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UNASUR Members Work Together to Keep Global Economic Crisis at Bay

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With the certainty that, sooner or later, the crisis that is punishing the North—Europe and the US—will arrive at their doorstep, the 12 countries of the Unión de Naciones Suramericanas (UNASUR) decided to act in unison, quickly, to implement measures to protect their economies. The pieces began to fall into place on July 29, in Brasilia, when Argentine President Cristina Fernández de Kirchner and her host Brazilian President Dilma Rousseff agreed that "we are a very tempting region for the rest of the world, so we must develop an intelligent integration strategy to fortify the region, not to isolate ourselves."

On Aug. 5 the economy and finance ministers, meeting in Lima, took the next step when they made progress in fomenting regional productive and financial integration as well as in possibly working together to control the impact of capital flight.

In the third step, on Aug. 12, in Buenos Aires, the ministers of economy and finance—this time accompanied by the presidents of the central banks—gave shape to the ideas and decided to promote a South American reserve fund, shore up the regional currencies to "de-dollarize" trade among the group's member countries, incentivize intraregional trade, strengthen the Corporación Andina de Fomento (CAF), and accelerate the launching of the Banco del Sur.

Finally, on Aug. 24, the foreign ministers, meeting once again in Buenos Aires, gave their political support to everything the technical people had come up with. In two months, four specialized teams must define the characteristics of each of those tools so that, at a summit in late October in Asunción, Paraguay, the heads of state of the 12 member countries can sign the agreement that could well be called "Accord Against the Region's Extreme Vulnerability."

UNASUR moves beyond political issues

Since UNASUR's inception in 2007, its actions were focused on the political sphere. Mediation in the open conflict in August 2010 between Colombia and Venezuela (Colombia had complained that Venezuela was protecting and training Colombian guerrilla groups) and the emergency presidential summit in October 2010 to support Ecuadoran democracy after the failed coup attempt are the most notable milestones (NotiSur, Oct. 15, 2010). Therefore, analysts see the presidents' decision to promote coordinated economic policies as a major step toward broader integration.

"On a continent accustomed to divisions and rivalries, designing a common strategy is historic politically. Beyond the diversity of thought, there is a strong impression to create of common path. South America can become one of the engines of the international economy," said Argentine Economy Minister Amado Boudou.

Venezuela's Foreign Minister Nicolás Maduro was equally satisfied. "This is the first time in 200 years that South America is meeting to talk about economics. It is a historic event; in another era the International Monetary Fund (IMF) would have already arrived with its structural adjustment
programs. We are breaking the bonds of neoliberalism," he said before the approving nods from his Bolivian and Ecuadoran counterparts.

The first outcome of this round of meetings was the formation of an economic council (Consejo Suramericano de Economía y Finanzas), an entity outlined by the ministers and the presidents of the 12 national central banks—those of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela—but already backed politically by the foreign ministers. In addition, the economic arm of UNASUR decided to promote a Latin American reserve fund, strengthen the use of regional currencies to de-dollarize trade among UNASUR members, generate incentives for intraregional trade, strengthen the CAF—considered a type of Latin American development bank—and speed up the opening of the Banco del Sur, formed in 2009 to finance the development of UNASUR countries, although it has not yet begun operating.

When the time came to explain the decisions, Brazil's Treasury Minister Guido Mantega was brief but precise. "The objective is to reduce external vulnerability and galvanize development processes amid a deepening crisis," he said.

At the Lima meeting, the ministers had sent a clear message to the economic world: UNASUR wants to ensure that the blows from the crisis and the international uncertainty will not halt the sustained economic growth that the region is experiencing. To maintain those levels of production and employment are the two greatest concerns."

**Hard part will be implementing decisions**

"UNASUR took another large political step, exceeding everything done in the past by any other regional organization," wrote an analyst for the Argentine daily. The writer added that UNASUR would have to show that it has the ability to put the action plan against the crisis into practice and go beyond mere declarations. And it must also overcome not only the contradictions in the diverse viewpoints of the various countries of the region but also those within some of the participating countries, as was observed in the disparity between what some presidents said in the days prior to this round of meetings and what their representatives said later.

Colombia is the most obvious case. During the first meeting in Buenos Aires, its delegates caused one of the tensest moments, when its Banco Central technical experts objected to a point in the joint communiqué referring to the creation of a reserve fund, arguing that "by law, Colombia will be unable to participate in this entity."

The majority of participants saw the Colombian bankers' position as the maximum expression of neoliberalism that prevails in many central banks. The position contradicted that of the finance minister, who had the full support of President Juan Manuel Santos. Colombia was, also at the behest of its bankers, the country that best demonstrated the differences within UNASUR. When Venezuela and Ecuador insisted that the foreign ministers' final statement include the characterization of the present situation as "a world capitalism crisis," Colombia defended using the phrase "a financial crisis." As UNASUR decisions are made by consensus and by majority, the issue was debated but it did not get too nasty.

In the four meetings, the delegations agreed that it is the region as a whole and not just each country individually that can be affected by the crisis if they do not act quickly, if the region is not fortified, as Fernández de Kirchner and Rousseff said at their Brazil meeting.
Economist Jorge Marchini, one of the drafters of the documents approved in Buenos Aires, said that Brazil is the most telling example of that. "It is no longer managed as a BRIC country [referring to the group of Brazil, Russia, India, and China] but as one more country within the region," said Marchini. "Brazil finally understood that there is no contradiction in assuming a world profile as an emerging power, fighting for a place in that arena, and at the same time recognizing itself as part of a region with various peculiarities in the face of the crisis. Including that it has had the best economic performance in these years of imbalances and losses of leadership, but at the same time it could be left more exposed to an invasion of speculative capital."

One might ask what changed, after so many years of misunderstandings, for the 12 countries with such different profiles to seat their ministers and monetary authorities at the same table to discuss a common plan of action. The region is exposed to a crisis, and the South American leadership changed its mentality, in part as a result of the fears of a crisis. Leaving aside the political debate, the technical teams will now have to flesh out the proposals. Doing so will not be easy.

The compensation mechanisms with local currencies for intraregional trade can perhaps advance slowly; it is likely that the Banco del Sur will be redesigned; and the use of international reserves will continue meeting resistance. But the discussion is open and, according to Boudou, "despite the questions and doubts, there is a great certainty that we all share: the crisis will be prolonged and is menacing, and the need to create defense instruments is urgent."

The UNASUR countries, most of which suffered the brunt of the neoliberal experiment of the 1990s and thus have first-hand experience with the consequences of the medicine the IMF has prescribed to the broken economies of the North, have united to develop joint responses to a crisis that they did not create but that can harm them if they do not react in time.

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