Lessons from the Andean Community Integration

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Introduction

Ever since it was born in the sixties, the Andean Regional Integration Process has attempted to become a strategy to promote a harmonious and balanced development among the Andean Countries. This paper has three main goals: (a) To explain and analyze the theoretical concept of the Andean New Regionalism in the framework of Latin American region in a comparative perspective with the European Model of Regional Integration; (b) To show the coexistence of two different regional integration models. Where the dominating one during the sixties was known as old regionalism, and the other that is currently being used is known as new regionalism, and (c) To analyze the way in which this coexistence appears to be an obstacle for the Andean countries to define their regional integration model and to advance toward their main goal: the balanced and harmonious development of each and every country member.

Some points about the definition of the object of analysis and investigation

The New Latin American Regionalism, in which the Andean can be framed, is noted for its intensity (because of its properties and type of relationships). It goes from agreements that only pursue the commercial liberalization all the way through to projects of social, political and economic integration. This characteristic has turned the New Regionalism into a multidimensional phenomenon (it is hard to draw a clear division line between political, economic and safety issues), which is also extensive because of the number of subjects it is or can be applied to, and variable because currently the group of countries that are participating in some kind of regionalization process is flexible. In addition to this, there is the possibility that one country, which in fact is happening, participates in different regional processes inside Latin America and with other countries in the world (spaghetti bowl). Consequently, the new regionalism is a phenomenon that can be described as extensive, diffuse, and with a great variety of shades that will depend on the region or sub-region we are talking about.

The reality described above made us identify the need to clearly define the object of analysis and investigation, as well as the conceptual elements that take part in the job, with the intention of helping understand this phenomenon in the Andean countries within both a worldwide and a Latin American context.

The geographical scope is limited to the five countries that make up the Andean Community: Bolivia, Colombia, Ecuador, Peru and Venezuela. The temporary scope focuses on the integration process that goes from the second half of the nineties up to the present times. Furthermore, we are using the term “region” to refer to Latin America as a whole and “sub-region” for the smaller groups of countries that make up the “region”, such as Andean, Central American, or the South Cone.

In the same way, the concept “regional or sub-regional integration” will be used to describe those agreements in which the Rhine or structuralist inspiration is predominant. Thus,
the regional integration becomes a fundamental requirement to insure and accelerate the economic and social development of the participating countries. (see chart 1)

These countries still have a regionalization model that predominated during the “old regionalism,” with some economic, political and social goals that will be achieved gradually.

**CHART 1**
Theoretical Model: Regional and Sub-Regional Integration

![Diagram of Regional Integration Model]

Source: own creation

It is through these objectives that we can distinguish that the Rhine or structural paradigm is proposing a “regional or sub-regional integration model” of a supra-national and community nature, towards which we are moving gradually, always with the transitory support of intergovernmental institutions.

The institutional structure of a Rhine or structural inspiration, in accordance with the neo-functionalist belief, will increase the inter-dependence among the parts, which will be translated into better and better agreements among the countries and which will be reflected in giving up their sovereignty in different matters. From this perspective, as the integration process moves forward, the State-Nation and its loyalties will weaken in favour of a higher State form: the State-Region. (see chart 2)
On the other hand, the term “preferential agreement of trade and cooperation for regional or sub-regional” is being used for those regional or sub-regional processes which represent the new regionalism, in which the Anglo-Saxon or liberal inspiration predominates. (see chart 3)

The principal goal of the countries that participate in this type of agreements is reaching the commercial integration through a free trade area, as well as cooperating in prompt issues such as enhancing democracy or drug dealing combat.

Based on the neoclassical theory of international trade, the countries that participate in these agreements trust that the opening trade of their economies and a prompt cooperation in political and social issues will end up generating the population’s welfare spontaneously.
CHART 3
THEORETICAL MODEL: PREFERENTIAL AGREEMENTS OF TRADE AND COOPERATION

Trade preference and cooperation agreements

Paradigm ► Model ► Target ► Objective

Anglo-Saxon or liberal ► Trade preference and Cooperation agreements ► Free trade ► Spontaneous development

Neo-classical theory of international trade

Source: own creation

All of the above will happen through a purely intergovernmental institutional structure, inspired on the neo-liberal institutionalism, where the State-Nation will not only continue existing, but will be strengthened. (see chart 4)
We are making this last distinction because the concept of “regional or sub-regional preferential agreement of trade and cooperation,” is included in “regional or sub-regional integration” which has greater consequences because it goes over the simple trade interchange and the prompt cooperation between two or more countries. It implies at the same time a specific process which would be implemented together with the measures needed to strengthen the economic, political and social relationships of a group of countries. In the same way, both would be part of the widest concept of regionalism.
Nevertheless, the current Latin American regionalism frequently appears sharing characteristics of both “regional integration” and “preferential agreements of trade and cooperation.”

This makes the regionalism of the beginning of the XXI century a phenomenon that has the characteristic of being intense. This is due to the fact that it goes, as we mentioned earlier, from agreements that only pursue the trade liberalization all the way through to projects of social, political and economic integration.

*Chart 6* will give us an idea of the general scope of geographical and non geographical regionalism in accordance with voluntary or involuntary criteria of a social, cultural, historical, and political nature.
These are the conclusions of our work.

**About Domestic Economies or National Realities**

We have been able to verify that the Andean sub-region is formed by countries with very small economies, socially polarized, undergoing a terrible economic, political and social crisis, subject to strong shocks, both of capital flows and interchange terms, keeping a status of low value added product exporters, and having at the same time low investment and technological development levels and a huge foreign debt.

The Structural Adjustment Programmes (SAPs) impelled by the FMI and the BM since the beginning of the eighties, also known as “Washington Consensus”, have pre-supposed a series of liberal adjustments in the economic policy of the country members that have homogenized their way to handle the economic policy of the national economies, but that have not been as successful as they had expected and are being questioned more and more each time.

Another element that will not benefit this ambitious regional integration project is the weak character that the Andean democracies have. These democracies are in the hands of oligarchies that hamper the existence of the Rule of the Law that should have a just, equitable and noble spirit, and where permanent political, economic and social crisis, are generated. Such crisis prepare the ground for some kind of elaborate autocratic alternatives to emerge reactively; one of their main characteristics is having a mixture of populism and fundamentalism; they are defined by praising a perfect past instead of a possible future (let us remember Fujimori in Peru).
In the same way, the Andean integration can also be a weak forum of pressure for the preservation and maintenance of the good health of the national democratic systems.

The Andean integration still depends a great deal on the will of its political leaders and is not strongly sustained by its civil society and by the private enterprises that are not clearly identified with the process.

All the above make the conceptual leap from the national to the sub-regional difficult to happen when it comes to conceive the productive structures and sector policies that the integration process would need.

From Andean Community, and bearing the Andean Common Market in mind, a series of agreements on macro-economic policies that coincide with the ones proposed by the “Washington Consensus” and the “Maastricht Treaty” have been presented. There is always the risk that these macroeconomic harmonization policies turn into a “Washington plus Consensus” that keeps the same blindness that the multilateral initiative has shown in the sub-region and where the orthodox-economic thinking predominates without considering the national institutions, the globalization, and the high levels of poverty in the Andean countries. These will be key elements when it comes to attacking a harmonization of macroeconomic policies that will be feasible and beneficial for the area.

About Regional Institutions

The Andean community has a very well-developed supra-national institutional structure, inherited from the old regionalism.

When the Andean countries signed the Cartagena Agreement in 1969, what they really wanted -through the sub-regional integration process- was to promote a harmonious and balanced development in the Andean countries, accelerate their growth through an economic integration, as well as facilitate their participation in the Latin American integration process.
As soon as the agreement came into effect, besides the principal instruments that appear to be included in it, an institutional structure with a community design (supra-national and intergovernmental) began to be built in the following years. It was inspired in the Rhine-structural paradigm and in some years it placed the integration agreement under the Common Law with a self legal regulation.

After several years of reflection, in 1996, the Andean integration process became the Andean Community and the Andean System of Integration. This happened through a Modifying Protocol of the Cartagena Agreement.
With the birth of the Andean Integration System, some institutions were created and some were eliminated, at the same time that the rest of the institutions that the process had generated were taken into this system. All the above confirms the tendency of the eighties to strengthen the political institutions and their intergovernmental decision schemes in order to create a more efficient and flexible organization, with a theoretical inspiration that agrees with the Anglo-Saxon or liberal paradigm.
Nowadays we find ourselves with an integration process that has a well-developed Rhine-structural institutional structure with social, political, and economic integration objectives. In accordance with the political theory analyzed, this institutional dynamics only makes sense if the sub-regional process is moving towards the supra-national construction of the Federal State.

However, a deeper analysis of both the Andean Integration System and its working dynamics shows us a sub-regional process that is essentially intergovernmental.

The Andean Presidential Council (executive branch) is the ultimate purely intergovernmental institution of the Andean institutional structure, and from there, practically the whole integration process is being directed, on top of the Court of Justice of the Andean Community (judicial branch), and of the Andean Council of Foreign Relations and the Commission (legislative branch).

The Andean Parliament has a political and deliberating character, but it will not legislate. Consequently, the high and low Andean Politics continue to be defined by the individual interests of the country members, all through an intergovernmental functioning of the institutional structure of the Andean Integration Process and with strong Presidential leadership.

Because of all these, the Andean Community is obliged to go over an institutional revision of the Andean Integration System Organizations, and especially the supra-national institutional aspects, in accordance with its theoretical inspiration, its objectives and the intended goals.
About the International Context

The new regionalism gives great importance to the international context, to the hegemonic forces that are currently participating in Latin America, and to the globalization phenomenon, all of which constitute a key variable for the definition of the model.

The absence of a country that would lead the Andean sub-regional process makes it especially sensitive to the countries, or blocks, with leading ability in and out of the Latin American region. The bottom line is that they are interested in establishing some kind of leadership over the Andean sub-region, that is the United States, the European Union (EU) and Brazil.

CHART 10
THE SUB-REGIONAL HEGEMONIC POWER: KEY FOR THE DEFINITION OF THE MODEL

From an international perspective, the key for the Andean integration process is which hegemonic power, and from this, which regional paradigm will be heavier in the definition of the Andean sub-regional model. Furthermore, the hegemonic power that consolidates could be exercised either with a benign or a malign character, which will have a repercussion on the division of the countries or on the concentration of the leader of the regionalization benefits.

1) The United States has a great influence in the Andean sub-region and are currently leading the Free Trade Area for the Americas (FTAA) process. This is where they are considering an economic regionalism sustained on a preferential agreement of trade and
cooperation of intergovernmental manufacture that believes in an American market with some game rules when it comes to services, goods and new topics where the final result will depend on the negotiation between United States, Canada, and the Latin American countries. The importance of FTAA in all Latin America has made the referential power of this integration model suggested by the United States to be expanding.

2) The EU is present in the FTAA process with timid proposals of agreements where the political dialogue and the economic cooperation are considered; but the possibility of reaching free trade agreements in a conciliatory framework of the interests of the Andean sub-region, North America and the EU has not been contemplated yet. However, the EU is afraid of the fact that FTAA might be a strong limitation in its access to the Andean market.

Another key element in the role of the hegemonic influence of the EU in Andean America is the current process of European redefinition. For the Andean integration, the EU has been the referent point in its institutional structure and an integration role model to copy. Nevertheless, nowadays this referent has not had enough strength in the dynamics of the Andean process, partly due to the importance of the regionalism of intergovernmental agreements of trade and cooperation impelled from North America and to the European irresolutions in the presence of new challenges in the construction of its own integration process.

3) Brazil has some geo-political and geo-economic aspirations which they know cannot be fulfilled, unless it is by leading the MERCOSUR. This country has come up with a South American initiative where Andean Community plays a very important role that will not only allow them to lead the South American block, but will also imply a lower vulnerability rate and a possibility to defend both the South American interests against the rest of the world and the regional initiatives with North America and the EU. Furthermore, Brazil has not expressed clearly which regional model it is interested to lead, and this is of vital importance for the future of the Andean integration.

**About the New Andean Regionalism**

Up to now the progress in the Andean integration process is as follows:

a. There is a perfect Free Trade Area between Bolivia, Colombia, Ecuador and Venezuela. Peru has freed 80% of its products and the goal is to reach the 100% in 2005.

b. There is an imperfect Customs Union that would have been consolidated by the year 2003. Currently, the levels of Common External Tariffs have been defined and they are working to achieve a common customs area. (the only aspect that is yet to be defined is a common customs fund that would collect and distribute the tariffs).

c. By the year 2005, Andean Community have intended to have an Andean Common Market. That is why there have been some talks about the harmonization of macro-economic policies, of free flow of services (a normative exists already, even though there are many restrictions among the country members) and of free flow of capital and people, although these are still a project.
We are definitely confronted with a regional process that has some goals and integration objectives within a very elaborate common institutional framework, but ruled by some preferential agreements of trade and cooperation and with great influence of the different forces that move about in the international context.
Currently, the Andean integration shows a co-existence of the two paradigms which, as we have seen, present different goals and objectives and that are projected in a different way in the development. (see chart 13)
This makes us ask ourselves some questions from the perspective of the Andean integration, such as: what objectives are going to be achieved? Is it possible to reach them in the light of the real paradigm of sub-regional construction?

From the European perspective, the questions among others could be: How will be the progress of the European integration process in accordance or not with its theoretical basis will cause the EU to be a political object block? How is it that the debate about the future of the EU is not only important for Europe but also for the integration processes that have taken it as a model? And how is it that the development of the Latin American integration processes, where we can find the Andean one, should be a mirror where the EU would see its own definitions reflected and the destination of its own common project?

**Regarding Forging and the Cultural Integration: Integration Axis**

With the globalization objective in mind, the external international influence, and the internal difficulties of the Andean Countries, the Common Exterior Policy (PEC) has been outlined as an transverse articulated instrument of the Andean Community integrationist desires and the cultural conscience or cultural integration as the basis of the process. (see chart 14)
CHART 14
COMMON FOREIGN POLICY AND CULTURAL IDENTITY. KEYS TO SUCCESS?

Source: own creation

This makes that the Common Exterior Policy and the cultural integration, together, could be the defining instruments of the Andean Integration Model and become the link that clarifies, excludes or reconciles the two integrationist paradigms (“the old regionalism” and the “new regionalism”) that, as we have tried to demonstrate, currently coexist in the Andean sub-region.

The definition of the Andean identity is of vital importance for the future of Andean Community, but reaching it does not appear to be an easy task; since, just as its incorporation, it should be a facilitator of the Andean economic and social development under the sub-regional integration framework. At the same time, depending on how it is done, the way to the definition of this identity could remain in the rhetoric area and become an impossible obstacle to overcome for the Andean integration to work and succeed.

Theoretical Scenarios and Final Reflection

Theoretical scenarios that will be open to Andean Community in the next years, could be summarized as follows. (see chart 15)

A first scenario, where after some punctual reforms in the Agreement and redesign of the objectives and the way to achieve them, just as the trend shows, the Andean Community can be defined as a “preferential agreement for trade and cooperation” where a free trade area and a customs union consolidate conveniently and where there is cooperation in punctual social and political matters (common voices, the fight against drugs, migrations).
A second scenario, where the Andean regionalism is defined, which seems less viable, with the help of a Brazilian hegemony that would be in favour of the *Rhine-structural paradigm*, for being “an integration agreement”, in which the Andean citizens would incorporate into the process as important actors and participants that legalize a gradual, more interdependent and increasing supra-national construction of the Andean sub-regional integration.

![Chart 15: Future Theoretical Scenarios for the Andean Integration](chart.png)

**Source:** own creation

As we mentioned in our conclusions, our research shows the current Andean sub-regional model with the strengths and weaknesses it has in order to become a development strategy.

Undoubtedly, the Andean Community has some objectives and an institutional architecture that turn it into one of the most ambitious and developed integration groups of Latin America. However, currently it needs to renew its efforts to complete the definition of its sub-regional model.

There seems to be an agreement that this must be supported by two axels. On one hand, the “identity” and cultural issues upon which the own model should be constructed; and on the other hand, the Common Exterior Policy which should be the axial element that would structure the whole process. This is an existing challenge, but it has not gone over the discourse level.

Quoting Carlos Fuentes, we can say that the rediscovery of the cultural values can give us, maybe with some effort and a little luck, the necessary vision of the cultural, economic and political coincidences.
Considering the Andean integration from this perspective, in our opinion, would level the
area in order to solve the above mentioned paradox. Once our model is solved and defined, the
country members will attain that the integrationist efforts made by each of one of them and from
the sub-regional institutions, be more efficient and come closer to the supreme objective of the
team work, that is, that the Andean people move forward to higher levels of welfare, justice and
equality levels.

This major definition becomes essential in a world that finds itself establishing the new
rules of the game and dealing cards to the different players.
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