



## THE CHALLENGE OF INTEGRATION

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### EXECUTIVE SUMMARY

The third Summit of the Americas will present an exceptional forum for the analysis, debate and advancement in the process of continental integration. Today, we have a revolution in technology that is outpacing the changes in our institutions and political and social orders at a dizzying rate. The prevailing anachronistic isolationist vision is slow to adapt and is the primary obstacle to the process of integration. We need to work together on both sides of the hemisphere to do away with economic protectionsim and to develop a common Americas' front against subsidies and obstacles to free trade on a global scale.

An overall objective of the integration of the Americas means we must assume joint responsibilities that go beyond strictly economic and trade matters. A threat to any one of our societies entails risks for the others; only joint actions will dissipate such threats. The revitalization of the mission of the Organization of American States would prepare it better for the demands of integration as well as to help create an efficient link between its own activities and the goals and objectives of the Summits of the Americas. Through their proposed integration, the Americas as a whole can and should become the vanguard in the search for a new system addressing collective legal responsibilities. Efforts should be made with regard to the issues mentioned above and to others of vital interest for our societies to adapt the old standards and institutions to the new scenarios.

### THE PROCESS OF INTEGRATION

The third Summit of the Americas (Quebec, April 20 - 22) will provide our nations with an exceptional forum for the analysis of the progress, obstacles, setbacks and new challenges in the push to achieve the historic objective of continental integration "from the Arctic to the Antarctic." The Summit should also serve to revitalize participants into working towards this goal with greater enthusiasm and efficiency.

Today, change is taking place at an incredible pace. The information technology revolution is forging dramatic transformations at all levels of society. Nonetheless, our institutions and legal, political and social structures are not changing at the same pace. Such asynchrony is also reflected in crises and in the persistence of anachronistic obstacles that prevent growth and hold back progress for our societies.

The leaders and governments of the Americas must apply clear thinking and tenaciousness in addressing the strategic priorities of continental integration. Only then can the dynamic forces of civil society be mobilized to achieve this objective as quickly as possible.

There are numerous grounds for optimism among those of us from the Southern Cone of the Americas who are active participants in this process. During the 1990s, we witnessed the consolidation of democracy in our countries. Simultaneously, we reformed our economies, opening them to healthy competition, while developing a vehicle for cooperation and integration: MERCOSUR. MERCOSUR was conceived as a step toward increasingly active participation in the opening of world trade and in the encouragement of a global

flow of finance and production.

Operating within this style of integration, MERCOSUR quintupled foreign trade for its members and made possible the creation of mechanisms aimed at ensuring an optimal form of government in its zone of influence. The *democracy clause* was introduced, which automatically excludes any country in which institutional legitimacy has broken down. This clause was decisive in transcending the attempted coup d'etat in Paraguay. While these tools are not a panacea for all our problems, they do offer new means for overcoming them.

The international financial crises hit the economies of the hemisphere quite hard. It is important, then, that the successful first-generation reforms be continued and strengthened with what have been called second-generation reforms. More responsibilities should be transferred from the central government to provincial and municipal administrations, and from the public sector to the organizations of civil society, thus allowing for the increased participation of the private sector. Concurrently, greater progress must be made to increase political and economic transparency in order to combat tax evasion, illicit sources of income and an enormous black market. Crime-fighting has also become a major challenge. The globalization of crime has actually taken place with greater speed than that of the integration of our nations and societies.

Most of these problems can be overcome through increased integration and the bonds of cooperation, which ought not be limited to economic and trade issues. The fight against global forms of crime—such as drug trafficking or terrorist networks—will be lost if waged through the atomized actions of each individual country.

An anachronistic isolationist vision is clearly the principal obstacle to the integration process. This vision translates into economic protectionism, a defect from which few countries are exempt.

During the formalization of the MERCOSUR agreements in the early 1990s, we had to face the opposition of powerful sectors within Argentina who argued that we would be “colonized” by Brazilian exports. History has since taught us the great error of this zero-sum theory. All of the members of MERCOSUR have benefited from integration. Collective foreign trade increased enormously; the opening of our economies improved; gains were made in productivity and competitiveness; and there was an increased influx in foreign investment. In fact, Argentina maintained a balance of trade surplus in its dealings with Brazil, even after Brazil's major devaluation in January 1999.

Other nations have also been confronted with protectionist, isolationist pressure. During the proposal phase of NAFTA, the United States government found itself under similarly intense pressure. Mexico's inclusion in the treaty involved a heated political battle, demanding strong leadership from Bill Clinton—especially since it was among his party's ranks that the source of most of the resistance lay.

Protectionist tendencies still constitute influential, significant obstacles to a comprehensive integration of the Americas. In the Southern Cone, such leanings have led to the conception of MERCOSUR as a fort from which to protect the region from, rather than as a bridge towards, progressive trade liberalization.

In the United States, protectionism takes the form of agricultural subsidies. These subsidies are not only a waste of domestic resources, but they also create impossible hurdles to trade integration with South America. For trade integration to be achieved, equivalent efforts must be made both in North and South America to overcome protectionism and develop an Americas' common front against subsidies and obstacles to free trade on a global scale.

It is heartening to note the emphasis the new US administration appears to be placing on its ties to Latin America. The fact that the first visit abroad George W. Bush made as president was to a Latin American country—Mexico—is a good signal of the new reality that the Americas have become the principal sphere of foreign trade for the United States (surpassing the Asian-Pacific block and Europe). Hopefully, this trend will translate into a change in the extent to which Washington displays an interest in our region, and in its reasons for doing so.

In recent decades, the approach of the United States towards Latin America seems to have been one of *putting out fires* rather than *building*. The US has reacted to crisis situations (real or perceived) but has made little effort to develop a proactive policy or to jointly elaborate long-term strategies with its natural



partners in the region.

Concrete realities make it necessary for both sides of the hemisphere to maintain an ongoing dialogue based on farsighted, cooperative, integrationist, constructive principles. A shift in this direction was felt as early as the First Summit of the Americas in December of 1994, although progress in this regard has been slower than is desirable.

The hemisphere's integration process now appears to be picking up the pace. It is highly likely that the efforts for establishing a free-trade agreement between Chile and the United States will accelerate. These particular negotiations between the United States and a South American country show that the Bush administration, with its new open, strategic perspective, is ready to knock on our doors.

Such a situation calls for definitions on the part of MERCOSUR. Worth note is a comparison of MERCOSUR's dimensions with those of NAFTA: MERCOSUR's imports are a mere US\$100 billion while NAFTA's imports are 16 times higher. Integration will open an enormous market for our countries and the possibility of synergetic ties through investment and production integration. MERCOSUR countries should prepare to assume this challenge and negotiate the best possible conditions for sectors that are legitimately competitive, particularly the agricultural and foodstuff industries.

The FTAA will appear on the Quebec Summit agenda as its core topic, although the discussions will not be limited to the FTAA. An overall objective of the integration of the Americas means we must assume joint responsibilities that go beyond strictly economic and trade matters. A threat to any one of our societies entails risks for the others; only joint actions will dissipate such threats. Based on the shared principles of democracy and an open economy, we must create a strong, American system, capable of withstanding the collective risks and challenges that come with the revolutionary changes of the era.

The revitalization of the mission of the Organization of American States would help create an efficient link between its activities and the goals and objectives of the Summits of the Americas. The OAS, born in the obsolete reality of the postwar and Cold War era, has the potential to serve as a permanent platform to those summits for follow-up on their resolutions.

In today's world, where consensus exists regarding certain issues as being of interest to the planet as a whole, the world community no longer blindly accepts an earlier cornerstone of international policy: the principle of non-intervention. The areas of environmental conservation and the defense of human rights have benefited from the growing tendency among the international community to "expropriate" the traditional freedom of action of nation-states. For example, the methods once used by Kemal Ataturk to build modern Turkey would be intolerable if assessed by the world community using today's human rights standards. The NATO and UN intervention in Kosovo demonstrates a clear shift in the direction of globalization. The international subjection of outputs like pollution to controls, a phenomenon which knows no political borders, is another example of this movement toward globalization.

The issues of human rights and environmental conservation are only the tip of the iceberg regarding a more encompassing agenda that gradually moves from the sphere of national jurisdiction to that of global jurisdiction. The current dynamics in the hemisphere reflect the tension that has built up over recent years which pits a new legitimacy based on the new realities of the globalized world against the inherited and entrenched institutional and legal systems.

Through their proposed integration, the Americas as a whole can and should become the vanguard in the search for a new system addressing collective legal responsibilities. Efforts should be made with regard to the issues mentioned above and to others of vital interest for our societies to adapt the old standards and institutions to the new scenarios.

We live on a contiguous continent, marked by differences left over from the past and new divisions attributable to the accelerated pace of technological change and globalization. The integration process could be of tremendous help in overcoming these disparities, which are a hindrance to the spirit of equity and also limit our growth and stability. The integration process in and of itself cannot automatically resolve these problems. Yet it has the specific task of mobilizing political will providing momentum, above all, for participation and a spirit of cooperation among the most overlooked sectors. The twenty-first century will be the century of the Americas if we are capable of uniting as free, open, integrated, tolerant societies based on democracy, solidarity, and responsibility. We shall channel all our efforts into this objective.

