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Gabriela Husáková

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**A Comparative Analysis of South American
Integration: Cases of CAN and UNASUR**

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Author: **Bc. Gabriela Husáková**

Academic Supervisor: **PhDr. Irah Kučerová, Ph.D.**

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Abstract

This thesis deals with the issue of different efficiency between two integrational organizations in Latin America: Andean Community, and Union of South American Nations, by using neoliberal theory of international relations to examine the causes as to why the Andean Community is more efficient than the Union of South American Nations. First, the theoretical definition of neoliberal theory and the concept of cooperation problems are discussed. Then, follow chapters describing integration in Latin America, in general with all its characteristics, and a chapter describing history and basic institutional settings of the two organizations. In the practical part, each cooperation problem is either applied to the organizations and a relation between these problems and institutional setting, number of member states, and homogeneity between member states is examined. In the conclusion, the all three cooperational problems are brought together to determine, whether the main cause of different efficiency is the institutional setting and number of member states, or the homogeneity between members.

Abstrakt

Tato diplomová práce je zaměřená na výzkum příčin rozdílné efektivity dvou mezinárodních organizací v Latinské Americe, Andského společenství a Unii jihoamerických národů, kdy využívá neoliberální teorii mezinárodních vztahů pro určení příčin, proč je Andské společenství efektivnější než Unie jihoamerických národů. Nejprve je definována neoliberální teorie a popsán koncept kooperačních problémů,

poté následuje kapitola obecně popisující integraci v Latinské Americe se všemi jejími charakteristikami a dále kapitola popisující historii a základní institucionální uspořádání dvou výše zmíněných organizací. V praktické části diplomové práce jsou kooperační problémy aplikovány na každou z organizací a je zkoumán vztah mezi těmito problémy a institucionálním uspořádáním organizací, počtem členských států a homogenitou mezi nimi. V závěrečné části jsou všechny tři kooperační problémy společně shrnuty pro posouzení, zda je hlavní příčinou rozdílné efektivity mezi nimi institucionální nastavení, počet členských států či homogenita mezi členskými zeměmi.

Keywords

Andean Community, UNASUR, integration, regional organization, Latin America, neoliberal theory, efficiency

Klíčová slova

Andské společenství národů, UNASUR, integrace, regionální organizace, Latinská Amerika, neoliberální teorie, efektivita

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Declaration:

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Gabriela Husáková

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Institute of Political Science Master's thesis proposal
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Topic

The aim of this diploma thesis is to compare two cases of regional integration in Latin America - Andean Community (Comunidad Andida, CAN) and Union of South American Nations (Unión de Naciones Sudamericanas, UNASUR) and find out what differences between them are a possible cause why one of them is vital organization, meanwhile the other one is more a draft than functioning organization. Therefore, the research question of this diploma thesis is *What factors led to different efficiency of CAN and UNASUR?*

The Andean Pact, renamed in 1996 to Andean Community, has four members - Bolivia, Colombia, Ecuador and Peru (temporarily were part of CAN also Chile and Venezuela, but they have decided to withdraw), who in 1969 signed the Cartagena Agreement and created a trade bloc. Thus, Andean Community is primarily economic integration, whose aim is to support the development of its member states. Institutional bodies of CAN are *Andean Parliament, Andean Court of Justice, the Andean Presidential Council and Andean Council of Foreign Ministers*. In 1993 CAN achieved a free trade zone and two years later even a customs union. In 2001, member states agreed on so-called "Andean passport" who enables citizens of the Andean Community to travel to other member states without a visa.

The UNASUR consists of all countries in the South America apart from French Guyana. The predecessor of UNASUR, the South American Community of Nations, was created in 2004 at the Meeting of Presidents of South America in Peru with an intention to integrate regional processes developed by Mercosur and CAN. In 2007 during the South American Energy Summit was name changed to UNASUR. An aim of the organization is to integrate its member states in cultural, economic, social and political area. Concretely to eliminate socioeconomic inequalities and social exclusion to strengthen democracy. Its main decision-making bodies are *Council of Heads of State and Government, Council of Ministers of Foreign Affairs, Council of Delegates and Secretary General*.

Even though these two organizations are composed partially from the same members, they are different in many aspects - the length of existence, number of member states and their goals. By the basic typology, the CAN is considered to be regional-functional organization, what means that it has limited membership and limited goals. On the other hand, UNASUR has universal goals and its membership can be considered in two ways - as

universal, because it does not involve one region of South America, but all its countries, or as regional, because it does not involve countries from other parts of the world.

Theory

The theory used for this diploma thesis is neoliberal approach. This approach evolved during 80s and some of the theorists are Robert O. Keohane and Joseph S. Nye, authors of Theory of interdependence. Neoliberalism considers states as rational actors. International politics is influenced by the states' distribution of preferences and this distribution is made up by conflicting preferences and compatible preferences, what leads to the situation, that states mutually create costs and benefits for each other. But by cooperation, those costs can also be reduced or eliminated. According to neoliberals, this is the reason why international organizations are established. Other functions are delimitation of states' behaviour, connecting of agenda topics, lowering costs of bargaining and the bargaining itself.

In my opinion, this theory describes the best the main reason why CAN and UNASUR were created - to eliminate the costs and provide a bargaining framework that allows member states to easily achieve a common position towards problems in Latin America (environmental pollution, growing inequalities, poverty, infant mortality etc.).

Methodology

Because of the differences which we can see between efficiency of the organizations the research question of the thesis is ***What factors led to different efficiency of CAN and UNASUR?*** My hypothesis is that the main factors are *different institutional setting* and *higher number of member states*. Mostly, countries want to achieve different goals through the organization. UNASUR consists of 12 member states, whereas Andean community has only 4 members. With a growing number of states and disparities among them is harder to achieve a consensus on the economic field, for what can be beneficial for one could be harmful for the other, as in case of common customs policy. Also an institutional setting is a crucial factor, the faster and simpler the decision-making is, the easier is to achieve the action. Whereas CAN has only few necessary institutions and is focused merely on economic cooperation, UNASUR has a more robust set of institutions and is focused not only on economic cooperation, but also on defence, social and environmental cooperation.

To evaluate the efficacy of both organizations, I will consider efficacy of each organization in overcoming cooperation problem. In case of coordination problem I will

consider a number of approved legislation, important agreements or how much they cooperate (in whole agenda or only in a certain part). In distributive problem, I will focus on side effects of agreed legislation, whether it creates costs or benefits only for some actors or for all of them. And for collaboration problem I will research cases of cheating, opt-out cases and how well-functioned is judicial body.

As a research method I will use Mill's method of differences. This method supposes that if two cases are different in one aspect while the other characteristics are the same, this aspect is a cause of observed phenomena. This method will enable me to decide, whether the cause of different effectiveness is in the area of distribution, coordination or collaboration.

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List of used shortcuts

CAN – Comunidad Andina (Andean Community)

MERCOSUR – Mercado Común del Sur (Common Market of the South)

UNASUR – Unión de Naciones Suramericanas (Union of South American Nations)

ALADI – La Asociación Latinoamericana de Integración (Latin American Integration Association)

CARICOM - the Caribbean Community

SELA - Sistema Económico Latinoamericano y del Caribe (The Latin American Economic System)

SAI – el Sistema Andino de Integración (The Andean System of Integration)

CAF – Corporación Andina de Fomento (The Andean Development Corporation)

OAS – Organization of American States (Organización de Estados Americanos)

VAT – Value-added tax

CNS – Comunidad de Naciones Suramericanas (Community of South American Nations)

Introduction

In today's world, international organizations belong among the important actors in international politics. They play a significant role in everyday decision-making but also in the shaping of long-term policies and visions. As international organization, we understand an association of states that on basis of legal act by which it was created, for its member states permanently administrate specified tasks, and that under its own name and through its own bodies,¹ and is created because of its creators' need for a permanent regulation of a specific part of their relations.² Specific aspects of international organizations are: a) they are consisting of at least 3 member states; b) all members are (at least formally) equal; c) it is created on basis of international agreement; d) they have their own institutional structure and e) they are a subject of international law.³

This thesis will focus on two international organization in South America - South American Community of Nations (Unión de Naciones Suramericanas, UNASUR) and Andean Community (Comunidad Andina, CAN). Both organizations comply with all the previous conditions and thus can be called international organizations. However, they have in common one more condition, that both were established on the will of government of member states, which is what differs these organizations from non-governmental organizations that are created on the will of citizens or private sector.

Basic typology divides international organizations under two variables: a range of their goals, and a range of their membership. Typology then recognizes four types of international organizations. First one is a universal organization with universal goals and universal membership. Second one is a functional organization with limited goals and universal membership. Third one is then a regional organization with universal goals but limited membership. And last one is a regional-functional organization with limited both membership and goals.⁴ UNASUR fulfils the conditions of regional organization with its universal goals and limited membership, since it consists only from the states of South American region, but regulates many different spheres of

¹ MALENSKOVÝ 1997. p. 96

² ROMANCOV 2011. p. 9

³ Ibid. p. 9-11

⁴ KARLAS 2015. p. 90

political agenda, as defence, regional trade, infrastructure etc. Therefore, Andean Community fulfils the requirements of the regional-functional organization (or more precisely, sub-regional-functional organization). It has a limited membership, but is focused only on economic cooperation, promotion of the free trade area, and development of its member states.

The main reason, why we should not underestimate the importance of international organizations such as CAN and UNASUR, is that the today's world is more interconnected and states are more dependent on each other, what requires cooperation between them, and thus regulation of this cooperation. Since there is no clear hierarchy in international relations, a reliable way of how to regulate the cooperation is just setting common neutral bodies, which can set common rules, resolve disputes between the member states, provide platform for negotiations between the states, and reduce uncertainty between them, so they can be sure that the cooperation can stay long term. But to ensure this role, international organization needs to be stable, well-working, and reliable for all member states, who submit their national goals to the goals of the whole international organization. This is crucial but also a problematic point for many international organizations. Whereas Andean Community is able to secure compliance of its members and thus the fulfilling of its goals, even when problems and delays sometimes occur, the case of UNASUR is more problematic. UNASUR has wider agenda and more members, and thus its bodies are not efficient in many cases, and its member states have problem to agree upon a way of how to achieve their goals.

First chapter will be devoted to the methodology and hypothesis, I expose research questions, explain the hypothesis of my research, the methods of the research, and the theory, which will be used for framing my research. Second chapter will define the neoliberal theory in detail, from introduction of the theory's background to specific attributes and the shortcomings of the theory. Third chapter will concern the integration in Latin America in general, how it evolved through the time, and which characteristics of the integration this region has. The main tensions of the integration will be described as well. In the fourth chapter, I will write about the basic characteristic of the Andean Community and UNASUR – their creation, history, and institutional setting. The last chapter will focus on the application of used theory on the two organizations, in which I

will examine severity of neoliberal cooperation problems on my examples to test the hypothesis.

The contribution of the comparison of Andean Community and UNASUR is that we can determine which factors are fundamental for well-functioning of regional and subregional organizations, and what leads to the obstacles in cooperation between member states. With this analysis, it would be possible to define problematic factors, such as institutional setting, number of member states, and different goals, which they want to achieve through the international organization, and thus find a solution for these problems, which would improve the functioning of many regional organizations.

1. Methodology and hypothesis

The aim of this thesis is to compare two cases of regional integration in Latin America - Andean Community and Union of South American Nations, and find out, which of the differences between them could be a possible cause for the divergence in their efficiency. Therefore, research questions of this thesis are *Which factors led to a different efficacy of CAN and UNASUR? Is homogeneity among member states important?*

My hypothesis is that the main factors are different institutional setting and number of member states. Different goals, that countries want to achieve through organization, could also have potential contribution, but this is already included in “number of member states” factor, because each state has its aims, and by the growing number of member states grows also the number of different aims, and thus is harder for organization to achieve a decision and be efficient. UNASUR consists of 12 member states, whereas Andean community has now only 4 members. With growing number of states is harder to achieve a consensus on economic field; what can be beneficial for one could be harmful for the other, as in case of common custom policy. Moreover, institutional setting is crucial factor; the quicker and simpler the decision-making process is, the easier is to achieve an action. Important is also whether organization works on supranational or intergovernmental principle. When it works on a supranational principle, member states confer some of their decision-making powers to supranational institution, thus is easier to agree and apply new laws. Whereas when

organization works on intergovernmental principle, states do not confer power upon supranational institutions, and functioning of the organization is based on negotiations between member states.

The form of this thesis will be two-cases comparative analysis. The comparative analysis serves to discover empirical relationship among variables. In this study, dependent variable is efficiency of organizations, independent variables are number of members and their goals, and institutional setting of organizations. Since I am comparing two international organizations, the comparison will be on supranational level, ergo regional and subregional level. Choosing of two different levels serves to an indication whether the number of member states plays a role in efficiency of organization or not. In this case, I want to examine detail comparison in many aspects, thus is reasonable to select qualitative research method than quantitative, which does not allow a detail view on specific aspects of organizations. Because this comparison is focused only on two cases and can differ when applied to other international organizations, this comparison is rather interpretative than theory-confirming. Theoretical framework is thus used to give a broader perspective over the problem, rather than deliver specific normative aspects for examination.⁵

Theoretical framework will be neoliberal theory, which is focused on why states decide to cooperate in form of international organizations. In contrast to rationalist theory, neoliberal approach sees international organizations as independent entities, who serves to promotion of common goals and not as a power projection of the powerful member states, who seek to promote their interests through international organizations. On the other hand, neoliberalism is more concerned about the problematic of cooperation of states' decisions and action, and the role of international organizations and regimes in overcoming these problems. Neoliberal theory thus uses principles of rationalism and its game theories with focusing on these coordination problems. Moreover, I have chosen neoliberal theory, because it is focused not only on political aspects of cooperation, but also on economic aspects, which in today's world gain higher importance with the developing process of globalization. In exemplification of Latin America, the necessity of accelerating economic and social development leads to broadening and deepening of cooperation between states, and the aim of regional

⁵ LIJPHART 1971. p 683-693

organizations is faster and easier acceptance of measures, which support regional development. However, each state seeks to promote its own goals and thus cooperation between states has to face many different problems (rationalist approach counts with collaboration, distributive and coordination problem). Thus, the neoliberal theory appears to be the most useful and reliable theory for comparison the way of functioning and efficiency of two regional organizations in Latin America.

To evaluate the efficiency of both organizations, I will consider efficiency of each organization in overcoming cooperation problems. In case of coordination problem, I will consider number of approved legislation, important agreements or on which topics they cooperate (whether their agenda is limited or very universal). In distributive problem, I will focus on side effects of their agenda, basically whether they create more benefits for some actors, or whether the distribution of benefits is almost equal. And for collaboration problem, I will research cases of cheating, and how well-functioning their judicial bodies are. At the end, I will determine for each coordination problem whether is there any relationship between the performance of each organization and institutional setting, number of member states and their goals, or a combination of these two factors, or whether there is another factor that influence the performance of the organizations in the specific coordination problem.

As a research method, I will use Mill's method of differences. This method supposes that if two cases are different in one aspect, whenever the other characteristics are the same, this aspect is a cause of observed phenomena.⁶ The method will enable me to decide by comparison, how much the organizations differ in area of distribution, coordination or collaboration problem, and whether there is a link between the efficacy in cooperation problems and institutional setting, number of member states and their goals, or whether there is any third factor that affects the efficacy of the organizations.

2. Neoliberal theory

There are many ways to look at role of international organizations in international relations; however, the most significant role assigned to them would be that of neoliberal theories. Neoliberal theory was developed during 1980s, it is based on

⁶ DRULÁK 2008. p. 70-71

liberal assumptions about possibility of cooperation under anarchy, combined with rational choice theory that assumes that states are rational actors, which are able to imagine many behavioural alternatives and decide to apply that particular alternative which increases the amount of utility to them.⁷

According to liberal theory the relationship between state and society is the most important aspect of politics. The power that force states to cooperate is a pressure of domestic politics, ergo rational individuals and private groups, who organize an exchange on supranational level to promote their interests. States or other institutions represent domestic society and its interests which are pursued through international politics. Liberalism thus apply a bottom-up view of policy-making. As the main incentive for certain behaviour liberalism sees preferences rather than capabilities as in the case of realism.⁸

Kenneth Oye in his chapter *Explaining Cooperation Under Anarchy* states that the absence of centralized international authority precludes attainment of common goals, because states cannot cede control over their conduct to a sovereign, they cannot guarantee that they will adhere to their promises. However, states are able to realize common goals through cooperation under anarchy, when governments bind themselves to mutually beneficial agreement. And since there is no supranational authority, states realize common goals through tacit cooperation, formal negotiations and the creation of international regimes and organizations.⁹ Important here is an aspect of future interaction: states must expect to continue to deal with others, and, if we consider that the structure of the game will not alter in the future, the prospect of future cooperation decreases when there was defection in the past.¹⁰

We recognize three basic forms of liberalism – commercial, republican and ideational liberalism. Commercial liberalism is based on premise that international trade has a pacifying influence over states' behaviour because raises potential costs of war conflict. For actors, it is therefore more beneficial to cooperate and develop commercial relations than to wage a war against each other. One of the most famous liberal theorists who focused on commercial liberalism is Norman Angell, but this theory was also used

⁷ KARLAS 2015. p. 48; 52

⁸ MORAVCSIK 2001. p. 4-8

⁹ OYE 1986. p. 1

by economic thinkers as John Maynard Keynes and Adam Smith. On the other hand, the republican liberalism defends the idea that democratic states (or republics to be more specific) do not wage war against each other because the main source of power is from the public, which in the case of conflict suffer the most of the consequences, so for this reason democratic republics tend to avoid a war and rather solve potential disputes by judicial means or by negotiation. As a founder of this theory is considered Immanuel Kant, but more specific framework accredited to it Michael Doyle as a main theorist of democratic peace. The last is ideational liberalism, which is based on assumption that sharing of the same ideas and principles about functioning of international society is the main determinant of peaceful relations between states. This idea is based on philosophy of John Stuart Mill and was latter promoted by politicians, for example, by Woodrow Wilson.¹¹¹²

In case of neoliberalism, the main force in international politics is not domestic actors, but national states. Depending on states' interests and preferences, the outcome of international politics can range from conflictual to non-conflictual situation and these situations constitute the workings of international organizations. The main aim is to find Pareto-optimal equilibrium¹³ that brings the most possible benefits to all states. Each state, thus, seeks to realize its preferences under circumstances imposed by the other states and their preferences.¹⁴ Is also important to mention, that cooperation is not equivalent to harmony, harmony requires completely identical interests whereas cooperation can take place when we have a mixture of conflicting and complementary interests. In this situation, states adjust their behaviour to the preferences of others.¹⁵

Branch focused on domain of international institutions – neoliberal institutionalism – claims that states act in their own interest, but can potentially benefit from cooperative strategies, what leads them to prefer absolute gains from cooperation rather than relative gains, which has a positive effect on cooperation.¹⁶ States use

¹⁰ Ibid. p. 12-15

¹¹ Woodrow Wilson is also connected to institutional liberalism thanks to his concept of League of Nations

¹² MORAVCSIK 2001. p. 21-23

¹³ No one of actors cannot improve its situation without deterioration of the situation of the others

¹⁴ STEIN 1982. p. 300-304

¹⁵ AXELROD and KEOHANE 1995. p. 226

¹⁶ WHYTE 2012.

international organizations to manage their everyday interactions as well as dramatic episodes, for example, international disputes and conflicts.¹⁷ A role of international institutions is, thus, to provide a coordinating mechanism to help states to capture their gains from cooperation and prevent them from cheating.¹⁸ International organizations also allow states to create and implement community values, enables easier flow of information and opportunities to negotiate and monitor others' compliance.¹⁹ International institutions, moreover, provide an arbitrary body in case of conflict of interest between states, they help to diminish transaction and information costs, and to solve cases of cheating.²⁰

According to Keohane, the ability of states to communicate and cooperate depends on the fulfilment of two conditions. First, the actors must have a mutual interest or common interests. Second, the different variation of degree of institutionalization leads to different effects on state behaviour.²¹ There are two characteristics of International organizations: centralization, this means a stable and concrete organizational structure, and independence, which is the authority to act with a degree of autonomy.²² By taking advantage of the centralization and independence states are able to achieve goals that they would not be able to reach on a decentralized basis. However, states are wary of allowing IOs too much autonomy.²³

In case of neoliberal theory, the globalization plays an important role on shaping behaviour and preferences of the states. The doctrine of economic neoliberalism helps to accelerate globalization and thus deepen mutual interdependence of states on each other. The world became more complex and interconnected in domains as environment, financial markets, markets for goods and services, labour market, etc. and thus higher level of economic as well as political cooperation are needed to maintain the system and support the development of each state.²⁴ The content of foreign policy thus does not result only from domestic structures, but also from the logic of international effects.

¹⁷ ABBOTT AND SNIDAL 1998. p. 3

¹⁸ WHYTE 2012. <http://www.e-ir.info/2012/06/11/neorealism-and-neoliberal-institutionalism-born-of-the-same-approach/>

¹⁹ KEOHANE 1989. p. 2

²⁰ WHYTE 2012. <http://www.e-ir.info/2012/06/11/neorealism-and-neoliberal-institutionalism-born-of-the-same-approach/>

²¹ KEOHANE 1989. p. 2-6

²² ABBOTT AND SNIDAL 1998. p. 9

²³ Ibid. p. 29

However, domestic and international forces are inclined to be more complementary than competitive in their impact on foreign policy of states. Katzenstein recognizes three main types of international effects. The first one is based on Karl Deutsch's assumptions over the importance of predictability of mutual behaviour between states which is measured by the volume of exchange of goods, services, and people as well as the exchange of information.²⁵ This concept is known as transnationalism, which is based on building international community by stable mutual expectations of non-use of force between the states.²⁶ The second effect is mutual interdependence, which is a concept that is better known by Keohane and Nye. This interdependence can be symmetrical, when both actors are equally dependent, or asymmetrical when the more dependent actor can be influenced by the less dependent actor. Mutual interdependence is based on two principles – sensitivity and vulnerability. Sensitivity means how fast an action in one country will evoke the reaction in the other. The vulnerability is based on ability to find alternatives to a current actor with whom we are in mutual interdependence.²⁷ The last effect is the interconnection and mutual sensitivity of economic development between and within societies and states when even marginal changes in relations can lead to huge policy responses in domestic affairs and foreign policy. In contrast to interdependence, interconnection is based on diffusion of behaviour and prosperity rather than on costs of relations and vulnerability of states toward each other.²⁸

The neoliberal theory is drawn on rational choice theories. Rationalist theories are based on two basic conditions. First, that actors have goals and they attempt to realize them through their actions. Second, those actors have a freedom of choice over their goals and means of achieving them. And third, actors choose actions that they believe will lead to achieving their goals.²⁹ These theories are based on the assumption that, in social reality, we have cooperation problems among actors when actors face obstacles, which restrain them from adopting the most beneficial options in cooperation.³⁰

²⁴ FONSECA and MARTÍNEZ GONZÁLEZ-TABLAS 2008. p. 35-38

²⁵ KATZENSTEIN 1976. p. 1-5

²⁶ ACHARYA and JOHNSTON 2007. p. 4

²⁷ KEOHANE and NYE. 1989. p. 7

²⁸ KATZENSTEIN 1976. p. 9-10

²⁹ MORROW 1994. p.7-8

³⁰ KARLAS 2015. p. 44

According to Koremenos, Lipson, and Snidal, cooperation under the prevailing system of international relations, which is an anarchy, is possible and institutions make the cooperation more likely. Cooperation is feasible in repeated games created under the density of international interdependence. This poses the question why, if cooperation is reachable, is not always achieved. The answer is that individual issues have features that complicate cooperation, as for example competing equilibria, when states have a wide range of choices and possible outcomes with different distributional consequences. A large number of states raise the question how to divide costs and benefits of mutual cooperation. Another great obstacle to cooperation is uncertainty when reduction of uncertainty is one of the functions of international organizations through sharing of information and providing a framework of expected behaviour.³¹ According to the authors “institutional arrangements are best understood through “rational design” among multiple participants”³² This rationality is based on the presumption of using diplomacy and conferences to select institutional features to promote individual and collective goals. These institutions develop and evolve by modifying institutions and adapting them to the new situation, or by favouring some institutions over others because they suit better to new conditions.³³

Rationalist theory and game theories are also based on utility theory when we assume that actors can choose from a set of actions with different outcomes, and utility is a measure of an actor's preferences over different outcomes. The probability of reaching each of the outcomes is represented by uncertainty. The expected utility of each action is thus calculated by multiplying the utility of each outcome by the probability that it will occur. Actions with a bigger expected utility are generally preferred over the ones with lower expected utility, but sometimes actors can be indifferent when the outcomes for him are desirable or undesirable on the same level. In general, basic elements of preferences are completeness³⁴, transitivity³⁵ and stability.³⁶

³¹ KOREMENOS, LIPSON AND SNIDAL 2001. p. 4-6

³² Ibid. p. 6

³³ Ibid. p. 6-7

³⁴ Preferences are complete when preference order is reflexive, without completeness, an actor would not be able to choose between noncomparable outcomes

³⁵ When outcome A is better for an actor than outcome B and B is better than outcome C, the A must be better than C

³⁶ They do not change during process of decision-making

The concept of rationality followed-up concept of utility which means choosing the most effective way to achieve desirable outcomes.³⁷

Game theories usually recognize two basic kinds of games: zero-sum games and non-zero-sum games. In zero-sum games, everything won by one player is lost by the other one, thus when we have only two players, the game is mostly to be a pure competition in a short run, because actors do not have any incentive to cooperate and communicate since there is no mutual benefit. When we have in a zero-sum game more than two players, there is a possibility of coordination of action to take advantage of another player. In non-zero-sum games, we can recognize two classes, based on the enforceability of agreements. First one is a cooperative game when players can make a binding agreement, which can be enforced, and communication among players is allowed. The second one is a non-cooperative game when binding agreements cannot be made and also communication may or may not be allowed.³⁸

Neoliberal theorists use for modelling of cooperation problems rationalist's game theories. For each of three main cooperation problems, they use different game theory or game scenario. In a case of coordination problem, actors face a situation where we have many possible strategies with more equilibria points. In a coordination game, each of the two actors is choosing between cooperation and defection. The actors prefer situation when both choose the same strategy (both cooperate or both defect), however, since each of the actors deciding on his own, there is a danger that he will not have enough information about a decision of the other one.³⁹ On the other hand, Stein recognises also a dilemma of common aversion, in this case, actors have a common aim in avoiding a certain situation and this dilemma has multiple equilibria. The international organization thus must ensure a facilitation of coordination among states to avoid the undesirable outcome. However, this coordination is problematic, when both actors prefer the same outcome as last option and thus have conflictual interests.⁴⁰ International institutions allow actors to coordinate its strategies by creating rules and common strategies, according to which the states act. Another channel to moderate

³⁷ MORROW 1994. p. 16-19

³⁸ Ibid. p. 75-76

³⁹ KARLAS 2015. p. 55-56

⁴⁰ STEIN 1982. p. 313-314

coordination problems is the creation of stable decision-making structure, by which they lower transaction costs over communication of common strategy.⁴¹

The second one is the distributive problem. This problem appears when more than one cooperative agreement is possible and its magnitude depends on how actor compares its preferred outcome to outcome preferred by other actors. Distributive problems are closely related to bargaining costs, in general, the more possible outcomes, the larger are bargaining costs.⁴² A typical example of the distributive problem is a game called Battle of Sexes, when two players have two choices for an evening's entertainment – prize fight and a ballet. Following the usual stereotype, man prefers to see a fight and the woman prefers ballet. However, for both of them is more important to spend time together than to see the preferred entertainment. This game thus has two Nash equilibria⁴³ (both go to see ballet or both go to see prize fight) and is on actors to decide, who will benefit more from the mutual cooperation.⁴⁴ Other cooperative games also have a transferable utility, what means that the players can transfer utility of the outcome of the game between themselves. Actors thus can choose an outcome with the maximum utility and then divide the additional utility equally. The critical question is thus how to divide the additional surplus among members. One of the strategies can be Nash bargaining solution, where the bargaining is set in a so-called “zone of agreement”, which is a space between two “reservation point”, or points where both can achieve the highest benefit for themselves. The other strategy is an N-person game, when we have more than two players and they can form coalitions, in a situation that a set of players agree to coordinate their strategies to reach a mutual benefit. The players in coalition try to maximize their total pay off and then transfer the utility between members.⁴⁵ To overcome distributive problems, international organizations use so-called issue-linkage, when they use one issue area to affect the behaviour of states in other areas, whereas by blackmailing or by offering a side-payments. The issue-linkage thus can make possible agreements that would be otherwise impossible to reach.⁴⁶

⁴¹ KARLAS 2015. p.55-56

⁴² KOREMENOS, LIPSON AND SNIDAL 2001. p. 15-16

⁴³ a situation, when actors choose such strategies, that none of them have a reason to change the strategy since no one of the others will change its strategy

⁴⁴ MORROW 1994. p.90-91

⁴⁵ Ibid. p. 112-116

⁴⁶ AXELROD AND KEOHANE 1985. p. 239-240

The third one is collaboration, or enforcement, problem. This problem refers to the strength of incentives of each actor to cheat on a given agreement to maximize its profit even when the agreement makes everyone better off. The collaboration problem appears when actors find unilateral non-cooperation so beneficial, that they sacrifice long-term cooperation with other actors. Incentives to defect are thus greater when interaction is less frequent or with low interdependence between actors.⁴⁷ One of the collaboration games is called “Prisoner’s Dilemma” since there is only one Pareto-optimal outcome and actors have to collaborate to achieve the outcome.⁴⁸ In Prisoners’ Dilemma “...both players benefit more from cooperation than from mutual defection, but each player achieves the most successful outcome by defecting, provided that her partner cooperates.”⁴⁹ In case that we know, that the game will not be repeated in future, is rational for a player to defect, but then when both players defect, the yields are lower than in a case of mutual cooperation. Otherwise, with indefinite number of interactions, when players cannot be sure about which interaction is the last one the cooperation between them could emerge.⁵⁰ If we consider prisoner’s dilemma in the context of international relations, where the structural framework is anarchy, national states have a dominant strategy of defecting from common action and outcome thus will be a mutual defection. To ensure obedience and avoid cheating, the collaboration requires a certain formalization, the international organization must specify what constitutes cooperation and defection.⁵¹ There are many ways how to prevent the mutual defection, first one is repeating this game so the actors realize that in a long term is for them more beneficial mutual cooperation rather than defection together with the possibility of reciprocal punishment and future judgments of their counterparts. The second and more reliable strategy is a creation of a supranational structure, that will be neutral and will provide a platform for an exchange of communication and utilize a coercive mechanism to prevent cheating and defection.⁵² One of the examples of infinite Prisoner’s Dilemma is a regulation of international trade. All nations are better off when there are no tariffs on mutual trade, but if one nation raises its tariffs while the other partner keeps the low tariffs, the first nation can benefit from setting the higher tariffs, thus can benefit from

⁴⁷ KOREMENOS, LIPSON AND SNIDAL 2001. p. 15-16

⁴⁸ STEIN 1982. p. 313-314

⁴⁹ MORROW 1994. p. 279-280

⁵⁰ AXELROD 2006. p. 10-11

⁵¹ STEIN 1982. p. 313-314

⁵² Ibid. p. 304-307

defection. However, since the game is infinite, the other nation will punish them by setting higher tariffs too. Then we are in a situation, that both of the partners defected and their gains are zero. To the solution of this problem can contribute international organization focused on liberalization of mutual trade, as organizations for regional integration or world-wide organizations for setting common rules in international trade as World Trade Organization.⁵³

Another typical coordination game is Stag Hunt. Stag Hunt is based on assumption that there is a group of hunters surrounding a stag. If all cooperate they trap a stag and all will have the biggest profit, but if one defects to chase a passing rabbit, the stag escapes and defector will have modest profit whereas others will be without profit. If all will defect and chase rabbits, all will have a modest profit. However, because the vision of small profit is better than a vision of no profit at all, the hunters need to be assured that each of them will cooperate.⁵⁴ But neither of these games has to be the same during the play. For example, Prisoners' Dilemma can evolve into the Stag Hunt when gains from mutual cooperation will increase in comparison to gains from defection. In general, apply that the higher are gains from mutual cooperation and the lesser are gains from unilateral defection, the greater is the probability of successful cooperation.⁵⁵

All these cooperation problems are related to uncertainty, which is an extent to which actors are not fully informed about the behaviour of the others, about the state of the world or about the preferences of the others. Uncertainty about behaviour refers to a situation when the state may not be sure about the actions taken by others. Uncertainty about the state of the world is more abstract and refers to state's knowledge about the consequences of their own behaviour, the behaviour of other states and international institutions. And finally, uncertainty about preferences is when actors are unsure about what their counterparts really want. Although in practice these kinds of uncertainty are mostly combined.⁵⁶ The effects of international organizations that can promote cooperation among actors are thus long-time horizons of interaction between states, reliability of information about others' action, quick feedback about changes in others'

⁵³ MORROW 1994. p. 263

⁵⁴ OYE 1986. p. 8

⁵⁵ Ibid. p. 9

⁵⁶ KOREMENOS, LIPSON and SNIDAL 2001. p. 18-19

actions, increase of costs for defection and clear definition of defection behaviour as well as developing new norms for a behaviour of states. However, each institution can become obsolete, what is sometimes an explanation of failing of international organizations to promote cooperation.⁵⁷

Number of actors is also important for the likelihood of international cooperation. Primarily, cooperation requires recognition of mutual interests and cooperation to reach them, but with rising number of actors, there are also rising transactions and information costs. Another aspect is, that as the number of states increases, the likelihood of autonomous defection and control problem increase as well. Cooperative behaviour of states rests on an expectation of utility, which can vary across the actor and higher number of states and greater heterogeneity cause a decline of cooperation. The last problem is, that since the number of states increases, the feasibility of sanctioning of defecting state decrease. Reciprocity of the behaviour becomes more difficult to achieve without triggering a collapse of cooperation because the costs of defection are spread over all members.⁵⁸

Furthermore, is important to mention that game models are often criticized for being too simple to capture the complexity of international relations. Snidal argues, that this simplicity of game models actually helps to enhance the power to grasp the complexity of international politics.⁵⁹ Is thus beneficial to use game models to explain some situations and problems in international relations, however, we still should be caution, whether we do not miss in our models an important factor that could have an influence over the behaviour of states to cooperate.

3. Latin American regionalism and regional integration

First of all is important to make a distinction between the concept of regionalism and regional integration. Regionalism refers to a protection of economic, political and security regional interests in a context of globalization, but due to liberalization trends is not necessarily in contradiction to a process of globalization. Regionalism leads to the identification of common spheres of interest within a certain

⁵⁷ AXELROD and KEOHANE. In Oye 1986. p. 232; 250-252

⁵⁸ OYE 1986. p. 18-20

geographic area, while actors are whereby states or non-state actors and can lead to institution building.⁶⁰ On the other hand, regional integration can be considered as a further step of regionalism, by creating an entity that in the process of globalization act more uniformly toward third parties since the previously autonomous units are merged into a whole.⁶¹

The approach of Latin American countries towards regionalism is a result of not only national interests, functional factors, and preferences, but also it has its roots in the identity and values that have defined politics in the region. Roots for regional integration are in the unionist approach and regional integration aspirations as well as in Latin American activism in universal organizations. First unionist project was the one by Simón Bolívar, who overthrown the Spanish monarchy and created the union of independent nations called Gran Colombia, which existed from 1819 to 1830, and which provides inspiration even nowadays. However, in the opposition to integrational efforts is the strong nationalism that arose from the gained independence. Nationalism was also one of the incentives of power struggles between liberals and conservatives, that fractured the new states since their creation. The shared need of defence of sovereignty was also a mobilizing factor against foreign domination. As a result, Latin America now faces a permanent “trilemma”: consisting of the defence of the nation-state and its sovereignty; ambition for unionism and integration; and ambition of greater autonomy at the international level. In this “trilemma” is possible to achieve one or two goals, but it is impossible to achieve all of them.⁶²

According to Carlos Espinosa, we can find two cycles of regionalism since 19th century. The first cycle between 1820s and 1870s was a regionalism based on collective Hispanic identity and unity in face of European and US threats⁶³. The main institution was in that period Inter-American Congress, that attempted to formulate basics of common political and foreign policy, whereas economic regionalism stayed abandoned. The second cycle was from 1870s to 1930s, when it took the form of Pan-Americanism. This regionalism included also Brazil and United States and became a vehicle for the exercise of US hegemony in the region. The main organization was the Union of

⁵⁹ SNIDAL. In Oye 1986. p. 44-45

⁶⁰ KUČEROVÁ 2008. p. 71

⁶¹ SÖDERBAUM 2009. p. 479

⁶² SANAHAJKA 2012. p. 1

American Republics, which was set up in 1889 and operated until World War II and it was again mainly a forum for political coordination and although were considered tariff agreement at the continental level, in the end, the dominance of exports of US and European markets discourage this attempt.⁶⁴ Then with the end of the World War II, Pan-Americanism evolved into political cooperation combined with collective defence system through Inter-American Reciprocity Treaty and Organization of American States.

The emergence of regional and regional-functional organizations are highly connected to the concept of regional integration. Integration in Latin America was happening in three waves. First two waves of regional integration from 50s to 60s and then from 70s to 80s were based on Latin American developmentalism, with emphasis on import substitution industrialization, state interventions into the economy and seeking a regional market for goods among states in the region with a similar level of economic development and industrial competence. In these conditions were born the Andean Pact, with the intention to render ISI among the small and underdeveloped markets of the Pacific coast states.⁶⁵ Even through the establishing of Andean Pact in 1969 and Latin American Free Trade Agreement (LAFTA) in 1961 the first two waves are considered as less successful due to political instability that limited the scope of cooperation and creation of other organizations. After establishing of democratic regimes during the end of 1980s, regional integration was brought back to life in third wave by creating Mercosur (Mercado Común del Sur) in 1991 and re-establishing CAN, two most significant regional integrative organizations. However, not all organizations created after establishing of democratic regimes are well-functioning. One of the examples is UNASUR, which is a shielding organization that incorporates members of Mercosur and CAN.⁶⁶ And different functioning of UNASUR and CAN is a topic of this thesis, whose aim is to determine which factors are responsible for the different functioning of these organizations.

Other important regional organizations in Latin America focused on trade are Latin American Integration Association (ALADI, La Asociación Latinoamericana de

⁶³ However, in praxis the main causes of integration were based on national interests

⁶⁴ ESPINOSA 2014. p. 32-33

⁶⁵ Ibid. p. 34-35

⁶⁶ ROMANCOV 2011. p. 163-164

Integración) established in 1980, which binds 13 member states as Argentina, Brasil, México or Venezuela and thus is one of the most important Latin American integration group.⁶⁷ Then the Caribbean Community (CARICOM), created in 1973 by transformation from the Caribbean Free Trade Association, with 15 member states from Caribbean area as Jamaica, Belize, Suriname, etc.⁶⁸ Other prospering organization is the Pacific Alliance (Alianza Pacífico) formed in 2011 by Chile, Colombia, Mexico, and Peru, focused on the promotion of free trade along Pacific coast.⁶⁹ The less known example is The Latin American Economic System (Sistema Económico Latinoamericano y del Caribe, SELA), formed in 1975 and which includes 27 Latin American and Caribbean states.⁷⁰ However, in Latin America, we witness different structural and regional configurations rather than simple overlapping of regional projects and even when there is no major regional institution such as the European Union in Europe, the region has been able to consolidate stability.⁷¹

Since the end of World War II until nowadays we can observe positive and negative influences of world economy over integration in Latin America. With the improving of the economy of the region and higher globalization of world market came the need for more cooperation among states what led to a creation of many regional economic organizations focused on a development and economic cooperation. Otherwise, the cooperation during the Cold war was highly influenced by many military coups and communist's revolutions.⁷² Also, the prevailing development strategy for the states was until 1980s a strategy of import substitution, what included protection of national markets through tariff barriers and made obstructions for the increase of intra-regional trade. One of the impulses for the revival of regional integration was during the 1980s or so called lost decade because of global economic problems as stagnation or indebtedness.⁷³

⁶⁷ Quiénes Somos. *ALADI*. <http://www.aladi.org/sitioAladi/quienesSomos.html>.

⁶⁸ Key Community Milestones & Achievements. *CARICOM*. <http://caricom.org/about-caricom/who-we-are/key-community-milestones-achievements/#paginate-27>

⁶⁹ What is the Pacific Alliance? *The Pacific Alliance*. <https://alianzapacifico.net/en/what-is-the-pacific-alliance/>

⁷⁰ Qué es el SELA? *SELA*. <http://www.sela.org/es/que-es-el-sela/>

⁷¹ VIVARES 2014. p. 1-2

⁷² ADAMCOVÁ and GOMBALA 2001. p. 53

⁷³ DEVLIN and FFRENCH-DAVIS 1999. p. 9

The high level of economic enclosing and protectionism became even more intense, what led to very low income of foreign capital into the Latin American region. One of the ways how to improve economic performance was through market's liberalization and shift from import-oriented substitution toward "open regionalism" linked to breaking tariff walls and foster specialisation as steps in regional cooperation.⁷⁴ What distinguishes "open regionalism" from "developmentalism" is that the "open regionalism" sometimes takes place between asymmetrical economies and it is not closely related only government industrial programmes.⁷⁵ Thus, a deeper participation in international division of labour and international trade was supposed to ensure a better dealing with global market's pressure over economic performance of countries.⁷⁶ However, after 2000 Latin American regionalism became detached from neoliberal practices and turned back to more social-based policy, which is even more promoted after the crisis in 2008 because regional cooperation is now perceived as one of the instruments to overcome consequences of the crisis and to establish a more stable economic system.⁷⁷ The "new regionalism" in Latin America has a common aim in going beyond traditional areas of economic integration in the region. It proposes regional integration based on nationalism and multidisciplinary agenda, that deals with economic, as well as social issues, political dialogue, environment, and energy and requires the participation of responsible authorities as well as direct societal actors.⁷⁸

One of the most significant actors over integration in the Latin American region were also the United States. The origins of the special attitude of the U.S. toward Latin America are dated to the formation of Monroe's doctrine in 1823, that determined Western Hemisphere as the sphere of interest of the U.S. and European powers were obligated to respect this,⁷⁹ thereby United States became a hegemon on Western Hemisphere and posed a pressure over Latin American countries to behave in compliance with US interests. This was visible during World War II, when US was urging Argentina (at this time the most significant and developed country in the region), to end up neutrality and start supporting the Allies, and even more visible during Cold

⁷⁴ ADAMCOVÁ and GOMBALA 2001. p. 53-54

⁷⁵ VIVARES 2014. p.36

⁷⁶ ADAMCOVÁ and GOMBALA 2001. p. 53-54

⁷⁷ BORBÓN 2009. p. 17

⁷⁸ CARRIÓN 2014. p. 53

⁷⁹ Monroe Doctrine. *Encyclopaedia Britannica* 2016. <https://www.britannica.com/event/Monroe-Doctrine>

War, when US government was secretly or obviously oppressing left-wing regimes and supporting right-wing governments, no matter whether democracies or dictatorships, to promote its security goals in region.⁸⁰ However, Latin American states were discontent with the Pan-American model of integration and leading role of the U.S., as well as with the neoliberal economic ideology promoted by the U.S. Moreover, United States themselves made a contribution via their shift after the Cold War from security, strategical and political interests toward business and economic interests, as well as weakening drug trafficking and diminishing flows of immigrants, what was important for ending of dictatorships supported by the U.S. for their anti-communist position and promotion of democracy and unity in region.⁸¹ Moreover, after the 9/11 the role of the USA and its priorities changed radically and Latin America became to occupy a less important place in US foreign interests.⁸²

Regional organizations in Latin America has its typical differentiating attributes. One of them is that the performance of the agreements is not very impressive. For example, progress on tariff cuts is slow and implementation of other politics is still only a draft on paper or has only a marginal function. The other problem is with commitment, many countries have a problem to follow the promises and agreements they undertook, what at regional level undermines the seriousness and objectivity of the organizations.⁸³

Another obstacle in regional cooperation is a presence of many conflicts between member states, which have a form of territorial disputes, or conflicts of a political nature. On the other hand, there is also an ideological bias of some of the Latin American leaders, that are in many cases more interested in populism and promoting their own interests than the development of the region. We can find discrepancies regarding the socio-economic questions, where we can find far-left governments as in the case of Venezuela, and centre or centre-right Chilean governments. Next obstacle is a lack of theoretical background capable of satisfying the needs of member states, as well as is hard to find a common goal due to the lack of complementarity between their

⁸⁰ Intervenciones de EEUU en América Latina durante la Guerra Fría. *HOY Digital* 2011. <http://hoy.com.do/intervenciones-de-eeuu-en-america-latina-durante-la-guerra-fria/>.

⁸¹ MOULINE 2013. <http://www.coha.org/21st-century-regionalism-where-is-latin-america-headed/>

⁸² CARRIÓN 2014. p. 60

⁸³ MERA 2007. p. 3

economies. One of the obstacles is also physical – the lack of adequate infrastructure as energy, transportation, or telecommunication, that limit the range and scope of cooperation.⁸⁴

We can conclude, that integration in Latin America has to deal with many paradoxes. One of them is that the region is more democratic than before, but citizens tend to feel more distant from the political process and feel even more discontent with politics, what opens space for populism. Another paradox is that even that trade is expanding, the integration in the region grows slowly because is more focused on liberalization of trade rather than deepening and widening integration process. The third paradox is that Latin America is growing economically, but the inequality is growing as well and even that a reduction of inequality and poverty is an aim of both, UNASUR and CAN, is not possible to observe any great change in poverty rates in the region. The fourth one is that even that representatives of member states use integrationist rhetoric, the actions towards it are fragmented and marginal because of a lack of political will to fulfil the goals of integration on the expenses of national sovereignty and benefits. The last one is that even through cooperative discourse, serious tensions between member states remain a reality in South America.⁸⁵ However, we can oppose that the fifth paradox is only a consequence of the fourth previously mentioned paradoxes, when relatively low dependency, poverty, inequality, populism, and nationalism are the main cause of tensions between states, who are trying to improve their conditions without regards over their neighbours.

4. Characteristics of Organization

4.1. *Characteristics of CAN*

Andean Pact, a predecessor of Andean Community created in 1997, was established by Cartagena agreement on 26th of May, 1969 by representatives of Bolivia, Chile, Columbia, Ecuador and Peru (Appendix no. 1). Until 1990s the membership varied. Venezuela joined in 1973, whereas Chile decided to leave the Pact in 1976 because Chilean dictator Pinochet did not agree with unitary and leftist approaches of

⁸⁴ ALPÍZAR 2012 <http://www.rebelion.org/noticia.php?id=156488>

⁸⁵ ROJAS ARAVENA and ALTMANN 2008. p. 257-261

the community and decided to apply neoliberal economic measures.⁸⁶ Between 1980 and 1981 Bolivia decided to withdrawal. Ecuador froze its membership during the year 1981 and Peru did the same in 1992 after a military coup.⁸⁷ As a last change in membership, in 2006 Venezuela withdrew after Peru and Colombia signed Free Trade Agreements with the USA.⁸⁸

Andean Pact was also known as Andean Group or Agreement of Cartagena, and its history was marked by advances as well as drawbacks. Even through acceptance of integration policies, 1970s were not very successful in the realization of the integration process, because of negligible increase of trade in the region and just a small decrease of tariff barriers. As a result of improving the situation was in 1979 signed by presidents of member states a so-called Mandate from Cartagena, which confirmed a willingness to reach a deeper economic and political cooperation, including creation of sub-regional development programmes. But these ambitions were distorted with “lost decade” in 1980s.⁸⁹

During 1980s, the Andean pact was dealing with many problems, which threatened its existence. For example, different levels of economic development, disparateness, disharmony, the question about custom tariffs, and unsolved bilateral problems as the dispute about the border between Peru and Ecuador or frozen Venezuelan diplomatic relations with Peru. But even though is this era considered to be a renaissance in the integrational process in this sub-region.⁹⁰ Model of import substitutions, predominant in 1970s changed during 1980s to the model of the open economy, that do not anymore protect national industry by imposing high taxes, what is inscribed in the Strategic Design and the Work Plan document approved in 1989. According to the document, member states eliminated tariffs among them and decided to form a free trade zone in 1993. Thanks to these measures, the intra-regional trade grow rapidly and generated thousands of jobs and services were liberalized. Is possible

⁸⁶ ROMANCOV 2011. p. 164-165

⁸⁷ ADAMCOVÁ and GOMBALA 2001. p. 58

⁸⁸ MALAMUD 2006. p. 1

⁸⁹ ADAMCOVÁ and GOMBALA 2001. p. 59

⁹⁰ Ibid. p. 63-64

to say, that opening of Andean economies was the most important impulse for economic integration in Andean region⁹¹

On the beginning of 90s we can observe more institutional dynamism through accordance that representatives of states could meet twice a year to evaluate current development and to prepare decisions for next period.⁹² Another important success was in 1991 Declaration from Caracas, which determine the year 1995 as a deadline for full implementation of common external tariff and creation of a custom union.⁹³

However, because of the fact that level of poverty remained same despite the economic growth, the Integrated Plan for Social Development was introduced in 2003 to enforce more the topics that were present at the beginning of the integration process. As a consequence, at the Tarija Summit in 2007, the presidents of member states agreed to promote an integral integration, that contain more balanced approach between social, cultural, economic, political and environmental aspects. Moreover, in July 2011, at the Summit in Lima, presidents of member states agreed to strengthen and renewed dynamism of the integration process by reviewing the institutional structure and functioning of the SAI.⁹⁴

The most significant change of institutional structure came with a protocol of Trujillo in 1996. General secretariat replaced former Convention of Cartagena Pact.⁹⁵ Moreover, were formed two most important political organs – the Council of Andean Heads of State (or Presidential Council) and the Council of Andean Foreign Affairs Ministers (or Council of Foreign Affairs Ministers). The Andean presidential council was working since 1989, but it was the Trujillo protocol what made it officially first of executive bodies. What also changed was a name of the organization from Andean Pact to Andean Community.⁹⁶ And last, but not least were reorganized relations between organs and institutions by The Andean System of Integration (el Sistema Andino de Integración, SAI), which is the most important document for establishing its organs and

⁹¹ Reseña Histórica. *Comunidad Andina*

<http://www.comunidadandina.org/Seccion.aspx?id=195&tipo=QU&title=resena-historica>

⁹² ADAMCOVÁ and GOMBALA 2001. p. 60

⁹³ HUFBAUER and Schott 1994. p. 233

⁹⁴ Reseña Histórica. *Comunidad Andina*

<http://www.comunidadandina.org/Seccion.aspx?id=195&tipo=QU&title=resena-historica>

⁹⁵ ADAMCOVÁ and GOMBALA 2001. p. 62

institutions. According to this document, Andean Community is functioning on a similar principle as a national state.⁹⁷

SAI is a system of organs and institutions, which have different functions, ranging from normative function and political direction to judicial, executive, deliberative, social, financial, and educational function. The main aim is to enable effective coordination between them for deepening the integration, promotion of its external projection and to boost its integrational actions. For the best coordination, a chairman of the Council of Ministers of Foreign Affairs convenes once a year the Meeting of Representatives of the institutions, or when it is requested by any institution, it can be held even extraordinary.⁹⁸

The highest organ is the Presidential Council which is responsible for the definition of measures of integration and evaluation of integrational outcomes. It was created in May 1990 and consists of heads of member states. The presidency is exercised for one year and rotates in alphabetical order. Its meetings are held once a year but whenever it is convenient the extraordinary meeting can be set up.⁹⁹

Council of Foreign Affairs Ministers is a legislative and decision-making body, which is responsible for the formulation of foreign politics and representation of organization towards third parties. Council was created in 1979 and its members are ministers of foreign affairs of member states. Chairmanship depends on which country is in charge of the presidency of Presidential Council and its regular meetings are twice a year.¹⁰⁰

⁹⁶ Reseña Histórica. *Comunidad Andina*

<http://www.comunidadandina.org/Seccion.aspx?id=195&tipo=QU&title=resena-historica>

⁹⁷ Somos Comunidad Andina. *Comunidad Andina*

<http://www.comunidadandina.org/Seccion.aspx?id=189&tipo=QU&title=somos-comunidad-andina>

⁹⁸ Sistema Andino de Integración - SAI. *Comunidad Andina*

<http://www.comunidadandina.org/Seccion.aspx?id=4&tipo=SA&title=sistema-andino-de-integracion-sai>

⁹⁹ Consejo Presidencial Andino. *Comunidad Andina*

<http://www.comunidadandina.org/Seccion.aspx?id=9&tipo=SA&title=consejo-presidencial-andino>

¹⁰⁰ Consejo Andino de Ministros de RREE. *Comunidad Andina*

<http://www.comunidadandina.org/Seccion.aspx?id=18&tipo=SA&title=consejo-andino-de-ministros-de-rree>

The Commission is the second most important body and it consists of representatives of each of the member states' government (usually a Ministers of Trade). Commission was created in 1969 with a president for one year, depending on which country occupies the presidency of Presidential Council. Its regular meetings are three times a year and it can also meet in an extended form with the Council of Ministers of Foreign Affairs or with sectoral ministers. The function of Commission is to formulate, implement and evaluate the integration policy in the domain of trade and investment.¹⁰¹

General Secretariat is a new executive and technical body, that acts only in the interest of the whole region. It was created in 1996 by Trujillo Protocol, with a permanent seat in Lima in Peru, and began to work in 1997. It manages the integration process, ensure compliance with community commitments and presents initiatives and proposals for decisions about further integration. Its chairman is called General Secretary and is voted for five years.¹⁰²

Andean Parliament (Parlamento Andino) was created in 1979 and it consists of 20 members voted by people, five members of every member state. It is an organ that represents the citizens of member states, in general, Andean citizens. Its main function is to be a platform for deliberation about integration and for the proposition of normative actions which strengthen the integration.¹⁰³

Tribunal of Justice (Tribunal de Justicia) has its place in Quito in Ecuador and was established in 1979 but started to work in 1984. It has territorial jurisdiction over its 4 member states to solve the following cases: nullity action, non-compliance, arbitration, etc. It consists of one judge for each country. It is considered to be the third

¹⁰¹ Comisión de la Comunidad Andina. *Comunidad Andina*
<http://www.comunidadandina.org/Seccion.aspx?id=21&tipo=SA&title=comision-de-la-comunidad-andina>

¹⁰² Secretaría General de la Comunidad Andina. *Comunidad Andina*
<http://www.comunidadandina.org/Seccion.aspx?id=26&tipo=SA&title=secretaria-general-de-la-comunidad-andina>

¹⁰³ Somos Comunidad Andina. *Comunidad Andina*
<http://www.comunidadandina.org/Seccion.aspx?id=189&tipo=QU&title=somos-comunidad-andina>

most active international court, right after the European Court of Human Rights and the Court of Justice of the EU.¹⁰⁴

Andean Community is a combination of supranational and intergovernmental bodies. Between intergovernmental bodies belong Presidential Council, Council of Foreign Affairs Ministers, Andean Parliament, and Commission. The last two bodies work on a principle of the majority and not unanimity, what gives them higher potential to reach a decision and thus can avoid the situation when one member state is systematically blocking decision-making process. The two supranational bodies are General Secretariat and Tribunal of Justice, which make decisions by the principle of unanimity. The role of a strong judicial body is crucial for the functioning of CAN since it enables to enforce complying with decisions and norms and its supranational character ensure that the decision of the court will be impartial and in favour of whole Community. This institutional setting allows Andean Community to be a functioning organization while protecting sovereignty and right of its member states by application of intergovernmental and supranational bodies in the decision-making process.¹⁰⁵

4.2. *Characteristics of UNASUR*

The initial process of creation of UNASUR begun in 2000 at the meeting of South American presidents, where 12 future member states signed a communiqué where they agreed to promote international cooperation through common coverage of topics in agendas of the Andean Community and MERCOSUR. Then, in 2001 was held a meeting of ministers of foreign affairs of the countries of the MERCOSUR and Andean Community and Chile, where they established a Dialogue and Political Coordination Mechanism to facilitate joint action and joint decision-making in areas of political cooperation, economic integration, infrastructure, foreign relations, and social and cultural sphere.¹⁰⁶

¹⁰⁴ Tribunal de Justicia de la Comunidad Andina. *Comunidad Andina*
<http://www.comunidadandina.org/Seccion.aspx?id=29&tipo=SA&title=tribunal-de-justicia-de-la-comunidad-andina>

¹⁰⁵ Acuerdo de Cartagena. Comunidad Andina. 1969. Available at:
<http://www.comunidadandina.org/Normativa.aspx?link=TP>

¹⁰⁶ Unión de las Naciones Suramericanas - UNASUR. Antecedentes. *SELA*.
<http://www.sela.org/es/cumbres-regionales/unasur/antecedentes/>

On 8th of December 2004, states of MERCOSUR and Andean community, after several meetings, signed in Cuzco agreement with an aim to create a regional organization for economic and political integration, similar as EU in Europe. This newly created organization was called South American Community of Nations (Comunidad Sudamericana de Naciones, CSN)¹⁰⁷ and in 2006 heads of member states established a strategic plan to set a common agenda in the region. In 2007 heads of member states decided to change its name to Union of South American Nations (UNASUR, Union Naciones Suramericanas)¹⁰⁸ officially created by the UNASUR Constitutive Treaty on May 23, 2008, in Brasilia and which come into force on March 11, 2011, after ratification by CSN countries.¹⁰⁹

Member states of UNASUR are Bolivia, Brazil, Chile, Colombia, Ecuador, Argentina, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela (Appendix no.2). Since French Guayana is a part of France is a member of EU and not of UNASUR. Moreover, other states of the Latin America can participate as “Associate States” and after four years of having this status, they can access UNASUR as member States. Special status has Mexico and Panama since they participate as the Observer States of the Union. Official languages of UNASUR are Spanish, English, Portuguese and Dutch.¹¹⁰

The objective of UNASUR is to create an open space for integration and unity of South American nations in cultural, economic, social, and political affairs. Among its specific goals are: social and human development to eradicate poverty and inequalities; eradication of illiteracy and equal access to education; energy integration; infrastructure development; promote financial integration among member states; protection of environment; unrestricted respect for human and labour rights; economic and trade cooperation to promote growth; support small and medium enterprises; cooperation of judicial authorities; strengthen fight against corruption, terrorism, organized crime, etc.¹¹¹

¹⁰⁷ ROMANCOV 2011. p. 171-172

¹⁰⁸ History. *UNASUR*. <http://www.unasursg.org/en/node/179>

¹⁰⁹ Union of South American Nations (UNASUR). 2015. *SELA*. p. 7

¹¹⁰ Ibid. p. 7

¹¹¹ Specific Goals. *UNASUR*. <http://www.unasursg.org/en/node/180>

But to fulfil these goals of economic, political, social, and cultural cooperation is hard because of huge asymmetries among states which mutual trade is not able to overcome.¹¹² However, this new model of integration incorporated all the achievements and the progress made by the MERCOSUR and Andean Community, as well as the experience of Chile, Guyana, and Suriname.¹¹³

The highest body is Council of Heads of State and Government, that indicates the main guidelines of integrational policy and plans of action, decides about priorities and accepts general principles in relations with third parties. Its meetings are irregular, but mostly once a year¹¹⁴ and chairmanship or presidency pro tempore is changing each year and follows alphabetical order. The pro tempore presidency is related to the representation of UNASUR in the international events, to present, convene and preside at the meeting of the UNASUR bodies.¹¹⁵ In addition, the Council of Heads of State and Government has special meetings, for example, one held on 30 September 2010 in Buenos Aires, where was made a statement against the coup d'état attempt against Rafael Correa, president of Ecuador.¹¹⁶

Council of Head of Foreign Affairs holds its meeting once in half a year. Its main task is to coordinate an attitude toward integration and to monitor the process. Council also adopts resolutions to implement the decisions taken by the Council of Heads of State and Government.¹¹⁷

The third body is Council of Delegates, that consists of one representative from each member state. Its meetings are every two months and the main aim is to exercise and implement decisions made by the Council of Heads of State and Government and resolution made by Council of Heads of Foreign Affairs, but also to prepare background paper and conferences for Council of Heads of Foreign Affairs.¹¹⁸

¹¹² ROMANCOV 2011. p. 172

¹¹³ UNASUR. Introducción. *SELA*. <http://www.sela.org/es/cumbres-regionales/unasur/>

¹¹⁴ Council of the Heads of State and Government. *UNASUR*. <http://www.unasursg.org/en/node/335>

¹¹⁵ Responsibilities of the President Pro Tempore. *UNASUR*. <http://www.unasursg.org/en/node/191>

¹¹⁶ Union of South American Nations (UNASUR). 2015. *SELA*. p. 9-10

¹¹⁷ Council of Ministers of Foreign Affairs. *UNASUR*. <http://www.unasursg.org/en/node/336>

¹¹⁸ El consejo de delegadas y delegados. *UNASUR*. <http://www.unasursg.org/es/consejos/consejo-de-delegadas-y-delegados>

The fourth main body is General Secretariat, what is only one permanent body of UNASUR. It is headed by General Secretary, designed by Heads of Foreign Affairs and Heads of States for two years with only one opportunity for re-nomination and there cannot be twice in a row people of the same nationality.¹¹⁹ The task of the secretariat is administrative support of other bodies and works in the interest of UNASUR. General Secretariat also prepares and submits the annual report, serves as a depository of the agreements of UNASUR and coordinate with other integration and cooperation organizations in Latin America to smooth the activities handed to them by UNASUR.¹²⁰ However, attributes and power of the Secretary General were slowly reduced to solely administrative position without political authority and thus cannot comply with demands over quick responses for situations that demand it.¹²¹

UNASUR also counts with two committees. First one is called Centre for Strategic Defence Studies and was created in 2009 at the third regular meeting of the Council of Heads of State and Government of UNASUR. Its aim is to coordinate and harmonize defence policy among member states through joint strategic coordination and shape a common vision of defence.¹²²

The second committee is the South American Government Health Institute created in 2011, which is public body linked to the Health Council. It aims to centre for research but also for discussion of policies for a development of human resources in matters of health, as well as to systematize and transmit information on global and regional health matters.¹²³

UNASUR, in contrast to Andean Community, is more based on interstate coordination and cooperation rather than a supranational instrument for integration. The decision-making process in UNASUR is based on the principle of unanimity due its strict respecting of national sovereignty, that complicates the process since there exist a great diversity and differences between member states. Moreover, agreements adopted by the organization are mandatory only once they are incorporated in the domestic legal

¹¹⁹ Former Secretary General. *UNASUR*. <http://www.unasur.org/en/node/186>

¹²⁰ Secretary General Responsibilities. *UNASUR*. <http://www.unasur.org/en/node/189>

¹²¹ CARRIÓN 2014. p. 51

¹²² Center for Strategic Defense studies (CEED – CDS). *UNASUR*. <http://www.unasur.org/en/node/183>

¹²³ South American Government Health Institute – ISAGS. *UNASUR*. <http://www.unasur.org/en/node/184>

order, therefore, organization has a weak capacity to generate binding decisions for its members.¹²⁴ The only permanent, supranational body is General Secretariat, however, its powers are very limited and thus fulfils more an administrative function and it has very limited enforcement power over member states. UNASUR is thus lacking a powerful supranational body, that would enforce compliance of its members and deal with cases of non-compliance. Moreover, the Council of Head of States and Government only accept resolutions, that are in favour of current presidents and governments, what limits future development in the region but also within member states themselves.¹²⁵

5. Evaluation of efficiency

5.1. Coordination problem

5.1.1. Coordination problem in general

In general, coordination problem, together with distributive and collaboration problem, is a concept used for rationalist's modelling and game theories. Coordination problem is a situation, where we have more strategies that lead many equilibria points and we have together with other actors decide, which strategy is most useful for all. Is important, that the actors will all choose the same strategy because it is the only way how to reach the Pareto-optimal solution as well as Nash equilibrium.¹²⁶ However, in many cases actors have conflictual interests and finding an optimal solution is encumbered by high transaction cost of exchange of information. Hence, international institutions fulfil a function of providing information, creating common rules and strategies and providing a stable decision-making structure and thus allow easier coordination of strategies.¹²⁷ In this case to the evaluation of coordination problem will be used number and type of approved legislature and important agreements and range of agenda of cooperation.

¹²⁴ BORDA 2014. p. 4

¹²⁵ Ibid. p. 14-15

¹²⁶ KARLAS 2015. p.55-56

¹²⁷ Ibid. p.55-56

5.1.2. Andean Community

In a case of approved documents, protocols, decisions and resolutions, Andean Community is really active. There are thousands of informative or working documents, or document of technical cooperation, as well as statistics documents and journals. The most important are agreements and protocols that establish Andean Community, its institutions and their functioning and main goals and politics of the organization. The first agreement was Agreement of Cartagena, which established the process of creation of the subregional community with economic development, and reduction of differences between development of its member states as the main aim. As measures to reach these goals were introduced cooperation with other regional economic blocs, harmonization of economic and social politics, liberalization of trade and preferential treatment of Bolivia and Ecuador, which are less developed than Perú, Colombia, and Venezuela.¹²⁸ Then treaties about creation and then modification of Tribunal of Justice, Andean Parliament or Convent of Simón Rodríguez, which serves as a forum for debate and coordination for socio-labour topics. Another important document is Protocol of Trujillo, which moderately modifies the institutional setting of Cartagena Agreement, and Protocol of Sucre, which modifies especially conditions of internal trade.¹²⁹

The second most important documents are protocols and declarations approved by Presidential Council. Since its establishing in 1989 it published 24 important documents.¹³⁰ First of them was a Declaration of Galapagos consisting of Andean obligation to peace, security, and cooperation, as well as a strategic draft of Andean group's orientation. This protocol declared that reciprocal confidence and solidarity is an important base for integration and good relation between member states, and also an incorporation of principles of UN Charter and OAS as the absence of use of power, sovereignty of each state and judicial equality. The part containing the vision of the future development of Community in 1990s and steps in all economic sectors, infrastructure as well as border integration and scientific development to improve the development of integration and economy of Andean states in comparison with previous

¹²⁸ Acuerdo de Cartagena. Comunidad Andina. 1969. Available at: <http://www.comunidadandina.org/Normativa.aspx?link=TP>

¹²⁹ Normativa Andina. Tratados y Protocolos. *Comunidad Andina*. <http://www.comunidadandina.org/Normativa.aspx?link=TP>

¹³⁰ Documentos de los Consejos Presidenciales. Documentos Oficiales. *Comunidad Andina*. <http://www.comunidadandina.org/Documentos.aspx?GruDoc=06>

processes.¹³¹ Another example of the declaration of Presidential Council is Declaration of Bogotá, where presidents of member states agreed on deepening cooperation in free transportation, give an impulse to energy integration and charge its General Secretary to cooperate with General Secretaries of UNASUR and Mercosur to identify common positions and differences with a view of the future convergence of these processes.¹³²

Important documents for the functioning of integration are Decisions made by Commission, for example, Decision number 816 about regulation of interconnection of electrical systems in the region or Decision number 771 about custom policy in Andean Community.¹³³ Afterwards, Decisions of Council of Ministers of Foreign Affairs and protocols from its meetings, for example, Decision 774 about a war against illegal mining, where stated a clear definition of illegal mining and measures how to diminish it. Also resolutions of General Secretariat, which are more detail and technical and serve for execution of agreed decisions, as Resolution number 1922 about modification of common norms about interconnection (telecommunications) and Resolution number 1920 about the designation of new General Director – José Antonio Arróspide del Busto.¹³⁴ Furthermore, documents about processes of Tribunal of Justice form an important part of the organizational documental framework, over all can be mentioned process 01-AN-2014, a null action interposed by Ecuador against Resolutions 1695 and 1716 issued by General Secretariat about products, that are subject to control before importation. In the end, this null action was declared as unfounded by Tribunal of Justice.¹³⁵

Andean Community deals with topic ranging from macroeconomics and investments to animal health and native people. However, the most important agenda is the one related in economic development and intraregional trade as for example custom tariffs. In case of the custom tariffs, states were able to approve a series of documents

¹³¹ *Declaración de Galapagos*. Consejo Presidencial. Comunidad Andina. [online]. 1989.[Accessed 27 February 2017]. Available at:<http://www.comunidadandina.org/Documentos.aspx?GruDoc=06>

¹³² *Declaración de Bogotá*. Consejo Presidencial. Comunidad Andina. 2011.
<http://www.comunidadandina.org/Documentos.aspx?GruDoc=06>

¹³³ Documentos Oficiales. Decisiones. *Comunidad Andina*.
<http://www.comunidadandina.org/Documentos.aspx?GruDoc=07>

¹³⁴ Documentos Oficiales. Resoluciones. *Comunidad Andina*.
<http://www.comunidadandina.org/Documentos.aspx?GruDoc=08>

¹³⁵ Acciones de Incumplimiento. *Comunidad Andina*.
<http://www.comunidadandina.org/Solcontroversias.aspx?fr=0&codProc=216&codpadre=14&tipoprocedimiento=>

related to harmonization of tariffs, procedures, and documents related to customs.¹³⁶ Other agenda is setting a common system of quality through normalization, accreditation, testing, certification, metrology and technical directives to facilitate intraregional trade and to inform and protect the consumers. This policy was created by decision number 376 in 1995 and was an important milestone for the increase of intraregional trade.¹³⁷ Important is also a common policy to defend competition, that investigates behaviour that could be against a good faith demand as dumping and subsidies, applied by Decisions 456 and 457.¹³⁸ A significant role in development also play investments, thus Andean community decided to apply common regime for investments, which guarantee equal treatment and non-discrimination of investors from other member states.¹³⁹ One of the most important agendas is the trade of services, which was liberalized based on decision number 439 from 1998 and decision 659 from 2006, with an exception of financial services that were not liberalized before 2014.¹⁴⁰ Other important areas of cooperation are energy, telecommunications, and transportation, that enables elimination of trade restrictions, adoption of common norms and stimulation of investment in services.¹⁴¹

Other agendas are for example focused on right and position of Afro-Americans in Andean region, promotion of small and medium enterprises and improve their conditions for participation in intraregional trade, animal health, gender equality, rural development to lower an inequality between rural and urban living standards, then a promotion of democracy and human rights not only in member states, but also abroad (which is however only rhetorical due to lack of democracy in Venezuela, that was a member until 2006)¹⁴², integration, and development of the border area, that is focused

¹³⁶ Aduanas. *Comunidad Andina*.

<http://www.comunidadandina.org/Seccion.aspx?id=3&tipo=TE&title=aduanas>

¹³⁷ Sistema Andino de Calidad. *Comunidad Andina*.

<http://www.comunidadandina.org/Seccion.aspx?id=62&tipo=TE&title=sistema-andino-de-calidad>

¹³⁸ Defensa Comercial. *Comunidad Andina*.

<http://www.comunidadandina.org/Seccion.aspx?id=75&tipo=TE&title=defensa-comercial>

¹³⁹ Inversiones. *Comunidad Andina*.

<http://www.comunidadandina.org/Seccion.aspx?id=91&tipo=TE&title=inversiones>

¹⁴⁰ Comercio de Servicios. *Comunidad Andina*.

<http://www.comunidadandina.org/Seccion.aspx?id=139&tipo=TE&title=comercio-de-servicios>

¹⁴¹ Telecomunicaciones. *Comunidad Andina*.

<http://www.comunidadandina.org/Seccion.aspx?id=72&tipo=TE&title=telecomunicaciones>

¹⁴² Democracia. *Comunidad Andina*.

<http://www.comunidadandina.org/Seccion.aspx?id=100&tipo=TE&title=democracia>

on improvement of living conditions and ease the flow of people and goods.¹⁴³ Other politics are for example prevention and attention of disasters, migration, security with its limitation of military expenses and cooperation in the fight against terrorism and proliferation of arms.¹⁴⁴ Moreover, member states cooperate also in the area of social development or fight against corruption to promote and consolidate legitimacy and potential of development of Andean states.¹⁴⁵

Even though the policy agenda of Andean Community is wide, the main object is international trade, with an ambition to create an economic integration with free trade and support economic growth and stable macroeconomic policy. But these ambitions were distorted with “lost decade” in 80s and its economic recession what brought unwillingness of governments to implement articles from Cartagena agreement into states’ legislative. The restart of the integrational process was slow, with many opt-out cases and conditions, but reached many successes. For example, in 1990 in Machu Pichu on the presidential summit was decided on a common process in negotiations about restructuralization of debt and on common energy policy. The second example could be a meeting in La Paz where was signed an agreement that free trade zone will be created until 1992, but only between Venezuela and Colombia (Ecuador and Bolivia joined six months later), otherwise, the agreement did not include two important branches of economics – car industry and agriculture.¹⁴⁶ Another important step was the decision from April 1991 to replace Decision 220 by Decision 291, which enabled to liberalize income of foreign capital, cancelled the obligation of 51 % of local ownership and foreign investors were put on the same level as domestic investors. Together with this was in 1991 implied more consistent regional rules forbidding dumping and export subsidies, non-tariff barriers and activities restricting free competition.¹⁴⁷ We can conclude, that Andean Community is successful in overcoming of coordination problem since it is able to reach a conclusion about issues within its agenda, but this agenda is limited to economic integration and social policies and

¹⁴³ Desarrollo Fronterizo. *Comunidad Andina*.

<http://www.comunidadandina.org/Seccion.aspx?id=68&tipo=TE&title=desarrollo-fronterizo>

¹⁴⁴ Seguridad. *Comunidad Andina*.

<http://www.comunidadandina.org/Seccion.aspx?id=81&tipo=TE&title=seguridad>

¹⁴⁵ Anticorrupción. *Comunidad Andina*. COMUNIDAD ANDINA.

<http://www.comunidadandina.org/Seccion.aspx?id=1&tipo=TE&title=anticorrupcion>

¹⁴⁶ ADAMCOVÁ and GOMBALA 2001. p. 59-60

¹⁴⁷ Ibid. p. 60

Community thus does not deal with more sensitive problems as democracy in the region.

5.1.3. UNASUR

UNASUR has three main constitutive documents: Constitutive Treaty of UNASUR, General Setting of UNASUR and Additional Protocol to Constitutive Treaty. Constitutive Treaty is a basic document containing aims and goals of the organization, following principles of national sovereignty and integrity, self-determination of nations, solidarity, cooperation, democracy and human rights. In Treaty also stated that UNASUR has to build achievements of Mercosur and CAN and go beyond the simple convergence. Moreover, Constitutive Treaty present in brief basic institutional bodies and their functioning and interactions between them and other questions as financialization, relations with third parties and immunity for representatives of member states.¹⁴⁸

General Setting of UNASUR then describes more in detail institutional setting of the organization and its functioning. First pages contain general information about adoption of policies, the creation of institutions, organizations, and programs, for example, Article 11 about the incorporation of policies and programs that were created before the Constitutive Treaty. Other parts of General Setting are devoted to the budget, particularly its elaboration, expenses on staff and financialization, to the organization of reunions, or to the systematization of normative acts and documents.¹⁴⁹

The last of basic documents is Additional Protocol to Constitutive Treaty, that is supposed to be applied when there is a rupture in the democratic order, violation of the constitutional order or other situation that threatens principles of democracy. The Addition Protocol sets, in this case, an extraordinary reunion of Council of heads of states or Council of Ministers of Foreign Affairs and establishes steps that should be

¹⁴⁸ *Tratado Constitutivo de la Unión de Naciones Suramericanas*. UNASUR. 2011.

<http://www.unasursg.org/images/descargas/DOCUMENTOS%20CONSTITUTIVOS%20DE%20UNASUR/Tratado-UNASUR-solo.pdf>

¹⁴⁹ *Reglamento General de UNASUR*. UNASUR. 2012.

http://www.unasursg.org/images/descargas/DOCUMENTOS%20CONSTITUTIVOS%20DE%20UNASUR/reglamento_gral.pdf

done as suspension of the right to participate in institutions of UNASUR, total or partial closing of borders and adoption of diplomatic sanctions.¹⁵⁰

Beside main documents, many of UNASUR's bodies release its own documents. However, in not so big amount as bodies of Andean Community, which are more active in publishing activities. One of the active bodies is Council of Ministers of Foreign Affairs, which published for example a special declaration about the Falkland Islands, also called Malvinas Islands, where it stated its support to Argentina's claims for the Islands and for peaceful negotiation of disputes about their sovereignty.¹⁵¹ Among other important bodies that publish public documents are South American Council of Defence of UNASUR, South American Energetic Council or Electoral Council. Nonetheless, they publish mostly annual statements rather than declarations from extraordinary meetings.¹⁵²

UNASUR is not only organization serving for regional development and facilitation of trade liberalization. UNASUR is mainly an organization with an aim to serve as a platform for political deliberation and formation of common position toward international issues.

In Constitutive Treaty are thus stated main areas of cooperation in political, economic and social dimension. In case of political dialog, the goal is to create a space for dialog between member states to ensure the strength of integration and to empower a participation of UNASUR in international issues and negotiations. UNASUR cooperates also in social politics and human development, where it tries to promote equality and inclusion for eradicate poverty and overcome inequalities between regions, as well as to eradicate analphabetism and ensure universal access to quality education. As one the most important aspect of social policy we can see an intention to consolidate South American identity through recognizing the right of citizens in whichever of member states. Moreover, together with a right to universal access to social security and

¹⁵⁰ *Protocolo adicional al Tratado Constitutivo de UNASUR sobre Compromiso con la Democracia*. UNASUR. 2014. <https://goo.gl/HPv7gp>

¹⁵¹ *Proyectos de declaracion especial del Consejo de ministras y ministros de relaciones exteriores de UNASURS sobre la cuestion de las Islas Malvinas*. Consejo de ministras y ministros de relaciones exteriores de UNASUR. 2016. <https://goo.gl/fyygBN>

¹⁵² Archivo Digital de UNASUR. *UNASUR*. <http://docs.unasur.org/latest-documents>

health services to all UNASUR citizens. UNASUR also pursue that diplomas and studies will be acknowledged in the whole region of South America.¹⁵³

In the economic area, UNASUR has same goals as Andean Community, ergo energetic integration to ensure energy security of the whole region, then the development of infrastructure to promote social and economic development through the interconnection of regions, and financial integration through the adoption of compatible mechanisms of economic and fiscal policy. The main overlapping with politics of CAN is the area of economic cooperation to promote innovative processes, transparency, and dynamics of development to overcome asymmetries between member states and ensure well-being of all social classes and reduction of poverty. This policy includes integration of productive industry or implementation of common projects in the investigation, innovation or technology to increase a capacity, sustainability, and development of South American science and technology. In a case of environmental policy, the main aim is to protect biodiversity, hydro resources, and ecosystems, together with cooperation to fight against causes and consequences of climate changes. Other politics are then cooperation in migration question to regulate and harmonize migration politics, to increase citizens' participation in the formulation of integrational politics, to promote cultural diversity and ethnical identity and increase of security in the region by fighting against corruption, terrorism and drug industry.¹⁵⁴

In the case of economic cooperation, UNASUR had ambitious and developing proposals, but until now, these ambitions are from a great part still unfulfilled. For example, there was an idea of the whole incorporation of MERCOSUR and CAN into the institutional structure of UNASUR, but in the end, this was not accepted and both organizations are still autonomous. In are of regional trade there was not made any new proposals, than these that are in one of the pillars of a conventional process of regional integration. There are no modifications on commercial structures of CAN or MERCOSUR to promote a more active exchange within a region and in regard to the

¹⁵³ *Tratado Constitutivo de la Unión de Naciones Suramericanas*. UNASUR. 2011.
<http://www.unasursg.org/images/descargas/DOCUMENTOS%20CONSTITUTIVOS%20DE%20UNASUR/Tratado-UNASUR-solo.pdf>

¹⁵⁴ *Tratado Constitutivo de la Unión de Naciones Suramericanas*. UNASUR. 2011.
<http://www.unasursg.org/images/descargas/DOCUMENTOS%20CONSTITUTIVOS%20DE%20UNASUR/Tratado-UNASUR-solo.pdf>

third markets.¹⁵⁵ However, UNASUR has a strong position in areas of security, social politics and moreover political dialogue, which is the main aim of the organization.¹⁵⁶

5.1.4. Evaluation of coordination problem

In the previous paragraphs, we can observe, that both actors are active in many agendas of cooperation. UNASUR is more focused on political and defence dimension, whereas Andean Community does not deal more specifically with these topics and is more deeply focused on economic cooperation. In the case of economic cooperation, UNASUR mostly only undertakes deals and achievements reached under MERCOSUR and Andean Community, but do not initiate further measures by itself. The intersection between agendas of these two organizations then occurs in social topics ranging from human development, diminishing of poverty, promotion of education to support for minorities. In the case of a number of approved legislature and important agreements, there is a significant difference between UNASUR and Andean Community. On an official webpage of Andean Community, we can find a wide range of published documents, that counts from basic documents to Journals and judicial decisions, and we can observe, that each year are published dozens of new documents. In contrary, on the webpage of UNASUR, we can find only basic documents and documents published by its important bodies, and also the frequency of publishing is slightly lower than in the case of Andean Community. Moreover, UNASUR publishes more just annual statements from the regular meeting, whereas Andean Community is also active during extraordinary meetings, where accepts new resolutions and decisions concerning its agenda.

According to this analysis, we can conclude, that in the case of coordination problem, Andean Community is a bit more efficient, even that it deals with lesser topics, because it is more active in cooperation process since it publishes more frequently important documents about further cooperation steps. However, this investigation can be misleading in case, that UNASUR does not publish on its websites documents of minor importance about its agenda.

When we look at the relationship between a number of member states and their different goals and coordination problem, we can observe, that the relationship is really

¹⁵⁵ CARRIÓN 2014. p. 51-52

strong. When there is a higher number of member states, as in case of UNASUR, it is harder to find a consensus about specific policies, so even that an official agenda is wide, the actual cooperation is limited only to some topics (as democracy, conflict resolution or physical integration), basically, on topics that are not in general controversial to any member state. Andean Community thus due to its smaller member of member states is able to overcome coordination problem easier in comparison to UNASUR.

Coordination problem has also its link to institutional setting, since in organizations functioning on intragovernmental principle as UNASUR is, states can approve new legislature only by unanimity, what complicates process of decision-making and lead to approval only of legislation that is in favour of current governments, without regard to loss of potential benefits of the other legislation. In the case of the mixture of intergovernmental and supranational bodies in the decision-making process, is easier to agree on agenda of organization and reach decisions.

Homogeneity among members in case of coordination problem is important, since similar goals and needs help to find the ideal equilibrium easily, but we cannot consider it as significant variable, since Andean Community is not very homogenous, with great differences between Colombia, as the most developed and powerful state, and Bolivia, as the least developed state. The differences are also in general political view, whereas Colombia and Perú are more liberal, governments of Ecuador and Bolivia are more leftist, but even through this cleavage, are able to reach a consensus on important policies.

5.2. Distributive problem

5.2.1. Distributive problem in general

The distributive problem appears when is possible to reach more than one cooperative agreement. The severity of the problem depends on how actor compares its preferred outcome to outcome preferred by other actors. This cooperation problem is tightly related to bargaining costs. In general, the more possible outcomes, the larger are

¹⁵⁶ CARRIÓN 2014. p. 51

bargaining costs.¹⁵⁷ This theory is then based on searching and negotiating to reach an equilibrium, which can be Pareto-optimal equilibrium or Nash equilibrium. To overcome distributive problems, international organizations use so-called issue-linkage, when they use one issue area to affect the behaviour of states in other areas. The issue-linkage thus can make possible agreements that would be otherwise impossible to reach.¹⁵⁸ In this thesis for evaluation of distributive problem will be used side effects of organizations' agendas, basically whether they create more benefits for some actors or for whether the distribution of benefits is almost equal.

5.2.2. Andean Community

In the case of Andean Community, benefits from membership in organization obtain all members since the intra-regional trade increased (even though nowadays is still lower than was expected during formation of free trade zone). Until the creation of Andean community in 1969 was the mutual trade of member states meaningless with only 2 % of total export. During 70s this number rose only to 4,8 % (112 mil. in 1970 to 1113 USD in 1979). The main item was completed products, whose share of total export risen from 36 % to 56 % between 1970 and 1979. In 80s most of the countries had a problem with fulfilling the commitments and a rundown came. Between 1990 and 1995, mutual trade was rising for 29 % per year and reached 4,8 billion USD, what is 11,8 % of total export (Appendix no. 3). The biggest increase of export registered Colombia because of export of Columbian oil to Peru. In opposite to this, the export to non-member states was growing between 1990 and 1995 only for 1,8 % per year, what signifies that export of member states shifted partly from external to the internal market. In the case of imports, this shift is not so significant, because of the low industrial base of states, what does not allow intraregional supplying with completed products. On the other hand, economic growth within Andean Community is more focused on qualitative attributes rather than simple quantity (Appendixes no. 4 and 5). The import of the third states was increasing in period 1990 to 1995 for 14,5 % per year, what is approximately half of growth of intraregional trade.¹⁵⁹ However, in the distribution of benefits from mutual trade and membership in general, we can observe some differences.

¹⁵⁷ KOREMENOS, LIPSON and SNIDAL 2001. p. 15-16

¹⁵⁸ AXELROD and KEOHANE 1985. p. 239-240

¹⁵⁹ ADAMCOVÁ and GOMBALA 2001. p. 64

Distributive problem is influenced by the existence of asymmetries between member states. In the case of Andean Community, we can observe differences in development between Bolivia and Ecuador on one side and Perú and Colombia on the other side. In the third article of Cartagena Agreement is determined, that Bolivia and Ecuador, as less developed states, will be subordinated to the special regime to accelerate their economic development without specification the measures through which this aim should be reached.¹⁶⁰

The form of overcoming these inequalities has been changing during years. According to documents of General Secretariat, from 2006, we can recognize three phases. First one is from 1969 to 1989, was an era of different treatment and different elaboration of industrial politics. Ecuador and Bolivia were allowed to liberalize in longer period than other states.¹⁶¹ For example, in case of common customs tariffs towards third nations, Bolivia and Ecuador obtained opt-out advantages to promote an exportation of national products to partner states, which maintained custom barriers toward third parties. Moreover, was established a list of products for which other member states opened their markets and promoted Bolivian and Ecuadorian national production through project of technical development, whose aim was to identify opportunities for industrialization and their complementarity with other member states.

¹⁶²

The second phase was from 1990 to 2000 when the different treatment was diminishing in favour of establishing of free trade zone created in 1993 between Colombia, Bolivia, Ecuador, and Venezuela and with later extension to Perú in 1997. Architects of liberalization problem did not take into account a relative development, however, in this period member states applied different liberalizing politics. In contrast to the equality of liberalization project was the creation of financial mechanism as Andean Corporation of Promotion (Corporación Andina de Fomento, CAF) or Latin American Reserve Fund (Fondo Latinoamericano de Reservas, FLAR), which exercise a preferential treatment toward Bolivia and Ecuador.¹⁶³

¹⁶⁰ CIENFUEGOS and SANAHUJA 2010. p. 155

¹⁶¹ Ibid. p. 155-157

¹⁶² ADAMCOVÁ and GOMBALA 2001. p. 60

¹⁶³ CIENFUEGOS and SANAHUJA 2010. p. 156

And the third phase, which started in 2000, is marked by initiatives that try to promote a qualitative improvement and establish communitarian strategic policies for diminishing asymmetries in development through instruments as Integrated Plan for Social Development or programmes for macroeconomic convergence. In 2004, member states decided to allow exceptional form of negotiation of agreements with third states, that should contribute to reducing asymmetries between states, although in the end used by Colombia and Perú to negotiate a free trade agreement with the United States.^{164 165}

Even through the beneficial treatment of Ecuador and Bolivia, the biggest increase of export registered Colombia and Peru and until its withdrawal also Venezuela.¹⁶⁶ The most benefits from membership in CAN has without hesitation Colombia, and not only benefits from economic point of view, but also from political one. Colombia is the most dynamics market in CAN and CAN's free trade zone was in 2003 the second most important market for Colombia.¹⁶⁷ However, in the 2014 percentage of imports from the subregion was only 4, 41 % and Colombian export to other member states were only 5,8 %.¹⁶⁸ Between political and economic dimension is fact, that Colombia has a major power during negotiations with third states and thus can avoid agreements that would be harmful to its interests and also in negotiation within Andean Community, that allows it to promote national visions in common politics and especially in these politics that are of great interest for the country. Otherwise, Colombia can benefit from cooperation and support of other member states in fight against drug trafficking and production and criminality, which are problems that afflict Colombia the most. As the last point, membership in viable subregional organization gives Colombia greater political support and greater international margins of its actions.¹⁶⁹

In case of Peru, 8,8 % of imports were from other members states of Andean Community in 2014 and Peruvian exports into other member states reached 6,7% in

¹⁶⁴ A reaction to this behaviour were protests of Ecuador and Bolivia and withdrawal of Venezuela

¹⁶⁵ CIENFUEGOS and SANAHUJA 2010. p. 156-158

¹⁶⁶ ADAMCOVÁ and GOMBALA 2001. p. 64

¹⁶⁷ After withdrawal of Venezuela, the importance of CAN's market decreased for it

¹⁶⁸ The Atlas of Economic Complexity. *Center for International Development at Harvard University*. <http://atlas.cid.harvard.edu>

¹⁶⁹ Por qué es importante la CAN para Colombia. *Presidencia de la República Colombia*. 2003. http://historico.presidencia.gov.co/prensa_new/sne/2003/junio/24/02242003.htm

2014, what makes Andean Community the third most important export area.¹⁷⁰ Position of Peru is not so beneficial as in case of Colombia, because the beneficial treatment of Bolivia and Ecuador cause disadvantages mostly to Peru, as for example when one of those two countries has had problems with its balance of payments, they imposed measures that restrict the trade and the main victim of these measures is Perú, because it has larger share of imports and exports from CAN than Colombia, which is less dependent on intra-regional trade. On the other hand, because of its dependency on intra-regional trade is the existence of free trade zone of CAN important for Peruvian economy.¹⁷¹

For Bolivia in the year 2014, percentage of imports from other member states is 8,02 % and Bolivian exports to other member states reached 10,4 %, what points out on importance of regional trade for Bolivian economy.¹⁷² The reason why Bolivian exports are relatively high in comparison with other member states is that Bolivia produces products, that are complementary to subregional market, which means that other states do not produce them.¹⁷³ Otherwise, only 7 % of export to other member states forms traditional commodities as hydrocarbons and minerals, the export of non-traditional commodities as oilseeds and derivatives, dairy products, soya beans or textiles.¹⁷⁴¹⁷⁵

Ecuador in 2014 obtained from subregional trade 11,8 % of its total imports, which is even more than in case of Bolivia and exports within Andean Community form 9,25 % of its total exports.¹⁷⁶ Ecuador thus does not benefit so much as Bolivia from exportation to other member states, however, this states still make an important part of its export destination, as well as sources of imported goods, which are thanks to free trade zone cheaper, because the prices in most of the cases do not include custom tariffs.

¹⁷⁰ The Atlas of Economic Complexity. *Center for International Development at Harvard University*. <http://atlas.cid.harvard.edu>

¹⁷¹ El Perú debe quedarse o salir de la Comunidad Andina? *El Comercio*. 2015. <http://elcomercio.pe/economia/peru/peru-debe-quedarse-salir-comunidad-andina-184956>

¹⁷² The Atlas of Economic Complexity. *Center for International Development at Harvard University*. <http://atlas.cid.harvard.edu>

¹⁷³ Explicó que en el mercado de la CAN los productos bolivianos tienen ventajas importantes económicamente hablando. *Notiboliviarrural*. 2012. <https://goo.gl/GbmJQp>

¹⁷⁴ The Atlas of Economic Complexity. *Center for International Development at Harvard University*. <http://atlas.cid.harvard.edu>

¹⁷⁵ Bolivia puede duplicar su exportación a la CAN. *El Día*. 2015. https://www.eldia.com.bo/index.php?cat=357&pla=3&id_articulo=166804

¹⁷⁶ The Atlas of Economic Complexity. *Center for International Development at Harvard University*. <http://atlas.cid.harvard.edu>

The biggest problem for mutual trade is agreement between Colombia and Perú on one side and the United States on the other, because it makes Ecuadorian export less competitive in intra-regional trade since the zero custom tariffs for importing raw materials from the United States gives to Colombian and Peruvian production certain advantage. Moreover, since Ecuador as only member state shares its borders only with other member states, it should be more focus on developing relations with them, since in international trade with them has the smallest transaction costs.¹⁷⁷

Until 2006 was member state also Venezuela, which belonged to more developed economies together with Perú and Colombia thanks to a great oil production and finance flowing from export of oil. In 2004, export to states of Andean Community formed 6,13 % of its total export and import from member states reached 14,11 % of its total imports. After 10 years import fallen to 8,5 % of Venezuela's total imports and export reached less than 1 % of all exports. The main partner in both; exports, and imports for Venezuela, is Colombia. Nevertheless, the export to Colombia was diminishing through years.¹⁷⁸ Venezuela thus lost all benefits of free trade zone, however impact of this withdrawal is unclear due to impacts of financial crisis in 2007 in the United States, on whose demand for oil is Venezuelan economic dependent and final crash came with discovery of shale oil, which pressed prices for oil down and caused economic disaster for Venezuela.¹⁷⁹

5.2.3. UNASUR

Similar to Andean Community, UNASUR also brings advantages to its members. One of them is promotion of political dialogue and capacity to produce solutions and proposals to guarantee peace in region, defend human rights and democracy. The second main benefit is that it is trying to find a way how to reduce poverty and social inequality that are among main sources of political instability in region. On the other hand, UNASUR miss professionals in area of integration among its employees to deepen its politics and it lacks obligational character of decisions for

¹⁷⁷ La Cancillería pidió una reunión de la CAN. *El Comercio*. 2011.

<http://www.elcomercio.com/actualidad/negocios/cancilleria-pidio-reunion-de-can.html>

¹⁷⁸ The Atlas of Economic Complexity. *Center for International Development at Harvard University*. <http://atlas.cid.harvard.edu>

¹⁷⁹ The Hidden Consequences of the Oil Crash. *Politico Magazine*. 2016.

<http://www.politico.com/magazine/story/2016/01/oil-crash-hidden-consequences-213550>

member states. Nevertheless, for all member states, UNASUR plays an important role in contributing to improving political stability and democratic governing.¹⁸⁰

Another similarity is that due to asymmetries in development among states, there exist special treatment of less developed countries in form of longer period for implementing free market or permission of protection of important sensible products. However, diversity and asymmetries in UNASUR are greater than in CAN and economic development is much slower in a case of smaller states as Surinam or Guyana in comparison to Brazil (Appendix no. 6). Thus, these small states are more interested in economic integration that improve their exportation potential and also belonging to one regional group together with bigger economies increase their soft-power in international negotiation.¹⁸¹

UNASUR has its roots in Brazilian hegemonic aspirations and desire to create a counterpoint to US hemispheric dominance. Brazil, as a most powerful state and largest economy in the region, has been a leading force toward the creation of UNASUR at the key moments empowered by Brazilian strategic visions.¹⁸² Brazil in long term wanted the regional project, that would confirm Brazil as the regional leader by putting aside Mexico, the only country with the potential to compete with Brazil in Latin America. Benefits from UNASUR for Brazil are provisions of new markets for its products, as well as access to energy sources (in particular gas), better access to South American ports on Pacific coast, and reinforce its international position. UNASUR also reached important international agreements with Arab League and Palestine, and with the African Union, what had a double objective for Brazil – international projection of South America and the opening of the new market, with an aim to promote the economic and political position of Brazil in the international environment. Brazil also benefits from UNASUR's South American Council for Defence, whose initiator was former Brazilian president Lula de Silva, and which eased protection and efficient control of its 17 000 kilometres long borders with most of South American states, which is very vulnerable to guerrillas, drug trafficking, and other illegal activities due to hardly accessible terrain and lack of infrastructure in border areas in Amazonia. Brazil can also stabilize its position as mediator of conflicts in the region and prevent instability that

¹⁸⁰ Significado de UNASUR. *Significados*. <https://www.significados.com/unasur/>

¹⁸¹ LOPERA 2014, p. 40-41

¹⁸² ESPINOSA 2014, p. 29-31

would harm its economic interests. The last effect of Council is to increase Brazil's role as the only relevant producer and exporter of arms in Latin America.¹⁸³ Nevertheless, Brazil is still not so important actor that it could decide alone about future of the region and thus needs a support of other states for the promotion of politics, that could be beneficial not only for Brazil but also for other member states.¹⁸⁴

In respect to the other member states, for Chile UNASUR is a framework for prevention of potential instability and conflict with Bolivia and Argentina, for resolving its problems of energy security in form of access to South American gas, bypassing its difficult problems with Bolivia. Moreover, membership in UNASUR serves for Chile in facilitating its exportation to South American market without undergoing conditions of Mercosur or Andean Community.¹⁸⁵ However, Chile does not profit of membership in a wide range, because of its economic independence in negotiation economic agreements with other regions and states and also because of its economic and social development, that is way ahead in comparison to other members, and thus has less benefit from common policies to diminish poverty in South American region.¹⁸⁶

Argentina for membership in UNASUR obtains an opportunity to revitalize border with its neighbours and negotiate energy sales across borders. Otherwise, it profits also from physical integration in form of access to the Pacific Ocean via Chile and Peru. Argentina can also count with the support of other South American states during negotiations with the United Kingdom about future identity of Falkland/Malvinas Islands.¹⁸⁷

For Bolivia, UNASUR means a stable market for its exportation of gas, facilitating access Pacific ports since Bolivia does not have access to sea or ocean and access to the international port is one of the main agendas of Bolivian politics.¹⁸⁸ Another important point was regional support of Evo Morales' government during countryside riots in September 2008, what contributed to Bolivian political and social stability.¹⁸⁹

¹⁸³ CIENFUEGOS and SANAHUJA 2010. p. 102-111

¹⁸⁴ Ibid. p. 29

¹⁸⁵ Ibid. p. 104

¹⁸⁶ DEL MIÑO 2015. p. 84-85

¹⁸⁷ Ibid. p. 79

¹⁸⁸ CIENFUEGOS and SANAHUJA 2010. p. 104

¹⁸⁹ DEL MIÑO 2015. p. 101

Peru can reinforce its position as “gate” to Pacific, deepen energetic integration through UNASUR to create more important markets for its gas exports, and promote its strategy of international investment orientated towards Asian states.¹⁹⁰

With UNASUR, Colombia can diversify its external relations, that are nowadays very dependent on the United States, and improve its bilateral relations with Venezuela.¹⁹¹ Nevertheless, the great positive effect of UNASUR is regional support in fighting against guerrilla organizations and drug trafficking, which are serious problems for Colombia. One of the biggest achievements of UNASUR was reaching a new peace agreement between Colombian government and FARC (Fuerzas Armadas Revolucionarias de Colombia) in November 2016.¹⁹²¹⁹³ With FARC is connected also crisis between Ecuador and Colombia, because Colombian military units in March 2008 operated in Ecuadorian territory to dispose of one of the highest leaders of FARC, Raúl Reyes. After that, Ecuador broke its diplomatic relations with Colombia, that were resettled three months later.¹⁹⁴

For Venezuela, UNASUR is important for developing its energetic strategy towards South America and diversify its export destinations of oil. Moreover, UNASUR was a platform for managing crisis between Venezuela and Colombia over the presence of paramilitary groups in the area of Venezuelan borders with Colombia.¹⁹⁵ Otherwise, Venezuela also intends to use the organizational framework to promote Chavez’s “Bolivarian” project of integration. Moreover, Venezuela’s leadership has the different vision of UNASUR’s political and economic orientation. Venezuela promotes, with partial support of Bolivian government, a vision of UNASUR as an alternative model to the neoliberal orientation of Mercosur and Andean Community. On the other hand, Brazil with the support of other governments sees UNASUR in the framework of “new

¹⁹⁰ CIENFUEGOS and SANAHUJA 2010. p. 104

¹⁹¹ Ibid. p. 105

¹⁹² The new agreement is a modification of previous agreement with FARC, which was refused by Colombian citizens in the referendum.

¹⁹³ La UNASUR celebró el nuevo acuerdo de paz con las FARC. Télam. 2016.
<http://www.telam.com.ar/notas/201611/170415-colombia-nuevo-acuerdo-paz-gobierno-santos-farc-unasur.html>

¹⁹⁴ DEL MIÑO 2015. p. 100

¹⁹⁵ LOPERA 2014. p. 42

regionalism”, which can overcome discredited “open regionalism” of the neoliberal era.
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Small member states as Ecuador, Uruguay or Paraguay as well want to improve their inflow of international investments and promote their exportation in the region through the organization. For Paraguay membership in UNASUR can be useful to stabilize its political situation and its relations with neighbours after coup d'état in 2012.¹⁹⁷

The great advantage of membership in UNASUR obtained Suriname and Guyana, two smallest states in Latin America. Neither Suriname nor Guyana is part of Mercosur or Andean Community and thus they profit from access to the free market created by merging of achievements of CAN and Mercosur. Additionally, they obtained an opportunity to negotiate on the regional platform a solution to their border conflict caused by Suriname's claims for Guyana's territory with oil reserves.¹⁹⁸

Even though that UNASUR opens new ways of cooperation and development, its programmes are in many cases only drafts without significant consequences for member states. One of the examples is Initiative for Integration of South American Regional Infrastructure (IRSA, Integración de la Infraestructura Regional Sudamericana), which is stagnant due to the small budget and lack of agreement between member states over individual projects.¹⁹⁹

When we look at HDI, which should be the main indicator of success social policy, we can observe that between years 2008 and 2015, under membership in UNASUR, all member states improved their human development. However, the range of improvement is different for small, marginal states as Guyana (+ 0.020) or Uruguay (+ 0.021), whereas in Brazil we can observe even double improvement in comparison with Guyana (+ 0.040). Special attention deserves cases of Bolivia, Ecuador, Colombia, and Peru, that belongs to Andean Community. Among them is nearly the same level of improvement, when the highest number has Bolivia (+ 0.038) and Ecuador (+ 0.037) and lowest Colombia (+ 0.036). What points out, that in the case of Andean

¹⁹⁶ CIENFUEGOS and SANAHUJA 2010. p. 105-107

¹⁹⁷ CIENFUEGOS and SANAHUJA 2010. p. 105; DEL MIÑO 2015. p. 94

¹⁹⁸ DEL MIÑO 2015. p. 92

¹⁹⁹ Ibid. p. 437

Community, its social and economic policy serves to lowering discrepancies between its member states. On the other hand, in case of UNASUR, the highest level of human development has Brazil and lowest small countries as Guyana, Paraguay, Uruguay, and Suriname, what shows in general, that social policies of UNASUR do not have an effect on lowering differences in development, but favours big economies as Brazil and Argentina. However, in this analysis are not taken into account third variables as domestic social policy and economic situation, that has an effect on human development as in the case of Venezuela, whose improvement in HDI reached only + 0.016 points due to crisis followed by the drop of oil prices and irresponsible social policies of its government.²⁰⁰

4.2.4. Evaluation of distributive problem

We can observe differences between UNASUR and CAN in the case of the distributive problem. Andean Community, as well as UNASUR, has a leader of the region, which is nowadays Colombia, but the differences between benefits from membership are not so significant among members. Is important to mention that the benefits from cooperation in case of CAN are for each state in different attributes. Colombia and Perú benefit from the opening of Ecuadorian and Bolivian markets to their exports and Colombia in addition benefits from its position of subregional leader. On the other hand, Bolivia and Ecuador can enjoy benefits from special treatment and conditions, which aim to improve its economic and social development. To conclude, from membership in Andean Community benefits all its members by nearly the same amount, however, the benefits are distributed in different forms.

On the other hand, distribution of benefits in UNASUR is more diversified. On one side we have Brazil, the regional leader that benefits most from the membership in UNASUR, not only in political terms but also in terms of economic and social development, followed by other big economies as Colombia and Argentina. And on the other side, we have smaller states as Peru, Paraguay or Uruguay, that do not benefit significantly from membership. Then we have states as Guyana, Chile or Surinam, that do not have a significant position in UNASUR and also do not profit from membership on a large scale, but through membership could join the free trade zone. A special case

²⁰⁰ Human Development Data (1990-2015). Human Development Reports. *UN Development Programme*. <http://hdr.undp.org/en/data>

of benefits is obtaining Venezuela and Colombia, that can use UNASUR as a negotiating platform for their conflict or Bolivia that were able through UNASUR consolidate its inner stability. Thus, we can observe, that distribution of benefits in UNASUR is unbalanced toward big states, who use UNASUR as a platform for the promotion of their policy, and toward states with a serious conflict with its neighbours as in case of Venezuela and Colombia. But what is important is, that membership in UNASUR is beneficial for the democratic opposition, which can call for adherence to democratic principles and human rights as opposition in Venezuela did.

When we consider the distributive problem from the institutional point of view, we can observe some relation. When in the intergovernmental organization is possible to agree on the policy that allows distribution of benefits to all, the decision is more likely to be taken than in the case that it provides benefits only for some countries. However, the amount of benefit differs among member states, thus we can observe, that in UNASUR, the greatest benefits from membership has the most powerful member states as Brazil, Argentina, and Colombia. According to neoliberal theory thus member states promote absolute advantage against comparative advantage.

In the case of a number of member states and their goals is sure, that the lesser is the number of member states and asymmetries between them, the easier is to reach a decision that would bring nearly the same benefit to all of them. In the case of Andean Community, the asymmetries between Bolivia and Colombia are smaller than asymmetries between Brazil and Guyana. Therefore, is possible to say, that homogeneity of member states in case of distributive problem matters. To conclude, the distributive problem is more severe in the case of UNASUR, as an organization organized solely on intergovernmental principle, with the higher number of member states as well as their heterogeneity in comparison to Andean Community, which does not suffer from such distortion of distribution of benefits.

5.2. Collaboration problem

5.3.1. Collaboration problem in general

Collaboration problem is based on the strength of incentives of actors to cheat on a given agreement to maximize its profit. This problem appears when potential benefits from its non-cooperation are bigger than benefits from long-term cooperation with other

actors. The benefits of non-cooperation are thus the bigger, the less frequent interaction between actors is.²⁰¹ The most famous collaboration game is called “Prisoner’s Dilemma”, in which both players benefit more from cooperation than from mutual defection, but each of them can achieve the most beneficial outcome by its defection when another actor choose to cooperate.²⁰² To overcome collaboration problem in international relations and to ensure the obedience of actors, is needed a certain formalization of relationships between states through international organizations, that specify what constitutes cooperation and defection.²⁰³ To prevent mutual defection, they ensure a long-term interaction between actors and thus repeating of the game. They also provide a coercive mechanism to prevent cheating and defection, as well as they have the power to punish defecting behaviour.²⁰⁴

5.3.2. Andean Community

Andean Community can count with a strong and independent Tribunal of Justice, to overcome collaboration problem that affects negotiations among member states. Its main task is to safeguard that stability of Cartagena agreement and its rights and obligations will be independent of the government of member states and other bodies created by Cartagena Agreement. Tribunal of Justice has the capacity to declare the communitarian law, solve controversies that emerged with this law and to evenly interpret these laws. Tribunal can also declare the nullity of a decision of important bodies as the Council of Ministers of Foreign Affairs, the Commission or the General Secretariat, or can declare a violation of the legal order and rules of the Andean Community when challenged by one of the member states. Moreover, it has an authority to investigate and punish violations of human rights. Andean Community thus can protect itself from corruption, the free-riding behaviour of member states and violation of the decisions of CAN’s bodies.²⁰⁵ Since the beginning of its functioning in 1984²⁰⁶ until 2014, Tribunal published 2.769 preliminary interpretations, 113 non-

²⁰¹ KOREMENOS, LIPSON and SNIDAL 2001. p. 15-16

²⁰² MORROW 1994. p. 279-280

²⁰³ STEIN 1982. p. 313-314

²⁰⁴ Ibid. p. 304-307

²⁰⁵ DEL MIÑO 2015. p. 231-232

²⁰⁶ But first cases of non-complying started to solve in 1996 before it was a responsibility of General Secretariat

compliance actions against member states and 55 nullity actions, what makes it the third most active international court in the world.²⁰⁷

The Andean process of integration had to deal with many obstacles, and before the creation of Tribunal of Justice, their solution was sometimes extreme or vague. As an example of the extreme solution, we can use a case of an implementation of the common minimal external tariff, what was an initial phase before reaching a common external tariff (CET), because of the different economic level and economic structure of member states.²⁰⁸ States on higher economic and industrialization level demanded completely different structure of CET than smaller and less developed agricultural countries. This conflict about external tariff was a reason, why Chile decided to leave the organization in 1976 – because was not willing to increase its external tariffs.²⁰⁹

The Andean pact had to face many other crisis situations when its members denied collaborating with previously agreed rules of cooperation. One of the examples can be so called “trade war” among member states in 1983-1986 when by manipulation of customs tariffs was blocked mutual trade.²¹⁰ As a next crisis is considered when delegates of member states were not able to set up a common external customs tariff in 1991. Another crisis was in 1992 when Peruvian delegation denied signing up an agreement about CET, together with an agreement about free trade zone, because of disadvantageous economic measures for mutual trade with Venezuela and Colombia and for the reason of convergence of its economy stated in 1992 to suspend its membership until the end of the year.²¹¹ However, these problems can also be seen as coordination problems, since there was not before signed any specific binding decision or agreement and member states thus did not defect from agreed rules but rather struggled to find an optimal equilibrium in coordination problem. But when we look at the basic normative documents, states by signing them agreed to cooperate their steps to reach the common goal of economic integration and cases of crisis listed above can be seen as a defection from this promises over cooperation.

²⁰⁷ Informe Estadístico 1984-2014. *Tribunal de justicia de la Comunidad Andina*.. http://www.tribunalandino.org.ec/sitetjca1/index.php?option=com_wrapper&view=wrapper&Itemid=80

²⁰⁸ ADAMCOVÁ and GOMBALA 2001. p. 58

²⁰⁹ Chile in these years was implementing a neoliberal economic policy based on low external tariffs

²¹⁰ It ended up with Modification protocol for Cartagena agreement on 15th April 1987

²¹¹ ADAMCOVÁ and GOMBALA 2001. p. 63

Another case of collaboration problem was related to the creation of customs union. It was agreed, that customs union will be created until 1993 between Peru, Colombia, and Venezuela, with a condition that Bolivia and Ecuador will join two years later. However, many problems followed this process. In 1994 Commission decided to implement common four-grade external tariff (5 %, 10 %, 15 %, 20 %) on basis of Decision 370, which was realized in 1995 between Colombia, Ecuador and Venezuela. Bolivia joined customs union but kept its two-grade custom tariff (5 % and 10 %). A special case was Peru, that proposed 15% common customs tariff because Andean pact had lower tariffs for capital goods and inputs and Peru tried to resist import of capital goods in inputs to the local production. But in 1994 Peru decided to create two-scale tariff when most of the product were in lower 15% tariff and only small number of goods in 25 % tariff, and join a customs union as Bolivia did before.²¹²

Easier evaluation comes with the creation of Tribunal of Justice and strict classification of cases of non-compliance. Between 1996 and 2014 the Tribunal of Justice had solved 112 cases of non-complying by member states.²¹³ The most non-complying cases had Ecuador (22 out of 34 accusations) and the least had Bolivia (2 cases out of 4 accusations). In the case of Venezuela was proved 19 out of 29 accusations, for Perú it was 15 out of 22, and Colombia non-complied only in 11 cases out of 24 accusations. As is observable from the appendix no. 7, the most non-complying cases emerged during 1998 and 2004 (77 cases) and then in 2015 emerged 10 cases. Surprisingly, during the period after the crisis in 2008 and oil shocks, member states complied more with the communitarian law than in previous years (between 2008 and 2014 there were only 14 cases on non-complying).²¹⁴

The first case solved by Tribunal of Justice was non-complying of Ecuador when it gave a concession of invention patent to products that do not comply with requirement of innovation, and thus Ecuador obtained an economic advantage in contradiction to the Andean normative and rules of the common market. Ecuador was

²¹² Ibid. p. 61

²¹³ One case was still in discussion at the end of December 2014

²¹⁴ Informe Estadístico 1984-2014. *Tribunal de justicia de la Comunidad Andina*.. http://www.tribunalandino.org.ec/sitetjca1/index.php?option=com_wrapper&view=wrapper&Itemid=80

urged to take the necessary measures to stop the unfair behaviour and to harmonize national and Andean legislation.²¹⁵

Another case of the non-complying behaviour of Ecuador is the case when the government of Venezuela accused Ecuador of imposing prohibition of importation of cigarettes of Venezuelan trademark “Belmont Extra Suave”. Ecuador was urged to apply measures to restore the right of individuals that its non-complying behaviour affected, what means allow the entrance of BELMONT cigarettes on Ecuadorian market.²¹⁶

In 1997 was accused from discriminatory treatment and restriction over market Colombia. The case was related to spirits and alcohol with origin in other member states. As in previous cases, Colombia had to harmonize its national law with the Andean one and eliminate discriminatory measures (for example by imposing a single tax on the consumption of spirits).²¹⁷

As a case of serious breaching of Andean communitarian law, we can expose a case of Ecuador, who in 1998 applied national customs tariffs different to these applied by the rest of Andean Community. Consequently, Ecuador had to harmonize its customs tariffs and pay the costs caused by the breaching.²¹⁸

One of the two Bolivians cases of defection was announced by General Secretariat of Community, that accused Bolivia of breaching Commission’s Decisions no. 378 and 379 about the Regime of Customs Valuation and the Andean Declaration of Value (for imported goods) and for non-reacting on observation notes written by General Secretariat, that ordered to Bolivia to comply with communitarian norms. Bolivia was urged to cease its conduct against community law and to restore the harmony of national and communitarian law.²¹⁹

²¹⁵ Acciones de Incumplimiento. *Comunidad Andina*.
<http://www.comunidadandina.org/Solcontroversias.aspx?fr=0&codProc=216&codpadre=14&tipoProc=2>

²¹⁶ Ibid.

²¹⁷ Informe Estadístico 1984-2014. *Tribunal de justicia de la Comunidad Andina*..
http://www.tribunalandino.org.ec/sitetjca1/index.php?option=com_wrapper&view=wrapper&Itemid=80

²¹⁸ Acciones de Incumplimiento. *Comunidad Andina*.
<http://www.comunidadandina.org/Solcontroversias.aspx?fr=0&codProc=216&codpadre=14&tipoProc=>

²¹⁹ Ibid.

And even that Venezuela is not a member of CAN anymore, with its 19 cases of breaching was a part of collaboration problem until 2006. One of its cases was a case from 2003 about maintaining in its legislation related to valued added taxes (VAT) provision, which made an exemption from the payment of the VAT on imported goods originating in the Andean region in the case that there is no domestic production of that products or there is insufficient supply. While national goods are not subject to the payment of the tax.²²⁰

However, the accusing party is not only other member state or body of Andean Community but also private subjects. In the case from the year 2010 was Peru accused by many Peruan private chemical companies, that it maintained intrastate regulations over re-evaluation, registration, recognition agreements, and other issues related to agricultural chemical pesticides, that were in contradiction to Community legislation. By 2012, Tribunal of Justice authorized the application of sanctions toward Peru government, through the collection of an additional tariff of 5 % on imports of Peruan origin to other member states.²²¹ Andean Community is thus an example of the importance of independent judicial body, that helps to promote integration by supervising compliance of member states and punishing cases of defection.

5.3.3. UNASUR

In contrary to Andean Community, UNASUR does not have a universal court or tribute to solve disputes between states, non-complying with its norms and laws or for interpreting this norms and laws. A solution of disputes between states and disputes about interpretation and application of constitutive treaties is thus based on direct diplomatic negotiations. In case that solution is not reached through direct negotiation, member states submit the consideration to Council of Delegates, which in 60 days has to formulate a recommendation for the solution of the problem. In case that Council of Delegates is not able to reach a solution, submit the case to Council of Ministers of Foreign Affairs for their consideration at their next reunion. UNASUR is considered as

²²⁰ Informe Estadístico 1984-2014. *Tribunal de justicia de la Comunidad Andina*..
http://www.tribunalandino.org.ec/sitetjca1/index.php?option=com_wrapper&view=wrapper&Itemid=80

²²¹ Acciones de Incumplimiento. *Comunidad Andina*.
<http://www.comunidadandina.org/Solcontroversias.aspx?fr=0&codProc=216&codpadre=14&tipoProc=2>

an organization with the weakest and politicized mechanisms of the solution of controversies.²²²

Nevertheless, UNASUR made a step to at least create a body that would arbitrate disputes over investment in the region. In 2009 Ecuador's Foreign Minister, Fander Falconí, proposed that UNASUR should create an arbitration centre for solving disputes between investors and host states and between several investors. The jurisdiction precludes disputes concerning health, energy, taxation and many others. However, the arbitral tribunal shall not have in any case jurisdiction to resolve disputes related to the legitimacy of the internal norms and laws of the member states.²²³ In 2014 experts from UNASUR finished a draft of a constitutive agreement of the Centre for the Settlement of Investment Disputes of the UNASUR, however, the Centre is still in process of creation because of lack of consensus on matters of the Centre.²²⁴

In the case of collaboration problem, we can consider as defective behaviour conflicts between states, that are against an idea of "political and social cooperation", which is the main aim of UNASUR. As one of these conflicts, we can mention a dispute in 2009 between Colombia and Venezuela over the agreement that authorizes US military to operate at a variety of Colombian military bases. As a response, Hugo Chávez, the former Venezuelan president, ordered pullback of Venezuelan ambassador in Bogotá and froze diplomatic and commercial relations.²²⁵ This issue has been discussed during the second meeting of UNASUR without reaching a substantive solution. The termination of conflict was reached in August 2009 at the extraordinary reunion in Argentina through direct negotiations.²²⁶

Another conflict between Colombia and Venezuela followed months later when diplomatic crisis has began. The cause of the crisis was a suspicion of Colombia from espionage in Venezuela, with the arrest of eight presumed spies on Venezuelan territory.

²²² DE CLÉMENT 2010. p. 6-7

²²³ FIEZZONI 2013. <https://www.iisd.org/itn/2012/01/12/unasur/>

²²⁴ FACH GÓMEZ 2016. <https://www.iisd.org/itn/2016/08/10/unasur-centre-for-the-settlement-of-investment-disputes-comments-on-the-draft-constitutive-agreement-katia-fach-gomez-catharine-titi/>

²²⁵ PARMA 2011. <http://www.saij.gob.ar/carlos-agustin-parma-solucion-controversias-unasur-dacfl10153-2011-10-03/123456789-0abc-defg3510-11fcanirtcod>

²²⁶ Venezuela y Colombia: años en la cuerda floja. BBC Mundo. *BBC News*. 2010. http://www.bbc.com/mundo/america_latina/2010/07/100722_cronologia_relaciones_venezuela_colombia_lr.shtml

Another phase of conflict came with Colombia's announcement of presence of at least five guerrilla leaders of the FARC in Venezuelan territory. This announcement had led to the mobilization of troops and the breakdown of diplomatic relations between them.²²⁷ The crisis tried to solve OAS and then also Mercosur, but it was within the UNASUR bodies, where it was through the mediation of then-Secretary General Nestor Kirchner possible to re-establish relations between them and reach a peaceful settlement of the conflict.²²⁸

However, relations between Venezuela and Colombia continue to be a problematic point in agenda of cooperation. One of the tensions is about border area and free movement of people and goods according to the merging of the trade zones of CAN and UNASUR. Due to high rate of smuggling in border area and incident when Venezuela armed forces were attacked by paramilitary groups, in August 19, 2015, was closed border between Colombia and Venezuela for 72 hours, but after this time limit the cessation was prolonged to indefinite time horizon and day later started even deportation of Colombian citizens living in border area.²²⁹ After a year of unsuccessful negotiation was finally during reunion between presidents of Venezuela and Colombia reached an agreement about re-opening the border and cooperation in the investigation of problems in this area.²³⁰ This situation was an excellent example of one-sided breaching of principles of free trade and free movement of people, that is one of the basic aims of UNASUR. The relationship between Venezuela and Colombia also showed up an important weakness of UNASUR's system of conflict resolution – there is a need for a request from the two countries involved for a help of UNASUR to settle a negotiation.

One of the situations when, UNASUR showed itself as powerless, was during street protests in 2014 in Venezuela when the UNASUR's Council of Foreign Ministers

²²⁷ Venezuela y Colombia: años en la cuerda floja. BBC Mundo. *BBC News*. 2010. http://www.bbc.com/mundo/america_latina/2010/07/100722_cronologia_relaciones_venezuela_colombia_lr.shtml

²²⁸ PARMA 2011. <http://www.saij.gob.ar/carlos-agustin-parma-solucion-controversias-unasur-dacfl10153-2011-10-03/123456789-0abc-defg3510-11fcanirtcod>

²²⁹ Cronología de la crisis fronteriza entre Colombia y Venezuela. *Notimérica.com*. 2015. <http://www.notimerica.com/politica/noticia-cronologia-tesis-fronteriza-colombia-venezuela-20150910145217.html>

²³⁰ Venezuela y Colombia acuerdan la apertura gradual y controlada de la frontera. *La nueva Televisión del Sur*. 2016. <http://www.telesurtv.net/news/Maduro-y-Santos-se-reunen-para-analizar-el-tema-fronterizo-20160811-0036.html>

attempted to foster a dialogue between the Venezuelan government and the opposition, but the process dissipated in the nothingness.²³¹ In the end of 2016 and beginning of 2017 UNASUR tried to reactivate the dialogue, but the dialogue has been questioned by the opposition, that considers it as a matter of “playing the regime’s game”, and problematic during negotiation is also Nicolas Maduro’s non-complying with the previous agreements about releasing political prisoners, respecting National Assembly and presenting a timetable for elections.²³² UNASUR is trying to push Venezuela toward new elections, that would solve the tension between government and opposition and to strengthen democracy in Venezuela, which has been questioned by many heads of state in South America. Other member states are thus pushing on Venezuela’s president to comply with democratic demands of UNASUR and human rights, but the result is still unsure.²³³

Problematic relations have also Chile and Bolivia, that deteriorated significantly after a war in 1879, after which Bolivia lost its access to the Pacific Ocean. In 2016 Bolivian president accused Chile of ignoring UNASUR’s calls to dialogue to resolve the difficulties reported by Bolivian traders in north-Chilean maritime ports. Chile and Bolivia have an agreement about the free transit of Bolivian merchandise to Chilean ports in Arica and Antofagasta.²³⁴ In July 2016, Bolivian Foreign Minister David Choquehuanca with a committee visited these ports to verify allegation of the abuse. However, Chile classified this visit as a private act and not an official visit and prevented entry of the Bolivian delegation to the port of Arica for several hours. Former Chilean presidents considered, that Bolivian president only seeks to gain international attention and the visit of north ports called as an act of provocation.²³⁵ In March 2017 Bolivia presented its litigation for free access to these ports to the International Court of Justice, where Morales demand obligation of Chile to negotiate the Bolivian claim to

²³¹ SCHARFENBERG 2015.

http://internacional.elpais.com/internacional/2015/08/28/actualidad/1440771459_013588.html

²³² MARTÍN 2017. <https://es.panampost.com/sabrina-martin/2017/01/20/unasur-dialogo-incumplimiento-maduro/>

²³³ OBARRIO 2017. <http://www.lanacion.com.ar/2025914-gestion-por-elecciones-en-venezuela-y-para-que-bordon-vaya-a-la-unasur>

²³⁴ Evo Morales: „Chile NO escucha. ¿Desobediencia o arrogancia?“ *El Comercio*. 2016. <http://elcomercio.pe/mundo/latinoamerica/evo-morales-chile-escucha-desobediencia-arrogancia-244331>

²³⁵ „Chile: No se suspenderá cooperación con Bolivia“. *Diario Digital Correo del Sur*. 2016. http://correodelsur.com/politica/20160728_chile-no-se-suspendera-cooperacion-con-bolivia.html

restitution of the sovereign exit to the Pacific Ocean.²³⁶ This act symbolizes a disability of UNASUR to take up negotiations between Chile and Bolivia and solve non-complying of Chile with previously taken agreements.

Another example of collaboration problem we can find in Paraguay. In June 2012 was Paraguay suspended from UNASUR as a punishment for a dismissal of president Fernando Lugo by controversial impeachment in a Congress and replacing him by Vice President Frederico Franco. The reason for impeachment were convulsions in Curuguaty, where 17 persons died during clashes between police and peasants. Senate then after vague examination of Lugo's responsibility for the conflict, voted for his impeachment, based on "poor performance of his duties, and for crimes committed during the exercise of his duties" described in article 225 of Paraguay's constitution. Lugo advocated himself by claiming, that the law has been distorted.²³⁷ However, the roots of conflict are deeper. Lugo was elected in 2008 after 61 years of one-party government. Lugo was presumed to be a "president of the poor", who pushed back against industrial agriculture in favour of poor peasants. Therefore, exist speculations about the lobby of agricultural industry in Senate and the event is sometimes called a coup d'état. Many South American presidents denied to recognize the new government of Frederico Franco and UNASUR demanded democratic elections in Paraguay as soon as possible.²³⁸ The Paraguay's suspension from UNASUR was lifted again after a year by the Council of Heads of State because of fulfilling a condition of democratic and free presidential elections in which won Horacio Cartes.²³⁹ Contrary to Andean Community, UNASUR suffers by lack of supranational judicial body with the power to punish states that do not obey previously agreed decisions and agreements. Its mechanism based on multilateral negotiation is proving to be insufficient and ineffective.

²³⁶ „Bolivia presenta réplica en la demanda contra Chile en la Corte de la Haya por acceso al mar“. BBC Mundo. *BBC News*. 2017. <http://www.bbc.com/mundo/noticias-america-latina-39335468>

²³⁷ „El presidente de Paraguay, Fernando Lugo, es destituido de su cargo por el Senado del país“. *20 MINUTOS*. 2012. <http://www.20minutos.es/noticia/1519187/0/fernando-lugo/paraguay/destitucion/>

²³⁸ Paraguay's Forgotten Coup. *Aljazeera*. 2013
<http://www.aljazeera.com/programmes/peopleandpower/2013/12/paraguay-forgotten-coup-2013122585659847327.html>

²³⁹ FOWKS 2013.
http://internacional.elpais.com/internacional/2013/08/11/actualidad/1376231106_648153.html

5.3.4. Evaluation of collaboration problem

There are significant differences between UNASUR and CAN in the case of collaboration problem and its solution. Whereas in CAN, collaboration problem is solved through the supranational judicial body, that has the power to release legally binding decisions, in UNASUR the mediation of collaboration problem is set up through inter-governmental negotiations, where UNASUR need have a consent of both parties involved in the conflict to begin the negotiation process. Moreover, the decisions reached by UNASUR are not legally binding and except the dismissal form organization, UNASUR does not have a punitive power in contrast to Andean Community. According to this, we can observe that dispute resolution in Andean Community is more organized and reaches objective solutions without unnecessary delay and complications. On the other hand, dispute resolution in UNASUR is significantly less organized and institutionalized and thus in many cases is not able to reach a satisfying solution. These differences are influenced by a nature of the issues of collaboration problem. In Andean Community, the object of collaboration problem is mostly non-complying with technical solutions for free trade (mostly setting up obstacles to trade as tariff and non-tariff barriers), which are easier to solve and punish the defective behaviour. Whereas in the case of UNASUR, the object of collaboration problem is in most of the cases non-complying with democratic principles, with territorial sovereignty and previously agreed agreements. These problems have in many cases deep roots and long history, therefore, is problematic to simply determine one breaching party because the problems are more complex.

Over collaboration problem, the biggest influence has an institutional setting. The more supranational the dispute-solving body is, the higher is the probability of impartial and just solution of non-complying. An independent supranational body ensures, that all states are treated in the same manner and that the norms and decisions are legally-binding to all states and are supreme over national law. The important part is also an enforcement power, that ensures the complying of member states or consequential punishment of them in a case of non-complying. Andean Community with its well-working Tribunal of Justice thus does not have serious collaboration problem as UNASUR has. In case of UNASUR, the norms and decisions are not legally binding since are not implied in national law and since disputes are solved on intergovernmental level without the proper enforcement mechanism is problematic to

solve disputes among states and cases of breaching of democratic principles since the affected country can simply ignore appeals of UNASUR and the most serious punishment that would face is a temporal suspension.

In the case of collaboration problem, homogeneity and number of member states do not play a significant role. The only point is that with the higher number of member states the probability that one of them will defect from the previously agreed rules is higher, but this relation is not, in this case, backed up by any unambiguous proof since the important role plays the institutional setting and these two factors are tightly connected.

Conclusion

From my previous search, we can observe, that both CAN and UNASUR encounter with achievements as well as fails, but they differ a lot from each other even though UNASUR is now a framing organization for Andean Community. We can see differences in many important aspects such as institutional setting, agenda, enforcing mechanism, decision-making principle, number of member etc.

The basic institutional setting differs between the two organizations mainly in a decision-making principle and enforcing mechanisms. Whereas, in case of Andean Community, there are some bodies that decide on the principle of majority and some bodies are supranational, the supranational body of UNASUR has only an administrative function and all its bodies make decisions based on unanimity. This intergovernmental principle is the main reason why UNASUR struggle to reach decisions about particular policies in many cases. Each of the states has the ability to block the process once they do not agree with its content. Moreover, agreements adopted by the organization are mandatory only when they are incorporated in the domestic legal order; thus the organization has a weak capacity to generate binding decisions for its members. On the other hand, Andean community combines the supranational principle with intergovernmental principle, norms and laws of its bodies has direct effect, and application and primacy over national law. But what is important in CAN is the existence of body that can require complying with agreements and communitarian law previously approved by member states and punish eventual non-

compliance. In CAN, this role is played by the Tribunal of Justice, whereas UNASUR does not have any body like that, so its potential to deal with non-compliance is very limited.

Significant differences between UNASUR and CAN are also in evaluation of cooperation problems. Whereas CAN is focused more on economic cooperation, in UNASUR the main agenda is political. Andean Community does not have to deal with very sensitive questions as territorial rights and inner democracy, what promotes its efficacy. The role in overcoming coordination problems implies the fact that CAN counts with lesser number of member states and so it is easier to find a consensus between them. Combination of high number of members and decision-making based on the intergovernmental principle and unanimity makes UNASUR limited only in policies that are in favour of all member states, which leads to abstaining many important policies from being undertaken. Moreover, homogeneity among member states is important to easily find similar goals and the ideal equilibrium as well, even though it is not significant since we can still observe differences in development between its member states as well as different political orientation.

In case of distributive problem, number of member states and the institutional setting are not as important as in the previous case; but still, there is a relation. Supranational principle in decision making allows that, and the organization applies policies that are profitable for all member states according to the absolute advantage. With higher number of member states, the probability that all states will receive the same benefits is lower; when their economies are set up differently the amount of profit among member the states differs as well. The reason is the asymmetries between member states, the bigger asymmetries between member states, the more diversified is distribution of profit among them. Despite the fact that in both organizations the highest profit obtain the most significant states, in CAN the asymmetries are smaller and thus distribution of benefits is more equal among member states.

On the other hand, for the collaboration problem the institutional setting is crucial. The existence of supranational judicial body and the possibility of legally binding decisions is important for the well-functioning of organizations. We can observe on the case of UNASUR that the intergovernmental negotiation, dependent on the consent of parties, limits its potential to solve collaboration problem. UNASUR also

lacks the enforcement mechanism, to force its members to obedience or to punish the cases of non-complying. However, homogeneity and number of member states in collaboration problem do not play a significant role.

Answer on the research question is that the institutional setting and the number of member states are important factors that lead to a different efficacy of CAN and UNASUR, and the homogeneity between member states is important only in case of distributive problem, in which is even more important than the institutional setting and the number of member states, and partially also in coordination problem, because it affects reaching of consensus between member states. We can conclude that not only the institutional setting and the number of member states are important for functioning of the organizations, but also in some aspects the important is certain homogeneity between its members.

In the end, it is also important to mention that even though I finally reached the answer my research question, this research have its limitations. One of them is the lack of official documents discussing the evaluation of accepted policies, especially in case of UNASUR, and part of evaluation of distributive problem could be proved as misleading with later researches. Another one is the possibility of a third variable, which could have been overlooked in this research, but which could have had an affect on the efficacy of the organizations. The results of this research thus need be subject of the further testing to be proven as reliable for academic and scientist purposes.

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Contents:

Appendix no. 1: Member states of Andean Community (map)



Source: Andean Community. *Wikipedia* [online]. 11 July 2017. [Accessed 13 July 2017]. Available at: https://en.wikipedia.org/wiki/Andean_Community

Appendix no. 2: Member states of UNASUR (map)



Source: Union of South American Nations. *Wikipedia* [online]. 10 July 2017. [Accessed 13 July 2017]. Available at: https://en.wikipedia.org/wiki/Union_of_South_American_Nations

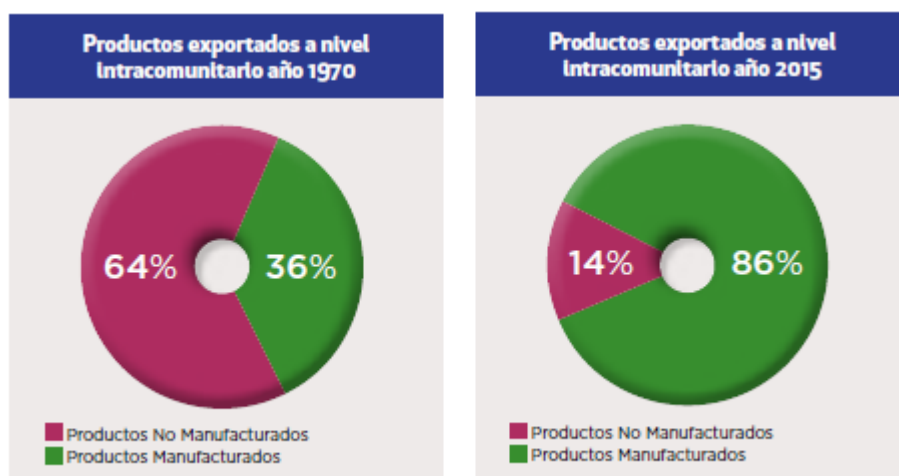
Appendix no. 3: Amount of intra-communitarian exportation 1970-2015 (table)

Exportaciones Intracomunitarias. 1970 - 2015 (Miles de dólares)					
Año	Bolivia	Colombia	Ecuador	Perú	CAN
1970	4 940	46 861	8 963	14 321	75 085
1971	14 719	54 924	12 528	15 598	97 769
1972	9 975	55 185	16 441	15 571	97 172
1973	8 703	59 163	54 122	21 935	143 923
1974	33 856	75 544	88 495	40 452	238 347
1975	20 231	76 380	129 902	33 237	259 750
1976	21 231	62 090	226 643	35 723	345 687
1977	9 953	79 672	170 183	52 351	312 159
1978	13 672	61 230	87 473	99 327	261 702
1979	18 758	69 788	70 784	266 341	425 671
1980	37 931	108 718	106 326	253 404	506 379
1981	39 401	115 427	89 211	195 348	439 387
1982	29 915	86 766	104 283	188 996	409 960
1983	23 584	63 946	130 455	85 864	303 849
1984	14 276	71 951	53 439	137 243	276 909
1985	16 852	88 958	71 168	208 599	385 577
1986	24 239	131 140	40 065	108 351	303 795
1987	30 451	184 816	87 168	102 084	404 519
1988	26 956	137 319	172 644	116 990	453 909
1989	49 600	124 088	176 805	157 351	507 844
1990	57 180	169 093	170 982	156 460	553 715
1991	78 908	348 643	196 563	171 280	795 394
1992	86 055	419 162	164 814	179 020	849 051
1993	118 224	442 519	284 924	193 229	1 038 896
1994	194 601	573 099	377 692	226 165	1 371 557
1995	212 394	1 001 381	324 933	241 963	1 780 671
1996	258 617	1 058 902	355 868	291 890	1 965 277
1997	252 307	1 130 337	584 731	376 298	2 343 673
1998	308 249	986 013	482 525	360 182	2 136 969
1999	273 743	720 887	387 317	254 902	1 636 849
2000	258 959	871 228	554 127	339 056	2 023 370
2001	268 265	1 014 939	605 193	381 608	2 270 005
2002	216 521	1 216 331	741 968	405 479	2 580 299
2003	261 738	1 212 186	987 609	458 077	2 919 610
2004	263 107	1 623 437	928 717	613 918	3 429 179
2005	305 278	2 084 100	1 349 760	812 440	4 551 578
2006	411 299	1 987 468	1 748 388	1 002 521	5 149 676
2007	394 592	2 147 545	2 242 576	1 213 507	5 998 220
2008	479 015	2 456 035	2 490 642	1 578 778	7 004 470
2009	534 719	2 115 870	1 585 663	1 537 838	5 774 090
2010	636 131	3 062 998	2 126 894	1 984 442	7 810 465
2011	714 476	3 372 691	2 769 503	2 349 575	9 206 245
2012	1 193 572	3 677 002	3 066 388	2 423 762	10 360 724
2013	1 259 200	3 392 419	2 819 579	2 386 973	9 858 171
2014	1 320 265	3 209 610	2 545 223	2 649 469	9 724 567
2015	1 015 816	2 730 207	1 752 106	2 115 143	7 613 272

Fuente: Información proporcionada por los Institutos de Estadística de Bolivia y Colombia, por el Banco Central del Ecuador y por la Aduana del Perú. SICEXT. Decisión 511

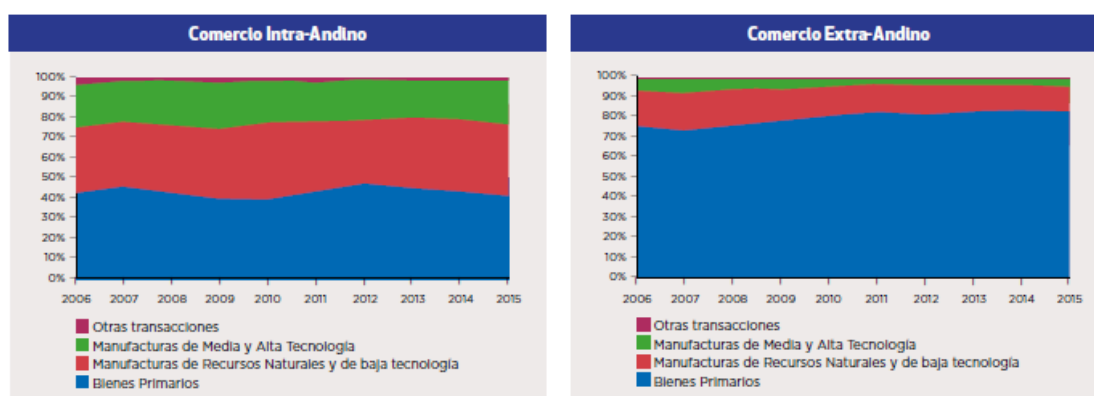
Source: Rumbo a los 50 años: El arduo camino de la integración. *Secretaría General de la Comunidad Andina*. Comunidad Andina. [online]. May 2017. [Accessed 21 June 2017]. Available at <http://www.comunidadandina.org/StaticFiles/201752695445Rumboalos50.pdf>

Appendix no. 4: Proportion of manufactured and non-manufactured goods in intra-communitarian exportation in 1970 and 2015 (graphs)



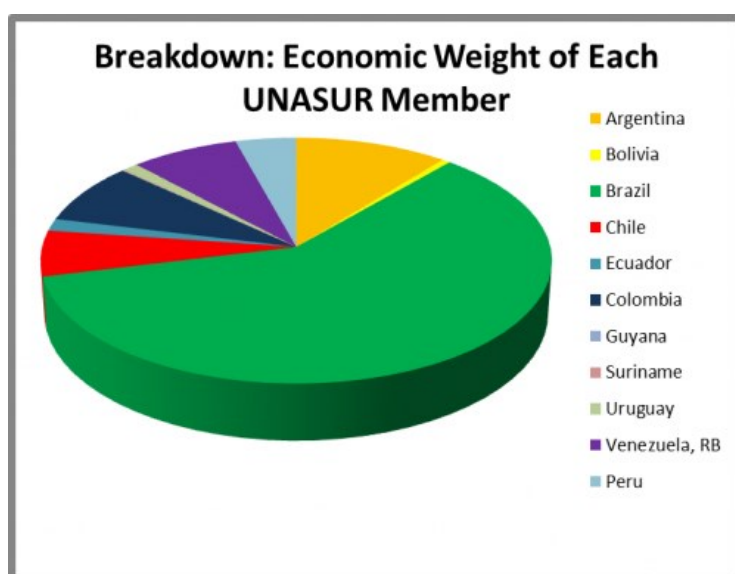
Source: Rumbo a los 50 años: El arduo camino de la integración. *Secretaría General de la Comunidad Andina*. Comunidad Andina. [online]. May 2017. [Accessed 21 June 2017]. Available at <http://www.comunidadandina.org/StaticFiles/201752695445Rumboalos50.pdf>

Appendix 5: Comparison of qualitative attributes of intra- and extra-communitarian trade (graphs)



Source: Rumbo a los 50 años: El arduo camino de la integración. *Secretaría General de la Comunidad Andina*. Comunidad Andina. [online]. May 2017. [Accessed 21 June 2017]. Available at <http://www.comunidadandina.org/StaticFiles/201752695445Rumboalos50.pdf>

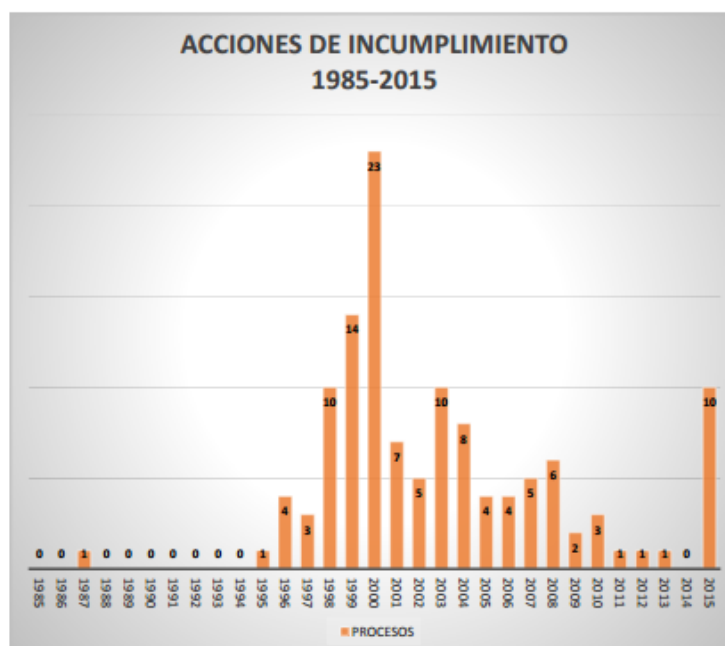
Appendix no. 6: Economic weight of UNASUR members in 2011 (graph)



Source: FLANNERY, Nathaniel Parish. Explainer: What is UNASUR? *AS/COA* [online]. 30 November 2012. [Accessed 12 July 2017]. Available at: <http://www.as-coa.org/sites/default/files/resize/unasurchart-500x387.png>

Appendix no. 7: Acts of non-compliance 1985-2015 (table and graph)

AÑOS	PROCESOS
1985	0
1986	0
1987	1
1988	0
1989	0
1990	0
1991	0
1992	0
1993	0
1994	0
1995	1
1996	4
1997	3
1998	10
1999	14
2000	23
2001	7
2002	5
2003	10
2004	8
2005	4
2006	4
2007	5
2008	6
2009	2
2010	3
2011	1
2012	1
2013	1
2014	0
2015	10
TOTAL	123



Source: Informe Estadístico 1984-2014. *Tribunal de justicia de la Comunidad Andina*. Comunidad Andina. [online]. [Accessed 7 June 2017]. Available at http://www.tribunalandino.org.ec/sitetjca1/index.php?option=com_wrapper&view=wrapper&Itemid=80