

Regional Integration Observer

Vol. 2 No. 3

December 2008

Editorial

Success and sustainable regional integration are not only a matter of solid institutions and visible structures. As this edition of our "Regional Integration Observer" discusses, preconditions, focused priorities and the ability to properly assess obstacles to regional integration are of highest importance, too. Regional integration is a matter of trial and error, of detours and unintended consequences.

Most recent developments involving the Southern African Development Community (SADC) indicate the primacy of peace and democratic governance as main precondition for any relevant regional economic or political cooperation and integration. As ECOWAS has demonstrated about a decade ago, SADC might also re-invent itself by way of projecting its potential as a strong player in managing peace – in Kongo – and democratic transformation – in Zimbabwe.

These two most depressing conflicts on the African continent reflect the long tragedy of failed politics. Regional integration might be the long-term answer to the limits, if not failures of nation-states. But before embarking on the promising agenda of inter-regional interactions and the evolution of multi-level governance, peace must prevail and democratic governance become possible. It is here that the most recent initiatives of SADC are promising indicators for a new commitment of Southern African's regional grouping.

This "Regional Integration Observer" primarily discusses recent trends in Latin American regional integration. We hope both to encourage readers in Latin America and to inform readers elsewhere – with the aim to advance the value of comparative academic studies on matters of region-building. You are cordially invited to share your thoughts, experiences and insights with us.



Prof. Dr. Ludger Kühnhardt
Director, Center for European Integration Studies (ZEI)



*Heads of State of the European Union and Latin American Countries at the EU-Latin America and the Caribbean Summit on 16/17 May 2008 in Lima (Peru).
Credit © European Communities, 2008.*

UNASUR - A First Step to Bi-Regional Integration in South America?

Damian Paikin*

In September 2008, weeks after the referendum in Bolivia concerning the removal of president Evo Morales from office (he was supported by nearly 65 % of the population), the so called "media luna"² started an offensive creating strong tensions and risking a possible division of the country.

Under these circumstances, a meeting of the United Nations of South America (UNASUR) was urged in Santiago. UNASUR's presidents gave their support to Bolivia's government and president Morales, which forced his opponents to retreat. Although this event was not the official birth of UNASUR, it was the starting point of a continental integration process, generating high expectations among the different countries.

Against this background particularly the following two questions prevail:

1. What are the real viability, the potentials and the limits of this process?
2. What are the characteristics that will unify experiences of the Andean Community (CAN) with those of MERCOSUR?

MERCOSUR and CAN: From parallelism to divergence

The 90's brought two parallel processes of integration that took place in a new democratic environment and in the insertion of neo-liberalism. First, in 1989, the Andean Community of Nations (Galapagos protocol) and two years later MERCOSUR (Treaty of Asunción) were founded. Both proposed an open model of regionalism, which consisted of the creation of internal free trade that would provide better conditions for external investment and the increase of trade and which was opposed to ideas of the 1960's, representing a „closed regionalism“.

From the beginning of MERCOSUR and CAN, a strong process of liberalization started, causing a significant increase of intra-regional commerce and the creation of new investments. Against this background, both regional integration processes were getting stronger in the course of the first years of the 90's under the headline of integrating into the world economy. However, the established neo liberal model started to crumble at the end of that decade, after years of persisting high levels of poverty and inequality that could

be seen in the countries of the region. As a consequence, two new political developments were considered to be a possible solution to these problems: one that could be called a "regional model" and the other that could be called an "open model". The regional approach prefers the development of a regional market and a closer relationship of member states and their neighbors. In the opposite, the open model prefers to extend the relations with the global economy, specializing in some areas and looking for new markets for these products, using the free trade agreements as an instrument to achieve this objective.² The starting point of these experiences was the America Summit in Mar del Plata, Argentina, in 2005. There, after long debates, the countries of MERCOSUR, plus Venezuela, rejected the signature of the Free Trade Agreement of the Americas (FTAA), which aimed to create a unique free trade zone from Alaska to Tierra del Fuego. The main criticism of this agreement came from Brazil. In the eyes of President Lula Da Silva, the agreement was tailored in favor of the US industry and therefore challenged the competitiveness of Brazil, resulting possibly in a process of deindustrialization after years of trying - with success - to develop the manufacturing sector in Brazil.

Colombia and Venezuela in May 2008, after the killing of a FARC leader (Fuerzas Armadas Revolucionarias de Colombia) by the Colombian army in Ecuadorian territory. This episode breached the trust between Ecuador and Colombia and brought the countries close to an armed conflict. Given these differences, Venezuela confirmed the intention to leave CAN, and called Ecuador to do the same.

UNASUR: A first step to bi-regional integration?

UNASUR was created in 2007 after a summit in Isla Margarita, with the purpose of bringing the two regional experiences back together. UNASUR is mainly supported by Brazil who tries to impose its leadership on the whole continent. Brazilian diplomacy works hard to enlarge its continental influence and to strengthen its position as a global player.

However, for the rest of the countries, UNASUR is considered from another point of view. First of all UNASUR means for Argentina the substitution of the Brazilian - Argentinean axis built around MERCOSUR, by a unipolar power, located in Brasilia. This decreases the possibility

In this context, UNASUR appeared as the ideal space to deal with both projects. Given these facts, UNASUR has become an important space of regional policy convergence. But even though all South American countries formally joined, only governments that were pursuing a regional approach formed a real part of these projects. Chile, Colombia and Peru, which chose the "open" model after Mar del Plata's Summit, were absent in these events. Paradoxically, the incorporation of these countries could come just after what can be considered as the most critical moment between both spaces: the murder of the FARC's leader by the Colombian army in Ecuador. This action was condemned by most South American presidents.

Although this conflict was resolved by diplomatic action, it expressed the need, for the South American governments, to have its own space to work out regional conflicts. Because of this, Brazil proposed the creation of a South American Defense Council, which was rejected only by Colombia. It was in this context, that the Bolivian crisis took place. UNASUR was urgently called to support Bolivia's democracy and find a common solution. All South American presidents went to Santiago de Chile and put an end to demands of autonomy. There, "regional" and "open" model leaders came together to back democracy. This success generated an enormous expectation in the region. However, differences remain between the two models, which will impede any intention of deeper integration. For example, the intention to elect Argentinean ex-president, Nestor Kirchner as UNASUR's president, was rejected by his colleague of Uruguay, Tabare Vazquez. To push the development of UNASUR under these circumstances, will lead to its failure. Compared to this, MERCOSUR's strengthening, with Venezuela's full incorporation and the creation of stronger links with Ecuador and Bolivia, appears as a possible way to enlarge integration without provoking political conflict.

Nowadays, UNASUR has shown its effectiveness as a defender of democracy. But, if more responsibilities are given to it, UNASUR may be condemned to failure because it will not be able to fulfill its high expectations.

New Publication: Elements of Regional Integration

Edited by Ariane Kössler and Martin Zimmek, 2008, vol. 68, 250 pp., hardcover, 48 € ISBN 978 - 3 - 8329 - 3503 - 0

The European Union might be the most prominent example of regional integration but it is by far not the only one. The importance of regional integration in Africa, Asia, Latin America, the Caribbean and even in the Pacific Islands region is constantly growing. All these regions aspire for more than pure economic cooperation. In addition to intensified economic cooperation, political, legal and cultural aspects are also important factors as those that form a *Mixtum Compositum* of regional integration elements. The present volume, edited by the Junior Fellows at ZEI, Ariane Kössler and Martin Zimmek, discusses these different components of regional integration in theoretical perspective and in a policy-oriented approach. It contributes to comparative analysis and case studies from different regions. Elements of Regional Integration presents the main features of regional integration in an interdisciplinary manner. It addresses scholars of political sciences, economics and law as well as students and is suited as accompanying material for courses.

At the same time, the FTAA would have threatened Lula's intentions to build his own leadership and become a global player. The motive of the rejection of the FTAA by MERCOSUR was to find a way to strengthen instead the process of internal South American development. Moreover it was a rejection to accept the influence of United States in the region, which led the president of Venezuela, Hugo Chavez, to take interest in joining MERCOSUR. Whereas Venezuela distanced itself from the United States, other countries of the CAN such as Colombia and Peru, changed their strategies from a regional focus to a more open one, looking for new markets. In this context, the latter countries became closer to the United States and signed a bilateral free trade agreement (FTA), putting an end to the Andean external common fee.

Finally, the difficult Andean situation was jerked by some disagreements, such as the diplomatic conflict involving Ecuador,

for Buenos Aires to negotiate and exercise its influence. This is also the reason why Nestor Kirchner, president of Argentina, did not attend the meeting snubbing President Lula Da Silva's invitation.

As a result, since then, the relationship between Argentina and the president of Venezuela, Hugo Chavez, has become closer in contrast to Brasilia's continental power.³ The creation of this new alliance, represents a danger to Brazil's idea of a UNASUR development. However, Brazil's trump card was the need of a regional solution concerning the question of energy supply and distribution. On one hand, the lack of oil and gas forced Brazil, Argentina, Chile and Uruguay to import these resources. On the other hand, Bolivia and Venezuela were able to provide oil and gas but there was neither enough infrastructure in the region to support hydrocarbon exchange, nor funds to build it.

1. Wealthy regions placed in the west side of Bolivia (Tarija, Beni, Pando and Santa Cruz de la Sierra) and opposed to the government of President Evo Morales.
2. Del Huerto Romero, M. (2000) *Apuntes para una reformulación del paradigma del regionalismo abierto en América Latina*, Intal, Buenos Aires and Garay, L. (1997) *Regionalismo Abierto e Integración en las Américas*, Grupo Editor Latinoamericano, Buenos Aires.
3. Serbin, Andrés (2007) "UNASUR y ALCA", Anuario CRIES, Buenos Aires. The "etanol issue" was another problem in the Chavez- Lula Da Silva relationship. Osava, Mario, 2007. "Energía. Brasil quiere dominar el mercado del etanol", Inter Press Service Agency, 8 de marzo de 2007.

Damian Paikin is Researcher at the University of Buenos Aires.

The Evolution of Economic Integration in Central America

Alvaro Garcia Otarloa*

The integration process of Central America is one of the oldest in America as a whole. Even today it comprises the borders of the past "Capitania General de Guatemala", which was established during the colonization period and includes the territory from Guatemala to Costa Rica. However, because of the "football war" between El Salvador and Honduras and later internal conflicts in El Salvador, Guatemala and Nicaragua, encouraged by cold war conditions, the integration process declined during the 1960s and 70s.

But the return of peace to Central America in the late 80s, the end of the cold war and international aid, made it possible for integration to be revived again.

Recognizing the high degree of integration of their economies, El Salvador and Guatemala signed a Free Trade Agreement in 1991 which established a free trade area between these countries. This treaty was extended to what is called the Triangle of the North with the incorporation of Honduras through the Treaty of New Ocotepaque 1992. The long-term objective of this treaty is to create a customs union and seek complementarities in terms of development of competitive advantages between countries

In 1993 the System of Central American Integration (SICA) was founded. Originally, this system was focused on the creation of several common institutions to give integration an organizational framework. But, at the beginning of the 21st

century, these institutions like the Central American Parliament and the Central American Court of Justice were severely criticized because of their poor decision-making, corruption scandals and high cost for Central American governments. Nevertheless, negotiations on trade issues between Central America and the United States of America and later, the beginning of negotiations with the European Union showed that there could be another way to reanimate integration again. Specifically, European requirements for negotiations pushed the creation of a single market in Central America and a Central American Custom Union.

According to the plan of the presidents of 2002, entry into force of an overall Central American Customs Union was scheduled for December 31, 2004. But projection is viewed too optimistic, after taking into account the various complications and the difficult bilateral negotiations between regional governments, the private sector and all sectors involved in trade activities.

To carry out the negotiations, countries have designed a methodology that is based on the work of inter-agency coordination, involving the private sector, transmission of information and meetings for decision making.

With regard to these problems, the five members of today's System of Central American Economic Integration (SIECA - Costa Rica, El Salvador, Guatemala, Nicaragua, and Honduras), which is a subsystem of SICA focussing particularly on the aspect of economic integration, did not want to promote more than a customs uni-

on. This union is based on a common external tariff with a range that varies between 5% and 20% on imports. Today, nearly 94% of the tariff lines in the isthmus are uniform.

Economic Development of the Region

Intraregional commerce has been constantly growing since 1987. Furthermore intraregional exportations are growing more than extraregional exportations, which is a very good development for Central American economic integration.

Intra-regional trade as a percentage of total trade continues to grow each year. In 2007 this trade amounted to 5,2 billion dollars, representing 20% of the total, the highest percentage among all schemes of Latin American and Caribbean integration.¹

In terms of commerce Central America has a reasonable evolution although asymmetries in terms of development between countries are a very important obstacle for an even deeper integration in this respect.

According to the 2005 HDI (Human Development Index), Costa Rica has a high human development, has the place 47 of the list, while El Salvador (104), Nicaragua (112), Honduras (116) and Guatemala (117), have a medium human development. Here, with the exception of Costa Rica, a similar pattern among Central American countries is shown. Of course, one must take into account that in 2001, Costa Rica has the place 41, followed by El Salvador in the classification 95, Nicaragua, Honduras and Guatemala in

Kühnhardt: Bi-Regional Relations EU-MERCOSUR must be intensified

The development of bi-regional relations is an important new element of a stable world order. Current problems in finalizing a bi-regional agreement between the European Union and MERCOSUR should not undermine this fundamental perspective for intensified cooperation.

ZEI Director Prof. Dr. Ludger Kühnhardt analyzed this and related issues at the XV. Forum Brazil-Europe, which the Konrad Adenauer Foundation organized together with the Fundação Getúlio Vargas and the Federation of Industries of São Paulo (FIESP) on October 27/28, 2008 in São Paulo.

At the forum, North Rhine-Westphalian Governor (Ministerpräsident) Dr. Jürgen Rüttgers expressed the urgent need for an international social market economy in response to the current world financial crisis.



ZEI-Director Prof. Dr. Ludger Kühnhardt (left) together with North Rhine-Westphalian Governor Dr. Jürgen Rüttgers (second right) and other Brazilian and German experts.

the ranking 106, 107 and 108 respectively which mean a setback for all countries. In an analysis of the development of GDP and GDP per capita, in 2004 Nicaragua and Honduras show the lowest GDP in Central America. Both GDPs are not higher than El Salvador's and do not reach half that of Guatemala and whose immediate pursuer is Costa Rica.

With regard to GDP per capita, extremes are represented by Costa Rica with \$ 4330, which is more or less the sum of the GDP per capita of Guatemala and El Salvador and with Nicaragua at the bottom with a GDP per capita of \$ 810.

Central America develops at three speeds. Costa Rica provides better indicators of human development and the best per capita, followed by El Salvador and Guatemala, and at the third level Nicaragua and Honduras.

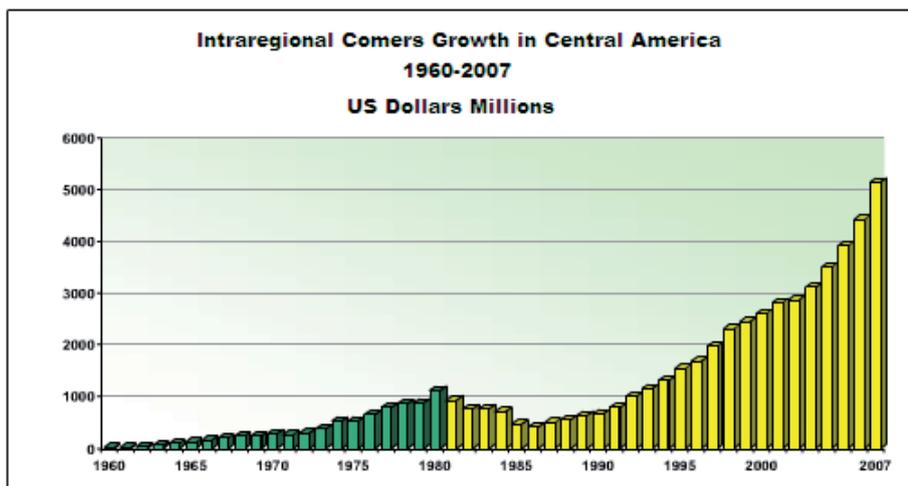
Costa Rica was inconsistent in terms of regional integration. The country remained for many years the leader in terms of reform and macroeconomic performance. In this context, it was only willing to open trade with the region without going further in terms of political and monetary integration, and has chosen to exclude itself from most regional agreements signed at present. Guatemala is another of the major players. In terms of population, it triples the

population of Costa Rica and El Salvador. It presents good macroeconomic numbers, but nevertheless does not reach the numbers of Costa Rica. Finally Nicaragua and Honduras show the sadder side of Central America with very little encouragement from figures that are much lower than those of El Salvador and Guatemala. However, Nicaragua presents the highest growth rate in Central America, which is of course influenced by the fact that it needs little effort to boost economic growth.

Macroeconomic and structural realities of the countries in the region continue to show the complexity of the project and the existence of weaknesses and imbalances which are difficult to solve. To correct this weakness, the Central American nations should definitely find a leading country, an engine of integration, that drives the process of creating a customs union and can stabilize it for the long term. In this context, the creation of common budgetary instruments, capable of helping to partially resolve some of the shortcomings of the region, can be a factor as much or even more important than the concentration on other international projects.

1. CEPAL. Panorama de la Inserción Internacional de América Latina y el Caribe 2007. http://www.cepal.org/publicaciones/xml/9/34329/PANORAMA_INSERTION_INTERNAZIONALE_2008.pdf.

Álvaro García Otárola is Executive at the Distance State University of Costa Rica.



Source: SIECA

Legacies from the Financial Crisis and the Revival of MERCOSURs Agenda

Marcelo Mondelli*

The MERCOSUR regional-building project always invited speculation about its role within Latin America as an alternative pole of economic integration. Its relationship with the EU strengthened the notion that MERCOSUR integration would be in the 'European' mould, in contrast to the market driven Free Trade Agreement of the Americas - FTAA -. However, the adherence and commitment to the project was highly linked with the "perception" of market integration that prevailed in the region. This was primarily measured and accepted as interest-driven alternatives (relevant in terms of trade balance and levels of Foreign Direct Investment).

Ever since the project was launched in 1991, MERCOSUR has oscillated between "two alternative models of development and regional integration". The first follows a neo-classic orthodoxy and a fundamentalist approach to globalization. Accordingly, this model promotes MERCOSUR as a temporary stage towards the full insertion of member states in the globalized economy and the full acceptance of the "sovereignty of the market". The second model regards MERCOSUR as an autonomous, permanent instrument through which member states agree on active po-

licies to promote economic development, autonomous industrialization, and sustainable integration.¹ MERCOSUR's essential rationale was driven by elites' views of national political-economic interests. The project continued to exist because it played a role in protecting national economic elites (especially in Brazil) by enhancing trade and investment liberalisation.²

The effects in the aftermath of the financial crisis that affected Brazil in 1999 and later on Argentina in 2001, undermined the prospects for further convergence in the regional bloc. During the 1990s crisis, the fear and uncertainty of the Brazilian devaluation and then, the free fall of the Argentinean economy disrupted the consensus surrounding the integration process of MERCOSUR.

MERCOSUR's initial agreements demanded a rapid "graduation" status to face the challenges of competitiveness in the international market. The considerations of the original treaty of MERCOSUR (Asuncion Treaty) include a "...process of economic development with social justice" within an integration process that should contemplate "...the principles of gradualism, flexibility and balance". However, few concessions were made. The only marked differences between the partners were in

terms of extended periods for the smaller states to adjust to the liberalization chronograms and commercial convergence.³

The road for the New Agenda

The initial austere results of the regional economic integration process had gradually run MERCOSUR out of credibility and legitimacy in the southern cone of the Americas at the beginning of the 21st century. The dissatisfaction grew among the small members, suggesting a lack of political will to narrow down structural trade imbalances and achieve an effective reduction of asymmetries between national policies. As a result, increasing levels of conflicts in various sectors of the economy and the financial vulnerability (expressed in competitiveness and exchange rate differentials) were only some of the symptoms of the MERCOSUR regional crisis that unfolded at the end of the 1990s.

After more than a decade of regional agreements, the development of smaller economies of MERCOSUR encountered economic and social differences. Wider economic and social disparity resulted in the rise of sharp criticism at all levels of the integration process. The small states have been negatively affected in terms of growth. Since

2003 questions have been asked about the benefits of regional market integration. In fact, smaller countries have had a greater reliance on neighboring markets than larger members, and therefore, they were affected much more by the latter's economic policy decisions.⁴ For instance, the provision of state aid in certain sectors of a bigger partner can undermine the entire sector in a small country. As a result, we could observe how each country's incentive to put an issue on the regional agenda differed essentially.

The degree of commitment in terms of political options and economic priorities experienced modifications during and after the regional turmoil. Because of the domestic political cost, plausible economic alternatives started to gain weight. With slow progress on key economic issues – such as trade in services, government

originated from the commercial structure of the integration process during the 1990s. Under the slogan of “Consensus de Buenos Aires” in 2003, the ratification of bilateral agreements, regional cooperation and the sharing sense of “deepening” regionalism proved to be a shift in the trajectory. This was referred to as a new “political project”⁷ and an important call for a regional commitment to responsible development. In the aftermath of the “Summit of Copacabana” in March 2004, the press termed it an ‘historic agreement’ to move towards a new regional model of social democratic development. Copacabana was a politics-led summit, marking a change in atmosphere from more technocratically oriented summits in the past”.

MERCOSUR started to be seen as a response to economic crises and failure, under the

is facing “can only be overcome with more integration and a better MERCOSUR.”¹⁰

Along those lines the political actors that influence the development of region-building agree with the “merco-optimist” camp. For instance, Marco Aurélio Garcia claimed that MERCOSUR has in fact made “great progress” in the integration process.¹¹ Thus, Brazil and Argentina are working toward a regional currency for MERCOSUR countries within the next four years and this year the two countries launched a bilateral exchange of currencies. During 2007, another important step towards integration was made with the inauguration of Parliament of the South (ParlaSur). The optimism of the Brazilians was charged with hegemonic self criticism by Mr. Amorin (Brazil's Foreign Minister) when he declared that, “it took us quite some time to realize that what we did in terms of asymmetries was not sufficient and this requires affirmative actions to reinforce them; not because we are or we wish to be generous; this is not about favours! This is in the interests of MERCOSUR. Therefore, it is in our interest to rectify asymmetries because MERCOSUR gave strength and personality to the region that was previously non-existent.”¹⁶

The summary is that market access at the regional level could only be increased through more political engagement. Thus, to overcome disagreements, regionalism needs to be conceptualized as a process with horizons of convergence. This commitment would reinforce Uruguay's greater capacity to access global markets, given the fact that it could count on Brazil as the historical strategic partner and global player in institution building and the newly developed G20 as a global political forum with which to channel its agro-industrial agenda and broader interests.

New Publication: European Union - The Second Founding

By Ludger Kühnhardt, 2008, vol. 67, 550 pp., hardcover, 98 €, ISBN 978 - 3 - 8329 - 3502 - 3

Prof. Dr. Ludger Kühnhardt, Director at the Center for European Integration Studies (ZEI) at the University of Bonn, is presenting a broadly structured study about the first fifty years of European Integration. His study is based on the two-fold thesis that the European Union has been going through a process of its Second Founding while simultaneously changing its rationale. The original founding of European Integration in 1957 was based on the notion of internal reconciliation among European states and societies. With the end of the Cold War, the rationale of European integration has begun to change: European integration is about a new global role of Europe, its contribution to the management of global affairs and its ability to cope with the effects of globalization on Europe. Inside the EU, the Second Founding is about a new contract between political elites and the people of Europe in order to solidify legitimacy and effectiveness for this unique experiment in European history.

procurement, intellectual property and exchange rates coordination – prompted skepticism about MERCOSUR's capacity as a modus operandi for collective action. The period known as “de-Mercosurisation”⁵ began when levels of total trade at intra-regional level showed a different tendency than in the 1990s. This was a particular constraint for Uruguay in terms of its development. The diversification of extra-regional markets of its traded commodities and agricultural products was on the rise. According to the average trade balance, Paraguay and Uruguay appear as the smaller members with relative disadvantages in the integration process and with limited real possibilities or state capacity to revert the conditions in terms of trade. This asymmetrical relation of interdependence has created discontent. Particularly since 2003, Uruguay and Paraguay have been disposed to engage in an FTA with the US to compensate their marginalization within the MERCOSUR. President Vazquez has continued to hold this line and indeed has become increasingly outspoken about closer relations with the US and also about its complete dissatisfaction with the regional group, stating that “Mercosur is more a problem than a solution for Uruguay”.⁶

The re-launching of MERCOSUR attempted to reform these conditions that

shared regional perception of needing one's neighbors as partners in a politically and economically nasty and threatening world.⁸

However, the good results for the agro-export business highlighted the emergence of “anti-MERCOSUR” lobbies, particularly in the small states. Several voices were raised and aimed at maintaining Uruguay in the traditional role as a “cork state” between two big neighbours. The powerful lobbies found support in the traditional parties in Paraguay as well as in Uruguay. The Uruguayan ex-president Sanguinetti (1984-89, 1995-99) stated that: “Uruguayans must decide if they conceive MERCOSUR as a model of open regionalism, or they let themselves remain ‘trapped prisoners’ in an inoperative integration process”.⁹ By mid 2007 the Uruguayan president discarded the option of a free trade agreement with the USA and counter-proposed negotiations on the basis of the Trade Investment Framework Agreement, aiming to seal a treaty for an expansion of those areas where Uruguay is a strong and efficient competitor and already has the United States as its main trade partner. President Vazquez declined the free trade agreement option, arguing that it didn't give sufficient time to analyze the different chapters involved in the overall trade operation. Uruguay's final position highlighted the fact that the obstacles that MERCOSUR

1. Carranza Mario E. (2006) *Clinging together Review of International Political Economy* 13:5:802–829, p. 804.
2. Grugel, J.(2005) *Citizenship and Governance in Mercosur: arguments for a social agenda* T. W. Q., Vol. 26, No. 7, pp 1061 – 1076, p. 1064.
3. Massi & Bittencourt (2001) *Las Economías Pequeñas*. Chapter in *Red Mercosur*. Montevideo, p. 380.
4. Crawley, A. (2004) ‘Mercosur in Search of a New Agenda’ W. Paper 6a, Buenos Aires: BID/INTAL, p. 3.
5. Gomez Mera, Laura (2005) ‘Explaining Mercosur's Survival’ *Journal of L. American Studies*, 37(1): 109 – 140, p. 128.
6. *The Economist*, May 11, 2006.
7. Hurrell, Andrew (2005) *The Regional Dimension in International Relations Theory*, in: Farrell, Mary (ed) *Global politics of regionalism: theory and practice*. London; Ann Arbor, MI : Pluto Press, 2005, p. 91.
8. Hurrell, 2005, p. 91.
9. *La Nación*, Buenos Aires. Feb 15, 2007. “Bush, en un Uruguay ambivalente”. By Julio Maria Sanguinetti.
10. *La Republica*, Montevideo. Tue. 08, 2007 - AÑO 8 - N°2542 By R. Portella and M. Carvalho.
11. *The Economist*, July 5, 2007.
12. *La Diaria*, Montevideo 23-02-07. “Los Riegos de Cortarse Solo”. By Natalia Uval

Marcelo Mondelli is Advisor in External Affairs and Cooperation for the Municipality of Canelones, Uruguay.

To the Mouth of the Caribbean Sea, Brazil Tunnels Through



A section of the Guyana/Brazil road. To be opened mid 2009.

Michelle Cave*

Guyana, a country geographically located in the continent of South America, but culturally Caribbean, has straddled this dichotomy for decades, with neither the continent nor the islands understanding much about the other. In 2005 a move was made to end this divide, with a road being built from Boa Vista, Brazil to the mouth of the Caribbean Sea at Georgetown. This is an initiative by the South American Governments to improve connectivity and infrastructure in the region.

For once the opening up of the Guyana/Brazil road network would integrate the South American countries with Caribbean countries, embracing extraordinary potential for a wide range of opportunities for entrepreneurs in the region.

CARIFORUM (Caribbean Forum of African, Caribbean and Pacific States) and the European Union enter a new era of bi-regional relations: They signed an Economic Partnership Agreement on October 15, 2008. The EPA is the first genuinely comprehensive North-South trade and development agreement in the global economy.

The deal includes chapters on trade in goods; trade in services; investment; competition; innovation and Intellectual Property, public procurement and development aid.

The Initiative for Integration of Regional Infrastructure in South America, found excellent trading distributive routes already established between Caribbean ports and Guyana, hence this infrastructural development will link the island territories in a way not envisaged before. The regional de-

velopment also stands to gain from this as greater cooperation is garnered between Chambers of Commerce, banks, professionals, businesses and finally governments.

Sir Shridath Ramphal, playing a crucial role in winning the rights of what NASA calls the biggest oil find of this century, just off Guyana, describes this highway as the final push for CARICOM to solidify its CSME, as this highway brings Guyana strategically closer to South America's integrative lifeblood. CARICOM will have to do some quick footwork to make it worth Guyana's while to stay aligned to CARICOM in the face of a wealthy, growing and increasingly enticing alignment with South America, even in light of the cultural barriers. Already it is being marketed as an Amazonian tourist destination.

After nearly three decades of inward-looking, socialist-inspired development policies, Guyana is starting to open its economy to investment in areas like timber cutting and mining. Guyana's development program lately has been predicated on intensifying links with neighboring countries. Regional authorities with a mandate to strategize around greater cooperation between MERCOSUR and CARICOM cite many commercial enterprises growing up even before the highway has been completed, therefore indicating that this Manaus-Boa Vista-Bon Fin-Lethem-Linden corridor could be profitable to both regions.

A similar road project linking northern Brazil with Venezuela led to a tenfold increase in traffic. In southern Brazil, improved transportation links helped make possible the creation of MERCOSUR. Over the past decade, initiatives have seen not only this highway being constructed but a deep water harbor that allows for the penetration of large volumes of products from Venezuela, Suriname and Brazil, through to the Caribbean.

Another benefit of this highway is the upgrading of the energy capacity of the region through the development of hydropower resources. Guyana has a hydropower potential of 7000 megawatts (MW) and the largest single site in the Upper Mazaruni has a potential of 3000 MW. With Guyana's grid demand peaking at only 80 MW, even as it has doubled over the last dozen years, hydropower development in the country would likely require export to Brazil and the Caribbean.

With set priorities and a timetable to launch a number of initiatives attracting investment and facilitating enterprises that will contribute to the integration process of South America and CARICOM, the Brazil/Guyana road will foment commercial activity where little existed before. One example is Guyana's stock feed companies have started trucking in Brazilian soya meal. Additionally, cross border trade will significantly increase as a result of the Takutu river bridge (the Brazil/Guyana friendship bridge), at Lethem. Field surveys have revealed that Lethem will emerge as a major commercial centre through cross-border trade, having good potential for agriculture and agro-based activities with the emerging road and air linkages to Georgetown and the Caribbean.

But what will perhaps be the biggest boon resulting from this opened trade route for South America and CARICOM is the value added component on South American products shipped through Georgetown via the Caribbean, en route to the Atlantic world. Raw materials grown, unfinished or unpackage, have a ready market in many South American and Caribbean territories. Certainly, with the highway opening, the movement of persons in the CSME area will need to be policed well at the Georgetown port but we will surely see the demographic and language components of the Caribbean changing as people move from one region to another, staying, setting up families, businesses and community activity centers.

Michelle Cave is a Caribbeanist, specialising in International Trade at the University of the West Indies.

The University of the West Indies in Barbados prepares the establishment of a Center for Regional Integration Studies in the near future. The next „Regional Integration Observer“ with a focus on research and education will report on this initiative in detail.

Further articles in the next „RIO“ will examine research and education projects worldwide dealing with regional integration, for example the United Nations University - Centre for Regional Intergration Studies.

EU - Latin America Relations: Controversies on Immigration Policy

Luciana Gil*

In October 2007, the European Council adopted the European Pact of Migration and Asylum, a text intended to "form the basis of a genuine common European policy"¹ on the matter. The document included commitments to organize legal immigration, taking into account the priorities, needs and reception capacities determined by each Member State and to control illegal immigration "by ensuring that illegal immigrants return to their countries of origin or to a transit country". This agreement between the 27 member states of the EU was criticized by non governmental organizations to be the first step to a "fortress Europe".

In Latin America, a region from where the largest group of emigrants moves to the United States and the second largest to Europe, protests against tougher measures to prevent immigration into Europe began in May 2008, when the Council gave its support to the "Return Directive" proposed by the European Commission. In June, the text was approved by the European Parliament and caused a big debate both in- and outside Europe, because of the fact that in its attempt to harmonize the criteria that member states should follow in their action against illegal immigration, it allowed some countries to sharpen their own immigration policies related to detention, return and sanctions for illegal immigrants.² Reactions coming from Latin America expressed serious concerns on the possible consequences that these measures could have for European immigrants from this region.

Regional leaders in Latin America considered it a step back concerning protection and human rights matters. Some of them even threatened the EU: the president of Venezuela, Hugo Chávez, declared that, in case of the application of the directive, European countries wouldn't receive Venezuelan oil. Evo Morales, president of Bolivia –where the percentage of remittances of emigrants in the GDP increased from 2% in 2004 to 6.7% in 2007³ - assured that it was ethically impossible to go on with the negotiations for an Association Agreement between the EU and the Andean Community of Nations (CAN), given a large number of Andean nationals living in Europe.

Spain immediately showed interest in starting a close dialogue with Latin American representatives and promised not to make immigration to Europe normatively harder. Spanish representatives insisted on the fact that the directive only obliged some countries to include a "minimum of guarantees" where they were not existing before, for instance, the detention for an unlimited period of time.⁴ In fact, most of the controversial new regulations of the

directive say for example that countries "may" and not "shall" take some decisions. This shows that national decisions are still fundamental in immigration policies. Still, the European Pact of Migration and Asylum implied a step forward to the development of a restrictive common policy.⁵

The last EU-LAC summit, which took place in Lima (Peru) in May, produced a final declaration by which leaders of both regions agreed "to further develop a structured and comprehensive dialogue on migration".⁶ Since then, the topic of immigration has been included in many high level meetings, where many arguments defending immigration were based on the role that immigrants played in the European economy and the historical responsibility of Europe in receiving Latin American immigrants.⁷ But surely the main argument - the one that could gather countries of different regions in order to pressure the EU for a responsible approach to immigration - lies in the basic human rights the European Charter of Fundamental Rights guarantees to every person residing in European territory - guarantees - which give sense to and which are in line with the values the EU pretends to pursue in the international arena.

1. Brussels European Council 15th and 16th October, Presidency Conclusions, available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/103441.pdf.
2. For example, the directive establishes a limited period of detention of six months. As Spanish legislation establishes nowadays a maximum of 40 days -excepting special cases-, concerns grew up about the possibility of Spain being able to raise this maximum.
3. Estadísticas de remesas en los países de la comunidad andina (2000-2007), General Secretariat of the Andean Community, 01/10/2008.
4. Nota de prensa del Ministerio de Asuntos Exteriores de España: "Los secretarios de estado de Iberoamérica y para la UE han informado a los embajadores latinoamericanos sobre la directiva europea de retorno", 24/06/2008.
5. See the five commitments in the press release: "2890th Council meeting Justice and Home Affairs", 25/09/2008; available at: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/jha/103072.pdf.
6. Lima Declaration, available at: http://ec.europa.eu/external_relations/lac/docs/declaration_en.pdf
7. Referring to the fact that, at the end of the XIX century and some periods of the XX century, it was Latin America which received high European immigration flows.

Luciana Gil is editor at „Punto Europa“ (University of Bologna, Buenos Aires) and teaches at the University of Buenos Aires.



Participants of the ZEI „Summer Academy in Comparative Regional Integration“ with Alexander Count Lambsdorff, Member of the European Parliament.

Summer Academy in Comparative Regional Integration 2008

In September 2008, the Center for European Integration (ZEI) hosted for the second time a „Summer Academy on Comparative Regional Integration“.

21 post-graduates and young academics from 9 different regional groupings analyzed different aspects of regionalism. This unique academy debated the question if and how the European Union can serve as a source of inspiration for

other regions in the face of globalization.

The Summer Academy was sponsored by the DAAD with funds of the German Federal Foreign Office and supported by the European Commission, the Representation of the State of North Rhine-Westphalia to the European Union, the Deutsche Welle, the European Central Bank and InWEnt.

Three Questions to Roberto Ruiz Diaz Labrano, Professor for MERCOSUR Integration Law at the University of Asunción (Paraguay)

1. After a liberal age, the integration process in South America is now facing left-leaning governments. From an economic and political point of view, how do you see the development of the MERCOSUR in the middle of this transition?

The MERCOSUR region is characterized by certain economic imbalances that have to be balanced in the face of the challenges of globalization. Currently, there is a very deep commercial relationship between Argentina and Brazil, while Paraguay and Uruguay have an economic dependence, however, MERCOSUR is an active and living process.

From the political point of view it is even more complicated. It is not yet defined whether MERCOSUR ought to be a process where the economic is subordinate to the social or the social to the economic. The-

re is a trend toward the left but there are quite a lot of aspects which have influence on the process. The debate is ongoing.

2. On the one hand, within MERCOSUR, there does not exist a common market nor practically a customs union. On the other hand, there are existing institutions like the MERCOSUR Parliament. Do you think the MERCOSUR Parliament could be a driving force for a future supranational law?

The Parliament of MERCOSUR's role is not to legislate, but it is rather a forum of political and social concerns with a representation of various parties from the Member States. Still, it is responsible for establishing key issues of the integration process in the debate and therefore it also influences discussions on governmental and intergovern-

mental institutions, until the MERCOSUR matures and becomes a common market.

3. A common identity in the whole process of MERCOSUR seems to be far away, compared to the economic progress that has been made. Are there problems to involve the society in the integration process of MERCOSUR?

The main shortcoming of MERCOSUR is the institutional structure. It has to be redefined for citizens to be confident that the integration process responds to their needs. The problem is the credibility in the process. This problem will be resolved when citizens start to feel that MERCOSUR, from an economic point of view, really makes a profit.

Questions asked by María Emilia Yugovich Medina, counselor at the Commission of Youth in Asunción.

Get on the fast-track to an international career



ZEI's Master of European Studies Class of 2008 with the President of the European Parliament, Prof. Dr. Hans-Gert Pöttering, the Rector of Bonn University, Prof. Dr. Matthias Wini-ger, the Mayor of the City of Bonn, Ulrich Hauschild and ZEI Directors Prof. Dr. Christian Koenig and Prof. Dr. Ludger Kühnhardt.

ZEI offers the Master of European Studies (MES), a one year postgraduate program which was founded in 1998. The brochure „Master of European Studies - Ten Years of Excellence“ and further information on the program can be found at:

<http://www.mes.zei.de>

Application deadline: 15 March 2009

ZEI offers also the Master of European Regulation of Network Industries (MERNI). MERNI is a one-of-a-kind interdisciplinary postgraduate degree program. Further information can be found at:

<http://www.merni.net>

Application deadline: 15 May 2009



Zentrum für Europäische Integrationsforschung
Center for European Integration Studies
Rheinische Friedrich-Wilhelms-Universität Bonn



IMPRINT

ISSN1996-9678
Center for European Integration Studies
Walter-Flex-Str. 3
53113 Bonn, Germany

Editors: Ariane Kössler, Matthias Vogl
Tel.: +49 (0)228-73-4960
Fax: +49 (0)228-73-3086
www.zei.de

The Regional Integration Observer is published three times a year. Authors are responsible for the views expressed in their contributions.