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Latin America and the EC: Closing Gaps in Cooperation?

by

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INTRODUCTION

The boundaries between diplomacy and economic policy are being redefined as a result of the growing interdependency in the international political economy. Those boundaries have also been altered by the recent encompassing swing to democracy in regions affected by internal and external economic crises. Policy elites are attempting to coordinate macroeconomic and foreign policy within and between regions and subregions, as a way of enhancing their capabilities for carrying out economic and political restructuring. The search for greater policy effectiveness and stronger democracies has rendered necessary to introduce institutional reforms in decision making structures, at the national as well as at the supranational level.

In spite of recent developments, the institutional frameworks for international cooperation are still quite tentative. At a normative level, the incipient attention to principles international distributive justice may be taken as an indication. Some think that to the extent that citizens of rich countries have obligations towards the welfare of people in other countries, a new basis for international morality appears to be necessary. "The state-centered image of the world has lost its normative relevance because of the rise of global economic interdependence" (Beitz basic rights in all countries How can institutionalized and protected? Some argue for the desirability of a constitutional world democracy and an elected world government (Nielsen 1988:270-271). But experience shows that attempts to institute almost any form of supranational authority have confronted the unwilligness of national actors to subordinate their particular interests to collective goals. The European and the Latin American experiences indicate that the speed at which integration schemes have progressed -- and their scope-- have been seriously constrained by the resistance to transfer sovereign powers away from the domestic spheres of decision making. The conviction that flaws in the progress towards regional unity were in part due to the architecture of integration has recently led to treaty amendments, adjustments in interinstitutional relations and a series of other institutional innovations.

In the last decade, various parts of the world have embarked upon the creation of new systems of cooperation and in efforts to bring new life to old integration schemes. Japan has divised a cooperation strategy with the ASEAN countries and is consolidating its influence over the Asian NICs. After years of political stalemate in the European Community (EC), the Single European Act cleared the way for a European internal market and marked the

beginning of a move towards political union. North America decided to launch the formation of a free-trade zone of its own (Canada, the United States and Mexico). Somewhat surprisingly, the U.S. and the EC inaugurated the 1990s with almost simultaneous announcements of important changes in their dealings with Latin America, which also hastened its integration timetable during the 1980s (1).

Institutional reforms in integration schemes have addressed the tensions between national and regional actors as well as other complicated issues, such as the number of policy areas that are regulated through supranational public action. In the European case, the pace has been asymmetrical: in some sectors (most notably, but not only, in agriculture) the Community became rapidly a dominant policy actor. In others, it remained weak or marginal. In Latin America, integration was initiated around a narrowly defined free-trade core. The institutional structure allowed for only a minimal incorporation of new policy areas. At the moment, the course of integration in both regions seems to be bending towards the expansion rather than the contraction of regional jurisdiction in a growing variety of policy areas.

Institutional innovations have been concerned also with strains between political and technocratic forces and with democratic governance at the supranational level. Integration in Latin America, more gradually than in Europe, came to be perceived "political" game and not merely a question of "trade statistics" (Wionczek 1982:66). By the late 1960s, it was already clear that the restricted emphasis on customs unions was unable to maintain the dynamics of integration. However, the creation of regional political institutions has been a recent phenomenon. Technical international organizations are no longer inspiring as much hope for cooperation as they did in the past (McCormick 1989). The authority of international experts is being challenged by the assertiveness with which political actors are trying to influence the decision making process. Regional parliaments and heads of state have been seeking to perform a more active role in integration as well as in the operation of expert-dominated regional bodies. Such "volatile" issues as national identity, political culture and the transnationalization of party ideologies have been added to the technical debates on regional policy making. Integration schemes in both regions are becoming increasingly politicised.

Demands to improve democratic accountability in the European Community have been linked to the reinforcement of the European Parliament and its continual commitment to broaden its powers and become a truly legislative body. At least the EP's ability to initiate legislation and confirm the appointment and dismissal of Commission members is deemed necessary to reduce the "democratic deficit" of the EC. In Latin America, the end of authoritarian regimes contributed to a new awareness of the possibilities that

democracy offers for advancing regional cooperation, within and outside the region. Subregional parliaments are springing in conjunction with new country groupings. Democratically elected presidents have been actively and consensually promoting a "new integration" that would give the region a chance to consolidate democracy and restore their badly shattered economies.

It has been argued that interregional cooperation tends to facilitate the balance in bargaining power among parties of unequal resources (Grabendorff 1982:57). However, the lack of institutions able to promote and sustain new forms of cooperation tends to perpetuate conventional bilateralism. For the last thirty years, the technocratic focus on trade and the neglect of the political dimensions of integration greately inhibited cooperation between Europe and Latin America. Those who focus their analyses on the deteriorating trend followed by economic relations expect little changes in the low priority assigned in Europe to Latin America. They remain skeptical of improvements in interregional cooperation, despite the notable enrichment of political affinities which, in the course of the past decade, gave origin to a string of meetings and declarations of political leaders.

The purpose of this paper is to explore the direction followed by institutional reforms in the European and Latin American integration schemes that could enhance the potential for cooperation between the two regions.

I. THE SEARCH FOR INTERREGIONAL COOPERATION: COMMONALITIES AND DIFFERENCES

The relations between Europe and Latin America are often characterized as being inadequate in light of the potential importance that the partners could have in terms of each other's interests. In the past two decades, interregional trade has been debilitated. The EC protectionist policies (especially the CAP) have had a negative impact not only in the loss of markets but also in the decline of prices for Latin American exports. The austerity measures adopted by Latin American countries in the 1980s greately affected the imports from EC. In 1970, 7.21% of European exports were destined to Latin America. In 1988, only 3.79% went to that region (Heine 1990:4). In the second half of the 1980s, there was a slight recovery of imports from the EC but slower than that experienced by U.S. and Japanese imports (CEPAL 1990:39). Latin America has also lost importance as a receipient of foreign direct investments.

Commercial exchanges between Europe and Latin America remain concentrated in a few countries: Germany, France and Italy concentrate 30% of trade (Weitz 1990:35). Brazil, Argentina and Mexico receive more than 92% of the European investments in LAIA (CEPAL 1990:55).

Interregional relations are weak and also asymmetrical. The terms of trade are unfavorable to Latin America: imports from Europe are mostly manufactured products whereas more than 60% of Latin American exports to Europe are primary products. The motivations to pursue agreements have been asymmetrical too: Latin America, has seen in Europe an ideal ally and a favorite interlocutor (Grabendorff 1989:5). The importance attributed in Europe to the Latin American region has been secondary to other geopolitical and economic interests. Latin Americans complain that some of their most crucial concerns have been systematically excluded from the European agenda. President Alfonsin, in a speech given to the European Parliament in the mid-1980s, regretted that "Iberoamerica has not had the strength to make its voice heard and the EEC has not been interested in listening" (quoted in Iglesias 1986:243).

Although some analysts argue that the idea of convergences between the interests of the two rergions is just a myth (Heine 1990), others have emphasized that the complementary nature of the economies of both regions justifies closer cooperation. Latin America can offer markets and investment opportunities to European firms as well as natural resources, especially minerals and energy. In return, Latin America needs access to European markets, technologies and financial resources. Despite the relatively good performance of Latin American economies prior to the debt crisis and their enormous potential for growth, European countries have been unevenly involved in the promotion of economic relations 1985). In any event, the possible advantages (Duran overshadowed by the consistent complementarity have been deterioration of interregional trade.

Another consideration for improving cooperation between Europe and Latin America has been the need for a new economic and political order. In the 1970s, both regions were interested in redefining their positions in and towards the Third World. Europe by intensifying development cooperation and Latin America by strengthening its leadership position. Diagonal linkages between the two regions were thought to be a good way of diversifying external relations, thus reducing the vulnerability with respect to the U.S. The interests of both parties would be more adequately served by the enhancement of regional autonomy (Grabendorff 1985:258).

Although the differences between the pace and scope of the European and the Latin American integration processes are numerous, a number of commonalities have been invoked to justify closer ties between the two "regions." Frequent mention is made of the common cultural, linguistic, ideological and religious heritage that makes the Latin American region (certainly the Latin American elites) the "most European" of the Third World. The idea of common cultural roots has been stressed from various angles: President de Gaulle projected the formation of a broad alliance among "Latin" nations

(Drekonja-Kornat 1988:12). In the past, the Nazi and Fascist regimes had also found grounds to launch their own ideological offensive (Puig 1985:244); the idea of an "Iberoamerican Community of Nations" was put forward by the Spanish diplomacy, as a way of defining Spain's status of former colonial power upon its entrance to the EC (Tovias 1990:63); the international political families (Christian Democrats, Socialists and Social Democrats) have been strengthening interregional linkages on the basis of their common doctrines and party structures. In general, the existence of institutional affinities between the European and Latin American models of state-society relation and pluralistic party systems supposedly place Latin American politicians closer to their European than to their North American counterparts (Roett 1985:229). Also, some affinities in the schemes of integration have been considered as a good basis for increased cooperation. Ever since the late 1950s, Latin American political and technocratic elites have looked at the European integration as a model worth emulating.

Whatever the strength or validity of these commonalities, the differences have been substantial and did not help the course of interregional cooperation. Integration made of Europe a new world power. In Latin America, integration was a disappointment. Unlike Europe, Latin America faced significant obstacles for the liberalization of regional trade. Communications between Latin American countries are obstructed by geographical discontinuity: formidable mountains and other physical barriers. These countries had few commercial ties predating the integration process, since for centuries external trade was oriented to industrial centers. Highly dependent and vulnerable to fluctuations in the world economy, governments of contemporary Latin America until very recently favored protected instead of open economies.

The origins of Latin American integration seem very much in line with what Hirschman identified as a Latin American "style" of policy making: a preference for the import of solutions (pseudosolutions) from the outside (Hirshman 1981:152,153). The doctrine of "desarrollismo" imported to Latin America the virtues of integration. Only two years after the Treaty of Rome, the Latin American Free Trade Association (LAFTA) and the Central American Common Market were formed. The Caribbean Free Trade Agreement was signed in 1968. Later, critics, including ECLA itself (CEPAL 1987:230), have agreed that the imitative character and the "conceptual rigidity" with which the integration process started were erroneous. The model followed the European experience but it did not correspond to the realities of the region. Since the beginning, the member states seemed unconvinced that LAFTA would adequately serve their interests. In the 1970s, changes in the economic policy weakened even further the languishing integration process. The military regimes and their neoliberal advisers opposed regional integration as an obstacle to economic modernization and as a reminiscence of statism. Their goal was not to promote a regional market but to promote exports by opening the economy to the world market. Interestingly, the most recent calls to create a "new" integration are based on a widespread consensus among economic policy makers regarding the need to liberalize trade, increase exports and compete in the international economy (Pazos 1990).

The EC abolished internal tariffs within the first decade of its existence. Throughout the 1960s and until the 1970s, all members of the EC benefited from the economic prosperity and the political stability achieved during the postwar period. Mutual trade increased significantly and so did productivity and the standards of living. The Community was praised for these gains. In Latin America, the idea of integration was used as a substitute for economic restructuring --patently necessary since the late 1950s. Full employment and sustained growth remained unrealized goals rather than the basis for further integration. An enlarged market solution to the more fundamental problems underdevelopment: technological financial and dependence, heterogeneous and segmented economies and an industrial sector oriented to a minority of affluent consumers. All five Latin American integration schemes contributed only marginally to the structural transformation of the region (Wioncek 1982:63). After an initial success in expanding intraregional trade, the process entered a long face of stagnation. Two decades later, the highest levels achieved in intrazone trade remained considerably lower than the original level of intraregional trade in the EC (Vacchino 1983:98).

In Europe, the original six members of the EC shared relatively comparable characteristics in terms of size, level of economic development and political systems. The levels development and the political regimes of Latin America presented wide variations. The customs union model adopted in Latin America after the European example, tended to "exaggerate economic asymmetries and produce unequal gains among participants" (Mytelka 1972:10,12). The founding treaty provided no institutional means to negotiate conflicts over the distribution of costs and benefits. After a few years, medium sized countries rebelled against the operation of LAFTA by forming the Andean Group, but even within the subregion the distribution of benefits was problematic. Also among the members of the Central American Common Market there were serious distributive problems.

The common agricultural policy acted as a powerful cohesive force in European integration. No such equivalent can be found in Latin America. LAFTA and the Andean Group lacked the mechanisms to implement a common agricultural policy, in part due to the magnitude of the financial resources that such a policy entails (Tobon 1988). Subsistence agriculture or traditional haciendas had little to benefit from regional integration, but perhaps more

importantly, the neglect of agriculture was a consequence of the Latin American obsession with industrialization.

The different evolution of the integration process in Europe and Latin America was also influenced by the roles played by the U.S. and multinational corporations. There was no U.S. support for Latin American integration comparable to the Marshall Plan for European reconstruction, which explictly encouraged regional integration. The U.S. was more enthusiastic in supporting the Inter-American system where its leadership position was assured. Only after it became clear that integration would not hindered the interests of North American corporations the resistance was softened (2).

European firms managed to balance the powerful presence of U.S. multinationals by increasing their share in production and technological development. In Latin America, business groups, used to the advantages of protectionism, were reluctant to support the formation of a regional market for fear of competition. Being technologically weak, they were particularly concerned about the privileged position that MNCs would be able to acquire within larger markets. Efforts to regulate foreign investments were made in the 1960s and 1970s, but state intermediation seems to have improved the position of MNCs even further (Mytelka 1972:188-192).

When analysts looked for Latin American evidence to validate the neofunctionalist proposition that the gradual politicization of technical areas could incrementally contribute to political unity, they discovered how different from the European context these "transitional" societies were. The politicization of integration required of a series of conditions that were not present in this region (3).

In Europe, the impact of the war had provided fertile grounds for the emergence of a Political Union. Although the impetus for such a project declined after a while, the European process of integration maintained a political intention from its inception: free trade would progressively lead to the harmonization of other policies and eventually to a political community. The Treaty of Rome contemplated a European Court of Justice and a European Parliament elected by universal suffrage. Supranational authorities with control over key economic resources had been established even before the treaty: the High Authority of the Coal and Steel Commission corresponded with aspirations the of federalists. The commitment to political union was abandoned when the Community settled for a Custom Union, but the EC managed to develop the capacity to control the kind of policy areas that constitute the "very stuff of governance," namely food, money and law (Sbragia 1990). Free trade made necessary the progress towards monetary union. Monetary union in turn led to the strengthening of regional policies. The convergence of macroeconomic policies facilitated the operation of supranational institutions and cleared

the prospects for a political union. Provided that national interests did not frustrated the sequence (Harrop 1989:13).

By contrast, the dreams of political unification that inspired the heroic struggles of Simon Bolivar in the early nineteenth century were not pursued by contemporary Latin American leaders (*). The Treaty of Montevideo contemplated only a limited institutional structure geared to the creation of a free trade zone to be achieved through product-by-product negotiations. It was inappropriate to advance in the implementation of a Latin American common market, a goal that was left undetermined (Vacchino 1983:62). As in other parts of the developing world, integration schemes were fragile and their influence far less prominent. Latin American governments were not only unwilling to give away sovereign powers to supranational institutions but also failed to commit themselves to the implementation of common programs.

While European integration constituted a strongly emotional component in the domestic and foreign politics of the member countries, integration was never a central concern for Latin American governments or politicians. There is no parallel to General de Gaulle's intense nationalist claims that limited the powers of the European Commission, retarding the emergence of political cooperation and a common foreign policy. No parallel to Norway's emotional reaction to the referendum on Community membership which created divisions among political parties, families and friends. Great Britain is another illustration of how deeply community issues affect the political games of member countries. Community budgetary powers and agricultural prices have been highly controversial matters in national politics (Daltrop 1986). In Latin America, integration has become connected with foreign policy and the consolidation of democratic politics only in the last decade or so (Lincoln and Ferris 1984; Alfonsin 1986).

Despite criticisms that Eurocrats came to form a "faceless bureaucracy" unfaithful to the original principles of the Community, the leading figures of European integration were actively involved in the politics of unification as well as in national politics. "Monnet's ideas were favourably received by politicians such as R. Schuman, K. Adenauer, A. de Gasperi (Harrop 1989:7). Commissioners often have a trajectory as political leaders in their own countries and in many cases they maintain political ambitions for the future. This was not the case in Latin America, where ECLA, an international organization within the United Nations system, was the leading force of integration. ECLA conceived integration as a mechanism to expand import substitution, increase exports and reduce external dependency. The traditional selfenclosement of technical and political elites was reinforced by the distance between the experts of international organizations (promoters of integration) and national state managers (hostile or inconsistently committed to the project). The founding fathers of Latin American integration pursued their careers in international

developmental agencies and regional banks, careful of not antagonizing the politics of any member country and unable to push for the implementation of their own proposals. Only a few politicians were receptive to the discourse of the <u>técnicos</u> and planners trained in ECLA's ideas, whose political role was played "at the margin of ideologies and political movements" (Lagos 1987:112). The "most important homogeneous elite from the point of view of regional integration" were the <u>técnicos</u> staffing regional and national planning agencies (Haas and Schmitter 1965). These leaders of integration often found themselves marginalized or clashing with political elites and interest groups alien to technocratic approaches. In some circles, LAFTA was in fact perceived as a "conspiration of the <u>técnicos</u>" (Vacchino 1983:47).

Although Europe and Latin America initiated their integration experiences at roughly the same time, the divergent results associated with the process did not help reduce the geopolitical and economic distance that separated the two regions. The creation of the EC aroused high hopes that Latin America could obtain preferential treatment. But for years, Europe remained aloof, arguing that Latin America was too heterogeneous, too vulnerable to political instability and too marginal in terms of trade and security. Indeed, obstacles to the advancement of a Euro-Latin American dialogue were rooted in economic realities, distorted perceptions, lack of political commitment as well as in a variety of institutional factors.

II. INSTITUTIONAL OBSTACLES TO THE DEVELOPMENT OF INTERREGIONAL COOPERATION

It was not until 1971 that the Latin American demand for closer economic and political relations with Brussels was instituted in the "Dialogue Latin America-EEC." The Dialogue, "academic and repetitive" (Giunti 1986:38) resulted in modest progress. Eurocrats have been charged for having left little room for real qualitative advancements (Drekonja-Kornat 1988:8).

Complaints about the notoriously meager generosity of the EC towards Latin America (only 4.2% of the resources destined to the Third World in 1986) are not an isolated phenomenon. Frequent criticisms have been made regarding the feeble success that the EC has had in formalizing its commitment with the development of all peoples of the world (Okolo 1985; Shaw 1979). In part, European leaders share that view. In Ralph Dahrendorf's words, "Europe chooses to bury its head in the sand" in matters of international cooperation (Dahrendorf 1982:259). Also, Jan Tinbergen has argued that Europe should play a more active role in the developing world "because of its economic importance as a trading partner and its social importance as a more advanced type of society than both the U.S.A. and Japan..." (Tinbergen 1982:154). This type of declaration had precedents. Consider the words of the President of the European

Commission addressing the European Parliament in February 1975: "...because Europe stands for democracy, inspired by principles of fairness and brotherhood, it can not look on with indifference as the greater part of the world's population struggles to achieve decent living conditions" (cited in Haas 1976:197).

Certainly, the commitment to development and international justice is perceived and interpreted very differently depending on the position that particular executives occupy. Some leaders are more Eurocentric than others. Being in or out of office is an important factor. Ministries of foreign affairs tend to look more favorable to development cooperation than ministries of finance. Some find advantageous to manage development cooperation as a component of national foreign policy, rather than having to subordinate national preferences to policies decided at the Community level. Even within the EC there are disagreements between those who highlight the mutuality of interests between North and South and those who selectively favor cooperation with the most advanced countries in the Third World (Bodemer 1985:191); those who advocate regional preferences and those who think that development cooperation should be increasingly open to the world at large (Ashoff 1989).

1. The weakness of political institutions

The weakness of political institutions explains in part the slow pace followed by the dialogue between the two regions. Until recently, technocratic approaches privileged the economic aspects of integration, neglecting the political dimension of interregional cooperation was neglected. Attempts to renovate the dialogue in the 1970s through contacts with the Sistema Economico Latinoamericano (SELA) and the Andean Pact were unsuccessful. Negotiations were suspended in 1979, in 1980 and again in 1982. It was in the course of the 1980s, when more overtly political overtones were introduced (around the Central American crisis and the democratization process) that the expectations for closer relations soared.

Observers have noted that although Europe is characterized by "party government," political parties were slow in taking European politics to heart (Schmuck 1989). It is not a coincidence that for years, the role of political parties remained a "forgotten" aspect of community studies (Pridham and Pridham 1981). There were variations in the attitudes that parties held towards integration, but in general, during the first two decades of the EC, parties played only a subordinate role in Community activities and foreign issues were not a priority on their agendas (5). Since the 1970s, after some major political conglomerates were formed, a considerable ideological consensus emerged regarding the value of integration. As Europe enhanced its position in the international context, parties found a variety of incentives to become more involved in foreign policy.

German political parties and foundations have been progressively interested in Latin American politics. SDP and the Ebert Foundation have displayed a particularly active foreign policy (6). European Christian Democrats have also been energetic in their international actions. At one point, the Konrad Adenauer Foundation was channeling 50% of its resources for social science research and political activities to Latin America (Duran 1985:89). Socialist and Christian Democratic Internationals have been recently "Latinamericanized" some people say, refering to the election of Latin American politicians to leadership positions in these organizations. The Liberal and Conservative Internationals have also established their networks in the region.

In the case of the European Socialists, Mujal-Leon (1989) believes that the exhaustion of their own reformist agendas pushed them to become more involved in Third World issues, revitalizing their internationalists and anti-imperialist traditions. He analyzes how European Socialists and Social Democrats, encouraged by the results of democratization in Southern Europe, turned their attention and political resources to the struggle for democracy in Latin America. President Miterrand's policy towards the region led to some bold political initiatives at the beginning of his term in office (most notably, with the 1981 joint Mexican-French declaration on the Salvadorean civil war). Later on, the partial withdrawal of Miterrand's personal exposure led to a more moderate and pragmatic approach, although factions of the French Socialist party continued pressing for for more solidarity through parliamentary groups.

The successful transition in Spain also made Spanish officials declare their particular sensitivity to the Latin American process of democratization. Felipe Gonzalez engaged diligently in various policy initiatives to favor Latin America. The concept of "hispanismo democratico" was divised as a way of extending Spanish influence in the region. PSOE tried to project itself as a bridge between Europe and Latin America but since the former colonies "felt no need for a mediator," the bridge theory was replaced by Spain's role as an "activating factor" in EC-Latin American relations (Tovias 1990:62).

In addition to the involvement of political parties, numerous non-governmental organizations have engaged in humanitarian and development programs and in active campaigns of solidarity with Latin America. Churches, trade unions, women, youth and peace movements are now counted as influencial actors in the growing "informal diplomacy" that connects the two regions (Spoerer 1987). In 1987, the EC provided financial support to 456 projects carried out by Community-based NGOs. A few years earlier, NGOs were not a favored channel for Community aid (there were only 81 such projects in 1982).

In Latin America, the predominant role that experts played, the traditional weakness of political parties and legislatures and the years of military rule made the influence of political parties over the course of integration even weaker than in the European case. The political Right traditionally emphasized nationalistic premises. The ideological platform of Socialist parties included the idea of continental nationalism but criticized the capitalist bias of integration. Communist parties tended to oppose integration schemes, with the exception of those features that could weaken U.S. imperialism. As in the European case, Christian Democratic parties were the most enthusiastic supporters of integration (Wilhelmy 1987).

frequent references to the Latin Americans make now inadequacies of technocratic biases: the absence of political actors is recognized as a crucial weakness of the integration process. Parties in Latin America have yet to achieve a consensus over the significance of regional integration and their role in it, but they are probably better prepared to assume a more active role in regional policy making. The "New Right" is linked to a wide network of international contacts. During the years of political repression, Christian Democratic, Social Democratic and other parties in Latin America collaborated and were helped by the internationalization of their European counterparts. Also, the need to cope with the economic crisis and the democratization of Latin American politics have opened new opportunities for an increased role of political parties at the regional level (7). The parties that came to power in the 1980s have been particularly enthusiastic supporters of reanimating integration.

The neglect of political relations with Latin America was also the result of imbalances within the institutional building of the EC. During the 1960s, the EC evolved into an "economic giant" and a "political pigmy" (Prag 1986:123). The EC structures could not address non-economic foreign policy matters. The Commission's reduced capabilities for political initiative could not balance the extensive use that member states made of their veto power in the Council of Ministers. The absence of a unified foreign policy towards Latin America facilitated the maintenance of the countries' own approaches to the region. In general, the policies of European governments towards Latin America seem to have been directed by the concern for their bilateral relations with the U.S. (Duran 1985; Grabendorff 1985).

In the early 1970s, a series of reform proposals were made to reduce the increasingly bureaucratic character adopted by the EC (the creation of European Political Cooperation, a call for direct elections to the EP, the creation of the European Council). But the reforms that were going to make the EC more responsive to new challenges in the international arena have been introduced in a gradual and incremental manner.

It was only in 1985 that the heads of government examined various treaty revisions. But no major redefinitions of the EC structures were introduced. For example, the European Draft Treaty (EUT), which advocated the creation of a European government of a parliamentary form, received scarce attention (°). Instead, the European Council, where government heads meet for a few days each year to oversee both the EPC and the EEC structures, evolved into the "most politically authoritative" institution of the EC, becoming the "motor of integration." The European Council strengthened the presence of nation states at the expense of supranationality (Bulmer and Wessels 1987:2,93 (°).

The changes introduced by the Single European Act of 1987, addressed existing failings in decision making but fell short of the EUT proposal to create a European government. The use of majority voting on Internal Market matters gave momentum to the integration processs and opened new opportunities for redefining the leverage of each institution. More and more decisions that affect the interests of EC citizens are being taken by Community agencies. Both the Commission and the Council must pay more attention to the EP. The current negotiations on economic and political union launched by the Rome Summit of 1990 are expected to establish the foundations for a single currency, an independent central bank, a foreign ministry, a European citizenship and a federal structure for Europe by the year 2000. The enhanced roles that the Commission, the EP and the European Council in particular have taken within the Community structure indicate a turn towards politicization. Still unclear are the meaning of a federal Europe and the role that the European Council is going to play vis-a-vis the Commission and the EP. However unclear the form and the timetable, the trend toward political union seems unmistakable.

The strengthening of EPC has already allowed the EC to adopt political positions concerning the protection of human rights, regional conflicts and democratization. To the extent that the procedure for foreign policy cooperation changes its present intergovernmental character, Europe will be better able to deal with the rest of the world. When this occurs, the delineation of a European policy towards Latin America is likely to become more sharply focused.

More so than in the European case, for decades, the institutional structure of Latin American integration was highly inadequate to support interregional negotiations at the political level. The lack of a regional body with political authority had become apparent early on. However, the Council of Ministers of Foreign Relations, incorporated to the institutional structure of LAFTA in 1965, was not installed until 1975 (paradoxically in connection with the dismissal of LAFTA). Year after year, the ratification of that Council was posponed due to disagreements among the member countries regarding the fate of integration. LAFTA, in its twenty years of existence, was unable to gather the

Latin American presidents in a summit meeting, despite the progressive deterioration of the process and of the institution itself (Vacchino 1983:63,129) (10).

Interparliamentary conferences between the EP and Latin American legislatures have been held every two years since 1974. However, their impact has been limited due to the restricted powers of the EP, which plays mainly consultative and advisory role and the weak position of Latin American legislatures, particularly under military regimes (11).

While Europeans struggled with the reinforcement of their original scheme, Latin American integration faced a growing decline in political support. Little efforts were geared towards the creation of a body able to provide initiatives. In fact, as a substitute for institutional reforms, a proliferation of regional and subregional schemes emerged.

The Andean Pact, considered the most successful experience of integration in the Third World (Axline 1981:168), was created in 1969 as an alternative to the original institutional design (12). The Andean Group was the first to introduce mechanisms of political cooperation as a way of reinforcing economic integration. Such a mechanism was expected to perform as an international political actor. Andean political cooperation would also facilitate the consolidation of democracy within the subregion, increase the participation of national groups in regional integration and contribute to the creation of an "Andean identity." Once again, at least on the surface, the new institutions resemble closely the European model: an Andean Parliament (to be elected through universal suffrage in 1994), an Andean Council (formed by the Ministers of Foreign Affairs) and an Andean Court of Justice (still mainly a formality). Even summitry was institutionalized with the creation of the Andean Presidential Council in May 1990 (13).

Another important addition to the original institutional scheme was SELA. In 1975, Mexico and Venezuela, looking for an expansion of their international leadership and reacting against the impotence of LAFTA, sponsored the creation of SELA, a body for consultation and coordination that groups 26 countries of Latin America and the Caribbean (14). Although SELA's decision-making structure is weak and its achievements have been modest, analysts have attributed to it great potential for the pursuit of extraregional activities (Bond 1978; CEPAL 1987:263). Despite the technical character of SELA, its main organism, the Latin American Council, has made a number of important political declarations regarding cooperation, regional security and solidarity and the need for closer relations with Europe. It remains to be seen whether SELA or some other institution will eventually become the powerful political forum that Latin America needs.

A new integration treaty signed in Montevideo in 1980 replaced the decaying LAFTA with LAIA, a more flexible and unambitious formula, with an accent on bilateral and sectoral projects. LAIA's results have also been unsatisfactory, in part because the effects of the economic crisis on the financial stability of the member countries and on the level of intraregional trade. The treaty did create three new political bodies: the Council of Foreign Ministers, the Conference of Evaluation and the Committee of Representatives. In terms of its controlling powers, the Latin American Council of Ministers is again far less significant than its counterpart in Europe and the Committee has not yet taken an active role.

In the 1980s, as a response to the Malvinas/Falkland war and the armed conflicts in Central America, major experiments in political coordination were introduced. It became clearer that only by restructuring the juridical system and by strengthening political unity, the region would be able to enhance its negotiating capacity of the region vis-a-vis the EC. The Contadora Group (Colombia, Mexico, Panama, Venezuela) and the Support Group (Argentina, Brazil, Peru, Uruguay) became important mechanisms to conduct peace negotiations in Central America. In 1986, the merger of these two groups originated the Group of the Eight, later known as the Rio Group.

This new political formula was intended as an alternative to counteract the slow pace of bureaucratic and technical structures. Latin American leaders decided to meet annually and establish a Permanent Mechanism of Consultation and Concertation. Two years after its creation, at the Ica summit, the Latin American presidents declared that the Group constituted a strong mechanism, able to make decisions on matters concerning the foreign debt, the liberalization of trade, regional security, consolidation and the establishment of dialogue with other states, within and outside the region. The Group expanded its membership in 1990 to include Chile, Ecuador, Bolivia and Paraguay. According to some analysts, the Rio Group could be considered the "political arm" of LAIA. With the incorporation of Central American and the Caribbean countries its significance goes even further.

The growing presence of direct presidential diplomacy, of which the Rio Group is an example (also Central American summit meetings have become a chief forum for decisions), has been accompanied by a remarkable new interest in the role of regional and subregional legislative assemblies. In addition to the Latin American Parliament (eighteen countries subscribed a new Treaty of Institutionalization in 1987) and the Andean Parliament, the Central American Parliament also had its constituent treaty signed in 1987. There is a Caribbean and an Amazonic Parliament (15). An Interparliamentary Union of the Rio Group was proposed in february 1991. The creation of a regional parliament also forms part of the plans for a common market in the Southern Cone. The Andean

Parliament has recently emphasized the need to collaborate in the consolidation of the Amazonian Parliament and strengthen mechanisms of coordination with the Latin American Parliament and the Central American Parliament. These seem strong indications that, following closely the European experience, Latin American regional institutional structures are steadily moving in the direction of an increased politicization.

The existence of a more extended network of contacts among political parties and non-governmental organizations and the various institutional reforms introduced in the integration schemes of the EC and Latin America are encouraging indications. There seems to be a cumulative effort to address some of the obstacles faced in the past. Whether these changes will lead to a sustained and productive interregional cooperation cannot be assured.

2. The policy making apparatus

The weakness of diplomatic channels and the limited policy making capabilities of regional institutions also contributed to obstruct the progress of interregional cooperation. Europe often claimed that the lack of an appropriate Latin American interlocutor and the absence of a common mechanism to carry out negotiations were important impediments to satisfy Latin American requests for increased cooperation.

Indeed, GRULA, the group of Latin American Ambassadors to the EC, acting as an ad hoc representative for the region, suffered from several institutional weaknesses. It was poorly equipped to deal with the technical aspects of negotiations (the installation of an office of SELA in Brussels has been suggested as a solution to this problem). And GRULA did not include the Caribbean countries (Yrigoyen 1983:126). Until recently, the EC also had a weak representation in Latin America, with only one delegation in Caracas. New offices have been opened in Brazilia, Santiago de Chile, San José, Mexico City and Montevideo.

The Rio Group is presently recognized as a privileged representative of the region. The Group and the EC have already met on five occassions. The last of these meetings coincided with the European Summit in Rome in December of 1990. Although the European Commission had previously specified that these meetings constituted "a dialogue, not negotiations" and "cannot directly produce concrete results," a representative of the Commission characterized the Rome declaration signed by both parties in december as a "qualitative leap" in the relations between the EC and Latin America.

Debates and disagreements regarding the issues to be covered by the agenda of an Euro-Latin American dialogue have generated discord and frustrated initiatives throughout the years. A broad agenda has been promoted by Latin America since the 1960s. From the mid-1970s on, SELA took the lead in requesting the institutionalization of a global dialogue that would include matters of trade, financial and technological cooperation. The EC insistence on a restricted agenda, the reduced financial resources and the limited policy instruments directed to the region fostered the belief that Latin America would continue to receive mainly rhetorical declarations with little practical consequences.

Latin America was not granted preferential treatment in the external relations of the EC. Instead, it was included in the EC general policy towards the Third World. The General System of Preferences (GSP) --established in the context of the 1968 UNCTAD to encourage the export of manufactures and semi-manufactures from developing countries-- entailed the possibility of modest benefits, mostly for the largest countries of the region, Argentina, Mexico and Brazil. Because at the beginning of the 1980s, only 15% of Latin American exports was favored by this system, the region is interested in the adoption of a new System of Preferences that should be begin operating in 1991, although it is recognized that its impact will remain reduced.

The EC does not yet have a common policy for development cooperation. Although the Commission and some countries have been interested in promoting a common program for cooperation (such an idea was proposed and rejected during negotiations of the SEA), member countries continue to manage their own development policies. Another major difficulty in strengthening interregional linkages has been the low position occupied by Latin America within the EC regional priorities in the areas of foreign policy, external economic policy and development cooperation. These priorities benefit former European colonies in Africa, the Caribbean and the Pacific; Mediterranean countries of Northern Africa and the Middle East and more recently the countries of Eastern Europe. Because of this regionalization of cooperation, Europe is often perceived as being allied to the industrialized countries, playing poor countries against each other and harvesting benefits at their expense. Competition between ACP and non-ACP countries over special privileges resembles the resentment provoked by cooperation agreements with the Andean Group among other Latin American countries. Proposals to include Latin American countries in the benefits granted to ACP countries are dismissed on the basis that an extension of such privileges would trigger demands in other countries that the EC could not possibly satisfy.

For years, Europe did not have a development policy for non-associated countries of Latin America and Asia. When a policy was finally introduced in 1976, as a way of reducing European dependence on African commodities, the aims and resources were restricted. Latin America received only 25% of the funds, the remaining resources were assigned to Asia. Latin America was considered a middle-class region. And it was perceived as being within the sphere of influence of the U.S.. Although there have

been some administrative reforms, the EC still has only a modest juridical and administrative apparatus oriented to development cooperation with non-associated countries. In spite of the difficulties faced to expand the EC budget, the lack of personnel has led to a slow pace in the disbursement of aid (Ashoff 1989:12).

Until the EC new guidelines for cooperation with the developing countries in Latin America and Asia introduced some changes in 1990, the cooperation agreements signed with countries and subregions in Latin America had favored rural development and the poorest countries of the Andes and Central America. These agreements have been characterized as formalities, symbolic gestures with little practical consequences for improving Latin American access to European markets or financial resources. Unlike EC agreements with ACP and Mediterranean countries, agreements with Latin America were subject to annual renewal, were nonpreferential, contained only a limited range of policy instruments and no financial protocols.

Most European initiatives to improve interregional relations have originated in the European Commission and the European Paliament. The Council of Ministers and the system of European Political Cooperation have been less responsive to Latin American demands (Grabendorff 1989:8) due to the hesitancy shown by some of the member countries. In 1984, the Commission proposed the extension of activities of the European Bank of Investments to Latin America. The Council of Ministers did not even consider the proposal. Again in 1985, the Commission suggested the convenience of a preferential agreement and the institutionalization of a political dialogue with Central America. The Council accepted only part of those proposals. The Commission has also been in favor of improving GSP, expanding economic and industrial cooperation and supporting of joint ventures between small and medium size enterprises of both regions (Ashoff 1989:26-28,90).

The debt crisis represented a missed opportunity for the strengthening of interregional relations. In 1984, a letter from Latin American presidents gathered at the Latin American Conference in Quito, urged for a constructive dialogue among creditor and borrowing countries, emphasizing the need to recognize shared responsibility in the creation of the crisis. Although that call was rejected at the London Summit of industrialized nations, a dialogue was initiated in 1985 between the Consenso de Cartagena (a group of eleven Latin American countries that looked for a political solution to the debt problem) and the European Commission. EC member countries refused to define the debt problem as a political and foreign policy issue. After a few meetings, the Commission declared that the debt problem was beyond its sphere of competence (16).

The European Parliament has been more outspoken than the Commission in criticizing the existing agreements with Latin

America as unsatisfactory and partial. Changes in the ideological composition of the EP --a shift to the left as a result of the Enlargement -- contributed to the EP's increased awareness of the problems of developing countries (Tovias 1990:31). Responding to the Latin American requests, the EP has demanded the establishment of a broad agreement between the EC and all of Latin America. In 1983, the EP issued the van Aerssen Report on the Economic and Commercial Relations between the EC and Latin America which took into consideration agreements achieved at recent Interparliamentary Conferences. This report served as the basis of a resolution on the improvement of interregional relations. Again in 1987, EP demanded intensification of the relations with Latin America. proposals have included: the convenience of expanding bilateral and subregional agreements to the entire Latin American region, an extension of the EBI to finance development projects in Latin America, the creation of a Euro-Latin American Development Bank and the augmentation of resources for development cooperation with Latin America to make them equivalent to the resources destined to non-associated countries in Asia and support for the creation of a Latin American political body (Ashoff 1989:94).

The prospects for cooperation, however, seem to have been improving in the last few years. In 1986 and 1987, for the first time, the European Council documented its intentions to strengthen the relations with Latin America. Observers did not fail to note that the Council's resolution contained no changes in trade agreements and did not specify how the proposals would be financed. In 1987, the budget for development cooperation with Latin America was increased from 25 to 35% and the following year the budgets for Asia and Latin America were separated. In 1989 the Commission presented a report on the first thirteen years (1976-1988) of cooperation with Latin America and Asia. That same year, the European Council called for "continued development of political contacts and of economic, technical, commercial and financial cooperation between the Community and Latin America."

In 1990, a new program of cooperation with Latin America and Asia was approved for the 1991-1995 period. This first five-year program (U.S.\$ 1,200) represents a substantial increase compared with the monies assigned for the 1986-1990 period. Perhaps more importantly, it explicitly recognizes the need to extend the network of agreements and adapt the instruments of economic and development cooperation to the new realities in Europe and in the developing countries. This renewed attention to Latin America, however, does not represent a change in priorities. It is just an attempt to achieve some consistency with the magnitude of new concessions and resources allocated to other regions (budgetary improvements were recently granted in the context of the Fourth Lome Convention and Central and Eastern Europe have been already receiving substantial cooperation from the EC).

In the course of the 1980s, as the political dialogue with Latin America experienced some progress, positive changes were also expected in interregional trade. However, no parallel improvements were registered in the areas of agrarian and commercial policy, nor in the treatment of the Latin American foreign debt. Latin Americans have reacted with skepticism to the optimistic projections regarding the consequences of 1992 for the rest of the world. In one of such projections, the 1988 Cecchini Report on the cost of the "non-Europe" (elaborated for the European Commission) it is stated that the increased levels of economic activity of the Single European Market would stimulate commercial flows, increase opportunities for EC partners, reduce protectionist pressures and reduce interest rates. Critics have protested that such optimistic claims regarding the external impact of 1992 are "irresponsible" (Emmerij 1990:28).

The failure of GATT negotiations in december of 1990 have added to concerns that in spite of drastic measures to liberalize Latin American economies, their access to European markets might deteriorate even further. EC announcements of reforms of the CAP have been received in Latin America with skepticism. And the EC pyramid of privileges is not likely to be substantially modified. Moreover, it has been argued that the EC may be more inclined to increase rather than reduce its protectionist policies in order to facilitate internal adjustments to the market conditions after 1992. In a recent ECLA report, 1992 is perceived as a great challenge, with no a priori benefits to the region, unless Latin American exports manage to improve their competitiveness in quality and prices. If the impact of 1992 were negative for the extracommunity, it is argued, Latin America would be more affected than the rest of the world. If the impact is positive, Latin America would not benefit as much (CEPAL 1990:78).

Over the years, a number of suggestions have been made to improve interregional relations. Spain tried to obtain for Latin America the same privileges accorded to ACP countries. Although it failed in this attempt, at least it promoted a revision of the EC's relations with the region (17). Other proposals have included: the idea that Latin America be treated similarly to Israel and Turkey, the expansion of cooperation policies to accommodate the needs of the more advanced countries in Latin America, the expansion of the European Investment Bank to favor Latin America, improvements and simplification of the GSP, the promotion of trade, regional integration, science and technology, environmental protection, drugs control, professional training and industrial cooperation, in conjunction with the betterment of existing agreements (CEPAL 1987:130; Ashoff 1989:37,68,69).

Some of these recommendations were incorporated in the new guidelines for cooperation with the developing countries of Latin America and Asia, proposed by the European Commission and adopted by the Council in 1990. Although the level of appropriation remains

low, the Council decision has been praised for reformulating a cooperation policy that had been maintained for fourteen years. The document advocates for the coordination of Community aid and bilateral aid provided by the member states. It also declares that principles and practices in development aid should be reviewed and redefined. It is acknowledged that the Community's development aid should be strengthened in view of the "extremely small amount involved" compared with the magnitude of financial disequilibria and mass poverty that developing countries are facing. Commission, however, disregarded the introduction of contractual aid and the institutionalization of aid along the lines of financial protocols of the Mediterranean type. New policy objectives include: the extension of development aid to other categories of countries and sectors, the provision of increased resources and and the diversification of purposes to include such issues as drug control, aid for the development of micro-enterprises in the cities and support for the development of scientific and technological capabilities.

Also, the new guidelines state the necessity to develop a better structured, more solid and effective economic cooperation, which is now characterized by a very modest level of financial and human resources. Economic cooperation is considered to be particularly appropriate in developing countries which are opening their economies and implementing economic structural reforms. European firms are expected to benefit from access to expanding markets in countries with potential for economic growth. The purposes of economic cooperation are to use a number of new policy instruments to improve investments, promote trade and exports, increase industrial competitiveness and technological transfer. Regional integration and environmenmtal protection are two considerations to be be included both in development aid as well as in economic cooperation.

III. INSTITUTIONAL REFORMS AND THE PROSPECTS FOR INCREASED COOPERATION

Delegates to the XVI Council of SELA declared in September 1990 that the great challenge of Latin America and the Caribbean in the coming decade is to reorient the future of their relations with the U.S. and the EC. Despite signs of improving linkages, both continue to maintain protectionist measures that negatively affect Latin American interests.

The U.S. took a significant step in June 1990 with its announcement of the Enterprise for the Americas Initiative, which is likely to reshape Inter-American relations in the coming years. A surprise to Latin American governments, the Initiative is said to constitute a "dramatic shift in position," compared with traditional U.S. orientations towards the region (SELA 1990:11). The Initiative proposes bilateral agreements as the first step

towards the formation of a hemispheric free trade zone, which has become one of the priorities of the U.S. foreign policy towards Latin America. Also included is the reduction of about half the debt Latin America contracted with the U.S. government and a long term reprogramming of the remaining portion of the debt.

Latin American leaders have been trying to work out a joint position on the U.S. Initiative (this was a key purpose in the Caracas summit of the Rio Group in october 1990). Some have noted that the debt reduction is not enough, that there are conditionalities and that negotiations have followed a rather slow pace, but for the most part, they have approved of the Initiative as a positive signal and a contribution to the development of the region (18).

A policy of rapprochement between the U.S. and Latin America will almost certainly affect the policy of cooperation with Europe, although in what direction is still a matter of debate. The strengthening of the EC and its growing presence in Latin America during the 1980s were expected to motivate a reaction on the part of the U.S.. Indeed, in a context of emerging powerful economic blocs, it is in the U.S. interests to realize the potential value of an hemispheric market of 700 million. The Initiative underlines the U.S. leadership in the hemisphere by taking on a more direct role on the improvement of the economic situation in Latin America. Perhaps, the EC could thus continue to focus its concern on the risks that the collapse of the trading system entails for Eastern European democracies.

Although the European economies have experienced a strong recovery in recent years and EC authorities have declared that Europe should avoid "any obssession with the East that would make it forget the South," there have been no breakthrough initiatives to alleviate the Latin American crisis. Nothing comparable to the contributions the EC has directed to its Eastern neighbors. The EC has lagged behind in contributions to end the Latin American debt crisis and has not yet responded positively to the Initiative's proposal to participate, together with Japan, in the formation of a \$300 million investment fund to favor Latin American economies.

As we have seen, however, the EC has made clear its intentions to establish closer relations with Latin America. In 1990, through San José VI, the EC renewed its commitment to give particular attention to Central America. Also at the end of the year, the Rome Declaration institutionalized an economic and political dialogue that had started four years earlier. In accord with recent institutional reforms, the Rome Declaration stresses the importance that "adequate institutional arrangements" have for cooperation. The parties agreed on an annual ministerial level conference and they expressed their commitment to "deepen these procedures for consultation with a view to identifying further

arrangements." An agreement was also reached to further involve Parliaments in the EC-Latin American dialogue and cooperation.

while the U.S. and the EC have finally decided to revise their policies towards the region, Latin American countries continue the pursue of comprehensive political and economic reforms. The hardships of the 1980s, known as the "lost decade," have served as a powerful incentive for these reforms. Latin American leaders have expressed a strong collective commitment to open and modernize their economies as a way of providing a more stable basis for democracy, constantly threatened by the lack of economic growth and the persistence of extreme inequalities (19).

Throughout the region, state managers are sharing a "new economic wisdom." ECLA is, among others, urging Latin American governments to abandon protectionism and the import substitution industrialization model to avoid further marginalization in the international economy. Redefinitions of macroeconomic policies include: reduction of state intervention and fiscal deficits, administrative reforms to promote efficiency and competitiveness, modernization of the productive structures and promotion of exports.

Latin American "technocrats" find themselves increasingly involved in the making of foreign policy as they turn away from previous economic nationalist premises. The first Latin American "economic summit" took place in november 1990, when the Finance and Economy ministers of eight countries gathered in Chile. The purpose of the summit, according to Chile Finance Minister Alejandro Foxley, was to "initiate informal meetings among economic policy makers ... to coordinate our proposals in the international sphere, following the experience of the European and industrialized countries." IDB president, a participant in the meeting, stressed the fact that "never before in Latin America, had almost all ministers in charge of economic policy been thinking so much alike" (20).

Integration forms part of the hopes for lasting economic and political changes. Latin Americans have become increasingly convinced that they cannot survive or compete individually in a world of strong economic blocs. But as they did in the past, instead of concentrating in the building of a strong policy making apparatus able to coordinate the whole region, they have engaged in the formation of an unprecedented series of subregional integrations agreements. Intraregional trade still remains minimal, but the active pace of integration has been described as "effervescente" (21).

Latin American integration schemes in 1990 included LAIA, the Andean Group, CARICOM and the Central American Common Market. The integration agenda for the next few years includes:

a. The Group of the Three and Mexico and Central America

Mexico has been busy responding to criticisms for choosing the North American instead of the Latin American option. Mexican authorities have designed a strategy of rapprochement with Central and South America. Mexicans have rushed to explain that their free trade agreement with the U.S. and Canada is justified by the volume of trade (in 1989, Mexico sent to the U.S. 69% of its exports; less than 8% went to Latin America) but it does not exclude the establishment of parallel economic exchanges with other countries. President Salinas' South American trip in October 1990 was aimed at strengthening commercial ties with the largest countries in the region. The Group of the Three, formed by Colombia, Venezuela and Mexico plan to achieve economic cooperation by 1994. Central American countries have expressed their interest in sharing some of the benefits that the North American free trade zone will represent for Mexico. New talks have been held in recent months between Mexican and Central American authorities on this issue.

b. <u>Central America</u>

In Central America, recent summit meetings among representatives of the six democratic governments of the region have decided to move forward in the search for a Central American economic and political community.

c. The Common Market of the Southern Cone

MERCOSUR, the common market of the Southern Cone, to be inaugurated in january 1995, received its first impulse in 1982, when Argentina and Brazil, the two largest South America countries initiated talks. In july 1989, the creation of a common market was announced. The democratic transition gave further impulse to the process and allowed the incorporation of Uruguay and Paraguay. Although the economic crisis has slowed down the process, the Asuncion treaty was signed in March 1991 (22).

d. The Andean Group

Members of the Andean Group recently set new deadlines to begin the establishment of a free trade zone in 1992 (previously planned for 1995) and then a full common market by the end of 1993 (instead of the initial date of 1997). The largest countries in the group will initiate the process and they will be joined later by Ecuador and Bolivia (23).

Regional unity in the 1990s, unlike the experience of the 1960s, would be sustained by a new mentality, democratic regimes and free market economies. Critics argue, however, that democracy is still fragile, that economic reforms will take years to yield fruits and for the time being, there is more talk than real opening

and privatization. Could the new enthusiasm for integration end up being a mirage, another "pseudo-solution"?

There is little doubt that the European experience of integration seems to be a constant source of inspiration in Latin America. As we have seen, the incorporation of regional parliaments and the institutionalization of summitry have been similarly adopted as a path toward politicization. What seems more incipient or less apparent in the Latin American case are the efforts to improve decision making and institutional procedures.

The importance of the 1986 SEA lied in its impact over the decision making process within the EC. In Latin America, the prevailing option for reform, as it was in the past, has been the creation of new institutions and new groups of countries. The obvious danger is that the announcements of new formulas may postpone working on the complexities of institutional and policy procedures that could make them operative.

For example, it is expected that the various subregional schemes will eventually converge in a "great river" of regional integration. But there are no plans to advance in that direction. Of course, experiments in subregionalization may correspond to the huge dimensions and heterogeneity of the region. However, they may also reflect the pains of designing effective decision making structures at the regional level. Especially at a time when everything else is going through a stage of redefinition and restructuring: the role of the state, the presidency, the congress, the parties, the judiciary and the military.

To be sure, there are in the 1990s a number of conditions that make it attractive to proceed in the path of integration: both Europe and the U.S. are encouraging the process and the international conditions provide a favorable incentive. There is a new confidence in the ability to address common problems collectively and Latin American political leaders are more genuinely committed to join efforts. There is also a new intellectual climate and an accumulated learning on previous political and economic experimentation, both at the national and regional level.

New actors have become more involved in the integration process. But the appearance of changes may be mainly due to the high visibility that presidential summits have acquired in recent years. The real impact of summitry, however, remains unclear, because the autonomy with which presidents engage in political initiatives is often unmatched by the limited implementation powers they have. In fact, the institution of the presidency itself is being questioned in several countries (24).

The expected protagonic role to be played by regional parliaments is still a matter of speculation. Unlike the European

case, where parliamentarism contributed to enhance the role of regional assemblies, regional parliaments in Latin America will have to count on the feeble policy making capabilities of their national counterparts.

Are politicians and lawyers as involved in Latin American integration as economists have traditionally been? It seems as if integration is still a game with rules designed mainly by the técnicos. The emphasis continues to be placed on free trade agreements. Legal frameworks, regional security, regional politics or the possibility of a regional government are still receiving far less attention. Of course, today's economists are marginal players they were in the 1960s, acting from the fences of international organizations or newly created planning and budget agencies. Latin American economists have become increasingly central players in party and bureaucratic politics. They have not only increased their presence in the ministries of Finance. Frequently now, economists occupy powerful positions in the ministries of social and foreign affairs, they are members of congress and party leaders. Even presidents of the Republic. What are the prospects that other economic and political actors become engaged in the decisions of integration?

After the democratization process, political parties are again at the center of politics. Parties are more internationalized than they were three decades ago, and probably better prepared to participate in regional integration. However, for the most part, their impact on government decision making is still reduced due to the weakness of their policy capabilities. It might take time until political parties become thoroughly involved in the integration process.

The transition to market economies requires painful adjustment for segments of the private sector not used to the exigencies of competitiveness. Interest groups, however, have shown a more favorable stance to integration than in the 1960s. The Chambers of Commerce of thirty five states have recently created the Interamerican Council of Commerce and have pledged their support to the creation of a free market in the hemisphere. Another sign of support to integration was given at the Meeting of the presidents of Organizaciones Empresariales Iberoamericanas in Mexico (April 1990) where entrepreneurs congratulated the recent trend towards privatization.

The creation of a supranational legal system was a key element in the advancement of European integration. In Latin America, there is no equivalent to the progressive role played by the European Court of Justice in creating a judicial system recognized as superior to national law. International courts are still a tentative phenomenon. National judicial systems are not only fragile, they are being subject to strong questioning, especially

in those countries that suffered human rights violations under authoritarian regimes.

Finally, the relations between the new democratic governments and the military are still strained enough to make it difficult to start thinking about a reform of present hemispheric defense arrangements. In the future, however, the armed forces may constitute an important actor in the redefinition of the meaning and scope of integration.

The institutional features and prerogatives of regional bodies are only beginning to be reexamined. Last year, the Organization of American States (OAS) initiated a process of organizational strengthening to address what has been called an "identity crisis" caused by the emergence of alternative fora, the scarce relevance of the organization's policy instruments and its continuous financial difficulties. A Group of Analysis formed by thirteen personalities of the region will make recommendations to the next General Assembly in June 1991. The OAS, it is widely ackowledged, is in no condition to address the problems of the region.

At the Summit meeting of the Rio Group in Caracas (October 1990), Mexico, Colombia and Venezuela expressed the need to give the Group a more efficacious and permanent mechanism of coordination. Apparently there was no agreement. Some countries seem to consider the flexibility of the present structure to be an attractive feature. Although the Group's agenda includes topics of the highest relevance, the avoidance of rivalries with other regional organizations may be a factor in maintaining a non-institutionalized and weak policy making apparatus.

The institutional structure of LAIA is also being subject to revisions. There is little coordination between the political organisms and the technical secretariat, and between the latter and the decision amking structures of the member countries.

Interinstitutional relations among the various integration schemes and institutions are only beginning to receive more systematic attention. The question of who represents the region has been an old issue in the Euro-Latin American relation. But with imminent negotiations on the U.S. Initiative for the Americas, it has acquired a renewed urgency. While the Rio Group seems to have advanced recognition in dealing with the EC, it is not yet clear what regional body is going to serve as counterpart for the U.S.. The OAS is claiming to have a privileged role in responding to the Initiative (25). SELA has also shown interest in taking up the job. But also the Rio Group and LAIA are said to be ready to participate in those negotiations!

Indeed, the reduction of interinstitutional rivalries and the achievement of a cooperative network of regional and subregional agencies are an important part of the challenge faced by those who

are presently concerned with introducing institutional reforms to bolster the Latin American integration (26).

Many of the obstacles that impeded the progress of Latin American integration in the past are still present. What is more important, internal efforts to overcome those obstacles will probably not suffice, unless extraregional cooperation becomes truly effective. Is it then necessary to wait until Latin American integration becomes stronger to advance in interregional cooperation? Or should interregional cooperation be an integral component of the new attempt? Now that the U.S. has offered a new pattern of relations, should interregional cooperation be mainly confined to the Inter-American system, having the Initiative as the new core for future advances in integration? Many in Latin America think that the EC should continue as a privileged interlocutor, or at least be an active partner in the changing relations between the U.S. and Latin America.

CONCLUSIONS

Europe and developing countries share similarities in many aspects of their political development. Perhaps the perception of these similarities has made the European integration experience an attractive model for experimentation in Latin America. Both at the beginning of the process in the early 1960s as well as in the 1980s, Latin Americans have found inspiration in what the Europeans do. However, the integration experiences in both regions have yielded very different results. The customs union model, formulated within the framework of an eventual political union, worked successfully in Europe. In Latin America, the process stagnated soon after its introduction: the framework was much too narrow, the economic conditions were unfavourable, the political elites were less involved or frankly opposed to the idea of sharing resources or coordinating policies.

The adoption of imported solutions that prove to be "pseudo-solutions" at the implementation stage, seems to be a continuous risk. In the last decade, constitutional reforms changed the way in which decisions were made in the EC. European integration became more politicized and Europe seems now to be making fast progress in the direction of a political union. Latin Americans are also adopting a series of reforms to make integration more political. As in Europe, summitry has been institutionalized and regional parliaments have been assigned a more prominent role. In both regions the turn towards an increased politicization is clear. What is still undetermined in the Latin American case, is how much decision making power the new schemes are going to have. And how they are going to coexist with the old regional institutions and the power structures of nation state, both of which are being subject to comprehensive examination and revision.

When Europe and Latin America apparently embark on a similar course of action, the prospects for closer interregional relations come to look increasingly promising. That was the case in the 1960s and again in the 1980s. But the expectations of increased cooperation between Europe and Latin America have often resulted in disappointment.

As interdependence in the present world expands from the economic to the political and cultural realms, ethnocentrism gives way to more universalistic concerns with the environment, human rights and democratization. State structures and international regimes become interlocked. Economic and foreign policy become increasingly intermingled. But we are only beginning to discover that the meaning of justice and democracy cannot be assessed exclusively within the boundaries of nation states. How can European citizens elevate their democratic values and procedures while remaining indifferent to the persistence of poverty overseas? And how can Latin Americans develop a strong democratic commitment when their resources are shipped away? Although it is the building

of effective institutional frameworks what makes possible the achievement of effective integration, we do not yet know how to translate these concerns in institutionalized forms of cooperation. Perhaps what is most encouraging in the present juncture of the Euro-Latin American relations, is the increased attention paid to institutional matters and policy instruments.

Europe has been expressing a stronger commitment to improve cooperation with Latin America. It has now also the possibility of participating in the U.S. Enterprise for the Americas Initiative. The EC could also develop an Initiative of its own. If external collaboration becomes a reality, Latin America may have a very privileged opportunity for implementing democratic reforms, avoiding the risks of pseudo-solutions.

NOTES

- (1) Examples of the reexamination of integration schemes in Latin America are: the Nassau Summit Meeting of 1984 dealing with process of Caribbean integration, the summit meetings in 1986 and 1990 to redesign the Central American integration, amendments to the Cartagena Agreement of the Andean Group in 1987 and the 1989 Andean summit meeting where a common market for 1997 was decided, the Asuncion Treaty that set the foundations for Mercosur, the Southern Cone common market to be in operation by 1995, the creation of the Group of the Three that would lower trade barriers between Mexico, Colombia and Venezuela.
- (2) When President Johnson decided to support the Latin American integration effort in 1966, as part of the rapprochement brought about by the Alliance for Progress, the conditions were much less propitious than at the beginning of the decade (Grunwald el al. 1972:80).
- (3) The "politicization" of regional integration required no major differences in the economic importance and size of the members, reasonably high rate of transaction, roughly equivalent pluralistic social and political institutions, a certain amount of complementarity between elites, a decision—making style favoring compromises among governments and other participating groups (Haas and Schmitter 1965).
- (4) Apart from Bolivar's early unitarian efforts to create a political confederation, "the largest nation in the world" (opposed by Great Britain and the U.S.), between 1840 and 1930 there were thirty five failed attempts at achieving political unity in Central America. A recent novel by Gabriel Garcia Marquez (1989) centers around Bolivar's long agony and

- defeated plans to create and govern a single nation. Perhaps the sign of a new search for a Latin American identity?
- (5) Ideological opposition was initially stronger among Communist parties (more the French than the Italian) and support was more decisive among Christian Democratic parties (which were in power in several of the first Six members). Socialists and Social Democratic parties followed a middle-of-the-road position.
- (6) The F. Ebert Foundation has offices in almost all Latin American countries and finances various institutions in the region: CEDAL, ILDIS, the Latin American Association of Human Rights, the Journal Nueva Sociedad.
- (7) Some indications are recent declarations emanated from COPPPAL (Permanent Conference of Political Parties of Latin America), activities of the Socialists and Christian Democratic Internationals and the 1987 Latin American Parliamentary Assembly on Foreign Debt.
- (8) EUT had been approved by a majority of the EP in 1984. It is a matter of debate how "federalist" the EUT model was. According to Bulmer and Wessels (1987:118), EUT had a clear federalist constitutional structure. In Prag's view (1986:122), EUT was not federalist because the European Council, although with a reduced role, continued to have major decisions in its hands.
- (9) The institutionalization of summitry made appear the EP as the main "loser" (Bulmer and Wessels 1987:114-115). Although the new cooperation procedure established by the SEA did increase the role of the EP in community policy through the so called "second reading" to which Council decisions are subject (Corbett 1989), the EP decided to press for further institutional reforms to broaden its prerogatives and effectively oversight executive decisions.
- (10) Other proposals for institutional reform within LAFTA were also unsuccessful (the Committee of Fiscal and Monetary policy, formed by central banks officials, is considered an exception).
- (11) The Latin American Parliament, integrated by representatives of national parliaments, was constituted in 1964. In the last Interparliamentary conference, held in San José, the agenda covered a wide range of topics: human rights, regional integration, foreign debt, trade, drug control, environmental protection, cultural relations.

- (12) The Andean Pact, initially formed by Bolivia, Chile, Colombia, Peru, Ecuador and Venezuela, included an automatic system of tariff reductions complemented with industrial programming and mechanisms to standardize the treatment of foreign capital. Industrial programming and compensatory mechanisms would give Ecuador and Bolivia preferential treatment in the allocation of investments, credits and regional offices (Puyana 1982). Technology and capital imports within the subregion would follow Decision 24. According to this regulation, foreign ownership could not exceed 49%, all new investments should gradually favor national over international capital and the remittance of profits by foreign firms would be limited. Tensions and disagreements over Decision 24 led to the withdrawal of Chile in 1976. The Chilean military government argued the need to recuperate the freedom in economic policy and to increase foreign investments. An opposition economist noted that the withdrawal not only removed restrictions on foreign investments but it also excluded Chilean products from the liberalized Andean market (Ffrench-Davis 1977:32).
- (13) A controversy arose regarding the possible "premature" politicization of the Andean integration scheme (Zelada 1984:103). Although efforts were initially made to avoid possible interinstitutional conflicts between the existing agencies of economic integration and the new political bodies, reforms introduced in 1987 gave a stronger role to the Andean Parliament and to the Andean Court of Justice.
- (14) Although all twenty five Latin American and Caribbean countries agreed to establish a system for the adoption of common positions in the Group of 77 and UNCTAD, initially, support for the new organization was a matter of discord. Argentina and Brazil were unwilling to follow the leadership of Mexico and Venezuela. Other countries resisted the idea of an organization that included Cuba, and still others did not want to risk confrontation with the U.S. (Bond 1978:409-410). The Malvinas/Falkland crisis led to a re-evaluation of the significance of SELA as a regional body.
- (13) See the special issue on "Parlamento e integración en América Latina" en <u>Integración Latinoamericana</u>, 146-147, June-July 1989.
- (16) Although Western European banks were holding around one third of the Latin American debt, they played a subordinate role in those negotiations, adopting the position of the U.S. banks (CEPAL 1987:121-123). Insisting on a narrow financial approach, European governments attributed responsibility for the crisis only to the commercial banks, debtor countries and multilateral institutions (CEPAL 1990:50)

- (17) Evaluations of Spain's impact on Euro-Latin American relations are not very commendatory. With the sponsorship of Spain, Haiti and the Dominican Republic did become the newest ACP states. However, in general, it is said that Spain has been more effective in "conscious raising than in operational matters." In fact, some describe Spain's attitude towards Latin America as more "a question of tender affection than of business and trade" (Tovias 1990:66,64).
- (18) Other changes in U.S. policy towards the region include a new willingness to coordinate actions with Europe and other regions, not only regarding the Initiative but also Central America. The U.S. Ambassador to the OAS declared early this year that the U.S. policy towards Central America had changed to assure that economic aid to the region does not end in the "hands of the oligarchy." This seems to reduce the differences in the diagnostic of the Central American crisis which were a point of discord with Europe at the beginning of the 1980s.
- (19) Analysts expect that if the region receives some \$70,000 million dollars annually in investments, it could reach a rate of growth of around 5% by the second half of the 1990s. The high social cost of the economic reforms initiated in the past decade (while 90 million Latin Americans were still living in conditions of absolute poverty and 200 million more were counted as poor, the region transferred to creditor countries more than 250,000 mill dollars since 1982) could thus be transformed into a positive legacy for the future. See declarations of the president of the IBD to the OAS in October 1990.
- (20) El Mercurio, November 29-December 5, 1990.
- (21) Warnings that Latin America will not be favored if countries liberate trade with the U.S. while maintaining protectionist barriers with their neighbors contributed to hasten the integration process. Latin Americans are interested in negotiating free trade agreements with the U.S. as groups rather than as individual countries. A proposal has been elaborated to sign the first multilateral free trade agreement between the U.S. and the four members of the Southern Cone group. Similar agreements could be signed between the U.S. and the Andean Group and the Central American countries.
- (22) Brazil and Argentina have been affected by hyperinflationary threats, stagflation, financial panics, recession and a loss of credibility among foreign creditors and domestic investors. Chile was invited to participate in the new group but declined the offer in mid-1990.

- (23) The announced progress in the calendar of integration does not eliminate some of the obstacles: intraregional trade is still a small fraction of the countries trade, Bolivia is more integrated to the Southern Cone than to the economies of their Andean neighbors, ilegal drug traffic distorts trade and an estimated 17 of the 91 million inhabitants receive an income of less than 200 dollars.
- (24) Brazil will have a plebiscite in 1993 to decide whether Brazilians want to maintain a presidential system or adopt parliamentarism.
- (25) The OAS Interamerican Economic and Social Council met in march 1991 to study the Initiative, improve relations with other regional organizations, and prepare a coherent response to the Bush administration.

(25) See "Informe de Gestion del Secretario General de ALADI, 1987-1990," in <u>Integracion Latinoamericana</u> 157.

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