

Does Mercosur Possess Comparative Advantage?

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ABSTRACT The researchers investigated comparative advantage in MERCOSUR. The main objective was to find out whether MERCOSUR member states possess comparative advantage. Balassa's Revealed Comparative Advantage (RCA) technique was applied. Brazil was found to have comparative advantage in 674 product lines, Argentina in 518 product lines, Paraguay in 485 product lines, Uruguay 312 product lines and Venezuela in 83 product lines. The researchers concluded that MERCOSUR indeed has comparative advantage although the number of products in which it has comparative advantage is very limited. They therefore recommended that MERCOSUR should consider admitting more members in order to improve the number of the products in which comparative advantage may be revealed.