

Pursuing the Dream of South American Integration

Ten South American heads of state will meet in Cuzco, Peru on December 8 to sign a treaty creating the South American Community of Nations (SACN). The treaty's objective is to link the Andean Community, MERCOSUR and Chile and, eventually, all of the countries on the continent. South American unification is a project that traces back to Simón Bolívar, but local political interests have prevented it from becoming a reality. The current attempt originated at November's South American Summit in Rio de Janeiro. The SACN will have no permanent headquarters and its presidency will rotate among member countries, beginning with Peru. One of the project's leading promoters is Brazil, whose foreign minister, Celso Amorim, has argued that it will strengthen the region in its trade negotiations with developed countries. The SACN countries have a population of 360 million and a total GDP of \$974 billion in 2003.

The preamble to the South American Union, which emphasizes unity to overcome poverty, insecurity and other regional problems, has already been set. The final document of intentions is scheduled to be negotiated at the vice ministerial level on November 27-29 and signed in Cuzco on December 8. The details of economic, financial and political integration, however, will not begin to be negotiated until six months later and many years are likely to pass before any real progress is made toward a common market or currency.

The president of the MERCOSUR Committee of Permanent Representatives, Eduardo Duhalde, is strongly in favor of including Guyana, Surinam and French Guyana in the union. A separate agreement between MERCOSUR and the Andean Community, signed in October at a meeting of the Latin American Integration Association (ALADI), does not include these countries or Chile. It calls for integration in investment, science and technology and a gradual lowering of import tariffs to promote South American trade. Amorim described it as increasing South America's bargaining power in international trade and said that he expected services and government procurement to be added to the negotiations.

At the international level, both MERCOSUR and the Andean Community have engaged in trade and cooperation negotiations with the European Union. The EU offered liberalization of industrial and agricultural goods trade, services and public procurement, as well as protection of MERCOSUR investors' rights in the EU. But the EU continues to insist that domestic support for agriculture must be negotiated in the World Trade Organization (WTO). The October 31 deadline for achieving an EU-MERCOSUR trade agreement was not met, although further talks are planned. The EU has negotiated separate trade agreements with Chile and Mexico.

For its part, the Andean Community signed a cooperation framework agreement with the Central American Integration System (SICA) on November 8 to create closer links between the two integration systems. The secretariats of the two organizations agreed on three areas of joint work; 1) implementation of mechanisms for political dialogue and cooperation; 2) the negotiation of a free trade agreement; and 3) Andean participation in the Plan Puebla-Panamá. Cooperative efforts will include the design and execution of

joint projects, seminars and forums, and exchange of information and data of mutual interest.

Observations

Most South American leaders cannot resist flourishes favoring continental unity. Brazil in particular seeks regional dominance and other countries may go along with it to see what's in it for them. Few expect such efforts to lead to the formation of a strong economic and political bloc, and even if one were to emerge, the process will take decades. Skepticism is already widespread. For example, the São Paulo Federation of Industries (FIESP) has said it will ask Brazilian President Luis Inacio da Silva to withdraw from MERCOSUR, arguing that it constrains Brazil's trade negotiations because it requires other members to approve all bilateral agreements. FIESP wants Brazil to be free to negotiate its own trade deals, especially with the EU and the US.

Some joint South American positions may emerge temporarily in the FTAA or WTO. However, the real negotiating will take place (or has taken place already) in sub-regional and bilateral trade agreements and specific trade-offs of interest to individual countries. The US has negotiated an FTA with Chile and is in the process of negotiating agreements with Colombia, Ecuador and Peru. The South American presidents will make everyone feel good for a while on December 8 as they pay homage to an old idea, but little substance is likely now or anytime soon.

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