



# The future of the Andean integration

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*2005 Conference on the Future of EU – Andean Community Relations*

*Brussels, May 13th, 2005*



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# 1. Myths of globalization



## 1. Myths of the globalization

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**“Free market maximizes economic growth and optimizes the distribution of wealth”**

- **Latin America grows insufficiently and with a high degree of volatility (4% average per year in the period 2000 – 2005).**
- **224 million poor people (42.9%) and 96 million indigent people (18.6%).**
- **The region with the highest figures of inequality of the world: over 50% of the income corresponds to the richest 20% of the population, while less than 5% corresponds to the poorest 20%.**
- **Poverty, inequality and social exclusion constitute an obstacle for a superior growth.**

***Without an active agenda to overcome the internal gap, globalization creates social and territorial fractures.***



**“Globalization brings along open markets which guarantee wide and equal access for all countries and people”**

- **Latin America has become a dynamic exporter of very diverse products on the world market.**
- **It is necessary to maintain and broaden our access to markets, to augment exports and investments, and to build a competitive capacity to promote our development.**
- **There still are distortions to the commercial field: subsidies and tariffs and non-tariffs.**
- **The issues pending the Doha Round of Development do not permit the “leveling of the play field” .**

***Globalization itself does not assure equal access to markets for countries and people.***



**“Globalization guarantees the consolidation of democratic regimes and the extension of public liberties”**

- In South America, in 1974, eight out of ten countries had a non-democratic government. Nowadays, all these countries have democratically elected governments.
- There is a positive correlation between globalization and political freedom.
- However, a general dissatisfaction can be noted with regards to the functioning of the democratic regimes in Latin America: 55% of the citizens would support a non-democratic form of government.
- Emergence of anti-politics.
- Electoral participation does not guarantee an efficient democracy: a profound social and productive inclusion are necessary.

**Latin America should insist on the redefinition of the role of the State and the strengthening of political parties and good governance.**



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## **2. Challenges of the Andean Community**



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- Search of political and strategic alliances between states and markets.
- Sustainability of economic recovery and deepening of reforms.
- Process of political transition.
- Strengthening of democratic institutions.
- Fight against terrorism, illicit drugs, corruption (transnational crime)
- Building competitive capacities to successfully face the free trade agreements.
- Defense of multilateralism to promote cooperation and development.
- Open regionalism: a condition for relevance and positive insertion into the globalization.

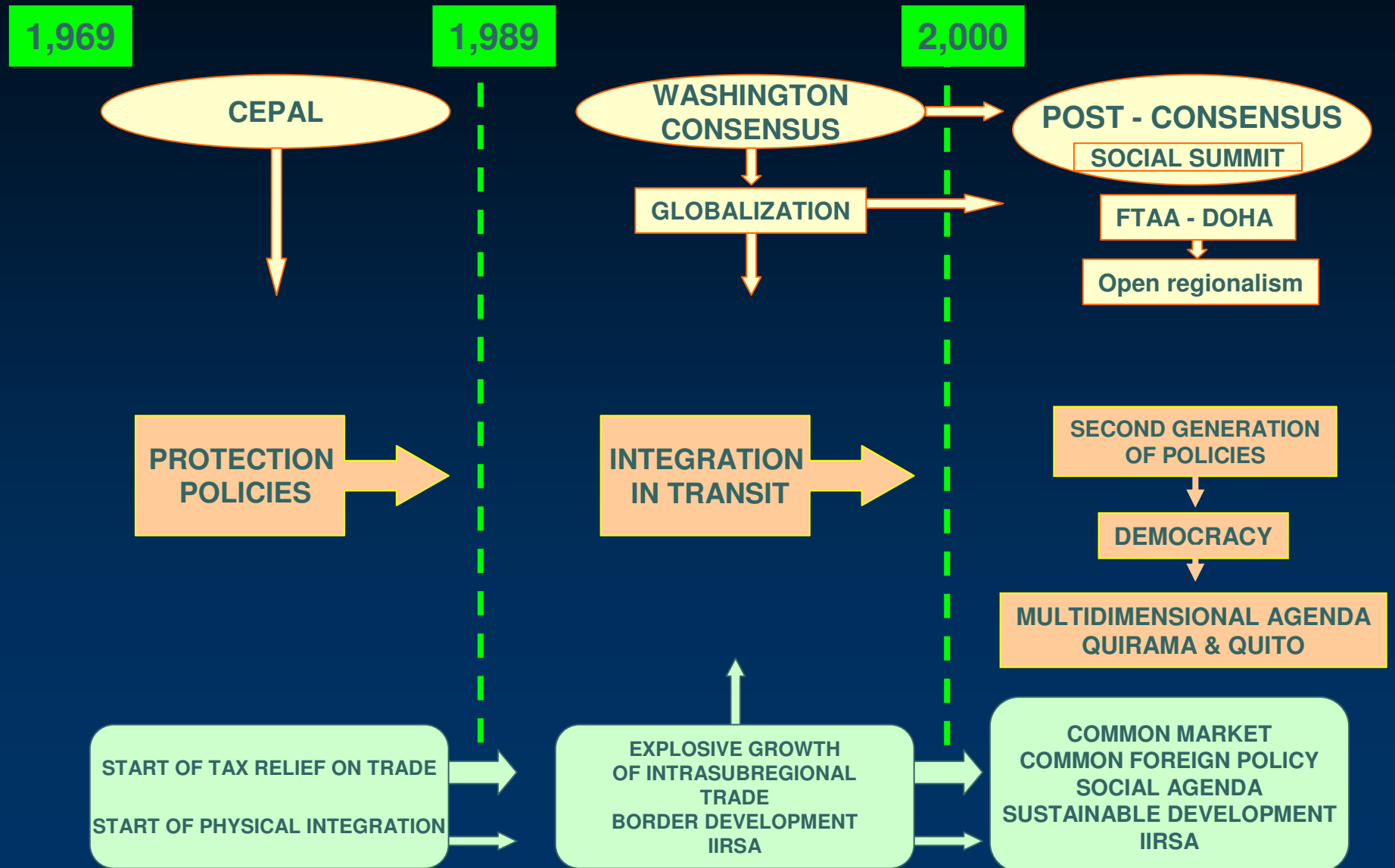


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### **3. Achievements of the Andean integration**



# Integration stages





## Strengths and opportunities

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- 36 years of experience: Andean system of integration, supranational legal rules and regulations, mechanism for the solution of controversies.
- Andean identity and common historical institutional heritage.
- Democracy.
- Common Foreign Policy.
- ATPA – APTDEA.
- Andean SGP – SGP Plus.
- Common interests to gain access to the EU and US markets.
- South America, MERCOSUR, FTAA, Asia – Pacific.
- “Platform effect”.
- General Secretariat with technical and proposal capacity.
- CAF y FLAR: first-class financial institutions.
- IIRSA: Physical integration of South America.



## Importance of sustainable development in the region



### PARTICIPATION IN THE WORLD

	Andean Community	South America
Biodiversity	25%	40%
Oil	7%	10%
Drinkable water		24%



## South American Community

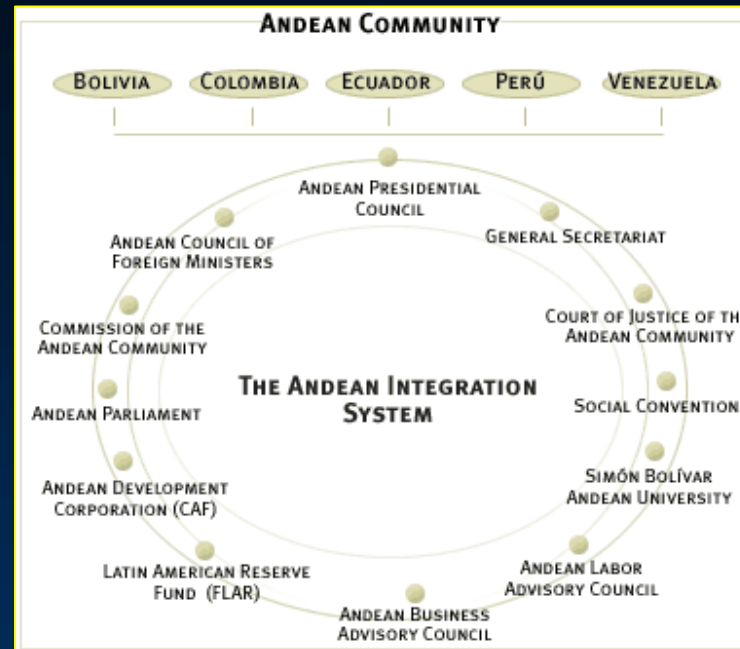
- 361 million people.
- Area of 17 million square Km – approximately 2 times the size of China.
- GDP: One trillion dollars. Fifth economic power in the world.
- 1/3 biodiversity of the planet.
- 25% drinkable water of the world.
- 11% oil reserves of the world .
- 30.000 million dollars of intra-communitarian trade.



Thinking in the long term...



## We did build solid institutions



- **Institutional reform: Trujillo Protocol (1996)**
  - Creation of the Andean Integration System.
  - The General Secretariat is the executive and strategic body in the integration process.
  - Framework for the development of a common external policy and political cooperation.



## New multidimensional agenda

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- Andean Presidential Summit of Quirama (2003)
  - “Integration is no longer what it once was.”
  - Beyond the “obsession for the tax tariff”.
  - Multidimensional Project: social agenda, common market, external foreign policy, physical integration and border development, and sustainable development.
- Andean Presidential Summit of Quito (2004):  
New strategic design for the integration.



## Andean Free Trade Area and Customs Union

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### o **Free Trade Area**

It encompasses 4 Member countries since 1993. It will be completed in December 2005 once Peru finishes eliminating its customs tariffs and opens its market.

### o **Customs Union**

Common External Tariff approved by Bolivia, Colombia, Ecuador y Venezuela in 1995. It is in process of negotiation a new flexible Common External Tariff for the 5 Member countries.

### o **Communitarian normative:**

- o Provisions to reduce non-tariff barriers.
- o Intellectual property rights.
- o Animal and plant provisions.
- o Standardization, Accreditation, Testing, Certification, Technical Regulations, and Metrology.
- o Rules of origin.
- o Customs procedures.



## Steps toward building a Common Market

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- **Free movement of people:**

Decision 503 (tourism), Decision 545 (free movement of workers within the Andean Community), Decision 583 (social security).

- **Free movement of services:**

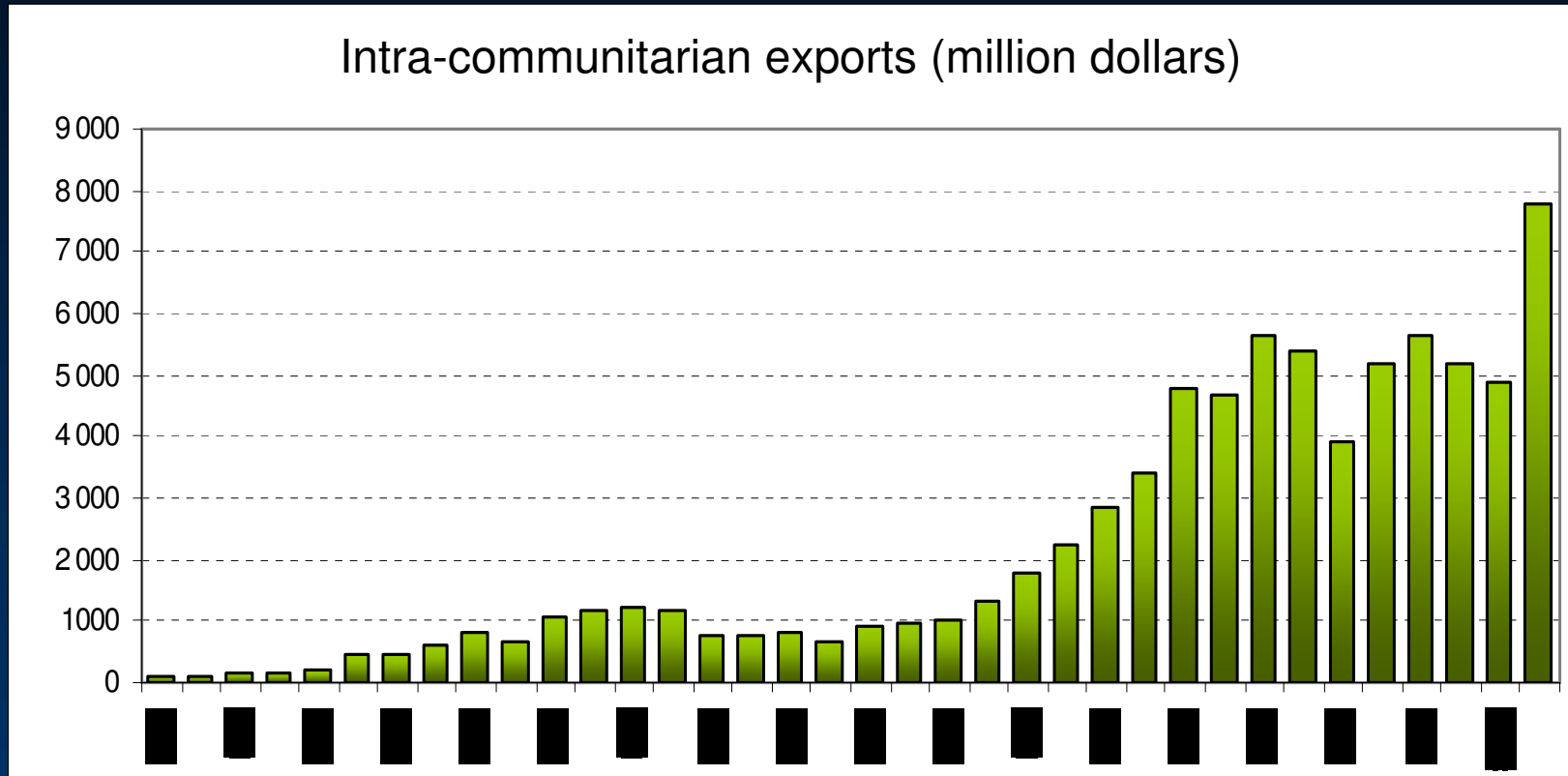
Decision 439 (General framework of principles and provisions), Decision 510 (Inventory of restrictions to trade), liberalization and integration of telecommunications, transportation, energy and tourism services.

- **Free movement of capital:**

Harmonization of standards of banking and financial regulation, and adoption of systems of cooperation among the Stock Exchanges of the Member Countries.



## Intra-communitarian trade: prominent growth in the 90's



**Historical record in 2004: 7,766 million dollars**



## The advantages of “going in convoy”

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- **European Union**
  - Andean SGP – Drugs for the five member countries.
  - Andean SGP – Plus.
  - New Political Dialogue and Cooperation Agreement
  - Moving towards a Strategic Association that includes a free trade area.
  
- **CAN - MERCOSUR**
  - Conclusion of the economic complementation accords.
  - Process of convergence with Chile, Surinam and Guyana to build a South American Community of Nations.
  
- **United States**
  - Common negotiation: ATPA – ATPDEA.
  - Common negotiation among three Andean countries of a Free Trade Area (FTA).
  - Consideration of particular sensible sectors of the Andean countries.
  - Extension of benefits through the MFN clause.



## **4. Perspective towards the future**



## The strategic design to strengthen the Andean integration (2004-2005)

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- Contribution to the construction of a new Latin American thinking: “Beyond the Washington Consensus”.
- “Integration for the development in the globalization era”.
- 3 strategic axes to enhance the “multidimensional agenda”
  - **Deepening trade integration.**
  - **Development and competitiveness.**
  - **Political Cooperation, Social Agenda, and Common Foreign Policy.**
- Strengthening the legal and institutional framework of the Andean Community in the context of the negotiations with third parties.
- Enrichment of the Andean integration with the purpose of building a South American and Latin American Community.



## The future agenda of the Andean integration

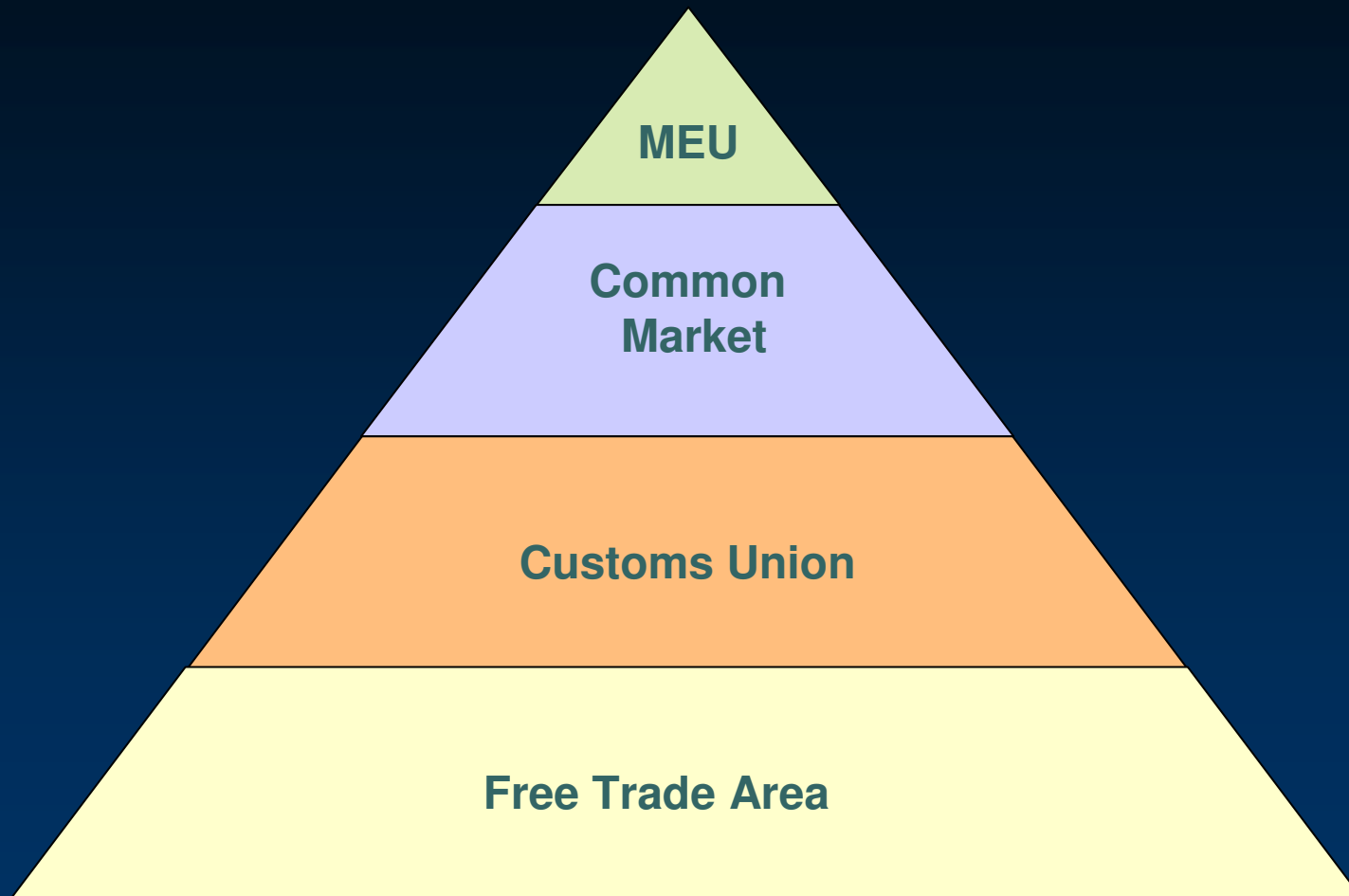
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- The role of integration in overcoming the national problems of democratic governability and institutional weaknesses.
- The integration of Latin America is done without “anesthesia”: need of a fund of social cohesion to surpass national and territorial asymmetries.
- Creative adaptation of the results of the FTA between the 3 Andean countries and the United States to the development of the regional integration process.
- Negotiation in block with the European Union of a Strategic Alliance that includes a free trade area: an opportunity to deepen and consolidate the Andean integration.



## Goals of the integration process

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**“The Andean integration process has been and will be the best option for our countries”**