

III REPORT OF FLACSO'S GENERAL SECRETARY

REGIONAL INTEGRATION: A Strategic Political Project

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2007



FLACSO
50 YEARS

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Regional Integration: A Strategic Political Project

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INTRODUCTION

Integration processes have become an urgent demand as an imperative of globalization. Globalization is the factor with the strongest incidence on the system of economic, political, social and cultural stakeholders and agents, both in terms of their hierarchization and in their abilities for action and reaction. This phenomenon—if we understand it in its multiple components and not just the economic and commercial ones—is the critical factor in world relations of power, with the exception of military power. The weight of external variables is increasingly greater in domestic politics, as it establishes forms of conditionality on the decisions of national development which would be unthinkable in a “Westphalian order” logic. Hence the importance of generating views, guidelines and coordination efforts on this set of accelerated changes.

The emergence of a new international agenda, where global issues are increasingly located, forces the Latin American region to design coordinated responses among the States, and between them and non-state stakeholders, in order to face these new process and their national and regional consequences. Partnership for cooperation appears as an effective demand that must be

1 This Report was presented at the 30th meeting of the Higher Council, carried out in the Dominican Republic on May 29, 2007. I appreciate the suggestions and remarks made at that meeting. I would also like to record my thankfulness and appreciation to the colleagues in the General Secretariat of FLACSO for their comments and input, especially Luis Guillermo Solís, Juany Guzmán, Josette Altmann and Tatiana Beirut.

faced if national interests are to be met. Hence the need to overcome the deficiencies of multilateralism and to move towards a model of greater cooperation, within a framework that seeks to elicit basic rules of fellowship and norms that make possible a life in common that decreases conflict and polarization, and that enhances participation and consultation among the countries in the region.

The political, economic, social and cultural transformations that have marked the region of Latin America and the Caribbean (LA&C) in the last two decades have impacted in a determining way the processes of democratic construction such as the ones related to regional and sub-regional integration.

The international context underwent a drastic change with the end of the Cold War. This change was further deepened after the terrorist attacks in the United States on September 11, 2001, and those that came afterwards in various places around the world (Madrid, Moscow, Bali). In this new global map, Latin America has lost relevance in political and strategic issues. It is not a priority area for any of the large power centers—it is not for the United States, or for the European Union or for China. Neither is Latin America important as related to the exporting capacity of the region within global commerce, as this capacity is lower nowadays than the percentage of exports in 1980. Likewise, the amount of foreign investment coming to the region has drastically diminished since the early nineties to this date as a percentage of the total world investment.

One of the main reasons why Latin America and the Caribbean are not relevant in the international system is the inability to agree on some essential policies that would allow us, as a region, to have our own voice on some gravitational issues for all Latin Americans. Without a minimum agreement and coordination, the region will have to fit into the system of rules defined by others. Latin America will be an object of those who take and define the rules. In this sense, the deficit pointed to above is even heavier due to the lack of development and use of tangible power, however reduced, and of the political capacities and the power of incidence we might have as a region.

One of the positive aspects favoring Latin America and the Caribbean is that we are an area of peace, a non-nuclear region, with a low military expense and very few interstate feuds that might transfer instability to the region as a whole and from it to the international system. On the contrary, the region is located in the context of the Western international system, which is currently predominant in the world, and in which a set of rules have been

established in an increasingly formal manner. The most prominent of these include not using force for solving conflicts within the system; prohibiting and proscribing mass destruction weapons; fighting terrorism and limiting its space for action. Promoting democracy is a key value and issue in this system, as is also the search for an openness to international trade under the global norms of the World Trade Organization (WTO).

The fragmentation that has become evident in Latin America and the Caribbean has important negative consequences for the countries in the region, particularly because it makes them more vulnerable to the impact of globalization; they fail to receive the fruit of the positive aspects they have on defining the tools to deal with globalization; they open greater spaces for the impact of the dark side of globalization and its wars. In sum, they increase the transaction costs for all, regardless of the type of national political project being fostered.

In the face of this fragmented reality, what are the best paths towards designing options of policies that succeed in generating interlocution, dialogue and agreements? What mechanisms will enable a larger coordination of policies and greater complementariness in interests, that will make it possible to reach solid agreements that result in greater partnership and integration?

Sector and thematic coordination is key. Without it, the impacts of globalization will cause greater asymmetries, especially in terms of macroeconomic issues such as foreign exchange, currency and fiscal policies. When there is no coordination of policies, complementariness will grow weaker; transaction costs will increase, and each country will have incentives to develop its own option, breaking away from the essential reciprocity demanded by the process. In this scenario, the outcomes will be, at best, less than optimal.

KEY TRENDS IN LATIN AMERICA AND THE CARIBBEAN

The region is now characterized by a series of trends that in some cases may facilitate the processes of integration, and in other cases will make them more difficult. The ten major trends and the most significant traits shown nowadays by the Latin American and Caribbean region are as follows:

- **A democratic region.** Democracy characterizes Latin America and the Caribbean. Democratic regimes resulting from open, transparent elections are the rule. In this context, the countries in the region, within the framework of OAS, accepted the Democratic Charter as the essential document that manifests that representative democracy, as a form of government, is shared by the peoples in the Americas. In addition, it identifies a set of values and rights that give it its essential content. Similarly, sub-regional agreements have set forth “democratic clauses” in each of them; these clauses also appear on agreements subscribed with the European Union. This is the defense of democracy by democrats in the region.

However, as a result of some structural tendencies such as the increase in inequality and the lack of social cohesiveness, support for democracy by the citizens has decreased in the last few years with respect to the tendency shown in the mid-nineties.

Between November 2005 and December 2006, twelve elections took place in Latin America. The outcomes were occasionally unexpected as they did not fulfill the forecasts made by the polls. This shows the existence of a strong tendency to a hidden vote that, for some reason, misleads those who seek to read the public opinion exclusively through polls. Election results were recognized by the electoral authorities and the various sectors in the different political systems. The exception has been Mexico, where Manuel López-Obrador, the candidate of PRD, has not recognized the government of President Felipe Calderón.

- **An inequitable region, with large marginalized masses.** Latin America and the Caribbean are characterized by having almost 40% of their population living in poverty, and almost half of them in misery. The poor would seem to have no options in the region. Despite economic growth, this structural gap seems impossible to bridge. One serious consequence is the increase of conflict in the different societies; many of them evidence deep crises of national social integration, a break in social cohesiveness, which is reflected on a weakening of the political systems and, in many cases, in a growing detachment from and disappointment with democracy.

Latin America: Evolution of poverty and indigence ^a

	Poverty		Indigence	
	%	People in millions	%	People in millions
1980	40,5	136	18,6	62
1990	48,3	200	22,5	93
1997	43,5	204	19,0	89
1999	43,8	211	18,5	89
2002	44,0	221	19,4	97
2004	42,0	217	16,9	88
2005	39,8	209	15,4	81
2006	38,5	205	14,7	79

a) Estimate corresponding to 18 countries in the region plus Haiti.

b) Projections

Source: CEPAL. Panorama social de América Latina 2006. División de Desarrollo Social y División de Estadísticas y Proyecciones Económicas de la CEPAL. 2006

- **A marginal area in global issues.** Latin America is not among the priority regions for the major world powers. This situation could allow for a broader space for national development efforts in the context of a larger relative autonomy. At the same time, the lack of coordination and political-strategic agreement often makes it difficult to look at the region's potentiality in order to achieve a larger weight in the international system.

If attention is paid to the importance of the region in some world indicators, one can see that its weight is not significant in different fields.

Latin America & Caribbean: Weight in the World
(Percentages)

	2000	2002	2005
Population	8.5	8.5	8.6
GDP measured at current prices	6.2	5.2	5.5
Importation of goods	5.6	5.2	4.8
Exportation of goods	5.5	5.3	5.4
Importation of services	4.7	4.0	3.8
Exportation of services	3.5	3.1	3.0
Foreign direct investment inflows	6.8	8.5	9.8
Foreign direct investment outflows	4.0	1.9	4.9
Proved Oil Reserves	-	-	9.8
Oil production	13.7	13.7	13.2
Oil consumption	8.6	8.4	8.2
Primary energy consumption	6.3	6.2	6.2

Sources: World Bank, WTO, UNCTAD, and British Petroleum

If one focuses potentialities, Latin America has four strategic dimensions that can be very relevant in its development, since they will become determining factors in growth and overall development. These strategic dimensions are its energy resources, its mineral resources and, particularly, two new elements rapidly emerging in the international system—biodiversity and water. To these, stability and interstate peace in the region must be added.

- **High heterogeneity.** The region is diverse and heterogeneous, if one considers fundamental issues such as difference in territory and population sizes. Also, the levels of economic and social development differentiate the various countries and sub-regions. Moreover, other aspects depending on the nations' political will and projects tend to further differentiate the countries and groups of countries. These differences manifest themselves in the diverse visions on insertion in the globalization process, in the impact and perception of the policies of the United States, and in the development model that different countries seek

to establish. The latter items, in turn, have an impact on the type of State and the abilities of the respective States to face the demands from both domestic democratic governability and the impacts of globalization. An essential factor that has taken on enormous relevance and that will no doubt continue to decisively mark the Latin American experience, especially in the Andes and Mesoamerican regions, is the presence and positioning in the political system of majority stakeholders that had traditionally been marginalized—the native peoples.

- **An economic growth in recent years that is important in relative terms.** Starting in 2003, the figures start to show a change in the negative or low-growth tendencies that Latin America had borne since the early stage of the Asian crisis in the late nineties, and in a strong way in the first two years of this century. These tendencies marked a lost five-year term for the development in the conditions of living of Latin Americans. In 2003, 13 countries in the region had a growth that was higher than the regional average of 2%. Between 2004 and 2005 the figures reached 6% and 4%, whereas for 2006 they went as far as 5.3%. According to ECLAC, the projection for 2007 is 4.7%.
- **Various development models.** In recent times, political and economic programs have started differentiating the various countries in the region. One permanent debate has been whether development should follow an “outward-focused” or an “inward-focused” model. But beyond this ongoing debate, three visions are now emerging that support different development models. These include a model that is more linked to market development, a second model that seeks a greater equilibrium between the State and the market and that emphasizes social protection, and a third model that focuses more on the State and on reasserting its capabilities.
- **No effective regional mechanisms for conflict resolution.** While a significant design for institutional architecture exists, in practice, the region as a whole and the sub-regional mechanisms lack any effective instruments for the resolution of conflicts that emerge between the States. This issue has become very evident in the last period of time, particularly due to the amount of litigations that have come up between

Latin American countries, which have not found any paths to solve them in their geopolitical setting. Many of these conflicts remain and are ongoing over time, which limits the possibilities for a greater policy coordination and agreement, and makes integration processes more difficult.

Without an effective controversy resolution system, lawsuits are transferred outside the region, with larger monetary cost, but with even larger political cost, as this evidences one of the greatest weaknesses of the various integration processes. The creation of a regional system for controversy resolution might provide a space of larger autonomy to deal with differences in the region, avoiding their transfer to international jurisdictional instance, as has been the case of Central America, where, despite the existence of a regional body with powers for settling them—the Central American Court of Justice—, several lawsuits have been transferred to the International Court of Justice.

On the other hand, a positive item is the fact that, in latter times, the OAS has devoted itself with much will to seeking and implementing mechanisms for early alert and resolution of controversies which would at least make it possible to move forward in a propositional sense in the mid-term.

Nevertheless, it is worth highlighting that in the period 2000-2006 the International Court of Justice (ICJ) is in the process of solving four litigations between Latin American countries. To these must be added the announcement by the government of Peru that a litigation will be filed against Chile concerning the delimitation of the maritime border. The government of Ecuador has indicated that it will resort to the Court concerning the issue of fumigations carried out by Colombia on its border. These situations show that, in the context of globalization, some global institutions are consolidating themselves—and this has reinforced their legitimacy.

- **Lack of effective regional leadership.** Perhaps as a result of heterogeneity and of the great differences in power resources, no leaders for the region as a whole exist whose leadership is equivalent to the presidents' in their respective countries or even at the sub-regional level. The issue of leadership is essentially political and is therefore essentially linked to the construction of a strategic sense, to the possibility of projecting Latin America as a dynamic actor in the international system. The development of a perspective of “Great Politics” and the

construction of a strategic project based on it is one of the most significant lacks among the countries in the region. Similarly, the weakness or absence of effective mechanisms for incorporating the organizations of civil society into the major debates and decisions, limits participation and reduces the force and legitimacy of processes.

The construction of leadership is essential to provide a strategic sense to regional political processes and to place them on the agenda of the international system.

- **High degrees of reciprocal mistrust.** In the region, the level of interpersonal trust is low as compared to other regions in the world. In 2006, interpersonal trust among Latin Americans was only 22%, according to the Latinobarómetro Report (2006). This makes it difficult for them to partner with each other in order to set high-level shared goals. However, the most unsettling aspect is the high degree of mistrust among the major political leaders, including Heads of State. Without trust, it is very difficult to build a common project and to develop a sense of community. An essential part of the difficulties in trust lies in the failure to fulfill agreements, in the null or defective application of the norms agreed to, in the absence of an adequate, transparent and timely exchange of information, and in the lack of effective operationalization of the agreements set forth in important documents linked to regional harmonization and integration.
- **A region without a strategic sense.** Facing the challenges posed by globalization requires greater coordination and harmonization in the course of action of the different countries. Not even the global superpower is in a condition to face by itself some of the challenges posed by globalization. Outstanding among these are climatic change, the pandemics, financial crises and the increasing illegal flows linked to transnational organized crime. The lack of a strategic sense reinforces nationalistic perspectives and visions focused on national sovereignty, as a concept that is incompatible with an aggregated sovereignty linked to integration processes.

Nowadays, integration processes show a deficit of certainty concerning the enforcement of the agreements made. These, even if binding, are not

carried out, and this is the result, among other reasons, of the weaknesses in norms and juridical rules. An instance of this is that by 2005, according to ECLAC (2006b), only 50% of the norms and resolutions made by MERCOSUR had been incorporated into national juridical systems and had therefore become effective. In the absence of a greater institutional weight that is able to enforce the agreements made by presidents and ministers into specific proposals and binding national norms, economic agents will find little incentive to make investments and develop the processes that politicians seek to foster. On the contrary, a fatigue is generated in the integration process which results in its regress—and this ultimately shows in highest-level agreements and consensus statements that are not translated into effective courses of action, so that perceptions are increasingly less positive. One possible line of action to break this inertia would be to propose that the most profitable investment is the one made to invest in credibility, as well as to develop mechanisms of mutual trust in order to strengthen integration processes. In an analysis of the process of summit diplomacy I had reached a similar conclusion and recommendation.

Building a strategic sense requires a vision that defines a destination, that sets the goals one wants to attain, that establishes human, material and technological resources and draws the preferred courses of action, on the basis of an increasingly greater coordination among the major stakeholders involved in the process.

The lack of a strategic vision generates greater political difficulties, opens wider space for conflict, tends to differentiate and polarize interests, and asymmetries appear to be impossible to overcome. Hence, the construction of a strategic sense will be a crucial factor for the success of coordination processes, for increasing complementariness, and for the processes of integration in Latin America and the Caribbean.

REGIONAL INTEGRATION: AN EXCESS SUPPLY OF PROPOSALS

In 2006, the processes of integration showed important weaknesses—for example, Venezuela's withdrawal from the Andean Community of Nations (CAN) and the breakdown of G-3; the lack of consensus in Central America for negotiating with the European Union, and tensions between different countries. However, one cannot ignore the fact that, over the last few years,

rich initiatives and agreements developed in Latin America and the Caribbean which might contribute to generating a better climate of opportunities for these processes. In this line, we could mention at least three aspects that have framed a qualitative change in regional diplomacy and in the fashion of global insertion.

In Latin America, to begin with, as a result of economic globalization and of sub-regional agreements, the relations of interdependence are increasingly more effective and connect the most diverse areas, forcing a better coordination of policies. In some cases, progress has been made towards a greater coordination in topics and areas of integration that give it a strategic character, generating a wide range of networks of interdependence that can be positive, such as the ones that promote democracy, economic complementation and development. However, there are also some of a negative character that are emerging strongly, mainly concerning transnational criminality.

In second place, mostly in the South American context, the main hypotheses of a military threat derived from a self-referent geopolitics have disappeared. In the case of Central America, the differences have been channeled towards arbitration bodies, especially the jurisdiction of the International Court of Justice. The vectors of security and defense in the larger countries in this sub-region are now marked by democracy and the exchange of information. An example of this is the progress in the publication of defense books. The countries in the region that have made two such publications to this date are Argentina (1999 and 2001), Brazil (1996 and 2004), Chile (1997 and 2002), Ecuador (2002 and 2006), El Salvador (1998 and 2006), Guatemala (2003 and 2005), Peru (2002 and 2005), and Uruguay (1999 and 2005). Those that have made one publication are Bolivia (2005), Colombia (2003), Honduras (2005) and Paraguay (1999).

And finally, the region is interlinked through an active and dense network of diplomatic conferences and meetings for political dialogue at the highest level—a “summit diplomacy” that is both hemispheric, regional and sub-regional, and extra-regional.

Throughout the last decade and a half, a series of new initiatives were established and developed that tend towards setting up free trade agreements, wide customs unions or integration systems, oriented towards building sub-regional commercial-economic and/or political communities. These renewed initiatives seek to overcome longstanding integration processes, most of them originating in the final years of post-World War II.

The net result of this phenomenon, however, expresses itself in an “excess supply” of initiatives and proposals having to do with the integration processes which, notwithstanding their political relevance and despite such relevance, have not been able to articulate a more global vision of the region, and have instead fragmented it. This is why integration agreements today lead us to speaking not of one but of “several” Latin Americas.

There are three large processes that characterize the main proposals for commercial compaction and integration in the region—the Puebla Panama Plan, the Bolivarian Alternative for Latin America and the Caribbean (ALBA), and the Union of South American Nations (UNASUR). In addition to these initiatives we should be mindful of another one, at the hemispheric level, that was finally frustrated—Free Trade Area of the Americas (FTTA). These initiatives, of a broad regional character, overlap the political-commercial institutionality established in each of the sub-regions: Caribbean Community (CARICOM), Central America Integration System (SICA), the Andean Community (CAN) and the Common Market of the South (MERCOSUR), and others that are of a functional character and are specialized in cooperation, such as the Amazon Cooperation Treaty Organization and the Association of Caribbean States (ACS).

Bolivarian Alternative for Latin America and the Caribbean (ALBA)

The Bolivarian Alternative for Latin America and the Caribbean (ALBA)² emerged as an integration proposal stated by Venezuelan President Hugo Chávez at the III Summit Conference of Heads of State and Government of the Association of Caribbean States, held in Margarita Island in December, 2001.

ALBA seeks to reinforce the peoples’ self-determination and sovereignty, proposing an alternative for integration that counters the economic policies proposed and implemented at the end of the past century by the USA and some international bodies such as the World Bank and the International Monetary Fund. ALBA is the antithesis of the so-called “Washington Consensus.”

2 FLACSO. *Dossier ALBA*. Cuadernos de Integración en América Latina. FLACSO – General Secretariat, 2007, at: www.flacso.org

On December 14, 2004, the “Agreement between the President of the Bolivarian Republic of Venezuela and the President of the Council of State of Cuba for the Application of the Bolivarian Alternative for the Americas” was signed. In April, 2005, the First Venezuela-Cuba Meeting for the Application of ALBA was held in Havana, at which the Strategic Plan for its development was approved. That same year, the Petrocaribe Cooperation Agreement was signed—this was a Venezuelan initiative towards the Caribbean countries, whose key objective is “to contribute towards energy security as an enabling body of energy policies and plans oriented towards the integration of the Caribbean peoples, through the sovereign use of natural energy resources in direct benefit of their peoples.”

Bolivia joined ALBA on April 29, 2006. And on January 11, 2007, the President of Nicaragua, Daniel Ortega, signed an adherence agreement to this integration mechanism, which was formally ratified in March of the same year by the Nicaraguan National Assembly.

On April 28-28, 2007, the 5th Summit was held, at which a series of agreements were signed in order to move forward and deepen the construction of ALBA. One of the most important documents resulting from this Summit was the Great National Project, which included an agreement on strategic guidelines, as well as some ALBA projects addressing critical areas—education, culture, fair trade, finances, food, health, telecommunications, transportation, tourism, mining, industry and energy.

Similarly, in the context of this Summit, Venezuela subscribed energy agreements with Haiti, Bolivia and Nicaragua, in which it commits to directly provide crudes, refined products and liquid petroleum gas (LPG) to each of these countries. In addition, the member countries of ALBA signed an Energy Treaty in order to ensure the current balance of each of them on the basis of the construction of an energy matrix of ALBA, which will end with the creation of a Great National Energy Company. This company would encompass the areas of petroleum, gas, refinery, petroleum chemistry, development of infrastructure for transportation, storage, distribution, electricity, alternative energies and sea transportation.

It is worth noting that those present at the ALBA 5th Summit were, in addition to the presidents or representatives of member countries, the president of Haiti, René Préval, and delegates from Ecuador, Dominica, St. Kitts-Nevis, St. Vincent and the Grenadines, and Uruguay.

The Puebla Panamá Plan (PPP)

This initiative was developed in a context of economic integration, cooperation and political dialogue between the Central American region and Mexico, promoted mainly by the Mechanism of Dialogue and Agreement of Tuxtla, which originated in 1991. Afterwards, the then President-Elect of Mexico, Vicente Fox, proposed, during his journey through the Central American countries in September, 2000, the possibility of a regional development plan that would cover the nine states in Mexico's Southeast (Puebla, Veracruz, Tabasco, Campeche, Yucatán, Quintana Roo, Guerrero, Oaxaca and Chiapas) and the seven nations in the Central American isthmus (Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Belize). The Plan was formally announced in the inauguration speech of the Mexican President in December of that same year.

On June 15, 2001, in the city of San Salvador, El Salvador, and in the context of the Extraordinary Summit of the countries integrating the Mechanism of Dialogue and Agreement of Tuxtla, the Puebla Panama Plan initiative (PPP) was launched. This Plan is defined as “a regional strategy to potentiate economic development, reduce poverty and increase the wealth of human and natural capital of the Mesoamerican region, within a context of respect for cultural and ethnical diversity and inclusion of the civil society.”³

The eight initiatives that make up the PPP are organized within two axes: the Human Development and Setting Axis (including the initiatives of Human Development, Sustainable Development, and Prevention and Mitigation of Natural Disasters), and the Productive Integration and Competitiveness Axis (including the initiatives of Energy Interconnection, Facilitation of Trade Exchange, Integration of Telecommunication Services, Road Integration and Promotion of Tourism). The party countries requested the Inter-American Development Bank (IADB) to become the promoter, coordinator and major financial leader of the various projects stemming from the aforementioned initiatives.

After remaining as an observer since 2004, Colombia joined this mechanism as a full member in 2006.

3 FLACSO. *Dossier Plan Puebla-Panamá*. Cuadernos de Integración en América Latina. FLACSO, General Secretariat, 2007. Also found in: www.planpuebla-panama.org

Six years after this mechanism was created, and in the framework of the Extraordinary Summit of Heads of State of Tuxtla, which was held in the city of Campeche, Mexico, on April 9-10, 2007, the presidents of the member countries agreed to effect a “re-launching” of PPP, in order to strengthen it by setting a Working Agenda that includes measures for the consolidation of institutional mechanisms, as well as in order to provide a certain thrust for certain areas of concern within the Puebla Panama Plan.

The Puebla Panama Plan now has a portfolio of 99 projects, requiring an overall investment of US\$8.048 billion. To this date, more than 4.5 billion dollars have been channeled into the six projects carried out in the areas of Human Development, Energy and Trade Facilitation, and Competitiveness Increase, and in the 51 projects that are being implemented in each of the initiatives proposed within PPP.

Union of South American Nations (UNASUR)

Despite various attempts for regional integration, such as the Latin American Free Trade Association (1960) and the Latin American Integration Association (1980), as well as the Summits of Heads of State of South American Countries (2000 and 2002), it was not until the III South American Presidential Summit, held in the city of Cuzco, Peru, on December 7-8, 2004, and partly thanks to the trade agreement achieved between CAN and MERCOSUR also in 2004, that the charter creating the South American Community of Nations (CSN) was signed.⁴

The CSN was constituted with the purpose of “developing a South American space that is integrated in the political, social, economic, environmental and infrastructural areas, in order to strengthen South America’s own identity and to contribute, on the basis of a sub-regional perspective and in articulation with the experiences of regional integration, towards the strengthening of Latin America and the Caribbean, providing to the whole region a greater gravitation and representation in international forums” (Cuzco Declaration).

The member countries of the South American Community of Nations are the four nations in MERCOSUR (Argentina, Brazil, Uruguay and

4 FLACSO. *Dossier Comunidad Sudamericana de Naciones*. Cuadernos de Integración en América Latina. FLACSO, General Secretariat, 2007. In: www.flacso.org. Also found in www.comunidadsudamericana.org/sudamerica

Paraguay), the four member countries of CAN (Bolivia, Peru, Ecuador and Colombia), and then also Venezuela, Chile, Guyana and Surinam.

According to the Second Summit of CSN, and following the lines of preceding meetings, the community has a series of regional objectives whose basis lies in a set of actions of immediate impact. These are, the overcoming of asymmetries for an equitable integration; a new South American social contract; energy integration; infrastructure for regional interconnection; economic and trade cooperation; South American financial integration; industrial and productive integration; setting up a South American citizenship; a holistic approach to migration; cultural identity; cooperation in environmental matters; citizen participation, and cooperation in defense matters. It is worth highlighting that, in this first stage of CSN, a special emphasis is made on the advancement and development of the first four objectives.

Similarly, the Second Presidential Summit contains the “Strategic Plan for Deepening South American Integration”, which establishes as axes of action the strengthening of CSN’s institutionalality, political dialogue, external dialogue, coordination with WTO and multilateral financial institutions, and the invitation to consider the design of the necessary mechanisms to establish a South American parliamentary entity.

On April 17, 2007, in Margarita Island, Venezuela, and within the context of the South American Energy Summit, the CSN changed its name to Union of South American Nations (UNASUR). Another agreement reached at this summit was to create a Permanent Secretariat, with headquarters in Quito, Ecuador. Former Ecuadoran President Rodrigo Borja was appointed Permanent Secretary of UNASUR.

FOUR INCOMPATIBILITIES TO OVERCOME

The integration processes reviewed above have a call that goes beyond the sub-regions themselves. In fact, the Puebla Panama Plan extends to the south by incorporating Colombia, and is even approaching Ecuador. ALBA, for its part, gathers countries in South America, Central America and the Caribbean. UNASUR simultaneously involves Andean, Caribbean and Southern Cone countries. These more encompassing projects, in turn, overlap the formal and more institutionalized multilateral initiatives such as SICA, CARICOM, MERCOSUR and the Andean Community of Nations.

While one could argue that the more general projects in PPP, ALBA and UNASUR have more of a “political” character, it is no less true that, both in their inception and their development, the initiatives of MERCOSUR, the Andean Community, SICA and CARICOM simultaneously respond to demands that are both political and commercial. The latter initiatives, in addition, have a more institutionalized character, although they show great weaknesses.

In the face of this scenario, several incompatibilities are posed which it is necessary to solve in order to move forward in the integration processes.

- 1 One first area of incompatibility is the overload of presidential agendas. Each one of the initiatives includes a presidential summit, so that the number of meetings the presidents have to attend is significantly increased, mainly because the States are members or participants in practically all of them. By way of example one could note that, at a regular meeting of MERCOSUR, participants would include the four full members (Argentina, Brazil, Paraguay and Uruguay), joined by Venezuela and the “Associated States”(Bolivia, Chile, Peru and Ecuador) and a few observers such as Cuba. In turn, in the context of PPP, participants are all the Presidents that comprise the council of SICA, joined by the presidents of Mexico and Colombia and, more recently, the representatives of Ecuador and the Dominican Republic as observers.

Presidents must schedule their participation in at least the following summits: a) those of the sub-regional agreement they are a part of; b) those of the sub-regional agreement with which they have association agreements; c) the Ibero-American Summits; d) the Rio Group Summits; and e) other specific summits. In addition, Chile, Peru and Mexico must participate in the Summits of Asia-Pacific Economic Cooperation (APEC).

- 2 A second incompatibility is the one having to do with the practically null coordination of initiatives between entities involving the same region and between the different regions. If one takes as an example the case of energy, a presidents’ summit of UNASUR was held to consider the energy challenge in the region. Just a few days later the summit of the Puebla Panama Plan was held, one of whose central topics was, precisely, energy and the installation of refineries in Central America. In turn, ALBA’s Petrocaribe Plan seeks to solve the energy problems of its

region. However, the exchange of information at this level is poor, and opportunities are lost for establishing a good-quality regional energy program for Latin America and the Caribbean. Something similar could be said concerning the debate and the lack of coordination of initiatives concerning alternative fuels, such as biodiesel or ethanol. There, under the influence of the Brazilian government, a perspective based on sugar cane is being projected upon the region, which is quite often confused with the United States' proposal focused on the use of corn. As has been noted, the US strategy has considerably raised the cost of this grain that is key in the Mesoamerican diet, which opens an ethical debate on the relevance of subordinating human needs to a high-consumption item converted into car fuel.

- 3 The third incompatibility appears in the context of competition over resources for development and investment. Each one of these initiatives, except for ALBA—which has a solid financial support from the Venezuelan government—, is based on the high prices of petroleum, resorts to the same sources of international cooperation, or tries to attract those few investors who are interested in the emerging markets of Latin America.
- 4 The fourth incompatibility has to do with institutional asymmetry. In this case, strictly subregional projects have a complex, broad institutional framework that has taken a long time to build. In the major initiatives, on their part, decisions are just recently being made to create more permanent executive secretariats.

Latin America: Institutions in some integration schemes

Integration Scheme	Institution
Puebla Panama Plan	Presidents' Summit Executive Commission Executive Management Promotion and Funding Commission Inter-Institutional Technical Group

	<p>Advisory Council Information, Consultation and Participation Program Advisor Group for Indigenous & Ethnic Participation</p>
SICA	<p>Presidents' Summit Council of Ministers Central American Parliament Central American Court of Justice General Secretariat General Bureau for the Environment General Bureau of Social Integration General Bureau of Economic Integration</p>
CARICOM	<p>Conference of Heads of State and of Government Community Council of Ministers Council for Trade and Economic Development Council for Foreign and Community Relations Council for Finance and Planning Council for Human and Social Development Legal Affairs Committee Budget Committee Committee of Central Bank Governors Secretariat</p>
UNASUR	<p>Summits of Heads of State Meetings of Foreign Affairs Ministers: Sector Ministers' Meetings Pro-Tempore Secretariat High Officers' Commission</p>
Andean Community	<p>Andean Council of Presidents Andean Council of Foreign Affairs Andean Community Commission Andean Community General Secretariat Andean Community Court of Justice Andean Parliament</p>

The international context was very different 20 years ago. At that time, leaders in the region were seeking to stop the intervention of superpowers in Latin America and the Caribbean, especially in Central America, where the war was threatening to overflow beyond the Isthmus in a severe way. Essentially, the Group was proposing *Latin American solutions to Latin American issues*.

Two decades of work, reflection and agreement for facing the challenges to Latin America and the Caribbean have produced positive results, although they have also made the weaknesses of the Rio Group. It is a light-and-shadow process. The most significant achievement has been keeping the peace and interstate stability, on the basis of their own solutions to the region's issues. Its contribution to democratic stability has also been noteworthy. However, facing the emergence of new issues in the context of globalization, and of a world that is unipolar militarily, the Rio Group did not attain the goal of having one voice in world affairs. The intervention in Iraq divided the region, and thus the possibility of reaching a greater impact on vital global affairs in multilateral bodies was lost. Colombia, Costa Rica, El Salvador, Honduras, Nicaragua, Panama and the Dominican Republic approved of the intervention; Bolivia, Ecuador and Uruguay took an ambiguous position; Chile, Mexico, Peru, Argentina, Brazil, Cuba and Venezuela regretted and rejected the intervention. Likewise, the Rio Group has faced difficulties to organize proposals for integration that emerge from the various sub-regions.

The Rio Group responds to the need to set up, in political and strategic terms, a shared, non-competitive vision among the sub-regions—a complementary vision that can overcome the differences in a broader project of agreement and interlocution, and that brings relevance to the region as a whole, at a historical time when it has a lesser weight in the international system.

Despite dialogue, historic mistrust has not receded. Instead, new forms of mistrust have emerged that have increased the difficulties to move forward as a region in a more decisive way.

The Guyana Summit (2007) would seem to open up a new opportunity to reinforce a Latin American vision, and a mission towards promoting a strategic projection of Latin America and the Caribbean on the globalized world. The Rio Group reasserted its shared identity, the achievements and the definition of common goals, as well as the principles and values that make

an agreed-upon action possible. The Rio Group rearticulated itself as a Latin American and Caribbean regional project, over and above the differences in sub-regional projects that divide the region, most of all between Northern Latin America and South America. A new opportunity has been created for the development of a Latin American regional perspective, which will have the Dominican Republic and Mexico as its organizers in the next few years.

The Rio Group's possibility to become the great regional referent for politics and strategy is based on five key elements:

- The fact that it has constituted itself as “a privileged space for political consultation, coordination and agreement in Latin America and the Caribbean”.
- The fact that it is made up by 20 countries in the region—the broadest representativeness, which gives its agreements more legitimacy.
- The reiteration of the “commitments with the political consensus and principles set forth in the Act of Veracruz, 1999.”
- The existence of a clearly defined, delimited mission. “At times when the mechanisms of sub-regional integration are increasingly developing their own parameters with a regional and international scope, the Heads of State and of Government underscored the need for the Group to keep its profile of regional and extra-regional interlocution” (*Declaration of Turkeyen*, May 3, 2007).

Possessing the necessary recognition and experience as an international stakeholder to drive a dialogue that is oriented towards action for the improvement of the international political, social and economic situation.

The above means that the Latin American countries reassert their capacity for *agreement*, that is to say, the ability to combine positions in regional and global issues. One important step towards recovering the Mechanism is the transformation of consensus into binding agreements. This will demand the establishment of international norms and decisions; it will involve a transfer of sovereignty. Facing the challenges of globalization involves articulating concerted responses, expressed in norms and in new

regional and international public goods. The above means that there must be a yielding of sovereignty in order to achieve a greater sovereignty—a fuller sovereignty, attained by the aggregation of wills, seeking to meet shared concerns and to jointly face the old and new vulnerabilities of the region.

MAJOR CHALLENGES FOR REGIONAL INTEGRATION

It is possible to organize the set of challenges to regional integration around at least three dimensions—structural, political and institutional challenges.

Structural Challenges

These challenges are related to areas of vulnerability, weaknesses and dysfunctions linked to patterns of unequal development, of limited economic growth and subordinated international insertion, all of which are characteristic of the Latin American and Caribbean region.

Six domains can be highlighted:

- *Economic Growth*

While the region has grown in the last five-year period and has improved its positioning in the Human Development Index, this growth has been limited for the last thirty years. In 2006, the two main Latin American economies were ranked below the regional average. Mexico and Brazil had a lower economic performance than Latin America as a whole, which reached 5.3%. Mexico reached little more than 4%, and Brazil was below 3%. The GDP growth projection for 2007 shows a similar situation. ECLAC estimates regional growth in 4.7%, and Mexican and Brazilian growth in 4% and 3% respectively. This shows that the two most populated countries in the region will have rates of growth that will make it impossible for them to meet the demands of their societies, especially of their young population.

In a context in which life expectation has significantly increased—it went from 65 to 73 years in average—it becomes very difficult to substantially improve the quality of life of people.

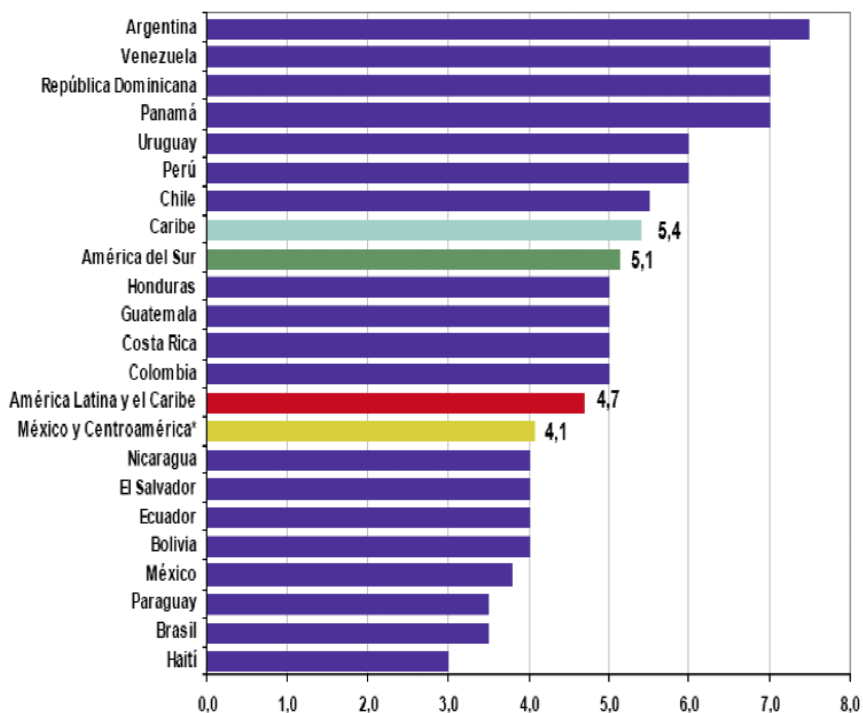
- *Poverty and Inequity*

Latin America is the least equitable region in the world. The difference between the richest 20% and the poorest 20% are unfathomable.

The same differences manifest themselves the other way around when referring to tax burden, access to leading technologies, or the availability of good-quality health, education and housing services.

Countries in the region also suffer from high levels of poverty in absolute terms. Even in relative terms, according to data from ECLAC, it has only been possible to decrease the number of poor people in 2% over the last two and a half decades.

Latin America & Caribbean: GDP Growth, 2007
(Annual variation rate)



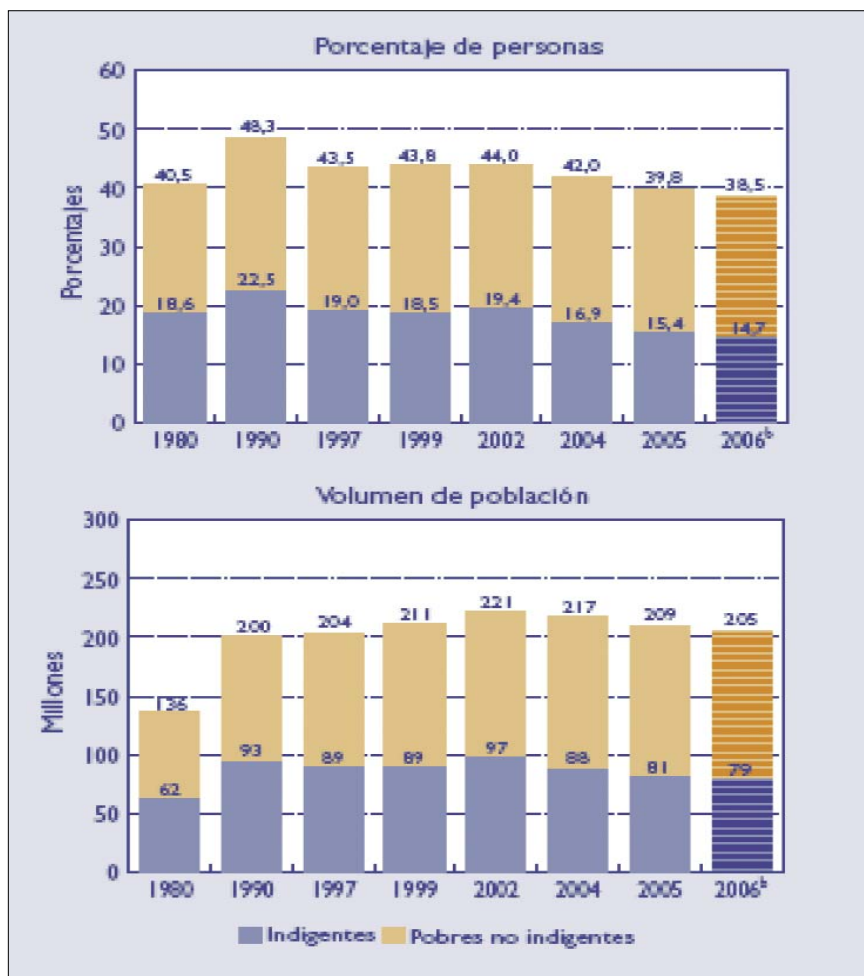
Source: Machinea, José Luis. Balance Preliminar de las Economías de América Latina y el Caribe. 2006. Cuadernos de Integración en América Latina. FLACSO. 2007

**Latin America: Distribution of income in the
poorest and richest quintiles**
(Percentages)

Country	Year of survey	Quintile 1 (poorest)	Quintile 5 (richest)
Argentina a)	2004	3.4	57.5
Bolivia	2002	1.5	64.5
Brazil	2003	2.2	66.2
Chile	2003	3.7	60.4
Colombia	2002	2.9	61.1
Costa Rica	2002	3.6	53.3
Ecuador a)	2002	4.0	56.4
El Salvador	2001	2.9	56.4
Guatemala	2002	3.7	59.3
Honduras	2002	2.6	62.7
Mexico	2004	3.0	56.8
Nicaragua	2001	2.5	61.7
Panama	2002	2.3	59.6
Paraguay	2001	2.4	60.6
Peru	2003	3.8	55.2
Dominican Rep.	2002	2.8	58.6
Uruguay a)	2002	4.8	51.0
Venezuela	2002	3.5	54.4

a) Percentages of the urban area

Source: CEPAL. Anuario Estadístico de América Latina y El Caribe, 2005. Santiago, Chile, 2006



Note: The estimate corresponds to 18 countries in the region plus Haiti. Figures for 2006 are projections.

Source: CEPAL. Panorama social de América Latina. 2006. Santiago, Chile. 2006

In 1980 the region had 136 million of poor people, of which 62 million were indigent. One quarter-century afterwards, in 2006, poverty in the region amounted to 205 million people, of whom 79 million were in indigence. However, the sustained reduction of poverty and indigence up to 2002 is noteworthy.

- *Lack of Social Cohesiveness*

The region shows a sustained, but limited economic growth. However, if one analyzes the quality of the jobs generated by this economic growth, it becomes obvious that it is highly precarious—the jobs are very low-quality and do not reach young people. One out of every four youth in Latin America and the Caribbean does not study or work. Concerning the distribution of job income in the period 2000-2005, a strong inequity was noted in many of the countries, to the point that in five of them the average job income in 2005, in the highest decile, was more than 100 times that in the lowest decile. Similarly, the labor insertion of the poorest people is more difficult than that of the non-poor. An instance of this is that the rate of urban unemployment among the poor population, for the period 2000-2005, was an average 2.9 times higher than the rate for non-poor people. This gap widens to 4.1 if the situation of indigents is compared with that of the non-poor.

Moreover, differences in access to decent employment by women, by senior citizens, by native peoples and by the youth is very limited. For example, in the case of the rate of unemployment differentiated by sex, the situation of women has become more favorable in the last few years—but it still is approximately 1.5 times the rate of male unemployment. Education doesn't reach these groups either. In our region, education is inequitable too. Not only are differences in access to education according to the socioeconomic situation, but, in addition, education that reaches lower-income sectors is of poor quality.

All of this does not just evidence and aggravate inequalities in the different societies in the region, but shows the absence in all of them of cohesive elements able to effectively neutralize these processes. Likewise, this type of structural weakness is an expression of the crisis of the State and the crisis of democratic governability, inasmuch as one of the basic requirements of the latter is socioeconomic development and social integration through generating policies that meet the basic needs of the population as a whole. When this assumption is not accomplished, one starts noting the consequences such as increase in violence, interpersonal mistrust, the lack of support for democracy, etc., all of which increase social conflicts and weaken social cohesion. An example of this is the lack of trust in the institutions, and the perception that it is only by resorting to non-institutional mechanisms to make oneself heard that changes can actually be achieved.

The lack of social cohesion as an expression of the crisis of democratic governability is also reflected in the significant number of presidential terms that have been interrupted in the region in the past fifteen years.

Latin America & Caribbean: Interrupted Presidential Terms

Brazil	September 1992	Fernando Collor de Mello
Venezuela	August 1993	Carlos Andrés Pérez
Ecuador	February 1997	Abdalá Bucarám
Paraguay	March 1999	Raúl Cubas Grau
Ecuador	January 2000	Jamil Mahuad
Peru	November 2000	Alberto Fujimori
Argentina	December 2001	Fernando De la Rúa
Bolivia	October 2003	Gonzalo Sánchez Lozada
Bolivia	March 2005	Carlos Mesa
Ecuador	April 2005	Lucio Gutiérrez

- *Old and New Conflicts*

The greatest contact, complementariness, and even the progress made in integration processes, do not necessarily result in eliminating conflicts. On the contrary, these bonds and the more assiduous contacts generate greater friction and increase the possibility of feuds. The weakness of early warning mechanisms and the low quality of the instruments for peaceful conflict resolution generate situations that can potentially escalate and affect the relations between neighboring countries in the different sub-regions.

The absence of hypotheses of military conflict, which, as we have said before, make Latin America one of the most peaceful regions in the world, does not in any way mean that the roots of conflicts, even territorial and borderline ones, have been eradicated. Some examples of inherited issues in this area are found between Bolivia and Chile in terms of access to the ocean; between Venezuela and Guyana as a result of overlapping territorial claims; and, inside the Caribbean Sea, more than two-dozen litigations concerning the delimitation of marine borders are now ongoing.

Some of the new conflicts include the one between Argentina and Uruguay over the construction of paper factories on the banks of Uruguay River; the one between Colombia and Ecuador over the fumigation of drug plantations by Colombian authorities on the common border; and the one between Bolivia and some international companies in the region and beyond, as a result of the way in which the natural resources in this country have been nationalized, and particularly concerning the exploitation of natural gas reserves. Bolivian authorities have highlighted the use of “peoples’ diplomacy” as an adequate tool to overcome the differences, especially with neighboring countries. All these conflicts show the weakness of conflict-resolution mechanisms in the region. They also reveal the lack of mechanisms that are able to act promptly in the face of this kind of crisis. These are litigations that have extended themselves over time and continue to seriously irritate bilateral and subregional relations. As we indicated above, the International Court of Justice has occupied a significant position in the instances of border litigations.

- *A Weak International Projection*

After the failure of FTTA, the United States has fostered trade negotiations of a bilateral nature. This is the unilateral form of expression of US trade policy. Due to its own inability to propose alternatives that would ensure the development of a hemispheric trade option, the hegemonic power responded by pressuring to obtain bilateral agreements.⁵ These agreements cause tension within the societies and governments of some countries in the region. The most evident case is Costa Rica, where a referendum, to be held on October 7, 2007, will decide the fate of a free trade agreement subscribed between both nations in the context of a regional agreement, CAFTA.

Another manifestation of US hegemony in the region has been its intent to prevent, or at least to limit, the institutional development of integration processes. The subscription of bilateral agreements such as the ones mentioned above, located within the regional context, subtracts action capacity from the subregional integration institutions, which in practice remain unable to impact and achieve better terms in the negotiations.

5 To this date, the United States has Free Trade Agreements in this hemisphere with the Central American countries (Costa Rica is the only country that has not yet ratified it) and the Dominican Republic; Chile, Canada and Mexico; and has signed and is awaiting the effective date for agreements with Colombia and Peru.

The situation with the European Union is different, because, in this case, trade negotiations are accompanied by two additional “pillars”—political dialogue and cooperation for development. Nevertheless, the European Union places, as an initial condition for negotiation, that subregional blocks should act as such, and in almost “perfect” harmony with the European institutional model. Thus, for example, in the case of Central America, the European demand is to establish parliamentary or judicial institutions that are not supported by all the countries. In the case of MERCOSUR, the European demand was to set up a subregional parliament, which in fact was constituted in December, 2006, with no substantive functions. It is worth mentioning that both parliaments overlap with the initiative of the Latin American Parliament, which was created more than forty years ago.

- *Negative Transnationalization*

The impact of globalization and transnational illicit actions deals strong blows on the whole Latin American and Caribbean region. Latin America is the most violent region in the world. Of the thirteen cities in the world with the highest number of victims due to light firearms, ten are in Latin American and Caribbean countries (Colombia, Venezuela, El Salvador, Brazil, Puerto Rico, Jamaica, Guatemala, Honduras, Uruguay, Ecuador and Argentina). Criminal bands of all kinds harass the territories, to the point that violence is one of the five major causes of death in the region—it is in fact the first in Brazil, Colombia, Venezuela, El Salvador and Mexico. While it is true, as OAS indicates, that Latin American population is only 8% of world population, in 2003 it included 75% of all kidnappings that took place in the world.

Transnational crime affects all the countries in the region. The networks are interconnected, are very effective in using state-of-the-art technologies and the new means of communication, and in terms of numbers and operational capacity they outdo State authorities. This is evidenced in the great difficulties for international coordination and cooperation. On the contrary, illegal networks infiltrate the State and jeopardize the rule of law, thus eroding the fragile democracies in the region.

In addition, violence has a cost which, in the case of the region, is quite significant. Studies by the Inter-American Development Bank and the World Bank indicate that this cost fluctuates between 2% and 15% of the GDP. The perception of insecurity expressed in hiring private security have caused the

cost of security to rise to a range between 8% and 25% of the GDP. Similarly, the costs in public health are around 5%, and justice around 9% of the GDP. To these direct costs one must add those more indirect ones caused by the high rates of violence in the region, such as the way in which they build a barrier to foreign investment in developing countries.

As I recalled in my II Report in 2006, the challenge of organized crime is both of a political and an ethical nature. The reign of impunity, and its coexistence with highly fragile democratic institutions, conspire against the existence of an integrated, plural Latin America, inserted in the most modern and efficient development schemes.

Political Challenges

Political challenges refer essentially to political-democratic culture, to the effects that the latest electoral decisions of citizens show in the region, and to the possibility of building a sense of regional community.

- *Democratic Consolidation*

According to data of the Latinobarómetro Report (2006), support for democracy in the region has remained constant (despite some fluctuations) in around 58% of those interviewed since 1995. Similarly, with small variations, the figure of those who think any kind of political regime would be the same, or who would prefer an authoritarian one, has remained in both cases around 17% of the total in the same period. However, it is necessary to highlight that the degree of satisfaction with democracy shows high national variations, and the regional average for 2006 reaches only 38% of the sample. Nine countries are positioned above, and nine below this average. The countries ranking above the regional average are Uruguay, Venezuela, Argentina, Dominican Republic, Costa Rica, Chile, Mexico, Panama and Bolivia. Those below the average are Brazil, Honduras, Colombia, Guatemala, Nicaragua, El Salvador, Peru, Ecuador and Paraguay.

But there is not just a discontent with democracy, or disaffection towards it. One-third of the interviewees indicate that democracy could work without two of its essential institutions—parliament and political parties.

This is expressed in the fact that the degree of trust in political parties is only 22%, and the degree of trust in parliaments is only 27%. The situation worsens when one considers that only 36% of the people express trust in the Judiciary. This last fact is directly related to the State's inability to enforce the rule of law.

Despite the above, it is worth noting that there is now less impunity in the region with and in the higher levels of administration, as well as concerning most serious offenses. The prosecution of former Presidents of the Republic due to corruption or to violation of human rights has been consistent in the last few years.

- *A New Political Map*

Election results of 2006 show a political picture that is different from the one prevailing in the region one decade ago. The picture is also differentiated in the different sub-regions. Instead of characterizing these regimes as "right-wing" or "left-wing", it is necessary to visualize the conditions that differentiate them in terms of variables such as the perception on globalization and its national and subregional impact, the type of relating to the United States, the social basis on which they are sustained, the ways in which relations take place within the political systems (mainly vis-à-vis the opposition), the way in which production is organized and the role played by state and private structures, among others.

The major expressions of this change are those regimes that, according to their orientation and preference, tend to be classified in three categories: the "responsible left", the "populist and/or radical left", and the "pragmatic center-right". The development projects pursued by each of these coalitions place a greater or lesser stress on the capacity of the State and the openness of economies, which, in the current globalized context, broadens the differences between them.

- *The Construction of a Shared Identity and of a Sense of Community*

A substantial political effort is required to overcome the differences of the new regional political map, and of the ideas on the alternative projects of development to establish a sense of Latin American community. As has been repeatedly remarked by Luis Maira, cultural aspects have the

greatest significance in this respect. Latin America has a very strong sense of identity despite the fragmentation resulting from structural, political or institutional conditionings and, added to this, an idea of integration as a way of expressing this identity as “the Big Fatherland.”

Institutional Challenges

Institutional challenges have to do with the quality, design and functioning of the institutions in the processes of integration and commercial compaction. It is clear that the institutionality of integration has different architectures, but very low degrees of strength and consistency. The latter is directly linked to the weakness of the binding agreements that are not fulfilled, of the operational difficulties for implementing these decisions when there is a will to fulfill them, and the great material and human lacks that affect them.

SEEKING COMPLEMENTARINESS ON THE BASIS OF A SHARED AGENDA

Nations cooperate as a result of the opportunities they generate, either through their own actions or through given changes in the international system. The creation of appropriate conditions, of favorable circumstances for cooperation, is directly related to the political will to link and meet the interests of the parties. The end of the Cold War generated circumstances that seemed to facilitate cooperation, but this opportunity became gradually narrower. Nowadays, it is necessary once again to open opportunities for impact on the global system. This will be achieved on the basis of a larger regional consensus, a better and more efficient agreement, and a transparent political will from the whole set of countries. One foundational concern is the shared interdependence on global issues, and the impossibility to solve regional issues without a cooperative action.

Complementariness among the different levels of integration is complex. Sub-regional, regional, hemispheric and global agendas address diverse aspects and make different emphases. In them, the arenas and scenarios in which they take place impact the most diverse stakeholders. Hence it is essential to foster coordination. Without it, each one of the processes will be seen from a sector perspective with no kind of link among

them, and will ultimately reassert the fragmentation and the reduced capacities for agreement beyond each level, from the bi-national to the global one.

The consequence of this all is the need to assume integration as a strategic political project that can project a more solid, competitive presence of Latin America in the world. The final declaration of the II South American Summit, held in Cochabamba, Bolivia, on December 8-9, 2006, mentions the need to deepen integration through political dialogue, which will in turn make it possible to strengthen a more equitable, integral development, on the basis of certain governing principles such as solidarity, the search for equity, the overcoming of asymmetries and respect for territorial integrity and the self-determination of peoples. For its part, the declaration of the Rio Group indicated that “the deepening of regional integration, based on principles of cooperation, complementariness and solidarity, is a key alternative for reducing poverty and for preventing the negative effects of globalization from worsening asymmetries that contribute to economic, social and political marginality” (Rio Group, *Declaration of Turkeyen*, March 3, 2007).

An essential question is how to build an agenda that allows and potentiates sub-regional developments, limiting their degree of competitiveness visualized as zero sum, in a perspective of greater ability for partnership, around some initiatives that reduce the costs of non-integration.

The possibility of building a partnership agenda is directly related to the ability to build a superior strategic sense. Also, the possibility of building such an agenda is essentially given by its political-strategic, not economic-commercial character. As one observes the following chart, which refers to the main trade partners, one can view the difficulties for joining weight and capacity around intra-regional commerce.

Latin America: Major Trade Partners by Sub-region

MERCOSUR	CAN	MCCA	CARICOM	MÉXICO	CHILE
Latin America (27.8%) a)	United States (35.0%)	United States (35.5%)	United States (56.3%)	United States & Canada (86.9%)	Japan & Asia b) (28.7%)
European Union (21.7)	European Union (13.6%)	MCCA (27.2%)	Latin America & Caribbean a) (16.0%)	Latin America (4.9%)	European Union (26.7%)
United States (17.1%)	Venezuela (5.5%)	European Union (13.5%)	European Union (11.0%)	European Union (4.3%)	United States (16.1%)

a) Includes intra-regional trade

b) Includes South Korea, China, India & Japan

Note: In the cases of MERCOSUR and MCCA, the figures correspond to 2005 exports. The percentages for Mexico, Chile and CAN correspond to export figures in 2006. The figures of CARICOM correspond to exports of goods in 2004.

Source: ALADI. Information System in Foreign Trade. In: www.aladi.org. Sieca. Estado de Situación de la Integración Económica Centroamericana (State of Affairs of Central American Economic Integration). 2007 In: www.Sieca.Org.Gt Secretariat of the Andean Community. El Comercio Exterior de los Países Andinos en el año 2006. (The Foreign Trade of Andean Countries in 2006). 2007. In: www.comunidadandina.org DIRECON. Comercio Exterior de Chile Cuarto Trimestre 2006. (Chile's Foreign Trade, Fourth Quarter, 2006) In: www.prochile.cl National Institute of Statistics, Geography and Computer Science. Working Group made up by: Banco de México, INEGI, the Service of Tax Administration and the Ministry of Economy. In: www.inegi.gob.mx

The development of a global regional perspective reinforces the capacities of regional multilateralism and of the projection that, coming from Latin America, can contribute to the consolidation of multilateralism in the global system. The above requires a basic agreement in order to act in partnership, on a set of topics that are being debated in the international system, that have to do with the great global topics.

Concerning the above, the need exists for the agenda of regional debate to consider the need to define agreed-upon forms of action in order to address

the need for wellbeing of Latin American peoples, especially the most marginalized sectors—a response that cannot be postponed.

The construction of a perspective and a strategic vision will make it possible to visualize opportunities to face the big challenges in the region—the consolidation of an effective democracy, the development of effective instruments to reduce poverty, and the establishment of mechanisms to strengthen interlocution and political coordination in the region.

The development of a strategic vision reasserts and consolidates a series of values and principles that are deep-rooted in the region, such as democracy and human rights, sustainability together with growth and development, as well as security and peace.

Building a strategic sense

Strategy orients decision processes of the various stakeholders. Strategy tends to prioritize “big politics” on the basis of which the priorities of the State are then arranged. This involves setting definitions on the purposes, the courses of action to attain them, and the resources allocated that will make success possible.

Establishing and pursuing a strategic relating becomes more effective when this relating has a substantial importance for at least one of the stakeholders involved. That is to say, this is a kind of critical linking that affects basic or very important concerns for one of the stakeholders. For example, the volume of a trade relationship can transform itself into a strategic relating, when a producer depends on a market. Similarly, the one who receives a product can also establish a strategic link, by depending on the provider. In most cases, above all in the context of globalization, we are in the presence of processes of complex interdependence.

Strategic relating does not necessarily ensure or carry with it a condition of reciprocity. As we said above, this relationship may be strategic for one stakeholder, but might not be necessarily so for others. Thus, in a context with multiple stakeholders, it is necessary to move forward towards the aggregation of interest with a strategic sense, in order to develop a community perspective.

Strategic relating is also linked to the power relationships among the various stakeholders, and to the degrees of symmetry or equivalence they

show in the relationship. Asymmetries can become an element that is difficult to deal with, or else, depending on the type of asymmetry, they can facilitate the compatibility of interest. This is why visualizing the operational issues is critical. Similarly, the impact of strategic relating on third-party stakeholders, and the way these can perceive such relating, impacts the process as a whole.

Generally speaking, strategic relating starts with a specific time dimension, which, from the beginning, has a long-term projection and expresses a political will to develop this relating over time. Therefore, the will to build a community of interests is the essential factor in future projection.

A factor that evidences the significance of the strategic relating takes place when this relating develops independently from market trends and, therefore, political will makes effective the decisions in search of a higher interest than the trends can reflect at a given time in the markets, or from other specific conditionings. The coincidences with the market forces, and the agendas emerging from them, reinforce the strategic sense, but in no way will they replace the political vision and projection that originates them. Integration processes, therefore, when they go beyond the commercial and economic aspects, set up an interdependent relating through their stakeholders' will to overcome vulnerability and meet higher concerns. This is why the States are willing to give up a quota of their sovereignty in order to gain a much broader quota of it through the integrating process.

ELEMENTS FOR A LATIN AMERICAN INTEGRATION AGENDA

Building a shared vision is the starting point to overcome the difficulties that integration processes evidence at this time. Re-launching the processes involves promoting the coordination of initiatives that allow to agree on joint actions by different stakeholders, especially governmental stakeholders, which are the ones with the greatest gravitation in the progress or status quo of Latin American integration processes. Leaving uncertainty behind is essential. To the extent that progress is made in building an agenda that allows to overcome conflicts, to reduce asymmetries, to generate spaces for negotiation and to avoid unilateral actions that detract from the dynamism of the processes, will make it possible to gain legitimacy to address, in a more

holistic way, the complex processes of regional complementation and integration. Coordination of policies thus becomes a key aspect for overcoming this uncertainty and to place the topics of development—understood as sustainable human development with a holistic vision—as a guide that makes it possible to face the demands of the regional and sub-regional agendas at this time.

An essential change can be noted in the global context, in the most diverse domains, and all of them have a high impact on the topics of the Latin American regional agenda. In fact, these changes manifest themselves strongly in economy, in communications, in scientific and technological development, in finance, in transportation, in migrations... To these must be added the growing impact of climate change and its consequences on biodiversity and the development of biotechnologies. All these changes impact the power relationships and their institutionality. In the region, as we have already noted, the political map has changed, and with it the way of perceiving opportunities and spaces for negotiation in the international system and inside the different national contexts. This set of changes and their consequences on social relations is impacting the vision and the definition on the Latin American agenda, particularly in the integration agenda.

First defining, and then developing in a harmonious way a regional agenda for integration, will make it possible to move forward in the development of a strategic project. This would give it the meaning required by courses of action in the processes of convergence, that will move towards keeping a regional partnership projection, which will be able to address the complexities of our agenda.

Latin America has multiple agendas. Coordinating such agendas and locating them in a perspective of integration is essential. Therefore, the items noted below seek to bring together some axes around which it is necessary to set goals and basic political agreements:

- **Global problems are part of the problems of Latin America and the Caribbean**

Topics like environmental issues and the crises connected with them (hurricanes, storms, landslides, etc.) have direct impact and dramatic effects in the most vulnerable populations in the region. The same happens with pandemics such as HIV/AIDS, or famines resulting from

droughts and climate change. These situations, in turn, potentiate even more strongly the displacement of a significant number of people and international migration. The lack of economic growth and opportunities also impact these phenomena in a decisive way. Transnational crime, mainly drug traffic, has become one of the major challenges that cannot be efficiently addressed without a harmonious coordination of public policies in the local, national and international levels.

- **Building cooperation and multilateralism in order to face fragmentation and unilateralism**

Cooperative solutions appear as the only viable option vis-à-vis global issues. Likewise, unless international public goods are developed that promote a fairer, more equitable treatment in the multilateral level, stability and peace will be at risk. “Nobody will be able to mold the coming world unless through agreements and negotiations. The complexity of the world that is emerging before our eyes is excessive, for us to handle in a centralized way,” said Ricardo Lagos at the United Nations in 2004. “There will be no security or stability until a just, democratic order is established in the world,” expressed Luís Inácio Lula da Silva, that same year, at the Summit of World Leaders against hunger and poverty. And President Michelle Bachelet said at the 31st Summit of MERCOSUR, “Only if we are integrated among ourselves, and also integrated into the world, will we be able to successfully face our big common challenges.”

The unilateralism of the United States increases the problems of Latin American countries and reduces their options. The most direct consequence is that, concerning some of them, it tends to militarize them, which makes them more serious instead of solving them. In the face of the growing hegemonic re-composition of the United States, multilateralism emerges as the most adequate option for Latin America and the Caribbean to assert their margins of relative autonomy. This involves seeking the construction of common spaces, and the definition of joint policies in the major world forums. Achieving harmonious positions, preferably reached in the framework of internationally sanctioned systems, constitutes an imperative of our times and an opportunity to establish more positive and respectful relationships with

the regional power. This is the way to overcome the fractioning that is evident in the region.

- **Rebuilding State capacities**

The indiscriminate application of the economic recipes of the “Washington Consensus” resulted in a crisis in Latin American states, and deepened many of their structural weaknesses. The partial or belated application or absence of second-generation structural reforms led to problems that have manifested themselves in a growing loss of the monopoly of force by the State in many countries. This reduced access to the basic public goods for most of the population, and weakened the rule of law. This resulted in large vacuums in the presence of the State, which, added to a growing privatization of the public space, led to a deterioration of authority which, in extreme cases, translated into the need for a cooperative military intervention, such as in Haiti, or to serious situations such as those occurring in Guatemala, Mexico or Brazil, as a consequence of the action of criminal bands linked to drug traffic. Rebuilding the capacities of the State is one of the first tasks for promoting their integration in a regional framework.

- **The objective is the wellbeing of the largest number**

Regional integration is not an end in itself. Neither is it supposed to be a mere rhetorical statement. It must have as its key objective the wellbeing of the largest number of people, the provision of benefits for them, and being able to meet their demands. An integration that longs for the past but cannot respond to the challenges of modernity is an empty integration. Latin America and the Caribbean require partnership schemes that, on the basis of the principles, are also able to meet the concrete needs of people who are seriously harmed by poverty and the lack of opportunities.

Development in the domain of infrastructure and regional interconnection makes it possible to make progress towards higher degrees of intercommunication, and facilitates investment in the different countries. Similarly, establishing and articulate plan in the field of energy becomes a powerful axis to ensure national and sub-regional viability. The possibility of harmonizing regional policies in the area of health,

environmental protection or the prevention and mitigation of disasters, significantly improves the quality of life of the people.

- **Developing exchange of good practices**

Dialogue and political interlocution are essential elements to move forward in building the agenda and in its practical operationalization. Exchange around good and bad experiences, as well as the regional analysis of specific experiences in sensitive areas, becomes a highly efficient instrument that allow, on the one hand, to know alternative ideas and practical solutions in the face of an issue. Together with this, and even more importantly, it develops and even consolidates interpersonal relationships among qualified human groups of different countries, thus increasing the degree of trust among them.

- **Improving the quality of public policy and its administration**

Democratic governability carries with it the improvement of public policies. These must contribute to one of the essential objectives of development, which is to allow a more equitable access to public services by the majority of the population; to mitigate the negative impact of globalization for the most vulnerable sectors, and supporting the upward mobility of growing numbers of citizens from poverty to a better quality of life. Hence the importance of agreements in dealing with the agenda, as they make possible a harmonious action in public policies that will make the difference in the short term. Considering the transnational nature of a good portion of the challenges faced by Latin America, a good way of guaranteeing the quality of public policies is to ensure growing levels of international cooperation. Latin American integration with a global regional perspective makes this possible, also allowing to bring in experiences from other regions in the world.

- **Building a convergent institutional framework in trade**

The challenge that the region faces is to strengthen the processes of international insertion while recognizing and accepting the differences and the different existing visions, for the sake of preserving the very

objective of integration. An important path continues to be “open regionalism” or “new regionalism”, which reinforces a complementariness between the processes of integration to world economy and the schemes of regional and subregional integration.

On this basis of regional convergence, it will be possible to strengthen mechanisms that prevent the range of bilateral agreements, such as the FTA’s with the North or with Asia-Pacific, from replacing the intra-regional economic dynamics of the different integration sub-schemes (CAN, MERCOSUR, SICA, CARICOM). Both FTA’s and Association Agreements must be schemes—or treaties—that promote a more balanced trade. It is important for the agenda to be able to give a prime place to the political and cooperation dimension, to orient relationships and trade disciplines and to make it possible to pursue a route that reduces asymmetries and fosters development and social cohesiveness.

- **Infrastructure and energy, topics of priority convergences**

There are two emerging topics in the agenda that are becoming increasingly stronger and more relevant—infrastructure development and convergence in energy. Agreeing on regional policies is a demand that, if it meets the right responses, will make possible a substantial progress in the processes of integration.

The development of infrastructure for integration, competitiveness, complementariness, and insertion in the global system is essential for improving the possibilities of trade and interaction On each of the sub-regions and countries. It is a requirement to overcome vulnerabilities and to lay the foundations for a greater complementation in all domains, as an initial step towards a greater and deeper integration. With no infrastructure for transportation, for interlinking from the center of the region, without inter-oceanic corridors, integration and trade complementation will not move at the pace demanded by global insertion and manifested by the political discourse of different leaders in the region.

Likewise, energy has become a central issue that is generating a strong impulse for different initiatives. If these succeed in structuring themselves into an articulate project, able to gather producers and consumers (of petroleum, gas, electricity, biodiesel, etc.) in a convergent project, they will make it possible to take a qualitative leap towards

regional interdependence. This will strengthen the links among the most diverse stakeholders, in a framework that limits zero-sum plays and facilitates win-win options.

These agenda items, if there is success in coordinating policies and if agreed-upon courses of action are set, will make it possible to move forward effectively in a mutual-benefit relationship in the long term. They will also reduce asymmetries and open spaces towards a greater interdependence that enhances arrangements and agreements in other areas.

- **Cooperating in order to improve civil security in the region**

The demand for greater security occupies an outstanding position in the national priorities of all countries in the region. Public security, the rule of law and democracy have eroded due to the activity of organized crime and the increase in delinquency. We are a region with high degrees of violence. However, the levels of coordination in this field at a regional level show a serious deficit. Some progress is now evident at the sub-regional level. Due to the nature of the challenge, it is urgent to address this subject with a vision and action of international cooperation.

Violence and illicit actions have reached levels that are increasingly difficult to control by the State. They are phenomena with a strong transnational weight, and hence it is fundamental to coordinate and integrate programs, from the countries themselves but paying attention to the sub-regional and regional effects of the same. The security of persons and property is one of the foundations for social stability, and it is the State's responsibility to ensure the fulfillment of democratic rule of law.

Just as in the case of energy and infrastructure, convergence in the definition of the agenda and its treatment will make it possible to articulate courses of action that foster inter-institutional coordination on this matter. This will result in mutual benefit and will succeed in limiting the impact of illicit actions. It will also improve the quality of security services in the context of the democratic rule of law in the region. This is one of the most fertile fields for cooperation—hence the priority need to include it in the agenda.

- **Fostering participatory democracy**

For democracy to take root, it is necessary to live its values which, if deeply shared, generate active consensus and favor participation. This is why values such as pluralism, dialogue, tolerance and respect for diversity are essential. It is likewise important to educate and form people in a critical spirit, in order to strengthen the awareness of individual freedom and autonomy in the face of the multiple offers and stimuli that overload citizens. The participation of civil society is the required assumption for the existence of a democratic State, which is, in turn, a motor for democratization. This leads to deepening not only administrative but political decentralization at all levels, in order to have more agile structures with levels of political decision-making that are closer to the citizens. Including in the agenda the fostering of forms of dialogue and participation of organizations of the civil society cannot be postponed. Good practices concerning participatory budgets, audits and inspection, environmental protection and others will open the way towards gathering recommendations and routes for implementation emerging from the people, who are ultimately the beneficiaries and subjects of the processes of regional integration.

Integration as a strategic political project, that allows the region to have a single voice and to position itself in a better way within the international system, has as one of its major conditions building an effective agenda for agreement. Regional leaders, whether political, social, corporate, labor union, academic, intellectual or cultural, have this important demand before them. Agendas are essential to harmonize policies. It is not feasible to think that these agendas can be deprived of a vision that orients them, or that they can develop in a political vacuum. Agendas make it possible to attain goals and objectives that have been previously agreed upon. Political will, through dialogue and agreement, defines the major topics, and the agenda prioritizes them and defines the human and material resources necessary to make them a reality. It also establishes the political timing in which they will be reached.

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