

IV REPORT OF FLACSO'S GENERAL SECRETARY

**INTEGRATION IN LATIN  
AMERICA:**  
*Actions and Omissions; Conflicts and Cooperation*

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FRANCISCO ROJAS ARAVENA



**FLACSO**

General  
Secretariat

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## **Glosario Siglas**

AEC: Asociación de Estados del Caribe.  
ALADI: Asociación Latinoamericana de Integración.  
ALBA: Alternativa Bolivariana para América Latina y el Caribe.  
ALC: América Latina y el Caribe.  
ALCA: Área de libre comercio de las Américas.  
APEC: Foro de cooperación Asia – Pacífico.  
BCIE: Banco Centroamericano de Integración Económica.  
BID: Banco Interamericano de Desarrollo.  
CAN: Comunidad Andina de Naciones.  
CARICOM: Comunidad del Caribe.  
CEPAL: Comisión Económica de América Latina y el Caribe.  
EEUU: Estados Unidos de América.  
FARC: Fuerzas Armadas Revolucionarias de Colombia.  
FLACSO: Facultad Latinoamericana de Ciencias Sociales  
GATT: Acuerdo General de Aranceles Aduaneros y de Comercio.  
IED: Inversión Extranjera Directa.  
MERCOSUR: Mercado Común del Sur.  
OEA: Organización de Estado Americanos.  
OMC: Organización Mundial del Comercio.  
OTCA: Organización del Tratado de Cooperación Amazónica.  
SELA: Sistema Económico Latinoamericano y del Caribe.  
SICA: Sistema de Integración Centroamericano.  
UE: Unión Europea.  
UNASUR: Unión Sudamericana de Naciones.

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INTRODUCTION

Integration is a means to reach political, economic, social and cultural goals. It is a road that ought to make possible the conditions for international insertion, in order to broaden and consolidate development, granting it sustainability, improving the wellbeing of the population and consolidating stability and peace. The above means that integration needs to build on a strategic political project. The essential basis for this is to be able to think and feel in a shared manner, in order to build a common voice in substantial areas that will make it possible to reach the goals indicated above. In this process, the national and regional leadership of governmental actors, of the civil society, of businesspeople, of intellectual communities, fulfill an irreplaceable role in leading processes and orienting actions to attain the proposed goals. This can be achieved on the basis of setting agendas that will allow the convergence of initiatives and policies around the higher goals of the whole set. The construction of political will to reach this purpose becomes an indispensable requirement to be able to gather the necessary resources in a defined political term, which must project itself in the long term. In the current juncture, there is evidence of an oversupply of all kinds of proposals and initiatives for integration.

In this paper I am examining the recent evolution of Latin American integration processes and their linkages with the major economic centers in the globe.

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\* Agradezco los comentarios y observaciones que recibí en la presentación de las ideas de este IV Informe ante el Consejo Superior de la FLACSO en mayo 2008. También de manera especial a los colegas de la Secretaría General de FLACSO: Josette Altmann, Tatiana Beirute, Juany Guzmán y Luis Guillermo Solís.

### **Global and regional changes**

The region of Latin America and the Caribbean is immersed in a set of great changes, the most remarkable of which are the recovery and maintenance of democracy, the development of consistent policies that have allowed economic growth together with the maintenance of fiscal equilibrium, and an ongoing and consistent, though slow, process of reducing poverty. The above has led to the emergence and increase of the middle class. Research shows that, in the case of Brazil, more than half the population belongs to the “middle class” .<sup>1</sup> This change is envisioned as a revolution—“We are in the midst of a revolution, the revolution of emerging middle classes,” remarked the vice-president of Banco Santander .<sup>2</sup> The global financial crisis may cause these advances to turn backwards in a major way. The new political map shows the emergence of new actors, especially aboriginal peoples. This overlaps with deep institutional crises and the exhaustion of their party systems, particularly in the Andean region. In many regions, a process of institutional re-founding<sup>3</sup> is taking place, which can be characterized as “progressive” with different orientations, and which would correspond to what, in the times of the cold war, was called a left-wing or center-left trend.

The current historical moment that defines the international system includes some characteristics that result in limitations and opportunities for Latin American countries. The first fact we can remark is the impact of the global financial crisis. The second fact is the neglect of the region by the United States. American concerns are driven away from what is taking place in the region, and their interests keep them anchored in other areas of high conflict. Europe, on its part, is also focused on its own political processes and in broadening its community of nations. The effect of this is that the widened European Union has a lesser link and concern for the Latin American region than in any previous stage. In this context, Russia is re-emerging as an international actor with important capacities, but with no major links to Latin America, except for the possibilities of weapon sales. The Asia-Pacific

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1 *Veja*, Brazil, August 13, 2008, p. 68.

2 Luzón, Francisco. “El Santander y su proyecto 20.10: un compromiso con el desarrollo de Latinoamérica y la bancarización de sus clases medias emergentes”. (“Banco Santander and its 20.10 Project: A Commitment to Latin American Development”). Universidad Menéndez Pelayo. Santander, July 4, 2007.

3 García, Marco Aurelio. “A Opcao Sul-Americana”(The South American Option). In: *Revista Interesse Nacional*, N° 01, April-June, 2008.

countries, particularly China, are in the first stages of a process to link themselves with Latin America, based on the access to natural resources that this region could provide them for their industrial development and for the wellbeing of their population.

In the global institutional framework, multilateralism continues to be in crisis, both in the political dimension and in its economic and commercial dimension. The United Nations was weakened due to the United States policy of radical unilateralism; the international financial entities are highly delegitimized as a result of the negative impact of the "Washington consensus," and the failure of the Doha Round has debilitated the World Trade Organization. The US mortgage crisis and its impact on the financial system of developing countries is generating deep uncertainty and is showing a profound crisis. Its negative effects will be felt in Latin America and the Caribbean. This global panorama generates spaces for a greater margin of action for Latin American countries, which will be achieved if the region is able to agree on vision, concerns and courses of action for a better international insertion and to advance their national and regional development. As indicated above, Latin America has a great opportunity stemming from a sustained economic growth and from the control and stabilization of military threats. However, the lack of social cohesiveness and inequity result in tensions in democratic governability that become important obstacles, which are increased by the combination of the global financial crisis, the food crisis and the increase in money exchange rates.

### **The Oversupply of Proposals Weakens the Options for Integration**

The new Latin American and Caribbean context, its new political map, generates simultaneous processes that tend towards integration and fragmentation. An expression of the former is the important amount of initiatives and proposals for integration at the sub-regional level, and an expression of the latter are the tensions that break up with diverging political visions and proposals in some countries in the region, as well as a set of new bilateral contentions.

On analyzing the proposals for integration, one realizes that all of them aspire towards attaining higher goals that are based on the construction of shared identities that should tend to and flow in a parallel way towards important agreements of economic convergence, of political agreement and of association for joint action. Unfortunately, this is not so, mainly due to the lack of a central political-strategic perspective capable of ordering the other dimensions. In addition, one can determine the fragmentation of the proposals that have tended to consolidate themselves around two large regions: northern

Latin America, with the proposal of the Mesoamerica Project<sup>4</sup> ; and southern Latin America, with the proposal of the Union of South American Nations (UNASUR) .<sup>5</sup>The leadership and construction of a hegemonic perspective is given by Mexico, in the former case, and by Brazil in the latter. To these two large blocs one must add the very broad set of proposals stated by Venezuela, one of whose axes is the Bolivarian Alternative for Latin America and the Caribbean (ALBA) .<sup>6</sup> Together with these macro-proposals, the plans that emerged or were reformulated in the early 90's are still in existence and development—MERCOSUR, CAN, SICA, CARICOM, and bodies such as ALADI, AEC and SELA.

The macro-initiatives and the integration processes encouraged by them have a call that goes beyond their own sub-regions. In fact, the Mesoamerica Project extends to the south embracing Colombia, and even approaching Ecuador. ALBA, on its part, gathers countries from South America, Central America and the Caribbean. UNASUR involves simultaneously countries in the Andes, the Caribbean and the South Cone. These more global projects, in turn, overlap formal multilateral initiatives that are more institutionalized, located in the sub-regional contexts, such as SICA, CARICOM, MERCOSUR and the Andean Community of Nations.

While it could be argued that the more general projects of the Mesoamerica Project, ALBA and UNASUR have more of a “political” character, it is no less true that both in their origin and their development, the initiatives of MERCOSUR, the Andean Community, SICA and CARICOM simultaneously respond to both political and commercial demands. These latter initiatives, in addition, have a more institutionalized character, although they evidence weaknesses that are not too different from those of the other subsystems in the area.

The only regional initiative that embraces all the countries in Latin America and the Caribbean, and which, beyond its historical ups

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4 FLACSO. *Dossier Plan Puebla Panamá*. Cuadernos de Integración en América Latina. FLACSO- General Secretariat, 2007. In: [www.flacso.org](http://www.flacso.org)

5 FLACSO. *Dossier Comunidad Sudamericana de Naciones*. Cuadernos de Integración en América Latina. FLACSO- General Secretariat. 2007. In: [www.flacso.org](http://www.flacso.org)

6 FLACSO. *Dossier Alternativa Bolivariana para América Latina y el Caribe (ALBA)*. Cuadernos de Integración en América Latina. FLACSO- General Secretariat. 2007. In: [www.flacso.org](http://www.flacso.org)

and downs, has the potential to continue developing as a pole of attraction for the region as a whole, is the Rio Group. In this sense, the Mexican Minister of Foreign Affairs recalled the interest to strengthen and broaden this group and its eventual transformation into a vision for Latin American and Caribbean states.<sup>7</sup>

The oversupply of integration proposals and initiatives has three negative consequences that in the end weaken each of these processes. To begin with, they generate a high demand in the agendas of the Heads of State and of Government, who in practice must plan for meetings, in the context of Summit Diplomacy, every three months. Secondly, the oversupply results in a major and ongoing lack of coordination. Thirdly, the set of proposals has a weak institutional structure, which is the fundamental consequence of the reluctance to transfer capacities and sovereign decisions towards supranational bodies, even if these are strictly regulated. Paradoxical as it may seem, they reduce the opportunities for convergence and the search for shared perspectives.

To these three elements we just mentioned we can add another one which is of a procedural character, namely the “rule of consensus” that makes decision-making processes rigid and enables a succession of crossed vetoes that make it impossible to move forward in an effective way. In this context, it becomes necessary to design mechanisms of flexibility that will allow to develop consensuses and to achieve advances at different rates. In other words, it is necessary to set up mechanisms that promote the consensuses of integration with varying speeds, which in practice will establish a variable geometry depending on the actors’ areas of interest, while preserving the veto rights for each of them, no matter what their size or weight, on topics defined as being of vital interest for their development.

The proposed initiatives and integration projects have emerged with great strength in recent years in the Latin American and Caribbean region. Regional integration expresses itself nowadays through an oversupply of proposals. These are manifested through initiatives of inter-governmental character expressed in Summit Diplomacy. In the last five-year period, integration processes have also shown major weaknesses such as breakups in the Andean Community of Nations and the G3, the stagnation of MERCOSUR or the lack of consensus to negotiate on the basis of a shared perspective with actors outside the region, or the emergence and permanence of contentious between countries—all of which hinders the processes and even, in the case of some tensions, threatens peace. Notwithstanding the above, regional processes of a new kind have also consolidated in this period, which vie for supremacy in

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7 Speech of the Mexican Minister of Foreign Affairs, Patricia Espinosa, at the *CALC meeting*, Rio de Janeiro. October 6, 2008.

the respective sub-regions. This means that we have an important set of proposals, but they are not managing to elicit a substantial support that will allow them to become decisive alternatives to orient the process with a strategic dimension, perspective and projection for the respective region, much less for Latin America as a whole.

Since 2004, ALADI considers that “efforts at integration began to disintegrate with the emergence of different proposals that have dispersed attention and resources, while none of them has reached a relevant momentum.”<sup>8</sup> As a result of this oversupply of proposals and initiatives, we find that, despite the political relevance each one of them has and despite statements by Heads of State on their importance, up to now there is no one of them that has succeeded in articulating an overall look at the region. Instead, they have tended to fragment Latin America and the Caribbean into “several” Latin Americas.

Integration is a complex process that shows forward and backward steps at every stage. In the Latin American case, we acknowledge a cumulative trend that places an increasingly heavy weight on integration. In recent years, one can detect an increase in intra-regional export and import. “After a period of virtual stagnation of intra-ALADI trade flows, between 1998 and 2003 the region has been living a time of clear expansion. In 2007 it completed its fourth consecutive year of strong growth.”<sup>9</sup> However, these advances do not yet reach sufficient density to establish complex interdependence processes. Among the major limitations expressed in this area is the prevalence of extra-regional trade and the increasing weight of the United States on the different sub-regions. Along with this, one finds the difficulties to set shared commercial policies and the limitations in business opportunities. The same can be said concerning the null coordination in macroeconomic policies and the building of institutional entities that can orient and oversee the processes of trade opening.<sup>10</sup>

Leaders in the region highlight the advisability and importance of integration and set a direction through statements and commitments. However, there are also backward steps, and the processes bog down as

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8 ALADI. *Informe del Secretario General de la ALADI sobre la evolución del proceso de Integración Regional durante el año 2007* (Report of ALADI’s General Secretary Concerning the Evolution of the Process of Regional Integration during 2007). Montevideo, March 7, 2008. [www.aladi.org](http://www.aladi.org)

9 Amorim, Celso. *Speech of the Minister of Foreign Affairs of the Federal Republic of Brazil at the XIV Meeting of the Council of Ministers of ALADI*. Montevideo, March 11, 2008.

10 Rueda Junquera, Fernando. “Las debilidades de la integración subregional en América Latina y el Caribe” (“The Weaknesses of Sub-Regional Integration in Latin America and the Caribbean”), in Philippe De Lombaerde; Shigeru Kochi and José Briceño (ed.) *Del regionalismo latinoamericano a la integración regional*. Siglo XXI and Fundación Carolina. Spain. 2008. pp. 37-70.

a result of conflicts and the breakdown of political will. The latter expresses itself in the lack of human and material resources and in the delay in increasing the commitments, which results in frustration and new difficulties to move forward. Trust falls down, and thus the processes move back. Despite the above, an important cumulative progress can be noted in the last five years.

Considering the actions, statements, omissions and conflicts in recent years, and especially in 2007 and up to October, 2008, which are examined in this paper, we come to the conclusion that it is fundamental to refocus the process in order to build an agenda and a road towards effective advances. The topics are on the table; the demands of various governments and societies prioritize them; and yet mechanisms of implementation do not flow. Hindrances emerge that inhibit progress.

While proneness to integration is manifest, the difficulties to take a qualitative leap leave the region with fewer opportunities to face common issues, especially those stemming from globalization. Likewise, the region now finds itself with more difficulties to face in an associate way the major regional and global challenges, from organized crime to climate change, and with a lesser ability ultimately to face an international insertion that allows it to attain a better development for its population as a whole. Not having “one voice” not only hinders progress but in many instances favors fragmentation. Pushing convergence forward is a priority.

### **The key actors in the process—Governments**

From the standpoint of actors, processes are eminently inter-governmental courses of action. It is state actors who define the possibility of progress, status quo or backward steps. The direct result of this exclusively state character is that States, by definition, seek to reassert their autonomy—this is the key element that prevails in state vision. Overcoming this perspective involves an essential politico-strategic definition—to yield sovereignty in order to build added sovereignty, which represents the best choice for the State itself in the context of globalization..

It is worth noting, in any event, that new actors have emerged in the processes of commercial consolidation and integration. “Real integration” is also marked today by the action of the corporate sectors and transnational corporations with regional capital or with capital from outside the region. Entrepreneurs and transnational corporations

become today a driving motor of integration processes.<sup>11</sup> According to them, “real” integration would be more relevant than the “formal” integration promoted by governments. While various paths are recognizable, with multiple strategies, it is State actors that have the high hand.

Spaces for promoting “another integration” from society—driven by social mobilization and with an ideological vision still in formation, with no agreement—are not present in any of the processes.<sup>12</sup> The paths for complementation, political agreement and integration in the region are essentially presidential and diplomatic. Hence the main mechanism continues to be summit diplomacy.<sup>13</sup>

One of the great actors absent from integration processes have been the citizens themselves. Among the main obstacles detected for attaining consensus that would facilitate participation, one can mention a political culture of elites that concentrates decision-making and an exclusion linked to mistrust in the face of citizens and their demands for participation. This explains why processes have not had an active participation of organized citizens. Nevertheless, despite the little information available to them, citizens do react to processes that affect their economic and social opportunities. This scarce participation results in a very weak representation of this actor before governments and corporate sectors, and generates dilemmas of a new kind in the face of

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- 11 Naranjo, Fernando. “Política Exterior e Integración. Oportunidades y Desafíos”. (“Foreign Policy and Integration: Opportunities and Challenges”) In, Josette Altmann and Francisco Rojas Aravena (Eds), *Las paradojas de la integración en América Latina y el Caribe*. Siglo XXI and Fundación Carolina. Spain. 2008. Pp 3-22.
- 12 R.A. Dello Buono (Ed), *Dialogo Sudamericano: Otra integración es posible*. (South American Dialogue: Another Integration Is Possible). Universidad Bolivariana, Santiago de Chile. 2007.
- 13 Rojas Aravena, Francisco (Ed), *Multilateralismo. Perspectivas latinoamericanas*. (“Multilateralism—Latin American Perspectives”) FLACSO-Chile. Editorial Nueva Sociedad. Caracas, 2000. Rojas Aravena, Francisco (Ed), *Las Cumbres Iberoamericanas. Una mirada Global*. (“Ibero-American Summits—A Global Outlook”) FLACSO-Chile. Editorial Nueva Sociedad. Caracas, 2000. Del Arenal, Celestino. *Las Cumbres Iberoamericanas (1991-2005): logros y desafíos*. (“Ibero-American Summits (1991-2005): Achievements and Challenges”) Siglo XXI and Fundación Carolina. Spain. 2005.
- 14 Serbin, Andres. “El gran ausente: ciudadanía e integración regional”. (“The great absentee: citizens and regional integration”) In Josette Altmann and Francisco Rojas Aravena (Eds), *Las paradojas de la integración en América Latina y el Caribe*. Siglo XXI y Fundación Carolina. Spain. 2008. Pp 223-234.

“integration from above”<sup>14</sup> . This expresses itself in the fact that the institutional frameworks for integration are fundamentally of a governmental character. The centers of civil society linked to these dynamics and with global orientation are non-existent for all real practical effects.

### **Integration and Public Opinion**

Looks from society, from the standpoint of public opinion concerning the processes of integration, bear contradictory results. One of every two people indicates that, in order to move forward in the region's integration, it is necessary to make compromises. However, one of every four people states that it is preferable not to move forward if compromises are necessary. In other words, one fourth of the citizens surveyed would favor vetoing integration processes if, in their opinion, these involve making compromises. And in this context, 22% indicate that they have no opinion.<sup>15</sup> The opinions expressed in 2006 showed similar trends—62% of those surveyed highlighted joint solutions, and 27% reasserted each country's own road, in a regional context of high heterogeneity in responses.<sup>16</sup> Hence, if politics is always defined in local terms, beyond recognizing the impact of global actors and the penetration of their political systems, leaders are very careful in measuring their decisions, especially those that are binding, concerning integration processes.

Just as paradoxical is the result that 55% of citizens say they support the creation of regional parliaments to propose common laws in a context in which, in the local level, the discredit of parliaments is high, and the level of citizens' trust in them doesn't reach 30%.<sup>17</sup> The discredit of political parties in each of the national milieus goes without saying.

In turn, the responses delivered by citizens in the different countries surveyed evidence high heterogeneity of attitudes concerning the region. This heterogeneity shows the difficulties to make effective progress in this area, above all if one considers that an important

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15 Corporación Latinobarómetro. *Oportunidades de Integración Regional II*. Santiago 2007.

16 Corporación Latinobarómetro. *Oportunidades de Cooperación Regional: integración y emergencia*. Santiago 2006.

17 Corporación Latinobarómetro, 2007. *Op Cit*.

percentage show irreducible positions in terms of making compromises. How can the positive opinion of 50% of Latin Americans be transformed into political will? This is the key issue that regional leadership needs to face. The assessment of forward and backward movements in the processes of integration in recent years shows this heterogeneity in public opinion in the countries in the region.

### **Progress in the Midst of Asymmetry**

The most significant advance in the area of integration, in 2007, was the “Framework Agreement for the Reestablishment of a Central American Customs Union”, subscribed on December 12, 2007, by the Central American nations in Guatemala City. To this is added the formalization of the UNASUR Treaty, which took place in May, 2008, at the South American Summit. The most important backward step was the border tension and the break of diplomatic relationships of Ecuador and Venezuela with Colombia, as a result of the incursion of Colombian troops in Ecuadorian territory on March 1, 2008, which required the action of the Rio Group to de-escalate tension. Diplomatic links have not been reestablished despite the efforts of OAS and organizations such as the Carter Center.

In a parallel way, we stress the fact that the tendencies of a positive economic growth remain present in the region, which has made it possible to reduce poverty. However, inequity persists. Nevertheless, some analyses indicate that a serious backward process may take place in the proposed goals and in the achievements already attained, expressing itself in a great deterioration for Latin America and the Caribbean as a whole, induced by the global financial crisis, which emerged in the United States (as a result of the mortgage crisis and the constant resale of these companies) and is expanding throughout the globe and will involve a strong shock for the economies in the region. The advances of the middle classes will be affected. This is further compounded by the emergency of the food crisis.

Murders and violence have taken on the character of a pandemic in many countries, especially in large cities.<sup>18</sup> This subject is becoming increasingly relevant in national and regional agendas.

Latin America is characterized by serious asymmetries, and this makes

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18 Pensamiento Iberoamericano. “(In) seguridad y violencia en América Latina: un reto para la democracia”. (“(In)Security and Violence in Latin America. A Challenge to Democracy”). In: *Revista Pensamiento Iberoamericano*. N° 2 Fundación Carolina y AECID. [www.pensamientoiberoamericano.org](http://www.pensamientoiberoamericano.org)

it difficult to find paths towards an effective agenda of convergence and integration. In the absence of an effective process that seeks the concurrence of various countries and seeks to harmonize various visions, opportunities will continue to be missed. Individual solutions will be sought. Risks and uncertainty will increase. Convergence allows to “set a common pace” for the different visions on policy setting, with greater affinities, which make better results possible and evidence processes in which shared successful experiences seek to be reinforced. In this way, all actors will win by taking advantage of the opportunities offered them by these processes of agreement, harmonization and convergence. On the contrary, if different perceptions are maintained, these will translate into diverging policy proposals with courses of action that lead to outcomes that are contrary to the ideas of integration.

Building shared spaces for dialogue makes it possible to value the visions of each of the actors, the grounds from which they perceive different facts, and on that basis, to establish a process that allows to build shared visions. Thus, moving ahead with the effort of dialogue and engagement and of a greater inter-institutional coordination, as well as an effective corporate action, is an essential task. Cooperation, collaboration and association generate actions that allow greater predictability, which reinforces trust, decreases uncertainty and helps establish a greater stability in the whole set of processes.

Despite momentary turbulences that affect the relationships between some governments in the area, the expectations for integration persist in Latin America. Integration reasserts an essential interest of the region's countries. One of the main challenges faced by the region is strengthening integration processes in order to improve its international insertion. This needs to be done at the same time as there is an acknowledgment of the differences and the various visions existing among Latin American States concerning the times, modes and mechanisms required to attain it. There is an acknowledgment of plurality, but the processes of acceptance are difficult, which compounds negotiations and the concretion of agreements.

### **Politics as the Prime Factor for Integration**

In integration processes, it is important to put the dimension of politics and cooperation in the first place. Regardless of the importance which is rightly attributed to the complementary agendas of competitiveness, innovation and support to free trade in most of the countries in the region, it becomes necessary to emphasize that integration, as a historical objective, cannot and must not be equated with the processes of trade openness. In fact, this openness is only meaningful—in a long-term perspective—if it is accompanied by increasing efforts for regional harmonization and articulation, based on an effective

political dialogue; on a set of shared understandings, based on an adequate set of norms and accompanied by a minimum institutional structure that can follow up on the agreements, as one of the essential tasks to consolidate the process.

There is no contradiction whatsoever between this and the emphasis that most States in the region have recently attributed to the development of schemes of “open regionalism” or “new regionalism.” Moreover, few doubt about the need to reinforce complementariness between the processes of integration into world economy and the schemes of regional and sub-regional integration, as a way to prevent the range of bilateral agreements already subscribed, such as free trade agreements with the USA, the European Union or the Asia-Pacific region from replacing intra-regional economic dynamics, but rather to have them reinforce these dynamics.

However, beyond the great conceptual diversity that prevails in the area of developing integration schemes, the key topics that inhibit them, now as before, continue to be of a mainly political nature. These relate to the absence of incentives strong enough to overcome the lack of will of the region’s countries to transfer to supra-national entities those powers which, up to this date, continue to be zealously preserved as part of the internal forum of the State-Nation defined in its most traditional understanding. The movement from traditional sovereignty to an aggregated sovereignty, to a larger sovereignty resulting from association, is still slow. The time frames for developing binding agreements and effective institutional frameworks of complementation and association are long.

In this perspective, integration must be positioned once again as an aspiration or, if one wills, as a hopeful but elusive objective. It constitutes at once a challenge that is acknowledged as key to move forward towards higher levels of development, and also as a realm where the State-Nation stubbornly refuses to make significant compromises in political and social matters. Hence, six paradoxes become evident in integration processes: 1) More democracies with greater disenchantment; 2) More growth of trade with lesser integration; 3) More economic growth with greater inequality; 4) A rhetoric of integration with actions of fragmentation; 5) Cooperative discourses with an escalation of tensions; 6) Complex institutional designs with structural weaknesses.<sup>19</sup>

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19 Altmann, Josette and Rojas Aravena, Francisco, “Multilateralismo e integración en América Latina y el Caribe”. (“Multilateralism and Integration in Latin America and the Caribbean”). In Josette Altmann and Francisco Rojas Aravena (Eds), *Las paradojas de la integración en América Latina y el Caribe*. Siglo XXI and Fundación Carolina. Spain. 2008. Pp 237-271

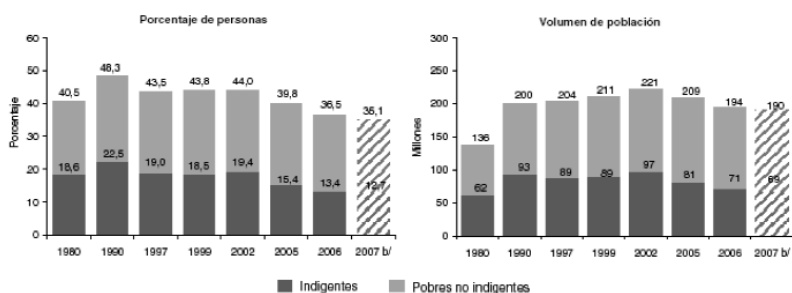
### Latin America, a New Regional Political and Economic Context

In the last five years, a series of trends have manifested themselves quite clearly in the region. Some of them are linked to the historical structural development of our countries, while others are connected to more recent processes. The major trends characterizing the region today are as follows:

- From being a region with a strong tradition of military coups and governments led by the Armed Forces, democracy has become the most important standard since the end of the Cold War.<sup>20</sup> Since the early 90's, no military coups d'état have taken place, although ingovernability did manifest itself quite strongly, especially in the Andean region.
- Latin America and the Caribbean are characterized nowadays by the maintenance of open political regimes, stemming from transparent elections which are now the rule.<sup>21</sup> The region is characterized by democracy. Support for democracy has remained steady throughout the last decade, with fluctuations that reach an average of 58%. Between 2006 and 2007, support for democracy decreased to 54%.<sup>22</sup>
- The Latin American region is one of the most inequitable regions in the world. Thirty-six point five percent of the population, representing 197 million people, still live in poverty, and a little below half of them (71 million) are now in indigence.<sup>23</sup> The policies to deal with this situation have not been able to solve the problem. Conflict increases in various societies. Support for democracy is decreasing, generating a strong challenge to the different governments in the region. The degree of satisfaction with democracy shows an average that reached 37% in 2007.<sup>24</sup>

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- 20 FLACSO Chile, *Reporte del Sector Seguridad en América Latina y el Caribe* (Report from the Security Sector in Latin America and the Caribbean) , Santiago, Chile, 2007. In: [www.flacso.cl](http://www.flacso.cl)
- 21 Sepúlveda Muñoz, Isidro Jesús "Cambio, Renovación y Revolución. Balance del Ciclo Electoral Iberoamericano" ("Change, Renewal and Revolution. An Assessment of the Ibero-American Electoral Cycle"), in *Iberoamérica: Nuevas Coordenadas, Nuevas Oportunidades, Grandes Desafíos*, Ministry of Defense, Spain, June 2007; Zovatto, Daniel. "Balance electoral latinoamericano. Noviembre 2005-diciembre 2006" ("Latin American Electoral Assessment. November 2005 – December 2006") , In Carlos Malamud, Paul Isbell and Concha Tejedor (Eds.) *Anuario Iberoamericano 2007*, Ediciones Pirámide, Spain, 2007.
- 22 Corporación Latinobarómetro, *Informe Latinobarómetro 2007*, Santiago, Chile. In: [www.latinobarometro.org](http://www.latinobarometro.org)
- 23 CEPAL, *Panorama Social de América Latina* (Social Overview of Latin America), Santiago, Chile, 2007. In: [www.eclac.org](http://www.eclac.org)
- 24 Corporación Latinobarómetro. *Informe Latinobarómetro 2007*. Op Cit

### Latin America: Evolution of Poverty and Indigence



Source: CEPAL. Panorama Social de América Latina 2007. Santiago, Chile, 2007. In: [www.eclac.org](http://www.eclac.org)

- a) Estimate referring to 18 countries in the region plus Haiti.
- b) Projections

- The governability of political systems has been low. Between 1992 and 2007, 11 presidents did not complete their constitutional mandates. These were interrupted by social discontent that led them to resignation. To this we must add an attempted coup d'état in Venezuela.<sup>25</sup> In all instances, the one who then took office did so respecting the constitutional norms.<sup>26</sup>
- Political systems are weak and with low degrees of trust from the public. The degree of trust in the essential institutions linked to democracy is low, and support for institutions such as political parties is decreasing—it only reached 20% in 2007. Trust in parliaments is also narrow, having reached 29% in 2007.<sup>27</sup>

25 The interrupted presidential mandates are: Fernando Collor de Mello (Brazil, 1992), Jorge Serrano Elías (Guatemala, 1993); Carlos Andrés Pérez (Venezuela, 1993); Abdalá Bucaram (Ecuador, 1997); Raúl Cubas Grau (Paraguay, 1999); Jamil Mahuad (Ecuador, 2000); Alberto Fujimori (Peru, 2000); Fernando de la Rúa (Argentina, 2001); Gonzalo Sánchez Lozada (Bolivia, 2003); Carlos Mesa (Bolivia, 2005); Lucio Gutiérrez (Ecuador, 2005).

26 Rojas Aravena, Francisco. “América Latina: en la búsqueda de la globalidad, la seguridad y la defensa” (Latin America: In Search for Globalization, Security and Defense), *Anuario Elcano. América Latina 2002-03*. Spain, 2003

27 Corporación Latinobarómetro. *Informe Latinobarómetro 2007*. Op Cit

**Latin America: Distribution of Income in the Poorest Quintile and the Richest Quintile**

Country	Year of Survey	Quintile 1 (poorest)	Quintile 2 (richest)
Argentina a)	2006 b)	3.6	56.4
Bolivia	2002	1.5	64.5
Brazil	2006	2.5	64.7
Chile	2006	4.1	57.7
Colombia	2005	2.9	63.0
Costa Rica	2006	3.9	53.0
Ecuador	2006	3.8	57.5
El Salvador	2004	3.5	53.5
Guatemala	2002	3.7	59.3
Honduras	2006	1.5	62.9
Mexico	2006	4.2	56.0
Nicaragua	2001	2.5	61.7
Panama	2006	2.5	58.7
Paraguay	2005	3.2	57.8
Peru	2003	3.8	55.2
Dominican Rep.	2006	2.6	62.1
Uruguay a)	2005	4.8	50.8
Venezuela	2006	4.6	49.8

Source: CEPAL. *Anuario Estadístico de América Latina y el Caribe. 2007.* (Statistical Yearbook of Latin America and the Caribbean, 2007). Santiago, Chile. 2008. In: [www.eclac.org](http://www.eclac.org)

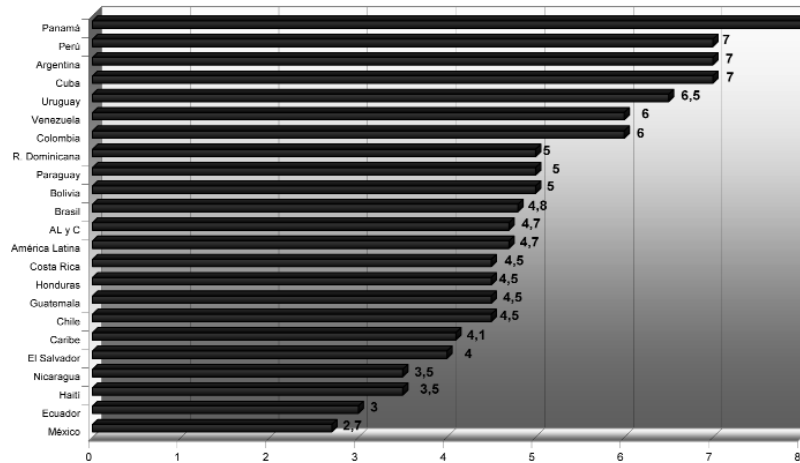
- In the realm of economics, the region has shown a better performance in the last 25 years. From a low point five years ago, in 2002, the region has shown an economic growth above 4%. However, this growth is unequal among countries and inside them.<sup>28</sup>
- The development models being promoted are diverse. A strong debate is underway in the region about what is the development model that will make it possible to overcome regional issues. These views separate and break up the political options, which makes it difficult for Latin America to speak with one voice.<sup>29</sup>

28 CEPAL. *Panorama Social de América Latina.* Op Cit.

29 Rojas Aravena, Francisco. *La Integración Regional: Un Proyecto Político Estratégico, III Informe del Secretario General*(Regional Integration: A Strategic Political Project. III Report of the General Secretary.)FLACSO. General Secretariat 2007. In: [www.flacso.org](http://www.flacso.org).

- The level of interpersonal trust is quite low—it came down to 17% in 2007. Similarly, the degree of mutual trust among Heads of State has decreased, which further limits the possibilities for effective cooperation and increases the areas of tension that make it difficult to reach a direct solution when problems arise.<sup>30</sup>

**Latin America: Projections for GDP Growth, 2008  
(Yearly variation rate)**



Source: CEPAL, *América Latina y el Caribe: Producto Interno Bruto 2007-2008*. In: [www.eclac.cl](http://www.eclac.cl)

30 Verbal incidents at the XVII Ibero-American Summit carried out in Santiago, Chile, in November 2007, and afterwards between President Chávez and President Uribe. (See: “Chávez ataca duro a Uribe; aumenta tensión bilateral”[“Chávez Strikes a Hard Blow on Uribe; Bilateral Tension Mounts”], *La Nación*, San José, Costa Rica (Nov. 27 , 2007) In: [www.nacion.com](http://www.nacion.com); “Crisis diplomática Colombia- Venezuela”(“Diplomatic Crisis between Colombia and Venezuela”), *La Nación*, San José, Costa Rica (Noc.26 , 2007) In: [www.nacion.com](http://www.nacion.com). Rojas Aravena, Francisco. *La Integración Regional: Un Proyecto Político Estratégico, III Informe del Secretario General*. Op cit.

- Latin America and the Caribbean do not possess a common vision, and therefore have not developed a shared outlook and strategic sense that would allow the region to face the great challenges of globalization with higher degrees of policy coordination and agreement.<sup>31</sup>

### **Towards Integration through Summit Diplomacy**

In 2007 and the first half of 2008, an intense activity of policy coordination developed in the context of integration processes.

This activism was evidenced mainly in the numerous Presidential summits carried out in the various sub-regions. The following summits were held in 2007: three of MERCOSUR; one of the Andean Community of Nations (CAN); six of the Central American Integration System (SICA), to which must be added two related to the Tuxtla mechanism or the Puebla-Panama Plan. CARICOM carried out two summit meetings. The Bolivarian Alternative for Latin America and the Caribbean (ALBA) and Petrocaribe held three meetings. To this one must add the Ibero-American Summit in Santiago, Chile, the South American Energy Summit in Isla Margarita, Venezuela, and the Rio Group Summit in the Dominican Republic.

In ten months of 2008, three summits of SICA have taken place. Add to this a Summit on Climate Change, a Food Summit (together with CARICOM and the ALBA countries) and a SICA-Brazil Summit. The member countries of the Puebla-Panama Plan also held a Summit. MERCOSUR carried out an Ordinary Summit, as did CAN. CARICOM has held four summits, and ALBA and Petrocaribe have held three. To this one must add the 20th Summit of the Rio Group, the V Summit between the European Union and Latin America, and two summits of UNASUR. Similarly, the Ibero-American Summit was held in El Salvador.

The intensity of these contacts expresses itself in the set of items, agreements and resolutions passed at each of those events. The topics and subjects addressed are many. Some have made possible effective advances and the concretion of agreements that project themselves effectively on the specific sub-regional context. The most evident case was the Rio Group meeting, which restored stability and de-scaled the conflict in the “Greater Colombia”, and reasserted peace as the key value. In Central America, the subscription of the “Framework Agreement for the Establishment of the Central American

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31 Rojas Aravena, Francisco and Altmann Jossette , (Ed). *Las Paradojas de la Integración en América Latina y el Caribe* (The Paradoxes of Integration Latin America and the Caribbean.). Fundación Carolina/ Siglo XXI. 2008.

Customs Union”, which was signed on December 12, 2007 by the Central American nations in Guatemala City, was the most significant agreement for this region and its negotiations outside the region. To this must be added the subscription of the UNASUR Treaty and the restructuring of the Puebla-Panama Plan within the Mesoamerica Project.

In the period in consideration (2007 through October, 2008), 160 points were passed in MERCOSUR, and 140 agreements of MERCOSUR with its Associate States. In the Andean Summits, 18 points were agreed. In the case of SICA, 214 points were passed during this time, and CARICOM had 124. In the context of the ALBA Summits, 85 issues were agreed on, while Petrocaribe did son with 41. The issues agreed on at the Summits of the Puebla-Panama Plan / Mesoamerica Project were 140. The Rio Group agreed on 56 points during this time. UNASUR and the Energy Summit made commitments concerning 2 and 18 topics respectively. Finally, at the Ibero-American Summit and the V Latin America – European Union Meeting, the agreements reached were 24 and 57 respectively.

LATIN AMERICA AND THE CARIBBEAN: PRESIDENTIAL SUMMITS, 2007

Summit	Date	Place	Attending	Number of Points Agreed on in the Declaration
<b>MERCOSUR</b>				
XXXII MERCOSUR Summit	18-19 January, 2007	Rio de Janeiro, Brazil	Presidents of MERCOSUR, Venezuela, Chile, Bolivia, Ecuador, Colombia, Peru,	Party States: 47 points Party & Associate States: 32 pts
XXXIII MERCOSUR Summit	29 June, 2007	Asunción, Paraguay	Presidents of MERCOSUR, Chile, Ecuador, Bolivia Vice-President of Venezuela	Party States: 35 points Party & Associate States: 38 pts
XXXIV MERCOSUR Summit	18 December, 2007	Montevideo, Uruguay	Presidents of MERCOSUR, Venezuela, Bolivia and Chile	Party States: 40 points Party & Associate States: 32 pts
<b>ANDEAN COMMUNITY</b>				
XVII Andean Presidential Summit	12-14 June, 2007	Tarija, Bolivia	Presidents of Bolivia, Ecuador, Colombia, Peru and Chile	18 points
<b>CENTRAL AMERICAN INTEGRATION SYSTEM (SICA)</b>				
Commemoration of the 25 <sup>th</sup> Anniversary of Signing the El Salvador Peace Agreements	16 January, 2007	San Salvador, El Salvador	Presidents of Guatemala, Nicaragua, Mexico, Honduras; Vice-Presidents of Costa Rica and Panama; Vice-Prime Minister of Belize; Foreign Affairs Minister of Dominican Republic	1 point
II SICA-Caricom Heads of State Summit	12 May, 2007	Belize City, Belize		20 points
XXX Ordinary SICA Summit	29 June, 2007	San Pedro, Ambergris Key, Belize	Presidents of Belize, El Salvador, Nicaragua, Guatemala, Honduras, Panama; Vice-President of Costa Rica; Representative of Dominican Republic	25 points
Extraordinary Presidents Meeting	8 August, 2007	San José, Costa Rica	Presidents of Guatemala, Honduras, El Salvador, Costa Rica, Panama	Celebration of 20 years of signing the Peace of Esquipulas II (no Declaration issued)
VI Taiwan-Central America & Dominican	23 August, 2007	Zamorano, Francisco	Presidents of Belize, El Salvador, Honduras, Guatemala and Taiwan	15 points

Summit	Date	Place	Attending	Number of Points Agreed on in the Declaration
Rep. Meeting		Morazán, Honduras	Vice-Presidents of Panama & Nicaragua Representative of Dominican Republic	
XXXI Ordinary SICA Summit	12 December, 2007	Guatemala City, Guatemala	Presidents of Guatemala, Costa Rica, El Salvador, Honduras, Nicaragua, Panama, Belize Representative of Dominican Republic	36 points
<b>CARICOM</b>				
II SICA-Caricom Heads of State Summit	12 May, 2007	Belize City, Belize		20 points
XXVIII Ordinary Summit	1-4 July, 2007	Needham's Point, Barbados		15 points
XII Extraordinary Summit	7 December, 2007	Georgetown, Guyana		23 points
<b>ENERGY SUMMIT</b>				
I South American Energy Summit	17 April, 2007	Isla Margarita, Venezuela	Presidents of Argentina, Brazil, Bolivia, Colombia, Chile, Ecuador, Paraguay, Venezuela, Trinidad and Tobago, Surinam, Guyana Vice-President of Uruguay	18 points
<b>ALBA</b>				
V ALBA Summit	29 April, 2007	Tintorero, Lara State, Venezuela	Presidents of Venezuela, Bolivia, Nicaragua, Haiti Vice-President of Cuba Representatives of Ecuador, Dominica, St. Kitts-Nevis, St. Vincent & Grenadines, Uruguay	10 points Energy Treaty: 5 points "Grand-National Project": 12 points

LATIN AMERICA AND THE CARIBBEAN: PRESIDENTIAL SUMMITS, 2007

Summit	Date	Place	Attending	Number of Points Agreed on in the Declaration
<b>PETROCARIBE</b>				
III Petrocaribe Summit	11 August, 2007	Caracas, Venezuela	Prime Minister/President of Antigua & Barbuda, Belize, Dominica, Guyana, Haiti, Nicaragua, St. Vincent & Grenadines, St. Kitts-Nevis, Venezuela Vice-President/Vice-Prime Minister of Cuba, Grenada Representative of Dominican Republic, Jamaica, Surinam	13 points
IV Petrocaribe Summit	21 December, 2007	Cienfuegos, Cuba	11 Presidents or Heads of State and representatives of the 16 Petrocaribe member states	13 points
<b>PUEBLA-PANAMA PLAN</b>				
Presidents' Summit for Strengthening the Puebla-Panama Plan	10 April, 2007	Campeche, Mexico	Presidents of Mexico, Belize, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Panama Vice-President of Nicaragua	9 points Annex I: 11 points Annex II: 16 points
IX Summit of the Tuxtla Mechanism	29 June, 2007	San Pedro, Ambergris Key, Belize	Presidents of Belize, El Salvador, Nicaragua, Guatemala, Honduras, Panama, Mexico; Vice-President of Costa Rica; Representative of Dominican Rep. (Associate) and Colombia (guest)	44 points
<b>RIO GROUP</b>				
XIX Rio Group Summit	Turkeyen, Guyana	2-3 March, 2007	Presidents of Brazil, Chile, Mexico, Dominican Rep., Honduras, Panama, Nicaragua, Guyana	39 points 6 Additional declarations

**LATIN AMERICA AND THE CARIBBEAN: PRESIDENTIAL SUMMITS, 2007**

Summit	Date	Place	Attending	Number of Points Agreed on in the Declaration
<b>IBERO-AMERICAN SUMMIT</b>				
XVII Ibero-American Summit	8-10 November, 2007	Santiago, Chile	Presidents of Andorra, Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Spain, Guatemala, Honduras, Nicaragua, Paraguay, Peru, Portugal, Uruguay, Venezuela Vice-Presidents of Cuba, Panama, Dominican Rep. Representative of Mexico	24 points Action Program: 53 points 10 Special Communiqués

**LATIN AMERICA AND THE CARIBBEAN: PRESIDENTIAL SUMMITS, 2008**

Summit	Date	Place	Attending	Number of Points Agreed On in the Declaration
<b>MERCOSUR</b>				
XXXV MERCOSUR Summit	1 July, 2008	Tucumán, Argentina	Presidents of Chile, Argentina, Venezuela, Bolivia, Brazil, Paraguay and Uruguay Representatives of Peru, Mexico, Ecuador and Colombia	Party States: 38 points Party and Associate States: 38 pts Declaration on the Return Directive: 8 points
<b>ANDEAN COMMUNITY</b>				
Extraordinary Summit	14 October, 2008	Guayaquil, Ecuador	Presidents of Bolivia, Ecuador and Peru Representative of Colombia	No declaration issued
<b>SICA</b>				
Extraordinary Summit of Presidents of SICA	20 February, 2008	San Salvador, El Salvador	Presidents of El Salvador, Guatemala, Nicaragua Vice-Presidents of Costa Rica and Panama Representatives of Honduras,	1 point

**LATIN AMERICA AND THE CARIBBEAN: PRESIDENTIAL SUMMITS, 2007**

Summit	Date	Place	Attending	Number of Points Agreed on in the Declaration
Food Summit	Managua, Nicaragua	7 May, 2008	Dominican Rep. and Belize Presidents of Bolivia, Ecuador, Honduras, Costa Rica, and Haiti, Prime Minister of St. Vincent & the Grenadines Foreign Affairs Ministers of Venezuela, El Salvador and Mexico	36 points and one Annex
Climate Change Summit	San Pedro Sula, Honduras	28 May, 2008	Presidents of Mexico, Honduras, El Salvador, Guatemala, Belize, Representatives of Costa Rica, Dominican Rep., Nicaragua, Panama and Caribbean Community countries	22 points
SICA-Brazil Summit	San Salvador, El Salvador	29 May, 2008	Presidents of Brazil, El Salvador, Panama, Dominican Rep., Guatemala, Honduras	19 points Special Communiqué
XXXII Ordinary SICA Summit	San Salvador, El Salvador	27 June, 2008	Vice-Presidents of Costa Rica, Belize Representative of Nicaragua Presidents of El Salvador, Belize, Guatemala, Costa Rica, Honduras Representatives of Nicaragua, Panama and Dominican Republic	34 points Special Declaration, 5 points
Extraordinary SICA Summit	Tegucigalpa, Honduras	3 October, 2008	Presidents of Honduras, El Salvador, Guatemala, Nicaragua, Costa Rica and Belize Vice-President of Panama Representative of Dominican Rep.	No declaration issued
<b>CARICOM</b>				
XIII Extraordinary CARICOM Summit	Port of Spain, Trinidad and Tobago	4-5 April, 2008		12 points Attached Summary Decisions, 12 points
Climate Change Summit	San Pedro Sula, Honduras	28 May	Presidents of Mexico, Honduras, El Salvador, Guatemala, Belize Representatives of Costa Rica, Dominican Rep., Nicaragua, Panama and Caribbean Community nations	22 points

**LATIN AMERICA AND THE CARIBBEAN: PRESIDENTIAL SUMMITS, 2007**

Summit	Date	Place	Attending	Number of Points Agreed on in the Declaration
XXIX Ordinary Summit	Antigua & Barbuda	4 July, 2008		20 points Dickinson Bay Declaration Declaration on Barbadas
Extraordinary Summit	Bridgetown, Barbados	18 September, 2008		No declaration issued
<b>ALBA</b>				
VI ALBA Summit	Caracas, Venezuela	26 January, 2008	Presidents of Venezuela, Bolivia, Nicaragua Vice-President of Cuba Prime Ministers of Dominica, St. Vincent & Grenadines and Antigua & Barbuda Representatives of Ecuador, Haiti, Uruguay, Honduras and St. Kitts-Nevis	15 points 6 additional documents
Extraordinary ALBA Summit	Caracas, Venezuela	23 April, 2008	Presidents of Venezuela, Nicaragua and Bolivia Vice-President of Cuba	1 point
Food Summit	Managua, Nicaragua	7 May, 2008	Presidents of Bolivia, Ecuador, Honduras, Costa Rica and Haiti; Prime Minister of St. Vincent & Grenadines Foreign Affairs Ministers of Venezuela, El Salvador and Mexico	36 points and one Annex
<b>PETROCARIBE</b>				
V Petrocaribe Summit	Maracaibo, Venezuela	13 July, 2008	Presidents of Dominica, Dominican Rep., Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, St. Kitts-Nevis, St. Vincent & Grenadines and Venezuela Vice-President of Cuba Representatives of Belize and Surinam	15 points

<b>LATIN AMERICA AND THE CARIBBEAN: PRESIDENTIAL SUMMITS, 2007</b>			
Summit	Date	Place	Number of Points Agreed on in the Declaration
<b>MESOAMERICA PROJECT</b>			
X Summit of the Tuxtla Mechanism	Tabasco, Mexico	28 June, 2008	60 points
<b>UNASUR</b>			
Extraordinary UNASUR Summit	Brasilia	23 May, 2008	Constitutional Treaty
Extraordinary UNASUR Summit	Santiago, Chile	15 September, 2008	Support for Bolivia
<b>RIO GROUP</b>			
XX Rio Group Summit	Santo Domingo, Dominican Republic	7 March, 2008	11 points
<b>EUROPEAN UNION – LATIN AMERICA</b>			
V EU-LA Summit	Lima, Peru	15-16 May, 2008	57 points

### **Main Actions in the Integration Processes in Latin America and the Caribbean in 2007 and the first half of 2008**

Three great processes characterize the main bets for commercial consolidation and integration in the region. These are the Mesoamerica Project, ALBA, and UNASUR. To these initiatives we should add another one of a hemispheric character which was frustrated—ALCA or FTAA, the Free Trade Area of the Americas. These initiatives of a broad regional character overlap the politico-commercial institutions already established in each of the sub-regions—CARICOM, SICA, the Andean Community and MERCOSUR, and others of a functional character specialized in cooperation, such as the Organization of the Amazonian Cooperation Treaty (OTCA), the Association of Caribbean States (ACS) and the Latin American Integration Association (ALADI).

The integration processes such as the Mesoamerica Project, ALBA and UNASUR have a vocation which reaches beyond their own sub-regions. In fact, the Mesoamerica Project reaches out to the south including Colombia, and even approaching Ecuador. ALBA, on its part, brings together countries from South America, Central America and the Caribbean. UNASUR simultaneously involves Andean countries, continental Caribbean countries and countries from the South Cone. These are more embracing projects, and they are characterized by having a more political nature. At the same time, they overlap the formal and more institutionalized multilateral initiatives such as SICA, CARICOM, MERCOSUR and the Andean Community of Nations, initiatives with both a political and commercial character which are more institutionalized. Finally there is the Rio Group, which is the only initiative all the Latin American countries are part of (Cuba became joined in 2008) and that, as previously indicated, is the one that has the best conditions to keep developing as an attraction pole for the region as a whole.

What follows is a review of the main integrative projects in the region.

#### **THE MESOAMERICA PROJECT <sup>32</sup>**

This was designed as a regional development plan that would cover the nine states in Mexico's south-southeast (Puebla, Veracruz, Tabasco, Campeche, Yucatán, Quintana Roo, Guerrero, Oaxaca and Chiapas) and the seven countries

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32 It was previously called the Puebla-Panama Plan, but as of the X Summit of the Tuxtla Mechanism, on June 28, 2008, it became the Mesoamerica Project.

in the Central American isthmus (Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Belize). This was launched on June 15, 2001 in San Salvador, El Salvador, in the framework of the Special Summit of the member countries of the Tuxtla Mechanism for Dialogue and Coordination. It was defined as a “regional strategy to promote the economic development, reduce poverty and increase the wealth of human and natural capital in the Mesoamerican region, within a context of respect towards cultural and ethnic diversity, and the inclusion of the civil society.”<sup>33</sup> In this sense it has two main axes: the axis of Human Development and its Environment, and the axis of Productive Integration and Competitiveness.

In 2006 Colombia joined the initiative, after being an observer since 2004. Up to 2007, the Puebla-Panama Plan had a portfolio of 99 projects requiring a lump investment of US\$8.048 billion. In the context of the Special Summit of Tuxtla Heads of State that took place in Campeche, Mexico on April 9-10, 2007, the presidents of the member countries agreed a “re-launching” of the PPP in order to strengthen it through establishing the Work Agenda which includes measures for the consolidation of the institutional mechanisms.

In the Puebla-Panama Plan Summit which took place in April, 2007 in Campeche, Mexico, the Presidents reviewed the main achievements reached in the 2002-2006 period. For this they emphasized the important advances in 33 regional projects which involve investment amounts of US\$4,500,000. Some of these projects are linked to the Central American regional electric market and to the Mesoamerican Energy Integration Program. Similarly, the Presidents highlighted the advances in the field of infrastructure, especially in the International Network of Mesoamerican Roads. They also congratulated themselves on the advances of the Mesoamerican Information Freeway, an optic fiber network for advances in the sector of science and technology. Other fields in which they recognized advances or the starting of activities are the Mesoamerican International Merchandise Transit Procedure, the Mesoamerican Program of Epidemiological Surveillance, and the Mesoamerican Program on the Approach to HIV-AIDS, as well as the beginning of the statistic information program on Mesoamerican migrations. Likewise, the Heads of State highlighted the subscription of the volunteer agreement for sustainable environmental behavior and the preparation of the Central American Atlas of Territorial Information for Development and the Reduction of Disaster Hazard, as well as South-to- Southeast Atlas of Dangers and Threats of Natural Disasters.

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33       FLACSO. *Dossier Plan Puebla Panamá*. Also at: [www.planpuebla-panama.org](http://www.planpuebla-panama.org).  
Also at: [www.presidencia.gob.mx](http://www.presidencia.gob.mx)

At the Joint Declaration of the IX Summit of Heads of State and Government of the Tuxtla Mechanism, which took place on June 29, 2007, the Presidents agreed on a statement containing 44 items organized around 4 big areas: political issues, Puebla-Panama Plan issues; economic, trade and financial issues, and cooperation issues.

Concerning the political issues, the Presidents reaffirmed the democratic principles and values and how the dialogue and agreement mechanism contributes to consolidate democratic governance, as well as the promotion and respect of human rights and fundamental freedoms, including the participation of civil society. In this section six points were dedicated to the migratory subject and the need for agreed actions to protect immigrants. A second subject, which had six paragraphs, has to do with security and the commitment to cooperation among the signing states in the strengthening of cooperation to fight against Organized Crime and to strengthen security in the region's countries, with a regional and long term perspective; that will be developed with full respect for sovereignty, territorial integrity and legal equality of the states. They highlighted the importance of international cooperation in this domain. Additionally, they congratulated themselves on the beginning of negotiations for an agreement between the European Union and Central America.

As far as the Puebla-Panama Plan issues are concerned, they pointed out their approval of the achieved advances, which we highlighted in previous paragraphs. Regarding the economic, trade and financial issues they expressed that the convergence of the Free Trade Agreements subscribed between Central America and Mexico will promote a greater regional integration, facilitating trade through the harmonization of rules and procedures, which will decrease transaction costs. On this basis, the President of Mexico invited Belize, Panama and the Dominican Republic to join an initiative to reach a single Mesoamerican Free Trade Agreement. Finally, on issues regarding cooperation, they pointed out the important results obtained in the 2000-2008 period and new cooperation opportunities were addressed in the framework of this dialogue and agreement mechanism.

The X Summit of the Tuxtla Dialogue and Agreement Mechanism, which took place in Villahermosa, Tabasco, Mexico, on June 28, 2008, was fundamental for the advance and consolidation of the Puebla-Panama Plan. At that time the Presidents, after ratifying their commitment to the continuous search for an integral development of the Mesoamerican peoples, decided that as of that date the Puebla-Panama Plan would be called the "Mesoamerican Project", which would continue with the objective of consolidating the integration and development that will boost complementariness and cooperation among member countries with the objective of extending and improving their capabilities and make the instrumentation of projects effective,

so that they will result in specific benefits for the Mesoamerican peoples in matters of infrastructure, interconnectivity and social development. For this purpose, the Presidents agreed to give political, technical and financial support to the recommendations indicated in the report “PPP: Advances, Challenges and Perspectives”. Regarding this report, it is worth pointing out that one of the main changes encouraged was decreasing the portfolio of projects from 99 to 22, 3 of which are now in the stage of feasibility studies.

In addition, in this X Summit, Mexico announced the launching of a Program for Social Housing Development in Central America through the Central American Bank for Economic Integration (BCIE), which will be carried out with resources of the San José Agreement and whose objective will be to contribute to the development of the housing sector in the Central American countries by promoting the housing credit market on a long-term and sustainable basis.

The Presidents also made a commitment to support the Mesoamerican Public Health System, the Mesoamerican Strategy for Environmental Sustainability, as well as the organization and launching of the Mesoamerican Territorial Information System. In the area of road infrastructure, it was decided to order the Ministers of Transportation and Public Works to prioritize the completion of the rehabilitation, extension and signaling of the Pacific, Atlantic, Caribbean Tourism and Inter-Oceanic Corridors that are part of the

International Network of Mesoamerican Roads, granting a special importance to a multimodal approach. In the field of electric energy and telecommunications, the Presidents expressed their approval for the consolidation of the Mesoamerican network for electrical transmission through Mexico's involvement in the Owner Company of the Network in Central America, and acknowledged the advances in the Mesoamerican Information Freeway project, especially the incorporation of the company Central American Fiber Optics Network.

### **BOLIVARIAN ALTERNATIVE FOR LATIN AMERICA AND THE CARIBBEAN (ALBA)**

The Bolivarian Alternative for Latin American and the Caribbean (ALBA)<sup>34</sup> emerged as an integration proposal stated by Venezuelan President Hugo Chávez. It seeks to reinforce peoples' self-determination and sovereignty by proposing an integration alternative that opposes the economic policies

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34      FLACSO. *Dossier ALBA*. Also at [www.alternativabolivariana.org](http://www.alternativabolivariana.org)

proposed and implemented at the end of the past century by the United States and some international organizations such as the World Bank and the International Monetary Fund. ALBA is the antithesis of the so-called “Washington Consensus”. In 2004, the Presidents of Cuba, Fidel Castro, and of Venezuela, Hugo Chávez, signed its constitution, and in 2005 its first meeting took place. In 2006, Bolivia joined this initiative and in 2007 Nicaragua and Dominica did the same. In 2008 the President of Honduras subscribed the Incorporation Agreement with ALBA, which needs to be ratified by the Congress of that country in order to become effective.

It is important to highlight that, in 2005, the Petrocaribe Cooperation Agreement was established. This is a Venezuelan initiative with the Caribbean countries whose main objective is to contribute to energetic security. In the context of Petrocaribe, three Presidential Summits have taken place (two in 2007 and one more in 2008) that have helped to subscribe an important number of energy agreements between the ALBA member countries and the Caribbean and Central American countries, a situation that has also contributed to draw these latter countries closer to the policies and initiatives set up in the framework of ALBA.

ALBA held its V Summit in April, 2007. This involved an acknowledgement of the important advances in 2006 on the beginning of this mechanism that is defined as an instrument for the integration and union of Latin America and the Caribbean on the basis of “an independent development model that prioritizes regional economic complementariness, makes true the will of promoting everybody’s development and strengthens a genuine cooperation based on reciprocal respect and solidarity.” In this sense the Presidents of the mechanism and the special guests indicated that this alternative “constitutes a strategic political alliance, whose main objective in a mid-term period is to produce structural transformations in the socioeconomic formations of the nations that are part of it.” Thus, in ALBA’s V Summit the ALBA Energy Agreement was signed, and the “Grandnational” Project was subscribed in which twelve subject matters are included with their own specific projects. These subjects are: education, culture, fair trade, finance, food, health, telecommunications, transportation, tourism, mining, industry and energy. Also, during this Summit, several documents were subscribed: the ALBA Energy Agreement between Venezuela and Nicaragua, between Venezuela and Bolivia and between Venezuela and Haiti. Also, the ALBA cooperation framework agreement between Venezuela, Cuba and Haiti was subscribed.

At the IV Meeting of ALBA, which was held on January 26, 2008, in addition to the Heads of State of this mechanism that brings together Bolivia, Cuba, Nicaragua and Venezuela, several other countries joined as

observers and special guests: Haiti, Ecuador, Dominica, Saint Vincent and the Grenadines, Uruguay, Honduras, and Saint Kitts and Nevis. One of the main instruments that was acknowledged at this Summit was Petrocaribe, which had two summits—one in August, 2007, held in Caracas, and another in December, 2007, which took place in Cienfuegos, Cuba. This IV Summit marked an advance in prioritizing the “Grandnational” projects, and the participants highlighted that this VI Summit has involved “a transcendental step towards ALBA’s consolidation as a strategic political alliance, and for building a new model of integration and union for our republics and peoples.” This meeting also involved the Foundation Charter of ALBA’s Bank, the joining of Dominica, the support for the transformation that the people of Bolivia are pursuing, the conceptualization of the “Grandnational” project and company, and the cultural document of ALBA. The same can be said of the political statement of the Social Movements Council of ALBA- PCA (Peoples’ Cooperation Agreement).

Petrocaribe works as an instrument for energy cooperation, in which Venezuela’s policy to provide subsidized prices and develop mixed companies to operate the petroleum markets are the main bases for this initiative. At the same time, it must be understood in the context of ALBA, as an instrument of cooperation of ALBA which goes beyond the strictly energy-related issues. Thus, in the framework of Petrocaribe, perspectives for air and maritime transportation in the sub-region are analyzed as an essential requirement for integration. Petrocaribe raises a cooperation model guided by solidarity and a special and differentiated treatment.

Both ALBA and Petrocaribe underscore “the ominous consequences of the inequitable international economic order” that has a negative impact on the prices of primary products and makes fuels more expensive. Petrocaribe, from a strategic scheme perspective, intends to encourage energy security as a way of promoting the sustainable economic and social development of the member countries.

On April 23, 2008, called by President Chávez, the Presidents of ALBA member countries gathered in Managua to show their support for President Evo Morales’ government in the face of the political effervescence situation that afflicts his country. On this occasion, the Declaration of Solidarity and Support for the Republic of Bolivia was subscribed.<sup>35</sup>

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35 ALBA Special Summit. *Declaration of Solidarity and Support for the Republic of Bolivia*. April 23 , 2008. Managua, Nicaragua.

## MERCOSUR

Three Summits of MERCOSUR were held in January, June, and December, 2007. The agendas and declarations of the meetings of Heads of State of the Member and Associated States were broad, and they contain more than one hundred paragraphs referring to the work of this sub-regional group. From the three meetings it is possible to highlight some cross-cutting topics, such as the importance and priority of the social and political dimension of integration, as well as the acknowledgement of the democratic commitment of the member and associated states. Similarly, other common subject matters were highlighted in the different meetings, conflicts and cross-cutting factors such as efforts linked to the promotion of gender equality and the role of women in the political processes and integration processes. Support to Argentina concerning the issue of sovereignty of this country over the Falklands has been ongoing. The importance of collaboration with Haiti is likewise emphasized. We can also indicate that the topic of disarmament, particularly concerning weapons of mass destruction, has been a cross-cutting topic in different meetings. To this we must add their commitment with multilateralism and with the reform of the United Nations. The same applies to their support to the tasks carried out by the OAS in the promotion and consolidation of democracy, the rule of law, respect to civil rights and fundamental freedoms, all of them acknowledged in the Inter-American Democratic Charter.

Also, as in the other sub-regional spaces, the importance of the negotiations with the European Union is highlighted, and the will to actively participate in the V Summit of Latin America and the Caribbean with the European Union, which took place on May 16-17 in Lima, Peru, was expressed.

In this period of time (2007) the MERCOSUR Parliament was constituted, which is linked to the development of an institutional level that might facilitate dialogue with Europe.

Ecuador became part of MERCOSUR as an Associated State, joining Chile, Bolivia and Peru. Venezuela's full incorporation is still pending approval from the Brazilian Parliament. The Presidential statement of December, 2007, highlighted the importance and need for this step as a fundamental issue for MERCOSUR's strengthening.

The topics of security occupied a relevant place in the attention of Heads of State in the different meetings, especially in the establishment and launching of a security information system of MERCOSUR.

In other issues, MERCOSUR subscribed a Free Trade Agreement with Israel and supported the dialogue initiatives with other regions such as dialogue with Russia, Asia and Oceania, thus becoming an effective speaker and international actor.

On July 1, 2008 the XXXV Summit of MERCOSUR Heads of State and Government took place in Tucumán, Argentina. The joint rejection by the member and observer countries to the immigration law project of the European Union (EU), the “Return Directive”, became the main issue of the Summit, and for this reason the Presidents signed a Special Communiqué.

Other subject matters addressed were the food crisis, bio-fuels, trade integration with the approval of a Productive Integration Program and a fund for small and mid-sized companies, and the intention to resume negotiations for a Strategic Association Agreement with the EU as soon as conditions permit. At the same time, the positive completion of negotiations between MERCOSUR and Chile about trade and services was announced.

### **THE ANDEAN COMMUNITY OF NATIONS (CAN)**

In the Andean area, first the crisis resulting from Venezuela’s leaving and then the crisis between Colombia and its neighbors at the beginning of the year 2008 has paralyzed this mechanism. To this one can add that both Bolivia and Ecuador are immersed in major national debates regarding the development of a new constitution by their respective constitutional assemblies.

Chile’s entrance in this organization, although important, was not enough to balance the impact of Venezuela’s departure. The effects of the crisis in this sub-regional mechanism have a strong impact on another one—UNASUR. The perspective of subscribing a constitutional agreement for UNASUR was postponed.

At the Tarija Summit of June, 2007, the main subjects addressed were stated on a 18-item declaration which expressed the commitment to deepen and renew the integration system of the Andean Community; the need to deepen an integrated plan for social development, to address the subject of immigration and to subscribe an outstanding convention on the protection of immigrants’ rights. The impact of climate change and the effects of environmental damage on the quality of life of people. The Heads of State ratified the need to establish mechanisms of participation and contribution for the indigenous peoples, as well as to fight corruption as a requirement to safeguard State patrimony and strengthen the democratic system. In the area of energy, they reiterate the will to reach a development based on the diversification of sources, so as to protect the environment and food security.

Regarding the worldwide problem of drugs, the principle of a shared responsibility in fighting against this scourge was ratified, promoting a balanced, integral and sustainable approach. Finally, they expressed their approval to the inclusion of Chile as an associated country, joining Argentina, Brazil, Paraguay and Uruguay that were already in that status.

The crisis between Colombia, Ecuador and Venezuela has immersed the Andean Group in an institutional paralysis for which it is not possible to clearly perceive a short-term solution. To this is added the stress developed between Bolivia and Peru due to the way in which the Strategic Association Agreement with the European Union should be negotiated.

On October 14, 2008, a Special Presidents' Summit took place in Guayaquil, Ecuador, mainly to address the issue of negotiations with the European Union. The Andean countries unanimously agreed to request an urgent meeting with the European bloc to express their desire of advancing the negotiations on the Association Agreement, but that these negotiations have flexible margins for Ecuador and Bolivia. The Andean bloc hopes that the meeting with the EU will be held around October 28th and 30th in San Salvador, taking advantage of the Ibero-American Summit that will be taking place there.

The Summit was used also to call Chile to join again CAN as a full member and to exhort Mexico and Panama to participate as observers.

#### **SOUTH AMERICAN NATIONS UNION (UNASUR)**

At the III South American Presidential Summit which took place in the city of Cuzco, Peru, on December 7 and 8, 2004, the charter that created the South American Nations Community (CSN)<sup>36</sup> was signed with the objective of “developing a South American space integrated in the political, social, economical, environmental and infrastructure issues that will strengthen South America’s own identity and that will contribute, from a sub-regional perspective and in articulation with the regional integration experiences, to the strengthening of Latin America and the Caribbean, and that provides it with a greater gravitation and representation in international forums” (Cuzco Declaration). On April 17, 2007, at Margarita Island, Venezuela, after two Presidential Summits and within the framework of the South American Energy Summit, the CSN changed its name to the South American Nations Union (UNASUR).

The 2008 UNASUR Summit had been convoked to take place on March 28 and 29 in Cartagena, where it was planned that the Presidents would discuss and sign the Constitution Agreement of this new integration mechanism; however, the crisis in relations between Colombia and Ecuador led to its suspension. As a result of the offer

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36 FLACSO. *Dossier Comunidad Sudamericana de Naciones*. Op Cit

made by Brazilian President Luis Inácio Lula da Silva, the UNASUR special Presidential Summit took place in Brasilia on May 23, and its main outcome was the approval of the Constitution Agreement.

The structure set forth by the Constitution Agreement involves annual presidential summits, ministerial meetings every semester, delegates' meetings every two months and a permanent secretariat based in Quito. It also includes the eventual creation of a South American Parliament, whose headquarters will be located in Cochabamba, Bolivia. Also, the document foresees the adhesion of new members to the mechanism. However, this adhesion could be requested five years after the effective date of the constitution agreement, which will take place once the ninth Assembly of the twelve member countries ratifies the text. Additionally, it establishes MERCOSUR and CAN as the sustaining bases for UNASUR.

At that meeting, the Government of Brazil formally submitted its proposal to create a South American Defense Council. However due to Colombia's refusal to subscribe it, the Presidents agreed to create a working group to define its possible creation. This Working Group had a meeting on August 26, 2008, to discuss the proposal that will be submitted to the South American Presidents for its approval at the next Presidential Summit.

On September 13, 2008, Chilean President Michelle Bachelet, as the UNASUR Pro Tempore President, called the South American Presidents to an emergency meeting to discuss the crisis affecting Bolivia, whose intensity was considerable at that time. This UNASUR Emergency Summit took place on September 15th in Santiago, Chile with the attendance of the Presidents of Chile, Argentina, Brazil, Bolivia, Colombia, Ecuador, Paraguay, Uruguay and Venezuela. As a result of this meeting the Presidents subscribed the La Moneda Declaration, stating their complete support to the legality represented by the government of President Evo Morales, rejecting the violent actions that took place a few days earlier in the Pando Department of that country, calling to dialogue to coordinate a sustainable solution, and announcing the creation of the UNASUR Commissions that would try to clarify the facts and to accompany the work of a dialogue board.

The Presidents of UNASUR had a new meeting in New York on September 24 to follow up on the topic of the Bolivian crisis, taking advantage of the presence of almost all the Presidents in that city due to the 63rd period of sessions of the UN General Assembly. At the end of this meeting they announced the decision to postpone the UNASUR Summit that was scheduled to take place on October 21 in Viña del Mar, since otherwise this would be the third time that the South American Presidents met in one month.

## CARICOM

CARICOM, for its part, dedicated one of its summits to functional cooperation, the institutional form that these processes should adopt and the coordination of social welfare policies. It is acknowledged that cooperation is the community's main objective and that very important contributions have been established in the areas of education, health, sports, culture and sustainable development, and security. A CARICOM extraordinary session, which took place in July, 2007, was dedicated to the analysis of poverty and the increasing of the cost of living, the latter linked with factors such as the devaluation of the US dollar, the increasing in the price of oil and the impact of climate change. The vulnerability of Caribbean countries regarding energy has been mitigated and an opportunity has been found to lay the foundations for collaboration between countries of the south through Petrocaribe.

The XIII Extraordinary Meeting of CARICOM Heads of State and Government took place on April 7 and 8, 2008. Its main subjects were crime and security. At this meeting, several measures were taken regarding other topics like the need to share information, the quick deployment of joint forces, drug traffic, the illegal traffic of weapons, murder, the prevention of crime and youth gangs, among others. Likewise, the Presidents confirmed their commitment to the Caribbean integration process.

The XIX Ordinary Summit of CARICOM Heads of State took place from July 1-4 in Antigua and Barbuda with the main objective to outline a jointly strategy to deal with problems related to tourism, food security, the energy crisis, and climate change. The Presidents agreed to create two funds, one for development projects among member countries, and another to back the tourism promotion campaign that seeks to market the Caribbean as one region.

On September 10, 2008 the CARICOM Presidents held an Extraordinary Meeting in Bridgetown, Barbados to design a strategy that would allow the re-negotiation of the Association Agreement with the European Union, which has not been subscribed because some CARICOM governments believe it is disadvantageous. However, the Summit did not achieve a unanimous position regarding this issue. While the majority of the governments agreed to subscribe the Economic Partnership Agreement (EPA) with Europe, Guyana's President, Bharrat Jagdeo, announced that his country would not sign this agreement unless Europe accords a Generalized Preferences System (GPS) to its exports. On the other hand, Haiti abstained from taking an official position; its representative at the Summit indicated that he had some reservations since the final text of the agreement was different from the one sent to the CARICOM Regional Negotiation Mechanism which was negotiated on

behalf of the region. For this reason the situation would be analyzed by President René Préval before a final position of the Haitian government was announced.<sup>37</sup>

### **CENTRAL AMERICAN INTEGRATION SYSTEM (SICA)**

Integration in the Central American area had important advances during six meetings between the region's Presidents. The most significant achievement is the subscription of the "Framework Agreement for Establishing the Central American Customs Union", subscribed on December 12, 2007, by the Ministers of Economy, Foreign Trade or Industry, depending on the case, and which had as witnesses of honor the Presidents of the five signing Central American countries, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, as well as the President of Panama and representatives for Belize and the Dominican Republic.

The framework agreement establishes and confirms the will to set up a Customs Union in their territories, according to the provisions of the General Agreement on Tariffs and Trade (GATT) and its inheriting entity, the World Trade Organization. The agreement has 7 Titles and thirty articles. The agreement will work in a gradual and progressive way. It does not have a term for operation, but is indefinite. It is open to subscription by any country member of SICA, and the joining country will deposit the instrument of adhesion with the General Secretariat of SICA.

At the XXXI Ordinary Meeting of Heads of State and Government of the Central American Integration System (SICA), the Presidents carried out a thorough review of the agreements reached and ratified the outlines of work that had been developed. The most important topics include the depth that integration will reach by setting up the Customs Union and through its gradual and progressive development.

They also highlighted the importance of the negotiation process with Europe and the search for an association agreement. Prior to that, at the Central America and Taiwan Summit, of which Costa Rica ceased to be member due to the establishment of diplomatic relations with the People's Republic of China, they highlighted the importance of encouraging a greater dynamism in the Free Trade Agreement with Taiwan.

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37 "Guyana holds out as others agree to sign EPA". In: *Caribbean 360*. September 11, 2008. In: [www.caribbean360.com](http://www.caribbean360.com)

The Summit which took place in December 2007 devoted nine paragraphs to the issue of security, on the basis of which it indicated that a security strategy has been adopted between Central America and Mexico with an integral perspective, which guides the cooperation and coordination actions on public security matters both from Mexico and Central America. Other important issues addressed in this meeting were the ones regarding education, the environment, transportation, agricultural policy, human resources, a single visa for the region, and maritime transportation. The energy issue occupied an important place as well, with three paragraphs devoted to it, whose focus is the definition of a sustainable energy strategy. Also, they received the report on the Puebla-Panama Plan.

Another item worth highlighting is the one regarding the institutional modifications to the Central American Parliament and the Central American Court of Justice that were prepared by the Guatemalan Vice-President. In this sense, they instructed the Ad hoc Commission to prepare and formulate, based on the aide-mémoire from the Vice President of Guatemala, the recommendations on the modifications for both institutions by the beginning of 2008.

In February, 2008, the Central American Presidents met for an Extraordinary Summit where they highlighted the importance of strengthening the Social Integration System (SIS), and for this it was proposed to work on a Social Road Map to be submitted to the Presidents at the Ordinary Summit in June 2008 in San Salvador. Similarly, the Presidents signed a declaration regarding regional institutions in which they committed themselves to keep moving forward in this field.<sup>38</sup>

On May 7, 2008, as a result of the international concern about the food crisis, the Central American Heads of State met in Managua, Nicaragua, together with Presidents or representatives of the member countries of ALBA, to suggest solutions to this situation. The outcome of this meeting was the subscription, on behalf of some of the participants, of the Presidential Proposal about Sovereignty and Food Security: Food for Life.<sup>39</sup>

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38 Special Summit of SICA Heads of State and Government. *Declaración Final*. February 20, 2008; Cumbre Extraordinaria de Jefes de Estado y de Gobierno del SICA. *Declaración sobre la Institucionalidad Regional*. February 20, 2008.

39 Presidential Summit on Sovereignty and Food Security: Food for Life. *Declaración Final*. May 7, 2008

On May 28 the Presidents of SICA and CARICOM held a Summit on Climate Change and the Environment with the objective of not neglecting the responsibility on the problem of climate change, providing a place for the approval of the Agro-Environmental and Health Regional Strategy (AHRs). The Presidents also endorsed the proposal of Mexico (an observer at the meeting) to create a World Fund on Climate Change (Green Fund).

On May 29 the SICA Presidents, convoked by El Salvador, who had the pro tempore presidency, met with Brazilian President Luis Inácio Lula da Silva, at what came to be called the Summit of Heads of State and Government of the Member Countries of SICA and the Federative Republic of Brazil. President Lula took advantage of the occasion to announce that he will make the necessary efforts to subscribe a SICA-MERCOSUR Free Trade Agreement. The Summit ended with the subscription of a Joint Communiqué which constitutes a Summons for a United Nations Special Meeting to address the Economic Crisis caused by the high prices of oil.

On June 27 in San Salvador, El Salvador, the XXXII Summit of SICA Heads of State and Government was held, at which the Presidents subscribed a joint declaration about social, political, institutional, economic and regional security matters. They subscribed as well a Special Declaration on immigration matters, regarding the sub-region's concern about the approval by the European Union of the so-called Return Directive. The Summit served as the backdrop for the announcement of the entrance of Chile and Germany as Observer States at SICA.

Finally, on October 3, a Special Summit took place in Tegucigalpa, Honduras, in order to discuss the potential consequences that the financial crisis in the United States could have on the region. The Presidents subscribed a financial bailout plan of US\$400 million for each country, which will be requested from the Central American Bank of Economic Integration (BCIE).

Other measures taken to mitigate the possible effects of the crisis were to strengthen intra-regional trade and increase agricultural production, especially of basic grains, and to increase the investment on economic and social infrastructure.<sup>40</sup>

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40 "Honduras pide \$400 millones contra crisis"("Honduras Asks for \$400 million Against the Crisis"). In: *La Prensa*. Honduras. October 4 , 2008. In: [www.laprensahn.com](http://www.laprensahn.com); "Cumbre Centroamericana acordó protegerse de crisis"("Central American Summit Agrees on Protection from Crisis"). In: *Ansa Latina*. October 5 , 2008. In: [www.ansa.int](http://www.ansa.int)

## THE RIO GROUP

Created on 1986 with the main objective of suggesting Latin American solutions to Latin American problems, the Rio Group has undergone a process of lights and shadows and has as its more significant achievement the keeping of peace and inter-state stability, based on regional solutions to the region's problems. Another remarkable fact has been its contribution to democratic stability. Nevertheless, due to the emergence of new matters in the context of globalization and a uni-polar world in the military area, the Rio Group did not achieve its goal of having one voice on world issues.

The potential of the Rio Group to become the great regional politico-strategic benchmark is based on five key elements: Becoming a "privileged space for consultation, coordination and political agreement in Latin America and the Caribbean"; being made up by 20 countries of the region, the widest representation, which provides the greatest legitimacy to its agreements; the confirmation of the "commitments with the political consensus and principles indicated in the Veracruz Act of 1999"; the existence of a clearly defined and delimited mission, keeping its profile as a regional and extra-regional speaker, and having the necessary recognition and experience as an international actor to encourage a dialogue guided towards action to improve the international political, social and economic situation.

The Rio Group held a Presidential meeting in Guyana in March, 2007, that became the opportunity to re-launch this first initiative of Latin American regional political agreement. The meeting confirmed the historical commitment of the Rio Group to find Latin American solutions to Latin American problems. This vocation, encouraged by the region's leaders in terms of reasserting the principles of international law, multilateralism, independence and sovereignty as fundamental principles for stability, democracy, peace and international security, was fully reflected at the Rio Group summit meeting which took place in the Dominican Republic in March 2008, when it addressed as the only item in the agenda the one regarding the Andean region crisis. The Rio Group knew how to reach a consensus to de-escalate the conflict, to establish channels for dialogue and then institutionalize them in the context of the institutional mechanisms of OAS, as agreements of a binding character. The Rio Group has demonstrated that it continues to be an essential instrument for political agreement in the region.

The latest Rio Group Summit, which took place on March 7, 2008 in Santo Domingo, gave a new boost to the mechanism as it served as a space to provide a solution to the Colombia-Ecuador crisis, resulting from the events that took place on March 1st, 2008 when military forces of Colombia entered Ecuadorian territory, without the expressed consent of

Ecuador's Government, to carry out a raid against a FARC camp where the guerrilla fighter "Raúl Reyes" was killed. Venezuela and Nicaragua got involved in the crisis at that time.

The strong statements full of accusations between the three Presidents marked the beginning of this Summit. However, thanks to the different participations of the Latin American Presidents, these statements decreased during the Summit<sup>41</sup>, and finally all those attending subscribed the "Declaration of the Heads of State and Government of the Rio Group about the recent events between Ecuador and Colombia" where the presidents confirmed "(...) the valuable tradition of the Rio Group, as a fundamental mechanism for the promotion of understanding and the search of peace in our region (...)".<sup>42</sup>

On September 3, 2008, the First Meeting of National Coordinators of the Rio Group took place in Cuernavaca, Mexico. The delegates of the 22 member countries issued a Declaration in support of the democratic institutions of Paraguay, confirmed their interest in holding dialogues with the European Union, Russia, Cuba, India and the Gulf Cooperation Council; and discussed about the different ways in which the Rio Group can contribute to Latin American integration based on the convergence of sub-regional processes.<sup>43</sup>

Finally, in fulfillment of the commitment to be a privileged space for building political agreements in the region, on September 15 the Rio Group issued a Declaration on the situation of Bolivia, confirming its support to the government of that country.<sup>44</sup> At the meeting of Foreign Affairs Ministers in Zacatecas, Mexico, on November 2008, Cuba became part of the mechanism.

Regarding institutionalized spaces such as the Central American Integration System (SICA), MERCOSUR, and the Andean Community, the degrees of progress made are variable.

41 "Los tres presidentes cambiaron el tono"("The three Presidents changed their tone"). In: *El Tiempo*. Colombia. March 8, 2008. In: [www.eltiempo.com](http://www.eltiempo.com); "Seis horas en las que pasaron de los insultos a los abrazos"("Six hours in which they went from offenses to hugs") In: *El Tiempo*. Colombia. March 7, 2008. At: [www.eltiempo.com](http://www.eltiempo.com)

42 Rio Group XX Summit. *Declaración de los Jefes de Estado y de Gobierno del Grupo de Río sobre los acontecimientos recientes entre Ecuador y Colombia*(Declaration of the Heads of State and Government of the Rio Group about the recent events between Ecuador and Colombia). March 7, 2007. Santo Domingo, Dominican Republic.

43 "Culmina Primera Reunión de Coordinadores Nacionales"("The First National Coordinators Meeting Comes to a Close"). *Press Release*. September 3, 2008. In: [www.sre.gob.mx](http://www.sre.gob.mx)

44 "Declaración del Grupo de Río sobre la Situación en Bolivia"("Declaration of the Rio Group on Bolivia's Situation"). Mexico City. September 15, 2008. In: <http://portal2.sre.gob.mx/gruporio/>

### The Bi-Regional EU-LAC Relations

At the bi-regional level, Latin America and the Caribbean and the European Union have established a key objective—to set up a “strategic association”. For this purpose they have developed a series of Forums in agreement with the commitments and principles agreed upon at the EU-LAC Summits, and with the discussions that have been institutionalized as a result of them. Among these, one can cite the European-Latin American Parliamentary Assembly, the EUROsociAL Program and, in the near future, EUroCLima.

As a way of contributing towards strengthening the bi-regional strategic association, the European Union establishes a regional programming for Latin America that expresses itself in three levels—regional, sub-regional and bi-lateral. For the period 2002-2013, the European Union established three areas of activities for its work with Latin America at the regional level. These are: a) social cohesiveness; b) integration and economic cooperation; c) human resources and mutual understanding EU-LA.<sup>45</sup>

At the sub-regional level, the cooperation strategy of the European Union in the period 2007-2013 varies depending on each sub-region. However, it follows the line of the area established at the regional level. For the case of the Andean Community of Nations (CAN), the areas of action established were help to reinforce economic integration, support to initiatives of promotion of social and economic cohesiveness, and collaboration in fighting drugs in the Andean region. For their part, the strategy for Central America and the one devoted to MERCOSUR set as their priority the support to regional integration.<sup>46</sup>

Finally, country strategies are established according to the main challenges faced by each country, but always following the line of the three areas established by the EU as priorities for the Latin American region.

In addition to these priorities and lines of action, Latin America and the Caribbean and the European Union have institutionalized themselves with the meetings between Heads of State and Government that are held every two years, at which discussions cover not only topics that are important at the bi-regional level, but also global issues and phenomena. Five rounds have taken place—Rio de Janeiro, Madrid, Guadalajara, Vienna and Lima. The next meeting has been scheduled for 2010 in Spain.

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45 CELARE. *Relaciones Unión Europea/ América Latina y el Caribe. Documentación Base 2007* (“The Relationships Between the European Union and Latin America and the Caribbean. Basic Documentation”): CELARE. Chile. 2008

46 *Ibid*

### **The V EU–LAC Summit**

On May 16, 2008, the V Summit of Latin America and the Caribbean – European Union was carried out in the city of Lima, Peru. The final document has 57 points –developed in 17 pages– from which 47 belong to the “Lima agenda” and 10 to the principles and commitments of a global nature. This time, it was decided that the debates on the promoting of actions would be focused on two challenges that are considered to be key: a) poverty, inequality, and the need for more inclusive societies; and b) sustainable development, the environment, climate change and energy. The first point was promoted by Latin America, and the second one by the European Union. It was impossible to reach solid common denominators. The Declaration of Lima has not been able to conciliate the different approaches. It can be pointed out that the subject of “integration” and its assessment had little importance in the statement<sup>47</sup>

Regarding the eradication of poverty, inequality and exclusion, in the Lima Agenda, after recognizing the progress achieved in the fulfillment of the Millennium Goals and the commitment with the Consensus of Monterrey, it is accepted that the phenomena continue to be an obstacle for the access of different groups and people to those conditions that would allow them to have a worthy life and a better quality of life. This is why the Heads of State set out to reach better levels of social cohesion, taking three elements into account: equity and inclusion, economic development and wealth distribution, and a full sense of belonging and participation by citizens.

In order to achieve these goals, the Lima Agenda states that, apart from the already existing bi-regional programs, there will be a promotion of the design and implementation of effective social policies that include the participation and support of civil society. To do this, a close work with EUROSOCIAL was suggested; also, there will be a pursuit of economic growth with distributive impact, for which purpose the statement underlined the need to foster growth and broaden cooperation. Furthermore, there was an emphasis on the importance to promote consolidation of commercial bi-regional integration and support to the ongoing processes of regional integration. Finally, regarding the sense of belonging, special attention was paid to the migratory processes— governments where exhorted to carry out comprehensive and structured dialogues on the subject.

Regarding the implementation of this item in the Lima Agenda, it

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47 Mainhold, Guenther “La Cumbre de Lima: un encuentro de la asimetría euro-latinoamericana”(“The Lima Summit: An Encounter of Euro-Latin American Asymmetry”) In Real Instituto Elcano, ARI N° 58/2008. 06/06/08. [www.realinstitutoelcano.org](http://www.realinstitutoelcano.org)

was agreed that there is a need for the EU-LAC sector dialogues to continue and, if necessary, to establish new dialogues. It was pointed out that these political dialogues will be called for before the VI Summit, with the preparation of a report about the results and advances achieved.

Concerning the second key challenge established at this V Summit – sustainable development, the environment, climate change and energy – the Declaration of Lima reiterates the commitment of the signatory countries with the search for Good International Environmental Governance in the General Assembly of the United Nations; as well as the international principles and protocols related to this subject.

To engage this challenge, the Declaration of Lima establishes the commitment to encourage the promoting of bi-regional cooperation on climate change, looking for joint positions and measures in international forums and the mitigation of the effects of phenomena like climate change. Also, the promotion of EU-LAC energetic cooperation was stated, with the commitment to develop bi-regional energy cooperation in the areas of diversification of energy sources and the promotion of new technologies as well as technological cooperation in the subject of non-renewable energy sources. Finally, the promotion of environmental sustainability was suggested to work in issues like achieving the biodiversity goal of 2010.

In order to engage this second challenge, the parties committed themselves to continue with the bi-regional dialogue on environmental policy and the establishment of a joint environmental program called EUroclIMA, with the main goal of sharing knowledge and fostering structured dialogue in this area.

Besides the work done with these challenges, the Lima Summit decided to create a Work Group to study the creation of a LAC-EU Foundation, which, according to the Declaration, would be conceived as an incentive to deliberate about common strategies and actions oriented to the strengthening of the bi-regional association as well as to increase its visibility.

The results of the V Summit showed the potential in the relationships between both regions, with the visualization of many shared interests, commitments and priorities. Nevertheless, in the sub-regional level, the results of the meetings of the troika between the EU and each sub-region as well as with Chile and Mexico, showed diverse results, especially related to the subject of the subscription of Association Agreements.

### **Alarming Stagnation in the EU-LAC Bi-Regional Relationships**

In the relationships between both regions, there has been no progress worthy of mention. The relationships are currently bogged down. There seems to be no place for a significant advance. The results of the

Lima Summit did not involve any effective advance. The original goal of building a “strategic association” is not only pending, but it appears to be an elusive goal, difficult to reach.<sup>48</sup>

Neither the global scenarios, nor the regional ones in the EU and LAC favor a change in the tendencies, a movement towards a greater density in relationships. Furthermore, the regionalist strategy has ceased to make sense and is useless to re-launch bi-regional relationships. In addition, there is no clarity about the possible common courses, nor is there a definite joint strategy.<sup>49</sup>

This can be observed by looking at the sub-regional situations:

In the case of Central America, which was supposed to be the most advanced, there were no agreements due to the differences stated after the Central American countries rejected the proposal of the European group of liberalizing 90% of trade in exchange for keeping the General Preferences System (GPS+). This was an obstacle for achieving results in this occasion. It must be pointed out that in the V round of negotiations SICA-EU, carried out in October 2008, both blocs were able to overcome differences and agree upon the GPS+; nevertheless, after the round, the Europeans showed their concern regarding those productive Central American sectors that have not yet been incorporated into the terms of tariff elimination and that are of interest to the group.<sup>50</sup>

The Europeans have declared that, as long as Central America does not reach the inclusion of 90% of tariff items, there will be no advances in the field of trade. Concerning this issue, the Guatemalan Minister of Economy, Rubén Morales, pointed out that the inclusion of only 85.6% of the trade offer was due to the difficulties in achieving consensus among the Central American countries. However, he said that by November 2008 they will be able to include 90% required by the European bloc.<sup>51</sup>

Despite this, the Central American region shows very positive about the negotiation process. The Foreign Affairs Minister of Costa Rica, Bruno

48 Del Arenal, Celestino “América Latina, España y Europa en el escenario global”(“Latin America, Spain and Europe in the Global Scene”) Position Paper at the IV Encounter of Young Latin American Politicians. Cartagena de Indias, Colombia, June 23-25, 2008. Fundación Carolina.

49 *Ibid.*

50 “Avances sustantivos en la V ronda de negociación: Unión Europea terminó de consolidar el SGP plus” (“Substantial Progress Made at the V Negotiation Round: European Union Finalizes Consolidation of GPS Plus”) In: *Notas de Prensa COMEX*. October 10 , 2008. In: [www.comex.co.cr](http://www.comex.co.cr)

51 “La UE no cederá hasta que Centroamérica amplíe oferta comercial”(“The EU will not give in until Central America increases the trade offer”). In: *Infolatam*. October 13 , 2008. In: [www.infolatam.com](http://www.infolatam.com)

Stagno, has expressed that the process is expected to be completed by the first semester of 2009, and that during the second semester of that year the legal aspects of the text will be finalized and therefore –in fulfillment of the established goal– in January 2010, in the context of the Latin America-European Union Summit in Madrid, the bi-regional agreement will be subscribed.<sup>52</sup>

For the Andean sub-region and MERCOSUR, the view is not positive. Regarding the CAN, in the meeting with European representatives in the context of the V Summit, the CAN representatives were able to make the European party more flexible in the negotiations to achieve greater progress. This happened because Peru and Bolivia have shown deep differences in the paces and topics to negotiate which make almost impossible the subscription of a joint agreement. Because of this, Peruvian President Alan García advocated a bigger flexibility which the European Union accepted. However, by late June 2008, and after constant declarations and accusations among the Peruvian and Bolivian governments, the European Union decided to cancel the IV round of negotiations among both sides programmed for July 7 through 11 due to what it called a lack of consensus in the Andean group regarding the negotiations.<sup>53</sup> The cancellation of the round increased the tensions among Peru and Bolivia.

On October 14, an Extraordinary Summit of Heads of State took place in Guayaquil, Ecuador, to talk mainly about the negotiations with the European Union. The Andean countries agreed unanimously to ask for an urgent meeting with the European bloc to express the desire to move forward in the negotiations of the Association Agreement, pursuing flexible margins for Ecuador and Bolivia. The Andean party expects the meeting with the EU to take place from October 28 through 30 in San Salvador, taking advantage of the Ibero-American Summit that will take place on those dates.<sup>54</sup>

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52 “Centroamérica es la región con mayores perspectivas y posibilidades para concluir un Acuerdo de Asociación con la Unión Europea” (“Central America is the region with highest perspectives and possibilities to achieve an Association Agreement with the European Union.”). In: *Notas de Prensa COMEX*. October 2, 2008. In: [www.comex.co.cr](http://www.comex.co.cr)

53 “La Unión Europea suspende la IV Ronda de Negociaciones con las CAN” (“The European Union Suspends the IV Round of Negotiations with CAN”) In: *Infolatam*. June 30, 2008. In: <http://www.infolatam.com>

54 “CAN solicitará reunión urgente con la Unión Europea” (“CAN to Request Urgent Meeting with EU”). Guayaquil, October 14, 2008. In: [www.comunidadandina.org](http://www.comunidadandina.org); “Andinos ponen freno a discrepancias y deciden intentar salvar negociación con la UE” (“Andeans stop their differences and try to save negotiation with the EU”) Guayaquil, October 14, 2008. In: [www.comunidadandina.org](http://www.comunidadandina.org)

Regarding MERCOSUR, the conversations among this bloc and the European Union in the context of the V Summit had no concrete results and have not yet been restarted, even though the International Trade Secretary of the Foreign Affairs Ministry of Argentina stated on August 9, 2008, that, in the following months, both parties would resume discussions on this matter.<sup>55</sup> The discussions were not resumed, although the President of Brazil, Luis Inácio Lula da Silva, visited Spain on October 13, 2008, and met his counterpart José Luis Rodríguez Zapatero, with whom he talked about the importance of encouraging negotiations between MERCOSUR and the European bloc; there, both of them insisted on the importance of achieving an agreement.<sup>56</sup>

Another important subject to note in the relationships between the European Union and Latin America in 2008 has been the controversy developed around the approval by the European Parliament, on June 18, 2008, of the so-called “return directive”. The Heads of State of the member countries of MERCOSUR and its Associate States subscribed, in the context of the XXXV Presidential Summit, a special communiqué where this directive is deplored.<sup>57</sup> On the other hand, the Central American Presidents, gathered at the XXXII Presidential Summit<sup>58</sup>, signed a Special Declaration where they state their concern about the consequences of this measure. The Foreign Affairs Ministers of the member countries of the CAN sent a letter to the Interim President of the European Community Council – the Minister of Foreign Affairs of Slovenia, Dimitrij Rupel – where they ask the European Community to open a joint dialogue about the Directive.<sup>59</sup> Lastly, the member countries of the Union of South American Nations (UNASUR) issued a statement rejecting

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- 55 “Anuncia Argentina reinicio de negociaciones MERCOSUR-UE”(“Argentina Announces Resumption of MERCOSUR-EU Negotiations”). In: *Prensa Latina*. August 9, 2008. In: [www.prensalatina.com.mx](http://www.prensalatina.com.mx)
- 56 “Lula intenta impulsar las negociaciones comerciales con España” (“Lula Tries to Encourage Trade Negotiations with Spain”). In: *AFP*. October 12, 2008. In: <http://afp.google.com/article/ALeqM5hT0oucUzM6S93aMFiZyYLFpWtYDQ>
- 57 “Declaración de los países del MERCOSUR ante la Directiva del Retorno de la Unión Europea”. (“Statement of the MERCOSUR Countries Concerning the Return Directive of the European Union”). XXXV MERCOSUR Presidential Summit. Tucumán, Argentina, July 1, 2008.
- 58 “Declaración Especial en Materia Migratoria en el Marco de la XXXII Reunión Ordinaria de Jefes de Estado y de Gobierno de los Países Miembros del SICA” (“Special Declaration on Migratory Matters in the Context of the XXXII Ordinary Meeting of Heads of State and Government of SICA Member Countries”). San Salvador, El Salvador. June 27, 2008.
- 59 [http://www.comunidadandina.org/documentos/actas/CartasCancilleres\\_TroikaUE\\_migraciones.pdf](http://www.comunidadandina.org/documentos/actas/CartasCancilleres_TroikaUE_migraciones.pdf)

the Return Directive .<sup>60</sup> In the face of this rejection, representatives of the European bloc have pointed out that there is a misunderstanding regarding the meaning of this Directive. Some of them, like the President of Spain, José Luis Rodríguez Zapatero, committed themselves to carry out an information offensive to clarify the misunderstandings .<sup>61</sup>

Moving forward in the dialogue with the EU, on the basis of the subscription of Agreements of Association, requires the establishment of ways of working and goals in each one of the pillars of the relationship—political dialogue, cooperation and trade.

Association agreements are, by definition, political agreements where the principles and values of democracy, respect for human rights and the promotion of security and peace are key. Trade openings depend on mutual concessions and these, in turn, depend on the degrees of asymmetry in the relationships.

In the field of cooperation, where the greatest expectations are placed, and which is the pillar that makes these agreements different from the FTA signed by LAC with other countries and regions, it is essential that Latin American countries overcome seven challenges to build a fruitful relationship that consolidates coincidences in political dialogue. These challenges are: 1) to establish more effective mechanisms of participation in the definition, execution and evaluation of the cooperation programs. 2) To agree upon more expeditious means of cooperation. 3) To formalize coordination mechanisms to make cooperation more efficient. 4) To establish clearly whether cooperation refers only to regional or also to bi-national cooperation. 5) Ways of working that allow the establishment of an agenda and to make clear how cooperation is linked to national agendas of development. 6) To establish the frameworks that will allow the participation of the OSC's. 7) To build ways of accountability as part of the Association Agreements .<sup>62</sup>

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60 <http://www.comunidadandina.org/unasur/4-7-08directivaUE.htm>

61 “La UE responde ante reacciones negativas a directiva del retorno” (“The EU Replies to Negative Reactions to the Return Directive”). In: *El Comercio*. Perú. June 21, 2008. In: [www.elcomercio.com.pe](http://www.elcomercio.com.pe)

62 Rojas Aravena, Francisco “La integración entre América Latina y la Unión Europea en el Siglo XXI” (“Integration Between Latin America and the European Union in the 21st Century”). In Doris Osterlof Obregon (ed), *América Latina y la Unión Europea: una integración esperanzadora pero esquivada*. Ed Juricentro, OBREAL, FLACSO-General Secretariat. San José, Costa Rica. 2008

### **Latin America – United States Relationships**

The American foreign policy took an essential shift after the attacks of September 11, 2001. From that day on, that nation has developed an orientation characterized by radical unilateralism, even leaving aside the multilateral diplomatic fields for policy coordination instances. Simultaneously, Latin America lost importance in the American agenda. In the trade domain, the United States, in the early 90's, had looked for the conformation of a free trade area for the three Americas. Nevertheless, that project failed in the IV Summit of the Americas, at Mar del Plata, Argentina, in the year 2005. Parallel to the hemispheric initiative, the United States developed a bilateral policy towards Mexico, which led to the subscription of a Free Trade Agreement for the North of the continent, including Canada, the United States and Mexico, subscribed in 1992 and effective as of 1994. The fields of action towards Latin America and the Caribbean have been marked by few subjects like hemispheric security, migration and trade discussions. The opportunities to build shared visions and to design cooperation frameworks between the United States and Latin America were reduced in a significant way in the last five years.

While it is true that Latin America does not have a significant weight in the American global strategy, some subjects inevitably demand a joint attention. Some of these are migration, security, organized crime, the environment and trade, among others.

#### **Trade relationships** <sup>63</sup>

As a consequence of the new international circumstances, the United States deepened its policy for subscription of bilateral agreements, both for countries and for regions. Thus it subscribed the Free Trade Agreement with Chile in the year 2004, with the Central American countries and the Dominican Republic in 2006, with Peru in 2007. The Agreements with Colombia and Panama were subscribed but are pending ratification by the American Congress. From this perspective, since the year 2002, the most important trend of the trade policy between the United States and Latin America has been the subscription of these bilateral agreements.

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63 For further information, see Hernández, Jairo and Lizano, Ana Cristina (ed.). *América Latina y la Segunda Administración Bush: Un Debate sobre el Comercio* ("Latin America and the Second Bush Administration: A Debate on Trade"). FLACSO: Juricentro. 2008. In: [www.flacso.org](http://www.flacso.org)

From the formal point of view, the American trade representative points out that these agreements complement and strengthen multilateral negotiations. The Latin American countries had had a traditional policy that placed the weight on multilateral negotiations. However, this vision changed and the various countries have tried, either bilaterally or regionally, to ensure access to the American market.

American trade policy is defined by the Congress, hence the administration requires its approval to negotiate all the aspects related to trade. The Clinton administration failed in its attempt to obtain the fast track for trade negotiation. In the United States Congress, the legislators increased their influence given the equilibrium in votes to approve the authorization to the administration or the agreements per se. Also with the FTA's, they sought to regulate and establish rules for broader reforms. This caused the growth of competitive liberalization.<sup>64</sup>

The goals pursued by the US in signing these agreements in the region may be summarized in the following three points:

- Asymmetric reciprocity to open markets and guarantee legal and regulatory security for American traders and investors. Search for regulation, especially on investments, intellectual property, services and labor and environmental norms.
  - To use the competitive liberalization strategy as a means to set precedents for broader agreements and as model relationships for detractors of this type of agreements in the region.
  - To strengthen strategic partnerships in different regions, particularly in LAC with Chile, Colombia, Peru and Costa Rica, but also in other regions with Australia and Singapore. Using these agreements politically to make clear in other negotiations, that the US works with other countries if they are willing to cooperate.
- In the commercial field, the United States tend less and less to look upon the region as a priority. But, on the contrary, most Latin American countries are increasingly integrating into the American markets. Despite the controversies that the subject has caused both internally in the countries and in the sub-regions, currently, seven Latin American countries have Free Trade Agreements

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64 See Evennet, S. and Meier, M. 2007. "An Interim Assessment of the US Trade Policy of Competitive Liberalization" available at <http://www.evenett.com/articles/CompLiberalization.pdf>. Accessed 1 November 2007.

in force with the United States: Mexico (NAFTA), El Salvador, Honduras, Guatemala, Nicaragua, Dominican Republic (CAFTA-DR), Peru and Chile. Also, Costa Rica and Panama are in the process of ratification and the Colombia-United States FTA is awaiting approval in the American Congress.

The trade agreements subscribed by the United States have never been negotiated by USA's initiative. This situation is an advantage for the US, because when a country asks them to enter their market, they ask in exchange several concessions in areas of priority for the US. Also, this advantage –and the inherent asymmetries– allows the US to demand commitments in areas that are not specifically commercial like support in subjects of foreign policy or national security.

An example of these American demands is the case of Dominican Republic, whose request for negotiation of a FTA was rejected in the first instance because the country did not support the US measures in the World Trade Organization (WTO). It was not until Dominican Republic changed its attitude, that the US allowed it to join the negotiations with Central America to sign the CAFTA-DR.

The commercial presence and the weight of the United States in the region manifest themselves in different ways depending on the sub-region.

### Latin America and the Caribbean: Main Commercial Partners

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 and Canada (86.9%)	Japan and Asia b) (28.7%)
European Union (21.7)	European Union (13.6%)	MCCA (27.2%)	Latin America and the 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%)

**Source:** ALADI. Information System in Foreign Trade. In: [www.aladi.org](http://www.aladi.org) Sieca. The Status of Central American Economic Integration. 2007 En: [www.Sieca.Org.Gt](http://www.Sieca.Org.Gt) Secretariat of the Andean Community. The Foreign Trade of Andean Countries in 2006. 2007. In: [www.comunidadandina.org](http://www.comunidadandina.org) DIRECON. Chile's Foreign Trade, Fourth Quarter 2006. In: [www.prochile.cl](http://www.prochile.cl) Instituto Nacional de Estadística, Geografía e Informática. A Work Group made up by: Banco de México, INEGI. Servicio de Administración Tributaria y la Secretaría de Economía. In: [www.inegi.gob.mx](http://www.inegi.gob.mx)

As matter of fact, it is the countries of the South Cone which less commercial dependence have on the United States compared with the rest of the Latin American countries. Still, the United States is the third more important trade partner for these countries.

This tendency is not surprising, as precisely the countries of MERCOSUR and Venezuela have had the biggest objections to the proposal of the US to set up a Free Trade Area for the Americas (FTAA). Furthermore, their link with the American economy takes place mainly in exporting natural resources; they don't receive much investment and have no trade agreements signed with the US.

On the other hand, the Central American and Caribbean countries and Mexico have a very clear dependence on the American market. Their economic link takes place mainly through drawback manufacturing; they have trade agreements like NAFTA and CAFTA-DR; they receive much investment and they generate heavy immigration into the United States.

The member countries of the CAN are currently facing serious ideological differences within them and these are manifested in their relationship with the United States. Venezuela decided to leave the regional sub-scheme as a result of the decision of the member countries to negotiate an FTA with the United States. Ecuador decided to abandon negotiations with the United States while Peru and Colombia have proved to have an open policy towards negotiating free trade and/or signing Free Trade Agreements with the United States and other nations. It is important to note that the Colombia-US FTA faces a very difficult road for approval due to the changes in American commercial policy after the Democrats obtained the majority in the Congress. They object issues about labor rights, lack of environmental protection and human rights violations, in particular towards leaders of unions. These issues could be a façade for protectionist practices.

Considering the number of countries in the region that have subscribed Free Trade Agreements, it is possible to think of a scenario where some kind of coordination is pursued among these agreements in order to facilitate trade. This would be achieved with the establishment of common rules of origin that could broaden the market among the twelve economies participating in these agreements.

The unilateral strategy in the economic domain has divided the countries in Latin America. MERCOSUR and Brazil have significantly opposed the bilateralization and have insisted on the need for regional agreements of the 4 plus 1 type. The same has occurred in the Andean area—two countries have subscribed free trade agreements with the United States and two more have opposed that kind of agreements. Venezuela's leaving the CAN was based, among other things, upon its opposition to bilateralism among some

CAN countries with the US. A centrifugal dynamic seems to prevail in Latin America. "The good will coalition (Regional 12) versus the bad will coalition (MERCOSUR and its associate and akin members)." <sup>65</sup>

The free trade agreements between Latin America and the United States have generated an important political polarization in many countries, essentially due to the mistrust regarding the benefits that this commercial openness can bring in the long term to the smallest countries. The asymmetries are too big and, in a different way than with Europe, they don't include specific cooperation programs.

### Security<sup>66</sup>

After the attacks of September 11, the United States turned towards a securitization of their agenda. From this priority of the subject come the war actions of the US in the Middle East and the center of Asia.

Regarding its relationship with Latin America, it is necessary to make some differences depending on the sub-regions.

In the case of the Central American countries and Mexico, the trends of American security have fostered the militarization of the national security apparatus of these countries as means to achieve order and security. Especially in Central America, the US have focused in strengthening the armies of those nations and in seeking their effectiveness as a means of assuring protection of their interests in that zone. It is important to highlight, concerning Mexico, the challenge that organized crime has represented to that country, as well as the long border among both nations, where drugs, weapons and human traffic take place. Only in recent days the government of the US has made its cooperation effective. Indeed, with the objective of fighting the phenomenon of organized crime and drug dealing, which undermines its own national security, the American government approved on June 30, 2008, the necessary funds to put in practice the "Mérida Initiative", a plan devised by the governments of the US and Mexico to fight this issue. The approved funds for the first

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65 C. Quiliconi y C. Wise (2008) "The US as a Bilateral Player: The Impetus for Asymmetric Free Trade Agreements(FTAs)" in S. Katada and M. Solis (eds) *Competitive Regionalism in the Asia Pacific*, soon to be published by Palgrave.

66 For Further Information, see: Hernández, Jairo and Lizano, Ana Cristina (ed.). *América Latina y la Segunda Administración Bush: Un Debate sobre Seguridad*. ("Latin America and the Second Bush Administration: A Debate on Security") FLACSO: Juricentro. 2008. In: [www.flacso.org](http://www.flacso.org)

year of the initiative were of US\$465 million. Of them, US\$400 millions were destined to Mexico and US\$65 million will be distributed among Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Dominican Republic and Haiti .<sup>67</sup>

The Mérida Initiative has foreseen 4 programs for its first year<sup>68</sup>: a) Program against narcotics, antiterrorism and border security; b) Program of Public Security and Enforcement of the Law; c) Institutional Building and Enforcement of the Law; and d) Support Program.

Regarding the Andean countries, the ideological differences among some of these and United States make impossible to generalize about this relationship. Colombia considers that it has been part of the change in the national security policy of the US towards this sub-region, which switched from the priority of drug traffic towards the antiterrorist fight. It states that this shift is essential and one of the only ways to achieve peace in its country. Meanwhile, the governments of Venezuela and Bolivia have seen in the United States and its politics the biggest threat to the sovereignty of their countries, to the point that Presidents Evo Morales and Hugo Chávez announced the breakup of diplomatic relationships with the United States if this country intervened or violated their sovereignty. As a result of the internal tensions in Bolivia, President Morales expelled the American ambassador. President Chávez did the same as a sign of solidarity.<sup>69</sup> On their part, the governments of Peru and Ecuador have taken more reserved positions, the first one showing approval to the American policies, but avoiding the impression of total alignment, while Ecuador has assumed anti-American positions without risking the break of relationships. An important point in the bilateral agenda has been centered in the closing of the military base in Manta.

67 “Bush firma la "Iniciativa Mérida" (“Bush signs the Mérida Initiative”) In: *BBC Mundo*. June 30, 2008. In: [http://news.bbc.co.uk/1/hi/spanish/latin\\_america/newsid\\_7482000/7482407.stm](http://news.bbc.co.uk/1/hi/spanish/latin_america/newsid_7482000/7482407.stm)

68 Benítez Manus, Raúl. *La Iniciativa Mérida: desafíos del combate al crimen y el narcotráfico en México* (“The Mérida Initiative: Challenges in Fighting Crime and Drug Traffic in Mexico”). *Real Instituto Elcano. ARI N° 130/2007 - 10/12/2007*

69 “Evo expulsa al Embajador de EEUU por supuesta conspiración”(“Evo Expels the US Ambassador Due to Alleged Conspiracy”). In: *La Razón*. Bolivia. september 11, 2008. In: [www.la-razon.com](http://www.la-razon.com); "Decisión de expulsar embajador de EEUU fue pertinente y necesaria”(“Decision to Expel US Ambassador Was Relevant and Necessary”) In: *Ministerio del Poder Popular para la Comunicación y la Información*. Venezuela. september 12, 2008. In: [www.mpv.gov.ve](http://www.mpv.gov.ve)

Finally, the countries of the South Cone have had very little importance in American security policies. The cooperation in security of that country towards the South Cone is mainly oriented to the fighting drug traffic, and is above all given to Brazil.

### Migration <sup>70</sup>

The subject of migration has become one of the central issues in the relationship between the United States and Latin America, due to the important flow of people who try to move towards the US.

In this area, in the past few years, the absence of proactive policies by Latin American countries has become evident. These countries have manifested a more reactive position towards American policies in an individual and non-regional way.

After the attacks of September 11, the securitization of the American agenda manifested itself in the immigration policies, where the strong border control was sustained by the argument that terrorists should be kept out of American territory. These new migratory policies linked to security factors in the borders have been in conflict with the human rights issue.

#### United States: Stocks of immigrant population from Latin America and the Caribbean

Origin	Census Dates				Growth rate		
	1970	1980	1990	2000	1970-1980	1980-1990	1990-2000
South America	234,233	493,950	871,678	1,876,000			
<i>Percentage</i>	13.6	11.3	10.4	13.0	7.5	5.7	7.7
Mesoamerica	873,624	2,530,440	5,391,943	9,789,000			
<i>Percentage</i>	50.6	57.7	64.4	67.6	10.6	7.6	6.0
Caribbean and others	617,551	1,358,610	2,107,181	2,813,000			
<i>Percentage</i>	35.8	31.0	25.2	19.4	7.9	4.4	2.9
Total	1,725,408	4,383,000	8,370,802	14,478,000			
<i>Percentage</i>	110.0	100.0	100.0	100.0	9.3	6.5	5.5

Source: IMILA Project of CELADE. In: Hernández, Jairo and Lizano, Ana Cristina (editors). *América Latina y la Segunda Administración Bush: Un Debate sobre Migración*. ("Latin America and the Second Bush Administration: A Debate on Immigration"). FLACSO: Juricentro. 2008. p. 51. In: [www.flacso.org](http://www.flacso.org)

70 For further information see Hernández, Jairo and Lizano, Ana Cristina (ed.). *América Latina y la Segunda Administración Bush: Un Debate sobre Migración* ("Latin America and the Second Bush Administration: A Debate on Immigration"). FLACSO: Juricentro. 2008. In: [www.flacso.org](http://www.flacso.org)

The economic development in the United States, Latin America and the Caribbean is one of the key factors in terms of the number of immigrants and the volume of remittances that they send to their families.

In the context of the new immigration measures and the migratory reformation promoted in the United States –which includes the deployment of the National Guard on the Southern Border and the building of a wall in that area– there have been many protests of various groups and governments. Nevertheless, the issue has not led to any significant outcomes, and in the present electoral year the discussion on immigration has turned even more political because the presidential candidates seek to promise things that draw them closer to the Hispanic community residing in the US, in order to get their votes.

### **Latin America – Asia Pacific Relationships**

In the last decade the free trade agreements have proliferated in Asia, both regionally and bilaterally.<sup>71</sup> This tendency to subscribe trans-Pacific agreements has not been ignored in Latin America. In this sense, one can note the particular importance of Chile, that has ongoing Free Trade Agreements with South Korea since 2004 –the first trans-Pacific Free Trade Agreement–, New Zealand, Singapore and Brunei Darussalam (P4) since 2006; with China since 2006 –the first Free Trade Agreement between China and a Western country–, with India since 2007, and with Japan since 2007. Also, it is in current negotiations of FTA with Thailand, Vietnam and Malaysia. It is also waiting for the ratification of a Free Trade Agreement with Australia.

While the Chilean incursion in trans-Pacific relationships has no precedents in Latin America, there are other countries of the region that have been opening their doors to Asian and Pacific trade in the last years. Such is the case of Mexico, that has an Agreement for Strengthening the Economic Association with Japan since 2005, the first agreement of major scope signed by Japan. Also, Mexico is negotiating an FTA with Singapore. Panama has an ongoing FTA with Singapore; Costa Rica is preparing to start negotiations to sign an Agreement with China. El Salvador, Guatemala, Honduras, Nicaragua and Panama have or are in the process of approving Free Trade Agreements

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71 CEPAL. *Panorama de la inserción internacional de América Latina y el Caribe 2006. Tendencias 2007* (“Overview of International Insertion of Latin America and the Caribbean, 2006. Trends, 2007”). Santiago, Chile. 2007. In: [www.eclac.org](http://www.eclac.org)

with Taiwan. Lastly, Peru subscribed a Free Trade Agreement with Singapore in 2008 and is negotiating one with Thailand, China and South Korea.

The countries of the South Cone, members of MERCOSUR, have respected the actions of the joint bloc to negotiate and subscribe Free Trade Agreements, except for the Free Trade Agreement between Mexico and Uruguay in 2004. MERCOSUR announced that for 2008 it would have as a key point in its agenda the signing of a Free Trade Agreement between that bloc, the Southern Africa Customs Union (SACU) and India.<sup>72</sup> Also, MERCOSUR and South Korea have been carrying out feasibility studies and discussions since 2005, aiming to subscribe a Free Trade Agreement.

### **Asia-Pacific Economic Cooperation (APEC)**

Trade relationships among the Asian and Pacific countries and the Latin American countries have formalized in the Asian-Pacific Economic Cooperation (APEC). APEC, far from promoting a supranational structure articulating political, social and economic principles as most of the integration mechanisms examined above, is constituted as a forum whose priority is the economic and technical cooperation of its members.

The twenty-one economies that are part of this Forum are: Australia, Brunei Darussalam, Canada, Chile, the People's Republic of China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Thailand, Taiwan, the United States and Vietnam. It may be pointed out that the importance of this forum lies in the fact that the economies which make it up represent around 60% of the world's GDP and 50% of world trade<sup>73</sup>.

In 1994 the APEC leaders meeting in Bogor, Indonesia, agreed the principles of APEC, known as the "Bogor Goals", which are a) to reach liberalization and facilitation of trade and investment by 2010 for the developed economies and by 2020 for the developing economies; b) to work to create a safe environment for the efficient movement of goods, services and people in the region; and c) to establish as Bogor Goals the liberalization of trade and investments; the facilitation of trade and investment; and technical and economic cooperation.<sup>74</sup>

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72 "TLC con India y La Unión Aduanera de África del Sur son prioridades del MERCOSUR para 2008" ("FTA with India and the Southern Africa Customs Union are MERCOSUR'S Priorities for 2008"). In: *MERCOSUR Noticias*. February 5, 2008. In: [www.mercosurnoticias.com](http://www.mercosurnoticias.com)

73 [http://www.mincetur.gob.pe/apec/descripcion\\_general.html](http://www.mincetur.gob.pe/apec/descripcion_general.html)

74 [http://www.mincetur.gob.pe/apec/descripcion\\_general.html](http://www.mincetur.gob.pe/apec/descripcion_general.html)

Becoming part of APEC represents an important opportunity for Latin American economies, as it allows them not only to count on a closer relationship with important Asian and Pacific economies, but also to have a platform to promote economic relationships with countries in that region and to be able to become strategic partners of it. Also, the numerous meetings that take place during the year in the various levels of the APEC allow to discuss and present concerted positions towards broader negotiation rounds like those of the World Trade Organization.

On November 21, 2008, the Summit of Heads of State and Government of the Asian Pacific Economic Cooperation (APEC) will be carried out in Peru.

### **Latin America and China**

China's relationship with Latin American countries in the second half of the 20th century began to grow moderately. However, starting in 2004-2005, relationships between China and the Latin American region have intensified. Its top officers, President Hu Jintao and Vice-President Zeng Qinhong, visited more than ten Latin American countries in that period, and from then to this date the subscription of economic, commercial and cooperation agreements (including scientific, technical, cultural and educational subjects) has been quite numerous.<sup>75</sup>

From 1993 to 2003, Latin American trade with China grew by 600%. China's largest trade partner in the region is Brazil—bilateral trade reached US\$14.8 billion in 2005—, as it was the first country in the continent with which China established a strategic alliance in 1993, involving the highest degree of mutual trust and interdependence. In November 2005 China signed an FTA with Chile. From that moment to the present, China has established this kind of alliance in the Americas with Venezuela, Mexico, Argentina and Canada. Likewise, China is committed in regional organizations such as the China-Latin America Forum, the MERCOSUR-China Dialogue and the consultations between China and the Andean Community.<sup>76</sup>

China is also an observer at the Organization of American States (OAS), and attends as an observer at the meetings of the Economic

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75 Xu Shicheng. "Las diferentes etapas de las relaciones sino-latinoamericanas" ("The Different Stages in Sino-Latin American Relationships"). In: *Nueva Sociedad*. N° 203. May- June, 2006. In: [www.nuso.org](http://www.nuso.org)

76 Wenran Jiang. "China busca energía en América Latina. ("China Looks for Energy in Latin America") In: *Foreign Affairs en Español*. October- December 2007.

Commission for Latin America and the Caribbean (CEPAL), the Latin American Association of Integration (ALADI) and the Inter-American Development Bank (IADB).<sup>77</sup>

Chinese interests in the region have increased as a result of the difficulties the United States has undergone in recent years—both through lack of interest by the Americans and due to the opposition the US has found in promoting one of its major projects, the Free Trade Area of the Americas. Similarly, for China, having an active diplomacy in Latin America is functional in order to generate eventual political support.<sup>78</sup>

Along this line, it is important to take into account the situation of Taiwan. China's foreign policy makes it impossible for international actors to hold relationships with China and Taiwan at the same time. Of the 19 countries that still have diplomatic relationships with Taiwan, 10 are Central American and Caribbean countries and one from the South Cone—namely, Belize, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, the Dominican Republic and St. Kitts-Nevis.<sup>79</sup>

The case of Costa Rica is an example of how the growing importance of China both in the region and in the globe has had political consequences concerning Taiwan. Costa Rica maintained diplomatic relations with Taiwan up to 2007, enjoying the benefits this nation offers to the nations that still recognize it (bilateral and multilateral cooperation under very favorable conditions), the same as the rest of the Central American nations. In fact, the Central American Integration System (SICA) has carried out seven Heads of State meetings at which topics of cooperation at the sub-regional level are addressed. Similarly, El Salvador, Guatemala, Honduras, Nicaragua and Panama have Free Trade Agreements with Taiwan that are either in force or in the process of ratification.

Despite the benefits offered by Taiwan, Costa Rica made the decision, on June 6, 2007, to break up relations with that nation and to start them with China. The primary reason that has led many countries in the world to make this kind of decision is the fact that China is an emerging power with a tremendous

77 Xu Shicheng. *Op Cit*

78 Cesarin, Sergio y Moneta, Carlos (comp.) *China y América Latina. Nuevos enfoques sobre cooperación y desarrollo. ¿Una segunda ruta de la seda?* ("China and Latin America: New Approaches on Cooperation and Development. A New Silk Trade Route?") REDEALAP: INTAL. 2005

79 Aguilera, Gabriel. "De espaldas al dragón. Las relaciones de Centroamérica con Taiwán" ("Behind the Dragon's Back: The Relationships of Central America with Taiwan"). In: *Nueva Sociedad*. N° 203. May- June, 2006. In: [www.nuso.org](http://www.nuso.org). Uptaded in: Ministry of Foreign Affairs of the Republic of China (Taiwan), [www.mofa.gov.tw](http://www.mofa.gov.tw)

demographic weight and a development that leads it to purchase large quantities of raw materials. From the commercial point of view, China offers a series of benefits and possible advantages that promote the economic advisability of seizing this opportunity. In addition, politically, China is recognized as a global power, and this is expressed in its permanent membership in the UN Security Council.

But, beyond the political realm, China's intense insertion in the Latin American region is also due to an economic interest. In 2005, Latin America was the second region receiving Direct Foreign Investment (DFI) from China, above \$500 million and second only to Asia.<sup>80</sup> Similarly, the region represents an area of raw materials as it has a high availability of natural resources. Latin America has also gradually become a market for Chinese products. It is worth mentioning that this results in several major challenges for the region, primarily in the manufacturing sector, as Chinese low-cost investments in this sector constitute a strong competitor mainly for Mexico and the Caribbean Basin.<sup>81</sup>

### **Latin America – Latin America Relationships**

During 2007 and the first half of 2008, the presidents of Mexico and Brazil launched major initiatives in each of their respective sub-regions.

#### *Brazil and Latin America*

Due to its size, its economic-industrial weight and its development in science and technology, Brazil occupies an outstanding position in the region and in the world. It is one of the primary economies in the world. It carries out a foreign policy with vision and goals to achieve. Latin America holds an important position in these schemes, and especially South America.<sup>82</sup>

Early in this period, Brazilian President Luis Inácio Lula da Silva made important efforts to position his alternative of ethanol as an alternative energy

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80 Santiso, Javier. "La emergencia de las multilatinas"("The Emergence of the 'Multilatinas'"). In: *Revista de la CEPAL*. N° 95. August, 2008.

81 CEPAL. *La inversión extranjera en América Latina y el Caribe 2007* ("Foreign Investment in Latin America and the Caribbean, 2007"). Santiago, Chile. 2008. In: [www.eclac.org](http://www.eclac.org)

82 Hormesiter, Wilhem, Rojas Aravena, Francisco and Solís, Luis Guillermo. (comp.) *La Percepción de Brasil en el Contexto Internacional: Perspectivas y Desafíos*("The Perception of Brazil in the International Context: Perspectives and Challenges"). Rio de Janeiro: Honrad-Adenauer-Stiftung. 2007.

for the region. These efforts were first presented as a joint action with the United States. Thus, on February 8, 2007, the Brazilian Minister of Foreign Affairs, Celso Amorim, and the US Secretary of State for Political Affairs, Nicholas Burns, met in Brasilia and announced their intention to further intensify the relationships between the two nations. This announcement led to having Presidents George Bush and Lula da Silva sign a strategic alliance related to ethanol on March 9. In this alliance they committed themselves to collaborate and share technology for producing ethanol and diminishing dependence on petroleum.

However, this harmony between Brazil and the United States caused controversy, to the point that Venezuelan President Hugo Chávez decided to carry out a “counter-tour” through the region to decrease the influence of President Bush’s Latin American tour. Likewise, the use of ethanol became involved in a more global polemic concerning the threat of this technology for food security. Fidel Castro was one of the first voices to report this danger, especially due to the use of maize.

For the I South American Energy Summit, carried out on April 17, 2007, Brazil managed to stop the attempts of consolidation of President Chávez’s energy leadership project concerning the creation of an organization for South American countries that were producers and exporters of gas, Opegasur.<sup>83</sup> President Lula also succeeded in defending his ethanol proposal.

In August 2007, President Lula carried out a trip through Latin America, visiting Mexico, Honduras, Nicaragua, Jamaica and Panama. In these countries he sought to develop agreements and alliances and to sign cooperation agreements. The Brazilian president continues to promote his ethanol proposal as a large-scale energy project. The consolidation of his regional leadership has reasserted itself.

In 2008, Brazil has made a bet at the creation of a South American Defense Council in the context of the Union of South American Nations. The creation of this Council involves an important advance in Brazilian leadership in South America, which is further reinforced by the apparent consolidation of the initiative sought by Brazil since the present century began—to build the South American Union of Nations. Brazil has understood that a necessary

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83 Malamud, Carlos. *“La cumbre energética de América del Sur y la integración regional: un cambio de buenas (y no tan buenas) intenciones. Documento de Trabajo* (“The South America Energy Summit and Regional Integration: A Change of Good (and Not So Good) Intentions”). Real Instituto Elcano.

condition to promote its leadership is South American stability and security, particularly in the Andean countries. This is why the region's stability and democratic governance has become a key object of the Brazilian government.<sup>84</sup>

In the early months of 2008, Brazil's Defense Minister Nelson Jobim carried out a tour through the countries in the region, promoting the South American Defense Council, and achieved approval from most of them. On May 23, 2008, the Extraordinary Summit of UNASUR was held in Brasilia. There, the Presidents of the South American countries approved the Constitution Treaty of the Union of South American Nations, which will become effective thirty days after the date of receipt of the ninth ratification instrument. It was then that President Lula formally submitted the project promoted by his country, concerning the creation of a South American Defense Council.

The Brazilian proposal calls for the creation of an integration mechanism that allows to discuss the defense realities and needs of South American countries, to reduce conflicts and mistrust, and to lay the foundations for the future formulation of a common policy in this area.<sup>85</sup> Despite the fact that the proposal was initially welcomed, Colombia then opposed the creation of this mechanism, and instead proposed to create a preliminary Working Group to define and examine the area. On August 26, 2008, the meeting of this Working Group was held in Chile, which established as the key objective of the Defense Council to deepen the levels of consensus in the area of defense of member countries, in order to consolidate an environment of peace, dialogue and cooperation among South American countries. It likewise agreed that the Council would be made up by the relevant ministers of the member countries and that its work would be based on the principles set forth by the United Nations and the Organization of American States in the field of defense.<sup>86</sup> The principles set forth by the Working Group will be explained to the Presidents of the 12

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84 Serbin, Andrés. "Tres liderazgos y un vacío: América Latina y la nueva encrucijada regional" ("Three Leaderships and One Vacuum: Latin America and the New Regional Crossroads") In: Mesa, Manuela (coord.) *Escenarios de crisis: fracturas y pugnas en el sistema internacional. Anuario 2008-2009*. CEIPAZ-Fundación Cultura de Paz: Icaria Editorial. 2008.

85 "Presidentes de Unasur crean grupo de trabajo para definir Consejo de Defensa" (UNASUR Presidents Create a Working Group to Define the Defense Council"). In: *Artículos Periodísticos*. May 23, 2008. In: [www.comunidadandina/sudamerica.htm](http://www.comunidadandina/sudamerica.htm)

86 "Consejo de Defensa de UNASUR se enfocará en conseguir consensos" ("UNASUR Defense Council to Focus on Reaching Consensus"). In: *El Universal*. Venezuela. August 26, 2008. In: [www.eluniversal.com](http://www.eluniversal.com)

member countries of UNASUR in the next Presidents' Summit of the organization. Despite the above, Venezuela introduced reservations that made it impossible for the Defense Ministers to subscribe the document at the VII Defense Ministers Conference in Canada, in early September 2008.

Together with the efforts to create the South American Defense Council, President Lula has continued with a very active foreign policy in which he has tried to strengthen ties with Venezuela, with which he agreed to meet every two months to follow up on the agreements they have subscribed; and with Argentina, with which a Brazil-Argentina Mechanism for Integration and Coordination has been institutionalized. In spite of these achievements, Brazilian leadership in the region clearly has a South American stamp. In the case of Central America, the president continues to advocate the negotiation of a trade agreement between SICA and MERCOSUR, whose concretion, however, is not yet envisioned. Concerning its relationship with Mexico, after Lula's visit to that nation in March 2007, the creation of a Mexico-Brazil Bi-National Commission was agreed, in order to foster political dialogue and cooperation between these countries. However, to this date only one meeting has taken place on March 28, 2007.

As a form of a more embracing projection on the region, Brazil called a Summit on integration and development that will be held in Salvador da Bahia in December, 2008.

#### *Mexico – Latin America*

While Mexico has historically held an important role in regional leadership, Mexican policy towards the region throughout the years has not been consistent or long-term. It has varied from periods of relative indifference and neglect, and strong diplomatic activity in specific countries on particular topics.<sup>87</sup>

The Government of Felipe Calderón has sought to establish a clear positioning concerning its role in the region. After the administration of Ex-President Vicente Fox, during which the relationship with Latin America did not have significant outcomes and instead involved Mexico in tense conflicts with countries like Venezuela and Cuba, up to the

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87 González, Guadalupe. "México en América Latina. El difícil juego del equilibrista" ("Mexico in Latin America: The Difficult Game of an Acrobat"). In: *Foreign Affairs en Español*. October-December, 2007. In: [www.foreignaffairs-esp.org](http://www.foreignaffairs-esp.org)

point of withdrawing ambassadors, President Calderón announced, together with his Foreign Affairs Minister Patricia Espinosa, that it is of the utmost importance for Mexico to re-establish its position and role in Latin America, acknowledging that this presence and dialogue had weakened in recent years.

Despite the above, and beyond the visits of presidents of South American countries such as Argentina, Chile and Brazil, the truth is that the Mexican leadership in the region has remained anchored in the Central American area and now also in Colombia, a nation that has begun to look more towards the North than towards South America. Mexico is building its regional hegemony with Central America through establishing geopolitical and geo-economic relationships and cooperation for development.<sup>88</sup> Its role in the Latin American Pacific Arch Forum has accorded it a level of dialogue of great relevance with all the countries in the Pacific coast, as well as the region's outreach towards Asia-Pacific, particularly at APEC.

Another space of primary importance for Mexico is the Rio Group. Mexico was the founder of this initiative (stemming from the Contadora Group) that has accomplished an essential role in seeking Latin American solutions to Latin American problems. This initiative has been in action for more than two decades in promoting stability, democracy and peace in the region.<sup>89</sup> In 2008 Mexico took on the pro tempore presidency of the Mechanism, and has promoted and reasserted its action in order to achieve its objectives. Chile will take the presidency in the next term.

Concerning the Central American area, the Mexican president has clearly promoted a new relationship through launching the Mesoamerica Project at the X Summit of the Tuxtla Mechanism for Dialogue and Coordination, held on June 28, 2008. The Mesoamerica Project was previously known as the Puebla-Panama Plan.

It became evident for the Mexican Government that the Puebla-Panama Plan, as it was conceived by the government of Vicente Fox, was scarcely viable because it involved a significant number of projects (90 in total) and required a big investment (US\$8.048 billion). This made it a project that

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88 Rocha, Alberto. "Geopolítica y Geoeconomía de México en Centroamérica: ¿Una Hegemonía Regional?" ("Geopolitics and Geo-Economics of Mexico in Central America: A Regional Hegemony?") In: Cairo, Heriberto; Preciado, Jaime and Rocha, Alberto (editores). *La construcción de una región. México y la geopolítica del Plan Puebla- Panamá*. IUDC: Catarata. 2007.

89 Rojas Aravena, Francisco. "20 años del Grupo de Río: Renovando las Oportunidades de Concertación Regional("20 Years of the Rio Group: Renewing Opportunities for Regional Coordination"). In: *Nombres Propios*. Fundación Carolina. 2007

was scarcely operational and that could affect Mexico's credibility in the region. Thus, in the context of the X Tuxtla Summit, it was announced that the Mesoamerica Project would now have 22 projects.

On the other hand, Mexico is seeking to extend the ties of cooperation and policy coordination in order to face and fight organized crime. Beyond the efforts that have been promoted in this area from the Tuxtla Mechanism for Dialogue and Coordination, Mexico has broadened its presence concerning this topic in the Caribbean area. On August 1, 2008, the Regional Summit on the Global Problem of Drugs was carried out in Cartagena, Colombia. Participants included the presidents of Mexico, El Salvador, Guatemala, Panama, the Dominican Republic and Colombia, as well as 19 delegates from Central American and Caribbean countries.

As a result of the Summit, the countries present committed themselves to take measures such as the creation and/or strengthening of national observatories on drugs, joint work with the Inter-American Drugs Observatory of the Inter-American Commission for Drug Abuse Control (CICAD), strengthening the mechanisms of coordination and exchange of experiences among the countries in the region concerning technical and institutional aspects, and the promotion of actions for recovering and consolidating fragile ecosystems affected by illegal crops, among other items. Similarly, the institutionalization of this Regional Anti-Drug Summit was proposed as an annual mechanism of cooperation among the countries in the region.<sup>90</sup>

Early in October, the I Conference of Public Security Ministers of the Americas was held in Mexico City. This meeting of OAS was organized and led by the Government of Mexico and the General Secretariat of OAS. Important agreements were adopted there, oriented towards improving coordination of public security policies in six areas: public security management, prevention of crime, violence and insecurity, police management, citizen and community participation, international cooperation, and the follow-up on the meeting's agreements and commitments.<sup>91</sup>

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90 "Países que participaron en Cumbre Antidrogas impulsarán creación de observatorios nacionales de drogas" ("Countries That Participated in Anti-Drug Summit Will Promote Creation of National Drug Observatories"). August 1, 2008. In: [www.presidencia.gov.co](http://www.presidencia.gov.co); "Seis presidentes y un gran problema" ("Six Presidents and One Big Problem"). In: *BBC Mundo*. August 2, 2008. In: <http://news.bbc.co.uk/hi/spanish/news/>

91 I Meeting of Public Security Ministers of the Americas. *Compromiso por al Seguridad Pública en las Américas* ("A Commitment to Public Security in the Americas"). October 7-8, 2008. Mexico City, Mexico. In: [www.oas.org](http://www.oas.org)

*Brazil and Mexico in Latin America: The “Multilatinas”*

The leadership of Brazil and Mexico in the region goes beyond the political realm. Out of the 100 largest emerging “multilatinas” corporations, 85 are Brazilian and Mexican; and out of the 50 most profitable ones, 35 belong to these two countries too.<sup>92</sup> Similarly, out of the ten largest non-financial Latin American multinationals, six are from Mexico, three are from Brazil and one is from Venezuela.<sup>93</sup>

The growth of Latin American multinationals is framed in the global context of a greater movement of South-South investments. However, the importance of the regional market for these companies has become evident in recent years.

Mexico had held the highest position at the regional level in direct investments abroad. However, the quick increase of Brazilian DFI, especially in 2004-2005, caused this nation to become the country that generates the largest amount of DFI in the region (40%).<sup>94</sup>

Both nations are in addition important receivers of DFI, positioned among the 20 most important economies that receive global flows of DFI. In 2006-2007, Brazil held the fifth position in the world and the first in Latin America, receiving US\$35 billion in 2007. Hence it is not surprising that, out of every \$100 of DFI that enter South America, \$90 are destined to Brazil.<sup>95</sup> On its part, Mexico held position number 17 during the same period, and it is the second largest receiver of DFI in the region, receiving US\$23 billion in 2007.<sup>96</sup>

*Venezuela – Latin America*

In recent years, Venezuela has gradually taking on an important leadership in Latin America. The initiatives promoted by President Hugo Chávez, hand in hand with the diplomacy of petroleum, have consolidated a certain leadership of that country in the region.

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92 “Auge de las multilatinas: Brasil y México a la cabeza” (“The Rise of the ‘Multilatinas’: Brazil and Mexico Are the Leaders”). In: *Infolatam*. September 3, 2008. In: [www.infolatam.com](http://www.infolatam.com)

93 Santiso, Javier. Op. Cit.

94 *Op cit*

95 “Un Brasil bilingüe”(“A Bilingual Brazil”). In: *El País*. October 14, 2008. In: [www.elpais.com](http://www.elpais.com)

96 “México pierde atractivo para la inversión foránea”(“Mexico Loses Appeal to Foreign Investment”) In: *El Financiero*. Mexico, October 16, 2008. In: [www.elfinanciero.com.mx](http://www.elfinanciero.com.mx)

The ALBA proposal, with its vision to become an initiative that seeks the economic development of the social sectors of Latin American peoples as opposed to the more neo-liberal or “imperialistic” policies, has served to gather together those governments that have a clear position against the United States, regardless of the sub-region or regional scheme they belong to.<sup>97</sup> However, given its strongly ideological character, ALBA has not succeeded in becoming an instrument for the consolidation of Venezuelan leadership, which has happened instead with another initiative of that country, Petrocaribe.

The global context of the hydrocarbon crisis, added to the good conditions offered by Petrocaribe, has led to increasingly more countries joining this option, despite what previously seemed to be irreconcilable differences among their patterns of government.<sup>98</sup> An example of this is Costa Rica, whose government moved from a strong anti-Chávez discourse and even a conflict concerning a Venezuelan company in that country, to requesting its incorporation into the mechanism at the latest Petrocaribe Summit. Honduras went even farther and joined ALBA.<sup>99</sup>

Thus, President Chávez has succeeded in making his presence felt in the Central American and Caribbean countries. But beyond this, the Venezuelan influence in South America is also being felt. Although Venezuela left the CAN, its relationship with the governments of Bolivia and Ecuador continues to be very close. Concerning MERCOSUR, even though the parliaments of Brazil and Paraguay still need to ratify Venezuela’s entrance for it to become a full member, the truth is that Venezuela participates actively at all the Summits and has managed to open space for itself in this sub-scheme, even if it is not a full member yet.

The Venezuelan leadership in South America must also be noted in the concretion of some of the initiatives of this government to consolidate its own initiatives. An example of this is the creation of Banco del Sur, whose Founding Charter was signed on December 9, 2007, by the presidents of Venezuela,

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97 FLACSO. *Dossier ALBA*. Serie de Cuadernos de Integración en América Latina. FLACSO-SG. 2007. In: [www.flacso.org](http://www.flacso.org)

98 Altmann, Josette. *Alba: ¿Un proyecto alternativo para América Latina?* (“ALBA: An Alternative Project for Latin America?”) (ARI). ARI N° 17/2008. Real Instituto Elcano. [www.realinstitutoelcano.org](http://www.realinstitutoelcano.org)

99 “Gobierno hondureño se une hoy al ALBA” (“Honduran Government to Join ALBA Today”). In: *La Nación*. San José, Costa Rica. August 25, 2008. In: [www.nacion.com](http://www.nacion.com)

Brazil, Bolivia, Ecuador, Paraguay and Argentina. Uruguayan President Tabaré Vázquez signed it a few days later, since he was not able to attend the signing ceremony with the other leaders.

While it is true that the Venezuelan leadership in the region cannot yet be compared with the one of countries that have historically played an important role in Latin America, such as Brazil and Mexico, the truth is that Venezuela now presents, according to some analysts, “three comparative advantages concerning Brazil—a political project, a charismatic leader and financial resources”.<sup>100</sup> However, its style causes unnecessary polarizations.

### **Building an Agenda, Agreeing on Visions and Actions**

The democratic context that is being manifested in the Latin American region sets a shared basis that ought to allow the best opportunities for agreeing on visions, building proposals and formulas, and setting courses of action.

The demand and the search for agreements based on an effective cooperative multilateralism will facilitate the convergence of actions regarding the agendas of relationship of LAC with the EU, with the USA and within Latin America itself. The agreements and consensuses reached, and especially those that have a strong political stamp, will impact other areas.

The review of priority topics in the agendas, in which the countries of the region are involved, shows high resemblances. This shows that convergence is easier, that it is over and above the differences concerning models of development, the role of the state or those of an ideological character. Chances for success lie in pinpointing the convergences and coordination as the key to positively address the priority items of all national actors and their governments.

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100 Gratius. In Serbin, Andrés. Op. Cit. p. 152.

**Items in the LAC Agendas**

<i>Intra-regional</i>	<i>LAC – EU</i>	<i>LAC – USA</i>
Development / Growth / Inequity.	Energy	Financial Crisis Migration
Violence / Drug traffic	Migration	Energy
Energy	Climate Change / Food Crisis	Climate Change / Food Crisis
Climate Change / Food Crisis	Social Cohesiveness	Drug Traffic / Violence

Given the thematic convergence of the main agendas, the demand and the opportunity emerge to agree on interests and to express them in multilateral courses of action and shared positions in global forums. The opportunities are many. If there is success in moving forward in this route, it is possible that the visions on integration will flow together in an increasing way into a strategic political project.

When the agenda is expressed in terms of objectives, options for converging routes emerge that will impact the regional and national development. Building common positions on the agenda items will strengthen us as a region and in national projections. It makes it easier to harmonize the development of public policies in periods that facilitate political convergence and that allow to show effective outcomes for the whole set of societies. As progress is made along this route, the different initiatives will flow together, and some of them will be able to gather the set of political wills in the region in search of a higher interest—the wellbeing of the largest number of Latin American and Caribbean human beings.

November, 2008. Curridabat, Costa Rica.

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## COMPARAR CON EL DE ESPAÑOL HAY DIFERENCIAS