

The South American Integration Trail: The Southern Integration and the European Union Model

The European Union (EU) is a result of the devastating Second World War in which Europe suffered extensive damage to buildings and infrastructure, and an overwhelming blow to the economy. In order to secure peace and re-introduce some order in Europe, along with human rights and democratic values, the reconstruction of the European economies was considered as a fundamental cornerstone. After the war, Europe enjoyed a long period of uninterrupted integration together with an intensive economic growth.

This focus will shed light on forms of regional integration in South America by highlighting the different integration models and by providing a comparison to the European model.

The Andean Community of Nations

The „Andean Community of Nations“ (Spanish acronym: CAN) was created in 1969 when Bolivia, Colombia, Ecuador, Peru and Chile signed the Cartagena Agreement and is the oldest integration process in the region. Venezuela joined the market in 1973 but left the CAN in 2006, after Colombia and Peru announced free trade agreement negotiations with the United States of America and searched a place in the MERCOSUR. That shift was a change consistent with the foreign policy of President Hugo Chávez that priorities sub-regional integration and south-south dialogue. Chile left the Community in 1976 due to economic policy differences, specifically regarding tariff policies. The CAN's main achievement has been the creation of a Free Trade Zone that was completed in January, 2006.

The community comprises 103 million inhabitants and a total of 3.7 million square kilometers. The community has 20% of the world's total biodiversity, 10% of the planet's freshwater resources and 35% of all the forests of Latin America and the

Caribbean. Intra-regional exports amounts to a total of \$10 billion¹ and has increased from representing a 4.1% of the total exports in 1990 to 10.2% in 2006.²

The community is also composed of the organs and institutions of the Andean Integration System. The Andean Presidential Council is the highest-level body of the Andean Integration System and is made up of the Heads of State of the Member Countries. It issues guidelines on the different spheres of Andean sub-regional integration. The Andean Council of Foreign Ministers formulates the Member Countries' foreign policy on matters of sub-regional interest. The Andean Community Commission, composed of a plenipotentiary representative from each Member Country's government, is in charge of the formulation, execution, and evaluation of the Andean sub-regional integration policy in the area of trade and investment. The General Secretariat is the executive body and coordinates the integration process. The Court of Justice is the judicial authority of the Andean Community and reviews the legality of the acts of all the Bodies and Institutions and settle the existing disputes between countries, citizens or countries and citizens. The Andean Parliament is the System's deliberating body, it represents the peoples of the CAN and promotes the Andean Sub-regional integration process.³

The supranational nature of several of its bodies and Institutions, as well as the fact that any individual can refer to the General Secretariat and / or the Andean Court of Justice without previously exhausting all domestic judicial instances differentiate this integration process from others in Latin America.⁴

Although conclusions of the decision-making bodies and the Court of Justice are binding, Member States do not tend to abide them due to the lack of enforceable sanctions. Furthermore, the scope of

action of the Parliament is limited since its recommendations are not binding. The repeated breaches undermine the credibility and capacity to function properly as a supranational organisation.

In any integration process, political will is a fundamental cornerstone. The Andean Community countries frequently reach trade agreements with non-member countries prioritising national interests at the expense of the sub regional bloc. For example, Colombia and Venezuela, when the latter one was still a member, signed trade agreements with Mexico, with the Caribbean Community (CARICOM), with Argentina and with Chile. Moreover, Colombia, Peru and Ecuador have a trade agreement with the European Union.⁵

Mercosur

The „Southern Common Market“ (Spanish acronym: MERCOSUR) was created in 1991 when Argentina, Brazil, Paraguay, and Uruguay signed the Treaty of Asunción.

In 2012, Venezuela became a full member and Bolivia signed the Protocol of Accession. Argentina, Uruguay, Paraguay, and Venezuela have already ratified the accession of Bolivia, which is waiting for the support of the Brazilian National Congress.

The bloc is the world's fifth largest economy and encompasses 295 million inhabitants living in a total area of 15 million square kilometers.⁶ It has a combined GDP of nearly \$3.5 trillion.⁷

Total trade increased from \$100 - \$125 billion in 2000 to \$325 - \$400 billion in 2014.⁸ These intra-regional figures are relatively low when compared to European trade.

The MERCOSUR comprises one of the largest freshwater aquifers in the world, the Acuífero Guaraní, and the largest rainforest, the Amazon jungle. Furthermore, it

contains Petrobras, PDVSA and numerous energy resources, both renewable and non-renewable.

The Treaty of Asunción provides the free movement of goods, services and factors of production between countries through the elimination of customs duties and non-tariff restrictions, the establishment of a common external tariff and the adoption of a common trade policy in relation to third States.⁹

According to Article No. 1 of the Ouro Preto Protocol, the decision-making bodies are the Council of the Common Market, the Common Market Group and the MERCOSUR Trade Commission. The Council, comprised by the Ministers for Foreign Affairs and the Ministers of Economy of the States Parties, is the highest organ and is responsible for the political leadership and decision-making process. The executive organ is the Common Market Group, which is composed by representatives of the Ministry of Foreign Affairs, the Ministry of Economy and Central Banks. It has the power to propose measures for applying the trade liberalization programme and coordinate macroeconomic policies. The MERCOSUR Trade Commission assists the Common Market Group and is responsible for ensuring the implementation of common commercial policy instruments agreed by the States Parties for the functioning of the customs union.

Furthermore, the protocol states that the institutional structure is comprised of the Joint Parliamentary Commission, the Economic and Social Consultative Forum and the MERCOSUR secretariat. The MERCOSUR Parliament was constituted in 2006, as a substitute for the Joint Parliamentary Commission, and represents the interests of the citizens of the States Parties. One of its main tasks is to issue statements, recommendations or reports on the development of the integration process. The Parliament has no enforcement powers and its conclusions are meant to advise the others decision-making bodies.

The bloc relies on an inter-governmental structure, instead of a supranational one,

which implies, on the one hand, that there is no entity capable of imposing a higher degree of discipline resulting in a low degree of implementation of the common rules. The decisions emanated from its organs are not binding until approved by the corresponding legislative powers. On the other, due to the lack of supranational rules, the market enjoys a relative flexibility in the negotiating process.

Its Common External Tariff covers approximately 85% of intra-regional trade and is equal to national tariffs for 35% of total trade by MERCOSUR countries.¹⁰

The Bolivarian Alliance for the Peoples of Our America - Peoples' Trade Treaty

The creation of the "Bolivarian Alliance for the Peoples of Our America" (Spanish acronym: ALBA) was proposed in 2001 as a platform for economic, social, political and cultural integration of the peoples of Latin America and the Caribbean by the former Venezuelan President Hugo Chávez and the former Cuban President Fidel Castro, after Mr. Chávez objected to the proposal of the Free Trade Area of the Americas.

In 2004, Fidel Castro and Hugo Chávez signed the protocols for its foundation. In 2006, Bolivia joined the Alliance and the proposal of the Bolivian President Evo Morales of a Peoples' Trade Treaty (Spanish acronym: TCP) was incorporated. A TCP is an "exchange instrument based upon solidarity and complementarity between the countries, intended to benefit the peoples as opposed to the Free Trade Agreements, that are geared to increasing the power and the domination of the transnational enterprises."¹¹ Trade and investment are not considered an end in itself but instruments to reach a just and sustainable development.

The countries that currently comprise the ALBA-TCP are Venezuela, Cuba, Bolivia, Nicaragua, Commonwealth of Dominica, Antigua and Barbuda, Ecuador, Saint Vincent and the Grenadines and Santa Lucia.

The Alliance lacks solid structures and is fundamentally based on meetings

between Heads of Government, without being able to articulate a clear institutional architecture. In addition, despite its aspirations, the bloc relies mainly on the participation of Central American and Caribbean countries, and Bolivia.¹²

The Union of South American Nations

The "Union of South American Nations" (Spanish acronym: UNASUR) was created in April 2007 as a legacy of the Community of South American Nations (Spanish acronym: CSN). The CSN aimed to integrate the MERCOSUR and the Andean Community countries. UNASUR comprises 12 South American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Peru, Surinam, Uruguay, Venezuela and Paraguay. Panama and Mexico are Observer States. The Constitutive Treaty, signed in 2008, entered into force in 2011.

According to the above-mentioned Treaty, the objective of the Union is to build „an integration and union among its peoples in the cultural, social, economic and political fields“

It has a population of approximately 400 million inhabitants, equal to nearly 65% of Latin America population and a surface area of 17 million square kilometers. The GDP of UNASUR accounts for 5.6% of world GDP.¹³

The regional bloc represents the world's fourth largest economy after the United States, China, and Japan.¹⁴

UNASUR comprises four bodies. The Council of Heads of State and Government is the highest organ and establish policy guidelines towards the South American integration. The Council of Foreign Affairs Ministers is responsible for implementing decisions made by the Council of Heads of State. The Council of Delegates, beside adopting and implementing decisions, facilitates citizen participation in the integration process. The fourth body is the General Secretariat.

The legislative measures emanating from the organs of UNASUR are binding on

the Member States once they have been incorporated into each Member State's domestic law. This bloc does not have any supranational institution.¹⁵

The Union also includes a Defence Council, created in 2008, in charge of implementing policies in military cooperation, humanitarian actions and peace operations.¹⁶

The Bank of the South was created in 2007 in order to finance the social and economic development of the region, as an alternative to the IMF and World Bank, and was put into operation in 2016.

In 2008, UNASUR members proposed the creation of a South American parliament. The building is still under construction and works are expected to be finished in July 2017.

The Community of Latin America and Caribbean States

The "Community of Latin America and Caribbean States" (Spanish acronym: CELAC) was founded in 2010 and comprises all Member States of the Organization of American States except the United States and Canada, representing roughly 600 million people. The aim of the organization is to strengthen political, economic, social and cultural integration and foster political dialogue.¹⁷

The official bodies of the organization are the Summit of Heads of State and Government, the Meeting of Ministers of Foreign Affairs, the Pro-Tempore Presidency, the Meeting of National Coordinators the Specialized Meetings, and the Troika. The Summit of Heads of State and Government is responsible for guiding the relations with Non-member States countries and other organizations, as well as, promoting citizens' participation in the community. The Meeting of Ministers of Foreign Affairs is in charge of monitoring the process of unity and integration of the region and adopts resolutions and statements to enforce the decisions of the Summit of Heads of State and Government. The Pro Tempore Presidency's main responsibilities are to organize meetings

and enforce the decisions of the Summits and the meetings. This body is assisted by The troika. The Meeting of National Coordinators coordinates dialogue at the national level facilitating regional integration and monitors cooperation on projects within the organization. The specialized Meetings help to promote unity within the bloc.¹⁸

Considered by many, including former President of Nicaragua Daniel Ortega, as Latin America's attempt to put an end to the United States interference in the region, CELAC is also seen as a mere mechanism for regular consultation between governments.¹⁹

The Pacific Alliance

The "Pacific Alliance" (Spanish acronym: AdP) is an initiative of regional integration created in 2011 and comprised of Chile, Colombia, Mexico and Peru. It aims to move progressively towards the free movement of goods, services, resources and people.²⁰

The four countries gather a population of 216 million people and had an average GDP per capita of \$ 9,910 in 2015.

The additional protocol to the Framework Agreement entered into force in 2016 liberalizing 92% of the internal trade.²¹

With emphasis on the Asia-Pacific region, this bloc is the eighth largest economic power and export force worldwide. In Latin America and the Caribbean, the bloc represent the 38% of the total GDP, 50% of the total trade and attracts 45% of the Foreign Direct Investment.

The Pacific Alliance's Council of Ministers, composed by the Minister of Foreign Affairs and Foreign Trade, adopts decisions in order to achieve the objectives of the organisation. The High-Level Group, constituted by the Vice Minister of Foreign Affairs and Foreign Trade is in charge of the supervision of the work of the technical groups, such as Trade and Integration, Cooperation, and People Movement. The decisions emanating from these summits do not create binding legal commitments.

Differences between the Southern way and the European model

One of the main differences between integrational processes in South America and the EU is the purpose behind the creation of those organizations. Europe was aiming to secure peace and stability in a profoundly damaged area. However, during the twentieth and current century, Latin America has been a region largely free of wars which do not fear aggression from its neighbors.²²

Despite the fact that economic, social and political reasons were also behind the European Union and economic and social motives underneath the South America's blocs, the later lacks political will and determination to go deeper into the integration. Nevertheless, these are not the only obstacles that South America has to overcome in order to achieve an effective alliance.

The richness of its natural resources along with its relatively weak financial system have fostered a stronger relation with international markets. The fact that the whole region exports raw materials to developed countries and engages in agricultural production also hinders local coordination. Naturally, a limited trade flow among those states entails a fragile spirit of cooperation.

Moreover, South American countries have low levels of education, savings and scarcity of jobs opportunities. In addition, there is a permanent mistrust in their own political institutions, as they tend to be corrupt. The lack of institutionalized commercial structures and insufficient economic interdependence have hampered collaboration among the region.

Furthermore, the diversity of political-ideological orientation of the countries, some lean towards free market policies while others favour government intervention, obstructs the harmonization of regional policies. It should be noted that the consolidation as a trading bloc is an essential step towards next stages of integration.

The strong tendency of the Executive branch to concentrate power and take on the legislative role in economic matters prioritises short-term policies that privilege the demands of their electorates at the expense of far-reaching goals. This hyper-presidential system is an obstacle to a deeper involvement that would entail sharing of sovereignty. Due to this low economic and institutional development and the lack of political commitment, the region lacks long-term domestic policies which would allow them to take advantages of associating with each other.²³

The European Union integration path was accompanied by a complex industrialisation process, allowed by the financial development and assistance of its major economies. The structural nature of the continent was also an important incentive in the unification process. Market proximity, natural communication channels and the lack of significant geographical barriers facilitated physical interconnection of the economies, which enhances interdependence. Infrastructure as a mean of transportation for goods, services, people and information consolidate regional bonds.²⁴ South America, on the contrary, is a vast territory divided by important natural features which, due to the lack of a broad interconnected network, generates sub-regions, such as, the south of Brazil and Argentina; Uruguay and Paraguay; and Peru, Colombia and Ecuador. It should be noted that almost 70% of the region contains hydrographic basins with naturally navigable rivers. Investment in infrastructure would enhance transportation and, therefore, integration.²⁵

Should South American countries attempt to follow the European Union model?

The European endeavour to establish a Constitution failed and the Union is an incomplete single market with 19 out of 28 EU member countries adopting the common currency.

Despite the fact that the European Union encountered many difficulties along its integration, deepening and widening, process and still faces further challenges,

especially concerning Turkey, the Balkans, the Eurozone debt, the refugee crisis, Brexit, rising populist-nationalism and Russia, it is the most ambitious accomplishment regarding integration ever achieved.

Many factors such as, different historical and cultural background, geographical distances and scarce infrastructure, undeveloped financial system, social inequality, similarity in export composition, low institutionalized structures, limited economic interdependence, uplifting of the presidential figure and powers, insufficient juridical respect for norms and an apparent allergy for long-term domestic policies, would suggest that extrapolate a model that has encountered different experiences and challenges since its creation is a hard to achieve, if not unattainable, goal.

Conclusion

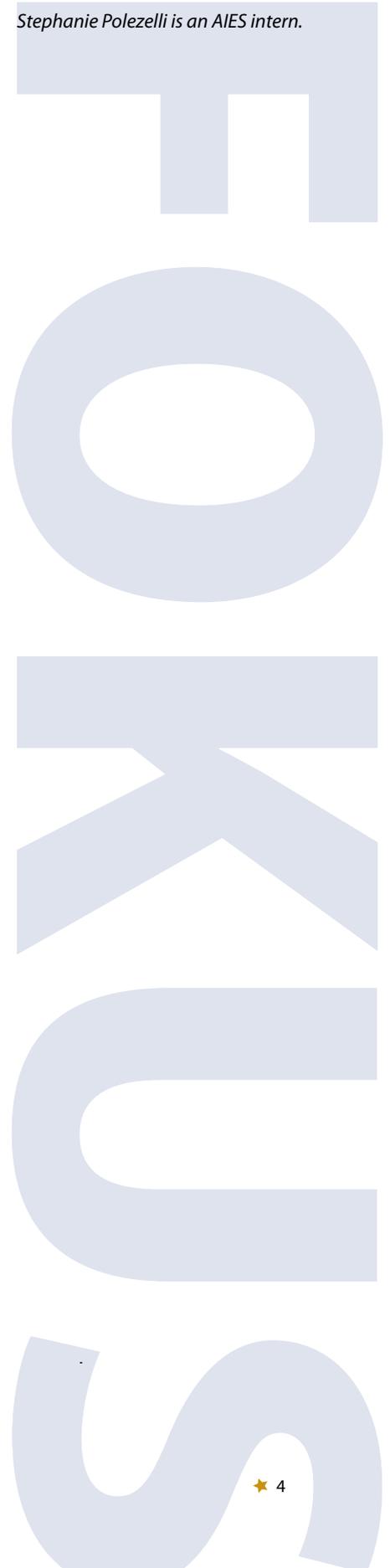
Until now, South American countries have not been able to accomplish this task even with a strong European financial support and political commitment.

The region should find their own way to achieve a closer cooperation. To this end, its resources should be concentrated on fighting corruption and criminality to restore its institution's credibility.

A strong and solid institutional structure committed to long-term state policies is the foundation of any project involving different Nations and, indeed, administrations. Political will to build a "community", to concede and oversee the integration process is also a fundamental basis to succeed in creating a regional bloc. Moreover, true commitment of each and every government, and support of the civil society, to invest and transfer money to other Member States in view of the greater goal, eagerness to achieve consensus, certainty and strong leadership to drive countries towards integration are necessary principles underlying an authentic unification.

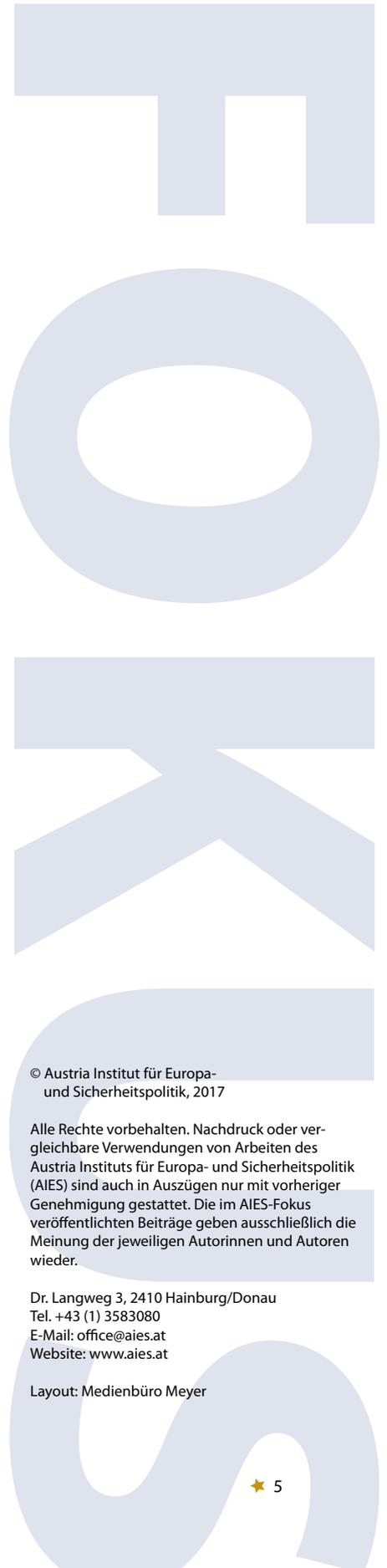
Finally, the region should seek to reach a fairer income distribution amongst their populations to boost economic development.

Stephanie Polezelli is an AIES intern.



Notes

- 1) See Comunidad Andina. <http://www.comunidadandina.org/Seccion.aspx?id=189&tipo=QU&title=somos-comunidad-andina> (accessed June 14, 2017)
- 2) See CEPAL. <http://www19.iadb.org/intal/intalcdi/PE/2008/01306.pdf> (accessed June 12, 2017)
- 3) See Cartagena Agreement. https://idatd.cepal.org/Normativas/CAN/Ingles/Cartagena_Agreement.pdf (accessed June 14, 2017)
- 4) See SELA. http://www.sela.org/media/1876349/di_6_-_evolucion_can.pdf (accessed June 9, 2017)
- 5) See EUMED. <http://www.eumed.net/rev/caribe/2017/01/can.html> (accessed June 7, 2017)
- 6) See MERCOSUR. <http://www.mercosur.int/innovaportal/v/3862/2/innova.front/en-pocas-palabras> (accessed June 14, 2017)
- 7) See Americas Society, Council of the Americas. <http://www.as-coa.org/articles/explainer-what-mercosur-0> (accessed June 2, 2017)
- 8) See BID, Mercosur Report No. 20. https://publications.iadb.org/bitstream/handle/11319/7280/Informe_MERCOSUR_N_20_2014_2015_Segundo_Semestre_2014_Prim_Semestre_2015.pdf (accessed May 15, 2017)
- 9) See The Treaty of Asuncion. https://idatd.cepal.org/Normativas/MERCOSUR/Ingles/Treaty_of_Asuncion.pdf (accessed May 24, 2017)
- 10) See CEPAL. <http://www19.iadb.org/intal/intalcdi/PE/2008/01306.pdf> (accessed June 12, 2017)
- 11) See ALBA-TCP. <http://alba-tcp.org/en/contenido/history-alba-tcp> (accessed May 15, 2017)
- 12) See América del Sur en un mundo multipolar: ¿es la Unasur la alternativa?. http://nuso.org/media/articulos/downloads/3588_1.pdf (accessed June 14, 2017)
- 13) See CEPAL. <http://www.cepal.org/pses33/noticias/paginas/1/39171/2009-598-UNASUR-PRESS.pdf> (accessed June 14, 2017)
- 14) See Americas Society, Council of the Americas. <http://www.as-coa.org/articles/explainer-what-unasur> (accessed June 2, 2017)
- 15) See Union of South American Nations Constitutive Treaty. <http://studentorgs.law.smu.edu/getattachment/International-Law-Review-Association/Resources/LBRA-Archive/15-2/SMB213.pdf.aspx> (accessed June 5, 2017)
- 16) See Americas Society, Council of the Americas. <http://www.as-coa.org/articles/explainer-what-unasur> (accessed June 12, 2017)
- 17) See CELAC. <http://www.sela.org/celac/quienes-somos/ques-la-celac/> (accessed June 7, 2017)
- 18) See NTI. <http://www.nti.org/learn/treaties-and-regimes/community-latin-american-and-caribbean-states-celac/> (accessed June 12, 2017)
- 19) See Info Noticias 7. <http://www.info7.mx/internacional/%60la-celac-es-la-muerte-de-la-doctrina-monroe%60-daniel-ortega/576149> (accessed June 13, 2017)
- 20) See The Pacific Alliance. <https://alianzapacifico.net/en/ques-la-alianza/#la-alianza-del-pacifico-y-sus-objetivos> (accessed June 14, 2017)
- 21) See Protocolo Adicional al Acuerdo Marco de la Alianza del Pacifico. <https://alianzapacifico.net/wp-content/uploads/2016/06/protocoloAP.pdf> (accessed June 14, 2017)
- 22) See Conflictos Territoriales y Democracias en America Latina. <http://www.flacsoandes.edu.ec/libros/digital/46393.pdf> (accessed June 8, 2017)
- 23) See EUMED. <http://www.eumed.net/rev/caribe/2017/01/can.html> (accessed May 11, 2017)
- 24) See IIRSA. http://www.iirsa.org/admin_iirsa_web/Uploads/Documents/cap_doc_compilado_curso08y09_eng.pdf (accessed June 2, 2017)
- 25) See CAF. <https://www.caf.com/en/currently/news/2016/07/rivers-could-transform-transportation-and-communications-in-south-america/> (accessed June 14, 2017)



© Austria Institut für Europa- und Sicherheitspolitik, 2017

Alle Rechte vorbehalten. Nachdruck oder vergleichbare Verwendungen von Arbeiten des Austria Instituts für Europa- und Sicherheitspolitik (AIES) sind auch in Auszügen nur mit vorheriger Genehmigung gestattet. Die im AIES-Fokus veröffentlichten Beiträge geben ausschließlich die Meinung der jeweiligen Autorinnen und Autoren wieder.

Dr. Langweg 3, 2410 Hainburg/Donau
Tel. +43 (1) 3583080
E-Mail: office@aies.at
Website: www.aies.at

Layout: Medienbüro Meyer