

RETHINKING REGIONALISMS IN TIMES OF CRISES

A COLLECTION OF ACTIVISTS' PERSPECTIVES
FROM LATIN AMERICA, ASIA, AFRICA AND EUROPE

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The People's Agenda for Alternative Regionalisms is an effort to promote cross-fertilisation of experiences on regional alternatives among social movements and civil society organisations from Asia, Africa, Latin America and Europe. It aims to contribute to the understanding of alternative regional integration as a key strategy to struggle against neoliberal globalisation and to broaden the base among key social actors for political debate and action around regional integration. Since 2008, PAAR has facilitated the production of video documentaries (such as “Global Crises, Regional Solutions: Perspectives from Asia, Africa, Latin America and Europe” released in March 2012) and international conferences on regional alternatives (such as the one organised in Paraguay in 2009 on the theme “Regional Integration: an opportunity to face the crises”). www.alternative-regionalisms.org

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Introduction

The idea of regional integration as we know it today emerged in post-war Europe. The chosen model of integration would later serve as a reference for theoretical approaches and concrete political initiatives of regional cooperation worldwide.

The process of unifying Europe was originally based on a vision of the political elite on the need to avoid future outbreaks of war between European powers and to build a path to peace through the development of common economic, political and strategic actions and agreements. From the seminal European Coal and Steel Community, Europe advanced progressively towards building increasingly stronger ties in terms of mechanisms of governance and legitimacy, economic integration and forms of social and cultural exchange.

The steps taken by the old continent served as a beacon for many processes in Latin America, Africa and Asia. Only ten years after Europe, classical regional integration processes were initiated in other parts of the planet. In Latin America and other regions of Africa and Asia, they were influenced by the economic thought of the Economic Commission for Latin America and the Caribbean (ECLAC). Under the influence of Raul Prebisch's development theories, ECLAC defended, during the 1960s-1970s, a model of regional integration based on changing the terms of trade. For these changes to happen, imports of industrialised products needed to be replaced by factories in Latin American countries and the scale of production had to be broadened, increasing the size of markets through integration. Regional integration based on uniform and moderate external tariff would help to create a grand market for regionally produced manufactures.

This wave of "developmentalist" integrationalism took on important institutional forms in Central America, the Andean region and the Caribbean, where governments went as far as creating regional parliaments, customs unions and other mechanisms. Even so, the dream promised by Prebisch did not necessarily come true due to lack of coherence and political will of those in government, among other reasons.

With the rise of neoliberal globalisation, regional integration suffered a change in direction both in Europe and the rest of the world. It was in the mid-1980s and the 1990s when 'open regionalism' was widely adopted as the theoretical framework that led governments to promote market-led, export-driven regional integration. The boom of 'open regionalism' as the defining framework of regional processes clearly coincided with the consolidation of neoliberal globalisation. Both paradigms reinforced each other. From then on, regional schemes were considered building blocks towards establishing a truly global market economy. According to this logic, their purpose was to ensure the competitive insertion of countries into the world economy.

As a result, the definition of regionalism was narrowed down to economic terms. Most governments around the world pursued a path of market deregulation, widespread privatisation, and frantic competition to attract foreign direct investments (FDI). In fact, a distinctive feature of the wave of regionalism in the 1990s was the promotion of Free Trade Agreements (FTAs) and Investment Treaties as key tools to stimulate liberal economic and political reforms. There was, indeed, a blind belief in the export-led and investment-driven development model.

The free trade agreements launched in the 1990s, which neoliberal theorists understood as forms of integration, momentarily benefited only a few companies – especially those of the financial sector. What is more, in general, they produced terrible results in both social and productive terms in most countries. They also generated strong conflicts in some of the integration processes that started in the earlier phase, leading, in some cases, to the collapse of integration institutions. One emblematic case is the Andean Community of Nations (CAN).

Fast-forward to the 1990s-2010s, we find ourselves in a whole different scenario. Today, we are in the midst of a convergence of global crises (financial, economy, energy, food and climate), which has exposed the exhaustion and failure of the neoliberal development model. Furthermore, we can observe that governments during the 2000s started to question the “benefits” of neoliberal globalisation.

In the first decade of the 21st century, the neoliberalised integration model was put to the test in Europe by the global economic crisis, and it failed. The very same model of integration that was once portrayed as the ideal one to follow, has now been exposed as the source of Europe’s crisis. Furthermore, the harsh austerity policies imposed on periphery European countries confirmed the deeply undemocratic construction of the EU¹.

It has become increasingly clear that regional integration does not automatically lead to socially and ecologically just societies. Most of the current models of regional integration around the world – from Latin America (CAN, Mercosur) to Asia (ASEAN, SAARC), Africa (SADC) and Europe with the European Union – are not people-centred.

Nonetheless, the regions are still privileged arenas for developing and implementing alternatives. Social movements and civil society organisations around the globe still believe there is a need to reclaim regional integration and advance an alternative development paradigm².

The demand for people-centred regional alternatives has been at the core of people’s struggles for the last 10 to 15 years. Social organisations and movements have conceptualised what people-driven regional integration means and have advocated for concrete regional alternative proposals that mark a clear break with the corporate-led model of development. The calls for people-centred regional integration processes are based on the principles of cooperation and complementarity, rather than the principle of competition. This means, for example, that to face the current global economic crisis, regional initiatives should prioritise: the creation of regional reserve funds to insulate countries’ economies from the destructive effects of speculative finance; the re-activation or creation of regional development banks that provide loans for projects oriented towards endogenous and sustainable development of the region and people-centred regional trade. Regional initiatives have also aimed to address the threats of climate change. For example, redirecting (food) production and trade towards regional markets in order to reduce international transport/trade flows and their impact on climate; strengthening cooperation between neighbouring countries and communities that share rivers and other water sources to secure the equitable distribution of water for all; and promoting alternative renewable energy sources through regional coordination and the sharing of technologies. These types of regional initiatives can be vehicles to raise living standards, promote and protect national industries and protect local agriculture.

The calls for de-globalisation and alternative regionalisms have, so far, found echo in some governments in Latin America. There is currently a dispute between the open regionalism/free trade model and a “neodevelopmentalist” tendency, which is strongly present in Mercosur and Unasur and personified mainly by the government of president Lula in Brazil. The Lula administration pursued a policy that, without departing completely from elements of economic orthodoxy, gave priority to the development factor as a key part of its strategy, with strong State participation in the form of public investment and support for its corporations. This approach reduced the neoliberal vigour, but left some of its pillars intact. Its expression in integration processes aims to reconcile negotiating trade agreements outside of the region, with policies that strengthen the region, such as responding to asymmetries – albeit in a limited way –, promoting common infrastructure and the integration of energy systems, yet without pushing excessively for trade liberalisation within the bloc.

¹ EuroMemorandum 2013: The deepening crisis in the European Union: The need for a fundamental change http://www2.euromemorandum.eu/uploads/euromemorandum_2013.pdf

² Video documentary: Integration of the Peoples: Alternative in construction in Latin America (2008) <http://www.tni.org/tnibook/integration-peoples-video-documentary> and Video Documentary: Global Crises, Regional Solutions (2012) <http://www.tni.org/multimedia/video-documentary-global-crises-regional-solutions>

At the same time, in Latin America new heterodox political processes have arisen: the Bolivarian Alliance for the Peoples of our America (ALBA)³ and the People's Trade Agreement (TCP)⁴. Rejecting the principles of the neoliberal model, these processes have embraced complementarity and solidarity as pillars of integration, together with the idea of autonomy and independence from the major powers in the region. Other initiatives that seek to develop counter-hegemonic forces in Latin America are Union of South American Nations (UNASUR), Community of Latin American and Caribbean States (CELAC) and even Mercosur, though without the depth and intensity of ALBA and the TCP.

Notwithstanding these promising initiatives, regional integration projects based on the open regionalism approach still dominate. In Latin America, they co-exist with the still embryonic alternative regionalisms initiatives that are very much under dispute. In the other regions, most governments have ignored the calls of civil society to make integration meaningful to people's needs. No less than Bolivian President Evo Morales acknowledged that the diplomacy of the people has grown faster than the diplomacy of governments, with the people themselves active in finding solutions to societal problems. Addressing the heads of state and people of South America in October 2006, President Morales posed the challenge of establishing "an integration of, and for, the peoples"⁵.

In Latin America and elsewhere, the challenge remains for social movements and civil society to reclaim regional integration from the neoliberal trend, and to recreate regional integration processes based on socially just, environmentally sustainable and participatory principles, with the objective of diffusing these desired values in official diplomacy

This collection of articles is intended as a contribution to strengthen the idea that people-centred regional integration is not only needed but that it is also possible. It aspires to provide social organisations with new ideas and proposals that can inspire action within their specific regions. It aims to advance the discussion, focusing on the elaborate and complex details of issues, to encourage civil society to engage and dialogue more solidly with governments and other public agents. Hopefully it will help foster debate towards the building of awareness and consensus within the movements, and motivate them to go beyond nationalist theses and promote the idea of regional cooperation and solidarity.

This seminal reader presents the perspectives of activists and advocates who are immersed in the struggles for alternative regionalisms. The articles describe the context within which they negotiate restrictive regional spaces and propose regional alternatives.

The reader has three sections. The first one, "A world in crisis: the state of regional integration five years later", includes analysis of the current situation of integration processes in Latin America, Africa, Asia and Europe in relation to the changes in the global scene and their specific internal dynamics. A second section, "Regional responses to the global economic, food and ecological crises" concentrates on proposals on alternative regional integration in specific areas, which, in one way or another, respond to the dynamics of the current crises. Here, we feature analyses of initiatives of innovative public policies, including: models for alternative regional financial integration in Latin America; the need to re-think the eurozone in Europe; the idea of a SAARC Food Bank in South Asia and proposals to face climate change as a region in ASEAN. The last section deals specifically with social actors' actions vis-à-vis the dynamics of regional integration.

³ Portal ALBA: <http://www.alianzabolivariana.org/>

⁴ Fundamental Principles of the Peoples' Trade Treaty – TCP: <http://www.alba-tcp.org/en/contenido/fundamental-principles-tcp>

⁵ Proposal from President Evo Morales: Let's construct with our people a real South American community of nations in order to live well, October 2, 2006. Available: <http://www.alternative-regionalisms.org/?p=779>

A WORLD IN CRISIS

THE STATE OF REGIONAL INTEGRATION
FIVE YEARS ON

Mercosur: what kind of integration is possible?

GRACIELA RODRÍGUEZ

The year 2011 marked the 20th anniversary of the signing of the Treaty of Asunción, which launched the creation of MERCOSUR. In the numerous assessments and historical analyses published on the occasion, various authors coincided in identifying three phases in the bloc's evolution.

In the first phase, analysts affirm that advances in MERCOSUR were driven by the interests that played a decisive role in its creation. These interests were linked to the need to stimulate trade flows in the region, intensified by neoliberal globalisation on the rise, which imposed an increasingly greater need to integrate the countries of the bloc into the international market. The push to integrate productive chains, especially those of the automotive and household appliances sectors, strongly influenced agreements signed during this phase.

The first decade of the 21st century can be classified as the second phase in the bloc's evolution, which was marked by the arrival of new progressive governments in the region. Starting with Lula's victory in Brazil, the presence of popular governments spread to other countries in the bloc, bringing a new political and strategic vision to the integration process. Various countries made important changes to their foreign policy, as they distanced themselves from the neoliberal guidelines adopted during previous decades and put a new emphasis on South-South relations and the regional integration process. What is more, their rejection of the FTAA – between 2003 and 2005 – gave the bloc a strong dose of identity and renewed commitment to the MERCOSUR project. This phase was one of high expectations and important political decisions, in which significant advances were made, including the creation and consolidation of commissions and specialised meetings in the areas of human rights, family farming and social development, as well as the democratic strengthening of pre-existing ones like the specialised meetings for women, youth, etc. Another important step was the implementation of concrete measures to overcome asymmetries, such as the creation of the MERCOSUR Structural Convergence Fund (FOCEM, for its acronym in Spanish) and the MERCOSUR Social Institute.

The third phase began with the explosion of the global crisis in 2008. A striking feature of this stage was a change in stance, as countries turned to protecting their economies and were therefore less disposed to seeking common solutions or to deepening integration. As a result, in recent years, the institutional process stagnated, conflicts over trade and customs issues have increased and other obstacles to coordinating economic policies have arisen. In fact, little effort has been made to develop common positions on how to address the crisis and to consolidate social, migration, employment and social security policies that would help countries to join forces to face the consequences of the global economic and financial collapse. Thus, during the third phase, less progress has been made than expected, namely in terms of deepening integration, despite the rhetorical emphasis on its importance.

In the context of the ongoing global crisis and important geopolitical changes taking place on the international level, which we will discuss later, we will venture here to propose that a fourth phase has begun. This new stage was inaugurated by the suspension of Paraguay and Venezuela's admission to the bloc; both measures were approved in June 2012. These events, together with a new international geopolitical context and China's growing presence in the region¹, must be understood as catalysts of change and of a new phase,

¹ Barbosa, Alexandre. Presentation in the Seminar "Regional Integration in the context of the global crisis" (A Integração Regional no contexto da crise global). See: <http://www.equit.org.br/novo/?p=913>

and all of the diverse aspects – economic, trade, regional development, social, democratic – and the institutional impacts it involves.

Characterising the current phase

On June 22nd, 2012, a coup d'état in Paraguay – orchestrated as a parliamentary manoeuvre – ousted democratically elected president Fernando Lugo and hastily removed him from office. It was rapidly repudiated by all of the countries in the region and the major democracies in the world and generated, as to be expected, important repercussions within the bloc. The other three member countries responded by immediately suspending Paraguay from MERCOSUR. They also rapidly took measures, though, to minimize the negative economic impacts of this decision, which could directly or indirectly affect the people of Paraguay.

Brazil, for example, continues to purchase energy produced by the Itaipu dam. The authorisation to transfer FOCEM funds that had been allocated to Paraguay for infrastructure projects and the expansion of energy transmission has also been upheld. It is important to analyse, however, why the post-coup government preferred not to accept these funds, which are lent at extremely low interest rates, and to publicize instead its decision to give continuity to these works by using resources obtained from other sources of funding, as this is not a mere coincidence².

This refusal to accept MERCOSUR funds can be interpreted as a signal to the world that the government is seeking new alliances and paths. Similar signs can be found in the behaviour of the government and Paraguay's business sector in relation to other issues since the coup. Obviously, it is not yet clear what moves are being made to establish new trade relations and political alliances. Some inferences can be made, however, based on recent declarations and articles, which indicate strong tensions between the country returning to the bloc – once elections have been held (a condition established by MERCOSUR) – and the possibility of building new pro-liberalisation alliances outside of MERCOSUR, which are more to the liking of Paraguay's elite and political class.

Some of these indications have appeared recently in the press. In an article published in the Brazilian newspaper *O Globo*, Colombia's former Minister of Economy, Rodrigo Botero Montoya, suggested that Paraguay "defend itself with pride" from the "abuse it has suffered" supposedly from MERCOSUR, as "this will help the country to adopt a trade position that is appropriate for a small economy: [it should aim to] integrate into the world economy, adopt low customs tariffs and negotiate free trade agreements with the main industrial countries and friendly nations in Latin America"³.

The decision to implement Venezuela's admission to the bloc was made at the same time as the resolution to suspend Paraguay from MERCOSUR. This measure had been approved within MERCOSUR in 2006, but since then, it had been repeatedly rejected by Paraguay's parliament – the only country in the bloc that had not voted in favour of Venezuela's incorporation. In order to effectively admit a country to the bloc, the admission must be approved by the parliaments of all member countries. Despite all of the difficulties Venezuela will have in order to fully integrate into the bloc in terms of the tariffs and norms that it will have to alter, it is particularly important to analyse the economic and political significance of its incorporation, as well as the potential it brings to the block in terms of energy.

Therefore, these two events can be considered signs of the beginning of a new phase in MERCOSUR, both in symbolic terms and due to the practical and concrete consequences Paraguay's departure (albeit temporary) and Venezuela's admission will have on the bloc. These decisions and changes constitute, at this point in time, important elements that are forcing interests at stake in the region to reorganise themselves and will significantly alter the regional integration playing field.

² Barbosa, Rubens. "Réquiem para o Mercosul". *O Globo*. July 24th, 2012.

³ *O Globo*. 11.09.2012. Editorial page.

This reformulation of MERCOSUR alerts us to new short- and mid-term perspectives on the reconfiguration of regional forces and interests currently underway. While on one hand, MERCOSUR has resisted the free trade logic behind the continental-level FTAA and agreements with the European Union, on the other, the trend towards further liberalisation continues to advance in the region in the form of bilateral agreements between various South American countries and the U.S., and the EU. This would create a gap between the future options for development available to the countries in the region that come together in UNASUR; their ability to access them will depend on whether or not they adhere to the conditionalities imposed on them by free trade.

We can therefore affirm that over the past decade in particular, the construction of MERCOSUR has been based on attempts to distance the bloc from the dominance of the U.S. in the region and build it according to the relatively close or similar interests and political modes shared by its members – namely Brazil and Argentina, which have now been joined by Venezuela. At the same time, however, in various countries in South America, we can see traditional alliances being upheld by an elite that is subordinated to the hegemony of the United States and its influence over the region. This influence – again on the rise – is expressed quite clearly through free trade and other agreements, including those involving military plans.

What kind of integration is now possible?

The coup in Paraguay should not be seen as an isolated incident, nor as a mere consequence of the conservatism of the country's elite who barely tolerated Fernando Lugo's arrival in office with the support of a broad coalition of social movements and organisations. Despite Paraguay's relatively minor importance in terms of trade and economic weight, the coup had several important implications for the bloc. For one, its political impacts went beyond the national scene and dealt a harsh blow to the integration process in MERCOSUR and the region in general. For regional actors – namely Brazil whose interests are particularly hegemonic, but also Argentina and Venezuela – seeking to consolidate regional integration in order to expand their markets and increase the influence of their economic interests, the coup represented a defeat, albeit a partial one.

The demands of the Paraguayan business sector, which were strengthened by the coup, found resonance among and support from Uruguayan businesses. They too complained of the lack of importance given to them in MERCOSUR and, on several occasions, have pressured the government to advance in the signing of free trade agreements with the U.S. This would create yet another hole in the path to an alternative form of integration in the region.

A possible strategic realignment by Paraguay, which has recently officially requested admission to the Pacific Alliance⁴, would reinforce the conservative and pro-liberalisation forces that compete in South America with those in favour of greater regional autonomy. Current negotiations of the Trans-Pacific Partnership (TPP)⁵, together with the consolidation and enlargement of the Pacific Alliance and the process of unifying both initiatives, could derail the regional integration process. It would also affect Brazil's expansionary interests in the region.

As for Brazil, the government has adopted a rather pragmatic approach to the region, which includes distancing itself to a certain extent in order to increase its influence on the global scene. This can be seen in the priority it gives to participating in the G20 and to building alliances with the BRICS. Even so, Brazil continues to view the region as a fundamental space for it to affirm its leadership, which is important for the growth of its TNCs and gaining the political weight it needs to pursue its ambitions on the global scene.

⁴ The Pacific Alliance is a free trade agreement between certain Latin American countries (Chile, Peru, Colombia and Mexico). There are currently several requests to join the alliance from countries outside of the region.

⁵ This is a free trade area being promoted by the U.S. and which is focused on Asia, the new axis of priority in world trade. 12 countries are part of the TPP: United States, Chile, Peru, Australia, Mexico, New Zealand, Canada, Japan, Brunei, Malaysia, Singapore and Vietnam.

Within MERCOSUR, however, Paraguay's suspension and its possible estrangement would mean that Brazil would lose an ally with whom it had recently consolidated its relationship, after renegotiating the price paid to Paraguay for energy from the Itaipú hydroelectric dam. This had strengthened somewhat Brazil's role within the bloc, putting it ahead of Argentina. Argentina's position, on the other hand, was reinforced by Venezuela's admission, with whom it had been building a political and economic alliance with the goal – among other things – of contesting Brazil's hegemony within MERCOSUR.

Signs of Paraguay distancing itself from MERCOSUR and possible redefining its alliances have provoked reactions that are affecting the current balance in the bloc and the integration process in South America as a whole.

In the meantime, other issues have grown in importance. The admission of Bolivia – whose request for inclusion has been formalized and is now awaiting the approval of the parliaments of the bloc's member countries – and the possibility of Ecuador also joining the bloc would represent fundamental advances in the regional struggle to stop free trade, as they will help significantly to strengthen the bloc. Meanwhile, however, Ecuador continues to weigh the pros and cons of either joining MERCOSUR or, on the contrary, turning towards the Pacific and giving priority to agreements with China and the EU. Opting for the latter will cause expectations vis-à-vis regional integration to fall, which have also been deflated by disappointment with Peru's behaviour. Despite Ollanta Humala's efforts during elections to build closer ties to certain governments (namely Brazil) and send signals suggesting he would take a progressive stance, he has continued to pursue the path to further trade liberalisation, seeking to join the TPP and distance the country from strictly regional processes.

All of these changes to the region's political scene lead one to ask: what are the possibilities of regional integration advancing? Will Brazil be able to recuperate its leadership role in the region, maintain cohesion in MERCOSUR and influence, namely from within MERCOSUR, the integration process in UNASUR on both a political and structural level? These are but some of the questions being raised during this new phase of MERCOSUR's evolution.

The global geopolitical dispute

Despite the apparent calm on the horizon, the challenges in MERCOSUR's new phase will only become greater given the recent changes in both the regional and global context. It is worth noting, for instance, that China's geopolitical importance and weight have grown significantly in recent years. As part of this growth, China's commercial presence and the increase in its investments in Latin America represent a new development for the region. Steady growth in commodity sales, namely food and mineral commodities, is driving growth in raw material exports and therefore contributing to the de-industrialisation of the economy – primarily in Brazil. This situation, though temporary, alerts us to the risk of the raw materials export model, currently focussed on Asia, becoming permanent. It also draws our attention to the challenges further integration of the regional market – when based on complementary development of the productive system, especially manufacturing – can offer to the export-oriented extractivist model.

Special attention should also be paid to the recent strengthening of the Pacific Alliance, which will eventually merge with the Trans-Pacific Partnership (TPP). Together, they will broaden the presence and influence of the U.S. in the region.

In addition to this, recent news on negotiations currently underway on a treaty between the U.S. and the European Union create new possibilities for stronger North-North integration. The importance of the treaty, however, is not so much the trade benefits it will bring to the region, but rather the fact that it will give the U.S. the strength and muscle it needs to confront China in the battle for hegemony in the world market.

In this context, then, both the BRICS, with its attempts to balance geopolitical power in the area of global governance, and MERCOSUR, which has the capacity to increase the possibility of countries defending national sovereignties in South America, may assume greater importance.

MERCOSUR has remained practically free from free trade agreements, something that has demanded a lot of effort from member countries, which have had to face strong pressure to liberalise further from both

within the region and from abroad. This puts the bloc in a privileged position, but also one of great responsibility, which involves certain difficulties that arise during disputes on regional integration or negotiations in multilateral spheres.

MERCOSUR is called upon to play an important role in developing and maintaining alternative forms of regional integration and ensuring that the different formats of South-South integration – via the BRICS or other groups – continue to destabilise the unipolar world. These destabilisation efforts are part of their quest for a more democratic global arena.

This new strategic dimension of MERCOSUR needs to be analysed in more detail and for each of the different scenarios that may arise in the future. Our common strategies vis-à-vis the various spaces where integration is discussed in the region (CELAC, UNASUR and ALBA) must be redefined and combined. Also, as Gerardo Caetano rightly states, there is an urgent need to develop “rigorous strategic thought”⁶.

From the social movements’ perspectives

The political scene in South American countries has undergone major changes in recent years. Conservative political and ideological tendencies are on the rise in Chile and similar pressures are altering the direction the Peruvian government is taking: elected on a popular platform, Peru is now rapidly adopting unpopular measures. Meanwhile, “progressive” governments in the region have watched power relations in their countries change. In spite of their relative success in improving income distribution, which varies from one country to the next, they are now experiencing a resurgence of forces from the right, which have regrouped and reorganised themselves, while popular resistance to their measures and the course they have taken also continue to grow.

Resistance to the hegemonic development model and the territorial expansion of transnational corporations, however, has become divided and fragmented into sectors. We have seen a myriad of demands arising on the various mining projects spread throughout the continent, mega-projects being implemented, de-industrialisation brought on or encouraged by the deepening of the extractivist model, communities’ struggles against agribusiness and its unrestrained use of chemicals and genetically-modified organisms, forest people who have been forcefully removed from their territories or the multiple battles of indigenous peoples who continue to be massacred in the region – that is, an endless number of territorialised struggles. They have all been produced by a development model designed by large corporations – including Brazilian ones – that do not take into account the interests of affected peoples and society, who basically have not been consulted. The matrix of this model is based on the trade and investment liberalisation regime being imposed in the region, which creates obstacles for adopting an alternative form of regional integration, seen as the only option for real change to the developmentalist model. MERCOSUR thus appears as the bloc that has succeeded in maintaining, at least in part, the spirit that inflamed the fight against the FTAA, even in spite of its numerous particularities and the obstacles it has had to face over the past few years. As such, MERCOSUR has become a coordinating space that – with the recent admission of Venezuela and the possible inclusion of Bolivia and Ecuador – could potentially serve to unite countries around a defensive stance against the free trade and deregulation model.

This role that MERCOSUR could potentially play is linked to questions raised on the kind of development our countries have been pursuing. What our countries need is precisely a regulatory framework for the financial system, stronger regional trade, and investments governed by rules, performance requirements and guarantees for rights, and not merely legal security for corporations.

The need to coordinate among various social struggles, to join forces in order to question the hegemonic model and build alternatives to the current productive system are clearly some of the fundamental challenges social movements must now face. The commitment of social movements to the dispute over the course regional integration will take is thus crucial at this time.

⁶ Caetano, Gerardo. “MERCOSUR, Prospectiva 20 años”. CEFIR. Montevideo, Uruguay. 2012.

The Pacific Alliance and Unasur: integration and disintegration in South America

CARLOS ALONSO BEDOYA

The first decade of the 21st century was marked by a rupture in neoliberal hegemony in South America and several advances in political and financial integration in the region. At the dawn of the second decade, however, this process appears to have cooled off. The region is literally divided in two, with the Pacific Alliance on one side and Unasur on the other.

Brazilian Foreign Affairs Minister Patriota was not there to play games. He knew exactly what he was going to say to Peruvian authorities during his visit to Lima at the beginning of August 2012. Face to face with his Peruvian counterpart, now former minister Roncagliolo, and with the clarity one gets from being the foreign minister of the most powerful country in the subcontinent, he calmly stated that Brazil understood perfectly what the Pacific Alliance meant: a threat to Unasur.

Roncagliolo attempted to explain that in discussions in the Alliance, Peru had made it clear that its business there was purely commercial and not at all ideological. His attempts, however, were in vain. Patriota ordered one of his advisors to read the article from the Mercosur agreement that explicitly states that no member country may adhere to another trade agreement without the authorisation of the others.

He was reminding the Peruvian government that Uruguay's request to be an observer of the Alliance was inadmissible and that he was going to remind Brazil's neighbour to the East of this as well. At the time, Paraguay had not yet made the same request.

This was the straw that broke the camel's back in a recent and embarrassing tale between the South American giant and its Andean neighbour.

It was almost a bad reminder of the days when Brazil had a solid alliance with the then-candidate and now President of Peru Ollanta Humala. Back then, it was believed that social programs, military cooperation, hydroelectric dams and a pipeline in Southern Peru would seal a geopolitical deal that was to go beyond the bilateral level to strengthen Unasur and the new South American regionalism.

Peru's social programs, however, went to the World Bank, instead of the BNDES (the Brazilian Development Bank). Discussions on military cooperation were put on ice and Ollanta chose the KT1 planes from Korea over Brazil's Super Tucanos. The hydroelectric dams are on stand by and, in relation to natural gas, Spain's Repsol and US-based Hunt Oil weighed more than Odebrecht and Petrobras from Brazil in the government's deliberations. What is more, during elections for the position of Director-General of the World Trade Organisation (WTO), the Peruvian government did not support the candidate from Brazil (who actually won), endorsing the Mexican candidate backed by the United States instead.

In the meantime, the Pacific Alliance continues to advance at full speed and even has the luxury of seducing Mercosur's smaller member countries.

The outlook is clear. The United States defeated Brazil on the Peruvian playing field in the match set up after Humala's victory in the 2011 elections, which, at the time, was still part of the Brasilia axis.

The coup d'état in Honduras, the strengthening of the Pacific Alliance and the rapid advance of the Trans-Pacific Partnership (TPP), and the fall of Lugo in Paraguay are the three political factors that have undoubtedly weakened regional integration the most. They also sent a message to Brazil about who still rules in its back yard. Chavez's death will only complicate matters further.

In light of all this and with Venezuela's full admission to Mercosur, which many are now calling the Atlantic Alliance, the idea of an integrated South America with a strong voice in a multipolar world, currently in transition, is losing ground. For one, the U.S.'s strategy to consolidate an enormous area in

which the dollar continues to be the reserve and exchange currency is weakening the BRICS within their own regions.

Secondly, the TPP deals a blow to China: it tears apart the comprehensive treaty signed in the framework of a broadened ASEAN by taking Malaysia, Vietnam, Brunei, Singapore and now Japan with it. The trilateral treaty between Japan, China and South Korea is also up in the air, as attempts are made to integrate South Korea into the TPP.

The TPP is also a blow to Brazil, as it makes the possibility of a convergence between CAN and Mercosur even more remote. If we also take into account the fact that the United States and Europe have begun to negotiate a Transatlantic Partnership, the outline of the U.S.'s strategy to establish its hegemony over an area in which 60% of global trade and investment flows take place becomes crystal clear.

While the hypothesis that the world is moving towards a clearly multipolar system led by regional leaders is being weakened, another idea – that of a bipolar world with one larger, more coherent pole and another pole (the BRICS) with its internal contradictions and that is separated geographically – is taking shape. That is not to mention the potential impact of the global crisis: if it were to spread to emerging economies, not only via the contraction of international markets, but also a prolonged and sustained decline in the terms of trade of raw materials, it would put fiscal and external accounts in the region at risk.

All that is needed for this to happen is a change to the United States, Europe, Japan and the UK's monetary policies. A return of the reference interest rate, set by these countries' central banks, to pre-2003 levels would put an end to the boom in raw material prices.

There is a risk, then, that these moves made in an open geopolitical dispute also dilute progress made in building a South American institutional structure to deal with economic and financial issues and defence.

The death of the FTAA

The first decade of the century brought substantial changes to the balance of power in South America. After a period of unsuccessful attempts to resist the adoption of the harsher and more radical reforms of the Washington Consensus, movements from the hemisphere began coordinating their efforts through the World Social Forum process.

This force, which wielded the highest level of influence organised and mobilised society has ever attained in the region, succeeded in defeating the Free Trade Area of the Americas (FTAA) during the Summit of the Americas in Mar del Plata (2005) and bringing progressive governments to power. These governments immediately began to impose conditions on foreign investment, introduce constitutional changes to reverse what appeared to be irreversible and – in some countries – slow, to a large extent, the exportation of production surpluses. This marked the beginning of an era of forum-going presidents.

Just as the picture of Bill Clinton celebrating the launch of FTAA negotiations with presidents from South America, Central America and Mexico in 1998 was a symbol of a continent totally integrated into Washington's plans and as democratic as IMF and World Bank terms will allow, the death of the FTAA seven years later indicated that times were changing.

The campaigns of hundreds of social organisations, trade unions, political parties, churches and NGOs coincided with the concerns of the governments of Brazil, Argentina and Venezuela, where Lula, Kirchner and Chavez were already in power. These presidents were met with enthusiasm at the social forums.

Unasur on the offence

As a result of this social and political struggle – which put an end to the free trade and investment protections initiatives being pushed by the United States – other progressive governments, namely in Bolivia and Ecuador, also came to power. This generated even more momentum for the integration process.

The clearest sign of this was the consolidation of the South American Union of Nations (UNASUR) in summits like the ones in Cochabamba (2006) and Isla Margarita (2007). Even though the organisational

and structural model that ended up being adopted is still limited in relation to its objectives, progress made in the area of conflict resolution (attempts to stage a coup d'état in Bolivia, military bases in Colombia, Colombia's bombing of the FARC in Ecuador, coup in Paraguay, etc.) has been impressive. The fact that Unasur's responses are much more efficient than those of the OAS and are in line with South American interests reaffirms the Union's importance.

What is more, thanks to deliberations in Unasur, people from South America now only need their national identity card to travel within the region. Councils on defence, social issues, health, etc. and the Working Group on Financial Integration have been set up. Also, Unasur undoubtedly laid the ground for the creation of the Community of Latin American and Caribbean States (CELAC, for its acronym in Spanish).

Unasur's main challenge, however, continues to be how to advance on economic and trade issues and develop a system in which countries hand national sovereignty over to a supranational level. The latter generates resistance mainly in Brazil. As for the former, the Pacific Alliance is much more advanced.

A new financial architecture

The victory against the FTAA catalysed processes like the one to create the South Bank. The South Bank, or Banco del Sur in Spanish, is about to begin operations, as its creation has been ratified by five (Ecuador, Bolivia, Venezuela, Argentina and Uruguay) of the seven founding countries (these five plus Paraguay and Brazil, which have not yet ratified it). Despite contradicting visions on the Bank, it will be extremely useful for the funding of regional development projects. This is especially true in a context where lenders of last-resort like the IMF and neoliberal development banks like the World Bank have gained more resources and new roles as the result of the crisis in developed economies.

Other instruments that, together with the South Bank, will shape a new regional financial architecture are the Monetary Stabilisation Fund (Fund of the South) and the South American Monetary Unit (UMS). Both are key for responding to economic crises and are being discussed at the Unasur level in the Economic and Financial Council, which was created in August 2011, precisely in the framework of discussions on responses to the economic crisis.

This council brings together Ministers of Economy and central banks. One of its operational branches is the Working Group on Financial Integration (WGFI). In relation to the Fund of the South, the WGFI has been analysing whether a new fund should be created or if the Latin American Reserve Fund (FLAR, in Spanish) should be strengthened. The governments of Brazil, Colombia, Uruguay and Peru support the second option, whereas Ecuador, Venezuela, Bolivia and Argentine prefer the first.

As for the question of what monetary unit to use in order to remove the dollar and its volatility from the intra-regional trade, the debate in the WGFI is over whether to strengthen the Latin American Integration Association's (ALADI) compensation mechanism or to adopt a system like the Unique System of Regional Compensation (SUCRE) that has been implemented by the Bolivarian Alternative of the Americas (ALBA).

Another important issue being discussed within the WGFI is trade – a subject that is ripe with tension. On one side of the debate, we have the Pacific Alliance that follows the logic of integration based on free trade, while on the other, we find Mercosur whose integration is based on a tariff agreement and strays from the idea of U.S.-styled free trade. The consolidation of the Pacific Alliance prevents Mercosur and countries from the nearly defunct Andean Community of Nations (CAN) from reaching an understanding on trade.

In light of this and in response to the U.S.'s strategy, with its super FTAs with Asia, Europe and what is left in its backyard in Latin America (Mexico, Peru, Chile, Colombia and Central America), the BRICS announced the creation of a bank and a fund that will compete with the IMF and the World Bank. They also put forward a proposal on reforming the financial system in the G20.

Beneath all of this lies the desire of the United States (G1) and its friends (G7) to recover the power they were forced to give up when the global crisis exploded at the end of 2008.

Resurrecting the FTAA

In 2010, when Peru began to negotiate a Free Trade Agreement (FTA) with Central America – a region with which it does not have major trade relations nor investments to protect, everything indicated that its motive for doing so was ideological. However, with the emergence of the Pacific Alliance, it became obvious that it was clearly a political move. The Peru-Central America FTA was the missing link in the chain of FTAA-styled agreements between countries where the United States dominates the playing field.

In practical terms, the Pacific Alliance, which includes Mexico, Peru, Chile and Colombia, is the resurrection of the FTAA from Alaska to the Chilean Patagonia on the Pacific side of the Hemisphere, with Ecuador as its only exception. It harmonises the FTAs these countries have with one another, with the United States and Central America. The United States does not even need to be present, as the four alliance members have a FTA with the U.S., with each other, with Central America and the United States with Central America.

The U.S.'s strategy following the death of the FTAA in Mar del Plata has thus paid off. It advanced with a series of bilateral FTAs and today, the FTAA is a reality. If we add to this the negotiations of the Trans-Pacific Partnership agreement between Peru, Chile, the United States, Mexico and Canada with economies from the Asia-Pacific region – according to the “deep integration” FTA scheme – and all that it will imply in terms of productive surplus exports, intellectual property rights and other sensitive issues and asymmetries, we could be facing a possible fatal wound to South American integration.

A “reloaded” IMF

One of the factors contributing the most to regional disintegration, besides the bilateral FTA strategies, comes from the global crisis. The incorporation of Brazil, Argentina and Mexico into the G20 led the first two to focus their attention on the rest of the world and the role they play in a scenario that is much broader than South America.

Brazil's entrance into the BRICS has also halted, to a certain extent, the consolidation of initiatives such as the building of a new regional financial architecture.

At the same time, the legitimacy and funding crisis of International Financial Institutions like the IMF is over. In response to the crisis, Brazil and other emerging economies contributed millions of dollars to the IMF, while the G20 delegated new tasks and responsibilities to it.

It is hard to believe that only a few years ago, the IMF had to sell its gold reserves in order to pay its payroll and was providing credit only to Turkey, which is why some analysts called it the Turkish Fund. As it agonised in its role of international lender, many also thought that it would become a large database.

The situation today is quite different. The old Fund is just waiting for everything to catch fire and for positive macro-economic figures to deteriorate so it can enter the region as a lender of last resort. This possibility cannot be ruled out. Four years ago, Spain was considered an example of responsible fiscal and macro-economic management and now is submerged in a crisis of unprecedented proportions. There, the IMF is promoting budget cuts, layoffs and the end of social security and rights.

The IMF is, beyond a doubt, the one who has gained the most from the global financial disorder.

Visions on monetary policies

Monetary policies are another factor that contributes to disintegration in South America. Analysts identify at least four types. Peru, Chile and Colombia, for one, base their policies on inflation targets and restrict the circulation of the money supply. As we know, this increases the power of the financial sector and drives wages down.

Another kind of policy can be found in Venezuela and Argentina. Based on exchange rate and foreign exchange controls, this option seeks to avoid capital flight and stimulate industrialisation. It is accompanied by restrictions on imports.

We find a third type of monetary policy in Ecuador. Ecuador's currency is the dollar and therefore, it is totally dependant on the U.S. Federal Reserve. Finally, there is Brazil that uses the reference interest rate to accumulate international reserves. This has led to the country being ranked as the sixth largest economy in the world, but at a very high cost: its internal debt is growing at an alarming rate.

Warning signs

The economic crisis in developed economies contains several warning signs for regional integration. The most responsible position to take would be to assume that the fiscal and external account problems that Europe and the United States are facing will eventually make their way to South America, Central America and the Caribbean, where – in some countries more than in others – production bases are quite precarious and dependent on the extraction of natural resources.

Even if the majority of countries in the region are not experiencing fiscal or external account deficits, this situation could change abruptly over the next few years unless they seriously invest in strengthening domestic markets and diversifying production, while building, at the same time, a solid regional financial institutional structure.

The chance of the crisis spreading to the South is directly proportional to the possibility of a steady and prolonged decline in raw material prices. For many analysts, whether this will happen or not does not depend on the will of the governments from the subcontinent, but rather on decisions made by Europe and the United States on their monetary, fiscal and financial policies.

If, for example, interest rates in the North – which are currently close to zero – increase to the levels they were at the end of the 20th century, it would be enough to cause raw material prices to start to decline. This, in turn, would put regional macroeconomic stability at risk. According to various press reports, the Federal Reserve's interest rate will increase in 2015 – that is, the day after tomorrow.

At that point of time, if there is no regional financial architecture – consisting of a fund to stabilise balance of payments, a development bank that does not condition access to credit on further economic liberalisation and a clearance system based in local currencies to isolate distortions of the dollar in intra-regional trade – together with a set of fiscal policies and measures to generate demand in place, Latin America will once again be at the mercy of the IMF.

If this happens, substantial ground in terms of the level of sovereignty various countries in the region have won will be lost.

It will also affect the maximalist approaches to integration – the ones that gave life to Unasur and more recently to the Community of Latin American and Caribbean States (CELAC), which is also the fruit of the peoples' struggles and victories over the last ten years.

The political economy of the eurozone: this crisis is not an accident

ANDREW STOREY

Introduction

This cartoon was released when the EU won the Nobel Prize for Peace and it cannot fail to raise a smile at least. But it is also misleading because it portrays the response of the EU authorities to the economic crisis as a mistake (or a series of mistakes). In reality, what has happened is pretty much in line with how the makers of the Eurozone saw the system working. This crisis is not an aberration – it is the logical following through of a coherent design.

The logic of the EU project

The EU has long helped institutionalise what Stephen Gill has dubbed ‘disciplinary neoliberalism’. Neoliberal policies are locked, politically and often legally, into the very structure of the EU. Examples of such policies include the following:

- An active EU policy of encouraging competition which acts against the exclusive state provision of certain goods and services, and limits state aid that would distort the ‘level playing field’ of competition.
- In certain sectors, such as telecommunications and high-speed trains and in the services sector as a whole, the active and direct promotion of liberalisation, especially through the issuing by the European Commission of legal directives (such as the infamous Bolkenstein Directive) and through the judgments of the European Court of Justice against trade union collective bargaining rights.
- Monetary policy as administered by an ‘independent’ (from electoral pressure) European Central Bank (ECB) with an anti-inflationary mandate, but with little or no concern for issues of growth and employment.
- Fiscal monitoring by the EU Commission through, initially, the Stability and Growth Pact (SGP), which sought to limit states’ capacities to run fiscal deficits, even when these might have appeared justified by the need to lift an economy out of recession. This aspect has reached its apotheosis in the current climate with a new Fiscal Treaty and various other related fiscal governance rules that are obliging governments to strive to meet arbitrary and onerous deficit and debt targets at a time when the recessionary circumstances call for fiscal stimuli.
- The negotiation of international agreements by EU authorities, such as through the World Trade Organisation (WTO) and through regional and bilateral free trade deals, that bind European countries (and their trading partners) into the global liberalisation of trade in goods and services.

As Richard Hyman has put it, “any serious pressure to defend and extend ‘social Europe’ contradicts a dominant [neoliberal] logic of actually existing European integration”. Indeed, this is true to such an



I couldn't help noticing we didn't win
the Nobel prize for economics

extent that in 2012, ECB president (and former Goldman Sachs banker) Mario Draghi could confidently assert that “the European social model has already gone”. The EU today is the principal (though not the only) channel through which a neoliberal social and economic model is being institutionalised right across the continent.

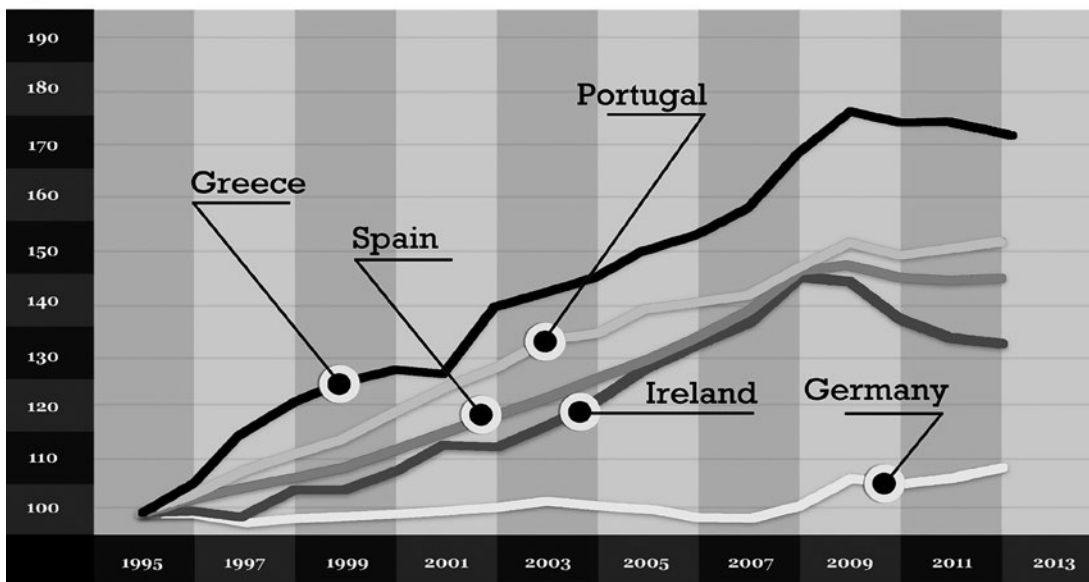
Part of the EU’s significance lies simply in its scale. The transfer of power from national to regional level in, for example, the case of economic and monetary union (EMU), ensures that no individual member state can respond to popular pressure by making ‘concessions’ in the area of monetary policy (and the Fiscal Treaty, etc. seek to ensure that the same is true for fiscal policy). Most starkly, the euro ensures that devaluation is off most national agendas. The significance of the transition from the national to the regional is explained by Werner Bonefeld:

The importance of EMU is that national states, on their own initiative, will no longer be able to accommodate class conflict through credit expansion or currency devaluation. EMU, then, inscribes the neo-liberal policy of market freedom through the creation of supranational institutional devices that check expansionary responses to labour conflict.

In other words, the structure of European regionalism seeks to ensure that no one state can go ‘soft’ and make concessions to its own working class. Instead, adjustment costs must be borne through adjustments in wages and in the ‘social wage’ of the welfare state. Steve McGiffen, writing over a decade ago, quoted an approving neoliberal economist thus: “Either the euro subverts the welfare state, or Europe’s welfare state will subvert the euro ,, smart money should bet on the euro”. That subversion of the welfare state is precisely what underpins the EU elite’s response to the immediate crisis we are now living through.

The current crisis: threat and opportunity

Figure 1. Evolution of nominal unit labour costs



Source: AMECO (2011 and 2012 are forecasts)

This chart (drawn from the work of Costas Lapavistas and his colleagues in the Research on Money and Finance collective) illustrates the growing competitiveness gap between core and periphery Eurozone members from the mid-1990s onwards. German wages were depressed throughout this period and although the peripherals were become increasingly less competitive they no longer had available to them the ‘traditional’

response of currency devaluation. Instead the peripherals mostly ran up substantial balance of payment deficits that were financed by borrowing (Ireland was an exception by virtue of its unusually buoyant export sector, which is dominated by US multinationals). This, in essence, is what caused the European debt crisis – core country banks lending to the public and private sectors of the periphery, facilitated by a low interest rate policy on the part of the ECB and by lax regulation of such cross-border lending by the ECB or any other authority.

What the peripheral countries used the borrowed money for differed from case to case. In Spain and Ireland, for example, money flowed into overheated property markets and created huge property price bubbles. In Greece, large public debt was incurred, but much of this was for dubious purposes such as armaments imports and infrastructural projects whose costs were bloated by corruption. Most countries did not, prior to the crisis, have significant government budget deficits – this was not, for the most part, a crisis caused by irresponsible government spending, it was a crisis caused by irresponsible activities undertaken by private sector agents.

But it would *become* a crisis of government budgets because those governments guaranteed the debts of the banks. Nowhere is this more striking than in Ireland where the September 2008 state guarantee of the banks has left Ireland footing the bill for the largest bank bail-out in history. Without wishing to let those governments off the hook, they did so, at least in part, due to pressure from the ECB which was alarmed at the prospect of ‘contagion’ spreading to the core country banks i.e., of German, French and other banks not getting back the money they had lent to the periphery, with potentially severe effects for their balance sheets. Preserving the financial sectors of their own countries was the first priority of core country leaders and it remains important today.

However, those leaders also recognised that the crisis was an opportunity as well as a threat, an opportunity to continue the longer-term EMU project of shifting power further away from labour and towards capital, and further ‘locking in’ pro-corporate policies. They adopted the dictum of former Barack Obama chief of staff Rahm Emanuel: “You never let a serious crisis go to waste. And what I mean by that it’s an opportunity to do things you think you could not do before”. Thus, throughout 2010 and 2011, Greece, Ireland and Portugal (in that order), no longer able to borrow at affordable rates from the financial markets, were obliged to seek loans from the ‘troika’ of the European Commission, ECB and International Monetary Fund (IMF). And those ‘bail-out’ loans came at a price – public spending cutbacks, taxation increases, privatisation, deregulation, and so on. The Commission has recently gone so far as to explicitly support water privatisation conditionalities for ‘bail-out’ countries, contrary to its own supposed ownership-neutral principles towards that sector.

Spain and Italy have also adopted programmes of austerity under EU pressure, while in Italy and Greece elected prime ministers have been replaced by ‘technocrats’ to push through the required measures. Similar trends are evident in much of central and eastern Europe, and new Commission proposals for fiscal governance (going even further than the Fiscal Treaty) would extend ‘bail-out’-style economic rules to all members of the Eurozone. At the same time as this policy conditionality was being imposed, so also was a *narrative* of the crisis being imposed – that the crisis had been caused by fiscal profligacy on the part of the peripherals and that the Fiscal Treaty, etc. would ward off future such crises by preventing countries running up excessive deficit and debt levels. But, as discussed above, government spending was not the primary driver of the crisis – rather, that spending has been discursively constructed as a scapegoat in order to advance the long-term process of locking in neoliberal policies and insulating them from democratic debate and alteration.

Steve McGiffen’s prescience regarding the impact of the euro on welfare states was noted earlier. He also correctly observed that the *raison d’être* of EMU was to remove “the tiresome influence of popular, democratic institutions on macro-economic policy”. And nowhere is that aspiration more apparent than in the words of German chancellor Angela Merkel during the 2012 debates on the Fiscal Treaty:

- “The debt brakes will be binding forever. Never will you be able to change them through a parliamentary majority”;
- The new fiscal rules will have “eternal validity”;
- “Europe would not function any more if it changed course after every election”.

The EU elite's unwavering commitment to neoliberalism is matched only by its contempt for democracy. The agenda is well summarised by Alexis Tsipras, leader of Greece's Syriza party:

We believe that their aim is not to solve the debt crisis but to create a new regulatory framework throughout Europe that is based on cheap labour, deregulation of the labour market, low public spending and tax exemptions for capital. To succeed, this strategy uses a form of political and financial blackmail that aims to convince or coerce Europeans to accept austerity packages without resistance.

Conclusion

Of course there *has* been resistance: massive strikes in Greece and protests in Portugal, the rise of the indignados movement in Spain, electoral gains for the anti-neoliberal Left in the Netherlands and Greece, and many more. But there have been setbacks also, including gains for the Right in some countries and even the rise of fascist groups in Greece and elsewhere. Perhaps a factor that would help make our mobilisations more successful is an acknowledgement that, as this article has argued, we are not living through a crisis caused by the stupidity and misguided policies of our elites – they know what they are doing and they have been developing this project for decades now. To say that 'austerity is not working' misses a vital point – it is working perfectly well for some people, and their minds will not be changed by appeals to them to recognise the error of their ways. Going back to where we were before the crisis is not a viable option – the seeds of our plight lay within that pre-existing situation. To resolve the current crisis and prevent another reoccurring we need to radically transform the entire European project.

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On the new EU fiscal governance regime, see the invaluable resources available at: <http://corporateeurope.org/>

Regional integration and the crisis: an agenda for SAARC

MEENA R. MENON

The South Asian region, consisting of eight countries, has become synonymous with war, conflict, terror, violence, poverty, deprivation, and human rights abuses, rather than with more positive and harmonious achievements. Most of these countries have human development indices (HDI) way below the global mean. Among the 187 countries for which the HDI, an indicator of the poverty and deprivation, was generated in 2011, South Asian countries ranked dismally low:

<i>Srilanka</i>	97
<i>Maldives</i>	109
<i>India</i>	134
<i>Bhutan</i>	141
<i>Pakistan</i>	145
<i>Bangladesh</i>	146
<i>Nepal</i>	157
<i>Afghanistan</i>	172

South Asia has been in crisis for a long time, partly also as a victim of the success story of the North, in the form of colonialism. A history of rampant exploitation, a continuing dependence on the developed world, and a corrupt power-hungry local elite, have worked to keep the region impoverished. Countries of South Asia are reeling under recurrent wars, civil strife, fanaticism, violence. The region is a hot spot for war and conflicts. It is a well known fact that wherever there is conflict, development takes a back seat. India and Pakistan maintain nuclear weapons, carrying implications not just for the people of these two countries but for the entire region, and beyond.

To claim that the economies of South Asia, and India, have not been badly impacted by the global crisis would be optimistic, to say the least. Globalisation has integrated economies all over the world, even if the extent of inter-linkage is uneven. The crisis has primarily affected those sectors in the economy in the South Asian region that have been closest linked with the global markets. Agriculture and the IT (outsourcing) sector in India, textiles and garment in Bangladesh, tourism in Nepal, tea and coffee in Sri Lanka, are notable examples. None of the South Asian economies may have crashed yet, but the crisis has intensified, and the impact has been felt by the most vulnerable sectors. India's greater integration with the global economy spurs higher growth rates. As a result, the recent crisis brought more negative news: a decline in exports; a reversal of capital flows; and changes in employment and relative prices, impacting the most vulnerable -- cultivators, migrant workers and home-based workers¹. Feeling the most impact are workers (and owners too) of small scale units, and small and medium scale farm producers. Yet, there has been no acknowledgement by the official economists and planners that the across-the-board liberalisation they envisaged would have pulverised the economy, and they continue to push for more reforms. This cavalier attitude simply indicates that the people at the bottom end of the ladder do not matter in the

¹ Ghosh, Jayati, Global Financial Crisis: Impact on India's Poor: Some Initial Perspectives UNDP, April, 2009. http://data.undp.org.in/FinancialCrisis/JayatiGhosh_OP.pdf

grand scheme of things, in the high growth rate model that all the South Asian countries aspire to. India had a high growth rate of GDP of 8.6 per cent in 2010; Sri Lanka's was 7.6 per cent; Bangladesh: 5.8 per cent, and Pakistan: 4.1 per cent². All the other South Asian countries aspire to the Indian growth rate and the economic policy of unrestricted liberalisation. Pakistan's Planning Commission recently declared that the country needs a new framework, in which growth should be market-led and not government led, and private sector should be the main driver of growth. According to them, the market would generate innovations, entrepreneurship, transformation of cities and youth employment. It also said that a new model should focus on the need to raise growth above its historical average³. This, at a time when this model has clearly shown to be responsible for the ongoing global crisis, is worrisome to say the least. India adopted this model in 1991, and the current Prime Minister of India was the architect of that grand plan.

The South Asian Association for Regional Cooperation (SAARC) represents the largest regional grouping in the world, representing a staggering 1.7 billion people. India and Pakistan are the biggest economies, and the two most influential countries in the SAARC formation. The history of strife between them continues, and conflict has taken the form of open warfare four times since after the Partition of British India in 1947. During the Cold War, these two countries were on opposite sides, with India being a major supporter of the Soviet Bloc, which became its major trading partner, investor and technical collaborator. Pakistan, on the other hand, was wooed by the United States, and grew very dependent on US aid. The smaller countries steered a middle course between the warring parties, struggling with issues of their own. The rest of Asia, especially South East Asia, being part of the US camp, had very few links with India at the time. Pakistan's political instability made it difficult for it to develop an independent relationship with South East Asia, but have a long trade and economic relationship with China.

The priorities of the governments in the region are deeply influenced by conflicts, between themselves and within their own countries. The Indian government's Union Budget 2012-13, set defence outlays at Rs.1,93,407.29 crore (approximately US\$34 billion), an increase of 17.63% over the year before. The government claims that this still represents only 1.9 % of the projected GDP, even if it is still a large amount for a country with a large majority of citizens in poverty⁴. The defence ministry has sought an additional outlay of Rs.45,000 crore (approximately US\$8 billion) from the Centre this year⁵. Pakistan announced a defence budget increase of around 10%, to Rs.545 billion (about US\$6 billion) in 2012. It has also budgeted towards receiving US\$1.58 billion from the US⁶. Afghanistan's occupation by the US troops after the 9/11 attack on New York resulted in militarising the region further. Sri Lanka's human rights violation in the ethnic conflict in the country shocked the world, with the blatant genocide it committed against the Tamil population, especially in what was a final defeat of the Tamil insurgency in 2009. Sri Lanka's budget outlay for 2012 is US\$ 2.1 billion, nearly 7 per cent increase compared to 2011, representing 3 per cent of Sri Lanka's GDP.⁷ Nepal is still recovering from a crippling civil war, which resulted in the overthrow of an outdated monarchy and the establishment of a fledgling but unstable democracy.

² Asian Development Bank. 2011. Asian Development Outlook 2011 – South South Links. Mandaluyong City

³ Ahmed, Tanveer, PC's New Growth Framework: New growth models to promote high economic growth, Daily Times, 6 February 2011. http://www.dailytimes.com.pk/default.asp?page=2011%5C02%5C06%5Cstory_6-2-2011_pg5_4

⁴ News report, Budget 2012: *Military plays catch-up but China a long march ahead*, 17 March, 2012, Times of India. <http://timesofindia.indiatimes.com/business/Budget-2012-Military-plays-catch-up-but-China-a-long-march-ahead/articleshow/12300524.cms>

⁵ Singh, Rahul, *Defence ministry seeks additional outlay of Rs. 45k cr*, Hindustan Times, New Delhi, May 09, 2012. <http://www.hindustantimes.com/India-news/NewDelhi/defence-ministry-seeks-additional-outlay-of-rs-45k-cr/Article1-852841.aspx>; Conversions on current exchange rates.

⁶ Ashier, Momina, *A Probing Debate on Defense & Defense Budget*, Pak Tribune, 12 June, 2012. <http://paktribune.com/articles/A-Probing-Debate-on-Defense-%5E-Defense-Budget-242923.html>. Conversions on current exchange rates.

⁷ Jane's, *Defense budget, (Sri Lanka)*, <http://articles.janes.com/articles/Janes-Sentinel-Security-Assessment-South-Asia/Defence-budget-Sri-Lanka.html>

Revisiting South Asian cooperation

South Asia has always suffered from a severe development deficit, and it is this issue that SAARC set for itself when it was established in December 1985. SAARC has supposedly been less about a trade bloc than it is about development cooperation.

The objectives of SAARC Charter are impressive, and can serve as a model for regional developmental cooperation anywhere, even if the implementation has been tardy to non-existent. They are:

- a) to promote the welfare of the peoples of South Asia and to improve their quality of life;
- b) to accelerate economic growth, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realise their full potentials;
- c) to promote and strengthen collective self-reliance among the countries of South Asia;
- d) to contribute to mutual trust, understanding and appreciation of one another's problems;
- e) to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields;
- f) to strengthen cooperation with other developing countries;
- g) to strengthen cooperation among themselves in international forums on matters of common interests; and,
- h) to cooperate with international and regional organisations with similar aims and purposes.

To meet its objectives, SAARC set up various mechanisms for cooperation.

At their Sixth Summit (Colombo, 1991), SAARC leaders established an *Independent South Asian Commission on Poverty Alleviation (ISACPA)*, with goals set on the basis of the United Nation's Millennium Development Goals. The results are mixed, as they are with the UN process.

The *SAARC Food Bank (SFB)* was formed in 2007, to (a) act as a regional food security reserve for the SAARC member countries during normal times, food shortages and emergencies, and (b) provide regional support to national food security efforts, foster inter-country partnerships and regional integration, and tackle regional food shortages through collective action. Recently, Bangladesh suggested that the Food Bank can be used to check the volatility of food prices in the region. Under the agreement, the SFB has been authorized to start functioning with a total reserve of 241,580 tons of food grains, of which India, Pakistan, Bangladesh, Nepal, Sri Lanka, Afghanistan, Bhutan and Maldives are to contribute approximately 153,000 tons, 40,000 tons, 40,000 tons, 4,000 tons, 4,000 tons, 1,420 tons, 200 tons and 180 tons respectively⁸. Recently India declared that its share of quantum of reserves have been doubled to 3,06,400 MTs⁹. It is estimated that there is around 243,000 tons of food grains -- 153,000 tons in India, 40,000 tons each in Bangladesh and Pakistan, 4,000 tons each in Nepal and Sri Lanka, 1,200 tons in Afghanistan, 200 tons in Bhutan and 180 tons in Maldives, are available with the SFB¹⁰. Progress is slow and the reserves are still inadequate but the basic idea is a positive one without doubt. It remains to be seen how serious governments, especially the Govt of India is serious about this agenda.

The *SAARC Development Fund (SDF)* was set up in 2005 as an "umbrella financial mechanism" for all SAARC projects and programs, with three windows (social, economic, and infrastructure). The Social Window primarily focuses on poverty alleviation and social development projects. The Infrastructure Window would cover projects in the areas of energy, power, transportation, telecommunications, environment, tourism, and other infrastructure. The Economic Window is primarily devoted to non-infrastructure funding. The SDF has an initial paid-up capital of SDR 200 million (approximately US\$300 million), with India and Bhutan having paid up the full initial subscription; and with India voluntarily contributing an additional

⁸ SAARC Food Bank meeting starts today', *The Independent*, 13 May 2012. <http://www.theindependentbd.com/business/others/109476-saarc-food-bank-meeting-starts-today.html>

⁹ SAARC Food Bank, from the website of the Department of Food and Public Distribution, GoI, <http://dfpd.nic.in/?q=node/992>

¹⁰ Mondal, Abdul Lateef, 'Making Saarc Food Bank operational', *The Daily Star*, 31, October 2010. <http://www.thedailystar.net/newDesign/news-details.php?nid=160592>

US\$100 million for social development projects. According to the SDF Secretariat, two regional projects are underway: on Women Empowerment (since August 2008 and on Maternal and Child health (since September 2009). Other projects have been prepared on Teachers Training (approved by the SAARC Finance Ministers in 2007); and on Zero Energy Cold Storage, on Post-harvest Management and Value addition of Fruits in Production Catchments, and, on Facilitating Access to Energy Efficient and Renewable Energy Technologies, with special focus on Women¹¹.

SAARC has been discussing the possibility of introducing a visa free regime for the region, but this is stuck in the vortex of security issues, arising from terrorism and conflict. There is a limited *SAARC Visa Exemption Scheme* in place, which has 24 categories of entitled persons, which include “dignitaries, judges of higher courts, parliamentarians, senior officials, businessmen, journalists, sportsmen etc.”¹².

SAARCFINANCE was established in September 1998. The body conducts studies on possible economic and financial integration of the region, in collaboration with big free-trade boosters like the Asian Development Bank.

SAARC also has many different *committees and working groups* like the following: Technical Committee on Agriculture and Rural Development (2001), Working Group on Biotechnology (2004), Technical Committee on Environment (1992), Working Group on Telecommunications and ICT (2004).

The *SAARC Social Charter* is a remarkable document even if it has mostly remained on paper. Success stories in the field of culture and education include the setting up of the SAARC University in Delhi; and the Technical Committee on Sports, Arts and Culture (1989), which has been promoting cultural exchanges in the region.

The SAARC Charter did not have any clearly defined provision for economic and trade cooperation. Nor was there much interest in the major countries, especially India, in trading with its neighbours. Also a factor was India’s earlier policy of self reliance and import substitution which, on the one hand, helped it set up a strong public sector, and on the other hand, insulated it, relatively speaking, from the vagaries of global capitalist booms and crashes. However, in 1991, India’s economy was transformed and a more neo-liberal economic policy was initiated, first by Prime Minister Rajiv Gandhi and after his assassination, his successor Narasimha Rao. At the Sixth SAARC Summit held in Colombo in December 1991, member countries agreed to trade liberalisation with a view to increasing intra-regional trade and investment.

The first trade initiative was the South Asian Preferential Trade Agreement (SAPTA) in 1993, which envisaged that both tariff and non-tariff barriers will be removed phase-wise for a total of 226 products. A total of 100 products were earmarked for the four least developed countries of SAARC (Bangladesh, Bhutan, Maldives and Nepal), for which they could get special treatment from the relatively more developed members, India, Pakistan and Sri Lanka, with no reciprocity requirement. In the second round of negotiations, some 2013 products were offered for tariff concessions, of which 764 are exclusively in favour of the least developed countries of the region. SAARC later launched the process of operationalising the concept of SAARC Free Trade Area (SAFTA) which promotes ‘free trade’, over the earlier preferential trade arrangement. SAFTA came into operation on 1 January 2006.

There are some bilateral agreements, e.g. between India and Srilanka, Pakistan and Srilanka, India and Nepal, Nepal and Bangladesh, etc. However, they have not been as equal and mutually profitable as they should have been, nor are they seen by people in these countries as being built on the well-considered common good of the vulnerable populations in the signatory countries. Although it is common to see in regional formations that one or two countries are bigger and stronger and, therefore, dominate regional matters, the situation in South Asia is starker. India is by far the biggest economy, followed by Pakistan. India is seen by the other countries as having a huge advantage in all bilateral relationships. Bilateral trade between India and Pakistan has been low, most of which taking place through a third country route. Of the US\$1.4 billion (£876m) in trade recorded in 2009/10, Indian exports to Pakistan stood at US\$1.2 billion, while Pakistan

¹¹ Area of Cooperation, Funding Mechanism, from the official website of the SAARC Secretariat: http://www.saarc-sec.org/areaof-cooperation/cat-detail.php?cat_id=58/

¹² <http://www.saarc-sec.org/SAARC-Visa-Exemption-Scheme/100/>

exports to India totaled US\$268 million, according to official figures¹³. India had granted Pakistan most favoured nation (MFN) status in 1996, but it was only in November 2011 that Pakistan decided to grant the same status to India. Despite these agreements, intra-regional trade has been negligible, a fact that is resented more by the smaller countries in the region than by main players India and Pakistan.

There is a high volume of informal cross-border trade, which is not wholly measured or measurable, but which is often victim to the vicissitudes of geo-politics and the changing intra-regional foreign policies of the countries involved the political battles that are being fought between them. Kashmir, for instance, is to a large extent dependent on the cross-border trade with Pakistan, for which access on the Rawalpindi highway is crucial.

A Unified Regional strategy

SAARC members share many common interests as developing countries. They are contiguous, and have similar problems to overcome. They share a common history and culture. This represents bases for a natural and workable alliance. As the globe reels from the crises of resources – when water, energy, and food are becoming scarcer, and vulnerable sections of the world's population are less able to access them, regional cooperation can be a useful mechanism for sharing and solidarity, and to temper exploitation and profit.

South Asia would stand to gain immensely from a genuine regional development agenda. Given the problems faced by the region, a consistent regional effort at integrating a long term development agenda which includes equal trade, cross-border mobility, communication, peaceful settlement of all disputes, technological and scientific collaboration, mutual help during disasters and crises, would be a huge contribution to solving the recurrent development crisis in the region. It would also protect the region from the worst impacts of the global economic and financial crisis created by the highly industrialised, capital intensive North, and their attempts at pushing the burden South-wards.

All observers and analysts now agree that the global crisis is not a flash in the pan. As the crisis brings one country after another to the brink of collapse, South Asia would do well to step back and seriously consider where its best interests and potential allies lie. The major priority is to focus on a genuine development in the region, on the critical issues facing the region, one which centres on the well-being of its population. Towards this, one crucial opportunity is closer cooperation in the region. Needless to say, an important prerequisite is for the entire region to work towards peace between India and Pakistan, and for both these countries to see how much they can gain from cooperation.

The interest in regional cooperation is strong among the smaller countries. There is a justified expectation that India's size and strength will be a source of help to build their own economies. They are asking for more cooperation, sharing of knowledge and resources, trade, based on mutual benefit and co-operation. And having common borders it is logical that this would be beneficial to all the countries. The bigger countries, especially India and Pakistan, have always been constrained by their hostility to each other and the proxy wars they fight on many fronts. India's ambitions are global. It is looking at a leadership role in the community of nations, as evidenced in its recent performance at the United Nations Conference on Sustainable Development in Rio in June 2012. India tends to look upon its neighbours as liabilities, rather than strengths. Indian foreign policy is increasingly based on chasing dreams of grandeur rather than on fostering good friends and firm allies. If India would look to neighbours in the course of 'Looking East' much can be accomplished. But there is no gainsaying the fact that a just, prosperous and peaceful South Asia is in the interest of each country in the region and is impossible without a regional approach.

It is important to remember that South-South solidarity means more than government-to-government talks and agreements. Genuine solidarity will have to include partnerships and dialogue between peoples across border, between those who stand to gain the most from a peaceful, just and prosperous region, and the least to gain from conflict, inequality, and economic deprivation. South Asian-ness is not an artificial,

¹³ <http://www.guardian.co.uk/world/2011/nov/02/pakistan-india-most-favoured-nation-status>

a-historical identity. All of South Asia, except for Nepal and Bhutan, was part of the British Empire until the mid 20th century. The peoples of South Asia have many cultural and political links. This includes peoples and communities, labour, small entrepreneurs, peace activists, professional, scientists, and local business. Regional cooperation, among governments and among peoples, can provide valuable protection against the advance of the crisis sweeping the developing world and making its way inexorably Asia-wards. The peoples in the region know that individual countries' problems are interlinked, therefore, engaging with and pushing regional advocacies in the SAARC is as important as national struggles for peace and justice.

SAARC has some good initiatives. For instance, a concrete step towards a positive regional integration would be to operationalise the Food Bank and the Development Fund. But there is not enough political will towards implementation. Networks like Peoples SAARC, other regional networks, other regional initiatives, can do much towards promoting the idea of a positive regional alternative as one of the possible steps towards solutions to the critical problems facing South Asia.

ASEAN Regional Dynamics and Prospects

JENINA JOY CHAVEZ

The ASEAN Community, standing on the three pillars of economic, socio-cultural and political-security cooperation, is supposed to be fully realized in 2015. At the 21st ASEAN Summit in Phnom Penh, after noting the progress made towards the community building and integration agenda, the region's Leaders decided to postpone the full rollout of the ASEAN Community project by one year. That is, all commitments are expected to be met by December 31st, rather than at the start of January, in 2015.

In a study² of the region's business' and general public's perception of ASEAN integration, while 81% of those surveyed is familiar with the ASEAN name, more than three-quarters (76%) lacks a basic understanding of ASEAN. This belies the positive perception of the integration process (which was stressed in the study), and highlights the concerns of business and the general public who both admit that they lack preparation for integration, and worry about a widening of the development gap, undesirable levels of environmental damage, and concerns about competition from intra-ASEAN labour and business.

What appears, then, as the bigger problem for ASEAN, is the same problem of lack of public interest and poor resonance of its initiatives that have hounded the regional group from the start, which makes the postponement hardly surprising. Given the deep and broad changes implied in the ASEAN Community ideal, and the breadth of concerns surrounding specific economic, socio-cultural and political-security commitments, it becomes clear why 2015 might be more than just a modest target.

ASEAN Economic Community: overcommitted?

The ASEAN Economic Community (AEC) is an ambitious program backed up by a blueprint with set timelines and benchmarks. Punctuating the primacy of the economic pillar in ASEAN is the fact that it was signed together with the ASEAN Charter in November 2007. The other community blueprints – the Political-Security and the Socio-Cultural community blueprints – would take at least one more year to finish.

The AEC vision talks about a stable, prosperous, and highly competitive region, with equitable economic development, and reduced poverty and economic disparities. Its goal is to hasten complete liberalization and opening up of the regional economy by 2015. The economic pillar is the least understood and most feared of the ASEAN initiatives. It is imperative that we understand what the key economic projects in ASEAN and what they may imply.

The AEC aims to establish ASEAN as a Single Market and Production base, towards developing ASEAN as a competitive economic region. The goal is complete liberalization and opening up in goods, services, investment and skilled labour, and less restrictions in capital flows by 2015. There are flexibilities, exceptions and restrictions (especially in the flow of money and capital) for newer Members; and participation in economic initiatives may be done through the ASEAN Minus X formula, or the practice by which Member Countries not yet ready to join an economic agreement may opt not to do so. However, the strategic goal and commitment is to remove all these restrictions and exceptions, and for all Members to have the same commitments. That is, the CLMV (Cambodia, Lao PDR, Myanmar and Vietnam) countries may be given

¹ Chairman's Statement of the 21st ASEAN Summit. Phnom Penh, 18 November 2012.

² *Surveys on ASEAN Community Building Effort 2012*. Jakarta: ASEAN Secretariat, 2013.

longer periods for liberalizing their trade and investment, but everyone will eventually have zero-tariffs in most products, and fully open investment regimes, at some point.

The ASEAN-6: Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand have agreed to bring down to zero the tariffs of almost all imports by 2010. The phase-in of sensitive agricultural products, including rice, into the ASEAN Free Trade Area (AFTA) will also have to be completed and their tariffs brought down to 0-5%. The CLMV countries have until 2013 (Vietnam), 2015 (Laos and Myanmar) and 2017 (Cambodia) to fully implement AFTA.

The ASEAN Investment Area is also expected to be fully established by 2015, with most sectors opened up by 2010, especially in the ASEAN-6 countries. It has also been flexing its negotiating prowess—negotiating or signing a total of 352 bilateral investment agreements as of May 2010 and 196 free trade agreements as of March 2013. (See Table 1.)

Table 1. Status of Free Trade Agreement in ASEAN Member Countries, as of March 2013

COUNTRY	UNDER NEGOTIATION				CONCLUDED			Total
	Proposed / Under Consultation and Study ⁱ	FA Signed ⁱⁱ	Negotiation Launched ⁱⁱⁱ	Total	Signed ^{iv}	In Effect ^v	Total	
Brunei	5	2	2	9		8	8	17
Cambodia	3		2	5		6	6	11
Indonesia	5	1	6	12	2	7	9	21
Lao PDR	3		2	5		8	8	13
Malaysia	6	1	6	13	1	12	13	26
Myanmar	3	1	2	6		6	6	12
Philippines	6		2	8		7	7	15
Singapore	5	1	10	16	3	18	21	37
Thailand	6	3	5	14		12	12	26
Vietnam	4	1	5	10	1	7	8	18
TOTAL	46	10	42	98	7	91	98	196

Source: <http://aric.adb.org/FTAbByCountryAll.php>

ⁱ parties are considering a free trade agreement, establishing joint study groups or joint task force, and conducting feasibility studies to determine the desirability of entering into an FTA

ⁱⁱ parties initially negotiate the contents of a framework agreement (FA), which serves as a framework for future negotiations

ⁱⁱⁱ parties begin negotiations without a framework agreement

^{iv} parties sign the agreement after negotiations have been completed; some FTAs would require legislative or executive ratification

^v when the provisions of an FTA becomes effective, e.g., when tariff cuts begin

While many of these agreements are among the ASEAN members themselves, ASEAN continues to negotiate or sign FTAs with developed countries. (See Table 2.) These agreements raise concerns on negative impacts, fairness and balance of interest. Trade justice advocates from across the region, for instance, raise the alarm over the high ambitions of some negotiations, which might “erode people’s rights and undermine development”³, and the governments’ tendency to ignore the concerns that “trade deals may give certain trade privileges to big business at the cost of the well-being of ordinary... people”⁴

Trade cooperation with developing countries (China, India) is acknowledged to have the potential to address common development issues, but it remains a question whether using the FTA format is the best way to promote South-South solidarity. The worry is on the ground, where small farmers from respective countries are concerned about how an FTA will affect their livelihoods. The same concern may not be held or fully understood by bigger players.

³ EU-ASEAN FTA Campaign Network Philippines. “Ambitious EU-Philippines FTA could erode people’s rights and undermine development”, March 6, 2013.

⁴ Kannikar Kijtiwatchakul, “Digging Thailand into an FTA-shaped hole”. *Bangkok Post*, January 29, 2013. Available online: <http://www.bangkokpost.com/opinion/opinion/333095/digging-thailand-into-an-fta-shaped-hole>

Table 2. Status of Selected Regional FTAs in ASEAN, as of March 2013

FTA	Status
ASEAN Free Trade Area (AFTA)	Signed and In Effect
ASEAN-Australia and New Zealand FTA	Signed and In Effect
ASEAN-EU FTA	Negotiations launched
ASEAN-India Comprehensive Economic Cooperation Agreement	Signed and In Effect
ASEAN-Japan Comprehensive Economic Partnership	Signed and In Effect
ASEAN-Korea Comprehensive Economic Cooperation Agreement	Signed and In Effect
ASEAN-Pakistan Free Trade Agreement	Proposed/Under consultation and study
ASEAN-People's Republic of China Comprehensive Economic Cooperation	Signed and In Effect
Comprehensive Economic Partnership for East Asia (CEPEA/ ASEAN+6)	Proposed/Under consultation and study

Source of Basic Information: <http://aric.adb.org/FTAbbyGroup.php>

More established ASEAN economies are having jitters about the full implementation of AFTA and other regional agreements. One can assume that newer Members feel even more anxious and vulnerable. The 3-7 years grace period for fully acceding to regional agreements might not be enough for the CLMV, as they have fewer resources and less endowment compared to the ASEAN-6. Still, small farmers and producers overall face tougher prospects wherever they are.

Yet, too many trade and investment commitments have yet to show significant impact on people's lives. The region is beleaguered by persistent inequality—where the poorest national gets less than two cents for every dollar the richest country gets; and where the lowest-employment country will generate seven jobless people for every unemployed in the highest-employment country. The lowest life-expectancy country enjoys life 21 years shorter than the highest life-expectancy country.

ASEAN Socio-Cultural Community: in a vacuum?

The ASEAN Socio-Cultural Community (ASCC) is a mixed bag where everything that does not qualify as economic or political-security is thrown in. Unfortunately the hazy labelling fails to capture the important interrelatedness of all regional concerns, and hence makes for inadequate responses to issues.

One complicated concern is migration.

ASEAN has not been very open to migration, particularly the migration of non-professional labour, which is not a good prognosis given that the region is host to more than five million intra-regional labour migrants.⁵

The global and regional restructuring and the naturally porous borders within the region create conditions that facilitate and encourage migration. ASEAN hosts both sending (Philippines, Indonesia, Laos, Cambodia, Myanmar) and receiving (Malaysia, Thailand, Singapore, Brunei) countries. The economic rally (Singapore, Malaysia, Thailand) and natural oil wealth (Brunei) in ASEAN migrant labour-receiving countries, are matched by high unemployment, weaker industries, and active labour export policies in the sending countries.

More than the economic imperatives, the region is also home to a few traditional hotspots of self-determination and democratic struggles— Mindanao, Aceh, West Papua, Myanmar. The movement of people from these areas has been occasioned partly by the conflicts in these areas, rooted in years of marginalization, as much as it is encouraged by better prospects in the richer ASEAN countries. Interestingly, the

⁵ *Enhancing the Protection and Promotion of Migrant Workers' Rights in ASEAN*. Different Streams, Different Needs and Different Impacts: Managing International Labor Migration in ASEAN, Policy Brief No. 05, 2012. Available online: <http://dirp4.pids.gov.ph/ris/pn/pidspn1207.pdf>

biggest migrant labour-sending and – receiving countries in the region, Indonesia (89%) and Malaysia (89%), are among the countries that look least favourably on immigration⁶. The mismatch in perception and appreciation of needs (actual usefulness of migrant labour) often leads to precarious conditions, especially for the lower-skilled migrants, migrant domestic workers, and irregular migrants.

Here we can see the intersection of democracy and economics, and the growing insecurity felt by people who move across borders not fully out of choice, but to escape conflicts and persecution, or to seek greener pastures for the benefit of their families. Yet, the complex issue of migration is treated as a socio-cultural concern that interacts little with the economic and political-security agenda of ASEAN. In contrast, the movement of professionals and business persons is tackled as part of the mutual recognition arrangements under the economic pillar, in recognition of the economic imperative that underlies their movement. Even then, it is precisely the economic and political considerations that make it difficult for a comprehensive ‘socio-cultural’ agenda (e.g. the instrument for the protection of migrant workers in ASEAN) to advance.

Beyond migration, the issues of labour, farmers, environment, climate, among many others lumped under the socio-cultural umbrella, are simply too complex to handle. Without acknowledging the economic roots and political motivations, any actions on these issues would be inadequate.

While the lack of cross-engagement is true for all the three pillars, the impact is starkest in the socio-cultural agenda where everything that concerns actual people (as opposed to business, investments and markets, as if they’re not people too) is discussed. This compartmentalization makes for a weak constituency for an ASEAN Community, as the discourse on the bigger and over-arching frameworks are not made accessible to ordinary people.

ASEAN Political Security Community: *Human Rights* – ASEAN Principles versus International Standards

On November 18, 2012, a much-criticized ASEAN Human Rights Declaration (AHRD) was signed. Civil society organizations were highly critical of the AHRD, which they say “undermines, rather than affirms, international human rights law and standards”, and is tantamount to “a lower level of protection of...human rights than the rest of the world”. The document is seen more as “a declaration of government powers”, where “the enjoyment of rights is made subject to national laws, instead of requiring that the laws be consistent with the rights”⁷. Even the United Nations High Commissioner on Human Rights Navanethem Pillay expressed concern over lack of transparency and consultation in the drafting of the AHRD, noting that it could undermine its credibility, and suggested that ASEAN leaders suspend its adoption⁸.

CSO criticisms underscore deep-seated concerns around ASEAN fundamental principles, particularly the principles of non-interference and of consensus. No less than Sriprapa Phetmeesri, a former Thai representative to the ASEAN Intergovernmental Commission on Human Rights (AICHR), claims that these principles “have slowed down the commission’s ability to improve the human rights situation” in ASEAN⁹. The lack of access afforded ASEAN citizens in the AHRD drafting process proceeds from the highly-centralized nature of ASEAN ways of doing things.

⁶ Pew Research Center, World Public Welcomes Global Trade – But Not Immigration, October 4, 2007: <http://pewglobal.org/2007/10/04/world-publics-welcome-global-trade-but-no-immigration/>.

⁷ “Civil Society Denounces Adoption of Flawed ASEAN Human Rights Declaration: AHRD falls far below international standards”, Submission by 55 national and regional organizations to ASEAN (19 November 2012)

⁸ Yohanna Ririhena and Margareth Aritonang, “ASEAN human rights declaration fails to impress UNHRC”, *The Jakarta Post*, November 14, 2012. Available online: <http://www.thejakartapost.com/news/2012/11/14/asean-human-rights-declaration-fails-impress-unhrc.html>

⁹ “Core Asean principles ‘block gains’”, *The Bangkok Post*, March 7, 2013. Available online: <http://www.bangkokpost.com/news/local/339166/core-asean-principles-block-gains>

ASEAN's desire to be counted among the modernizing regional associations in the world is abetted by the phase by which it commands the regional trade and investment liberalization, and in the take up of mainstream security issues like anti-terrorism and anti-trafficking. However, it remains conservative and less open when it comes to human rights and other issues that bear directly on peoples and their stakes in determining the direction of ASEAN.

Reviewing ASEAN

Already 45 years old, ASEAN is hard-pressed to examine where it has been and what it has done, and whether it can really modernize. The formal mechanisms have been put in place: it has launched the ASEAN Charter; bolstered the ASEAN Community pillars; created the Committee of Permanent Representatives; and established the AICHR.

The ASEAN Charter would be completing its five years at the end of 2013, and will up for review. But more than reviewing how ASEAN stood faithful to its Charter, it is high time that the overall *raison d'être* of ASEAN is reexamined.

It will take more than a mere tweaking for ASEAN to emerge as an association to reckon with, and claim resonance with its peoples. It will have to revisit its economic agenda and locate it within the broader purview of cooperation and solidarity. It will have to take issues in totality and not in a vacuum, and recognize that social issues may have economic roots; or that political concerns may complicate or retard socio-economic initiatives. Finally, ASEAN's acid test is its relationship with its peoples. Only when it opens up spaces for people to be heard, and to participate in ASEAN affairs, can ASEAN begin to go the direction it is meant to take. Unless ASEAN governments banish the belief that running the region is their exclusive mandate, it will continue to miss the peoples' pulse. And in the process erode what little relevance it enjoys.

Current trends in Southern Africa: the challenges of reclaiming SADC for people's development

DOT KEET

The Southern African Development Coordination Conference (SADCC), the precursor of the Southern African Development Community (SADC), was founded in the 1980s during the development era. The original vision of regionalism was state-led and development-oriented with elements of protection of domestic producers and regional markets. However, by the mid 1990s, under the influence of the global paradigm of free trade, and the very direct controls of the IMF (International Monetary Fund) and World Bank, the economic programmes of the SADCC were displaced by trade-led, export-driven, privatisation models of growth. As a result, in the later SADC from the 1990s- comprising 15 member countries, including newly liberated South Africa – the conceptualisation of the development model of integration was displaced by the neo-liberal paradigm.

Despite the neoliberal transformation that took place in regional dynamics over these decades, labour and social movement analysts and activists remained convinced that there are still fundamental strategic justifications for economic and political unity between the countries of Southern Africa, and within the African continent as a whole. On the one hand, this is essential in order to deal with processes and problems internal to individual countries and the cross-border relations between neighbouring African countries and regions, and within the continent in general. On the other hand, such cooperation is judged to be strategically advantageous in the context of a very challenging and even hostile global economic and political environment.

Building a model of regional cooperation that promotes development, human rights, economic and environmental security and equity is ever more important and urgent in the context of the current global economic and social, environmental and climate crises.

The trends and strategic challenges facing SADC region

Most African governments still remain shackled by their financial reliance on the neo-liberal institutions and their broader economic dependence on self-serving 'donor' governments. Such African governments are also dominated by the interests of established and aspirant business forces, even within their own ranks.

However, in light of the current global economic and climate crises, there are new trends as well as some pressing regional challenges that governments and peoples organisations of Southern Africa currently face.

The challenges of increasing intra-regional trade

The 'export-led growth' and 'open market' prescriptions of the IMF and World Bank have been subject to more than a decade of theoretical critiques and conflicting empirical evidence. These have produced widening criticisms and spreading doubts about the efficacy of such 'trade-driven-growth' policies in relation to national and regional development needs, and economic and social transformation aims. And yet, the centrality of trade expansion and liberalisation continues to dominate SADC inter-governmental programs and regional plans, and the African regional groupings are increasingly being (re)defined and shaped as mere trade integration areas.

Increased intra-African trade, although important, is being promoted through the current negotiation of a 'Grand Free Trade Agreement' (FTA) between the 27 countries of SACU/SADC, COMESA (the Common Market of East and Southern Africa) and the EAC (East African Community). The first problem with this is that their promotion of 'free' trade will, of course, be of greatest benefit to stronger companies and countries within the putative FTA region(s). That is why it is, rather, preferential and differentiated intra-regional and inter-regional trade that has to be promoted. Conversely, an integrated free trade area extending from Cairo to Cape Town could actually serve to make this a vast wide-open market for counties and companies (mainly from the EU, but also others) that already enjoy privileged bilateral trade liberalisation agreements with many of the individual member counties (such as Mauritius). And that is why these are involved in – and enthusiastically promoting – this putative inter-regional (and potentially continental) FTA.

The other more immediate and (potentially) positive trade aspect is that many African governments, and some more alert local private sector actors, seem to be more alive to the dangers to their own economic plans/programs posed by the EU's trade and other liberalisation demands within its proposed Economic Partnership Agreements (EPAs). More and more African economic and political actors are now posing probing questions about the EPA terms and threats, and making counter-demands (especially in Namibia and Kenya, for example, and even collectively at the level of the AU (African Union)). It is also of particular significance to regional cooperation and integration perspectives on the continent that all African countries – at least formally in relation to the EU, and through the AU – are insisting that the needs and processes of regional cooperation and integration between African countries and sub-regions have to take precedence over trade and investment agreements with the EU. This more resistant stand is, in large measure, the result of the very effective lobbying of government officials, and parliamentarians, and extensive research, public information and mobilisation by continent-wide anti-EPA and anti-trade liberalisation alliances¹. However, there remains the possibility that highly skilful and well-resourced EU trade officials may deploy their usual divide-and-rule tactics and contrive a last minute 'coup' in the still-ongoing negotiations, unless African (and allied European) civil society organisations maintain constant vigilance, and all CSOs in Latin America and Asia facing similar FTAs keep up their active and coordinated counter-campaigns.

At a higher level of analysis and argument, governments have also to take up questions related to the very conceptualisation of the role of trade in economic development and, by extension, the role of trade in regional cooperation and integration. In the past three decades of neo-liberal hegemony worldwide – and the dominance of 'trade-driven growth' theories – national and regional policies and programmes in Africa also came to be premised on the promotion of trade, especially increasingly liberalised trade. These programmes were/are also located within a framework of progressive steps of integration adopted from the European model². This schematic framework (including pre-set timetables) has, in practice, been by-passed and superseded by more varied and multidimensional production plans and programmes. However, the 'residual' effects of the previously dominant trade paradigm are still in operation on the ground in Africa and are evident in policies and programmes still in place. This poses challenges to governments and civil society organisations in SADC, as well as COMESA and the EAC as they prepare to integrate themselves into one vast free trade area. 'Free trade' integration will also incorporate a number of flanking 'trade facilitation' measures and other policies (such as on GMOs) which have not been adequately investigated and discussed – or accepted – in all three participating regions and countries.

¹ The Africa Trade Network (ATN) is a long-standing network of civil society organisations, working on economic justice. The network includes African social, labour; women; faith-based; developmental; farmers; environmental; human rights; and other organisations working on the role and effects of international trade and trade agreements in relation to Africa's needs and aspirations at national, regional and continental level. See more at: http://www.twnafrica.org/index.php?option=com_content&view=category&id=47&Itemid=72

² Even though this model has in the recent years been exposed for its policy fallacies and dangers for weaker economies within the union.

The challenges of promoting regional infrastructural projects that serve people's needs

A new development within SADC and elsewhere in Africa is the launching of large-scale infrastructural projects – including a number of strategic road and rail corridors – between groups of neighbouring African countries and sub-regions in order to facilitate and encourage trade between them. Such improvements are long overdue and, if appropriately planned with genuine community consultation, could also be of benefit to remote rural communities cut off from outside inputs and access to the wider economies.

There are, however, a number of other social, economic, energy and environmental questions about the 'infrastructural' development approach. The immediate practical/political issue is that these enormously costly mega-projects are, in the main, being awarded to transnational corporations; which are overjoyed to have such huge new areas of capital investment and (government-guaranteed) financial returns opened up to them. Such vital projects for Africa's future should, instead, be undertaken as joint ventures between the governments and the inter-governmental structures of the respective region(s). And, if they also involve the respective 'national private sectors', full and transparent financial accounting, and labour, gender/social and environmental obligations have to be imposed on them as well.

The challenges of avoiding cross-border hostilities and conflicts

Inter-state rivalries between the countries of the SADC region have not escalated into overt cross-border hostilities and conflicts, as has happened elsewhere in Africa³. However, if the current trends towards growing interstate/business competition between the SADC countries intensify, they can escalate into more unpropitious and even antagonistic relations. These may not reach the extreme of actual physical conflicts or wars. But rivalries and economic tensions would be highly inimical to the advancement of regional cooperation. The increase in nationalistic sentiments and strategies between governments could also encourage the dangerous manifestations of xenophobic hostilities against immigrants from neighbouring countries in many of the countries of Southern Africa. This is, above all, in South Africa, which is one of the main destinations for economic migrants across the continent.

People's organisations have the profound historical responsibility to energetically oppose such attitudes and tensions, and potential social conflicts. Popular organisations can counter such divisive and self-weakening tendencies by conscientiously creating cooperative relations with their own organisational counterparts in SADC (and in other African) countries in genuine partnerships. Such solidarity was manifest with powerful effect by trade unions in South Africa, which placed their members (and some key leaders) from neighbouring countries at the forefront of their 2008 marches in Johannesburg against xenophobia, and under the banner "We are all workers!"

Such cross-border solidarity and regional cooperation can also help to build greater combined strength between their countries and peoples in the face of the power of transnational corporations and in the context of a very difficult global economic system and a hostile external political environment.

The challenges of regional industrial development

With regard to industrial development, a question that has to be confronted is whether there can or should be a simple revival of the large-scale 'heavy industry' model that characterised the earlier ambitious 'modernisation' and accelerated industrialisation programs in much of post-colonial Africa. Such industries were historically created – throughout the world – on the backs of dispossessed peasantries and unprotected super-exploited labour. Any attempted 'heavy industry' approach today would also have to recognise the pressures on energy usage, and water and other resource consumption, and the vitally important growing constraints against all carbon emissions. These are some of the key issues that labour, environmental and social organisations, urban and rural, have to incorporate into their engagements on putative 'industri-

³ As has recently come to international public attention, apparently involving DRC, Uganda and Rwanda

alisation' plans in SADC. These together have to make their own proposals for sustainable, ecologically sound industrial and agricultural development (especially for effective food production) within diversified economies.

The other and most fundamentally important challenge for future industrial development for these economies is that such plans and programs have, in many important ways, to be regional in character. For example, it is essentially through creating cross-border cooperation, complementarities and coordinated endeavours that African countries will be able to muster the financial, technological and other resources for appropriate industrial development and more advanced and balanced economic diversification; and, in the process, also benefit from larger combined regional markets for more effective scales of production. However, the proposed regional 'chains of production' will – in contrast to the global TNC chains of production – have to be conceived and designed, regionally negotiated and implemented to be equitably beneficial to all the economies, countries, workers, consumers and others involved. This is another challenge, another responsibility for popular organisations representing all these sectors and interests in their countries and across the whole region.

The challenges of cooperating regionally to deal with the environmental and climate crisis

Most SADC countries are characterised, to varying degrees, by inadequate or intermittent water resources, limited internal energy resources/infrastructures, and unevenly distributed productive land, forests and other natural resources. They are also very susceptible to frequent 'natural disasters' such as droughts and floods : due in major part to their unbalanced and distorted patterns of economic development, inadequate infrastructures and technological under-development.

In addition to ad hoc emergency initiatives in these spheres, regional cooperation is due to become an even more fundamental survival imperative. The evidence is mounting – and the experience is already growing – that the above un-evenness and physical/environmental/ecological challenges in the Southern/African region are going to be aggravated by climate change(s). The effects will be felt in changing and unpredictable rainfall patterns, with accelerated desertification in some areas and flooding in others, pressures on scarce water resources in some areas and coastal inundations with rising sea levels, loss of marine resources and terrestrial biodiversity, the spread of plant, animal and human diseases, and much else⁴.

SADC has long had various far-sighted inter-governmental and cross-border energy, water, forestry, fisheries, wildlife and other natural resource programs on the drawing board (some going back to SADCC days in the 1980s) and some now enshrined in formal SADC protocols and programs. However, within the increasingly market-oriented approaches, and the privatisation or commercialisation of the remaining SOEs (State-Owned Enterprises) in the respective spheres, and under pressures and 'persuasions' from foreign corporations (often backed by their governments), such vital intra-regional cooperation and real community-building programs are in danger of being transformed into mere commercial ventures. These will be disconnected/disparate and possibly duplicated/competing projects, and mainly to the profitable benefit of external agencies⁵.

Once again, renewed critical analyses and alternative approaches promoted by regional peoples organisations and alliances are called for, which will also enable SADC to deal with the challenges of global climate change and related pressures. For example, dealing with energy supply and security needs will require that African governments work together to develop and diversify their own energy resources. Programs to research/investigate, test and create alternative renewable energy sources will be extremely costly and technologically demanding and will only be possible through combined regional economic commitments and

⁴ Intergovernmental Panel on Climate Change (IPCC- 2007) predicted that, by 2020, between 75 million and 250 million people in sub-Saharan Africa could have their livelihoods and development prospects prejudiced by a combination of rising temperatures and water stresses

⁵ One of the clearest examples of this is evident in the ways in which SADC's Southern African Power Pool (SAPP) plan and potential to create a regional community-building cooperation project for the generation of power for the entire region from the Inga Falls in DRC, has been hi-jacked and turned into a series of competing foreign-investment driven hydro-electric dam projects.

joint science and technology development efforts. These are also the most compelling spheres in which to practice direct cooperation and build a real regional community based on mutual support.

Building regional alternatives bottom-up

Such regional policies and programmes cannot be left to largely inaccessible remote intergovernmental negotiations, and 'top-down' processes. Intergovernmental agreements and joint programmes are intrinsic to regional development programmes but, in order to ensure full information and effective public inputs towards the creation of appropriate regional development programmes, these have to be built through 'bottom-up' processes of cross-border popular cooperation, participation, and formal regional decision-shaping engagements.

Developmental, environmental and human rights NGOs, trade unions, and other social movements in Africa have for over recent decades been challenging the 'open regionalism' (neo-liberal) path SADC governments have embraced.

Popular engagement has taken different forms in SADC. Sectoral regional cooperation is evident in the form of dense cross-border networks of civil society organizations across Africa, although most intensively in Southern Africa. The most prominent of these networks are on common health challenges (such as HIV/AIDS) and human rights abuses, and against the privatization and liberalization programmes that are being implemented by the SADC governments, separately and together.

In addition to the specific sectoral and issue-based coalitions, social movement analysts and activists are intervening directly on common regional strategies. They argue that integration must be advanced through cooperation in many spheres, such as in dealing with shared environmental crises (or 'natural disasters') or cross border social crises (such as economically and politically driven population migrations). There also has to be more advanced coordination in other spheres, such as in the infrastructural sinews (roads, railways, river transports, etc.) that can facilitate cross-border trade and other relations. And there has to be strategic policy harmonization in spheres such as intra-regional – and joint external – trade and investment policies, because if these are imposed within neoliberal frameworks they will reinforce the internal unevennesses and external interventions that have far-reaching negative implications.

Since 1999, the Southern African People's Solidarity Network (SAPSN), a network of civil society organizations from the Southern Africa region, has challenged globalization by arguing and campaigning for pro-people socio-economic policies in the region. The yearly SADC Peoples Summits, organized in parallel to the annual SADC Heads of State Summits, has been an important expression and a further catalyser for cross-regional people movements' engagement in regional strategies. These meetings, and other forms of cooperation with many other regional networks and alliances have helped to consolidate popular determination that SADC has to be reclaimed for people's development towards and through peoples regional cooperation and solidarity.

Today, social movement, labour and other civil society analysts, and 'alternative policy' advocates and activists have the responsibility to build on their decades of critiques and active opposition to neo-liberal theories, policies and programs, and to push harder than ever for people-centred and people-driven regional development strategies that challenge the currently dominant globalised capitalist economic system through incremental processes of "de-globalisation".

**REGIONAL
RESPONSES TO
THE GLOBAL
ECONOMIC,
FOOD AND
ECOLOGICAL
CRISES**

Aspects of financial regionalisation: a Latin American perspective¹

OSCAR UGARTECHE

Introduction

The 2007 U.S. crisis, which spread to the rest of the world through the use of the U.S. dollar as the common currency for international credit and trade, sparked a debate on the need for a new institutional framework and on reserve currencies (Ocampo, 2009, 2012; Zhou, 2009).

Instability generated by volatility in capital markets and its adverse impacts on economies, as well as the failure of the instruments and institutions designed after World War II to guarantee the stability of the world economy have led to the introduction of a new concept in the debate on globalisation: the regionalisation of the international financial architecture (Fritz and Metzger, 2006). This idea is not being discussed within the framework of the United Nations; instead, it is being put into place through regional agreements. This paper aims to review advances in this area in Latin America, which have been in the form of a regional unit of account, an autonomous development bank and a stabilisation fund. It will also look at the lessons learned from the 2010-2012 euro zone crisis.

Background

This past decade sealed the coffin of the international financial architecture built after the Second World War. The International Monetary Fund (IMF), originally created as an international monetary stabiliser based on exchange rates pegged to the U.S. dollar, ceased to exist in 1971 (Bordo and Eichengreen, 1993). In the 1970s, its role was changed to that of an advisor and lender of last resort. The Asian and Latin American crises that followed, however, put an end to this role (Ugarteche, 2007). The most recent crisis in the U.S. housing market and its spread to Europe ended up voiding the IMF of its meaning. While its policies were wrong and made problems worse in Asia in 1997 (Meltzer, 1998), in Latin America during the 1980s, they produced economic stagnation, which lasted for over a decade. As for the crisis in Europe, where there are no balance of payments problems and whose monetary problems go beyond the IMF, it is clear that the Fund is being used by the EU and the US Treasury to formulate conditions that serve to contract the GDP of Mediterranean economies and dismantle the welfare state. The IMF's conditions end up solving problems in the financial system through wage reduction, which in the end concentrates income. Yet the resources to help the financial system are provided not by the IMF, but rather through the 500 billion euro European Financial Stabilisation Fund created in May 2010², later increased to 750 billion euros, which shares the IMF's prevailing orthodox theoretical views.

¹ The original version of this paper was elaborated as part of the PAPIIT project IN309608-3 entitled "Elements for Latin American Financial Integration". It was prepared for the XXVIII LASA Congress in Rio de Janeiro, June 11-14, 2009. An abbreviated version was published by *Revue Bimestrelle Projet*, Paris, Février-Mars 2011, pp.31-37. Earlier versions were produced in *Beyond Bretton Woods*, IIEC UNAM, October 15-17, 2008, Published in a book with the same name edited by Ugarteche and Dembinski, EAE, Saarbrücken, 2012, pp. We thank Ariel Noyola for his assistance with updating data for this version.

² Statement by EU Finance Ministers on Stabilization Fund: Text, <http://www.businessweek.com/news/2010-05-09/statement-by-eu-finance-ministers-on-stabilization-fund-text.html>.; Europe's 750 billion euro bazooka: http://www.economist.com/blogs/charlemagne/2010/05/euro_crisis_2?page=219

Faced with the IMF's obvious failure to adapt to contemporary international monetary problems, central banks in Latin America and, in the world in general, have opted for accumulating foreign reserves. Since 2000, the reserves of Africa, Asia, Latin America and the Commonwealth of Independent States and Mongolia (former USSR) have grown substantially, while the fiscal and external deficits of the European Union and especially the United States have absorbed these resources in the form of excessive external and fiscal indebtedness.³

This process has intensified since 2007 due to the lowering of interest rates in the United States and later in Europe to near zero levels, which produces negative real interest rates. As a result, stock markets, currencies and real estate in Latin America have once again become attractive targets for speculative capital, whose influx causes these countries' currencies to appreciate.

The prices of raw materials (with the exception of sugar, cotton and coffee) are defined by their value as financial assets, and not by real demand in Asia, Europe and North America. These three agricultural products are more closely correlated to real demand, as they are perishable. They depend, then, on lower international interest rates. With the nominal interest rate of the dollar at 0.25% and inflation at 2.2% in the U.S., and the interest rate on the euro at 0.75% while inflation in Europe is 2.5%, their real rates will be -1.95% and -1.75%, respectively. The impact of this on the economic growth of countries that export raw materials is positive, but short-lived. The day inflation in the United States and Europe increases and interest rates go up, raw material prices will fall. The question raised during the boom is what its fiscal impact will be and if it is improving the living conditions of the people in areas around the world where mining and energy resources are being exploited. There is, however, little evidence of this.

The World Bank (WB) was originally designed to develop projects to rebuild infrastructure in Europe and Japan. In the 1960s, it moved on to financing infrastructure projects in Africa, Asia and, to a much lesser extent, Latin America's post-colonial phase. Problems with these projects led to the rethinking of the Bank's purpose (Mosley, Harrigan and Teye, 1991). Throughout the 1980s, it was converted into a development bank, whose loans were based on essentially "libertarian" policies inspired on the work of Hayek and the Mont Pelerin Society (WB, 1987). These ideas were first agreed upon in 1982 and then, in 1989, they were baptized as the 'Washington Consensus' (Williamson, 2004). The University of Chicago, with Robert Lucas as the head, acts as the centre driving and promoting these ideas, even if originally, they were based on the efficient capital markets hypothesis. This is the essence of dominant Anglo-Saxon economic thought and orthodoxy.

The problems generated by the economic reforms the International Financial Institutions (IFI) imposed on the world led them to lose credibility and, as a result, clientele (see Table 3 below). With the spread of the U.S. crisis in 2007 to the rest of the world, however, they have resumed their role as lenders of last resort. After all, the IFIs are complementary to the international capital markets. When the crisis worsened, the IMF regained some clientele in terms of volume of loans, namely in Europe and the former socialist countries. It also won back some clients in Africa, but the amounts of the loans are low.

Table 3. IMF: Current Financial Arrangements as of 30/12/2010 – In SDRs

Number of loans		Type of loan	Amount agreed		Amount disbursed	
2007	2010		2007	2010	2007	2010
7	19	Stand-by Arrangements	7915	70000	4897	40982
1	4	Extended Arrangements	9	19804	5	456
	3	Flexible Credit Line		47540		---
24	28	Extended Credit Facility	844	2961	802	2144
0	1	Exogenous Shocks Facility	0	8	0	2
	2	Standby Credit Facility		77		26
32	57	TOTAL	8768	140390	5704	43610

Source: IMF Financial Activities – Update December 30, 2010 <http://www.imf.org/external/np/tre/activity/2010/123010.htm#tab2a>. IMF Financial Activities – Update December 27, 2007 <http://www.imf.org/external/np/tre/activity/2007/12272007.htm>. Table updated by Ariel Noyola, IIEC-OBELA Project.

³ Ugarteche. "An imbalanced summit" *Asia Times*, March 25, 2009, Singapore: http://www.atimes.com/atimes/Global_Economy/KC25Dj05.html

The problem with using the dollar as the international currency of reference

The use of the U.S. dollar as the reserve currency has been questioned ever since the United States accumulated large fiscal and external deficits, and even more so after it decided to inject massive amounts of liquidity into the financial system. With this, the Triffin dilemma materialised. The U.S. economy has clearly become a deficit economy and therefore, the holder of a weak currency, especially since 2007. Since then, the volatility of the dollar's exchange rate has led to its decline as a monetary standard, similar to what had happened with the pound sterling in the past. This process intensified after Treasury Secretary Geithner announced the emission of an unlimited amount of dollars for the purchasing of treasury bonds⁴. For the Europeans and the Chinese, this is merely one way of manipulating the dollar and a part of a devaluation competition. It is, in essence, competitive devaluation, as it lowers the dollar's value in order to export more.⁵ This competition began back at the beginning of the 2000s, but has grown in intensity since 2007. On January 2nd, 2002, 1 dollar was worth 131.54 yen, whereas on January 2nd, 2011, it bought 82 yen. On the same date, it was worth 1.12 euros in 2002, versus 0.74 euros in 2011; and 0.68 pounds in 2002 versus 0.64 in 2011. After Japan entered the same expansionary monetary policy in 2012, on June 17th, 2013, the yen rose once again to 94 to the dollar. One dollar on June 17th, 2013 was worth 0.74 euros and 0.63 pence. The U.S. dollar has thus fallen 37.4% against the yen, 33.9% in relation to the euro and 5.8% against the pound and remained stable in relation to the euro, while appreciating vis-à-vis the pound since 2011. The same pattern can be found in relation to Latin American currencies, with the exception of the Argentine peso and the Venezuelan Bolivar.

From this policy of devaluating the dollar arose arguments against the stability of the yuan. As such, the currency war is long standing and has intensified since the beginning of the crisis in 2007. This shows the volatility of completely deregulated foreign exchange markets, between Japan, European countries and England. Capital controls do exist in other parts of the world, although this is an issue in debate since 2010 (Gallego, Hernandez and Hebbel, 1999; IMF, 2010). In 2012, the IMF recommended a balanced view towards capital controls. In a document published in September 2010, the IMF said,

But the evidence on the effectiveness of capital controls is mixed. They generally cannot reduce the total volume of inflows or reduce exchange rate volatility. However, they appear to lengthen the maturity structure of inflows, resulting in more stable flows, and provide some monetary independence by maintaining a wedge between domestic and foreign interest rates (IMF, 2010).

Special Drawing Rights (SDR) were designed in 1968 (see table 4) according to the weight of the four leading economies in the world. At the beginning of the 21st century, however, a new definition is needed, as the basket is composed of currencies from countries with very high levels of external and internal debt, negative growth rates and few prospects for stable and strong growth in the future (see table 5).

Table 4. Calculation of Currency Amounts in the Special Drawing Rights Basket (as of December 30th, 2010)

Currency	Share (%)	Currency amount in the basket	Exchange rate on 12/30/05	U.S. dollar equivalent
Euro	37.4	0.4230	1.32500	0.560475
Japan (yen)	9.4	12.1000	81.63000	0.148230
England (pound)	11.3	0.1110	1.54350	0.171329
United States (dollar)	41.9	0.6600	1.00000	0.660000
SDR1				1.54003

Source: IMF "Currency Amounts in New Special Drawing Rights (SDR) Basket": <http://www.imf.org/external/np/tre/sdr/sdrbasket.htm>.

It is interesting to take note of each currency's weight within the SDR basket: England, the euro zone,

⁴ "Geithner Says Bank-Rescue Plans May Reach \$2 Trillion", Bloomberg, February 10, 2009 16:44 EST: <http://www.bloomberg.com/apps/news?pid=20601087&sid=aEzPekVa3eEE&refer=worldwide>,

⁵ <http://www.bloomberg.com/news/2010-10-23/germany-says-u-s-federal-reserve-heading-wrong-way-with-monetary-easing.html>

the United States and Japan are major net fiscal debtors, as the crisis has shown, and their GDP is changing due to the dynamism of the emerging economies. Table 5 below, however, shows changes in the list of the world's seven largest economies between 2000 and 2015, based on IMF predictions for 2015. The euro zone's economy is led by Germany, the only country from the zone that will remain on the list in 2015. This indicates that there has been a change since 2000, a time when both France and Germany were listed. As there is no single "euro zone economy" as such, but rather an economy fragmented into several nation states that share a common currency, it is incorrect to talk about the euro zone as if it were one integrated economy, like the other three countries have. In 2010, the four Asian countries made up 27.4% of the 'new G7's' global GDP, while the West made up 27.1%. Predictions for 2015 point towards a greater decline in the United States, Japan and England's participation in world GDP (24.8%), whereas the role of China, India and Russia will continue to rise (26%). According to the IMF's predictions, Brazil will remain stable at 2.9% of the global GDP. The global economy and the correlation of economic and political forces that gave rise to the IMF and its instruments no longer exist and the composition of the SDR basket has become senseless and arbitrary. It is necessary, therefore, to broaden the number of reserve currencies and change the basket's structure. This is the sense for the use of local currencies in international trade.

Table 5. % of GDP measured in global PPP, with predictions for 2015

		2000		2010		2015
1	United States	23.6	United States	20.2	United States	18.6
2	Japan	7.6	China	13.3	China	16.9
3	China	7.2	Japan	5.9	India	6.1
4	Germany	5.1	India	5.2	Japan	5.3
5	England	3.6	Germany	3.9	Germany	3.4
6	India	3.6	England	3.0	Russia	3.0
7	France	3.6	Russia	3.0	England	2.8

Source: IMF World Economic Outlook 2010.

Europe and the Euro

The euro is the fruit of thirty years of working on the European monetary system with the goal of creating a common currency with a single monetary policy. For this to work, member countries' inflation and growth rates would have to stabilise within the zone and eventually converge. With a combined GDP of considerable size, comparable to that of the United States, the aggregation of their international reserves and central banks demonstrated that it was possible to create a new currency with a significant level of economic and political power in the global economic system. From an international political economy perspective, political power was essential for modifying international aspects of the economy.

The process that led to the creation of the euro brought an important change to the international monetary regime, based until then on national currencies, by introducing the possibility of having a regional currency. This became a counter-hegemonic concept, or one for hegemonic competition, from a political point of view (Ruggie, 1982). However, this raises an important question: if the countries have one common currency, should their representation in multilateral organisms not also be singular? At the IMF, Europe is over-represented, as the European Central Bank *plus* each individual country occupy a seat. This means that European representation is duplicated in the multilateral financial institutions and the G20, for example.

It is obvious that the political importance of the euro exceeds the national political scene of each member state that gives life to it. This is most evident in the G20 where both European countries and the European Central Bank are present. With the euro, Europe stopped being the *regime taker* it had become after the Second World War and became once again a *regime maker*. The United States had become the hegemon when it imposed the economic regime on the world in 1944, but this all changed with the creation of the euro. This

is the political value of the euro for Europe. By duplicating its presence in the international system, Europe's overrepresentation prevents the real new economic powers from assuming their rightful position in the international system, which is part of the crisis of multilateralism (Bello, 2006).

The problem arising from the export model and highly indebted rich countries (HIRC)

The new development theory, based on export-based growth, starts with the premise that if economies export and have trade surpluses, it will lead to sustainable economic growth rates. According to this theory, the deficit of buyers in one part of the world generates surpluses for new, more efficient producers located elsewhere who are able to offer their goods at lower costs. This implies, on one hand, under-consumption in the country that exports goods and on the other, overconsumption in the country that imports them. In other words, the exporter will have a current account surplus and a certain level of foreign currency savings, which should get circulated back to the one with a deficit.

In financial terms, this means that the economy that has the trade surplus will recycle it back to the economy with the trade deficit. This works well in the short run, while countries do not accumulate debts or foreign reserves. In the long term, however, in deficit economies, it leads to the problem of over-indebtedness and currency devaluation vis-à-vis its creditors. In surplus economies, on the other hand, it eventually results in the revaluation of the currency. This partly explains the economic dimension of the current crisis. In short, it is the savings in poor countries that allow the population of rich countries to overconsume. This is an ethical and economic contradiction.

Table 6. Internal and external debt, public and private, 2011

	Public Debt/GDP	External Debt/GDP	Total Debt/GDP
	%	%	%
Former G7			
United States	67.80	103	170.80
Canada	87.40	64	151.40
England	85.30	390	475.3
Germany	80.60	142	222.60
France	86.10	182	268.10
Italy	120.10	108	228.10
Japan	205.50	45	250.50
Emerging economies			
China	43.50	8.70	52.20
Brazil	54.20	15	69.20
Russia	8.30	23.05	31.15
India	50.50	22	72.50
Taiwan	34.70	13.08	47.78
South Korea	33.60	37	70.60
Singapore	118.20	10.25	128.45

Source: IMF, Central Bank, CIA

Notes: Public debt refers to debt denominated in local currencies.

External debt is both the public and private debt denominated in foreign currency.

Table elaborated by Francisco Josué Martínez Cervantes, OBELA project, at the IIEC, UNAM.

In 2008, the level of total domestic and external indebtedness was, on average, four times higher for the countries in the original G7 – that is, the seven most industrialized economies of the world in 1975 – than for the seven largest emerging economies. The old G7's foreign debt alone is between three and twenty times

higher than that of the emerging countries. Also, the foreign reserves of the new G7 are three times greater than those of the original G7. The difference between the reserves of the new G7 and the old G7 lies in the net credit that the emerging economies offer mature economies, as surplus economies fund those with deficits by purchasing government bonds, which they keep as part of their international reserves.

New formulas for regional payments

When problems related to the credit crunch in U.S. dollars surfaced in October 2008, the Brazilian government took the initiative of using local currencies in its trade transactions with Argentina. In this system, Brazil receives Argentine pesos for its exports and pays for its imports with Brazilian reals, and vice versa. This initiative got off to a slow start and was used especially for intra-firm and intra-Mercosur trade. It appears to have gained momentum, despite differences in the countries' foreign exchange policies. While the real appreciated against the dollar, the value of the Argentine peso declined, which meant that the difference in rates between the real and peso increased from 1.1196 pesos per real to 0.4285 pesos per real between October 1st, 2002 and December 1st, 2012.

Data in annex I show that the volume and value of exports paid in reals has grown exponentially, especially since exchange rate controls were imposed in Argentina in 2011. The total number of operations has increased rapidly since the countries began using the mechanism in October 2008. At that time, three export operations from Brazil worth an average amount of 52 000 reals per transaction (based on the exchange rate from the day of the operation) were paid for in Argentine pesos. Four years later, in October 2012, 992 transactions worth an average of 249 568 reals each were carried out. In terms of size, these operations grew five times their original amount, and in volume, 300 times. As for the other way around, Brazil began to pay for imports from Argentina in reals in November 2008 with three transactions averaging 22 000 pesos each. The all time high of 14 operations, each worth an average of 122 443 reals, was reached in January 2012. In October 2012, there were 4 transactions worth, on average, 144 743 reals each.

This may indicate asymmetry in information or that Brazilians are more willing to accept pesos than Argentineans are to receive reals. What is less clear is whether this is because of a central bank policy or a lack of dissemination of information on the mechanism. It is not clear, though, if this mechanism is used for intra-company trade. Numbers from the Argentine side suggest that this is not the case. Apparently, Brazilians export in Argentine pesos, but Argentineans do not accept reals, but rather dollars. This may be due to Argentineans' desire to avoid accumulating Argentine pesos when converting reals and to their preference for dollars in cash due to inflation. All balances are converted at the end of the day, even between central banks, as a fully operational exchange rate market does not exist. This is due to the inflation differential, which highlights the need for the members of a local currency payment system to coordinate their exchange rate policies. In terms of harmonising inflation, local currency payment schemes are more likely to work between Brazil, Colombia, Uruguay, Peru and Chile due to similarities in their inflation patterns and anti-inflationary exchange rate policies, than they are with Argentina and Venezuela.

An example of a severe lack of exchange rate coordination was seen in Europe during the 1970s and 1990s, when first the EMU and then the ERM were in place. In both cases, the floating exchange rate band led to the suspension of the system (Buitier, Corsetti and Pesenti, 1998; 2001). Volatility in one of the currencies' exchange rate ended up limiting the use of the system and countries went back to of other currencies as a store of value. According to Bayoumi & Eichengreen (1994), Eichengreen et al (1997, 1996^a, 1996^b, 1996^c), Glick & Rose (1998), currency crises are always regional. Speculative attacks always affect neighbouring countries that are linked through close trade relations. While the robustness of one's neighbours cannot fully counteract speculative attacks, it can minimize their effects on one country in particular. Therefore, there is a need for cooperation within a region in order to manage a crisis.

One way of understanding these conclusions is that it is fundamental for neighbouring countries to cooperate with one another in a globalised world of open exchange markets, as a speculative attack on one country's weakened currency will spread to the others. The overvaluation of the currency of a country with low foreign reserves; speculative bubbles in a stock market and low reserves; high inflation and low reserves;

high fiscal deficit rates and low reserves may all set off speculative attacks on one currency and through it, on all of its neighbouring countries, like it did in Asia in 1997, in Scandinavia in 1992 and the euro zone in 2010-2012.

According to Buitier, Corsetti and Pesenti (1998), it is not possible to analyse a crisis within a monetary zone without using interpretative models that allow one to see the breakdown of trust in exchange rates parities within the zone and asymmetry in the subsequent policymaking within each country in the zone. The view that interprets the 1992 currency crisis as a result of the reunification of Germany and this country's monetary policies is short-sighted, as it focuses on only one country. In reality, there are systemic ways of functioning with various sources of contagion and changes in expectations and parities within a group of countries. In their view, the 1992 crisis was the product of a lack of cooperation to solve differences in expectations over parities given the effects the reunification of Germany and the tensions it brought to other countries in the region had on prices. The currency crisis cost England half of its international reserves and led the country to withdraw from the common monetary system.

The idea of countries with very different productivity levels sharing a single currency is not very effective, as we have seen with the Greek crisis. Even so, coordinating currencies for interregional trade is desirable and possible, provided governments coordinate their exchange rate policies and inflation and growth rates. The key issue is the exchange rate used at the start or how to define parity. One theoretical bent gives preference to fighting inflation, while the other prioritises the need to promote growth. The first has led to currency appreciation and the other, to inflation rates that are higher than the regional average. Nevertheless, what is important for countries to agree on is the type of exchange rate policies to use in order to coordinate their responses to fluctuations in exchange rates with the rest of the world, which involves cooperation between the regions' central banks. The Asian example, for example, is centred on one type of undervalued currency, which can be used as the focal point for coordinating efforts. The European example, on the other hand, is designed around the use of an overvalued currency.

A shortcoming of the Brazil-Argentina local currency system is the lack of a complete foreign exchange market and agreements between central banks on the provision of currency support in the event of speculative attacks. In South America, there is no set of bilateral swap agreements or a multilateral agreement on the provision of balance of payment support between central banks. There is the Latin American Reserve Fund (FLAR, for its acronym in Spanish), which – though small – is important. It lacks, however, the resources needed to contain speculative attacks. On the other hand, without swap agreements between central banks, it is impossible to extend the initial design of a regional cooperation mechanism, like the one between Brazil and Argentina, to a broader scale. All operations are carried out in the spot market, setting aside forwards and futures that would help to reduce currency exchange risks. Central banks should open up these markets and operate in them so as to induce economic actors to do the same, while establishing currency swap agreements between central banks to counter larger speculative attacks. At the same time, central governments should strengthen the FLAR, giving it a size that is adequate for the region's GDP. It is simpler to coordinate among economies with analogous inflation rates and similar growth rates and GDP per capita than with others, even if the others will eventually be included.

Who should govern the reserve currency?

In a world where the leading economies today are no longer those that paved the way for the creation of the IMF and Special Drawing Rights, it is worth recalling how the IMF defines which currencies are to be used as reserve currencies: those of the five member countries with the largest quotas (IMF articles of agreement, Art. XIII.2.B).

This turns the issue of reserve currencies and voting rights in the IMF into a political one. Currently, the seven leading economies in the world are the United States, China, Japan, India, Germany, Russia and England. This line up, however, is not reflected in the IMF quotas, even with the adjustments made in 2010 and the 2011 readjustments of quotas and voting power. With 35% of the votes, Europe has twice as many as the United States and the same goes for the BRICS. This is unjustifiable as at the IMF, the European

Central Bank *and* countries in Europe are counted for twice, which results in their weight in the voting system being greater than their actual weight in the world economy. The question, then, is if there should be a right to vote or should there simply be a democratic voting system structured in a way that ensures just representation for all.

Table 7. Participation in world GDP and IMF quotas

New G7	% of the world GDP in PPP	% Quota at the IMF
United States	20.2	17.69
China	13.3	4.00
India	5.2	2.44
Japan	5.9	6.56
Germany	3.9	6.11
Russia	3.0	2.50
England	3.0	4.51

Source: <http://www.imf.org/external/np/sec/memdir/members.aspx> and *ibid* table 2.

This raises the issue of the under-representation of China, India and Russia and the overrepresentation of Germany, England and Japan in the IMF quota system. The existing allocation of quotas determines that the five largest economies are the ones to define the reserve currencies, which means that the new reserve currencies should be the U.S. dollar, the yuan, the rupee, the yen and the euro. In reality, the IMF extends this group to seven in order to include England. The US, Japan, Germany and England are the four largest countries in terms of quotas even though they are not the four largest in terms of GDP. Otherwise, the pound sterling would have to be left out of the reserve currency list. The practical reason for this is the fact that the world's financial centre is in London, even though the large banks are from the U.S.

One can then see that the reserve currencies coincide with those in the SDR basket: the U.S. dollar, the euro, the pound sterling and the yen. This definition of reserve currencies goes together with the technical definition of a reserve currency:

The category of reserve assets, as defined in this Manual, comprises monetary gold, SDRs, reserve position in the Fund, foreign exchange assets (consisting of currency and deposits and securities), and other claims. (See paragraph 443.) Securities that do not satisfy the requirements of reserve assets are included in direct investment and portfolio investment (IMF, 1993; P 424, 97).

Net creditor positions in regional payment arrangements that involve reciprocal lines of credit and that require prompt settlement of outstanding drawings (e.g., monthly or quarterly) are construed as reserve assets (IMF, 1993; P 432, 98).

This last line allows regional payment agreements to be included and considered part of international reserves.

It should be noted that in item number 28 of its recommendations, the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System recognises the importance of financial cooperation at the regional level in order to create support mechanisms that are independent from the IMF.

ANNEX I

System of Payments in Local Currencies (SML, for its acronym in Spanish) – Statistics

Imports and Exports using the SML with Argentina

Month	Exports		Imports*	
	Number of operations	Value(R\$)	Number of operations	Value(R\$)
Oct./08	3	156 335.66	-	-
Nov./08	12	2 085 785.61	3	67 298.69
Dec./08	18	7 650 979.12	7	1 246 543.37
Jan./09	26	7 246 868.99	1	73 135.89
Feb./09	29	3 269 443.36	3	166 148.19
Mar./09	42	9 635 274.61	10	467 826.85
Apr./09	62	46 094 463.28	5	106 396.53
May/09	67	29 182 281.66	5	203 973.24
Jun./09	82	27 072 890.25	8	248 540.06
Jul./09	109	26 190 655.67	6	210 999.13
Aug./09	125	32 033 883.39	10	623 424.53
Sept./09	137	74 613 778.09	5	266 423.72
Oct./09	170	61 442 493.41	8	325 170.66
Nov./09	176	72 636 459.10	7	302 514.92
Dec./09	168	64 069 111.57	5	1 322 164.84
Jan./10	198	68 890 937.32	3	177 666.33
Feb./10	201	77 970 144.88	3	239 041.16
Mar./10	253	95 609 046.61	2	125 571.84
Apr./10	222	85 376 527.97	4	141 843.79
May/10	249	68 861 024.53	4	3 430 920.03
Jun./10	224	158 091 405.83	3	125 900.75
Jul./10	267	81 896 438.72	4	300 540.92
Aug./10	320	102 511 448.41	5	177 683.71
Sept./10	327	117 570 724.84	1	456 431.10
Oct./10	370	111 404 638.24	5	1 111 905.97
Nov./10	415	156 447 770.45	1	16 943.59
Dec./10	364	138 465 820.07	6	2 778 265.86
Jan./11	381	117 880 706.87	4	648 033.13
Feb./11	322	137 816 979.78	1	25 603.11
Mar./11	329	119 783 948.09	5	650 072.24
Apr./11	399	116 782 724.59	2	357 151.76
May/11	465	150 228 712.17	3	1 516 804.93
Jun./11	397	151 589 937.33	1	188 290.12
Jul./11	420	119 831 358.20	3	582 921.31
Aug./11	443	148 495 650.48	4	248 985.62
Sept./11	496	154 304 633.40	4	241 231.95
Oct./11	435	124 968 922.43	5	651 039.19
Nov./11	424	121 543 850.94	5	479 735.61
Dec./11	462	177 722 569.31	13	3 147 026.72

* The value of imports is calculated by adding up the operations that have taken place, fixed in Argentine pesos, converted to reals using the SML rate from the date of the transaction. This is the sum of all values debited in financial institutions.

Month	Exports		Imports*	
	Number of operations	Value(R\$)	Number of operations	Value(R\$)
Jan./12	440	148 506 826.29	14	1 714 195.93
Feb./12	390	122 702 651.31	8	3 048 076.45
Mar./12	478	154 784 771.07	3	273 429.61
Apr./12	376	100 720 709.92	10	1 927 062.49
May/12	548	192 078 795.20	7	2 470 529.53
Jun./12	551	199 347 464.52	11	1 004 961.12
Jul./12	603	199 955 902.85	9	3 815 191.65
Aug./12	747	257 702 069.63	7	898 988.70
Sept./12	711	178 153 583.07	5	413 414.08
Oct/12	992	247 571 419.74	4	578 973.61

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Regional alternatives to a global crisis: an European perspective

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There is no major novelty in saying that the global crisis is the product of thirty years of deregulated and financialised capitalism, which has brought inequality to intolerable levels along with the accumulation of both national and international economic imbalances.

The collapse of the financial markets disrupted the very structure of this system and undermined the previous forms of capital accumulation.

In the Eurozone, the private financial crisis interacted with the national and the European structural defects – systematically disregarded by the existing authorities and prevailing economic theory – and evolved into a double crisis: first in the sovereign debt markets, as national states rushed to bailing out troubled financial institutions; and then in the balance of payments, the result of the capital runs.

Fiscal austerity and supply sided reforms (in order to increase competitiveness) were then presented as the only possible response to what has now become known as the *second great recession*.

In reality, we are looking at the institutionalisation of austerity at both national and European levels, above any kind of democratic existing structures, in order to allow capital to rearrange its accumulation mechanisms and recover its pre-existing profit levels: through wage compression, increased competition and concentration and through the mercantilisation of public services.

Two main questions arise in this process: i) what happened to the institutional devices that restrained financial capital from subjugating the remaining spheres on the society in the last 30 years? and ii) how can we restore them?

Alternative resistance movements, in all its diversity, were and still are crucial in providing a satisfactory answer to both questions, but I shall focus in the second one.

The “left” is frequently accused of not having concrete alternatives to the crisis. It is not that uncommon either that we force ourselves into achieving the unachievable: the perfect set of policies that would bring socialism (or however you wish to name it) in place.

I intend to argue that, out of the several difficulties and challenges that we – heterodox activists, movements and political parties -will face in the next years of economic and social crises, the lack of feasible alternative responses it is not one of them.

Alternative policies for a socially just Monetary Union

In several countries within the EMU, mostly those known as GIIPS (Greece, Ireland, Italy, Portugal and Spain)¹, sovereign debt has become one of the major absorbers of public budgets, especially in the context of a deep recession induced by austerity. In 2016, the Portuguese government will pay as debt service the equivalent to the amount spent on health, education and social security subsystems.

One should therefore keep in mind that the breaking up of the memorandums, the immediate suspension of the austerity policies and a serious process of debt auditing and restructuring are *si ne qua non, ex-ante*, conditions that will allow for the success of any alternative economic and social strategy for Europe.

¹ We should keep in mind however that will be only a matter of time before austerity implemented throughout EMU will raise the conditions for severe economic recession and debt imbalances in other countries.

Without going into unnecessary details, such strategy should be developed along four main priority lines:

- 1) **Alternative ways of financing sovereign states, away from the financial markets.** In addition to the monetization of public debt by the ECB, the creation of a debt mutualisation system, such as Eurobonds, or a European levy on bank's balance sheets and financial transactions would bring the much-needed revenue into public safes while preventing speculative attacks and uncontrolled expansion of financial activities;
- 2) **Public investment to re-launch economic growth and employment in socially and economic productive areas,** such as: education and health care, sustainable agriculture and sea related industries, energetic efficiency and housing rehabilitation. This could be done, for example, by excluding national co-financing of EU Cohesion Policy from fiscal targets; or by fostering the creation of public investment banks. Such strategy will hardly be completed without bringing highly concentrated strategic sectors – energy, communications, water supply, transports and part of the financial system – under the control of the public sector;
- 3) **Re-valorise work, wages and workers organisations.** It is urgent to bring work and the workers again into the centre of policy making. Higher average and minimum wages, stronger law settings and the promotion of new forms of organization among precarious workers constitute important economic counter cyclical measures but, above all, create the conditions for a stronger and more active civil society;
- 4) **Restore the confidence in democratic institutions by fostering credibility and transparency.** Although electoral laws and constitutions may vary largely on a national basis, fighting corruption and increasing the access to decision making institutions should be a European concern. The complete release of banking secrecy, the creation of common rules to control private lobbies or the “revolving doors” between ruling institutions and private companies are good examples of such. At the European level, a democratic re-appropriation of decision making institutions will, first of all, require a radical re-direction of powers from the European Commission and the European Central Bank, non elected bodies, to the European Parliament (and/or other types of elected chambers)

Being in possession of the most adequate and rational menu of policy options is not, however, the solely pre-requisite to built the social majorities that create profound changes and ruptures in the system. The economic recession and, to a certain extent, the crisis of legitimacy of the pre-existing democratic structures has raised several new challenges to the left that cannot and should not be ignored.

New and not so new challenges to the left

The first and probably most important difficulty faced by those who try to dispute the public opinion in favour of an alternative project is the widespread idea that *austerity is inevitable*. The difficulty arises mostly from the fact that such argument is built upon simplistic *common sense* views of the functioning of economic systems, and the repeated use of a *moralistic* discourse²: “honoured people pay their debts”. If debt payment is the political priority, austerity becomes in fact the only credible solution.

Nevertheless, the plain evidence that austerity is – not only creating recession but also – incapable of assuring the payment of public debt is leading to a change in the existing consensus. We can now claim, with a reasonable amount of evidence to support it, that any alternative strategy, even if not complete, is more credible than the existing one.

The second difficulty we face in our attempts to strengthen the resistance at the European level is the – growing – blackmail which associates any radical proposal of rupture with the existing policies and institutional set ups with the “inevitable” breaking up of the Eurozone. As we have recently seen in Greece, such

² Austerity as the needed sacrifice to pay for our sins.

“manoeuvre” is aimed at constraining the development of pro-euro radical left movements, both at national and European level.

One should keep in mind, however, that, regardless of the geopolitical level we look at, ruptures always depend upon the balance of powers in the society. As at the national scale, European institutions are not immutable buildings with an independent existence away from political and social hegemonic forces.

The third challenge consists in resisting the temptation of engaging in deterministic interpretations of the reality. It is by no means true that economic and social disturbances lead necessarily to a reinforcement of the left. Anger and despair are not sufficient or necessary conditions to the build up of social and political conscience, on the contrary, create the conditions for the emergence of all kinds of right wing conservative populism – against ideology and politics in general – which represent the very opposite of a politically active and self – conscious class.

What we have in hands is, therefore, not only the deepening of neoliberalism, but the revival of extreme right wing movements with rather preoccupant electoral results in some countries. The combat against the most basic forms of racism, xenophobia, sexism and homophobia cannot be left aside, either due to a strategic choice to focus in more “material” economic demands, or due to the illusion that these are already acquired rights.

Fourth, and probably one of the most asked questions within the left: how to bring together, on one side, the new “non-organized (organic?)” forms of protest, and their entirely legitimate demands (excluding the already mentioned populism), with the existing institutions, such as trade unions and left wings parties, which still have an extremely important role in the resistance movements?

Being true that such institutions are part of the existing representative political system, and therefore should not be spared to criticism and radical transformations, these are still the result of past (analogous) resistance fights for democracy and freedom. History cannot be simply reset and re-written from scratch and, while keeping in mind our radical projects to change the system, we should also make sure that demands and protests have practical consequences at the political level – and these are not, or should not be, contradictory levels of action. In other words, promoting and reinventing alternatives to the existing structures cannot and should not imply that we renounce disputing the very core of the system.

Part of the strategy to build a solidarity process of integration at the European level must therefore include the election of left wing governments at the national level. These should not only be the reflex of a strong civil society, but also be the result of the common work of social movements, trade unions and political parties to create new forms of democratic representation and decision-making. Sectarianism it’s a mistake with historical consequences within the left.

The debt audit campaigns, launched all over Europe; the massive demonstrations seen in Portugal on the 2th of March (one and half million people demonstrating), called by different types of movements and organisations; the common general strike, which happened in several European countries at the same time, or the last electoral process in Greece are good examples of such coordination processes, from which we certainly have plenty to learn.

Austerity it’s the new policy priority for Europe, and it is here to stay. In the same way Portugal once turned to Greece to know what the future looked like, core countries, even outside the Eurozone, can now turn to the periphery and foresee the practical results of the new efforts to institutionalise austerity at the European level.

Usually, the present fights are always the most determinant of our lives. Historically, the years of the second great recession and our capacity to coordinate against *austeritarianism* will determine the shape of the regime that emerges from the crisis.

The SAARC food bank: can it abet food security in South Asia?

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Spiralling global food prices are yet again haunting the poor nations. The severity of drought conditions in major food producing countries due to the worsening climate crisis has impacted world food production and led to soaring food prices globally. Countries dependent mostly on food imports to feed their people face a food crisis like that besieged them in 2007-2008. According to the Food and Agriculture Organization (FAO)¹, extensive drought damage in the United States pushed maize prices by almost 23 percent in July 2012, wheat prices surged by 19 percent due to dry weather conditions in the Russian Federation and sugar prices also increased by 12 percent during this period triggered by untimely rains in Brazil. The rising food prices, excessive food speculation and increase in food price volatility would sharply raise the import bills of the poorest countries. The idea of food reserves was conceptualised at different regional groupings² to address the food crises, including food shortages and emergencies, and to act as a humanitarian aid organisation in order to help affected member countries and its people through better access to a regional stockpile for their food entitlements.

SAARC³ food bank: regional solution to impending food scarcity?

Food reserves have always been a means to address the issue of hunger and food insecurity. There has always been a problem of food insecurity in South Asia which is further threatened to be aggravated as a result of the impacts of climate change on agricultural processes in climate-sensitive regions. According to Purdue University's Climate Change Research Centre, global warming could delay the start of the summer monsoon by five to fifteen days within the next century and significantly reduce rainfall in much of South Asia⁴. Rising global temperatures are likely lead to an eastward shift in monsoon circulation which could result in more rainfall over the Indian Ocean, Myanmar and Bangladesh but less over Pakistan, India and Nepal⁵. The Fourth Assessment Report of the Intergovernmental Panel on Climate Change also lists the consequences of climate change for the South Asian region. The melting of the Himalayan glaciers will lead to increased flooding and affect water resources within the next two to three decades. Crop yields could decrease by up to 30 percent in South Asia by the mid-21st century⁶.

The region of South Asia is already in the grip of extreme hunger and malnutrition. According to the Global Hunger Index (2011)⁷, South Asia, along with Sub-Saharan Africa, suffer from the highest levels of hunger, which represent extreme suffering for millions of poor people in these regions. Rampant malnu-

¹ FAO Food Price Index up 6 percent: Grains and sugar drive increase; <http://www.fao.org/news/story/en/item/154266/icode/>

² For example, SAARC, ASEAN, ECOWAS, SADC and others

³ The SAARC (South Asian Association of Regional Cooperation) is a regional organisation comprising of eight South Asian nations comprising of Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. SAARC is home to home to nearly 1.5 billion people or 22 percent of world's population.

⁴ Mittal, Surabhi and Sethi, Deepti; Food Security in South Asia: Issues and Opportunities; September 2009; ICRIER: <http://www.icrier.org/pdf/WorkingPaper240.pdf>

⁵ Ibid.

⁶ Ibid.

⁷ Global Hunger Index 2011; IFPRI, October 2011; <http://www.ifpri.org/sites/default/files/publications/ghi11.pdf>

trition among children is a major concern. Similarly, a large proportion of children under five years old are underweight. Apart from the endemic poverty and poor nutritional status of South Asian countries, there are signs of deterioration in the agricultural sector of the region, adversely impacting food and nutritional security. Therefore, solving the problem of food insecurity, which would entail ensuring supply of reliable, adequate and nutritious food to the needy, has become imperative in South Asia. It is extremely critical to address the issue of food security and malnutrition during food emergencies, which could be possible through a cooperative and collective action and build an institution of regional food reserve.

With the recent increase in food prices, the question of how the South Asian Association for Regional Cooperation (SAARC) as a group can work to overcome this situation assumes a bigger dimension, especially in a food deficit and import dependent member country like Bangladesh. The SAARC nations have made two attempts to foster food security needs of the region, especially in a crisis situation caused by natural or man-made calamities: first, with the establishment of the SAARC Food Security Reserve in 1988 and second, with the establishment of the SAARC Food Bank (SFB) following the 14th Summit in Delhi in April 2007. The Food Security Reserve could not take off (no member state could utilize the food stock available under the Reserve) due to structural problems, procedural shortcomings and more importantly, an absence of political will on the part of the biggest partner in the region. Worse, in the last half decade, the region had witnessed severe food scarcity and food emergencies due to natural calamities, reduced availability of food, and steep price rises, yet SFB remained ineffective.

The guiding principle for establishing SFB is “collective self reliance with respect to food security as a means of combating the adverse effect of natural and man-made calamities”⁸. The Food Bank Agreement, signed in April 2007, maintains that “a regional food reserve by Member Countries based on the principle of the collective self reliance would improve their food security”⁹. The SFB was set up with the objectives to (a) “act as a regional food security reserve for the SAARC member countries during normal times, food shortages and emergencies”; and (b) “provide regional support to national food security efforts, foster inter-country partnerships and regional integration, and solve regional food shortages through collective action”¹⁰. Therefore the SFB is expected to mitigate the risk of national shortages by collective storage of food (mainly wheat and rice) so that any affected member country can meet its distribution needs in times of crisis. As Bangladesh Food and Disaster Management Minister Dr Abdur Razzaque said, “No South Asian nation is able to ensure food security by itself, so cooperation among the nations is imperative to tackle food shortages at times of disasters and to stabilise volatility of food prices”¹¹.

In view of the increasing impact of climate change on agriculture in general and food production in particular (and the resultant increase in food prices as we experience currently), SFB is therefore expected to strengthen the national effort to beef up local stock and reach the food to affected people in the region. For any SAARC country facing food shortage, it would have scope to take food from the designated storage of its own country to face the food emergency. In case this food was not enough to meet the local demand, the member country would have access to take more food from the designated storage of the neighbouring SAARC countries as a loan. The reserves (consisting of either wheat or rice) would remain the property of the individual member country and would be in addition to any national reserves.

Unfortunately, until today, SFB has not been operationalised nor has it acquired a formal legal status, one of the technical reasons being that there has been a delay in its ratification by Afghanistan.

⁸ Agreement for Establishing the SAARC Food Bank, a publication of SAARC Secretariat, Kathmandu, May 2007.

⁹ Ibid.

¹⁰ See no 6

¹¹ SAARC Food Bank to help check food price volatility; 14 May 2012; <http://www.thedailystar.net/newDesign/news-details.php?nid=234126>

SAARC food bank: miles to go

In January 2004, at the 12th SAARC Summit, the Food Bank concept paper (prepared by India) was ready, based on which an 'Agreement on Establishing the SAARC Food Bank' was developed, and later signed at the 14th Summit (New Delhi, April 2007) with an initial stock of 243,000 metric tonnes (MT) of grains (including Afghanistan's contribution). But the global food crisis of 2007-08 prompted the SAARC members at the 15th Summit (Colombo, August 2008) to not only issue the Colombo Statement on Food Security but also direct that "the SFB be urgently operationalised"¹². The Colombo Statement affirmed their resolve to "ensure region-wide food security and make South Asia, once again, the granary of the world"¹³. In Colombo, the SFB Board got activated with the task of overseeing the functioning of the food bank and deciding on the procedure of getting aid from it. In the third meeting of the Board (Kabul, November 2009), the overall quantum of SFB was also doubled to 486,000 MT and India's share of quantum of reserves have been doubled from 153,200 MTs to 306,400 MTs¹⁴.

Despite improved structure and modalities, SFB seems to be repeating the same fate of its predecessor, the SAARC Food Security Reserve, whose inadequacies it is supposed to overcome. Compared to the Reserve, the scope of the Bank has been expanded to include the following:

- The Bank can now be accessed during normal time, food shortages and emergencies;
- The procedures for withdrawal and release of food grains have been rationalised and simplified;
- Prices, terms and conditions of payment in respect to the food grains would now be directly negotiated between the concerned member countries, based on the guidelines for price determination;
- Role of the Board to administer functioning of the Food Bank and its policymaking have been delineated;
- For withdrawal of food grain, a member nation, whose farm output falls 8 per cent below the average for three straight years, will be eligible for getting food stuff from the common stock; and,
- The determination of the price will be as per the direct negotiations between member countries, but it will be representative of the market, both domestic and international, however, the humanitarian aspect would be given due importance in case of emergency.

Besides that, SAARC Member States have also designated the godowns/storage facilities in close proximity to their respective borders, where their respective share of food grains would be maintained. Each member has also confirmed their respective Nodal Point in the Ministry/Department of Food/Agriculture who would receive request(s) from counterparts in other Member States to expeditiously process request for food grains.

Yet there are several issues which have crippled SFB as an ineffective institution. So far the SAARC Food Bank has never come to the rescue of any aggrieved nation despite requests for help during cyclone Sidr (2007) and cyclone Alia (2009) in Bangladesh, or extensive flooding in Pakistan (2010).

The key bottleneck for its operationalisation is the issue of finalizing the modalities for determining prices of foodgrains and offering concessional rates to members. The Least Developed Countries (LDCs) within the region are demanding that export price must be fixed below the international price, while the key suppliers who have got surplus food stocks apparently contend that price should cover the cost of grain including the storage and transportation irrespective of the market price. This was the reason why Bangladesh refused to buy 300,000 tons of non-*basmati* rice and 200,000 tons of wheat from India in 2010, because for them the import price was uneconomical and higher than the international price¹⁵. Bangladesh,

¹² Colombo Statement on Food Security; 3 August 2008; http://www.slmfa.gov.lk/saarc/index.php?option=com_content&view=article&id=69:colombo-statement-on-food-security

¹³ Ibid.

¹⁴ SAARC Food Bank; Department of Food and Public Distribution, Government of India Ministry; <http://dfpd.nic.in/?q=node/992>

¹⁵ Frequently asked questions about Impex (Import Export) Division; Department of Food and Public Distribution, Government of India; <http://dfpd.nic.in/?q=node/1001>

on several occasions has argued that if there are no concessional rates for LDCs then there is no need for a regional food bank.

While it is known that countries like India are already making concerted efforts to cut domestic food subsidy and employing neoliberal ways to shun its constitutional obligation of providing food to its hungry citizens at subsidised rates, even though several thousand tonnes of food grains rot in open storage covered with tarpaulin, it is a futile to ask India, a key supplier of foodgrains for SFB, to provide food grains at a concessional rate. Ideally, food aid through SFB should be devoid of any market mechanism. Since the basic principle of a regional food bank is humanitarian assistance during food emergencies and the duty of the member country to help affected members, there should be no constraint to provide food to the affected country in spite of a high cost price.

The other unresolved issues on the working of SFB include an eight percent shortfall threshold; replenishment of the food reserve; procedures for the withdrawal of food grains by a member country from its own share of the reserve; institutional arrangements and functions of the food bank board; lengthy inter-governmental mechanisms for decision making etc. Export restrictions, large number of non-tariff barriers (NTBs), long sensitive lists maintained by SAARC member states for intra-regional trade and underdevelopment of transport connectivity within the region are few of the other impediments in the successful development of SFB. In addition to all of this, the 'lack of political will', seems to be the biggest impediment, as candidly accepted by the Bangladesh Food Minister at a recent meeting of the SFB Board in Dhaka in May 2012, when he said that "lack of mutual cooperation and political will among the South Asian leaders caused the delay in making the SFB operational"¹⁶.

The challenge ahead

An effective operationalisation of the SAARC Food Bank is essential to build an efficient response to food emergencies, food price inflation and food speculation in the region. In order to make it effective, the SFB needs to learn best practices from other regional reserve initiatives in Asia, Africa and Latin America. ASEAN+3¹⁷ initiative on the East Asia Emergency Rice Reserve (EAERR) is an important regional food reserve model which can be replicated at the SAARC level to provide food assistance and strengthen food security in emergencies caused by disasters. The EAERR is emerging as a model to mitigate food emergencies at the regional level through the two kinds of reserves it maintains, earmarked reserves and stockpiled reserves. Withdrawal from earmarked stocks can take the form of an emergency loan or grant (under the Tier 2 program) while the release from the stockpile is intended to meet the acute emergency needs of disaster victims, on grant terms (under the tier 3 program) and the receiving country is only expected to bear the logistics and distribution costs¹⁸.

Similarly, certain aspects of the G-20 supported initiative in the Economic Community of West African States (ECOWAS) region for establishing a regional food reserve, known as RESOGEST, can be borrowed for effective governance of SFB. The RESOGEST has put in mechanism for participation of outside parties including civil society groups in the governance and management of reserves to limit potential interference, to ensure clear operational and financial rules and controls, and to build among stakeholders and promote transparency¹⁹. However, the RESOGEST is basically a commercial venture under the G-20 Action Plan on

¹⁶ 'Strong political will needed' to make SAARC Food Bank operational; 13 May 2012; UNB Connect, Dhaka; <http://unbconnect.com/component/news/task-show/id-76443>

¹⁷ The ASEAN+3 consists of the 10 ASEAN member states—Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam—plus the People's Republic of China (PRC), the Republic of Korea, and Japan.

¹⁸ Regional Cooperation for Food Security: The Case of Emergency Rice Reserves in the ASEAN Plus Three; ADB Sustainable Development Working Paper Series, No. 18, November 2011; <http://www.adb.org/publications/regional-cooperation-food-security-case-emergency-rice-reserves-asean-plus-three>

¹⁹ Emergency Humanitarian Food Reserves- Feasibility Study, Cost-Benefit Analysis and Proposal for Pilot Programme; 14 September 2011 ; <http://ictsd.org/downloads/2011/09/prepare-feasibility-study-and-pilot-proposal.pdf>

Food Price Volatility²⁰, where market mechanism dominate the exchange of food through G-20 designed constraints for release from the reserve which could be distributed through a wide range of food-based safety nets and other targeted programmes run by governments, like cash transfer, food for work, food stamp etc. The SFB must remain cautious and rebuff any such move to bring in these mechanics within its fold because some of the SAARC member countries like India have already implemented these measures of targeted distribution of subsidised food to the poor and hungry at the national level. Any expansion of these targeted food distribution measures through SFB at the South Asian level would defeat the very objective of a regional food reserve, especially when food prices are skyrocketing, food inflation is high and the food security situation across the region is under much greater strain, exacerbated even more by climate change stresses.

In order to strengthen the SFB, it is equally essential that SAARC members prioritize increasing agriculture production and productivity, NOT through industrial agriculture and promotion of transgenic crops which have proved to be hazardous, environment unfriendly and imparting false solutions to climate change, BUT through the promotion of agro-ecological methods of farming and conservation of agro-biodiversity, ensuring better productivity, entailing less costs and promoting resilience to climate change.

²⁰ The G-20's opportunity on food reserves; Institute for Agriculture and Trade Policy; 23 September 2011; <http://www.iatp.org/blog/201109/the-g-20s-opportunity-on-food-reserves>

The ASEAN, challenges of climate change and spaces for civil society intervention

DOROTHY GRACE GUERRERO

Rio+20, a reprisal of the UN Conference on the Environment and Development (UNCED) or the Earth Summit, was supposed to review the results of various initiatives and commitments made 20 years earlier, towards a balanced, more prosperous, sustainable and greener future.

As early as the second Earth Summit (Rio+10) in Johannesburg in 2002, social movements already called attention to the worrying trends that emerged from the globalization process. They cautioned that neoliberal¹ globalization was causing increased poverty, conflicts, human insecurity, unsustainable patterns of production and consumption, dispossession, de-industrialization of many developing countries, and an increasing challenge to democracy in developing countries as well as in industrialised centres of power like the US and in Europe. In Asia, social movements and NGOs expressed concerns over the consolidation and control of development policies by agents of elite interests since the late 1990s through the People's Plan for the 21st Century (PP21) initiatives. Their main critique has been that governments, multilateral institutions and businesses in the region pursued a development paradigm that set aside environmental, social justice and human rights issues, the core objective being economic growth at all costs. UN processes and increasingly, corporate agenda, were green-washed and packaged as UN development solutions. Many UN partnerships for development and environment were collaborated with big corporations with dubious environmental records. Twenty years down the road, this process is being scaled-up and magnified, and embraced as the green economy².

As the state of the environment worsened, the challenge of climate change intensified. The UN climate talks have failed to produce an equitable and binding agreement between the developed and developing countries that will result to lower emission levels. Many expert studies have already warned that the lack of action to reduce greenhouse gases in the atmosphere that are causing global warming can result to a possible general increase of global temperature between 2°C to 6°C within this century. These levels of temperature increase will forever alter our ecological system and will make certain productive activities in some parts of the world impossible (ex. agriculture and food production in many parts of Asia and Africa).

An ideological battle has emerged on how to solve the crisis. On one side is the pro-market elite that seeks a central role for corporations; while on the other side are emerging movements for alternatives that espouse systemic and structural change. The main contentions are in the treatment of capitalism: with social movements blaming it for the crisis and looking at counter-processes and practices; and the elite looking at business as usual to find profitable market-based solutions. These debates are replicated in ASEAN, where countries of variable economic development interact, and where the impacts of climactic changes are palpable.

¹ "Neo-liberalism" is a set of political economic practices supported by institutional frameworks that favour strong private property rights, free markets and free trade, which have become widespread in the last 40 years or so. "Liberalism" can refer to political, economic, or even religious ideas. "Neo" means we are talking about a new kind of liberalism. It is a set of rules and mechanisms that encourages total freedom of movement for capital, goods and services by: eliminating barriers to encourage economic openness of international trade and investments; cutting social expenditure for social services; reducing government regulations that could diminish profits especially profits of transnational corporations; and privatization of state-owned enterprises, goods and services to private investors. Supporters of the neoliberal way occupy influential positions in the sectors of education, the media, corporations and financial institutions, government institutions, as well as international institutions that regulate global trade and finance like the International Monetary Fund (IMF), the World Bank, and the WTO. For a historical analysis of neoliberal globalization, please see, for example: Albo, G., *Contesting New Capitalism*, 2004, Elmar Altvater, *Critique of Neoliberalism*, from the conference of The Socialist Register and Historical Materialism, December 2006, David Harvey, *A Brief History of Neoliberalism*, Oxford University Press, 2005.

² Please see the "Final Declaration of the People's Summit at Rio+20, July 19, 2012, <http://cupuladospovos.org.br/en/2012/07/final-declaration-of-the-peoples-summit-at-rio20/>

Climate change, the green economy and ASEAN

It has been acknowledged that poverty in ASEAN has increased. The ADB Report for 2011 attributes the current widespread poverty to severe environmental degradation affecting the livelihood of people who depend on the environment³. To address the problem of natural resource loss due to environmental degradation, the UN Environmental Protection (UNEP) introduced the concept of green economy. The green economy is supposed to remedy the limitation and defects of the current economic paradigm, which is not addressing the need for ecological sustainability. It is being promoted as an alternative paradigm, which will realize poverty reduction and sustainable development.

ASEAN countries joined in the Green Economy bandwagon of supporters in addition to the other earlier initiatives it has taken to address current climate and environmental problems. Since the 1980s the ASEAN produced statements and cooperation agreements as a regional group to address environmental issues and to work for solutions to problems caused by climate change. They include:

- ASEAN Declaration on the 13th session of the Conference of the Parties to the UNFCCC and the 3rd session of the CMP to the Kyoto Protocol (2007)
- Singapore Declaration on Climate Change, Energy and the Environment (2007)
- ASEAN Declaration on Environmental Sustainability (2007)
- Cebu Resolution on Sustainable Development (2006)
- Agreement on the Establishment of ASEAN Centre for Biodiversity (2005)
- ASEAN Declaration on Heritage Parks (2003)
- Yangon Resolution on Sustainable Development
- Jakarta Declaration on Environment and Development (18 September 1997)
- Bandar Seri Begawan Resolution on Environment and Development (1994)
- Singapore Resolution on Environment and Development (1992)
- The Kuala Lumpur Accord on Environment and Development (1990)
- Jakarta Resolution on Sustainable Development (1987)
- Agreement on the Conservation of Nature and Natural Resources (1985)
- Bangkok Declaration on the ASEAN Environment (1984)
- ASEAN Declaration on Heritage Parks and Reserves (1984)
- Manila Declaration on the ASEAN Environment (1981)⁴

These declarations are supposed to guide and facilitate the regional work of ASEAN in relation to climate change, environmental protection, biodiversity conservation and sustainable development. These are regional instruments that are meant to complement the member countries' commitment in international treaties and their respective national policies.

There are also ASEAN Joint Statements on Climate Change in the UNFCCC in support of the key principles of the Kyoto Protocol. The ASEAN Working Group on Climate Change (AWGCC) was formed in 2009 to promote closer regional cooperation and more effective regional response to the climate change situation⁵. Its mandate is to work extensively to develop a common ASEAN position in the COPs. The AWGCC established the ASEAN Climate Change Initiative (ACCI) in 2010 as a consultative platform to further strengthen regional coordination and cooperation on climate change.

While the above ASEAN declarations and statement show that it has the intention to take steps to address biodiversity loss, protect the environment and solve the climate change problem, ASEAN's development trajectory until now does not divert much from the old export-oriented and resource extraction development paradigm. The national development plan of member countries, as well as the ASEAN Economic

³ 2012, Asian Development Bank Outlook 2012: Confronting Rising Inequality in Asia, Asian Development Bank, Manila.

⁴ The texts of all the Statements and Declarations in the list are available at <http://environment.asean.org/documentation/>

⁵ Cheryl Lim, "ASEAN ministers to form working group on climate change," Channel NewsAsia, October 29, 2009: <http://www.channelnewsasia.com/stories/southeastasia/view/1014582/1/.htm>

Community agenda remain to be about promoting growth through export, liberalizing the economy and the continuation of unsustainable economic practices like destructive extraction of resources, maintenance of a low wage economy and suppressing the rights of workers, and the operation of large scale development projects like hydropower dams for electricity export.

In the Rio+20 process discussions focused on how governments are integrating the green economy with their development planning. The definition of Green Economy is mired in controversy, a contested term defined according to different interests. It is being promoted to become a new central concept of global policy. Its basic premise is that ecology and economy can work together by putting a price on nature and nature's services. Green economy promoters rationalize that nature must have a monetary value, by putting a price to it good environmental policies can be implemented effectively through the more "efficient" ways of the market. The ideological battle is expected to intensify with this framework, as it is even beyond business as usual and in fact a reconfiguration of capitalism.

Behind the rhetoric of "sustainable development" and "poverty alleviation", as well as the promotion of renewable energy, recycling technology and other noteworthy goals, the "green economy" is a project made by the very same minds that brought speculative investments and hedge funds, which are now creating havoc in the economies of troubled countries in Europe and the US. Investment banker Pavan Sukdhev, from Deutsche Bank, one of the world's major derivatives traders, played a key role in developing the concept of green economy within the UNEP and now Spokesperson for the promotion of Green Economy.

There is a weak link between the green economy and the need for deep cuts to lock emission level to below 1°C globally and prevent global warming. Putting a price to environmental services does not protect forests, lands, rivers and oceans, and end the production of greenhouse gasses that cause climate change. Putting a price to nature's activities will merely make nature marketable and therefore extremely profitable to big business. It does not do enough to encouraging business and people to stop producing emissions through sustainable lifestyle and production.

Putting nature in the market will also railroad the hard-fought rights won by organized groups and communities, especially indigenous communities to protect their livelihoods and sustainably manage their lands and territories. This is especially problematic in the ASEAN region where governments do not have a strong record on labour and human rights, as well as social justice and environmental protection. The threats facing people and natural commons in the region are huge. Current mechanisms that were established under the ASEAN Charter, like the ASEAN Inter-Governmental Commission on Human Rights, are simply too weak or have yet to show substantial power.

Financial actors propose to also include forests through initiatives such as the UN's Reducing Deforestation and Forest Degradation (REDD+). The inclusion of forest carbon credits is supposed to give incentives to protect the forest. However, REDD+ promoters have yet to prove how treating forest as a carbon sink and source of finance is a better model than following and strengthening already existing environmental protection and forest laws in many countries. For forest dwellers, REDD and its variations would also mean a repetition and escalation of land grabbing and dispossession that they have already experienced many times over from big development projects like hydropower, plantation and extractive projects.

The challenges faced by the region in terms of ecosystem and human impacts are part of a much bigger problem—a global problem that requires global solutions and political will. The first step should be in developing measures and efficient ways for ecologically responsible and sustainable development. The big question from movements is: if the growth model failed big in addressing issues of power, inequity and unsustainability, why do we need a new model that will fail even more?

The climate crisis and sustainable alternatives

Scientists have already predicted and warned about the consequences of global warming, something we now experience through the "new normal" extreme weather events happening everywhere in the planet. In ASEAN, this has caused intense rains and typhoons that brought devastating floods, longer and more severe droughts, and other destructive phenomena in the last 10 years. Most reports prior to the climate ne-

gotiations in Doha in December 2012 showed that climate change is even happening faster than previously thought now that new factors are being added in the studies.

There is a growing realization among developing countries, including members of the ASEAN, of their increasing vulnerability to climate change. In the Philippines, strong typhoons are visiting the archipelago in places that never experienced typhoons before. The timing of typhoons is also difficult to predict now and no longer follows normal seasons. New studies also show that the rise in sea level is actually sixty percent faster than previous predictions with an increase averaging at 3.2 millimetres per year instead of 2 millimetres per year⁶. At this rate, we can expect the sea to rise by 3.25 feet at the end of the century and that puts many ASEAN capitals like Jakarta, Bangkok and Manila on the list of highly populated areas that will be flooded or that may even sink.

However, climate change consideration is not yet a major driver of development in the region. Based on their positions and statements in UNFCCC negotiations, ASEAN countries' treatment of climate change is based on perceived vulnerabilities and the potential for attracting climate mitigation and adaptation funds from market and institutional sources. ASEAN governments seem to regard climate change only as multiplier of risks and vulnerabilities, and approach the issue from a framework of disaster management and pollution control. It is not seen as a crisis coming from the failure of the current development paradigm. It is not seen as a systemic problem.

Civil society organizations grasp climate change differently. Since the UNFCCC meetings in Bali, Indonesia in 2007, more social movements, grassroots organizations and NGOs in Asia and the Pacific region became aware of the issues and understand the climate justice concept better. These movements are pressing their governments on the need for a new understanding of climate change and an immediate need for a paradigm shift in development⁷. Many of these groups are within the Climate Justice Now! network⁸ platform.

A separate regional initiative is an informal network of NGOs organized as a Working Group on the Environment under the Solidarity for Asian Peoples Advocacies (SAPA), which had organized the ASEAN People's Forum/ASEAN Civil Society Conference for the past seven years. The group also forwarded a critique of large-scale projects funded by private financiers and developers. These projects are causing climate change⁹, the destruction of nature, biodiversity loss, and further impoverishment of people that rely on the environment for their livelihood. The network is also campaigning for the adoption of a Fourth Pillar on the Environment in ASEAN by 2015, to enable governments to address climate change and biodiversity issues better.

Studies and researches undertaken by movements and NGOs based in the region point to solutions to climate change beyond business as usual. They argue for systemic changes, and alternatives aimed at changing power relations, and strategies to cool the planet that are sustainable and just¹⁰. They are organizing themselves and their communities and implementing solutions and alternatives that are equitable, empowering to people and sustainable. In many instances ASEAN governments do not appreciate these solutions and the expert knowledge and practices coming from below. This has to change as we have our countries and the whole planet to save.

⁶ Hanna, Edward, "Greenland plays a large role in the gloomy picture painted of probable future sea level rise", *Environmental Research Letters*, Volume 7. Number 4, October-December 2012: <http://iopscience.iop.org/1748-9326/7/4>

⁷ 'TOWARDS CLIMATE JUSTICE IN ASIA: A Summary report of the Climate Justice Conference, Bangkok 12-14 July 2008. The report was based from plenary and workshop discussion attended by over 170 activists including fishers and farmers, forest and indigenous peoples, women, youth, workers, researchers and campaigners from 31 countries. For more information, see the conference website: www.focusweb.org/climatechange.

⁸ Climate Justice Now! Network is a network of organisations and movements from across the globe that is committed to the fight for social, ecological and gender justice. It was set up in 2007 and is now one of the two recognized environmental NGO constituency in the UNFCCC.

⁹ Statement by SAPA: Why a Fourth Pillar on the Environment?, ASEAN People's Forum 4/ASEAN Civil Society conference 7, May 05, 2011, Jakarta, Indonesia: <http://www.focusweb.org/content/statement-sapa-why-fourth-pillar-environment>

¹⁰ 2007 Declaration of Climate Justice Now! <http://www.climate-justice-now.org/>

REGIONALISM FROM BELOW

THE ROLE OF SOCIAL ACTORS IN REGIONAL
INTEGRATION

Assessing social participation in integration processes in South America after a decade of progressive governments

GONZALO BERRÓN

Introduction

After more than a decade of incorporating social participation into the discourse –and practices– of regional integration processes, social organisations are now confronted with several dilemmas.

First, in many cases, participation has not produced concrete results in terms of public policy, and when it has, these results are not obvious or appear in a very diluted form in the final product. Furthermore, in the majority of cases, the amount of resources organisations must invest is enormous compared to the results obtained. The dilemma, then, is whether or not to continue insisting on participation, demand improvements in the participatory mechanisms, or how much to invest and in order to get what.

On the political-ideological level, the dilemmas are more profound, as the experiences in integration promoted in recent years by governments close to popular movements have yielded results that, in practice, contradict several of the core assumptions of social organisations' vision on integration. This raises, therefore, doubts not only about these governments, but also on integration processes as viable processes for emancipation and social and environmental justice.

Exploring the last ten years of institutional participation of South American civil society in regional integration processes as well as the expectations of social organisations and movements regarding emancipatory regional processes, would help us understand the dilemmas that movements face as well as identify courses of action to deal with the challenges.

Institutional participation

There are many channels for civil society participation and advances have been made in this area in recent years. Of all the mechanisms now in place (see box below), only those for trade unions and businesses (FCES, CCLA, CCEA) were created in the 1990s. The rest emerged in the 2000s and are the result of the consolidation of a political vision anchored in convictions of people's right of participation in political life generated in the heat of the struggle against dictatorships and redemocratisation processes in the region. This vision is particularly strong in Brazil, Uruguay, Paraguay and Argentina in the post-neoliberal-conservative decade. In Bolivia and Venezuela, these mechanisms are a reflection of the arrival of popular sectors that had been historically excluded from their countries' democratic life in government.

Political changes that took place in the region during the first decade of the 21st century sought to deepen, through government action, changes that attempt not only to give an emancipatory political (and geopolitical) value to the regional integration processes, but also to make them more participatory, both through the creation of a new institutional framework – or the revitalization of the existing one – and with the explicit goal, in Mercosur's case for example, of creating a "Citizen's Mercosur"¹.

¹ The objective of the "We are Mercosur" program, created in 2005 and in which government sectors from the bloc's member countries participated, was to "involve citizens in the regional integration process by generating new spaces in which civil society and local governments could debate, formulate demands and participate in the decision-making processes" (our translation). <http://www.somosmercotur.net/seccion/somos-mercotur>

During this period, the Andean Community (CAN) created an Indigenous Council (2007) and Consumers and Afro-descendants Working Groups. In Mercosur, the “We are Mercosur” program was set up at the regional level and shortly after, the “Social and Participatory Mercosur”² program in Brazil. In Argentina, the Civil Society Advisory Council has been created. ALBA went much further by establishing the Social Movements Council of ALBA as an integral part of its organic structure. In the case of UNASUR, ever since its formal foundation in 2008, the founding treaty includes a specific article that mentions social participation as a constitutive element of the bloc, together with the notion of South American citizenship.

CAN	
<ul style="list-style-type: none"> • Andean Business Advisory Council – CCEA¹ • Andean Labour Advisory Council – CCLA² • Consultative Council of the Andean Indigenous Peoples –CCAPI³ • Andean Working Group on the Promotion and Protection of Consumer Rights • Working Group about the Rights of the Afro-Descendant Communities of the Andean Community 	
MERCOSUR	
Regional mechanisms <ul style="list-style-type: none"> • Economic and Social Advisory Forum – FCES • Mercosur Social Summits • Specialised meetings (social organisations participate unofficially) • Peoples’ Summits (autonomous, are not part of the official process) 	National mechanisms <ul style="list-style-type: none"> • Brazilian Council for a Social and Participatory Mercosur (Brazil)⁴ • Civil Society Advisory Council (Argentina)⁵
Bolivarian Alliance for the Peoples of Our America (ALBA-TCP)	
<ul style="list-style-type: none"> • Social Movements Council of ALBA-TCP⁶ • Social Movements of ALBA (autonomous)⁷ 	
UNASUR	
Still nonexistent, though present in Article 18 of the Constitutive Treaty (Treaty, Brasilia, May 2010 ⁸). Recently, at its VI Summit (Lima, December 2012), through Decision 7, UNASUR advanced politically towards the creation of a mechanism: Article 1. – Create a UNASUR Citizen Participation Forum and instruct the Council of Delegates to present in the first quarter of 2013 guidelines on its functioning, within the framework of Article 18 of the Constitutive Treaty and article 15 of UNASUR’s General Regulations on civil participation. ⁹	

Parallel to the process of institutionalising civil participation, social organisations that had been coordinating their actions to oppose free trade agreements, namely the Free Trade Area of the Americas (FTAA), were highly mobilised. Equipped with good channels of coordination, these groups saw the end of negotiations of the FTAA in November 2005 and the numerous electoral victories of candidates from popular sectors as signs of a definitive beginning of a new cycle – one that would be favourable to their aspirations for Latin American integration. These networks, organisations and movements autonomously held several “People’s summits” in parallel to Mercosur and Unasur summits³.

² Mercosul Social e Participativo: Construindo o Mercosul dos povos com democracia e cidadania. – Brasília: Ibraes, 2007: http://www.secretariageral.gov.br/arquivos/imagens-publicacoes/Livro_Mercosul_Social_Participativo.pdf

¹ Andean Business Advisory Council: <http://www.comunidadandina.org/en/seccion2.aspx?id=41&tipo=SA&title=andean-business-advisory-council>

² Andean labor Advisory Council: <http://www.comunidadandina.org/en/seccion2.aspx?id=37&tipo=SA&title=andean-labor-advisory-council>

³ Consultative Council of the Indigenous Peoples <http://www.comunidadandina.org/en/seccion2.aspx?id=45&tipo=SA&title=consultative-council-of-the-indigenous-peoples>

⁴ Programa Mercosul Social e Participativo. <http://www.secretariageral.gov.br/internacional/mercosul-social-e-participativo/conselho-brasileiro-do-mercosul-social-e-participativo>

⁵ Consejo Consultivo de la Sociedad Civil <http://ccsc.mrecic.gov.ar>

⁶ TCP stands for “Tratado de comercio de los pueblos” or “People’s Trade Agreement” in English. See: <http://www.alba-tcp.org/contenido/consejo-de-movimientos-sociales-0>

⁷ Articulación de Movimientos Sociales hacia el ALBA: <http://www.albamovimientos.org/>

⁸ <http://www.unasursg.org/uploads/f8/74/f874c8c194f76a8bbd9b2ca6f23a5af7/Tratado-constitutivo-UNASUR.pdf>

⁹ UNASUR/CJEG/DECISIÓN/N°7 /2012 <http://www.rree.gob.pe/politicaexterior/Documents/DECISION-7.pdf>

³ Six summits were held between 2006 and 2009 (Córdoba, Cochabamba, Montevideo, Misiones, Salvador da Bahia and Asunción)

ALBA is a special case, since the Social Movements of ALBA Council is a mechanism for internationalising the organized sectors of society that are the political bases of the most dynamic governments driving the integration process in the region. The first thing that should be mentioned is that one of the initial challenges it had to face, ever since its founding meeting in 2007⁴, was defining who its members would be. This is because the social and political mobilisation of ALBA's supporters was more organised on the international level than it was in the member countries⁵. This issue had to be worked on over the course of several meetings until the current configuration was reached: the Council is now composed only of organisations from countries that are members of the bloc⁶.

The move of many organisations towards institutional participation was not without contradictions. Some social organisations rejected the idea of participating in fora proposed by governments in order to avoid legitimising processes they were systematically opposed to. This attitude was expressed through a narrative that divided groups between organisations that engaged in lobbying and gave legitimacy to official spaces of participation – which included those who criticised from within – on one side, and those that mobilised on the outside to politically contest these processes, on the other.

This doubt came up repeatedly in the debate on the autonomy of social movements and organisations vis-a-vis governments – a debate that is ongoing even today. Far from being a mere formalism, it refers to contradictions within popular groups expressed in the following pairs:

Government-civil society: some governments that have their origins in social movements have redefined the concept of autonomy of social movements. In their view, autonomy is associated with movements that are not part of the government and therefore are in opposition to them. But also, social movements that, today, are part of government structures believe that if the movement is in government, and the government is from the movement, autonomy in itself does not have political meaning.

Support-criticism: autonomy as the ability to independently support or criticise given policies without this meaning adherence to or rejection of the government. In practice, it is understood that when a government is of popular origin, autonomy means being able to criticise without the criticisms being taken as political opposition to the overall project that the government represents. This is central to the idea of a social movement-organisation: representing the interests of a given constituency, if one wants to be loyal to that constituency, requires one to defend a broader national project and, at the same time, the specific “sectoral” interests of the sector.

Negotiation-cooptation: in the context of a structured political project that embraces many social and political sectors, negotiation, obtaining sectoral benefits and political support cannot be confused with offering sectoral benefits as a way of obtaining political support (cooptation). However, there is often a fine line between these practices and there may be multiple interpretations.

Civil society takes different paths of engagement with regional processes

The large majority of what is considered “organised civil society” in South America focussed on opposing the neoliberal policies of the 1990s, and, at the international level, were active in the different expressions of the “antiglobalisation” movement. In concrete terms, the movement resisted privatisations, indiscriminate

⁴ Declaración de Tintorero movimientos sociales del ALBA, abril de 2007. <http://www.alba-tcp.org/contenido/declaracion-tintorero-de-ms-del-alba>

⁵ “Recognizing the revolutionary leadership of the Alliance’s countries, the Social Movements Council of ALBA-TCP will be composed of two delegates and two alternates from each member country of the Alliance. It will meet in the framework of the ALBA Summits, convened by the Alliance’s Political Council and out of its own initiative, adopting resolutions via consensus and in coordination with the Alliance’s Political Council through mechanisms defined by common consent.” (our translation). Sucre Commitment. Social Movements of ALBA, Caracas, February 3, 2012 <http://www.alba-tcp.org/contenido/compromiso-sucre-movimientos-sociales-del-alba-tcp-03-de-febrero-de-2012>

⁶ For more details, see the speech Joao Pedro Stedile delivered during the recent ALBA Social Movements Assembly, held in Sao Paulo on May 17, 2013: <http://www.radiomundoreal.fm/6697-los-desafios-articulados?lang=es>

liberalisation, flexibilisation of labour rights, privatisation of life and care services and free investment and free trade agreements.

The political transformation of the region in the 2000s generated a new context in which “friendly” governments called upon the movements for new ideas in terms of alternatives. This new scenario demanded that the historical claims against neoliberal policies were translated in a proactive agenda, and adapted to public policy logic – something that few actors were prepared for.

Civil society actors choose different paths of engagement with regional processes, precisely because of reasons rooted in subtle differences in their political-ideological view of the new geopolitical situation.

One sector directed its efforts towards participating in all processes, including the most traditional ones, while the other was more actively involved in the ALBA process. Mercosur is one case that clearly illustrates this distinction, particularly among Brazilian social organisations that invested quite differently in this process. Many, in tune with the emphasis the Lula administration put on revitalising Mercosur and the participatory structure it created, adopted the strategy of giving continuity to the Peoples’ Summits – that is, emphasising the autonomy of social movements while, at the same time, accepting to participate in the new institutional framework (Social Summits, Economic and Social Advisory Forum, Social and Participatory Mercosur). This move was ultimately based on the belief that in the new context, Mercosur, which was once only a common “market”, now had the chance to go beyond that and become a space for building the “peoples’ integration”.

The other sector, however, was never convinced that this was the right path to take. Sceptical of both institutional mechanisms for participation and the process as a whole, it basically remained absent from mobilisations that promoted the idea of a renewed Mercosur. At the same time, it launched a process of building a regional network of support and solidarity with the ALBA process (called the “Social Movements of ALBA”). The network dialogues with several of the organisations on the Social Movements of ALBA Council, yet its development is not dependent on the Council’s dynamic⁷. The organisations that were most active in this process even got involved in running public policy programs funded by the ALBA governments and implemented in countries in the bloc⁸.

In relation to the Andean Community, the neoliberal reformulation of CAN in the 1990s (SAI⁹) was followed by a profound crisis triggered by Venezuela’s departure from the bloc and the institutional rupture produced by the free trade agreements signed by two of its members. Unlike groups in other regions, the Andean social organisations did not share enthusiasm for integration and, in relation to the CAN, they continued participating institutionally, but only in a bureaucratic way. The exception here is the indigenous communities, who were in the midst of an important process of recuperating their identity via diverse regional dynamics, which was stimulated by Evo Morales’ electoral victory in Bolivia and the structural changes he proposed. These groups found in the CAN an official meeting space for the first time.

The decline of social participation in regional integration processes

The cycle of effervescent activity between 2006 and 2010 was followed by a period of decline of social participation in political processes in general, and especially in regional integration processes. This period, started in recent years and continues up until today.

Even though there is no one “cause” that alone can explain the decline, we can identify several factors that feed one another and that are creating a new scenario in which social participation in spaces of regional integration has cooled off to a certain extent.

⁷ The Tintorero meeting was followed by a long period of negotiations until they were able to establish clear criteria for participation in the Council. They decided that only organisations from member countries could be members of the Council.

⁸ Programs focussing on agriculture implemented by MST leaders in Venezuela, the Latin American Institutes of Agroecology in Barinas, Venezuela and others in Ecuador, Guatemala and Brazil stand out. The “Latin American Institute of Agroecology” (IALA) is under the command of the Ministry of Popular Power for Higher Education, while Via Campesina Brasil and Via Campesina International are in charge of its curriculum and educational methods.” <http://prensarural.org/spip/spip.php?article2864>

⁹ SAI is the “Sistema Andino de Integración”, or the Andean integration System in English. <http://www.comunidadandina.org/Seccion.aspx?id=4&tipo=SA&title=sistema-andino-de-integracion-sai>

The decrease in vigour of regional process

The first factor that may explain this change has to do with the processes' vigour. The more dynamic the integration process is, the greater the interest and responses from civil society will be and the more the demand for institutional participation will grow. If this principle is correct, one can affirm that the processes' stagnation, caused by various factors (economic crisis in the cases of Mercosur and ALBA; political crisis in ALBA's case; institutional schism in the CAN), leads actors to lose interest, as they start to assess whether the effort to participate is worth it or not. Faced with this doubt, they resolve not to participate, or to participate in a "bureaucratic" way – that is, without mobilising or elaborating proposals, only "accompanying" the processes and other similar kinds of responses.

One reference that helps to understand this situation is the differences between the dynamics of the CAN, Mercosur and UNASUR. Of these three processes, UNASUR is the most dynamic one. Even though it has not advanced quickly and has experienced some institutional impasses, it still retains the attention of social organisations that are faced here with another challenge: that of turning what has been established in the founding treaty into reality. The novelty that UNASUR represents for the region in terms of its political and economic dimensions stimulates the interest of social sectors that defend the ideal of regional emancipation.

Technical-bureaucratic complexity

Another hypothesis suggests that participation in decisions on public policies is often so complex and technical that it discourages groups that do not have the human or material resources needed to develop a qualified position from taking part. One dimension linked to this associates this discouragement with the bureaucratic pace of the processes, either because they are slow or too complex, or not transparent enough for participation to be effective.

Scarcity of resources

As for the issue of the material resources needed to support civil society's participation, the debate here is also ongoing. Some governments have shown some sensitivity to this point, which has been raised many times by social organisations. The experiences of the Mercosur Social Summits, the Social and Participatory Mercosur program and a few other specific cases where the State offers infrastructure and some services are responses to this concern. However, in recent years, the region has been confronted with changes to the issues and priorities, flows and volume of international cooperation. This has affected many organisations (trade unions, NGOs and social movements) that are now having difficulty covering the costs of their participation. The free trade agenda – which is the cooperation agenda that naturally converged with that of integration – has been practically eliminated from the priorities of cooperation organisations from the North. Those linked to trade union cooperation, for example, were severely affected by the crisis – especially in Spain. In many cases, due to the interruption of historical relations of cooperation, social participation has become unsustainable.

The current scenario is characterised by a "new style" of civil society intervention in regional processes. It denotes a decrease in the level of participation, without, however, meaning complete withdrawal. Some characteristics that shape this new type of engagement include:

- Maintaining political expectations regarding UNASUR – UNASUR is still very much present in the discourse of social actors, however, this has not translated into direct involvement in the process. It is thus more a question of social forces voicing certain political positions than actual practical engagement with the South American institutional framework.
- Scepticism on the speed of the changes.
- Reformulation of discourse in relation to Brazil: social sectors ventured to reformulate their discourse on Brazil's presence in the region – either in terms of its political leadership or the policies it adopts to support the expansion of Brazilian capital. In the new narrative, Brazil is described as a "sub-imperialist" country and as a result, the idea of South American fraternity has been eroded.

- Scepticism on governments' intentions to search for alternative regional integration mechanisms, which has been reinforced mainly by the slow pace of advances on proposals in the area of finance.
- Disappointment with national responses to the global crisis or regional responses that never got off the ground.
- Debate on extractivism/developmentalism versus sustainability in the context of regional integration. Mega-projects, infrastructure for extractive industries and the IIRSA.
- Stagnation of proposals on the integration of productive processes (development of complementary productive chains versus competition between countries)
- Voluntarism versus administrative inefficiency.

Today, social actors perception of current regional process can be characterised by: disillusionment with the integration project's real potential for change; disappointment with the governments' lack of will or capacity to implement this agenda – especially in the context of the crisis; and finally, the realisation that organisations and movements' own inability to pressure for change is weak, which is due to either the decrease in the level of mobilisation in the region or their relationships with these governments.

Facing the challenges

Without a doubt organised civil society in Latin America faces serious challenges to their involvement in regional integration processes. There are, however, possible responses to the current dilemmas.

With regards to institutional participation, we are currently at a turning point. New experiments in participatory engineering will be developed over the next few years. The rate at which this will happen, however, will depend on the pace that regional integration processes adopt. UNASUR might serve as a test case. Even though it continues to have a relatively high level of “vigour” as a political proposal, institutionally speaking, it does not operate at the same speed. As a result, many of the promises – including the ones to create councils, organs, etc. – come up against several organisational obstacles that slow the implementation process down considerably.

Similarly, the international economic crisis and the various ways it is affecting South American countries and retarding the integration process will also slow the rate at which possible changes to civil society participation's in regional institutions may occur. This is not only due to the dynamics within and between governments, but also because the presence of/pressure from social organisations is diminishing as well.

There are, however, clear signs of renewal in this area. In Brazil, for example, the discussion on civil society participation after nine years of the Lula/Dilma administration is advancing on a new path in which the government and civil society's experiences are leading to a new convergence towards a more participatory model than the one referred to as the democratisation of the decision-making process on Brazil's foreign policy. This structural reorganisation could lead to new paradigms on participation in this area, which is always analysed from the perspective of the countries' national interests.

On the political-ideological expectations level, the evolution of the debate will depend on the political progress of the region in general. As long as governments originating in popular sectors remain in power, the debate will ensue in the same contradictory way it has until now, with groups adopting positions of varying levels of support according to the issue in question, without, however, organising mobilisations or developing political-ideological formulations in opposition to the governments themselves. Organised civil society will continue to be in favour of integration based on the vision of the emancipation of the peoples, contrary to what happens in Europe where the word “integration” is clearly associated to the integration of capital – the Europe of Capital.

If the political winds in the region shift – though nothing indicates that they will over the next two to three years – there will be a return to the dynamics of political confrontation, which will most likely include the organisation of actions on some of the issues mentioned above: against “extractivism”, the integration of capital and major infrastructure projects, and in defence of the environment. These issues are already present, but not in the form of political opposition to regional integration.

Regional movements in Europe: strategies, challenges and achievements

SOL TRUMBO

The crisis happening in Europe today has shown the failure of the European Union (EU) process of integration.

This process has been marked by a lack of democracy, effectively highlighted in a remark by the president of the European Central Bank (ECB), Mario Draghi: “The monetary union needs from all the countries the willingness to be subject to a discipline that cannot be changed by any government whatsoever...”¹.

Before the present crisis, resistance to the integration process had been expressed only at national levels, and European social movements had coordinated their campaigns only for specific goals such as campaigns on free trade agreements² and water privatisation³. A strong coordinated effort to build an alternative regionalism had still been absent.

Popular resistance has been pushed to rise to a European level as a consequence of policies imposed by the Troika, composed by The European Commission, the European Central Bank and the International Monetary Fund. Social movements have had to begin a process of convergence, and alternatives to the current regional model have had to be considered. At this point, some of the proposals contradict each other and several crucial debates remain unresolved. The success of new forms of direct action is orienting these processes.

European integration has exacerbated the consequences of the crisis

EU institutions played a big role in managing the regional financial crisis.

In 2008 the European Commission (EC) opted to bail out the finance sector⁴, but the decision failed to turn the economy and even created enormous public deficits⁵. Together with the internal imbalances of the Euro area, this move led to an unsustainable situation in the peripheral countries⁶.

Thereafter the Troika tied its aid to the implementation of so-called “austerity measures.” This was a fatal repeat of the neoliberal shock doctrine imposed on the global south in the 1980s and 1990s⁷ despite the failure of these policies to restore the economy⁸.

¹ Introductory statement to the press conference. European Central Bank. Frankfurt 8/03/2012. <http://www.ecb.int/press/press-conf/2012/html/is120308.en.html>

² <http://www.fta-eu-latinamerica.org/>

³ <http://europeanwater.org/>

⁴ The European Commission actively promoted rescue packages to safeguard the finance sector. 25.10.2008. European Commission. OJ C 270, “The application of State aid rules to measures taken in relation to financial institutions in the context of the current global financial crisis”.

⁵ In 2009 GDP contracted in the EU by 4.4% in 2009. European government deficits rose from 0.9% in 2007 to 6.9% in 2009. Eurostat.

⁶ The process of integration, based on a shared currency and common monetary policy between countries with very different levels of competitiveness, exacerbated the differences between the core and the periphery. Evans, Trevor. 15-2-2012. <http://www.tni.org/article/different-kind-europe>

⁷ Cutback of public services and privatization of common goods to reduce public debt and restore the confidence of the “markets”; decrease in wages and “flexibilization” of the labour force to restore competitiveness and bring back exports and ultimately trade surplus and economic growth.

⁸ The GDP of Greece, the country that has suffered the harshest austerity measures, has shrank by more than 6% in 2011 and 2012 each year. International Monetary Fund. World Economic Outlook database. <http://www.imf.org/external/data.htm>

EC⁹ and European Council¹⁰ proposals for overcoming the current economic crisis are institutionalizing the same neoliberal recipes: automatic sanctions from Brussels on countries with high levels of public debt that would force them towards further austerity, and the creation of a non-democratic body with the power to bail out any bank in the Euro zone.

This framework perpetuates the existing EU architecture¹¹.

New social movements are emerging in Europe

These austerity policies were met with fierce popular resistance, which merged with the earlier resistance against the European integration process. Setbacks to the integration process have shown how democracy does not have to be compatible with the EU agenda.

The best example is how the EU dealt with the French and Dutch “No” to the European Constitution in 2005. After that democratic obstruction, the EU designed the Lisbon Treaty¹² to be approved without national referendums. Similar blockades to EU plans have been rolled back by threatening corporate media campaigns in Ireland¹³ and Greece¹⁴. Opposition to European integration has been given new life by the popular resistance to the Troika-imposed austerity.

Nevertheless, the varying economic structures across Europe, especially between the North, South and East, are resulting in varying levels of perception and are making the configuration of a common response and alternative much more difficult.

As the most organized social movement in Europe, trade unions were the first to show resistance. The formats of their protest were mainly national, the tactics used already tested, and the interlocutors well known. Trade unions mobilized an unprecedented number of marches and general strikes¹⁵. Traditional forms of protests rose to European levels – in September 2010 the European Trade Union Confederation mobilized 100.000 members from 30 European countries to go to Brussels. However, their effect in stopping austerity was barely felt. They failed to influence political debate or the EU agenda. Neither did they receive significant media attention.¹⁶

On the other hand, new forms of resistance in South Europe inspired by the Arab Spring were very effective in questioning the dominant discourse about the inevitability of austerity. Following the Egyptian tactic of camping in Tahrir square, Spanish *Indignados* camped in 60 cities all over Spain in May 2011. Informed through the new technologies, Greek activists followed. Then the Occupy Wall Street movement exploded in the US.

⁹ European Commission Work Program 2013. October 23, 2012. http://ec.europa.eu/atwork/pdf/cwp2013_en.pdf

¹⁰ European Council. December 5, 2012. http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/134069.pdf

¹¹ Outlined in the Maastricht Treaty and developed through the already approved 'Six pack', 'Two pack' and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG).

¹² Which included the same economic governance framework included in the European Constitution.

¹³ According to Irish law the constitution has to be amended each time a Treaty of the European Union is amended. For this reason Ireland was the only country that celebrated a referendum to approve the Lisbon Treaty. A massive media campaign warned on how Ireland would not receive any support to fix its damaged economy. In the second referendum the re-indoctrinated Irish population voted "Yes".

¹⁴ In the general elections of 2012 the left-wing Syriza was the only party advocating for the revocation of all austerity measures and legislation forced by the Troika and a moratorium on serving the debt until the economy would recover. The massive corporate media campaign against Syriza reached the point that the German edition of Financial Times published an article in Greek stating that Syriza would lead to Greece to catastrophe: <http://www.ftd.de/politik/europa/:wahlempfehlung-antistattheite-sto-dimagogo-widersteht-den-demagogen/70050480.html> 14.06.2012 Finally Syriza lose the election for a small margin.

¹⁵ Only in 2011 there were 11 general strikes in Greece. Several general strikes have been organized in Spain and Portugal as well. Other trade unions mobilizations occurred in France, Italy, the UK and others since late 2009.

¹⁶ Mario Pianta and Paolo Gerbaudo. 30 March 2012. “European alternatives: trajectories of mobilisation responding to Europe’s crisis”. <http://www.opendemocracy.net/mario-pianta-paolo-gerbaudo/european-alternatives-trajectories-of-mobilisation-responding-to-europe%E2%80%99>

This reclamation of public space created a new layer of self-organized citizens that are currently responsible for the most effective resistances against austerity¹⁷. New forms of action, such as the blockage of the European Central Bank to denounce the role of finance institutions in the crisis¹⁸, being violently repressed by the establishment, have shown to the general public the interests being defended, and how regularly democracy is incompatible with corporate interests.

The international dimension of these actions has been another essential component of their impact. In the Global Action Days of October 2011¹⁹, May 2012²⁰ and October 2012²¹, hundreds of protests all over the world coordinated their days of action and political claims²². This approach has been highly effective in attracting media attention and in forcing the political class to re-position its discourse and its agenda.

Another important feature of the new social movements has been their direct criticism on the highly-institutionalized trade unions as being obstacles in ending the status quo. In relation to this, although it is gradually being achieved, the new social movements have lacked specific political demands to connect with the sectors of society that oppose austerity but disagree with anti-capitalist or anti-EU discourses.

Building a pan-european movement

Trade unions and civil society organisations – protagonists of the alternative globalisation movement in the 2000s – had an important role in enabling the creation of new spaces for discussion among social actors. Through the framework of the European Social Forums (ESF), these networks were also the first contributors to the discussion about alternative regionalisms in Europe²³.

Because of their common experience in the ESF, sections of civil society organisations and trade unions were the first to give serious consideration to the need for a European convergence of resistances. They started a dialogue that allowed the trade unions to timidly accept that they are no longer the sole social interlocutors, and in turn, for civil society organisations to realise they needed structures that can effectively mobilize the population.

After several years of dialogue, the Joint Social Conference (JSC)²⁴, celebrated in Brussels in March 2012, crystallised this alliance. It also paved the ground towards an Alternative Summit of Social Movements²⁵, that would seek to create a common political front against the Troika with the necessary cross-border component.

A critical milestone in the process of European convergence among civil society organisations, new social movements (such as the Spanish *Indignados*) and trade unions happened in Firenze in November 2012²⁶. For the first time, participants of the new social movements held a dialogue with other social actors²⁷.

Firenze 10+10 was a success for four reasons: the Alter Summit process was officially launched with broad support; the first transnational strike organized by the trade unions on the 14th of November 2012

¹⁷ In Spain for instance stopping evictions, blocking the parliament, occupying banks and coordinating self-sustained communities. <http://tomalaplaza.net/>

¹⁸ Following the call from German activists, thousands of European activists blocked the finance district in Frankfurt for several days in May 2012. <http://blockupy-frankfurt.org/>

¹⁹ <http://15october.net/>

²⁰ <http://www.democraciarealya.es/blog/2012/05/02/12m15m-mapa-de-convocatorias/>

²¹ <http://www.thenation.com/blog/170560/global-noise-worldwide-debt-protests>

²² The only precedent is the demonstrations against the Irak war in 2003, which however did not create a continuous international movement.

²³ The first serious effort to come up with an alternative regionalism in Europe was a consequence of the NO to the European Constitution. The “Project for a Charter of Principles for Another Europe” included the work for two years of many ESF networks. Already at that time several topics evidenced the difficulty to reach a consensus among European movements: the secularity of the State and the school, the minorities, and specially the debate about reform or refusal of the existent European institutions. http://www.europe4all.org/english/presentation_content/about.php

²⁴ <http://www.jointsocialconference.eu/>

²⁵ The Alternative Summit (Alter Summit) took place in Athens in June 2013. <http://www.altersummit.eu/>

²⁶ <http://www.firenze1010.eu/>

²⁷ Previously they have had their own convergence in the forum Agora99 in Madrid. <http://99agora.net/>

received the support of other social movements; it witnessed the consolidation of the European Progressive Economists Network²⁸ – which grouped together several progressive policy proposals and which might be considered as one of the most comprehensive plans for an alternative EU; and it saw the formulation of a final declaration that included a call for European Action addressing the EU neoliberal agenda and targeting the oncoming EU Spring Summit²⁹.

The Alter Summit, held in June 2013, was the latest milestone in the process of pan-European convergence. It brought together thousands of activists and leaders of social movements and trade unions from all over Europe. It can be considered a crucial step forward in the building stronger convergence among movements opposed to current undemocratic, anti-social and anti-ecological policies promoted by European governments and institutions.

It is highly symbolic that Alter Summit was held in Greece, the country that has served as the laboratory of the destructive austerity and so-called competitiveness policies of the European Union.

Susan George clearly captured what the Alter Summit might mean for the formation of a new pan-European movement: “For me the Alter Summit is something which is completely new in European history (...) (It) is a coming together, a convergence of movements from all over Europe – so there are trade unions, social movements, ecologists, feminists and people from many, many different struggles”³⁰.

Unresolved debates on alternative regionalism

Among Europe’s social actors, an EU model of integration have substantially varied demands. The main variants can be classified as follows:

Trade unions formulate all their demands in relation to social and labour rights, insisting, for instance, in having labour laws within the EU harmonised, or having specific policies to tackle youth unemployment and more “social investments”³¹. They also carry the claims for a financial transaction tax, always within the EU framework.

On the other hand, the European Progressive Economist network, which might be seen as representative of the main civil society organisations working on economic policy, calls for: an end to austerity, fiscal and labour policy harmonization, ECB as a lender of last resort and assessment of the debt through a public audit, tight regulation of the finance sector, reduction of ecological footprint, promotion of new ways of producing and consuming, and expansion of democracy through the reform of the European Union³².

The lack of democracy in Europe is a key issue addressed by other relevant European networks such the Permanent Forum of Civil Society³³ and European Alternatives³⁴.

Still other networks and social movements regard these alternatives as reformist and insufficient. A debate about leaving the Euro and the European Union is very much alive among several radical organisations, especially in Greece and Spain. Some civil society organisations see the importance of the debt issue, but other groups see it as a controversial issue. Nevertheless nonpayment of debt, or at least the organisation of citizen’s audits to reveal illegitimate debts, has growing support. This proves again the importance of imaginative forms of direct action³⁵.

²⁸ It includes the most active civil society networks on economic policy issues such as Euromemorandum, Economistes Atterrés from France, Sbilanciamoci! from Italy and Another Road for Europe among others.

²⁹ <http://www.foraeuropeanspring.org/>

³⁰ <http://www.tni.org/inthedia/road-alter-summit>

³¹ European Trade Union Confederation <http://www.etuc.org/>

³² <http://revolting-europe.com/2012/11/12/new-network-of-economists-launches-european-rescue-plan/>

³³ <http://en.forum-civil-society.org/>

³⁴ It launched for 2013 a “year-long and bottom-up process demanding a radically democratic Europe and responding to the Fiscal Pact with the development a citizen-led Citizen Pact”.

<http://www.euroalter.com/ppp/events/3956/>

³⁵ The campaign, “We don’t owe, we won’t pay” organized by the International Citizens Audit Network (ICAN) counts with members in 10 European countries plus Tunisia and Egypt. The new social movements are in line with these proposals – In Agora 99 forum the issue of the debt was one of the central topics.

Two claims are shared by all social actors, from the reformist to the most radical: rejection of austerity and – very important – imposition of a financial transaction tax. The latter could determine the model of European integration and might influence other regions of the world. Although its approval is still remote, the power of a common demand is shown by the fact that the EC is discussing its implementation³⁶.

Conclusions

The economic crisis in Europe is boosting the articulation of different regional movements and is leading to the emergence of new movements. However, the lack of a political arena at the European level, where grassroots movements, civil society organisations and trade unions could share their views and discuss common actions, complicated the possibility to establish a necessary dialogue between trade unions and the new social movements in order to overcome mutual distrust.

The crisis has highlighted the necessity of such spaces.

Trade unions had important problems in articulating their actions in relation to European regionalism. The new social movements have an international dimension, but they have different levels of organisational capacity across Europe's subregions, forcing some to rely frequently on spontaneous campaigns and actions. Furthermore, they face a rising criminalization of their activities.

European convergence is developing, marked by intricate debate over whether the current EU should be reformed or a completely new regional process and architecture created from the bottom-up. Along this process, the success of direct actions such as the occupation of public spaces, citizens' audits on the debt and campaigns to defend public water services, is leading to the creation of common discourses at the European level.

The elaboration of new forms of action, where the broad range of social actors and movements would feel comfortable and the general public would consider justifiable, is the main challenge and opportunity towards the characterisation of an alternative regionalism in Europe.

³⁶ European Commission. Taxation of the financial sector. 21/02/2013 http://ec.europa.eu/taxation_customs/taxation/other_taxes/financial_sector/index_en.htm

Regional governance of migration: ASEAN's conundrum and spaces for civil society intervention¹

JENINA JOY CHAVEZ

The signing of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers in January 2007 was considered a milestone for regional association. However, it remains a puzzle why, after such an advance, ASEAN seems unable to move further. It took two years before the ASEAN Committee on Migrant Workers was constituted and a draft of the ASEAN Regional Framework Instrument on the Protection and Promotion of Migrant Workers was introduced. Negotiation on the Instrument has taken more than four years, one of the longest for ASEAN.

Regional policy trumped by deep sensitivities

Migration as a sensitive issue

Earlier actions by ASEAN on migration treat the issue as a law enforcement and security problem. Heavy emphasis has been placed on undocumented migrants and trafficking, which, while important issues in themselves, tend to focus on the negative side of migration. Recently, global concern about terrorism puts even heavier burden on migration.

Not surprisingly, ASEAN's record on ILO conventions relevant to migrant workers is quite poor. Only four (five, if observer Timor Leste is included) Member States have ratified or signed C-97 (Migration for Employment), C-143 (Migrant Workers, Supplementary Provisions), and the International Convention on the Rights of Migrant Workers and Members of their Families. The recent Domestic Workers Convention is important as a big chunk of intra-ASEAN migrants are domestic workers.

Further, in ASEAN, "domestic issues trump everything"². With easily half of its Members deal with internal conflict and self-determination issues, discussions about residency, citizenship and benefits are always laden with domestic considerations.

Absent a regional instrument, ASEAN Members have resorted to bilateral labour agreements (BLAs) and memoranda of understanding (MOUs). It is difficult to assess the effectiveness of BLAs and MOUs as documents are usually not made public, and there is not central repository for these documents. Some analysts, though, are sceptical about the usefulness of BLAs and MOUs. Aside from wide variations in coverage of BLAs/MOUs, available data obtained would show that most focus on recruitment procedures and the regulations of migration flows. Mechanisms for worker welfare and protection are often weak, as are monitoring and enforcement mechanisms³.

¹ A longer version of this paper, "Regional Migration Governance in ASEAN: Lobbying ASEAN for Migrant Rights", was presented at the *Regional Governance of Migration and Socio-Political Rights: Institutions, Actors and Processes*, 14-15 January 2013, Geneva. Aya Fabros contributed to the conference paper.

² Interview with Dr. Charles Santiago, Malaysian MP, November 27, 2012, Quezon City, Philippines.

³ Stella Go (2007). "Asian Labor Migration: The Role of Bilateral Labor and Similar Agreements", paper presented at the Regional Informal Workshop on Labor Migration in Southeast Asia: What Role for Parliaments, 21-23 September 2007, Manila, Philippines;

The sticky issues in the discussion of the ASEAN Instrument include: the inclusion of undocumented workers; the inclusion of families of migrant workers; and, the legal character of the instrument.

ASEAN Member States Ratification of ILO Conventions Relevant to Migrant Workers

STATE	C-97	C-143	ICRMW 1990 Convention		C-189 Domestic Workers Convention, 2011
			Ratification or Accession	Signature 1990 Convention	
Brunei	x	x	x	x	x
Cambodia	x	x	x	27 Sept. 2004	x
Indonesia	x	x	31 May 2012	22 Sept. 2004	x
Lao PDR	x	x	x	x	x
Myanmar	x	x	x	x	x
Malaysia (Sabah)	03 Mar. 1964	x	x	x	x
Philippines	21 Apr. 2009	14 Sept. 2006	05 July 1995	15 Nov. 1993	05 Sept. 2012
Singapore	x	x	x	x	x
Thailand	x	x	x	x	x
Vietnam	x	x	x	x	x
Timor Leste (ASEAN Observer)	x	x	30 Jan. 2004 (a)	x	x

Source: Processed from information from ILO – International Labor Organization: <http://www.ilo.org/>

Notes:

C-97: ILO Migration for Employment Convention (Revised), 1949

C-143: ILO Migrant Workers (Supplementary Provisions) Convention, 1975

ICRMW: International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, 1990

C-189: ILO Convention on Decent Work for Domestic Workers

Labour as a sensitive issue

Even without migrants in the mix, the issue of labour is already contentious within ASEAN. Perhaps as a reflection of this, the newly signed ASEAN Human Rights Declaration even “fails to include several key basic rights and fundamental freedoms, including the right to freedom of association”⁴.

ASEAN has negotiated and approved several mutual recognition arrangements, however, in the skilled profession like nursing and engineering. In November 2012, it also signed the Agreement on the Movement of Natural Persons which covers business visitors, intra-corporate transferees, contractual service suppliers, and other skilled labour.

Except in the manner discussed under migration concerns, there has been little room for discussion of low-skilled labour within ASEAN.

On the part of civil society, while migrant workers have been covered in some trade union advocacy, there has been no support for undocumented workers⁵. And while other unions now realize the need to coordinate across the region, they find ASEAN “hard to understand” and “hardly inspiring”⁶.

Tess Bacalla (2012). “ASEAN locks horns on migrant workers’ rights”. *Malaya*, 11 September 2012.

⁴ “Civil Society Denounces Adoption of Flawed ASEAN Human Rights Declaration: AHRD falls far below international standards”, Submission by 55 national and regional organizations to ASEAN (19 November 2012)

⁵ Charles Santiago, Interview

⁶ Interview with Mr. Josua Mata, Secretary General of Alliance of Progressive Labor, December 3, 2012, Quezon City, Philippines.

Windows of opportunity

While a prospective regional governance of migration will always be hounded by sensitive issues, there are several windows of opportunity that proponents can utilize for its advance.

Spaces for Civil Society Advocacy in ASEAN

The ASEAN Charter, which entered into force in December 2007, codifies the terms long held by the regional body, but also opens up certain spaces for people's participation. However, the possibility of actually engaging ASEAN within its formal structure is complicated and governed by diplomatic protocol. Some ASEAN bodies are more open, or in any case provide a wider opening for citizen's access, than others.

There had been interfaces between ASEAN Leaders and non-state actors. The engagement with the business sector is more established, with the ASEAN Business Advisory Council given time to interact with the Heads of State every Summit. Since 2005, a limited interface with civil society was started. Unfortunately, subsequent interfaces were contentious, with Member States appointing their representatives, instead of leaving the choice to a civil society-led process, which led to instances of walkout by some civil society representatives.

ASEAN bodies are closely linked to the national political and bureaucratic structures of Member States, thereby privileging engagement related to national-level advocacy or lobbying related to or recognized by national ministries or agencies, especially for Members that have relatively longer history of engagement with civil society.

At present, lobbying for a regional instrument finds biggest space in the two recognized human rights bodies – the ASEAN Intergovernmental Commission on Human Rights (AICHR) and the ASEAN Commission on Women and Children (ACWC). Because they have their own terms of references, and they have been constituted specifically as regional commissions, they are open to broader regional engagements, and have been targets of advocacy and lobbying even by groups not based in the region. In terms of practice, the AICHR seems bogged down by political exigencies, human rights being a major sensitive concern in ASEAN. A couple of Member States open up the process for the selection of their Commissioners, but the rest appoint from a narrow set of Foreign Affairs-savvy choices. In contrast, given the nature of its mandate, the ACWC's members have stronger links to women and child work, and often have more experience with civil society lobby. The AICHR has just concluded the drafting of the ASEAN Human Rights Declaration (AHRD), which it accompanied with a series of national and regional consultations. It also received written submissions and position papers from different stakeholders. However, no official draft of the AHRD was circulated as basis of any of the public consultations, until the last stages of national consultations and only in the Philippines. The ACWC, on the other hand, is seen as a friendly commission, but its powers and functions have been put to question by the AICHR who wants it classified as its sub-commission. Still, many groups would train their attention on the ACWC, making specific submissions on for e.g. the gender dimensions of migration.

The ASEAN Socio-Cultural Community Blueprint sets out the strategic objective for the protection and promotion of the rights of migrant workers for 2009-2015. The blueprint also specifies the work for the ASEAN Committee on Migrant Workers, although as expected it covers broad areas, and does not cover the contentious issues that has stalled the work of the ACMW mentioned earlier. Nevertheless, the blueprint contains specific targets and aspirations, and has clear lines to the Senior Labor Officials' Meeting which gives it the necessary functional mandate.

Transnational Civil Society Networking and Activism

More than the spaces, actual and potential, it is the presence of a vibrant civil society that offers the bigger window of opportunity for the push for a regional governance framework on migration in ASEAN. Significantly, it is a civil society that operates at different levels – national, international, and increasingly in the last seven years, regional.

The international engagements of civil society have a long history, playing a crucial role in key initiatives that are milestones in terms of recognition of rights. Advocacies on women, sustainable development and the environment, indigenous peoples and the right to self-determination, the newer recognized rights to water and sanitation and to food, and campaigns on specific ILO conventions, among many others, have benefited from an activist civil society that keep pushing the boundaries of universal norms. CSOs based in the ASEAN subregion are definitely among the most active in some of these advocacies.

Quite interestingly, the regional focus of advocacy has not been sharpened until the turn of the 21st century. ASEAN as an association and as a subregion has been largely left out in the menu of targets for most CSOs. It is thanks to ASEAN's own dreams of a bigger space in the regional and world stage, and the many complications they bring, that civil society has slowly taken interest in its affairs. From the first ASEAN People's Assembly in Batam in 2000, to the first ASEAN Civil Society Conference in 2005, and the ASEAN Peoples' Forum in 2009, several platforms have been occupied by civil society to tackle ASEAN concerns.

Added to the keener regional focus, CSOs have also banded together to address the basic framework of ASEAN itself, clamouring for a rights-based approach and away from the restrictive ASEAN Way. Hence, the emergence of the Solidarity for Asian People's Advocacy, specifically the Working on ASEAN that has various Task Forces under it – TF-ASEAN Human Rights, TF-ASEAN Migrant Workers, TF-ASEAN Freedom of Information. These coming together provide the opportunity for different CSOs to pool energies and expertise, and be able to respond to ASEAN's many agenda. The objective is to have ASEAN commit to universal norms via regional instruments – e.g. on the protection on migrant workers, on freedom of information, and on human rights. Thus, these groups have engaged various ASEAN initiatives around these issues, in the process creating public awareness, and widening the spaces for people's participation. This includes organizing consultation processes around key projects like the ASEAN Human Rights Declaration and the ASEAN Instrument on the Protection of Migrant Workers, among national and subregional CSOs; and have lobbied hard and paved the way for some official national consultations on these instruments.

There are civil society efforts to network with others sectors around issues of common concern. The formation of the caucus of ASEAN (changed in late 2012 to Asian) Parliamentarians for Migrant Rights is a response to the lack of specialized focus on migration by the ASEAN Inter-Parliamentary Assembly (AIPA), and a recognition of the role of national champions in pushing for crucial reforms. It is also an attempt to “improve cooperation between Parliamentarians and Stakeholders (civil society organizations, trade unions, migrant workers' representatives, and private sector)” by providing “a space for regular interface.” Experiences of other Parliamentarians' caucuses (the ones on human rights and on Myanmar are top examples) show that the combination of CSO campaigning and vocal support from national legislators increases the profile of regional advocacies.

In the last half-decade, official and CSO activity in ASEAN has also invited greater interest from other CSOs based outside of the region to apply additional pressure on ASEAN.

Growing interest in and openness to regional mechanisms

Recently, there had been signs that ASEAN as a whole is getting used to the idea of regional mechanisms, and some members are even starting to show gumption in challenging ASEAN's old ways of doing things.

In November 2012, Philippine President Benigno Simeon Aquino called out Cambodia as ASEAN Chair on the issue of supposed consensus on the conflict in the South China Seas. If anything at all, it was a first in any ASEAN Summit or gathering, for a Member to challenge another (and the Chair at that) in open meeting. The lack of progress in the Brunei-Malaysia Labour MOU has been reported to be due to Brunei's encouragement to use the diplomatic channels of ASEAN, instead of a bilateral agreement, to resolve problems.

On the part of civil society, which until recently has been quite suspicious of ASEAN initiatives, the utilization or engagement of regional mechanisms, the AICHR and ACWC particularly, has been quite encouraging.

Ways forward

Three years since its establishment, the AICHR completed work on the ASEAN Human Rights Declaration which Heads of State signed in November 2012. Considering the difficulty of binding ASEAN to anything, the Declaration is a milestone for the organization hailed by the international community. Unfortunately, among the most invested in its drafting, CSOs were highly critical of the AHRD, which they say “undermines, rather than affirms, international human rights law and standards” and is tantamount to “a lower level of protection of...human rights than the rest of the world”. The document is seen more as “a declaration of government powers”, where “the enjoyment of rights is made subject to national laws, instead of requiring that the laws be consistent with the rights”⁷. The Heads of State tried to salvage the situation by adding to their statement that they reaffirm commitment to the Universal Declaration of Human Rights and other human rights instruments in the implementation of the ASEAN Human Rights Declaration, without touching the actual AHRD.

This puts ASEAN in yet another complicated situation. And makes the target for CSO lobbying even clearer. Earlier it's been discussed that very few ASEAN Member States signed on to international conventions relevant to migrant workers. The UDHR-AHRD link is murky enough; there is an even bigger challenge when it comes to the recognition of migrant workers' rights. To this end, the logical campaign would be for the ratification of these conventions, so there's an over-arching framework that binds ASEAN to universal norms.

For the most part, migrants' rights advocacy has been of the “fire fighting and anti-exploitation” type, or responding to problems that arise out of the massive movement of migrant workers within the sub-region.

Migration brings with it specific concerns that need to be addressed, but there might be new ways of framing the issues that will minimize the dichotomies between migrant and national workers, as well as migrants and nationals generally.

One set of reforms towards this would be the integration of migrants' rights with labour rights. A regional minimum wage structure and portable social security are but two proposals that have been forwarded⁸.

Another set of reforms pertain to even more political rights and freedoms – freedom of movement, right of abode, and citizenship. Residency and right of abode regulations, particularly in Asia, have generally been restrictive, with limited inroads given to those who can show proof of economic standing (e.g. minimum amount brought into the country, strong position in the workplace). While countries are within their prerogative to impose entry and stay regulations, the disparate treatments according to economic means necessarily marginalizes majority of migrant workers and members of their families. The history of labour migration in East and the richer Southeast Asian countries show that the economic benefit derived from blue-collar migrants goes beyond their own standing. Easing of labour scarcity and ensuring that important economic activities continue, including domestic and care work, deserves bigger acknowledgement. Recent developments (Hong Kong, involving two Filipina domestic workers) may yet show some openings for broader advocacy on this.

Great strides have been made in the integration of migrants' perspectives in trade union advocacy and vice versa. But the official reception of such advocacy has been weak, saddled as the Governments are with diplomatic and political considerations.

In an increasingly globalized world, the movement of people has been more restricted than the movement of goods and capital. A broader view would address this gap. This remains a big challenge for ASEAN.

⁷ “Civil Society Denounces Adoption of Flawed ASEAN Human Rights Declaration: AHRD falls far below international standards”, Submission by 55 national and regional organizations to ASEAN (19 November 2012)

⁸ Jenina Joy Chavez (2007) ‘Social Policy in ASEAN: The Prospects for Integrating Migrant Labour Rights and Protection’, *Global Social Policy* 7(3): 356–76. Available online: <http://dx.doi.org/10.1177/1468018107082239> ; Andy Hall (2011). *Migrant Workers' Rights to Social Protection in ASEAN: Case Studies of Indonesia, Philippines, Singapore and Thailand* (Las Piñas: FES)

People's struggles and aspirations for regional integration in Southern Africa

BRIAN ASHLEY

The developmental origins of regional integration in Southern Africa

The issue of regional integration has a long history in Africa and especially as part of the struggle against colonialism. For many leading activists of the national liberation movements, from Ghana's Nkrumah, to African leaders such as Sankara, Cabral, Machel and many others, there was a rejection of the colonial boundaries that divided Africa into more than 50 different state entities. They promoted the vision of Pan-Africanism and a United States of Africa.

The Southern African Development Community (SADC) came into existence as a block of "Frontline states" to deal with the threat posed by Apartheid to the region. From its inception, SADC was political in character. Its predecessor, the Southern African Development Coordination Conference (SADCC), was established in 1980 with the objective of reducing the economic dependence of the region on South Africa, promoting equitable regional integration, generating resources for implementing national and inter-state policies, and garnering international support for isolating Apartheid and advancing the region's development. One must remember the leading countries that came together to form SADCC and subsequently SADC had successfully fought wars of national liberation such as Mozambique, Angola and Zimbabwe and were themselves facing insurgency wars to undermine their support of the South African liberation movements.

It is in this context that the necessity of regional integration was posed. It included the crucial challenge of lessening dependence on the powerful South African economy and, at the same time, addressing the urgent need to rebuild their own economies, industrialise and ultimately restructure them away from the patterns of development imposed by the imperialist powers.

After the ending of the Apartheid era, the possibility for deeper processes of regional integration and co-operation was not just desirable but seemed possible. Most governments saw the necessity of uniting the region behind a project of regional integration and bringing into being the economy of scale that could ensure a cycle of industrialisation, economic diversification and social development at a level that could face the huge challenges of defeating the legacy of colonialism, neo-colonialism, apartheid destabilisation and underdevelopment that marked the region.

SADC's shift towards neoliberal economic development and open regionalism

Already from the 1980s many of the economies in Southern Africa had become hugely indebted as a result of the simultaneous failure to diversify their economies as exporters of raw materials and importers of high-value manufactured goods. Deteriorating terms of trade, disinvestment, unfavourable capital flows, the impact of civil wars, destabilisation and elite-led corruption had delivered much of Southern Africa to the International Monetary Fund (IMF) and World Bank (WB) structural adjustment.

By the time of South Africa's negotiated settlement that ended Apartheid, SADC was heavily compromised by the combined impact of globalisation, liberalisation and structural adjustment. It was not too long thereafter, when South Africa, under similar pressures as its neighbours, implemented a home-grown structural adjustment programme that completed the region's subordination to neoliberalism¹.

¹ The Growth, Employment and Redistribution Programme adopted in June 1996 known as GEAR

Instead of SADC being a defence against neoliberalism, in the 1990s and first part of the 2000s it was a vehicle for enabling compliance with neoliberal policies and for the opening up of the regional economies to the penetration of global corporations.

The emerging agenda of civil society and social movements for SADC

Beyond the hope for regional integration and co-operation to facilitate economic diversification and redistribution of wealth, civil society and social movements (CSOs/SMs) had the aspiration that regional projects would deepen solidarities between the peoples of the region. There were initiatives to bring together the trade unions in the region in the South African Trade Union Co-ordinating Council (SATUCC) around a social charter of fundamental rights of workers in Southern Africa. Similar regional initiatives were developed for the promotion and defence of human rights, democracy, advancing media freedom, social and environmental justice.

A major concern and pre-occupation for popular movements in respect of their focus on Southern Africa was and remains the lack of democracy and freedoms that would guarantee the possibility for building an active popular civil society at both the national and regional level. It is implausible for popular movements to engage and effect policy changes at the level of SADC when activists and members of opposition parties were facing constant harassment and repression. This included the banning of movements, activists jailed and disappeared. This is still the main concern in respect of countries like Angola, Swaziland, Zimbabwe, Democratic Republic of Congo – just to name a few.

Of course underpinning the democratic deficit in much of Southern Africa is the weak economic base that many of the countries in the region experience. Most Southern African states “are categorised” in the development jargon with a ‘least developed country’ status. They are indeed among the most impoverished in the world. The advent of structural adjustment, liberalisation and their further opening up to the global economy has accelerated dispossession, widened inequality and increased poverty.

Key challenges for people’s organisations

Many CSOs/SMs are increasingly coming to terms with the fact that the lack of democracy, human and social rights in the region are rooted in the underdevelopment, economic marginalisation and subordination of the economies of Southern Africa to the former colonial powers. In this context, even if it was not articulated in these terms, CSOs/SMs were forced to confront and pursue alternatives to the “open regionalism” and unrestricted movements of trade, investment and capital flows that marked the dominant SADC integration strategy. The proponents of trade integration – including large international and South African firms, private sector interests in the other SADC Countries, donor agencies and mainstream economists – have pushed strongly for open regionalism.

Open regionalism exacerbated the inequalities and imbalances that characterise the Southern African region. Fundamentally, the region’s economy is dominated by South Africa. South Africa makes up about 60% of SADC’s overall trade and about 70% of SADC’s gross domestic product (GDP). Post-apartheid South Africa has over the last decades played a rapidly growing (an increasingly dominant) economic role across the African continent, and has become the largest foreign investor in the Southern African region. Exploiting its economic power, industrial base and relatively advanced public infrastructure, South African companies have used the global push for economic liberalisation and deregulation to exploit business opportunities throughout Africa. South African direct investment in the SADC countries has continued to grow and displace local industries and services leading to growing critique amongst local civil society actors, business and even government officials.

The building of regional alternatives

It was in this context that several CSOs/SMs came together to form various coalitions and networks to build people-to-people solidarity, resist globalisation and liberalisation and promote an alternative regional integration strategy. Such an alternative regionalism required an internally oriented industrial strategy based on a move away from free trade towards preferential trade agreements that took into account the imbalances and different economic position of SADC member states. Against free market approaches many CSOs/SMs called for a return to the state led economic strategies of the immediate post – independent period.

With this perspective in mind a number of different campaigns were launched for debt cancellation and against free trade, especially in relation to the WTO, the Economic Partnership Agreements (EPAs) with the European Union and against unfair Investment Agreements.

The Southern African People's Solidarity Network (SAPSN) cut its teeth in these struggles and now organizes an annual parallel People's Summit to that of the SADC Heads of State. Jubilee South led the debt cancellation struggle in the region and organised powerful regional initiatives for the auditing of the debt while raising the argument about the historical and ecological debt the North (i.e. the former colonial powers) owed Southern Africa.

The emergence of the World Social Forum gained a regional expression with the formation of the Southern African Social Forum, which brought together a very broad range of movements including trade unions, social movements, and faith-based organisations, to challenge the neoliberal domination of the region under the slogan another Southern Africa was possible. In this space different movements could promote their campaigns at a regional level and, in a combined way, start building alternatives for a regional programme. It was more the sum of their programmes and activities that constituted this alternative than a developed perspective on regional integration.

In addition, the role of the People's Dialogue regionally co-ordinated by the Trust for Community Outreach and Education and Via Campesina promoted food sovereignty as an alternative to the International Financial Institutions (IFIs) and AGRA's (Alliance for a Green Revolution in Africa) promotion of corporate-driven agriculture, GMO production and ecologically destructive methods of farming.

In the context of the likely devastating impact of climate change on the region, especially in relation to food production and water resources, some CSOs, mainly based in South Africa, Namibia and Zimbabwe, have been arguing for the regional development of a renewable energy industry that can lead to a reduction in the emission of greenhouse gasses and create thousands of climate jobs. The region has some of the best solar and substantial wind sources of energy which can be tapped if appropriate industrial, investment and trade policies can be secured.

The urgent agenda in relation to regional integration

The most immediate focus of civil society is to roll-back the liberalisation and subordination of the regional economy to neoliberalism. This has already been discussed above.

Equally critical is to put alternatives to the corporate led extractivist model of development that has seen the rise of a quasi resource nationalism in the region. A number of SADC member states see the intensified exploitation of their natural resource wealth by transnational corporations as a means of combating underdevelopment and as a buffer against the global economic crisis. However, the intensified exploitation of the mineral, oil and other natural resource wealth has gone hand-in-hand with the displacement of communities living on rich "mining land" and the tremendous pollution of the water sources and the soils, corruption, the entrenchment of forms of crony capitalism and huge profit accumulation by TNCs. Against this framework, it is necessary to promote a more balanced economic strategy based on a diversified industrial plan supported by strategies for food sovereignty and agro-ecology.

Few opportunities for civil society institutional engagement in regional integration

There are very few opportunities for CSOs to engage with official SADC led processes of regional integration. In some countries there exists greater opportunity for engagement with the state's regional policies. For example, in South Africa, it is possible to interact with the Department of Trade and Industry on its trade and investment policies. However, this seldom leads to changes in national policy, and even less so to changes in SADC wide policies.

Each year, normally in mid-August, civil society organisations meet in parallel processes to the Heads of State Summit and issue declarations in respect to the critical issues confronting the region as well as staging marches in support of the alternative policy proposals that emerged from the civil society dialogues undertaken. These marches are often more directed at mobilizing and engaging with the local population than with the SADC official processes that tend to ignore the voice of popular civil society.

There is a SADC NGO Council that co-ordinates NGO activities in relation to civil society engagement with official SADC processes. However, many popular movements have related to the SADC NGO Council with caution seeing it as a government compliant NGO co-ordination.

The formation of SAPSN, the People's Dialogue and the Southern African Social Forum are attempts to fill the vacuum of the co-ordination of popular movements at a regional level and to project a more sustained civil society and social movement voice on the agenda of regional integration.

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