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Recent developments in the institutional architecture for Latin American and Caribbean integration

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F O R E W O R D

This document has been prepared in compliance with Activity I.1.3. "Institutional architecture of integration", of the Work Programme of the Permanent Secretariat for the year 2010, with the purpose of providing a basis for the Regional Meeting on the institutional architecture of regional integration, to be held at the headquarters of SELA.

First, the document reviews the evolution and current status of the institutional architecture in the various integration agreements existing in LAC, both at the subregional and regional levels. Then, it analyzes the situation of the new regional institutions that have emerged recently, identifying the progresses achieved in both UNASUR and ALBA-TCP. In addition, the document deals with the evolution of the Mesoamerica Project and the IIRSA Initiative.

Later on, the document analyzes the Latin America and Caribbean Summits (CALC) held in December 2008 and February 2010, as well as the Ministerial Meeting of 2009, in terms of the adaptation of the institutional framework for integration to the new realities. Finally, the paper presents some considerations about a possible regional programme based on the new framework created by these Summits.

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EXECUTIVE SUMMARY

The main objectives of this document are to make a review and critical assessment of the most recent developments in the Institutional Architecture of Integration in Latin America and the Caribbean, and to present some of the main results from the two Latin American and Caribbean Summits (held in December 2008 in Brazil and February 2010 in Mexico). This paper forms part of a project included in the work programme of SELA: to submit to its Member States some considerations about the possible contents of a regional programme that allows for complying with the guidelines and mandates stemming from said Summits, with a view to making firm strides towards the creation of a new architecture of regional integration.

The document is divided into an introduction and four chapters. The introduction highlights the demands and tensions faced by Latin American and Caribbean integration and the changes resulting from such a process, both in the expansion of the objectives and issues included in the integration agenda, and in the emergence of new schemes and processes pointing to a genuine regional integration.

Following the introduction, the first chapter makes a review of the recent evolution and current status in terms of the institutional architecture of integration in the different mechanisms or schemes existing since several decades ago. An analysis is made on the recent developments in subregional mechanisms, such as the Andean Community (CAN), the Common Market of the South (MERCOSUR), the Central American Integration System (SICA) and the Caribbean Community (CARICOM), on the one hand, and in regional organizations, such as the Latin American Integration Association (ALADI) and the Association of Caribbean States (ACS).

With regard to the Andean Community, emphasis is made on the “New Strategic Vision of Andean Integration”, which is being promoted as part of a renewed political effort to strengthen the integration process. In this connection, the document presents the “Guiding Principles” and the “Consensus Axes of the Andean Strategic Agenda”, which seek to consolidate both the Andean Integration System and the whole integration process in general. As for the Common Market of the South, the document mentions the gradual progress made by this scheme in their various spheres of operation, in spite of the persistent significant differences among its member countries on issues such as the “structural asymmetries” and other aspects and “sensitive” matters in the dynamics of operation of the bloc.

The Central American Integration System has had a mixed performance since it was affected by the serious political crisis in the wake of the coup d'état in Honduras, whose impact on the community institutions resulted in some setbacks and a temporary crisis in some areas of operation of the main integration mechanism for Central America. In turn, the Caribbean Community – in spite of the adverse effects of the crisis, which particularly tourism and financial services – continued to make progress towards strengthening community institutions and its actions at both the internal and external levels contributed to mitigate some of the most severe effects of the crisis, to a certain extent.

In dealing with the Latin American Integration Association (ALADI), the document reviews recent developments as regards the creation of a “Free Trade Area” promoted by ALADI, which began to define its general features in 2004. To this end, the study identifies both progresses and current problems in the construction of the various components of that free trade area. For its part, the Association of Caribbean States (ACS) has continued with projects that form part of the four thematic areas of its institutional structure (trade,

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transport, sustainable tourism, and natural disasters). The document underscores that since all of SICA member countries and 14 of the 15 Member States of CARICOM participate in the ACS, the Association plays an important role in unifying integration and cooperation efforts both in Central and in the Caribbean.

The second chapter reviews the situation of the new regional institutions created in recent years, as well as the ongoing cooperation projects for integration.

Referring to the newly-created regional institutions, the document reviews the most important achievements of the Union of South American Nations (UNASUR) and the Bolivarian Alternative for the Peoples of the Americas-Peoples' Trade Agreement (ALBA-TCP). In dealing with UNASUR, the study identifies the main components of its Constitutive Treaty, signed in May 2008, particularly those relating to the nature, objectives, institutional structure and operation modalities of the Union, and continues to review its performance, focusing on the creation of various Councils aimed at shaping up UNASUR's institutional framework. As for ALBA-TCP, the document offers a brief review of the expansion of its membership, the most relevant initiatives undertaken by the Alliance since its inception in December 2004 (under the name of "Alternative") and the definitions that have been adopted as regards both the institutional structure of ALBA-TCP and the creation of a monetary and financial architecture among the countries of the Alliance. In this connection, the study makes a thorough analysis of the Bank of ALBA and the Regional Clearance Unitary System (SUCRE), underscoring its rapid progress, including the completion of the first commercial transaction in Sucre in February 2010.

Regarding cooperation projects for integration, the paper reviews the recent performance of the Mesoamerican Integration and Development Project, known as the Mesoamerica Project, and the South American Regional Infrastructure Integration Initiative (IIRSA).

The document points to the fact that this inter-governmental scheme – which also foresees the participation of the private sector and civil society – was characterized in its early stages by prioritizing physical integration through the construction of power supply infrastructure, telecommunications and transport; however, lately it has included social development among its objectives, with actions and programmes in the areas of health, environment and housing. Thus, a "Social Axis", which should result in better quality of life for the inhabitants of the region, characterized by a strong presence of indigenous people and high levels of marginalization, has been recently added to the "Economic Axis" (which has been developed since the Mesoamerica Project was known as the Puebla Panama Plan).

The IIRSA multinational initiative – aimed at building physical infrastructure to link South American countries in three key areas: transport, energy and telecommunications – continued to pursue its goal of reducing internal barriers to trade, bringing markets closer together, and promoting competitiveness in the region's countries. In this connection, the document highlights the achievements made with the projects that form part of the "Axes of Integration and Development", ten years after launching this ambitious cooperation project aimed at integrating twelve South American countries. As part of this assessment, the document underscores the need for the initiative to ensure a greater involvement of civil society, because various social groups have repeatedly pointed to the negative effects that some projects might have on the social and cultural life of those communities that the initiative is intended to include and benefit.

The third chapter of the document analyzes the Summits of Latin America and the Caribbean (CALC) held in December 2008 and February 2010, and the Ministerial Meeting prior to the second summit, which took place in November 2009, highlighting the broad scope and contents of their agendas and, in general, the transcendental importance of such meetings as the initial steps to raise all kinds of links among the countries of the region to new levels.

To this end, based on the final documents stemming from the three meetings, the issues under discussion were identified as well as the main decisions taken in relation to these matters, focusing on the two main documents issued by the second meeting of Heads of State and Government. The first document was the *Declaration* of that Summit, which contains six agreements that include the decision to establish the Community of Latin American and Caribbean States (a name that is still subject to discussion) and the principles, common values and priorities underpinning such Community, as well as the agreement that, in principle, this new institution will be created from the merger of CALC and the Group of Rio. The second document is the *Declaration of Cancun*, consisting of six initial considerations followed by a total of 87 items corresponding to four decisions of a general nature and a Work Programme, which defines a set of 20 areas or issues – which include the main aspects of both the Declaration of the First Summit of Latin America and the Caribbean and an “Action Plan” defined in the Ministerial Meeting of November 2009 – with their corresponding priority lines of action. Emphasis is made on the fact that the Work Programme covers a very broad range of aspects, including a substantial part of the problems, economic and social issues and potential areas for intra-regional linkages among Latin American and Caribbean countries.

The fourth and last chapter presents a series of considerations regarding the possible contents to be considered for a regional programme, based on the new framework created by the Summits of Latin America and the Caribbean, which could allow for complying with the guidelines and mandates stemming from those Summits and set into motion the Community of Latin American and Caribbean States (CELAC).

From this standpoint, the document identifies the main areas or scopes on which decisions are necessary in order to make strides with the discussion on the agreements to face the current stage of initial formation of the Community amid better conditions. In this connection, emphasis is made on the need for consensus and basic commitments that can be fully accepted by all countries, which should imply the decision to set aside factors of confrontation so as to pave the way for an all-inclusive and comprehensive strategy that should emerge from the conviction about the potentials offered by a united Latin American and Caribbean region as regards essential aspects.

The first scope for decision is the future institutional structure of CELAC, including its size, functions, operation modalities, tools and competences, and the relations that this new regional institution should have with longstanding integration organizations.

The second scope for decision is related to the set of sectoral issues present in the Cancun Work Programme and the Action Plan of Montego Bay – health, education, finance, infrastructure, food security, among others – which should form part of the objectives and actions of both existing integration schemes and CELAC.

The third scope for decision refers to transversal topics – such as environment, gender and migration – which affect the whole series of sectoral issues. The effort that is necessary in order to properly address them is barely starting to be dimensioned. On these issues, this document underscores the need to identify possible regional courses of action that go

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beyond the statements made during events, so that they can turn into common areas of work for the various integration mechanisms and for CELAC.

The fourth scope for decision refers to the possible regional initiatives to coordinate positions and dialogue with the rest of the world. The purpose of this is that CELAC, once it has been set into motion, can become a privileged space for the adoption, expression and defence of common regional positions vis-à-vis third parties. This would ensure not only the continuity and enhancement – through CELAC – of the role that the Group of Rio has been playing as a mediator between countries and blocs, but would also lead the Community to serve as the representative of Latin America and the Caribbean before other blocs and various multilateral organizations, raising the voice of the region on issues, problems and debates of the utmost importance in the current international agenda.

As argued in the last chapter, proper attention should be paid to these four scopes for decision during the current stage of initial definitions about the new regional organization, so as to allow it, from its very inception, to have an operational framework and a set of highly relevant objectives and contents, thus creating the conditions for the future Community to develop the strong potentials that are present in Latin American and Caribbean integration and to respond to the crucial challenges posed by the regional and global scenarios to integration efforts in Latin America and the Caribbean.

I. INTRODUCTION

In recent years, Latin American and Caribbean integration has been subject to pressures and demands that have led to both a review, to different extents, of the goals, practices, and structures of the already existing mechanisms, and to the emergence of new integration initiatives.

After more than fifty years since the appearance of the first integration mechanisms in the region, a period during which the integration model, put to the service of import substituting industrialization, was first imposed and replaced with the so-called “new regionalism” or “open regionalism,” in the framework of the crisis of the 1980s, in the present decade, the need of submitting this “regionalism” to a thorough review has become increasingly evident.

Both the little progress made in terms of the goals set within the different integration mechanisms and the short-sightedness of these goals, as well as the multiple proofs that the results of the integration effort had not helped to create a true bond among peoples and countries in the region, and much less contributed to overcoming economic and social problems that have been historically present in Latin America and the Caribbean, which has made the way taken by regional integration to be increasingly questioned, even though it has brought fruits in different degrees.

The emergence of new priorities and the abandonment of others, such as the progressive – and difficult – disappearance of the mercantilist emphasis on the mechanisms; the increasing interest in economic and social asymmetries among the different parties involved; the inclusion of goals related to social development and of environmental issues; the attempts to build a community identity; the emphasis on democracy as a context and as an internal practice in the operation of the different mechanisms; the aperture toward the participation of civil society groups in the definition of paths and contents of integration; and the advance toward monetary and financial cooperation mechanisms can be identified in the previously existing schemes, albeit in a

heterogeneous way and even despite the current global crisis. An additional element is the increasing recognition of the need to assure that integration processes are accompanied with integration cooperation projects which, taking care of both the environment and the needs and interests of the populations involved, allow for the development of energy, transportation and telecommunication infrastructure required to move forward with said processes.

Furthermore, all these changes are even more strongly present in the new integration initiatives that have been implemented in recent years, such as UNASUR and ALBA-TCP, in both cases with an all-embracing intention – not only regarding the issues dealt with, but also the number of participating countries –, which was also very necessary to break the trend to fragmentation of the region into mini blocs. They are even present in a multiplication of different bilateral agreements, in addition to or as part of the different mechanisms, which has been imposed since a number of decades ago and postponed any eventual integration process of a truly regional nature to an uncertain future.

From that perspective, there are numerous reasons to pay special attention to the two Latin America Summits that have been already held and in which all the countries of the region have taken part. These summits, which have applied the very positive and novel modality of them being self convened, have taken very important steps toward the creation of a new Latin American and Caribbean space, which were generally defined in the final documents of both Summits, in particular in that of Cancún. This last meeting gave rise to a process that will be undoubtedly very intense and will definitely shape that new space and provide it with capabilities and instruments that allow it to become the regional harmonization and integration mechanism that Latin American and Caribbean countries need today.

Taking into account this changing and complex regional integration scenario, the recent behaviour of Latin American and Caribbean integration processes is analyzed in this document, with emphasis on the institutional changes occurred both in the previously existing schemes and in the new initiatives that have been developed over recent years. For this purpose, the regional and subregional mechanisms are analyzed below. The most relevant features of UNASUR and ALBA-TCP, as well as Meso-America Projects and IIRSA are analyzed, followed, in the fourth chapter, by an identification of the contents and scopes of the two Latin American and Caribbean Summits that have been held so far. Finally, the main components that could be part of a future Union of Latin America and the Caribbean are presented.

II. RECENT PERFORMANCE OF LONGSTANDING REGIONAL AND SUBREGIONAL INTEGRATION GROUPS AND THEIR INSTITUTIONS

This section deals with the overall evolution of institutional structures and the different integration mechanisms that have long existed in Latin America and the Caribbean, such as the Andean Community, the Common Market of the South, the Central American Integration System and the Caribbean Community, at the subregional level, and the Latin American Integration Association and the Association of Caribbean States, at the regional level.

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II.1. Subregional groups

Andean Community (CAN)

The most recent development of the Andean integration process shows that, despite the complex international environment and the difficult phase which political and diplomatic relations among CAN member States have gone through, especially over the last two years, the Andean institutional scheme reflected in the Andean Integration System (SAI) made it possible for this subregional integration mechanism to continue to operate, and that, even in some specific action areas, new initiatives could be implemented to move forward to a new strategic approach aimed at the consolidation and intensification of the integration process.

While the global economic and financial crisis, which originated in the U.S., impacted Latin American and Caribbean economies as a whole, the way how the governments of the Andean countries dealt with the crisis domestically made it possible for its negative impact on the financial sector in the first place and then on the real economy to be less marked than in the average Latin American countries, with a significant recovery of production and employment in Andean countries being expected for 2010.

Concerning political and diplomatic relations among CAN member countries, it is worth highlighting the political crisis that was triggered in March 2008 by a border dispute which resulted in the breaking of diplomatic relations between Ecuador and Colombia whose effects could be felt throughout 2008 and 2009 (diplomatic relations between both countries began to go back to normal in late 2009 with the appointment in November of the respective business attachés), as well as other binational border conflicts among Andean countries, and the tensions between Bolivia and Peru due to the differences between these two countries concerning the historical Bolivian demand to have access the sea.

In this complex scenario which implies facing obstacles of diverse nature, the SAI entities and institutions continued to undertake actions to intensify integration. However, despite certain achievements, some setbacks, and even backward steps in the operation of the community structure due to differences among Andean countries concerning view, direction, contents, velocity, instruments and intensity of the integration process. In this regard, the request made by Bolivia in August 2008 to remove CAN Secretary General, because this country considered that the Secretary General violated the Andean legal framework when Decision 689 to facilitate negotiations of the FTA between the U.S. and Peru was passed despite the opposite vote of Bolivia, is nothing but the expression of the different views within the Community, as well as of how the CAN has had to test its institutional framework to be able to advance its process.

One of the aspects that most reflects the difficulties to reach institutional agreements within CAN is evidenced in the frequency with which the implementation of the Common External Tariff (AEC) has been postponed. In this regard, it should be taken into consideration that only between 2008 and 2009, the entering into force of this tariff was postponed up to five times, and with it, the materialization of the Customs Union. Subsequent postponements were expressed in Decision 679 of 30 January 2008, Decision 588, 2 July 2008, Decision 693, 18 September 2008, Decision 695 of October 2008 and in Decision 717, 8 September 2009. This latter extended the deadline for putting into effect the Common Foreign Tariff until 31 December 2001. The most recent decision to postpone the implementation of the Tariff was based on the consideration that a flexibility degree in the application of tariff levels is required while the tariff policies of the Community are

established, a task for which the High Level Working Group on Tariff Policies (GTA) requires additional time [Commission of the Andean Community, 2009].

An additional aspect that has also been repeatedly postponed is the one related to the implementation of the Andean Passport. According to the rationale of Decision 504 by the Andean Council of Ministers of Foreign Affairs, dated 22 June 2001, this document “will become an instrument that will contribute to the consolidation of the awareness as a community and the cohesion among citizens of CAN member countries and to the international identification of the Andean Community as a group of countries committed to a common integration project” [Andean Council of Ministers of Foreign Affairs, 2001]. The Decision provides for that the Andean Passport would be put into force on 31 December 2005 at the latest and that if a member country would bring forward the implementation of the document before that date, this should be notified to the CAN General Secretariat and the other countries.

Four years after the expiration of the deadline, the Andean passport is still not in force, because Decision 625 of 27 October 2005 postponed the implementation date. This Decision was followed by Decision 655, 24 November 2006, Decision 678, 20 December 2007; Decision 709, 23 December 2008; and more recently, Decision 719, 24 September 2009, which “postpones the deadline for the implementation of the Andean Passport until 31 December 2010” [Andean Council of Ministers of Foreign Affairs, 2009].

Differences within the Andean Community were also evidenced when Ecuador decided in January 2009 to apply tariff measures to all imports, in order to counteract impacts of the global financial crisis, which gained momentum on the last quarter of 2008, on the foreign sector of its economy. This action was rejected by the other countries in the subregion.

Based on the protection of their balance of payments, the extreme vulnerability of its dollar-based economy, the defence of their domestic production and the fact that Colombia and Peru had devaluated their currencies, Ecuadorian authorities decided in January 2009 to “Establish for one (1) year a temporary Balance-of-Payments safeguard which would be generally applied to all and would not discriminate any imports from all countries, including those with which Ecuador has trade agreements in force that recognize tariff preferences” [Ecuador’s Government, 2009].

Even though the CAN General Secretariat has pointed out that Ecuador should reinstate tariff preferences for its Andean partners, Ecuador announced in early 2010, just a few days before the expiration of the deadline set by the “Balance-of-Payments Safeguard,” that they would begin to lift the tariff measures taken one year ago. The decision to gradually lift tariffs, starting with a 10% decrease until their total elimination within a period of six months, has been perceived as an attempt to maintain tariff protection measures although to a lesser extent, claiming that these actions should have been definitely suspended in January 2010.

Despite of the above facts, it is important to stress that contrary to what happened in the 1980s in the so-called debt crisis, during which the different regional integration mechanisms were severely affected, this time, regional and subregional entities, in particular the Andean institutional mechanisms, have had a greater involvement during this crisis in the design and implementation of strategies to face some of the most severe impacts of the crisis, either at the trade or at the strictly financial and productive levels throughout the subregion.

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Consequently, an analysis of the most recent development of the Andean integration process must take into account the proposals and coordinated actions taken within the institutional framework, including the February 2009 meeting of the Ministers of Finance of CAN member countries, which was held to agree upon measures to face the crisis.

Concerning the implementation of convergent measures in terms of policies to face international environment challenges, the Commission of the Andean Community approved Decision 704 in December 2008, which provides for Macroeconomic Vulnerability (MV) indicators. The definition of these indicators is aimed at intensifying efforts being regularly made by member countries to harmonize macroeconomic policies related to inflation, fiscal policy and public debt. The analysis of MV indicators will be part of the Convergence Action Programmes and will be monitored by the CAN Permanent Technical Group.

The major Macroeconomic Vulnerability indicators include public debt as a proportion of GDP; tax income as a proportion of GDP; total foreign debt as a proportion of GDP; total foreign debt as a proportion of revenues from goods and services exports; foreign debt service as a percentage of revenues from goods and services exports; total foreign debt as a proportion of net international reserves; and current account balance as a proportion of GDP. CAN Decision 701 which calls for the identification, analysis and follow-up of MV indicators, will make it possible for Andean countries to identify any alarming signal and timely react by implementing macroeconomic policy measures required to reduce vulnerability of the respective economies.

Also as a part of the dynamic within the community, the Andean Council of Ministers of Foreign Affairs agreed to create the Andean Community Council of Public Prosecutors, which will be made up of public prosecutors from member countries. This Council will have consultative functions and may be convened by the Andean Council of Ministers of Foreign Affairs or the General secretariat to provide their non-binding opinion with regard to police and legal matters. The Council of Public Prosecutors' functions include presenting recommendations as to the adoption of community regulations related to matters within its scope of action, and promote coordination and cooperation actions and the exchange of information among member countries, in accordance with the legal framework of the Andean Community [Andean Council of Ministers of Foreign Affairs, CAN, 2009].

The Andean Council of Ministers of Foreign Affairs decided to create the Andean Community Consultative Council of High-level Officials for Women and Equal Opportunities, made up by representative of secretaries of state or ministers of CAN member countries. This Consultative Council will be entrusted with the design and promotion of public policies related to gender equality, equal opportunities, as well as the promotion of women's human rights [Andean Council of Ministers of Foreign Affairs 2009a]. One of the actions taken to promote regional integration in the cultural area, as part of the indispensable diffusion of the identity of the Andean region as a community, is the launching of TVCAN as well as Radio CAN Internet signals on April 2008.

In spite of advances and setbacks, but, above all the marked differences and opposite stances in the diverse areas of actions among the Community member countries, the Andean Presidential Council held in October 2008 agreed to create a special group made up by Plenipotentiary Presidential Delegates who will reflect upon and discuss the future of the Andean Community, in a clear recognition of those differences.

Derived from this mandate, a series of meetings were held in 2009 to deal with the "New Strategic Vision of the Andean Integration." To move forward in the definition and contents of this proposal, the First Meeting of CAN Plenipotentiary Presidential Delegates was held in Quito in February 2009. Later, in March 2009, the Second Meeting of Delegates took place in Colombia, the third was held in Bolivia in April and the fourth in Lima, Peru, in June 2009. The most relevant issues discussed at these meetings are those related to the need to redefine the Andean integration strategic axes in order to move from an integration scheme exclusively focused on trade to a new integration structure centered on social, political and environmental issues as well as those related to foreign and trade relations, with all these areas being equally important.

Once Peru assumed the CAN Pro Tempore Presidency in July 2009, efforts continued at the highest level in order to give shape to the strategic vision of the Andean integration process. On 5 February 2010, the Ministers of Foreign Affairs, together with the Commission of the Andean Community, approved the Guiding Principles and the Andean Strategic Agenda, which is underpinned by twelve consensus axes.

The Guiding Principles of the integration process in the subregion are the following:

- Assuming virtues and limitations of the Andean integration process, from a realistic point of view and considering the historic opportunity.
- Preserving the common Andean heritage, consolidating efforts made throughout the forty years of integration.
- Respecting the diversity of approaches and visions that represent the basis of the community coexistence.
- Promoting the development of the Andean market and trade by developing new opportunities of economic inclusion and social solidarity.
- Moving forward in the reduction of asymmetries within member countries through initiatives that promote economic and social development.
- Deepening the all-embracing nature of the integration process.
- Deepening physical and border integration among member countries.
- Promoting Amazon issues in the Andean integration process.
- Promoting citizens' involvement in the integration process.
- Appraising and assuming unity within cultural diversity.
- Potentiating biodiversity resources of member countries in a substantial manner.
- Strengthening the institutional framework of the Andean integration system to improve its coordination and effectiveness.
- Strengthening regional cooperation in security issues.
- Strengthening the common foreign policy.
- Generating practical coordination and convergence mechanisms between integration processes.

The 12 Consensus Axes of the Andean Strategic Agenda, which contain specific projects and programs, include:

- Involvement of Andean citizens in integration.
- Common foreign policy.
- Trade integration and economic complementation; promotion of production; and sustainable trade and consumption.
- Physical integration and border development.
- Social development.
- Environment.
- Tourism.

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- Security.
- Culture.
- Cooperation.
- Energy integration and natural resources.
- Institutional development of the Andean Community.

The axis referred to institutional development of the Andean Community include the following programmes and projects: adopting measure to guarantee compliance with the Andean legal framework; establishing a mechanism to evaluate the effectiveness and outcomes of cooperation programmes in the framework of CAN; undertaking actions to obtain financing required for the development of programmes and projects of the Andean Strategic Agenda; and designing an information, coordination and networking programme among entities and institutions of the Andean integration system.

The new strategic vision contained in the Andean Strategic Agenda undoubtedly represents a first-order political challenge in the integration process long-term viability, vis-à-vis the explicit recognition by different community levels of divergences that have made operation of the institutional structures in the subregion more difficult.

Common Market of the South (MERCOSUR)

The current status and the most recent developments in the integration process in MERCOSUR exhibits gradual advances in its different operational areas – political, economic, trade, and social – without this implying the disappearance of the significant differences that have existed for a long time in the development of this regional integration mechanism in terms of structural asymmetries, subregional trade policy management, productive integration, development of competitiveness at the regional level, and service trade, among others.

These gradual advances, which resulted from the permanent confrontation of stances vis-à-vis “sensitive topics” for countries, regions and social sectors of member states, have occurred in the framework of the subregional integration mechanisms’ internal dynamic and also at the level of relations with other countries, groups of countries and agreements, with which contacts have been established and bonds have been strengthened aiming at greater cooperation and strengthening of institutional relations.

As part of this internal dynamic, the Council of the Common Market (CMC), the highest-level entity of MERCOSUR, which is entrusted with the political leadership of the integration process and the decision making process to guarantee compliance with the objectives established in the Treaty of Asunción, held a total of five meetings between 2008 and 2009. The XXXV Regular Meeting of CMC on 30 June 2008 in San Miguel de Tucumán, Argentina; the VII Special Meeting of CMC, on 27 October 2008, in Brasilia, Brazil; the XXXVI Regular Meeting of CMC, on 15 December 2008, in Costa de Sauipe, in Salvador de Bahia, Brazil; the XXXVII Regular Meeting of CMC, on 23 July 2009, in Asunción, Paraguay; and the XXXVIII Regular Meeting of CMC, on 7 December 2008, in Montevideo, Uruguay.

As to the last of these meetings, the XXXVIII MERCOSUR Summit, the joint statement released by the Presidents of the member states [Council of the Common Market, 2009] highlighted the achievements made in specific aspects of the institutional development of the mechanism, as well as those elements with respect to which work has still to be done in the search for solutions that allow different visions regarding the orientation, content, pace and levels of consolidation of the integration mechanism to coexist.

Concerning achievements, advances in terms of the application of the Payment System in Local Currency between Argentina and Brazil (SML) were acknowledged. This mechanism allows Argentinean and Brazilian importers and exporters to pay and collect trade operations in their respective local currencies. The SML Agreement was signed on 8 September 2008, in Brasilia, and less than one month later, on 6 October 2008, this financial instruments was put into operation. Bearing in mind that the SML is not formally part of MERCOSUR structure, there is the possibility of extending its use to the other member countries, which could reduce the transfer of foreign exchange among their countries.

At the same Summit, the presidents evaluated the operation of the Fund for Structural Convergence of MERCOSUR (FOCEM), as an instrument to move forward in one of the critical areas within the subregional scheme, i.e. the existence of deep structural asymmetries between States and regions, which should not only be collectively recognized but also faced with specific actions and projects if this subregional integration mechanism is to have viability and certainty in the medium and long term.

According to its regulations, the Fund's aims are financing programmes to promote structural convergence; developing competitiveness; promoting cohesion of minor economies and the least developed regions; and supporting the consolidation of the institutions structure and the strengthening of the integration process [Council of the Common Market, 2005]. FOCEM party States contribute according to the following percentage scheme: Brazil, 70%; Argentina, 27%; Uruguay, 2%; and Paraguay 1%. According to the most recent official data, a total of 25 projects have been approved in the framework of FOCEM, of which 14 were submitted by Paraguay, six by Uruguay, one by Brazil, three by MERCOSUR Secretariat and one by a group of States. Projects approved cover a wide range of topics and areas, such as housing, transportation, micro-businesses, and public health, among others.

To access FOCEM resources, each project must be presented and executed under the responsibility of a public entity; have a cost over US\$ 500,000; have at least 15% of its total cost financed locally; and adjust to one of the four programmes comprised by the Fund: structural convergence, competitiveness development, social cohesion, and strengthening of the institutional structure and the integration process. At the December 2009 summit, presidents underscored the need to streamline the approval of projects under analysis, as well as maximize the use of the resources available for the development of party States, and issued Decision No. 16/09, through which FOCEM budget for 2010 was approved.

With respect to the international arena as well as actions developed to face the global economic crisis, the Summit highlighted the holding of the Meeting of Ministers of Economy and Presidents of Central Banks of MERCOSUR and Associated States, which took place in Montevideo on 7 December 2009, as well as the task being developed by the Group of Macroeconomic Monitoring (GMM) in the periodical updating of harmonized statistics that will be included in the "MERCOSUR Macroeconomic Indicators Bulletin" and progress made by the project "Support for MERCOSUR Macroeconomic Monitoring (AMM)." All this has led to the coordination of regional policies to mitigate the impact of external factors, thereby facilitating the presence of signs of recovery of the economies of the region.

As far as MERCOSUR's social dimension is concerned, the MERCOSUR Social Institute (ISM) started its operations in the second half of 2009. The objectives of this Institute include contributing to the consolidation of social dimension as a development axis; helping to

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overcome asymmetries; technically collaborating in the development of regional social policies; systematizing and updating regional social indicators; reconstructing and sharing the best practices in this area; promoting horizontal cooperation mechanisms; and identifying financing sources [Council of the Common Market, 2007]. Headquartered in Asunción, the ISM is responsible for coordinating policies and developing joint actions in social development, with programmes earmarked for sectors such as children, adolescents, youth, and elderly, and aimed at attaining food security and fighting poverty.

Concerning Customs Union, it is worth highlighting that this continues to be one of the subjects where member States have found it difficult to overcome their differences, despite the continuous efforts made at the institutional level to reach full agreement. In this regard, the Council, through Decision No. 28/98, agreed in December 2009 that Argentina and Brazil could maintain until 31 December 2011 up to 100 items on their local lists of exemptions to the Common External Tariff (AEC); extend until 31 December 2011 exemptions for Paraguay and Uruguay established in Article 2 of the CMC Decision No. 31/03; and extend until 31 December 2001, exemptions for Paraguay under Article 3 of CMC Decision No. 31/03, under the consideration that a proper management of the community tariff policy must take into account the current international economic situation.

Also in relation to tariff policy and despite the opinions expressed by presidents at the Montevideo Summit as to advances in the studies developed by technical teams for the elimination of AEC double collection and the implementation of a Distribution Mechanism of Customs Rent, there are some opposite stances in this regard. This demands both the need to have, as soon as possible, an effective mechanism that guarantees the availability of resources from AEC collection, and the need to consider the differentiated effects that double collection elimination would have for the respective local revenues and budgets of member countries, some of which would resent this measure.

As far as Human Rights are concerned, Decision No. 14/09 issued at the Asunción Summit on 23 July 2009, approved the creation of the MERCOSUR Institute of Public Policies on Human Rights (IPPDDHH), which will make it possible to consolidate the promotion of Human Rights as one of the axes on which integration process is based. After this date, Decision No 32/09 approved the "Headquarters Agreement between Argentina and MERCOSUR," which established Buenos Aires as the seat for IPPDDHH activities.

As part of the development of the different activities of the entities and institutions of MERCOSUR, Decision No. 21/09 dated 7 December 2009, approved the List of Specific Commitments of MERCOSUR Party States. This list includes commitments assumed by the Council at the VII Round of Negotiation of Specific Commitments in the area of Services." The list also incorporates the commitments negotiated previously as well as modifications resulting from the VII Round, including additional commitments assumed by Uruguay in the area of telecommunication services. This will further deepen the agreements that will make it possible to move forward in the liberalization of trade in the service sector among Member States.

Concerning foreign relations, 2009 witnessed some signs of reactivation of the negotiations to reach an Agreement of Interregional Association between MERCOSUR and the European Union. In this regard, technical meetings between both parties were held in July and November in order to resume negotiations and advance as far as possible before the 2010 EU-ALC Summit in Madrid.

Also in the area of foreign relations, the State of Israel ratified the Free Trade Agreement signed with MERCOSUR. This is the first extra-regional agreement of this sort reached by this integration mechanism, which was signed by Israel and Uruguay and entered into force on 23 December 2009.

In this same area, a series of events took place in 2009: the 2nd Round of Negotiations with the Arab Republic of Egypt; the First Meeting of the Committee for the Joint Administration of the Fixed Preferences Agreement with the Republic of India; the First Trilateral Ministerial Encounter with SACU (Southern Africa Customs Union) and India; and the IV Meeting of the Automotive Committee of the Economic Complementation Agreement No. 65 between MERCOSUR and Mexico.

The final aspect is the one related to the situation of the Bolivarian Republic of Venezuela within MERCOSUR. After the approval on 4 July 2006 of the "Accession Protocol of the Bolivarian Republic of Venezuela to MERCOSUR", which provided for the conditions and timetables for the full accession of that country to MERCOSUR, a long waiting period started because for the Protocol to enter into force, it has to be ratified by the Congresses of the five countries involved. During this period, Venezuela has remained as a "full member in process of accession". Until mid-December 2009, the Protocol had been ratified by the Congresses of Venezuela, Argentina and Uruguay, and it is waiting for the approval of the Brazilian and Paraguayan Congresses. After three and a half years, Brazil's Congress finally ratified the accession protocol, with 34 votes in favour and 28 against, on 15 December 2009, with the ratification by the Paraguayan Parliament being pending for Venezuela to become a full member of MERCOSUR.

Central American Integration System (SICA)

Concerning the current status and evolution of the institutional architecture for integration in the Central American subregion, which finds expression in the Central American Integration System (SICA), it can be said that although its organs and institutions have conducted varied and intense activities over the last two years, the results have been ambivalent. In fact, the different entities related to its operation, such as the Meeting of SICA Presidents, the Council of Ministers, the Executive Committee, the General Secretariat, the Central American Court of Justice, the Central American Parliament, the Central American Economic Integration Secretariat (SIECA), the Specialized Secretariats, the Regional Institutional Councils, and the Intergovernmental Secretariats, which are part of the Central American Integration System,¹ have made progress but they have also had setbacks in their various activities.

One of the developments that had major repercussions in Central America was the political crisis of June 2009 in Honduras. This event impacted the operation of the integration mechanisms and paralyzed advances attained in certain areas of the integration mechanism, such as the indefinite suspension of the negotiations toward an Association Agreement with the European Union, after seven negotiation rounds and a number of technical trade rounds had been held with European representatives.

¹ In this regard, it is worth reminding that the 35th Regular Meeting of Heads of State and Government of SICA Member Countries, which was scheduled for 8 and 9 December 2009, was suspended upon request of Costa Rica, which held the Pro Tempore Presidency of SICA at that time.

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In this regard, in the framework of the XXXIV Regular Meeting of Heads of State and Government of SICA Member States, held on 29 June 2009, the "Declaration of SICA Presidents adopting immediate political measures in response to the situation in Honduras" was issued. In this Declaration, the Presidents of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panamá and the Dominican Republic, as well as the representative of the Government of Belize, immediately called for consultations with the ambassadors of SICA member countries to Honduras; instructed the Directors of SICA member countries before the Central American Bank of Economic Integration (BCIE) to immediately suspend all loans and disbursements for Honduras; cancelled all meetings with the illegitimate government, which were related to political, economic, financial, and cultural areas, as well as those dealing with subjects such as sports, tourism and cooperation; and banned representatives who were not accredited by President Manuel Zelaya from taking part in the various SICA meetings [SICA Heads of State and Government, 2009].

As far as inter-governmental relations between countries in the region are concerned, Costa Rica and Panama have recognized the presidential elections held in Honduras on 29 November 2009; whereas other countries have not recognized this regime, with the implications this would have for the community process. The fact that Panama, which also recognized the election, and has received from Costa Rica the Pro Tempore Presidency of the entity for the six-month period from January 1 to June 30, 2010, leads to believe that not only the apathy that has characterized the main subregional integration mechanism over recent months will continue, but also clashes and differences between the Central American governments that have recently assumed opposite stances as to the situation in Honduras.

Even in this scenario, which severely affected the Central American institutional framework, especially as of the second half of 2009, advances in specific areas were made, part of which are contained in the comprehensive redefining process of the institutional framework, which started several years ago. One of the actions taken between in late 2007 and early 2010 to strengthen and consolidate the community institutional structure include the decision made by the Ministers of Foreign Affairs, in the framework of the XXXI Regular Meeting of Heads of State and Government, to create the Regional Oversight Council (CFR-SICA), which will be the high-level entity of SICA for regional control. This Council will be entrusted with the control and oversight of the activities of the institutional entities of SICA. This measure is intended to promote accountability and greater transparency in the use of the System's resources, either domestic or regional or those derived from international cooperation [Ministers of Foreign Affairs of SICA member countries, 2007].

The Council of Ministers of Foreign Affairs approved the Regulations of the "Executive Committee of the Central American Integration System". This Committee became a permanent entity and is made up by a representative of each Member State, who is appointed by the respective presidents through their Ministers of Foreign Affairs. The Council was formally installed on 13 February 2008, after its first meeting in Costa Rica.

As part of the full redefining of the regional institutional structure, the "Protocol of Reforms of the Treaty creating the Central American Parliament and other Political Entities," was signed at the Special Meeting of Heads of State and Government of SICA member countries on the regional institutional framework [Heads of State and Government of SICA member countries, 2008]. In relation to actions aimed at favouring the community structure, Guatemala deposited the Ratification Instrument of the Agreement creating the Central American Court of Justice at the SICA General Secretariat.

Later, at the XXXII Regular Meeting of Heads of State and Government of SICA member countries, held in San Salvador on 27 June 2008, the Central American Social Integration Secretariat (SISCA) presented the "Social Strategic Agenda of Central America," which will serve as a basis of the roadmap for the development of social integration in the region. In December 2008 the "SICA Social Strategic Agenda," which aims at the universalization of basic services in the region, was approved.

In relation to SICA membership, SICA and the Republic of Chile agreed to formalize the accession of this country to SICA as a Regional Observer on 26 June 2008. On that same date, SICA and the Federal Republic of Germany signed the Agreement through which the participation of this country as an Extra-regional Observer is agreed. At the XXXIII Summit of Heads of State and Government, held in San Pedro Sula, Honduras, in December 2008, it was decided to admit the Republic of Argentina as a Regional Observer and the Republic of Italy as an Extra-regional Observer [Heads of State and Government of SICA Member Countries, 2008a]. In June 2009, the Council of Ministers of Foreign Affairs agreed the accession of Japan to SICA as an Extra-regional Observer.

Ministers of Agriculture of some SICA member countries, vis-à-vis the accelerated increase in the international price of food, decided in August 2007 to adopt the 2008-2017 Central American Agricultural Policy to strengthen regional integration, competitiveness of the agricultural sector, and regional food security. In the Special Meeting of Heads of State and Government of SICA Member Countries, held in Tegucigalpa, Honduras, in October 2008, the Central American Bank for Economic Integration (CABEI) was instructed to consider the possibility of granting credit facilities of up to US\$ 200 million to Central Banks and of up to US\$ 200 million per member State for commercial, public and private banks that so request, in accordance with the schemes approved by CABEI for this purpose. Further, it was agreed to instruct the Council of Ministers for Economic Integration, the Central American Monetary Council and CABEI to propose within 30 days, in coordination with the Central American Economic Integration Secretariat (SIECA), a plan including urgent measures to face the impact of the global financial crisis, which promotes employment, public investment and intraregional trade [SICA Heads of State and Government, 2008b].

At the Special Meeting of Heads of State and Government of SICA, held in Managua, Nicaragua, on 15 January 2009, it was decided to instruct the Council of Ministers of Foreign Affairs to present within six months, with the support of SICA General Secretariat, a proposal for the review and modernization of SICA, guaranteeing the principles of proportionality, rotation and equity in the participation of member States in relation to seats and positions within the entities and institutions of the System.

The XXXIV Meeting of Heads of State and Government of SICA, held in Managua, Nicaragua, on 29 June 2009, took note of the Central American Strategic Agenda released by SICA Secretary General, as well as the Proposal of Actions and Reforms to guarantee the modernization of SICA.

Concerning foreign relations of SICA member countries with other countries, groups of countries and regions, the greatest efforts were deployed in the negotiations for a broad Association Agreement with the European Union, and to ratify the Free Trade Treaty with the United States that entered into force on 1 January 2009.

The III EU-Central America Summit was held in Lima, Peru, in May 2008, where the Heads of State and Government of Central America and the European Union, represented by the

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Troika, recognized progress made at the negotiation round of the Association Agreement that was underpinned by three fundamental pillars: politics, cooperation and trade, with the latter including the establishment of a free trade area between both regions. At the meeting, the Heads of State of Central America pointed out that the region will develop a process for the entering into force of the "Framework Agreement for the Establishment of the Central American Customs Union" and of the instruments required to implement the Association Agreement on a region-to-region basis. At the different negotiation rounds, the Central American Heads of State and Government have insisted that migration must be included in the Agreement, based on an all-embracing approach that takes into account human and labour rights of migrants and their families [Heads of State and Government of EU-Central America, 2008].

While the Association Agreement was expected to be completed by the second half of 2009, the suspension of the negotiations took the possible signing of the agreement to a standstill. Nevertheless, the Agreement was signed at the European Union-Latin America Summit held in Madrid on 18 May 2010, to proceed with the corresponding ratifications in 2010 and 2011, when the Agreement could enter into force.

The Central America Free Trade Agreement – Dominican Republic (CAFTA-DR) entered into force for El Salvador on 1 March 2006; one month later, on 1 April 2006, it entered into force for Honduras and Nicaragua; on 1 July 2006, for Guatemala; and on 1 March 2007, for the Dominican Republic. On 14 November 2008, Costa Rica finally approved the internal legislation related to the FTA and finally the Free Trade Agreement between Central America, the Dominican Republic and the United States entered into force on 1 January 2009.

Even though it is premature to make a balance of the effects for the region of the implementation of the Agreement, with the international economic and financial crisis and the greater integration of their economies with the U.S., in 2009, the GDP of the five Central American countries that signed CAFTA-DR had a negative performance; therefore, it will be necessary to wait a longer time to make a more complete balance of what could be the medium and long-term structural impacts of the signing of the Agreement on the economic basis and the productive plant of the Central American countries and Dominican Republic.

Caribbean Community (CARICOM)

Against the backdrop of the global crisis and the impacts on the region by declining revenues from the services sector – tourism and financial services – Caribbean integration kept going with actions and programmes intended to make their institutions stronger and counter the most harmful effects of the crisis. As a result, in 2008 and 2009, CARICOM Member States implemented measures inside and outside the region to nail down economic and commercial integration, find a better niche in the world economy and bolster their people's social development.

In the internal ambit, as part of its institutional development, the XX Special Meeting of the Conference of Heads of State and Government, held on 12 and 13 March 2009, in Belize, was among the most significant events. Items on the agenda included the effects of the global financial crisis on Caribbean nations, the impact of the bankruptcy of the CL Financial Group and the fraud of Allen Stanford on thousand Caribbean account holders and investors [Heads of State and Government of CARICOM, 2009].

After that meeting, from 2 to 5 July 2009, the XXX Regular Meeting of the Conference of Heads of State and Government was held in Georgetown. A number of subjects appropriate to delve into integration were discussed, including people's free movement, under Article 45 of the Revised Treaty of Chaguaramas, an essential component to complete the projected CARICOM Single Market and Economy, CSME. Similarly, also related to CSME, the Heads of State and Government agreed that Member States should immediately enforce the procedures on the right of establishment and temporary movement of service suppliers in the face of the potential increase in extra-regional competition for the Community following the implementation of the Economic Partnership Agreement with the European Union.

The Heads of Government acknowledged the impact of the global economic and financial crisis on tourism and agreed on the urgent implementation of a regional programme to promote the region. In the field of human and social development, they approved a schedule to establish the Caribbean Public Health Agency for a better use of the funds allotted to regional public health under a single administration. They also acknowledged the effective measures thus far adopted to fight the epidemic of influenza A (H1N1) virus and expressed their hope that world efforts toward an effective vaccine will bear fruit in the short term.

As to foreign affairs, at their XXX Summit, the Heads of State of Government reviewed the strides in the implementation of the Economic Partnership Agreement (EPA) between CARIFORUM and the EU. They noted the progress made by CARICOM Member States in this regard. The Heads of State and Government also agreed to continue talks with MERCOSUR toward "working cooperation". Thus, the Caribbean region would be in a better position to develop closer trade relations with that integration mechanism in the short term.

In addition to the final communiqué, three statements were issued: one related to the financial sector, another on agriculture and food security, and one about climate change and development. With regard to the financial sector, and due to the relatively high degree of financial integration in the Caribbean region, the Heads of State and Government agreed to reinforce monitoring by regional regulatory agencies, namely: the Committee of Central Bank Governors; the Caribbean Association of Insurance Regulators; the Caribbean Group of Securities Regulators, and the Regional Competition Commission. Also, for the purposes of better cooperation among Caribbean authorities in charge of financial surveillance, a College of Regulators was established to share, on a regular basis, information on cross-border financial matters. [CARICOM Heads of State and Government, 2009a]

In the field of agriculture and food security, it was acknowledged in the statement that the production of energy and biofuels from biomass should steadily increase in order to supply energy from economical and environmentally-friendly sources, but without compromising food security. Also, the Heads of State and Government agreed to move forward with the application of a Community Agricultural Policy and a Regional Strategic Plan, in addition to the establishment of an effective scheme of sanitary and phytosanitary measures, including the establishment of the Caribbean Agricultural Health and Food Safety Agency (CAHSA).

The dangers of climate change and vulnerability of Caribbean small islands, countries and territories were mentioned. It was noted that, based on the World Bank estimates, the potential impact of climate change accounts for approximately 11.3 percent of the annual GDP of all 20 CARICOM Member and Associated States. As a result, after

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acknowledging the importance of a common regional approach vis-à-vis climate change and in the advent of the United Nations Climate Change Conference to be held in Copenhagen, the Heads of State and Government emphasized the need to count on financial support in order to improve their responsiveness and get access to the technologies needed to mitigate and cope with untoward effects.

Another salient event was the commemoration on 24 July 2009 in Georgetown, Guyana, the venue of the organization, of the XXXVI Anniversary of the Treaty of Chaguaramas, the CARICOM foundational instrument. During the meeting, the accomplishments in integration and the need to fully perform the CSME so that Caribbean countries can overcome structural shortcomings and occupy a strategic position in the global economy were noted.² The CSME will pave the way toward free flow of capital, services and people among Member States under a common trade and economic policy and intertwined economic, tax and monetary policies.

Also, in the meeting dealt with the need to take action in order to keep financial stability, ensure food and nutrition security in Member States and warn against the serious effects of global climate change. In order to handle all these issues, it is necessary to adopt common positions, both as part of ten internal dynamics of the Community and in the international arenas where it operates.

Noteworthy in consolidation and deepening in the process of the Community's institutionalization was the signing in July 2008 of an agreement related to the operation of the CARICOM Development Fund, an instrument set forth in Article 158 of the Treaty with the purpose of helping the Community's relatively less economically developed countries, areas and sectors to counter any adverse effects derived from their inclusion in the CSME by seeking more cohesion among them [Heads of State and Government, 2008].

The CARICOM Development Fund started operations in August 2009, with funds from Member States which contributed to the CSME in proportion to their size and per capita income. The Fund is intended to give technical and financial aid, as set forth in the Operation Agreement. While all the CSME Member States are eligible to funding, the beneficiaries in the first stage include Antigua and Barbuda, Belize, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Guyana.

In the context of their foreign affairs, CARICOM Member States held multiple meetings with representatives of foreign countries, groups of countries and integration schemes. Note a meeting with U.S. President Barack Obama apropos the V Summit of the Americas held in April 2009, in Port of Spain. Note also the III CARICOM-Cuba Summit, held on 8 December 2008 in Santiago de Cuba. There, the Heads of State and Government upheld their commitment to strengthen the existing integration institutions and mechanisms and reposed hope "that the Latin American and Caribbean Summit on Integration and Development, to be held in Salvador de Bahia, Brazil, on 16 and 17 December 2008 could contribute to said efforts, based on the principles enshrined in the International Law and the Charter of the United Nations, and on solidarity, cooperation and special and differential treatment for the most vulnerable economies in the region" [Heads of State and/or Government of the Republic of Cuba and CARICOM Member States, 2008].

Regarding Central America-Caribbean relations, the most significant event following the II Summit of Heads of State of SICA-CARICOM, held on 12 May 2007, in Belize, was the

² All of the CARICOM Member States, except for Bahamas and Haiti, are parties to the CSME.

Meeting of Secretaries-General of CARICOM, the ACS and SICA. It was held in Port of Spain, on 20 April 2009, during the V Summit of the Americas.

In that meeting, the Secretaries agreed to follow up the SICA-CARICOM Action Plan outlined on 22 February 2007, in Belize, in order to assess its performance and progress. They agreed to hold consultations with their respective organizations on priority issues in the interest of Caribbean and Central America, such as: global financial crisis, regional safety and climate change. They also resolved to pursue the increasing involvement of Caribbean and Central American businessmen in the development initiatives of both regions, and agreed on the need to ensure the conduction of the III Summit of SICA-CARICOM Heads of State and Government.

Undoubtedly, another event with a strong impact on most CARICOM Member States was the execution of the Economic Partnership Agreement (EPA) between the CARIFORUM and the European Union (UE). As a matter of fact, on 15 June 2008, 14 out of 15 CARIFORUM Member States and all of the 27 EU Member States entered into the instrument.³

The objectives listed in the EPA include: foster regional integration and economic cooperation under an effective legal framework on trade and investment between the parties; contribute to the gradual integration of the CARIFORUM Member States in the world economy, in accordance with their choices and development priority policies; improve their capacity in trade policy and trade-related issues; support the conditions to increase private sector investment and initiative, and reinforce competitiveness and economic growth in the region [Heads of State and/or Government of the European Union and CARIFORUM, 2008].

With regard to regional integration, the EPA states that the Parties acknowledged the efforts of CARIFORUM Member States to foster integration, including, among others, by means of the Revised Treaty of Chaguaramas. Similarly, under the EPA, the Parties acknowledged the advantages of a Regional Development Fund which represents the interest of all CARIFORUM Member States to manage EPA-related funds. The EPA will be charged to the European Development Fund (EDF) and other potential donors, noting that Member States will seek to create said fund within a two-year term following the execution of the Agreement.

While the EPA establishes free trade of goods, services and investment and removes customs duties and quotas applicable to CARIFORUM products in the European Union, this will not include the sugar and rice sectors. These items will receive a different treatment leading to their gradual dephasing. For their part, Caribbean countries will deregulate the EU services, except for the audiovisual sector, national sea cabotage and air transportation.

Presently in the process of ratification, once enforced, the EPA is expected to have significant effects on the integration of Caribbean countries and the institutional status of CARICOM. This body has taken the banner in the efforts at regional integration for more than three decades in the Caribbean.

³ CARIFORUM is the Caribbean forum of ACP (Africa, Caribbean and Pacific) Countries. It gathers all CARICOM Member States, except for Montserrat, and also the Dominican Republic and Cuba. While an ACP State, Cuba is not a party of the Cotonou Agreements or entered into the Economic Partnership Agreement with the EU.

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II.2. Regional groups**Latin American Integration Association (ALADI)**

For some years now, the main objective of ALADI – which, with the addition of Panama in April 2009 has now 13 members, and Nicaragua’s request for incorporation is underway⁴ – has been the establishment of a Free Trade Area, the general features of which were outlined in 2004 at the XIII Meeting of the Ministerial Council of the Association. That meeting approved in its Resolution 59 the document entitled “Bases of a programme for the progressive constitution of a free-trade area within ALADI”.

Said document, prepared by the Committee of Representatives as entrusted by the Ministerial Council two years earlier,⁵ identified the status of bilateral and multilateral instruments, highlighting the execution of agreements between CAN and MERCOSUR Member States. It stated:

“The progressive development of the Free Trade Space (FTS) within ALADI shall abide by the liberalization schedule, the legal frameworks stipulated in the various agreements and principles of pluralism, convergence, flexibility, and preferential treatments, as well as the compatibility with the agreements in force, the implementation through the 1980 Montevideo Treaty mechanisms and the coexistence of extra-regional negotiations of member countries.

The components considered for the development of the FTS are: market access, common rules and disciplines, support to the Relatively Less Economically Developed Countries and additional matters [Ministerial Council of the ALADI, 2004]”.

In said instrument, the following main contents were identified for each of these components:

- For “market access,” it stated: “Broad and universal market access, in periods, types and mechanisms agreed, from a convergent perspective, by member countries either bilaterally, multilaterally or regionally. For the present purposes, a possible way consists of turning the current agreements on fixed preferences into free trade agreements, either through the negotiation between the parties involved or through the negotiated accession to an agreement in force”.
- For “rules and disciplines” it postulated: “To have common rules and disciplines, at the more convenient level, in those aspects that facilitate and promote trade. For this purpose, it is necessary to initiate a gradual process of harmonization and/or mutual recognition, establishing the specific terms for each case.” The following rules and disciplines were listed: “rules, technical regulations and evaluation of conformity,

⁴ The request for adhesion was filed by the Government of Nicaragua on 14 April 2009. On 12 August 2009, the Committee of Representatives entrusted the relevant Working Group with the task of assessing it.

⁵ The mandate was enshrined in Resolution 55 (XII) of 22 February 2002, according to which the Council of Ministers of ALADI [2002] resolved: “To entrust the Committee of Representatives with the task of adopting the necessary measures to facilitate and promote trade negotiations among the member countries, and presenting a report to the next Council of Ministers, including, among others, the basis of a programme for the progressive constitution of a free trade area within ALADI, with the prospect of achieving the aim of the 1980 Montevideo Treaty”.

trade protection (antidumping and countervailing), customs valuation, special customs procedures (temporary importation for inward processing, drawback and free zones) and competition policies”.

- For “Support to the Relatively Less Economically Developed Countries” – Bolivia, Ecuador and Paraguay – it stated the need “to strengthen the Support System to the Relatively Less Economically Developed Countries, emphasizing its systemic character, with the aim of increasing the participation of said countries in the intra-regional trade flows and facilitating their access to the market of member countries”.

Also, the following “additional matters” were listed: physical integration, digital integration, financing to trade, productive promotion and development of international trade, and relations with the business, labour and academic sectors.

Furthermore, with regard to the FTS, in another Resolution entitled “The role of ALADI and its operation for the development and consolidation of the regional integration process”, approved in the same XIII Meeting of the Ministerial Council held in October 2004, the task of the Association Committee of Representatives was set. “(...) The identification of methods to allow – through a gradual combination and harmonization – the adoption of necessary common rules and disciplines for the development and deepening of the Free Trade Area of which will make up the trade in services, copyright, protection of traditional knowledge, investments, double taxation, public procurement and competition policies.” Therefore, the Committee should bolster common actions for the physical integration; the development and better use of information and communication technologies; the funding of intra and extra-regional trade; the progressive overcoming of problems arising from the existing asymmetries within ALADI for the full integration of the Relatively Less Economic Developed Countries in the Free Trade Area; the strengthening of productive integration; the handling of the cultural, educational, scientific and technological subject matters, and the creation of an “academic pillar” in ALADI [Ministerial Council of ALADI, 2004a].

Since then, the directives set forth in the XIII Ministerial Meeting, particularly the contents of Resolution 59, have been the main guideline of ALADI’s work, in an attempt at making the Association a meeting point both of subregional processes and bilateral agreements between Member States. These agreements have lately multiply. Add to this the positive impact of the ALBA-TCP and UNASUR on ALADI. However, the convergence sought by the Association that should lead to the establishment of the Free Trade Area with multiple ambits and components set forth as early as 2004, has been hampered by delays and problems. Most of them have been caused by the existing troubles in subregional processes, referred to elsewhere herein.

A clear expression of these problems was the fact that the Resolution of the next Meeting of Ministers, held in March 2008, just requested the Committee of Representatives “to proceed with the works for the progressive constitution of the Free Trade Area, in the context of deeper regional integration, based on the works developed within the Association and the statements made in this Meeting” [Ministerial Council of ALADI, 2008]. Nonetheless, the chair of the Committee of Representatives had submitted a set of draft resolutions referred to “Directives for the Conference on Evaluation and Convergence”; “General System of Rules of Origin”; “Regional System of Safeguards”; “Directives for the Preparation of a Regional System of Dispute Settlement”; “Trade in Services”; “Directives for a Stronger Regional Productive Integration, Trade Promotion and Better Participation of the Civil Society”, and “Action Plan on Behalf of the Relatively Less Economically Developed Countries” [Chair of the Committee of Representatives, 2008].

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Only in the next Meeting of Ministers, held in April 2009, Resolutions were adopted in relation to these subject matters. An early commencement of the negotiation processes was entrusted to deal with some of them.

Also, with a view to consolidating the FTS, on 1 and 2 October 2009 the Evaluation and Convergence Conference of the ALADI started operations. The duties and responsibilities, organization and running of this body are outlined in Articles 33, 34 and 35 of the Treaty of Montevideo of 1980.⁶ In those two days of work, the Regulations of the Conference were approved; a decision was made to create a number of bodies entrusted with further analysis of the items on the agenda; the Plenary Session of the Conference was adjourned, and a Coordination Commission was named. Under Resolution of the Committee of Representatives in December 2009, said Coordination Commission should meet on 17 March 2020 and set the place and date for resuming adjourned Plenary Session.

Under Resolution 70 (XV), issued at the Meeting of Ministers in April 2009, first above mentioned, the Conference shall "make proposals and guidelines for the adoption by the Committee of Representatives of a programme for the progressive development of a Free Trade Area in order to achieve the objective set forth in the Treaty of Montevideo of 1980, including different stages, goals and deadlines for the implementation of all the components and supplementary matters set forth in Resolution 59 (XIII)". The Conference should also set guidelines on the establishment of a regional market of goods and additional standards and disciplines contained in said resolution.

As for the regional market of goods, the Conference shall "analyze and propose modes for the strengthening and convergence of regional integration mechanisms, through the progressive liberalization of the trade of goods and the adoption of standards and disciplines, at the most appropriate level, in the fields of origin [...] safeguards, dispute settlement, sanitary and phytosanitary measures, technical standards, non-tariff barriers and mutual recognition and conformity assessment mechanisms". In addition, the Conference shall propose "a date to attain a regional market of goods in the Association, based on the adoption of said standards and disciplines." With regard to additional standards and disciplines, the Conference shall "propose the guidelines, scope and enforcement terms" [Ministerial Council of ALADI, 2009f].

In the aforementioned meeting of April 2009, the Council of Ministers issued another resolution, entitled "Input to the Evaluation and Convergence Conference", whereby the Conference shall "submit for the consideration of the Council of Ministers a draft programme with a view to making headway with the integration for development beyond the commercial scope". Following there is a list of the constituent elements of said programme, which echo the main contents that so far have been considered for the Free Trade Space [Ministerial Council of ALADI, 2009g]:

- "1. The deepening and facilitation of regional trade;
2. Economic cooperation and complementation;

⁶ Pursuant to the Treaty, the Conference shall "study the integration process in all its aspects and the convergence of partial agreements through their progressive multilateralization" and "promote actions of broader scope in the field of economic integration."

3. Development of mechanisms which allow for increasing share of the SMEs and small growers in the benefits of integration;
4. Actions aimed at strengthening domestic policies on development, including, among others: diversification both of the production apparatus and the export supply; higher added value and new stockholders;
5. Differential treatment and enhanced cooperation on behalf of the Relatively Less Economically Developed Countries, and
6. Effective, swift mechanisms of permanent assessment of the progress made in the integration process and fulfilment of commitments, in order to ensure participation and equitable benefits among Member States, in a context of sustainable development.”⁷

Association of Caribbean States (ACS)

Bearing in mind their geographical proximity, historical links, common interests and objectives, as well as the strategic importance of the Caribbean Sea, on 24 July 1994, developing countries with a coast on the Caribbean Sea, namely: Mexico, Central America (including Salvador), the island countries of the Antilles, Colombia and Venezuela, signed in Cartagena de Indias, Colombia, the Convention establishing the Association of Caribbean States (ACS).

Based on the significance of the Caribbean Sea as a common asset, the need to foster shared responsibility for the environmental integrity of the Caribbean Sea and its potential as an agglutinating agent for the development of the peoples of the region,⁸ the Convention defines the ACS as a body for consultation, cooperation and concerted action, whose purpose is to identify and promote the implementation of policies and programmes designed to: harness, utilize and develop the collective capabilities of the Caribbean Region to achieve sustained cultural, economic, social, scientific and technological advancement; develop the potential of the Caribbean Sea through interaction among Member States and with third parties; promote an enhanced economic space for trade and investment with opportunities for cooperation and concerted action, in order to increase the benefits which accrue to the peoples of the Caribbean from their resources and assets, including the Caribbean Sea, and establish, consolidate and augment, as appropriate, institutional structures and cooperative arrangements responsive to the various cultural identities, developmental needs and normative systems within the region [Heads of State and Government of the ACS, 1994].

⁷ Note that throughout 2009, the ALADI Office of the Secretary-General followed up the impact of the global economic crisis on the foreign trade of the Association Member States; related reports were released on February, May, July and December 2009.

⁸ According to the assessment conducted by the World Travel and Tourism Council, “out of the 14 major tourism regions in the world, concerning their size, the population of the Caribbean islands depends more on revenues from tourism compared with anywhere else in the world. In 2004, more than 2.4 million people were directly or indirectly employed in the travel and tourism business, which accounted for 15.5% of total employment, twofold the highest global average. The sector contributed with US\$ 28.4 billion to the Gross Domestic Product; 13% out of the total amount, and US\$ 19 billion, or 16%, of services and exported commodities. More than one fifth (21.7%) of the whole capital investment was tied to tourism, an amount which is fairly twice the world average. In several islands, tourism represents more than 90% of the GDP” [ACS Secretariat, 2009].

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The Association of Caribbean States is made up by 25 Member States and four Associate Members,⁹ in addition to Observers.¹⁰ The Convention Establishing the ACS states that in order to achieve its purposes, the Association shall foster economic integration, including the liberalisation of trade, investment, transportation and other related areas; discussion on matters of common interest for the purpose of facilitating active and coordinated participation by the region in the various multilateral forums; the preservation of the environment and conservation of the natural resources of the region and especially of the Caribbean Sea; the strengthening of friendly relationships among the Governments and peoples of the Caribbean, and consultation, cooperation and concerted action in such other areas as may be agreed upon.

The Meeting of Heads of State and Government is the highest consultation and decision-making body.¹¹ The ACS Permanent Bodies are the Ministerial Council and the Secretariat. In addition, there are five Special Committees, namely: the Committee on Trade Development and External Economic Relations; the Committee for the Protection and Conservation of the Environment and of the Caribbean Sea; the Committee on Natural Resources, the Committee on Science, Technology, Health, Education and Culture; and the Committee on Budget and Administration. The ACS also has a Council of National Representatives of the Special Fund.

The Ministerial Council, the principal body for policy-making and direction of the Association, is composed of one Minister and an Alternate for each Member State and has among its functions: define courses of action, policies and programmes of the Association; consider and approve the biennial Work Programme and Budget of the Association; consider and determine applications for membership, associate membership of, or observer status with, the Association; establish Rules of Procedure and guidelines governing the functioning of the Association; appoint the Secretary-General and such other senior officials of the Secretariat as it may deem appropriate; approve the regulations governing the operations of the Secretariat, and perform such other functions as may be determined by the ACS Meeting of Heads of State or Government.

In 1996, the Latin American and Caribbean Economic System (SELA), the CARICOM General Secretariat, the Permanent Secretariat of the General Treaty of Central American Integration (SIECA), and the Central American Economic Integration System (SICA) were declared Founding Observers of the ACS. In 2000, the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), and the Caribbean

⁹ Member States are Antigua and Barbuda, Bahamas, Barbados, Cuba, Dominica, Grenada, Guyana, Haiti, Jamaica, the Dominican Republic, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago; seven states of the Central American area; Belize, Costa Rica, Salvador, Guatemala, Honduras, Nicaragua and Panama; in addition to Colombia, Mexico and Venezuela. Associate Members include Aruba, France (on behalf of French Guyana, Guadeloupe and Martinique), Turks and Caicos Islands, and the Netherlands Antilles.

¹⁰ To date, Observers include Argentina, Brazil, Canada, Chile, Korea, Ecuador, Egypt, Spain, Finland, India, Italy, Morocco, Peru, the Netherlands, the United Kingdom, Russia, Turkey and Ukraine.

¹¹ The First Summit of Heads of State and Government of ACS States, Countries and Territories was held in Port of Spain, Trinidad and Tobago, on 17 and 18 August 1995; the Second Summit took place in Santo Domingo, Dominican Republic, on 16 and 17 April 1999; the Third Summit was held in Margarita Island, Venezuela, on 11 and 12 December 2001; and the Fifth Summit was held in Panama City, Panama, on 29 July 2005.

Tourism Organization (CTO) were admitted as Founding Observers. The Convention Establishing the Association lists as Social Partners of the ACS the Association of Caribbean University, Research and Institutional Libraries (ACURIL), the Caribbean Association of Industry and Commerce (CAIC), the Caribbean Medical Association (AMECA), the Caribbean Shipping Association (CSA), the Association of Universities and Research Institutions of the Caribbean (UNICA), the Caribbean Conservation Association (CCA), the Antilles-French Guyana Regional Centre of the National Institute of Agronomic Research (CRAG/INRA) and the Regional Coordinator of Economic and Social Research (CRIES).

At present, the four main areas of the ACS are trade, transportation, sustainable tourism and natural disasters. The ACS technical cooperation projects form part of it. The financial resources are mostly managed by the Special Fund. The Council of National Representatives of the Special Fund (CNRSP) is responsible for the assessment and selection of the draft projects previously approved in the meetings of the Special Committees and the allocation of said financial resources.

"Obstacles to trade at the business level and trade facilitation within the ACS Member States" is noteworthy among the projects implemented in the field of trade. It is intended to identify and reduce the obstacles to trade and facilitate the conduction of business in the Association's Member States, in reply to the needs of encouraging gradual, progressive liberalization of the flow of commodities and investment in the region. In that same area, the "Course to promote the small and medium enterprises of ACS Member Countries" was developed. It is intended to improve trade and investment in the area based on efficient, skilled human resources. Another project is the "Special and Differential Treatment", with an emphasis on the effects and implications on the small Caribbean economies.

In the context of transportation, projects such as the creation of an "Internet-based Port and Maritime Database for the Greater Caribbean" have been bolstered. The database is aimed at improving the efficiency of maritime transportation in the region through further cooperation among countries, by supplying timely information on port and shipment operations. Also, in the area of transportation, the "Workshop to create the marine electronic highway of the Greater Caribbean" was developed for better integration, administration, protection and sustainable development of the Caribbean coast and sea areas through ready access to data on the sea environment, and for proper, comprehensive management of sea resources from a multiple approach.

In the field of sustainable tourism, the following projects have been implemented: "Tourism Statistics in the Greater Caribbean", updated on an ongoing basis; "Developing and packaging multi-destination tourism programmes for the Greater Caribbean and the hosting of Forum for Airline Executives", "Creation of Sustainable Tourism Programme of the Greater Caribbean", and the "Establishment of Tourist Safety and Security Network". The latter is intended to be a means of dialogue among ACS Member States on matters related to crimes and harassment of tourists in order to make recommendations on national and regional policies.

In the area of natural disasters, projects, such as the "Study of the Strengths, Weaknesses and Projects for Disaster Management in ACS Countries" have been approved. It includes prevention, preparedness, mitigation and responsiveness in the event of any risks, such as earthquakes, floods, tropical storms and hurricanes, based on early warning. In this connection, a project on "Hemispheric consultation on early warning," a feasibility study for the project entitled "Creation of a regional Post-Disaster Fund for ACS Member

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Countries" and a draft of "Updating Building Codes of the Greater Caribbean for Winds and Earthquakes" were implemented.

Since all of the SICA Member States are parties to the ACS, in addition to 14 out of 15 CARICOM Member States, the Association is a natural bridge connecting the two subregional integration systems and a meeting space of States and Territories surrounding the Great Caribbean Basin. Therefore, the ACS potential to become an agglutinating agent of integration and cooperation endeavours in the vast Central American and Caribbean area should be borne in mind.

As a token of the links among the ACS, SICA and CARICOM, in the joint declaration of the First Summit of Heads of State and Government of SICA-CARICOM, the leaders agreed to "redouble our efforts for the full achievement of the objectives of the Association of Caribbean States and, particularly, to establish the Greater Caribbean as a Cooperation Zone" [Heads of State and Government, SICA-CARICOM-Dominican Republic, 2002].

Later on, at the Second Summit of Heads of State of SICA-CARICOM held in Belize, in May 2007, the leaders undertook to prompt a wider vision of the relations between the two groups, including cooperation and development of links in areas such as prevention and mitigation of natural disasters and sustainable development. They agreed to "welcome the organization of the Commission of the Caribbean Sea of the Association of Caribbean States (ACS) and underscore the significance of the work of the Commission for the two regions, particularly regarding the implementation of Resolution AGNU 61/197 entitled 'Towards sustainable development of the Caribbean Sea for present and future generations'" [Heads of State and Government SICA-CARICOM, 2007].

More recently, on 20 April 2009, the Secretaries-General of the ACS, SICA and CARICOM met in Port of Spain, Trinidad and Tobago. The meeting stressed the need to keep on strengthening coordination among the three Secretariats and exchange views on common objectives. The Secretariats of the Caribbean integration and cooperation groups agreed to seek advice from their respective organizations for closer institutional ties in multiple areas. They also agreed to "advocate growing involvement of the Secretariat of the Association of Caribbean States in the development of the SICA-CARICOM Action Plan, particularly regarding the subjects related to environment, natural disasters, trade and investment, air transportation, tourism and Caribbean Sea issues" [ACS Secretariat, 2009a].

Again, in Port of Spain, the XV Regular Meeting of the Ministerial Council of the ACS was held on 21 and 22 January 2010.¹² During the event, the reports by the Chairman of the Ministerial Council, the Secretary-General, the Chairs of Ad Hoc Committees and the Council of National Representatives of the Special Fund of the ACS were approved. The European Commission of the European Union was admitted as ACS Observer; the allocation of shares of the ACS Budget was approved, and a Declaration of Solidarity with the Republic of Haiti was issued. The move was taken in the aftermath of the earthquake that shook the island on 12 January 2010 with a death toll of thousand Haitians and innumerable material damages. All Member States, Observers and Stockholders of the ACS were urged to give financial and technical support to the Haitian people in their

¹² The latest Meetings of the Ministerial Council have been held in the following venues and dates: the XI Regular Meeting, in Port of Spain, Trinidad and Tobago, on 28 March 2006; the XII Regular Meeting in Guatemala City, on 26 January 2007; the XIII Regular Meeting in Panama City, Panama, on 25 January 2008, and the XIV Regular Meeting in Port-au-Prince, Haiti, on 30 January 2009.

efforts at recovery in the short and medium term.

III. NEW INSTITUTIONS WITH A REGIONAL SCOPE AND COOPERATION PROJECTS FOR INTEGRATION

Parallel to the processes outlined above, which have been present in different regional and subregional efforts, this section addresses both new integration initiatives and cooperation projects for integration that have been launched in recent years. Emphasis is made on their structures and ways of operation. First, this section reviews the creation of the Union of South American Nations (UNASUR) and recent developments in the Bolivarian Alliance for the Peoples of America – Peoples' Trade Agreement (ALBA-TCP), and then it describes the progress made in connection with the Mesoamerica Integration and Development Project and the Initiative for the Integration of South American Regional Infrastructure.

Union of South American Nations (UNASUR)

The creation of the Union of South American Nations,¹³ on 23 May 2008 in Brasilia, with the signing of the Constitutive Treaty of UNASUR, whose ratification is in progress in member countries, completed a process whose beginning dates back to the early 2000s. In September 2000, the First South American Summit¹⁴ was held in Brasilia, followed by the Summits of Guayaquil in July 2002 and Cuzco in December 2004. In the latter meeting, a decision was made to form the South American Community Nations (CSN), which is the immediate predecessor of UNASUR and under which the process of negotiation for the implementation of the Union took place.

As a matter of fact, ever since the creation of the CSN, and based on the agreements reached in Cuzco and in the subsequent Meetings of Heads of State, held in Brasilia in September 2005, Montevideo in December 2005, Cochabamba in October 2006, and Margarita in April 2007, the main contents, structure and mode of operation of the CSN first, and then of UNASUR, were defined. Negotiations accelerated after the Cochabamba Summit, until May 2008, when the Constitutive Treaty of UNASUR was initialled.

In its preamble, this Treaty outlines a number of considerations on the creation of UNASUR, including the ratification of the guiding principles presented in the Final Declaration of the Meeting of Cochabamba. It also states that integration should go "beyond" the convergence of previous experiences and processes, and that the construction of the

¹³ The 12 member countries of UNASUR are Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Guyana, Paraguay, Peru, Uruguay, Suriname and Venezuela.

¹⁴ In the "Declaration of Brasilia" stemming from such Summit [the Summit of South American Presidents, 2000], a series of issues were identified, "whose treatment would benefit from a specific focus on South American cooperation" – democracy, trade, infrastructure for integration, illicit drugs and related crimes, information, knowledge and technology –, stressing the need for progress on the "cohesion in South America" and to develop a "process of formation of an enhanced economic space in the region". In this regard, the declaration expressed the decision to "launch negotiations in order to establish, as soon as possible and before January 2002, a free trade area between MERCOSUR and the Andean Community", which subsequently led to Complementary Economic Agreements 56, 58 and 59, signed within the framework of ALADI between late 2002 and mid-2004. Also, as already mentioned in a previous section of this document, in the Summit of September 2000, the Plan of Action for the Initiative for the Integration of Regional Infrastructure in South America was approved and was incorporated as an Annex to the "Declaration of Brasilia".

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Union should be flexible and gradual in its implementation. The Constitutive Treaty defines a total of 27 articles and a transitory provision. Among these articles, noteworthy are, on the one hand, the articles outlining the nature and objectives of UNASUR and, secondly, those relating to the institutional structure and ways of functioning of the Union.

As regards the nature and objectives of UNASUR, Article 1 defines the Union [Summit of South American Presidents, 2008] "as an international legal entity," while Article 2 outlines the general purpose and Article 3 provides 21 specific objectives:

- The general purpose is "to build, in a participatory and consensual manner, an integration and union among its peoples in the cultural, social, economic and political fields, prioritizing political dialogue, social policies, education, energy, infrastructure, financing and the environment, among others, with a view to eliminating socio-economic inequality, in order to achieve social inclusion and participation of civil society, to strengthen democracy and reduce asymmetries within the framework of strengthening the sovereignty and independence of the States".
- The specific objectives refer to: a) political dialogue; b) social and human development; c) eradication of illiteracy and universal access to quality education; d) energy integration; e) development of infrastructure for interconnection of the region; f) financial integration; g) protection of biodiversity, water resources and ecosystems; h) development of mechanisms to overcome asymmetries; i) consolidation of South American identity; j) universal access to social security and health services; k) cooperation on migration; l) economic and trade cooperation; m) industrial and productive integration, n) implementation of common or complementary technological policies and projects, o) promotion of cultural diversity and memory, skills and knowledge of the peoples of the region, p) citizen involvement; q) coordination among specialized agencies of Member States to fight terrorism, corruption, drugs, human trafficking and other threats; r) promotion of cooperation between judicial authorities; s) exchange of information and expertise in defence, t) cooperation to strengthen security; and u) sectoral cooperation.

The list above clearly evidences the comprehensive scope and far-reaching objectives of UNASUR as set forth in the Constitutive Treaty of the Union. This is particularly true, if we consider that until the beginning of this decade, the top priority in statements, negotiations and agreements in the region was almost exclusively the creation of a free trade area in South America through progressive trade convergence between the CAN and MERCOSUR, with the signing of various Economic Complementation Agreements, as well as development of physical infrastructure based on the South American Infrastructure Integration Initiative (IIRSA).

These elements, of course, are part of the contents of the Constitutive Treaty of the Union and are reflected for example in the specific objectives (e) and (l). However, it is clear that the treaty goes far beyond that, not only by incorporating other economic elements (financial integration, mechanisms to overcome asymmetries, industrial and productive integration, sectoral cooperation, etc.), but also the objectives related to political ties, social development, science and technology, environment and natural resources, respect and protection of cultural diversity, among others, as well as the objective of building the Union in a context of ongoing dialogue and interaction with various social stakeholders.

All this, which is also stated in a generic manner in the general purpose of UNASUR, means that the Union starts with a healthy distance from the commercial bias that has affected

South American integration efforts since long ago. This enables the Union to raise from the beginning the idea of building a multidimensional integration that matches not only with the needs of the Member Countries, but also the magnitude of the challenges posed by today's global economy to the South American region.

As regards the institutional structure and modes of operation of UNASUR, for purposes of presentation, the definitions contained in the Constitutive Treaty can be grouped into three major topics: the bodies comprising the Union and the powers thereof; the procedures for adoption of regulations, implementation of policies, and creation of institutions, organizations and programs; and dispute settlement.

In connection with the bodies and the powers thereof (Articles 4 to 10), Article 4 establishes the structure of the Union, while the subsequent articles define their powers in the following order of importance:

- The Council of Heads of State and Government is the highest body of UNASUR. It holds annual regular meetings, and its responsibilities include, among others, to establish policy guidelines, plans of action, programmes and projects; to decide on the proposals presented by the Council of Ministers of Foreign Affairs; and to adopt the political guidelines for relation with third parties.
- The Council of Ministers of Foreign Affairs, with regular meetings every six months, has powers to adopt Resolutions in order to implement the Decisions of the Council; to prepare the meetings of the Council and to propose draft Decisions; to coordinate positions on central themes of South American integration; to oversee and evaluate the integration process as a whole; and to create Working Groups.
- The Council of Delegates is composed of one accredited representative of each Member State. It will meet preferably every two months. Its responsibilities include, among others, to implement the Decisions and Resolutions of the higher bodies; to prepare the meetings of the Council of Ministers of Foreign Affairs; to prepare draft Decisions, Resolutions and Regulations for the consideration of such Council; to ensure the compatibility and to coordinate the initiatives of UNASUR with other existing regional and subregional integration processes; to establish, coordinate and oversee the Working Groups; and to encourage the opportunities for dialogue so as to facilitate citizen participation in the South American integration process.
- The General Secretariat is headquartered in Quito, Ecuador. This body, under the leadership of the Secretary General, is appointed by the Council of Heads of State and Government, following a proposal by the Council of Ministers of Foreign Affairs, for a term of two years, renewable only once. The General Secretariat "executes the mandates conferred upon it by the organs of UNASUR and represents them accordingly". Some of its responsibilities are to propose initiatives and to oversee the implementation of the directives of the organs of UNASUR; to support the bodies of UNASUR in the fulfilment of their duties; to participate with the right to speak and to perform the role of secretary in the meetings of the organs of UNASUR; to serve as depository of the Agreements in the framework of UNASUR and to arrange for their respective publication; and to coordinate with other integration and cooperation entities of Latin America and the Caribbean with a view to developing those activities requested by the bodies of the Union.

Additionally, Article 5 provides for the possibility of convening and holding "Sectoral Ministerial Meetings, Councils at Ministerial level, Working Groups and other institutional levels as required on a permanent or temporary basis". Further, it establishes that "The

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Energy Council of South America (...) is part of UNASUR". Similarly, besides the bodies mentioned above, Article 7 defines the Pro Tempore Presidency, not mentioned in Article 4, which "will be held successively by each of the Member States, in alphabetical order, for periods of one year".

As regards the procedures for the adoption and implementation of policies and creation of institutions, organizations and programmes (Articles 12-13), the main items refer to the criteria for approval of proposals and the procedure for implementation thereof:

- Regarding the former, the basic definition is that "all the norms of UNASUR will be adopted by consensus". Further, the decisions of the Council of Heads of State and Government, the Council of Ministers of Foreign Affairs and the Council of Delegates may be adopted with the presence of at least three quarters of the Member States. The Secretary shall consult on such agreements with the absent States, which shall have a period to decide. The Working Groups shall hold sessions and make proposals as long as they have a quorum of half plus one of the Member States.
- As regards the implementation of policies and creation of institutions, organizations and programmes, one or more Member States may submit for the consideration of the Council of Delegates a proposal which will be adopted by the Council and the remaining higher bodies of Union in a consensual manner, on the basis of flexible and gradual criteria of implementation. When a proposal has not obtained consensus, it may only be submitted to the Council of Delegates six months after its last inclusion in the agenda. Once a proposal is approved by the highest body of UNASUR, "three or more Member States may begin to implement it", and "any Member State may completely or partially refrain from implementing an approved policy, be it for a period defined beforehand, or for an indefinite period, without preventing it from later joining the total or partial implementation of that policy. In the case of institutions, organizations or programmes which are created, any Member State may participate as an observer, or refrain from participating fully or partially for a definite or indefinite period".

In connection with dispute settlement, Article 21 of the Treaty states that "any dispute that may emerge between States Parties regarding the interpretation or implementation of the provisions of this Constitutive Treaty will be settled through direct negotiations". In the case where a solution is not reached through direct negotiation, the Member States involved will submit the dispute for the consideration of the Council of Delegates, which will formulate the appropriate recommendation within 60 days. Should the dispute remain unsolved, the matter will be taken to the Council of Ministers of Foreign Affairs.

A final consideration regarding the structure and institutional operation of the Union as defined in the Constitutive Treaty refers to the likely creation of a South American Parliament. In this regard, Article 17 states that "the creation of a South American Parliament, whose seat shall be the city of Cochabamba, Bolivia, will be the subject of an Additional Protocol to the present Treaty". Further, the Transitory Article, the Parties agree to appoint a Special Commission, "with the objective of preparing a draft of an Additional Protocol which will be considered in the IV Summit of Heads of State and Government", which "will determine the composition, attributions and functioning of the South American Parliament".

Based on the institutional structure and ways of functioning of the UNASUR as outlined above, several stances clearly appear from the Constitutive Treaty. They relate to two issues that were the subject of intense debate during the negotiations of the Treaty: the

importance given to consensus and flexible decision making, and the pre-eminence of a position in favour of inter-governmentalism in the functioning of the Union.

Regarding the importance given to consensus and flexible decision making, it is clear that the Constitutive Treaty sought to ensure that all Member States had the certainty of being able to influence directly in both the directions of the Union and the levels and pace of individual compliance with decisions. Consensus as a criterion for decision making – rather than some type of qualified vote –, and flexibility for each country to implement the decisions adopted – rather than forceful enforcement of the decision within a given period – was the way to reassure the Member States. However, no doubt that there is a risk that decision making becomes difficult, and that decisions are not actually enforced.

Regarding the position in favour of inter-governmentalism, it is related in part to the previous consideration, but it is expressed mainly in the nature and relative weight assigned to the organs of UNASUR. According to the Constitutive Treaty, the General Secretariat – which under an institutional framework with emphasis on the supranationalism would have significant capabilities and margins of decision on the remaining bodies composed of representatives of member countries – is subordinated to the rest of the structure of the Union, including the Council of Delegates. It performs only technical activities, focused on supporting the other instances, coordination among these bodies and implementation of the agreements they make. The General Secretariat may represent the other bodies only by delegation, which incidentally also applies to the Pro Tempore Presidency.

Similarly, the emphasis on inter-governmentalism is mirrored in the agreement regarding the settlement of disputes through direct negotiations, and the absence of any reference to a possible future South American judicial instance. In this regard, there is a risk that emphasis on a Union's institutional structure based in inter-governmental bodies may curb the capacities and particularly the stability and continuity of the integration effort, as such structure may introduce ups and downs and setbacks that could be better coped with if the Union comprised a structure with a wider supranational foundation. This could help prevent, at least in part, the UNASUR from becoming a sounding board of the Member States' domestic issues and possible economic and political conflicts among them.

An example of the differences on the issues mentioned above was the resignation of Rodrigo Borja to the General Secretariat of UNASUR on 22 May 2008, on the eve of the signing of the Constitutive Treaty. He argued a "lack of institutional power", which in his view is granted to UNASUR under such Treaty. He claimed that the Treaty left the "General Secretariat with few and reduced powers" [Borja, 2008]. In this regard, note the article referring to the transfer of national powers to the organs of UNASUR, which Borja presented as part of his Constitutive Treaty proposal, and was not adopted:

"Art 2. The authority and powers of UNASUR are given by the sovereign will of Member States which, in exchange for the economic, political and geopolitical benefits subordination to a community order may provide, agree to self-limit some of their sovereign powers and form the Union with multinational community bodies of decision and action".¹⁵

¹⁵ Another controversial issue – which was also among the main reasons for the resignation of Rodrigo Borja, is whether the UNASUR should "absorb" pre-existing schemes (such as CAN and MERCOSUR) or coexist with them. In this regard, the Constitutive Treaty clearly established the latter, at least in the initial stage of the Union. The Preamble of the Treaty states that integration should go beyond the convergence of the previous processes and schemes. In this connection, in an interview with newspaper *Excelsior*, Rodrigo Borja [2008a] noted that one of the reasons for his

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Following the adoption of the Constitutive Treaty of UNASUR, which marked the beginning of processes still in progress of ratification of the Treaty by countries, one of the main areas where the construction of UNASUR institutions – as defined under the Treaty – has been taking shape is the issue of the creation and implementation of various Councils at Ministerial Level.¹⁶

First, from the creation of the South American Energy Council at the Meeting of Heads of State in April 2007, intense efforts have been made to meet the mandate of the meeting, namely, to present the guidelines of an Energy Strategy, an Action Plan and a South American Energy Treaty. Progress was made at an early stage through expert meetings and later through the Energy Council, which held its initial installation meeting on 8 May 2008. In this regard, and based on the progress reported by the Council to the III Regular Meeting of UNASUR Summit, held in Quito, Ecuador, on 10 August 2009, the final declaration of the meeting mirrors the satisfaction of the signatories "because of the establishment and commencement of works related to the South American Energy Council, as well as the substantive progress achieved" in defining the guidelines outlined above. Further, the Energy Council was instructed "to conclude promptly those tasks for approval at a forthcoming summit".

In a second stage, at the extraordinary meeting of Heads of State of the UNASUR held in Salvador, Costa de Saípe, Brazil, on 16 December 2008, the South American Health Council and the South American Defence Council were created. The Health Council, which was established at a meeting held on April 21, 2009, adopted at that meeting the "Guidelines of the 2009-2010 Work Plan", which consist of a set of actions grouped into work areas called "Epidemiological Shield", "Development of Universal Health Systems", "Universal Access to Medicines", "Health Promotion and Action on Social Determinants", and "Development and Management of Health-related Human Resources". A Technical Group was created for each of these areas. Subsequently, the Council, at its Third Meeting, held on 24 November 2009 in Ecuador, agreed to draw up a Five-Year Plan of UNASUR-Health, which is being formulated on the basis of the contributions of the five Technical Groups and must be submitted in February 2010 to the Coordinating Committee of the Council.

The creation of the Defence Council – initially scheduled for the Summit of Brasilia in May 2008 – was postponed until December that year, following the Colombian Government's announcement, in July 2008, that it would join the Council. The meeting where the Council was established took place on 10 March 2009. At that meeting, the Member States adopted the "2009-2010 Plan of Action," which comprises a series of initiatives

resignation was "the fact that they (South American presidents) refused to actually face the challenges of regional integration; in this regard, I had suggested that UNASUR should encompass within itself all the subregional integration institutions currently operating in South America". Borja added:

"I am convinced that in the area of integration, the present challenge in South America is to move ahead from subregional integration processes to a larger scale process, a continental-wide or a regional integration process.

"I do not support the idea of creating a new integration entity in parallel with those created 50 years ago, which are already nearly worn out".

¹⁶ The Bank of the South is an institution closely linked to the UNASUR, even though so far it is not formally a part thereof. The Bank of the South comprises seven countries of the Union, which signed the Foundational Act of the bank on 9 December 2007, and the Constitutive Agreement on 26 September 2009. A review of the features of the bank can be found in SELA [2009].

grouped into four themes: "Defence Policies", "Military Cooperation, Humanitarian Actions and Peacekeeping Operations", "Defence Industry and Technology", and "Education and Training".

Later on, following the UNASUR Summit held in Bariloche, Argentina, on 28 August 2009, prompted by the signing of the *Supplementary Agreement for Cooperation and Technical Assistance in Defence and Security* between Colombia and the United States which, in Article IV allows the U.S. to "access and use" seven Colombian military bases and "other facilities and locations to be agreed by the parties or their Working Parts" – and whereby the Presidents of UNASUR agreed to outline "measures to promote trust and security"¹⁷ – the Ministers of Foreign Affairs and Defence of the Union met on 12 September and 27 November 2009. They established a "Mechanism for Promoting Trust and Security", which includes the sections called "Information Sharing and Transparency", "Intra-regional and Extra-regional Military Activities", "Measures in the Field of Security", "Guarantees" and "Compliance and Verification". In that meeting, they also agreed "to instruct the South American Defence Council to develop a Protocol on Peace, Security and Cooperation in UNASUR, which is also a South American Security Architecture and serves as Code of Conduct for the region" [Ministers of Foreign Affairs and Defence of UNASUR, 2009].

In a third stage, at the Regular Meeting of Heads of State held in August 2009, four Councils were created, all of which are currently engaged in drafting their articles of incorporation, action plans, agendas and work programmes. They are the South American Council for Struggle against Drug Trafficking, the South American Council for Infrastructure and Planning, the South American Council of Social Development and the South American Council of Education, Culture, Science, Technology and Innovation.

Finally, noteworthy is an action carried out by the UNASUR that largely shows the potential the Union has to act vis-à-vis conflicts in South America. Reference is made to the significant actions the UNASUR adopted in 2008 against a conflict that ignited in Bolivia due to separatist movements in the Bolivian region of Media Luna and the massacre of Pando. In view of these facts, the Presidents of the Union, meeting in special session, adopted on 15 September 2008 the Declaration of La Moneda. In the document [South American Presidents, 2008a], they expressed their "full and strong support for the Constitutional Government of the President of the Republic of Bolivia Evo Morales". They warned that "their respective governments forcefully reject and will not recognize any situation that implies a civil coup, the rupture of institutional order or that compromises the territorial integrity of the Republic of Bolivia". Furthermore, they condemned "the attack on government installations and security forces by groups that seek destabilization of Bolivia's democracy". They called upon "all political and social stakeholders involved to take the necessary measures to stop immediately the acts of violence, intimidation and contempt for democratic institutions and the established legal order". Additionally, they agreed to the creation of several Committees. One of the committees as of late September 2008

¹⁷ In this connection, the full paragraph of the agreement reached by the Heads of State [2009a] reads as follows: "To instruct their Ministers of Foreign Affairs and Defence to hold a special meeting, during the first half of next September, so that for purposes of greater transparency they outline strategies to promote trust and security to supplement the existing instruments within the framework of the OAS. This includes specific mechanisms for implementation and guarantees for all countries, as may be applicable to existing agreements with countries in the region and outside the region, as well as to illegal arms trafficking, drug trafficking and terrorism, in accordance with the laws of each country. These mechanisms should envisage the principles of unrestricted respect for sovereignty, territorial integrity and inviolability and non-interference in internal affairs of the States."

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began investigating the slaughter occurred in Pando, and in December 2008 delivered a report, which concludes that a "crime against humanity" was committed and the perpetrators should be brought to justice.

Bolivarian Alliance for the Peoples of the Americas – Peoples' Trade Agreement (ALBA-TCP)

December 14, 2009 marked the fifth anniversary of the creation of ALBA,¹⁸ an organization that has achieved development and consolidation. Note the accession of seven countries (Bolivia in 2006, Nicaragua in 2007, Dominica and Honduras in 2008¹⁹ and Ecuador, Saint Vincent and the Grenadines and Antigua and Barbuda in 2009), the implementation of various initiatives and the diversification and strengthening of ALBA's institutional structure.

On 14 November 2004, the governments of Cuba and Venezuela signed the *Agreement for implementation of the Bolivarian Alternative for the Americas* and a *Joint Declaration*, which are the foundational documents that supported the construction of ALBA. In the *Agreement*, they announced their decision "to take concrete steps towards the integration process" and defined the principles underpinning cooperation between both countries, as well as a set of immediate actions to intensify integration. Additionally, in the *Joint Declaration* they mirrored their shared view of opposition to the Free Trade Area of the Americas. Further, they voiced support for Latin American integration, stressing that regional integration "far from meeting the goals of independent development and regional economic complementarity, has served as a mechanism for deepening dependency and foreign domination. They added that "only integration based on cooperation, solidarity and a shared will to move forward together toward higher levels of development can meet the needs and aspirations of Latin American and Caribbean countries and, at the same time, preserve their independence, sovereignty and identity." The document also listed 12 "cardinal principles and foundations of ALBA."²⁰ [Heads of State and Government of the ALBA, 2004].

A few months after its creation, Venezuela and Cuba began to define a significant number of initiatives, many of which were submitted as part of the *Strategic Plan for Implementation of ALBA*, adopted in April 2005 at the *First Cuba-Venezuela Meeting for*

¹⁸ Following its creation, the original name of the organization has been changed twice: first, in April 2006, when Bolivia joined the group, People's Trade Agreement (TCP) was added. Second, in June 2009, during the Sixth Summit of ALBA - TCP, the term "Alternative" was replaced with "Alliance."

¹⁹ On 27 January, a few hours before relinquishing power, *de facto* Honduran President Roberto Micheletti issued a decree to denounce the ALBA-TCP Treaty.

²⁰ These principles and foundations are trade and investment not as an end but as instruments for fair and sustainable development; the implementation of special and differential treatment; economic complementarity; cooperation rather than competition among the participating countries; special plans for least developed countries in the region, including a Continental Plan against illiteracy; the creation of a Social Emergency Fund; inclusive development of communications and transport among Latin American and Caribbean countries; actions to promote sustainable development; energy integration among the countries of the region; promotion of Latin American capital investment in Latin America and the Caribbean; promotion of Latin American and Caribbean culture and identity of the peoples of the region; measures to ensure that intellectual property rules protect the heritage of the countries of the region and do not become an obstacle to cooperation between them; and coordination of positions in the multilateral arena and in negotiation processes of all kinds.

Implementation of the Bolivarian Alternative of the Americas. At that meeting, both governments approved a total of 49 documents in the areas of health services, training of doctors and educational services that Cuba would provide to Venezuela, as well as the opening of subsidiaries of PDVSA and the Industrial Bank of Venezuela in Cuba. They also identified 11 projects for joint ventures.

The next important moment in the development of ALBA was the accession of Bolivia, in April 2006. It involved the definition of a set of Bolivian actions vis-à-vis Cuba and Venezuela and vice versa, as well as the incorporation of the principles set forth in the Bolivian proposal of Peoples' Trade Agreements (TCP). They were defined as "instruments of supportive and complementary trade between the countries intended to benefit the peoples as opposed to the Free Trade Agreements that seek to increase the power and domination of transnational corporations" [Heads of State and Government of the ALBA-TCP, 2006].

A year later, in April 2007, when the group comprised four members following the accession of Nicaragua in January that year, the Barquisimeto Summit was a significant leap forward, both in defining the ALBA-TCP initiatives and in building its institutional structure.

Regarding the initiatives, the *ALBA Treaty on Energy* was signed in that Summit. And in the framework of this Treaty, the *ALBA Energy Agreement between Venezuela and Nicaragua* and the *ALBA Energy Agreement between Venezuela and Bolivia* were also initialled. This Summit also adopted the Grand National Project, consisting of more than 40 projects in the areas of education, culture, fair trade, finance, food, health, telecommunications, transport, tourism, mining, industry and energy. Further, a decision was made to create a number of Grand National companies funded by the then four member countries of ALBA. Such Grand National companies would be involved in relevant economic sectors. Implementation of these companies has been under way ever since then, including drafting of articles of incorporation, approval of articles of incorporation, defining the operating guidelines and action plans, building project portfolios, outlining roadmaps, etc.

As regards the institutional structure of the ALBA-TCP, a flowchart was defined at the Barquisimeto Summit establishing the Council of Presidents as the highest body of ALBA. In a second level, there is the Council of Ministers and Social Movements and in the next level there are seven Committees in the political, social, economic, investment and finance, energy, environment, and youth areas. Based on this flowchart and the decisions made at other summit meetings, ALBA-TCP has created Council of Ministers in different areas and the Council of Social Movements, as well as various Commissions, Committees and Working Groups. Further, the Political Council of the ALBA-TCP, comprising the Foreign Ministers of Member States, was created. This body held its first meeting in Quito, Ecuador on August 9, 2009. The Permanent Coordination of ALBA-TCP was also established. It will rotate among member countries and will support an Executive Secretariat, which in turn will consist of an executive secretary, an assistant secretary, the directors of each working group, a representative of the Bank of ALBA and a representative of PetroCaribe.

Given the consolidation and expansion of the ALBA-TCP, at its first meeting, the Political Council discussed the need to move toward greater institutionalisation of the Alliance and better regulation of its operations. The Council decided to ask the Permanent Coordination to outline a proposal in this regard. Subsequently, at the Seventh Summit of ALBA-TCP held in Cochabamba, Bolivia, in October 2009, they agreed to "match the structure of the ALBA-TCP to three Ministerial Councils (Political Council, Economic

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Complementarity Council and Social Council), Committees attached to such Councils, and Working Groups for specific tasks". They instructed the Political Council "to define the powers, functions and working procedures of these bodies" [Heads of State and Government of the ALBA-TCP, 2009a].

Further, at the Eighth Summit, held in December 2009, they resolved "to adopt the document on the Structure and Functioning of the ALBA-TCP, and the definitions and powers of its main bodies. Additionally, the Political Council was instructed to "prepare a proposal on the functioning and organization of work of the Presidential Council of ALBA-TCP, for consideration of the Heads of State and Government, in order to make a decision by the next Summit of the Alliance" and "to further the institutionalization of the Alliance and the development of standards, procedures and regulations allowing for consistency among all bodies" [Heads of State and Government of the ALBA-TCP, 2009b].

Also at that Summit, they agreed "to approve the proposal of the Economic Council to start negotiations in early 2010 on the People's Trade Agreement, with a mandate to discuss, among other things, the integration process of the Alliance, the status of bilateral relations and other relations among the Member Countries; and to determine the purpose of the TCP and its guidelines and philosophy of negotiation".

Additionally, another area where significant progress has been made in the ALBA-TCP is the construction of a monetary and financial architecture among the countries of the Alliance. In this regard, in recent years the Bank of ALBA and the Regional Clearance Unitary System (SUCRE) were established.

As regards the Bank of ALBA, the process to create the ALBA Bank formally began in June 2007, with the signing of a Memorandum of Understanding between the Ministers of Foreign Affairs of the ALBA-TCP member countries [2007], in which they agreed to "promote and boost the creation of the Bank of ALBA" and to "create a commission made up of representatives of ALBA countries, which in a maximum of sixty (60) days will present the draft articles of incorporation of the Bank of ALBA", after which six technical meetings were held. In the last of these meeting, on 24 January 2008, all matters related to the Bank's Foundational Act and Constitutive Agreement were agreed upon.

Six months after the signing of the Memorandum of Understanding, on 26 January 2008, at the sixth ALBA-TCP Summit, the Bank's Foundational Act was signed. The Act provides for the following: the Bank's headquarters will be located in Caracas; its objectives and functions are briefly outlined, the Bank is defined as a self-sustainable entity and its governing bodies "will have an equitable representation by each one of its member countries", with a deadline of 60 days being defined "to complete the preparation of the Constitutive Agreement" [Heads of State and Government of ALBA-TCP, 2008].

The next and decisive step toward the creation of the Bank was taken on 5 November 2008, with the signing of the "Constitutive Agreement of the Bank of ALBA". In the preamble of the Agreement, the need for institutions to promote and finance development as part of a "new regional financial architecture established under the sovereign control of Latin American and Caribbean countries" is underscored. The Agreement has 39 articles distributed over 10 chapters. The main contents of the first four chapters, which are those referred to the purposes and functioning structure of the Bank, are the following:

- Chapter I, "Establishment, Name, Duration, Membership, Purpose, Functions and Operations". This chapter puts forward the creation of the Bank of ALBA as an "entity

of Public International Law of a financial nature," with the acronym BALBA. The Bank will have a life term of 50 years extendable for equal periods; its four founding members are Bolivia, Cuba, Nicaragua and Venezuela, and other Latin American and Caribbean countries that enter ALBA can join the Bank as members. "Other regional and extra-regional countries that adhere to the Constitutive Agreement may join the Bank as partners".

In the same chapter, the purposes of BALBA are defined as follows: "Contribute to the sustainable social and economic development; reduce poverty and asymmetries; strengthen integration; promote a fair, dynamic, harmonic and equitable economic exchange among ALBA member countries, inspired in the principles of solidarity, complementariness, cooperation and respect for the sovereignty of peoples." The functions of the Bank are also identified in the same chapter: "Finance programmes and projects for Class "A" shareholders of BALBA; promote, create and administer reimbursable and non-reimbursable financing funds, oriented to promoting socio-economic and environmental development; promote resources for technical assistance, and pre-investment, research and development studies; transfer and absorb technology; develop and promote the practice of fair trade in goods and services; and other functions that may contribute to the purpose of BALBA." Furthermore, seven kinds of operations that BALBA may perform are identified, including, granting credits, issuing papers, rendering portfolio administration services, and acting as an agent and securities custodian).

- Chapter II, "Capital of BALBA: The Bank will have a subscribed capital of US\$ 850 million and an authorized capital of US\$ 2.0 billion, identifying three kinds of common shares: Class A, of which ALBA member states can be holders; Class B, of which "regional national States, either member or not of [...] ALBA, as well as extra-regional States", may be holders; and Class C, of which "central banks, mixed, semi governmental and state-owned financial and non-financial entities" may be holders. Of these three kinds of shares, Class A are to be paid at least fifty percent in foreign currency and the remaining amount in the currency of the country paying for them, while Class B and C shares will be paid in foreign currency.
- Chapter III, "Setting the value of portfolio and other credits, custodian and exposure limits." Both the maximum borrowing limit of the Bank and its total loans and investments may not exceed an amount equivalent to 10 times the net worth of BALBA. The Bank "shall not provide credit assistance in any form or nature to States not holding of Class "A" shares, or natural or legal persons whose head offices or business seats or core business are headquartered or take place in any non-member State of the BALBA."
- Chapter IV, "Organization and Management." The structure of governance and management of the BALBA will consist, in order of priority, of the Ministerial Council, the Executive Board and the General Manager.

The Ministerial Council is the highest steering body of the Bank. It comprises the Minister of Economy or Treasury or Finance or the Central Bank president from each member country. It will hold regular annual meetings in which it shall appoint, in the alphabetical order of the member countries, the President of the Ministerial Council, and shall take decisions by absolute majority, except for some situations for which approval of 75 percent or more of the members is required, as defined in the Constitutive Agreement, namely amendments to the Agreement, decisions on distribution of profits, suspension of a shareholder, and termination of Bank operations

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and the subsequent distribution of assets. The powers of the Ministerial Council include outlining the general policy of the Bank, admission of new members or partners, suspension of shareholders, or termination of operations of the Bank, approving amendments to the Constitutive Agreement, approving Financial Statements, Report and Annual Budget of BALBA, approve the establishment of subsidiaries, branches or representation offices, increase or decrease capital, and appointment of the General Manager.

The Executive Board will comprise a member from each country with Class A shares and a representative for each partner holding Class B shares. It shall meet at least once a month and its resolutions will require approval by 75 percent of the members or more. The powers of the Executive Board include ensuring compliance with the economic and financial policies of the Bank, as defined by the Ministerial Council; establish Executive Committees or other subsidiary bodies and adopt and modify the organizational structure and internal regulations of the Bank.

The General Manager is the first executive authority and, in addition to other specific functions, will be responsible for general administration and daily draft of bank management.

As regards the Regional Clearance Unitary System (SUCRE), The swiftness with which this mechanism has been implemented is evident if we remember that the first formal reference to its inception took place on 26 November 2008, as part of the Final Declaration of the Third Special Summit of ALBA-TCP, held in Caracas, in which Ecuador that was still not member of the Alliance, also took part. In that Declaration, the Heads of State and Government, after expressing "their firm conviction that the region is privileged to provide immediate and effective responses", announced "concrete proposals to establish an economic and monetary zone of ALBA-TCP that protects our countries from the depredation by transnational capitals; promotes the development of our economies; and represents a space free from the inefficient global financial institutions and the dollar monopoly as an exchange and reserve currency", after which they declared their willingness to:

"Build a Monetary Zone that will initially include ALBA member countries (the Commonwealth of Dominica would participate as Observer) and the Republic of Ecuador, by establishing a common account unit, the SUCRE (Regional Clearance Unitary System) and a payment clearance chamber. The creation of this monetary zone will have attached the establishment of a stabilization and reserve fund with contributions from member countries, whose purpose is to finance demand expansion policies to face the crisis and maintain an investment policy for the development of supplementary economic activities."

"Integrate a regional answer driven by ALBA-TCP that will search for independence from world financial markets, question the role of the dollar in the region, move towards a common currency, and contribute to the creation of a pluri-polar world".

Two weeks after that Summit, several Technical Committees, entrusted with analysing and presenting proposals for the different components of SUCRE²¹ were set up. Based on these

²¹ The subjects on which the six Committees must present proposals were: Common Account Unit, Central Payment Clearing Chamber, Stabilization and Development Mixed Fund, Regional Monetary Council, Intra-regional Trade, and Legal aspects related to the implementation of the unitary system.

proposals, the Framework Agreement on the Regional Clearance Unitary System (SUCRE) was signed at the Fifth Special Summit of ALBA-TCP, held on 16 and 17 April 2009, and the Constitutive Agreement was signed by Bolivia, Cuba, Ecuador, Honduras, Nicaragua and Venezuela at the Seventh Summit of ALBA-TCP, held in Cochabamba, Bolivia, on 17 October 2009. The change of the name from "Single System" to "Unitary System" was also agreed at that Summit"²².

The text of the SUCRE Constitutive Agreement begins with a preamble where the signing parties declare the following, among other things: "We are convinced that mechanisms must be implemented, as part of the new regional financial architecture, which are oriented to reduce external vulnerability of our economies, which favour, promote and streamline the production capability of the region, transform the production apparatus, promote and facilitate trade exchange, and contribute to the reduction of asymmetries among countries". The Agreement has 26 articles distributed over 10 chapters. The main ideas expressed in it are the following [Heads of State and Government of ALBA-TCP, 2009]:

- SUCRE is defined as "a mechanism for economic and financial cooperation, integration and complementation, aimed at the promotion of the integral development of the Latin American and Caribbean region," identifying the Regional Monetary Council (CMR) of SUCRE as the highest decision-making body of the System. The System will consist of "Sucre," the Central Payment Clearing Chamber and the Reserve and Trade Convergence Fund.
- The document lists 29 functions for the CMR that will be exercised through its Board of Directors, including the following: issuing policies, rules and other measures necessary for the internal functioning of the SUCRE, and monitoring continuously their compliance; establishing criteria and guidelines related to the "sucre," its composition and weighting variables; issuing and assigning "sucres" to each of the States Parties; establishing guidelines related to the functions and operations of the Central Payment Clearing Chamber and the Reserve and Trade Convergence Fund; establishing standards and other measures concerning the management of surpluses and deficits that are generated in the Central Payment Clearing Chamber of the Regional Unitary Payment Clearing System (SUCRE); recommending policies, strategies, measures and mechanisms to be coordinated among the States Parties to prevent or mitigate the effects of monetary and financial crisis; developing proposals to guide the regulation and supervision of cash movements; addressing and settling disputes that could possibly arise between States Parties as to the interpretation or application of the Constitutive Agreement, and proposing to the Heads of State and Government the suspension of any State Party.
- The Executive Board is defined as "the steering and decision making body of the SUCRE Regional Monetary Council, which will outline and approve the administrative,

²² In the final declaration of the Summit, the change of name and the signing of the Constitutive Agreement are described as follows [Heads of State and Government of ALBA-TCP, 2009]: "The change of the name of the Regional Single Payment Clearing System [SUCRE] to Regional Clearance Unitary System [SUCRE] is agreed, considering that this latter better reflects the sentiment of unity and the object of the SUCRE system. In this regard, [they] signed the Constitutive Agreement of the Regional Unitary Payment Clearing System [SUCRE] as an instrument to attain monetary and financial sovereignty, eliminate the dependence on the U.S. dollar in regional trade, reduce asymmetries and progressively strengthen a shared development economic zone".

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financial and technical structure thereof, and appoint the staff required for operations." The Board shall consist of one Director for each State Party and a deputy. It shall appoint from amongst its members the Chairman of the Board, who in turn will hold the SUCRE Regional Monetary Council legal representation, and will chair the SUCRE Regional Monetary Council for a period of three years following the principle of turnover in alphabetical order according to the names of the States Parties of the SUCRE Regional Monetary Council.

- In the Executive Board meetings each State Party shall have one vote and decisions shall be adopted as follows: a) Matters relating to the regulatory provisions and any other instruments associated with the operation of SUCRE, unanimously. b) The administrative affairs of the system, with the favourable vote of two thirds of States Parties.
- The Executive Secretariat is defined as "the SUCRE Regional Monetary Council technical and administrative body and will consist of an Executive Secretary, the officials appointed by the Executive Board and ad hoc committees created by the Executive Board."
- The States Parties agree that the Regional Unitary Payment Clearing System (SUCRE) "will have a Central Payment Clearing Chamber regulated by the SUCRE Regional Monetary Council which should facilitate all activities related to clearing and settlement of the operations authorized by the Council," while "the accounts, transactions and operations that are entered in the Central Payment Clearing Chamber must be denominated or expressed in "sucre."
- The States Parties agree that the SUCRE "will have a Reserve and Trade Convergence Fund, which will aim to contribute to the functioning of the Central Payment Clearing Chamber, through the financing of temporary deficits which are generated by the Chamber or using any other mechanism that the SUCRE Regional Monetary Council deems adequate, and to reduce trade imbalances between the States Parties, through the application of methods of financing to stimulate production and export in States Parties." Such Fund "shall be provided with contributions in foreign exchange and in local currencies of the States Parties, in the proportions, financial instruments and terms agreed among them."
- The States Parties agree "to create the 'sucre' as a common unit of account of the Regional Unitary Payment Clearing System (SUCRE), which will be issued solely and exclusively by the SUCRE Regional Monetary Council, and used for recording, assessment, clearing and settling transactions channelled through the Central Payment Clearing Chamber of the System, and other related financial operations." The allocation of "sucre" to each Party State shall be supported with liabilities or financial instruments denominated in the corresponding local currency.
- Any dispute between States Parties arising from the application or interpretation of the Constitutive Agreement will be subject to direct negotiations between them. If not solved by this means, the same will be submitted to the SUCRE Monetary Council Regional for settlement. The disputes that arise between a State Party and the SUCRE Regional Monetary Council will be addressed in direct negotiations. If the dispute continues, it will be submitted to an ad hoc arbitration board which consists of three arbitrators. With prior consent of the parties in dispute, the arbitration shall be governed by the rules, procedures and terms provided in the Rules of Arbitration of

the United Nations Commission on International Trade Law or the arbitration rules, procedures and terms that are created under the ALBA-TCP.

After the signing of the Constitutive Agreement, the countries participating in the SUCRE system have been ratifying it and defining the lists of products that they will exchange among them within the framework of the System, as well as the "sucre" initial exchange rate, which was defined at US\$ 1.25. The System entered into force on 27 January 2010, and on 3 February 2010, the first trade operation of SUCRE took place with the sale of 360 tons of rice by the *Empresa Mixta Socialista de Arroz Venezolana* to the Cuban firm *Comercializadora de Alimentos*, for an amount of 108 thousand sucres.

Mesoamerica Integration and Development Project

Defined as a mechanism for dialogue and coordination that joins together cooperation, development and integration efforts among the countries of this subregion for the purpose of improving the quality of life of its inhabitants, the Mesoamerica Integration and Development Project, known as the Mesoamerica Project, is an intergovernmental scheme which, in addition to the participation of the various governments, also considers that of the private sector, civil society and indigenous peoples, with a view to encouraging regional development in a broad geographical area made up of the Central American countries, Colombia, Dominican Republic and nine states of the south-southeast of Mexico (Campeche, Chiapas, Guerrero, Oaxaca, Puebla, Quintana Roo, Tabasco, Veracruz, and Yucatán), which share a common history as well as a common culture, traditions and values. Although most of the Mesoamerica Project's sphere of action will be concentrated in Central America, the difference with the Central American Integration System (SICA-Spanish acronym) is that the latter is an institutionalized system for regional integration which has been in existence for fifty years, whereas the Mesoamerica Project is a cooperation Project whose aim is to support that integration process in strategic areas and specific aspects such as health, physical infrastructure, communications, energy, housing, and sustainable development, among others.

Having as an immediate antecedent the X Summit Meeting of Heads of State and Government of the Tuxtla Dialogue and Agreement Mechanism, held on 26 June 2008, in the city of Villahermosa, Tabasco, the presidents of Central America, Colombia and Mexico agreed that, as of that date, the Puebla-Panama Plan would be called: the Mesoamerica Integration and Development Project. It was also agreed that the name could be abbreviated to the Mesoamerica Project [Heads of State and Government of the Mechanism..., 2008].

If the Puebla-Panama Plan gave priority to physical integration through the construction of infrastructure for electricity, telecommunications and transportation, the now called Mesoamerica Project intends to include social development also, by taking action in the areas of health, environment and housing. The Mesoamerica Project is based on two great pillars: the economic axis and the social axis.

The economic axis includes the following programmes and projects:

Transportation

- International Network of Mesoamerican Roads (RICAM, Spanish acronym)
- Short-distance sea transport

Energy

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- Electrical Interconnection System for Central American Countries (SIEPAC, Spanish acronym)
- Interconnection Mexico-Guatemala
- Interconnection Panama-Colombia
- Regional Electrical Market (MER, Spanish acronym)
- Mesoamerican Programme for Biofuels

Telecommunications

- Mesoamerican Information Highway (AMI, Spanish acronym)
- Regional Regulatory Policies
- Social Use of Information Technology (ICTs)
- Regional Integration of Telecommunications Services (Roaming and intra-regional long distance)

Facilitation of Trade and Competitiveness

- Mesoamerican Procedure for International Transit of Merchandise (TIM, Spanish acronym)
- Mesoamerican Indicators for Competitiveness

Whereas the social axis includes the following programmes and projects:

Health

- Mesoamerican Public Health System

Environment

- Mesoamerican Strategy for Environmental Sustainability (EMSA, Spanish acronym)

Natural Disasters

- Mesoamerican Land Information System (SMIT, Spanish acronym)
- Disaster Risk Financial Management
- Housing
- Development of a Social Housing Programme in Central America

As regards its structure and operations, the leaders' Summit constitutes the highest entity of the Mesoamerica Project, whereas the Executive Commission is in charge of coordinating and following up the evolution of the Mesoamerican programmes and projects, financing strategies, relations with international organizations, and social participation. The Commission works under the scheme of a *pro-tempore* presidency that follows the SICA semi-annual rotation cycle for the Central American countries and a permanent co-presidency held by Mexico. The Executive Commission, in turn, has an Executive Management responsible for supporting and supervising the Commission's decisions, actions and guidelines and, since January 2005, its headquarters are located in El Salvador.

As part of the organizational structure, the Mesoamerica Project also counts on the assistance of an Inter-institutional Technical Group in which the following participate: the Inter-American Development Bank (IDB), the Central American Bank for Economic Integration (CABEI), the Andean Development Corporation (CAF), the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Development Programme (UNDP), the Central American Integration System (SICA), and the Central American Secretariat for Economic Integration (SIECA).

Among the most successful events which took place recently in the development of the Mesoamerica Project, the "Executive Report 2008-2009" released by the Executive Commission [2009] highlights, among others, the following elements for the economic and social axes.

Regarding the Economic Axis Programmes:

Transportation issues. With regard to the International Network of Central American Roads (RICAM), made up of 13,132 kilometres of roads, distributed in five corridors – the Pacific corridor, the Atlantic corridor, a corridor intended for tourism purposes, an inter-oceanic corridor for logistics purposes, and a corridor made up of a series of branch roads and complementary connections – significant progress was made to facilitate the transit of people and goods, connecting towns and productive zones, as well as points for the distribution and shipment of merchandise.

Thus, between 2008 and 2009, just to mention a few of the works executed, the "Rio Hondo" International Bridge between Mexico and Belize was completed, as was the "El Ceibo" Border Crossing between Mexico and Guatemala, and "La Amistad" Border Bridge between El Salvador and Honduras. In addition, economic evaluation and feasibility studies were carried out which confirmed that the "Pacific Corridor" is the best by-road integration alternative for the region. It could become a first-rate integration corridor with international road safety standards and infrastructure design. In this regard, the Ministries of Transportation and Public Works of the Mesoamerica Project, having a work plan and the financial resources, decided to commence the pre-investment studies which will make it possible to step up the construction of the Pacific Corridor.

With regard to short-distance sea transport, an Action Plan was designed based on four areas: customs procedures, port facilities, maritime legislation and norms. The feasibility study will be financed by the IDB by means of a non-reimbursable contribution and it is expected that by the end of 2010, an integral strategy will be ready to promote and quicken sea transport in Mesoamerica.

Regarding energy matters, the main projects have to do with completing the infrastructure works of the SIEPAC, and the electric interconnection between Panama and Colombia, once the electric interconnection between Mexico and Guatemala has been completed. Having concluded these projects, which incorporate transmission lines, compensation equipment and substations, the Regional Electrical Market (MER) will commence operations, in order to bring life to the economies of the area. Until 31 May 2009, both the SIEPAC and the MER had achieved a weighted progress of the entire project of about 69%, including, among other aspects, the foundations and mounting of towers, laying of conductors, and forestry and municipal permits.

As for the Mesoamerican Programme of Biofuels, its purpose is to strengthen the region's energy security diversifying the energy sources without jeopardizing food security. As part of the Program, biofuels pilot plants were started up in Honduras and El Salvador with Colombian technology, as was a plant which will produce biodiesel, the construction of which was begun in September 2009 in the State of Chiapas, Mexico.

Regarding Telecommunications, the Mesoamerican Information Highway (AMI) will take advantage of the infrastructure of the SIEPAC electrical transmission lines to install fibre-optic cables at the same time as the electric wiring. The AMI will allow voice, data and image transmission and the spreading of information technology throughout the entire region. It is expected that the AMI will gradually commence operations as of 2010. As for

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regulatory matters, the Executive Secretariat of the Regional Technical Commission of Telecommunications of Central America (COMTELCA, Spanish acronym) will carry out the studies required to regionally harmonize the legal instruments covering telecommunications, with a view to establishing certainty and clear rules for operating the network. In addition to the aforementioned, strategies are being sought to appreciably reduce the cost of telecommunications via cellular phones among the Central American countries and, concomitantly, interconnect all academic and research centres at a regional level with high-speed broadband technology.

As for the facilitation of trade and competitiveness, the idea is to advance in the development of information systems and standardized procedures in border ports so as to speed up the steps related to the Sole Transit Document (DUT, Spanish acronym). The pilot tests which have been carried out show that there has been a marked decrease in operations involving international crossing of merchandise, which results in a decrease in time invested and in operating costs, and, consequently, in greater competitiveness for the region.

Regarding the Social Axis Programmes:

With regard to health matters, it is expected that the Mesoamerican Public Health System will respond to the needs of the region by participating in four initial areas: mother and infant care; vaccination; dengue and malaria; and nutrition. These participations are based on two axes: epidemiologic supervision and strengthening of skills.

Among the most relevant results in this area, the establishment, on 3 July 2009, of the Mesoamerican Institute of Public Health (IMSP, Spanish acronym) stands out. It is made up of a virtual network of academic, research and development institutions specializing in public health, whose task it will be to support the technical skills of the National Health Systems, strengthen the formation of human capital and develop the work programmes that will be agreed upon within the framework of the IMSP. Similarly, as regards health issues, In April 2009, the First Mesoamerican Ministerial Summit on Illnesses Transmitted by Vectors and Economic Backwardness Diseases was held to discuss experiences and strategies to protect the health of the Mesoamerican population.

As for Environmental matters, the Mesoamerican Strategy for Environmental Sustainability (EMSA) will make it possible to promote regional projects in three basic areas: Biodiversity and Forests; Climate Change; and Sustainable Competitiveness. In order to implement EMSA, the Mesoamerican Programme for Sustainable Development is being designed with a view to advancing in the convergence of national and regional projects that will promote competitive productive systems which take into account, as a pivotal aspect, the conservation of the biodiversity of the Mesoamerican region.²³

As regards Natural Disasters, the Mesoamerican Land Information System (SMIT) aims at reducing the risks associated with natural disasters, by having accessible and up-to-date land knowledge which will provide information regarding threats, vulnerability and risks so as to strengthen the ability to respond on a national and regional level. In this connection, advances have been achieved in the training of human resources specialized in the

²³ In this regard, it is important to point out the resistance of various communities and social movements to the application of projects of this cooperation mechanism, due to the implications that they could have on the habitat of the Mesoamerican indigenous population, the ancestral owners of these territories, since their natural resources could be affected, particularly the water and the vast and rich biodiversity of the region.

integration of geospatial data which will make it possible to standardize and harmonize the Mesoamerican land information.

Financial risk management, the other area involved in natural disaster issues, considers the facilitating of contingent loans for emergencies caused by natural disasters, which has been available since February 2009 for a total amount of US\$ 600 million. Countries may have access to those funds for up to a maximum of 100 million dollars or 1 percent of the country's GNP (whichever is lower), provided they have a National Programme of Integral Disaster Risk Management and it has been verified that a natural disaster has occurred in order to effect the disbursement. It should be pointed out that Belize, Honduras, Guatemala and the Dominican Republic have proceeded to effect consultations regarding this mechanism.

As for Housing, the Development of the Social Housing Programme in Central America is geared towards creating a long-term mechanism for the acquisition of low-cost housing, which will allow for finding a solution to the pronounced lag which exists in this regard in the region. Although the Programme is in its preparation and development stage and implementation will take place in the short term, it is expected that it will be possible to offer approximately fifty thousand housing shares, for which the Mexican government has placed at the disposal of the BCIE up to US\$ 33 million dollars for granting guarantees, microfinancing and technical assistance for offering housing to the low-income population.

The balance offered by the Mesoamerican Integration and Development Project in its second year of operations shows a clear consolidation of the Economic Axis, since this is the space where most results are produced, which incorporate the physical infrastructure that will serve as a basis on which the advancement at a faster pace can take place for the countries which make up the Mesoamerican area. At the same time, it has been possible to establish the foundations of the Social Axis, which will allow for a better quality of life for the inhabitants of the region, which is characterized by a strong presence of the indigenous population and a population with high rates of marginalization and poverty.

At the XI Summit of the Tuxtla Mechanism, held in Guanacaste, Costa Rica, from 27 to 29 July 2009, the Heads of State and Government issued the "Declaration of Guanacaste" [Heads of State and Government of the Mechanism... 2009], in which they agreed on a total of 73 points, divided into six areas: Political Issues; Mesoamerica Integration and Development Project Issues; Economic, Trade and Financial Issues; Cooperation Issues; Regional and Multilateral Topics; and Conjectural Topics.

Among several of the points contained in this Declaration, the Heads of State and Government expressed their wish to support the advancement of negotiations for a Partnership Agreement between the European Union and Central America, which would include a Political Dialogue, Cooperation and Trade. They also applauded the initiation of the negotiation process to achieve the convergence of the Free Trade Agreements among Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Mexico; and they took note of the fact that execution of the following projects had commenced: Mesoamerican Network of Biotic Resources; Climatic Perspectives in Mesoamerica and its applications; Management of Hydrological Basins; and Strengthening of the Normative Framework for the Establishment of Criteria in Food and Agricultural Innocuousness.

At the aforementioned Summit, it was likewise agreed to incorporate the Dominican Republic and Colombia as full-fledged Members of the Tuxtla Mechanism of Dialogue

and Agreement, and the Dominican Republic as a full-fledged member of the Mesoamerica Integration and Development Project.

Initiative for the Integration of the Regional Infrastructure of South America (IIRSA)

The Initiative for the Integration of the Regional Infrastructure of South America is defined as a multinational, multisectoral and multidisciplinary initiative, geared towards the construction of a physical infrastructure to connect the South American region in three basic areas: transportation, energy and telecommunications. In its official documents it is underscored that the initiative “has as its main objective the development of the regional infrastructure within a framework of increasing competitiveness and sustainability, so as to generate the conditions needed to achieve a stable, efficient and equitable pattern in the region, identifying the necessary requirements of a physical, normative and institutional nature, and seeking implementation mechanisms that promote physical integration on a continental level.” [IIRSA, 2009]. In order to promote sustained economic growth in the region, the Initiative conceives physical integration as a necessary condition for development, associated with four key dimensions: competitiveness, social quality, environmental quality and institutional quality.

Having as its origin the First Meeting of Presidents of South America, which took place in 2000, IIRSA is an institutional mechanism for the coordination of inter-governmental actions in which twelve countries participate: the members of MERCOSUR, those of the Andean Community, plus Chile, Guyana, Suriname, and Venezuela. Considering South America as an integrated geo-economic space, the objectives of the Initiative are to improve regional infrastructure, reduce internal trade barriers, bring markets together, support the opening-up of trade and investments, and encourage competitiveness. The Initiative is also intended to lend impetus to regulatory harmonization and convergence, all of which should occur within a framework of sustainable development and the generation of employment and income for the region’s population.

As part of its operations, IIRSA has defined a series of Guiding Principles as well as two Lines of Action: one referring to the “Integration and Development Axes” (EID, Spanish acronym), and one related to the Social Integration Processes (PSI, Spanish acronym). As regards the Integration Axes, these constitute multinational bands in which the ample South American area has been divided and in which the intention has been to establish “a common minimum of service quality for transportation, energy and communications infrastructure, so as to support productive activities and chains, with economies of scale along these axes, either for the region’s internal consumption or for export” [IIRSA, 2009].

The ten integration and development axes, defined regionally within IIRSA, which constitute a geo-economic reference for territorial planning, are the following:

- Andean Axis (Bolivia, Colombia, Ecuador, Peru and Venezuela)
- South Andean Axis (Chile, Argentina)
- Capricorn Axis (Chile, Argentina, Paraguay, Brazil)
- Paraguay-Parana Waterway Axis
- Amazon Axis (Colombia, Ecuador, Peru and Brazil)
- Guiana Shield Axis (Venezuela, Brazil, Guyana, Suriname)
- Southern Axis (Argentina, Chile)
- Central Inter-Oceanic Axis (Bolivia, Brazil, Chile, Paraguay and Peru)
- Common Market of the South Axis (MERCOSUR)-Chile (Chile, Argentina, Uruguay and Brazil)
- Peru-Brazil-Bolivia Axis

Of these Axes, only two, the Andean Axis and the Common Market of the South-Chile Axis present a marked previous integration activity, with high demographic concentrations and significant intra-regional commercial exchange and physical integration. The eight remaining axes are emerging axes, since they show a great growth potential and are located in the main crossroads between the two established Axes, and incorporate Guyana and Suriname into the integration movement of South America.

In defining these Axes, not only they were expected to be corridors that would facilitate production and serve as channels for the flow of goods, they were also meant to effectively fulfil the function of being true Axes of economic and social development of the various subregions. With this in mind, a series of elements of socio-political importance as well as technical criteria for defining and locating the axes, have been used. Among these, the following stand out: geographic coverage of countries and regions; the main intra-regional commercial routes which have historically existed; the possibility of potential flows; and the environmental and social sustainability. The latter point has to do with the correct treatment which should be given to the megadiversity, the recognition of special ecological characteristics, including protected areas, forest reserves, and highly fragile ecological areas, as well as the protection of the rights of indigenous groups.

As regards Sectoral Integration Processes (PSIs, Spanish acronym), these are the other basic components of the Initiative and may be present simultaneously in multiple Axes. The IIRSA has been working on the following seven Sectoral Processes:

- Financing Instruments for Regional Physical Integration Projects
- Energy Integration
- Facilitating Border Crossing
- Information and Communications Technologies (ICTs)
- Operating Systems for Air Transport
- Operating Systems for Sea Transport
- Operating Systems for Multimodal Transport

As regards its institutional structure, IIRSA foresees coordination and information exchange mechanisms among the countries and the three participating multilateral finance institutions: the Inter-American Development Bank (IDB), the Andean Development Corporation (CAF) and the Financing Fund for the Development of the River Plate Basin (FONPLATA, Spanish acronym). This institutional structure is organized on four decision levels, which are the Executive Management Committee (CDE, Spanish acronym), the National Coordinations (CN), the Executive Technical Groups (GTE) and the Technical Coordination Committee (CCT).

The Executive Management Committee is made up of high-level representatives designated by the governments of the South American countries and has a Presidency and a Vice-Presidency, whose functions are exercised on a rotation basis for a one-year period; there is also a Secretariat made up of a Technical Coordination Committee constituted by IDB, CAF and FONPLATA. The Committee suggests policy guidelines in matters concerning coordination of plans and investments within the Action Plan; regulatory and institutional framework; as well as all that concerning financing, after assessing the technical proposals which come from the Executive Technical Groups and the Technical Coordination Committee.

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The National Coordinations are responsible for ensuring the participation of the country which they represent in the various forums which might arise in the execution of the "Action Plan" of the Initiative, preparing the incorporation of the different sectors of the national government, as well as of other relevant sectors of society. The National Coordinations work jointly with the Technical Coordination Committee, from which they receive assistance to push forward the lines of action defined within the framework of the Initiative. They also adopt in each country the internal organization which is best suited taking into consideration their own institutional structures. Nonetheless, regardless of the organization adopted, the figure of National Coordinator must be defined.

The Executive Technical Groups (GTEs) are established for each of the integration and development axes and for each of the sectoral integration processes approved by the CDE. These Groups constitute the technical work level of the governments and have a multisectoral and multidisciplinary nature. The GTEs analyze specific topics and prepare relevant information. To this end, they may invite representatives from the national, regional and international private sector to certain meetings so that they may contribute to the analysis of the regulatory and financial aspects of the topics being considered by the groups. The Executive Technical Groups are of a temporary nature since they gather to review topics in their areas of specialization, and once their work is completed it is considered that they have fulfilled their task. The Groups are made up of officials and experts designated by the South American governments, belonging to those entities which the respective governments consider pertinent.

The Technical Coordination Committee is composed of representatives from the IDB, CAF and FONPLATA. It is in charge of lending technical and financial support to the countries with respect to all the topics related to IIRSA. The CCT offers assistance as a facilitating entity of the process, coordinating joint activities. Its Secretariat is located permanently in the headquarters of the Institute for the Integration of Latin America and the Caribbean, of the Inter-American Development Bank (IDB-INTAL), in Buenos Aires.

As for its most recent activities, on 3 and 4 December 2009, the XI Meeting of the Executive Management Committee (CDE) of IIRSA was held in Buenos Aires to review the achievements made during that year. Among the results regarding the integration projects for physical infrastructure, it was pointed out that the IIRSA Portfolio for 2009 includes 510 projects distributed among 47 groups with an estimated total investment of US\$ 74.5 billion. Ten percent of the projects, amounting to an investment of US\$ 6,179 million, have been concluded; 36% is currently being executed, with an approximate investment of US\$ 37.37 billion; and 28% of the projects are in a preparatory stage, with an investment of US\$ 24,595 million [IIRSA, 2009a].

With respect to the 31 strategic projects that have been given the highest priority by IIRSA due to their strong impact on the physical integration of South America, and which form part of the Consensual Implementation Agenda (AIC) 2005-2010, they amount to US\$ 10,375.9 million. Of the 31 projects, 10 are in a preparatory stage, 19 are being executed and 2 have been concluded.²⁴ Special mention was made of the progress achieved in updating the information of the Project Data Base: the percentage of information completed increased from 29% in 2008 to 72% in 2009. In this same vein, the fact that the Project Data Base has been available to the public since mid-2009 was also underscored.

²⁴ The Bridge over the Acre River, which joins Brazil and Peru, was the first project of the Consensual Implementation Agenda that was concluded. The bridge was inaugurated on 21 January 2006 by the presidents of the two countries.

Similarly, as part of the achievements, in 2009 the development of the GeoSUR Programme was continued. This tool includes a Geosite, a Map Services Network, Geospatial Catalogs, height-derived maps and base maps of South America. An automatic link was likewise set up among the GeoSUR Regional Map Service, the IIRSA Web page and the Projects Data Base. Following this same line of thought, a Workshop was given regarding the use of GeoSur's applications and geographical services in land planning, aimed at, among others, National Coordinators, as well as planners of the development of governmental institutions who identify and prepare investment projects.

As for financing, those funds destined for the preparation of projects stand out since they are "soft" funds for conducting studies. Until June 2009, the IDB had approved 13 technical contributions for IIRSA projects, through the Integration Infrastructure Fund, for a total of US\$ 10,897,047, and the Andean Development Corporation (CAF) had assigned resources amounting to US\$ 2,619,047 for technical, environmental and social feasibility studies, as well as engineering designs in road corridors in the region. On its part, FONPLATA created the Fund for the Development of Regional Integration Projects, intended to promote the regional integration of its member countries and, until 2009, the resources contributed by FONPLATA to support IIRSA Portfolio projects amounted to US\$ 3,326,891, through reimbursable, contingent repayment technical cooperation.

Among other activities carried out by IIRSA, during the Meeting of the Executive Management Committee, mention was made of the following: the April 2009 Meeting with high-level officials of the Forum for East Asia-Latin America Cooperation (FEALAC); the Forum on Strategic Thinking called "Integration of South America and the Role of Infrastructure", in May 2009; the "Dialogue with Civil Society", in August 2009; the Workshop on Training, Integration and Development of South American Regional Infrastructure, in September 2009; and the Seminar on Exports via Mail Shipments for Micro and Small-sized Companies, in November 2009.

Since the UNASUR South American Council of Infrastructure and Planning was created in 2009, and IIRSA was included as the "Technical Forum" of said Council, the Brazilian delegation requested that Argentina's *pro tempore* presidency be extended for an additional six months; that is to say, during the first semester of 2010, so that said presidency would be the one in charge of coordinating the process of including the Initiative in the Council. Once this proposal was accepted, the Argentine delegation assumed the commitment to work in a coordinated manner with the *pro tempore* Presidency of UNASUR, currently held by Ecuador.

With regard to the Action Plan for 2010, the following activities have been programmed: continue with the follow-up on the Data Base of IIRSA Portfolio Projects; establish the Executive Technical Groups for the Integration and Development Axes, in order to discuss the execution and eventual incorporation of projects by the participating countries in the different axes; draft a Report on the Consensual Implementation Agenda 2005-2010 (AIC 1), which will include the status of the projects and an evaluation of the portfolio, as well as contributions for a future AIC 2; commence the execution of the Action Plan for the South American Roaming Project presented during the GTE of Information and Communications Technology which took place in Cusco in May 2009; draft the document entitled "Ten Years of IIRSA", so that it includes the main advances of the physical integration process of South America; and prepare three new documentary videos, one of which should be dedicated to the tenth anniversary of IIRSA. Similarly, it was agreed to schedule activities that will strengthen the presence of the Initiative in each of the governments, so that its activities and projects will penetrate more deeply in national strategies, while a communication strategy is sought that will make it possible to

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strengthen communications with civil society, thereby ensuring involvement of South American society in the physical integration process.

A lack of a greater bonding with civil society is precisely one of the weaknesses of IIRSA, which has been repeatedly pointed out by various social movements. In view of a lack of information and feeling that they have been excluded from the decision making that affects their communities in their immediate environment, they do not identify with the projects proposed by the Initiative and have participated in protest demonstrations not only against the severe environmental effects, but also against the political, social and cultural impact that the application of the projects will have on the social network of the peoples and, in particular, of the indigenous groups. Not only the assumed relationship between infrastructure and development has been questioned; doubt likewise exists as to the very concept of development when it is understood in terms of increase in productivity and competitiveness in order to achieve a better insertion into international markets.

IV. THE LATIN AMERICAN AND CARIBBEAN SUMMITS (CALC)

On 16 and 17 December 2009, the *First Latin American and Caribbean Summit on Integration and Development*²⁵ took place in Costa de Sauípe, Brazil, in response to an initiative of that country's government, with the participation of the region's 33 countries.²⁶ The mere fact that the meeting took place is relevant, considering its unprecedented character, with an agenda and perspectives pertaining only to those countries, and without the presence of countries outside the region like the United States, Canada, Spain, and Portugal, with which they have met before.

To this we must add the importance of the topics discussed at the First Summit, as well as of the ensuing declarations and agreements, particularly the willingness of participants to give continuity to the First Summit, and consolidate these types of meetings as a space for dialogue and agreement among the region's countries.

Regarding the topics discussed, the Final Declaration of the Summit states that "the Heads of State and Government examined, from a Latin American and Caribbean perspective, issues related to integration and development within the context of the challenges posed by the financial, energy, and food crises, as well as climate change". This implies that the meeting reviewed the main issues of the world economy, as well as the place of Latin America and its integration processes within this context.

The scope and relevance of these topics were expressed in the Final Declaration of the Summit, particularly in the range of decisions that the Heads of State and Government included in it, "as a demonstration of their firm commitment to move forward quickly in the various topics of the common agenda".

²⁵ Three meetings were held at the same Brazilian city on the days immediately before and after CALC: the 36th Summit of MERCOSUR, a Special Summit of UNASUR, and a Special Meeting of the Rio Group.

²⁶ Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Ecuador, El Salvador, Granada, Guatemala, Guayana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Dominican Republic, Suriname, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Trinidad and Tobago, Uruguay, and the Bolivarian Republic of Venezuela.

Among these decisions, referred to twelve topics, the following must be noted [Presidents of Latin America and the Caribbean, 2008]:

1. On the issue of "Cooperation between regional and subregional integration mechanisms", they agreed to "intensify dialogue, interaction and synergy" between regional and subregional integration mechanisms, strengthen cooperation between their secretariats, and establish priority issues for cooperation; and requested a study on the possibilities of complementation.
2. On the issue of the "International financial crisis", they decided to promote the exchange of information on the impact of the crisis in the countries, and the measures implemented; proposed a wide dialogue "to build a new international financial architecture"; took a common position before the financial crisis; and entrusted Finance Ministers or similar "to prepare a strategy for the progressive construction of a regional and subregional financial architecture". To this end, proposals to be considered in said strategy were identified: a multilateral and volunteer system of payment, stemming from existing experiences in the region, including payment in local currencies; an evaluation of existing experiences regarding common currencies; strengthening of regional mechanisms to stabilize the balances of payments; integration of regional and subregional financial markets with appropriate supervision and regulation mechanisms, as well as transparency; strengthening and creation of institutions or financial funds to support regional development and integration projects, including their coordination; and cooperation between national and regional development banks.
3. On the issue of "Energy", they decided to promote: "Regional cooperation to maximize energy generation, and energy security"; greater integration of infrastructures in the energy sector; regional cooperation to diversify energy sources and increase the use of renewable sources; and the exchange of experiences and technology transfer on national biofuel programmes.
4. On the issue of "Physical Infrastructure", they decided to expand exchanges and cooperation; intensify initiatives to expand connectivity, and create infrastructure projects to expand transportation services; and foster policies and actions to meet the infrastructure requirements for integration in border areas.
5. On the issue of "Social Development and Eradication of Hunger and Poverty" they agreed to accelerate the social programmes of the Millennium Goals; promote universal access to primary education and health services, sanitation and drinking water supply; expand regional cooperation to implement programmes that ensure a reduction in infant mortality, improve maternal health, and fight the epidemics with the highest impact; create programmes for the youth; and implement programmes to eliminate illiteracy before 2015.
6. On the issue of "Food Security and Nutrition", they decided to promote actions and regional coordination to guarantee food and nutritional security; foster the introduction of environmentally sound technologies for agricultural production, and increase the productivity and competitiveness of small and medium producers; and fight monopolies in food production and distribution systems.
7. On the issue of "Sustainable Development", they agreed to stimulate the identification, strengthening, and exchanges of good sustainable development practices in the region; foster South-South, and North-South cooperation initiatives to

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promote sustainable development; and promote cooperation on the sustainable management of the natural heritage, as well as the preservation of biodiversity and water.

8. On the issue of "Natural Disasters", they agreed to ensure the necessary coordination between prevention, risk reduction, mitigation, and response mechanisms to natural disasters, at the national, regional, and global levels; strengthen regional humanitarian aid initiatives, and promote mutual help protocols in natural disasters; and promote education and training on environmental protection, to create collective awareness and thus mitigate the human effects of natural disasters.
9. On the issue of "Promotion of Human Rights and the Fight Against Racism", they agreed to foster and strengthen international cooperation to promote and protect all human rights and fundamental freedoms; promote the recognition and implementation of third generation rights or solidarity, particularly the right to development; and strengthen regional and international cooperation to fight against racism and discrimination.
10. On the issue of "Movement of People and Migration", they agreed to facilitate the integration of migrants to host societies; strive for migration to occur in a regular manner, fully respecting the human rights of migrants and their families; and guarantee social security rights of migrant workers;
11. Regarding "South-South cooperation", they decided to identify and implement South-South cooperation strategies and triangulations to empower efforts in technical cooperation between the region's countries; and exchange successful experiences that may become good practices in the region.
12. Finally, on the issue of "The international projection of Latin America and the Caribbean", they agreed to coordinate positions to project a common perspective of Latin America and the Caribbean, and promote discussions on "Technology and productive development" in external dialogues.²⁷

Based on these decisions stated in the Final Declaration of the First Summit, and in preparation for the upcoming Summit, which was held on 22 and 23 February 2010, in Cancun, Mexico, the Ministers of Foreign Affairs of the region met in Jamaica, from 4 to 6 November 2009, and agreed on the *Montego Bay Action Plan*, which presents a series of initiatives to implement the commitments assumed in said Final Declaration.

The Action Plan groups these initiatives into nine topics, the first eight corresponding to the first eight (out of 12) presented in the Final Declaration of the First Summit, which have already been mentioned; and includes another topic, namely "Climate Change".

²⁷ Besides the agreements mentioned in the Final Declaration, the Summit also approved an Initiative to create a High Level Work Group "to elaborate and propose common positions and shared concrete initiatives to face the international financial crisis, and build a new international financial architecture". There were also four communiqués which: 1) request the U.S. Government to "comply with the provisions of 17 successive resolutions approved by the General Assembly of the United Nations, to end the economic, commercial and financial blockade against Cuba"; 2) state the need to negotiate on the sovereignty of the Falkland Islands; 3) ask the U.S. Government to continue granting Bolivia the benefits of the Andean Trade Promotion and Drug Eradication Act; and, 4) request the European Commission to continue granting Panama the benefits of the Special Stimulus Regime for Sustainable Development and Governance.

Therefore, the *Action Plan* has no sections devoted to items 9, 10, 11 and 12 of the agreements of the First Summit, i.e., “The promotion of human rights and the fight against racism”, “Movement of people and migrations”, “South-South cooperation” and “The international projection of Latin America and the Caribbean”.

Some of the initiatives in the *Action Plan* are [Ministers of Foreign Affairs of Latin America and the Caribbean, 2009]:

1. Regarding “Cooperation between regional and subregional integration mechanisms”, it states that the dialogue between regional and subregional integration organizations will be structured around the following dimensions i) economic-commercial, ii) productive, iii) social and institutional, and iv) cultural, defining the information that will be exchanged for each topic. There is also the agreement to “Request SELA, ECLAC and other similar institutions to carry out in a timely manner, studies and technical works in their areas, in cooperation with other regional and subregional integration mechanisms, whenever appropriate”.
2. On the issue of the “International Financial Crisis”, besides discussing the contents of the Declaration of the First Summit, the Action Plan includes the need to reform the graduation policies of international financial organizations, as well as to reduce or eliminate the conditions that these organizations impose to grant loans, redefine the assignment of Special Drawing Rights, and conclude the reform to increase the voting power of developing countries in those organizations. They also urged Foreign Trade Ministers to “establish the necessary measures to preserve trade levels and market access, for the benefit of the region’s countries, to stimulate the intra-regional trade of goods and services”; apply measures to guarantee access to the export supply of less relatively less developed countries, landlocked developing countries and island nations; to work towards a more equitable multilateral trade system, and a successful conclusion of the Doha Round, “respecting the principles of special and differential treatment, and reciprocity in favour of developing countries”.
3. On the issue of “Energy”, they adopted the idea of holding regional meetings to move forward in the implementation of the objectives defined in the Declaration of the First Summit, as well as the coordination of regional integration initiatives in energy, through the exchange of experiences and information on financing projects in energy.
4. On the issue of “Infrastructure”, they agreed to promote the integration of infrastructure and accelerate the development of the region through a series of actions in each priority area: air transportation and services; maritime transportation services; information and communication technologies; exchanges between South America, Central America and the Caribbean; and border integration. They also agreed to hold meetings to prepare a work agenda to identify and overcome regulatory difficulties in the field of infrastructure, and exchange information and experiences on economic policies and regulations regarding the physical structure for integration.
5. On the issue of “Social development and eradication of hunger and poverty”, they agreed to hold a technical meeting in 2010 of the authorities responsible for governmental social programmes; foster greater complementarity and cooperation between international and regional organizations; and work to achieve the 10 goals established in the Action Plan, “in order to deepen social development programmes,

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and achieve, and go beyond, the Millennium Development Goals on the eradication of hunger and poverty”.

6. On the issue of “Food and Nutritional Security”, they approved the appointment of focal points to promote the regional coordination of initiatives on food and nutritional security; promote, during the second semester of 2010, a seminar of government authorities on food and nutritional security; help implement the “Latin America and Caribbean without Hunger 2025 Initiative”; deepen efforts to improve the distribution and marketing of food; and create a regional programme to increase productivity in the agriculture and livestock sector.
7. On the issue of “Sustainable development”, they identified nine points to be added at the Forum of Ministers of Environment of Latin America and the Caribbean, in January 2010; among them the exchange of information on initiatives, practices, and mechanisms, the promotion of cooperation for sustainable development, an evaluation of compliance with the commitments assumed by the region, and the implementation of the Latin American and Caribbean Initiative for Sustainable Development.
8. On the issue of “Natural Disasters”, following up the initiatives of previous regional meetings, they approved to examine, during the “Third Regional Meeting on International Humanitarian Aid Mechanisms”, to be held in Buenos Aires, Argentina, in 2010, a set of items regarding risk management, simulations and drills; the strengthening of quick response mechanisms, the exchange of relevant information, and knowledge, and the reduction of the main risk factors.
9. Finally, regarding item 9, “Climate change” – which, as already mentioned, was not included in the Final Declaration of the First Summit, they agreed to “examine, during a meeting of the Forum of Ministers of Environment, the creation of programmes to reduce and adapt to the effects and impact of climate change, and foster cooperation on mitigation and adaptation”, identifying nine topics to be incorporated in the agenda of that forum, among them: exchange of experiences on measures for efficient energy use; exchange of technical experiences and technical advisory; collaboration between relevant research institutions and agencies; cooperation between Latin American and Caribbean countries to develop technologies that promote energy efficiency; development and use of renewable energy sources; establishment and strengthening of networks; and identification of financing sources for climate change control in Latin America and the Caribbean.

With the background provided by the agreements reached in the first Latin America and the Caribbean Summit (CALC), and the Action Plan of Montego Bay, the Unity Summit was held in Mexico, on 22 and 23 February 2010, with many expectations regarding the possible creation of a new regional organization. It was expected that from this Summit, conformed by the XXI Rio Group Summit, and the II CALC,²⁸ the new organization would be created by merging CALC and the Rio Group, thus allowing for the articulation of two pre-existing spaces into a single entity, and endowing it not only with the objectives of CALC, but also with the valuable heritage accumulated by the Rio Group throughout its various decades of experience in political dialogue and coordination.

We must briefly remember that the Rio Group, whose official name is “Permanent Mechanism of Consultation and Political Coordination”, was created in 1986 to replace

²⁸ Also, within the framework of the Summit, on 21 February 2010, the first bilateral Mexico-CARICOM Summit took place in the Mayan Rivera.

the Group of 8, which had played a relevant role in the search for peace in Central America, and made reference to the joint membership of the Contadora Group (created in 1983, and formed by Colombia, Mexico, Panama and Venezuela) and the Contadora Support Group (created in 1985 and formed by Argentina, Brazil, Peru, and Uruguay). Since then, it has expanded and now it has 25 members.²⁹ To date, it has held a total of 21 Presidential meetings, and more than 30 regular and special meetings of Foreign Affairs Ministers.

The Rio Group works at the level of Heads of State, Ministers of Foreign Affairs, and National Coordinators appointed by member states. It is coordinated by a Pro-Tempore Secretariat in charge of the host country for the next meeting of Heads of State, and supported by the previous and following Secretariats, forming the so-called *Troika*. In its 24 years of operation, the objectives of the Group have been the preservation of democratic values, and the full and unrestricted validity of institutions and the rule of law. It has thus acted within the region, and has also served as interlocutor in several regional agreements and with other countries.³⁰

As a result of the Unity Summit held in February 2010, the Latin American and Caribbean Heads of State unveiled two main documents: the *Declaration of the Unity Summit for Latin America and the Caribbean*, and the *Declaration of Cancun*, as well as the following eight declarations and statements:

- Declaration on solidarity with Haiti
- Declaration on the need to end the economic, commercial and financial blockade of the United States against Cuba
- Special communiqué on cooperation regarding migrations
- Special communiqué on hydrocarbons exploration in the continental shelf
- Declaration on the "Issue of the Falkland Islands"
- Declaration of Solidarity with Ecuador regarding FATF and GAFISUD
- Special Declaration on Guatemala
- Declaration in support of the Yasuni-ITT initiative

Regarding the *Declaration of the Unity Summit of Latin America and the Caribbean* [Heads of State and Government of Latin America and the Caribbean, 2010], it is formed by a series of considerations and six points agreed by the Heads of State. In the considerations, the Heads of State reaffirmed their conviction to "move forward, in a decisive manner, towards an organization that groups all Latin American and Caribbean States", making efforts to "move forward in unity and in political, economic, social, and

²⁹ From its original eight members, the Rio Group has expanded as follows: In October 1990, with the incorporation of Chile, Ecuador, Bolivia, Paraguay, a rotating representative from the Caribbean, and a rotating representative from Central America, which ten years later was replaced by a direct participant from each Central American country. In June 2000, with the incorporation of the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. In November 2005, with the incorporation of Belize. In March 2008, with the incorporation of Guyana and Haiti. In December 2008, with the incorporation of Cuba. In August 2009, with the incorporation of Suriname. And in November 2009, with the incorporation of Jamaica. Thus, at present, the Rio Group has a total of 24 member states, plus the representation from the Caribbean.

³⁰ The Rio Group has held regular meetings with the European Union; the People's Republic of China; the Association of South East Asian Nations; the Russian Federation; Canada; India; Japan; Australia; the Gulf Cooperation Council; the Republic of Korea; Israel; the Ukraine; the Arab League; the Group of 77; the Commonwealth of Independent States; and the group formed by Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova.

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cultural integration”, so as to improve social well-being, living standards, economic growth, and the promotion of an “independent and sustainable development, based on democracy, equality, and the broadest social justice”.

These considerations also ratified the decision to promote “the articulation and convergence of actions, by exchanging experiences and identifying areas for cooperation between the different integration mechanisms, based on the principles of solidarity, flexibility, plurality, diversity, complementarity of actions, and voluntary participation in the initiatives proposed”. They also underscored “the need to have a regional space that strengthens and projects the Latin American and Caribbean identity, based on common principles and values, and on the ideals of unity and democracy for our peoples”. Additionally, they highlighted their conviction “that it is necessary to make effective commitments for joint action to deepen regional integration and promote sustainable development in harmony with nature, and social wellbeing in all of our States”.

Regarding the six items that were agreed upon, which are the core of the Declaration, the first is the decision to “create the community of Latin American and Caribbean States, as a regional space that gathers all Latin American and Caribbean States”. The second is to strengthen and project, through the Community of Latin American and Caribbean States (CELAC), the regional identity, based on the following common principles and values: the respect to international law; the sovereign equality of the States; the non-use of threats or force; democracy; respect to human rights; respect for the environment, based on the environmental, economic, and social pillars of sustainable development; international cooperation for sustainable development; unity and integration between Latin American and Caribbean States; and permanent dialogue to promote peace and security in the region.

The third item states that the Community will work on the basis of solidarity, social inclusion, equality of opportunities, complementarity, flexibility, voluntary participation, plurality and diversity. The fourth item establishes that the Community must assume the heritage of the Rio Group and the Latin American and Caribbean Summits on Integration and Development.

The fifth item specifies that the priorities of CELAC are: to foster regional integration to promote sustainable development; promote political coordination, the Latin American and Caribbean agenda in global forums, and a better positioning of the region vis-à-vis relevant events in the international arena; foster dialogue with other States, groups of countries and regional organizations; promote communication, cooperation, articulation, coordination, complementarity and synergy between subregional organizations and institutions; increase the capacity to create concrete schemes for dialogue and international cooperation for development, within the region as well as with other States and international actors; strengthen cooperation on the different issues, according to the mandates of the Declaration of Salvador, Bahía, the Montego Bay Action Plan, and other documents that may be incorporated based on the widest spirit of integration; and promote the implementation of mechanisms for the peaceful resolution of controversies.

Finally, the sixth item states that while the process to create CELAC continues, there must be a forum where all the countries of the region participate, to preserve both the Rio Group and CALC, with their respective work methods, practices and procedures, to ensure compliance with their mandates, and the capacity to achieve political coordination to make statements or act in international events. In this regard, it must be noted that the meetings of the Rio Group and CALC will take place through that unified

forum, according to the calendar of meetings of both mechanisms, and without prejudice of this, the programmed Summits will be held in 2011, in Venezuela, and in 2012 in Chile.

Regarding the "*Cancun Declaration*", it contains six initial considerations, followed by 87 items that correspond to four general agreements, and a work programme defining a set of 20 areas or topics with their corresponding priority lines of action [Heads of State and Government of Latin America and the Caribbean, 2010a].

With respect to the considerations, the *Declaration* highlights the decision to create a common space to deepen political, economic, social, and cultural integration in the region, establishing commitments to promote sustainable development within a framework of unity, democracy, the respect of human rights, solidarity, cooperation, complementarity, and political coordination. It also mentions the principles of flexibility, graduality, plurality, diversity, complementarity of actions, and voluntary participation, which were already stated at the Salvador Summit, as a way to meet the challenges that the region faces, and reach the proposed objectives.

After the considerations, the *Declaration* includes decisions regarding: i) the intensification of dialogue and political coordination, since "the region requires a strong entity for political coordination that consolidates its international positions and produces quick and effective actions that promote Latin American and Caribbean interests, regarding the new issues in the international agenda"; ii) "the agreement on regional positions in global meetings and conferences, and the adoption of a more dynamic profile in favour of political coordination and interlocution with other regions and countries"; iii) the reaffirmation of essential objectives, such as "the preservation of democracy and of democratic values, the presence of institutions and the rule of law, the commitment to respect human rights for all"; and, iv) "foster an integrated agenda, based on the heritage of the Rio Group, and the agreements of the CALC summits, as well as the existing integration, cooperation, and coordination mechanisms and groups".

Regarding the 20 areas or topics in the work plan, the *Declaration* contains eleven of the twelve topics in the *Final Declaration of the First Summit of CALC*, except for the "International projection of Latin America and the Caribbean", as well as the nine topics agreed to in the *Montego Bay Action Plan* which, as already mentioned, correspond to eight of the topics proposed at the First CALC Summit in Salvador, Bahia.

Thus, the twenty areas of the work plan incorporated in the Cancun Declaration are the following:

- Cooperation between regional and subregional integration mechanisms
- International financial crisis
- Trade
- Energy
- Physical integration in infrastructure
- Science and technology
- Social development
- Food and nutritional security
- Education, health and public services
- Culture
- Migration
- Gender
- Sustainable development

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- Climate change
- Natural disasters
- Human rights
- Safety issues
- The worldwide problem of drugs
- Terrorism
- South-South Cooperation

As can be seen in the next table, of these 20 topics included in the work plan of the *Declaration of Cancun*, eight were not contemplated in the *Final Declaration of the First CALC Summit*, nor in the *Montego Bay Action Plan*, namely those referred to trade, science and technology; education, health and public services; culture; gender; safety issues; the worldwide problem of drugs, and terrorism.

PRIORITY AREAS AND LINES OF ACTION OF THE FIRST CALC SUMMIT, THE MONTEGO BAY ACTION PLAN AND THE CANCUN SUMMIT			
	First CALC Summit (Dec. 2008)	Montego Bay (Nov. 2009)	Unity Summit (Feb. 2010)
1.-Cooperation of regional and subregional integration mechanisms	X	X	X
2.-International financial crisis	X	X	X
3.-Trade			X
4.-Energy	X	X	X
5.-Physical Integration in Infrastructure	X	X	X
6.-Science and Technology			X
7.-Social programmes and eradication of hunger and poverty	X	X	X
8.-Food and nutritional safety	X	X	X
9.-Education, health and public services			X
10.-Culture			X
11.-Migration	X		X
12.-Gender			X
13.-Sustainable development	X	X	X
14.-Climate change		X	X
15.-Natural disasters	X	X	X
16.-Human rights	X		X
17.-Safety issues			X
18.-Worldwide problem of drugs			X
19.-Terrorism			X
20.-South-South cooperation	X		X

Regarding trade, (its specific lines of action are contained in items 15 to 19 of the *Declaration of Cancun*) emphasis is made on the importance of greater integration of the economies in the region, in order to reach higher levels of economic and social growth and development, and achieve a more effective participation of Latin America and the Caribbean in the world economy. Also, it recommend to continue promoting "regional, subregional, and bilateral integration initiatives, open to international trade, with the conviction that it will allow the creation of a common Latin American and Caribbean economic space". It also instructs the region's foreign trade ministers to

promote the necessary measures to deepen trade, particularly intra-regional trade, as a way to compensate the drop in the demand for exports from the region in the rest of the world.

Regarding science and technology, contained in items 27 to 29 of the *Declaration of Cancun*, it urges to deal with the issue of “Productive technology and development” in the dialogues of the region with other international actors; underscores the “potential of information technologies and communication for the development of democracy, the economy and social progress”, and the convenience of promoting universal access to the connectivity infrastructure for the Latin American and Caribbean people; and highlights the need for the scientific development reached in the region in the last decade to translate into “services, products and processes accessible to the economies and societies of Latin American and Caribbean countries, through policies of inclusion on innovation.”

On the issue of education, health and public services, covered in items 40 to 43 of the *Declaration of Cancun*, the Heads of State decided, among other things, to expand regional cooperation to promote “universal, equitable, and quality access to primary education and health services, sanitation, and drinking water supply, particularly for people in extreme poverty”; ensure that malnutrition and infant mortality decrease, improve maternal health and fight those epidemics with a higher impact; and foster programmes that adapt to the social and economic characteristics of each country, region, and population groups, to eradicate illiteracy in Latin America and the Caribbean before 2015.

Regarding culture, covered in items 44 to 46 of the *Declaration*, they reaffirm that “all cultures have the right to exist and preserve their traditional and millenary practices, inherent to their identity”, thus, the history, traditions and values of the peoples of the region will be promoted, “aware of the positive contribution it will have to deepen regional integration”. Also, the right of the States to establish legal norms and measures deemed convenient to preserve the ancestral expression of their peoples is recognized, stimulating cultural diversity as an important component of public policies.

Another area that had not been included in the *Final Declaration of the First CALC Summit*, or the *Montego Bay Action Plan*, refers to gender issues. In the *Declaration of Cancun*, (covered in items 51 to 53), the Heads of State mentioned, among other things, their conviction that economic and social development, and full democracy can only be achieved within the framework of an effective equity between men and women, and stated the need to include the gender perspective “in the design, implementation and evaluation of all public policies”. Also, and taking into consideration the *OAS Declaration* to consider the year 2010 as the Inter-American Woman’s Year, the Heads of State made the commitment to continue working towards “a full implementation of the Inter-American Convention to prevent, sanction, and eradicate violence against women (Convention of Belem do Pará) and the objectives contained in the *Declaration of Beijing* and their platform of action”.

Regarding “Security issues”, contained in items 77 to 80 of the *Declaration of Cancun*, they state that the new threats to security must be faced “in an integral manner, through an effective and well-coordinated, international cooperation with solidarity, through competent organizations and entities, based on the respect to the sovereignty of the States, the internal laws of each country, and international law”. It states that the concept of security in Latin America and the Caribbean must include the issues of peace and stability, but also issues regarding “political, economic and financial vulnerability”, and

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reiterates the commitment of the region to foster actions that promote a peaceful resolution of conflicts; strengthen and consolidate democratic institutions; foster political dialogue with other States; try to achieve multilateralism; and foster the autonomy of the region. All this, taking into account that peace in the region is closely linked “to respecting the principles of free determination of the peoples, non-intervention in internal issues of the States, the peaceful resolution of controversies, and the proscription of threats and the use of force, the judicial equality of the States, and international cooperation for development”.

Regarding the issue of the worldwide problem of drugs, contained in items 81 and 82 of the *Declaration of Cancun*, the Heads of State reaffirmed at the Summit of the Mayan Riviera, the commitment of the region’s countries to fight against this scourge with an approach based on the principle of shared responsibility, underscoring the importance of international cooperation and the respect of the sovereignty of each State. They also ratified the commitment to fight against the use, production, traffic and illegal distribution of narcotic drugs and psychotropic substances, taking into account that it must be part of an integral solution that incorporates social and economic elements.

Finally, regarding terrorism, contained in item 83 of the *Declaration of Cancun*, the Heads of State energetically rejected terrorism in all its forms and expressions, stating that it is unjustified, whatever its origin, and reiterated their commitment to “prevent, fight and eliminate terrorism and its financing, through the widest cooperation and full respect to the obligations imposed by national and international laws, specifically human rights and humanitarian international laws”.

An additional element to take into consideration is that besides the mentioned areas and lines of action, the Heads of State and Government decided, in item 87 of the *Declaration of Cancun*, “to incorporate the Montego Bay Action Plan as an annex to this Declaration, so as to deepen the commitment of the Latin American and Caribbean agenda”.

As previously stated, besides the two main declarations, at the *Unity Summit*, the other eight declarations and communiqués were unveiled, and some of their contents are the following:

- In the “*Declaration of Solidarity with Haiti*” [Heads of State and Government of Latin America and the Caribbean, 2010b], they ratified their commitment “to contribute, to the greatest extent of our possibilities, with the joint effort of our region and the international community in favour of the people of Haiti, according to the priorities and fundamental needs that the government of that Republic defines, with full respect to its authority and sovereignty, and the principle of non-intervention in internal affairs”. Said declaration underscored the coordination role of the United Nations Organization in humanitarian aid, and the reconstruction of Haiti, acknowledged the work of the United Nations Stabilization Mission in Haiti (MINUSTAH), and underscored the need to support the strengthening of institutions in Haiti, in order to promote social and economic development, deepen democracy, and preserve peace.
- As a mechanism with its own agenda and perspectives, the Unity Summit also issued the “*Declaration on the need to end the economic, commercial and financial blockade of the United States against Cuba*” [Heads of State and Government of Latin America and the Caribbean, 2010c]. In this declaration, the Heads of State rejected the unilateral coercive measures imposed for political reasons against

sovereign countries to prevent them from exercising their right to decide on their own political, economic, and social systems; they “strongly rejected” measures that go against international law, like the Helms-Burton Law, and urged the government of the United States to comply with the resolutions approved repeatedly by the General Assembly of the United Nations, to end the economic, commercial, and financial blockade of this country against Cuba.

- In this connection, in order to move forward in the unified stances of Latin America and the Caribbean in the international arena, they issued the “Special Communiqué on hydrocarbon exploration in the continental shelf” [Heads of State and Government of Latin America and the Caribbean, 2010d], through which they reject the unilateral actions of the British government to explore and exploit hydrocarbons in the continental shelf of Argentina, at around 100 nautical miles north of the Falkland Islands. They also recalled Resolution 31/49 of the UN General Assembly urging the parties to abstain from making decisions that imply the introduction of unilateral modifications. Additionally, at the Unity Summit they issued the “Declaration on the Falkland Islands Issue” [Heads of State and Government of Latin America and the Caribbean, 2010e], where the Heads of State reaffirmed their support to the legitimate rights of Argentina in the sovereignty dispute with Great Britain and Northern Ireland regarding the Falkland Islands, and considered the recent modification of the European Union Treaty and the European Union Association Agreement incompatible with the legitimate rights of Argentina to incorporate the Falkland Islands, South Georgia and the South Sandwich Islands in the regime of the “Association of Overseas Countries and Territories”.

As a final thought of this section, it is interesting to reiterate that the creation of the Community of Latin American and Caribbean States is not finished, but rather, is an ongoing process, and while this process is not over, the Rio Group and CALC will continue operating with their respective work methods, practices and procedures. In this regard, although the Declaration of the Unity Summit establishes the foundations for the creation of a new regional forum that incorporates Latin American and the Caribbean countries without the presence of extra-regional countries – which is an achievement of great importance – after nearly two centuries with marked differences, divisions and external tutelage that prevented the implementation of mechanisms of this nature, the future process of institutionality will not be simple, given the different concepts that prevail in the participating countries. As a matter of fact, such conceptual differences became evident even when naming this new regional integration mechanism,³¹ not to mention other disagreements that emerged throughout the Summit, and which caught a great deal of the attention of the media.

Although selecting the name for the new regional organization is not a fundamental issue, the fact is that this and other differences that emerged at the Summit are just the first expression of an effort to negotiate and create consensus, which is necessary to process the disagreements that will certainly emerge in different areas, as the discussion on

³¹ Proposals were presented at the Summit, such as the creation of an “Organization”, an “Association”, a “Union” or the same “Community” of Latin American and Caribbean States, which gave rise to the statement by the President of the host country that the name of the new mechanism “may be the least important, and [...] in any event, during the Summits that will take place, first in Venezuela next year, of the Summit on Integration of Latin America and the Caribbean, and in Chile, the year after, within the framework of the Rio Summit, probably in Santiago, within the framework of the Rio Summit, we can propose a definite name. But it is important to give ourselves an identity, and move forward to create this mechanism” [Calderón, 2010].

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specific issues moves forward to specify the path, contents, and main guidelines of this entity. These elements must be present in the bylaws of the creation of the Community, as well as in the rest of the regulatory and institutional elements that will be part of the legal framework of the new space that Latin America and the Caribbean decided to create.

V. TOWARDS A PROGRAMME TO ESTABLISH THE COMMUNITY OF LATIN AMERICAN AND CARIBBEAN STATES

As evidenced from the considerations addressed in the previous sections, the Latin American and Caribbean integration process is going through a stage of profound changes. As part of this scenario, highly significant decisions have been made and actions have been defined. When they become a reality, it will be possible to take integration to higher, unknown levels and, in this way, we will be able to close or considerably bridge the great historical gaps between rhetoric and practice.

Everything points at the fact that in the region there is a shared balance with respect to the insufficiencies that have characterized the integration process to this date. They also point at the need for a substantial modification of this reality so as to re-channel it in directions that are more in agreement with the challenges and problems posed by the economic, political and social scenario of the region.

Thus, in different degrees, in the regional and subregional mechanisms that already exist – and mostly as related to the definition and launching of the new integration mechanisms referred to in previous sections – there is evidence of a clear identification of contents and modalities that are substantially different from those that have characterized very recently the regional integration efforts. Among these differences, there are two that stand out on account of their specific significance, and they refer to the thematic and geographical extent that the countries would like integration to have:

- With respect to thematic extent, everything points at the fact that actions are aimed at overcoming the commercialist bias that had traditionally been imposed on the development of regional integration. Furthermore, it points at the fact that the implicit principle that “integration is trading” – a principle that has not been fulfilled even in its own terms – is being left behind to favour broader integration objectives. This clearly points at the need to incorporate not only other scopes of economic activities of participating countries, but also spaces that are not directly economic in nature. Among them, mention can be made of political integration, negotiation vis-à-vis third parties, priority attention to social aspects, environmental problems, etc.

From this standpoint, the acknowledgement of the fact that integration must fully turn into an instrument for the development of the countries involved and their corresponding populations is gaining ground though in different degrees. Only in this way will it be possible to ensure human rights of every nature including the second and third generation human rights. Among them, mention can be made of those dealing with the right to access to foodstuffs, health, education, employment, self-determination, full economic and political independence of the countries, national and cultural identity, a healthy environment, and a decent life for all, among others.

This thematic extent that is now being taken as a goal by the new integration mechanisms – despite the greater complexity that it entails – is to a considerable extent the only possible regional answer, not only vis-à-vis the problems that are evidenced in the different countries and in the region as a whole, but also with respect to structural problems that characterize the world economy. These are all

structural problems that the global crisis has painfully demonstrated. In this national, regional and global scenario, an integration process that is limited in its results almost exclusively to the strengthening of commercial ties has very little to offer. Hence, the expansion or increase of the scopes it may have, together with the stronger involvement of all the social objectives in the activities related to integration efforts, is rather a need more than a matter of choice.

- As related to the geographical extent that is evidenced today in regional integration efforts, it sets forth a clear difference with the fragmentation that had been imposed in recent decades. Under the “competitive liberalization” strategy that was mostly fostered by the government of the United States – with its after-effects evidenced in 15 free trade agreements that have been signed by that country with almost twenty countries from different regions in the world – as well as by virtue of the arguments that the region would have to pave the way for agreements signed by few participants in order to facilitate their smooth implementation and execution, in recent decades there has been a trend towards the creation of a regional version of what an author described in general terms as the “spaghetti ball”³² effect, as trade agreements were mushrooming without leading to concrete trends pointing at a “progressive multilateralization” as supposedly should be the case.

Based on all of these facts, the regional nature that historically has been sought for in order to ensure integration and that was evidenced in the extent of the first schemes that were signed almost fifty years ago was gradually abandoned, along with a considerable part of the advantages that would be derived from an integration with a wider geographical scope – not only with respect to the absolute economic weight derived from that wider scope, but also from the global economic and political presence and the negotiation capacity vis-à-vis third parties that it entailed. Under this perspective, the growth of the membership of ALBA-TCP, the clearly South American nature of UNASUR and, no doubt, the inclusion of the 33 Latin American and Caribbean countries in CELAC – except for Honduras in the second CALC – enable us to identify a strong decision point that is based on the fact that regional integration has really an agglutinating purpose and that it should take advantage of the possibilities that this effort becomes a reality and of the potential benefits that can be derived from it.

This broader thematic and geographical scope that is present nowadays in integration initiatives of the region, as well as the evident progress that has been achieved in this respect, are the elements that mark a great difference with respect to what had happened in prior crises. The fact that within the framework of the current world crisis important steps have been taken – as is the case of the creation of monetary and financial cooperation initiatives within the framework of ALBA-TCP, the execution of the Treaty to set up UNASUR and the two regions of CALC with the corresponding agreement for the creation of CELAC – is a clear evidence of the strategies that have been designed to face the crisis and that are quite different from those that were imposed in the decade of the 1980s. During that time, the deterioration of the region was mostly expressed and with great strength in the crisis of the mechanisms of integration, and ever since multiple barriers have been raised against the partners and there has been evidence of non-compliance with the commitments taken up in the different integration schemes.

³² The term was initially used by Jagdish Bhagwati [1995] when he referred to the mushrooming of preferential trade agreements that was evidenced throughout the world in the decade of the 1990s.

The clearly positive assessment that has been made in previous paragraphs with respect to the current course of Latin American and Caribbean integration should not make us forget the important problems and uncertainties that this integration is facing, as well as the complexity of the processes that have to be developed so that it becomes a reality. In this respect, within the framework of UNASUR and even more so within the framework of CELAC, the heterogeneity between the participating countries is probably the main challenge that they have to be taken up.

To the existing diversity among the 33 Latin American and Caribbean countries with respect to population, figures, geographic size and economic volume, levels of commercial opening and capital accounts, composition of their production and exporting sector, degrees and modalities of industrialization, per capita income, and levels of well being – issues that could be addressed and included as important components of the integration agenda, insofar as it includes strategies related to a Special and Differential Treatment, to non reciprocity and due attention to the existing disparities among countries – we must add other scopes of heterogeneity that are even more important for the progress of integration than those mentioned before:

- On the one hand, there is a considerable diversity of strategies and models for national development that coexist within the framework of CELAC, as well as social sectors and political forces that in each case foster these strategies and models.
- On the other hand and as a result of the above, there is also a very wide variety of strategies for international insertion in the case of the different countries. Among them, there are the policies for participating in multilateral scopes and for relating to the developed countries and specifically the United States, as well as for establishing liaisons at a regional level.

These two scopes of heterogeneity will no doubt have multiple expressions in the development of CELAC, as well as in UNASUR. Indeed, they had already been present in both spaces. These two scopes are a first priority challenge in the road to progress in the field of an integration that generates conditions -not to overcome them, because they are really derived from the internal conditions that exist in the different countries, but rather to process them adequately keeping them from turning into an insurmountable obstacle that stands in the way of the attainment of integrating objectives. In short, what is at stake is the need to take up the challenge of unity in the midst of diversity, identifying points of contact and common interests and objectives so as to design a shared agenda and so as to implement actions that favour an integration which has different characteristics when compared the one that all the countries in the region are determined to achieve.

As can be derived from previous sections of this document, a Work Program made up of 20 topics was defined in the Declaration of Cancun. Likewise, during that meeting, the Action Plan that had been previously agreed upon by the Ministers of Foreign Affairs in Montego Bay was also taken up. All this has prepared a “roadmap”, which is quite precise and detailed and that should guide the activities for launching CELAC until its next meeting is held in the month of July 2011 in Caracas, as well as the tasks that have to be carried out for this same purpose within the framework of the Group of Rio.

Under those premises and based on the considerations that have just been submitted above regarding the meaning that it entails and the challenges that the creation of CELAC is facing, it is worth focusing attention on the identification of the main scopes of

decision around which agreements should revolve so as to face in the best way possible the tasks that have been defined for the current stage of the initial shaping of that Community.

The first scope that it is worth highlighting, a scope that is addressed – though more briefly – in the agreements that have already been made regarding the future launching of the Community, is the one that is related to its future institutional structure. In that respect, it is absolutely necessary to take into account the fact that the instrumentation and design of that great outer shell that is currently the Community of Latin American and Caribbean States requires minimum commitments and consensus that must be fully taken up by each and every political stakeholder that has been participating in this new and important integrating project.

The considerations above imply the need to leave aside factors of confrontation that have been present on many occasions in different situations, stages, scopes and dimensions of the integration progress in the different subregional schemes and cooperation mechanisms, even in the very near past, so as to give way to the design of an all encompassing and including strategy by means of which we can clearly set forth the conviction that we trust the potentials that can emerge from a vast and united region that comes together under essential aspects – as is the case of the values of freedom, democracy, the respect for diversity and plurality, solidarity, equity, non-discrimination and tolerance. All these elements should be placed before others that to date have been present in several occasions when the time comes to make a decision regarding the future of integration. Among them, pragmatism has no doubt been one of the most looked for with the incalculable costs of every type of item that this pragmatism has had both for the internal development of the countries in the region and for the design and implementation of mechanisms and modalities for starting external relations that enable a higher degree of regional and national autonomy. Finally, even though it is quite obvious, it is absolutely necessary to mention as the first requirement for the launching of CELAC an intelligent and sensitive policy and the same view of the future.

Besides the above, a first area of interest for facilitating the launching of the future Community has to do, on the one hand, with the structure that it should have, which must include its size, attributions, operation modalities, instruments and competences; and on the other hand, the relation that the new regional instance should have with the regional and subregional cooperation and integration schemes and mechanisms that already exist.

As related to the first aspect, which refers to the structure that CELAC must have, an initial step should be setting up some sort of a “High Level Commission”, as the one that was initially implemented for the creation of UNASUR. This commission could be made up of representatives of all the countries in the region appointed by their governments, as well as by the Secretariats of ALADI, SICA, CARICOM, CAN, MERCOSUR, AEC, UNASUR and ALBA-TCP. It would be necessary to add to all of them the Permanent Secretariat of SELA and the Executive Secretary of ECLAC, as well as organizations with count on a considerable membership in the region and a vast experience in the promotion of the integration efforts. This Commission must have the power to prepare a proposal for an “Incorporation Treaty of the Community of Latin America and the Caribbean States”, which would be submitted for approval before the Summit of Presidents that will be held in Venezuela during the month of July 2011.

This Commission should be in the capacity to carry out a detailed review of the foundational treaties of the different regional and subregional schemes. Among them,

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mention can be made of the Montevideo Treaty that gave origin to ALADI, the Cartagena Agreement that is the juridical foundation for the CAN, the Asuncion Treaty which led to the creation of MERCOSUR, the Protocol of Tegucigalpa that gave rise to SICA, the Chaguaramas Treaty of CARICOM, the Constitutional Treaty of UNASUR and the documents for the creation of ALBA-TCP, among others. In this way, the legal components will be shaped, as well as the institutional architecture that will be the support of the Community. The latter will include the most important elements that have to be included, together with those that must be modified or adapted to the new economic, political and circumstances that currently prevail in the region and that can be included to the perspective for overcoming the previous demands that at a certain point in time enabled the development of regional and subregional integration processes.

This Commission should also be based on work groups of experts in the fields of regional integration specially related to specific sectoral scopes, as is the case of the following: social development, infrastructure, culture, environment, among others, bearing in mind both the experience accumulated in the integration schemes and existing intergovernmental regional organizations, and the inclusion of other experts for addressing the new topics that are present in the Work Programme that was defined in Cancun. In this way, as a result of the work carried out by the Commission, for instance, the conceptual elements that have a wider scope and that must be part of the legal structure of the Community will have to be derived, together with the everyday practice of integration of the region. Some of these elements will no doubt lead to considerable discussions and will even meet some resistance – as is the case of the degrees of supranationality *versus* inter-governance that must be present in the different community organs that are part of the institutional design of CELAC.

With respect to the second issue – in other words, the relationship between the new regional instance and pre-existing schemes – a key aspect that has to be discussed will be related to the different integration mechanisms that are already under way, once the Incorporation Agreement of CELAC is approved and ratified. In this respect, and at least at a midterm, the setting in motion of CELAC should not necessarily imply the disappearance of those structures, mechanisms and instrument that have been helping the implementation and progress of integration in the different subregions. Indeed, we should rather say that a considerable number of those structures, mechanisms and instruments can continue supporting Caribbean, Central America, Andean and South American integration. They can no doubt continue to be the platform of integrationist strategists and actions until the consolidation of this CELAC structure that has a wider scope in terms of both dimensions and scope becomes a reality.

Nevertheless, although the appearance of CELAC should not necessarily lead to the early disappearance of already existing integration mechanisms, the latter should be subject to a rigorous and permanent revision with respect to their modalities of operation, so that their institutionality may be readapted in order to render it more sound, efficient and operational, as well as its objectives, instruments and modalities of action. This will ensure that they are adapted to the changing circumstances with better results in terms of the degree of in-depth coverage and levels of thematic extent that can be reached in the field of integration inside each subregion.

In an attempt to avoid the duplication of efforts and so as to improve the results with respect to intraregional integration, it is absolutely necessary that the existing institutional structures continue to progress in the process of coordination and convergence, as well as with respect to activities taken up at inter-secretarial, inter-ministerial and inter-sectoral

levels. This is also to be achieved as related to the development of joint strategies between the different schemes in topics that are of common interest and that affect them so that the concerted actions yield the best results. This process for setting forth the topics and priorities that have to be addressed jointly by the different existing schemes should offer us as a result the enhancement of institutional efforts and should not be a simple combination of different aspects. It should be the expression of the new modalities and methods of a coordinated work and should reflect the different needs that have been imposed in this respect in regional integration efforts.

A second scope of decision is related to the set of sectoral topics that are present in the Work Programme designed in Cancun and in the Action Plan of Montego Bay. These are those that are related to health, education, finances, infrastructure, trade, agriculture and food security, etc. As related to these sectoral issues, it is worth bearing in mind that, though with a different degree of significance, they can also be present among the objectives and actions that are part of the integration schemes of the countries that make up CELAC. Nevertheless, if we take into account the trajectory that the integration in the region has followed to date, probably the incorporation in the schemes of several of these topics will be of recent date and the progress made with respect to them has been quite limited.

One of the clearest examples of the need to progress towards joint initiatives in the field of sectoral topics present in the different schemes, identifying the possible regional courses of action, is evidenced in the field of social development and the struggle against poverty. Although these topics have always been a source of concern, when they are included as part of the social agenda of the different integration mechanisms, they have not received the in-depth treatment that they should have been granted. Likewise, they have not been acknowledged either as axes around which the integrationist proposals should be structured.

In this respect, as related to social development, it is absolutely necessary to rescue back the different strategies that have been implemented in different countries in the region in order to address poverty. In this respect, their most important components must be identified and information must be exchanged among the different countries so as to adapt those strategies to the specific social and cultural conditions that prevail in each of these nations. Likewise, it is absolutely necessary to highlight the significance of the need to monitor the results that the programmes for conditioned currency transfers have had. Indeed, by means of these programmes families who live in a situation of a maximum vulnerability and extreme poverty have been able to improve their levels of education, health and access to food when the State has granted them financial resources in exchange for their compromise to undergo periodical medical checkups and when they agree to take food supplements to improve their nutrition levels, as well as when they accept to send their children to school.

The actions mentioned above will enable the region to progress towards the attainment of the goals that were set forth in the Development Goals for the Millennium, even more so if we bear in mind the change in tone that was evidenced in the First Summit of CALC held in December, 2008 and the Summit of Unity held in February, 2010. Indeed, while in the Declaration of Salvador, Bahia, the Heads of States and Governments of the countries in the region agreed: "To speed up the social programmes in the region in order to comply with and overcome the Millennium Goals as related to the eradication of hunger and poverty, by means of public policies of social inclusion and those designed to overcome economic inequalities, by granting more resources coming from their budgets", the Declaration of Cancun expressly and explicitly acknowledges the existing

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concern of Latin American and Caribbean Heads of State regarding the “slow progress” that has been evidenced in the attainment of the commitments that were taken up. Furthermore, in view of the coming High Level Session of the General Assembly of the United Nations that will be soon held on this topic during September 2010, they insisted on the need to foster more efforts so as to meet the goal that was agreed upon.

Even though in the case of the different subregional schemes there is an institutionality that is responsible for social affairs – as is the case of the Social Institute of MERCOSUR, the Andean Council of Ministers of Social Development or the Secretariat of Social Integration of Central America, among others – that is in charge of designing strategies for social development, there is still a long road to follow in the field of definition and execution of programmes and actions in order to take to the level of the general population the tangible benefits of integration in the social sphere. It is indeed a topic with respect to which Latin American and Caribbean citizens tend to show the highest degrees of scepticism because they do not feel they are acknowledged in those spaces, nor do they believe that they are the real receivers of the policies, programmes and actions that are executed in this field by their corresponding States.

Also as part of the regional initiatives aimed at fostering with respect to sectoral issues present both in the different countries and in the different integration mechanisms that have not been sufficiently explored, it is worth pointing at those that are related to health. In this respect, even though there is in a regional a growing institutionality that has been set up as time has gone by in mechanisms -such as the Andean Organization for Health - Hipólito Unanue Agreement, the Central American Institute of Public Health and the Public Health Agency of the Caribbean, among others- we still suffer in our region diseases that are typical of the backwardness that is evidenced in this zones, basically among the native population, as well as a strong inequality as to access to health services.

The markedly uneven behaviour of health indicators in the different countries and in wide geographic regions within them is still present despite the existence of sound national health systems set up in the different nations for several decades now and also despite the successful experiences in the reform of the health systems that have enabled in some countries the possibility to set up universal access to health services. In this respect, there are many items still pending and that must be covered in order to ensure a significant improvement of health indicators in the region. In general terms, these indicators currently point at high levels of maternal and infantile mortality, considerable deficiencies in epidemiological surveillance systems and the appearance of emerging and re-emerging diseases in a scenario that is characterized by a complete lack of infrastructure and sufficient human and material resources. On account of all these factors, we still perceive as a possibility for a long term the establishment of the right to health as a citizen right -in other words, the right acquired to be offered the service for the simple fact of being a citizen of the country whatever the gender, race or religion. Hence, the exchange of information, the identification of common areas and the implementation of possible regional courses of action are indeed a more growingly pressing need in order to fulfil the ethical and social imperative of guaranteeing universal health care and health services that are offered with due quality and equity.

A third scope of decision is related to transversal topics, in other words those that cover a set of sectoral topics as is the case of health, education and food that must be present permanently in the design, implementation and evaluation of the set of public policies that are applied in the Latin American and Caribbean countries. Among them, it is absolutely necessary to take into account topics as the environment, climate change,

gender issues and migration, just to mention a few. These topics are clear examples of the need to foster initiatives that have a strong impact and to identify regional courses of action. This is the case in view of the fact that they are topics that are even newer as to their treatment and inclusion in the institutionality of the corresponding regional and subregional integration schemes where the effort that is necessary in order to address globally the multiple aspects contained in each of them is barely starting to be dimensioned.

As related to the care and promotion of the environment and to sustainable development, although it is true that in the different regional integration mechanisms the need to take up these issues has grown in significance, it is also true that at a world scale, these aspects started to become significant and to be a part of the scientific debate and of the public concerns only towards the last decades of the 20th century. Hence, the progress that has been made in this respect has been quite insufficient, not only at the regional scale in the Latin American and Caribbean countries, but also within the scope of the international decision making process. At a global level, the opposed interests and visions – to say the least – have hindered the formulation and implementation of important and far reaching policies and actions that would help revert in a clear manner the most deleterious effects of the actions of man on nature.

Aspects related to the conservation of the natural patrimony, ecosystems and biodiversity, the problem of the supply of drinking water for human consumption, air, soil and water pollution, hazardous residues and the risks associated to the use of nuclear energy; the high levels of carbon dioxide and the destruction of the ozone layer; global warming and a set of phenomena associated to this problem, to mention just a few of the most significant ones, are part of the compulsory environmental agenda that should be included in subregional schemes and in the future operations of CELAC in a most decided manner.

Even though as part of the actions implemented in the cooperation projects for integration – as is the case of the Central American Project and IIRSA – the protection of the environment and sustainable development are concerns that have been addressed, it is evident that there is still much to do in the environmental arena, as part of the coordination and identification of cooperation areas, as well as related to the formulation of long term of common strategies and programs. Within these frameworks, it is absolutely necessary to ensure a considerable reduction of different risks that endanger the region as a whole in environmental considerations, promoting at the same time economic and social development. When designing this set of strategies, there is no doubt that the inclusion of the common citizen will be an important asset to be taken into account in or to be able to break the vicious circle that prevails in some countries, which is based on the permanence of poverty and the accentuation of inequalities coupled to the continuous deterioration of the environment.

Another important aspect that has to be taken into account as part of the crossed reference topics that must be present in the set of public policies and that must also play a more important role among the priorities of the subregional integration schemes, as well as in the future Community, has to do with the inclusion of gender issues in their corresponding agendas. If we acknowledge that this also one of the new topics that has not been addressed fully in regional mechanisms, despite the fact that it is part of the institutional structure of some of them – as is the case of the recently created “Andean Advisory Council of High Authorities on Women and Equal Opportunities” – the creation of public policies that include the perspective of gender in order to ensure equality and equal opportunities is still an aspect that has not been addressed much and it is also a

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fertile field in deeply unequal societies where women are waiting for access to a real fulfilment of their rights.

In this connection, it is of the urgent to make more progress with regional initiatives that go beyond the declarations of a specific occasion and the acknowledgement of their significance only on writing and that are rather based on an effective and agile exchange of information in order to count on a more complete panorama of the conditions of gender inequality that are the lot for Latin American and Caribbean women; of labour and family violence that they suffer recurrently and the lack of every type of spaces where they can meet in order to overcome the discrimination that they suffer in our region. Identifying areas of common interest and regional strategies in order to implement State policies and programmes that include the gender perspective is indeed an important step in the process for applying common strategies which will lead to the consolidation of a new culture of respect and revaluing of the role that women have historically played in Latin America and Caribbean societies.

A fourth scope of decision is related to possible regional initiatives for concerted action and common positions and interlocution based on those initiatives for facing the rest of the world. In this respect, there is a need to take into account two basic elements:

- On the one hand, the pertinence of taking advantage and enhancing practices that have been developed in this respect by the Group of Rio. As mentioned before, this group has turned into an interlocutor vis-à-vis different countries and regional blocks and, in this respect, it has played a significant role representing the positions and interests of the region.
- On the other hand, the need to ensure that, in the current world scenario, the region enhances and increases efforts in order to have a single voice that is heard not only by its direct interlocutors but also in the different forums where topics that have a global relevance are discussed and with respect to which the agreements made and actions taken are highly important for the Latin American and Caribbean countries.

On the basis of these two elements, it is quite evident that it is indeed pertinent to develop a set of preparatory tasks that will enable CELAC – once it has been launched – to turn in a short period of time into a first rank space for adopting common positions of the region vis-à-vis third parties and for expressing and defending those positions. In this way, CELAC will be in a position to ensure not only continuity and expansion through its different organs of the role that the Group of Rio has played as an interlocutor vis-à-vis countries and blocs, but it will also be ensuring that the Community takes up a regional representation with respect to other spaces and debates that are taking place elsewhere.

To this end, an important first step would be that of a “mapping” the different national positions of the countries in the region with respect to different topics that have a global significance. Based on this map, it would be possible to progress in the identification of common positions that could be taken up by CELAC and could be granted due significance by this organization on behalf of the all the countries in the region in the pertinent forums and institutions. This “mapping” of national positions could include, among others, topics as the ones that follow:

- The international management of the world economic crisis, taking advantage of the participation of Brazil, Argentina and Mexico in the G-20. Nevertheless, this would not mean abandoning the need that these activities are further expanded to include the

remaining countries by means of the General Assembly of the United Nations as the instance that counts on the maximum representation. Topics such as the regulation of international financial markets, measures vis-à-vis non cooperative jurisdictions, changes in the monetary base of the international system, the role of current International financial institutions and the necessary changes in the objectives, procedures and modalities of operation of those institutions, as well as the possible creation of new institutions to see to the problems that the crisis has evidenced, are currently subjects that have received attention and that are being debated within the scope of the current management of the crisis. All of them could give way to shared positions by the countries in the region and should be taken up as such by CELAC.

- The international discussion on the issue of environmental deterioration and the participation in intergovernmental organs that are devoted to this issue. Within this scope, it is quite possible that CELAC could reach consensus and express the positions of the region vis-à-vis problems as the ecologic debt, energy saving and energy transition, the commitments on the reduction of emissions, the operation of carbon markets, the objectives with respect to the ceiling increase of the global temperature, the definitions of objectives that would replace in 2012 those of the Kyoto Protocol, the funding of the struggle against climate change, among others.
- The main contents of this debate that has not reached its end to date on the reform of the United Nations could also enable CELAC to take the lead with respect to the common positions of the region in issues such as the attributions and relative weight of the different organs of the UN, the powers of the General Assembly and of its Presidency, the nature of resolutions made by that Assembly, the funding and administrative reform of the Organization, the expansion and democratization of the Security Council and the revision of the prerogatives that some of its members have, the leading criteria of operations for maintaining peace, respect for the principle of sovereign equality of all the member States, the relation between the United Nations, its different agencies and the Bretton Woods Institutions, etc.
- The general operation of the WTO, as well as the main topics that are a source of conflict currently in the deliberations of the Round of Development of Doha, are another possible space for consensus in Latin America and the Caribbean. This is even more the case when considering that, as related to several of these issues there has already been coincidence of positions in different countries in the region. From this point of view, the recognition of the Special and Differential Treatment and the non reciprocity towards the countries that are not up to date with respect to the operation of the Organization, as well as the demand that the current negotiations really respond to a "Round of Development", are no doubt shared objectives of the countries of the region. We could probably add to this the existence of common positions related to topics as the demand of substantial reduction of agricultural subsidies granted by developed countries, the need to preserve rural life and cultures, the rejection to an in-depth and fast opening of non agricultural markets, resistance to the expansion of the opening of services, the way in which protection has been granted to date to the protection of intellectual property, etc.

As evidenced, the agreements that would enable the compliance with what has been defined in the Work Programme of Cancun and the Action Plan of Montego Bay refer to a diversity of topics that fall within the four scopes of decisions that have been described above. If this diversity is taken up and progress is made in the tasks that are associated to those agreements in those different scopes, we would be creating the necessary conditions for an adequate launching of CELAC and from its very early days this

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organization would count on the framework and the set of contents that would be in tune with the magnitude of problems that have to be faced through integration and with the high potential that the integration of our region has and that the countries of Latin America and the Caribbean have made the decision to follow.

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