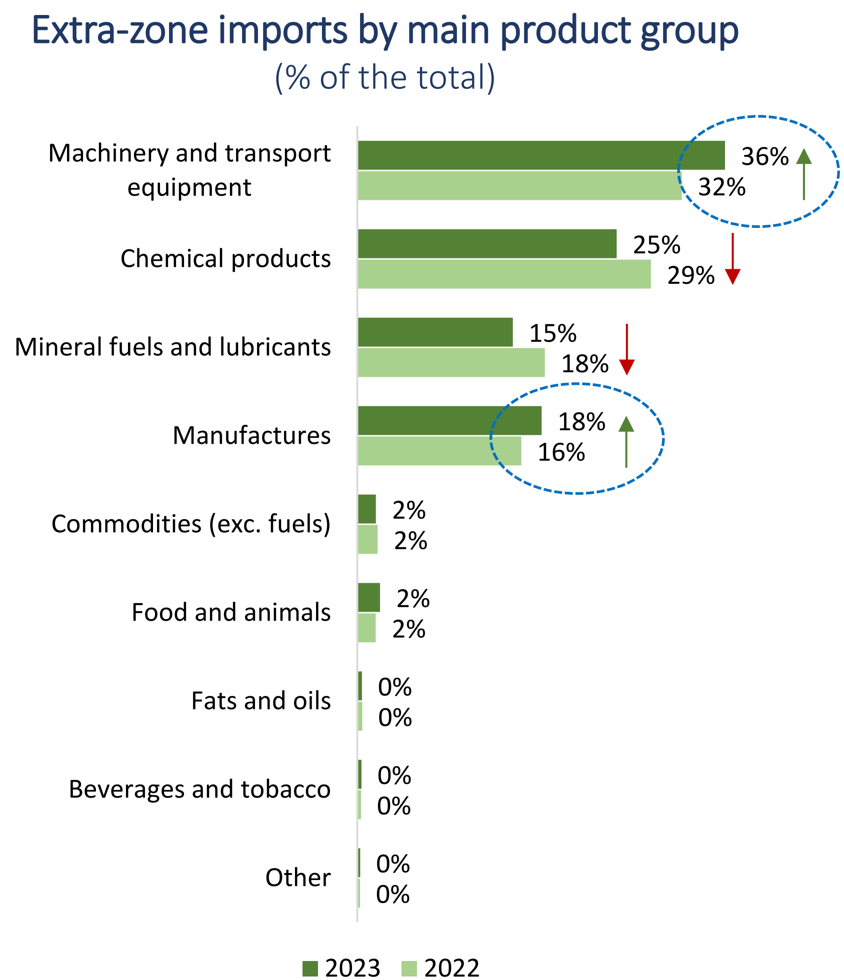
Extra-zone exports by main product group
(% of total)



The profile of intra-bloc trade is mostly industrial as opposed to extra-bloc trade, explained mainly by raw materials and agro-industrial goods. However, in 2023 sales of industrial goods between partners showed a slight decline in intra-zone trade.

Source: Own elaboration based on Indec and Mercosur Secretariat

Imports from extra-zone countries are concentrated in industrial goods and, to a lesser extent, fuels.



With regard to extra-regional trade, during 2023 the fall in intra-regional industrial demand (machinery and transport equipment, and manufactures) was accompanied by an increase in these imports from the rest of the world.

Source: Own elaboration based on Indec and Mercosur Secretariat

Mercosur intra-zone exports have a greater technological content than those extra-zone, concentrated in primary products and natural resources.

Mercosur intra-zone exports, by technological content

(in %)

Category	1990	2000	2010	2023
PP	23%	28%	16%	29%
RB	25%	17%	14%	18%
LT	10%	11%	8%	7%
MT	37%	36%	55%	43%
HT	5%	8%	7%	3%
Total	100%	100%	100%	100%

Mercosur extra-zone exports, by technological content

(in %)

Category	1990	2000	2010	2023
PP	26%	33%	41%	54%
RB	29%	26%	35%	29%
LT	12%	10%	5%	2%
MT	28%	21%	15%	12%
HT	5%	10%	4%	2%
Total	100%	100%	100%	100%

More than 60% of Mercosur intra-bloc exports are concentrated in manufacturing, mostly in medium-technology (MT) goods. This is followed by sales of primary products (PP, 29%) and natural resource-based goods (RB, 18%).

This relation is reversed in the case of extra-zone exports. First, sales of primary products gained prominence (54%), followed by sales of natural resource-based products (29%). Both reflect the process of increasing primarisation of the bloc exports over the last two decades.

Mercosur extra-bloc sales of products with low (LT), medium (MT) and high (HT) technology continue to fall in terms of share.

PP: *Primary Products*; RB: *Resourced-based Products*; LT: *Low Tech*; MT: *Medium Tech*; HT: *High Tech* (Lall, 2000).

Source: Own elaboration based on Indec and Mercosur Secretariat

Extra-zone imports are of greater technological content than intra-zone imports. Greater competition is present in the "medium" segment between regional and extra-zone products.

Mercosur intra-zone imports, by technological content
(in %)

Category	1990	2000	2010	2023
PP	33%	24%	13%	29%
RB	33%	18%	15%	17%
LT	12%	12%	9%	7%
MT	20%	39%	57%	43%
HT	2%	8%	6%	3%
Total	100%	100%	100%	100%

Mercosur extra-zone imports, by technological content
(in %)

Category	1990	2000	2010	2023
PP	32%	10%	14%	10%
RB	17%	13%	12%	20%
LT	5%	10%	11%	9%
MT	29%	38%	40%	40%
HT	16%	29%	23%	21%
Total	100%	100%	100%	100%

Intra-bloc imports are concentrated in products of medium technological content (MT), mainly in the automotive sector. While they have been growing fast for 20 or 30 years, in the last decade there is a drop in their relative share.

Extra-zone imports have a higher share of medium (MT) and high (HT) technology products. The medium technology segment grew throughout the period. It is the strongest segment for regional products and where there is most competition to win or hold the market.

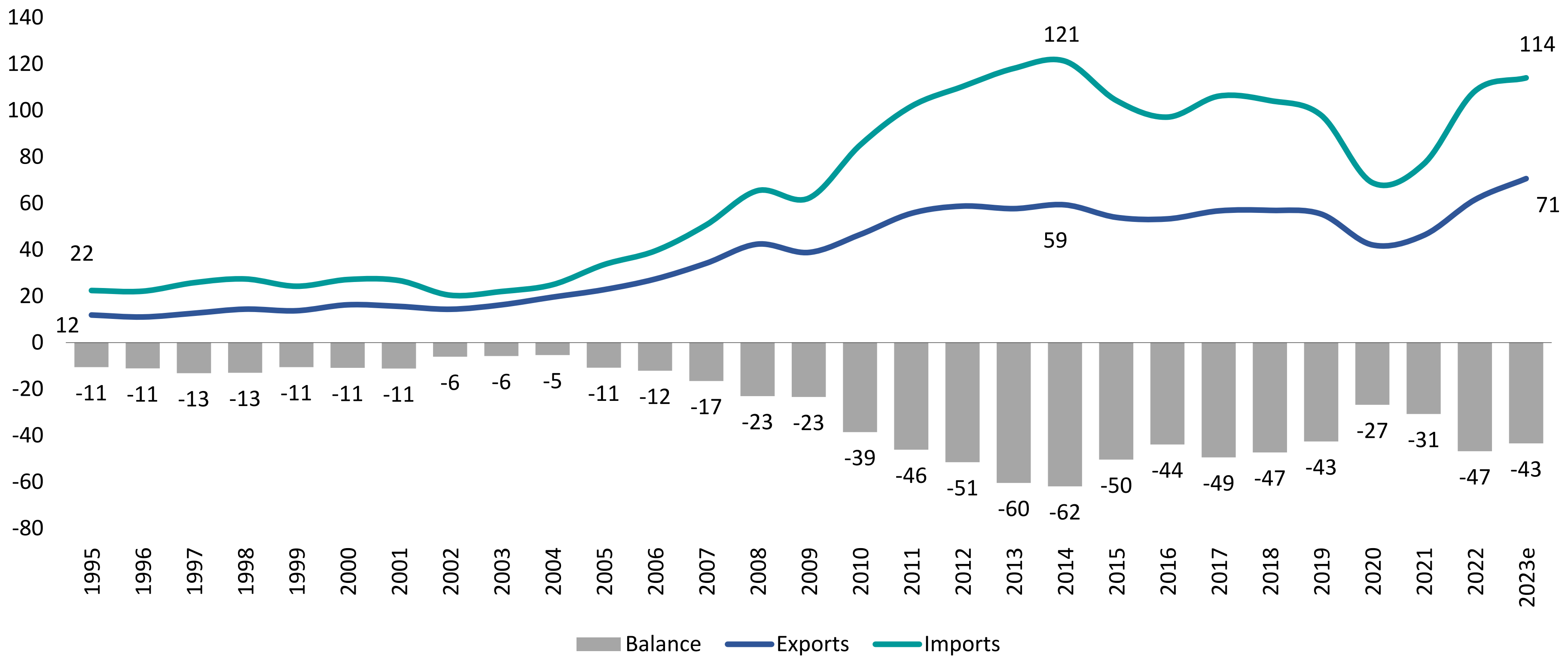
PP: *Primary Products*; RB: *Resourced-based Products*; LT: *Low Tech*; MT: *Medium Tech*; HT: *High Tech* (Lall, 2000).

Source: Own elaboration based on Indec and Mercosur Secretariat

SERVICES

Trade in services has a structural deficit for Mercosur. Since 2022 there has been a strong recovery in exports, which reached record levels in 2023.

Mercosur trade in services
1995-2023* (in USD billion)



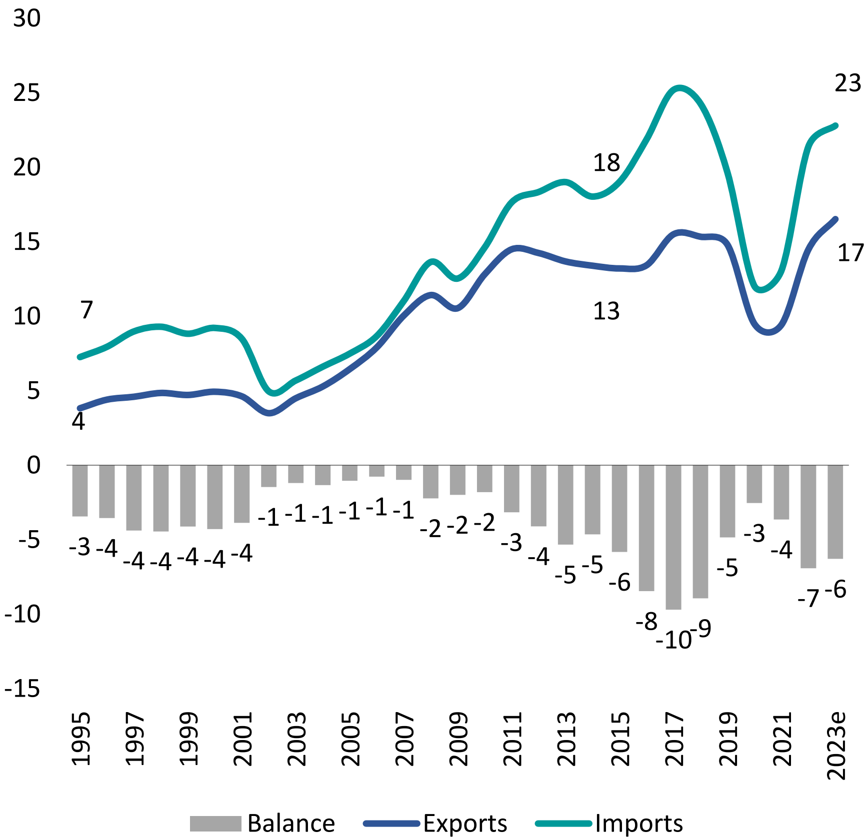
Trade in services grew strongly between 2003 and 2014, when it reached its highest historical value, surpassing USD 180 billion. The greater import dynamism increased the structural deficit. During the following years, imports followed a downward trend while exports remained relatively stable. Both flows were affected by the pandemic, before registering a rapid recovery starting in 2022 and a record value in the case of exports.

* As of 2005, the series presents a methodological change.

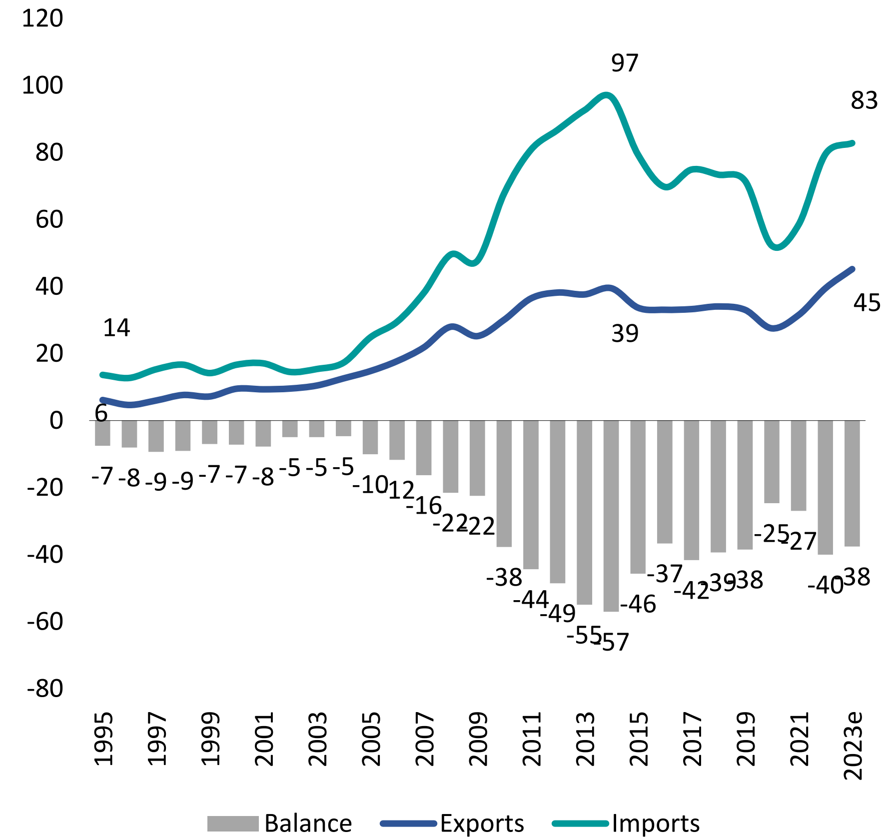
Source: DNCEI based on WTO and Indec

Brazil and Argentina explain the dynamics of regional trade; both recording a deficit balance.

Argentina’s trade in services
1995-2023* (in USD billion)



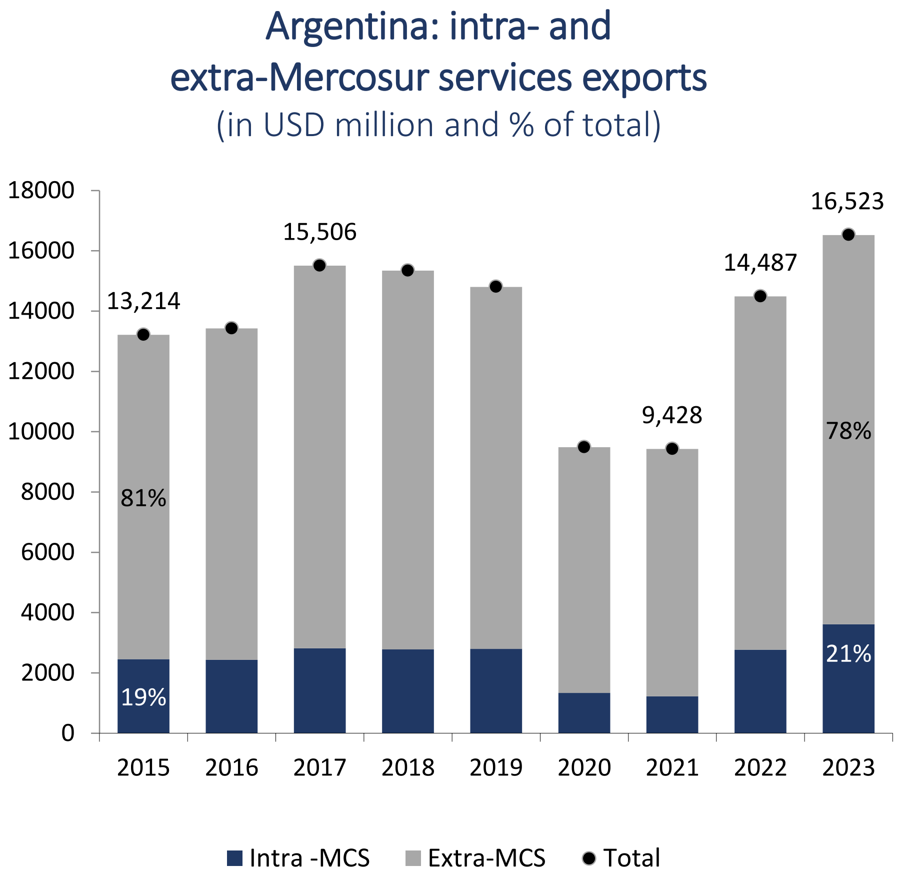
Brazil’s trade in services
1995-2023* (in USD billion)

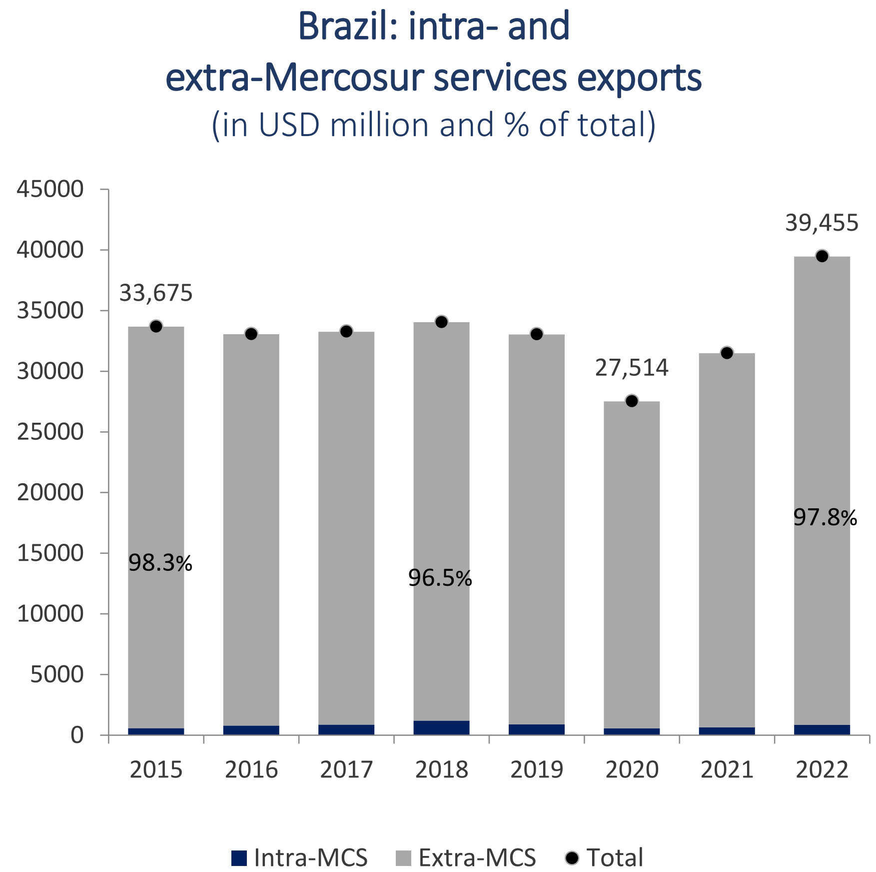


* As of 2005, the series presents a methodological change.

Source: DNCEI based on WTO and Indec

Services are mainly exported extra-zone. Argentina has a greater presence in the regional market. Brazil has a minimum share in the bloc.





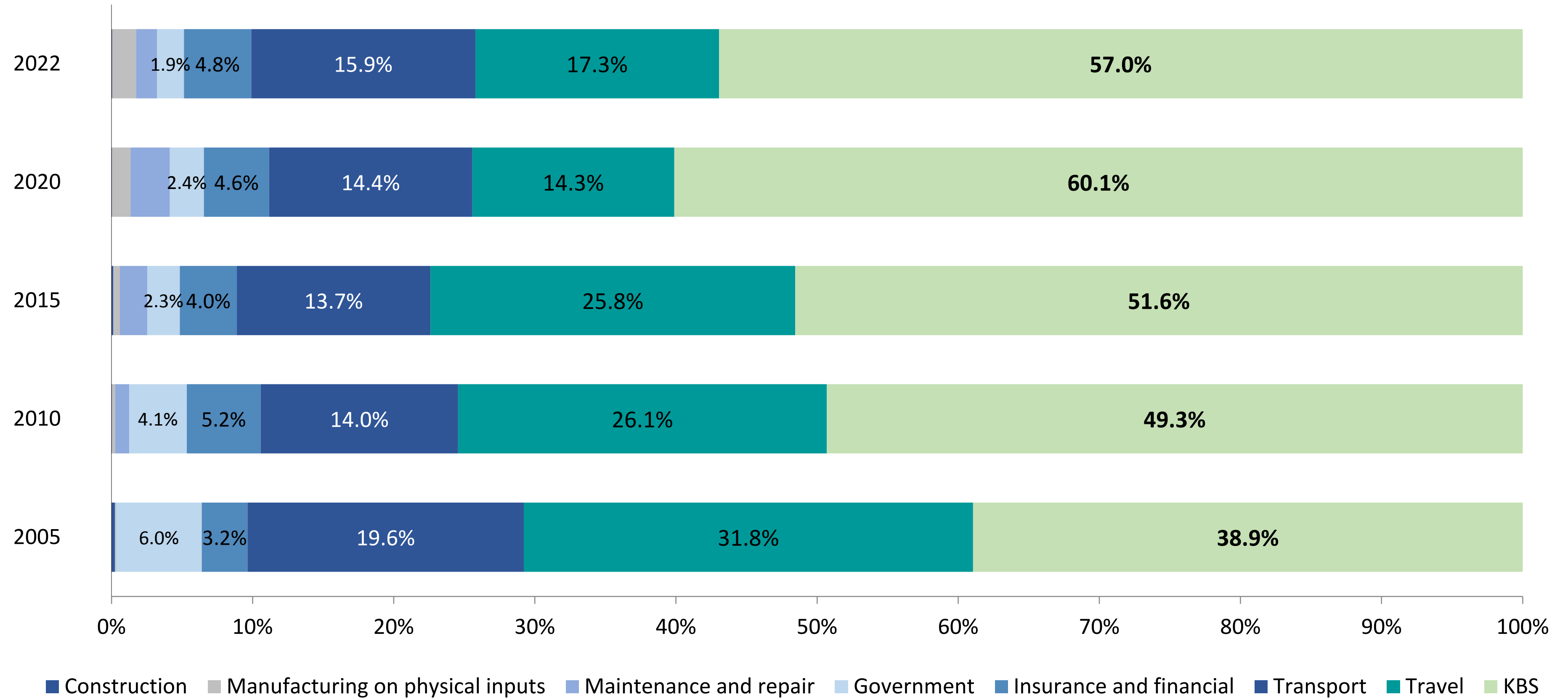
Services exports from Argentina and Brazil are mainly extra-zone. In the case of Brazil, these exports account for almost 100% of its exports, while for Argentina the extra-zone and intra-zone proportion is 80%-20%.

* Most recent available data.

Source: DNCEI based on WTO and Indec and Ministry of Economy of Brazil

Knowledge-Based Services (KBS) exports gained share as bloc exports. Currently, they represent about 60%.

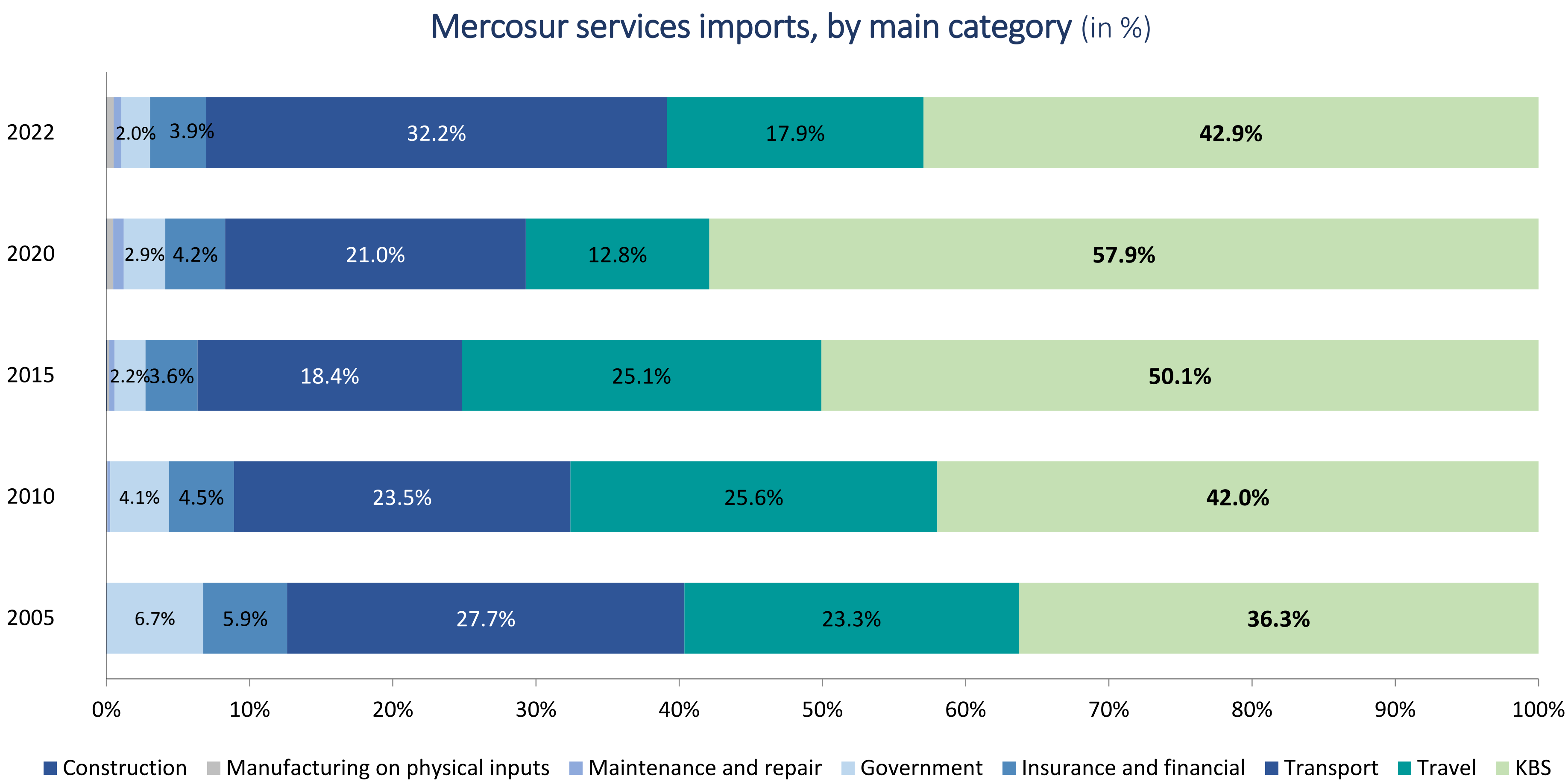
Mercosur services exports, by main category (in %)



The two largest categories of exported services correspond to KBS (which includes ICT, business services, cultural and intellectual property) and the category "travel" (mainly linked to tourism services). KBSs have been gaining share in recent years and account for about 60% of services exports. 2022 saw the recovery of the travel sector, which was one of the most affected by the pandemic.

Source: DNCEI based on WTO

KBSs also grew in the total imported by the bloc and, to a lesser extent, travel.



Mercosur services imports also have a greater concentration in KBS, travel and a greater weight in transport services. Recent years have marked an increase in the share of KBS, and to a lesser extent, of travel.

Source: DNCEI based on WTO

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