Harmonization of MERCOSUR statistics

Ivana Termansen

Summary

In 1991 Argentina, Brazil, Paraguay and Uruguay signed the Asuncion Treaty with the purpose of building a common market. The common market meant the progressive elimination of customs duties and non-tariff barriers to allow the free flow of goods, services and productive factors, the establishment of a common external tariff and the coordination of macroeconomic policies.

The integration process proceeded on several fronts like setting up a dispute resolution system, defining the organizational structure of the bloc and consolidating the intrinsical MERCOSUR institutions.

Nowadays MERCOSUR is a major world bloc, with an estimated population of 240 million inhabitants in 2007 and a GDP of about US$1.3 trillion (at the end of 2006). Foreign trade data show that it accounts for over 50% of all South American imports and exports.

In 2000 the member states decided to proceed with a macroeconomic convergence process, setting common targets in fiscal and inflation policy. This decision implied the need to have comparable indicators among the MERCOSUR countries. Although there was some progress in defining the harmonized statistics, the increasing degree of cooperation between MERCOSUR and the European Community strengthened the harmonization process through the Statistical Cooperation Agreement with the MERCOSUR countries, signed in 1997 and the more recent Macroeconomic Monitoring Support Project with the MERCOSUR countries agreed in 2007 and still underway.

MERCOSUR framework implies a kind of regional cooperation that means going well beyond goods and services market's integration. Regional integration is fundamental for the development of its member countries, so that common long term policies are necessary to deepen the path that started almost a decade ago.

This convergence process calls for statistics based on common methodologies according with international standards, in order to have comparable statistics not only among MERCOSUR members but also between the bloc and the rest of the world. Improving and consolidating the statistical harmonization development is a corner stone to promote and deepen the regional integration route.

I. MERCOSUR

I.1 Brief history

The Southern Common Market (MERCOSUR), whose members are Argentina, Brazil, Paraguay and Uruguay, was established in 1991 by the Asunción Treaty. This Treaty

1 Monetary Statistics Department, Central Bank of Argentina. The views expressed in this document are those of the author and do not necessarily represent those of the Central Bank of Argentina.

includes the basic guidelines which were to rule during the transition period to setting up the common market by December 31, 1994 as stipulated by the member states.

The basis of the Treaty was:

- Expanding the scale of their respective national markets through integration would lead to accelerating their economic development processes based on social justice.
- Understanding that this purpose had to be achieved based on five pillars:
  - an optimal use of the resources available,
  - preserving the environment,
  - improving physical interconnections,
  - coordination of macroeconomic policies,
  - complementarities between the different economic sectors, all ruled by principles of being gradual, flexible and balanced.
- Considering this integration process as an adequate response to the international experiences in setting up and consolidating economic environments and the importance of achieving the due insertion of each member country into the international scenario.
- Representing a step forward towards the progressive integration of Latin America, according to the aims of the 1980 Treaty of Montevideo.
- Acknowledging the need to promote scientific and technological development in order to modernize the economies of each contracting party, improving the supply and quality of goods and services which impact as better standards of living for their inhabitants.
- Laying the foundations for an ever closer union between their peoples, reaffirming the political commitment to achieve the purposes of the Treaty.

As stipulated in a document signed by the presidents of the four founding countries of MERCOSUR, setting up a common market involved the following:

- The free circulation of goods, services and productive factors between the countries, by eliminating customs duties and non-tariff barriers.
- Establishing a common external tariff that stimulates the external competitiveness of the member countries and a common trade policy on relations with other non MERCOSUR counterparties as well as designing coordinating positions in international trade forums.
- Coordination of macroeconomic and sector policies among the member countries (i.e.: foreign trade, agriculture, industry, fiscal, monetary, foreign exchange and capital, services, customs, transportation and communications) in order to ensure adequate competition terms among the member countries.
- A commitment by the partners to harmonize the pertinent legislations to strengthen the integration process.

Trade liberalization, as stipulated by the Treaty was ruled by progressive, linear and automatic tariff rebates, accompanied by the elimination of non-tariff barriers or equivalent measures, as well as other restrictions on trade between the member states. The target for these rebates was to reach a zero tariff on December 31, 1994 with no non-tariff barriers in the entire nomenclature.

The stipulated tariff liberation schedule was as follows:
As regards taxes, rates and other kinds of domestic levies, the products originated in any country would be treated in the same way as in the rest of the contracting parties.

The tariff liberation and elimination of non-tariff barriers\(^3\) was to be accompanied by a gradual and converging coordination of macroeconomic policies. Adopting sector agreements was also foreseen in order to optimize the movement and use of productive factors, taking into account the scope of efficient scales of operations.

For third party countries, in the Treaty of Asunción the four founding members of MERCOSUR agreed to ensure fair trade terms, restricting imports of goods or services affected by subsidies, dumping or any other practice regarded as unfair. Likewise, there was an agreement to coordinate the respective national policies in order to prepare common rules about competition in trade.

The contracting parties pledged to preserve the commitments undertaken prior to signing the Treaty and to coordinate positions in external trade negotiations taking place during the transition period. This meant avoiding to affect the interests of the member countries in the trade negotiations that they carried out between themselves until December 31, 1994, avoiding to affect the interests of the other member states or the aims of the common market in the agreements to be signed with other countries that are members of the Latin American Integration Association (ALADI) during the transition period, consultations between themselves whenever broad tariff liberation schemes were celebrated with other members countries of ALADI, and automatically extending to the other contracting parties any advantage, favor, franchise, immunity or privilege they might grant to a product originating in or destined for third party countries that are not members of ALADI.

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\(^3\) Tariffs are considered to be: customs duties and any other surcharge with an equivalent effect, whether it be of a fiscal, monetary, foreign exchange or of any other nature, that impacts on foreign trade. Not included in this idea are rates and analogous surcharges when they cover the approximate cost of the services provided.

Barriers are considered to be: any measure of an administrative, financial, foreign exchange or any other nature, by which a contracting party blocks or impedes reciprocal trade as a result of an unilateral decision. Not included in this idea are the measures adopted in the light of the situations foreseen by article of the 1980 Treaty of Montevideo.
Joining the Treaty of Asunción remained open to other ALADI member countries by negotiation, with membership applications having to be approved by a unanimous decision of the contracting parties.

I. 2. Organizational structure

The structure of the organization during the transition period towards the common market was made up by the Common Market Council (CMC) and the Common Market Group (CMG). These organs were in charge of the administration and execution of the Treaty and the specific agreements and decisions to be adopted in the legal framework stipulated by the Treaty during the transition period. During this period the member countries agreed that the decisions by both the Council and the Group would be made by consensus and with all the contracting parties being present. The member countries were required to call an extraordinary meeting by December 31, 1994 to establish the definite institutional structure that the common market administrative organs would adopt, and also the functions and attributes of each of those organs.  

The Council is the highest Common Market organ. It is responsible for its political leadership and for making decisions to ensure compliance with the objectives and terms established to definitely set up the Common Market. Made up by the Foreign and Economy ministers of the member states, it was stipulated that the Council would meet whenever it was considered timely, but at least once a year with the presence of the presidents of the member countries. Coordination of the Council meetings was entrusted to the foreign ministers, who could invite other ministers or authorities at a ministerial level; while the Council presidency would last six months, rotating between the contracting parties by alphabetical order.

On the other hand, the Common Market Group, the executive organ of MERCOSUR, was made up by four full members and four alternate members from each country representing the Foreign Ministry, the Economy Ministry or its equivalent and the Central Bank, with coordination of the group entrusted to the Foreign ministers. In addition to having powers to initiate, the Common Market Group tasks include:

- Overseeing Asunción Treaty compliance.
- Enforcing the decisions adopted by the Council.
- Proposing specific measures to apply the Trade Liberation Program, for coordination of macroeconomic policies and for negotiations of agreements with third parties.
- Defining the working schedule that ensures progress towards setting up the Common Market.

The Common Market Group had to define its internal bylaws within 60 days of it being set up. Until December 31, 1994 whenever it felt it was convenient it could call on representatives of other public sector organizations and the private sector in order to prepare and propose specific measures according to their functions.

Setting up 10 working subgroups (to be created within 30 days from the Common Market Group being installed) was also agreed with the purpose of complying with the functions allocated to the Group, which could create other working subgroups it felt necessary. The initial 10 sub-groups were:

- Subgroup 1: Trade matters
- Subgroup 2: Customs affairs

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4 The definite Mercosur institutional structure was defined by the Ouro Preto Protocol on December 17, 1994.
In 1991 the Common Market Group decided to create a new working subgroup named Labor Relations, Employment and Social Security. As the integration process went ahead, the structure of the working subgroups changed, adding new groups and restating their tasks according to requirements. Nowadays 14 working groups exist.

Within the Common Market Group, an Administrative Secretariat was also set up, with the task of preserving documentation and communicating activities, with Montevideo defined as the city for its location.

To comply with the Asunción Treaty the member countries had to define the definitive institutional structure of MERCOSUR. This was carried out on December 17, 1994 in a document called the Ouro Preto Protocol. The MERCOSUR structure was thus made up by the following organs:

- The Common Market Council (CMC)
- The Common Market Group (CMG)
- The MERCOSUR Trade Commission (CCM)
- The Joint Parliamentary Commission (CPC)
- The Economic and Social Consultation Forum (FCES)
- The MERCOSUR Administrative Secretariat (SAM)

The Appendix includes a table that has a brief description of the characteristics of each of the organs (tasks, members, frequency of their meetings).

In 1998 the contracting parties, acknowledging that regional integration must cover aspects beyond the commercial and economic, signed the MERCOSUR Social and Labor Declaration which recommended setting up a Social and Labor Commission auxiliary to the Common Market Group. This commission would be in charge of stimulating and accompanying compliance of the commitments undertaken in the Declaration.

In 1996 MERCOSUR and Chile signed an economic complementation agreement which established a free trade zone between both parties. Later, in December 1997, Chile was included as an associated member of the MERCOSUR institutional structure. A similar economic complementation agreement had been signed with Bolivia in December 1995. In 2006 Venezuela’s affiliation was decided as associated country, becoming a contracting

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5 CMC Decision Nbr. 3 dated June 25, 1996.
8 By July 4, 2006, protocol.
part and taking part in all rights and obligations issued by the common market, thus moving ahead in the South American integration process. The process of Venezuela adapting to MERCOSUR rules is still underway, as stipulated in the membership protocol.

I. 3 Some economic indicators

MERCOSUR is 4% of the world by the number of its inhabitants, with a population estimated at somewhat more than 240 million people in 2007. In GDP terms it has 3% of the world level (according to 2006 data)

<table>
<thead>
<tr>
<th></th>
<th>Population 2007 (In thousands)</th>
<th>GDP 2006 (Millions of US dollars at current prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MERCOSUR</td>
<td>240,789</td>
<td>1,312,545</td>
</tr>
<tr>
<td>Latin America</td>
<td>530,758</td>
<td>2,847,176</td>
</tr>
<tr>
<td>World</td>
<td>6,671,226</td>
<td>48,572,164</td>
</tr>
</tbody>
</table>

Source: UNCTAD.

MERCOSUR – Total flows of foreign trade

In millions of US dollars

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>2002</th>
<th>2006</th>
<th>2007</th>
<th>2007¹</th>
<th>2008¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>81,336</td>
<td>88,901</td>
<td>190,268</td>
<td>224,178</td>
<td>101,251</td>
<td>129,119</td>
</tr>
<tr>
<td>Imports</td>
<td>95,375</td>
<td>59,705</td>
<td>134,757</td>
<td>176,567</td>
<td>76,789</td>
<td>115,755</td>
</tr>
<tr>
<td>Commercial balance</td>
<td>−14,039</td>
<td>29,196</td>
<td>55,511</td>
<td>47,611</td>
<td>24,462</td>
<td>13,364</td>
</tr>
</tbody>
</table>

¹ First half of the year.


Foreign trade data show a growing tendency, especially since the 2002 crisis, when MERCOSUR’s commerce with the rest of the world begun to increase steadily. The largest world trade blocs (the EU and NAFTA) are MERCOSUR’s main trading partners, purchasing 21% and 20% of exports by the bloc, respectively.
The growth rates of GDP have remained stable in the four member countries during recent years.

### MERCOSUR – Gross Domestic Product

<table>
<thead>
<tr>
<th>Year</th>
<th>Argentina</th>
<th>Brasil</th>
<th>Paraguay</th>
<th>Uruguay</th>
<th>MERCOSUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>3.9</td>
<td>0</td>
<td>0.6</td>
<td>4.5</td>
<td>2.3</td>
</tr>
<tr>
<td>1999</td>
<td>–3.4</td>
<td>0.3</td>
<td>–1.5</td>
<td>–2.8</td>
<td>–1.9</td>
</tr>
<tr>
<td>2000</td>
<td>–0.8</td>
<td>4.3</td>
<td>–3.3</td>
<td>–1.4</td>
<td>–0.3</td>
</tr>
<tr>
<td>2001</td>
<td>–4.4</td>
<td>1.3</td>
<td>2.1</td>
<td>–3.4</td>
<td>–1.1</td>
</tr>
<tr>
<td>2002</td>
<td>–10.9</td>
<td>2.7</td>
<td>0</td>
<td>–11</td>
<td>–4.8</td>
</tr>
<tr>
<td>2003</td>
<td>8.8</td>
<td>1.1</td>
<td>3.8</td>
<td>2.2</td>
<td>4.0</td>
</tr>
<tr>
<td>2004</td>
<td>9</td>
<td>5.7</td>
<td>4.1</td>
<td>11.8</td>
<td>7.7</td>
</tr>
<tr>
<td>2005</td>
<td>9.2</td>
<td>3.2</td>
<td>2.9</td>
<td>6.6</td>
<td>5.5</td>
</tr>
<tr>
<td>2006</td>
<td>8.5</td>
<td>3.8</td>
<td>4.3</td>
<td>7</td>
<td>5.9</td>
</tr>
<tr>
<td>2007</td>
<td>8.7</td>
<td>5.4</td>
<td>6.8</td>
<td>7.4</td>
<td>7.1</td>
</tr>
<tr>
<td>2008¹</td>
<td>7.2</td>
<td>5.2</td>
<td>5.1</td>
<td>10.8</td>
<td>7.1</td>
</tr>
</tbody>
</table>

¹ Predictions. According to Market Expectations Surveys carried out by the Central Banks.


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II. Macroeconomic convergence targets

In June 2000 the member countries agreed to establish joint fiscal, public sector debt and price targets, as well as a convergence process towards them.⁹

The first MERCOSUR macroeconomic convergence targets and mechanisms were defined in December 2000.¹⁰ This initial coordination assumed a transition stage (to take place during 2001) and a stage called “common targets” beginning in 2002.

For the transition stage a joint announcement by the member countries of their respective inflation targets, change of net fiscal debt of the consolidated public sector and the net debt of the consolidated public sector (i.e. subtracting the international reserves) was planned. These targets had to be consistent with those agreed on for the common targets period beginning in 2002, which contemplated:

- Fiscal flow variable: In order to measure the change in the net fiscal debt of the consolidated public sector the countries agreed on a common target starting in 2002

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⁹ By CMC Decision Nbr. 30 dated June 29, 2000.

¹⁰ Through the presidential declaration on macroeconomic convergente signed in Florianópolis on December 15, 2000.
of a maximum 3% of the GDP. An exception was made for Brazil, setting a 3.5% of GDP cap for 2002 and 2003.

- Fiscal stock variable: A three-year indicator (with 2002–2004 as the base period) for the ratio of net debt of the consolidated public sector (subtracting the international reserves) to nominal GDP. The countries agreed on a downwards path as from the 2005–2007 three-year period, setting a 40% of GDP cap for 2010, with each country being able to individually define a lower limit and excluding from the downwards path countries whose indicator was already below 40% of its GDP.

- Inflation: Initially a maximum rate of 5% was agreed for the years 2002 to 2005, defining a “core inflation” which had to be estimated and published starting in 2003. As from 2006 the maximum level of this core inflation was set at 4% yearly, and it could not be over the 3% trend as from that year. An exception was provided for Paraguay, agreeing that every year (from 2002 to 2006) it would reduce by a quarter of the difference between the rate observed in 2002 and the maximum level for each year. A reservation was also provided for Brazil, which by its legal statutes had set a range of ±2 percentage points from its inflation target (3.5%) for 2002. This price level target was restated in 2002, establishing a long term inflation target stipulated as a 5% maximum to be achieved in 2006. It was also clarified that this referred to the annual change between the beginning and the end of the year of the consumer price index or its equivalent. Likewise, it was agreed that the path to reach this target must take place as an annual reduction of a quarter of the difference between the inflation observed in 2002 and the 5% maximum limit.

- Procedure to adjust deviations: It was decided that should deviations occur, the countries must submit to the GMM meeting the corrective measures required to correct such deviations and converge towards the stipulated targets again, having a one year deadline to adjust to the set targets. The corrective measures to be applied must include at least a macroeconomic projection of the period during which it would return to the preestablished target, concrete macroeconomic policy measures and of a structural nature when pertinent. These measures would be analyzed on a strictly technical basis by the GMM team, who would submit their assessment to the meeting of economy ministers and central bank chairmen for them to discuss, with this forum being able to issue the comments and suggestions it believed convenient.

At the first follow-up on macroeconomic convergence targets (in 2002) the treasury ministers and central bank chairmen decided to establish an ex-ante monitoring system of the convergence trajectory of each country to the stipulated targets, in addition to the reports issued ex-post. This assessment and analysis task, entrusted to the GMM, was supplemented with the possibility that the GMM group of experts might issue recommendations and suggested courses of action in the event of deviations from the convergence targets.

At the same meeting the GMM requested more depth in certain relevant issues for macroeconomic convergence, such as progress to harmonize balance of payments statistics, a deeper analysis of the core inflation definition by organizing a seminar on the subject and debate on how public sector corporations should be dealt with in the fiscal results, considering international experience on the subject and the practices recommended by the International Monetary Fund. More depth in aspects related to fiscal accounting and the structural fiscal result was also requested from the GMM.

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11 Conclusions and recommendations issued at the meeting of treasury ministers and central bank governors of Mercosur, Chile and Bolivia, held in Brasilia on December 4, 2002.
The economic development of MERCOSUR during recent years has been marked by a very unstable macroeconomy. The volatility of the exchange rate and the economic recession between 1999 and 2002 was one of the deepest since MERCOSUR was founded and the first to affect the four members simultaneously.

The financial crisis in 2001 and 2002 distracted catering to the stipulated convergence scheme, and caused some deviations from the agreed common targets.

However, once the crisis was overcome the macroeconomic convergence issues resurfaced, restating some of the common targets that had been agreed on.

### III. Statistical harmonization

At the 40th meeting of MERCOSUR economy ministers and central bank chairmen in December 1998\(^{12}\) the need to have statistical data based on a common methodology in MERCOSUR was acknowledged. The concern of representatives of the member countries due to the uncertainty generated by the global crisis was expressed by reconfirming the commitment to continue advancing in the integration process of the bloc, undertaking the structural reforms required to maintain macroeconomic stability. The representatives felt that harmonization of macroeconomic statistics and mutual knowledge of the regional economies was a fundamental step towards deepening the economic dialogue seeking the long term MERCOSUR objective of achieving policy coordination.

This declaration by the treasury ministers and central bank chairmen materialized in 2000, as a result of the member countries’ decision to coordinate their macroeconomic policies establishing joint convergence targets.\(^{13}\) At that meeting preparation of harmonized statistics was agreed on, starting with six indicators:

- Nominal fiscal result of the national government
- Primary fiscal result of the national government
- Net debt of the national government
- Net debt of the consolidated public sector
- Change of net debt of the consolidated public sector
- Price level
- Construction of a new indicator of the structural fiscal result

Setting up a Macroeconomic Monitoring Group (GMM) as part of the meeting of economy ministers and central bank chairmen was also decided, entrusted with assessing the adequacy and consistency of the statistics to the agreed methods as well as tracking these indicators.

To supplement compiling these harmonized indicators and in order to move forward with the integration of the financial and capital markets of the member countries, there was an agreement to go ahead with a survey of rules and a comparative analysis, including the payment systems applied in each member country. Publication of the relative indicators on fiscal matters on a regular basis was also contemplated.

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\(^{13}\) CMC Decision Nbr. 30/00 on Macroeconomic Coordination.
Continuing with the process of developing statistics based on common and harmonized methodologies in 2006 the Technical Committee Nbr. 6 under the "MERCOSUR Foreign Trade Statistics" label was set up under the MERCOSUR Commerce Commission, in order to prepare a method to gather information to enable setting up a database on MERCOSUR trade. Among the tasks entrusted to this committee was studying homogenization of the measurement units used by the member states in their trade registers and designing a database that enables access to information about trade between the member countries. Supplementing this, the committee was instructed to design a technical unit to be in charge of managing the foreign trade database, compiling periodical reports tracking MERCOSUR foreign trade and preparing specific statistics on this matter requested by other institutional organs of MERCOSUR.

The contracting parties promised to cooperate to build the database, by sending periodical information (in the agreed format) about:

- FOB value
- Insurance and freight costs
- Statistical quantity
- Net weight
- Origin and port of shipment of imported goods
- Destination of the goods exported

As a supplement fundamental for the disclosure of harmonized MERCOSUR statistics in 2007 the semi-annual publication of a Macroeconomic Indicators Bulletin by the GMM was decided to comply with the instruction issued by the Common Market Council. At present the bulletin is still at a design stage and defining certain content, but overall it includes statistics referring to economic activity and price levels, data on money and credit, on public finances and the external sector. An earlier precedent was during 1997 when strengthening the monthly publication of the MERCOSUR Macroeconomic Indicators Bulletin was decided. At that time the responsibility for receiving the data and processing and printing the bulletin was at the MERCOSUR Administrative Secretariat.14

III.1 Initiatives to promote the harmonization process

Precedents of EC-MERCOSUR relations

The European Community (EC) has been supporting the integration process by the member countries of MERCOSUR and consolidation of economic and commercial relations with the regional bloc date back to when MERCOSUR began. This EC backing has been reflected by celebrating several cooperation programs between both blocs.

The cooperation between both blocs was reflected by the joint financing of programs targeted at sectors strategic to the regional integration process, like technical standards and quality (ALA 93/12 program), customs harmonization (MER 93/17 program) and animal and vegetable health (ALA 93/16 program)

These programs seek to reinforce the integration process that the MERCOSUR is undertaking and towards tighten links between the region and the EC by developing common working methods in strategic fields.

In 1995 the EC and MERCOSUR signed an inter-regional cooperation framework agreement which became effective as from 1999. This agreement aimed at strengthening relations between the blocs, preparing the conditions to establish an interregional association that would include aspects like trade, economic aspects, cooperation towards integration and other areas of common interest to the parties signing the agreement. Democratic principles and human rights were also included in the Treaty as a fundamental aspect of mutual understanding between the blocs.

In 1999 the two blocs agreed to prepare a bi-regional association agreement to start negotiations in April 2000 on three pillars: political dialogue, cooperation and trade. In this direction the EC has on several occasions expressed its desire to establish an interregional association with MERCOSUR in the long term.

A year later both blocs signed a memorandum of understanding which defined the priorities for cooperation between the regions by sector during the 2000–2006 period, the Regional Strategy Paper (2002–2006) signed by the European Commission in September 2002. This document covers the guidelines laid down in the memorandum with a €48 million budget to be used to support MERCOSUR in the following aspects: setting up the common market, strengthening the bloc’s institutions and support for civil society. In the framework of this program, the Macroeconomic Monitoring Support (AMM in Spanish) project described below was signed in 2006.

In 2007 the EC approved the second Regional Strategy Paper for the 2007–2013 period, in order to assist MERCOSUR regional integration and thus prepare the implementation of future association and a trade assistance agreement between both blocs.

Related to statistics, in 1997 MERCOSUR signed the “Statistical cooperation with MERCOSUR countries” agreement with the European Community, which was carried out between 1998 and 2002. MERCOSUR acknowledged that the European experience proved that a progressive harmonization of the statistical methods between the member countries was inevitable in order to carry out an integration process.

The aim of that program was to strengthen statistical integration between the countries of both blocs, develop statistical indicators common to both regions, and adopt harmonized statistical methods in the framework of strengthening the economic and trade relations between both blocs. The program backed the task MERCOSUR had begun, making the European experience in harmonization of statistics carried out by the national statistics institutes and Eurostat available, including training activities, methodology studies and technical assistance through working groups of European and MERCOSUR experts. The second phase of the program was called Statistics II.

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17 CMC Decision Nbr. 23, in 1997.
Statistics II and Redima II projects

The Statistics II Project, coordinated by Argentina's National Statistical and Census Institute (Indec), began with the second phase of the Statistics Cooperation Project between the EC and Mercosur in 2005. The aim of this Statistics II project consisted in developing harmonized indicators related to three large subjects: social, economic and transverse topics. The social statistics related to the compliance of the “Millennium Targets” and the Guadalajara EU-ALC 2004 Summit agreements. Economic statistics focussed on national accounts, services and foreign trade in services issues, while the transverse issues sought to strengthen the national and regional statistics activity in order to meet the targets.

Mercosur also takes part as an observer in the Macroeconomic Dialogue Network II (Redima II) that the Economic Commission for Latin America and the Caribbean (CEPAL-ECLAC) is undertaking with EC financial support.

The coordination of all regional harmonization and cooperation projects is important to avoid duplicating efforts and resources and to take advantage of the related synergies.

More recently, in June 2005 the GMM submitted a draft agreement of cooperation with the EC that was used as base work to define the AMM project. In this proposal the GMM highlighted three fields of interest for MERCOSUR, the first three relative to the production of harmonized statistics and a fourth related to generating spaces for dialogue about macroeconomic convergence issues.

The Macroeconomic Monitoring Support project

The overall aim of the Macroeconomic Monitoring Support project consists in stimulating the development of a macroeconomic convergence plan established by MERCOSUR that favors regional integration and the institutional strengthening of the bloc. The specific target to achieve these purposes stipulates developing a statistical base grounded on harmonized methods in order to have comparable statistics that make the macroeconomic convergence process easier.

In all this cooperation process the contribution of ideas and information about the European Community is very important for MERCOSUR in achieving a successful integration process. On this matter, the experience provided by the European Community on specific statistical subjects (like harmonization, production, validation and publication of information) or on issues related to the macroeconomic convergence process is expected to contribute much towards achieving the targets proposed.

Activities in the project are carried out organized in four sections:

I. Strengthening, developing, expanding and harmonizing the statistical base in fiscal matters, monetary, credit and interest rate variables, and the balance of payments and the international investment position.

II. Having a system that allows for an adequate validation and quality control of the harmonized statistics so that these are disclosed in a timely and apt manner.

III. Reinforcing the processes associated with the disclosure and publication of the statistics, if possible in a manner articulated with the EC-MERCOSUR Statistics II project, to make regional statistics institutional.

IV. Promoting the analysis of issues related to the macroeconomic convergence of the countries that are part of MERCOSUR, by selecting the specific discussion points.

The contribution of each bloc to develop each activity is budgeted as follows:
<table>
<thead>
<tr>
<th>Activity</th>
<th>EU contribution</th>
<th>MCS contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening the statistical base</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Validation</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Publishing</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Macroeconomic dialogue</td>
<td>85%</td>
<td>15%</td>
</tr>
<tr>
<td>Total budget</td>
<td>67%</td>
<td>33%</td>
</tr>
</tbody>
</table>

The breakdown of the activities to be carried out in each area is shown below:

### I. Strengthening, developing, expanding and harmonizing the statistical base

**Fiscal**

1. To verify the adequacy of current statistics to the harmonized methodology.
2. The development of mechanisms to validate the information compiled by the institutions involved.
3. To hold workshops in order to discuss and transmit best practices based on the European experience.
4. The identification of the sources that provides information and to hold meetings with them.
5. Identification of criteria to disclose and record transactions in official statistics.
6. Training of technical teams responsible for compiling and preparing statistics.

**Monetary, credit and interest rates**

1. To enrich the harmonization by including seasonal adjustments.
2. The production and publication of series expressed at constant prices.
3. The extension of the time frame covered by the series.
4. The identification of factors that account for changes of stocks.
5. The inclusion of broader definitions of credit.
6. To discriminate by credit class according to the adjustment criteria employed.
7. To expand the statistical breakdown to enable identifying the borrower, use and activity sector.
8. The inclusion of information about interest rate changes and the spread on credit transactions.
9. The training of staff entrusted with preparing the statistics.
10. To hold workshops for the MERCOSUR and the European Community to exchange experiences.
I. Strengthening, developing, expanding and harmonizing the statistical base (cont)

Balance of Payments and IIP

1. To determine the asymmetries in dealing with and recording the different components of the Balance of Payments and the International Investment Position (IIP).
2. The promotion of mechanisms and activities that enable preparation of an aggregate MERCOSUR Balance of Payments and IIP and bilateral between the member countries.
3. The training of technical teams responsible for compiling and preparing the statistics.
4. To coordinate the activities to be developed in the current project and those defined by the Statistics II project.

II. Adequate validation and quality control of the statistics

1. To learn the European experience on validation matters.
2. To identify a harmonization criterion that should be taken into account in order to validate statistics.
3. The training of staff responsible for providing and analyzing the information.
4. The establishment of communication channels with national institutions that provide information.
5. To prepare a method to validate the harmonized statistics.

III. Releasing and publishing information

1. The development of a specific website to publish MERCOSUR statistics.
2. The training of staff in charge of publication.
3. The publication of articles and other information about the Project and the macroeconomic convergence process.

IV. Promoting analysis of matters related to the macroeconomic convergence

1. To hold seminars, conferences and working meetings to understand the European experience and to deepen research of regional convergence issues.
2. The organization of regular meetings among the authorities responsible for macroeconomic programming.
3. The elaboration of specific studies for the GMM on specific priority issues.

The largest shares of the budget are for local technical assistance and research items, which reflects the severe restriction the MERCOSUR bloc faces to hire additional human resources to be able to undertake tasks that tend towards convergence. On this matter the project assumes the possible access to a qualified workforce to carry out harmonization tasks investigating issues of interest to the bloc on different aspects of the homogenization of their statistical bases. This will be possible by contracts through tenders, for which public announcements were made based on the terms of reference prepared by the technical teams of MERCOSUR specialists in each field (fiscal, monetary, balance of payments, validation, disclosure and macroeconomic dialogue).

The duration of the project was initially set at 48 months. This period had to be extended for operating reasons, such as delays in the tenders to hire additional staff and prepare specific studies. The initial deadline to finalize the project in July 2010 was extended to February 2011.

The difficulties in statistical matters faced by the bloc can be summarized as follows:
1. Fiscal statistics:
   – Are not prepared according to a harmonized methodology
   – No mechanisms exist to validate information gathered by different institutions
   – There is no adequate concordance of flows and stocks
   – There are large differences between the informatics systems of the countries, which make it difficult to have harmonized statistics

2. Monetary statistics:
   – Do not consider seasonal adjustments nor series expressed at constant prices of the statistics that are already harmonized
   – Limited timespans covered by the series

3. Credit statistics:
   – There are theoretical and methodological differences between the countries about producing statistics
   – In some case there are difficulties to obtain certain data
   – There is little progress on harmonization
   – Not all countries have statistics on credit flows and stocks
   – Factors associated with stock change are not identified correctly in some cases
   – It is impossible to discriminate loans according to the adjustment coefficients
   – The available breakdown of some statistics does not fulfill criteria for an adequate analysis

4. Interest rate statistics:
   – There is little degree of harmonization
   – Comparable reference interest rates do not exist

5. Balance of payments and international investment position statistics:
   – There are asymmetries in dealing with and recording different balance of payments and IIP statistics
   – Legal restrictions make it difficult to exchange information between the intra-bloc countries in order to build an aggregate balance of payments and IIP

6. Validation of the statistics:
   – There are legal restrictions that make exchange of information between the member states difficult
   – Development of standardized mechanisms to validate the harmonized statistics is required
   – Defining courses of action to face possible deviations from the harmonized methodology is necessary

7. Publishing the statistics:
   – There are operational difficulties to manage and update software
Coordinating the stages prior to release, and the validation and timely and adequate compliance with submitting information is required

8. Macroeconomic dialogue:
   - It is necessary to define the specific subjects for debate about the macroeconomic convergence of the member countries
   - The insufficient availability of technical studies makes it difficult to exchange ideas as well as a dialogue between the member states on aspects related to the development, transformation and interaction the countries in the region

**Monetary statistics**

The monetary component specialists group met for the first time in 2005, to prepare a concrete proposal to be included in the cooperation agreement that MERCOSUR and the EC would sign with the purpose of supporting macroeconomic monitoring.

At these first meetings priority areas for the region on statistical matters were established, defining the following targets for the statistics compiled by the central banks of the member states:

- Improving the existing harmonized statistics
- Building new series under harmonized criteria
- Extending the timespan coverage of the statistics
- Seasonally adjusting the harmonized series
- Building series expressed at constant prices
- Having a manual that includes the harmonized methodology

The group also prepared what are known as the Administrative Technical Decisions, which specified the actions to be carried out, the expected results and the budget needed to complete this program. After the project was approved and signed (on December 5, 2006 by the EC and on January 18, 2007 by MERCOSUR), the technical groups of each component prepared the Global Operating Plan and the Operating Plan for the first year of program execution, which duly specified the timetable of activities and the funds needed to carry them out.

The need to have special contract technical assistance for the purposes of the project is an important part of planning activities. In order to meet this requirement, during 2008 the technical teams worked on defining the terms of reference stating the guidelines to which the future international tenders of staff dedicated to technical assistance would be subject. At all central banks in the member states, due to the size of the project, hiring additional staff is an unavoidable requirement to comply with the plans in a timely manner. In some countries, these restrictions even include the informatics systems capable of managing the new volumes of information and process them.

The statistics about base money and monetary aggregates had already been harmonized by the GMM, at least as an initial stage. For interest rate statistics, whether lending or borrowing, and with the exception of the rates negotiated for inter-bank loans (the only harmonized interest rate to date), it is difficult to find representative rates due to the different products and the different policies applied in each country. As regards credit statistics, although the GMM was able to reach harmonized definitions beyond the scope of the AMM project, major differences between the four countries that make up MERCOSUR are considered.
To solve these asymmetries, the AMM Project includes an item about studies that contemplates undertaking special consultancy tasks on issues that are very important for the bloc, but which due to logistical, resources or planning reasons cannot be carried out easily. For this, the funding provided by the project will be crucial for progress in the diagnosis and comprehension of the credit-related issues in the region.

The three priority studies for the region defined by the technical specialists on credit matters are therefore:

1. **Study of non-bank financial sources for the private sector.** This work aims at evaluating the different alternatives for funding economic activity outside the banking system and related instruments in the four countries in the region, by statistical surveys and the pertinent legislation. The domestic and external non-bank credit channels, the share of each of these markets and of the different instruments in the total financing volume will therefore be assessed. Meanwhile, significant differences between countries will be identified, as also the limitations that exist in the data base on the financial intermediation channels. This diagnosis will be accompanied by an analysis with proposals to expand the information base.

2. **Study on the distribution of credit by firm size.** The purpose is to expand the data base on credit related to the size of firms in the different sectors of economic activity in order to reduce the lack of these statistics at present in the countries of the region. The expansion and more detail in these statistics will provide new instruments to assess the degree of access to credit by firms, which may contribute to a more effective implementation of the micro and macroeconomic policies about the financial system.

3. **Bankarization indicators.** This study will provide elements to verify the different degree of access to the financial system by the population, based on surveys of the statistics on local banks, the instruments and the related legislation. Improving the statistical base in order to allow for a better design of strategies that enable an increase of the financial insertion in the region is thus sought.

Allocating carrying out these tasks, mainly large scale will be assigned – like the technical assistance to be hired- by international tenders, which are in their final stage. For this public auction the specialists in the monetary component also have to define the terms of reference of the studies requested.

These studies are expected to be useful for a future expansion of the statistical base on credit transactions in the region. These studies will provide new and important elements about the financial systems in the MERCOSUR countries, contributing to improve the data base on credit statistics and their harmonization process, as well as improving the activities carried out by the region’s central banks.

With the project already underway, each country prepared a report with a diagnosis of its statistics to serve as a base for the discussion of specific activities to be carried out in order to achieve the targets that were set. Based on this diagnosis of the strategic situation of monetary matters in each country, the specialists from the four central banks started discussions and progress towards the next stage, which is underway at present, and in which the concepts and methodologies to be harmonized will be reviewed and possibly redesigned.

Once the harmonized ideas and the initial panoply of series to be included are defined, and having a methodology manual to prepare information, the next stage will be to start to produce and compile harmonized statistics. This stage will be linked to the validation and publication component of the project, so that the sequence between obtaining the data and making it available will be completed.

The scale of the project means that some countries must make an additional effort to achieve the standards proposed at the regional level. The project therefore assigns a budget item to
informatics development, in order to cover the requirements that the central banks of these
countries face to produce statistics.

Another pillar of the project consists in the importance granted to exchanging experiences
between the EC and MERCOSUR. The process the EC began over 50 years ago makes it
an undisputed reference for regional integration in all fields. To better understand the
European experience in the convergence process in statistical affairs, and specifically on
monetary matters, the central bank specialists took part in sessions specially organized by
the European Central Bank and the Bank of Spain.

Among the main asymmetries detected by the group of specialists on monetary statistics
were the following:

- Different time periods of the surveys.
- A strong presence of foreign currency in some countries.
- Different criteria are used (for example: amounts or percentages for bank reserves;
  end-of-month balances or averages of daily balances, working days or calendar
days, how capital or accrued interest are considered in the surveys, loan
classification).
- Different breakdowns of the information.
- Outdated harmonized CPI.
- Little timeframe coverage of the series in some cases.
- Different degree of development of the financial systems or the capital markets.
- Finding relevant criteria to construe an interest rate spread.

The statistical convergence process between the countries of the bloc will no doubt require
concessions in order to have comparable data. The expert groups will define the best
alternatives bearing in mind the methodology issues and the international information
standards, but the political decision will be crucial to secure the targets and for progress
towards a broader range of statistics comparable between countries, not merely at an intra-
bloc level, but also with the rest of the world.

**Conclusions**

MERCOSUR is more than merely economic integration. Trade liberalization is undoubtedly a
starting point for the political decision towards the convergence process. But MERCOSUR
means integration that goes far beyond the markets of goods and services. Democratic
principles, human rights, human labor, education, culture, fair trade and defense of
competition practices, have become important aspects of the integration process.

The MERCOSUR countries share similar histories, like their origins in the conquest of
America as from the XVth century, the struggles for independence and the domestic clashes.
This shared trajectory, together with the relative geographical isolation of this southern region
from the rest of the world, their similar languages, cultures and traditions, give the region
further strength which favors the communion of the group and entices easing the pathway
towards the deepening of the integration process.

MERCOSUR is a significant bloc at the worldwide level, with a broad growth horizon. And
although it has shown some flaws during its history, mainly heightened by the current world
crisis, it must continue working on the convergence process. Common long term policies that
generate confidence and enable continuing with the deepening of the economic, social,
financial, political and cultural links based on social justice and equality are necessary, comprehending that regional integration is fundamental for the development of our peoples.

The Macroeconomic Monitoring Support Project will be very useful to indicate the trajectory that the countries in the bloc must follow towards growth and institutional strengthening. Statisticians are well aware that the harmonization process does not end with the current cooperation project, but is rather an ongoing task of rethinking what one has, including new practices, preparing new reports, adopting innovations on compiling and publishing what there already is, and to pay attention to international standards.

This initial macroeconomic convergence stage is still aimed very much at within the bloc. These first steps that MERCOSUR is taking to obtain comparable statistics, is a stance more focused on achieving consistency and coherence inside the bloc. This is the easiest road to travel, but the international comparison stage will be fundamental to insert MERCOSUR in the world scope, in order to have parameters to compare the intra-bloc countries with themselves, but also MERCOSUR with the rest of the world.

Based on the experience acquired, not only due to the fruitful exchange of experiences with the European Community, but also from the experience that the intra-MERCOSUR working parties are gaining, starting to think about a harmonization more oriented to the outside world is to be expected. However, this must no doubt be accompanied by a broader integration process at the regional level, where harmonizing statistics under international standards will help to back this convergence process.

Apart from the significant progress that cooperation between MERCOSUR and the EC will generate through the Macroeconomic Monitoring Support Project, the greatest challenge for MERCOSUR will be the sustainability of the path it has begun. In order to continue producing harmonized statistics, broaden the time and subject coverage, discuss new statistics matters and informatics innovations related to producing data, keeping the web portal updated, continuing the dialogue with intra and extra-bloc technical specialists, training human resources and the institutions involved, expressing concern about adopting international standards and the continual improvement in the quality of the statistics, will not be minor issues among the challenges that the MERCOSUR bloc faces over the medium and long terms.

The macroeconomic stability process together with the legal security issues and respect for institutions and individuals, are fundamental requirements for a regional integration process. In all macroeconomic convergence processes like that which MERCOSUR has begun, having comparable data, of quality and at timely periods, become inevitable factors for progress in the regional integration process. Ensuring this comparability and homogenization of statistics is therefore a necessary condition so that economic information is transparent and useful to make decisions.
## Appendix

**Organizational structure of MERCOSUR, as defined by the Ouro Preto Protocol on December 17, 1994**

<table>
<thead>
<tr>
<th>Organ</th>
<th>Description</th>
<th>Members</th>
<th>Meetings</th>
<th>Functions and capacities</th>
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</table>
| Common Market Council    | Highest MERCOSUR organ. It is in entrusted with political leadership of the integration process and for making decisions that ensure the objectives stipulated by the Treaty of Asunción are met and to attain the definite setting up of a common market. It issues Decisions that are mandatory. | Made up by the Foreign Ministers and the Economy Ministers or their equivalent. The presidency is exercised by rotation of the member states for six month periods. | It meets as often as regarded timely, but at least once every six months with the presidents of the member states present. Meetings are coordinated by the Foreign Ministers, and other ministers or authorities at a ministerial level may be invited to take part. | a. Oversees compliance of the Treaty of Asunción, its protocols and the agreements signed in its framework;  
b. Defines policies and promotes the actions required to set up the common market;  
c. Exercises leadership of MERCOSUR as a legal person;  
d. Negotiates and signs agreements in the name of MERCOSUR with other countries, groups of countries or international organizations. These may be delegated by explicit mandate to the Common Market Group in the conditions stipulated in article XIV, clause VII, of the Ouro Preto protocol;  
e. States its position on the proposals that are submitted by the Common Market Group;  
f. Sets up ministerial meetings and expresses its position on the agreements that these meetings submit;  
g. Creates the organs it regards as pertinent, as well as modifying or eliminating them;  
h. Clarifies, when this is considered necessary, the content and scope of its decisions;  
i. Designates the director of the MERCOSUR Administrative Secretariat;  
j. Makes decisions on financial and budget matters;  
k. Ratifies the internal rules of the Common Market Group. |
Organizational structure of MERCOSUR, as defined by the Ouro Preto Protocol on December 17, 1994 (cont)

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| Common Market Group    | Is the executive organ of the MERCOSUR. In order to prepare and propose measures it can call on representatives from other government administration organs or the MERCOSUR institutional structure. Its statements are by Resolutions of a mandatory nature. | Made up by four full members and four alternate members from each country, among which the Foreign Ministry, Economy Ministry and Central Bank representation is obligatory. It is coordinated by the Foreign Ministries. | Holds ordinary or extraordinary meetings according to its own internal regulation. | a. Oversees, within the scope of its capacities, compliance with the Treaty of Asunción, its protocols and the agreements signed in its framework;  
b. Proposes draft decisions to the Common Market Group;  
c. Takes measures needed to comply with the decisions adopted by the Common Market Group;  
d. Sets working schedules that ensure progress towards setting up the common market;  
e. Creates, modifies and eliminates organs like working subgroups and specialized meetings in order to comply with its objectives;  
f. States its views on proposals or recommendations submitted by the other MERCOSUR organs within their capacities;  
g. Negotiates with representative of all the contracting parties, by explicit delegation from the Common Market Council, and within the limits stipulated by the specific mandates granted for this purpose, agreements in MERCOSUR's name with other countries, groups of countries or international organizations. The Common Market Group, if so authorized by the Common Market Council, may delegate those powers to the MERCOSUR Commerce Commission;  
h. Approves the budget and annual statement of accounts submitted by the MERCOSUR Administrative Secretariat;  
i. Adopts Resolutions on financial and budget matters, based on guidelines issued by the Council;  
j. Submits its Internal Regulation to the Common Market Council;  
k. Organizes the Common Market Council meetings and prepares the reports and studies that it requests;  
l. Selects the director of the MERCOSUR Administrative Secretariat;  
m. Supervises the MERCOSUR Administrative Secretariat activities;  
n. Ratifies the internal rules of the Commerce Commission and the Economic and Social Consultation Forum. |
## Organizational structure of MERCOSUR, as defined by the Ouro Preto Protocol on December 17, 1994 (cont)

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<tr>
<td>MERCOSUR Commerce Commission</td>
<td>Entrusted with assisting the CMG, overseeing the application of the common trade policy agreed on by the member states of the customs union, as well as reviewing and keeping track of issues related to the common trade policies, intra-MERCOSUR commerce and with other countries. It issues directives (which are mandatory) or proposals.</td>
<td>Made up by four full members and four alternate members from each member state. Coordinated by the Foreign Ministries.</td>
<td>Meets at least once a month or when requested by the CMG or any of the contracting parties.</td>
<td>a. Oversees application of the common trade policy instruments intra-MERCOSUR and with other countries, international organizations and trade agreements; b. Considers and makes statements on requests submitted by the member countries about applying and complying with the common external tariff and the other common trade policy instruments; c. Keeps track of how common trade policy is applied in the member countries; d. Analyzes common trade policy instrument developments for the customs union operations and issues proposals on this matter to the Common Market Group; e. Makes decisions related to the administration and application of the common external tariff and the common trade policy instruments agreed on by the member states; f. Reports to the Common Market Group on developments and application of common trade policy instruments, about the manner requests it has received are dealt with and on the decisions adopted on them; g. Proposes new rules or changes in existing rules on MERCOSUR trade and customs matters to the Common Market Group; h. Proposes the revision of tariff rates on specific items of the common external tariff, even to consider cases that refer to new productive activities within MERCOSUR; i. Establishes the technical committees necessary to comply with its tasks adequately, as well as directing and supervising their activities; j. Carries out the tasks related to the common trade policy requested by the Common Market Group; k. Adopts its internal rules that will be submitted to the Common Market Group for approval.</td>
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### Organizational structure of MERCOSUR, as defined by the Ouro Preto Protocol on December 17, 1994 (cont)

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<tr>
<td>Joint Parliamentary Commission</td>
<td>Is the representative organ of the parliaments of the member states within MERCOSUR. It issues recommendations to the CMC, through the CMG.</td>
<td>Made up by equal numbers of congressional representatives from the member states, designated by the parliaments according to their internal procedures.</td>
<td>[ ]</td>
<td>Seeks to accelerate the domestic procedures for the prompt effectiveness of the rules issues by the MERCOSUR organs. Cooperates to harmonize legislations as required by the integration process. The CMC can request it to review priority issues.</td>
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<tr>
<td>Economic and Social Consultation Forum</td>
<td>Represents the economic and social sectors. States its position by recommendations to the CMG.</td>
<td>Made up by equal numbers of representatives from each of the member countries.</td>
<td>[ ]</td>
<td>It has a consultation function.</td>
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<tr>
<td>MERCOSUR Administrative Secretariat</td>
<td>Operating back-up organ of MERCOSUR. It is responsible for providing services to the other MERCOSUR organs. Its venue is in Montevideo city, and it has a budget to cater for its operating expenses and those the CMG decides, which will be funded in equal shares contributed by the member states.</td>
<td>Headed by a director who is a national of one of the member countries, with a two-year mandate. The director is selected by the CMG by rotation, after consultations with the member states and designated by the CMC.</td>
<td>a. Acts as the official archive for MERCOSUR documentation; b. Publishes and releases the rules adopted in the MERCOSUR framework; c. Organizes the logistical aspects of the Common Market Council, Common Market Group and MERCOSUR Trade Commission meetings and, if possible, of the other MERCOSUR organs when the latter are held at its permanent venue. For meetings held away from its permanent venue, the MERCOSUR Administrative Secretariat will provide support for the state where the meeting is held; d. Reports on a regular basis the measures implemented by each country to member states so that they can include the rules issued by the MERCOSUR organs by article II of the Ouro Preto Protocol into their legal statutes; e. Keeps records of the national lists of arbitrators and experts, and undertakes other tasks stipulated in the Brasilia Protocol; f. Carries out the tasks requested by the Common Market Council, the Common Market Group and the MERCOSUR Commerce Commission; g. Prepares the draft budget, and once it is approved by the Common Market Group, carries out all tasks necessary for its correct execution; h. Every year it submits its statement of accounts to the Common Market Group, as well as a report on its activities.</td>
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