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A Critical Analysis of Mercosur Countries' Trade Relationships with the United States and China

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Abstract

The Mercosur trade alliance formed in 1991 is composed of six full member countries. Historically, Mercosur member countries have been engaged in international trade with the United States, Japan, and the European Union, but recently, China has become a dominant player in the region, with increased foreign direct investment and international trade. Chinese commercial and trade involvement was followed by a visit to the region by President Jiang Zemin in 2001; therefore, this study relied on a 2000–2015 data series. Chinese enterprises are competing well with U.S. corporations in almost all Mercosur member countries. A majority of Mercosur members had a trade deficit with China in recent years, suggesting that Mercosur members cannot leverage their export industries and are losing their competitiveness. The future of the Mercosur-China trade relationship is bright because both sides require each other's products. Future involvement also depends on the Chinese government's strategic goals, and the competitiveness of U.S. corporations.

Keywords: China, Mercosur, trade bloc, trade relationship, USA

1. Introduction

Mercosur is an economic trade alliance of Latin American countries, established in 1991 by the Treaty of Asuncion, which was eventually updated in 1994 with the Treaty of Ouro. There were four founding members, but the Mercosur currently consists of six full members (Argentina, Bolivia, Brazil, Paraguay, Uruguay, and Venezuela). This trade bloc has five additional associate members (Chile, Colombia, Ecuador, Peru, and Surinam), and three countries with observer status (Japan, Mexico, and New Zealand). Mercosur is a full customs union, meaning there are no international trade barriers among member countries, or common external barriers for non-member countries. This study focuses only on the six original member countries, with a total population of 300 million people. The six member countries' combined population approximates the U.S. population, and about one-fourth of China's population.

Mercosur has been a key trading partner of the United States and the European Union, but trade with China has grown at an exponential rate in the last decade. The U.S. relationship with the Mercosur member countries is over a century old, but Chinese enterprises have made major inroads in Mercosur markets since the start of the twentieth century, often at the expense of the U.S. corporations.

Exports from China to the Mercosur region have increased steadily. The Mercosur region represents a large, growing market for Chinese enterprises, and they realize the region's attraction. They have recently increased their commitment to the Mercosur region by enhancing their presence. China's exports to the Mercosur region in the early 1990s were less than one percent of its total; the share had increased to over five percent by 2015. Some Chinese exports to the Mercosur region occur at the expense of the U.S. exports.

This study's purpose is to analyze the trade relationships of the six full-member Mercosur countries with the world's two largest economies, the United States, a historical partner; and China, an emerging regional player. Recent trends and the importance of the U. S. and Chinese economic relationships with the Mercosur countries are also analyzed.

2. Literature Review

Gardina (2010) presented a historical background of Mercosur's origin. The Mercosur alliance's success is attributed to a number of earlier bilateral trade agreements among the member countries. The most significant bilateral agreement occurred between Argentina and Brazil (1983-1986), two dominant countries in Latin America and still the two most important members of Mercosur. Their bilateral agreement was considered a confidence-building attempt between the two fierce competitors. Gardina (2010) concluded that the democratization of Latin America was also a catalyst of economic liberalization, and the eventual formation of Mercosur, a free-trade region. The dream of Latin American unity is, in a broad sense, taking shape through Mercosur's successful expansion. Mercosur, by inviting the Andean Pact countries, aims to deepen integration in Latin America. While the attempt is laudable and ambitious, it may suffer from weaknesses that had undermined Latin American integration attempts prior to Mercosur. Mercosur policymakers had carefully avoided any decision to further harm Latin American integration. Mercosur has survived regional political crisis, and the bloc is in the process of expansion by inviting more countries to join Mercosur.

Doctor (2015) studied regional economic integration attempts outside Europe, with a particular emphasis on Mercosur. A European integration process, with an emphasis on inter-regionalism, was a guiding principle for other non-European attempts to economically integrate, including Mercosur. Doctor (2015) concluded that inter-regionalism cannot guarantee increased cohesion among member countries. Mercosur economies have suffered a number of severe crises in the past two decades, as the ever-present threat of crisis persuaded member countries' policymakers from ceding autonomy; inter-regional agreements were in no position to protect or guarantee countries from these threats. Inter-regionalism was unlikely to serve as the dominant reason for Mercosur integration. According to the study, much of the evidence suggests that the inter-regional process had, at best, delayed Mercosur's dissolution, and was not conducive to encouraging its consolidation. Inter-regionalism, to conclude, cannot be expected to function efficiently as a promoter of regional integration, and the region should focus on economic liberalization and trade relationships with non-members.

Mercosur had attempted to negotiate trade agreements with the United States and European Union, with limited success. Vaillant and Vaillant (2014) developed an in-depth description of the trade negotiations between Mercosur and the European Union from 2000–2004 and 2010–2013. All past trade negotiation attempts have failed because each side had different objectives, and even within the Mercosur-European Union trade bloc, different countries had contradictory objectives. The bigger economies in Mercosur preferred not to sign bilateral agreements with the advanced, superior economies, such as the European Union. Mercosur, since the beginning of the negotiation process with non-member countries, signed approximately twenty trade agreements, albeit none of them with developed countries. A successful trade agreement requires more flexibility from either side and should be based on commercial realities, but the fact remains that all major global economies wish to access Mercosur markets. There is no attempt made to negotiate a trade agreement with China, despite increasing trade volume.

Hornbeck (2011) concluded that Latin America (Mercosur is a subset) offer potential for increased U.S. trade. The United States has encouraged deeper regional integration, such as Mercosur, hoping such integration attempts are beneficial for the U.S. economic and foreign policy objectives. Latin American countries have made progress in trade liberalization and tariff reductions in last two decades. American policy makers were hoping that the U.S. corporations will increase their market share in Latin America. During 1998 – 2009, Latin America (excluding Mexico) represented only 8.3 percent of total U.S. trade, leaving significant room for growth. There is a need to study whether American policymakers achieve their objectives in Latin America.

Compelling research conducted by Peters (2013) analyzed the recent growth of trade between China, and Latin American and Caribbean (LAC) countries, and its implications for the century-old problems of income inequality and fairness in LAC countries. Data series from 1990–2011 were used for empirical testing. One of Peters' (2013) conclusions is that both academia and policymakers must overcome their bias against the agricultural sector and natural resources, and realize the importance of global commodity chains. Other countries, including China, require agricultural goods and natural resources from LAC countries; therefore, LAC countries should positively view trade in agricultural goods and natural resources. Peters (2013) also concluded that increased trade engagement between China and Latin America has not solved the problem of the region's income inequality. The trade relationship must consider this problem, or partnership may not otherwise be sustainable. China has become a major source of imports in countries such as Paraguay and Chile, and a major export market for Brazil, Argentina, and Chile. China is Mexico's second major trading partner since 2003, as a result of increasing imports. International trade has been a major component of the most recent phase of the LAC-China relationship, followed by foreign direct investment (FDI). Recently, China has become the LAC countries' second major trading partner. China's economic and trade presence has increased for all major countries in the LAC region. A need exists for further analysis of China's trade footprints in the region, and the region's involvement with the United States.

Peters (2015) offered a comprehensive analysis of China's involvement in Latin America in the contexts of diplomacy, Chinese political and economic objectives, and China's hunger for natural resources, and then questioned whether this partnership is mutually beneficial. More than half of Chinese business enterprises are publicly owned; therefore, the Chinese government's strategic objectives heavily influence commercial and trade relationships. Public ownership also assists Chinese enterprises in offering the turnkey infrastructure projects needed by Latin American countries.

There seems to be a strategic shift in Chinese focus on Latin America, originating with visits by Chinese President Jiang Zemin to Latin America (Argentina, Brazil, Uruguay, and Venezuela) in April 2001. Chinese Premier Xi Jinping also visited a number of Latin American countries in May 2015. There were nine visits in total by Chinese premiers, and twenty-two visits by Chinese presidents, during the period of 2001–2015. The Chinese government considers Latin America as a strategic priority. Peters (2015) also discussed the institutional capability of China and Latin American countries, to understand and improve weak knowledge of their counterparts. Governmental and non-governmental institutions in Latin America and China generally lag behind recent economic dynamism. This can be a major barrier to furthering the relationship, as neither China nor any Latin American country has extensively evaluated their commercial relationship. According to Peters (2015), Latin American countries also have not developed a detailed short-, medium-, or long-term strategy vis-à-vis their economic relationships with China. Trade relationships between China and the region cannot fully mature without a clear strategy.

Paiva and Cortes (2014) analyzed data from over 100 countries over 30 years (1980–2010) to discover the determinants of foreign direct investment, or FDI, to a country and region. A notable finding in the study was the fact that Mercosur member countries could not attract sufficient FDI. The creation of a free trade area, or FTA, and its impact on trade is well researched, but the relationship between FTA and FDI is not yet understood. Global FDI flows increased twenty-three times between 1980 and 2010, whereas world trade only increased approximately seven times in the same period. A conclusion is that increased FDI in a region eventually lead to increased trade; therefore, if Mercosur is planning to increase trade with the United States or China, policymakers should make the region attractive to inward FDI.

Chinese enterprises started FDI in early 2000. The effectiveness of Chinese FDI in different developed and developing countries was studied by Wang et al. (2014), for the 2004–2010 period. It was concluded that regions including the Mercosur members have mixed feelings regarding the efficacy of Chinese FDI. According to Wang et al. (2014), the positive aftereffects of the Chinese FDI to its host economies are job creation, limited technology transfers, and opportunity for Chinese enterprises' entry into foreign markets; simultaneously, the host countries are not always content with corporate social misbehavior by Chinese investors. If Chinese corporations hope to improve trade relationships, they must increase FDI opportunities, and address the host country's complaints.

Song (2014) empirically analyzed Chinese foreign direct investment (FDI) and trade relationships with Brazil, the largest economy and the most important country in Mercosur; China-Brazil data were analyzed for 1987–2013 period. The primary focus of the study was to examine the causal relationship between FDI and trade under the perspective of China-Brazil interactions, and to discover whether Chinese exports are complements to, or substitutions for, the FDI in Brazil. One of the study's findings is robust trade growth has occurred between the two countries, as Brazil exports raw material in return for Chinese manufactured goods. Trade has increased, despite several Brazilian allegations of dumping and unfair trade practices. The study did not find a complimentary relationship between Chinese FDI to Brazil and trade flow growth between the two countries. However, a moderate relationship exists between Chinese exports and eventual FDI in Brazil, with a two-year time delay.

Grossman and Wen (2011) studied Brazil's trade patterns with both the United States and China. Chinese enterprises are in search of petroleum, building materials, and agricultural commodities; therefore, they wish to establish inroads into the Mercosur region. Mercosur, a vast area rich in natural resources, has become a critical aspect of China's development strategy. China surpassed the United States in 2010 as Brazil's largest trading partner, significantly changing a pattern that has existed for decades, and possibly upsetting the balance of power in the region. Future relationships between Brazil and these two countries are unpredictable because there are many complex economic and geopolitical factors in operation.

Song (2014) focused on the China-Brazil relationship, while Oviedo (2015) studied the second-biggest Mercosur country's (Argentina) soybean exports to China during 2007–2014, and further analyzed state agencies' roles in both countries. China is one of the primary trading partners in Argentina's soybean production chain. Argentina's exports to China in 2012 amounted to only about 13.3 percent of total soybean production, and 9.9 percent of soy oil output. India, in the same year, was the largest importer of Argentinian soy oil, followed by China, Iran, Peru, and European countries. China is the world's fourth-largest producer, and the largest importer, of unprocessed soybeans; therefore, there is expansive potential in an Argentinean and Chinese agricultural trade partnership, including the soybean industry. Argentina primarily exported agriculture goods and imported consumer goods from China during the 2007–2015 period; Argentina had a trade deficit with China during this time.

Oviedo (2013) also analyzed the complicated and changing economic relationship between Argentina and China, with particular emphasis on disagreement on soybean trade in 2010, a major export to China. Trade relationship between Argentina and China can be defined as partnership between a food producer and a major consumer. This economic *relationship* is focused on bilateral trade and more significantly on Chinese investments in Argentina. The success of China's modernization has realigned needs of Argentina and other Mercosur members' vis-à-vis Chinese enterprises. Mercosur region is unable to keep pace with China in modernizing their industries and it may be an impediment for future trade growth.

Akhter and Machado (2014) explored the dilemma for Brazilian firms in choosing between Chinese opportunities or opportunities in neighboring Mercosur countries. It was hypothesized that Brazilian firms should enter the Chinese market immediately to more adequately compete with Chinese enterprises, should they attempt to enter the Mercosur region in the future. The decision has become complex due to the growing size of the Chinese economy and increasing threats from Chinese enterprises in the Mercosur region. The study also mentioned that as of 2011, Brazil's overall trade was higher with China than the Mercosur member countries, despite the fact that Brazil has a long history of trade relationships with its neighboring Mercosur countries. The Chinese market does present several challenges to Brazilian firms in comparison to the Mercosur regional markets, but Brazilian corporations are still successful in China. The cost disadvantage of Brazilian firms arose from capacity constraints and high domestic wages in Brazil. Although Brazilian firms could have expanded their operations into China, the overall market situation was not conducive for further expansion. Consequently, Brazil's corporations should solidify their presence in Mercosur markets, and the strengthening of such relationships may bar Chinese enterprises' entrance to the region. Further investigation of Chinese trade relationships with Brazil, and other regional countries, is required to understand recent and future FDI and trade trends.

After a literature review of China's and the U.S. trade relationships with the Mercosur member countries, there was a need to further understand the two largest global economies' trade involvement in the region. The following two research questions are formulated for this study, and the findings can be used by policymakers in these countries:

1. Research Question # 1: Can Chinese enterprises play a dominant role and compete with the U.S. corporations in the Mercosur region?

2. Research Question # 2: What is the trade balance status of Mercosur member countries with the United States and China?

3. Research Methodology

The six original Mercosur member countries are selected for this study. Trade data are collected for all six countries for a 16-year period (2000–2015). Peters (2015) mentioned a strategic shift in Chinese focus on Latin America, starting with visits by Chinese President Jiang Zemin to Latin America (Argentina, Brazil, Uruguay, and Venezuela) in April 2001. In addition, China's trade has increased approximately 2,000 percent to Latin America, including Mercosur, during 2000–2015, spurred in part by bilateral free trade agreements and exchanging regional trade missions. China has also made billions of dollars in loan commitments across the region to facilitate international trade.

Data series for all six member countries (exports to, imports from, and the trade balance with the United States and China) are tabulated in Tables 1, 2, 3, 4, 5, and 6, to better understand the changing pattern of Mercosur trade with the United States and China. Data pertaining to the growth of member countries' trade with the world, the United States and China is summarized in Table 7. Data are collected from secondary sources, including the Directions of International Trade (2007; 2014; 2016).

4. Data Analyses

Trade relationships with the United States and China are analyzed in this section for each Mercosur member country, over a sixteen-year period. Argentina's trade relationships with both countries are presented in Table 1. The United States has been a major trading partner of Argentina in past decades, and trade flow has gradually increased since 2002, after Argentina broke away from the currency board arrangement which created a fixed exchange rate with the U.S. dollar. A decrease in exports and imports occurred in 2009 due to the global financial crisis and falling commodity prices. Argentinian exports and imports to China have increased rapidly since 2002; Argentina's exports are primarily agricultural produce, and its imports are consumer goods. The Argentinian trade deficit with both countries has also increased starting from 2007, and this should be a sign of alarm for their policymakers. Argentinian corporations are unable to compete with the U.S and Chinese exporters, based on the available data. During the sixteen years period, Argentinian global trade increased by 140.7 percent; trade with the U.S. increased by only 73.8 percent while trade with China increased by 666.2 percent (Table 7).

Table 1. Argentina's Trade Relations with the U.S. and China (Millions of USD)

Year	Exports to U.S.	Exports to China	Imports from U.S.	Imports from China	Balance with U.S.	Balance with China
2015	3,589	5,195	10,269	9,776	-6,680	-4,581
2014	3,857	4,780	11,908	8,455	-8,051	-3,675
2013	3,885	5,497	8,118	11,362	-4,233	-5,865
2012	3,909	5,001	8,490	9,954	-4,581	-4,953
2011	4,252	6,024	7,894	10,138	-3,642	-4,114
2010	3,608	5,796	6,351	7,232	-2,743	-1,436
2009	3,671	3,668	5,164	4,823	-1,493	-1,155
2008	5,402	6,355	6,980	7,104	-1,578	-749
2007	4,346	5,170	5,342	5,093	-996	77
2006	4,116	3,473	4,294	3,122	-178	351
2005	4,572	3,193	4,046	2,237	526	956
2004	3,818	2,628	3,432	1,402	386	1,226
2003	3,134	2,478	2,264	721	870	1,757
2002	2,957	1,092	1,804	330	1,153	762
2001	2,884	1,124	3,781	1,066	-897	58
2000	3,149	797	4,822	1,157	-1,673	-360

Data pertaining to Bolivia's trade relationships are presented in Table 2. Bolivia's exports to and imports from the United States in 2000 were approximately 65 times and 6.5 times more than the corresponding figures for China, respectively. U.S. corporations were clearly dominating the Bolivian market. Bolivia's exports to China did increase starting in 2008, but were no match for their exports to the United States. The growth of Chinese imports was much more dramatic, and surpassed imports from the United States in 2011. Recently, Bolivia has enjoyed a trade surplus with the latter, while Bolivia's trade deficit with the former has increased since 2000. Bolivia, to conclude, still exports heavily to the United States, but imports from China have grown much more rapidly than imports from the United States. Bolivia's global trade has increased by 212.9 percent. Trade with the U.S. increased by 93.2 percent during the same period but the country has experiences an exponential growth of 2775 percent with China (Table 7).

Table 2. Bolivia's Trade Relations with the U.S. and China (Millions of USD)

Year	Exports to U.S.	Exports to China	Imports from U.S.	Imports from China	Balance with U.S.	Balance with China
2015	1,054.0	466.0	1,035.0	1,747.0	19.0	-1,281.0
2014	2,012.0	434.0	1,240.0	1,816.0	772.0	-1,382.0
2013	1,215.0	320.0	1,172.0	1,254.0	43.0	-934.0
2012	1,750	317.0	941.0	1,294.0	809.4	-977.5
2011	875.2	329.5	855.0	937.4	20.2	-607.9
2010	691.2	208.4	714.0	536.5	-22.8	-328.1
2009	472.0	130.6	604.0	375.1	-132.0	-244.5
2008	488.0	129.4	553.0	445.1	-65.0	-315.7
2007	415.0	57.5	410.0	312.2	5.0	-254.7
2006	343.3	42.8	237.0	64.3	106.3	-21.5
2005	279.6	28.5	324.0	136.0	-44.4	-107.5
2004	359.2	23.5	261.3	107.5	97.9	-84.0
2003	236.7	11.6	310.0	87.1	-73.3	-75.5
2002	192.1	7.7	310.0	95.9	-117.9	-88.2
2001	188.0	5.1	314.4	86.3	-126.4	-81.2
2000	354.0	5.5	454.5	69.7	-100.5	-64.2

Brazil is the largest economy in Mercosur, and a major trading partner with U.S. corporations, where the United States has enjoyed a trade surplus since 2009, as noted in Table 3. However, Brazil has had a trade surplus with China during the same period in 2009 as Brazil's exports to China surpassed that to the United States. Bilateral trade between Brazil and China did not significantly increase until 2005; Brazilian exports include manufactured goods and agricultural produce. Brazilian corporations were competitive and prepared to deal with Chinese enterprises. It will be interesting to see the future of Brazil's trade relationships with both countries. Brazilian corporations are still relying on American exports, but total grade with China has increased at much higher pace (226.3 percent) than with the U.S. (158.2 percent). Both of these countries were unable to match the increase in Brazil's total global trade (273 percent).

Table 3. Brazil's Trade Relations with the U.S. and China (Millions of USD)

Year	Exports to U.S.	Exports to China	Imports from U.S.	Imports from China	Balance with U.S.	Balance with China
2015	24,216	35,608	26,760	30,719	-2,544	4,889
2014	27,145	40,616	35,299	37,341	-8,154	3,275
2013	24,861	46,026	36,275	37,302	-1,1414	8,724
2012	26,850	41,228	32,594	34,246	-5,744	6,982
2011	25,943	44,315	34,221	32,787	-8,278	1,1528
2010	19,466	30,786	27,264	25,587	-7,798	5,199
2009	15,809	18,798	20,310	15,886	-4,501	2,912
2008	27,735	16,403	25,841	20,039	1,894	-3,636
2007	25,343	10,749	18,901	12,618	6,442	-1,869
2006	24,680	8,400	14,856	7,989	9,824	411
2005	22,742	6,834	12,852	5,353	9,890	1,481
2004	20,342	5,440	11,519	3,710	8,823	1,730
2003	16,901	4,533	9,727	2,148	7,174	2,385
2002	15,535	2,520	10,435	1,554	5,100	966
2001	14,379	1,902	13,038	1,328	1,341	574
2000	13,381	1,085	13,002	1,222	379	-137

Paraguay is the smallest economy among the six Mercosur members, historically trading with the United States. Paraguay still exports more to the United States than to China, but imports from China have increased significantly compared with imports from the United States. Paraguay's trade data are presented in Table 4 and Figure 4. Paraguay is experiencing an increasing trade deficit with both countries, but the deficit with China has increased at a much higher rate. Paraguay primarily imports consumer goods from China. This the only Mercosur member country witnessing increased trade with the U.S. (1,338.6 percent) than China (913.6 percent) during 2000-2016 (Table 7).

Table 4. Paraguay's Trade Relations with the U.S. and China (Millions of USD)

Year	Exports to U.S.	Exports to China	Imports from U.S.	Imports from China	Balance with U.S.	Balance with China
2015	152.0	30.5	750.0	2,256.3	-598.0	-2,227.8
2014	207.0	48.5	893.5	2,882.6	-686.5	-2,834.1
2013	251.0	57.1	735.0	3,216.7	-484.0	-3,159.6
2012	154.7	42.0	860.0	2,979.5	-705.3	-2,937.5
2011	111.3	30.4	609.0	3,439.2	-497.7	-3,408.8
2010	66.5	34.2	407.4	3,255.6	-340.9	-3,221.4
2009	52.8	35.0	269.4	1,954.3	-216.6	-1,919.3
2008	75.0	96.4	374.7	2,348.8	-299.7	-2,252.4
2007	70.0	54.5	281.2	1,552.6	-211.2	-1,498.1
2006	66.6	19.6	31.7	1,416.6	34.9	-1,397.0
2005	54.9	69.6	25.3	667.4	29.6	-5,97.8
2004	55.1	44.5	28.8	439.4	26.3	-3,94.9
2003	45.0	16.7	33.9	236.7	11.1	-220.0
2002	38.0	7.7	22.0	180.4	16.0	-172.7
2001	29.3	10.7	35.1	219.3	-5.8	-208.6
2000	33.7	5.9	29.0	219.7	4.7	-213.8

Each country has a different trajectory in their trade relationships with the United States and China, and Uruguay is no exception, as illustrated in Table 5. Involvement with Chinese enterprises has increased, starting in 2005. Starting in 2008, Uruguay's exports and imports with China were more than with the United States; the trend continued until 2015. Uruguay's exports to China were many-fold more than exports to the U.S. Uruguay has a trade deficit with both countries, which should concern their policymakers. Uruguay's global trade grew by 220.7 percent. Total Trade with the U.S. was up by 178.2 percent while trade with China increased by a whopping 1383 percent. China has replaced the U.S. as a dominant trade partner of Uruguay (Table 7).

Table 5. Uruguay's Trade Relations with the U.S. and China (Millions of USD)

Year	Exports to U.S.	Exports to China	Imports from U.S.	Imports from China	Balance with U.S.	Balance with China
2015	528.0	1,212.3	950.0	1,805.8	-422.0	-593.5
2014	414.8	2,395.4	1,766.4	2,703.5	-1,351.6	-308.1
2013	384.6	2,241.1	1,928.5	2,557.0	-1,543.9	-315.9
2012	339.2	1,751.9	1,471.9	2,653.7	-1,132.7	-901.8
2011	274.4	1,285.2	1,382.1	2,201.4	-1,107.7	-916.2
2010	225.9	1,046.5	1,070.7	1,627.0	-844.8	-580.5
2009	231.2	669.5	818.8	873.5	-587.6	-204.0
2008	235.6	566.4	982.7	1,113.5	-747.1	-547.1
2007	475.9	310.6	704.6	677.0	-228.7	-366.4
2006	497.6	245.4	530.5	447.6	-32.9	-202.2
2005	789.0	119.6	260.8	242.3	528.2	-122.7
2004	600.7	113.0	223.9	172.7	376.8	-59.7
2003	250.7	95.2	167.5	86.0	83.2	9.2
2002	184.6	71.0	230.5	104.4	-45.9	-33.4
2001	176.9	102.9	273.7	121.5	-96.8	-18.6
2000	191.9	91.2	339.4	112.2	-147.5	-21.0

Finally, data related to Venezuela's trade relationships with the United States and China are presented in Table 6. Despite political tensions between Venezuela and the former, both countries have maintained a robust trade partnership. Venezuela has enjoyed a trade surplus with the United States, and has also had a trade surplus with China since 2008. The Venezuelan trade surplus is attributed to oil exports to these two countries. Overall, the U.S. is a major trading partner to Venezuela, and as of 2015, China is unable to catch up; however, trade relationships with China have considerably improved while total grade with the U.S. has declined during the same period. The future of the trade flow in the future depends how effectively Venezuela deal with their economic crises starting in 2015. Trade with the U.S. declined by 6.7 percent, while the trade with China increased by an astonishing 6312 percent (Table 7).

Table 6. Venezuela's Trade Relations with the U.S. and China (Millions of USD)

Year	Exports to U.S.	Exports to China	Imports from U.S.	Imports from China	Balance with U.S.	Balance with China
2015	14,149	6,218	7.386	6,1571	6,763	61
2014	27,472	10,263	12,251	6,224	1,5221	4,039
2013	29,089	11,929	14,524	6,669	1,4565	5,260
2012	35,767	13,119	19,394	10,278	1,6373	2,841
2011	43,868	11,586	10,439	3,462	3,3429	8,124
2010	26,421	5,071	9,752	2,911	1,6669	2,160
2009	21,772	3,320	10,100	3,205	1,1672	115
2008	48,211	3,481	12,528	3,315	3,5683	166
2007	31,013	2,006	11,135	2,807	1,9878	-801
2006	34,896	2,410	9,351	1,485	2,5545	925
2005	26,975	293	6,894	808	2,0081	-515
2004	16,946	277	4,986	392	1,1960	-115
2003	11,635	165	2,767	157	8,868	8
2002	12,024	91	3,909	206	8,115	-115
2001	12,849	42	5,689	317	7,160	-275
2000	17,298	23	5,780	170	1,1518	-147

Chinese enterprises, starting from 2002, have played active roles with all six Mercosur members, and are trying to replace the United States as a leading trade partner. The aggressive involvement of Chinese enterprises can be attributed to a number of developments, including competitiveness and growth of the Chinese economy, renewed focus on Latin American countries by the Chinese government, and left-leaning political parties' election to the highest office in Mercosur member countries. Moreover, U.S. corporations' increased focus on the Asia-Pacific region may have provided an opening to Chinese enterprises.

Table 7. Changes in Total Trade Flow of Mercosur Members (2000 – 2015)

Country	National Trade	Trade with the U.S.	Trade with China
Argentina	140.7 %	73.8 %	666.2 %
Bolivia	212.9 %	93.2 %	2775.0 %
Brazil	273.0 %	158.2 %	226.3 %
Paraguay	512.5 %	1338.6 %	913.6 %
Uruguay	220.7 %	178.2 %	1383.9 %
Venezuela	84.0 %	- 6.7 %	6312.0%

5. Conclusions

This study sheds new light on Mercosur member countries' increased trade relationships with the United States, a historical partner, and China, a new emerging partner. Chinese trade relationships with Argentina, Bolivia, Brazil, and Paraguay have been noticeable since 2002, and relationships with Uruguay and Venezuela have improved since 2005. China has played a dominant role in Mercosur member countries in the last decade (2006-2015), and they are competing well with U.S corporations in all member countries except Venezuela. Despite lingering political differences between the United States and Venezuela, both countries have kept their commercial engagement out of political disputes. Increased competition between U.S. and Chinese business interests is expected in Mercosur member countries in the near future, as China needs Latin American countries' natural resources; simultaneously, there is a regional demand for low-cost Chinese imports. U.S. corporations may need to revisit their past trade strategies for the Mercosur region, as they now must aggressively compete with both Chinese and European corporations.

The status of the Mercosur countries' competiveness is another significant contribution of this study. The Mercosur region's policymakers should analyze the reasons as to why Argentina, Paraguay, and Uruguay are witnessing a recent trade deficit with the United States and China. Bolivia has simultaneously experienced a huge trade deficit with China and Brazil, since 2009, has a trade deficit with the U.S. Only Venezuela has been able to maintain a trade surplus with both countries, primarily due to oil exports, but lowering oil prices and the downward spiral of Venezuela's economy in 2016 may absorb a part of this trade surplus. In 2015, Venezuela has already witnessed shrinking international trade with both countries.

Finally, the Mercosur region does not have to rely solely on the United States, their historical partner, in international trade relationships because the European Union and China are now interested in forging alliances with the Mercosur region. The European Union and the United States have made several unsuccessful past attempts for a free-trade agreement with Mercosur member countries. China, rather than signing a free-trade agreement with Mercosur, increased their FDI in the region and established partnerships with individual governments and corporations. China is already a dominant trade partner with all Mercosur members except Venezuela, and will continue to be an important partner. Without developing a clear short and long-term strategy, the Mercosur member countries cannot compete with emerging Chinese enterprises and also Mercosur-Chinese partnership cannot be a mutually beneficial for both sides. China needs the region's natural resources, and the region need Chinese consumer and industrial products. China has already replaced the U.S. as dominant trading partner in all Mercosur members as trade with China has increased at much higher rate than the United States, and this trend may continue in the near future.

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