MERCOSUR Grows

LADB Staff

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Even as MERCOSUR has grown, a Dec. 8-9 presidential summit in Cuzco, Peru sought to forge a new level of South American integration with the creation of a 12-nation bloc the South American Community of Nations. Presidents and high-ranking officials from 12 countries gathered in the ancient Inca capital to create a political and economic bloc they hope will put them on a more equal footing with the US, Europe, and Asia, although the absence of four presidents Ecuador's Lucio Gutierrez, Uruguay's Jorge Batlle, Paraguay's Nicanor Duarte, and Argentina's Nestor Kirchner led to questions about the strength of the commitment to form another regional bloc.

Twelve nations unite, eight presidents attend

The leaders met to sign an accord establishing the South American Community of Nations. The two-day summit was the group's third meeting since 2000. Proponents of the new organization expressed optimism. "In the last 30 years, we have sought a Latin America with the capacity for effective international action, and we have not achieved it because the countries of South America have been scattered, not unified," Peruvian Foreign Minister Manuel Rodriguez said. "With this new community, Latin America will be fortified." Rodriguez said the South American bloc would complement the Caribbean Community (Caricom) and the Central American Common Market. The 12 nations in the bloc are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela, along with Guyana and Suriname, two countries that were participating for the first time.

"Today we have a new country with 361 million inhabitants," Peruvian President Alejandro Toledo said in welcoming seven presidents to the historic summit in the ancient Inca sun temple of Coricancho. The presidents of Argentina, Ecuador, Paraguay, and Uruguay did not attend and instead sent representatives. Their absence raised doubts among critics of the new organization, who questioned the firmness of the commitment to form a powerful regional bloc. However, the absence of Uruguay's outgoing Batlle probably does not reflect the feelings of President-elect Tabare Vazquez, who supports South American integration and has large-scale popular support (see NotiSur, 2004-11-12).

Toledo was optimistic about what the bloc could mean to development. "The South American Community of Nations, which is born today, should help us confront the challenges of globalization so that it is fairer, more equitable." Peruvian Foreign Minister Rodriguez said South America's combined GDP exceeds Canada's and "is much greater, by more than US$200 billion, than that of the famous Asian tigers."

In a preliminary step last year, South America's two major trade blocs the Southern Cone Common Market (MERCOSUR) and the Comunidad Andina de Naciones (CAN) signed pacts to gradually
create a free-trade zone across the continent, creating a common market of 350 million people (see NotiSur, 2004-04-23). The Cuzco meeting did not establish a timeframe for achieving results.

"If things turn out reasonably well, in 15 years we will have a new map in the region," Allan Wagner, secretary-general of CAN, said during a meeting of the smaller trade group. Critics of the new regional organization are many. They note that Latin America already has several political and economic blocs and argue they have little to show for their existence.

Blasco Penaherrera, a former vice president of Ecuador and ambassador to the Organization of American States (OAS), said the regional meetings deal with general themes like improving education and battling poverty and never bring concrete results. "The presidents live from summit to summit," Penaherrera said. "They're going to turn into mountain climbers, passing from summit to summit." Penaherrera also was skeptical about South American nations creating a common market, noting that in many cases they export the same products. "The trade situation among South American countries is tremendously negative," he said. "There is no real possibility of increasing sales because they compete with the same products."

**Will it be strong?**

Whether the community will turn out to be the fulfillment of the dreams of independence hero Gen. Simon Bolivar is debatable. The leaders put their hopes on the huge potential of the region, with a GDP of US$973 billion and exports of US$181 billion. The new community also represents geographically 45% of the Americas, has about 25% of global water reserves, about 8 million sq km of forests, and huge oil and gas reserves.

But the numbers against it include a huge incidence of poverty and external debt. More than 40% of the inhabitants of the South American Community live below the poverty line. An external debt of more than US$300 billion hampers the group, and many of its members are still trying to emerge from financial crisis. It has poor infrastructure, especially in roads, and the political process is still very unstable in some countries.

Using existing financial institutions, the leaders of the group are planning deeper integration of energy and transport networks. They have identified through the Initiative for the Integration of Regional Infrastructure of South America (IIRSA) 31 infrastructure projects to be executed between 2005 and 2010, with a cost of US$4.3 billion.

MERCOSUR head and former Argentine President Eduardo Duhalde (2001-2003) brushed aside the skeptics, saying the new group would not only respond to an old integration dream but also to modern requirements. "Our countries cannot face the challenges of the new economic and political world order alone," said Duhalde. To emphasize this move toward greater integration, Peru and Brazil signed a US$700 million agreement to create a road linking the two countries to be finished by the end of 2006.

**MERCOSUR expands**
The establishment of the community was also in line with the growth of MERCOSUR the following week. The MERCOSUR trade bloc expanded to where it now encompasses nearly all of South America, in a show of vigor that stands in sharp contrast to the complaints of "asymmetries" among its members and the difficulties in reaching agreement on the prompt implementation of certain key decisions. Colombia, Ecuador, and Venezuela joined Bolivia, Chile, and Peru as associate members of MERCOSUR in the three-day meeting that ended with a Dec. 17 summit in the southern Brazilian city of Ouro Preto. The four full members of MERCOSUR, which was created in 1991, are Argentina, Brazil, Paraguay, and Uruguay.

Now Guyana and Suriname are the only South American countries remaining outside of some form of membership in the bloc. French Guiana is an overseas department of France. The associate members now outnumber the full members, noted Chilean President Ricardo Lagos, who proposed doing away with the distinction between the two, arguing that it does not contribute to the aim of deeper, and not merely trade-oriented, integration in the region.

Panamanian President Martin Torrijos and Mexican Foreign Minister Luis Ernesto Derbez also expressed their countries' desire to become associates of MERCOSUR, with Panama proposing to act as a kind of "bridge" to the other six countries of Central America.

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