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Regional Integration in Latin America and the Caribbean Trends and Challenges

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Regional Integration in Latin America and the Caribbean Trends and Challenges

Introduction

The Latin American and the Caribbean region (LAC) extends from Mexico to Argentina in the Western hemisphere. It consists of mainly three regions: South America, Central or Mesoamerica, and the Caribbean region. There are twelve[1] independent and sovereign states in South America; eight[2] in Central or Mesoamerica; and thirteen[3] in the Caribbean. The region is also home to many dependencies and overseas territories of other states not part of LAC. Britain has seven[4] such dependencies or overseas territories; the Netherlands has six[5]; France has five[6]; and the United States, three[7]. Geographically, LAC is diverse. Some of the biggest countries in the world, namely Brazil, and Argentina, share this part of the globe with some of the smallest island states, namely St Kitts and Nevis, and Grenada.

Of the thirty three independent and sovereign states, eighteen are Spanish-speaking[8] and twelve are English-speaking.[9] Brazil speaks Portuguese; Suriname, Dutch; and Haiti, French and

Haitian Creole. Even though the languages of their erstwhile colonizers hold the stature of official language, indigenous languages are also spoken in large pockets of the region. In the Andes of South America, Quechua is spoken by twelve million people[10] and Aymara by more than two million.[11] Apart from them, Guaraní is spoken by more than two million in Paraguay, Brazil, Argentina and Bolivia. More than thirty Maya languages are spoken in Mesoamerica[12].

LAC also has diverse ethnic groups. As a result of the Atlantic Slave Trade and the import of African slaves for the development of plantations during the colonial period, a majority of the population in the Caribbean and parts of Brazil is predominantly black.[13] The highest densities of indigenous populations are present in the Andes and Mesoamerica. The indigenous population of Latin America is estimated to be around forty to fifty million,[14] out of a total population of about 600 million.[15] The population also consists of Creoles (European descendents), mestizos (mix of indigenous peoples and creoles), and mulattos (mix of Africans and creoles). There is also a considerable chunk of Indian Diaspora in parts of the Caribbean region. About fifty percent of the population of Guyana is of Indian origin[16]. In Trinidad and Tobago forty percent[17] and in Suriname thirty seven percent[18] of the total population is composed of Indian Diaspora. Brazil is home to the second largest population of Japanese origin people in the world, next only to Japan. The estimated population of 1.5 million (in 2008)[19] is mostly concentrated in Sao Paulo. It is

followed by Peru which has a Japanese origin population of about 90,000 (in 2008).[20] Peru also has a 4.5 million strong population of Chinese origin (in 2009).[21]

A Brief Political History of LAC

Historically, LAC has experienced a lot of bloodshed. It was subjected to a violent colonization process, followed by an equally violent liberation process. In the first instance the Europeans prevailed over the natives, leading to the conquest of America. In the second instance the creoles prevailed over the European representatives, leading to its independence. Creole nationalism led the struggle for independence in Hispanic America against a weakened Spain. Hispano American states gained independence in the early nineteenth century, as a result of bloody battles between Creole armies and Spanish forces. Brazil became independent in 1822, when the Portuguese Prince regent, seated in Rio de Janeiro, rejected any more ties with Portugal, and became the Emperor of Brazil[22]. Haiti became independent in 1804 a result of a bloody uprising of the slaves against the French colonial rule[23]. Cuba became free from Spanish control only in 1898 after the Spanish-American-Cuban war. In the second half of the twentieth century, most of the Caribbean islands too gained independence.

Francophone areas like Haiti and Anglophone Caribbean have experienced some trouble in integrating with the rest of Latin America because of historical and linguistic differences.[24] Another hurdle is the strong diplomatic ties Caribbean states

still maintain with their old European colonizers. In the meantime, USA in the past, and China in the current day, have been very interested in establishing new markets and developing influence in the region. But there are indications that the Caribbean states want to assert their independence, and are increasingly collaborating with one another, more frequently and effectively.[25]

One of the most important trends that followed independence in Latin America was the militarization of the society. Political and military power went hand in hand. Most of the Latin American states had as their First Presidents, military generals, who had participated in their independence struggles. Since the beginning, the military had always been involved in the government. Militarization also took shape in the form of a new breed of people called the caudillos, who wielded power by means of personal charisma and military skill. The Creole elites, having become the legitimate ruling class post independence, sought to maintain power and prosperity of their own class and race. As a result, the caudillos and the elites developed a mutually dependent relationship[26]. By the beginning of the twentieth century, the Creole elites were profiting from international trade and direct participation in world economy.

The indigenous populations, however, did not have profitable times. The Creoles penetrated deeper into forests and lands as economic progress required more resources. They waged wars against the 'barbarians' in the name of modern civilisation,

and gradually, tribes began to disappear. Independence had not changed much for them. It was only in the twentieth century that there was an attempt to preserve indigenous communities. But since the fag end of the twentieth century, the indigenous populations have had to deal with a new threat to their existence. Globalisation had opened doors to foreign capital. National policies came to be influenced by those of the International Monetary Fund (IMF), World Bank, and the Inter-American Development Bank (IDB) etc. The desire for high profits required exploitation of natural resources, which mostly lay in indigenous territories.[27] Consequently they had to bear the brunt of privatisation of resources for multinational corporations. As a result, the region became witness to a string of indigenous uprisings against globalisation, e.g. at Chiapas, Mexico in 1994; and Cochabamba, Bolivia in 2000. The indigenous populations could stand in the way of Latin American economic integration if it takes place at their expense.

The imperialist policies of USA have had a huge impact on LAC. The Monroe Doctrine of 1823 which warned Europe against any new plans of colonisation in the Western hemisphere turned out to be double edged. On the one hand it talked of collective security in the Americas against external threat; and on the other it was used to meddle in the internal affairs of other, weaker countries to advance its own interests[28]. It was unacceptable to USA that Latin Americans wanted to be the first beneficiaries of Latin America's resources. US investors had to be the first beneficiaries while Latin America fulfilled its service function.[29] USA deployed marines to protect its

economic interests in Latin America, and actively engaged in overthrowing unfriendly regimes as well as installing puppet regimes. Pro-US regimes got military training from the US armed forces. It was also the post second world war period, and like many other regions of the world, LAC too got entrenched in the Cold War politics of the superpowers. The advent of the Left in the "backyard" was forcefully crushed everywhere by USA, with the sole exception of Cuba.

Central American and Caribbean countries had become Banana Republics i.e. they had become single commodity supplying economies with USA as the main market. US firms bought large shares in the mining and oil industries, prioritising US economic interests over those of the Latin American countries. Increasing US presence in Latin American economies brought out economic nationalism. Some of them, like Mexico, Argentina, and Brazil, tried and broke out of the commodity-raw material exporting mould and started industrialising their economies, followed by others. This period was that of Import-substituting Industrialisation (ISI), that aimed at protecting home industries and becoming self-sufficient. However, after giving initial dividends the model started to fail. The Latin American economies were then forced to apply the policies of Washington consensus, which were neoliberal reform packages promoted by IMF, World Bank and the US Treasury Department. USA then planned a Free Trade Area of the Americas (FTAA) across the American continent but it failed due to opposition from many Latin American countries.

The twentieth century was plagued not only with foreign interference but also military dictatorships and *coups d'etat.* Even though electoral politics were not absent in Latin America, the military strongmen took shortcuts to power to maintain their hold on the affairs of the state. Military intervention in Latin American politics was not new. But by the 1960s and 1970s, the armed forces entered politics as an 'institutional bloc'[30]. Their object was to 'modernise' by suspending politics altogether and installing technocrats to reorganise the society; while the armed forces imposed law and order[31]. It was only in the 1980s that Latin America took a turn towards democracy. The experience of the 1970s had shown that a strong, enduring state could not be secured by military power. The armed forces as political actors were discredited, followed by the need for a legitimate state that could command the assent of the whole population.

Democratization was followed by demilitarization. As a result, the military became subservient to the civilian governments. Panama, Costa Rica and Haiti even abolished their armed forces.[32] The armed forces came to be used for other purposes such as peacekeeping, fighting drug cartels, and eliminating organised crime. They also dealt with internal crises such as the uprisings against the government; for example the Mexican armed forces were used to quell the rebellion at Chiapas in Mexico. As far as regional integration is concerned, the militaries have sided with the actions of their respective governments. But the threat of a *coup d'etat* by a combination of unreconciled elites and the military could not be ruled out.

Since the dawn of the twenty first century, as democracy took deeper roots in the region, Latin America made a transition from predominantly right wing military dictatorships to a more balanced political scene, especially with the steady rise of leftist parties and leaders. Currently, there is a predominance of business and economic relations over political tendencies or historical animosity. As a result, leaders and governments are trying to overcome differences to come together for mutual benefit.[33] In this direction a number of initiatives have been taken for regional integration, especially on three levels; in the sub regions of LAC, based on the political leanings of member states, and those encompassing the whole or most of LAC. The efforts towards regional integration have not gone smoothly, and at times have faced hurdles, which will be discussed in detail later in the paper.

The vestiges of the former right wing elements continue to play a role in the form of right wing parties, who enjoy the support of the elites and the military. Their clash with the ideologically opposed left leaning parties has given rise to the occasional *coup d'etat.* For instance in 2002, Hugo Chavez was deposed by right wing elements allied with traditional Venezuelan political parties, and abetted by some elements of the Venezuelan military. USA and France together played a role to intervene in the removal of Haiti's elected President in 2004. The third coup was carried out by a class-based military in Honduras in 2009 to remove a left-leaning President Zelaya.[34] The latest was the deposition of Paraguayan President

Fernando Lugo in 2012, who was replaced by the military and elite friendly Federico Franco. The political landscape of LAC currently stands thus.

LEFT OF CENTRE	CENTRIST	RIGHT OF CENTRE
Cuba (Raúl Castro)	Brazil (Dilma Rousseff)	Mexico (Felipe Calderón)
Venezuela (Hugo Chávez)	Peru (Ollanta Humala)	Panama (Ricardo Martinelli)
Argentina (Cristina Fernández)	Guyana (Donald Ramotar)	Honduras (Porfirio Lobo)
Bolivia (Evo Morales)	Suriname (Dési Bouterse)	Colombia (Juan Manuel Santos)
Ecuador (Rafael Correa)	El Salvador (Mauricio Funes)	Chile (Sebastián Piñera)
Nicaragua (Daniel Ortega)	Dominican Republic (Danilo Medina)	Paraguay (Federico Franco)
Uruguay (José Mujica)	Costa Rica (Laura Chinchilla)	Guatemala (Otto Pérez Molina)

Source: Collected and complied by the author.

Even though Dilma Rousseff and Ollanta Humala come from traditionally left leaning parties, they follow centrist policies and are a part of what is called the ‘pink tide’ in Latin America.

History of the Idea of Integration

Simón Bolívar

Simón Bolívar (1783 - 1830) was one of the most prominent freedom fighters of South America. The idea of American integration took birth in his writings. In the early nineteenth century, he strongly advocated integration among the newly independent Hispanic states in the region. He thought it was necessary in view of the strong, untrustworthy, North American continent. Firstly, he argued that North America was an extension of Europe and the Anglo-Saxon people; while Hispano America was a different culture altogether. It had its own forms of economic, social and political organization as well as language and idiosyncrasy[35]. It had not only become a battleground for the imperial struggles between European powers but even the United States of America seemed "destined to plague Latin America with misery in the name of liberty". His distrust of USA stemmed from the fact that in spite of proclaiming neutrality in the independence struggles of the Hispanic-American colonies it sided with Spain[36]. It was apparent to Bolívar that USA feared the idea of Latin American freedom and even more his unifying project.

His second argument for Hispano American integration was his fear of political instability and insecurity in the Latin American and Caribbean region in the near future. In the *Carta de Jamaica* that he wrote in 1815, long before he had liberated most of America, he claimed that he sought to build an Hispano-Americanist idea along with the idea of independence. He was

keen to unite the Latin American nation which he felt had been divided by Spain, the coloniser. He dreamt of an America for Americans, and free of all European interference. He believed that if nations were formed in South America, federation would be the strongest link that could unite them.[37] He wanted to build something much stronger than an ordinary offensive or defensive alliance:

> Ours should be a society of sister nations, separated for the time being . . . , but united, strong, and powerful in sustaining themselves against the aggression of foreign powers . . . . [We must] lay the foundation of an amphictyonic body or assembly of plenipotentiaries which can give an impulse to the common interests of the American states and settle any discords which could arise in the future[38].

In that direction, he organised the Congress of Panama in 1826. He wanted to further discuss and institutionalise American integration, with all the countries from Mexico to Bolivia. The Congress took place from 22 June to 15 July, 1826, and was attended by plenipotentiaries from Peru[39], Gran Colombia[40], Mexico, and Guatemala[41]. Representatives of the British and Dutch governments were also present. However, there were exceptions from the region that he was not keen to include in the integration plan yet. For example, Brazil and Haiti spoke different languages and Río de la Plata[42] was too far off[43]. He did not want to include USA either in his plan of American integration.

The Vice-President of Gran Colombia, Francisco de Paula Santander, however, went against the wishes of his President,

Bolívar, and invited USA to the Congress. Santander was keen to strengthen business links with USA. This deepened the political and personal rift between Bolívar and Santander. Even though they had fought alongside each other in the wars of independence, they developed ideological differences on how to rule the newly independent states. While Bolívar favoured an American Federation, Santander preferred European style nation-states. The Vice-President also doubted the feasibility of Bolívar's sub regional integration plan; i.e. integration of Venezuela with Nueva Granada[44] to form the new nation of Gran Colombia. As a result, Santander, the "Man of Law" clashed with Bolívar, the "Man of Ideas". The former, being a centrist, worked on legislation and policy, and the latter, being a rightist, did not hesitate to use force to turn his ideas into reality. Even José de San Martín, the liberator of the Southern Cone, let Bolívar decide the future course of Peru, after they had divergent opinions at the Guayaquil Conference of 1822.

Both the efforts of Bolívar towards integration, at the continental level, and sub regional level failed as a result of ideological differences between him and other actors in the scene. Gran Colombia shortly broke into Panama, Colombia, Ecuador, and Venezuela, its constituent nations. Even the Treaty of Perpetual Union, League, and Confederation, signed at the Congress of Panama, was rendered useless as it was not ratified by any other state except Gran Colombia. It also shows that the debate on the role of USA in Latin America has been going on since the earliest attempts of regional integration.

The Cuban Revolution

The Cuban Revolution that triumphed in 1959 has contributed to integration by bringing together in the current day those states that share its revolutionary ideals. The revolution as well as the nationalist movements of Cuba that preceded it was inspired by the Cuban poet, freedom fighter, and revolutionary, José Martí, who shared Bolívar's fear of USA's expansionism. Martí, as much a Latin Americanist as he was a nationalist, created a Latin American identity of a 'mestizo America'[45] at a time when the newly independent region's identity was being called into question. Fidel Castro, in his defence of the 26th July Movement, announced that it too had been inspired by the writings of Martí. He declared that the Cuban policy in the Americas should be one of close solidarity with sister nations.[46] The Cuban Revolution was inspired to an extent by regional endeavour and aspired to do the same after it became successful.

In the aftermath of the revolution the main goals of the new government were political sovereignty and social reform, where a new society and a New Man had to be created; a man who would be free from material greed and individual ambition, who would live collectively and in harmony with his fellow mates. Fidel Castro declared himself a Marxist in 1961, and an entire generation of Latin Americans looked up to him and Che Guevara for revolutionary inspiration. Guevara went on to participate in revolutions of other LAC countries, ultimately succumbing to death in Bolivia. As a result, a string

of leftist leaders came to power in later years; such as Salvador Allende of Chile, the first ever democratically elected socialist president; Hugo Chavez of Venezuela; Evo Morales of Bolivia; and Rafael Correa of Ecuador. The Bolivarian Alliance for the Peoples of our America (*Alianza Bolivariana para los pueblos de nuestra América* or ALBA) is a result of the legacy left by Simón Bolívar, José Martí, Fidel Castro, Che Guevara etc.

OAS (Organization of American States or *Organisación de Estados Americanos*)

The OAS was the first regional organization to bring together all the states of the Western hemisphere under one umbrella. It was founded in 1948 with its headquarters in Washington DC, and comprises all the thirty five independent states of that part of the globe. In 1962, Cuba was excluded from the OAS at the behest of USA[47] for siding with the Soviet Union in the Cold War.[48] The OAS aims to promote democracy, human rights, security and development among the member states, and does so through political dialogue, and cooperation. It has also established autonomous institutions such as the Inter-American Commission on Human Rights, and the Inter-American Juridical Committee. It organises the Summit of the Americas, roughly once in every three years, where the heads of the states and governments of the member states gather to discuss common issues.

The latest Summit, held at Cartagena, Colombia, in April 2012, failed to come out with a political declaration due to the

standoff between the members of ALBA (*Alianza Bolivariana para los pueblos de nuestra América* or the Bolivarian Alliance for the Peoples of our America) and USA over the attendance of Cuba. USA opposed Cuban participation through the hosts Colombia, and thereafter in the debates was supported by Canada. Colombia had no choice, since Cuba could not be formally admitted back to the OAS till it signed the Democratic Charter, after it was re-invited in 2009. The summit clearly demonstrated the ideological split in the Western hemisphere, because ALBA leaders threatened to not attend the next summit unless Cuba was invited. Considering the OAS has always been a US dominated organization, what stood out in the Cartagena Summit was that even the pro-US regimes did not overtly support USA on many issues marking a new regional order in LAC.[49] And this very new regional order has diminished the importance of OAS and given rise to new organizations that exclude USA and Canada, such as CELAC. Also, as compared to the Clinton period (1993-2001), USA shifted its focus away from Latin America during the Bush era (2001-2009) which explains how the FTAA fizzled out.

ALADI (*Asociación Latinoamericana de Integración* or Latin American Integration Association)

ALADI has its origins in the Latin American Free Trade Association (LAFTA) of 1960, which later converted into the Latin American Integration Association in 1980 through the Treaty of Montevideo, Uruguay. The Montevideo Treaty sought to create a common market and reduce tariffs among

member states. However, the thirteen[50] member-ALADI is considered to have failed in its attempt at integration. Today it serves essentially as a clearing house for regional trade.[51]

Regional Organizations

The regional organizations in LAC can be studied under three wide categories.

1. Organizations formed in the sub regions of LAC
2. Organizations formed based on the political leanings of member states
3. Organizations that encompass whole or most of LAC

In the Sub Regions

The regional organizations formed in the sub regions are the Andean Community of Nations, MERCOSUR, Central American Integration System, and Caribbean Community.

CAN (*Comunidad Andina de Naciones* or Andean Community of Nations)

CAN was formed in 1969 by Bolivia, Chile, Colombia, Ecuador, and Peru by signing the Cartagena Agreement. It was originally the Andean Pact but in 1997 it became the Andean Community of Nations. With its headquarters in Lima, Peru, it aims to jointly improve the standard of living of its people by economic integration and social cooperation. In over four decades of its existence, CAN's membership has remained

susceptible to political shifts in member states. For instance, Chile left it in 1976 during the military dictatorship of General Augusto Pinochet. The dictator wanted to vigorously promote free trade and an open economy while the other members did not.[52] However, Chile rejoined the community in 2006 as an associate member. Venezuela joined CAN in 1973 but left it in 2006 owing to differences with Colombia and Peru. Chavez had an anti-globalization stance, while Colombia and Peru followed a free market ideology, and signed FTAs with USA. The departure of Venezuela hit CAN hard as it accounted for a third of its economic strength.[53] Consequently, Chavez joined another regional grouping, MERCOSUR, as an associate member. The four members of MERCOSUR became Associate members of CAN in 2005.

Essential Facts of CAN	
Population (2012)	101 million
GDP per capita (2012)	$6,348
Intra-group trade (2010)	$7.8 billion

Source: Author's compilation

In more than four decades of its existence, CAN has transformed its practices from those of import substitution in the 1970s to those of liberalisation in the 1990s. As a result, trade and market started to receive more priority from 1989. CAN became a free trade area in 1993 among Bolivia, Colombia, Ecuador, and Venezuela; whereas Peru joined only later. The Common External Tariff (CET) was approved by 1994. From

2005, the free movement of citizens within CAN's territory became possible with the Andean passport coming into effect.

CAN is one of the best institutionalized of the regional groupings in LAC. It has an Andean System of Integration (*Sistema Andino de Integración* or SAI), which articulates the organs and institutions of CAN. The highest is the Andean Presidential Council, which is composed of the four Presidents of Bolivia, Colombia, Ecuador and Peru. They are in charge of the political direction of CAN. There is the Andean Council of Ministers of External Relations, which formulates the external policy on subjects related to integration, and coordinates joint positions in international forums. There is a Commission composed of Plenipotentiaries that formulate policies on trade, investment and rules for compliance. There are also a Secretary General, the Andean Tribunal of Justice, and the Andean Parliament.[57]

Members of CAN have also had a history of hostilities among themselves, but have successfully overcome them. In 1995 there was a brief war between Ecuador and Peru over a long-standing territorial dispute, which was resolved by signing a peace treaty in 1998.[58] In 2008, Ecuador and Colombia faced a diplomatic crisis when Colombian military forces entered Ecuadorian territory in pursuit of Raúl Reyes, the second-in-command of FARC (*Fuerzas Armadas Revolucionarias de Colombia* or Revolutionary Armed Forces of Colombia). An angry Ecuadorian President, Rafael Correa, cut off diplomatic relations with Colombia. Colombia claimed that evidence

suggested that FARC was receiving support from Ecuador and Venezuela. The crisis was resolved by active diplomacy on the part of OAS and the Rio group.[59]

In recent years CAN has faced a functional crisis because of the varying political leanings of its members. While Colombia and Peru seek closer integration with US and Europe, and are willing to adopt a free market ideology, Ecuador and Bolivia oppose it. As a result, both the groups have joined other sub regional organizations that are more in tune with their respective ideologies. Colombia and Peru are members of the Pacific Alliance, whereas Ecuador and Bolivia are part of ALBA.

MERCOSUR (*Mercado Común del Sur* or Common Market of the South)

MERCOSUR was constituted in 1991 by the Southern Cone states of Argentina, Brazil, Paraguay, and Uruguay through the Treaty of Asuncion in Paraguay. It was the result of a political understanding in 1985 between the two traditional rivals of South America, Brazil and Argentina. The Argentina-Brazil Integration and Economic Cooperation Programme (*Programa de Integración y Cooperación Económica Argentina-Brasil* or PICE) that was signed by them gave priority to regionalism over a pursuit of regional power. Hence, MERCOSUR aimed for the free movement of goods, services, and factors of production among member countries through the elimination of customs duties and non-tariff restrictions. It also sought to have a common trade policy with respect to other states

or groups of states.[60] Venezuela joined the trade bloc as an associate member in 2006, gaining full membership in 2012.[61] It has been given four years to fully adapt the regulations of the trade bloc. The current associate members of MERCOSUR are Chile and the members of CAN.

Essential Facts of MERCOSUR[62]	
Population (2012 est.)	276 million
GDP per capita	$ 11,945
Intra-group trade (2011)	$107.19 billion

Source: Author's compilation

The Protocol of Ouro Preto, Brazil, of 1994 established the institutional structure of MERCOSUR, and formalized the customs union. As a result MERCOSUR adopted a Common External Tariff in 1995. It has institutions like the Common Market Council, the Common Market Group, and the Trade Commission. The Common Market Council is the highest organ of MERCOSUR and is responsible for its political leadership and decision making. The Common Market Group is responsible for enforcing the Council decisions and coordinating macroeconomic policies. The Trade Commission is responsible for enforcing the implementation of the Common Trade Policy adopted by member states. The MERCOSUR Parliament was established in 2006, and has eighteen representatives from each member state. The headquarters of MERCOSUR are located in Montevideo, Uruguay.

MERCOSUR places a lot of importance on the democratic ideals of member states. The Protocol of Ushuaia on Democratic Commitment (1998) clearly states that full democratic institutions

are an essential precondition for the development of the integration process. Also, any alteration or rupture of the democratic system (in a member state) shall amount to an unacceptable obstacle to the continuation of the (integration) process. The Protocol of Montevideo on Democratic Commitment (2011) allows other members to impose sanctions on such a state or close their borders totally or partially to it. Consequently, the coup against President Fernando Lugo in June, 2012, led to Paraguay's suspension from MERCOSUR. Other members of the trade bloc invoked the Protocol of Ushuaia on Democratic Commitment, and withdrew the political rights of Paraguay within the bloc, while they continued to maintain economic and trade relations. Incidentally, it was after the suspension of Paraguay that Venezuela became a full member of MERCOSUR. The Paraguayan Senate had blocked the full accession of Venezuela to MERCOSUR on account of a lack of democracy in Venezuela. Once Paraguay was suspended, other members voted for its full membership.

MERCOSUR has faced threats to its survival in the past but has successfully overcome them. It almost lost its economic and political economy rationale, when Brazil and Argentina faced currency crises in 1999 and 2001 respectively. For instance, in 1999, Brazil devalued its currency, resulting in the Brazilian Real depreciating by approximately forty percent. As a result the cost of Brazil's exports almost halved in comparison to that of other member states. Argentina, the other major economy of the trade bloc, retaliated by imposing tariffs on Brazilian imports. But MERCOSUR survived because both the economies realized it was in their strategic interest to continue with integration.[63]

SICA (*Sistema de Integración Centroamericana* or Central American Integration System)

SICA was established in 1991 by the Central American states of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama, after signing the Tegucigalpa Protocol, in Honduras. The Dominican Republic is an associate member of the Central American organization. Even though SICA aims to be a free trade zone and build a common market, the main motive behind it is political integration. Taking into account lessons learnt from a history of political crises and dictatorships in Central America, the democratic regimes of that day sought Central American integration. SICA's forerunner was the Organization of Central American States (*Organisación de Estados Centroamericanas* or ODECA). SICA, with its headquarters in El Salvador, also represents the region as a negotiating bloc in international forums.[64]

Essential Facts of SICA	
Population	45 million
Combined GDP	$ 108 billion

Source: Author's compilation

The important institutions of SICA are the Meeting of the Presidents, Council of Ministers, Central American Parliament, and the Central American Court of Justice. The Meeting of the Presidents is the highest organ, where Presidents of the member states meet twice a year to address regional issues. The Central American Parliament (Parlacen) has twenty representatives from each member state, who help the integration processes. The Central

American Court of Justice interprets and executes laws under the Tegucigalpa Protocol.

SICA has allowed the free movement of people between Guatemala, El Salvador, Honduras, and Nicaragua through the Central America Four Agreement. The CA-4 states have a Central American passport, similar to the Andean passport of the CAN states. The four members of CA-4 were also part of the Central American Common Market which was formed in 1960. Now after SICA became the dominant medium of integration in the region, they continue to maintain a closer relationship through the CA-4. Following the Honduran coup in 2009, the other three members of CA-4 shut their borders to Honduras for deposing a democratically elected President, Manuel Zelaya.[65] Honduras was also suspended from SICA, but was allowed to rejoin in 2011 after Zelaya and his successor, Porfirio Lobo, signed the National Reconciliation Agreement for the consolidation of the democratic system in Honduras.[66]

CARICOM (Caribbean Community)

CARICOM was established in 1973 by the Treaty of Chaguaramas, Trinidad, transforming the Caribbean Free Trade Association (CARIFTA) into a common market. It was preceded by the West Indies Federation (WIF) established in 1958. WIF consisted of ten[67] of the English speaking Caribbean islands, and it dissolved in 1962. Later the CARIFTA was established by four Caribbean islands, Antigua and Barbuda, Barbados, Guyana, and Trinidad and Tobago, in 1965. They

were joined by eight[68] other Caribbean islands in later years. The newly independent Caribbean islands wanted to unite their economies through the CARIFTA, all of whose territories were English speaking. The inadequacy of CARIFTA, which did not provide for the free movement of labour and capital, led to the formation of CARICOM.[69] It currently has fifteen[70] members and five[71] associate members, which also include dependencies, and states from Central and South America.

Essential Facts of CARICOM[72]	
Population (2010)	17.4 million
Total GDP (2010)	$ 56 million

Source: Author's compilation

The challenges the community faces are many. The Caribbean states are not a homogenous group. They vary in size, economic development, political culture and governance capabilities. But the recognition of a largely similar colonial history and post independence challenges led to the formation of CARICOM. USA from the north, South American states from the south, former colonizers from Europe, emerging economies such as China, all want to influence the region and play a major role in its economies. The vulnerability of the Caribbean economies to external shocks was evident during the global economic recession, which heavily reduced the demand for Caribbean goods and services. However, the region receives substantial amounts of aid by USA and Europe, and China invests on a large scale. As a result, Caribbean islands are easily influenced by them. Five[73] of CARICOM's members recognise and maintain diplomatic relations with the Republic of China (Taiwan), which

prevents CARICOM from having a common policy towards China or Taiwan.

On the other hand, the Caribbean region is aspiring to develop an independent identity, to achieve which, it is striving for regional integration.[74] There is a trend of growing Republicanism among the Commonwealth states that aims to cut off symbolic ties with Britain. Jamaica is already planning to replace the Queen of Britain with a Jamaican-born President as the head of the state. They have realized that greater independence requires better governance. In that direction they have established the Caribbean Court of Justice (CCJ). It is the highest court of appeal for CARICOM, and its main function is the development of Caribbean law, as opposed to British legal systems that dominate the region. However, CCJ is yet to be adopted by member states. CARICOM introduced the Caribbean passport from the year 2005 to facilitate intraregional travel of citizens belonging to the community. It brought into effect the CARICOM Single Market and Economy (CSME) in 2006, which aims to promote a free movement of goods and services, and the establishment of a Common External Tariff.

Another regional organization in the Caribbean is the Association of Caribbean States (ACS) that was formed in 1994. It consists of twenty five[75] member states and three[76] associate members in the Caribbean basin. Its main aim is to foster regional integration in the Caribbean basin and protecting the environmental integrity of the Caribbean Sea. However, ACS has not been as effective as CARICOM in the region.

Based on Political Leanings

The regional organizations formed on the basis of the political leanings of their constituent members are ALBA and the Pacific Alliance.

ALBA (*Alianza Bolivariana para los pueblos de nuestra América* or Bolivarian Alliance for the Peoples of Our America)

ALBA was formed in 2004, when the presidents of Venezuela and Cuba, Hugo Chavez and Fidel Castro respectively, signed a Joint Declaration in Havana[77]. They had conceived it as the Bolivarian Alternative for the Peoples of our America to provide an alternative to the US sponsored Free Trade Area of the Americas (FTAA). Reflecting the ideals of ALBA, Venezuela and Cuba signed a Trade Agreement to eliminate tariffs and import duties between each other.[78] A major initiative between the two founding members of ALBA was the daily supply of about ninety six thousand barrels of Venezuelan oil to Cuba in exchange for Cuban teachers and fifteen thousand doctors to Venezuela.[79] In 2006, Venezuela, and Cuba were joined by Bolivia, and together they signed in Havana the Agreement for the Construction of the Bolivarian Alternative for the Peoples of our America, which gave birth to the formation of ALBA-TCP (*Tratado de Comercio de los Pueblos* or People's Trade Agreement)[80]. Under the TCP, the three members cooperate in the fields of medicine, education, study of indigenous communities, energy, and technology.

Essential Facts of ALBA	
Population (2012)	72 million
Total GDP (2010)	$ 390 billion
Intra-group trade (2009)	$ 4.3 million

Source: Author's compilation

In 2009 ALBA changed its name from alternative to alliance. ALBA aims to form a 'grand nation' in LAC and work towards its integration as had been visualized by past leaders such as Bolívar and Martí. It has a socialist outlook and intends to satisfy the needs of the majority as opposed to being a trade bloc. The ascent of leftist leaders towards the fag end of the last decade saw them joining ALBA, along with some Caribbean states. ALBA expanded by the joining of Nicaragua (in 2007), Dominica (in 2008), Ecuador, St Vincent and the Grenadines, and Antigua and Barbuda (all three in 2009). Honduras under President Manuel Zelaya joined ALBA but was expelled after the coup in 2009.

The major activities of ALBA are Grand National Projects, which are social projects implemented between two or more member states. They include programmes that seek to eradicate illiteracy, hunger, and malnutrition; and improve telecommunications, literature, agriculture and health. ALBA has also taken initiatives in the field of economy with the aim of making members of ALBA less vulnerable to international financial institutions. It created the Bank of ALBA (BA) in 2008 with its headquarters at Caracas, Venezuela. BA aims to fund the Grand National Projects and other initiatives that will help integration in LAC.

ALBA also created an alternative currency called SUCRE (*Sistema Unitario de Compensación Regional de Pagos* or Unitary System of Regional Compensation of Payments) in 2008 with the aim of ending the dictatorship of Dollar in international trade. It seeks to conduct regional trade using a regional currency instead of an international currency. For now SUCRE is a virtual currency, pegged at 1.25 USD per SUCRE. In 2010, Venezuela and Ecuador conducted their first bilateral trade using Sucre.[83] In 2010 and 2011, trade in the new currency was 10 million sucres ($12 million) and 216 million sucres ($250 million) respectively.[84]

Another important initiative taken by Venezuela, which includes most of the members of ALBA and most of the Caribbean states, is the Petrocaribe. It was established in 2005 as an Energy Cooperation Agreement between fourteen[85] Caribbean countries, and currently has a membership of eighteen[86]. Through Petrocaribe, Venezuela aims to provide energy security to its member countries by selling oil at preferential payment conditions. It allows payments to be made over a period of time at very low interest rates, and under special circumstances, to be made in the form of goods and services too.[87]

The Pacific Alliance (*La Alianza del Pacífico*)

The Pacific Alliance was formed by Chile, Colombia, Mexico, and Peru in 2012 by signing the Framework Agreement at the Paranal Observatory in Antofagasta, Chile. It is a trade bloc that seeks an integration that allows the free movement of goods, services, investment and people. Costa Rica, Panama

and Uruguay, who currently hold the status of observers, have also expressed an interest in joining the new bloc. The Pacific Alliance was conceptualized in 2011 by Alan García, the then President of Peru. Though he was replaced by Ollanta Humala, who comes from a traditionally left leaning political party, it did not affect Peru's participation in the alliance. Incidentally, the Presidents of the other three member states come from right of centre political parties. The bloc has a total population of more than two hundred million.

The four members of the alliance are similar in that they are the more open economies of Latin America. Chile and Mexico have the maximum number of FTAs with other states in the world, and Colombia and Peru are on the same path. All four have FTAs with USA. Since the Pacific Alliance also aims to increase trade relations with the Asia Pacific region, it plans to sign an FTA with ASEAN (Association of Southeast Asian Nations). Chile and Peru have already signed, whereas Colombia and Mexico are in the process of signing FTAs with China, Japan, and Korea. Chile, Mexico and Peru are members of APEC (Asia-Pacific Economic Cooperation). Chile and Mexico are also members of OECD (Organization for Economic Co-operation and Development). Colombia has applied for the membership of both the economic organizations. The stock exchanges of Lima, Peru; Bogotá, Colombia; and Santiago, Chile were merged in 2011 to form an integrated exchange, MILA (*Mercado Integrado Latinoamericano* or Latin American Integrated Market). Mexico's main stock exchange too is expected to join it soon.[88]

In addition to the economic implications, the Pacific Alliance is also seen as having a political agenda, i.e. to counterbalance ALBA and MERCOSUR. MERCOSUR excludes states that have signed FTAs with third parties, such as USA, EU or China, from becoming its full members.[89] As a result, the members of Pacific Alliance could not have joined the trade bloc. Considering they have a more uniform economic policy, they coalesced to be able to follow an economic trajectory more accelerated than that of MERCOSUR, which is struggling with its inner contradictions. The alliance is also believed to be trying to undermine the predominance of Brazil in the continent, especially in multilateral organizations. Brazil has actively taken part in forming MERCOSUR, UNASUR (*Unión de Naciones Suramericanas* or Union of South American Nations), and CELAC (*Comunidad de Estados Latinoamericanos y Caribeños* or Community of Latin American and Caribbean States), organizations that desist US participation. Brazil has also opposed the US proposal to form FTAA.

Encompassing the Whole or most of LAC

The regional organizations that encompass the whole or most of LAC are the Union of South American Nations and the Community of Latin American and Caribbean States.

UNASUR (*Unión de Naciones Suramericanas* or Union of South American Nations)

UNASUR was formed by the twelve[90] independent states of South America by signing the Constitutive Treaty in 2008 in

Brasilia. However, it was conceptualized as early as in 2004. UNASUR is a union of the two customs unions in the South American continent, namely CAN and MERCOSUR. Apart from the member states of the two trade blocs, Chile, Suriname, and Guyana also form a part of UNASUR. UNASUR aims to bring about South American political, social, and economic integration and works on issues such as democracy, education, energy, environment, infrastructure, and security. With its headquarters located in Quito, Ecuador, it aspires to form a South American market, and have a common currency. It is modelled after the European Union.

Essential facts of UNASUR	
Population (2011)	392 million
GDP per capita (2011)	$ 11,962
Intra-group trade (2011)	$ 120 billion

Source: Author's compilation

It has become a supranational entity, with organs like the Council of Heads of State and Government, the Council of Ministers for Foreign Affairs, Council of Delegates, and the General Secretariat. The Council of Heads of State and Government is the highest organ of UNASUR, and is responsible for establishing the political guidelines and action plans. The Council of Ministers for Foreign Affairs is responsible for adopting and implementing the resolutions of the aforementioned Council. The Council of Delegates prepares the agenda for the discussions and meetings of the Council of Foreign Ministers. The General Secretariat is responsible for the execution of the mandates submitted by the organs of UNASUR.

The major initiatives of UNASUR are the South Bank (*Banco del Sur*), Initiative for the Integration of Regional Infrastructure in South America (*Iniciativa para la Integración de la Infraestructura Regional Suramericana* or IIRSA), and the South American Defence Council (*Consejo de Defensa Suramericano* or CDS). The South Bank was formed in 2009 with a vision to resist international financial institutions, and form a regional bank that supports regional infrastructure projects. It aims to collect an initial capital of $ 20 billion; out of which the first $ 7 billion is being contributed by member states in the following order. Venezuela, Argentina, and Brazil are contributing $ 2 billion each; Ecuador and Uruguay, $ 400 million each; and Paraguay and Bolivia, $ 100 million each. However, unlike IMF, World Bank, and IDB, every state will have the right to one vote each irrespective of the amount contributed to the bank.[94] It is expected to start operations by next year.[95] IIRSA was conceived in 2000, and aims to promote the development of regional infrastructure to achieve the physical integration of UNASUR members. IIRSA derives its inspiration from the recognition of South America as a prospective single regional economy that can resist global market fluctuations.[96] CDS was a Brazilian initiative, and it was formed in 2008 with the objective of forming a zone of freedom, sovereignty, and peace in South America. Apart from guaranteeing the prevalence of democratic and constitutional institutions over defence ones, it aims to modernise defence and the armed forces in the continent.

UNASUR plays a major role in solving the political crises in the continent. For example, Chile and Bolivia do not have diplomatic relations with each other over a disputed territory, but they came together under UNASUR. When there was violent opposition to

Bolivian President Evo Morales and an attempt to unseat him in 2008, UNASUR came out in support of the incumbent and threatened not to recognise any government that replaced him illegitimately.[97] When tensions were high between Venezuela and Colombia in 2010 over the question of FARC, and they were on the verge of going to war, UNASUR intervened and calmed the tempers of the Presidents of both the states.[98] When there was a diplomatic standoff between Ecuador and Britain over the provision of diplomatic asylum to Wikileaks founder, Julian Assange, UNASUR came out in support of the Andean state after a meeting of its Foreign Ministers.[99]

CELAC (*Comunidad de Estados Latinoamericanos y Caribeños* or Community of Latin American and Caribbean States)

CELAC was established in 2011 at Caracas, Venezuela, when the Heads of State and Government of the thirty three independent states of LAC met to form the most extensive pan-regional organization. It excludes USA, Canada, as well as the overseas territories of USA and European states in the Western hemisphere. It is slowly becoming the successor of OAS in representing the region on a global stage. CELAC was conceptualized at the Rio Group – CALC (*Cumbre de América Latina y el Caribe sobre Integración y Desarrollo* or Latin American and Caribbean Summit on Integration and Development) meeting in 2010 at Mexico, when the leaders of the region proposed to form a new organization amalgamating the two.

Rio Group was formed at Rio de Janeiro, Brazil in 1986 by eight[100] South American and Central American states, known as

the Contadora Group[101] and the Contadora Support Group[102], as what is perceived as a counterbalance to the US dominated OAS. The Contadora Groups had been formed to bring about peace in the conflict-hit Central America.[103] They realized the need to create a regional mechanism for political dialogue and cooperation to promote democracy and sovereignty of the states. Consequently, Rio Group was formed and later expanded[104] with a membership of twenty four states. It worked through a rotating pro-tempore Presidency, and institutionalized the periodic meetings of the Heads of State and Government of member states. It represented the region in international forums such as the UN General Assembly, and with other regional blocs such as the European Union.[105]

The first CALC, formed by the thirty three independent states in LAC, took place in 2008 in Brazil.[106] The purpose of the Summit was to advance the process of integration and strengthen the development of LAC. The second Summit took place in Mexico, along with Rio Group, where there was a greater push for integration. And then Rio Group and CALC were merged at the first Summit of CELAC held in Caracas. The formation of CELAC sent out the message that Latin America refused to be the 'backyard' of USA anymore.

In spite of the differences in political views and bloc formation of the LAC states, it is quite clear that they want to integrate and forge an identity for themselves. Also, to solve grave issues in LAC such as drug-trafficking and organized crime, they recognize the need to work together. The new regional order in LAC gives priority to cooperation among its member states irrespective of their politics or history. It was evident from the enthusiastic participation of regional

leaders, spanning from the extreme left to the extreme right political parties, in the first CELAC summit. For example, the CELAC troika is composed of Venezuela, Chile and Cuba, with Chile now holding the pro-tempore Presidency. The Statute of Procedures of CELAC was jointly drafted by Chile and Venezuela.[107] Every coup that takes place in LAC is condemned by the other countries, sometimes to the extent of cutting off diplomatic ties. But soon after, efforts are made to engage with the successors. CELAC even issued a statement in support of the chewing of the coca leaf, which constitutes a cultural and ancestral practice of the indigenous populations in Bolivia[108]; and which the UN had banned as an illegal substance[109].

CELAC aims to bring about the promotion of regional integration, the coordination of policies at the regional level, and create a more balanced dialogue space with USA. Another aim is to become an umbrella organization for other regional groupings.[110] It does not have any institutions of its own but works through the pro-tempore Presidency. On a global level, the community aspires to build a multi-polar world. The CELAC troika visited the emerging powers, India and China, in August this year, and deepened diplomatic and strategic ties with the Asian states. The LAC bloc and the Asians agreed to work together on global issues such as climate change, and UN reforms among others. CELAC projects itself as the common front and the voice of LAC.

Conclusion

About two centuries have passed since integration was first conceptualized in Latin America. The progress the process of

integration has made can only be assessed by comparing its achievements to the goals it set for itself at the outset. The visionary of Latin American regional integration, Simón Bolívar, had hoped for a federation of nations to be formed in Latin America, which is far from happening. His other plan to form an amphictyonic body or an assembly of plenipotentiaries that would represent the common interests of the whole region has been realized, earlier by Rio Group, and later by the still nascent CELAC. Both these regional organizations have been a common front for LAC and more importantly, they have institutionalized periodic meetings of the Heads of States and Governments, which facilitate discussion and finding solutions to regional issues.

The OAS was the first Pan-American forum ever created and one of its major aims was to promote democracy in the region. Having been created in the Cold War period, it largely tried to keep a check on the forceful takeover of power by the communists in the Western hemisphere. But its role in upholding democracy came into question when it remained a spectator to the stream of military dictatorships in the region during the second half of the twentieth century. Another major criticism OAS faces, that it is dominated by USA, has led to the formation of regional organizations that exclude USA and by extension, Canada. With the rise of Latin American states and the relative decrease in the power of USA in the region, OAS appears to be losing its sheen. Others such as UNASUR and CELAC are increasingly becoming the leading decision makers.

The goal of sub regional organizations such as CAN, MERCOSUR, SICA, and CARICOM, to a large extent, was economic

in nature. They aspired to become customs unions with a common market, and promote the free flow of goods, people and capital. Excepting MERCOSUR, the rest have managed to bring into use their respective regional passports.[111] CAN and MERCOSUR have established customs unions, SICA and CARICOM are still in the process of consolidating their common markets. Integration is also hindered by internal problems such as distortions in trade agreements, unilateral steps, or the differences in their natural endowments. The right-left divide in LAC becomes quite evident from looking closely at the above regional organizations. In a move that allows them to avoid ideological clashes, they have formed organizations with other states that have similar ideological tendencies, such as ALBA and Pacific Alliance.

ALBA set out to provide an alternative to FTAA and integrate LAC on political, social and economic levels. It has tasted success but only in a geographically limited region, that which is led by Left leaning leaders. The grand ALBA project is yet to make a mark in other areas of LAC. The Pacific Alliance is only months old, and Mexico has already suspended the requirement of visas for members of the Alliance – Chile, Colombia, and Peru.[112] Paraguay, after its suspension from MERCOSUR and UNASUR following the coup against President Fernando Lugo, is believed to be keen to join the Pacific Alliance, considering the members of the Alliance are not too particular about marginalising it any longer, unlike the centre-left leaders of the region.[113] Meanwhile, Bolivia has applied to become a full member of MERCOSUR, which goes to show ideological tendencies are affecting economic decisions of the states.

More importantly, in a move that allows LAC countries to work together in spite of the ideological clashes, they have formed UNASUR in South America and CELAC throughout the entire hemisphere. In the four years of its existence, UNASUR has managed to act with conviction and take important stands on regional issues, through a conscious effort of non ideologisation of the South American integration process. But a long road lies ahead before a South American Common Market, a South Bank and a South American currency can become truly effective. CELAC is the most comprehensive attempt till date to deal with the challenges of the region from within, without any foreign interference. In a significant step towards consolidating regional cooperation, Sebastián Piñera and Hugo Chavez, Presidents respectively of Chile and Venezuela, representatives of the extremes of the ideological divide in the region, proclaimed that they would cooperate with each other irrespective of their political leanings. This is the most promising pointer for the positive evolution of regional integration in LAC.

★★★

ENDNOTES

1. Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela
2. Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama
3. Antigua and Barbuda, Bahamas, Barbados, Cuba, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago

4. Anguilla, British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands in the Caribbean; Bermuda in the North Atlantic Ocean; and Falkland Islands in the South Atlantic Ocean
5. Aruba, Bonaire, Curacao, Saba, Saint Eustatius, and Sint Maarten
6. Guadeloupe, French Guiana, Martinique, Saint Martin, and Saint Barthelemy
7. Navassa Island, Puerto Rico, and US Virgin Islands
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