

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

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## **Global Voices on Regional Integration**

with a preface by  
EU-Commissioner  
Benita Ferrero-Waldner

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# Introduction

Regional Integration offers great opportunities for the countries involved in the process. This has been one of the consensus findings of the first Summer Academy in Comparative Regional Integration at the Center for European Integration Studies (ZEI), sponsored by the German Academic Exchange Service (DAAD) with funds of the German Federal Foreign Office. The Summer Academy gathered young academics from Africa, Asia, Latin America and the Caribbean to analyze a wide range of issues dealing with regional integration. This unique program was initiated by ZEI-Director Prof. Dr. Ludger Kühnhardt with the objective of strengthening the knowledge of young academics in matters of regional integration with regard to regional groupings around the world. Through lectures, workshops, discussions and a simulation the Summer Academy enabled 30 participants from 25 countries outside of Europe to develop problem-oriented approaches for deeper integration in their own region and to estimate the European Union's capacity to serve as a role model.

The central theme of the academy was the real contribution of the European Union to the global proliferation of region-building. Fifty years after the signing of the Treaties of Rome, the EU has become a worldwide benchmark for peaceful conflict resolution, economic prosperity and pooled sovereignty. In the meantime, parallel to European efforts, other regions around the globe also initiated their own efforts to build their region. The EU promotes regional integration worldwide as an instrument of regional stabilization in terms of economic consolidation and peace-creation in addition to fostering democracy. Its new approach of negotiating agreements *en bloc* exclusively increases pressure on partners to come to a common ground. Although economic interests might be the driving forces for seeking agreements with its partners, the EU complements these agreements with elements of political dialog and development cooperation.

The Summer Academy contributed to a unique exchange of experiences and the sharpening of intercultural competences. Within an international learning environment, ZEI gave the participants the chance to express their

views about the current state of affairs of region-building worldwide and to discuss them with renowned European scholars and practitioners. The present ZEI Discussion Paper represents a collection of voices of young academics from four different continents dedicated to regional integration. In her preface, the EU-Commissioner for External Relations and European Neighbourhood Policy, Benita Ferrero-Waldner, highlights the importance of other regional groupings for the EU. The essays of the participants examine the benefits and difficulties of region-building and the role of the EU as a model and partner. They cover some of the most important regional integration initiatives like COMESA, SADC and ECOWAS in Africa, CARICOM and OECS in the Caribbean, MERCOSUR, SICA and CAN in Latin America and SAARC and ASEAN in Asia. Although the essays of this paper deal with multiple issues and different projects of integration, it is fascinating to observe that the contributions show consensus on certain points. It is commonly acknowledged that regional integration is an evolutionary process that cannot be achieved in a short term. In addition, the inclusion of a political, social and cultural dimension instead of mere economic cooperation is seen as an advantage, especially when it comes to gaining the support of the population. Moreover, although there is no “best solution” to achieve regional integration and every region has to find its own way, a supranational structure, as it exists in the EU, is widely considered as a precondition for successful regional integration. At the end of this paper, Ludger Kühnhardt resumes ten important conclusions in his essay on global region-building in comparative perspective. We thank the *Europäische Kommission – Regionale Vertretung in Bonn* for making this publication possible.

We are convinced that the participants have gained valuable experience at the Summer Academy and have set themselves up for a prolific future. It is now time for them to disseminate their knowledge and begin actively shaping the regional integration process in their home region.

*Bonn, September 2007*

*Ariane Kössler/Martin Zimmek*

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# Preface



*Benita Ferrero-Waldner*

## **The EU as a Motor for Regional Integration**

The successful European integration model, now in existence for 50 years, has considerable attraction and impact as an example for many international partners. The enlargement process paved the way for a peaceful unification of the European continent based on the values of freedom, democracy, respect for human rights and fundamental liberties and the rule of law. These values are the prerequisite for the long-term development of any society. They are also the values which underpin our freedom, security and prosperity and, thus, the European Union as a whole.

In a globalised world, conflicts in distant regions have a day-to-day impact on our security in Europe, be it through increased migration and refugee flows, higher oil prices or the spread of pandemics. We are convinced that the best means of protecting Europe's security is to promote a world of responsibly governed democratic States. The European Union therefore uses all of its external-policy instruments to support democratic reform worldwide. Regional organisations are an important catalyst in this respect.

We must “export” stability in order to avoid “importing” instability. In the context of the European neighbourhood policy, for which I have special responsibility, we support our eastern and southern neighbours in implementing reforms. To this end, a tailor-made action plan is drawn up with each neighbouring country, and the EU offers financial and economic incentives for its implementation. The neighbouring countries in question face special problems in implementing their reforms, which entail high investment costs today but will produce benefits only in the future. In order to impart stimulus to such reforms, the European Union has improved what it offers. On the one hand, a clear prospect is given of more extensive eco-

conomic and commercial integration and, on the other, personal contacts are improved by making travel and participation in Community programmes easier.

The European neighbourhood policy is strengthened by two regional dimensions. Firstly, the Euromed partnership, which has existed since 1995, offers a multinational forum for issues affecting all partners in the Mediterranean region. Secondly, cooperation in the Black Sea region is designed to bring all our eastern neighbours, plus Russia and Turkey, together to discuss matters of regional interest such as the environment and energy.

Enlargement and the European neighbourhood policy have also brought the European Union closer to Central Asia. We have therefore developed a new EU strategy for this region. The growing importance which the EU attaches to Central Asia is reflected in the considerable increase in aid for the region, which will rise to €750 million in the coming years. Poverty reduction will remain the paramount objective of EU aid in the next four years. Emphasis will also be placed on promoting good governance, strengthening public institutions, improving the investment climate and reforming trade policy. In terms of their content, programmes are geared to the specific requirements of individual countries.

European integration did not itself come about for ideological reasons but through the force of events and constraints resulting from what we like to call globalisation. This is not limited to Europe. Whether it be NAFTA, Mercosur, ASEAN, ASEAN Plus Three or the African Union, clear trends are discernible in all regions of the world towards regional and inter-regional cooperation and integration. The European Union is a good example of how to exploit the opportunities and benefits of regional integration, and it supports these efforts in other regions. These regional organisations make an important contribution to a better world order.

For example, the European Union has been strongly committed to supporting the African Union, both financially and politically, ever since its inception. This includes strategic support in the form of finance for its institutional development and main concerns, especially peace and security. The European Union supports the African Union's peace missions, for ex-

## The EU as a Motor for Regional Integration

ample in Sudan, through the specially developed "African Peace Facility". The European Union has made available some €450 million for the deployment of African Union peace troops in Darfur.

Economic partnership agreements (EPAs) for regulating trade and economic and political cooperation are currently being negotiated between the EU and the 78 ACP (African, Caribbean and Pacific) States. In accordance with the Cotonou principle of differentiation and regionalisation, developing countries are currently organised into six regional groups in order to promote both regional integration and social cohesion.

There are also similar agreements with regional organisations in Asia and Latin America. For example, we are currently in negotiations with the ASEAN countries regarding partnership and cooperation agreements extending to areas such as migration, human rights and non-proliferation. Dialogues are also being pursued on sectoral matters such as climate change, energy and the information society. The EU supports the efforts of ASEAN to enhance regional cooperation in South-East Asia.

In Latin America, alongside the very fruitful relations between the EU and the Mercosur countries, there is also enhanced cooperation with the Central American Community and the Andean Community. Only recently we launched negotiations for a comprehensive association agreement with the Central American Community. The objective is to add depth to the political dialogue between both regions, to intensify and improve cooperation in a variety of areas, and to develop further the bi-regional economic links, including in the areas of trade and investment. As is the case with all bi-regional agreements, this agreement will be negotiated on a 'region-to-region' basis in order to provide more impetus to regional integration in Central America.

The European example shows that regional integration is a crucial factor for greater stability, significant progress and sustainable economic development that will benefit the people living in the region. It also contributes to integrating the various regions into the world economy.



# **Regional Integration and Africa**





*Ariane Kössler*

## **The EU as a Role Model for African Integration?**

### ***Introduction***

When looking into any answer into how far the European Union<sup>1</sup> has served as a role model for African Integration one has to substantiate the term “African integration” first. This is especially so before the background of the amazing high number of regional integration initiatives existing on the African continent. There are at least fourteen of those initiatives which overlap geographically, differ in scope and objectives and represent integration just in one particular part of Africa. So picking a case study for this analysis seems to be difficult at a first glance. However, from the very beginning of African interest in integrating nation states there have always been simultaneous regional and continental integration efforts. These have become explicitly linked with each other through the Abuja Treaty which was signed in 1991 by the heads of states and governments of the Organisation for African Unity (OAU) to establish the African Economic Community (AEC). In the past the AEC formed an integral part of the OAU, so that the then-called OAU/AEC was operating on the basis of the Charter of the OAU and the Abuja Treaty.<sup>2</sup> Nowadays the AEC is a project of the African Union (AU) which stands in the tradition of the two treaties and has been established in 2000 as a renewed “attempt to strengthen the

1 Although in some contexts it would be correct to speak of the European Community or the European Economic Community, this article always refers to the European Union in order to avoid confusion.

2 Organization of African Unity (OAU) /African Union (AU), n.p., <http://www.dfa.gov.za/foreign/Multilateral/africa/oau.htm> (19.08.07).

unity and development of the continent.”<sup>3</sup> Thus, in this article, analysing “African Integration” refers to analysing the features of the AU in addition to those of the Abuja Treaty.

### ***The Abuja Treaty***

Taking a closer look at the Abuja Treaty it becomes obvious that the AEC is clearly oriented at the European model of integration in one certain regard, namely, in integrating the member states’ economies according to the four steps of market integration (free trade area, customs union, common market and economic and monetary union). Bach argues though that while Europe “has combined the integration process with an increasingly open international stance” the “Abuja Treaty’s emphasis on integration through liberalization of intracommunity trade”<sup>4</sup> would underestimate the obstacles posed by the existence of cross-border trade. Another difference can be found in what Asante stresses: the Abuja Treaty recognizes the continent’s productive capacity as a pre-requisite for intra-African trade liberalization<sup>5</sup> and therefore focuses on increasing locally-produced goods and services in the priority areas agriculture, mining and industry. In addition, the implementation approach is quite different as the AEC shall be created through a gradual process of coordinating, harmonising and progressively integrating of the activities of existing and future regional integration initiatives or Regional Economic Communities (RECs) in the terminology of the Abuja Treaty.

3 „...einen erneuten Anlauf, die Einheit und Entwicklung des Kontinents zu stärken.“ S. Schmidt: Prinzipien Ziele und Institutionen der Afrikanischen Union, n.p., in: Aus Politik und Zeitgeschichte (2005) No. 4, in: [http://www.bpb.de/themen/V1Y7UH,0,0,Prinzipien\\_Ziele\\_und\\_Institutionen\\_der\\_Afrikanischen\\_Union.html#art0](http://www.bpb.de/themen/V1Y7UH,0,0,Prinzipien_Ziele_und_Institutionen_der_Afrikanischen_Union.html#art0) (19.08.07).

4 D.C. Bach: Institutional Crisis and the Search for New Models, in: R. Lavergne: Regional Integration and Cooperation in West Africa. A Multidimensional Perspective, Ottawa 1997, p. 77-102, in: [http://www.idrc.ca/en/ev-68355-201-1-DO\\_TOPIC.html](http://www.idrc.ca/en/ev-68355-201-1-DO_TOPIC.html) (19.08.07).

5 S.K.B. Asante: Towards an African Economic Community, p. 6, in: S.K. B. Asante; F.O.C. Nwonwu; V.N. Muzvidziwa: Towards an African Economic Community, South Africa 2001, p. 1-21.

## The EU as a Role Model for African Integration?

At the origin of the Abuja Treaty, like in the EU, there existed different opinions on the finality of African Unity. Pan-Africanists like Kwame Nkrumah advocated for a “Republican Constitution within a federal framework”<sup>6</sup> which stood in the tradition of the already long existing idea of a United States of Africa. “The dominant thinking, however, was of practical integration rather than a single union government, giving rise to an organisational architecture modelled on and resembling the European Union (EU) rather than the United States of America.”<sup>7</sup> Nevertheless, there is a big difference in the organisational architecture of the model and the AEC, namely the lack of supranational institutions. While the secretariat unlike even the early European Commission was not given any supranational competences at all, the pan-African parliament that the Abuja Treaty provided for was supposed to be created as one of the last institutions only after the common market would have been already actualized.

Furthermore, it is unclear whether the European integration process has also served as a role-model with regard to its time frame. While it took 42 years until the European Economic and Monetary Union was accomplished,<sup>8</sup> and the European Common Market has still not been perfected, the transitional period for the completion of the AEC, which means the completion of all four market integration steps, should not exceed 40 years though ideally it was even scheduled for 34 years.<sup>9</sup> This seems quite ambitious, especially if it is taken into account that in terms of member countries the European Union has been growing constantly, while the AEC comprised nearly all African countries (except Morocco and South Africa, the latter joined in 1997) from the very beginning. Above all, the African countries differ to a much higher extent in their political,

6 P. Mashele: 23 April 2007. A United States of Africa. Between Vision and Reality, Pretoria 2007, in: [http://www.issafrica.org/index.php?link\\_id=5&slink\\_id=4332&link\\_type=12&slink\\_type=12&tmpl\\_id=3](http://www.issafrica.org/index.php?link_id=5&slink_id=4332&link_type=12&slink_type=12&tmpl_id=3) (19.08.07).

7 Cf. *ibid.*

8 If one takes the introduction of the Euro as scriptural money in 1999 as the date of the realization of the Economic and Monetary Union the European integration process took 42 years.

9 OAU: Abuja Treaty, Article 6,2 and 6,5.

economic and social configurations than the EU member states.<sup>10</sup> Especially the different political systems could prove to be an obstacle for deeper integration as in the EU the dictatorships were ended before allowing the countries to join the Union which makes decision making much easier. Also, Mmereki points out that the cultural preconditions make it much more difficult in Africa to unite than it has been the case in Europe.<sup>11</sup> Bearing this in mind, it does not astonish that measured on its time frame the development of the AEC under the roof of the OAU was “disappointing”.<sup>12</sup>

### ***The New Attempt at African unity***

The lacking progress in accomplishing the AEC was one of the reasons for the new attempt at African unity which affected the AU.<sup>13</sup> Also, the existence of two treaties on the level of African unity was received as a reason for reforming the organization namely in terms of its organizational structure.<sup>14</sup> However, not only were the reasons for a renewed pan-Africanist spirit that pushed for a continental reform process manifold but there were also different pan-Africanist positions with regard to how that

10 While all EU member states are democracies and are listed in the human development report (HDR) within the „high human development“ scale, the member states of the AU have no identical political system and rank from HDR place 69 (Mauritius, „high human development“) to the very last place 177 (Niger, „low human development“). UNDP: Human Development Report 2006. Beyond scarcity. Power, poverty and the global water crisis, New York 2006, p. 284ff., in: <http://hdr.undp.org/hdr2006/pdfs/report/HDR06-complete.pdf> (19.08.07).

11 Thspiso Mmereki: Africa: Is Africa ready to copy the European model?, in: Mmegi/The Reporter, 08.08.07, in: <http://allafrica.com/stories/200708080746.html> (19.8.07).

12 Cf. S. K. B. Asante: Regionalism and Africa's Development. Expectations, Reality and Challenges, Basingstoke/New York 1997, quoted by P. Meyns: Die „Afrikanische Union“ - Afrikas neuer Anlauf zu kontinentaler Einheit und globaler Anerkennung, p. 15, w. p. 2002, in: <http://www.vad-ev.de/papers/meyns.pdf> (19.08.07).

13 Cf. Meyns, p. 7f.,

14 Cf. *ibid.* Cf. A. Radunski: Die Afrikanische Union und der Afrikanische Menschenrechtsgerichtshof, p. 62, in: MenschenRechtsMagazin (2005) No. 1, p. 59-73, in: <http://www.uni-potsdam.de/u/mrz/mrm/mrm26-5.pdf> (19.08.07).

## The EU as a Role Model for African Integration?

new organisation should be shaped.<sup>15</sup> Again, the more radical idea of a pan-African state had to give way to an African Union that should stand in the tradition of the OAU and the Abuja Treaty and thus be oriented again at the EU. This is expressed for example in the fact, that the AU still follows the market integration steps. Admittedly, according to the Sirte declaration its implementation process should be even stepped up “through the reduction of the original time frame of 34 years”.<sup>16</sup> Taking into consideration the financial and human resources capacity of the AU this provokes scepticism about the feasibility but it shows the (economic) pressure which the African leaders face.

The institutional structure of the AU is again more oriented at the EU as a role-model than at the USA or the Soviet Union, whereby intergovernmental features dominate in the start-up phase.<sup>17</sup> Taking again a closer look at this, one recognises that most of the organs of the AU were though slightly different already provisioned in the Abuja Treaty. The secretariat is now called the Commission, making an explicit reference to the European model. Still, the Commission does not have any supranational competences. Anyhow, a pan-African parliament has been founded in 2004. Although at present it just has advisory and consultative powers it shall be transformed into a full legislative body after a transitional period of five or six years. Also, a Protocol establishing the African Court of Justice is waiting for its ratification.<sup>18</sup> The Court shall then be responsible for dealing with “all disputes and petitions in accordance with the Constitutive Act” and because of its mergence with the African Court of Human and Peoples Rights for everything that is currently under the latter’s jurisdiction. Lastly, the Economic, Social and Cultural Council, an advisory organ composed of different social and professional groups, reminds on the Economic and Social Committee of the EU. All in all, the AU, like the EU, follows the path of integration through institutions.

15 Cf. Meyns, p. 7f.

16 Cf. S. Rugumamu: Africa's Search for Regional Cooperation and Integration in the 21st Century, ACBF Working Paper (2004) No. 3, p. 4.

17 Cf. Meyns, p. 12.

18 According to wikipedia ([http://en.wikipedia.org/wiki/African\\_Court\\_of\\_Justice](http://en.wikipedia.org/wiki/African_Court_of_Justice)) there are still three of fifteen members states needed for ratification missing.

African integration also at least in concept follows the European model of a community of values. These values nonetheless have changed over the time. While the most important principle of the OAU, the untouchable sovereignty of the state proved to be an obstacle to integration, the AU nowadays allows for interventions in the name of human rights. In addition, the heads of state and government came out clearly in the constitutive act of the AU to the principles of human rights, democracy, the rule of law and good governance as well as participation of the African peoples in the AU and social justice. These principles are common to the EU and show the resemblance of the AU's and the EU's philosophy of creating peace, freedom, political solidarity and economic stability among its member states for the well-being of its peoples.

With the New Partnership for Africa's Development (NEPAD) the AU has integrated a program that reinforces the idea that African integration needs some pre-requisites. As a "VISION and STRATEGIC FRAMEWORK FOR AFRICA'S RENEWAL"<sup>19</sup>, NEPAD adds a clear development component to the African integration agenda. With regard to regional integration it focuses on "the provision of essential regional public goods (such as transport, energy, water, ICT, disease eradication, environmental preservation, and provision of regional research capacity)" and capacity building.<sup>20</sup>

While the success of this more comprehensive integration approach still has to be shown, African integration in the security area is already very advanced. During the days of the OAU/AEC political and security integration always concerned the liberation of those countries that had been still colonised. With the establishment of the AU security integration got a new impetus: the AU is able to mandate peacekeeping forces to member countries. In this regard, African integration has even outgrown its

19 What is NEPAD, n.p., <http://www.nepad.org/2005/files/home.php> (19.08.07).

20 NEPAD: NEPAD framework document, p. 20, Lusaka 2001, in: <http://www.nepad.org/2005/files/documents/inbrief.pdf> (19.08.07). Although NEPAD is a very genuine African initiative, a similarity to the EU can be also found as far as a development feature of regional integration is considered because in the EU there have been special funds created to support the less developed regions.

European role-model though with incentives of the EU which funds peace keeping operations under the African Peace Facility. This development underlines the attractiveness of regional integration as a strategy to peaceful development for a continent where there are still many violent conflicts.

### **Conclusion**

The aim of this article is to point out that the European Union on the one hand has been an inspiring role-model for African integration because it provided a model where the nation states and its governments could continue existing instead of being replaced by a single government of a federalist state.<sup>21</sup> On the other hand, the will within the OAU/AEC to provide African integration organizations with supranational decision-making turned out to be extremely low. With the AU this has slightly changed but still, supranationality has not become its dominant feature. This could be a reason for the differences in progress towards economic integration. Another reason could lie in the absence of a characteristic that is present in the role-model EU, which is a compensation mechanism for those states that will suffer from losses in the short and medium term when liberalizing markets.

Surprisingly enough, it seems as if integration in the area of security and defence is easier under the prevailing social, economic and political circumstances, the high number of member states and the lack of supranational institutions. One reason for this could be found in the interests of the economically more powerful nations like South Africa that need political stability. In addition, the enthusiasm of the African leaders to find common ground in security questions could be pushed by external factors like financial incentives and political pressure from cooperation partners like the EU to bring peace to the continent.

21 This is still true even if Libya and Senegal brought the idea of a single African government again on the agenda of the AU. This proposal is still heavily discussed and the radical position could not gain the needed support so far. Cf. Macharia Gaitho: Africa: Libyan proposal for unity under one government is rejected, in: *The Nation*, 04.07.07, in: <http://allafrica.com/stories/200707040088.html> (19.08.07).

Moreover, one must clearly distinguish between the African integration agenda and its implementation. The agenda setting, though adapted to and complemented according to African needs, has been oriented towards the European model whereas its implementation approach is genuine in style. Still, it must be seen whether adapting pure market integration to African needs through its combination with development integration helps to meet the economic aspirations or if it is rather simply a question of lacking supranationality, political will and pressure to act respectively that then shifts the implementation of deeper economic integration to the far future. Finally, this analysis has shown that although the EU has been taken as a reference point for African integration the AEC and especially the AU have got its very genuine features. While the EU will certainly continue to serve as a role-model e.g. in questions of the free movement of people, an African concept of integration will further come to its own path in the coming years. In how far the AU will be as successful as the EU however, will above all depend on the scope to which the newly created institutions will be able to shape the AU's policy and push towards a common stand in economic and political questions, so that one day the goal of African Unity can turn into reality.



*Faith Chimwemwe Kazembe*

## **COMESA: Current State and Perspectives**

### ***Introduction***

Regional integration has been a response to challenges which arose in small economies, particularly those of the developing countries, as a result of globalization. The historical background of this type of cooperation in Africa can be traced to the early 1960s when most of the African states gained their independence from their colonial rulers. The idea was to promote a pan-African solidarity and collective self-reliance. It was in this spirit that the Organisation of the African Union (OAU) launched its Lagos Plan of Action (LPA) and the Final Act of Lagos in 1980, and signed the Abuja Treaty in 1991. These legal documents envisaged an evolutionary process in the economic integration of the continent in which Regional Economic Communities (RECs) would constitute key building blocs to creating an African Economic Community (AEC) by 2028. The African Union (AU), the successor of the OAU, currently recognizes eight building blocs; a number which has grown from the original proposal of four regional RECs. This raises such questions as how far have these RECs moved toward the objective of creating an African Economic Community? Will the continent achieve an AEC by 2028 as envisaged by the Abuja Treaty?

This paper aims to evaluate the process of regional integration in the Common Market for Eastern and Southern Africa (COMESA), which is one of the few original building blocs recognized by the Abuja Treaty.<sup>1</sup> The

1 For further information on this topic see: Bach, Daniel, "The African Economic Community and The Regional Economic Communities" in Hansohm et al (eds),

essay will analyze the current state of COMESA and discuss whether its strategies have caused the organization to move towards deeper and more meaningful regional economic integration. It will further analyze the challenges facing COMESA and assess how such challenges can indicate the future direction of the organization. It is important to note that since this subject is multi-faceted, this paper does not offer an in-depth analysis of all the strategies that are being undertaken in COMESA, but it rather focuses on trade and economic liberalization.

### ***Overview of COMESA: From PTA to FTA***

COMESA is considered to be the largest African economic grouping comprising 19 member states, namely Burundi, Comoros, the Democratic Republic of Congo (DRC), Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.<sup>2</sup> The organization began initially as a Preferential Trade Area (PTA) in December 1981 when the heads of state and government of the Eastern and Southern African states signed the treaty establishing the PTA in order to take advantage of a larger market size and allow greater socio-economic cooperation in their region. In this regard, the strategy was to emphasize on integration through the removal of trade and investment barriers.

The 1982 PTA Treaty provided for the establishment of the common market ten years after its entry into force. Consequently, in 1994, the PTA was transformed into a Common Market for Eastern and Southern Africa (COMESA) in order to fulfill this requirement. Among other things, the new Treaty for the Common Market envisaged:<sup>3</sup>

Monitoring Regional Integration in Southern Africa Yearbook Vol. 5-2005, Windhoek: NEPRU, pp 186-210 and Meyn, Mareike "The Progress of Economic Regionalisation in Southern Africa" in Hansohm et al (eds) Monitoring Regional Integration in Southern Africa Yearbook Vol. 5-2005, Windhoek: NEPRU, pp 186-210.

2 E-COMESA, Vol. No. 51, 16th September, 2006.

3 These objectives have been summarized from the brief of COMESA in Brief, April, 2006: [http://www.comesa.int/about/Multi-language\\_content.2006-07-06.1117/en](http://www.comesa.int/about/Multi-language_content.2006-07-06.1117/en).

## COMESA: Current State and Perspectives

- A full free trade area guaranteeing the free movement of goods and services produced within COMESA and the removal of all tariffs and non-tariff barriers;
- A customs union under which goods and services imported from non-COMESA countries will be subjected to a Common External Tariff (CET) in all COMESA states;
- Free movement of capital and investment supported by the adoption of a common investment area so as to create a more favorable investment climate for the COMESA region;
- A gradual establishment of a payment union based on the COMESA Clearing House and the eventual establishment of a Common Monetary Union with a common currency; and
- The adoption of common visa arrangements, including the right of establishment leading eventually to the free movement of bona fide persons.

In October 2000, substantial progress towards the future creation of a Customs Union was made with the achievement of the formation of a Free Trade Area (FTA) by nine member states (Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe) which eliminated their tariffs on COMESA originating products, in accordance with the tariff reduction schedule adopted in 1992 for the gradual removal of tariffs in intra-COMESA trade. The objective of the FTA did not only entail the elimination of customs tariffs but it also required progressive elimination of quantitative restrictions and other non-tariff barriers.

Currently thirteen countries, namely, Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Zambia and Zimbabwe, are participating in the COMESA FTA. Ethiopia, DRC, Eritrea, Uganda, Seychelles and Swaziland are yet to join the FTA arrangement. It has been observed that intra-COMESA trade has increased with the introduction of the FTA. The COMESA Secretariat estimated a growth rate of 20 % per year of intra-COMESA trade. It is estimated that

through the FTA the intra-COMESA trade in 2005 registered an increase of 42 % over its 2004 levels.<sup>4</sup>

There are several other initiatives that have been put in place following the establishment of the COMESA FTA. Amongst other things, the organization has undertaken the following activities pursuant to its regional integration agenda:

- Harmonization of customs systems and procedures to facilitate data and revenue collection – through adoption of a single COMESA Customs document, the installation of Customs Valuation Systems and the Development of the Customs Management Act;
- Introduction of a Regional Customs Bond Guarantee Scheme to facilitate transit traffic and reduce the costs of financing transit goods;
- Harmonised Road Transit Charges, Yellow Card Scheme (vehicle insurance card) and COMESA carrier's License which allows commercial goods vehicles to possess a license which is valid throughout the region.

### ***Institutional Set Up for Implementing the Regional Integration Agenda***

Apart from the above-mentioned, COMESA has put in place institutions aiming at facilitating its regional integration agenda. These are the COMESA Court of Justice; the Eastern and Southern African Trade and Development Bank (PTA Bank - established as financial arm to provide project finance and trade finance to member states and the organization); the COMESAMIA (responsible for development of metallurgical industries in the region), PTA Re-Insurance Company (ZEP-RE – responsible for promoting trade development and integration through trade of insurance and reinsurance business); COMESA Clearing House (which aims at facilitating COMESA regional payments and settlements systems); Africa Trade Insurance Agency (ATI – responsible for the implementation of the Re-

4 Ministry of Industry and Trade of Malawi. "Brief prepared for Malawi Delegation to the 11th Summit of COMESA." May, 2007.

gional Trade Facilitation Project to assist member countries implement their poverty reduction programs through private sector led growth); Leather and Leather Products (assisting the development of the leather industry in the COMESA member states) and Common Investment Agency (developing strategies for investment in the region).

Another development is the establishment of the COMESA Common Investment Area (CCIA). Its overall objective is to enable the region to attract greater and more sustainable levels of investment through the creation of an international competitive area, allowing free movement of capital, labor, goods and services across the borders of member states. The process of establishing the CCIA is underway and member states are finalizing the draft agreement, which will legally establish the Area.

### ***The Future Outlook for COMESA: The Roadmap to Customs Union***

The COMESA Treaty requires that member states establish a customs union over a transitional period of ten years from the entry into force of the treaty. This means that the customs union was expected to be fully established by 2004, which was not the case. According to the COMESA Secretariat, the delayed achievement of this treaty provision is attributed to the preparatory work laying the foundation of the Common External Tariff (CET) and the customs union.<sup>5</sup> In this respect, the COMESA Council of Ministers adopted a new timeframe and a roadmap which stipulated that the COMESA Customs Union would be established by December 2008.

Member states have currently reached consensus on the CET to be applied to non-COMESA countries for capital goods (0%), raw materials (0%), intermediate products (10%) and finished goods (25%). Some member states have however pointed out that the final CET model should take into account the impact of these CET rates on government revenue and on competitiveness and assess which policy adjustment measures need to be taken.

5 COMESA Secretariat, "Aide Memoire prepared by the COMESA Secretariat during mission in Malawi on consultation of CET." February, 2006.

In addition, member states were expected, by 2005, to identify goods of economic importance, sensitive goods, and goods under the rebate system, which should initially be excluded from the CET.

Another instrument used in the preparatory stage of the customs union is the establishment of the COMESA Fund. The COMESA heads of state and government adopted a protocol to establish this fund. The aim of the fund is two-fold: i) to provide the necessary budgetary support facilities to assist member states in their economic and trade policy adjustments, prerequisites for growth; and ii) to support priority programs and projects in the transport and communications sector. Fifteen member states have to date signed this protocol, albeit only eight have ratified it. A committee of ministers of finance is also yet to be formed in order to oversee the implementation of the fund.

### ***Challenges and Way Forward***

COMESA has taken various initiatives to achieve its regional integration agenda, such as the settlement of an institutional framework for the realization of an Economic Community. However, there are several challenges that the organization needs to address as it moves towards deeper integration.

Most of the COMESA member states belong to more than one regional economic community. Once the COMESA customs union is in place, countries with multiple memberships will have to make a choice regarding which customs union they would like to belong to. There are some countries within COMESA that belong to the Southern Africa Development Community (SADC – which plans to have its customs union by 2010) and the East African Community (EAC – which already has a customs union). The COMESA Secretariat has already been working with the EAC Secretariat to ensure that the CET and the customs procedures of these two organizations are in line. Tanzania is the only country of the EAC that is not part of COMESA. The DRC, Madagascar, Malawi, Mauritius, Zambia and Zimbabwe are countries that belong to both SADC and COMESA. The negotiations of the Economic Partnership Agreement (EPA) with the Euro-

pean Union indicated some of the challenges that these countries are facing due to their dual membership. Apart from Madagascar, which recently joined SADC, the other five countries opted to negotiate under the Eastern and Southern African (ESA) arrangement as opposed to the SADC-EPA agreement. All COMESA countries, with the exception of Egypt and Libya, have opted to have a wider ESA-EPA arrangement because of the bargaining power that it offers.<sup>6</sup>

Indeed, COMESA's regional integration has taken a more systematic approach, provided for in its constituent treaty. The progress of regional integration within COMESA can be observed from the transformation of the organization's initial Preferential Trade Area to Free Trade Area and its ascension towards a customs union. While the organization endeavors to put in place the necessary instruments and mechanisms for trade liberalization, there is still a need to address the issue of supply constraints, such as the lack of public infrastructures, low productivity and unfavorable macro-economic environment.

Some land-locked countries, such as Malawi, will probably face competition challenges and will therefore need to be protected from the potential negative externalities linked with the establishment of the customs union. A comparative advantages assessment should also be undertaken in each member states in order to determine in which type of service countries should specialize to optimize the overall benefits from intra- and inter-regional trade.

6 The EU and Egypt have signed a Bilateral Trade Agreement.





*Augustine Mandigora*

## **Cooperation between EU and COMESA**

The Common Market for Eastern and Southern Africa (COMESA) and the European Union (EU) represent the integration efforts of two large but disparate groups of countries. Although these two entities have similar ambitions with regards to regional integration, there is a sharp contrast between the economic and political conditions prevailing within their respective member states. This essay highlights these differences and argues that they do not constitute an obstacle to dialogue and cooperation as might be expected. In fact, these differences create an environment that could make dialogue and cooperation mutually beneficial.

The EU-27 constitutes the biggest and most integrated regional bloc in the world. This factual evidence is illustrated by the following statistics: the EU possessed a combined Gross Domestic Product (GDP) of US\$ 12.8 trillion in 2006, a combined population of 461 million people in 2005<sup>1</sup> and the unrivalled status of being the biggest exporter by value amongst all customs territories in the world. Its citizens also enjoy a generally high standard of living, in spite of disparities between the wealthier member states, such as Germany and Luxembourg, and the poorest ones, such as Romania and Bulgaria. Apart from this, the EU is a powerful global political player and has huge influence in multilateral agencies, such as the World Trade Organisation (WTO). A key fact is that the EU is the most sophisticated model of regional integration as it has passed the stages of free trade area and customs union<sup>2</sup> and is now an economic union encompassing such norms as the free movement of labor<sup>3</sup> and capital, albeit with some restric-

1 See <http://epp.eurostat.ec.europa.eu>.

2 As defined in GATT XXIV.

3 With certain limitations in respect of the 10 countries that recently acceded to the EU.

tions. The EU has not only achieved trade liberalisation in goods and services but has also successfully established supra-national institutions such as the European Commission, European Parliament, European Court of Justice and Court of First Instance, and the European System of Central Banks.<sup>4</sup> Moreover, EC law supersedes national law when it comes especially to the protection of the so-called Fundamental Freedoms. In short, the EU is a highly integrated regional bloc with a great deal of political and economic clout. COMESA, on the other hand, is a regional bloc with 19 member states which are classified as either developing or least developed countries (LDCs). In contrast to the EU, its combined GDP is US\$ 275 billion, its population is approximately 389 million and its exports amount to only US\$ 82 billion.<sup>5</sup> In contrast to the EU, most of the constituent members of the COMESA regional bloc are extremely poor,<sup>6</sup> and are dependent on a narrow basket of primary commodities for export while the majority of their populations rely on subsistence agriculture for a living. COMESA is also in the process of deepening regional integration and so far has established a free trade area with 13 current members. There are a number of supra-national institutions such as the Clearing House, the Preferential Trade Area Bank and the Court of Justice, but these do not have the region-wide clout and influence of the EU supra-national institutions.

A number of contrasts between both organisations emerge from this initial picture. The EU is a major exporter of services and importer of raw materials needed for its industries. On the other hand, COMESA exports mainly raw materials and possesses a very narrow industrial and services base. Further to this, the EU is a wealthy regional bloc and currently claims to be the biggest provider of development aid in the world.<sup>7</sup> COMESA members, on the other hand, are major recipients of development aid and some countries rely on aid as an important share of their budget. One example is Uganda for whom aid consists of up to 40% of its total budget.<sup>8</sup> The EU is

4 See <http://europa.eu>.

5 [www.comesa.int](http://www.comesa.int).

6 For example Burundi, Malawi, Ethiopia, Comoros, Djibouti, Zambia, Rwanda, Madagascar, The DRC and The Sudan are classified as LDCs.

7 [http://ec.europa.eu/development/index\\_en.cfm](http://ec.europa.eu/development/index_en.cfm).

8 <http://www.mbendi.co.za/land/af/p0060.htm>.

## Cooperation between EU and COMESA

also a pioneer in regional integration and continues to dismantle barriers to trade while widening its membership. As for COMESA, it still remains focused on expanding its free trade area and establishing a customs union by 2008.<sup>9</sup>

Despite these complementarities, cooperation between the EU and COMESA appears to be based on convergence of circumstance rather than on an organized pattern of relations. In 2005, the EU gave COMESA US\$ 35 million to pursue its regional integration agenda. This financial support was not part of a wider strategy, but rather a stand-alone contribution. Currently, the main form of cooperation between these two regional blocs stems from the negotiations for Economic Partnership Agreements (EPAs) between the EU and the African, Caribbean and Pacific (ACP) countries. These negotiations are directed at initiating a “partnership” that would go beyond a mere reciprocal trade agreement and particularly support the sustainable development of the ACP countries. COMESA is not negotiating as a bloc with the EU, but most of its members are part of the Eastern and Southern Africa (ESA) configuration. Should these objectives be achieved, the ACP countries (including those that are also part of COMESA) would benefit from preferential access to the EU markets and enhanced flows of aid, development assistance and the sharing of expertise on various issues, such as food standards and trade facilitation.<sup>10</sup> The main concern is that the benefits might not accrue to COMESA as a single entity and the resulting cooperation might not promote regional integration since the COMESA legal entity is not party to the agreement.

It also appears that cooperation in other spheres between the EU and COMESA is just as sporadic. The final communiqué on the 11<sup>th</sup> Summit of the COMESA Authority in November 2006<sup>11</sup> has a chapter on cooperation between COMESA and other regional blocs. The EU is not mentioned in this chapter and the only reference to it is related to the EPAs. This helps to show that cooperation with the EU is not a major priority on the COMESA

9 See the final communiqué of the 11th Summit of the COMESA Authority of Heads of State and Government in November 2006 for an affirmation of this objective.

10 It must, however, be noted that the EPA negotiations are still ongoing.

11 See footnote 9.

agenda unless it deals specifically with the EPA negotiations.<sup>12</sup> Similarly, the EU does not specifically mention COMESA as a regional development partner on its official website.<sup>13</sup> It rather mentions the ACP group and splits it into the Caribbean, Pacific and African groups.

The main conclusion to draw from this brief overview of the cooperation between the EU and COMESA is that the pattern of relations is not coordinated. The contrasts that exist between the two regional blocs can clearly be seen as complementarities that contain potential benefits for both parties. The EU as a major provider of development aid can cooperate with COMESA (a major recipient of aid) to ensure that the recipient countries have the capacity to spend the funds productively and complementarily with the wider aims of COMESA. COMESA can also learn a great deal from the EU's experiences as it seeks to deepen its level of regional integration to a customs union and beyond. EU cooperation can also help to reduce the supply-side constraints that limit COMESA countries' ability to access the EU market under the current and expected preferences. Achieving this aim would provide the EU with an abundant source of raw materials, such as coffee, horticultural products and sugar, whereas COMESA could get access to highly sophisticated EU services, such as banking, insurance and telecommunications.

The EU and COMESA have much to gain from each other and a focused program of cooperation between them will definitely benefit both parties immensely.

12 The shortcomings of the EPAs as a forum for cooperation are outlined in the previous paragraph.

13 [http://ec.europa.eu/development/index\\_en.cfm](http://ec.europa.eu/development/index_en.cfm).

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## **SADC: Current State and Perspectives**

### ***Introduction***

Regional co-operation and integration in the sub-region of the Southern African Development Community (SADC) owes its existence to its predecessor, namely the Southern African Development Co-ordination Conference (SADCC). SADC is a region composed of fourteen member countries, sharing a lot of similarities but also a lot of pronounced differences. The following synopsis highlights some of these disparities.

Botswana and Mauritius are the longest surviving models of liberal democratic polities, while South Africa, Zimbabwe and Namibia had to fight liberation wars to attain independence. Angola and the Democratic Republic of Congo (DRC) assume their part of the blame for the many deaths due to civil wars; the former underwent civil strife for 27 years and the latter turned into a collapsed state due to the consequences of war, corruption and related maladministration. A more positive note regarding these two states is that the “SADC celebrates a new era of peace and stability [attributable to] the ceasefire agreement signed in Angola in April 2002 and a number of power sharing and ceasefire agreements between the government of DRC and other parties to the DRC conflict”.<sup>1</sup> Swaziland is the last absolute monarchy in the region – refusing democratization and political party representation – while Zimbabwe is in a steep economical and political nose-dive decline and was labeled by some observers as a “quasi-fascist” regime.

1 Maundeni, Z. (2006) “Regional electoral bodies and SADC integration”, Gaborone, FOPRISA, p. 2.

The state of affairs on the current regional situation is such that some countries have made tremendous political and economic progress, others, ravaged by war, are going through rebuilding and reconstruction phases and some countries indicate stagnation and regression.

### ***Negative Political Developments: A Curtailment to Deeper Integration***

Wars in the region have significantly delayed regional integration. In order to overcome these negative externalities and to get the integration project started, it appeared necessary to endorse an inward looking approach to come up with a strategy on how to achieve lasting peace. Having realized the menace brought about by political instability, SADC, in its Regional Indicative Strategic Development Plan (RISDP), recognizes peace, security, democracy and good political governance as imperatives for integration and development. Pursuant to Article 5 of the SADC Treaty, “member states are committed to promote common political values, systems and other shared values which are transmitted through institutions that are democratic, legitimate, and effective”.<sup>2</sup> Moreover, “SADC firmly acknowledges that economic growth and development will not be realized in conditions of intolerance, the absence of rule of law, corruption, civil strife and war.”<sup>3</sup> Notwithstanding the region’s awareness that integration was hampered by negative political outcomes, SADC’s current approach in dealing and combating them suggest that it does not attribute the failure of regional integration to political factors, but rather to forces going against the tide of integration and development.

### ***The Zimbabwean Case: Reflection of the Region’s Regression***

Zimbabwe had once been considered one of the region’s leaders, but unfortunately, this is not the case anymore. The country used to be the region’s

2 SADC “Regional Indicative Strategic Development Plan” Gaborone, SADC House, p. 5.

main food producer, as it had reached food security, and was emerging as a valuable regional trading partner. However, the land redistribution policy of Robert Mugabe has had devastating results. Today, the country registers its lowest production levels ever, economic progresses have sharply declined with inflation skyrocketing over 1.000% and government opponents are harassed or tortured. Such negative externalities seriously made a dent in the region's development. What is appalling is the fact that the region is silent about these developments. There has not been any concrete condemnation of the political situation in Zimbabwe by other regional leaders. "According to interviews with the secretariat of the Organ, it is true that SADC defends member states but never criticizes them publicly".<sup>4</sup> The regions' position in dealing with the Zimbabwean case has been that of silent diplomacy. Such inaction is not well perceived by SADC's International Cooperating Partners (ICPs), who support SADC in realizing its integration objectives.

Consequently, the ICPs have been tightening the belt on SADC by reducing donor funding or by opting to finance different or parallel structures which at least voice their condemnation of the regime. The United States Aid for International Development (USAID) is a good example: "USAID has brought all its support to SADC to an end. US legislation does not allow funding to an organization such as SADC as long as Zimbabwe is a member benefiting from the organisation's programmes and activities".<sup>5</sup>

The withdrawal of some donor agencies and countries due to the situation in Zimbabwe and the subsequent silent posture of the SADC do not promote the development of the region. "Nearly 60% of the current (2006-2007) budget of the secretariat is provided for by foreign donors, but there are no statistics showing the donors' contributions to the various programmes and projects implemented by other SADC institutions (such as

3 Ibid.

4 Maundeni, Z., op. cit., p. 8.

5 Tjonneland, E. (2006) "SADC and Donors – Ideals and practices: From Gaborone to Paris and back", Gaborone, Botswana Institute for Development Policy Analysis, p. 21.

subsidiary organisations and project implementation units)”<sup>6</sup> This indicates the fragility and vulnerability to which the region is exposed; the so-called “donor dependency syndrome” seems to be the sustainability lifeline for the region. This raises the question of how viable it is for the region to be heavily dependent on donor funding to undertake its goals.

### ***SADC’s Dependency on Donor Funding***

As a result of being disgruntled with SADC’s performance, some donors have opted to work with different structures, either independent or parallel, and in some cases there have been channel funds to target countries other than through SADC. “Officials at the United Nations Development Programme (UNDP), the European Commission and USAID conveyed that contributions at national level eclipsed support at the regional level”.<sup>7</sup> The main problem with this is that the regional body of SADC is being bypassed. Hence this erodes its legitimacy and effectiveness as a coordinating regime of policy formulation and implementation in its constituent member countries. In the case where donor funding is being channeled straight to civil society groups, it may be right to affirm that probably SADC is to be blamed due to its silent stance towards undemocratic regimes. “Many donor organizations, despite that they place a lot of emphasis on good governance, are not directly funding the SADC Secretariat or the Organ on Politics, Defense and Security, which officially deal with electoral governance and democracy issues”.<sup>8</sup>

“SADC’s reluctance to openly pursue more democratization and to criticize undemocratic practices, and the willingness of NGO’s to play those roles, has diverted donor funding to the latter. Such donor switching left SADC’s politi-

6 Ibid. p. 8.

7 Buzdugan, S. (2006) “The regional political economy of development in Southern Africa: the case of the Southern African Development Community”, Paper presented to the Department of Political and Administrative Studies, University of Botswana.

8 Maundeni, Z., op. cit. p. 10.



cal projects less resourced and its political structures incapacitated from pursuing regional integration in terms of improved electoral process”.<sup>9</sup>

The dependency of the region on donor funding for self-sustainability and undertake its objectives puts the region in a financial fix. In cases where the foreign funding comes to a halt, the sub-region’s institutional operations are almost paralyzed. The functioning of such operations represents an indicator of how the regions’ dependence dictates the pace at which it will integrate and subsequently develop. By extension it further indicates that if the policy direction of SADC does not follow the interests of the region the funding is not guaranteed. Furthermore, funding has the potential of shifting SADC objectives from its course to ascertain that the priorities of the donors are met. For instance, “the United States [...] attach conditions of human rights to its assistance in the region which prevents it from assisting Zimbabwe directly”.<sup>10</sup>

### ***The Regional Indicative Strategic Development Plan***

“The overall purpose of the RISDP is to provide strategic direction with respect to SADC programmes and activities by setting targets and time-frames of these goals by providing a view of SADC economic and social development policies and priorities over the next fifteen years”.<sup>11</sup> The policy priorities of SADC fall into four categories, which are:

- Trade, Industry, Finance and Investment (TIFI);
- Infrastructure and Service (IS);
- Food, Agriculture and Natural Resources (FANR);
- Social and Human Development and Special Programmes (SHDSP)

This policy grouping is seen as an indication that the region is moving towards harmonization of policies and towards providing better project coordination at regional level than at sector level, where coordination units

9 Ibid.

10 Buzdugan, S., op.cit., p. 14.

11 SADC (2004) “Business Plan for: The SADC Directorates and Units” Gaborone, Deloitte, p. 23.

were based in member states and were responsible for the design and implementation of policy in each of the those sectors. Despite the fact that the four directorates are a positive accomplishment, it would still be better if SADC had a mechanism to ensure that the priorities do not simply remain indicative pronouncements but really are put into practice.

### ***Intra-Regional Trade***

Intra-regional trade is minimal compared to extra-regional trade. Moreover, as statistics show, there are huge disparities regarding countries' share of the regions gross domestic product (GDP). The RISDP statistics show that "South Africa's share of the region's GDP was 65.7% with Angola and Tanzania playing second fiddle to South Africa by 6.1% each".<sup>12</sup> This is a clear indication that South Africa's economy dwarfs those of other members. To give a clear picture, South Africa's economy beats the rest of the region's member countries' economies when put together. This is largely owed to the structure of production. As indicated, "[...] only Mauritius and South Africa have sizeable manufacturing sectors".<sup>13</sup> The main cause for this quagmire is the region's lack of industrial capacity to manufacture secondary or finished goods. The low value of inter-SADC trade is attributable to the fact that the SADC countries are exporting similar agricultural and mineral goods to the world market (with little domestic value added).<sup>14</sup> The lack of economic diversification for economies based on one commodity (more particularly minerals) has resulted in some countries of the region maintaining extra-regional economical ties but not intra-regional ones. Kotelo underlines that "80% or more of SADC's total trade was with non-SADC members".<sup>15</sup> Tsie adds that "until there is structural transformation away from this commodity-export-oriented pattern via economic diversification and export deepening, the likelihood of enhanced economic integra-

12 SADC, "Regional Indicative Strategic Development Plan" op. cit., p. 10.

13 Ibid.

14 Tabengwa, G. and Salkin, J. (2006), "Deepening integration in SADC: Botswana a benchmark for the region" Gaborone, Friedrich Ebert Foundation, p. 131.

15 Obeng, F. and McGowan, P. (1998), "Partner or Hegemon? South Africa in Africa" *Journal of contemporary African Studies*, p. 23.

tion within the region is dim”.<sup>16</sup> If this lack of diversification is not soon hampered, economic integration may remain as it is, without having established a Free Trade Area.

### ***Obstacles to Regional Integration***

There are challenges that threaten to reverse the small gains made with regards to regional integration. “The region is haunted by relatively high levels of income poverty, high (and in some instances rising) levels of HIV and AIDS infection rates, rising levels of illiteracy [...] and shortages of critical human skills [...]”.<sup>17</sup> HIV and AIDS severely hit the region, more particularly South Africa and Botswana being one of the countries registering the highest infection rate worldwide. The mass exodus of trained people in the health sector, driven by remuneration incentives, is one factor explaining the difficulty of these countries to deal with such diseases. These diseases tend to curtail poverty reduction measures since countries cannot keep up with the sustainability of providing anti-retroviral therapies/drugs.

### ***Conclusion***

The countries of the region possess different levels of development, both economically and politically, which makes the integration process a difficult task. “In terms of cooperation, regional relations should be based on a non-dependent, mutually beneficial and non hegemonic philosophy”.<sup>18</sup> Pursuant to Article 4 (3) of the SADC treaty, which recognizes the importance of “equity, balance and mutual benefit”<sup>19</sup>, it can be affirmed that SADC’s pattern of integration is far from being ideal. This argument is reinforced by some factual evidence such as the regional domination of South Africa

16 Ibid.

17 SADC “Regional Indicative Strategic Development Plan”, op. cit., p. 2.

18 Whitman, J (2000), “The sustainability challenge for Southern Africa” London, Macmillan Press, p. 25.

and the lack of diversified economies. SADC's approach of silent diplomacy with regard to Zimbabwe has been concretized by an interruption of the funding.

As a result, people lose hope that the region is looking out for their interests, which in turn seriously entails SADC's credibility. Donor funding has provided necessary support to the region. However, without SADC member countries' will to develop adequate mechanisms to foster regional integration, SADC member states will remain a regional body by virtue of donor assistance.

It is imperative that SADC protect the relative stability it enjoys since the end of the DRC and Angola wars, since integration progress is conditional upon political stability. Against this background, the region ought to deal with the political situation in Zimbabwe, characterized by high levels of crime by Zimbabwean illegal immigrants in neighboring countries resulting in xenophobia towards Zimbabweans, which threatens the integration project.

19 Sesa, L. (2006), "An evaluation of 25 years of regional cooperation and integration in Africa: With respect to the SADC region" Masters thesis: University of North West, Mafikeng, p. 51.

*Andrianaivo Regis Rakotomanana*

## **Cooperation between EU and SADC**

### ***Introduction***

Globalization is a worldwide phenomenon of our era, and both industrialized and developing countries have to cope with it. Globalization has fostered the emergence of regional organizations, which first appeared and succeeded in the northern regions (e.g. European Free Trade Association-EFTA, European Economic Community-EEC, etc.). However, for the developing countries, following this trend was not a choice but rather a way to “handle” globalization. In Africa only there are many regional organizations, such as the Economic Community of West African States (ECOWAS), the East African Community (EAC), the Economic and Monetary Community of Central Africa (CEMAC), the Common Market of Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), etc. All of them are members of the African, Caribbean and Pacific Group (ACP) and have the European Union (EU) as their main partner.

The aim of this paper is to give an overview of the cooperation between the EU and the SADC. However, since the EU-SADC cooperation covers a wide range of fields, the main focus will be placed on economic relations, given its weight in inter-regional cooperation.

### ***Historical and Contextual Background of the Cooperation***

The Southern African Development Community is an inter-governmental organization promoting socio-economic cooperation and integration as well

as political and security cooperation among fourteen countries. The construction of the Community is an ongoing process<sup>1</sup> and, in addition of fostering and developing intra-community cooperation, the SADC has to build economic partnerships and cooperation with other communities. The EU is the main trade partner of the SADC and this relationship is defined according to the EU-ACP cooperation policies. As previously mentioned, the SADC is a member of the ACP countries, and its development has been tightly bound to it. Despite the existence of the Yaoundé Convention (1969-1975), which was set up for the purpose of national sovereignty, the Lomé Convention of 1975 can be considered as the starting point of the EU-ACP (thus EU-SADC) cooperation. The Cotonou Agreement, which followed in 2000, aimed to revitalize the partnership and make it comply with the rules of the World Trade Organization (WTO).

The Lomé Convention is a trade and aid agreement which was first signed on February 28, 1975 between nine European states and forty-six countries of the ACP group. The main objective of this agreement was to establish a new North-South trade partnership, based on the belief that the differences in development level between the EU and the ACP countries (thus SADC) should imply a difference in trade obligations. The Lomé Convention provided the ACP states with the most advantageous System of Preferences that ever existed. Indeed, the primary products and the industrial and manufactured goods<sup>2</sup> originating from the ACP countries only were exempted from customs duties when entering the EU trade market. This trade system was non reciprocal, meaning that the ACP states did not have to grant tariff preferences to EU imports. The products' Protocols were the most important devices within the Lomé trade mechanism. They provided the goods competing with EU products (bananas, beef, sugar and rum) free access (or reduced customs duties) to the EU trade market. The Lomé trade agreement was not in conformity with the WTO rules and it remained so until the year 2000. The fourth and last Lomé Convention, which was in effect for 10 years, was signed in 1990.

1 Madagascar is the most recent Member State, having joined the Community on 18 August 2005.

2 These goods represent almost the total share of the ACP countries' exports.

## Cooperation between EU and SADC

After twenty-five years of preferential trade, the results were unsatisfactory: the share of the ACP countries participating in global trade was still marginal. Even though the system of preferences was implemented and the number of ACP countries increased to 71 states, the share of the ACP products within the EU imports had decreased (from 6,7% in 1976 to 3% in 1998). Besides, the ACP group did not succeed in diversifying its exports, which remained essentially low value added primary products and raw materials. Moreover, the ACP group's exports were still strongly dependent on the EU trade market (nearly 40%). EU assessments concluded that preferential trades constituted disincentives for the ACP supply structures adjustment and for non traditional export development. However, some success should not be hidden by this general statement. Export growth of products, which had preference margin over 3%, was about 60% during 1988-1997. Moreover, some SADC countries succeeded in initiating development processes within the system of preferences, such as Mauritius whose sugar protocol and textiles tariffs enabled the development of these particular sectors.

Yet, three main reasons had compelled to reform the Lomé Agreement: i) The treaty did not comply with WTO rules; ii) the Lomé agreement was not efficient enough to allow for the insertion of the ACP countries into the world trade market; iii) the EU had to redefine its relationship with developing countries and since then it has strengthened its cooperation ties with other regional organizations.

As a result, the Cotonou Agreement was adopted in 2000 by the EU and the ACP states, as a new framework for trade, aid and political cooperation. This agreement aims at establishing "Economic Partnership Agreements" (EPAs) between the parties by 2008. An EPA is an individual arrangement which shall provide specific rights and obligations tailored to each ACP region (ECOWAS, EAC, CEMAC, SADC, etc.). Those bilateral treaties should be negotiated separately between the EU and the participating ACP countries. Establishing a Free Trade Area (FTA) is the main purpose of the EPA, thus reciprocal system of preferences. However, each ACP state has the alternative not to enter a FTA. In this case, the new agreement proposes two different regimes according to the ACP's country development level

(Least Developed Country-LDC or non-LDC). LDCs have usually been treated separately and should then continue trade relations under the “Everything But Arms” (EBA) regulation. Launched in 2001, this amendment of the Generalized System of Preferences (GSP) has ever since regulated trade relations between the EU and the LDCs, granting duty-free access to all products originating from the LDCs without any quantitative restrictions – except arms and munitions. For non-LDCs, “despite continuing concern of the development impact of EPAs, it appears that there are no alternatives for non-LDC ACP countries since Most Favoured Nation, EU GSP status and even EBA for LDCs without improved rules of origin would offer less EU market access than current preferences”.<sup>3</sup>

The SADC initiated EPA negotiations with the EU in July 2004. The SADC configuration includes the following countries: Botswana, Lesotho, Namibia, Swaziland, Mozambique, Angola and Tanzania. However, the frame of the SADC-EPA negotiations is very specific since the SADC members are involved in a web of regional trade agreements: a FTA (the Trade Development and Cooperation Agreement, TDCA) has been established between South Africa (SA) and the EU; SA and Botswana, Lesotho, Namibia and Swaziland have formed the Southern African Customs Union (SACU); two SADC-EPA members (Angola and Swaziland) also belong to the COMESA, while Tanzania also belongs to the East African Community (EAC), which became a customs union in 2005. The remaining countries are negotiating in other configurations. Agreements set EPA negotiations in three steps: i) definition of priorities (July-December 2004); ii) negotiations on critical points (January 2005-June 2007); iii) final adjustment for an effective EPA on January, 1<sup>st</sup> 2008 (July-December 2007). The negotiations and the technical sessions have been held effectively in 2006 and the SADC group made its proposal in March 2006, which suggested the inclusion of SA as a negotiation party and the alignment of the TDCA review with the EPA negotiations. Then, the SADC-EPA group decided to suspend negotiations until the European Commission (EC) would present its formal response. The negotiations only restarted in the formal meeting with

3 Julian, Melissa, “EPA Negotiations Update: The state of Affairs as of mid-March 2007”, ECDPM, 20 March 2007.



the EU senior negotiators in March 2007 where the EC presented its reply. The EU considers that the incorporation of SA into the SADC-EPA negotiations would create a more consistent framework for the economic integration of the region. Besides, the EU rejected the request of the SADC LDCs (namely Mozambique, Angola, Tanzania and Madagascar) for a non-reciprocal duty free quota and free access to the EU market and suggested the search of options which would be adjusted to WTO rules. The parties agreed on going forward with the negotiations in order to avoid any disruption of exports to the EU from January 1, 2008.

### ***The Arising Issues***

It is first crucial to take into account that the EPA completes the regional integration policy instead of substituting it. Indeed, most of the SADC states are member of many regional organizations and the EPA negotiations process has caused division within the SADC; five countries have opted for the Eastern and Southern Africa (ESA) configuration to engage negotiations with the EU. Also, the prospective impact of the FTA between the EU and SA on the EU-SADC cooperation has not yet been assessed. The ministers of the SADC countries have expressed their concerns, but no solution has yet been found. Besides, the SADC countries should focus first on regional integration, then on trade with the EU; it should allow for a progressive adaptation of the countries' economy to free trade. In fact, many countries are still producing goods which do not match international standards and strengthening regional integration could be the first step to the establishment of a FTA between the EU and the SADC. Furthermore, the SADC states heterogeneity has to be taken into consideration. SA has currently strong domination, thus all SADC countries should set agreements on tax income losses. Indeed, if no alternative is to be found until 2008, SA's membership to various trade organizations would definitely be in its advantage and would profit from it. Moreover, the weak institutional capacity of most other SADC states would be a negative factor.

Another main issue which arises from the EPA process is the ACP states' capacity of negotiations. Except SA, most of the SADC countries have no

experience in multilateral trade negotiation and trade is generally not a priority, hence few resources are allocated to this purpose. Still, the EPA process requires that the countries involved possess high negotiation and analysis capabilities in order to estimate the possible implications of the partnership for each country's economy. Moreover, the non-consolidation of regional cooperation, added to the multiple organizations membership issue, makes those capacities essential. Monitoring and assessment structures have just been set up in the ACP region whereas negotiations shall end on December 31, 2007. Furthermore, many organizations and NGOs denounce that the EPA would have catastrophic consequences on the SADC population, who mainly lives from agriculture. Indeed, peasant movements condemn the opening of the SADC economy to EU markets (exports), which would destroy domestic industries and agriculture in the SADC countries and SADC states are constrained to sign this agreement. The EU could otherwise establish higher tariffs on SADC exports and reduce aid to this region.

## ***Conclusion***

The cooperation between the EU and the SADC (ACP group in general) has always been a donor-beneficiary relation. For many years the EU has been granting the ACP countries a preferential tariff system through the Lomé Convention. However, as the EU has established new forms of cooperation with other regions, these preferences have deteriorated gradually. The Cotonou Agreement implies a radical change with the establishment of the EPA by 2008, which should set mutual trade obligations. Besides, the ACP countries have to deal with the new Mandelson's "aggressive trade strategy" which was presented in October 2006.

Conversely, despite the establishment of the preferential tariff system, the SADC countries (ACP states) have not enhanced their competitiveness. Moreover, the establishment of the EPA by 2008 deviates the attention of the SADC states away from regional integration. As a result, the whole integration project is negatively affected and delayed since the necessary commitment is absent.

*Jean Emile Nkiranuye*

## **ECOWAS: Current State and Perspectives**

### ***Introduction***

Since several decades, one could observe a worldwide movement of sub-regional regroupings of countries, aiming to overcome the low size of the national markets and to increase the capacity of negotiation of these countries with the external partners.

The Western African sub-region did not remain on the margin of this movement.<sup>1</sup> The history of integration in West Africa began in 1959 with the creation of the Council of Accord (Conseil de l'Entente), followed in 1962 by the West African Monetary Union which became the West African Economic and Monetary Union (WAEMU) in 1994. This structure took into account the objectives of the West Africa Economic Community (WAEC) which had been created in 1973.

The Economic Community of West African States (ECOWAS) is now one of the most active regional integration organizations in Africa. The project of ECOWAS was created in 1967 during a conference of WAEC in Accra. After several meetings, the Treaty creating ECOWAS was signed in Lagos, on May 28, 1975. ECOWAS is composed of 15 states (after the withdrawal

1 For an interesting approach to this issue see: *Débats, courrier d'Afrique de l'Ouest* (a review monthly edited by CERAP): nr. 8 (September-October 2003), nr. 14 (April 2004), nr. 15 (May 2004), nr. 33 (March 2006). Hugon, P., (dir), *Les économies en développement à l'heure de la régionalisation*, Paris, Karthala, 2003. Serexhe, E. and de Baulieu, L.H, *Introduction à l'union économique ouest africaine*, Bruxelles, de Boeck, 1997.

of Mauritania in 2000), covers around 6 million km<sup>2</sup> and serves more than 180 million people.

After 32 years of existence of the ECOWAS, the West African sub-region seems more integrated into the world market, albeit intra-regional exchanges remains very weak (trade between the Western Africa countries accounts for approximately 15%). It means that nearly the totality of the exchanges of ECOWAS is done with partners located outside of the sub-region. This raises the following questions: Does ECOWAS fulfill its assigned objectives as stated in the Abuja Treaty? And what are its main achievements and perspectives, 32 years after its creation? In an attempt to answer these questions, the implementation of ECOWAS objectives and the challenges brought about by West African integration are examined.

### ***The Implementation of the Community's Objectives***

ECOWAS's objective is to promote co-operation and integration in order to create an economic and monetary union, to support economic growth and the development of Western Africa. Its main aims are the suppression of customs rights and duties, the removal of measures having equivalent effect to trade barriers, the establishment of common external tariffs, the harmonization of economic and financial policies, the creation of a monetary union and the implementation of mechanisms aiming to eliminate obstacles to the free movement of people and goods.

It is important to highlight that one of the successes of ECOWAS was to master linguistic and monetary barriers. As far as the former is concerned, it allowed the grouping together of French, English and Portuguese speaking West African countries.<sup>2</sup> Indeed, the first groupings created in West Africa were not only based on a geographical basis, but also on linguistic grounds. This is the case of the Council of Accord and, later, the WAEC.

2 ECOWAS French speaking members are: Benin, Burkina Faso, Ivory Coast, Guinea, Mali, Niger, Senegal and Togo. English speaking are: Gambia, Ghana, Liberia, Nigeria and Sierra Leone. Portuguese speaking are: Cape Vert and Guinea Bissau.

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Among ECOWAS achievements, the implementation of a sub-regional Parliament, which acts as a real platform for popular participation, is of particular significance. The Parliament allows citizens to participate in the elaboration and implementation of policies and integration programs.

In addition, since its creation, ECOWAS is involved in community programs such as freedom of circulation, residence and establishment for its citizens. However, there is a clear lack of policy harmonization and serious obstacles to the freedom of movement, such as illegal road barrier controls where drivers have to pay fees in order to continue their journey. Among the ECOWAS achievements, there is among others the construction of road networks, in particular the Lagos-Nouakchott axe and the Sahelian axe even if they are still facing serious maintenance challenges.

On the human level, there is a regression of the labor mobility since internal laws give employment priority to local populations (e.g. law on the “Ivorization” of company managers in Ivory Coast). Nevertheless, ECOWAS remains dynamic and intensifies its fields of action by multiplying those already existing and searching for new ones, particularly in the fields of youth and women training to new technologies, health, transport, agriculture, and telecommunications. These actions are, however, not part of the official aims of ECOWAS.

Nevertheless, there is still dissatisfaction regarding the implementation of the ECOWAS treaty, resulting especially from the lack of the member states leaders’ determination to push the integration project forward. However, ECOWAS shares these difficulties with other African sub-regional integration organizations. The experience shows that the success of regional integration is related to the adoption of a step-by-step strategy. The traditional evolution goes from the establishment of a free trade area to the implementation of a customs union and a common market. ECOWAS and many other African regional organizations do not seem to respect that scenario. This can explain the failure of ECOWAS achievements to turn out as expected.

As far as the European case is concerned, in ten years (1957-1968) the European Economic Community had achieved substantial progress. However,

none of the African regional organizations has the capacity to successfully reproduce the European performance.

The ECOWAS monetary area seems to be facing a problem of leadership and competition in the sub-region since there is a conflict of interests between the founding texts of WAEMU and ECOWAS. Indeed, the provisions of the constituency treaty of both institutions seem to be in conflict due to the internal competition for the search of credibility.

Theoretically, there are two different approaches to regional integration. One is founded on the integration between the African countries (South-South co-operation) and takes into account their “artificial borders” while intending to improve informal trade. This perspective makes ECOWAS the ideal and natural framework of integration in the West African countries. The other approach supports institutional co-operation between African countries and external partners. This approach is mainly carried out by France and its African counterparts who are members of the Franc Monetary Area. This group considers WAEMU as a geographical institution and the only framework of monetary union in West Africa. Its member states are characterized by an administrative, cultural and linguistic homogeneity based on a same historical background. The viability of this co-operation is justified by the restricted selection of member states. The participation of France gives to WAEMU credibility (on monetary, financial, legal or cultural levels), but it is also seen as a form of neo-colonialism and a dividing instrument aiming to reduce Nigerian’s leadership in Western Africa.

It should, however, be highlighted that within WAEMU, the question of optimal economic integration does not reach unanimity. Certain official declarations by the heads of state and government of some WAEMU countries show a clear inclination in favor of ECOWAS and its new monetary area. The results of the Accra meeting of September 2000, where the heads of state and government of Ghana, Nigeria, Guinea and Mali as well as some delegations from Liberia, Sierra Leone and Gambia were present, illustrates this. They agreed on creating a second Monetary Union in western Africa, to be called “West African Monetary Zone” (WAMZ), to enter into force by 2003. However, the timeframe envisaged appeared to be unrealis-

tic, as the countries had to provide great adjustment efforts to control inflation and observe the convergence criteria. Therefore, only a few countries were eligible by this time.

The Governor of Nigeria's Central Bank made a statement on this matter suggesting that a single currency, to be called "Eco", should be put into circulation in West Africa from December 1, 2009. This measure aimed to facilitate trade among West African countries. During the 17th meeting of the Central Banks Governors Committee of the West African Monetary Zone held in Abuja in May 2007, Charles Soludo, President of the Committee and Governor of the Nigerian Central Bank, indicated that the African Western Monetary Institute was near to realize the project of a single currency according to its provisions. According to him, Nigeria and Gambia have already fulfilled the four convergence criteria and each member state should join their efforts to preserve the quality and stability of the sub-region's economy. The four convergence criteria are: weak budget deficit, low interest rate, stable exchange rate, and reduction of the internal and external debt. The 17th meeting of the WAMZ Central Banks Governors Committee concluded that there is great hope to see other countries respecting these criteria before the end of 2007.

### ***ECOWAS's Current Challenges and Prospects***

The difficulties encountered by ECOWAS in reinforcing the process of western African integration are numerous. The most significant ones are political instability and bad governance; weak and insufficient diversification of national economies; inequality among countries; non-existing reliable telecommunication and energy infrastructures; insufficient explicit political will; bad economic policies; multiplicity and duplication of regional integration organizations working towards similar objectives; irregularity of financial contributions to the institutions' budget; non-involvement of the civil society in the integration process; and presence of defective integration mechanisms.

However, the realization of ECOWAS's goals requires the compliance with certain minimum criteria such as less customs "harassment" for the nation-

als of the member countries and freedom of movement and free residence in the countries covered by the agreement. However, reality is very different. Each country has its own immigration policy; customs tariffs and police controls hamper the free movement of people and goods; national interests supersede community interests; and decisions of the heads of state and government are partially or not applied at all.

To this the problem of leadership has to be added, which was brought to light by the Ivorian crisis. Debates reside over the question of who should “preside over” the destiny of the sub-region. ECOWAS, initially being an institution with economic vocation, is now integrating political harmonization policies. Member countries are all following the way of capitalism and democracy; democracy being a value to which they are committed to defend since the adoption of the resolution condemning coups d'état and other anti-democratic practices. In parallel, ECOWAS decided to consider the questions of peace and security of the sub-region by creating a peace intervention force, the ECOMOG (ECOWAS Monitoring Group), which plays an important role in the maintenance of peace in West Africa. Therefore, ECOWAS understands more and more that challenges are necessary incentives to achieve the objectives of regional integration. Among these challenges appear mainly:

- Political and economic challenges: national integration, rebuilding and consolidation of economic structures and internal policies. It is a true equation to observe ECOWAS's will to sub-regionally integrate countries in absolute national disintegration, where social peace and conditions of prosperity are almost non-existent (e.g. countries devastated by wars, like Sierra Leone and Liberia, and those involved in chronic poverty, like Niger and Mali).
- Cultural challenges: Cultural rebirth can serve as the basis and driving force for regional integration in Western Africa. The necessity for collective and cultural references and values to be used as catalysts of a successful regional integration is increasingly felt. Europe, for instance, owes its regional integration success among others to the fundamental values on which it is based such as democracy, human



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rights, the rule of law and fundamental freedoms. It is also necessary for western African countries to seek for shared values and agree on the principles upon which they aspire to set up ECOWAS and provide it with a solid cultural and ideological foundation.

- Humanitarian challenges: West Africa is the theatre of humanitarian disasters. The analysis of ECOWAS's activities reveals that its humanitarian policy is still at an embryonic stage. In fact, the department on humanitarian affairs only set up a humanitarian policy in August 2006. Its aim is to provide mechanisms to reduce the risks of catastrophes, through the creation of an early warning system allowing for proactive, rapid and effective crisis intervention.

Finally, ECOWAS has the vocation to be the only integration organization in West Africa. Nevertheless, like all African regional organizations, it is far from achieving its objectives. Challenges are numerous thus preventing economic, political and cultural integration. ECOWAS needs to be reinforced on the legal as well as on the institutional level by learning from the European experience. At the African level, regional integration seems more advanced in West Africa than in other sub-regions, as observed in the Economic Community of Central Africa States (ECCAS) where the circulation of people and goods still remains subject to rigorous measures (e.g. strict conditions for obtaining visas and high customs fees). Thus, regional integration is far from being achieved but the integration project is at least on the way. If member states show sufficient political will, there is no doubt that the regional objectives will eventually be achieved.



*Gbadebo Odularu*

## **Cooperation between EU and ECOWAS**

### ***Introduction***

In recent times, African growth rates are encouraging and suggest a huge potential in attracting new investments and building strong regional markets that can compete globally. Recalling that Regional Integration Agreements (RIAs) are not a recent global phenomenon, it is pertinent to state that a special economic relationship has long existed between the European Union (EU) and the Economic Community of West African States (ECOWAS) member states.<sup>1</sup> In 1975, the first Lomé Convention was

- 1 For additional literature on this issue see: ACP-EU Partnership Agreement (2003), Courier, September, EU Directorate General for Development, Brussels. Borrell B. and L. Hubbard, (2000), "Global Economic Effects of the EU Common Agricultural Policy", *Economic Affairs*, 20(2), June, p. 18 – 26. Busse, M., A. Borrmann, and H. Großmann, (2004), "The Impact of ACP/EU Economic Partnership Agreements on ECOWAS Countries: An Empirical Analysis of the Trade and Budget Effects", Final Report, Hamburg Institute of International Economics, Hamburg, Germany. Fajana, O. (1999), "Key Issues in the Current ACP-EU Negotiations". A paper presented at AERC Collaborative Research Project on Africa and the World Trading System, Yaounde. Köslér, A. (2007), "The Southern African Development Community and its Relations to the EU: Deepening Integration in Southern Africa", Center for European Integration Studies, Bonn, Discussion Paper No C169. Matambalya, G. (1999), *The Merits and Demerits of EU Policies towards Associated Developing Countries: An Empirical Analysis of the EU-SADC Trade and Overall Economic Relations within the Framework of the Lomé Convention*, 2nd revised edition, Bern, Frankfurt, New York, Peter Lang Science Publishers. Odularu, G. O. (2004), 'ECOWAS Trade Liberalisation Scheme: Policy Options for Members within its Regional Trading Blocs', *Nigerian Forum*, Vol. 26, Nos. 5 – 6. Ogunkola, E. O and Y. F. Agan (1998), 'Nigeria and the World Trading System'. A draft final report for the AERC Collaborative Project on 'Africa and the World Trading System. Ogunkola E. O and T. A. Oyejide (1999), 'Market Access for Nigeria's Exports in the European Union: An Assessment of the Impact of the Lomé

signed and thereafter regularly updated. Today, the cooperation between the EU and ECOWAS is traceable to the African, Caribbean and Pacific (ACP)-EU trade relations, which are governed by the Cotonou Agreement. ACP countries face a complete shift in their trade relations with the EU. Under the Lomé Conventions these countries enjoyed unilateral trade preference into the EU market for almost three decades. The fourth Lomé Convention was replaced by the Cotonou Agreement in 2000, which extends these unilateral trade preferences up to the end of 2007. In fact, the major objective of the Lomé IV Convention and its precursors was to improve the trade performance of the ACP group of countries with the ultimate aim of promoting their economic growth and development. In this regard, the European Community (EC) offered non-reciprocal trade preferences to products originating from the ACP countries. The Cotonou Agreement, which was concluded in June 2000, provides for the Economic Partnership Agreements (EPAs), whose negotiations will be concluded by the end of 2007.

The EPAs revise the ACP-EU trade relations in three respects. First, EPAs involve reciprocal relationship between the EU and the ACP (including ECOWAS) countries, unlike the Lomé Conventions which involved a non-reciprocal and preferential access for the ACP exports into the EU markets. Second, the EPAs are to be institutionalized in a series of Free Trade Agreements (FTAs) between the EU and a group of ACP countries. Finally, the EPAs are to be negotiated separately between the EU, on the one hand, and a number of ACP regions, on the other, among which is ECOWAS. The agreements are intended to transform the current trade rela-

Convention and the Uruguay Round'. Development Policy Centre (DPC) Working Paper 23. Oyejide, T. A. (1998), 'Trade Policy and Regional Integration in the Development Context: Emerging Patterns, Issues and Lessons for Sub-Saharan Africa', *Journal of African Economies*, Volume 7, Supplement 1, June. Peter Van den Bossche (2006), *The Law and Policy of the World Trade Organisation: Text, Cases and Materials*. University Cambridge Press, New York, USA. Ponte, S., Nielsen J. R., and Campling L. (2005), 'Trade and Competitiveness in African Fish Exports: Impacts of WTO and EU Negotiations and Regulation.' TRALAC Trade Brief No 5/2005. Siebert, H. and H. Klodt, (1998); 'Towards Global Competition: Catalysts and Constraints' Kiel Institute of World Economics Working Paper No. 897. World Trade Organisation (1998), *Nigeria Trade Policy Review*, WTO, Switzerland.

tions between the ACP and the EU into WTO-compatible trade regimes. EPAs negotiations focus on regional integration, institutional capacities, entrepreneurial development, enhanced market access, attraction of foreign direct investments, progressive and flexible trade liberalization in goods and services, simple and transparent rules for business and investment and, finally, trade relations transfers from dependency to economic diversification.

This essay aims at exploring the cooperation between the EU and ECOWAS by providing background information about the structure of trade – exports and imports – between the EU and ECOWAS. It analyses the trade creation and diversion dimension of the EPAs and finally makes policy recommendations based on the analysis. One of the major justifications for this study is to assess the potential benefits of the cooperation between the EU and ECOWAS with a special focus on EPAs, which is currently of particular importance since regional blocs find themselves in the crucial few final months of trade negotiations. The study is divided into two sections. The first one provides for the general background of the study and the analytical framework of trade issues between the two regional blocs, while the second one discusses the findings and makes policy recommendations.

### ***General and Analytical Background***

ECOWAS provides the platform for EPA-negotiations for its fifteen member countries, plus Mauritania. Membership includes seven UEMOA (West African Economic and Monetary Union) countries, Benin, Burkina Faso, Chad, Cote d'Ivoire, Mali, Niger and Senegal, and eight non-UEMOA member states, Cape Verde, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Nigeria and Sierra Leone.

The structure of the West African economies is important in reaching a mutually beneficial trade agreement between the EU and ECOWAS. Though Nigeria is a major economic driving force in the region, the Sahelian countries (Burkina Faso, Cape Verde, Gambia, Guinea Bissau, Niger, Mali, and Senegal and Mauritania) are all LDCs (least developed countries), with

their economies relying predominantly on agriculture and to some extent commerce. Only four of Sahel countries have direct access to the sea (Mauritania, Senegal, Gambia and Cape Verde). The others are landlocked countries with poor and costly transport infrastructures (road and rail). Furthermore, the non-Sahelian countries are the most developed countries of the region, enjoying a diverse range of agricultural opportunities, a manufacturing sector and export possibilities with direct access to the sea. Three countries are not classified as LDCs, to wit Ghana, Cote d'Ivoire and Nigeria.

With respect to ECOWAS export structure for non-agricultural commodities, cotton and clothing and non-metallic products are vital exports. They represent over 60 % of non-agricultural exports from Niger, Burkina Faso, Gambia, Benin and Guinea. Petroleum products exports are particularly important in Gambia, Guinea and Senegal, while chemicals and chemical products are also significant exports in Togo, Ghana, Guinea and Cote d'Ivoire. Furniture, fittings and decorative materials are also quite important in the export structure of Cape Verde.

For ECOWAS member countries, the leading import items are heavy equipments, chemicals, chemical products, textiles, rubber and metal products. For all countries, with the exception of Nigeria and Gambia, petroleum products also constitute an important component of imports. For instance, nearly 40 % of Cote d'Ivoire imports belong to petroleum products category. As for Guinea and Ghana, they respectively represent 30 and 24 % of their imports. Furniture, fittings and decorative materials also constitute important imports for Cape Verde, Guinea and Gambia.

The EU remains the main recipient of the ECOWAS countries exports and the main source of imports to ECOWAS. Exports from ECOWAS countries to the EU, as a percentage of total exports from ECOWAS countries, represent for some periods more than 40 % of the total exports (see table 1). Import trends from the EU followed the same pattern, falling between 46 % and 52 % between 1996 and 2001. However, both export and import intensities increased over the period 1990 and 2000. Export and import intensities increased by more than 100 % between 1990 and 1999. This is an

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outcome of the trade reform programs, on which countries of the sub-region embarked upon.

Table 1: ECOWAS Trade Structure 1996–2001 (% of Total Exports Value)

Countries / Years	1996	1997	1998	1999	2000	2001
Intra-ECOWAS	10.86	12.66	14.59	10.08	8.4	9.25
Other African Countries	14.69	16.20	18.53	13.59	9.59	8.7
European Union	41.80	38.47	42.51	31.54	28.81	31.44
North America	23.06	25.81	19.7	26.11	36.69	31.00
Asia	8.79	11.16	7.52	19.02	17.12	14.68

Source: ECOWAS Handbook of International Trade (various issues)

Table 2: ECOWAS Trade Structure 1996–2001 (% of Total Imports Value)

Countries / Years	1996	1997	1998	1999	2000	2001
Intra-ECOWAS	11.25	10.93	10.54	12.44	16.79	13.61
Other African Countries	13.94	13.02	13.01	15.29	19.60	N.A.
European Union	47.73	46.30	50.09	51.68	48.31	45.50
North America	12.46	11.77	10.98	11.26	8.73	9.59
Asia	16.23	19.15	17.88	19.19	21.89	20.89

Source: ECOWAS Handbook of International Trade (various issues) N.A.: not available

Tables 1 and 2 reveal the asymmetry (economic cooperation) in the trade structure between the EU and ECOWAS. This is explained by the fact that raw materials and food, living animals, beverages and tobacco constituted 56.4 % and 31.3 % of ECOWAS exports to the EU in 2002, while manufactures only constituted 12.3 %. On the contrary, manufactures account for about 76 % of the EU's export to ECOWAS, while raw materials only account for 7 % of EU's exports to the sub-region.

With respect to the quantitative impact of the EPAs on the ECOWAS member countries, vis-à-vis the reciprocity condition embedded in the EPAs, it implies that ECOWAS countries will have to open up their economies to EU imports after the negotiations have been concluded. Logically,

the trade effect of the EPAs on ECOWAS would be felt more on the import than on the exports due to the fact that most of the countries already have unutilized trade preferences with the EU. Thus, the EPAs would place EU imports as a major competitor against domestic production as well as put EU imports at an advantage relative to non-EU trading partners. In other words, there are potential trade creation and trade diversion effects from the EPAs.

Busse and Großmann in 2004 examined the trade effects of the EPAs on the ECOWAS countries using a partial equilibrium model. Three scenarios reflecting different assumptions about elasticity of trade substitution were used to test the sensitivity of the underlying assumptions. The trade effects of the EPAs were decomposed in two categories: trade creation and trade diversion. For all countries, trade creation dominates trade diversion. Trade creation leads to an increase of EU imports into the sub-region by US\$ 647.9 million or 9.62 %. Trade diversion displaces non-EU imports in favor of EU imports by US\$ 390.8 million or 5.77 % of non-EU imports. Total trade effects were estimated at US\$ 1,038.9 million or an increase in EU imports by 15.35 %. However, the country effects vary in the sense that trade creation effects vary from US\$ 1.6 million in Guinea Bissau to US\$ 348.3 million in Nigeria. The average increase for all countries was US\$ 46.3 million. Apart from Nigeria, three other ECOWAS countries have seen their imports rise above average. These are Senegal, US\$ 71.2 million, Cote d'Ivoire, US\$ 69.3 million, and Ghana, US\$ 445.8 million. In terms of percentage increases, Ghana's imports from the EU increased by only 3.7 %, while Nigeria's rose by as much as 12.5 %. More importantly, is ECOWAS's focus on sensitive products in terms of impacts on trade and import duty revenues. The study also established that a few product categories are sensitive in almost all ECOWAS countries with respect to trade flows. These include apparel and clothing, footwear, sugar and related products, cereals and cereal products. In general, light manufactures are affected significantly under the EPAs arrangement.



## ***Recommendations and Conclusion***

Given the structural differences in the regional economies of the EU and ECOWAS, the reciprocity condition implicit in the ongoing EPAs have several implications for the expansion of trade benefits, economic development and poverty alleviation in West Africa. In order for both regional blocs to achieve mutual benefits from the EPAs, the structure and level of industrial development in West Africa should be an important factor when negotiating the EPAs. Furthermore, EPA's goals should be to complement the development programs of ECOWAS countries by maintaining and improving the sub-region's current market access to the EU and by enhancing the supply response capacity of the countries in the sub-region so that they can take full advantage of the various domestic and external opportunities that will be created by the EPAs.

ECOWAS member countries noted that even though the EU aims at making the EPAs development friendly, numerous difficulties are encountered in accessing the EU markets. These trade hurdles include the non-tariff impediments to trade. Thus, resolving these impediments requires development assistance. The paper recommends that the way forward is for EPAs to include more economic development oriented priorities, while putting into consideration substantial reduction in these impediments to trade.

There is a need to urge ECOWAS member countries' trade representatives to negotiate a deal and sign the EPAs by the 31<sup>st</sup> of December 2007 or at least before another postponement (if at all) is asked from the WTO, more so that the WTO outlawed the EU's preferential trade terms for the ACP countries, but granted a waiver until the end of 2007.

However, in the event that ECOWAS fails to sign by the end of 2007, the EU could still continue to provide ECOWAS member states with a high level of market access, using the GDP-plus scheme, without breaching the WTO rules. This level of market access would also be compatible with the development needs of ECOWAS countries.



*Stephen Oswald Maluka*

## **Advantages and Risks of Economic Partnership Agreements**

### ***Introduction***

The Economic Partnership Agreements (EPAs), namely free trade agreements based on the principle of reciprocity, are now high on the agenda of many regional integration blocs, including that of the European Union (EU), Economic Community of West African States (ECOWAS), Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM) and Pacific Forum. The EPAs mark a radical shift in the relationship between the African, Caribbean and Pacific (ACP) countries and their most important partner for aid and trade – the European Union. Previously characterized by preferential market access and aid for building trade capacity, this new “partnership” obliges ACP countries to sign free trade agreements with the EU in order to maintain market access, on which producers and traders depend, and to benefit from the development assistance package that is tied to the EPAs.

Some consider that the EPAs have the potential to offer the ACP countries good opportunities as a tool for development and poverty reduction. Others see many risks in terms of development prospects for the ACP countries. This paper attempts to discuss the advantages and risks of the Economic Partnership Agreements resorting to the EU-ACP case-study.

## ***Origin and Objectives of the EU-ACP Partnership Agreements***

The EU-ACP relationship started in 1975 with the signing of the ECC-ACP Lomé Convention and the cooperation between the ACP countries and the EU was governed by four successive Lomé Conventions based on unilateral trade preferences. The successive Cotonou Agreement was signed in June 2000 (entered into force in 2002) and intends to reverse this relationship to reciprocal trade arrangements. The negotiations started with an ACP-EU phase in September 2002. The second phase, at regional level, has been launched in different regions. The EPA negotiations are expected to end by December 2007 and its major objective, as stated in the Cotonou Agreement, is to reduce and eventually eradicate poverty while contributing to sustainable development and to the gradual integration of the ACP countries into the world economy.<sup>1</sup>

## ***Advantages of the EPAs***

In the first place, the EPAs may improve the market access of the ACP countries to the EU's market and enhance trade related areas like competition and investment. As a result, the EPAs might lead to a transformation of the ACP's economies.

Secondly, the agreements may go beyond mere free trade by enhancing the political dimension, explicitly addressing corruption, promoting participatory approaches, and refocusing development policies on poverty reduction.<sup>2</sup> However, this raises the major policy challenge of how the future trade arrangement between the EU and the ACP countries will be structured so as to fully accommodate the needs and rights of least developed countries (LDCs).

1 ACP-EU Partnership Agreement, Chapter 1, Article 1.

2 See Borrman, Axel and Busse, Matthias, "The Institutional Challenge of the ACP/EU Economic Partnership Agreements", Hamburg: Institute of Internal Economics, 2006.

Thirdly, the EPAs may promote and support deeper regional integration, which is an important objective of the EPAs. The Cotonou Agreement recognizes regional integration as a key instrument for the integration of the ACP countries into the world economy.<sup>3</sup> The main question the countries of the South, especially African countries, are facing is how they are going to sign and how this might affect their respective regional integration efforts. For example, Tanzania, Kenya and Uganda belong to the East African Community (EAC); yet Kenya and Uganda are part of the Eastern and Southern Africa (ESA) group, while Tanzania belongs to the SADC.

Furthermore, the EPAs have a provision on development assistance. This kind of assistance may be used to enhance regional integration, address supply-side constraints to production and help to cope with the costs of adjustment caused by trade reforms in the ACP countries.

### ***Risks of the EPAs***

Although the EU-ACP Economic Partnership Agreements present some potential advantages for the participating countries of the south, criticism, such as economic and social marginalization, has arisen. For example, various NGOs launched a “Stop EPA” campaign in September 2004. The following risks are anticipated in the ACP countries:

First, opening the ACP markets to the EU is likely to result in a transfer of tariff revenues from the ACP countries to the EU, which would worsen the terms of trade and result in welfare losses. Trade liberalization within the ACP countries and with the EU implies that fiscal revenues currently obtained from tariffs and duties on imports would disappear. In particular, the fiscal revenues of the small countries, whose economies are more dependent on trade related taxation, would be seriously affected. For some coun-

3 See Nalunga, Jane and Kivumbi, Douglas, “The Economic Partnership Agreements- Implications and Way Forward: A Case of Uganda”, Kampala: SEATIN, 2005.

tries this would mean up to 30 % in revenue losses<sup>4</sup> and the EPAs do not have compensatory mechanisms to address them.

Secondly, the EPAs may lead to farmers losing livelihood when faced with increasingly subsidized, cheaper products from EU countries. Historically, Europe has made use of trade safeguarding measures to help their economies take off and still these countries use overt and concealed protectionism mechanisms that distort free competition system, as in the case of the agricultural sector.

Thirdly, consumers in developing countries may be facing food insecurity if the domestic and regional food markets collapse and the reliance on imports increases. Despite receiving preferential access to EU markets for more than 25 years, the ACP exports have in general performed poorly. For example, the share of the ACP exports to the EU fell by more than a half, from 8% in 1975 to 2.8% in 2000.<sup>5</sup> The ACP countries' exports are heavily concentrated in primary commodities. If no serious efforts are undertaken in the ACP countries, the EPAs could result into economic disasters.

Fourthly, globalization and trade liberalization are not without severe contradictions. Rather than benefiting all nations, they tend to produce gains for some at the expense of others. As the UNDP observed in 2005, it is not a positive sum-game but rather "a two edged sword [...] with winners and losers".<sup>6</sup> Although most countries are likely to gain from the process of liberalization in the long run, it is clear that in the short and medium run, some developing countries in the ACP group will face difficulties due to the erosion of the preferential margins, which they are now enjoying under the Lome Convention.<sup>7</sup>

4 For detailed discussion on this matter see Basil Jones, Basil "EU-ACP Partnership Agreement: Can Gambia benefit?" Nairobi: International Development Research Centre (IDRC), 2006.

5 Nalunga and Kivumbi, *op. cit.*, p.3.

6 UNDP, Human Development Report, New York: UNDP, 2005.

7 For detailed discussion see Severine Rugumamu "EU-ACP Partnership: An appraisal" in *Cooperation South*, Special Unit for TCDC Vol. 2, New York, UNDP, 1999. pp 45-56.

Furthermore, the EPA negotiations would bundle countries of the south into new regional political structures; a development that would separate them from ongoing regional integration frameworks and hamper regionalization efforts. African countries have long considered regional integration as an important development strategy. It is both a means to overcome the limitations of small markets and an opportunity to pool resources for infrastructure and major production projects. Nevertheless, it is unlikely that regional integration will be advanced enough to kick-start growth by the time the EU expects African countries to start opening up markets to EU imports. In addition, since the ACP countries belong to multiple economic integration blocs, the EPA structures would further split and bundle them into weak and loose trade negotiating machinery.

### **Conclusion**

It can be argued that if the EPAs continue to be carried out under their current form, they will more probably undermine the development potential of poor countries by exposing poor producers and traders to unequal competition and by tying the hands of governments to use trade policy selectively to support their agricultural and industrial development. This is reflected by the fact that the process is lacking the political will needed to facilitate the transformation of the existing structures which largely resemble the colonial era (providing raw materials and cheap labor while consuming manufactured and capital goods from the north).

In order for the ACP countries to benefit from the EPAs, the EU should provide for adjustment periods, which would temporarily allow asymmetric trade arrangements between the EU and the ACP countries. These asymmetric relations should include the protection of certain sectors and products. Dispensations should differ between regions or countries according to their respective level of development (income or human development), level of competitiveness and export dependency on EU markets.<sup>8</sup>

8 Ibid. p. 52.

In addition, the ACP countries need to keep their respective producers in order to be further involved in the EPA negotiations. For example, the ACP countries need to solve supply constraints to be able to compete with EU products. Thus, without significant institutional reforms enabling the ACP countries to plan, implement, manage, monitor and maintain development programs and mobilize the population, it is likely that they will end up being isolated from the growing competitive global economy. Most ACP countries are likely to become virtually inconsequential to the EU politically and economically.



*Nelson O. Magbagbeola*

## **Negotiating as a Regional Bloc**

### **The West African Position in the WTO's Doha Round of Negotiations**

#### ***Introduction***

The West African region occupies a land mass of 5.113 million km<sup>2</sup> to the north of the equator and south of the Sahara desert, stretching from Niger and Nigeria in the east to Mauritania and Senegal on the west. The umbrella regional economic community (REC) for the West African countries is known as the Economic Community of West African States (ECOWAS). Established on 28 May 1975, ECOWAS is the largest economic grouping in Africa. It consists of fifteen Member States<sup>1</sup>, all of which are least developed countries (LDCs), except Côte d'Ivoire, Ghana and Nigeria, which are developing countries. The overall objective of ECOWAS is to promote cooperation and integration of West Africa for economic growth and development, leading to the establishment of an economic and monetary union. In 2006, the region recorded an economic growth rate of 6.1 % compared to 5.5 % in 2005.<sup>2</sup>

To achieve its objective, ECOWAS has relations with international organisations such as the World Trade Organisation (WTO). All ECOWAS

1 ECOWAS Member States are: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. On 1 January 2001, Mauritania withdrew its membership of the organization, and joined the Arab Maghreb Union.

2 Economic Community of West African States Annual Report. Abuja: ECOWAS, 2006.

member states are members of the WTO and have participated in many of the WTO meetings. One of them was the Doha Round of multilateral negotiations (MTNs), launched in November 2001 and driven by the Doha Development Agenda (DDA), aims at taking the development dimension seriously across the board.

It was widely recognized in Doha that developing economies require improved access to technologies and markets – which means expansion in their trade – for underpinning their growth endeavours. Of particular importance to some Sub-Saharan African countries and Brazil is the case of cotton, which is receiving special attention in the WTO's Doha Development Agenda following the Cancun Trade Ministerial meeting in 2003 and the Dispute Settlement case that went against the United States in 2004.<sup>3</sup> This case is not surprising, given the high degree of subsidies cotton receives in the United States of America and the European Union (EU) and the importance of the product for the income and export sector of several African countries.

For many developing countries, especially the West African countries of Benin, Burkina Faso and Mali, cotton is an important cash crop. Cotton produced in West Africa remains one of the most competitive in the world at around 0.21 US\$ per pound, compared to 0.75 US\$ per pound for American cotton. However, the benefits of this undeniable comparative advantage are negated in the international market by domestic support measures, and export and production subsidies in certain developed countries such as the United States, as well as certain EU member states, particularly Spain, Portugal and Greece. The fact is that the West African countries are no longer able to survive on their productions because of export subsidies and other dumping practices. These subsidies cost African countries 250 million US\$ in lost export earnings in 2000-2001 and 400 million US\$ in

3 Sumner, D.A., "Reducing Cotton Subsidies: The DDA Cotton Initiative", in K. Anderson and W. Martin (eds.), *Agricultural Trade Reform and the Doha Development Agenda*, New York: Palmgrave, Macmillan and Anderson, K. and Valenzuela, E. "The Doha Cotton Initiative: A Tale of Two Issues", CEPR Discussion Paper 5567, London, March 2006.

2004. The situation also has serious social consequences on producers who see their incomes eroded.

The cotton-exporting West African countries have demanded through a Cotton Initiative that cotton subsidy and removal of import tariff becomes part of the DDA. The Cotton Initiative involves two issues: cutting cotton subsidies and tariffs, and assisting farm productivity growth in Africa.

### ***Cotton Production and Subsidy***

Cotton production is highly concentrated in several respects. One is that most of the production is located in a few countries: nearly half of the worldwide production is produced by China and the United States, and this figure rises to two-thirds when Pakistan, India and Uzbekistan are added, and to more than three-quarters when Turkey, Brazil and Australia are included.<sup>4</sup> Also, the exports of cotton are highly concentrated, with the US and Australia accounting for almost half of the world's cotton exports, with four countries in Central Asia accounting for another 15 % and several sub-Saharan Africa bringing that total to 80 %. Both production of cotton and its export patterns are distorted very considerably by subsidies as well as by tariffs on cotton, textiles and clothing imports.

Cotton production is also concentrated in the sense that a number of low-income countries depend heavily on cotton for earning foreign exchange. This is especially true for several countries in Sub-Saharan Africa (Benin, Burkina Faso, Chad, and Mali) and in Uzbekistan, where cotton accounts for more than one-fifth of merchandise exports and, for another six countries in those regions, cotton's share is between 5 and 12 %. Since much of their cotton production is exported, the Sub-Saharan African countries compete directly in international markets with highly subsidized exports from the United States.

Cotton usage, on the other hand, is distributed across countries roughly in proportion to their volumes of textile production. Due to high domestic

usage by exporters of textile and clothing in developing Asian countries and in Mexico (because of its preferential access to the US and Canadian markets under the North American Free Trade Agreement - NAFTA), even relatively large cotton producers (such as China, Pakistan and India) export only a small fraction of their crop, in contrast to Sub-Saharan Africa where textile production is relatively minor. This explains the pattern of net exports of cotton and textiles across regions. Bearing this in mind helps to explain the signs of the welfare effects of technology and policy shocks.

Concerning subsidy, ECOWAS and other African countries were intensively involved in the preparation of a framework agreement signed on 1 August 2004. This agreement lays down the general framework for negotiating modalities for the implementation of reductions and removal of subsidies, tariffs and non-tariff barriers. Nevertheless, the August package did not fully take into account the aspirations of African countries for both agriculture and industry. Although it recognizes the importance of the cotton sector for the economic development of certain African countries, the text places the treatment of trade-related issues within the broader framework of agriculture negotiations. This is contrary to the demands of the African countries, which had called for special modalities for this sector. Also, the agreement does not contain any explicit provisions for developed countries to reduce subsidies on cotton. Regarding the development aspect of cotton, the Framework Agreement provides for negotiations to be held on the three pillars of the international cotton trade: market access, domestic support and export competition.<sup>5</sup>

The WTO's Hong Kong Trade Ministerial meeting of the DDA in December 2005 agreed that cotton export subsidies should be eliminated during 2006, that least-developed countries get duty free access for their cotton exports to high-income countries by the time of implementation of the DDA commences, and that domestic cotton subsidies should be reduced

4 Anderson, K.; Martin, W. and van der Mensbrugghe, D. "Impact of global trade and subsidy policies on developing country trade" paper presented at the XXII Technical Group Meeting of the G24, held in Geneva, 16-17 March 2004.

5 African Union Commission Kigali Consensus, Report of the Meeting of African Trade, Customs and Immigration Ministers from 27-28 May, 2004.

faster and more ambitiously than other agricultural domestic support programmes during DDA implementation.<sup>6</sup>

### ***ECOWAS Position***

ECOWAS position is in line with the position of the African Union on the cotton issue. ECOWAS believes that the WTO process could have been an opportunity for its member states to expand their share of international trade and speed up their development process.

The four main producing and exporting countries of cotton from West and Central Africa (Benin, Burkina Faso, Mali and Chad) submitted a Sectoral Initiative on Cotton to the WTO. The cotton initiative aimed at finding lasting solutions, within the context of multilateral trade negotiations under the Doha cycle, to the grave difficulties in the cotton sector caused by the distortions in international trade in this product. The Cotton Initiative under the WTO's DDA has not only a trade policy reform component but also a development component.<sup>7</sup> The latter is aimed at boosting the international competitiveness of cotton producers in low-income countries.

The position of ECOWAS is essentially in favor of the cancellation of subsidies and the establishment of an emergency fund to make it possible to continue to buy cotton from the African producers so that they are not forced out of the market.<sup>8</sup>

6 WTO Ministerial Declaration: The Doha Work Program, WT/MIN(05)/DEC, Geneva: World Trade Organization, 22 December 2005, See: [www.wto.org/english/thewto\\_e/minist\\_e/min05\\_e/final\\_text\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm).

7 WTO: "Agriculture: The Cotton Sub-Committee", Geneva: World Trade Organization, November 19, 2004. See: [www.wto.org/english/tratop\\_e/agric\\_e/cotton\\_subcommittee\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/cotton_subcommittee_e.htm).

8 Economic Commission for Africa, Report of the Ad-hoc Expert Group Meeting on trade and WTO Issues in West Africa, 7-8 March 2005, ECA: West African sub-regional office, Niamey.

### ***What should West African Countries do?***

The development aspect of the Cotton Initiative is in relation to the mobilization of technical and financial assistance for the promotion of the cotton sector in Africa. The greatest constraint facing the cotton industry in West Africa is the absence of processing plants, as the region exports 95 % of its production.

One prospective way for the governments of exporting countries is to adopt new varieties of cotton emerging from the biotechnology revolution, whose affordability would be greater in the absence of cotton market distortions. In addition, more processing plants, including textile-producing companies, should be established in order to add value to the cotton produced.

Finally, the West African countries should enhance their relations with their international development partners with regards to financial and technical assistance for cotton development programs.

# **Regional Integration and the Caribbean**





*Tamian Beckford*

## **Benefits of Regional Integration**

### ***Introduction***

The Caribbean is a complex geographical, cultural, racial, economical and political landscape that can take a number of diverse meanings. The benefits of regional integration present themselves in a plethora of schemes, regional integration being “...a voluntary pooling of resources for a common purpose by two or more sets of partners belonging to different states. The process aims to reinforce structural interdependencies of a technical and economic sort, with positive effects on economic welfare.”<sup>1</sup>

### ***Economic Co-operation Equals Economic Benefits***

From an economic point of view, small countries often do not have attractive market sizes to be much of a draw for foreign direct investment. The cooperation with other countries in the same region can thus be beneficial since the creation of a free trade area (FTAs) constitutes a chance for increasing the market size and for attracting foreign investments and achieving economies of scale.

The implementation of Common External Tariffs (CET) that comes along with regional integration facilitates greater intra-regional trade by establishing a higher degree of equity among countries in their import and export trade. This was established in the Caribbean Free Trade Association (CARIFTA) and is expounded upon in the Treaty of Chaguaramas. In this

1 Bourenane, Naceur, (1977) “Theoretical and Strategic Approaches” in Réal Lavergne, (eds.), *Regional Integration and Cooperation in West Africa*, Asmara: Africa World Press.

process, all the nations of CARICOM would decide on a single tariff for each product classification and that tariff would be applied once the trade originates from and terminates to the Caribbean.

The possibility of an economic and monetary union can redound to the benefit of a region by strengthening its bargaining power as an economic bloc in the realm of international finance, and even further it provides an avenue for greater technical co-operation within the region. This is the present challenge for CARICOM.

With regional integration the possibility of adopting a common currency, such as the Euro, looms large and presents a plethora of possibilities. Possibilities such as: the removal of the cost of transactions in different countries as a result of currency conversion; the possibility of a strong currency as a result of more economic activity through international trade under that currency, and hence the propensity for the currency to appreciate. There is, however, a conflict related to this initiative, particularly for countries that have more resources and do not necessarily want to share them.

Another benefit that can be derived from regional integration is the increased competitiveness of the market. “CSME member countries must recognize that globalization and liberalization have important implications for international competitiveness”.<sup>2</sup>

Regional integration also brings benefits to the Caribbean as international trade is increasingly favoring economic blocs, especially small developing island states. With the establishment of the Caribbean Single Market and Economy (CSME), the Caribbean Community will speak at the international level with one voice and therefore bargain for more. Member states can negotiate better as a bloc when it comes to issues such as the price of goods, preferential agreements, the waving of tariffs etc. For instance, Mexico can now go more in-depth in trading arrangements since it is a member of the North American Free Trade Agreement (NAFTA). Indeed, the bargaining power of Mexico has been increased because of its membership of NAFTA.

2 <http://www.caribbeanetnews.com/2005/05/09/benefits.shtml>.

## ***Social and Cultural Benefits***

Each nation's culture has its own idiosyncrasies; culture and the creative imagination of people are a potent source of public debate about constructs and notions such as 'nation', 'independence', 'federation' – essentially each nation's culture and creative imagination amalgamated presents an opportunity for the construction of a unique and distinct social space. For example, the University of the West Indies is a social space which presents unique opportunities for its members to appreciate the differences of their respective culture; language, food, dance, music, history etc. The different styles of dance and music are being combined, where Reggae music is being mixed with Indian Music (cultural diffusion), which would now be a different genre of music in the making.

## ***Sovereignty and Justice***

The establishment of a common platform on legal issues as well as the appellate courts fosters and enshrines a real sovereignty of the region as arbiters of its own destiny. The Caribbean Court of Justice shall perform to the highest standards as the supreme judicial organ in the Caribbean Community.

“In its original jurisdiction it ensures uniform interpretation and application of the Revised Treaty of Chaguaramas, thereby underpinning and advancing the CARICOM Single Market and Economy. As the final court of appeal for member states of the Caribbean Community, it fosters the development of an indigenous Caribbean jurisprudence”.<sup>3</sup>

Therefore, the Caribbean Court of Justice is necessary as it further adds to the development of the CSME as the body that will have the supreme ruling on issues of legal predisposition in this jurisdiction rather than sending cases to the Privy Council. Furthermore, judicial reforms can be made more effective through technical cooperation between member states of the region. Thus, countries will be able to have a greater degree of interdependence in relations to the legal system and its functions.

3 [http://www.caricom.org/jsp/community/caricom\\_history.jsp?menu=community](http://www.caricom.org/jsp/community/caricom_history.jsp?menu=community)

It must also be noted that decisions taken by heads of an integrated body of countries are more potent if there is a common or single court having jurisdiction in every member state. Thus, if the implementation of a program by heads of government should fail, all of them would be responsible to the same court and thus this increases the efficiency of the integration project.

### ***Governance and Politics***

Moreover, in the area of governance and politics there are significant challenges as well. The member states of the Caribbean Community have a different structure in their political landscapes. If regional integration is to be achieved, it means that a lot of policies and implementation decisions would have to be taken by CARICOM. Therefore, discussions about the principles according to which member states and CARICOM respectively are responsible for decisions are needed to ensure a cohesive system of decision making.

There is no doubt that the Caribbean region will benefit from integration. Nevertheless, its mechanisms need to be harmonised and developed to face the challenges that are eminent if the member states are to move towards greater regional integration.

*Walter J. Alexander*

## **The Caribbean Community: Current State and Perspectives**

The Caribbean Community or CARICOM, as it is commonly known, is a grouping of predominantly English-speaking sovereign states, all of which can be categorised, in terms of population and size of their economy, as small weak states. Within the last fifty years, these states made various attempts towards integration. The starting point was the creation of the West Indies Federation in 1958 (it collapsed four years later) and culminating in CARICOM in 1973. The Treaty of Chaguaramas that followed established the economy in 1973 and was revised in 2001 taking into account the challenges of globalization by implementing new strategies/policies in order to face this challenge. The rationale that lies behind the many integration efforts was/is that due to the small size of the economies and the population of these states, the prospects of catching up with the international competition would be far better as an integrated unit, rather than as individual states. While the debate is still waging as to what level of integration these states should continue to pursue, it is agreed that there must be some degree of integration. At the present state of the integration process, the Caribbean community has a number of achievements to be proud of. However, at the same time there are a number of concerns, which, if not addressed correctly would not only lead to disunity in the community, but more importantly will result in undermining the development of the fifteen-member community.<sup>1</sup>

1 For additional literature on this issue see: Girvan, Norman: *Toward a Single Economy and a Single Development Vision*. Report prepared by the University of the West Indies in Collaboration with the CARICOM Secretariat and the Special Task Force on the Single Economy, October 25, 2006; Hall, Kenneth and Benn, Dennis

In many occasions where the community can claim some amount of success and exude pride one could support the argument that, at the same time, they can either inhibit further Caribbean development or act as obstacles towards the unity of the Caribbean community. The first such example was the recent hosting of Cricket World Cup (CWC 2007). The hosting of an international event of this magnitude is remarkable for any country, especially if the country/countries are considered small/weak and developing. This event brought pride to the hearts of the Caribbean people, since all indications showed that it was well planned, organised and executed. CWC 2007 was a great example of unity since all nine host countries worked together to ensure the success of an event, which was expected to attract thousands of tourists and millions of US\$ to the region. In order to facilitate this event, legislation was passed. Two examples, which readily come to mind, are the passing of the “Sunset Legislation” and the creation of the “Single Domestic Space” inclusive of a single Caribbean visa. It should be emphasised that this legislative package was passed with near unanimity in the various parliaments of the regions. This meant that most of the parliamentarians, including members of the opposition agreed that CWC 2007 would bring unity and development to the region and should be supported. Thus, these parliamentarians put aside every internal difference for the good of the Caribbean region. It should be noted that, at a recent meeting in May comprising of the Foreign Ministers of the region, it was unanimously agreed that the implementation of the Caribbean visa was a success and therefore it should remain as such. This is a clear indication that states begin to understand the benefits of functional cooperation.

(eds.): *Caribbean Imperatives: Regional Governance and Integrated Development*, Kingston. Ian Randle Publishers, 2005; Jones, Peter, *Caribbean Court of Justice (CCJ): Caribbean Integration or Disintegration?* Economic Development Institute; Ramsaran, Ramesh (ed.): *Caribbean Survival and the Global Challenge*, Kingston. Ian Randle Publishers, 2002; Sanders, Sir Ronald *Crumbled Small: The Commonwealth Caribbean in World Politics*, London. Hansib Publication Ltd., 2005; “Managing Mature Regionalism: Regional Governance in the Caribbean Community”. Report of the Technical Working Group on Governance Appointed by CARICOM Heads of Government. Graduate Institute of International Affairs, University of the West Indies, October, 2006.

Although the Caribbean, especially the nine host nations, are glowing because of the successful staging of CWC 2007, the costs associated with hosting such an event would certainly adversely affect the Caribbean region in the years to come. As a prerequisite to hosting CWC, all of the countries either constructed new stadiums or upgraded existing ones with borrowed finances. In addition to the new stadiums, many countries built new hotels to accommodate the estimated thousands of overseas visitors, many of whom, for various reasons, did not arrive. For instance, it is estimated that Guyana, one of the more underdeveloped CARICOM countries, expended approximately US\$ 54 million on the hosting of the tournament. It is difficult to conceptualize how the region would be able to recoup most of the money it invested in the hosting of the CWC.

In addition to the huge financial losses for the region it was evident that the small Caribbean states were disadvantaged to meet internationally accepted standards, most of which did not take into account the local Caribbean culture and the region's disposable income. Also the host governments and the local organising committees (LOCs) of the various countries bent backwards to accommodate the International Cricket Council (ICC) without regard for other economic and financial implications which was becoming evident towards the conclusion of the tournament.<sup>2</sup> This is a glaring example how the ICC and by extension developed countries are not realistic in their expectations and standards of small vulnerable societies as ours. Such examples should resonate with the leaders of the region that if the countries are not fully integrated, larger countries would not view the neighbouring countries as their equals and would negotiate with them as such. The hosting of CWC 2007 was perceived by many governments of the region as a vital source of income to compensate for the capital that was spent due to the loss of preferential prices which resulted in reduced prices for banana and sugar. The reduction in price of these products, which was a result of rulings made by the World Trade Organisation (WTO), had adverse effects on the economies of the countries since the commodities were among the larger export earners and employed a significant percentage of the

2 See Singh, R. "Belling the CWC Cat" Nation News, April 4, 2007. Available under: <http://www.guyanachronicle.com/ARCHIVES/archive%2022-04-07.html>.

population. As it is currently the situation, more than half of the population of the region has to live with less than US\$ 2 per day and only 10% of population enjoy 80% of the resources. Thus, it could be easily deduced that more than half of the region's citizens would be adversely affected by the loss in preferential prices. The ruling of the WTO, at the behest of some developed countries on the reduction of the preferential prices of Caribbean commodities, is another indication that the realities of small states are not taken into consideration. Added to the rulings of the WTO, the economies of the countries are frequently ravaged by hurricanes. These natural disasters are capable of destroying the livelihood of an entire nation as it was seen in Grenada in 2004 when Hurricane Ivan demolished 80% of the country's infrastructure. Such damage is crippling to the tourism industry, which is the main source of income for a majority of states in the region already suffering from the reduced prices of their agricultural products.

Due to their small size and population, the Caribbean community decided that their best option of survival was to widen and deepen the integration process. It could be argued that the deepening of the integration process began in 2001 with the revision of 1973 Treaty of Chaguaramas and the implementation of the Caribbean Single Market and Economy (CSME). The CSME sought to integrate the economies of the Caribbean where the free movement of skills, goods, services and capital would be paramount. This would be in addition to the establishment of a single economic space characterised by a harmonisation and coordination of economic policies. An argument that could be made is that this economic integration through CSME was somewhat a compromise since even though the member states realised the benefits of integration, they did not opt for a political union akin to the failed West Indies Federation in 1962. With political integration states would have to cede some of their individual sovereignty, something which many leaders were/are unwilling to do. Although a political union may never become a reality because of the individual nature of some states, for the CSME to become fully effective, states still need to develop a system of mature regionalism, which they agreed to in the Rose Hall Declaration on regional governance. In this declaration, it was agreed that countries would comply with critical policy decisions taken by the heads of govern-



ment or any other constituted body. However, in reality, states have been reluctant to implement far-reaching decisions mainly due to the fact that they think their sovereignty would be eroded. However, political leaders should understand that for the common good of the region, where all of its citizens benefit from Caribbean unity, they must cede some of their authority. One such example is the slow acceptance by many states of the Caribbean Court of Justice (CCJ). The CCJ, which has strengthened the integration process by enforcing the rights and obligations that were conferred in the revised Treaty of Chaguaramas, replaced the Privy Council as the final court of appeal for Caribbean states. However, so far not all of the countries have fully accepted the court. For example, Trinidad and Tobago, where the CCJ is located, still utilizes the Privy Council. If the CSME, the new institution that the community is placing its future on, is to be fully implemented, states must accept the court in its entirety since it is the CCJ which is charged with interpreting and enforcing the rules of the CSME.

It should be noted that while the community has chosen economic integration over political integration as a catalyst for development, economic integration cannot become a reality unless there is the creation of a solid political base. Thus, it means that states have to cede some of their authority, which they are reluctant to do if they want the CSME to be realised.

The ceding of some sovereignty would realise the objective of the states of harmonising their foreign policy and foreign economic policy, among other issues. The most prominent example is that there still is no cohesive policy in the relationship between the region and China and Taiwan. Five countries have recognised Taiwan while nine have diplomatic relations with China. This disunity among CARICOM countries over China and Taiwan is already having adverse effects on the region since it would not be able to fully maximise the benefits that would accrue if they have relationships with China, an emerging economic power, at the expense of Taiwan.

Added to the fact that most countries jealously protect their sovereignty, another obstacle to Caribbean integration is the natural physical barrier of the Caribbean Sea. Because the states are not contiguous, communication and contact is extremely difficult since intra-regional travel, which is a vital

part of the CSME free movement, is affected. The present air transport system is expensive and unreliable and the reason for that lies on the fact that the airlines that traverse the region are virtual monopolies. The problem of the high fare structure and unreliability of the present airlines can be resolved by the establishment of an airline that is jointly owned by all the states. This 'natural' separation of the states by the Caribbean Sea is one reason why states strive to maintain their separate entities with their own government and symbols of nationhood.

The Caribbean Community, in its present state, has a number of issues which could be considered as inhibiting its development. This development would ensure not only the economic growth of the countries, but also an increase in the standard of living of all of its citizens. In an effort to overcome the obstacles towards development, CARICOM has hinged its future on the establishment of the CSME. If the past is any indication of the future, then countries will be reluctant to part with the sovereignty that many feel they had to fight hard for. Also, states must realise that the future development of the community rests not only in the implementation of the CSME but also in the widening of the community to include states that are not presently members of the community, like the Latin American countries which would give the region greater market access for their products as well as to goods and services. The widening of the community began in 1995 with the inclusion of Dutch-speaking Suriname into the body that was exclusively English-speaking and culminated with the formation of the Association of Caribbean States. The widening and deepening of the community is imperative in order to counteract the negative effects of globalization. It could be argued that although states in the region are aware of the benefits of the integration process, for the future development of the region in general and for individual countries in particular, such development would be fleeting unless governments give up some of their authority to a supranational body that implements decisions for the benefit of all countries.

*Tricia Barrow*

## **The EU as a Role Model for Caribbean Integration**

“Since its genesis in 1957, the European integration process has consistently reinvented itself. Its pioneering efforts have captured and maintained the attention, imagination and interest of geographic groupings around the world. Indeed in pursuing its own economic integration process to the benefit of its peoples, CARICOM, the longest surviving integration movement in the developing world has been much influenced by the experience of the European Union...”<sup>1</sup>

Thus read the congratulatory message of the Caribbean Community to the European Union on the occasion of the latter’s celebration of the 50<sup>th</sup> anniversary of its foundation. That Europe has been and continues to be a model for Caribbean integration is indisputable. This influence is progressively more evident in many aspects of the organisation, sequencing, policy, institutional and legal structure of CARICOM as the latter evolves into the CSME which, in scope and depth of integration, more closely resembles the EU.

The EU’s influence on the CSME is perhaps most axiomatic at the institutional level. CARICOM’s Ministerial Councils, as the representatives of the Member States, are the ultimate decision making entities of the Caribbean Community and their functions and roles bear similarities to those of the European Council. New institutions, mechanisms and policies under the CSME such as the Competition Commission, the Caribbean Court of Justice, the Caribbean Development Fund and the free movement of persons

<sup>1</sup> Excerpt of CARICOM Note reference 101 of 2007 dated 28 March 2007 to the European Union on the occasion of the latter’s celebration of the 50th anniversary of the signing of the Treaties of Rome establishing the EU integration process.

almost identically mirror those established by the EU to deepen its own integration process.

At each stage of its historical path, from the 1951 European Coal and Steel Community to the 1992 European Union and beyond, the EU, as the most advanced integration process in the world, has represented a logical step by step model to the new Caribbean democracies which, in a bid to address economic and other vulnerabilities, chose to integrate.

Yet, a model only serves inasmuch as it facilitates, through appropriate adaptation, the construction of a new creature that is the ideal for those who employ that model. CARICOM has adapted the EU model at some very fundamental levels and these adaptations reflect the nuanced divergences in objectives, philosophy and degree of integration sought by CARICOM and the EU. The relative success of the process of adaptation testifies to the flexibility of the model presented by the EU. Said otherwise, the value of the EU as a model of integration lies in the ability of the model to facilitate adaptation and still be sound. The longevity alone of CARICOM, as a Caribbean-adapted European Integration model, is itself an indicator of the value of the EU as a model, which, notwithstanding significant alterations, continues to be a sound basis and argument for integration.

In what ways does CARICOM's integration model differ from the EU integration model? The differences, it would be interesting to note, are philosophical or ideological in nature, and thus fundamental and critical.

The EU, through such functional philosophies as supranationality and subsidiarity and such enabling mechanisms as directly enforceable regional law (EU system of directives, regulations, etc.), has engendered a mature level of integration that expresses itself in a coherent and complementary manner at the civil society and executive levels and ultimately nourishes the EU regional identity – a necessary quality of mature integration.

At the civil society level, the integration philosophy and the enabling mechanisms (a decision-making parliament equal to other decision-making bodies, the employment of such key representative mechanisms as referenda and polls) engender a culture of EU citizenship. At the executive level, regional identity expresses itself as a direct regional-level political

## The EU as a Role Model for Caribbean Integration

decision-making body (as facilitated by the Commission and EU laws) and as a corollary implementation mechanism – subsidiarity. In short, the EU facilitates the integration it aspires to – the most advanced in existence – through such enabling mechanisms as a structure of equitable and shared decision making between civil-society (through the Parliament), States (the Council) and the separate entity that represents and safeguards Europe’s separate regional identity – the EU Commission.

At first glance, CARICOM through the CSME seeks comparable depth and scope of integration as the EU and thus features comparable structures. However, the absence of such enabling model policy mechanisms as supra-nationality and subsidiarity speaks to the distinction between the underlying integration philosophies of the EU and the Caribbean. The EU seeks the consolidation of a single independent regional identity while CARICOM seeks the consolidation of a multiple regional identity – a “Community of Sovereign States”. That the EU model can successfully sustain the nuances of these two integration ideologies, and indeed of the integration ideologies in other parts of the world that it inspires, is evidence of the versatility of the model.

How, one might ask, does the EU model achieve its flexibility, its ease of adaptability? The answer may lie in the wide stakeholder base and inbuilt structural equity which the EU features and which constitutes, as it were, a large ideological and governance menu from which different philosophical and operational configurations can be derived. The EU structure gives near equal weight, institutionally and legally, to the traditional stakeholders in any social process – governments and peoples – and importantly reserves a space of equality for the independent creature expected to be born of integration – a new often neglected stakeholder – the region itself.

Each stakeholder is obliged to respect the other because of the equality they share and the constant compromise that equity demands. In accordance with the desired final integration, regions using this model can calibrate the balance of equity of each of the stakeholders, or even eliminate one stakeholder completely.

One might hypothesise, in examining and comparing the structure and functioning of the EU and CSME integration processes, that the latter is state centric as opposed to the former which is 'equally balanced'. Sovereign governments and by extension 'executive' rather than 'civil society' issues traditionally enjoy a greater co-efficient of weight in the CSME. Governments represent the controlling 'stakeholder group', the other stakeholder groups – people and the region itself – have to date enjoyed exhortatory and advisory roles.

The choice of ideologies, one might further hypothesise, may well have its origins in history. Europe's integration process was born of a trauma that equally affected all stakeholders and that therefore demanded that all stakeholders have a hand in repair. War destabilised governments and threatened stable ones; people in enemy camps, and those in no camps at all suffered alike; a geographical space- a region- bore, the scars of horror and turmoil. War was Europe-wide, not merely isolated to Germany or England. Europe, as a landmass and population, was literally war-torn.

Out of such trauma was bound perhaps, to be born an equally extreme antidote – a utopic ideology of unity and equality, of new creation to counteract the destruction. European integration was obliged, not only to embrace all parties equally, but also to create a new edifice of civilisation – one that would rise peacefully beyond national disagreements. The European region became worthy of an identity of its own.

If Europe's integration process was born primarily to consolidate the peace brokered on the continent following a brutal war – to apply an economic balm to a social and ethical wound – Caribbean integration, while challenging, was not that dramatic, although for the small region, it was proportionately significant. Labour and colonial bound leaders authored the integration process; the new political elite of newly recognised sovereignties directed it.

For both Europe and the Caribbean, the dominant initial pursuit and philosophy was social in nature. For Europe it was the consolidation of a new-found social peace; for the Caribbean the creation of new social opportunities. For both, the desired outcome was social cohesion. It might

be argued, however, that as the respective integration movements evolved, the focus and *modus operandi* for Caribbean integration became more heavily economic, while in Europe, though economic pursuits became more important in a global environment which gave such pursuits pre-eminence, the social dimension of integration remained a priority. Political and economic mechanisms served that priority, hence the emphasis placed on the strengthening of social links through enhanced communication policies, transport links, virtual networks but also layered civil society initiatives in education, labour, legal and administrative institutions and networks.

As mentioned before, the most prominent testimonies to this priority are the power and influence of the European Parliament, the supra-nationality of major areas of European policy but also the early and continued insistence on the free movement of European citizens and the efforts, both on the part of the governments and the citizens themselves, to participate directly in decision making as evidenced by government organisation of – and popular response to – national referenda on the proposed EU constitution.

Caribbean integration, it is true, features similar mechanisms. The Assembly of Caribbean Community Parliamentarians and the Charter for Civil Society, agreement to coordinate foreign policy and to collectively pursue human and social development do exist and the decision has been taken by the Community's Conference of Heads of State and Government to introduce free movement not only of certain categories of workers but of all CARICOM citizens by 2009. However, the comparatively weak influence and/or the motivating factors for and late timing of the introduction of these mechanisms suggest that they have not been the region's premier priorities and/or have been motivated by external economic factors rather than internal (regional) social goals.

The underlying philosophy, the mechanisms employed and the policies and structures adopted to pursue regional integration are ultimately the choice of the region in question. Europe has pioneered the process in an inclusive, almost exhaustive manner; the Caribbean has, like many others, borrowed

elements of the European model, adapting it as necessary to its own needs, including through the introduction of new institutions, policies and mechanisms, some of them uniquely innovative (the Heads of Government/Leaders of Opposition Dialogue, the Quasi Cabinet of the Conference). In the end, even as the CSME successfully fills in the details of its integration plan, it pays tribute to the master plan prepared by the European Union.



*Jessica Lynn Jones*

# **Cooperation between EU and CARICOM**

## **Regional Institutional Strengthening**

### ***Introduction***

Emerging from the political and financial difficulties after the end of World War II, regional integration has been a major contributing factor to peace and economic stability in Europe. Therefore, as a strategic policy for offering new opportunities and prosperity, the European Union (EU) promotes the enhancement and strengthening of regional integration initiatives worldwide.

As a response to contemporary globalization and the need to create greater policy space<sup>1</sup>, the Caribbean Community (CARICOM), which has existed since 1973, continues to deepen into a single market and economy (CSME). CARICOM has undoubtedly made great strides in enhancing its regional initiative. However, several challenges of a social, economic and political nature remain and, especially, with the epistemic foundations of the initiative. With the CSME, new regional institutions have been created

1 See Norman Girvan, "The Search for Policy Autonomy in the South: Universalism, Social Learning and the Role of Regionalism", United Nations Research Institute for Social Development, 2005: [http://www.unrisd.org/UNRISD/website/document.nsf/240da49ca467a53f80256b4f005ef245/cc049358ac4020f0c12570b4004dff6a/\\$FILE/girvan.pdf](http://www.unrisd.org/UNRISD/website/document.nsf/240da49ca467a53f80256b4f005ef245/cc049358ac4020f0c12570b4004dff6a/$FILE/girvan.pdf) (3 April 06). In Part V of the paper, Girvan provides a discussion on the possibilities of regionalism for creating greater policy autonomy for the South, while recognising that regionalism is not a panacea, and in the case of CARICOM has to contend with, amongst other factors, the issue of national vs. regional sovereignty.

to propel the integration process, most notably the Caribbean Court of Justice (CCJ). The EU views the establishment of strong and credible institutions as a fundamental element of regional integration, since they enable the structural reforms that are a critical part of the integration process. This principle has guided recent cooperation between the EU and CARICOM.

### ***Challenges to Regional Integration in CARICOM***

CARICOM has undoubtedly made great strides in widening and deepening its regional initiative, albeit several obstacles remain in the path towards integration. Language diversity has increasingly become a challenge, as the community continues to widen outside of its original Anglophone members, to encompass Haiti and Suriname. The situation is further exacerbated by collaboration with the Dominican Republic on a Free Trade Agreement (FTA), and CARIFORUM, which was created to facilitate negotiations between the EU and Caribbean members of the African, Caribbean and Pacific (ACP) countries.

Member states vary in terms of size and economic power, with the degree of economic differentiation continuing to grow. Continued political instability in Haiti has prompted migration to other countries in the region, especially the Bahamas. The Bahamas, which is the richest nation in the Community, is not a member of the CSME<sup>2</sup>, and its reservation stems from wariness regarding the free movement of people from the rest of the region. Indeed, the commitment of all of the member states can be questioned, as “nation states in the region continue to subordinate larger regional concerns

2 The Bahamas has signed Protocol 1 amending the original Treaty of Chaguaramas prior to the integration and consolidation of the protocols into the revised treaty and was allowed to enter a reservation in respect of the CSME. This perhaps represents a Juridical paradox as: A reservation in respect of the CSME could be seen to be in conflict with the purpose and object of the treaty and; There is no distinction – legally, institutionally nor economically between the Caribbean Community and the CSME. W. Pollard (ed). *The CARICOM System: Basic Instruments*. (Kingston: The Caribbean Law Publishing Cp. Ltd., 2003) provides stimulating discussions on the intricacies of CARICOM.

to much lower national interests”.<sup>3</sup> In addition, “[u]nfortunately, despite areas of progress, CARICOM remains a movement faced by lack of implementation and sometimes contradictory development visions.”<sup>4</sup>

CARICOM represents a constant battle towards the integration of a group of countries that have been shaped by colonialism, which left them with a legacy of institutions and social structure that resulted in their insular development. The contention “is that the weakness and instability of the integration movement can be attributed to the absence of a coherent ideology of regionalism”<sup>5</sup>, which encompasses but also, transcends the traditional economic rationale for integration. Underlying many of the challenges lays the issue of sovereignty.

There is a great degree of dynamism in the global system affecting the movements of separate regionalisms and countries in their efforts to integrate or regionalise their relations. Appropriate regional integration systems based on constitutional systems of law and common systems of law are necessary to facilitate a true regional integration system in the face of this dynamism. The Revised Treaty of Chaguaramas, which established the Caribbean Community, including the Single Market and Economy, addresses an omission in the previous treaty by providing for dispute settlement through a variety of means, including the possibility of judicial settlement via the Caribbean Court of Justice (CCJ). In its original jurisdiction, the CCJ is the compulsory and exclusive arbitrator for the interpretation and application of the Revised Treaty. Ideally, the common legal systems that manage a regional integration process imply a pooling of sovereignty. The members of CARICOM, however, maintain that it is an association of sovereign states, and this has had severe implications for the implementation of the CSME.

3 See “Preface”, Ian Boxill, *Ideology and Caribbean Integration*, The Consortium Graduate School of Social Sciences, Mona 1997, xv.

4 Ibid. It should be noted that CARICOM is taking steps to address the issue of a common development issue, resulting in “Towards a Single Economy and A Single Development Vision” by Norman Girvan and a Report of the Technical Working Group on the Governance of the Caribbean Community, chaired by Vaughn A. Lewis. Both of these reports are available at: <http://www.caricom.org/>

5 Ian Boxill, *op. cit.*, p3.

In the case of CARICOM, all decisions need to be implemented into national law before they can create rights or obligations for CARICOM nationals. Therefore, treaties must be transformed by an act of parliament in order for them to have direct application in national law.<sup>6</sup> The speed of integration is consequently dictated by the slowest member state's ability or willingness to enact the necessary national legislation. Hence, without the legislative constraints of a body such as the CCJ, legal interpretation would be subjected to as many interpretations as there are national jurisdictions.

Brewster and Girvan have written on several occasions about the implementation deficit that continues to plague CARICOM.<sup>7</sup> They contend that the difficulties that the Community has had in meeting its implementation targets for the CSME have stemmed from an epistemic dilemma between the need to maintain individual sovereignty while simultaneously committing to the deeper regional integration necessitated by a single market and economy. According to Boxill, in times of crisis individual interests take precedence rather than regional solidarity.<sup>8</sup> The CCJ, which has also been affected by implementation delays, has the potential to address the implementation deficit by removing the element of intergovernmental discretionary implementation of which Brewster speaks, by superimposing its own supranational character on CARICOM.

6 Anderson, W., "Treaty Implementation in Caribbean Law and Practice", Vol. 8, No. 2, *The Caribbean Law Review* 1, 1998. Here, Anderson addresses the issue of treaty making in the Caribbean (Anglophone), which is based at least in part on a feature inherited from British Law which is itself characterised by dualism. He concludes that, apart from Antigua and Barbuda, it is woefully inadequate and belies the importance of treaty making, as none of the written constitutions (ostensibly the supreme law of the land) make provisions regarding competence to make international agreements.

7 These include Norman Girvan "Wither CSME?" in *Journal of Caribbean International Relations*, Issue No1., 2005 and Havelock Brewster "The Caribbean Single Market And Economy: Is It Realistic Without Commitment To Political Unity?", 2003: <http://www.caricom.org/jsp/speeches/csmepoliticalunity-brewster.htm> (7 May 07). Also see discussion by Rickey Singh (2004) "Three Critical Viewpoints on CARICOM", *Guyana Chronicle*. <http://landofsixpeoples.com/news402/nc404257.htm> (7 May 07).

8 Ian Boxill, *op.cit.*

## ***Regional Institutional Strengthening***

An association of sovereign states such as CARICOM needs an institution like the CCJ to assist the justice sector in ensuring a stable environment. Even the EU, a supranational organization, still requires the Court of Justice of the European Communities (ECJ) to provide legal certainty, thus enhancing social and economic cohesion. CARICOM regional integration can only be aided by the institutional strengthening of key regional institutions, such as the CCJ, and is well served by cooperating with the EU in this matter.

For the EU, the establishment of strong and credible institutions is a key element of regional integration, as they enable the structural reforms that are a critical part of the integration process.<sup>9</sup> In recognition of this, there has been a shift in EU cooperation with the region, from a focus on individual countries and sectors to addressing strategic issues that target key aspects of regional integration.<sup>10</sup> In fact, the implementation and institutional strengthening of the CSME is the focus of the most recent Financing Agreement between the European Commission and CARICOM/CARIFORUM. More than half of the funding has been allocated to this key initiative. The funding comes from the 9th European Development Fund (EDF) - Caribbean Integration Support Programme. The EU is providing significant support to the CCJ and a mid-term contribution to the CCJ will be allocated from this fund. In addition, funds have been provided to assist the establishment of the Judge's Law Library, public awareness campaigns and the exchange of experiences with the ECJ.<sup>11</sup> To address the language

9 Speech by Louis Michel, EU Commissioner for Development and Humanitarian Aid, "The CARICOM-EU Partnership: solving problems together", 16th Inter-sessional meeting of the Conference of Heads of Governments of the Caribbean Community, 17 February, 2005.

10 European Commission (EC) Europe Aid Co-operation Office ACP (2006), Financing Proposal. <http://www.caricomstats.org/Files/Meetings/SCCS31/Paper6.pdf> (2 May 07).

11 See speech by Amos Tincani, Head of EC Delegation to Barbados and the Eastern Caribbean: Caribbean Court of Justice: Welcome! [http://www.delbrb.cec.eu.int/en/press\\_and\\_info/articles/Article\\_CCJ\(Final\)\\_Apr2005.pdf](http://www.delbrb.cec.eu.int/en/press_and_info/articles/Article_CCJ(Final)_Apr2005.pdf) (9 May 07).

challenge, this collaborative effort will also provide for the CARICOM Translation Institute and the Caribbean Information Society.

Notably, although this agreement is between CARIFORUM<sup>12</sup> and the European Commission, the CARICOM Secretariat will manage the project. In addition, most of the EDF funding is being funnelled through the CARICOM Secretariat. This gives CARICOM more direct management and increased ownership of the funds. A robust Secretariat is therefore essential, as this regional institution is seen as the main agency for the coordination of the region's integration process. Even though the wider CARIFORUM group is the EU's implementing partner of the project, it lacks the necessary administrative capacity and institutional framework, hence the EU's determination to strengthen CARICOM institutions.

The EU has been very active in interregional cooperation, especially in maintaining the special relationship with the Caribbean region. Notably, EU-led cooperation is transforming the regional integration schemes with which it is interacting. Indeed, the entire notion of EU-led cooperation with CARICOM on regional institutional strengthening lends credence to Aggarwal's and Fogarty's suggestion that "ongoing interregional negotiations are the catalyst for increased counterpart institutionalization".<sup>13</sup> In many ways, therefore, EU interregional cooperation is impacting on the strength of its counterparts, and the EU is considerably shaping the international system to fit its perceptions and values.

### ***Limitations***

Despite the fact that the CSME has introduced an element of supranationality in the form of the CCJ, CARICOM still has mechanisms in place to safeguard the sovereignty of the Member States, such as unanimity voting

12 CARIFORUM is made up of CARICOM plus the Dominican Republic and was created to facilitate negotiations between the EU and Caribbean countries of the ACP group.

procedure for the Conference of the Heads of Government. The limitations of the benefits of the strategy of strengthening regional institutions are therefore acknowledged, as strong regional institutions may not be sufficient to compensate for CARICOM's lack of political and public will to pool sovereignty. In the final analysis, strong governance and institutions will be beneficial only if the social construction of the regional initiative is given due consideration, in addition to the traditional economic concerns.

“Regrettably, the enormous potential of labour mobility to drive Caribbean development, by enabling access [to] a regional pool of labour and skills to build more competitive enterprises, sectors and national economies, is being undermined by a fierce xenophobia across the Region. The creation of a Single CARICOM Market is thus a necessary but not a sufficient condition to conduce regional economic development”.<sup>14</sup> Strong governance and institutions will be beneficial only if integration is perceived not just as an economic venture, but also as a cultural process. In such a case, institutions may need to be created to address the new social needs that arise from deepening integration.

### **Conclusion**

The CSME is a major and complex process that will require a foundation of strong regional institutions. The Community's objectives can only be realized by means of strong governance and powerful institutions, and here the EU as a global actor, focusing on strengthening regional institutions, can be a valuable partner. In that respect, strengthening of the CCJ would be advantageous, particularly in light of the continued global concern with the rule of international law and the peaceful settlement of disputes. Any collaboration between the EU and CARICOM would be a continuation of the

13 “Explaining trends in EU Interregionalism” in: Vinod Aggarwal and Edward Fogarty, (eds.). *European Union Trade Strategies: Between Globalism and Regionalism*, London: Palgrave, 2004, p. 384.

14 Address by The Rt. Hon. Owen Arthur, Prime Minister of Barbados, at Caribbean Connect: A High Level Symposium On The Single Market And Economy, 28-30 June 2006, Bridgetown, Barbados. p.4. <http://www.foreign.gov.bb> (14 May 07).

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long relationship they have shared, which predates, but also compliments the increased interregionalism that has occurred since the end of the Cold War.



*Sherwin Bridgewater*

## **The Role of CARICOM Youth Ambassadors in Caribbean Integration**

The path to greater prosperity for the Caribbean lies in greater integration, both within the region and with the rest of the world. As highlighted by the International Monetary Fund in 2006, one of the most important issues the Caribbean region faces is regional integration. This essay will explore the role of the CARICOM Youth Ambassadors in the Caribbean integration process, outlining the scope and responsibility of the Ambassador program and discussing the importance of youth to achieving integration.<sup>1</sup>

### ***History of Caribbean Integration***

The Caribbean Community (CARICOM) is comprised of 15 member states and five associate states within the Caribbean region. Although the members have similar cultures, institutions and histories, the social and economic integration of the islands has proven to be challenging. The formation of the West Indies Federation in 1958, the establishment of the Caribbean Festival of Arts (CARIFESTA) in 1968 and the formation of

1 For additional literature on this topic see: Fuchs and Straubhaar, *Economic Integration in the Caribbean: The development towards a common labour market*, ILO 2006. Dr. Kenny D. Anthony, *Reflections on Caribbean Integration After Michael Manley*. Agnieszka Mazur-Barańska, *Improving the Social Dialogue on EU Integration. The EU & Cariforum Overview of EU-Caribbean relations*. Kleiman, “Caribbean integration finds its rhythm”, *International Economy*, 2005. Virgil Henry Storr, *The Political Economy of Caribbean Integration - CARICOM before the Revised Treaty of Chaguaramas. Preliminary report on the Situation of Young People in the Caribbean* – CARICOM Secretariat 2007 (Unpublished).

CARICOM by the Treaty of Chaguaramas in 1973 are early examples of the region's attempt at integration. The subsequent creation of the CARICOM Single Market and Economy (CSME) is the region's latest effort of regional integration. The CSME will not only establish a common market without barriers to trade as well as a common external tariff, but also a single economy with freedom of movement of goods, peoples and services. Within the Caribbean, the drive to integrate is heightened because the islands are already connected to each other in so many ways and unification is viewed as a reasonable and viable strategy for overcoming the many challenges the region faces.

### ***Overview of the CARICOM Youth Ambassadors Programme***

The CARICOM Youth Ambassador Programme (CYAP) is an institutional arm of the Caribbean Community, launched by CARICOM heads of government in Saint Lucia in 1993 and reactivated in 2000 by the Fourth Council for Human and Social Development. The CYAP aims to promote youth participation in regional integration and development processes and equip young Caribbean nationals with the knowledge, skills, attitudes and resources to:

- i Advocate for and educate young people about issues on the agenda of the Heads of Government;
- ii Develop and coordinate the implementation of integrated youth-focused projects in collaboration with national and regional youth organisations and NGOs, to address issues relating to the CSME, sustainable livelihoods, HIV and AIDS;
- iii Channel youth ideas and perspectives to the region's policy makers and share information on CARICOM policies and programs with young people.

CARICOM Youth Ambassadors (CYAs) are experienced youth leaders aged 15-29 and drawn from the membership of National Youth Councils, representative youth organisations and NGOs. Two young persons per

country are democratically selected and nominated by the ministry responsible for Youth Affairs to serve a term of no more than three years. The group of young persons (approx. 40) form the Corps of the program and are appointed by the Caribbean heads of government to advise regional leaders on national and regional youth issues and advocate for youth rights. The access to heads of government distinguishes the CYAs from other youth organs and institutions in the region.

### ***Role of Youth Ambassadors in Caribbean Integration***

Young persons have traditionally played a significant role in the development of the Caribbean region. Youth involvement dates back to the plantation riots in Haiti in the 18<sup>th</sup> century, to the Black Power uprisings of the 1970s, and to the creation of the CSME in the 1990s. The Caribbean youth has been characterised as vibrant, intelligent, articulate, outspoken and ambitious. These resilient traits have propelled young persons into the mainstream of social, political and economic activities within most Caribbean countries. To this end, the youth ambassadors – through a consultative process – have sought to document the profile of the ideal Caribbean youth. This young individual would be poised to maximise the benefits and opportunities presented in the current economic climate while making a contribution to community and national development. The current agenda for the youth ambassadors are focused on two priorities: CSME and HIV/AIDS.

### ***CARICOM Single Market and Economy***

The CARICOM Single Market and Economy is the Community's flagship initiative to economically integrate the Caribbean. The Tenth Meeting of the Heads of Government of the Caribbean Community (1989) discussed the “need to work expeditiously together to deepen the integration process and strengthen the Caribbean Community in all of its dimensions to respond to the challenges and opportunities presented by the changes in the

global economy”;<sup>2</sup> and in that context agreed to establish the CSME. The CARICOM Single Market was implemented in 2006 and the Single Economy is slated for implementation by 2015. The CSME will not only establish a common market without barriers to trade and a common external tariff, but also a single economy including freedom of movement of goods, people and services, comparable to the European Union.

### ***Youth and the CSME***

The majority of young people in the Caribbean are believed to be poised to make a contribution to a competitive labor market as highly skilled workers, especially in the service sectors of the economy. The job market is witnessing radical changes in occupational profiles, job design and content of occupations. In both manufacturing and service sectors, the prospects for success are inextricably linked to the extent to which enterprises are capable of incorporating knowledge into the productive sector. Much emphasis is placed on the employability of young persons in these sectors.

Albeit great intentions, the CSME is heavily criticized as being elitist and de-linked from the average citizens, especially the youth. The initial design of the CSME focused on the legislative and policy construct of the entity and the language was not very youth friendly. A recent unscientific survey conducted by the Youth Desk of the CARICOM Secretariat discovered that very few young persons within the region had accurate information on the CSME. In fact, the greatest misconception was that only persons with graduate degrees were qualified to participate and benefit from the CSME. Several young persons claimed that the language was too technical and they had little interest in reading through a thick document to learn more about the CSME.

2 See: Grand Anse Declaration. Available at: [http://www.caricom.org/jsp/communications/meetings\\_statements/grand\\_anse\\_declaration.jsp?menu=communications](http://www.caricom.org/jsp/communications/meetings_statements/grand_anse_declaration.jsp?menu=communications).

### ***Role of the Youth Ambassadors***

The Youth Ambassadors have seized the opportunity to heighten the profile of the CSME among young people. Thus the group has compiled a booklet of *Frequently Asked Questions* by young persons. The team first worked along with a CSME specialist to ensure that the information provided was accurate and concise, then with a core of young persons to ensure that the language was simple and youth friendly. The booklet will be printed and circulated to a widest cross section of young persons in the region to assist youth in maximising the benefits and opportunities of the CSME.

The survey also revealed the existence of a high level of polarization and xenophobia among Caribbean young people. In fact, the term “foreigner” was frequently used to describe Caribbean persons moving within the region seeking employment or better opportunities. In one consultation, the young persons even claimed that they do not feel the vibes of CARICOM and the CSME and advocated for more Caribbean programs on the culture and lifestyle of other Caribbean people. Several hindrances to integration were identified, including the high cost of travel within the region and the feeling among young persons that their local products and services were inferior to others and therefore not competitive. Young people were fearful that other Caribbean nationals would successfully compete for limited jobs and scarce resources. In fact, in the Bahamas (not a member of the CSME) young people were adverse to the idea of the CSME but were advocating for Caribbean unity. Their concepts and impressions of the CSME were greatly influenced by politicians and adults alike. However, after discussions with young persons from other Caribbean countries, there was a genuine desire to learn more about the integration process.

Mass influx of “foreigners”, loss of employment, competition for limited resources and monetary devaluations coupled with a limited knowledge of the region were some of the hindering factors to deeper regional integration. While most respondents supported integration, the need for evidence as to how well or whether it can work was required. This included sharing the experiences of youth who have benefited or faced challenges within the CSME. In addressing some of these issues, the youth ambassadors are

compiling the results of the survey for circulation and working along with the recently established CARICOM Commission on Youth Development. The Commission will undertake an extensive situational analysis of the status of youth in the region and make policy recommendations to the CARICOM heads of governments. The youth ambassadors are represented in the Commission and will also engage in community interventions, national and regional consultations to discuss the findings of the Commission and advocate for the rights and responsibilities of youth.

### ***HIV and AIDS and Youth Involvement***

One of the priority areas for the youth ambassadors is HIV and AIDS. The Caribbean has the second highest rate of infection after Sub-Saharan Africa with infection being highest among young girls between the ages of 15-24. The CYAP has sought to engage and motivate young persons in the campaign against the virus. Organizations and institutions are now partnering with young people to implement and execute programs and projects targeting youth. This peer to peer strategy is proving to be successful especially in dealing with issues such as stigma and discrimination.

The CYAP is presently executing a Mini Grant program in collaboration with the Pan Caribbean Partnership against HIV and AIDS (PANCAP) in the Caribbean. PANCAP is the regional coordinating agency that works with international institutions as the World Bank, the Global Fund and regional organizations to access funding and initiate HIV and AIDS programs. The Mini Grant program targets youth organisations at risk and disadvantaged communities at the national level within the Caribbean and provides a maximum of US\$ 10,000 per country to execute an HIV and AIDS project. The programme seeks to build the capacity of young people within the community in the areas of:

- Action research;
- HIV and AIDS sensitisation;
- Proposal writing and project development;

## The Role of CARICOM Youth Ambassadors in Caribbean Integration

- Project management and implementation;
- Monitoring and evaluation.

These HIV and AIDS projects, despite their serious and sometimes frightening nature, exposed young persons in the region to issues affecting youth in their respective countries and engendered a desire to learn more about the region. In May 2006, a national youth NGO (the Trinidad Youth Council) hosted over 100 young persons from the region at a Caribbean Youth Dialogue on HIV and AIDS. Despite the traditional outcomes of this meeting as communiqués, the youth participants lived and enacted the meaning of Caribbean integration.

A platform was created whereby youth shared the experiences and realities of their countries and discovered the many similarities with their counterparts in other countries. The interaction and natural integration of youth was apparent as the young persons worked together and shared their culture, language and folklore. Participants were exposed to the rich music of the region, Punta from Belize, Junkanoo from Bahamas, Reggae from Jamaica, Soca from Trinidad and Tobago, Taki Taki from Suriname and the rich Zouk and Latin blends from Martinique and Cuba and explored how these genres could be incorporated in the campaign against HIV and AIDS. The “vibes” of the youth transcended the elements that physically separate the region, formed lasting relations and ignited the passion of the youth in the region. In fact, the youth participants were so motivated that they pledged to deal with the challenges posed by HIV and AIDS from a regional perspective. A project was initiated to develop an Expanded Youth Response to HIV and AIDS exploring the use of alternative and youth friendly methodologies, in this case, educative and development theatre. The notion that information is available and accessible is valid; nonetheless, the issue of whether the information is reaching the target audience in their spaces (the blocks and communities) must be explored.

## ***Conclusion***

Despite the fact that the youth ambassadors are rotated every two years, the program has been successful, simply because it is focused on the youth. The Caribbean must become aware of the resource that is its youth. If youth is not incorporated into the mainstream of regional integration activities, the process may fail once again. The leaders of today must resist the temptation to see young people as a problem but rather as partners in solving some of the regional challenges. To ensure that the region does not “bleed to death”, the youth ambassadors must be provided with the necessary tools and skills to actively participate in the regional integration process and contribute to the overall development of the region.



*Allister Mounsey*

## **Integration in the Eastern Caribbean**

### **A Historical Perspective**

#### ***Background***

A new day was dawning over the British West Indies in the 1940's and 1950's. The economy of the 'mother country' was in tatters following the devastating effects of two successive world wars. A growing feeling of discontentment and neglect was evident throughout her colonies. Impregnated by a sense of wanton exploitation that carried through the full-term of African enslavement, Indian indentureship and colonial privation, these feelings gave birth to a growing sense of national and regional consciousness amidst the labour pains of the 1930's riots.

The ill-fated West Indies Federation of 1958-1962 was conceived within this environment of nationalism and growing discontent with colonial rule. Both Britain and the West Indian Islands saw the federation as a means through which the islands could have collectively gained independence. However, due to a number of factors, not least of which was political self-interest, the Federation came to an end in 1962 when both Jamaica and Trinidad and Tobago opted for their own independence. The infamous words of the late Eric Williams, Prime Minister of Trinidad and Tobago 'one from ten leaves nought' reverberated a deafening silence throughout the remaining eight territories – the 'Little Eight' as they called themselves. Despite suggestions that they form a federation among themselves, the Little Eight never formally attempted to integrate politically. The Windward and Lee-

ward Islands instead opted for Associate Statehood, which led to a spate of bids for political independence in the seventies and early eighties.

### ***The Salvage Efforts***

In the wake of, and as a response to the failure of the principal regional attempt of political union – the West Indies Federation – the West Indies Associated States Council of Ministers (WISA) was created in 1966. This first attempt of the sub-region at closer coordination was aimed at administering common services and performing other functions as may be agreed from time to time. From this seemingly loose and almost informal arrangement were born some of the most important institutions and mechanisms that marked the process of the integration movement, namely the Eastern Caribbean Currency Authority and its successor, the Eastern Caribbean Central Bank (which established a common currency and oversees the financial stability of the sub-region); the Eastern Caribbean Supreme Court (created to oversee the administration of justice in all Member States); and a Directorate of Civil Aviation (a regulatory body created to ensure that the airports of the sub-region operate at international standards).

In the wider Caribbean region, an effort was also being made to salvage something meaningful from the failed West Indies Federation. In December 1965 the Heads of Government of Antigua, Barbados and British Guiana (Guyana) signed an Agreement at Dickenson Bay, Antigua, to establish the Caribbean Free Trade Association (CARIFTA). The CARIFTA agreement came into effect on 1<sup>st</sup> May 1968, with the participation of the three original signatories plus Trinidad and Tobago. It was later enlarged that year to include Dominica, Grenada, St. Kitts and Nevis, Anguilla, St. Lucia and St. Vincent and the Grenadines, Jamaica and Montserrat. British Honduras (Belize) became a member in May 1971. In October 1972, Caribbean leaders decided to transform CARIFTA into a Common Market and establish the Caribbean Community (CARICOM) of which the Common Market would be an integral part.

## ***Independence and the Formation of the Organization of Eastern Caribbean States (OECS)***

In the 1970's and early 1980's most of the island states that now make up the OECS, realized their long hoped goal of political independence. Basking in their newfound sense of nationhood and political sovereignty the earlier ambition of a unified Caribbean was now relegated to the background. Despite the apparent sense of ambivalence towards regional (political) integration, the socio-economic reality of the times suggested the need for some level of functional cooperation between these states.

In the context of small resource bases, production systems that were highly skewed towards primary production and large populations relative to land size, poverty was deeply entrenched in both the Windward and Leeward Islands. There were unacceptably high levels of unemployment. Statistics from the Windward Islands<sup>1</sup> for the period 1980 to 1982 reveal that between the age group 15-19 unemployment ranged from 52 to 58 % and between age group 20 to 24 it ranged from 21 to 26 %. This level of continued economic privation – coupled with radical ideologies of the 1970's and early 80's – helped fuel the social unrest, which marked the early post-independence era. There were uprisings in Dominica against the Patrick John administration, in Grenada the Eric Gary government was toppled by the bloodless coup of Maurice Bishop. There were also incidences in St. Vincent and the Grenadines, St. Lucia, and in St. Kitts and Nevis (though not yet independent) there was the threat of secession.

Despite the apparent need for deeper functional cooperation to address the common threats to sovereignty, the existing loose arrangement of WISA and the Council of Ministers proved to be inadequate in the context of sovereign nations. In order to address the aforementioned issues, the WISA and the Eastern Caribbean Common Market were merged into the OECS on 18<sup>th</sup> June 1981, with the resolve of establishing a formal relationship at the highest level between the newly independent member states. Heads of Government signed the Treaty of Basseterre, which inaugurated the OECS.

1 Statistics taken by: Green Gold: Banana and Dependency in the Eastern Caribbean.

Among its purposes and functions are many that relate to co-operation and further integration of its members.

### ***OECS: The Era of Consolidation – Phase 1 (1981-86)***

During the first six years of its operation the OECS continued in the same spirit as its predecessor. The period between 1981 and 1986 saw enhanced cooperation within the Organisation. Areas of functional cooperation that existed since the time of WISA were strengthened and new initiatives were added. During this period, the membership was increased to eight states when the British Virgin Islands (BVI) and joined in 1984 (Anguilla the ninth OECS member state joined in 1995).<sup>2</sup>

### ***OECS: The Integration Years – Phase 1 (1987-89)***

Notwithstanding the fact of the relative youthfulness as nation states, the member states of the OECS considered it an opportune time to call for integration. The first announcement came from the then Prime Minister of St. Vincent and the Grenadines, James Mitchell, who called for political union at the OECS Authority Meeting held in Tortola, BVI. This led to the issuance of the Tortola Declaration in May 1987.

The initiative called for early agreement to have referenda in the member states. However, this announcement seemed to be hasty, as it was not accompanied by any research or feasibility studies (economic or political) prior to the declaration, on the question of union. Despite the apparent lack of preparedness for the initiative, the OECS heads reiterated their intention to form a political union in the CARICOM summit of July 1987. Verbal pronouncements proved to be a poor adhesive for the already shattered perspectives on the dynamic of this integration initiative. Noticeable differences had already emerged in the few months since the Tortola Declaration between the Windward and Leeward Islands. The latter favored a more incremental approach to integration. Their perspectives were so sharply contrasted, that by July 1987 Antigua and Barbuda publicly voiced its intention

2 Both the BVI and Anguilla are associate member states of the Organisation.

to withdraw from the initiative, St. Kitts and Nevis followed in November 1988.

The Standing Committee of Opposition Parties of the Eastern Caribbean States (SCOPE) was inaugurated in July 1987 to voice its concern about the haste at which the member states were proceeding towards political union.<sup>3</sup> They were also disgruntled by the fact that there was no consultation in any meaningful way between the governments and themselves on the question of political unity. The concerns of SCOPE, especially those relating to consultation with opposition groups, were largely disregarded in spite of the formation of various arrangements for information and public discussion. Byron in 1999, referring to these arrangements states:

“There was a notable absence of formal attempts to set up bipartisan or multipartisan machinery to conduct political debates on the subject of political union, or to involve the opposition in the ways they had called for in the SCOPE communiqué of July 1987”.<sup>4</sup>

Furthermore, the process was hampered by an unrealistic timetable for referenda (3rd quarter of 1988),<sup>5</sup> before adequate mechanisms for engaging the public were formulated. These deadlines only sought to frustrate the process before it even got to a full start.

### ***OECS: The Integration Years – Phase 2 (1990-92)***

The withdrawal of Antigua and Barbuda and St. Kitts and Nevis reveals the extent of the ideological rift between the political leaders of the Windward and the Leeward Islands on the issue of sub-regional political integration. The Windward Islands leaders were more comfortable with a fast track approach to integration than their Leeward Island counterparts.

The issue of political union did not remain dormant for long, as in August 1990, The Palm Island Statement was released by the leaders of the four

3 Although they were in principle supportive of the union.

4 Byron, Jessica, “Microstates in a Macro-World: Federalism, Governance and Viability in the Eastern Caribbean” *Social and Economic Studies* (Vol. 48: No. 4), 1999.

5 Caribbean Insight: January 1988 as cited in Byron 1999.

Windward Islands indicating their intention to establish a Regional Constituent Assembly (RCA). The RCA was more varied in its composition and seemed to be more methodical than the other groupings that preceded it. The mandate of the RCA included the design and structure of a political union and the possible means of implementation.

The reports from the various RCA meetings indicated that a substantial majority of participants were in favour of political union. There was an apparent bias towards a federal type structure for the union rather than a unitary state. By the third RCA, five different models of union were presented and a preliminary report of the Economic and Public Finance Task Force was submitted. The report concluded that: "Political unification would provide...a vastly improved framework for solving...the economic problems which plagued the Windward Islands".<sup>6</sup>

At the final meeting held in Grenada in March 1992, delegates deliberated on the subject of the allocation of responsibilities between the regional and local governments. The proceedings of the various RCAs highlighted a number of biases in relation to the operation of the proposed union. Considerable support was expressed for the idea of proportional representation and also the concept of an integrity commission. There were dissimilar views on the issue of parliamentary seats for unelected individuals who represented interest groups; political party representatives opposed the proposal while the other groups supported it. Many felt that the constitution of the union should make provisions for states wishing to exit the arrangement. The idea of decentralized decision-making with the principle of subsidiarity – decisions being made at the lowest levels possible – was strongly supported.

By 1993, the process had effectively burnt itself out. The RCA meetings were supposed to culminate in political referenda throughout the Windward Islands. Notwithstanding the energy that was exuded in the RCA meetings between 1991 and 1992, the vision of political union became blurry and was soon lost in 1993. Grenada, St. Vincent and Dominica adopted the final report in their respective parliaments. The reports were however, never

6 Byron, *op.cit.*

presented to parliament in St. Lucia. The steps laid down in the intergovernmental agreement in 1991 for parliamentary consultations and referenda were never implemented in any of the four countries. One important recommendation coming out of the fourth RCA was a program for education on political union. The proposal envisaged the production and dissemination of media programs on the question of political union. Governments would have been required to support National Committees to undertake the education programs at the island levels. This, however, never came to fruition.

There were many undercurrents that led to the standstill described above. Perhaps among the major reasons was a seemingly high degree of reservation among opposition parties to the process of regional integration. SCOPE never officially participated in the initial RCA meetings though by the third and fourth there was significant representation by the opposition parties in their own capacities. The waning popularity of the ruling parties in Dominica and St. Lucia, may have adversely affected the integration process, as their focus would have shifted from integration issues to internal political concerns. Secondly, it was perhaps unlikely that these governments would have gained the required majority at a referendum on union as the populace may have coloured the integration issue with those surrounding the political parties at the time.

The failure to constitutionalize the move towards political integration meant that at that time integration was being driven only by congenial relations between the ruling parties. The changes in governments that took place between 1992 and 1997 in three of the four countries meant, as stated by Byron, that "...almost a decade of activity towards closer [political] union was lost, after a significant investment of financial and human resources, intellectual effort, political capital and time."<sup>7</sup>

7 Ibid.

### ***OECS: The Era of Consolidation – Phase 2 (1993-2000)***

In the post RCA period until 2000, the OECS reverted to its default position of promoting deeper functional cooperation among its members. During this period, the Organisation added a number of projects/programs to its portfolio, aimed at repositioning the economies of the sub-region to be more competitive in an increasingly globalized environment. Among the success stories of this period, was the OECS Telecommunication Reform Project, which was able to carry out much needed reform in the telecommunications industry.

### ***OECS: The Integration Years – Phase 3 (since 2001)***

The issue of regional integration never truly dies in the Caribbean. This is especially true in the Eastern Caribbean, where there are powerful economic, cultural and historical reasons why the islands should unite, that never dissipate with time. The idea of integration resurfaced at the 34<sup>th</sup> Meeting of the Authority in July 2001 in Dominica, when the OECS heads of government endorsed proposals to deepen the integration process with the goal of creating an economic union in the long-term. This type of union, which represents the highest degree of economic integration, implies the creation of a single or *internal market* and requires harmonization of member states' national policies.

Unlike previous initiatives, the Economic Union Project – as it is called – does not seek to unify the island states politically, though economic union will require some level of shared sovereignty especially in the area of economic management and trade. This enterprise, though less grandiose than the previous initiatives, should not be seen as a weakening of the commitments on the part of member states to the concept of regional integration. Rather, it should be viewed as a more pragmatic approach to integration.

The first element of pragmatism is that the project takes a more gradual/incremental approach to realizing its objectives. Second, unlike the efforts aimed at political union, economic union requires a less radical shift



in the domestic political landscape.<sup>8</sup> Third, the project is designed to build upon the historical strengths of the organization – functional integration initiatives – to achieve a more harmonized and integrated approach for the provision of certain basic support services to the regional economy.

### ***Lessons to be learned***

The first two post-independence initiatives should not be seen as failures, but as part of the learning curve in the great school of Caribbean integration. When perceived as such, they can reveal priceless truths that can inform the current efforts aimed at creating the economic union. The following lessons should guide the OECS initiative:

- Do not confuse haste with speed. A false start is more damaging than a slow start.
- Be sure to establish realistic timelines. In the absence of strong hegemonic influences, economic or political integration is intrinsically a long term rather than a short term project.
- Ensure that opposition parties and other groups who have a vested interest in maintaining the status-quo are engaged in a structured manner. It is better to have these parties engaged a debate about integration, where the parameters and boundaries are well defined, than to give them ammunition for potentially destructive talk by excluding from the formal debate.
- Engage the public. People like to know that they have an input in things that concern them.
- Avoid discontinuity/gaps in the planning processes. A start then stop then start again approach does not convey an impression of seriousness and commitment. This is a turn to most persons.

8 While the shift in the political landscape is less radical, the shift that Economic union requires is nonetheless significant as it will require member states to convey powers in some areas to the organisation that will allow it to act with supranational effect.

- Historical experience has shown (regionally and internationally) that integration is a long haul phenomenon which requires more mettle than short-term exuberance. Given the protracted nature of this type of initiative, there is need for constitutionalisation of the process. This would allow for continuity even after the main proponents have left their seats of power.

*Olga Konyo Addo*

# **Regional Integration as a Tool of Development**

## **The Case of CARICOM**

### ***Introduction***

The fundamental aspects of development and progress have not changed significantly in the past seventy years. The majority of the world's population faces poverty and the improvement of the financial situation is at the epicentre of attention. However, the discourse, terminology and tools of development have undergone dramatic changes. They have ranged from inward protectionist strategies to outward export-orientated policies and have seen the proliferation of regional groupings against a global backdrop of multilateralism. Development is now generally understood as a process involving continuous improvement in wealth and the quality of life, and it has become fashionable to assert that countries with established free trade areas grow faster and in a more stable way.

Initiatives concerning regional integration still remain an enduring part of the development scenario. Although, the rationale has many variations, the desire for increased cooperation among members is constant, and the achievement of the goals is usually defined in advance by a treaty or other multilateral arrangements.

In the case of the Caribbean, regional integration provided the setting against which development policy was conducted in the English-speaking Caribbean in the post-independence years. Dr. Eric Williams, Prime Minister of Trinidad and Tobago from 1959-1981, saw the world as one

“dominated increasingly by regional groupings, both economic and political. Small countries like ours encounter great difficulty in establishing their influences in a world dominated by power and regional associations.”<sup>1</sup>

This essay seeks to examine the potential of regional integration among the smallest grouping of states – the Caribbean Community (CARICOM).<sup>2</sup> The discussion is not comparative in nature nor does it set out to offer any analysis of what other tools should have been chosen or how regional integration should have been shaped. The CARICOM model of regional integration is to be understood in the context of the post-independence nation-building and transformation drive, and with the perception that Member States individually lacked the requisite capacity to survive and sustain growth and development for their respective populations.

In a dynamic geo-political landscape dominated by super and supra-powers, bridging the development gaps and asymmetries remain formidable for a grouping of small states, especially in view of the fact that comparative advantages and economies of scale prevail. Significant developmental potential lies in the capacity building of functional cooperation, through shared institutions and pooled resources.

### ***The Challenge of Economic Survival and Transformation***

The argument that has been made is that CARICOM countries have been able to enjoy a level of consumption that is not commensurate with their levels of production, productivity and international competitiveness. The

1 Hall, K. Re-inventing CARICOM – the road to a new integration, Ian Randle Publishers, Kingston, Jamaica, 2003, page ix.

2 CARICOM currently comprises 15 Member States, namely Antigua and Barbuda, The Commonwealth of The Bahamas, Barbados, Belize, the Commonwealth of Dominica, Grenada, the Republic of Guyana, the Republic of Haiti (work is presently in progress for Haiti's return to the organs of the Community), Jamaica, Montserrat, the Federation of St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, the Republic of Suriname and the Republic of Trinidad and Tobago. There are 5 associate members of the Community. There is also a simultaneous concentric pattern of integration with the Organisation of Eastern Caribbean States (OECS) - and a common currency, the Eastern Caribbean Dollar.

## Regional Integration as a Tool of Development

reason is that these economies have generally been maintained by economic windfalls of traditional exports such as sugar, bauxite, bananas and by preferential trading arrangements with Europe and North America.<sup>3</sup>

The Community's response to the global and hemispheric realities has been the promotion of regional integration – a complex mixture of ends and means. The 1973 Treaty of Chaguaramas established a Caribbean Community with a three-fold objective, namely to foster the creation of a common market, to coordinate action in foreign policy issues and to promote functional cooperation. To manage the nexus between trade, investment, finance and socio-economic development, “deepened and widened” regional integration was at the heart of the decision in 1989 to create the CARICOM Single Market and Economy (CSME).<sup>4</sup>

The focus has been on the creation of a seamless, single economic space – the free flow of labour and capital, goods and services, as well as the right of establishment, where the opportunities for workers are greatly enhanced, and in the case of businesses, their productive potentials are expanded. Macroeconomic policy convergence, the harmonisation of fiscal and other policies related to key sectors, and the avoidance of double taxation are included.

The critical examination of empirical data, the measurement of economic performance and the establishment of correlations are outside of the scope of this paper. Further, the CSME became formally operational in 2006. However, the data suggests that under the prior regime of the free trade in goods, CARICOM enjoyed only limited expansion of intra-regional trade as trade with the Americas constituted the largest element of CARICOM's trade, with exports to the hemisphere in 1998 accounting for 76.2 % of the

3 Notably preferences under the Lomé Convention, Caribbean Basin Initiative, and the Caribbean Canada Arrangement (CARIBCAN).

4 At the Tenth Meeting of Heads of Government of the Caribbean Community in 1989 in Grenada, the Grande Anse Declaration and Work Programme for the Advancement of the Integration Movement was signed. The Revised Treaty of Chaguaramas establishing the Caribbean Community including the CARICOM Single Market and Economy is the legal infrastructure for the Caribbean Community and the CSME.

region's total exports to the world as a whole.<sup>5</sup> At the level of sectoral policy and resource mobilisation, coordination was not as effective as desired and the systems set up for a clearing facility and the foreign exchange pooling initiative could not be sustained.

The merchandise trade among CARICOM countries in the past five years has been static. Intra-CARICOM imports account for about 12 % of imports and intra-CARICOM exports about 20 % of exports worldwide. In addition, the more developed countries (MDCs) of CARICOM maintained a merchandise trading surplus with the least developed countries (LDCs) of the region – the OECS countries and Belize. Externally, the European Union now only accounts for 10 % of regional merchandise export compared to 21 % in 1995, though trade with North America has increased.<sup>6</sup>

CARICOM countries have had to endure the global realities of challenges to its development, including the erosion of preferential markets for Caribbean products and the fact that small markets and trading areas are of limited relevance to larger markets. However, the region has embraced the new dynamics of economic partnerships and agreements for its survival. Moreover, aware of the need to place greater emphasis on competitive production within the context of global trade liberalisation and finite market access, CARICOM governments have devoted considerable attention to the creation of a conducive regional environment for investments. The upsurge of intra-regional investment obtained in the 1990s continued into the early years of this century. Although foreign direct investment (FDI) flows were stagnant between 1997 and 2000, it is quite interesting that they have surged during the past five years with investments accounting for a relatively high production of the capital formation in the recipient countries.<sup>7</sup>

5 CARICOM Secretariat Economic Intelligence Policy Unit, Caribbean Trade and Investment Report 2000 – dynamic interface of regionalism and globalisation, Ian Randle Publishers, 2000, Kingston, Jamaica.

6 CARICOM Secretariat Economic Intelligence Policy Unit (2006), Caribbean Trade and Investment Report 2005 – corporate integration and cross-border development, Ian Randle Publishers, 2006, Kingston, Jamaica.

7 Ibid.

### ***The Development Scope of Functional Cooperation***

Functional cooperation – the so-called third pillar of regional integration – has allowed CARICOM to make great strides in addressing the challenge of development. Important elements of this strategy are the promotion of initiatives in education, health, labour and complimentary programs in the environment. Sports, drugs and crime and cross-cutting programs relating to gender, youth and culture are also included.

Notwithstanding the need to rationalise the regions institutions, functional cooperation is the area that offers the greatest potential for expanded and shared growth and development. The region has enjoyed significant success, particularly with the system of regional examinations through the Caribbean Examinations Council (CXC), and the internationally recognised qualifications that are awarded at the secondary level. There is also the Association of Caribbean Tertiary Institutions (ACTI) that provides the means through which tertiary institutions can cooperate in order to ensure the quality of programs offered. It coordinates tertiary education standards to ensure consistency and compatibility among its member institutions.

Health has been a critical area of cooperation within the Community. One of the major recent success stories of this cooperation is the Pan Caribbean Partnership initiative against HIV/AIDS (PANCAP) that addresses the pandemic which places the Caribbean as the region with the highest rates of growth in incidences outside of sub-Saharan Africa. Institutions, such as the Caribbean Epidemiology Centre (CAREC), provide invaluable support to member states in monitoring the occurrence and transmission and improving the control of diseases, as well as support in laboratory technology and related public health disciplines. The Caribbean Environmental Health Institute (CEHI) provides technical and advisory support to Member States in all areas of environmental health, including management.

It has become quite obvious that a critical component of the challenges that the CARICOM states are facing is their vulnerability and susceptibility to natural disasters, as they are a chain of small islands and low-lying coastal states. The hurricane season of 2004 provided the sobering reminder that

all of the benefits of economic transformation can be erased with one fell swoop of nature. The Caribbean Community Climate Change Centre (5Cs) assists in sensitising Member States to the importance of adjusting to the negative consequences of climate change. The center implements projects designed to achieve a state of preparedness and reduce the harmful effects of climate change and the rise in sea level. The Caribbean Disaster Emergency Response Agency (CDERA), which was established to undertake immediate and coordinated response to any disastrous event affecting its member states, is also part of the effort to deal with the negative effects of climate change.

### ***Concluding Thoughts***

Borrowing a term from The Economist magazine, there is limited opportunity for CARICOM to “leapfrog” the current development leaders. What the regional integration model has done so far is to provide an opportunity to collectively support the effort to foster the competitiveness of CARICOM products while creating a harmonised environment that favours investment. Geo-political realities have invariably kept the small economies of CARICOM in a holding pattern of negotiating and bargaining on an unequal playing field. Functional cooperation has allowed CARICOM to increasingly provide for greater human development opportunities - the heart of sustainable development. Ultimately, the fundamentals of development remain maximising human potential.



*Yldiz Beighle*

## **The International Relations of CARICOM**

### ***Introduction***

Regional integration is necessary for the Caribbean Community in order to build a strong economic force capable of competing economically with other integration blocs. This essay examines the relationship of the Caribbean Community (CARICOM) with other regional integration schemes and presents some challenges of the South-South cooperation.<sup>1</sup>

From my point of view, the best definition for South-South cooperation is cooperation between developing countries. The CARICOM has a coordinated foreign policy which outlines several relationships including the relationship with the South. However, one has to be cautious with impractical and idealist views of potential South-South cooperation.

- 1 For further reading material on this issue see: Clive, Thomas, "How can South-South Cooperation contribute to a knowledge-based Development Strategy?", *Cooperation South* No.1, 2000, pp. 49-59. Bhaskar, Menon, "The First South Summit: a Critical Evaluation", *Cooperation South* No. 2, 2000, pp. 135-146. Hassan, Mahamed, "Challenges, Opportunities and Strategies: South- South Cooperation - Science and Technology in 21st Century", *Cooperation South* No. 2, 2000, pp. 29-42. Delman, David, "Idealistic Notions for Realistic World: The Case for South – South Cooperation", *UN 50th Anniversary Issue- Cooperation South*, 1995, pp. 16-48. Diaz, Rosario, "The Latin American Economic System at Work: TCDC in Latin America and the Caribbean", *UN 50th Anniversary Issue- Cooperation South*, 1995, pp. 45-58. Jain, Manish, "Empowering Places and Placing Power", *Special Issue- Cooperation South*, 1995, pp. 34-41. CARICOM Secretariat, *CARICOM: Our Caribbean Community*, Ian Randle, 2005.

## ***The Caribbean Community and the Common Market***

The foundation of the West Indies Federation in 1958, the establishment of CARIFTA in 1968 and the formation of CARICOM in 1973 have proved that the Caribbean region has put great efforts in fostering regional integration. The existence of the CARICOM Single Market and Economy (CSME) took regional integration in CARICOM to a higher level, as the CSME will establish a common market with common external tariffs and without trade barriers and create a single economy including the free movement of goods, people and services. The basis on which CARICOM was established in 1973 is the treaty of Chaguaramas, signed in Trinidad on July 4<sup>th</sup> in 1973, in honor of the birthday of Norman Washington Manley, a leading advocate of the West Indies Federation and one of Jamaica's national heroes.

The objectives of the Community are set out in Article 4 of the Treaty of Chaguaramas and are based on the following three pillars:

- Economic integration through a common market and common trade policies;
- Functional cooperation (pooling of resources and sharing of services in the area of human and social development);
- Coordination of foreign policies (presenting a united front in its relations with countries outside the grouping).

## ***CARICOM Foreign Policy and External Economic Relations***

Our community is facing many challenges as we look for ways and opportunities to continue improving the quality of life of our people. Global trends now favor large blocs and tend to marginalize small states. Our smallness therefore makes the sustained development of the community a very hard task. This very issue of smallness is a major challenge of our time, particularly as we seek to gain recognition and acceptance by the wider international community. The sustainability of small states within the

## The International Relations of CARICOM

international community is an essential element of our community's foreign policy and in order to gain full international acceptance, our community continues to pursue this issue in different fora, such as the Commonwealth, the United Nations, the World Trade Organization (WTO), and in negotiations on the Free Trade Area of the Americas (FTAA), with varying degrees of success.

Another major challenge for CARICOM is the necessity to position itself in order to take advantage of the opportunities presented by globalization. The need to find effective ways of making our voices heard on the hemispheric and global stage is closely related to this challenge. In order to overcome it, the strategy adopted so far is to speak with one voice and strike strategic alliances with new partners, such as the Dominican Republic and Japan; adjust and cement our relationships with traditional partners, such as Canada and the United Kingdom; and participate actively and effectively in hemispheric and international organizations, such as the Commonwealth, the Organization of American states (OAS), the United Nations and the WTO.

The coordination of foreign policies and external relations is an approach whereby CARICOM seeks to find a common ground for the individual and national positions on these myriad hemispheric and international issues that are of great importance to the community. The Council for Foreign and Community Relations (COFCOR) is the main organ of the community in this area. The coordination of the foreign policy is the principal mechanism through which CARICOM seeks to achieve its objectives, which are:

- protecting and promoting the interests of small states;
- strengthening collaboration and cooperation in order to broaden the Community's economic space, exploit resources, preserve the security of the Community and address common problems;
- developing strategic alliances with like-minded developing and developed countries in order to influence the international economical and political agenda to further the Community's interests and to satisfy its technical assistance needs;

- securing the recognition, acceptance and implementation of agreed objectives from third countries and multilateral organizations, positions and initiatives to create prosperity, strengthen democracy and democratic institutions, develop human resource capacities and maximize human potentials, pursue sustainable development and maintain financial stability and human security.<sup>2</sup>

### ***Relationship of CARICOM with other Regional Integration Schemes***

The CARICOM region has relationships with several countries and regional integration schemes. One of the first major common foreign policy initiatives was launched with the Republic of Cuba in 1972, even before CARICOM was established. Within this relationship, CARICOM receives significant assistance mainly in the field of health and human resource development through the CARICOM-Cuba Scholarship Program. The Dominican Republic was one of the countries identified in the 1995 CARICOM Regional Trade and External Economic Strategy for the conclusion of a trade agreement. The CARICOM-Dominican Republic Free Trade Agreement is the first agreement of this type negotiated by our Community.

As members of this hemisphere, CARICOM members share common concerns with nations of North, Central and South America, many of which are also developing nations. The OAS and the Inter-American Development Bank are key organizations which use cooperation and joint actions to deal with these, and other challenges and which promote development in our hemisphere. The removal of trade and investment barriers among countries is illustrated by the initiative of the FTAA, which is a very important process in the South-South cooperation.

The relationship of our region with the United States is vital as well. One of the initiatives in this regard is the Caribbean Basin Initiative, which is an

2 CARICOM Secretariat, *Our Caribbean Community: An Introduction*, Ian Randle, 2005, p 284.

arrangement that provides duty free access for a period of 12 years to the US market for exports from countries of the Caribbean and Central America. In addition, the Community has a long-standing relationship with Canada, which dates far back to the seventeenth century. Human and financial support for regional programs and projects, which contribute to the economic and social development of our community, are supported by Canada. Mexico, Venezuela, Colombia, several countries in Central America, Chile, Argentina, and the Rio Group are also important regional partners. In light of the South-South cooperation it can be stated that past experiences reveal that – despite strong imperatives in favor of cooperative solutions among countries of the South – these have not been taken advantage of sufficiently. In part this has been due to growing divisions and weaknesses within an increasingly heterogeneous South. It has also been due in large measure to the prevailing structures of global economic and political relations, which do not readily encourage horizontal South-South cooperation”.<sup>3</sup>

### ***Southern African Development Community (SADC)***

CARICOM’s relationship with countries in Africa, in particular in southern Africa, has grown out of the historical ties between these two regions. SADC is a grouping of 14 Member States and was established in 1980. Its main objectives are to achieve economic prosperity, development and stability in its member states through regional trade liberalization and political and economic integration. These objectives are similar to those of CARICOM, but important initiatives between the regions are still lacking.

### ***The European Union and the African Caribbean and Pacific Group of States***

The European Union (EU) is the second largest trading partner of CARICOM and provides for the largest source of development assistance to the Caribbean region. Relations between CARICOM and the EU are

3 Clive, Thomas, op. cit. p.51.

conducted mainly within the framework of the ACP-EU conventions, namely the four Lomé conventions and their successor and the African Caribbean and Pacific Group of States (ACP)-EU partnership agreement, commonly referred to as the Cotonou Agreement, signed in 2000. The ACP-EU Partnership Agreement provides for, among other things, renewed negotiations in the area of trade between 2002 and 2008. These conventions are trade and aid agreements between the EU and a grouping of ACP countries. The conventions assist the ACP countries in their development efforts, provide EU members with assured supplies of raw materials and promote close relations between the two groups. Under the conventions, ACP states enjoy certain trade preferences for accessing the EU market for their key exports, such as sugar, bananas, rice and groundnuts and receive assistance in a broad range of areas including agriculture, commodities, cultural and social cooperation, energy, environment, fishery, food security, industry, mining, private sector development, regional cooperation, rural development and services.

### ***Caribbean Forum of ACP States***

The Caribbean Forum of ACP States (CARIFORUM), established in October 1992, provides its members with a mechanism to determine the use of Regional Financial Assistance from the EU, disbursed through the European Development Fund, and contributes to the regions' preparations for participation in the ACP negotiations with the EU. The CARIFORUM is the regional mechanism to decide on, design and implement regional programs for the Caribbean under the ACP-EU conventions.

### ***Potential Challenges from the South-South Cooperation***

The South-South Cooperation has a geographical and an economic dimension which leads to different levels of development. The CARICOM–South idea is facing a challenge if one looks at the geographical size of countries in the Caribbean compared to other countries in the South, especially Brazil and India. This fact can be considered as a disadvantage for the Caribbean region, as the countries in the South have larger economies. In addition,

most countries in the South have faster growing economies. These facts lead to disparities in the level of development within the South-South Cooperation. Besides, both the CARICOM and the countries in the South are approaching the same international funding agencies, such as the World Bank and the International Monetary Fund. This can cause competition instead of cooperation between CARICOM and the South. Somehow the South-South cooperation has failed to have a sustainable impact on the tremendous suffering and disparity in the world because its ideological foundation is grounded on the wrong development paradigm. “The South-South ideology, that was supposed to remedy the injustice of the modern world, has instead been co-opted, that is it has widened the gap between the “haves” and “haves not”.<sup>4</sup>

### ***Conclusion***

The Cooperation between CARICOM and the South has some significance, but it certainly needs to be further strengthened. It is important that the people of the South free themselves from poverty, underdevelopment and dependency and gain control of their economies and politics by their own will. Therefore it is essential for the Caribbean region to not further delay the creation of the CSME. South-South cooperation can be powerful if it is based on equality and not dominated by the “haves”.

4 Jain, Manish, op. cit., p.34.





# **Regional Integration and Latin America**



*Natalia Carrau*

## **The Importance of Europe for Latin America**

The European Union is considered to be the most dynamic economy with a market of approximately 500 million consumers. According to the International Monetary Fund, this makes the European Union the world's largest economy, even surpassing the economy of the United States. Its evolution towards a supranational integration is considered to be a good example that should be followed by the rest of the world, especially by the Latin American region as a whole. Some figures illustrate the EU's economic and political influence on Latin America, especially on MERCOSUR, and also the strategic meaning of the latter for the EU. For instance, the EU is MERCOSUR's most important import and export partner, having subsidiaries of some of its largest corporations in Latin America. This makes the relations within the bloc strategic both for the EU and MERCOSUR, but at the same time it makes the relations between both blocs a subject of discussion, given the existing differences between them.

Currently, there is a debate concerning the role of the world's most powerful nations vis-à-vis the balance with other countries, or even regions one could argue, and also as to the position the developing regions will adopt in response to the political and economic decisions of those nations. In the following paragraphs, I shall briefly go through some of the current key issues of the debate for the different blocs around the world.

Latin America has historical bonds with Europe as a result of a common past they share since 1492. At the beginning of the relationship, Latin America was a refuge for many European immigrants who came to settle in a region that was unknown to them. The settlement of the European com-

munities in Latin America opened a window of opportunities, and over the centuries European culture influenced many Latin American cultures.

In the second half of the 20th century, Latin Americans found a political and economic refuge in Europe. In the late 1960s and in the early 1970s there was an escalation of violence, and military dictatorships were installed in the region. The resulting economic, political and institutional crises caused a massive migration from Latin America to Europe. Europe offered refuge and the possibility of economic and professional growth to many Latin American exiles. There was also a language bond, especially with Spain and Portugal which was a stepping stone to exploring the rest of the continent. In addition, Europe's economic and financial development was, in a considerable degree, tied to Latin America.

In the 1990s, the impact of globalization and of new partnerships and strategic alliances that have taken place in and between both regions, have led to a revision of the economic, commercial and political relations, which implies a unique strategy in terms of foreign and trade policies.

There is no question that the European Union is one of the most important agents of globalization. However, in each transformation stage it has had to revise its role as a global agent and always in regard to its relation with developing countries. Being an important source of economic resources it has managed to enter strategic markets and it has always distinguished itself from the US foreign policy in the region by promoting agreements with each different bloc and by promoting integration instead of merely trade blocs such as the Free Trade Area of the Americas (FTAA) or the North American Free Trade Agreement (NAFTA).

In this scenario, how is MERCOSUR integration possible and how has the integration with the EU been recently understood? The global changes in the trade and economic exchange patterns have forced the agents to change their strategies, especially if they want to reach the levels of competitiveness required by the global market. These have been some of the issues of discussion in the region within the debate of how beneficial the MERCOSUR bloc is for its member countries. This has also been subject to debate by the European Union, which recently released a political docu-

ment on commercial strategy concerning its foreign relations. In this document it is clear that the EU has modified its strategy, at least in terms of economic and commercial relations with other blocs.

Some critical voices from the civil society of MERCOSUR are seriously concerned about the change of strategy of the European Union. The EU promotes negotiations with MERCOSUR and strengthens its relations with the CAN, trying to overcome the controversial aspects of the negotiations of agreements. On the one hand, the EU wants its products and corporations to enter the protected markets of developing countries directly and without restrictions, claiming there are key areas that are not open to European investment yet. On the other hand, there is a widespread optimistic and experience-oriented view, even within the World Trade Organization (WTO) that new negotiation rounds will reach agreements in the opening of the agriculture sectors of the European Union.

Economic and political agents within MERCOSUR believe in the resumption of multilateral negotiations with the WTO and within blocs. However, the critics question the optimism in terms of sustainability considering how the trade negotiations were undertaken and the results achieved in the different ambits. The scope of action of the European Union is wider than claimed, and there is still inconsistency between the cooperation with developing countries and the political discourse believed to be promoted in the different discussion forums.

In this scenario, Latin America appeared to be a controversial market. However, even though it has gained a certain position – with Brazil taking the lead – in pressuring for better negotiating terms, it has failed to achieve significant progress in these aspects. It continues to be a region that depends on the strategic resources of the world's powerful nations and continues to reproduce the same dependence model, not only due to the lack of a common strategy in the region that promotes a real and sustainable development, but also because within the delicate balance of world powers, the most powerful nations are still the ones to accumulate the greater profits to the detriment of the interests of the developing nations.

Some of the issues of the current agenda are the production of alternative and sustainable energies, the impacts of climate change, and the liberalization of the intellectual property sectors and government procurement. All these things are intrinsically related and are part of a global strategy on foreign policy (that includes the domestic policy) for all the developed nations, including the EU. For the developing countries these issues are part of a struggle strategy to achieve a fairer distribution of the economic resources and to assure food, ecologic, productive, social and political sovereignty.

*Fabiano Corrêa*

## **The EU as a Role Model for Latin American Integration?**

Comparing models of regional integration is a delicate task, since it implies the analysis of the society where the models that are being compared were carried out and the process that led to the stage of integration achieved.<sup>1</sup> In this paper, there will be a brief analysis of the processes of integration that took place in Latin America in the past. It will be also discussed how the situation is in present time, and how the experiences learned from the European Union and its basic principles can be applied to them. After a comparative analysis of the models of integration, a conclusion will be stated in the sense that the European Union, as the most advanced process of regional integration existent nowadays, can and should be seen as a model for Latin American Integration, but only to a certain extent.

Integration in Latin America is not a new subject. Simon Bolívar, Venezuelan leader of several independence movements throughout South America, leading the fight for independence in what are now the countries of Bolivia, Colombia, Ecuador, Panama, Peru and Venezuela, already dreamed of an united America in the early 1800s, but his ideals were jeopardized by the social and political differences existent in the region.<sup>2</sup>

Afterwards, several attempts to promote regional integration took place in Latin America in the 20th century, but most of them were focused above all

- 1 In this regard, the importance of solid social institutions and democracy to the fulfillment of the processes of regional integration should be stressed. According to the majority of the doctrine, as states Manuel Diez de Velasco Vallejo, without these elements achieving an effective integration between countries is not possible.
- 2 The “Pan Americanism” was part of Bolivar’s plan of independence of Latin America from Spain and Portugal, attempting to break the colonial order and the grip of the modern hierarchical organization of peoples.

on economic aspects and not on social integration, such as Bolívar had planned. Even before the creation of a common market in Europe, there were attempts to create such a process between Argentina and Brazil, for instance, which are the two strongest economies in South America, but they were unsuccessful.<sup>3</sup> Nevertheless, other models of integration were promoted, such as the “ALALC”<sup>4</sup> in 1960 and the “ALADI”<sup>5</sup> in 1980, which became a framework to other agreements, signed afterwards, but still have not achieved an effective role in promoting the integration of the member states.

In this context, Latin American integration is at a crossroad nowadays. After the successful development of initiatives, such as the Common Market of the South – “MERCOSUR”<sup>6</sup> and the Andean Community<sup>7</sup>, in the

- 3 As an example, in 1939 Argentina and Brazil negotiated a free trade agreement and, in 1941 a proposal of a Customs Union of the Plata (“Unión Aduanera del Plata”) was launched. These ideas were jeopardized by, among other reasons, the difficulties of political agreement between regional leaders and the political instability that characterized this period.
- 4 The Latin American Free Trade Association, created in 1960 by the Treaty of Montevideo, signed by Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay. The signatories hoped to create a common market in Latin America. It was replaced by the ALADI in 1980 after its failure to achieve the objectives proposed.
- 5 Latin American Integration Association, known as ALADI or, occasionally, by the English acronym LAIA, is a trade integration association, based in Montevideo, created by the 1980 Montevideo Treaty, signed on August 12th 1980. Its main objective is to establish a common market, in pursuit of the economic and social development of the region. Its members are Argentina, Bolivia, Brazil, Cuba, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. The treaty sets general principles, such as pluralism, convergence, flexibility, differential treatment and multiplicity and promotes the creation of an area of economic preferences in the region, aiming at a Latin American common market, through three mechanisms: regional tariff preference granted to products originating in the member countries, based on the tariffs in force for third countries; regional scope agreement, among member countries and partial scope agreements, between two or more countries of the area. It is also the framework to other treaties of regional integration such as the MERCOSUR.
- 6 Created by the Treaty of Asunción, which was signed in 1991 by the Presidents of Argentina, Brazil, Paraguay and Uruguay to establish a common market between these countries, with free movement of goods, capital and services. The timing of MERCOSUR creation was no coincidence. Born just after the end of the Cold War, when political relations in Latin America were beginning to change and



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early 1990s, these processes stalled in the middle of that decade. In the case of MERCOSUR, after the conclusion of the transition period in 1996, it has been demonstrating difficulties in achieving objectives such as the customs union or the deepening of the integration process. This situation deteriorated after 1998 when the “Real Crisis” affected the Brazilian economy. Argentina’s default in 2001 and the brief crisis in Uruguay also contributed to the stagnation of MERCOSUR.

A similar situation took place in the Andean Community. After a successful period of an increase in the intra-regional trade from 1990 to 1996, the process has not been able to continue on this path and with the same pace. The political crisis in the two key countries (Colombia and Venezuela) and the position of Venezuelan President Hugo Chávez also explains this situation.

Furthermore, the proposal of creating a Free Trade Area of the Americas (FTAA), launched at the Hemispheric Summit of Miami in 1994, also collapsed in 2003. The differences between the FTAA model proposed by the United States and the one presented by Brazil and other MERCOSUR members jeopardized the negotiations. At the Ministerial Summit held in Miami in November 2003, the countries decided to allow diverse modalities to promote hemispheric integration, such as regional or bilateral agreements, less ambitious than the original FTAA proposal.

In the Fourth Summit of The Americas held in Mar del Plata, Argentina, the leaders of the Americas failed to reach a consensus on hemispheric integration. The summit resulted in a regional division of several countries

globalization was started to affect the world in a stronger way, it aimed to establish a regional integration on the basis of the European Union, but struggled to overcome the political differences of the regional leaders and nowadays seems stuck where the European Community was during the 1960-1970 decade. Nevertheless, it can be said that the process is taking steps forward, as the admission of Venezuela in 2006 and the opening of the Parliament of the MERCOSUR in 2007 prove.

- 7 The Andean Community of Nations (Comunidad Andina de Naciones, CAN) is a comprising the South American countries of Bolivia, Colombia, Ecuador, Peru and Venezuela (which is in the process of leaving the bloc). It was called the Andean Pact until 1996 and came into existence with the signing of the Cartagena Agreement in 1969. Its headquarters is located in Lima, Peru.

led by the United States focused towards the FTAA, and five countries (Venezuela and the MERCOSUR members) trying to postpone the decision. The final document reflects two antagonistic positions about FTAA. While the first group “remains committed to the achievement of a balanced and comprehensive FTAA Agreement that aims at expanding trade flows ...” and agreed to instruct their “officials responsible for trade negotiations to resume their meetings, during 2006, to examine the difficulties in the FTAA process, in order to overcome them and advance the negotiations within the framework adopted in Miami in November 2003”, the group of countries which opposed the FTAA argued that “the conditions do not exist to attain a hemispheric free trade accord that is balanced and fair with access to markets that are free of subsidies and distorting practices”.<sup>8</sup>

Some specialists argue that this crisis of regionalism in the Americas is a consequence of the integration model established in 1999, based on the Washington Consensus<sup>9</sup> and the Programs of Structural Reforms. The collapse of structural reforms in countries such as Argentina and the narrow results in terms of improving the standard of living could be the evidence that the neo-liberal model failed. Then, it is not a surprise that regional integration, based on such a model, would have also failed.

The new left-wing governments in countries such as Argentina, Brazil, Uruguay and Venezuela<sup>10</sup> have accepted this argument and seem to be promoting a new model of regional integration, retaking some sort of

8 Final Declaration of the Summit of the Americas “Creating Jobs to Fight Poverty and Strengthen Democratic Governance”, Mar Del Plata, 2005.

9 Set of economic policy prescriptions considered to constitute a "standard" reform package promoted for crisis-wracked countries, firstly presented in 1989 and 1990 by John Williamson, economist at the Institute for International Economics, Washington, D.C. Williamson used the term to summarize the commonly shared themes among policy advice by Washington-based institutions at the time, such as the International Monetary Fund, World Bank, and U.S. Treasury Department, which were believed to be necessary for the recovery of Latin America from the financial crisis of the 1980s.

10 It is said that a new “left model” is being created in South America with a political discourse and an economic strategy opposed to, or at least critical of, the liberal model. This would be the case of Hugo Chávez in Venezuela, Luiz Inácio Lula da Silva in Brazil, Néstor Kirchner in Argentina, Tabaré Vasquez in Uruguay, and more recently, Evo Morales in Bolivia.

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public intervention in their national economic policy. Consequently, the integration policy has also been reoriented and the neo-liberal influence seems to be reduced.

The Brazilian proposal of a South American Community of Nations (SACN) is an example. The SACN is part of the Brazilian strategy of South American integration, but instead of concentrating exclusively on trade, it also furthers a development program. The Brazilian government has been trying to oppose a “South American agenda” to a “FTAA-US Agenda”. While the latter was centered in the new issues of the international trade (investments, intellectual property, governmental procurement, etc), the Brazilian one also proposes the creation of a regional space by investing in infrastructure, energy, telecommunications and border development.<sup>11</sup>

The government of Hugo Chávez is the most radical case in this new trend in Latin America, and may give credence to arguments that Latin American integration must be relaunched because its current ideological basis (neo-liberalism) is unsuitable to the needs of the region. In this regard, Chávez has promoted initiatives of integration such as the Bolivarian Alternative for the Americas (ALBA)<sup>12</sup>, which aims at promoting regional political and social integration rather than economic integration. Chávez has also criticized the decision of some Andean Community countries to negotiate a free trade agreement with the United States (known as AFTA). According to the Venezuelan government the AFTA is likely to have devastating affects on the Andean community in the political, economic and institutional spheres.

Other governments in the region have a different approach to the issue. Chile, Colombia, Peru and the Central American countries have maintained

11 In this regard, the Brazilian foreign policy is clearly focused nowadays on the “South-South” relations and aims to promote the integration between South American countries as a priority. President Lula has demonstrated in several occasions his will to be a spokesman for the developing countries and to lead the integration between them. Indeed, in recent declarations he has stated the ideas of creating a “Bank of the South” and a common currency within the framework of MERCOSUR.

12 International cooperation organization based upon the idea of social, political, and economic integration between the countries of Latin America and the Caribbean,

the decision to implement a market oriented economic policy. Such a decision has had an impact on their integration strategy, which is also based on the idea of free trade and liberalization. As a result, these countries have strongly supported the FTAA and when this proposal stalled, they accepted negotiating bilateral free trade agreements with the US, based on the FTAA model. Chile has free trade agreements in place with the US since 2003, while the Central American Common Market countries and the Dominican Republic subscribed an agreement in 2004. Panama and three Andean countries are currently negotiating free trade areas.

Within this context, Latin America finds itself struggling to find a route to follow, and two basic approaches concerning the integration model could be pointed out as examples. The first one accepts the premises of the Washington Consensus and structural reform and is consistent with the FTAA ideals of integration. The second one furthers a revisionist view, by proposing an increased state intervention and deeper integration goals, such as the European Union.

The collapse of the strategy of industrialization, the debt crisis in the 1980s and the most severe economic recession of the region for decades, supposedly demonstrated that the interventionist model was misleading. In consequence, this latter was actually excluded from most of the national economic strategies of Latin American countries and it was substituted by neo-liberal ideas inspired in the structural adjustment programs recommended by the International Monetary Fund and the World Bank.

As a result, integration strategies in Latin America have been modified and adapted to this new predominant liberal approach, essentially centered on the promotion of free trade, excluding or putting aside policies leading to promote regional industrial development, as the old Latin American and Caribbean integration proposals in the 1960s and 1970s suggested. Nevertheless, this liberal model was severely affected by the “Real Crisis” in Brazil (1998) and particularly by the Argentina’s Default in 2001. Similarly, although structural reforms helped to achieve a better macroeconomic

created by the The Cuba-Venezuela Agreement, was signed on December 14th 2004 by Presidents Hugo Chávez and Fidel Castro.

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environment in some countries of the region, its contribution to the solution of problems such as the regional competitiveness, the financial instability or inequity was fairly poor. It is a common sense nowadays in Latin America that free trade alone is not enough.

Consequently, the liberal model that was the ideological base of the new Latin American integration is currently in crisis in many countries of the region. This situation has had an impact on the political support to a FTAA type of regional integration model and its agenda focused only on trade liberalization, deregulation and privatization, disregarding factors such as the competition policy, fiscal regulation, promotion of technology, education, the strengthening of institutions and the problem of inequity in the region.

The European Union's experience can be useful in these issues. In the European Council held in Lisbon, in March 2000, European leaders placed enhanced competition and innovation as clear aims on their agenda, two aspects considered as priorities in order to promote competitiveness and economic growth. Even though the EU is an integration scheme based on the "principle of an open market economy with free competition", the member states have decided to promote a competition policy regarded as instrumental to make the EU "the world's most competitive and dynamic knowledge-based economy" by 2010.<sup>13</sup>

The importance that has been given to the role of research, development and innovation in the promotion of a competitive economy should also be stressed. Article 163 of Treaty of the European Union established that the EU must strengthen the scientific and technological bases of the communitarian industry and encourage competitiveness at international level, and that "scientific and technological development is the driving force of economic and social growth, particularly when it comes to creating jobs".<sup>14</sup> Thus, it can be stated that the EU recognizes, in a world of increasing economic competition, that it is crucial to promote research and innovation to maintain a role of leadership in the international scenario.

13 Commission of the European Communities, A-pro-active Competition Policy for a Competitive Europe (Brussels, 20.4.2004).

The EU has also succeeded in creating a strong institutional framework with a high level of supranationality. Similarly, because of a long experience of integration, Europe has consolidated values such as the defense of democracy, the defense of Human Rights and the so called “European Social Model”. One of the key elements of this “social model” is the idea of solidarity, which has been also part of the EU experience and implies the extent to which richer countries may help in the progress of less developed countries through communitarian institutions.

In short, the EU has produced a convergence around an economic integration model with a social dimension. Despite the homogenizing tendencies of globalization, Europe has developed a dynamic equilibrium between international competitiveness, social cohesion, and democratic society that involves an active role for organized social actors and relatively generous welfare state systems and public services, even if quality of the provided services differ from state to state.

As a conclusion, it can be stated that the European model of regional integration is more adequate to the Latin American context and could be an efficient tool to overcome its current difficulties. Latin America, one of the regions with the highest inequality rates in the world, needs an integration model that, without excluding the importance of promoting trade, can also promote solidarity between partner states. This implies the promotion of measures to address the extreme vulnerabilities and existing asymmetries of the region, retaking once again the principle of solidarity so that all can benefit from the process. Free trade must be complemented by measures fostering knowledge, institutions and values, key elements to guarantee a successful insertion in the world market and a strong role in the international agenda.

Nevertheless, extreme caution is required, since Latin America and Europe are social and culturally different, and the simple imitation of the European model and its institutions would not work out in the Latin American

## The EU as a Role Model for Latin American Integration?

space.<sup>15</sup> The focus of Latin American integration should be upon the needs and the challenges of the region, respecting its social identity in a way that integration does not mean assimilation of models that do not fulfill their role. The new challenges presented by globalization and competition require a state policy that brings about technical progress, improves the quality of human resources and helps to increase the income and welfare of the population. Latin America needs an integration model capable of promoting economic integration and reducing inequity.

Finally, the role of the State in the integration process must be reconsidered and redefined. It is true that in previous decades Latin American governments proved to be unable to manage economic issues, but this cannot lead to the conclusion that the State as a key actor is totally inefficient. The role of the government in the process of integration is crucial and must be strengthened, not weakened by policies that aim to reduce it.

15 Above all, the lack of political agreement between the leaders regarding a common policy and the support to supranational institutions, key to the success of the integration schemes, should be pointed out as difficult aspects.





*Martín Obaya*

## **Cooperation between EU and MERCOSUR**

### ***Introduction***<sup>1</sup>

An in depth study of the cooperation between the European Union (EU) and MERCOSUR should take into account a number of dimensions, such as the historical relationship between the two regions; the internal dynamics and external constraints affecting the two integration processes; the mutual perception of each block; and the instruments available to carry out the co-operation strategy devised by the EU.<sup>2</sup> However, the restricted scope of this paper does not allow for such a detailed analysis.

Therefore, more modestly, this essay intends to take into consideration the most significant of these dimensions and aims at providing first, a short overview of the historical background of the current EU cooperation strategy towards MERCOSUR; second, a concise description of the cooperation programme and an analysis of some of the main problems of the

- 1 This paper was written in May 2007, therefore, before the publication of country and regional strategy papers that contain the EC strategy towards Latin America, MERCOSUR and its Member States for the period 2007-2013. It has also been elaborated before the establishment of the “strategic partnership” between the EU and Brazil launched on 4th July 2007. (see [http://ec.europa.eu/external\\_relations/brazil/intro/index.htm](http://ec.europa.eu/external_relations/brazil/intro/index.htm)).
- 2 Two pieces of work that take into account these dimensions for the case of the European Union and Latin America are Klaus Bodemer, “Formas y mecanismos de la cooperación interregional sobre el trasfondo de las experiencias de integración en Europa y América Latina”, in Id., *Europa occidental-América Latina. Experiencias y desafíos*, Barcelona, Ed. Alfa, 1987; and Miriam Gomes Saraiva, *Política Externa Europea. El caso de los diálogos grupo a grupo con América Latina de 1984 a 1992*, Buenos Aires, Grupo Editor Latinoamericano, 1996.

EU's cooperation strategy for the promotion of the MERCOSUR integration process; and final comments with regard to the current discussions within the EU on its relation with Latin America.

### ***Re-launching the Bi-Regional Relationship***

The formal relationship between the two blocs is relatively new, since the very creation of MERCOSUR dates back only to 1991. However, the historical connections between member states from the two regions go back to the colonial days and, since then, have gone through multiple periods privileging different channels as the relation progressed. Moreover, this relationship goes beyond the sole involvement of the member states and includes a variety of actors, such as religious institutions, trade unions and political parties.

In the area of cooperation, the Southern Cone has never been considered a priority by the EC<sup>3</sup> and, even when cooperation funds were assigned to Latin America, this sub-region received marginal attention compared to poorer countries from areas such as Central America and the Andean Community.<sup>4</sup>

The new phase, which opened up in the bi-regional relationship during the 1990s, is closely associated with a series of profound political and economic changes that took place both in the international arena and within each integration process. In the former, the end of the Cold War resulted in a growing interdependence among economies and encouraged the EC to expand or strengthen its links with other regions.

With respect to the internal situation within each regional bloc, on the EU side, after the completion of the common market that followed the Single European Act, the Treaty of the European Union (Maastricht) provided

3 It is interesting to underline that this situation is in turn reflected in the shortage of material devoted to this issue.

4 An overview of the evolution of the normative, political and economic framework in which cooperation takes place can be found in Federico Birocchi, "The European Union 's Development Policies towards Asian and Latin American Countries",

new competencies to the bloc, which is particularly important in the case of development cooperation. Moreover, the entrance of new members before the signing of the Treaty, such as Spain and Portugal who have strong historical links with Latin America, favoured in this context a re-orientation of the European external policy in this direction.

In the case of MERCOSUR member states, a number of political and economic structural reforms were carried out since the late 1980s. Favoured both by the new international scenario as well as an internal crisis, policies such as substantial unilateral opening up to international trade and capital flows, deregulation of markets and privatisation of public companies signalled the end of the import substitution strategy. On the political side, the return of democracy put an end to the dictatorships that had ruled the region for years.

Within this new framework, a significant flow of European investments – especially in form of foreign direct investment in services – to MERCOSUR member states (particularly Argentina and Brazil) could be observed. At the same time, the European Union became MERCOSUR's largest trading partner and developed a greater interest in the potentiality of the growing regional market of its southern counterpart.

Both the political and economic approach, as expressed in successive declarations and agreements, helped to bring the two regions closer to another and to develop a relationship based on the respect for democracy, human rights, the rule of law, multilateralism, trade liberalization and social cohesion. A new institutional framework was then created in order to guide the “strategic partnership”:

- Specifically, in the case of MERCOSUR, an Accord on Inter-Institutional Cooperation was signed in 1992 and the signing of the EU-MERCOSUR Interregional Framework Co-operation Agreement in 1995 created new bi-regional institutions to promote dialogue on political and economic issues. This agreement resulted in the preparation of negotiations on a regional association agreement which

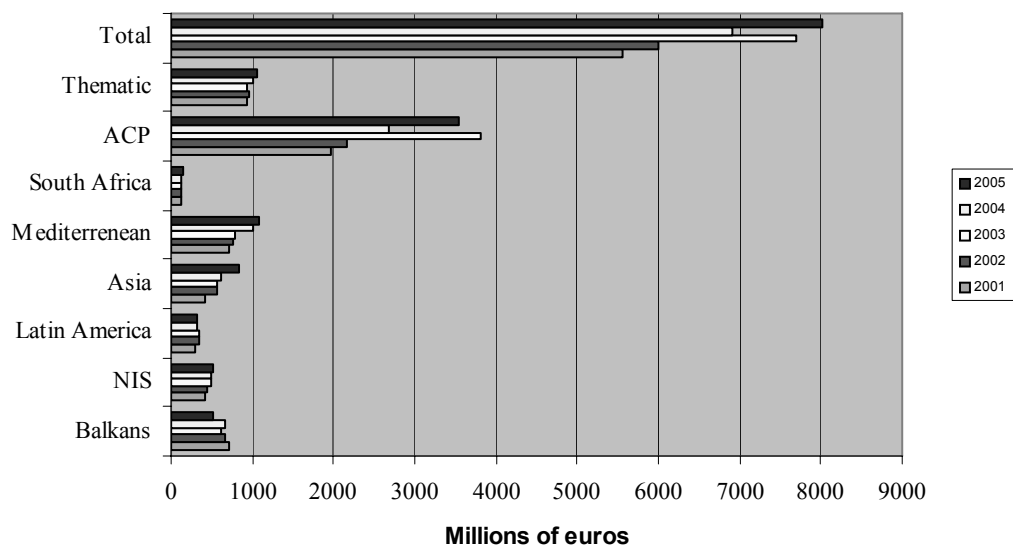
Development Studies Association, University of Bradford, February, 1999  
([www.edpsg.org/Documents/Dp10.doc](http://www.edpsg.org/Documents/Dp10.doc)).

“should include a liberalization of trade in goods and services, aiming at free trade, in conformity with WTO rules, as well as an enhanced form of co-operation and a strengthened political dialogue”;

- Within the broader Latin American sphere, involving MERCOSUR, the system of bi-annual summits of heads of state and governments, which started in 1999, constitutes an occasion “to have a dialogue at high level, addressing important issues to the partnership between both regions”.<sup>5</sup>

Even though the EU has been the largest donor to the region, MERCOSUR and Latin America are not priority regions<sup>6</sup> (see Figure 1). Likewise, compared to other poorer countries as those in Central America, MERCOSUR member states individually represent only a marginal portion of the total funds.

Graph I. Evolution of Regional Breakdown 2001-2005 Commitments (€ million).



Source: European Commission, *Annual Report 2006 on the European Community’s Development Policy and the Implementation of External Assistance in 2005*, September 2006.

5 Until now, four bi-regional summits have been held: Rio de Janeiro 1999, Madrid 2002, Guadalajara 2004 and Vienna 2006. Official documents from the summits can be found at [http://ec.europa.eu/external\\_relations/la/index.htm](http://ec.europa.eu/external_relations/la/index.htm).

6 For instance, during the period 1996-2003, MERCOSUR represented only 3% of total Latin America cooperation, Evaluación de la estrategia regional de la CE en América Latina, Informe de síntesis, Volumen 1, July, 2005: ([http://ec.europa.eu/europeaid/evaluation/document\\_index/2005/951661\\_docs.htm](http://ec.europa.eu/europeaid/evaluation/document_index/2005/951661_docs.htm)).

## ***EC-MERCOSUR Cooperation: Focusing on the Integration Process***

The EC cooperation strategy with respect to MERCOSUR can be found in one of the pillars of the framework agreement signed in Rio together with political dialogue and trade. These same three pillars constitute the axis of the association agreement that has been under negotiation since 1999.<sup>7</sup>

Compared to the overall cooperation strategy of the EC, and even those set out for Latin America and its states, the distinctive feature of EC-MERCOSUR cooperation at regional and national level is the emphasis that has been placed on the strengthening of the regional integration process.<sup>8</sup> In this sense, it is important to highlight that the EU, because of its

7 In the Vienna Summit, the negotiations for an association agreement with the Central American Common Market were launched in addition to a process leading to the negotiation of an agreement with the Andean Community. See [http://ec.europa.eu/world/lac-vienna/docs/declaration\\_en.pdf](http://ec.europa.eu/world/lac-vienna/docs/declaration_en.pdf).

8 The legal bases of the EC cooperation are defined mainly by article 177 (EC Treaty) and the general objectives defined by common foreign and security policy (Maastricht Treaty). At the political level, is the European Consensus on Development, a document published in 2006 jointly agreed by the Council, the European Commission and the European Parliament. This represents an EU attempt to define a common vision in development co-operation both at its Members States and Community levels. See Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy: 'The European Consensus', (2006/C46/01). Available at: [http://ec.europa.eu/development/body/publications/docs/consensus\\_en\\_total.pdf#zoom=100](http://ec.europa.eu/development/body/publications/docs/consensus_en_total.pdf#zoom=100). For the specific case of Latin America, some important documents are: Comunicación de la Comisión al Consejo y al Parlamento Europeo UE-América Latina. Actualidad y perspectivas del fortalecimiento de la Asociación (1996-2000), COM(95) 495, 23rd October, 1995; Comunicación de la Comisión al Consejo y al Parlamento Europeo Una nueva asociación Unión Europea-América Latina en los albores del siglo XXI, COM(99) 105, 9th March, 1999; Comunicación Seguimiento de la primera Cumbre celebrada entre América Latina, el Caribe y la Unión Europea, COM(2000), 670, 31th October, 2000; Informe estratégico regional sobre América Latina. Programación 2002-2006, AIDCO/0021/2002, April, 2002. More recently A Stronger Partnership between the European Union and Latin America, Communication from the Commission to the Council and the European Parliament, COM(2005)636 final, 8th December, 2005. [http://ec.europa.eu/external\\_relations/la/doc/com05\\_636\\_en.pdf](http://ec.europa.eu/external_relations/la/doc/com05_636_en.pdf) and the Report on enhanced cooperation between the European Union and Latin America, (2005/2241(INI)), 13th April, 2006: [www.europarl.europa.eu/sides](http://www.europarl.europa.eu/sides)

long and significant experience in regional cooperation and integration, can make an important contribution to the MERCOSUR process.

Especially in the years around the turn of the century, MERCOSUR member states suffered a deep economic and political crisis that posed significant difficulties for the development of the integration process; for instance, in terms of the completion of the internal market, the co-ordination of national policies and the strengthening of regional institutionalization.

Consequently, against this background, and taking into account its own experience, the EC has identified in its Regional Strategy Paper 2002-2006, three main challenges for MERCOSUR:

- completion of the internal market;
- stronger institutionalization; and
- integration of MERCOSUR into the regional/international context.

It also set three priority areas where the bi-regional relationship should be concentrated in order to overcome existing obstacles by providing support to<sup>9</sup>:

- the implementation of the MERCOSUR internal market (i.e. assistance in science and technology, support for single market and macro-economic co-ordination, agriculture and sanitary projects; committed funds: € 12.500.000);
- the institutionalisation of MERCOSUR (i.e. harmonisation of sectoral policies; customs cooperation; MERCOSUR bodies; technical standards, etc.; committed funds: € 21.000.000); and

/getDoc.do?pubRef=//EP//NONSGML+REPORT+A6-2006-047+0+DOC+PDF+V0 //EN&language=EN.

9 The regional indicative programme has financial provisions of € 48 million, of which € 32 million correspond to the financial and technical cooperation and € 16 to the economic cooperation. European Commission, MERCOSUR-European Community. Regional Strategy Paper, 10th September, 2002: [http://ec.europa.eu/external\\_relations/MERCOSUR/rsp/02\\_06en.pdf](http://ec.europa.eu/external_relations/MERCOSUR/rsp/02_06en.pdf).

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- the civil society within MERCOSUR (i.e. information to society; education, culture and audiovisual material; social dimension of MERCOSUR; committed funds: € 14.500.000).

Undoubtedly, as has been pointed out in the latest evaluation report commissioned by the European Commission, the EC contribution to the MERCOSUR integration process, both in political and economic terms, has been significant in spite of the fact that domestic actors judged these funds to be insufficient.<sup>10</sup>

However, considering that the EC cooperation strategy aims at working with MERCOSUR to overcome the challenges faced by the integration process, it should first be assessed whether the responses devised by the EC really tackle the core problems of the block and, second, if the overall EC cooperation with the region (at regional, sub-regional and national levels) is coordinated and coherent enough to generate the synergies necessary to favour the strengthening of the regional integration process.

Difficulties experienced by MERCOSUR to develop its integration process seem to be mainly rooted in specific features of the institutional development of its member states, the structural heterogeneity of their economies, the lack of trade and productive links between the countries of the region, a foreign trade mainly orientated to non-MERCOSUR countries and the social inequalities within member states.<sup>11</sup>

10 This section is mainly based on two evaluation reports commissioned by the European Commission Evaluation of ALA Regulation 443/92, May 2002 [http://ec.europa.eu/europeaid/evaluation/document\\_index/2002/951614\\_docs.htm](http://ec.europa.eu/europeaid/evaluation/document_index/2002/951614_docs.htm); and Evaluación de la estrategia regional de la CE en América Latina, op. cit.

11 See, for instance, Julio Berlinski, Francisco E. Pires de Souza, D. Chundnovsky y A. López, 15 años de MERCOSUR. Comercio, macroeconomía e inversiones extranjeras, Montevideo, Red de Investigaciones Económicas del MERCOSUR, 2006; Bernardo Kosacoff (ed.), Evaluación del desempeño y aportes para un rediseño del MERCOSUR. Una perspectiva desde los sectores productivos argentinos, Buenos Aires, CEPAL, 2004; Marcelo Laplane (comp.), El desarrollo industrial del MERCOSUR: ¿qué impacto han tenido las empresas extranjeras?, Buenos Aires, Siglo XXI-Red de Investigaciones Económicas del MERCOSUR, 2006; CEPAL, Globalización y desarrollo, Santiago de Chile, 2002. See: [www.iadb.org/intal/detalle\\_ponencia.asp?cid=233&tipo=&idioma=esp&id=854](http://www.iadb.org/intal/detalle_ponencia.asp?cid=233&tipo=&idioma=esp&id=854).

If this interpretation is correct, EC programs seem to be somewhat unsuitable for tackling these problems. We have seen that they mainly aim at completing the internal market, strengthening regional institutions and increasing the participation of the civil society in the integration process. Nevertheless, as the European experience demonstrates, it is quite difficult to accomplish these goals if the region cannot first develop dense and high-quality intra-regional trade flows as well as improve its connectivity.<sup>12</sup>

For instance, the case of the external trade of the countries of the region, reveals that the starting point has been very different compared to the European experience. In the case of MERCOSUR member states, historical orientation has mainly been towards Europe and the United States and, consequently, a great part of the trade-related infrastructure was also directed towards these countries.

With respect to the European integration experience, member states, at the moment of signing the Treaty of Rome in 1957, had already enjoyed a period of intraregional cooperation which certainly facilitated the later development of the regional market. As the experience of MERCOSUR member states in the 1990s seems to demonstrate, unilateral trade liberalization and deregulation of markets cannot improve these links on their own, and specific policies might be necessary in order to develop intra-regional trade, something which could be an interesting area of action for EC cooperation.

Likewise, as the European experience demonstrates, an equitable distribution of the benefits of integration seems to be a precondition to further develop the process. Even though this was one of the most significant problems within MERCOSUR, the reduction of asymmetries between member states has not appeared among the priorities of the EC cooperation strategy.

12 In another article I have shown that intra-regional trade has been concentrated in few sectors and also in very few actors, particularly transnational companies, and this has had a negative impact on the integration process. See Martín Obaya, "The institutional development of MERCOSUR: a study based on the structural reform process in Argentina and Brazil", article presented at the Fourth Annual Conference of the Euro-Latin Study Network on Integration and Trade, Paris, France, 20th-21st October, 2006.



The second point is related to coordination among the different levels (regional, sub-regional and national) of the EC strategy: cooperation with the region seems to be based on a set of fragmented, scattered and unrelated actions at the three levels, which seriously affects the possibilities for the development of synergies between them.<sup>13</sup> Even though this tendency has begun to change with the 2002-2006 program, coordination can still be said to be insufficient.<sup>14</sup>

Country strategy papers do not duly take into account regional integration as a core objective or priority<sup>15</sup> and therefore cooperation at different levels does not look for synergies and/or the coordination of actions that could promote positive impacts and improve efficiency in the allocation of resources. This means, for example, that funds devoted at this level to infrastructure, communication and science do not contribute to a reinforcement of the connectivity between countries, which could certainly have a positive impact on the regional integration process.<sup>16</sup>

### ***Final Comments on Future Perspectives***

In recent years, two different perspectives concerning the approach the region should adopt with respect to Latin America seem to have risen in the very heart of the EU, one embodied by the European Commission, the other by the European Parliament. The outcome of this internal discussion could have significant effect on EU strategy towards MERCOSUR in the years to come.

The European Commission, on one hand, stated in its communication *A Stronger Partnership between the European Union and Latin America* that:

13 Evaluación de la estrategia regional de la CE en América Latina, cit., p. 5.

14 Ibid, pp. 53-55.

15 As stated in the EC-MERCOSUR Regional Strategy Paper: “National [Memorandum of Understanding] intervention areas focus on domestic institutional, social, and economic issues, and no to strengthen MERCOSUR integration”, p. 21.

16 Even though the Regional Strategy Paper 2002-2006 for Latin America (available at [http://ec.europa.eu/external\\_relations/la/rsp/index\\_en.htm](http://ec.europa.eu/external_relations/la/rsp/index_en.htm)) can be seen as a first attempt to overcome this situation, it can be thought of as insufficient since its scope of action is too restricted.

“The strategy for a stronger partnership between the EU and Latin America must also take account of the importance and special role of the region’s big countries. This is particularly the case for Brazil, with which the EU has only the bare bones of bilateral dialogue with no political dimension. This situation is no longer in keeping with Brazil’s rapid development as a global economic and political player. Brazil can take a lead role in regional integration; this remains the prime objective of the EU’s strategy towards MERCOSUR [...]”<sup>17</sup>

Consequently, it proposes the “[...] setting up specific political dialogues with certain countries in the region which play a particular role and [the adjustment of] its cooperation activities accordingly”<sup>18</sup>.

On the other hand, the European Parliament, in its “Report on enhanced cooperation between the European Union and Latin America”, when referring to the communication of the European Commission, states:

“There are [...] a number of inconsistencies and contradictions regarding the objectives specifically intended to foster regional integration processes in Latin America and at the same time to foster intensive bilateral dialogue with some partners only, given that nothing is said about the possibility of adjusting the dialogue according to the particular circumstances in the individual partner countries and tapping the full potential of the various agreements with the Union.”<sup>19</sup>

If the proposal of the European Commission is adopted, it would result in a significant change in the traditional EU approach towards MERCOSUR and, more generally, towards its conception of the nature of the integration process. It would imply that a regional *hegemon*, namely Brazil has been identified and dialogue between the two regions would be carried out through the new continental “bridgehead” and no longer between blocs.

17 A Stronger Partnership between the European Union and Latin America, cit., pp. 17-18.

18 Ibid, p. 18.

19 Report on enhanced cooperation between the European Union and Latin America, op. cit., p. 19.

*Mercedes Retamoso*

## **MERCOSUR: Current State and Perspectives**

### ***Introduction***

This essay presents the current developments in the agenda of the Common Market of the South (MERCOSUR).<sup>1</sup> Since its birth, the intergovernmental logic has predominated in the construction of MERCOSUR, thus national visions have prevailed above a collective perspective. A few years ago, MERCOSUR members began making an effort to revert this situation by reformulating its institutional structure and appealing for a more systematic performance, which should be more transparent and open to civil society.

Generally speaking, Latin American integration was conceived as a way to stimulate commerce and industrial development, broadening markets within the region and thus gaining international competitiveness.

The first attempts date back to 1960 when the Latin American Free Trade Association (ALALC) was created, followed by the Central American Common Market (1961), the Andean Pact (1969) and the Caribbean Community CARICOM (1973). Although at first these integration processes succeeded by increasing intra-regional commerce, the crises of the import-

1 For additional literature on this issue see: Caetano, Gerardo “Los Retos de una Nueva Institucionalidad para el MERCOSUR”. Montevideo, FESUR, 2004. Caetano, Gerardo “Parlamento Regional y Sociedad Civil en el proceso de integración ¿Una nueva oportunidad para «otro» MERCOSUR?”. Montevideo, FESUR, 2006. Generyro, Ruben; Vázquez, Mariana “El MERCOSUR por dentro”. Buenos Aires, PIDHDD, 2007. Casal, Oscar “El camino hacia el Parlamento del MERCOSUR”. Montevideo, FESUR, 2005. Vázquez, Mariana, et al. “La institucionalidad del MERCOSUR: una reforma necesaria”. Buenos Aires, Secretaría de Relaciones Internacionales CTA, 2006.

substitution model in the 1980's obliged to abandon this scheme. In spite of this, continuous efforts were made to deepen the region's economic integration, especially with the transformation of ALALC into the Latin American Integration Association (Asociación Latinoamericana de Integración; ALADI), which established a preferential trade area among Latin American countries that subscribed diverse partial agreements.

The 1990's decade lead to an integrationist revitalization and projected more flexible and viable schemes. The almost exclusive commercialist strategies were replaced – as denominated by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) – by an “open regionalism”. In this context, in 1991 the Asunción Treaty gave origin to MERCOSUR, which was institutionalized in 1994 by the Ouro Preto Protocol. From then on, MERCOSUR's member states<sup>2</sup> initiated a consolidation process, where a free trade area and a customs union are intermediate steps to reach a single market.

During these first years, the emphasis in macroeconomic and tariff issues relegated the creation of institutional tools to a second place. The “low intensity” institutionalism was in line with the priority given to commercial integration, contrary to a supranational evolution following the European model. However, although MERCOSUR has always privileged economic aspects, it has also initially declared a clear desire for a deeper political, institutional and cultural integration. Nevertheless, in spite of these intentions, the decision-making process has been almost exclusively dominated by governmental representatives, especially presidents and ministers of foreign affairs and economics. Therefore, during these first years, MERCOSUR was reluctant to create common institutions and trespass the intergovernmental structure.

2 The founding members which subscribed the Treaty of Asunción were Argentina, Brazil, Paraguay and Uruguay. In 2006, Venezuela applied as a full member. Associated states are Chile (1996), Bolivia (1997), Peru (2003), Colombia and Ecuador (2004).

### ***The New Institutional Structure***

A fundamental moment in MERCOSUR's development was the profound political and economic crisis that affected the integration process, starting in 1999 with a commercial imbalance produced by the Brazilian devaluation. That same year, an intense political crisis took place in Paraguay followed, in 2001 and 2002, by the Argentinean economic crack and the abrupt end of Fernando de la Rúa's government and, latter, by the Uruguayan financial collapse. During these years of crisis, talks about recreating MERCOSUR began within official spheres. Declarations gave origin to measures reorienting and enlarging the competences of the institutional structure. The new institutions – or reformed institutions – are described in the following chronological order:

#### ***MERCOSUR Technical Secretary***

The Council Decision 30/2002 transformed the Administrative Secretary into the Technical Secretary. In 1994 the Ouro Preto Protocol created the Administrative Secretary as an operative body to support the other MERCOSUR bodies.

Until 2002, the Secretary was the official archive and publication office and disseminated the decisions adopted by MERCOSUR. Also, it had the duty to inform member states on a regular basis about the measures implemented by each country and the decisions and regulations emanating from the MERCOSUR bodies in order that they incorporate them in their respective jurisdiction. Finally, the Secretary was responsible for the logistical aspects of the meetings.

In 2002, the member states decided to transform this body into a Technical Secretary, adding new duties and creating a technical advisory area. Among others, the Secretary has to elaborate – on request of the decisive bodies – technical reports on intra- and extra-MERCOSUR issues, evaluate and monitor the development of the integration process, and elaborate studies on several themes of interest in order to contribute to the development of the integration process.

*The Permanent Revision Tribunal (Tribunal Permanente de Revisión, TPR)*

One of the fundamental innovations of the Olivos Protocol was the creation of the TPR in 2002, which entered into force in 2004. The TPR, which appears to be the outcome of the dispute settlement system triggered by the Brasilia Protocol, constitutes the main body of the system, alongside with the ad hoc tribunals (TAHM). The TPR responds to a necessity to create a juridical institution that resolves disputes and interprets and applies the common set of norms. The idea of establishing a judicial body was not prescribed by the 1991 Brasilia Protocol and, in fact, the system worked only through ad hoc tribunals that produced a total of ten arbitration decisions.

The Technical Secretary of the TPR was installed in Asuncion in 2004 and is composed of five arbiters that have a mandate of two to three years. The TAHM arbiters are selected from consolidated lists that each member state presents to the MERCOSUR's Secretary. If disputes emerge between member states after a decision is taken within the framework of the Common Market Group negotiation rounds, then MERCOSUR is allowed to submit the case to a court, in accordance with the mechanisms provided by the TPR.

The proceedings regulated by the Olivos Protocol and its derivative norms are: disputes between member states initiated upon member states or citizens' request, appeals, exceptional and urgent measures and, finally, consultative opinions. Arbitrages are obligatory and irreversible for the member states part of the controversy.

*The Permanent Representatives Commission (Comisión de Representantes Permanentes del MERCOSUR, CRPM)*

The CRPM was created in December 2003 as an organ of the Common Market Council. It is composed of one permanent representative from each member state and a President, who acts as the regional spokesman.

The CRPM assists the Council and the bloc's Presidency in subjects related to the integration process, external relations and the construction of the Common Market. One of its main objectives is the creation of institutions

that can bring MERCOSUR closer to its citizens, through issues that do not have the public dissemination that commercial issues have, such as social cohesion, common energy policy and training for public servants.

Over the past year the CRPM has been carrying out several projects, among which is a Regional School of Public Administration. Another initiative is the Social Institute of MERCOSUR, in charge to articulate the member states' social research centers which reflect and find strategies to tackle problems such as poverty, income distribution, education, health, environment, labour, social security and social development. The institution is also meant to be an instance where successful social programs are shared, joint projects are created and common social indicators are developed. The CRPM is also working on a strategic program for frontiers, an energy observatory and the development of a MERCOSUR communication strategy.

*Consultative Forum of Municipalities and Provinces (Foro Consultivo de Municipios y Provincias)*

The Forum was created by the Common Market Council at the Ouro Preto Summit in December 2004. Within this instance, local governments are represented within the decision-making process and the administrative and judicial structure. This forum represents a point of departure for member states' international insertion.

The fundamental objective of the forum is to stimulate dialogue and cooperation among local authorities and to promote measures intended to coordinate common policies for the improvement of the quality of life. In addition, the forum is able to make recommendations through the Common Market Group.

*The Parliament (Parlamento del MERCOSUR, PM)*

The PM is a unicameral body whose members are elected through universal suffrage, in accordance with national legislations. There are three stages foreseen until its final and definitive composition.

At the current stage, each member state has 18 representatives elected indirectly by the national parliaments. The PM's primary competences are to

propose to the Council the composition of the PM, based on the criteria of “citizenship representativity”, to approve the Council’s final decision on it and to approve the first internal regulation.

During this first period – extending from 2007 to 2010 – the representatives to compose the PM in its second stage are elected in accordance with national constituencies. The PM’s composition follows an “attenuated proportionality” due to the enormous asymmetries existing between member states with regard to population size and growth rates. This measure tends to ensure that no member state alone, nor in coalition with another member state, can obtain a majority. From 2012 on, elections are to be direct and hold every four years.

However, the integration of features proper to a parliamentary structure constitutes the most innovative aspect of MERCOSUR. The basic characteristic of the parliament concerning the decision-making process is that it consists of a representative body of the citizens, thus it represents neither the member states nor its governments. The sessions are public, which is of course a natural feature of parliaments, but given the scarce transparency and impact in the public opinion of the original regional institutions, the PM may constitute a channel of diffusion of the integration process as a whole and of the reception of the society’s requests and opinions.

Finally, there is another important innovation in the logic of consensus or unanimity that has dominated the decision process in the bloc. The PM is to decide by majority and it is expected that political alignments are to form outside the national scope, as occurred in the European Parliament.

### ***Other Undertakings***

This section outlines other initiatives that are part of the decision-making process structure of MERCOSUR.<sup>3</sup>

3 It is only a selection, in which other important initiatives could have been included, such as the creation and strengthening of various specialized meetings or the Employment High Level Group.



*MERCOSUR Structural Funds (Fondos de Convergencia Estructural, FOCEM)*

In December 2006, during the Rio de Janeiro Summit, the presidents of the region launched the first of eleven MERCOSUR Structural Funds projects.

Structural Funds are an old claim of the smaller countries, especially Paraguay, to reduce asymmetries within MERCOSUR. In 2003, on a Paraguayan proposal, the FOCEM were created to remedy the structural unbalances of the bloc. The funds aim at financing four programmes: structural convergence, competitiveness development, social cohesion and institutional structure strengthening.

*MERCOSUR Social Summits*

Simultaneously to the institutional strengthening, the idea to open the bloc's agenda to social participation was launched. This proposition was first explicitly stated in the 2003 Council decision establishing the priorities for 2004-2006. Under the title "Social MERCOSUR", the expansion of the civil society's participation is planned. Consequently, member states created and strengthened national and common spaces for social participation within the integration process.

In this context, during the second semester of 2005, the Uruguayan Presidency created the "Somos MERCOSUR" program, which gathers representatives of the regional civil society, representatives of the MERCOSUR bodies and governmental representatives. The following semester, the Argentinean Presidency, in its program, organized the First Meeting for a Productive and Social MERCOSUR, celebrated within the framework of the presidential summit, where 500 representatives from the civil society participated. The workshops – that treated a wide range of themes – elaborated recommendations that were presented to the presidents and their ministers.

The First Social Summit was celebrated in Brasilia in December of 2006, where hundreds of representatives participated. This experience repeats itself every semester at the end of each presidency, simultaneously to the presidential summits.

## ***Conclusion***

The creation of these new institutions was of particular significance within the actual context of crisis surrounding the regional integration process; a time where bilateral national conflicts and MERCOSUR's insufficient responses generated a deadlock image, which cannot be changed by mere manifestations of political good will.

Within this context, some observers believe that the creation of these new institutions only triggers more bureaucracy and higher costs, while others think that it is necessary to deepen and democratize the integration process in order to cure the current situation.

However, the integration project needs social legitimacy; citizens should know and perceive the benefits of integration. These institutions seek to equilibrate the intergovernmental logic that has bogged down the process in discussions and negotiations focused on national perspectives, displacing the regional and communitarian interests. In the end, they intend to make MERCOSUR a reflection of a collective project.

Many issues are still pending for a common project. The above described developments are recent and incipient, but they pursue the principles that could trigger the whole process, which are transparency, accountability, democratization, inclusion of new actors, renunciation of the intergovernmental logic and common management of integration with a permanent formation of the institutions.

*Mauren Navarro*

## **The EU as a Role Model for Central American Integration?**

It goes without saying that the European Union (EU) is one of the best examples of successful regional integration. Although a comparison between European and Central American countries in terms of history, culture, economy and other aspects reveals many differences, it is interesting to note that the whole historical process of European integration bears a considerable degree of resemblance to the developments that took place in the Central American isthmus.

Indeed, learning from European historical experiences could be a beneficial lesson for the Central American region, which is currently trying to reach a higher level of integration. Although the socio-political situation differs from region to region, there is no doubt that the successful process of regionalization in Europe – which led to great achievements for the European societies – is extremely interesting and useful for Central American.

The terrible consequences of World War II made politicians in Europe consider some type of integration. In a period of catastrophe, decision-makers were obliged to ignore national sentiments, in order to reach the best decision for the continent: The future laid in the union. With the foundation of an integrated Europe, a stronger Europe would be created; new armed conflicts would be avoided and a much more just Europe could become reality. The adoption of a free trade political stance was a fundamental step for the advantage of the integration process and the proposal of Robert Schuman of a common French-German coal and steel production initiated economic integration and formed the cornerstone of the current integration project.

During the history of integration, there have been obstacles and there were times when crises endangered the whole process. Interestingly enough, an analysis of these obstacles and crises that took place on the European continent reveals a resemblance to the current obstacles and crises within the Central American reality. Indeed, Central America is torn between its willingness to maintain the unity and the difficulty of finding a common way to promote this. This discrepancy has deep and multiple roots. In the case of Central America, there has always been a dichotomy between the forces of separation and unity and there have always been periods characterized by divisions and periods characterized by efforts to come closer.

### ***Integration in Central America: A Brief Historical Overview***

In Central America, the struggle for unity began with the foundation of the Captaincy General of Guatemala in 1540, which marked the starting point of this complicated process. It should also be mentioned that from 1823-1840, the Federal Republic of Central America, under the guidance of Francisco Morazán – one of the most important figures of Central American integration – already existed. Nevertheless, after a short period of unification, a number of civil wars took place from 1838-1840 and it was actually in 1840 when the states of the united provinces declared to be “free and sovereign”. However, with this decision three fundamental problems arose: First and foremost, the need to choose a republican form of separation of powers for the new independent states, in order to opt for centralist governments. Secondly, the necessity to have economic solvency as independent states. Thirdly, the ambivalence of the internal frontiers that created tensions among the states of the region.

In the 20<sup>th</sup> century, after the First World War, the economic crisis affected all countries that were specifically dependent on exports, and Central American economies were no exception. Costa Rica, El Salvador and Nicaragua utilized the devaluation of their currency and restricted some of their imports to keep a minimum favorable currency. During the Second World War, the United States of America assured their presence in Central Amer-

ica and signed the Inter-American agreement (1940). The first attempt of commercial integration was through the proposal of the Economic Commission for Latin America and the Caribbean (ECLAC, or CEPAL in Spanish) in 1951 called “integration industry”. In the 1950s, a series of bilateral agreements was signed and by 1960 the general agreement on economic integration was subscribed. These efforts, however, did not deliver positive results because the benefits of the economic boom were not equally divided. Between 1930 and 1979 a lot of changes took place and during this time period many organizational forms and social manifestations were developed that marked the being of Central America. The political history of Central America, after the 1930s, is marked by influential leaders and the presence of dictatorships and military regimes. The 1980s are characterized as the “lost decade”, in social and economic terms, because wars inhibited the level of the production and thus trade in the whole region. This led to a retrogression of the development of the social well being. The following democratization process created another challenge due to its concurrence with the regional integration process as part of the broader globalization process.

Since the first efforts of integration within the Central American United Provinces and the Central American Federal Republic, there has been a sentiment that this process should continue. Integration should not only lead to an increased territory in terms of size, but also to a stronger union capable of defending its interests and protecting its stability against external dangers. In fact, there has been a concept of integration that supports the argument that the commercial interchange was fundamental for economic growth and therefore the countries of the region could be more productive and capable of competing in globalized markets. However, most of the initiatives did not achieve concrete results.

### ***Central America and Europe***

The atmosphere changed in the 1980s when the Contadora group’s meetings took place and the dialogue process between Europe and Central America began. These initiatives took place after huge economic crises and

a high political instability in the region. The San José dialogue was established in 1984 and laid the basis of the political dialogue between the EU and Central America. It contributed significantly to the pacification and conflict resolution, democratization and development of Central America and also strengthened the integration process. In 1991, the Central American Integration System (SICA) was created. The organizations' main objectives are: peace, democracy, development and freedom.

Integration is in progress although it has been slowed down by the asymmetries of the region. As the Central American countries have managed to overcome other difficult situations, they should be able to overcome this relapse, and draw a line of continuity in economic and commercial politics. It should be mentioned that due to the developments of the last decades in the region, the societies today can enjoy the advantages of democracy and free interchange of ideas and opinions, which has to be the minimum base of negotiations in the future. Since the meeting in San José in 1984, the European Community realized the necessity of negotiations with Central America, since the region has an enormous potential of development and could achieve a major voice on the international scene. It is this dialogue that enforces the need for integration and cooperation and has so far been the appropriate way for the democratic consolidation of the countries of the region. The EU is beginning to collect the fruits of the initiative, since both blocs are in the process of starting negotiations on an association agreement. However, part of the requirements of the EU is that the countries of the region have to be more integrated, beginning with the establishment of a customs union. In any case the EU is only willing to negotiate en bloc since it is not efficient to negotiate with each one of the regions country separately. Fortunately, the Central American countries confirmed their will to ratify the agreement regarding inversions and services and to develop a jurisdictional mechanism that guarantees the application of the regional economic legislation in the entire region.

The EU has objectives that need to be developed on the general principles of respect for democracy and human rights, the struggle for regional integration, security, environment preservation, education cooperation, information society and science, basic themes like combating poverty and

inequality, striving to develop and fulfilling the Millennium Development Goals. However, these efforts towards cooperation and development very much depend on the demands of the EU to push for further economic reforms and to stimulate commerce and investments, in order to reach those objectives. Besides, the structure of power in the region proves to be a serious problem, as national elites and politicians with strong economic and political interests have been opposed to any integration initiative, since their interests will be affected by the creation of a common market. This constitutes a weakness of the Central American integration system. Moreover, it should be noted that as a regional economic space the objectives should be: improvement of the infrastructure, completion of the customs union, harmonization of custom proceedings and the creation of mechanisms that can reach a solution to the commercial problems. For the time being, SICA is in the process of a very important negotiation which promotes the establishment of an economic zone, the creation of job positions and the support of economic growth. After all, all these objectives constitute the cornerstone of the integration project.

The agreement has three fundamental aspects in terms of cooperation: free trade, development, and political dialogue. However, within this process, the question remains how regional asymmetries can be eliminated, or at least be decreased in order to facilitate integration. How can countries with high asymmetries manage to reach an agreement within a region that is considered to be one of the most complicated in the world? What decision will the governments and heads of state take in order to advance with the integration process? There are many questions on the table and some of the answers might be found in the history of the European integration process.

### ***Conclusion***

Although there are many differences in terms of culture and history between Central America and Europe there are also many similarities. It is for this reason that it is essential to acquire a higher degree of knowledge vis-à-vis the integration process. Both regional integration processes bear resemblances since in the case of the EU the whole project was based on liberty,

democracy, and respect of human rights, and also in the case of Central America these seems to be the main region building materials. In both processes, the first step towards integration has been the creation of an economic union capable of projecting a regional vision at an international market level. The SICA members also seem to adopt the European vision in terms of common political objectives. Indeed, all countries that participate in the regional process try to achieve an integration of a political type. However, the problems of Central America are related to the unwillingness of the national governments in transferring their sovereignty to a higher level and their unawareness of the potential benefits from the creation of a regional union. This is maybe the main difference between the European and the Central American integration project. What is interesting is that the cultural asymmetries are not as high in Central America as they are in Europe. For example, the citizens share the same language while there are 23 different official languages in the EU.

One can conclude that the regional integration process stems from the need to overcome economic and social difficulties and promote stability. Therefore, the question remains if Central America will reach a comparable level of integration as the EU has done.



*Jane Chow Coleman*

## **SICA: Current State and Perspectives**

Cooperation lies at the heart of regional integration and the development of regional integration agreements has been one of the most widespread phenomena of the past decade. According to the World Trade Organization, 87 agreements have been signed since the year 1990.<sup>1</sup>

The Southern Common Market (MERCOSUR) was formed in 1991; the Andean Pact of 1969 was resurrected in 1996 and renamed into Andean Community of Nations. The Central American Common Market (CACM) of 1960 was also revived in 1993 which included Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The CACM entails the removal of all trade tariffs between member states while simultaneously instituting a common external barrier. The common market also facilitates the free movement of labor and capital among member states. Whether CACM actually achieved this objective is debatable. Thomas O'Keefe, the president of Mercosur Consulting Group Limited, argues that, "it would be more accurate to call CACM a customs union rather than a common market because no provisions were made for the free movement of persons, capital, services or for the coordination of policies among the participating states".<sup>2</sup> One of the most significant reasons for the failure of CACM is the low level of cooperation both internally among member states and regionally with other regional agreements.

1 Preston, D. (1987) *Latin American Development - Geographical Perspectives*; John Wiley & Sons Inc., New York; *Regional Integration Agreements* (1995) [online] (cited April 30th, 2007) Available at: <http://www.oecd.org/dataoecd/39/37/19234331/pdf>.

2 Thomas O'Keefe (2001): *SICA: At the Dawn of a new Century*. Volume XIII, Nr. 3 *Florida Journal of International Law*, pp. 243-261.

The Central American Common Market was the precursor of the Central American System of Integration, which was established through the protocol of Tegucigalpa. The membership of SICA is comprised by all CACM countries along with Panama and Belize. Since the inception of the agreement in 1991, these nations have been working in a collaborative fashion to fight against marginalization caused by globalization. Their aim is to achieve complete economic and political integration of Central America. Currently, the members of SICA and the European Union (EU) share a close working relationship. This relationship originates from the cooperation agreement between Central America and the European Commission established in 1985 through what was then known as CACM.

In order to fully understand the significance of cooperation between the EU and SICA, it is imperative that one gains a full understanding of what SICA encompasses. Therefore, this paper will describe the main objectives and the major attributes of SICA and how it presently strives to achieve these objectives through its present functions, highlighting the deficient areas and explain how SICA can benefit from greater cooperation with the EU.

One of the key characteristics of SICA is that its member states enjoy intra-regional free trade. Most goods that “meet SICA’s rule of origin requirements are traded free of all tariff and non-tariff barriers such as quota restrictions.”<sup>3</sup> These rules stipulate “that goods made with raw materials from outside the region but which undergo vigorous transformation process will be free from all tariff barriers.”<sup>4</sup> It also goes on to stipulate that materials that are imported and do not undergo a vigorous production process, but are rather products of mere combination of materials, will not be exempted from tariffs.<sup>5</sup> Although these countries enjoy tariff free trade within the area, there still exist quota restrictions on certain goods. Therefore, it is evident that even at this first level of integration the countries must ensure that there is a high level of cooperation capable of reducing the possibilities of conflict between member states. The second element of SICA entails a common external tariff. This element produces a measure of trade creation

3 Ibid.

4 Ibid.

5 Ibid.

and trade diversion in certain instances. Due to the absence of tariff barriers, goods from partner countries become cheaper thereby discouraging imports from non-member states and thus increasing trade within its own network. In fact, in 1968 CACM attained increases in intra-regional export levels from 7 % to 25 %.<sup>6</sup>

There are several institutions within the SICA framework. The Protocol of Tegucigalpa requires a high level of cooperation between member states as it mandates that a Central American Court of Justice should be formed. This entity will serve as a legal body to resolve disputes between its members. The Central American Parliament or PARLACEN is another entity of SICA that until now has an advisory role only, providing recommendations where necessary. The Executive Committee is another sub-organ of SICA that is comprised of one representative from each member state. There is also the Central American Presidents Association which is the supreme organ for decision-making with the Central American Vice-Presidents Assembly playing a supportive role to the former entity by ensuring materialization of the decisions of the President's Assembly meeting. Another important institution is the position of the Secretary General of SICA, which is rotated among member states for a period of six months. Also, there exists the Advisory Committee of Ministers, the Secretary of Assembly of Presidents, two Consultative Committees, seven technical secretariats and eleven specialized institutions.<sup>7</sup> All these institutions play a very important role in achieving SICA's goals. For instance, the Central American Bank for Integration plays an active role in facilitating development and integration programs throughout the region. However, O'Keefe, along with other scholars, argues that "SICA's confusing and frequently overlapping bureaucratic tangle is actually said to induce paralysis in decision-making."<sup>8</sup>

6 Ibid.

7 SG-SICA (1999): *El Libro de Centroamericana - un Instrumento Cívico de los Pueblo*. CSUCA, San José, Costa Rica.

8 Thomas O'Keefe (2001): *SICA: At the Dawn of a new Century*. Volume XIII, Nr. 3, *Florida Journal of International Law*, pp. 243-261.

The benefits of SICA are insurmountable and already visible. The most evident result of the agreement is that of intra-regional as well as extra-regional security. The members of SICA have now moved towards the interlocking of their economies through greater economic and political relations thereby increasing the social fabric within the member states. It has also provided SICA countries with a greater voice in the global trading arena which has allowed them to have a stronger say, especially under the General System of Preferences for trade with the EU.

Until now, the EU is the only region that has successfully achieved economic integration. It was the first trading bloc to actively pursue deep integration in its Single Market Program and it has overcome the challenges SICA and other Regional Integration Agreements are still facing. Today, the EU represents a driving “force for peace, democracy and prosperity for its member states.”<sup>9</sup> The EU and Central America have been engaged in cooperative agreements since 1984, when both parties commenced the San José Dialogue which is the antecedent for cooperation with SICA. The EU has also funded several projects within SICA that are parallel to its objectives of strengthening peace and democratization process in the region; promoting equitable economic and social development; fighting against insecurity and crime; promoting consolidation of rule of law and fighting against poverty.<sup>10</sup> The EU has also channeled € 15 million to the “Programma de Apoyo a la Integracion Regional Centroamericana” (PAIRCA), another € 250 million for the regional program for the reconstruction of Central America (PRRAC) and a number of other cooperative programs in place have increased EU’s total donations to over € 540 million.<sup>11</sup> However, traditional cooperation between both parties was based on financial mechanisms. The programs were geared towards existing programs that promoted peace, democracy and development on a regional level.

9 History of the European Union [online] (cited May 2nd, 2007) Available at: [www.ec.europa.eu/comm.html](http://www.ec.europa.eu/comm.html).

10 European Union Regional Strategy Paper: 2002-2006 Central America [online] (cited April 30th, 2007): Available at: [http://ec.europa.eu/comm/external\\_relations/ca/index.html](http://ec.europa.eu/comm/external_relations/ca/index.html).

11 Ibid.

## SICA: Current State and Perspectives

Although SICA has received financial support from the EU to facilitate its integration process, it still falls short of meeting its objectives. Research reflects the need for greater cooperation between the EU and SICA. One area of cooperation which would greatly improve the efficiency of SICA would entail intensive technical assistance from the EU. The EU has succeeded in implementing a detailed system of economic mechanisms that prevents or reduces disparities in income transfers between member states. This was a fundamental step as unequal distribution of wealth can cause distrust and retaliation between member states, leading to the disintegration of the system. Another way through which cooperation can be fostered is institutional strengthening of the sub-organs of SICA. This can be achieved through political dialogue between the EU and SICA to allow a greater transfer of skills and know-how between the two regions. Another avenue which can be utilized is the establishment of a permanent EU Consultative Committee within the SICA framework. The presence of qualified personnel from the EU within the framework of SICA would allow for an easy access to technical assistance and experience. This body could also be charged with the responsibility of evaluating the integration process and with the responsibility to implement changes to the framework where necessary. Further cooperation between the EU and SICA can be achieved through joint training of technical officers of SICA. This exercise will provide competence in working with and implementing policies to overcome the present deficiency in coordination mechanisms and low productivity of the system.

In my opinion, the cooperation at the country level is imperative in order to yield significant benefits for both the EU and SICA. If cooperation is fostered at the national level in order to eradicate poverty, it will then allow member states to gain a greater interest in regional integration. If programs are created with the purpose of ensuring an equitable distribution of income within each member state, then it will translate into greater willingness to participate. Additionally, raising educational standards within each country will also yield greater participation from the public and civil society to accept the challenges presented in the integration process.

By engaging in the aforementioned areas of cooperation both SICA and the EU stand to benefit. Hence, improvements in the macroeconomic conditions of a country will simultaneously transfer improvements in the region as a whole. If more country-level initiatives are undertaken then greater participation in the regional integration process by all its member states will be encouraged. Additionally, if this occurs it will allow for improved trading between the EU and SICA which can lead to the removal of the General System of Preferences for the region and generate greater economic gains for both parties. Furthermore, if there is increased efficiency in integration for SICA it would contribute to the development of regionalism which in turn contributes to creating an atmosphere of global free trade. Thus, the role of cooperation between the EU and SICA is critical to the development of the world trading system and should be decisively contemplated by both parties.

*Norma Allegra Cerrato Sabillón*

## **Cooperation between EU and SICA**

### ***Introduction***

This essay has the purpose of presenting our perception of the cooperation between the European Union (EU) and the Central American Integration System (Sistema de la Integración Centroamericana, SICA). It includes some premises, a brief analysis of the relationship and cooperation between these two regions before the creation of SICA – since this will give us important information about the European role in Central America – and will help to explain some of the premises. Afterwards, there will be a short presentation of the EU's cooperation with the Central American integration process operating as a system and finally there will be some personal recommendations vis-à-vis the improvement of the EU's system of cooperation and a brief conclusion.<sup>1</sup>

1 For further information see also: SBERRO, Stephan y Juan Pablo Soriano (coords.), *La Unión Europea, su Evolución y relaciones con América Latina y el Mundo 2005*, México, Instituto de Estudios de la Integración Europea, El Colegio de México, Fundación Konrad Adenauer y Miguel Angel Porrúa-ITAM, 2005. Twenty Five Ministerial Conferences of the San José Dialogue (Joints Communiqués). Fifteen Meetings of the EU-CA (From Belgium, Brussels June 18th, 1987 to Guatemala, Guatemala, April 23rd, 2007) EU-Central American Summits (México, May 29, 2004. Viena, Austria, May 13th, 2006. Santo Domingo, República Dominicana, April 19th, 2007). ØBERG, Jan, *Does the European Union Promote Peace? Analysis, critique and alternatives*, The Transnational Foundation for Peace and Future Research, New Agenda Think-Tank, 2006 at: [www.nyagenda.dk/ee/images/uploads/oeberg\\_peace2.pdf](http://www.nyagenda.dk/ee/images/uploads/oeberg_peace2.pdf). RODRIGUEZ, Mario, *Alcances de un Acuerdo de Asociación entre Unión Europea y Centroamérica*, <http://www.ciid-gt.org/info/ada.pdf>. <http://www.bilaterals.org>. European Commission. *Development relations with African, Caribbean and Pacific States, Development Policies* at: [http://ec.europa.eu/development/AboutGen\\_en.cfm](http://ec.europa.eu/development/AboutGen_en.cfm). Web Page of Economy Watch. Doha Summit,

## **Premises**

The first premise is that the EU has based its cooperation on the solid principles of peace, solidarity and economic as well as social progress. In few words: to achieve a better world for all people. In this relation it is perceived as an authentic moral commitment to our region, which has continued for a long period of time, so that the EU can be considered as a sort of “elder brother”. We maintain a lot of faith in the EU’s efforts towards Central America, since these efforts are in harmony with its own construction as a region and operate within its legal framework.

Central America has not been able to eliminate the poverty and extreme poverty problems despite all the international cooperation including the support of the European Community (EC). Our region has not been able to overcome its structural shortcomings. Even so, it has to be recognized that EU’s cooperation is a very valuable asset to the integration process of SICA. Both regions have enriched the subject of integration and have learned from each other, although this aspect is difficult to measure and quantify.

The third premise is that globalization constitutes a major challenge for both regions. Does globalization hinder integration and cooperation? From an international commercial view, globalization is good; as one could ob-

Highlights on DOHA Round, <http://www.economywatch.com/world-trade-organization/doha-summit.html>. European Commission. Agriculture and Rural Development. Eurobarometer surveys. [http://ec.europa.eu/agriculture/survey/index\\_en.htm](http://ec.europa.eu/agriculture/survey/index_en.htm). UN Millenium Project, <http://www.unmillenniumproject.org/>. Web Page SG-SICA. SG-Noticias: <http://www.sica.int/sgsica/>. Web Page SICA. Foro UE-Centroamérica, at: [http://www.sica.int/busqueda/busqueda\\_basica.aspx?IdCat=47&IdMod=8&IdEnt=413&IdEntStyle=401](http://www.sica.int/busqueda/busqueda_basica.aspx?IdCat=47&IdMod=8&IdEnt=413&IdEntStyle=401). Web Page SIECA. Relaciones Comerciales CA-UE, <http://www.sieca.org.gt/SIECA.htm>. Council of the European Union. XXI San José Dialogue Ministerial Meeting Between the EU and Central America, Luxembourg, 26 mayo 2005. Joint Communiqué. [http://consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/er/84973.pdf](http://consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/84973.pdf). European Commission, External Relations. The EU’s relation with Central America EU-Central America Political Dialogue and Cooperation Agreement at: [http://ec.europa.eu/external\\_relations/ca/index.htm](http://ec.europa.eu/external_relations/ca/index.htm). European Comission, External Relations. The EU’s relation with Central America. Central America - Regional Strategy Paper 2007-2013: Executive Summary at: [http://ec.europa.eu/external\\_relations/ca/rsp/index.htm](http://ec.europa.eu/external_relations/ca/rsp/index.htm).



serve new efforts throughout the world in order to build regions, develop agriculture, industry, etc. The question is what is actually happening in Central America? There are more people living in extreme poverty, and what is striking is that there are also more asymmetries within the countries and among themselves. A deepening of social, political and economic problems can also be observed. Globalization is disseminating throughout the world through free trade agreements and treaties among regions. What is going to happen with the very poor regions, which do not have the variety, quantity and quality to export, nor the economic capacity or the technological means? What is going to happen with the good will of the EU – and its 24 years of systematic cooperation – trying by all means to build our region – through peace, democracy and development?

### ***Background***

#### *Europe*

At this point, it is necessary to assess in a brief, clear and audible way the EU's hard work and cooperation towards Central America. From our point of view, Europe – after suffering two world wars – has become a model of peace and economic progress, especially through its integration process, which has been inspired by other international treaties like the UN Charter. Since the founding treaties were approved, the emphasis was upon the importance of world peace, the peaceful resolution of conflicts and the role of Europe in achieving these goals. The Treaty establishing a European Community (1957) reflects the achievement or the desire to preserve and strengthen peace and liberty, and with overseas countries, through solidarity and the commitment to ensure the development of prosperity.<sup>2</sup> These goals of peace, solidarity, economic and social progress have become important values, which strengthen the EU. It is widely considered that these values have been transformed into a philosophy of action in the European

2 See Introduction of the Consolidated version of the Treaty Establishing the European Community.

integration process and through the years have been consolidated into firm principles.

### *Central America*

Back in the 1980s, the region was affected by internal conflicts along with international crises. This so-called “lost decade” affected the entire region of Latin America and the situation called for the attention of the European Community. In September 1984, representatives of the EC and Central American countries met in San José, Costa Rica, to examine the situation in the region. They established a mechanism for political and economic coordination and cooperation known as the San José Dialogue. Since that time they have held annual meetings. This mechanism reached the first main objective: pacification and democratization of the region. It is internationally recognized that in terms of foreign policy, the EC has reached a successful and historical echelon.

The San José Dialogue, as a process, forms the cornerstone of EU-Central American relations. Nowadays, this political dialogue has been extended to other fields of political cooperation, since historically it has focused on human rights, integrated rural development, disaster prevention and reconstruction, social development and regional integration. Through this process, the Central American region has received a considerable cooperation engagement at both a regional and a bilateral level. For the period from 1984 to 2000, total EC funding of regional cooperation programs amounted to € 450 million.<sup>3</sup> This represents an important economic, financial and technical cooperation. Other major initiatives have been included, as for example, the Regional Program for the Reconstruction of Central America (€ 250 million) following Hurricane Mitch.<sup>4</sup>

3 See Regional Strategy Paper 2007-2013 for Central America, p.15 at European Commission, External Relations. The EU's relation with Central America. Central America - Regional Strategy Paper 2007-2013: Executive Summary at: [http://ec.europa.eu/external\\_relations/ca/rsp/index.htm](http://ec.europa.eu/external_relations/ca/rsp/index.htm).

4 See Regional Strategy Paper 2007-2013 for Central America, Annex 2, p. 48.

### *SICA*

The San José Dialogue and the Contadora and Esquipulas processes, boosted the regional integration process, since the necessary conditions were prepared in order to negotiate a new Protocol to the ODECA (Organization of Central American States) Charter of 1962. The Presidential Summits at the beginning of the 1990s gave rise to the establishment of a new political and legal framework for regional integration, governed by the Tegucigalpa Protocol of 1991, which legally entered into force on July 23, 1992.

When SICA began to formally function in 1992, the EU's involvement in the region had been systematic through two important mechanisms: Ministerial Conferences of the San José Dialogue (eight conferences before SICA) and meetings of the EU-CA Joint Committee (five meetings before SICA). The Joint Committee was created within the San José Dialogue's framework at the 2<sup>nd</sup> Ministerial Conference at Luxembourg. This important Committee had the responsibility to look over, foment and assess the actions towards the fulfillment of the goals of the first cooperation agreement signed in 1985.

By 1993, the EEC and the Central American countries signed the first Framework Cooperation Agreement, which entered into force in 1999. This agreement supplemented the 1985 Cooperation Agreement. It was decided that the Joint Committee should continue to be in charge of it. It was mentioned in the 1993 agreement that the Community Cooperation is a very important factor for eliminating the problems of extreme poverty, which is also an objective of the Tegucigalpa Protocol (Article 3). Most of the objectives, principles and ends of the Tegucigalpa Protocol are coincident with the aims, principles and goals of the European Community Cooperation, as they pursue to consolidate democracy and strengthen its institutions based on the respect of the rule of law, the promotion of a sustained economic, social, cultural and political development in the region, the protection of the environment as well as the eradication of violence, corruption and trafficking in drugs. It should also be emphasized that both of them have as a principle the protection of, respect for, and promotion of human rights (Article 1 of the Cooperation Agreement and Article 4, letter a), of

the Tegucigalpa Protocol). However, the core of the European Cooperation to Central America has been the support of the regional integration process since the San José Dialogue.

The Joint Committee decided to create subcommittees for special areas: Cooperation Projects, Technology and Science and Commercial Cooperation. One of the most important decisions of this Subcommittee has been the new scheme of regional cooperation based on three mechanisms: Strategy Papers; Multi-Annual Programs with a Memorandum of Understanding; and Signature of a Framework Agreement with each Central American country.

At Florence in 1996, the Ministerial Meeting decided to enhance the cooperation to include new challenges with five general objectives: strengthening the peace and democratization process, equitable socio-economic development, combating insecurity and crime, consolidating and modernizing the rule of law and strengthening social policies. Then, at the Ministerial Conference in Madrid 2002, the parties decided to draw up a new agreement on cooperation and political dialogue to replace the 1993 agreement. The new Political and Cooperation Agreement between the European Community and its member states and the Central American countries was signed in Rome on 15 December 2003. It extended the scope of cooperation to immigration control, economic cooperation and the fight against terrorism. These objectives are also very close to those laid down in the Tegucigalpa Protocol, as mentioned above, but the most important fact is that they include the objectives of the Doha Program and the Millennium Development Goals. This new agreement definitely represents an important strengthening of EU-Central American relations. It is interesting to note that this new agreement was not signed with SICA, which is the new institutional and legal framework with the General Secretary being the legal representative. Thus, it should be noted that the SICA has legal personality and therefore may sign treaties or agreements with third states or organizations.

In 2001, the EC and the Central American countries signed a Memorandum of Understanding establishing a five-year national and regional program of

## Cooperation between EU and SICA

cooperation with an indicative allocation of € 655 million.<sup>5</sup> According to this Memorandum, the EC prepared the 2002-2006 Strategy Paper, which stated three main sectors of cooperation: a) Support for integration: implementation of common policies and institutional consolidation. Regional programs and projects should be comprised within a limited number of intervention sectors in accordance with the priorities of the Central American integration agenda. They endeavor to have a real and quantifiable impact on the process and should give specific added value to regional integration. They set out clearly that the aim is to strengthen the integration process by promoting and reinforcing the legislative and legal frameworks, with a special impact on the creation of an internal market, by free movement of persons, capital, services and goods. Approximately 50% - 60% of the cooperation is in this area, including the projects of implementation of common policies as support for the development of economic integration measures, especially, for establishing a customs union. The latter purpose is to promote Central America's integration into world markets. Besides, the support of the three regional bodies is particularly mentioned: the Central American Parliament, the Central American Court of Justice and the Consultative Committee of SICA; b) Strengthening the role of the civil society in the integration process; c) Reduction of vulnerability and environmental improvement. The total of funds for this strategy included € 74.5 million for sub-regional programs.<sup>6</sup>

In 2004, on occasion of the 20th Anniversary of the San José Dialogue, celebrated at Guadalajara in Mexico, the First Summit between the heads of state and government of the EU, represented by the Troika, and Central American leaders, took place. At this important meeting, it was decided to foster the integration process in our region, taking into consideration the priorities established in the Regional Strategy Paper for 2002-2006. Also a strategic objective was established: negotiations towards an Association Agreement between the two regions. They also made a remarkable empha-

5 European Commission, External Relations. The EU's relation with Central America EU-Central America Political Dialogue and Cooperation Agreement at: [http://ec.europa.eu/external\\_relations/ca/index.htm](http://ec.europa.eu/external_relations/ca/index.htm).

6 See Regional Strategy Paper 2007-2013 for Central America, Annex 2, p. 49.

sis in the social cohesion subject. At the EU-Latin America and Caribbean (EU-LAC) Summit held in Vienna in May 2006, the strategic objective of negotiations concerning an Association Agreement was discussed. It included the establishment of a Free Trade Area between Central America and EU, since Central America had improved significantly in the economic area, especially in the process of establishing a customs union. Another important subject is the achievement of higher levels of social cohesion, including good governance as well as a deeper integration process. The summit also highlighted that the core of the EU's Development Cooperation is the eradication of poverty, as it was approved in the Joint EU Statement called "The European Consensus on Development".

The Strategy Paper 2007-2013<sup>7</sup> focuses on one main objective: to support the process of political, economic and social integration in the context of preparation of the Association Agreement between the EU and Central America. The EC will support regional integration and has decided to strengthen political and economic relations between the regions in order to facilitate the negotiation and implementation of this agreement. For this purpose the EC considers three groups of potential measures: the first group will strengthen the institutional system for the process of Central American integration; the second group will reinforce the economic integration process; and the third group will strengthen regional security and governance. An indicative allocation of € 75 million has been earmarked for Central America in this period.

At this point, two subjects of this Strategy Paper should be further elaborated: firstly, it considers as cross-cutting issues the broad participation by civil society and the principles of social equality; secondly, it includes in the annex -Table10- the indicators related to the Millennium Declaration for the 1999-2003's period, which shows up the levels of poverty and extreme poverty of our region at the present time. These indicators must be taken into consideration by the EU's Development Cooperation. Historically, one of the problems of international cooperation or external assis-

7 European Commission, External Relations. The EU's relation with Central America. Central America - Regional Strategy Paper 2007-2013: Executive Summary at: [http://ec.europa.eu/external\\_relations/ca/rsp/index.htm](http://ec.europa.eu/external_relations/ca/rsp/index.htm).

tance has been that it does not respond to the own needs and initiatives of the countries or regions. However, in the EU's strategy, it is confirmed that it is based on Central America's own development agenda as well as on the Commission's cooperation objectives.

## ***Recommendations***

### ***1) Efficient and effective Cooperation Evaluation System***

The EC's Cooperation must revise the evaluation system of its cooperation. A permanent – and not just periodical – evaluation of the projects is needed. The EC must be aware through feedback of the progress towards the fulfilment of the objectives.

### ***2) Including other sectors for cooperation, as agriculture***

Central America is an agricultural region, which means that this is the main source of income for the people and countries. This sector is not properly supported or protected. Besides, the production, in terms of variety, quantity and quality is not at a competitive level in a globalized world. If a radical change in this area does not take place, the problem of extreme poverty will not be solved. In other words, the productive system has to be the base since it is not possible to make a good construction without a solid foundation. In this order of ideas, it is necessary to make a serious assessment vis-à-vis the effects that the EU's Common Agricultural Policy and the new Free Trade Agreement will have for our region. It should be also borne in mind that the EU subsidy system protects the agricultural production and represents about 44% of the EU's budget.

### ***3) Social Cohesion needs to be implemented straight away***

It is advisable to involve the civil society in this working area. Civil society organizations have been claiming that they have not been included as they should be, and that they also do not have sufficient financial support. The Consultative Committee recently prepared the document: "Negotiation Proposal for the Association Agreement EU-CA, from the Central Ameri-

can Civil Society”. For implementing projects in this area, it is of vital importance to identify first the basic objectives with deadlines, under strict professional supervision. Central America will always face big asymmetries with other regions, but in order to mitigate its social, economic and political impacts, a solid social cohesion should be created.

*4) The Association Agreement should be negotiated with the SICA and the European Union, through the European Community.*

As mentioned before, the General Secretary is the legal representative of SICA and broadly speaks for the entire region. The Association Agreement is lacking a very important objective: “Deepening of the regional integration process”. What is highlighted is the political dialogue, commerce and cooperation. It is also necessary to include more and better development aid in this agreement, to be able to confront the existing asymmetries.

## **Conclusion**

With these considerations in mind, the EU has been for almost 24 years systematically cooperating with our regional integration process and building a strong relationship based on principles, values and cooperation. As testimony: twenty five Ministerial Conferences of the San José Dialogue, fifteen Meetings of the EU-CA Joint Committees, two EU-Central America Summits, and many different meetings of diverse segments and mechanisms. There is coherence in the political cooperation of the EU towards Central America and the core has been to strengthen and deepen the integration process in Central America. In response to this, the region has made some progress, especially in the economic area as in the customs agreements. But despite all the EC’s Cooperation we have not been able to eliminate poverty and extreme poverty. The new scenery – an Association Agreement and a Free Trade Area – brings a lot of questions and doubts about the new relationship between both regions. Will this relationship change? Will it be led to enter into a commercial relationship, where mere competitiveness and free commerce will dominate?



*Beatriz Véliz Argueta*

## **Benefits and Risks of an Association Agreement between EU and SICA**

### ***Introduction***

The present essay seeks to evaluate critically the benefits and risks of an Association Agreement (AA) between the European Union (EU) and Central America. The AA consists of three pillars covering economical, political and cooperation topics; the consideration of these three aspects shows that the EU understands that integration is a complex and multidimensional process.<sup>1</sup>

- 1 For additional literature on this topic see: Chamorro M., R. (2004) 'La integración económica y la reforma institucional centroamericana' in *La integración centroamericana: realidad y perspectivas. El proceso de integración centroamericana y el papel de la Unión Europea*. Comisión Europea, Relaciones Exteriores. Oficina de Publicaciones Oficiales de las Comunidades Europeas. Luxemburgo. Janowski, C. (2006) *Globalization, Regional Integration and the EU. Pleadings for a Broader Perspective*. Center for European Integration Studies. Rheinische Friedrich-Wilhelms-Universität Bonn. Discussion Paper C162. Kühnhardt, L. (2004) *The Global Proliferation of Regional Integration. European Experience and Worldwide Trends*. Center for European Integration Studies. Rheinische Friedrich-Wilhelms-Universität Bonn. Discussion Paper C136. Pérez Gaitan, C. (2005). "Construyendo la Asociación estratégica UE/América Central" en *De Guadalajara a Viena: Hacia una Cumbre Nueva*. Centro Latinoamericano para las Relaciones con Europa (CELARE). Puchala, D. (1999) *Institutionalism, Intergovernmentalism and European Integration: A Review Article*. *Journal of Common Market Studies*. Vol. 37, No. 2. pp. 317-31. Sanahuja, J. A. (1997) *Integración regional en América Central, 1990-1997: Los límites del gradualismo*. *América Latina Hoy. Revista de Ciencias Sociales*. No. 17. Sandholtz, Wayne and Alec Stone Sweet. (1998) 'Integration, Supranational Governance, and the Institutionalization of the European Polity' en Sandholtz y Stone Sweet (eds). *European Integration and Supranational Governan-*

International relations with Europe have played an important role in the history of Central America, especially in the last decades. Europe's active participation in the democratic transition was instrumental for the consolidation of peace in the region. These efforts started with the *Dialog of San José* in 1984. The European perspective understood in that moment that a national and regional approach was needed in order to successfully achieve regional pacification and stability.<sup>2</sup> The *Dialog* gave birth to an increasing bi-regional interaction that currently seeks to strengthen the relations with an AA. This AA between Central American countries and the EU would not only constitute the first bi-regional agreement in the world, but most importantly, it transcends the traditional *economical disencounter* that has characterized the relations between both regions.<sup>3</sup> This accord, due to its integral characteristic, strengthens relations on the above mentioned fields, which are interdependent issues from the EU's point of view.

In this paper, I propose that the expected benefits of the AA will be especially significant on the economic arena by building a stronger and more stable economic environment that will help consolidate the integration process. Politically, it is expected that democratisation will advance and this includes improvements in human rights and civil society participation. Regarding the risks, the agreement might not be sustainable because the main engine, as it is currently happening, depends on the political interests of executive powers and also to the fact that the integration process is advancing due to external pressures and not to the velocity dictated by the internal challenges and needs of the region. I draw the conclusion that the benefits of the AA exceed the risks and therefore Central American countries will benefit from signing such a contract, although I will present some caveats. In what follows, I briefly describe and analyze the benefits, risks, and advance some preliminary conclusions.

ce. Oxford University Press. SIECA (2007). Situación de la Integración Económica Centroamericana. Boletín Ordinario. Año 9. No. 12.

2 Sotillo, Á. "Las relaciones Unión Europea - América Central". En *América Latina Hoy* No. 17. Revista de Ciencias Sociales, 1997.

3 Ibid.

## **Benefits**

One of the most important potential benefits of the AA is the final consolidation of the Customs Union (CU) in the Central American Region, a goal that has been on the table since 1960. This is also a tangible goal because it can be measured by the impact of the AA on the living standards of the citizens of Central America. Europe has insisted on the CU for a long period and it constitutes a condition in order to successfully conclude the negotiation of the AA. The case of the EU illustrates the existence of a functional *spillover* effect from the economic to the political and social arenas.<sup>4</sup> Likewise, the EU expects a similar outcome in the Central American case and hopes that the CU becomes the corner stone of integration. We should not forget many of the benefits of a successful custom union: (1) the reduction of transaction costs; (2) the creation of a larger and more attractive market for investors, both external and internal;<sup>5</sup> (3) a growing economic interdependence among the countries, especially considering that interregional commerce has shown growth in the last years;<sup>6</sup> but most importantly, (4) the fact that the region will be seen as a bloc by international community;<sup>7</sup> finally (5) the EU market would be an economic alternative for the diversification of commercial partners, specially considering that currently the United States are the main destiny of Central American exports.<sup>8</sup>

A custom union requires rule of law and including institutional enforcement, in order to provide a more secure environment for investors. From an integration perspective, this is a preparatory step for the homogenization of commerce legislations of the different countries, and eventually the conformation of a common regional law, which would emerge as a result of the economic spillover of the AA. It is important to bear in mind that in the

4 Muñoz de Bustillo Llorente, R.; Bonete Perales, R. Introducción a la Unión Europea: Un análisis desde la Economía Third edition. Alianza Editorial, Madrid, 2002.

5 Ibid.

6 SIECA, Relaciones Comerciales y de Cooperación entre Centroamérica y la Unión Europea. Guatemala, 2006.

7 Rosenthal, G. "La integración centroamericana y el TLC" Revista Asociación de Investigación y Estudios Sociales (ASIES) no. 3, 2006.

8 SIECA, La Unión Aduanera Centroamericana. Centroamérica, 2007.

case of the Custom Union, as in many other topics, the EU has come to re-invigorate and accelerate a regional internal process in which many sectors are interested, particularly business entrepreneurs.

Sotillo and Sanahuja claim that economic tensions characterize EU-CA relations. These tensions manifest themselves through “a political encounter and economical disencounter”<sup>9</sup> that comes from a contradictory support by the EU; on the one hand they promote economical liberalization and diversification of the Central American exports; but on the other hand the EU keeps protectionist measures on their own agricultural sectors. That is why the EU has offered a cooperation model of *aid without trade* that differs from the *trade and aid* given to African, Caribbean and Asia Pacific countries (ACP).<sup>10</sup> The Free Trade Agreement that is part of the AA with Europe will transcend this economic disencounter; at the same time it will allow Central American countries to enjoy an *upgrade* of the traditional SGP+ (General System of Preferences) towards a more stable framework. From the Latin-American perspective the SGP, due to its unilateral and short-term characteristics, provides an unfavourable and discriminatory treatment excluding important agricultural products.<sup>11</sup> It is essential that the Central American countries take advantage of international negotiation as a bloc.<sup>12</sup>

The EU is clearly seeking to support the Central American integration process and is also looking for a more equitable and humane development in the region, especially considering that most of the countries have sharp inequalities among their citizens. This is why the negotiation has also political and social elements, and I turn to these aspects in the following sections.

9 Sotillo, op.cit.

10 Ibid.

11 Sanahuja, J. A., “Asimetrías económicas y concertación política en las relaciones Unión Europea-América Latina: un examen de los problemas comerciales” in Revista Electrónica de Estudios Internacionales, 2000.

12 Rosenthal, G., op.cit.

## ***Political Aspects***

Regarding the political aspects an AA will not involve significant changes in the Political Dialogue between the regions. It will continue and strengthen the relations at the highest levels, such as meetings of presidents, heads of state and ministers.

It is important to consider that this agreement has also a positive outcome for Europe, particularly regarding its foreign policy by presenting abroad a common position of member states. Back in 1986 the European Parliament pointed out that the relations between Central America and the European Communities represented one of the most important achievements within its foreign policy.<sup>13</sup> The AA is also a tool through which the EU plans to increase its role as a global actor. With this agreement Europe is supporting a model that follows its own experience, one that has solved successfully its challenges.

As Habermas in *Warum braucht Europa eine Verfassung* says:

[w]ithin a social dimension, modern Europe has evolved procedures and institutions to deal with intellectual, social and political conflicts. (...) This resolution strategy is encapsulated by the concept of the “recognition of reasonable disagreement”.<sup>14</sup>

Following these values, the EU seeks to strengthen civil society’s role within the Central American integration process. These efforts have already had some positive results; indeed, more participation has been found (see for instance the II Civil Society Forum that took place in Tegucigalpa, Honduras, last March); the involvement of civil society will take place by using the modality of *cuarto adjunto*, which means that representatives of this sector will be important actors by providing feedback to AA’s negotiators.

13 Sotillo, op.cit.

14 Habermas, J., “So, Why Does Europe Need a Constitution?” Robert Schuman Centre of Advanced Studies, European University Institute. Original text in German: “Warum braucht Europa eine Verfassung?” Hamburg, 2001, p. 22.

Finally, this agreement will increase political accountability by establishing a system of checks and balances, so to speak, which constitutes another political benefit of the AA.

We should bear in mind that Europe is more than a market; it represents a social unit as well, as cited by Habermas “[Europe] embodies a model of social organization that has matured throughout history”.<sup>15</sup>

### ***Social and Cooperation Aspects***

On the cooperation aspect both regions will work on the basis of the previous agreements (Luxemburg 1985 and San Salvador 1993). The EU has already launched its Regional Cooperation Strategy for Central America 2007-2013. The cooperation agenda emphasises equitable development, social cohesion, and the strengthened of civil society participation; the ultimate goal is to improve citizens’ life quality given the asymmetrical distribution of wealth in the region. We should not forget that the EU provides almost 60 % of the cooperation funds that the region receives; these funds target mainly the monitoring of human rights violations and fostering their protection, democracy and enforcement of legal institutions, rural development, prevention of natural disasters and reconstruction, social development, and regional integration.<sup>16</sup> In the current AA special importance will also be given to environmental measures.

### ***Risks***

For the purpose of analysis the risks can be divided in economical and political categories.

#### ***Economic risks***

Although considerable benefits of the AA between these two regions can be expected, there are also negative aspects to be considered. First of all is

15 Ibid., p. 8

16 European Commission “Documento de Estrategia Regional para América Central 2002-2006”, Juny 2002.

the fact that the integration advances in CA due to external pressures showing a reactive nature,<sup>17</sup> this means that the process does not respond necessarily to internal interests and demands of the Central American region. Several sectors within Central America have interests in the integration process, but the velocity at which the negotiations are taking place, due to external forces, is higher than the velocity at which the Central American countries are willing to reach an internal bargain; for example the CU has already harmonized almost 95 % of all products, but the remaining 5 % consist of important but sensitive products on which previous accords took place. For instance, sugar trade operates according to past multilateral agreements; to harmonize sugar it would thus be necessary to modify or eliminate previous negotiations, which represents legal barriers. The fact that the agenda is set by external actors can create: (1), internal tensions that lead to a disintegration of the Central American countries joint posture originally presented; (2), this might impede the creation and consolidation of a joint commercial foreign policy; (3), the emphasis on environmental issues by the EU might not be a priority for the region, this might lead to allocation of resources to environmental purposes when this is not the most urgent need; besides, local businesses might not be prepared to comply with rigid environmental regulations. We can already see some of these risks: for example, all the presidents of Central America, with the exception of the presidents of Guatemala and Honduras, disagreed with the timing previously accorded in a technical meeting.

### *Political risks*

The political risks are equally dangerous for the negotiation of the AA than the economic ones. We have to keep in mind that the integration process has had a political component characterized by an intergovernmental structure, in which the presidents are the main actors.<sup>18</sup> The fact that the presi-

17 Sánchez Sánchez, Rafael, *El Sistema de Integración Centroamericana como producto del regateo asimétrico entre Estados: Una perspectiva Intergubernamentalista de la integración regional*. I. Congreso Latinoamericano de Ciencia Política, Universidad de Salamanca, España, 8-11 of July 2002.

18 Sánchez Sánchez, Rafael, *El Sistema de Integración Centroamericana como producto del regateo asimétrico entre Estados: Una perspectiva Intergubernamentalista*

dents also have a strong influence on the negotiations and the whole process, plus the external pressures, end up producing a complex arrange of authorities over the processes shaped by imposition (by external actors) and desire of autonomy within each country. According to Sánchez, Central American governments support integration when it fulfils a utilitarian function, which means that the benefits for each country surpass the costs.<sup>19</sup>

Another risk is the lack of political continuity in the integration process; the political will follows an unstable cycle. It is very unlikely that the presidents' political agendas coincide. For instance, the current position of the president of Nicaragua is ambivalent. Due to this behaviour Malamud and Schmitter characterize the integration process as disordered and fragmented.<sup>20</sup>

When there is a political cycle, rules play a significant role. They consolidate the achievements of the integration process by becoming institutional anchors; then reversals become more difficult.<sup>21</sup> In the Central American case institutions have not fulfilled this goal, although there are independent actions in regional coordination of different functional spheres, this does not imply the development of supranational measures.<sup>22</sup> This has been called *spill around* instead of the traditional *spillover* effect. In other words, the development of the regional institutions does not aim towards supranationality.<sup>23</sup>

de la integración regional. I Congreso Latinoamericano de Ciencia Política, Universidad de Salamanca, España, 8-11 of July 2002 and Zimmek, M. "Integrationsprozesse in Lateinamerika. Aktuelle Herausforderungen in Mittelamerika und der Andenregion". Center for European Integration Studies. Rheinische Friedrich-Wilhelms-Universität Bonn. Discussion Paper C153, 2005.

19 Ibid.

20 Malamud, A. "Regional Parliaments in Europe and Latin America: Between Empowerment and Irrelevance". XXV Latin American Studies Association Congress (LASA 2004), Las Vegas, Nevada, 2004 and Schmitter, P. C. "Central American Integration: Spill-over, Spill-around or Encapsulation?" Journal of Common Market Studies, Vol. IX, No. 1, 1970 pp. 1-48.

21 Malamud, A. "Presidential Democracies and Regional Integration. An institutional approach to Mercosur (1985-2000)". European University Institute, Department of Political and Social Sciences, 2003.

22 Schmitter, op.cit. p. 39.

23 Sánchez Sánchez, Rafael, op.cit.



Finally, the AA includes the promotion of civil society, an aspect on which the EU puts particular emphasis. Nevertheless, some critics claim that one can not impose civic values and political participation; in spite of the EU, desires for a strong civil society might not emerge in Central America.

### **Conclusion**

Since the mid 1980s, Central American governments have seen integration as a strategic cooperation mechanism to achieve peace in the region. Executive powers remain the main political force behind such mechanism; they continue to play an important role in deciding the velocity and particular form of integration. As a result, an intergovernmental structure prevails along with a lack of will of the governments to pool sovereignty.

An integration process requires commitment and comprehension from the different actors regarding the costs and benefits of this communitarian enterprise. The AA is a good example of this. We should not forget that positive and negative outcomes have asymmetrical distributions and effects: everybody is willing to accept the benefits but not the costs. Nevertheless, the AA is an opportunity to enhance especially the economic potential of the region and at the same time it helps Central America to deal with an ongoing economical and political globalization.

We should bear in mind that Europe's own integration process continues to be under construction and faces its own challenges. Indeed, as Malamud mentions: "integration processes are not alike, and neither are their outcomes".<sup>24</sup> Therefore, the importance to acknowledge the fact that models (especially of institutional kinds) are guides only, not replicas to copy identically. Institutions should respond to the social context. Different regions confront their own historical, economical, political and cultural challenges and each of them needs to find its own path. This does not mean that progress and improvements in life qualities are not universally desirable; on the contrary, this is precisely the main goal, but the answer will not come from abroad but from within. Nonetheless, Central America should take

24 Malamud, A., (2003), op.cit.

advantage of the favourable international context and transcend the *economical disencounter* with Europe through a long term strategy.

The Central American integration process will continue its long and slow course principally due to its intergovernmental characteristic. Although the process responds to external pressures, the AA still represents a window of opportunity to consolidate a Central American Union that should respond effectively to internal needs; to reach this stage the engagement of social actors (civil society) is instrumental.

*Ximena Romero*

## **Cooperation between EU and CAN**

### ***Introduction***

This essay analyses the European cooperation activities with countries in Latin America, in particular how it has been oriented to the Andean region, and its perspectives for the period 2007-2013. The European cooperation strategy has not necessarily matched national actions in the countries of the region with an integration perspective, which has led to multiple inefficient actions. This has been the case because there is not enough knowledge about the current asymmetries existing in Latin America.

This essay proposes that it is necessary to modify the traditional co-operation policy including a regional focus which takes into account the demands of the society to attend directly to social and economic objectives. For this purpose, a practical exercise is included using a regional approach, and determining “Objective Zones” for the Andean countries. This exercise allows the evaluation of a financial cooperation system, using a territorial view, and its ability to improve social and economic development.

### ***Background Information***

Nowadays, the Andean Community is in the process of initiating negotiations for an “Association Agreement” with the European Union (EU). This kind of agreement is based on three elements: political dialogue, free trade, and cooperation and development aid. The economic relations between the EU and Latin America have been increased considerably in the last 15 years at the sub-regional level as well as at the bilateral one. Since 2001, the European budget assigned to Latin America is approximately € 300

million per year.<sup>1</sup> In addition, the EU has signed Association Agreements with Mexico (2000) and Chile (2003) and a similar process has begun with Central America and the Andean Community. Cooperation between the Andean Community and the EU dates back to 1978. In the first stage, this cooperation was focused on programs related to industry, agro-industry and the farming and energy sectors, with priority in the bilateral relations. In 1992, with a new agreement, the main subjects were related to democracy, human rights, fight against drug trafficking, and social development.

In 2002, the blocs negotiated the Political Dialogue and Cooperation Agreement in order to emphasize thematic areas such as peace and security, human rights, Millennium Development Goals (MDGs), participation of the civil society, immigration and a social and environmental policy.

The purpose of cooperation between the EU and the Andean Community has changed from mere budget support to a more programmatic approach in long term projects.<sup>2</sup> For the period 2002-2006 the technical cooperation was € 29 million and was mainly oriented towards enhancing the Andean integration process, specifically to start an “Andean zone of peace.”

For the period 2007-2013, it is expected that European cooperation will be focused on the achievement of the MDGs and the inclusion of the social groups from the countries that are involved in this process. The Regional Strategy for Cooperation with the Andean Community is an example of this priority. Its emphasis will lie in the area of social cohesion (reduction of poverty, social inclusion, equity, employment generation) with a focus on the issues that are of special relevance in the present.

### ***The Cooperation with a Regional Approach***

However, the European cooperation strategy has not connected national actions in the countries of the region with a focus on regional integration. Moreover, it has been difficult for the cooperation to achieve a proper con-

1 La Cooperación al Desarrollo como Instrumento de la Política Comercial de la Unión Europea. Aplicaciones al caso de Latinoamérica, BID-INTAL, 2006.

2 La dimensión de la cooperación en el Acuerdo de Asociación entre la Comunidad Andina y la Unión Europea, SGCAN, 2007.

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nection with society as many Latin American citizens do not have appropriate mechanisms to communicate their necessities to the national level.<sup>3</sup> For this reason, it is difficult to carry out socio-economic projects in a particular location, and obtain the expected results.

Thus, it is necessary to explore new channels to implement actions of the traditional cooperation policy. A territorial focus could be a criterion to assign financial and technical cooperation in the Andean countries.

Table No.1 – Income Inequality

<b>Country</b>	<b>Income of richest 10%</b>	<b>Income of poorest 10%</b>
Bolivia	42.3	0.3
Colombia	46.5	0.8
Ecuador	44.2	0.7
Peru	36.9	0.8
Venezuela	35.6	1.3

Source: World Bank, *Inequality in Latin America and the Caribbean: Breaking with History?* (2003).

It is known that the income distribution in Andean countries is not equal because of several historical and geographical issues. Even more, the developments are different in each country. There are undeveloped locations inside Colombia and Venezuela with a per capita GDP below the Andean average. In a similar way, in Bolivia and Ecuador, there are locations with a per capita GDP above the regional average. This supports the idea that cooperation actions must be focused on the locations instead of the country's economic and social requirements.

The European Union process uses Structural and Cohesion Funds which were created to promote the development of Objective Zones in order to balance the economic and social consequences of the integration process.<sup>4</sup> These aids are oriented at three objectives. This analysis refers to the first

3 SP/DI No. 7-06, De Viena a Lima: Seguimiento de las relaciones económicas y de cooperación entre la Unión Europea y América Latina y el Caribe, Secretaría Permanente del Sistema Económico Latinoamericano y del Caribe, noviembre de 2006.

4 Second Report on Economic and Social Cohesion, Commission of the European Community, 2003.

objective, which is considered as the focal point of the Cohesion Policy in the European Union.<sup>5</sup>

The methodology selects eligible areas with a per capita GDP below 75% of the regional average following the Nomenclature of Territorial Units for Statistics (NUTS 2).<sup>6</sup> The present essay applies this criterion to the Andean Community (Table Nr. 2). There are 62 eligible locations out of 111 which represent 40.7% of the Andean population and 20.8% of the Andean GDP. As shown, all departments of Bolivia and 71.2% of the Ecuadorian population are included in this group. On the other hand, only 13.2% of the Colombian population belong to this objective. The percentages for Peru and Venezuela are 58.4 and 34.4, respectively.

Table No.2

Country	Number of areas	GDP PPP Per capita aver.	Population	% average of poor	GDP PPP	% of GDP country	% of GDP country population	% of Andean GDP	% of Andean population
Bolivia	9	2.232	8.274.325	64	17.090	100	100	2.7	7.3
Colombia	8	3.304	5.662.263	61	36.351	6.4	13.2	3.1	5
Ecuador	15	2.670	8.654.165	70.6	26.960	55.5	71.2	4.3	7.7
Peru	17	2.651	15.395.563	54.2	42.958	36.2	58.4	6.9	13.6
Venezuela	13	2.983	7.931.188	N.D.	23.980	16.9	34.4	3.8	7
Total	62	2.768	45.917.504	62.5	147.339			20.8	40.7

Source: World Development Indicators 2001. Author's calculations.

In this group, there are areas where the population grows at higher rates than the economic activity. Indeed, they have only few development options, which makes it necessary to finance specific aids directly to this group.

5 Approximately 70% of the structural funds are directed to the Objective 1.

6 The Nomenclature of Territorial Units for Statistics (NUTS) was established by the Andean Community in 2002 (Decisión 534). An 'administrative unit' marks out a geographical area for which an administrative authority has power to take administrative or policy decisions in accordance with the legal and institutional framework of the Member State. NUTS2 corresponds to Departments for Bolivia, Colombia and Peru; Provinces for Ecuador and States for Venezuela.

### ***Concluding Remarks***

Using a regional approach, policy cooperation would support the decentralization process that Andean countries have been implementing in recent years. These actions alone cannot solve the structural economic problems in Andean countries. However, at the very least, if the cooperation mechanism is well designed, it could be a complementary element to attract public and private investments to the region.

Cooperation actions should be oriented towards solving structural factors and encouraging the economic activity in these Objective Zones. For example, these locations need transportation networks, energy, telecommunications and investments in education and the health sector.

With this approach, the impact of the cooperation policy will be measured. If measurement elements are developed, it would be possible to have periodical economic and social indicators to monitor the effectiveness of the financial cooperation in the short run.

The application of a regional policy will allow technical and financial assistance in the least development regions. This new approach must be supported by a social and economic cohesion policy in the Andean countries which allows them to alleviate their disparities. In this way, the national and regional efforts are concentrated in one purpose: to increase the welfare of the population.





# **Regional Integration and Asia**



*Karma Wangchuck*

## **The EU as a Role Model for South Asian Integration?**

Philippe De Lombaerde and Luk Van Langenhove define regional integration as “a worldwide phenomenon of territorial systems that increase the interactions between their components and create new forms of organisation, co-existing with traditional forms of state-led organisation at the national level.”<sup>1</sup> The formation of such an association is driven by a will of sovereign states either to work together to create bigger markets to boost trade and bring prosperity in the region or to safeguard peace. Regional integration can be regarded both as a manifestation of and a response to globalization.

Regional integration can take the form of free trade areas, customs unions, common markets or even economic unions when there is a complete unification of monetary and fiscal policy. But integration can also be triggered by political reasons such as the management of border and ethnic conflicts: when countries work together in a regional way, there seems to be less drive and room for inter-state conflicts. Hans van Ginkel, puts up regional integration as the process by which, states within a particular region, increase their level of interaction with regard to economic, security, political, and also social and cultural issues.<sup>2</sup>

In short, regional integration is the joining of individual states within a region into a larger whole. The degree of integration depends upon the

- 1 De Lombaerde Philippe and Van Langenhove, Luk, “Indicators of Regional Integration: Conceptual and Methodological Issues”, UNU-CRIS Occasional Papers, 0-2004/15, p. 1.
- 2 Van Ginkel, Hans, “Regionalism and the United Nations”, UNU Global Seminar, 4th Kanazawa Session in Globalisation and Regionalism, 20-23/11/2004, p. 5.

willingness and commitment of independent sovereign states to share their sovereignty.

Closer integration of neighboring economies is seen as a first step in creating a larger regional market for trade and investment. This works as an engine to greater efficiency, productivity gain and competitiveness, not just by removing or lowering border barriers, but also by reducing other costs and risks of trade and investment. Bilateral and sub-regional trading arrangements are advocated as development tools as they encourage a shift towards greater market openness. Such agreements can also reduce the risk of reversion towards protectionism, locking in reforms already made and encouraging further structural adjustment.

The desire for closer integration is usually related to a larger desire for opening to the outside world. Regional economic cooperation is being pursued as a means of promoting development through greater efficiency, rather than as a means of disadvantaging others. Most of the members of these arrangements are genuinely hoping that they will succeed as building blocks for progress with a growing range of partners and towards a generally freer and open global environment for trade and investment. Integration is not an end in itself, but a process to support economic growth strategies, greater social equality and democratisation.

Most of the past efforts of regional integration has been in the removal of barriers to free trade in the region among the member states, thereby increasing the movement of people, goods and services and capital across the borders. Classical examples of such regional integration schemes between states are the European Union (EU), MERCOSUR, ASEAN and SAARC.

The EU, being the most advanced example of regional integration, was established in 1993 by the Treaty of European Union (the so-called Maastricht Treaty) succeeding the European Economic Community formed in 1957 by only six member states. Since then, the EU has achieved a remarkable level of integration, whereas the Southern Asian integration initiative (Southern Asian Association for Regional Cooperation, SAARC) lags behind both in economic and political integration. According to Alex Berkof-

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sky, the main problem is that European path of integration cannot be easily adopted in the case of Asia since the principle of non-interference in internal affairs among the member nations (charter of the Association of South-east Asian Nations, ASEAN) forms the stumbling block to further economic and political integration.<sup>3</sup> However, this may be proved wrong over the years as the need for a free trade area will increase.

Another obstacle to regional integration that is shown by SAARC is the political and military rivalry between dominant member states like India and Pakistan. Pakistan's unwillingness to implement the tariff reductions in the South Asia Free Trade Area (SAFTA) has contributed to SAARC's inefficiency. Due to these economic, political, and territorial disputes, South Asian nations have not been able to harness the benefits of a unified economy. Over the years, SAARC's role in South Asia has been greatly diminished for these reasons.

However, integration in the SAARC region becomes necessary when it comes to tackle issues such as poverty, environmental pollutions, water shortages, deforestation and securing sustainable energy supply for 1.4 billion people of the region. Therefore, the question that arises is whether the EU can serve as a role model for integration in Southern Asia or not. According to Matthew Turner, the process of integration in the European Union has emphasized on the community relationships over individual autonomy, cultural diversity over assimilation, quality of life over the accumulation of wealth, and sustainable development over unlimited material growth. These principles should be adopted to enable the member states to agree on a common position.

Another lesson that can be learned – in terms of integration potentials – is that of the creation of a peaceful cohabitation. Both the EU and South Asia share a common history in a way that both were plagued by wars and conflicts. Sameer Chander supports the argument that both south Asia and Europe share a common thread of history in a way that Europe was liberated from Hitler and India was given independence by the British. History

3 Berkofsky, Axel, "Comparing EU and ASEAN Integration Processes – the EU a Role Model for Asia?", EPC Issue Paper, European Policy Centre, 2005, p. 7.

also shows that devastating wars took place in the European continent, i.e. the two World Wars, the great Franco-Prussian and the Serbian war. However, European countries have shed their differences and have come together in a Union which is still expanding. Although, the current conflicts in South Asia are insignificant compared to the wars and conflicts which took place in Europe, they still pose a hindrance, an obstacle to the enhancement of the integration process.<sup>4</sup> Also, South Asia can boast ethnic and religious diversity. This ethnic and religious diversity should not be a stumbling block in the process of integration, since in the case of Europe the diversity among European nationalities along with a complex mix of religion and races did not act as an obstacle towards integration. Actually, Europe went even further by promoting the motto “Unity in diversity” as one of the main aspects of its integration destiny.

Indeed, Europe can serve as a model for SAARC and not only in terms of political structures and institutions but also in terms of achieving a more active regional economic cooperation including the establishment of a free trade area. If SAARC countries are to achieve continuously high economic growth rates, the member countries should encourage private investments in infrastructure, hasten governmental clearance, debureaucratise business, and induce greater government focus on the social sector. In Europe, this was possible as the treaty that created the European Coal and Steel Community enshrined the necessity to work for the establishment of a united Europe, the development of common institutions, the progressive fusion of the national economies, the creation of a common market and the harmonization of social policies.

Over the years, SAARC has signed a free trade agreement and devised SAFTA which created a framework for the establishment of a free trade area. If the above mentioned reforms are not undertaken, SAARC will not be in a position to make the necessary steps towards the creation of a free trade area.

4 Chander, Sameer, “Regional Cooperation: Can the EU be a role model for South Asia?”, Essay submitted for the “EU-India Essay Contest for young Indian journalists”, 2002.

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The EU is also a role model in terms of free movement, as one of its fundamental freedoms. Today in Europe, any citizen of the European Union can move freely from a member state of the EU to another member state. Such benefits can be reaped if SAARC can forge ahead into greater cooperation and integration. However, it should be mentioned that the level of integration in the EU did not happen overnight. It took almost sixty years and it has been marked by crises. It still remains a process characterized not only by achievements and positive results but also by difficulties, as shown by the crisis on the Constitutional Treaty.

Especially in terms of economic integration, SAARC can take valuable lessons from the EU and gain important experience. Nevertheless, the condition for that is that there has to be trust among the states and every inflated ego or any apprehension of dominance should be excluded from the very beginning. Secondly, the EU also has to pitch in to contribute to the development of South Asia.

Although Europe has experienced many difficulties in the past and actually, as mentioned before, still does, the overall process can be considered a major success. Therefore, the fact that integration in the EU has proved to be not an easy task gives hope for SAARC. Furthermore, the hope is even strengthened due to the fact that more and more countries are interested in becoming a member of SAARC and participate in the integration process. Afghanistan has become the 8<sup>th</sup> member of this regional body and also the Islamic Republic of Iran and China have shown interest in joining SAARC. Russia and Myanmar have also expressed their interest in obtaining an observer status. SAARC has become more important for the rest of the world and this can be noticed by the accordance of an observer status to the United States of America, Japan, South Korea, Iran, the European Union and the People's Republic of China at the Dhaka Summit in 2005.

Therefore, one could say that the interest in integrating South Asia is increasing. This interest stems from the necessity as it is felt by the nations that are striving for rapid economic development, decrease conflict, and the building of mutual trust between the integrated units. The state's rationale is evolving towards a system in which regional groupings of states are be-

coming more important than sovereign states without replacing it though. There is a powerful perception around the world that the traditional idea of statehood and national sovereignty is becoming less and less powerful due to the forces of globalization and regionalism.



*Phyo Win Latt*

## **ASEAN: Current State and Perspectives**

### ***Introduction***

Initially, the Association of Southeast Asian Nations (ASEAN) was established through the union of five countries, namely the Philippines, Indonesia, Malaysia, Singapore, and Thailand. ASEAN had the purpose of completing two wide-ranging objectives, apart from being an alliance against the spread of communism in the South East Asian region. More specifically, the objectives of ASEAN are the following: 1) to achieve economic growth, social progress, and cultural development in the region; and 2) to support regional peace and stability through respecting justice and the rule of law in the established relationship among the member states, as well as the adherence to the principles of the United Nations Charter.<sup>1</sup> Due to these encouraging objectives, Brunei, Vietnam, Myanmar, and Cambodia have joined the ASEAN on different years. However, ASEAN is still treated with mistrust from some of its members and various international actors, due to issues which are mainly related to the respect of human rights and the quality of democracy. This essay will briefly discuss and analyze the issues that the ASEAN region faces as well as the perspectives that are guiding the ASEAN leaders in responding to each problem.

1 ASEAN Secretariat (2006). "Overview: Association of Southeast Asian Nations" Retrieved May 9, 2007 from: [http://english.people.com.cn/200612/18/eng20061218\\_333640.html](http://english.people.com.cn/200612/18/eng20061218_333640.html).

## ***ASEAN Issues***

The establishment of ASEAN has been a good example of cooperation among countries with different cultural backgrounds but with the common goal of increasing their economic cooperation. Its achievements, which are usually related to the fundamental goal of political unity, are not solely a result of individuals or collective efforts by the members of ASEAN. It is also a consequence of the ASEAN's way of achieving goals through consensus building, positive thinking, and avoiding interference – not only in internal affairs – with its member states.<sup>2</sup>

However, a dilemma started to impinge on the ASEAN leaders in 1997 when a series of economic and human rights problems arose and had a huge impact on most of its members which tarnished the shining rope which binds the ASEAN members. One of the conflicts that created tension among three member states arose when the Malaysian government violated human rights by treating its former Deputy Prime Minister Anwar Ibrahim harshly and thus caused the reaction by Philippine President Joseph Estrada and Indonesian President Bacharuddin Jusuf Habibie.<sup>3</sup> Due to this conflict, these two presidents even contemplated boycotting the APEC summit as a sign of their disagreement which at the time also affected the position of other members at the summit. Although ASEAN has managed to handle this conflict along with other complicated crisis, there are still many problems to be solved, especially issues concerning democracy and human rights.<sup>4</sup>

As Walden Bello said, the tragedies of ASEAN are that the economic project is always subordinated by the political unwillingness and that there are

- 2 Xinhua (2006), "Myanmar Stresses Upholding of ASEAN Own Principles", Retrieved May 9, 2007 from: [http://english.people.com.cn/200608/08/eng20060808\\_290998.html](http://english.people.com.cn/200608/08/eng20060808_290998.html).
- 3 Funston, J., "Challenges facing ASEAN in a more complex age", *Contemporary Southeast Asia*, pp. 21.
- 4 CNN, "ASEAN Leaders Take Up Economic Recovery, Political Tensions", 1999, Retrieved May 9, 2007 from: <http://www.cnn.com/WORLD/asiapcf/9907/23/asean.01/index.html>.

underlying strategic differences within ASEAN.<sup>5</sup> Another fundamental problem is that the people do not feel part of ASEAN, as it still remains a project driven by political and technocratic elites and thus has, in one degree, never encouraged the participation of the people.<sup>6</sup> Unfortunately, the chances of having fully protected human rights and the commitment to encourage the participation of the people in the upcoming ASEAN Charter are not that high. This has mainly to do with the fact that each of the ASEAN countries has a share of human rights violations in its own backyard.

The state of ASEAN is currently at risk due to the issues that they failed to address. Recent history in the region proves that they have also been irresponsible in the past in addressing incidences that took place in other member states. These were: 1) the bloody coup in Cambodia in 1997; 2) the questions on the pace of democratic reforms and attacks on ethnic Chinese; 3) the accountability of the army on human right abuses in countries like Indonesia (Irian Jaya),<sup>7</sup> East-Timor, and 4) the continuous violation of human rights, the lack of democracy and the lack of competent management in Myanmar. Due to these incidents which unfortunately have received minimum attention from ASEAN, one can conclude that ASEAN is losing its grip in the race of protecting human rights and strengthening democracy. Actually, according to Bilson Kurus, “ASEAN has been far more successful in the diplomatic and political arena than on the economic cooperation front”<sup>8</sup> which includes the cooperation to prevent any act of breach of human rights on any part of the ASEAN region.

These challenges constitute considerable threats to the unity of ASEAN members because if the leaders of the region continue to neglect notions

5 Bello, W. *International Institutions, Transnational Corporations and Globalization: Future Challenges and Alternative Perspectives*. In *Another Development for Burma: Priorities in Transition*, 2004, pp. 115-126. Chiang Mai: NDF, UNLD-LA and the Dag Mammarskjöld Foundation.

6 Ibid.

7 Human Rights News, “Challenge to ASEAN on Human Rights”, 2004. Retrieved May 9, 2007 from: <http://hrw.org/english/docs/1998/07/24/asia1198.htm>.

8 Kurus, B., “Understanding ASEAN: Benefits and Raison d’Etre”, *Asia Survey*, 1993, 33(8), pp. 819-831.

concerning the human rights and democracy of its people then this may increase tensions and even worse, lead to the disintegration of ASEAN. This is exactly why in order to maintain the smooth relationship of ASEAN countries, most of the members are suggesting the establishment of a special body that will deal with any issues concerning human rights in the region.<sup>9</sup> The Foreign Minister from Indonesia Hassan Wirajuda added that since “ASEAN is lagging behind other regional groupings in the handling of human rights issues”<sup>10</sup> as a member, they should do something about it such as resolving the issues of human rights violation in Myanmar where political activities are never tolerated.<sup>11</sup> ASEAN countries should help each other in order to fulfill a long-standing pledge of democracy, and to avoid reaching the point where Myanmar already was, which would be a threat against regional peace due to unresolved democracy reforms.

## **Conclusion**

Conclusively, ASEAN was established in order to maintain peace and cooperation among its members. Therefore, all the leaders of the member states along with the people should assume their responsibilities which are to promote economic growth, enforce human rights’ law protection, and increasingly strengthen democracy. Each member should not overlook or take advantage of the weakness of its fellow members because if it does, there will be no reason for the continuous unity and regional integration of these countries.

9 “Indonesia Proposes Human Rights Body in ASEAN”, Peoples Daily Online, 2006, Retrieved May 9, 2007 from: [http://english.people.com.cn/200612/18/eng20061218\\_333640.html](http://english.people.com.cn/200612/18/eng20061218_333640.html).

10 Ibid.

11 “ASEAN won’t Defend Myanmar as US Brings Rights Issues to UN, Official Says”, Associated Press, Retrieved May 9, 2007 from: <http://www.iht.com/articles/ap/2007/01/11/asia/AS-GEN-ASEAN-Myanmar.php>.

*Rizki Damayanti*

## **Cooperation between EU and ASEAN**

### **ASEM and its Contribution to World Peace**

#### ***Introduction***

It is important to initially present the theoretical perspective on regionalism and inter-regionalism before exploring the role of the Asia-Europe Meeting (ASEM). The essence of regionalism is that every nation-state collaborates with each other at the regional scale in order to generate relationships with other countries as well as maximizing the interests and the welfare of their people.<sup>1</sup>

According to Lay Hwee Yeo, regionalism is not only a geographical concept but also a dynamic process encompassing a concentration of economic, political, and socio-cultural linkages. This sort of collaboration is in line with the perspective of neo-institutionalism that cooperation among states in order to achieve common interests is more effective and less costly rather than conducting unilateral actions.<sup>2</sup> The increased cooperation between states may therefore result in the increasing interdependence and in a sense of solidarity in which nation-states could be encouraged “to concern on partners’ welfare that goes beyond the narrow conceptions of domestic self-interests.” Thus, regionalism could preserve the interest of participant countries – especially for small and medium economies – from the instabil-

1 Dicken, P., *Global Shift: Reshaping the Global Economic Map in the 21st Century* (4th edition); London; Sage Publication Ltd, 2003.

2 Yeo, L.H., “Realism and Reactive Regionalism: Where is East Asian Regionalism Heading?” in UNISCI Journal-8 May 2005, UNISCI website; Accessed July 24th 2006. Available at: <http://www.ucm.es/info/unisci/UNISCI-Review8.htm>.

ity of global economy and a supporting foundation to be more competitive within their own region.<sup>3</sup> Today, regionalism is emerging as a potent force in the globalization process – as one important component of globalization.

### ***Comparing Regionalism in Europe and in East Asia***

The characteristics of European regional integration are different to the regionalism in East Asia. Regionalism in Europe is much more institutionalized and emphasizes a gradual and steady institutional designing and building. Over more than fifty years, the European regional integration process has developed from the European Coal and Steel Community, to a European Economic Community, European Community and finally the European Union. The key factor of regionalism in Europe, as stated by Bernhard Zepter, is the readiness of EU member states to transfer parts of their national sovereignty to a supra-national authority entitled to act on their behalf. Furthermore, the member states of the EU agree on a structure to manage their collective problems – such as national security, market economy, or the protection of the environment – in common.<sup>4</sup> These pillars give significant contribution for designing regionalism in Europe. The manifestation of this sort of regionalism is that almost all European countries have been gradually absorbed into a united and highly integrated “Grand Europe” – by a single market, a single currency, as well as a common political system”.<sup>5</sup>

On the other hand, in the East Asian region there existed almost no institutionalization before the establishment of regional dialogue in the Association of Southeast Asian Nations (ASEAN) plus Japan, South Korea and China (ASEAN+3) in the late 1990s. The states in the region lack a record

3 Brook, C., “Regionalism and Globalism” in McGrew, A. and Brook, C. (eds), *Asia Pacific in the New World Order*; London; Routledge, 1998, Chapter 11, pp. 230-246.

4 Zepter, B., Speech on 28th February 2006: East Asian Integration as seen from the European Point of View. Available at: [http://jpn.cec.eu.int/home/speech\\_en\\_SPEECH%2002/2006.php](http://jpn.cec.eu.int/home/speech_en_SPEECH%2002/2006.php). Accessed 15th May 2006.

5 Ong, K.Y., Speech on 21st October 2004: Advancing ASEAN-EU Relations in the 21st Century, Jakarta, ASEAN Secretariat, 2004. Available at: [www.aseansec.org/16535.htm](http://www.aseansec.org/16535.htm). Accessed 9th June 2006.

of regional consciousness whereas the relationship between them is mostly based on market-driven integration instead of institutional integration.<sup>6</sup> In other words the inter-state cooperation in the region is based on informal regional networking rather than institutional building.

The implementation of regionalism in East Asia was introduced by ASEAN. Established in 1967, the cooperation of ASEAN – which now comprises ten nations in Southeast Asia – is premised on political commitments and formed a mechanism of cooperation that is different from the European Union. It subscribes to the fundamental principles of non-interference and respect for sovereignty and territorial integrity of member countries, with consensus building playing an important part.<sup>7</sup> With this so-called “ASEAN way”, ASEAN could easily make new relations and expand their external cooperation either with another bloc or with countries from different regions, including countries in Northeast Asia. However, until the mid 1990s, institutionalized regional cooperation developed by ASEAN was only limited to Southeast Asia without engaging countries in outer side of the region.

Yet, the financial crisis in East Asia in 1997-1998 played a significant role in terms of developing a new way of thinking and approaching regionalism. The crisis was a turning point for East Asian countries to think about a regional cooperation by establishing ASEAN+3 in 1998. Since then, it has facilitated frequent meetings between Southeast and Northeast Asian countries in order to develop a new and broader cooperation and find ways to avoid the repetition of the financial crisis.

### ***Inter-Regionalism in Europe and East Asia***

Despite the different pattern of regionalism in Europe and East Asia, the establishment of ASEM demonstrates that these two regional blocs could

6 Dysdale, P., Elek, A., Soesastro H.,: *Open Regionalism: The Nature of Asia Pacific Integration*, in Dysdale, P. and Vines, D. (eds.): *Europe, East Asia and APEC: A Shared Global Agenda?* Cambridge; Cambridge University Press, 1998, Chapter 5, pp. 103-135.

7 Ong, op. cit.

collaborate. This could be explained by the conception of inter-regionalism. Inter-regionalism sets one region in a dialogue based on equal partnership with an ‘other’.<sup>8</sup> It means that no country or bloc from each side, either European or East Asian, dominates this sort of cooperation. In fact, one of the characteristic of ASEM is the emphasis on equal partnership, eschewing any “aid-based” relationship in favor of a more general process of dialogue and cooperation.<sup>9</sup>

According to Chen Zhimin, there are three types of inter-regionalism. The first one is inter-group relation that is formed between regional groups, such as EU-ASEAN dialogue. The second one is bi-regional relation that is established if multiple countries in each of the two distinct regions set up cooperation. Chen put ASEM into that category because Europe and East Asia are two distinct regions, and ASEM is an inter-regional dialogue mechanism, yet to develop a sense of common trans-regionalism, which is the third pattern of inter-regionalism.<sup>10</sup>

It means that ASEM is different from APEC (Asia-Pacific Economic Cooperation); that is perceived by Julie Gilson as an example of trans-regionalism, which is a structural attempt to combine a range of states within a coherent unified framework.<sup>11</sup> In other words, ASEM is a bi-regional or inter-regional process, a dialogue mechanism between Europe and East Asia, with the aim to strengthen the comprehensive and long-awaited cooperation between two core regions of the world.

### ***Supporting EU-ASEAN Partnership and ASEAN+3***

It is beyond doubt that on the broader political and diplomatic level ASEAN has been successful in promoting itself as the bridge to wider relations between Europe and Asia, as well as the gateway to the wider Asia-Pacific region, and a facilitator in the wider Asia-Europe dialogue. Long

8 Gilson, J., “Defining Inter-Regionalism: The Asia-Europe Meeting (ASEM)”, *SEAS Electronic Working Papers* Volume 1, Number 1, 2002.

9 European Commission (2006), website.

10 Chen, Z., *NATO, APEC and ASEM: Triadic Inter-Regionalism and Global Order*, Shanghai; Fudan University, 2004.



before the creation of ASEM, ASEAN had launched the inter-regional relationship with Europe. ASEAN-EU relations started in 1972 when the European Economic Community (the embryonic form of EU) established informal relations with ASEAN through the Special Coordinating Committee of ASEAN. Since then, the relationship was developed into a higher level with the convening of the first ASEAN-ECC Ministerial Meeting in 1978, and institutionalized in 1980 with the signing of the EC-ASEAN Cooperation Agreement as the first formal agreement between two regional organizations.

ASEAN is also perceived as the driving force behind initiating the East Asian Community. According to Richard Stubbs, the regional financial crisis in 1997-1998 inspired ASEAN to establish formal economic links to the more developed economies of Japan and South Korea and the dynamic market of China as a means of averting any possible future crisis.<sup>12</sup> As a result, the association of the Southeast Asian countries embraced those major countries of Northeast Asia to form ASEAN+3.

However, so far ASEAN+3 apparently has not constructed a collective vision of formulating an East Asian Community due to different perceptions and persisting rivalries between the “+3” countries. On the other hand, ASEAN countries have expressed strong commitment to develop their intra-regional cooperation by proposing an ASEAN Community that will be more institutionalized and rule-based as it is the case with the EU. As a result, ASEAN is keen to adopt some of the key aspects of the regional process that were introduced by the EU.

### ***Challenges to Peace Promotion***

Although ASEM succeeds in being consistent in conducting its routines, ASEM has been perceived as incapable of contributing meaningfully to addressing the aforementioned security challenges, particularly referring to

11 Ibid.

12 Stubbs, R.: “ASEAN Plus Three: Emerging East Asian Regionalism?” in: *Asian Survey*, Vol. 42:3, 2002, pp. 440-445.

the promotion of peace, which is currently being threatened coarsely by radicalism and unilateralism. As the inter-regionalism entity, ASEM actually has enormous potency to refuse the anti-peace conducts.

Asia and Europe, in the context of ASEM, have collectively agreed point of views in understanding how peace could be endorsed and ways how to preserve them. Hence, ASEM must immediately take certain effective, concrete and feasible measures as a dialogue forum such as:

1. ASEM needs to intensify its high level dialogue on regional and international issues of common interests and on thematic issues affecting the peace promotion.
2. It will also be important to consider how and when participation in the ASEM process might be enlarged.
3. ASEM needs to map the efforts on promoting and enforcing the peace. Consequently, ASEM members must be able to shape the consensus on their common future of peace.
4. ASEM has been intensively running its dialogue function.
5. Dialogue between cultures and civilizations among ASEM members must be enhanced.

## **Concluding Remarks**



*Ludger Kühnhardt*

## **Global Region-Building in Comparative Perspective**

One fascinating aspect of the age of globalization is the worldwide dissemination of efforts to build regions. Regionalism is becoming a permanent and prominent feature of the contemporary international system. Moreover, regionalism and globalization seem to be two components of the same historical process where the state, in its traditional form, loses its autonomy whereas interdependency within regions has become the order of the day. Europe seems to justify this argument. Being a successful union of states and of citizens, the European Union is nowadays a trade mark for peaceful conflict resolution, economic welfare and pooled sovereignty. It has become a role model of integration with considerable attraction and influence worldwide. Parallel to the European endeavour, other countries are engaged in their genuinely own efforts to build their region in order to achieve stability and prosperity. I believe that we can learn a lot from each other and discover the challenges and opportunities stemming from regional integration.

Ten preliminary conclusions can be drawn from the global experience with region-building:

1. There is no universally applicable theory of integration. No law of politics explains inevitable patterns toward regional integration. Contingent combinations of motives, context, goals, interests and potentials define every individual integration process. Evidently, it is not necessary to begin the path toward integration with supranational elements in order to make it possible to eventually reach this stage of integration. With the Pillar Structure of the Maastricht Treaty, the European Union has shown that intergovernmental cooperation can plant the seed for later supranational integration.

The journey in one or the other of the discussed integration schemes might take the same course. To pool sovereignty over time must not mean to begin with a pooling of sovereignty. One can get there at a later stage. The fact that none of the non-European integration schemes has begun with supranational elements does not justify the conclusion that they will never reach that stage which clearly distinguishes cooperative regional integration from economic and/or political integration, gradually binding the fate of partner states and societies together.

2. The assumption that regional integration continues according to consistent patterns of “spill-over” must not necessarily be true either. The non-European experience with integration suggests that functional integration takes place notwithstanding the original purpose and orientation of integration schemes. It can, in fact, reach out into a new policy field, depending on political circumstances in a region and the challenge as defined by regional political leaders (ASEAN, MERCOSUR, SAARC, ECOWAS, GCC, AU). Non-European integration experience also suggests that renewed and intensified integration must not necessarily complete a chosen path along the model of European integration. It can leave some integration processes “unfinished” while embarking on a new set of integration policies. Non-European experience also testifies that integration can fail completely and lead to the dissolution of a seemingly well-established effort (such as in the East African Community). Non-European experience supports the European experience that processes of “deepening” integration efforts from the logic of economic integration to the sphere of foreign policy and security are not mutually exclusive with means to “widen” the integration community in order to achieve regional membership cohesion (ASEAN, CARICOM, SADC).

3. Non-European states are basically copying the traditional European notion of state-centered sovereignty (the “Westphalian state system”). As much as European states have encountered the limits of this concept and have embarked on the long process to overcome its constraints and flaws, most non-European states – with the United States as a certain exception encountered the limits of their capacity as single states. In fact, they all contributed to our understanding of sovereignty as “organized hypocrisy” –

which contains also a lesson for the United States.<sup>1</sup> Most non-European states concluded the need and usefulness of transnational cooperation and eventual supranational integration as the best possible answer to the limits of the Westphalian model. Motives remain mixed and approaches mostly inconclusive, and yet a general experience is evident in non-European efforts toward regional integration: The search for answers to specific economic, political or security challenges is increasingly geared toward regional responses. Formal pooling of sovereignty might come last, but the trend away from rigid state-centered solutions in order to meet the challenges individual states are encountering is obvious in all non-European schemes of regional integration building.

4. The most important conclusion from the non-European experience with integration building relates to the link between common political systems – and most notably: between common democratic systems – and advanced integration heading toward the possibility of shared sovereignty. The European experience underlines the conditions necessary to embark on the path for viable democratic transnational cooperation and supranational integration. Countries are inclined to bind their fate together only if they recognize the political system of their partners as equivalent to their own (GCC, MERCOSUR, SICA). Dictatorships or authoritarian regimes might formally get together with democracies in an intergovernmental organization out of specifically defined common interests, but they will barely tolerate interference into their domestic affairs (ASEAN, SAARC, AU). As this is inevitably the ultimate consequence of pooled sovereignty, they remain reluctant to move from rhetorical integration to real integration. The more the partner countries of a regional integration scheme achieve regime cohesion among themselves, based on democratic governance and rule of law, the more likely it is that the integration process in a particular region can advance toward a better realization of its ambition and potential. Only cohesion between state sovereignty and popular sovereignty can pave the way to transnational trust and supranational pooling of sovereignties, affecting both state systems and the rights of people. As long as bilateral conflicts

1 See Stephen D. Krasner, *Sovereignty. Organized Hypocrisy*, Princeton: Princeton, University Press 1999.

nurture mistrust in a region that is also divided by different political regimes, progress toward viable integration is unlikely (SAARC, ASEAN, SADC). Yet, the seeds of certain integration potential can already be planted, thus recognizing and awakening a growing regional awareness of its desirability and necessity.

5. The European experience with Franco-German partnership advancing the integration process while at the same time overcoming historical resentments and balancing ongoing structural differences between the two countries has been studied in non-European integration schemes. In the rare cases it was applied – and if even indirectly – it generated effects comparable to the European example of Franco-German cooperation (Argentina-Brazil, Thailand-Vietnam). Widely spread in non-European regions is either the presence of one dominating regional power or the absence of a clearly and “naturally” defined “lead couple” (Saudi-Arabia, India, Nigeria, South Africa, Russia). Often it is therefore not obvious which countries could play the joint role of a locomotive for regional integration. In the absence of this possibility, regional integration remains largely reactive to challenges the whole region can recognize as common concern. The strong inclination toward excessively consensual decision making, which is typical in these cases of regional integration, is not supportive of efficient and speedy decision-making.

6. The pattern of regional integration in a non-European setting does not suggest particular clarity as far as the choice for priorities is concerned. In some cases, defense considerations have generated integration schemes that nevertheless were immediately embarking on economic measures to give substance to the regional perspective (GCC, ASEAN). In other cases, unfinished economic integration has not prevented the partners of a regional integration scheme from starting joint foreign and security policy considerations with their distinct logic and ramification (ASEAN, SAARC, ECOWAS, SADC, MERCOSUR). The weaker national political or economic sovereignty is, the weaker the inclination is – or the ability – to advance toward pooled sovereignty on the regional level. Strengthened national confidence, coupled with the recognition of the limits of state capacity, can support integration efforts. Strong sovereignty in non-European



developing countries – as rare as it exists – has not been automatically supportive of the notion of shared or pooled sovereignty with other partners, all the more if their domestic political system is different or even antagonistic (India, Russia).

7. The discourse about the relationship between integration and identity has not been limited to Europe. Also outside Europe, geographic proximity and traditional patterns of commerce have been identified as “cultural” elements favoring the logic of integration. Obvious cultural cohesion has been invoked in some cases of non-European regional integration, but it is astonishing that this invocation has not yet generated stronger integrative bonds (Latin America, GCC). More surprising however is the realization that enormous cultural differences do not necessarily impede the emergence of regional integration mechanisms (SAARC, ASEAN, CIS). Moreover, they can even transcend into an argument favoring regional consciousness, based on geographic proximity and cultural pluralism. Given their own inclination to define culture exclusively, some Europeans might believe that such multi-cultural circumstances are unfavorable to cooperation. Yet reality elsewhere proves such European perceptions wrong.

8. Most non-European integration efforts – as was the case in Europe – encountered substantial threats of failure, phases of stagnation, detours and obstacles that enforced a change of direction (SICAM, CAN, AU). As in Europe, a refocused and ultimately even stronger approach toward regional integration was usually driven by external challenge and pressure. Integration processes seem to depend somewhat on external pressure. It almost seems as if they can hope for “a second chance” whenever they exhaust their original internal commitment.

9. In Europe as elsewhere, processes of regional integration generate multi-lateral and, moreover, multi-vertical realities – both formal and informal – that impact on the member states of an integration scheme as much as they impact the path of the integration process itself. In Europe, it took several decades before EU member states began to thoroughly experience the impact of integration: Since the 1990s, most of them have begun to increasingly view integration as an intrusion into their domestic political

structures. Non-European experiences with integration will most likely go through similar stages. In the end, this mechanism could turn out to be more important than a formal transfer of sovereignty. In fact, it would equal a non-overt, informal transfer of sovereignty. It could lead to pooled sovereignty not by choice, but by implication.

10. The effects of regional integration on the global state system and on political theory are only gradually emerging. The European experiment has generated a political form *sui generis*, followed by a notion of sovereignty *sui generis*, a notion of multi-level democracy and governance *sui generis*, multiple identities and an intuitively multilateral orientation in global affairs.<sup>2</sup> Whether or not these trends will repeat themselves in the context of other regions remains to be seen. The more solidified non-European regional integration becomes, the more it will contribute to the evolution of a multi-polar world order, based on the roles of regions and continents with the United States, and in a different setting Australia and New Zealand, as the only undisputed examples of countries operating primarily on their own. This trend will also impact our understanding of political theory, most notably about norms of democratic governance, concepts of pooled sovereignty and notions of multiple identities.

Interesting, but perhaps not surprising is the absence of efforts of regional integration-building in those two regions of the world that are at the heart of the most troubling world conflicts and embody the most critical zones of strategic insecurity in the world: the Greater Middle East and North East Asia. Both regions echo the mechanisms of outdated European power struggles (North East Asia) and unresolved issues of democratic nation and state-building (Greater Middle East). Both regions are dominated by a “balance of suspicion”, rooted in long-standing conflicts. In spite of North East Asia’s share of 25 per cent of the global economy, the region lacks a strategic equilibrium based on a common system of cooperative security or on an interdependence-oriented system of economic integration. The Greater Middle East has been “discovered” as a region in the aftermath of

2 See Ludger Kühnhardt, *Constituting Europe. Identity, Institution-Building and the Search for a Global Role*, Baden-Baden: Nomos 2003, pp. 225 ff.

the geo-strategic implications of Islamic terrorism and the fear of a proliferation of weapons of mass destruction linked to their brutal intentions. This regional concept has been framed in response to the absence of democracy and pluralism in the region between “Marrakech and Bangladesh”.<sup>3</sup> As in North East Asia, neither democratic regime cohesion nor shared understanding or interest in the potential benefits of regional cooperation and subsequent integration as a path of overcoming regional insecurity and political antagonisms exists yet in the Greater Middle East.

Instead, balance of mistrust governs the Greater Middle East and North East Asia to this day. And yet, also these parts of the world are increasingly perceived as regions at least. Analysts have begun to discuss elements of comparison between the geo-strategic stalemate in North East Asia and the European integration experience.<sup>4</sup> The search to apply EU experiences with integration to a post-conflict Middle East has also generated remarkable proposals while the world is still torn by the ongoing and seemingly irresolvable conflict.<sup>5</sup> The global proliferation of regional integration has spread the seeds of this process to all corners of the globe. Its ultimate result will not be judged merely by the growth in power of any of these integration schemes, although this will always be an important category for the realistic study of world order. The value of regional integration has to be judged in itself through the prism of the people and countries involved. No matter what the impact of regional integration on global power equations

3 Ronald D. Asmus/Kenneth M. Pollack, *The New Transatlantic Project*, in: *Policy Review*, October 2002, available under: <http://www.hoover.org/publications/policyreview/3459216.html>; Ludger Kühnhardt, *System-Opening and Cooperative Transformation of the Greater Middle East. A New Transatlantic Project and a Joint Euro-Atlantic-Arab Task*, EUROMESCO Papers No. 26, Lisbon: Euro-Mediterranean Study Commission 2003; Thomas Scheffler, “Fertile Crescent”, “Orient”, “Middle East”: The Changing Mental Maps of Southwest Asia, in: *European Review of History*, No. 10-2/2003, pp. 253 ff.

4 See Christopher M. Dent/ David W.F. Huang (eds.), *Northeast Asian Regionalism. Learning from the European Experience*, London: Routledge 2002; Ludger Kühnhardt, *Northeast Asia: Obstacles to Regional Integration - The interests of the European Union*, ZEI Discussion Paper C 152, Bonn: ZEI 2005.

5 See Amichai Magen/Shlomo Shpiro, *Towards a Comprehensive Security Approach in the Middle East. Lessons from the European Experience in Justice and Home Affairs Cooperation*, Tel Aviv: The Tami Steinmetz Center for Peace Research 2003.

will be, both the people and countries involved own, shape and determine each particular the integration process and its effects. It is also in this regard that European integration experience – a Union of states and a Union of people – has served and will continue to serve as a precedent for other regions around the globe.

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