



Opening Session

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Material of the Course
"Integration and Development of Regional
Infrastructure in South America"

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INTEGRATION AND DEVELOPMENT OF THE REGIONAL INFRASTRUCTURE IN SOUTH AMERICA

REGIONAL COURSE, ECLAC CCT, IIRSA

Santiago de Chile, October 6th, 2008

NOTES FOR THE OPENING

Ricardo Carciofi

1. My goal is to center the focus of the discussions that follow on a question which I believe is appropriate for the seminar that we begin here: What is the motive that leads us to meet today in this room and develop the activities we have planned for this week's work? I'll venture my answer to the question: I'll argue that we have come together with the aim of contributing to the regional integration of South America. More specifically, that the intention is to contribute to said process through the construction of institutions that support the South American integration, particularly in its dimension of physical integration.
2. This answer is neither immediate nor obvious, and I understand that some assumptions must be made explicit, as well as certain considerations that surround the question asked.
3. Firstly, the starting point is that we are assisting a process of integration in which the main actors -governments, states, economic sectors, and society in general- are interested in encouraging and promoting. Secondly, the scope of the term integration has its unique connotations in the region's present reality. The process we are assisting differs from the classic models and the traditional sequence recognized by textbooks on the subject, where the first step is free trade among partners, followed by a customs union and, later, the integration complemented by the free movement of people and capital leading to the formation of the common market. This is a sequence where, while the economic structure assists these changes, the dynamics is accompanied by developments in the political, social, and cultural spheres. The coronation of the stages described is the creation of a new "economic and political community". The stylization described fits, as we know, the European experience. I would add, by way of clarification and prevention against simplistic interpretations, that it is the European history post-Treaty of Rome, in other words of the last 50 years. If we focus on this half century, certainly the course seems to be linear, where the ground of "deep integration" is fertilized on a scale that is rarely seen. However, and here is the note of caution, when the European experience is examined from the point of view of a longer term, particularly when we go back to a century ago and not just 50 years, there is a figure that seems overwhelming. Between 1909 and 1913, intra-European commerce amounted to 63% of the trade among the countries. In turn, this was the peak of an ascending curve that had begun in the early nineteenth century. The coefficient suffers an obvious fall during World War I, recovers in the interwar period, followed by a new parenthesis starting from 1939, to gain a definitive dynamic after the 50's.

4. I have deliberately made reference to the history of the European integration to extract two elements which I believe are essential to reflect, from our own point of view, on the reality of South America. The first is that integration processes involve long periods of maturation. And, in any case, institutional constructions crown the previous efforts in a fairly advanced stage of this process. The second element is that, unlike the linearity that has been filtered into the literature on integration, especially the one relating to the economic analysis, the real story is far from linear: there are advances, setbacks, slow marches, and periods of acceleration. And it is obvious that in this greater complexity presented by history, the economic, technological, political, social, and cultural factors come together and interact with each other.
5. This is enough to recognize that South America does not fit the classic model, namely, the European experience post-Treaty of Rome. Let us consider a few aspects. In terms of trade, and if some of the ideas that have been recently proposed come to fruition, South America may be gradually converging towards the creation of an “area of free regional trade”, at least in terms of assets, through the merger of the agreements of the CAN and the MERCOSUR. But this is still some distance away, especially if we consider the commercial evolution of each of these two sub-blocs. For example, in the MERCOSUR, there is a harmonized tariff for a significant portion of the business, but there are still tariffs on internal exchange, and it is still far from being a single customs territory. The chapter on services, meanwhile, has only barely come to alive.
6. Even if we reach this kind of commercial convergence, it is also obvious that the countries are unable to form a single trade bloc, for example, in the form of a customs union. South America follows the “variable geometries” of business strategies. While it is impossible to predict the future, the least we can say is that the current scenario is very far from this format. The MERCOSUR, not without internal tensions, has preserved a common commercial strategy in its bilateral negotiations with other countries and blocs. However, in the multilateral space, the MERCOSUR does not negotiate to form a bloc. The CAN has changed its rules so that its current partners may undertake, on an individual basis, their own bilateral agreements and not as a bloc.
7. Does this mean that it is impossible to advance towards the integration of South America? By no means, but we need to take note of the uniqueness of the process to avoid archetypes and the import of conceptual models that contribute little to the analysis. What is more, and to weigh the arguments, it is also valid in this case to take note of some data. If the 2003-2006 period is taken as a reference, and the expansion of trade in South America is measured, in physical volume, it has grown at higher rates than extra-regional trade in all cases (with only one exception, Paraguay). Moreover, if we consider intra-regional trade in South America, we find that the simple average of exports from 10 countries -excluding Guyana and Surinam- (at a constant value) is located at 28% and 37% measured in terms of imports. It should be noted that this growing regional exchange has been taking place, as has been pointed out repeatedly in a context of “open regionalism”. In other words, South America has witnessed the expansion of its regional market while, with various strategies, it has introduced itself into various extra regional markets.

8. Taking into consideration the above data concerning trade, its evolution and dynamism, and placing it within the framework of trade negotiations on the eventual convergence of the CAN and the MERCOSUR, the scenario is worthy of consideration. Of course, this is not just about trade agreements, the expansion of trade and investment. The integration process, as mentioned above, must be accompanied, and often mobilized, with political agreements and understandings between governments, to mobilize in turn the citizens in the same direction. And it is obvious that in the presence of these ingredients, the possibility of giving the region a better and more efficient infrastructure for physical interconnection is a factor that maximizes and must accompany the above mentioned factors. By definition, infrastructure for the integration can not be conceived as a sphere separate from integration itself.
9. So, if the panorama of regional integration advances in these lines, we should ask ourselves, at this point, about the institutions that lead this process. Once again, the differences between South America and the classic model are essential. As we know, in the latter, institutions result from the need to give governability to the regional space. Under this concept, the members of the union have decided to grant tax capacity (and representation) to the community. In return, through the same act, the community has a budget devoted to the provision of regional public goods, be they the Common Agricultural Policy, funds for social cohesion, or the Trans-European Transportation Network, to name a few.
10. Similar to what was stated earlier, South America is far from that process of institutional construction. Only recently the countries have created the agreement that gave birth to UNASUR. The treaty's agenda is ambitious and comprehensive. However, regional institutionality will be supported by a mechanism that is essentially intergovernmental cooperation and decision. As such, this is a format that is rich in dialogue and, if proven effective, it will result in common rules and agreements and, eventually, in convergence of specific legislation. In sum, the supranational level appears distant, very distant perhaps to allow us to think realistically about what shapes it may take.
11. So, if we recognize the value of dialogue as an ingredient of cooperation, it is easier to answer the initial question that prompted this reflection. This seminar is a tool for dialogue. On the one hand, a dialogue that, while mindful of the context, it is true, is limited to items related to the infrastructure for integration. And on the other hand, a dialogue that, for it to be effective, aims to result in agreements, commitments, and decisions in its proper field: projects, sustainable territorial planning, regulatory harmonization for the use of infrastructure, among others. In fact, an illustrative digression is relevant here, which comes from the “long” history of European integration, of more than a century of existence. It was indeed the intergovernmental agreements that gave rise to, for example, the Universal Postal Union, in 1875, the International Telegraph Union, in 1884, and the agreements of Bern from 1878 to 1886 that allowed ten European nations to sign common standards for cargo transportation by rail, rail gauge regulations, schedule regulations, which led, ultimately, to the international circulation of trains by the end of the decade. The references could be multiplied and the concept is clear: the importance of physical infrastructure for integration and how agreements and the establishment of common rules allowed its more efficient use.

12. Now, I do believe that the original question has been answered. The specific contribution of a seminar like the one we hope to develop together allows and facilitates informed dialogue: the analysis, the contrast of interpretations, the open exchange of ideas, information, among others. It is the contribution of knowledge as a tool for the construction of agreements. In short, it is an initial but important step, in a longer sequence that, to be effective, must be carried out in the form of decisions and concretions that enable the development of infrastructure integration.