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Analysis of the Latin American integration process of Chile and its functionality for Ecuador

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Dedication

I dedicate this thesis work to my parents, whom I deeply appreciate and admire.

They have been my foundation in the day by day passing of my life by their example.

Thanks for your endless patience,

your wise counsel and your infinite support and love.

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I immensely thank God, my parents, my brothers, my family, my friends and everyone who has always supported me during the production of this thesis. I always carry them all in my mind and my heart. Thanks to the Universidad del Azuay for its academic training and for having developed me and given me the guidelines to continue my professional life. Finally, I owe a special thanks to Ing. Carlos Durazno for his direction in this work, his guidance and his time.

Table of Contents

Dedication	ii
Acknowledgements	iii
Abstract	

INTRODUCTION1

1.1 Dei	FINITIONS AND CONCEPTS	3
1.1.1	Preconditions and goals of integration	5
1.1.2	Objectives:	5
1.1.3	Tools	7
1.1.4	Dimensions	7
1.1.5	Typologies	3
1.2 GL	OBAL CONTEXT	9
1.2.1	The formation of the Nation State)
1.3 LAT	TIN AMERICA	.10
1.3.1	Colonization and Latin America independence)
1.3.2	Attepmts to Latin America integration:	l
1.3.3	LAFTA and LAIA	3
1.3.4	The Latin America Integration Association	1
CONCLUS	IONS	.15

CHAPTER 2: CHILE AND THE INTERNATIONALIZATION SRATEGY..17

2.1	OVERVIEW	18
2.2	CHILEAN INTERNATIONALISM	
2.2.	1 Foreign Policy	
2.2.	2 The abandonment of the integration project	
2.3	INTERNATIONAL INSERTION STRATEGIES	21
2.3.	1 Return to democracy	
2.3.	2 Actors of the nineties: Aylwin, Frei and Lagos	22
2.4	CHILE AND ITS COMMITMENT FOR SELECTIVE AGREEMENTS	24
2.4.	1 Treaties and agreements	
2.4.	2 International relations with Mercosur	
2.4.	3 International relations with the Andean Community	
2.4.	4 International relations with Central America and the Caribbean	39
2.4.	5 UNASUR	40
2.5	CHILE AND THE SOUTH AMERICA REGIONALISM	42
2.5.	1 Chile's diplomacy	42
2.5.		
Conc	CLUSIONS	45

СНАРТІ	ER 3: ECUADOR AND THE INTEGRATION PROCES	SS 48
3.1 0	VERVIEW	
3.2 E	CUADOR: AN INTEGRATION PROMOTER	50
3.3 E	CUADOR AND THE HEMISPHERIC INTEGRATION	52
3.3.1 T	The Organization of American States	
3.3.2	North America Free Trade Agreement for Ecuador	
3.4 E	CUADOR AND THE REGIONAL INTEGRATION	67
3.4.2	The Andean Community	
3.4.3	Mercosur	
3.4.4	CELAC	71
3.4.5	Union of South American Nations (UNASUR)	
3.4.6	Central America	75
3.5 In	NTERNATIONAL CONTEXT	76
3.5.1	The United States and Ecuador	
3.5.2	The European Union and the Andean Community	
3.5.3	The European Union and Ecuador	
3.5.4	The Chilean and Ecuadorian relationship	
CONCLU	JSIONS	82

CHAPTER 4: CHALLENGES AND PERSPECTIVES FOR ECUADOR 85

4.1 COMPARISON BETWEEN THE INTEGRATION PROCESSES OF CHILE AND

ECUAI	DOR	85
4.1.1	Overview to the Chilean case:	85
4.1.2	How is the process of regional integration of Chile today?	
4.1.3	Chile within the region	89
4.1.4	Consequences	
4.1.5	Overview to the Ecuadorian case:	
4.1.6	How is the process of regional integration of Ecuador today?	
4.1.7	Ecuador within the region	
4.1.8	Consequences	
4.2	THE FUNCTIONALITY OF THE LATIN AMERICA INTEGRATION F	PROCESS OF
CHILE	FOR ECUADOR	96
4.3	CHALLENGES AND PERSPECTIVES FOR ECUADOR	
CON	CLUSIONS	
BIBL	IOGRAPHY	103

Index of Tables

Table 1 Chile's Free Trade Agreements and Chile's Partial Scope Agreements	26
Table 2 Chile's Economic Complementation Agreements in Latin America	27
Table 3 Chile's Exports (Millions of dollars FOB)	28
Table 4 Chile's Imports (Millions of dollars FOB)	28
Table 5 Chile's good Exports by geographic destinations (Millions of dollars - FOB)	30
Table 6 Chile's good Exports by geographic destinations (Percentages)	31
Table 7 Chile's good Imports by geographic destinations (Millions of dollars - FOB)	32
Table 8 Chile's good Imports by geographic destinations (Percentages)	33
Table 9 Chile's good exports by Trade Agreements (Participaction percentages)	34
Table 10 Chile's good imports by Trade Agreements (Participation percentages)	34
Table 11 Chile's good exports in South America (Percentages)	35
Table 12 Chile's good imports in South America (Percentages)	36
Table 13 Ecuador Trade Agreements	
Table 14 Ecuador's Exports (Millions of dollars - FOB)	
Table 15 Ecuador's Imports (Millions of dollars - FOB)	54
Table 16 Ecuador's Exports by geographic destinations (Millions of dollars - FOB)	55
Table 17 Ecuador's Exports by geographic destinations (Percentages)	56
Table 18 Ecuador's Imports by geographic destinations (Millions of dollars - FOB)	57
Table 19 Ecuador's Imports by geographic destinations (Percentages)	57
Table 20 Main Ecuador's Trading Partners - Good's Exports (Millions of dollars - FOB)	58
Table 21 Main Ecuador's Trading Partners - Good's Exports (Percentages)	59
Table 22 Main Ecuador's Trading Partners - Good's Imports (Millions of dollars - CIF).	60
Table 23 Main Ecuador's Trading Partners – Good's Imports (Percentages)	610
Table 24 Ecuador's Exports in South America (Percentages)	62
Table 25 Ecuador's Impors in South America (Percentages)	62
Table 26 Main Ecuador's Exportation products towards Chile in 2012	81
Table 27 Main Chile's Importation products by Ecuador in 2012	81

Abstract

Since the nineties, Chile has emerged in Latin America as an economic model for the region, leaving behind the image of rejection that the international community held of this country after Pinochet's dictatorship. This state has adopted new mechanisms of international integration, they have renewed the management of its foreign policy and they have started signing different trade agreements with several countries around the world. In turn, the regional integration processes have captured the scene in the international outlook as a strategy to face new trade challenges worldwide. With Chile as a country that stands out economically in the region, I will analyze its integration process in Latin America and its functionality with our country, Ecuador.

INTRODUCTION

The different processes of regional and sub-regional integration will be an important strategy in the current global context due to the fact that they represent an alternative for the states, especially those with small economies, in order to achieve more of a competitive edge as well as worldwide representation. In the case of Latin America and since the nineties, a country that stands out in the region for its economic power and foreign trade is undoubtedly Chile.

This country has demonstrated that, despite its tragic dictatorial past, there was never any excuse not to regain strength and emerge from the shadows. With the restoration of democracy in the nineties and through a strategic management in its diplomacy, the country opted for economic freedom, freedom of importation and exportation, and stability for foreign investment. All these aspects, combined with a pragmatic approach to deal with international affairs, have made Chile a country that has gained ground in the context of international trade.

Despite being an economic example in Latin America: Does the same apply for its integration model in the region? In a parallel way with Ecuador, a country that strongly supports the integration issue, I will analyze this process in Chile in order to know how extensive its internationalization mechanism in the region is, and how important this is in the geographic area to the commercial interests of Chile.

In the first chapter I will talk about the general concepts and the elements that are involved in an integration process in order that the regional structure is more clearly recognized. Here, I will point out some historical features about how was characterised the idea of integration in Latin America in Republican times. Then, the second chapter will focus on Chile, its internationalism, its diplomatic model and its foreign policy in the international context, as well as the regional context, since the nineties. The purpose of this chapter is to understand how its integration model has evolved and how functional it was or it was not in the regional or sub-regional context In the third chapter I will discuss the case of Ecuador, a country that supports the integration process in the region. Here, it will be necessary to consider some political and historical aspects of the nineties and its influence on the integration process. Similarly, I will show the guidelines and the opinion of Rafael Correa's government towards this issue. Lastly, the fourth chapter will compare both processes, the Chilean one and the Ecuadorian one, and then through a general balance, I will point the Latin American integration process of Chile and its functionality to Ecuador.

CHAPTER 1: INTEGRATION, PROCESS AND IMPORTANCE

When speaking about Chile it is well know generally as a trade and economic model in Latin America. It is a country that is so immersed in the international scope and it is known as one of the most developed countries in Latin America with a wide subscription of International Trades. In this context, several aspects can be covered in order to know its situation; however, the main topic shown in this document is focused on its integration process in Latin America, if it really means to be a model for the region and if it is to be taken as a reference to be applied in Ecuador.

The current chapter contains, in the first place the generalities of an integration process as well as concepts or definitions by authors specialized in the subject. It will be necessary to include its preconditions, objectives, dimensions, tools, typologies and historical aspects as well to get into the main topic of the thesis to be developed in the second and third chapters. Finally, the importance of dealing with an integration process for the inclusion of countries in the international scope will be understood. I will also analyze how the development of such activities could be difficult if they are developed in isolation by the states.

1.1 Definitions and concepts

Integration within the subject of International Relations is defined by Torrent as "a condition, a process or a result of economic, commercial, political or social cooperation among states, organizations, or blocks, whose nature is defined by legal instruments" (Torrent, 2008, 145). Jaime Cueva quotes Gunnar Myrdal who states that integration is known as an "economic and social process that destroys barriers among participants in economic activities" (Myrdal in Cueva, 1985, 8.) He also points out to Jan Tinbergen who considers integration as "the establishment of the most desirable structure in the international economy, by removing artificial barriers to optimal performance, and the deliberate introduction of all desirable elements of coordination or unification " (Tinbergen in Cueva, 1985, 8.).

Hartog defines integration as "an advanced approach of cooperation, which means a consultation among the parties on important economic policy issues " (Hartog in Balassa, 1964, 4). Robert Marjolin says that "any process that involves a greater degree of unity can be referred as integration" (Marjolin in Balassa, 1964, 4). Moreover, Erich Schneider contrasts the most rigid case of isolation with total integration and mentions that every intermediate process already denotes variables of economic integration (Schneider in Balassa, 1964, 4). Finally, it is important to remark Balassa when he says that trade among nations is affected by national policies and social, fiscal and monetary measures (1964, 5).

To discuss the degree of economic integration, I have taken as reference seven important stages, the first being the **preferential agreement** in which the parties exchange different tariffs or special concessions and thereby improving their export market access (European Commission, 2013). Second is the **Free Trade Area** which is characterized by the elimination of the tariff and nontariff barriers, and it is applicable between the countries that form it (Fabbrini et al., 2008, 25). Third, is the **Customs Union** which refers to a superior free trade zone and also maintains a common external tariff for third states (2008, 25). Fourth, is the **Common Market** with the free movement of goods, capital, services and people, and it adopts a common trade policy (2008, 25).

Fifth, is the **Economic Union**, which is characterized by common macroeconomic, sectorial and social coordinated policies (Fabbrini et al., 2008, 26). Sixth, is the **Monetary Union** that implies the adoption of a common currency by setting a monetary policy and where the supra-nationality represents a requirement (2008, 26). Finally, we have the **Full Integration** with the unification of all monetary, fiscal and social policies, a common foreign policy and a common security policy (2008, 26).

It is also necessary to cite Diego Cardona when he gives a generalization of the integration process into two classifications, *hard* and*soft* integration (2008, 72). The first one states that its ultimate goal is the creation of "a single economic, and even political unity..." and cites the example of the European Union and also the thirteen colonies that formed the United States (2008, 72). In the second case, he does not

cite a precise model but remarks the case of Latin America and its lack of unity in their integration projects (2008, 72).

Similarly, it is important to understand the concept of regionalism. For example, Cantori and Spiegel mentioned that it consists of "geographically proximate territories whose foreign policies are interlinked one another" (Oyarzún, 2008). Meanwhile, Russett (1967) gives three main guidelines to be considered: geographical proximity, economic interdependence and a certain degree of homogeneity (economic system, religion, language, history, levels of development, etc.) (Oyarzún, 2008).

However, the above regarding regionalism is not enough information to really understand it. For example, the same author¹ mentions in the journal *Political Science* that a geographical proximity between states can occur but contrast common elements or mechanisms such as the case of Israel². I can also mention Chile and its major trading partners: China, the European Union (EU), the United States and Japan which are geographically separated from each other (DIRECON³ 2012, 3).

The process of regionalism can also be understood through history. During the decades of the fifties and sixties was characterized by "promoting a restricted solidarity, assuming that the nation-state was an obstacle in order to achieve peace" (Oyarzún, 2008). As early eighties, "the *new regionalism* gives relevance to the link with globalization" (2008). Likewise, Soderbaum distinguishes regionalism "to be driven by market forces, to be wide in terms of trade and to reject protectionism high levels" (2003, 1:21).

In this context closed and opened regionalism are established. The first one refers to the strategy of development of protected markets (ECLAC,⁴ 2001, 201). The second one favors a trend towards the free flow of trade, capital, labor and knowledge

¹ Oyarzún, Lorena.

² Israel borders to the north by Lebanon, Syria and Jordan east and to the south by Egypt, all Arab countries (Library of Congress, 2013).

³ General Bureau of International Economic Relations.

⁴ Economic Commission for Latin America and the Caribbean

among states or blocks, and it is practiced by governments seeking their commitment to the principles of the multilateral trading system (ECLAC 2005, 201).

1.1.1 Preconditions and goals of integration

According to Ramón Torrent (2007), integration is conditioned by different factors to consider:

- Geography, by its ease of communication and access.
- Population
- Size of the economy and per capita income
- Policy congruence
- A common past or background or sense of community.
- Legal-political aspect.
- Level of public spending and tax structure. (Torrent, 2007, 15)

1.1.2 Objectives:

Torrent (2007) also mentions that the objectives stated in the integration process can be analyzed from an economic perspective and policy (15). On the first aspect he manifests development, competitiveness and growth of the parties as goals (16). In regards to competition, it seeks growth itself to generate scale economies for market expansion and greater contact among manufacturers (17). It also establishes that "regional integration changes the flow patterns of trade and location of production" (17). In adittion, the process of integration in the economic scope seeks foreign investment attraction. Meanwhile, in the political approach he says that it seeks intra and extra regional security, the acquisition of bargaining power in the international scope and the consolidation of internal reforms (2007, 17).

1.1.3 Tools

Regional integration requires certain instruments by states to influence the economic and social reality. Torrent sets out and describes the following: (2007, 19).

Legislation or regional standards: Within this scope the latter author considers three specific approaches: The first one is the *market access rules* referring to the assignment of different obligations of the parties in liberalization for market access (2007, 24). The second one, the *uniform law rules* is to create uniform rules with a common legal framework for either transactions or operations of the international agreement to be carried out (24). Finally, the *non-discrimination rules*, means applying them to the rules on transactions and operations of the agreement without unifying the right of each State (Torrent, 2007, 24).

Public activites: By the financing and management of public services such as education, physical infrastructure and subsidies to certain economic activities (Torrent, 2007, 29).

Diplomatic instruments of dialog and cooperation: regional integration also depends on the traditional elements of cooperation and dialogue. Torrent says that its use may promote the occurrence of a regional policy and its development is not limited to regional integration only, but to international forums and meetings in different areas of economic and social life (2007, 32).

1.1.4 Dimensions

In this context Torrent stated the following dimensions: external, content, strength and dynamism.

External dimension: Torrent says that this issue refers to the number of issues discussed at the regional level in relation to other countries.⁵ Besides, Torrent also mentioned that the analysis of the external dimension is important when assessing their impact on the global system since the multiplicity of preferential agreements

⁵ Ramón Torrent by 2007 points out the example of countries that are members of the European Community investments are still signingseparate agreements with other countries (2007, 33).

can generate some risks (34). The first one would be the diversion of trade and investment when a country participates in several Free Trade Zones (35). The second risk is the transformation of the world structure into a "spaghetti bowl" for the variety of intertwined agreements⁶ (Torrent, 2007, 35).

Content: The specialist here refers to the fact that any international agreement can be defined not only by the number of areas including, but by the degree of scope and depth of these materials (Torrent, 2007, 35). Ramón Torrent cites the example of the General Agreement on Trade in Services (GATS) which, although widely encompassing several areas, is not, in truth due to commitments on market access and national treatment by Members of the World Trade Organization (WTO) which are limited (2007, 36).

Strength: It is based on the credibility and the degree of political commitment (Torrent, 2007, 38). For credibility, if integration is based on law, it must be credible and effective. It also depends on an attitude of respect for the law and the perception of interest in strengthening the integration (38).

Dynamism: Torrent speaks about the adaptability of the integration process, which will depend on the objectives sought and the adequacy of initial instruments (2007, 40). It has to do also with the mechanisms to create standards and the speed at which they adapt to new circumstances (Torrent, 2007, 40).

1.1.5 Typologies

Finally, according to Ramon Torrent, typologies of integration can be:

A simple political framework in which there are no legal rules for the integration *de facto*. The author mentions the success story of the 25 years of the Association of Southeast Asian Nations (ASEAN), which was built on a solid geographical and historical foundation (Torrent, 2007, 42).

⁶ The same author states the case of Customs Unions in which members jointly establish trade relations with other countries and Free Trade Zones that allow each state to create other Free Trade Zones, thus multiplying the "spaghetti" effect (Torrent, 2007, 35).

The pure free trade zone, which is limited to trading of goods, it does not have much depth and its degree of political commitment is low. The example given by Torrent are the regional and bilateral agreements notified to the WTO (2007, 43).

Regional institutions that strengthen the community of states are features of states with small populations and territories that share a sense of history and culture. Here Torrent says that "the need for institutional strengthening is to maximize the allocation of scarce human resources and regulatory policy formation" (2007, 43:44).

Strong legal rules, which have strength in terms of law and political commitment but it's not enough for the creation of an integrated economic space (Torrent, 2007, 44). The dynamic example that the author shows, is the European Economic Area in the 90's through an agreement among the countries of the European Free Trade Association (EFTA)⁷ and the European Community. The static example would be the Free Trade Agreement (NAFTA) (2007, 44).

1.2 Global context

Before covering the importance of the integration process, it is necessary to remark a brief historical review of the formation of nation-states in Latin America in order to understand better the current situation in the regional field and in the international scenario.

1.2.1 The formation of the Nation State

The historian Henri Perenne mentions that the following changes in Europe, among them, feudalism, the Renaissance, the Reformation, the Counter Reformation and Enlightenment, were not uniform across the continent. For this reason the colonization of America was not equal in the north as in the south (Perenne in Vieira, 2008, 28). Weber presents the example of the importance of the Catholic religion to Spain and Portugal versus its counterpart the Protestant Reformation with Martin

⁷ The European Free Trade Association (EFTA) was founded in 1960 in the Stockholm Convention as an alternative to the European Union in order to promote free trade and economic integration of their members. It is composed of Austria, Denmark, Iceland, Liechtenstein, Norway, Portugal, Sweden, Switzerland and the United Kingdom (The European Free Trade Association, 2013).

Luther. The latest served as a doctrine to the North American continent where the development of capitalism and the pursuit of profit without limitation, the payment on wages and the restoration of slavery were encouraged. Meanwhile Spain and Portugal came to the Counter Reformation and gave a top priority to the religious aspect to the organization of society (Weber in Vieira, 2008, 28:30).

Later on the formation of the nation-state, Weber states that it is an institution of European origin which was consolidated with the Treaty of Westphalia in 1648, with 3 basic principles: territoriality, sovereignty and population. After the Enlightenment, it is generated the separation of state powers: executive, legislative and judicial, ideas that later were welcomed in Latin America (Weber in Vieira, 2008, 32). For the eighteenth century, in France, the French Revolution occurs giving the emergence of the concept of "nation" and "the will of the people" that were contained in the Declaration of Rights of Man and of the Citizen in 1789 (2008, 33). In summary, all these doctrines and thoughts influenced the precursors of the independence movement in Latin America (Palacios and Moraga in Vieira, 2008, 34).

After obtaining independence in America, Boersner indicates that in the Anglo-saxon case, territorial integration proceeded, meanwhile in Latin America disintegration was characeterized despite its homogeneity with religion, language and culture. In the Anglo-Saxon case prevailed the Protestant religion and the liberal and individualistic politics, their structures were already capitalist and bourgeois. Spain, and to a lesser extent Portugal, introduced the seal of the Middle Ages with absolutist nature, also with hierarchical and dogmatic institutions and semi-feudal slavery economic forms (Boersner, 1996, 29).

1.3 Latin America

1.3.1 Colonization and Latin America independence

Within this scope, Carmagnani differentiates the Spanish colonization from the Portuguese. In the first one, the priority was a rapid wealth appropriation, leaving the agricultural development aside. On the other hand, in Brazil there was a great emphasis on agricultural production (Carmagnani, 2004, 34). That is why the case of

Brazil represents the opposite pattern, compared to the Spanish colonies, since 1580 until 1640, when the expansion and integration of their territories was achieved (2004, 34).⁸ These elements made the difference between Spanish and Portuguese colonization because the latter was seen as an effective occupation (2004, 34).

On the process of independence, Carmagnani states that the weak participation of local people in the process of independence in Latin America could contribute to the weakness that emerged the new nation-states (Carmagnani, 2004, 81). The historian also remarks that the means of production and trade belonged to the Spanish colonizers and certain Creoles. The lattest ones, influenced by human rights and the encyclopedists, began with the ideals of independence and wished to exercise political control and trade on their own (Carmagnani, 2004, 85). Also, at the time of independence Dabène explains, "they attempted to put the past behind, the colonial past in exchange for the construction of a national identity based on a homogenous European identity " (Dabène in Vieira, 2008, 71).

The above, about the generalities of the history of nation-states, their formation in Europe and Latin America and the various processes of colonization and independence are important for several reasons. First, to understand the basis and principles that governed the colonies in the current territories of Latin America. Second is to understand how these principles have been involved in the economic policy in America. Third, is to get a general idea of why some colonies sought integration while others sought disintegration. Finally it is noteworthy that in Latin America there has not been a strong idea of unification by their states.

1.3.2 Attemnts to Latin America integration:

In the mid nineteenth century the first Latin American integration efforts were developed. The Venezuelan Francisco de Miranda (1750-1816) was known as the great "Precursor" of the integrationist ideal when referring to "All America exists as

⁸Carmagnani says that around 1580 and 1640 a single kingdom ruled over Spain and Portugal, which was of great importance to the consolidation of the Brazilian territory since the *Treaty of Tordesillas* (which delimited the Portuguese presence in America), had noapplication, which allowed the Portuguese to enter these areas more easily.

a nation". By 1798, he proposed to the British government a temporary government which contemplated the formation of an independent state made up of all American states except Brazil and its capital in the Isthmus of Panama (Chevalier in Vieira, 2008, 76).

Moreover, by 1812 motivations arise in Spain aimed to improve the relationship between Latin America and Spain, as well as to create a Hispanic nations Confederation (Chevalier in Vieira, 2008, 76). Also the Peruvian Juan Egaña (1769 and 1836) gives another idea of integration based on a "General defense plan across America" by federation between the United States and Spanish America (Vasquez, 1996, 55:56). Similarly, integration considerations were also an economic hue. For example, the central-american José Cecilio del Valle (1780-1834) proposed a federation among the American States which eventually would sign a treaty of trade (Vieira, 2008, 79).

About Simon Bolivar, the historian Lecuna says that he was not only limited to ensure the independence of Latin America, but to settle the foundation so that the region would act integrated and autonomously. In 1824 Bolivar summons Panama Congress to form a confederation composed of an Assembly of Plenipotentiary of those States which had already obtained their independence (Lecuna in Vieira, 2008, 80). Representatives from the Great Colombia,⁹ Central America, Peru and Mexico participated. They were looking a defensive integration in case of external attacks by using troops and maritime means (2008, 81).

Nevertheless, Liévano states that problems arose when the treaties were transferred for their ratification since each state went through various internal crises. Lastly, the Great Colombia was the only federation that ratified the agreements (Liévano in Vieira, 2008, 82). Thus Bolivar simply integrated the people he freed through training that would be the "Federation of the Andes". Yet, with the subsequent death of Bolivar nations were forged as independent states (2008, 82).

⁹ In the nineteenth century anti-colonial movements, Oyarzún and Durán mention the attempts of Simón Bolívar to create the *Gran Colombia* conformed by the former colonies of Venezuela, New Granada, Panama and Ecuador, even though this project was notconsolidated, it represents an initial manifestation of integration (2010, 209).

Boersner indicates that in the late nineteenth and early twentieth century the attempts for integration in Latin America stopped due to the new role and intervention of the United States (Boersner, 1996, 141). There, began the project of "American peace" based on the dominant role of the United States in resolving conflicts in Latin America. Finally with the outbreak of the First World War, the United States became a dominant country in the world and Latin America achieved a greater external dependence (1996, 141).

1.3.3 LAFTA and LAIA

Ramon Tamamés says that in the late 40's, with the existence of the Economic Commission for Latin America (ECLAC) " Latin American countries started talking about forming a Common Market" (1983, 145). ECLAC also began advocating industrialization through a substitution model of abroad imports but defending the opening among Latin American countries (Vieira, 2008, 96). It was in a greater extent because the industrialization projects in Latin America were not possible until the strengthening of the internal market; besides World War II brought the need for industrialization in Latin America (2003, 96).

ECLAC comes with two proposals, the first one, to gradually obtain common market level for Latin America stimulating economic development in the area. The second one, which then developed, was proposed by the countries for the creation of a free trade area to develop a trade on preferential terms. Vieira tells us that this is how the Latin American Free Trade Association (LAFTA) was created by the Treaty of Montevideo on February 18, 1960 with Argentina, Chile, Paraguay, Peru, Uruguay and Mexico.

A year later Brazil, Colombia and Ecuador were added (2008, 98), and in 1966 Venezuela joins and Bolivia in 1967 (98). Under this context, ECLAC states that the structure of Latin America had been the mono- exporters of primary products for the developed markets, so that the purpose was to break this dependence by manufacturing production for export (Vieira 2008, 98).

On the other hand, in the case of negotiations, Wionczek claims a lack of continuity in the tariff concession and sat only 25% of products in the Common List of the organism (1964, 98). Governments spoke of integration, but their national policies favored the protection of local production (98). Grien also indicates that there were more than twenty industrial complementation agreements which were signed, but mostly by the most developed countries of the region and favored mostly transnationals. For these reasons, LAFTA weakened and another association was created (Grien, 1994, 255).

1.3.4 The Latin America Integration Association

Vieira states that on August 12, 1980 the Treaty of Montevideo is signed in order to replace LAFTA by the Latin American Integration Association (LAIA) (2008, 103). He mentions the long-term goal was to build a Latin American Common Market but without the precision of a date or the mechanisms to achieve it (103). It was based on an extensive principle of plural voluntarism from each country and allowed the conclusion of agreements among parties or groups of countries that may have different degrees and speeds of integration (104).

The last author relates that LAIA mechanisms were established in three categories for countries: less economic development (Bolivia, Ecuador and Paraguay), intermediate development (Chile, Colombia, Cuba, Peru, Uruguay and Venezuela) and others (Argentina, Brazil and Mexico) (Vieira, 2008, 105). It is also described that the mechanisms were the Regional Tariff Preference as a multilateral instrument that covers all trade in the countries of the Association; the Regional Coverage Agreements, involving member countries, and Partial Settlement Agreements between two countries (105). However, it is also indicated that the viability of these programs could not be sustained due to the global economic opening by both bilateral and multilateral agreements in each country (106).

Grien states that with the advent of globalization LAIA possibilities of becoming an instrument of economic integration of Latin America were limited (Grien, 1994, 274). For this reason, LAIA had extended their targets on the financial and technological cooperation, communication and transport policies, tourism, business

participation, trade in services, intellectual property, protection of traditional knowledge, purchases of public sector and competition policy (279). Nevertheless Vieira says that these changes were a bit late because it was difficult to adjust to trade liberalization introduced by the process of globalization back then (2008, 108).

In order to finish this chapter I take the words of the specialist Diego Cardona who remarks that in the evolution of the last two decades in the world, "the most important countries are actively seeking regional or sub-regional agreements to ensure a better integration into the world" (Cardona, 2008, 67). Similarly in 2008 he indicates that "the global insertion happens above all by the insertion in their own regions" (...) and that "the insertion cannot be left alone in the surrounding region of each country, especially if it is a developing region" (67).

Conclusions

Throughout this chapter a brief review was held on the meaning, generalities, and history of what involves an integration process. I considered that it is very important to start with the definitions of different authors in order to understand in a better way what will be discussed in the following chapters. Other topics to be held in this part of the thesis are the degrees of integration and the goals sought to be achieved, being these economic, political or commercial. Nevertheless, the most memorable are its preconditions, instruments, typologies and measures. The reason is that their study indicates the complexity and importance of an integration process, referring to variables such as the regional scope, public policies, diplomatic instruments of the countries, and dynamism as an adaptive response to integration processes in the international scenario.

On the other hand, Latin American integration has experienced several scenarios throughout history. At first it is important to understand how from our earliest stages as nation-states we have been conditioned to other realities, such as the European one, and that the idea of integration has not been representative in the region. Even in the independence stage a brief historical review has held about the countries of the Great Colombia and the weak ideal of a single nation. However, for the twentieth century with organizations as LAFTA and LAIA can be seen as a starting point the image of unity among Latin American countries though keeping a protectionist model among them.

By the eighties, with the extent of market opening, the integration processes gained greater importance, especially when seeking regional or sub regional agreements. In this context, Chile is a country that has emerged economically, commercially and competitively in Latin America, and for this reason it is necessary to analyze Chile's process of Latin American integration and its application to Ecuador.

CHAPTER 2: CHILE AND THE INTERNATIONALIZATION SRATEGY

With the end of the Cold War in the late eighties and the advanced process of globalization, major changes were generated worldwide especially in the areas of regional cooperation in Latin America. At the same time, the processes of regional integration have been of great importance in the world due the fact that these have contributed to the strengthening of the state's community and have driven them to face new challenges on the international scene.

In the case of Chile and since the 1990's, multilateralism was adopted as a mechanism of its foreign policy, and its diplomatic international model was renovated. Duran and Oyarzun also mention that by 2005 the "institutional stability, the democratic political processes and the *civil-pragmatic style*¹⁰ of its diplomacy set the basis for the formulation of its new foreign policy", ¹¹ all based on its opening to international trade and a strong pace in the development of its exports (2010, 203:207).

For these reasons, as well as its internationalization process, Chile has been recognized as a model in Latin America. Besides, as mentioned at the beginning of the first chapter, several matters can be analyzed in order to understand its situation. However, the subject that I turn to is its integration process in Latin America because I believe it is necessary to understand its participation and influence in this area in order to make a complete analysis to know if this case is applicable or no to Ecuador.

The following chapter aims to identify the key forces that have helped the success of the Chilean model in Latin America. I will consider its international relations with some of the blocks in the region and its importance, its integration trade process in Latin America and finally its diplomatic style and its foreign policy. With all this

¹⁰ Several authors speak on the *civil - pragmatic style* that has characterized Chile along its history. The clearest definition is given by Heraldo Muñoz who refers to these topic as "the emphasis on international law, the practical recognition of the world power realities and the establishment of the diplomats career when handling the foreign policy " (Muñoz Colacrai and Lorenzini , 2005 , 57).

¹¹ All quotations were translated from Spanish by the author.

information, we will later analyze the functionality of the integration process in the Ecuadorian scope.

2.1 Overview

The Republic of Chile is a Latin American country that is located on the south western extreme of South America, and its capital is Santiago. It is a Presidential Democratic Republic and its current president is Sebastián Piñera with a center-right trend, elected on March 11, 2010 (Gobierno de Chile, 2010). It also has a population of 16,572,475 inhabitants (INE¹² 2012, 12). It shares borders with Peru to the north, Bolivia to the northeast, Argentina to the east, the Pacific Ocean to the west and the Drake Passage to the south (This is Chile.cl, 2009).

As regards its economy, Chile has a large market oriented on foreign trade, and it maintains a large number of commercial agreements. Its exports represent a third of its Gross Domestic Product (GDP) of which raw materials equal three quarters of their trade. Additionally, from 2003 to 2012 it has maintained a growth rate of 5% per year despite the global financial crisis of 2009 (CIA¹³, 2013). Moreover, for Chile its connectivity and foreign trade set up have strong priority. This country stands out for the efficiency of its modern infrastructure and for its telecommunication network. These two issues have contributed to the exchange trade exceeding 129 billion dollars in 2008, transforming the foreign trade into a driving growth and development, making up about 69% of its GDP in Chile (This is Chile. cl, 2009).

2.2 Chilean internationalism

2.2.1 Foreign Policy

On the current subject I will establish a brief historical overview about its foreign policy in order to understand how Chile has evolved during this time. By the early

¹² National Statistics Institute- Chile

¹³ Central Intelligence Agency

1930's, Chile focused its multilateral activity in the Inter-American System, attending various Pan-American conferences until the fifties, and it was one of the pioneers in the creation of the Organization of American States (OAS) (Medina, 2002, 210). Additionally, it participated in the foundation of the Inter-American Development Bank, and then in 1948 Chile entered into the Economic Commission for Latin America and the Caribbean (ECLAC), obtaining for its capital city the continental headquarters of this new institution (210).

Between 1958 and 1970, Medina (2002) says that during the governments of Jorge Alessandri and Eduardo Frei Montalva, Chile got involved in the efforts for continental integration (211). They intensified the relationship with the United States, the opening towards Europe, the regional stage, and the participation in the multilateral system (211). Gazmuri tells us that in these years Chile obtained an increasing respect from the international community and the country's image was consolidated, although Chile represented a "relatively minor and not so important player in the international scene"¹⁴ (Gazmuri in Medina, 2002, 231). In the sixties Chile began opening to Africa, Asia, the Pacific and the Caribbean, and entered into the Decolonization Committee (2002, 211). It diversified the international discourse and it emphasized the protection of human rights, an issue that, according to Medina, was "relatively new to the international atmosphere of that time" (211).¹⁵

In summary, in this historical period of time and until the end of the sixties, Chile was characterized by being aware of world events and for its emphasis on International Law. Medina also says that the main features that characterized Chile until then were the need to strengthen the Chilean presence in Latin America and in the world, to be separated from the major international conflicts and have a strong preparation for the multilateralism concept of diplomacy (2002, 249). For these reasons, I think Chile was an active player on the international stage as regards the External Relations issue, and this was evidenced by its active participation in the major international organizations of that time.

 ¹⁴ All quotations were translated from Spanish by the author.
¹⁵ Ibid.

2.2.2 The abandonment of the integration project

In the year 1970, President Salvador Allende came to power and implemented a socialist system model (Silva, 2006, 133). In his government, Chile extended its contacts with the People's Republic of China, East Germany, North Korea, North Vietnam and Cuba, in order to juggle their domestic policies with its external policy principles (Medina, 2002, 341). Likewise, Moscow and the Communist countries of Europe offered economic assistance to Chile, but in a very limited way because the socialists lacked financial capacity and so just granted subsidies to the countries that were fully integrated to Socialism (341).

As to its external policy with the United States and the capitalist powers, the government developed "a flexible and prudent external behavior"¹⁶ (Medina, 2002, 338) so as not to create a confrontation with these states, however, the relationship with the United States became tense (2002, 338:339). Furthermore, one of the major problems faced by Chile was the reduction of economic aid from the United States and the Soviets¹⁷. Allende's economic policy began to fall and loans for economic assistance were decreased (2002, 345). Later, on September 11, 1973 a military coup which was headed by General Augusto Pinochet, came to power and he became dictator of Chile (2002, 347).

Medina relates that until then – September, 1973 - Chile had enjoyed a relatively good image in the external field, but the coup was received with rejection by the international community (2002, 347:348). On the other hand, in his government, there was a commercial and diplomatic approach in 1975 with the countries of the Pacific Basin such as The Philippines, Thailand, Indonesia and Malaysia (2002, 349). Its economic policy was based on the free market policies designed by the *Chicago Boys*¹⁸, and in the regional field they withdrew from the Andean Pact, and started to isolate itself from other countries in the region (2002, 414).

¹⁶ All quotations were translated from Spanish by the author.

¹⁷ Cristian Medina exposes that the economic aid to Chile drop from \$8,6 millions in 1971 to \$3.8 millions in 1973 ((Medina, 2005, 344).

¹⁸ The Chicago Boys were a group of economists, influenced by Milton Friedman who since mid-1975 implemented a neoliberal strategies closely linked to the University of Chicago, in the Department of Economy. His entry into the Chilean government was based on a set of plans to create a free market

For these reasons it is necessary to emphasize the idea of *abandonment of the integration project*. Chile, until 1970, strongly advocated for integration at a regional level. Nevertheless, with the governments of Allende and Pinochet emerged strong changes and different ways which marked the country's history and its integrationist ideal. That is why I did a brief historical review of Chilean foreign policy as a starting point in order to understand the subsequent governments that have been considered as general models in Latin America.

I state that part of this success was due to the end of the dictatorial regime, and the strong desire of Chile to regain the prestigious international image that it had before the seventies. From now on new questions arose, such as how the country would emerge in the region and in the global context, the role it would play in the region and especially the statistical information to comprehend its integration process in Latin America.

2.3 International Insertion Strategies

2.3.1 Return to democracy

The transition to democracy is the historical period of Chile in which the functioning of the democratic institutions were restored by transferring the political power from the armed forces, led by General Augusto Pinochet from 1973, to President Patricio Aylwin, democratically elected in 1989 (This is Chile.cl, *Recuperación de la Democracia*, 2005). Moreover, the Chilean Constitution of 1980 retained its validity in which a modification allowed the fulfillment of presidential elections for a period of four years without immediate reelection (Gobierno de Chile, *Historia Constitucional Chilena*, 2010).

Among the initial aspects that the Constitution picked up was the presidential democracy, the confirmation of Chile as a democratic republic and human supremacy over the State (2010). In this context the country was defined by the

economy, supported in a set of structural reforms and macroeconomic policies. (Stallings, 2011, 23:60)

Concert of Parties for Democracy¹⁹ and its right-wing opposition²⁰ (Gobierno de Chile). Besides its institutional stability, its having a president, democratic political processes, pragmatic civil style and closeness to international law and the Law of Treaties, Chile was characterized by its identifying features in the formation of its foreign policy (Duran and Oyarzun, 2010 214). Meanwhile, in the economic field, Chile favored economic freedom, freedom of import and export and stability for foreign investment (Silva, 2006, 136).

2.3.2 Actors of the nineties: Aylwin, Frei and Lagos

In the Pinochet government an economic liberalization and a tariff reduction was generated to promote the exchange of trade (Silva, 2006, 137). However, these actions meant serious problems to the domestic industry, and therefore for several employees, especially those in the agricultural sector (137:138). The new participants of the Concert of Parties had to make adjustments to reduce the social damages caused by trade liberalization (138). They also had to rebuild the bilateral, regional and global relations that had deteriorated the last few years and therefore showed the world the peaceful transition towards democracy (Duran and Oyarzun, 2010, 214).

The first term government of the Concert Parties was the Christian Democratic President Patricio Aylwin (1990-1994) (215). One of its primary goals was to "reintegrate Chile to the good place where it historically gained in the international community"²¹ (Silva, 2006, 138). Thus, in his term in office the professionalization of Chilean diplomacy was reactivated and multilateralism was adopted in foreign policy at a global, hemispheric and regional level. In economic and trade matters an emphasis on the opening up of trade (215) occurred. In addition, ties with the Asia-Pacific region were extended and in 1994 the country joined the Forum of Asia-Pacific Economic Cooperation (APEC) (216). In the local context, the search for peaceful solutions as regards the border issue with Argentina and Peru were

¹⁹ The Concert of Parties for Democracy is a coalition of centre-left parties that emerged in the mideighties in opposition to the military regime of Pinochet, and as a period of transition to democracy (Escobar et al. in Bolaños, 2009, 23).

²⁰ The right wing opposition referred to the Pinochet regime (Escobar et al. in Bolaños, 2009, 25).

²¹ All quotations were translated from Spanish by the author.

promoted as well as the improvement bilateral relations with Bolivia (Wilhelmy and Durán, 2003, 273:286).

The second term government of the Concert Parties was with the Christian Democrat Eduardo Frei Ruiz-Tagle (1994-2000) (Duran and Oyarzun, 2010, 216). One of the main objectives of its foreign policy was to "fortify the country by reinserting it into international trade" (Silva, 2006, 138). As a result, Chile joined the United Nations Security Council. Moreover, Chile continued negotiations of the Free Trade Agreement (FTA) with the United States but without success, even though the FTA with Canada was successfully concluded (Duran and Oyarzun, 2010, 217). Finally, within the regional context, what caught the attention of the other countries was that Chile signed the Association Agreement with Mercosur and here negotiated, in a rigid way, the exclusion of the agricultural sector for ten years though it had not done so in the case of the FTA with the United States (218)²².

The last term government of the Concert Parties was formed by Ricardo Lagos (2000-2006) and known as left-wing militancy²³. Among the most important goals of his foreign policy was "to develop a concerted international insertion or agreement under the principles of open regionalism, free trade and multilateralism"²⁴ (Silva, 2006, 138). Public policies were strengthened without neglecting its promotion towards the private initiative and competition (Duran and Oyarzun, 2010, 219). Also, in his government was completed the Association Agreement with the European Union (2010, 219), and by year 2013 the FTA was signed with United States (219:220).

In summary, the actions of the three actors forming the Concert Parties meant not only Chile's return to democracy, but its return to global insertion. It is so true what María Cristina Silva says on the objectives of foreign policy when she states that "the governments of the nineties ... reveal a harmony with the globalization process and

²² Duran and Oyarzun mention the interesting case of the National Agriculture Society (SNA). They report that by 1994 SNA did not have a clear position on the risks and benefits of an FTA with the United States. However, the position of the SNA on Chile's entry into Mercosur was a "radical opposition" (Duran and Oyarzun, 2010, 218).

²³ Initially, Lagos generated in the population a distant attitude because of the return to power of a socialist statesman (Duran and Oyarzun, 2010, 219).

²⁴ All quotations were translated from Spanish by the author.

global interrelation"²⁵ (2010, 138). However here came new questions to be considered. If Chile restarted its process of global insertion, what would happen in the regional aspect?

In these three synopsis from the Concert Parties governments it has been overlooked that Chile started to strengthen its ties with the Asia - Pacific blocks, Europe, Canada and the United States. In the case of Latin America, it is limited to border issues, associated topics and even a categorical denial, in the case of the Chilean agricultural sector, to be part of a regional block. Throughout this chapter we will see its regional integration process as regards international trade.

2.4 Chile and its commitment for selective agreements

One of the most prominent features in Chile's trade policy since the nineties was the "pursuit of negotiations to expand its access to new export markets"²⁶ (Stallings, 2011, 149). The country went from a perspective of "goodbye Latin America,"²⁷ to a strategy that included preferential free trade agreements and more active promotion policies (149). Besides, Chile consolidated its presence in a plurality of external markets with the purpose of strengthening its exports, to ensure a steady flow of foreign currency and a favorable atmosphere for foreign investment (Duran and Oyarzun, 2010, 222).

In Latin America, while different actors drove for regional trading blocks, Chile opted for a multilateral strategy (Sáez and Valdes, 1999, 81). The main argument was that in the multilateral framework when formed by several actors, "no trade diversion occurs and the transaction costs are reduced due to members who have accepted common rules and a binding mechanism for settlement of disputes"²⁸ (1999, 81). Another strategy that Chile took was the *unilateral liberalization* as in the cases with the United States and Canada²⁹. A third strategy involved a *correlation with*

²⁵ Ibid.

 ²⁶ All quotations were translated from Spanish by the author.
²⁷ Ibid.

²⁸ Ibid.

²⁹ In the nineties, a strong competition of the economies of the European Union, Japan, China and the United States aimed to strengthe its hegemony in the region through a wide articulation of agreements

extra-regional partners especially with the European Union and the Asia-Pacific Economic Cooperation Forum (APEC) (Duran and Oyarzun, 2010, 222). Finally, a fourth alternative was based on regional integration (222).

All statements mentioned in the previous paragraph shows the selectivity of agreements that Chile has had when opening in the international context. All these strategies have also been combined with an *open regionalism* ³⁰ that have characterized Chile and have generated an international trade economic openness and a broad network of bilateral and multilateral agreements (Yesid et al., 2005, 288). This also meant for Chile an *outside development* including a wide number of export products, and the consolidation of the South American country as the "most notorious case of a country that has achieved a good pace of development based on an export structure" (Duran and Oyarzun, 2010, 223).

2.4.1 Treaties and agreements

The page of the Ministry of Foreign Relations of the Government of Chile under *In Force Commercial Agreements* (2013) lists the following agreements with Chile. In this case I will consider some agreements outside the Latin-American region such as China, Europe, the United States, Canada and India and the agreements with Latin American countries in the order in which they came to be in force:

Chile's FTA's covers around 60 countries which include the United States, Canada, the European Union, China, India, Japan, South Korea and some other countries in Latin America (2013). On the website of the Ministry of Foreign Affairs of the Government of Chile in the section *Current Trade Agreements* (2013) it states the following agreements of Chile. In this case, I will consider some agreements outside the Latin American region such as China, Europe, the United States, Canada and India, as well as the agreements with the countries of Latin America, all of them in order of entry into force:

through FTA's. However, this project had several obstacles so only bilateral negotiations began but only with some countries such as Chile (Duran and Oyarzun, 2010, 221:222).

 $^{^{30}}$ See the definition of *open regionalism* in the first chapter of this thesis in: 1. Definitions and concepts, p. 5-6.

Table 1

County/Countries	Agreements	Signing date	Entry into force
Canada	Free Trade Agreement	december 5, 1996	july 5, 1997
México	Free Trade Agreement	april 17, 1998	august 1, 1998
Costa Rica	Free Trade Agreement	october 18, 1999	february 14, 2002
Salvador	Free Trade Agreement	october 18, 1999	june 1, 2002
United States	Free Trade Agreement	june 6, 2003	january 1, 2004
China	Free Trade Agreement	january, 2005	october 1, 2006
India	Partial Scope Agreement	march 8, 2006	august 17, 2007
Nicaragua	Free Trade Agreement	october 18, 1999	In negotiation process
Panama	Free Trade Agreement	june 26, 2003	march 7, 2008
Honduras	Free Trade Agreement	october 18, 1999	july 19, 2008
Peru	Free Trade Agreement	august 22, 2006	march 1, 2009
Colombia	Free Trade Agreement	november 27, 2006	may 8, 2009
Guatemala	Free Trade Agreement	october 18, 1999	march 23, 2010

Table 2

Country/Countries	Agreement	Signing date	Entry into force
Ecuador	Economic Complementation Agreement	december 20, 1994	january 1, 1995
Mercosur: Argentina, Brazil, Paraguay, Venezuela and Uruguay Mercosur: Economic Complementation Agreement		july 25, 1996	october 1, 1996
Bolivia Economic Complementation Agreement		april 6, 1993	april 6, 1993
Venezuela	Economic Complementation Agreement	april 6, 1993	july 1, 1993
Cuba	Economic Complementation Agreement	december 20, 1999	august 28, 2008

The primary feature that defines Chile from the early nineties is definitely the wide signing on trade treaties. Chile can also be defined in the region as a country that is not resigned with its existing treaties but in the search of new treaties. This is the case particularly of Asia, where Chile already had an FTA with China, and although it still had a partial scope agreement with India, I would not be surprised to know that in less than 10 years it could form another FTA.

I will show now two comparative tables on exports and imports of Chile from 1990 to 2007. The purpose is to understand the evolution of its trade from the first postdictatorship government, when the country began its trade opening in the world market, and also to show a clear idea of how the signed agreements have had an impact on Chile's commercial trade balance since the nineties:

Table 3

Chile's Exports (Millions od dollars FOB)		
Year	Total	
1990	8.373	
1991	8.942	
1992	10.007	
1993	9.199	
1994	11.604	
1995	16.024	
1996	16.627	
1997	17.870	
1998	16.323	
1999	17.162	
2000	19.210	
2001	18.272	
2002	18.180	
2003	21.664	
2004	32.520	
2005	41.267	
2006	58.680	
2007	67.972	
Source: Banco Central de Chile. (2013). Base de Datos Estadísticos: Sector Externo: Información Histórica: Comercio Exterior. Santiago		

Table	4
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Chile's Imports (Millions of dollars FOB)		
Year	Total	
1990	7.089	
1991	7.456	
1992	9.285	
1993	10.189	
1994	10.872	
1995	14.643	
1996	17.699	
1997	19.298	
1998	18.363	
1999	14.735	
2000	17.091	
2001	16.428	
2002	15.794	
2003	17.941	
2004	22.935	
2005	30.492	
2006	35.900	
2007	44.031	
Source: Banco Central de Chile. (2013). Base de Datos Estadísticos:		

(2013). Base de Datos Estadísticos: Sector Externo: Información Histórica: Comercio Exterior. Santiago

At first it is established that between 1990 and 1993 - the end of the dictatorial period and before the signature of the FTA's - the evolution of exports and imports were gradual per year, except for the years 1992 to 1993 where there was a drop in exports. Then, from 1994 to 1995, when the FTA with Canada took effect, the rise in exports from one year to another is really noticeable. Also, its exports account for more than its imports which becomes a positive trade balance.

From 1995 to 2003 it also maintained a gradual export growth, year to year with a positive balance in the years 1995, 1999, 2000, 2001, 2002 and 2003. This shows that despite the fact that Chile had different and various trade agreements from 1995 to 1999, it began to have a negative trade balance and it became more dependent

when purchasing goods. It is also important to say that this period is characterized by most of Chile's trade agreements with the South American region. However, for 2000 to 2003 the export sector seems to be enhanced and begins to grow gradually.

However, the main focus of analysis is from 2004 to 2007, periods of the FTA signing with the United States and China. Here, the increase in exports is very significant because since 2004 these have had a growth between 10,000 to 15,000 million dollars. In addition, it keeps a positive trade balance since its imports are less than exports. For this reason, it can be seen that the signing of the FTA's has been beneficial for Chile which also demonstrates why this country is in search of new treaties with new markets beyond the regional boundaries.

Now, it is also important to note that in economic and trade matter, this country has promoted a policy of *sustainable liberalization*³¹ which has generated great attraction worldwide, and therefore numerous FTA³² conclusions with several countries (CIA, 2013). To have a clearer picture of the current regional impacts of these trade agreements of Chile, I have considered Chile's good's exports and good's imports by geographical destinations from 2008 to 2012:

³¹ Sustainable liberalization refers that the international economy insertion should pursue sustainable development objectives and not only to export more. It is based on a set of policies focused to achieve goals in the economic, social, environmental and participation areas (Corrales and Barrito, 2007 10). ³² For more information about the Current Treaties of Chile worldwide, as well as its evolution

³² For more information about the Current Treaties of Chile worldwide, as well as its evolution reports, I suggest to visit the webpage of the Ministry of Foreing Affaris: <u>http://www.direcon.gob.cl/acuerdos-comerciales/</u>
Table 5

Chile's good Exports by geographic destinations (Millions of dollars - FOB)					
Destinations			Years		
Desunations	2008	2009	2010	2011	2012
North America	11.431	8.961	10.091	12.296	12.209
South America	11.081	8.280	10.357	12.127	11.550
Central America and the Caribbean	1.237	689	659	743	800
Europe	16.647	10.695	13.718	16.085	14.059
ASIA	22.880	25.536	35.024	38.454	37.592
Middle East	342	234	314	465	485
Africa	256	207	217	255	330
Oceania	382	682	642	972	1.296
Total of good's exports 64.257 55.284 71.023 81.397 78.32					
Source: Banco Central de Chile. (2013). Balanza de Pagos y Posición de Inversión Internacional: Balanza comercial por países anual. Santiago.					

Table 6

Chile's good Exports by geographic destinations (Percentages)					
Destinations		-	Years		
Destinations	2008	2009	2010	2011	2012
North America	18	16	14	15	16
South America	17	15	15	15	15
Central America and the Caribbean	2	1	1	1	1
Europe	26	19	19	20	18
ASIA	36	46	49	47	48
Middle East	1	0	0	1	1
Africa	0	0	0	0	0
Oceania	1	1	1	1	2
Total of good's exports by percentages	100 100 100 100 100				
Source: Banco Central de Chile. (2013). Balanza de Pagos y Posición de Inversión Internacional: Balanza comercial por países anual. Santiago.					

In the case of Chilean exports, it can be seen that its main geographical destinations are Asia and Europe, then North America and later South America. After that, comes Central America with a limited participation which is only comparable with the Middle East, Africa and Oceania. Moreover, in the case of Central America it is necessary to point out that to understand Chile's integration processes in the region it is better to distinguish the southern part from the central part of America, due to its values, and thus their participation rates which are highly distant from each other. Likewise, I also point out Chile's imports information by geographical destinations from 2008 to 2012:

Table 7

Chile's good imports by geographic destinations (Millions of dolars - FOB)						
Destinations			Years			
Destinations	2008	2009	2010	2011	2012	
North America	13.796	9.358	12.044	17.463	20.711	
South America	15.661	10.487	13.231	16.700	16.772	
Central America and the Caribbean	230	264	535	990	1.695	
Europe	8.612	6.894	8.004	10.402	10.836	
ASIA	15.719	10.862	17.754	20.117	21.258	
Middle East	210	103	233	555	235	
Africa	1.702	262	706	688	334	
Oceania	333	247	325	526	497	
Total of good's imports 56.264 38.476 52.832 67.441 72.338						
Soruce: Banco Central de Chile. (2013). Balanza de Pagos y Posición de Inversión Internacional: Balanza comercial por países anual. Santiago.						

Table 8

Chile's imports by geographic destinations (Percentages)					
Destinations			Years		
Destinations	2008	2009	2010	2011	2012
North America	25	24	23	26	29
South America	28	27	25	25	23
Central America and the Caribbean	0	1	1	1	2
Europe	15	18	15	15	15
ASIA	28	28	34	30	29
Middle East	0	0	0	1	0
Africa	3	1	1	1	0
Oceania	1	1	1	1	1
Total of good's imports by percentages	100 100 100 100 100				
Source: Banco Central de Chile. (2013). Balanza de Pagos y Posición de Inversión Internacional: Balanza comercial por países anual. Santiago.					

In the case of imports - tables 7 and 8 - we can see that Asia continues having a strong participation for Chile's imports, but the second place is disputed between North America and South America. This means that while Chile's exports are not too much integrated into the region, in fact it is in the case of imports, which means the vital importance that Chile maintains in the region although at the same time it represents more debt in its trade balance in South America. It is also important to note that export promotion is much more focused beyond regional borders.

Another variable that I recognize in this work is the exports and imports participations of Chile with different trading blocks:

Table 9

Chile's good exports by Trade Agreements (Participaction percentages)					
Trade Agreements			Years		
	2008	2009	2010	2011	2012
APEC	43	52	53	52	54
LAIA	16	14	14	14	14
MERCOSUR	7	6	7	7	6
NAFTA	14	13	12	12	13
EU	19	14	14	15	13
Total exports percentages100100100100100100100100100					
Source: Banco Central de Chile. (2013). Balanza de Pagos y Posición de Inversión Internacional: Balanza comercial por países anual. Santiago.					

Table 10

Chile's good imports by Trade Agreements (Participation percentages)						
			Years			
Trade Agreements	2008	2009	2010	2011	2012	
APEC	39	37	41	40	42	
LAIA	22	21	20	20	19	
MERCOSUR	13	13	13	11	10	
NAFTA	17	17	16	18	20	
EU	9	12	10	10	10	
Total imports percentages100100100100Source: Banco Central de Chile. (2013). Balanza de Pagos y Posición de Inversión						
		Source: Banco Central de Chile. (2013). Balanza de Pagos y Posición de Inversión Internacional: Balanza comercial por países anual. Santiago.				

This analysis corresponds to the Latin American region and now I will also show the exports and imports percentages in South America. I will not consider Central America because their values were already reported and it was noticeable that these were not so significant. Besides, the Central Bank of Chile takes this last region as a whole without break down by each country:

Chile's good exports in South America (Percentages)						
Destinations		Years				
Destinations	2008	2009	2010	2011	2012	
Argentina	9	9	10	10	9	
Bolivia	14	14	11	13	13	
Brazil	35	34	41	37	37	
Colombia	6	7	7	7	8	
Ecuador	5	5	5	4	5	
Paraguay	3	3	4	5	4	
Peru	15	17	16	16	16	
Uruguay	1	2	1	2	2	
Venezuela	11	9	5	6	6	
Others	0	0	0	0	0	
Total exports percentages	100 100 100 100 100					
Source: Banco Central de Chile. (2013). Balanza de Pagos y Posición de Inversión Internacional: Balanza comercial por países anual. Santiago.						

Table 11

Table 12

Chile's good imports in South America (Percentages)						
Destinations		Years				
Destinations	2008	2009	2010	2011	2012	
Argentina	29	41	33	26	29	
Bolivia	0	1	1	1	1	
Brazil	32	26	33	36	29	
Colombia	12	12	11	12	12	
Ecuador	10	9	6	7	12	
Paraguay	2	4	4	3	1	
Peru	12	7	10	12	12	
Uruguay	1	1	1	1	2	
Venezuela	1	1	1	1	1	
Otros	0	0	0	0	0	
Total imports percentages						
Source: Banco Central de Chile. (2013). Balanza de Pagos y Posición de Inversión Internacional: Balanza comercial por países anual. Santiago.						

According to these tables, the most important regions and commercial blocks for Chile are Asia with the APEC, the European Union and North America with the NAFTA. As regards Latin America, it can be seen that the degree of integration with this region, including LAIA and Mercosur, is extremely important but not principal. However, what can be observed is the importance that Brazil and Argentina have in the field of imports as goods suppliers for Chile. That is why these two markets are completely significant for Chile in the field of trade integration in the region.

With this information, I respond to the question that came in the previous topic, that if Chile were immersed in the international context, what happened in the regional one? Chile strategies have been focused on the open regionalism, the promotion of extra-regional exports, the conclusion of multiple treaties in the world and what is most important in its trade balance is the strong participation with Asia and Europe. In summary, in its foreign trade integration process Chile has had a soft integration process.³³

2.4.2 International relations with Mercosur

UNESCO³⁴ notes that by 1991 the countries of Argentina, Uruguay, Brazil and Paraguay had signed the Asuncion Treaty which created the Mercosur (Stefoni and Fuentes, 2013). Chile was invited to be a founding member, but declined to be part of the block when arguing that the characteristics of the agreement would diminish liberty of action to access other markets, for differences in tariff policies and foreign negotiations with different organisms (Silva, 2006, 145). However, in 1996 these countries invited Chile to achieve the Economic Complementation Agreement No. 35, which established a gradual elimination in trade of goods, and by December 2013 it will arrive to a 100% of tariff preferences for all the products³⁵.

Among the key reasons that made Chile join the Association Agreement with Mercosur was the international deepening of both economies, the improvement in national productivity and the competitiveness of the Chilean export sectors, all of them focused on a potential market of 200 million people (UNESCO, 2013). Similarly, there was an emphasis on a set of clear and non-discriminatory standards in reciprocal trade, trade liberalization, facilitation of transport and physical and mining integration (2013). Here it should be noted that the strongest relationship of Chile is with Argentina with ACE N° 16 which constitutes protocols in areas such as transit of products, gas interconnection, mining and transport integration (Silva, 2006, 147).

Nevertheless, there were some problems with the agricultural aspect concerning the effects that would be produced in an open international competition. Therefore, movements like the National Agricultural Society pressured the Chilean government

³³ See the definition of *soft integration* in the first chapter of this thesis in: 1. *Definitons and concepos*, p. 4-5.

³⁴ United Nations Educational, Scientific and Cultural Organization.

³⁵ DIRECON: Ministerio de Relaciones Exteriores. (2012). Evaluación de las relaciones comerciales entre Chile y Mercosur a dieciséis años de la entrada en vigencia del acuerdo de complementación económica. Available on:

http://www.direcon.gob.cl/sites/default/files/bibliotecas/bibliotecas_04_09_13161357.pdf (p.3)

in order to take measures to protect the sector (2013). For this reason while in Chile and Mercosur, there almost exists a total tariff reduction, though it is not applicable for wheat and corn flour³⁶.

Silva also mentioned that despite Chile and Mercosur do not have a specific FTA, it can be speak of a facto FTA due to the 99% of duty free goods (2006, 145). Nowadays, Chile and the Mercosur countries, along with other South American countries, are participating in the Initiative for the Integration of the Regional Infrastructure in South America (IIRSA),³⁷ which I think it will generate a greater degree of integration in the region with the perfection of geographical routes.

2.4.3 International relations with the Andean Community

Ever since the late sixties and early seventies, Chile along with other countries began seeking new integration alternatives for forming new sub-regional blocks (Medina, 2010, 154). Then, there emerged the association between Chile, Peru, Colombia, Bolivia and Ecuador, Chile being the first driver and founding member of the Andean Pact or the Cartagena Agreement of 1969 (Silva, 2006, 144). This organization stated as its aim to achieve a faster, more autonomous development, which was a new challenge for the country members due to the fact that their economies were underdeveloped structures (144).

However, by 1976 Chile withdrew from this organization,³⁸ because its "economic liberalization and global insertion was incompatible with the external relations system of this block" ³⁹ (Silva, 2006, 144). Meanwhile, the Andean Pact was transformed in 1997 into the Andean Community of Nations (CAN), formed by

³⁶ DIRECON: Ministerio de Relaciones Exteriores. (2012). Evaluación de las relaciones comerciales entre Chile y Mercosur a dieciséis años de la entrada en vigencia del acuerdo de complementación económica. Available on:

http://www.direcon.gob.cl/sites/default/files/bibliotecas/bibliotecas_04_09_13161357.pdf (p.3)

 $^{^{37}}$ IIRSA emerged in 2000 with the goal of advancing in the modernization of regional infrastructure, thus promoting integration and economic - social development in the region (IIRSA, 2012).

³⁸ DIRECON: Ministerio de Relaciones Exteriores de Chile. (2009). Evaluación de las Relaciones económica entre Chile la los países miembros de la Comunidad Andina de Naciones (CAN). Available on:

http://www.direcon.gob.cl/sites/default/files/bibliotecas/Informe%20Evaluaci%C3%B3n%20Chile-CAN.pdf

³⁹ All quotations were translated from Spanish by the author.

Bolivia, Colombia, Ecuador, Peru and Venezuela, and they showed significant progress in its institutionalization, but not in its economic coordination (2006, 144). Similarly, the Andean group was affected in 2005 by the departure of Venezuela and its subsequent incorporation process into the Mercosur (Silva, 2006, 144).

In 2006, Chile accepted the invitation made by the country members of the CAN as an Associate Member, and accepted the same in September of that year. Since then there have been several meetings between representatives of the General Secretariat of the CAN and Chile in order to analyze the structure of the Chilean economic and trade relations with the countries of the CAN based on the Economic Complementation Agreements and the deepening of subsequent agreements.⁴⁰

2.4.4 International relations with Central America and the Caribbean

As regards Central America, since 1999 Chile has had an FTA negotiated together with the countries of this region, formed by Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.⁴¹ However, DIRECON shows that despite being defined as a multilateral agreement, there were subsequent bilateral negotiations, defining the specific characteristics of trade openness with all country but also individually (2013). Moreover, these days the current in force Bilateral Protocols are with Costa Rica, El Salvador, Honduras and Guatemala. For the moment, negotiations with Nicaragua have concluded, and it is close to the signing of the last protocol, which with Chile would end the process of "commercial consolidation with the Central Block"^{42 43}.

What followed the FTA with Central America was the creation of a free trade area to increase and strengthen the exchange trade and the promotion and protection of

⁴⁰ DIRECON: Ministerio de Relaciones Exteriores de Chile. (2009). Evaluación de las Relaciones económica entre Chile la los países miembros de la Comunidad Andina de Naciones (CAN). Available on:

http://www.direcon.gob.cl/sites/default/files/bibliotecas/Informe%20Evaluaci%C3%B3n%20Chile-CAN.pdf ⁴¹ DEECON Ministeria da Balazianas Exteriores (2012) Tratada da Libra Comunica Chi

⁴¹ DIRECON. Ministerio de Relaciones Exteriores. (2013). *Tratado de Libre Comercio: Chile-Centroamérica*. Available on: <u>http://www.direcon.gob.cl/acuerdo/1451</u>

⁴² All quotations were translated from Spanish by the author.

⁴³ DIRECON. Ministerio de Relaciones Exteriores. (2013). *Tratado de Libre Comercio: Chile-Centroamérica*. Available on: <u>http://www.direcon.gob.cl/acuerdo/1451</u>

foreign investment and air transport services.⁴⁴ Likewise, Chile has played through its International Cooperation Agency, an active role in solving major problems that affects the Central American region, such as the participation in the stabilization of Haiti, providing military presence since 2004 (Silva, 2006, 146).

Finally, as regards the Caribbean, Chile has deepened its cooperation in recent years through coordination forums such as the First Scientific and Technical Joint Commission Chile-CARICOM (2006, 146). However, their participation as a trading partner of Chile is very low because in the DIRECON webpage, under the Chilean Current in force Agreements,⁴⁵ it shows that only Central American countries have signed trade agreements with Chile, and in the case of the Caribbean it talks much more about cooperation issues. Besides, and as noted above, the Central American region and therefore the Caribbean represent a very small proportion to Chile on foreign trade issues.

2.4.5 UNASUR

In December 2004, in the city of Cuzco, Peru was created the South American Community of Nations (CSN), based on a Mercosur-CAN axis and also incorporating Guyana, Suriname and Chile.⁴⁶ For this last country and after more than three decades of absence in systems integration in Latin America, it meant the return to the path of the South American schemes participation to join as a full member of the CSN (Silva, 2006, 148).

Subsequently, the CSN lead, in May 2008, the Constitutional Treaty to the Union of South American Nations (USAN) comprised by the countries of Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela. Its primary objectives are the promotion of regional integration and the deepening union between the South American nations. Furthermore, UNASUR seeks integration in aspects such as energy, education, health, environment, infrastructure,

⁴⁴ DIRECON. Ministerio de Relaciones Exteriores. (2013). *Tratado de Libre Comercio: Chile-Centroamérica*. Available on: http://www.direcon.gob.cl/acuerdo/1451

⁴⁵ DIRECON: Ministerio de Relaciones Exteriores. (2013). *Acuerdos Vigentes*. Available on: <u>http://www.direcon.gob.cl/acuerdos-comerciales/</u>

⁴⁶ UNASUR. (2013). *Historia*. Available on: <u>http://www.unasursg.org/inicio/organizacion/historia</u>

health, democracy and migration.⁴⁷ Similarly, it is the fifth largest economy in the world, situated between two major oceans, is the world's leading zone in producing and exporting food, contains reserves of 27% of fresh water on the planet and has oil reserves for 100 years (Silva, 2012, 16).

Oyarzun also states that the UNASUR aims to "build a South American identity and citizenship, a regional space by integrating the political, economic, social, cultural, environmental, energy and infrastructure fields"⁴⁸ (2009, 3). It seeks a place to incorporate the already existing projects in physical and energetic matter in order to integrate the twelve countries of the region (2009, 7). Here, I consider it important to mention the IIRSA, which is one of the key strong points to promote such integration.

In the Chilean context, Jorge Bolaños tells us that Chile has not participated so actively as other countries when promoting the initiative of the UNASUR (2011, 7). One of the reasons is because the ideological project of regional integration is "alien to the prevailing restraint in Chile" (2011, 9). However, in the current government of President Piñera, the minister of Foreign Affairs, Alfredo Moreno, was motivated to ratify this treaty, especially when praising the change of attitude of Juan Manuel Santos towards Venezuela and Ecuador, and he said: "we cannot be throwing stones every day"⁴⁹ (2011, 12).

In addition, the reactions to Chile's insertion in the UNASUR have had different points of view in this country. In the political and parliamentary area, the most conservative sectors have criticized the use of UNASUR as a regional entity to omit the action of the Organization of American States (OAS) (Duran and Oyarzun, 2006, 238). On the other hand, the Confederation of Production and Trade of Chile (CPC), which brings together important productive sectors of the country, has evaluated that the idea to approach and open to various South American markets which represents a positive offer (2006, 238). The National Agriculture Society also recognized as

⁴⁷ UNASUR. (2013). *Historia*. Available on: http://www.unasursg.org/inicio/organizacion/historia

 ⁴⁸ All quotations were translated from Spanish by the author.
⁴⁹ Ibid.

beneficial the South American integration and cooperation, as trade opportunities in societies with large agricultural good's consumption (2006, 240).

I think that UNASUR is a very important organization in the region because it resumes the integration aspect in South America; it represents a particularly strong market made up of one of the world's rising powers such as Brazil. Besides, I consider also that union make the strength, and that countries must work together on issues like economic cooperation, especially in the field of regional infrastructure. Concerning Chile, and in general way, I do not see it in the UNASUR as a fully integrated member in the short or medium term, but possibly it will increase its participation of integration in the long term but remaining almost independent in the region. In any case, it is still a long way to go for Chile and other South American countries. Citing the words of Pablo Solon which are true, he says that "the integration of the twelve is the encounter of twelve political wills."⁵⁰

2.5 Chile and the South America regionalism

2.5.1 Chile's diplomacy

In the diplomatic sphere, Yesid Henry (2005) tells us that Chile has been characterized on the basis of a political structure defined as "continuous, unique and permanent"⁵¹ (43). In this context, Chile has implemented strategies such as worldwide openness, a macroeconomic orientation, free trade, the contribution to the international order, and the defense and protection of democracy (43). All these issues have been combined with its civil-pragmatic style that has placed a great emphasis on the diplomatic career as a basic axis for its foreign policy.

In this context, Bolaños (2011) also says that this country has been determined by its institutional stabilization and the "coincidence of interests with the major powers and multilateral organisms⁵² (3), taking place "bluntly in the western scope" (Escobar in Bolaños, 2009, 3). This is also related with the influence that Chile inherited from the

 ⁵⁰ All quotations were translated from Spanish by the author.
⁵¹ Ibid.
⁵² Ibid.

Chicago Boys. Subsequently, it has been observed how Chile has consolidated its image in the international context by holding various trade agreements and for its broad participation in multilateral organizations; strategies that have been described as "unilateral openness"⁵³ (Bolaños, 2011, 6).

In the region, I consider Chile as a country with less of an integration process, and more of an internationalistic one. For instance, Michelle Bachelet, ex-President of Chile (2006-2010) claimed that they could not have a totally immersed process in regional organizations if it meant giving up the economic reforms that have brought them success when approximating Chile towards countries that are more developed (Bolaños, 2011, 6). A clear example is that during his government, they promoted ten FTAs with countries like Japan, Australia, India and Vietnam.⁵⁴

Rojas and Altmann also state that a further liberalization of trade represents a less regional integration, due to a free market economy which has its own dynamics that go beyond the States borders (2006, 26), and which could be the case with Chile. However, in the Bachelet administration period it developed a foreign policy to strengthen the ties in the continent. An example of this is that after the signing of the Constitutionality Treaty of UNASUR in 2008, Bachelet became the first pro-tempore President of the organism.⁵⁵ Similarly, in 2006 and 2009 different FTA's agreements were respectively signed with Colombia and Peru, with Argentina and in 2009 was signed the Maipú Integration and Cooperation Treaty,⁵⁶ and with Brazil there were signed several agreements on defense aspects in 2007, as well as Social Security aspects in 2009 as a benefit for Chilean residents in Brazil and Brazilians living in Chile.⁵⁷

⁵³ All quotations were translated from Spanish by the author.

⁵⁴ Michelle Bachelet.cl. (2013). *Gobierno* 2006-2010. Available on: <u>http://michellebachelet.cl/gobierno/</u>

⁵⁵ Ibid.

⁵⁶ The most important Maipú Treaty commitments are directed towards aspects such as physical connectivity and border facilitation, trade, defense and consular issues, and others. Available on: http://www.minrel.gob.cl/minrel/site/artic/20110915/pags/20110915175751.html

⁵⁷ DIRECON: Ministerio de Relaciones Exteriores. (2013). Available on: <u>http://www.minrel.gob.cl/minrel/site/artic/20080822/pags/20080822175434.html</u>

2.5.2 Current foreign policy

In the government of Sebastián Piñera, within the scope of Chile's foreign policy the Ministry of Foreign Affairs framed the following priorities:

In North America, specifically with the United States, it will continue to seek convergence areas on issues such as human rights, democracy, security, governance and trade openness.⁵⁸ In addition, bilateral relations with the United States will be deepened through great engagement policies towards Latin America. In the European case the strategic objectives of the foreign policy of Chile towards this region in the next decade will be "to strengthen our ties on the basis of economic and trade exchange deepening"^{59,60} Also set out with the European Union is the execution of actions of general interest to Latin America such as social cohesion, the strengthening of democratic institutions and economic stability in the region.⁶¹

Nevertheless, the big topic of interest is the relationship of Chile-Pacific Asia due to its economic dynamism, their demographic weight and their trade exchange potential. Therefore the entire agreements network that Chile maintains with this region represents more than 40% of Chilean exports. In this context, Chile confirms that it will redouble efforts not only for the country to benefit from this relationship, but the trade also could be extended to the Latin America countries.⁶²

Moreover, Latin America will continue as the priority area for politic attention, and at the same time it will deepen ties in economic, commercial, social and cultural areas. ⁶³ According to the Ministry, this will be materialized through regional cooperation programs, bilateral meetings of political, economic and cultural coordination, integration initiatives in areas such as infrastructure, energy, transport and mobility of people, and the participation of political coordination in the

58	DIRECON:	Ministerio	de	Relaciones	Exteriores.	(2013).	Available	on:
http:	//www.minrel.g	gob.cl/minrel/si	ite/artic	:/20080822/pag	s/2008082217	5434.html		
⁵⁹ Al	l quotations we	re translated fr	om Spa	anish by the au	thor.			
60				Relaciones		(2013).	Available	on:
http:	//www.minrel.g	gob.cl/minrel/si	ite/artic	c/20080822/pag	s/2008082217	5434.html		
⁶¹ Ib	id.	-						
⁶² Ib	id.							
63	DIRECON:	Ministerio	de	Relaciones	Exteriores.	(2013).	Available	on:
http://www.minrel.gob.cl/minrel/site/artic/20080822/pags/20080822175434.html								
⁵⁹ Al 60 <u>http:</u> ⁶¹ Ib ⁶² Ib ⁶³	l quotations we DIRECON: //www.minrel.g id. id. DIRECON:	re translated fr Ministerio gob.cl/minrel/si Ministerio	om Spa de <u>ite/artic</u> de	anish by the au Relaciones 2/20080822/pag Relaciones	thor. Exteriores. <u>ts/2008082217</u> Exteriores.	(2013). 5434.html (2013).		

continent.⁶⁴ Likewise, the Ministry of Foreign Affairs also stated that the relationship with Latin America will be prioritized "through the generation of strategic agreements, without implying to renounce the successful model of economic and social development followed by Chile nowadays" (Ribera, 2010 177).

However it should be noted that the Latin American region will have a good degree of importance but not a primary one. One example is the following statement from the Ministry of Foreign Affairs on the subject of International Trade when they said that "we have taken the decision to advance with the widening and deepening of our economic and trade relations with the most dynamic regions of the world economy (...) to achieve trade agreements with countries such as Malaysia, Australia, Vietnam and Turkey".⁶⁵ For this reason I repeat that Chile's participation in the global and regional context is much more internationalist.

Conclusions

Chilean history throughout the twentieth century has defined the course of its foreign policy according to the type of government during each period of time. The major landmarks are summarized in the previous government of Allende, with the inclusion of this country in the regional integration. After that, there came a second period of time with Allende and his limited implementation of a socialist regime. The third period was with the Pinochet dictatorship, characterized by the image of rejection at the international level, and the implementation of free market policies: and a fourth term with the return of democracy to Chile with the Concert Parties.

Nevertheless, the focus of analysis in this chapter is in the nineties when Chile began a process of economic liberalization and an active negotiation of trade agreements. Since then, this country began to participate, not only in the regional scheme, but in the global one. However, here also began a starting point to understand its

 ⁶⁴ DIRECON: Ministerio de Relaciones Exteriores. (2013). Available on: <u>http://www.minrel.gob.cl/minrel/site/artic/20080822/pags/20080822175434.html</u>
⁶⁵ Ibid.

integration process in Latin America, which, due Chile's opting for international openness, took an opposite direction at the regional level.

What can be deduced from this? At first the Chilean integration process in Latin American was characterized as a soft integration process. A process that contradicts one of the *preconditions of integration* studied in chapter one, as the necessary geographical aspect for integration. It is also a country that has strongly taken the *diplomatic instruments* also analyzed in the first chapter, though not completely directed towards the region. On the other side, owing to the extensive portfolio of commercial agreements that it has with several countries, it has allowed Chile to develop its export potential and to contribute with its economic growth since the nineties. All these agreements were also based on a *dynamic* dimension for its great adaptation to them.

These situations have made Chile not only a model in the region but an outstanding country in Latin America. However, would it be correct to say that the Chilean model is a successful one? There is a popular phrase about Chile and the region enunciated by Bolaños who says, "Some see Chile as the prominent student in the class, but as the worst schoolmate"⁶⁶ (2011, 4). Well as a *prominent student*, we can remember that in South America there is Brazil as a major economic force in the region. Moreover, Chile's foreign policies are not and have not been free from negative consequences in its role as the *worst schoolmate*, because, at the regional level it has been more associated rather than being a fully regional member. In that case, to speak of it as a successful country, one has to consider the consequences of the agreements, which I will discuss in the last chapter of this work.

In summary, Chile will continue using its trade networks with its major trading partners. I also think that, although this country holds a lower degree of integration in Latin America, it has an important articulator role in the region, particularly in South America. Nonetheless, its feature is and it will continue to be one of open regionalism. Finally, we have to remember that each country has its own history, its

⁶⁶ All quotations were translated from Spanish by the author.

context and its actors, and even though we are in a globalized era, union, or in this case integration, makes for strength.

CHAPTER 3: ECUADOR AND THE INTEGRATION PROCESS

Regional integration processes are supposed to result in the strengthening of the community of states to face new challenges, markets and different situations worldwide. In this context, concerning the Ecuadorian process of regional integration, it is well known that - contrary to Chile – it has been a country with a major role in these processes. The reasons can be found throughout its democratic history and its governments which have been giving shape to the country's foreign policy.

The central topic that approaches this work is the Latin American integration process of Chile and its functionality for Ecuador. The first part, the Chilean integration process in Latin America, was already discussed in the second chapter of the project coming to the general conclusion that it developed into a soft integration in the region and in a more bilateral way. Now to understand how functional this process for Ecuador is, it is necessary to study how the Ecuadorian integration has been produced at the regional level.

This chapter will provide a brief history of Ecuador along with its governments, especially from the nineties, to understand the evolution of its foreign policy. I will also analyze Ecuadorian participation in hemispheric and regional organisms, as well as its role in the international context. Finally, it will be essential also to note the Economic Complementation Agreement No. 65 that Ecuador has with Chile, as an overview of the bilateral relationship between the two countries.

3.1 Overview

The Republic of Ecuador is a Latin American country located northwest of South America and its capital city is Quito. It is situated on the equator and borders to the north with Colombia, to the south and east with Peru and to the west with the Pacific Ocean⁶⁷ and has a population of 15,820,894 inhabitants.⁶⁸ Its president is Rafael Correa Delgado who came into power on January 15, 2007 with a strong nationalist discourse and was supported by social movements and left-wing groups (Zepeda and Verdesoto, 2011, 18).

As regards the Ecuadorian economy, since 2000 the country adopted the U.S. dollar as a result of a banking crisis that emerged in 1999 which mobilized several Ecuadorians outside the country (CIA, 2013). With the new currency, the economy was stabilized and it maintained a positive growth due to the high oil prices, the remittances from immigrants and the increase of non-traditional exports (2013). On the other hand, its main resources is oil which has accounted for more than half of the country's export incomes and which also represents around two-fifths of the public sector revenues in recent years (2013).

Relating to its foreign trade, Ecuador's main trading partners are the United States, the Andean Community (CAN) and the European Union. Besides since 2008, China is the largest foreign lender to Ecuador and that is the reason why the government can maintain a high level of social spending. On the other hand, at the regional level, the country is a member of the CAN, and it has a Complementation agreement with Chile by which many Chilean products enter tariff-free.⁶⁹

As regards the role that it has played in the UNASUR, Ecuador has been characterized as "underpinning the institutional consolidation of the rising body, through the strengthening of the South American Defense Council and the creation of diverse councils"⁷⁰ (Pareja in Zepeda and Verdesoto 20, 2011). Moreover, in the region, Correa has held "an alternative focused on the full exercise of sovereignty, Latin American integration, multilateralism and a diversification of economic and

⁶⁷ Ecuador ama la vida. (2013). Acerca de Ecuador. Available on: <u>http://www.ecuador.travel/acerca-</u> <u>de</u> ⁶⁸ Ecuador en cifras. (2013). Available on: <u>http://www.ecuadorencifras.com/cifras-inec/main.html</u>

⁶⁹ Oficina Económica y Comercial de Ecuador en Quito. (2006). Informe económico y comercial Ecuador. Available on: http://www.fiteqa.ccoo.es/comunes/recursos/29/doc22247_Informe_economico_y_comercial_de_Ecu ador.pdf

All quotations were translated from Spanish by the author.

political relations with the country"⁷¹ (20, 2011). It is therefore evident that the role of this country in the regional sphere has been very well represented.

3.2 Ecuador: an integration promoter

From the beginning of Ecuador as an independent republic, the country has intensively promoted regional integration (Donoso, 2006, 166). The most explicit example was the case of *Gran Colombia*, Ecuador being a participant, and although this project was not consolidated it was a manifestation of integration.⁷² On the other hand, Barbosa says that the country's economy has been "influenced by the evolution of trade relations with the world markets"⁷³ (2000, 4). For this reason he indicates that in the late eighties and early nineties was "set up the adoption of a development model based on an encouraging growth policy directed to export" (2000, 4). It should be remembered that the new trend at that time was import substitution and the protectionist state, and an openness policy to international markets.⁷⁴

A clear example is that in 1988 with President Rodrigo Borja, Ecuador moved towards its consolidation in the CAN, and it negotiated a law for tariff preferences with the United States (Merke, 2010, 573). Merke states that these preferences would later generate a strong dependence on Ecuadorian exports to the United States (573). Later, between 1996 and 2007, Ecuador was marked by political instability in their governments. Ecuador had in a short period of time eight presidents, including conservatives, right-wing and left-wing, ruling in a "fragmented political system and an economy in decline" (2010, 573). He also mentions that due to these reasons the strategies of regional integration and trade policy did not reflect a consensus in the long-term (573).

It is important to remark that in Lucio Gutiérrez' government (2003-2005), was generated a strong initiative to negotiate an FTA with the U.S. However, this negotiation was not concluded because Gutierrez was removed from power and

⁷¹ All quotations were translated from Spanish by the author.

 $^{^{72}}$ See the information of the *Gran Colombia* in the first chapter of this thesis en: 1.3.2. Attempts to Latin America integration, p. 12, footnote 9.

⁷³ All quotations were translated from Spanish by the author.

⁷⁴ Look up in the fist chapter of this thesis in: 1.1. Definitions and concepts, p. 5.

replaced by his vice president Palacios who left this negotiation (Merke, 2010, 573). Since then, I believe that foreign policy changed its direction with President Rafael Correa, because the regional integration theme marked the scenario of international relations.

In this context, Yepez borrows some phrases from Correa to illustrate the international relations of Ecuador with other countries. For example, Correa stated that the country "relates in equal conditions to any other state in the world. Ecuador nevermore will be subjugated to other countries, or foreign economic powers "(2009, 46). The reason why I take these lines is to understand the behavior of the country's foreign policy, and likewise to comprehend the method of the regional integration process in Ecuador. While it is true that Ecuador is dependent on the United States economy, the Correa government has sought other alternatives to promote foreign trade, such as a need to increase exports to countries like Iran, China, Russia, and Venezuela (Yepez, 2009, 48).

In addition, in the speech pronounced on August 10, 2009, during the Possession Command, Correa said "we have prioritized a dignified and sovereign policy that has not sought the ingenuity to free markets ..."⁷⁵ (2009, 49). In my opinion, this phrase was interesting because it contrasts the Chilean case of a free market economy. Similarly, at the regional level, it has been emphasized by showing the creation of new regional space for integration, as well as to strengthen the existing blocks. Yepez marks the following words from Correa:

We cannot fall back into the trap of competing amongst each other to attract investments or to sell more to the first world markets by jeopardizing our labor force [...] In our countries instead of so much competition, we should provide more space for collective action in order to harmonize our labor policies and to not sacrifice our workers on the market pedestal ... (2009, 49).⁷⁶

⁷⁵ All quotations were translated from Spanish by the author.

⁷⁶ This entire paragraph was translated from Spanish by the author.

Correa has called to close ties with mechanisms such as ALBA⁷⁷, in order to advance into a complementary development. He also indicates that it is important to search for Latin American integration; that is why he has called for the strengthening of the UNASUR and the ALBA countries. In this aspect, the establishment of the Bank of the South⁷⁸ has also meant an alternative for funding in response to multilateral organizations (2009, 50). Moreover, it advocates for the increase in the South-South relations with the African, Middle East and Asian countries, and it expresses Ecuador's hope to have a greater presence in this geographic area and not to maintain an single view of the world's constitution (2009, 50). In addition, in the last fifteen years it has remained allied with countries such as China, Russia and Iran.⁷⁹

A fundamental issue of the country as a proponent of integration, specifically when talking about Rafael Correa's government, it has indeed been observed that Ecuador is a great driver of regional integration processes in Latin America. However, to limit myself to say this would be wrong because I think the country has been a proponent for organisms in the region such as the UNASUR and the Bank of the South, rather than organizations already established like the CAN. Finally, while Chile has been characterized for its market enlargement, Ecuador is defined as a country that has prioritized alternative markets for its economy.

3.3 Ecuador and the hemispheric integration

After reviewing the idea of Ecuador as a proactive country in regional integration, I also suggest to consider its relationship in the continent, in order to have a broader

⁷⁷ The Bolivarian Alternative for Latin America and the Caribbean (ALBA) now known as the Bolivarian Alliance for Latin America and the Caribbean (ALBA) and the People's Trade (TCP) is an integration platform conformed by the countries of Venezuela, Bolivia, Ecuador, Nicaragua, Cuba, Antigua and Barbuda, the Commonwealth of Dominica, St. Vincent and the Grenadines, with an emphasis on solidarity, complementarity, justice and cooperation among its members. This political, economic and social alliance argues that the integration of Latin America and the Caribbean countries is an essential condition to achieve the development in the middle of the increased formation of large regional blocks which lead promiment positions in the world economy (ALBA-TCP, 2010).

⁷⁸ The Bank of the South was created in 2007 in Buenos Aires in order to promote the development of its members through the reduction of economic and social asymmetries between them and by strengthen the financial integration. It is a new valid financial space for regional integration which faces organizations like the International Monetary Fund (IMF), the World Bank and the Inter-American Development Bank (IDB) (Esquivel, 2013)

⁷⁹ Since the late nineties, Chile, Russia and Iran began to look further on Latin America, and currently they play a leading role in this region showing a rejection to the United States, and an affinity to the "Bolivarian revolution" which was launched by Chávez (Hoy.com.ec, 2009).

outlook of Ecuador's role in the hemispheric region. While it is true that the country is more immersed in new organizational alternatives for the Latin American and South American region, it is also important to know its activity in the continent. However, before going into the country's relationship with different regional organisms, I would like to point to a series of tables or indicators about the international trade of Ecuador.

In the following table I show the country's trade agreements:

Ecuador Trade Agreements						
Country/Countries	Agreement	Signing date	Entry into force			
Andean Community: Colombia, Perú y Bolivia	Free Trade Zone Aduanera	May 26, 1969	May 26, 1969			
Mercosur (ACE 59)	Partial Scope Agreement	October 18, 2004	April 19, 2005			
Chile (ACE 65)	Economic Complementation Agreement	March 10, 2008	February 25, 2010			
Guatemala	Partial Scope Agreement	April 15, 2011	February 19, 2013			
Source: Sistema de Información sobre Comercio Exterior (SICE). 2013. Países:Información sobre Ecuador.Available on:http://www.sice.oas.org/ctyindex/ECU/ECUAgreements s.asp						

Table 13

At first, it is clear that Ecuador is a minor participant in trade agreements in comparison to Chile. It is also true that the country prefers integration in Latin America because it has trade agreements with certain countries in this region, but in a very limited way. We can also remember that while Chile is a country that advocates for trade openness, it also has trade agreements with Central America, and in the case of South America, it covers almost the entire region with trade agreements of various kinds.

Meanwhile, in terms of the foreign trade of Ecuador, below I present the values of exports and imports of the country from 1997 to 2007 using as reference the web page of the Central Bank of Ecuador. The purpose of this is to check its progress in the trade balance, but also to enable comparisons about international trade relations between Ecuador and Chile.

Ecuador's Exports (Million of dollars - FOB)					
Year	Total				
1997	5.264.363				
1998	4.203.049				
1999	4.451.084				
2000	4.926.626				
2001	4.678.436				
2002	5.036.121				
2003	6.222.691				
2004	7.752.891				
2005	10.100.031				
2006	12.728.148				
2007 14.321.315					
Source: Banco Central del Ecuador. (2007). Índice del Boletín Anuario No. 29: Sector Externo: Comercio Exterior. Quito					

Table	15
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Ecuador's Imports (Millions of dollars - FOB)						
Year	Total					
1997	4.937.419					
1998	5.562.428					
1999	3.017.319					
2000 3.723.363						
2001 5.359.525						
2002	6.426.068					
2003	6.567.028					
2004	7.872.468					
2005	10.286.884					
2006	12.113.560					
2007 13.893.462						
Source: Banco Central del Ecuador. (2007). Índice del Boletín Anuario No. 29: Sector Externo: Comercio Exterior. Quito						

In the Ecuadorian case, in the period from 1997 to 2001 can be seen a blockage in exports which goes hand in hand with the economic and financial crisis that hit the country when Ecuador dollarized. Then, exports grow gradually showing more economic stability for the country. In addition, when comparing the Chilean situation with the Ecuadorian one, there can see the level of exports that Ecuador reached at the end of 2007. Chile already reached this between 1994 and 1995 because of its trade openness to the world.

Likewise, imports are also lower although it is known that the Ecuadorian trade balance has been generally a negative balance. In this case, I have expressed them in FOB values. Anyway, the purpose of these two tables has more of a referential role in order to give an overview of Ecuador's external trade.

Now, to make a comparison with Chile under the same parameters it should be noted the Ecuador's exports and imports by geographical areas, as well as I showed with Chile. Below are the total values of Ecuador export's from 2008 to 2012:

Ecuador's Exports by geographic destinations (Millions of dollars - FOB)					
Destinations			Years		
Destillations	2008	2009	2010	2011	2012
North America	8.462.651	4.667.661	6.133.763	9.857.610	10.745.556
South America	5.049.752	3.322.399	4.261.660	6.251.137	7.450.044
Central America and the Caribbean	1.683.608	2.487.983	2.658.338	1.617.684	444.522
Europe	2.834.587	2.838.200	3.030.243	3.612.747	3.391.195
ASIA	643.443	341.686	1.094.617	884.987	1.579.790
Africa	18.412	16.077	50.077	64.837	110.386
Oceania	18.766	21.736	30.163	30.495	30.802
Others	7.003	3.824	2.869	2.856	17.273
Total of exports	18.718.222	13.699.566	17.261.729	22.322.353	23.769.568
Source: Banco Central del E <i>Comercio Exterior</i> . Quito	Source: Banco Central del Ecuador. (2013). Índice del Boletín Anuario No. 35: Sector Externo:				

Table 16

Table I	Ta	ble	17
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Ecuador's Exports by geographic destinations (Percentages)					
Destinations			Years		
Destinations	2008	2009	2010	2011	2012
North America	45	34	36	44	45
South America	27	24	25	28	31
Central America and the Caribbean	9	18	15	7	2
Europe	15	21	18	16	14
ASIA	3	2	6	4	7
Africa	0	0	0	0	0
Oceania	0	0	0	0	0
Others	0	0	0	0	0
Total exports percentages	100	100	100	100	100
Source: Banco Central del Ec Comercio Exterior. Quito	uador. (2013)). Índice del B	oletín Anuario	o No. 35: Secto	or Externo:

For Ecuador, the main exports destinations regions are North America, South America and the European continent. Far below is Asia and then Central America. We should remember that in the Chilean case the major geographical destinations for their exports are in the following order: Asia, Europe and North America. Here it should be noted the importance and strong dependence of Ecuador to the northern market and Chile to the Asia one. Anyway this information turns out to be more general than specific so in the following tables I will indicate the countries or regional blocks for trade destinations.

Meanwhile, Ecuador imports by geographic destination from 2007 to 2012 are shown below:

Table 18

Ecuador's Imports by geographic destinations (Millions of dolars - FOB)					
Destinations			Years		
Destinations	2008 2009 2010 2011 2012				2012
North America	3.990.406	4.135.043	6.001.622	6.392.687	7.080.953
South America	7.794.245	5.452.320	6.705.988	7.487.991	8.465.839
Central America and the Caribbean	549.257	475.969	1.416.864	2.157.346	267.900
Europe	1.874.025	1.770.629	2.010.662	2.613.917	3.255.548
ASIA	4.320.336	2.945.358	4.209.483	5.190.642	5.891.292
Africa	159.150	134.925	91.629	152.413	120.327
Oceania	28.475	24.066	33.153	32.980	28.618
Others	136.037	151.581	121.453	146.256	86.047
Total for imports	18.851.931	15.089.891	20.590.854	24.174.232	25.196.524
Source: Banco Central del <i>Comercio Exterior</i> . Quito	Ecuador. (2013). Índice del B	eoletín Anuario	No. 5: Sector	·Externo:

Table 19

Ecuador's Imports by geographical destinations (Percentages)					
Destinations			Years		
Destinations	2008 2009 2010 2011				
North America	21	27	29	26	28
South America	41	36	33	31	34
Central America and the Caribbean	3	3	7	9	1
Europe	10	12	10	11	13
ASIA	23	20	20	21	23
Africa	1	1	0	1	0
Oceania	0	0	0	0	0
Others	1	1	1	1	0
Total imports percentages	100	100	100	100	100
Source: Banco Central del <i>Comercio Exterior</i> . Quito	Ecuador. (2013). Índice del I	Boletín Anuaric	No. 35: Secto	or Externo:

As regards Ecuadorian imports, these depend mostly on South America leaving the United States and then in a second stage, and then they go Asia and Europe. But what else can this explained? By saying that the country depends mainly on the purchase of goods, products or services in the region, it would not be enough. I think the issue here is also ideological because as stated at the beginning of the chapter, the country seeks for regional integration and that is why it prefers regional markets. Besides although the trend of imports remains almost unchanged, I can also appreciate the significant presence of Asian imports, as the search for new alternative in trading partners.

Now another variable that I take into account are the Ecuadorian exports and imports by trading blocks or by its major trading partners worldwide:

Main Ecuador's Trading Partners – Good's Exports (Millions of dollars - FOB)					
Trade Agreements			Years		
Trade Agreements	2008	2009	2010	2011	2012
United States	8.435.394	4.625.858	6.077.497	9.770.844	10.618.295
Andean Community	2.557.803	1.628.444	2.142.327	2.814.438	3.070.798
LAIA	2.491.949	1.693.955	2.119.333	2.912.763	4.139.613
Central America	1.657.394	2.477.207	2.591.669	1.605.454	425.956
EU	2.192.336	2.081.729	2.265.335	2.689.540	2.444.221
Russia	548.960	619.738	596.657	700.791	695.169
Total exports	17.883.836	13.126.931	15.792.818	20.493.830	21.394.052
Source: Banco Central del Ecuador. (2013). Índice del Boletín Anuario No. 35: Sector Externo: Comercio Exterior. Quito					

Table 20

Table 2	1
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Main Ecuador's Trading Partners – Good's Exports (Percentages)						
Trade Agreements	Years					
	2008	2008 2009 2010 2011 201				
United States	47	35	38	48	50	
Andean Community	14	12	14	14	14	
LAIA	14	13	13	14	19	
Central America	9	19	16	8	2	
EU	12	16	14	13	11	
Russia	3	5	4	3	3	
Total exports percentages	100	100	100	100	100	

Source: Banco Central del Ecuador. (2013). Índice del Boletín Anuario No. 35: Sector Externo: Comercio Exterior. Quito

The main destination for Ecuadorian exports is the United States. The LAIA and Andean Community countries represent an important heading for the country because together they constitute the second largest export destination for Ecuador, thus showing the importance of the country in the integration process. What is also relevant is the participation of Central America and the European Union. However, one of the points that catch my attention is to know that, although Russia has a smaller percentage for the country's exports, it is one of Ecuador's main destinations, which confirms Ecuador's current trade policy for opening new markets, in this case with Russia Ecuadorian imports by its major trading partners are the following:

Table 22

Main Ecuador's Trading Partners – Good's Imports (Millions of Dolars - FOB)					
Trade Agreements			Years		
Trade Agreements	2008	2009	2010	2011	2012
United States	3.748.211	3.962.365	5.736.445	6.120.617	6.773.937
Andean Community	2.382.681	2.215.735	3.077.461	3.371.530	3.348.852
LAIA	2.785.440	2.305.793	2.795.77	4.024.515	4.852.948
Central America	525.184	434.817	1.129.483	2.068.612	93.321
EU	1.636.363	1.100.289	1.606.564	2.289.827	2.810.685
Russia	1.578.542	1.580.676	1.828.740	2.318.568	2.871.889
Total imports	12.656.421	11.599.675	16.174.470	20.193.669	20.751.632
Source: Banco Central del Ecuador. (2013). Índice del Boletín Anuario No. 5: Sector Externo: Comercio Exterior. Quito					or Externo:

Table 23

Main Ecuador's Trading Partners – Good's Imports (Percentages)					
Trade Agreements Years					
Trade Agreements	2008 2009 2010 2011				
United States	30	34	35	30	33
Andean Community	19	19	19	17	16
LAIA	22	20	17	20	23
Central America	4	4	7	10	0
EU	13	9	10	11	14
Russia	12	14	11	11	14
Total impors percentages	100	100	100	100	100

Source: Banco Central del Ecuador. (2013). *Índice del Boletín Anuario No. 35: Sector Externo: Comercio Exterior.* Quito

About Ecuadorian imports, the United States is the largest supplier of goods or services to the country, followed by LAIA, the Andean Community and the European Union. Similarly, China is among the main imports regions for Ecuador although it is seeing a gradual growth; over the years it is beginning to gain ground among its main country partners, and it also represents an alternative market.

Finally I have also decided to recognize the participation rates for Ecuador's exports and imports in South America:

Ecuador's Exports in South America (Percentages)							
Trade Agreements	Years						
	2008	2009	2010	2011	2012		
Argentina	2	4	3	2	2		
Bolivia	1	0	0	0	0		
Brazil	1	1	2	2	2		
Colombia	19	24	23	22	19		
Chile	35	32	25	24	36		
Peru	40	33	39	38	36		
Others	2	6	7	11	4		
Total exports percentages	100	100	100	100	100		
Source: Banco Central del Ecuador. (2013). Índice del Boletín Anuario No. 35: Sector Externo: Comercio Exterior. Quito							

Table 24

Table 1	25
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Ecuador's Imports in South America (Percentages)							
Trade Agreements	Years						
	2008	2009	2010	2011	2012		
Argentina	8	10	10	10	8		
Bolivia	0	0	0	0	1		
Brazil	13	14	14	17	16		
Colombia	25	32	34	40	39		
Chile	8	10	10	11	11		
Peru	8	14	18	21	20		
Others	37	19	14	2	5		
Total imports percentages	100	100	100	100	100		
Source: Banco Central del Ecuador. (2013). Índice del Boletín Anuario No. 35: Sector Externo: Comercio Exterior. Quito							

As to Ecuador's exports and imports in South America, we can see that its main destination countries are Colombia, Chile and Peru. On the other hand, Ecuador is a strong commercial receiver with countries like Colombia, Peru, Brazil and Chile. For Ecuador, their international trade with the Andean Community and Chile is really important and it keeps the country in the integration path although in a more sub-regional way.

What can be deduced from the different featured tables? By analyzing the Chilean case it was seen that despite the fact that this country advocates for international trade openness, it certainly covers several countries in the region. By contrast, despite Ecuador's integrationist discourse it depends mainly on the Andean Community sub-regional block, and its exports are limited within the rest of the region. Now, after showing the foreign trade statistics of the country, it is necessary to know its functionality in different organisms of the continent, both regional and sub-regional.

3.3.1 The Organization of American States

The Organization of American States (OAS) is an American regional level organization integrated by Canada, the United States and Latin American countries except Cuba (Alda, 2008, 1). This organism was created in 1948 in Bogotá, Colombia and entered into force in 1951 (OAS, 2013). Its main purpose is shown in the first article of its Founding Charter which points to its members "a peaceful and just order, to promote their solidarity, to strengthen their collaboration, and to defend their sovereignty, their territorial integrity and independence" (2013).

Donoso says that since the beginning of this organism, Ecuador has had a dynamic performance at the OAS in order to strengthen the peace and security of the Continent (2006, 168). However, the decisions of the organizations and the agenda were influenced mainly by the United States,⁸⁰ which caused that in the eighties this organization turned into a weak one (169). Anyway, the Ecuadorian country continued with the promotion of regional forums (169). Then, for the nineties with the changing international panorama the United States promoted the strengthening of the organization, especially by factors such as the end of the Cold War, the rise of multilateralism, the entering of Canada at the OAS and the reestablishment of the topic for hemispheric security (169). That is how the organization acquired more relevance and began to implement the Summit of the Americas (169).

Meanwhile, in the organization, Ecuador has been involved in its foreign policy, the strengthening of democracy, human rights, the fight against drug trafficking and illicit arms trafficking, corruption, social development, security region and the preservation of peace (170). It has also benefited from cooperation programs by the Inter-American Council for Integral Development (CIDI) with scholarships for students (170). Similarly, this institution served as a point of support in the conflict

⁸⁰ In 1982, the United States gave its support to Great Britain in the Falklands War, which led to a period of discomfort in the organization (Donoso, 2006, 169).

between Ecuador and Colombia,⁸¹ demonstrating the importance and usefulness of this organism in the hemisphere on the topic for conflict resolution.

In contrast, this organization has been criticized as a weak and fragile one, due to some point out that the OAS, when trying to cover some topics of interest to the region, it have made it become an "aimless" organism⁸² (Vera, 2007, 79). Other issues alluded to by the critics are the financial problems because the fees from countries members are blocked and currently there are more contributions for donations (Alda, 2008, 13). Moreover the *non-obligatory* resolutions form the OAS is considered another limitation since their decisions have become a more recommendatory role (13).

Similarly, the strong United States influence in the organism is another issue that has generated the distancing of the Latin American countries from the OAS (14). Throughout its existence, the organization has been criticized for silencing United States impositions (14). For instance, by not manifesting in the different invasions that the United States backed in countries like Guatemala in 1954 and Panama in 1989, as well as to impose sanctions on Cuba like the economic blockade (14).

Nevertheless, there is another aspect that catches my interest, which may perhaps be the strongest reason for the weakening of the OAS, and Donoso marks it as "the weight of Latin American nationalism"⁸³ (15). For this reason it has been mentioned that the OAS is not the only organization in the region which address the topics of peace and security, but there are other sub-regional integration organizations for disputes resolution and the establishment of peace zones. An example of this is the Mercosur, the Andean Community and the Framework Agreement for Democratic Security in Central America (Serbín, 2009, 6). In addition, the UNASUR has promoted the creation of a South American Defense Council proposed by Brazil, which is seen as the competition or complementation of the OAS (6).

⁸¹ On March 2008, Colombian forces made an incursion on Ecuadoran territory on a mission against the FARC. This conflict was brought to the OAS, and unanimously the organization Assembly declared that Colombia violated the sovereignty territory of Ecuador (El País, 2008).

⁸² All quotations were translated from Spanish by the author.

⁸³ Ibid.

In any case, the OAS is an organization that covers almost the entire continent and has a hemispheric range (6), which others organisms do not have. However, I consider that sub-regional organizations are gaining more strength among Latin American countries because these countries seek for new mechanisms of action. With all these details, I establish that the OAS work, despite its critics, is recognized as an organization that has been worked as a medium for maintaining the balance on the continent, but what must not be ignored is the tendency of the *non-American countries* to find new ways to cover and to prioritize the Latin American interests.

3.3.2 North America Free Trade Agreement for Ecuador

The North America Free Trade Agreement (NAFTA) has been promoted in Latin America as influence of the capitalist system in order to promote the internationalization of the economies (Donoso, 2006, 171). Rodriguez also states that the FTA negotiations between the United States and the Andean countries has aimed to strengthen the economic and financial cooperation between the members, schedule the production based on much larger markets, and secure one of the most important markets around the world as in the case of the United States (Rodriguez Donoso, 172, 2006). In this thesis, the topic of the NAFTA is a matter of great significance since, in the Chilean case it has generated the country's openness to new and diverse markets, the increase in its exchange trade and it has defined its foreign policy.

In the Ecuadorian case since 2003 the negotiations for an NAFTA with the United States were initiated (Morales et al, 2005, 2). This agreement implied long-term commitments which should have direct impact on the productive sectors either in a negative or positive way (2). Here it should also be noted that the negotiations were initially together with the countries of Colombia and Peru, but these two last countries preferred to go separately, and for this reason I agree with Donoso when she says that there was a lack of true regional integration (2006, 173).

Among the advantages that the NAFTA represented for Ecuador was the diversity of products that consumers might have at better prices and at better quality (Rodriguez in Donoso, 172). Furthermore, another point that denoted the interest to sign an
NAFTA was to analyze others country's situations which were competing for the United States market and the possibility to obtain a special treatment, which in turn would produce disadvantages for Ecuador (Morales et al., 2005, 9). Besides, it was stated that without the NAFTA the world market would be marginalized and that a true integration with the United States would not be generated (Acosta, 2006, 5-6).

As refers to the issues against the NAFTA, it was claimed that this treaty would generate an unequal openness of the less developed economies based on natural resources, which would produce a return to the agricultural export models with the overexploitation of resources, and a major foreign dependence (Correa in Brassel and Hidalgo, 25, 2006). Moreover, the investment distribution would not be equitable within countries that signed the agreement. The small industry would also be affected by not being able to compete equally, so they would have to close their businesses resulting in unemployment and poverty (Donoso, 2006, 175).

As regards intellectual property, the problem arose with the privatization of indigenous and community knowledge since these could be patented as the private property of any United States company (Acosta in Donoso, 2006, 174). This is shown in the Article 46 of the Ecuadorian Intellectual Property Law which states that "the patent will have a period of twenty years counted from the submission date of the application."⁸⁴ Bustamante mentions that the reason why this issue was sensitive is because the United States was seeking new patents because some medicine patents were about to expire, and they had the technology to develop new drugs or medicines (Bustamante, 2004, 206).

In the Ecuadorian context, the NAFTA was not signed because there was an unfavorable national consensus, there was a division of the economic elite's powers and there was strong pressure generated by the indigenous and peasant movements with respect to agricultural and intellectual property issues (Brassel and Hidalgo, 2007, 24). Additionally, Correa always maintained an "anti-NAFTA" position (24) and he stated from the beginning of his government that "Ecuador will not sign the Free Trade Agreement with the United States (...) we defend the national interest for

⁸⁴ All quotations were translated from Spanish by the author.

fair negotiations which will not be subordinated to foreign policies that cause more poverty and unemployment⁸⁵."⁸⁶

While it is true that Chile, after signing various FTAs with several countries, has opened its market to the world, and is known as an exclusive model in the region for this issue, the reality is not always the same for each country. For example, taking up the case of the United States versus Ecuador we are talking about totally asymmetric economies. Besides, as I mentioned before, the consequences of a treaty of this magnitude generate positive and negative consequences. For instance, the diversity of products for the consumer apparently would represent a positive result, but I think the strong external economic dependency of this process is a negative result. For this reason I think that each situation has its own reality.

3.4 Ecuador and the regional integration

In the present thesis, it has been observed that the trade openness promoted by the United States has had a strong influence worldwide, and it has promoted the conduct on foreign policy in several countries such as Chile. Nevertheless, Falconí said that over time countries with small economies like Ecuador have barely been able to constitute "islets of modernity (...) where the consumption tries to emulate rich Northern countries' behaviors, while others territories detached from these economic circuits, languish without hope."⁸⁷

Besides paraphrasing Romero, he states that in Latin America the more nationalist currents in economic management are opposed to the openness and trade liberalization current that have dominated the past three decades, and despite that it has not postulated isolationism, there is reconsideration for a passive insertion into globalization.⁸⁸ Thus, the foreign policy of President Correa does not aim for a closed economy, but to negotiate in a more alternative way the Ecuadorian economic

⁸⁵ Ibid.

⁸⁶ Falconí, Fander in la Secretaría General de la Comunidad Andina, 2009, p. 26.

⁸⁷ Falconí, Fander in la Secretaría General de la Comunidad Andina, 2009, p. 26.

⁸⁸ Ramírez, Socorro. (ed). (2008). *Una mirada al Ecuador: Cátedra Ecuador Fronteras, Vecindad e Integración.* Bogotá. Ministerio de Relaciones Exteriores. Universidad Nacional de Colombia. p.221.

interests and prioritizing the region and South-South relations.⁸⁹ Romero said that this has generated the break against the past trends that privileged the relationship with the United States.⁹⁰ Therefore, it is then necessary to understand the role of Ecuador in regional organizations.

3.4.2 The Andean Community

Within the sub-regional scope, Ecuador is part of the Andean Community of Nations (CAN) that was created with the Cartagena Agreement in 1969.⁹¹ Initially, the organism was based on judgments such as import substitutions, a low tariff among its members as well as preferential treatment for Bolivia and Ecuador, countries that were considered less developed.⁹² Furthermore it established tariffs liberalization for the majority of the products.⁹³

Since then, the country has had a leading role based on a discourse "to defend the Andean integration process"⁹⁴ (Donoso, 2006, 175). Moreover, in this organization there is a common law in areas such as intellectual property, trade defense, common foreign policy towards thirds, physical integration, border integration, python-sanitary standards, liberalizing services, electrical interconnection, mobilization of people, agricultural development, advocacy for cultural heritage, environmental management and sustainable development (178). Similarly, Donoso argues that this process of regional integration supposes "the presence of a citizen's community carrying an Andean identity and a culture of integration"⁹⁵ (178).

With these details we can see the importance of the organization for Ecuador since it represents a platform of common politics, economic, and social interests among its state members. However, there are other reasons why the organism also is of vital

⁸⁹ Falconí, Fander in la Secretaría General de la Comunidad Andina, 2009, p. 26.

⁹⁰ Ibid.

⁹¹ See the information about the beginnings of the Andean Community in the second chapter of this thesis in 2.4.3 International Relations with the Andean Community, p. 38-39.

⁹² Secretaría General de la Comunidad Andina. (2009). 40 Años de Integración Andina:

Avances y Perspectivas. Revista de la Integración, No. 4

⁹³ Falconí, Fander in la Secretaría General de la Comunidad Andina, 2009, p. 26.

⁹⁴ All quotations were translated from Spanish by the author.

⁹⁵ Ibid.

importance to the country. Nowadays, it represents one of the main markets for the country's exports, and the first market of non-oil manufactured goods exports (Rivadeneira, 2013). The intermediate and high-tech goods represent about 34% of non-oil Ecuadorian exports to this region. Moreover, being the majority of manufactured products exported to CAN, it generates an incentive for the industrial sector (Merke, 2010, 575). I consider this a representative factor for Ecuadorian foreign trade, and thus a key point that denotes why the country advocates for regional integration.

Donoso also says that in the case of intra-regional trade, the CAN has been a significant tool to reduce the dependence on traditional markets,⁹⁶ as well as an essential space to develop a diversification exports strategy, especially for small countries in the region (2006, 179). Moreover, Ecuador favors a regionalism process that goes beyond the commercial sector as the initiatives support the energy and infrastructure sector with the IIRSA⁹⁷ (Merke, 2010, 574).

On the other hand, when analyzing the CAN as an organization in its entirety, it has been weakened by different situations. This is the case of the FTA negotiations of the United States separately with Colombia and Peru and another factor was the departure of Venezuela of the organization.⁹⁸ As noted by Montúfar, apparently the CAN countries seek new integration alternatives but in other trade blocks, these being Colombia and Peru with a look "further north",⁹⁹ and Ecuador and Bolivia to "encourage the South American alternative."¹⁰⁰

Up to now, what is the role of Ecuador in the CAN? I think that although Ecuador has a speech in favor of integration, which is also focused on finding new regional alternatives, the country has played a very active role in the organism. However, this role represents more a necessity. What do I mean with this? The CAN is essential for the country since it has meant a strong base for its economy. Besides, it has been an

⁹⁶ Merke considers the traditional markets the extra-regional markets to the CAN where Ecuador exports mainly primary products such as bananas, oil, cocoa or roses (2010, 575).

⁷ See the second chapter of this thesis in: 2.4.2 International Relations with Mercosur, p. 37-38.

⁹⁸ Ramírez, Socorro. Ed. (2008). Una mirada al Ecuador: Cátedra Ecuador Fronteras, Vecindad e Integración. Bogotá. Ministerio de Relaciones Exteriores. Universidad Nacional de Colombia. p.562.

⁹⁹ All quotations were translated from Spanish by the author. ¹⁰⁰ Ibid.

incentive for its productive matrix in order to generate added value to its products. Nevertheless, when considering the cases of Colombia and Peru we can see that they expand from the sub-regional boundaries and get involve with strong markets but separately. That is why it will also be important to establish what blocks Ecuador seeks as an alternative for integration.

3.4.3 Mercosur

Ecuador is an associate member of Mercosur and its trade relations with this organization have been framed within the CAN. The most relevant aspects between the two institutions began in 1995 when the first negotiation meeting was held in order to discuss the possibility to form a free trade area (Machado, 2005, 75). However, throughout this time the negotiations did not produce concrete progress (75).

By 1999, Brazil decided to negotiate with the CAN unilaterally and it concluded with the Complementation Economic Agreement 39, with tariff concessions for 2278 items (75). Then came Argentina - also separately from Mercosur - generating another preferential tariff agreement with the CAN (75). Later in 2000, in Brasilia during the meeting of Presidents of the Americas, the member countries of Mercosur with the CAN countries decided to return to the route of negotiations (75). As a result, seven trade rounds between the two blocks were made, but the difficulties in the negotiations came back to the scene and by 2002 only one agreement was signed, between Mercosur and Peru (76).

With Rafael Correa in power, there was the need to conclude the negotiations between the two blocks to create a free trade area, and thus to face the challenges posed by the FTA's, and international relations with the European Union, the United States, Canada, China, Russia and Japan (Donoso, 2006, 181). After that, in 2012 Ecuador was invited to join the Mercosur, and since then, there has been an analysis of the opportunities and risks of entering it. What would it mean for Ecuador to join the Mercosur? According to the Chamber of Commerce of Quito, this would mean not being able to negotiate on their own trade agreements with markets such as the European Union, the United States, Mexico or Canada because the country would have to subject themselves to negotiations as a block, where countries like Brazil and Argentina dictate the main organization policies.¹⁰¹ In addition, the country would confront a tariff reduction with markets like Argentina which do not exist a very important export relationship.¹⁰² Similarly, another point to be considered is that being already in LAIA; it allows Ecuador to have preferential tariffs compared with other markets.

Anyway, it is important to note that despite the fact that there are some risks to the country's joining Mercosur, this organism represents a large market with strong economies like Brazil. By this I do not mean that the country should fully enter Mercosur for now, but it can start to take it into account. For what reason? We have seen that the CAN as an organization is very important to Ecuador, but proof of weakness was evidenced with the departure of Venezuela, as well as the signing of FTA's by Colombia and Peru separately from the CAN. That is why I think Ecuador should consider this market after a clear analysis of its commercial and economic effects.

3.4.4 CELAC

The Community of Latin American and Caribbean States (CELAC) is a block of states that was born in 2011 in the Declaration of Caracas, which aspire to form a political community that combines a sense of identity among its members (Rojas, 2012). It emerged from the Rio Group which was established in 1986, and in 1990 Ecuador joined it. According to Rojas, this organism has been a very effective tool for Latin America in encouraging its interests like the contribution to democratic stability in the region (Rojas, 2012, 19). Although, it has also had problems such as not having a single voice in the region to deal with global issues (19).

¹⁰¹ Cámara de Comercio de Quito. (2012). *Relación comercial con el Mercosur*. Corporación Centro de Estudios y Análisis. [Acceded on September 22, 2013]. Available on: http://www.lacamaradequito.com/uploads/tx_documents/Boletin CEA_DIC_12.pdf ¹⁰² Ibid.

Also, one of the main objectives of the organization since 1987 has been the promotion of the integration process in Latin America and the Caribbean (Rojas, 2012, 20). However, I believe that since its creation the organism fully prioritized the strengthening of security and democracy in the region.¹⁰³ For the region it was a clear manifestation of progress but mostly in democratic matters and with a long way to go in terms of the integration; and despite the fact that in 1995 the Community of Latin American Nations began to emerge, this idea was pushed into a second stage (24).

Then in 2007, the then Mexican President Felipe Calderon expressed the interest in forming a community of Latin American and Caribbean nations, and in 2009 he ratified this proposal saying that the Rio Group would serve as the basis for the constitution a new regional organization (Rojas, 2012, 37). Subsequently, the ex-President Lula da Silva, at the first Summit of Latin America and the Caribbean on Integration and Development (CALC) favored a search for greater autonomy in the region, and therefore Brazil has fostered in the region an economic interdependence, but also a greater political responsibility (38). That is why Rojas says that this has made Brazil a key player and leader in the integration process resulting in the creation of the Union of South American Nations (USAN) (38).

As to the Ecuadorian position on the CELAC, the Ecuadorian Foreign Minister Ricardo Patiño said that this institution is like the "OAS without the United States and Canada" and he refers to the same when he states: "it is Bolivar's dream, the Latin American's dream"¹⁰⁴ (Moro, 2013). In addition he refers to it as positive and points out the importance of CELAC on issues like food sovereignty and energy integration as a complement to some countries with deficits in these areas (2013).

The Rio Group has been a key tool for political consultation and democratic stability in the region. Rojas indicates that the important elements that CELAC should now have in mind are being as a place for consultation and political coordination in Latin America and the Caribbean, as well as to have a more defined and limited mission in

¹⁰³ Rojas summarizes each year of the Rio Group operation, and at every stage he emphasizes the differents Summits from 1986 to maintain stability in the region as the fight against drug trafficking, terrorism and arms trafficking. He also shows the analysis of democratic progress in the region as the satisfaction of the democratic process in Chile in 1993, as well as the progress gotten in 1994 by holding several state members to make presidential elections (2012, 20:24).

¹⁰⁴ All quotations were translated from Spanish by the author.

front of different mechanisms or regional integration or sub-regional blocks which develop their own regional parameters (2012, 35). Similarly, Rojas tells us that another challenge of the organism is to confront the weak political will that characterized the Rio Group in order to give the CELAC a strong leadership and a "single voice",¹⁰⁵ which should be consistent in region (2012, 36).

3.4.5 Union of South American Nations (UNASUR)

At the beginning of the first chapter I gave different definitions of the term *integration*, and what its process entails. In short, I can say that this is an important alternative for countries in order to strengthen their bargaining power and face the trade challenges with other countries or blocks in a globalized world. I must also admit that when I hear the term UNASUR what I first think is that this organism is a clear example of the ideal of integration for South America, but that it still has a long way to go.

It should be remembered that among the primary objectives of the organism is to propel regional integration and strengthen the union between South American nations, and that UNASUR seeks for energetic, educational, environmental, infrastructural, health, democracy and migration integration.¹⁰⁶ Also, in the second chapter I said that the organization represents the fifth largest world economy, the world's leading food producer and exporter, which contains 27% of fresh water on the planet and has oil reserves for 100 years. It is then understandable why the region is of great interest to Ecuador and other South American states.

UNASUR must also be understood from its ideological perspective in order to affect the Ecuadorian case. For example, Reguerio and Barzaga argue that the organism has emerged as an alternative to the capitalist model and in response to those agreements which involved more subordination to the United States (2012, 5). A clear model of it is the NAFTA that was not signed by Ecuador. Moreover, UNASUR supposes the development of its own visions of its state members and to strengthen of relations with their regional neighbors (2012, 5).

¹⁰⁵ All quotations were translated from Spanish by the author.

¹⁰⁶ See the second chapter of this thesis in: 2.4.5 *La Unasur* p. 40.

Also, since its creation some have argued that the UNASUR has been destined for a short life. Alvarez cites different analysts who, in short, said the organism is more symbolic, rather than a political and economic tool (2009, 1). By contrast, some see in the organization an institution to strengthen Latin American identity as well as an important tool for political dialogue and the "coordinated participation of states in the international scenario" ¹⁰⁷ (1). In Ecuador this last idea is the one that has more acceptances.

Contrary to Chile, which does not actively participate in the organization, Ecuador meanwhile has been a strong proponent of it. With the ideal of *Socialism of the XXI century*¹⁰⁸ which characterizes the government of Rafael Correa, one can understand the degree of involvement in UNASUR. For example, Ecuador sees the institution as a promotion of a *multipolar foreign policy* that sets aside the idea of the United States as the leading power on the continent (Alvarez, 2009, 6). The organism functioned as a key when resolving the border dispute between Colombia and Ecuador in 2008.¹⁰⁹ Also, Correa's speech towards the organization has been characterized as promoting the creation of a Regional Arbitration System with the purpose that states are not subject to international courts, and he uses the phrase "towards the building of the great motherland"¹¹⁰ when referring to UNASUR.¹¹¹

For these reasons, it is known that Ecuador sees the organism as the current axis for the integration project in South America, and that its participation is active in the organization. In addition, the general proposal of UNASUR is really interesting because in this region a lot of energy and natural resources are kept, and the union of South American nations signifies an important economic weight in the world, but as I stated at the beginning on this issue, it still has a long way to go. Here, I also

¹⁰⁷ All quotations were translated from Spanish by the author.

¹⁰⁸ The socialism of the XXI century is characterized by participatory democracy, the equivalences economy, the non-class state and ethical rational citizen, all in response to the wild capitalism system (Stefan Dieterich, sa, 3). ¹⁰⁹ See this information in the third chapter of this thesis in: 3.3.1 The Organization of American

¹⁰⁹ See this information in the third chapter of this thesis in: 3.3.1 The Organization of American States, p. 63, footnote 81.

¹¹⁰ All quotations were translated from Spanish by the author.

¹¹¹ El ciudadano.gob.ec. (2013). *Presidente Correa arriba a Surinam para Cumbre de UNASUR*. [Acceded on September 26, 2013]. Available on: <u>http://www.elciudadano.gob.ec/index.php?option=com content&view=article&id=45035:presidente-</u> <u>correa-arriba-a-surinam-para-cumbre-de-unasur&catid=40:actualidad&Itemid=63</u>

believe that the significant difference between Chile and Ecuador in the organism is that Chile advocates for pragmatism and Ecuador goes for idealism.

3.4.6 Central America

In this context, I can speak about foreign trade between Ecuador and the members of the Common Central American Market.¹¹² Here, there exists a strong importance regarding the oil issue which leaves a positive balance for Ecuador, and which accounts for about 90% of bilateral trade. Its foreign trade is also characterized by industrial exchange, specifically the manufacturing industry (LAIA, 2005, 12:13).

Furthermore, in January 2011, were established negotiations between Ecuador and Guatemala for the generation of a Partial Agreement of Economic Complementation between both parts (OCE, 2013). One of the primary reasons is that Ecuador is one of the main trading partners of Guatemala, the latter exporting products like household kitchenettes, sinks, toilets and pharmaceuticals, representing a positive balance for Ecuador since these are elaborated products (2013). Moreover, this Agreement has been in effect since February 2013 during which time a gradual tariff reduction from 20% to 100% of products will be in effect for a period of seven years (2013). This can also mean a significant step to strengthen the trade relations with Central America.

Another important issue in Central America is Panama because in the website of the Embassy of this country in Ecuador, it states that from the year 2010, it has been an important impulse to the renewal of a Phytosanitary Agreement to export flowers and foliage to Panama, as well as the signing of a treaty for technical cooperation on environmental issues.¹¹³ According to Tables 17 and 19, it shows that commercial participation with the region is low and with a strong integrationist idea, Ecuador's foreign trade is more rooted in South America.

¹¹² The Common Central American Market consists of El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica, existing among its member countries a free trade area of more than 90% of the products. Its main trading partner is the United States (SICE, 2013).

¹¹³ Embajada de Panamá en Ecuador. (2013).*Relaciones Bilaterales*. Available on: <u>http://www.panamaenelexterior.gob.pa/ecuador/relacion-bilateral/relaciones-bilaterales</u>

3.5 **International context**

Now I will talk about Ecuadorian relations in the field of international integration and cooperation.

3.5.1 The United States and Ecuador

The bilateral trade relationship of greatest importance for Ecuador is the one with the United States because it represents its largest trading partner, and along Ecuador history, it has largely marked the course of its foreign policy. On this issue is important to review the 10-year period prior to Rafael Correa and the period during Correa's mandate, in order to understand the direction that this follows in the international context.

Regarding the first stage - before Rafael Correa's presidency - Donoso said that relations between the United States and Ecuador were mainly characterized by the struggle against drug trafficking more than trade, cooperation and integration,¹¹⁴ which showed a clear predominance of Washington's interests in Ecuador (2006, 199). Similarly, Jaramillo says that foreign policy was framed in a "clear pattern of economic dependence"¹¹⁵ where almost half of its exports go to the North Country causing "a diplomatic dependence on the United States"¹¹⁶ (1, sa). That is why I agree with Jaramillo when he considers that the idea of Ecuador having an independent foreign policy and multilateralism was invalid (1, sa).

After the 1999 financial crisis that led to the fall of Jamil Mahuad from power, most Ecuadorians voted for President Lucio Gutiérrez since he offered an alternative that pretended to be a more autonomous foreign policy.¹¹⁷ However, in his first months of government he proved to be "the best friend of the United States" as noted by Jaramillo since he agreed to sign a new intention letter with the International

¹¹⁴ The geographical location of Ecuador with Colombia to the north, meant that the United States lead an agenda against drug trafficking and since September 11, 2001 against terrorism (Donoso, 2006, 199). ¹¹⁵ All quotations were translated from Spanish by the author. ¹¹⁶ Ibid.

¹¹⁷ Donoso, 2006, 199.

Monetary Fund, the cooperation with Plan Colombia,¹¹⁸ and as checked on the topic about the FTA with the United States, negotiations were opened during his administration (2, s). These actions generated a strong discontent in Ecuador so that the next president, Alfredo Palacio, suspended the FTA negotiations, distanced himself from the World Bank decisions, from cooperation with Colombia and at the same time the interests of United States oil companies in the country were affected (2, s).

With the arrival of Rafael Correa to power in 2007, a significant change in the orientation of Ecuadorian foreign policy was established. Here was an important element that marked the beginning of international relations in his government, the National Foreign Policy Plan (PLANEX). This is a plan that consists of eight main principles of foreign policy and indicates the direction of the country's international relations until 2020 (PLANEX, 2007, 12).

In this plan, within the framework of the Ecuador and United States relations, the first part indicates that while the United States will remain its major trading partner, exports should be more equitably spread to other regions (2007, 18). However, I can say that currently - and based on tables 20 and 21 obtained from the Central Bank – the United States commercial engagement remains the main one for the country. Also, something that catches my attention when analyzing this plan is the large number of times that the importance of Latin American and South American integration is mentioned. That is why Correa's government has been largely conditioned to this ideal from the beginning of his administration.

Moreover, the focus of its foreign policy is directed towards the strengthening of the South-South¹¹⁹ cooperation by accelerating Andean and South American integration. It also has as a priority the defense of marginalized groups in Ecuador, which in the foreign policy case constitutes the ones affected by the aerial spraying on the

¹¹⁸ Plan Colombia is a bilateral agreement between Colombia and the United States for the fight against drugs, illegal groups and the armed conflict in Colombia (Donoso, 2006, 202).

¹¹⁹ The South-South cooperation is a process by which two or more developing countries acquire skills either individually or collectively through cooperative exchanges in knowledge, skills, resources and technological know-how. It is characterized by the Non-interference of the cooperating countries in the affairs of other states, equality among partners, and respect for local development content development is also highlighted (South-South, 2011).

Colombia-Ecuador border, as well as legal and illegal immigrants in Europe and the United States (Jaramillo, 3, s.a.). These details are left in the background by Washington even in trade issues. Jaramillo also states that in this context there has emerged "the personality of a national leader"¹²⁰ led by Rafael Correa, where South American regionalism represents the best alternative to previous and unequal agreements with the United States (3, s).

Finally, one of the latest events in Ecuador and the United States relations was Ecuador's decision to not renew the ATPDA¹²¹ (Hoy, 2013). Some sectors such as exports have been affected by this decision by losing competitiveness in the United States market (2013). Meanwhile, the Ecuadorian government has said that they will not "give in to pressures from the United States"¹²² and that in response to the suspension of this agreement there is the Organic Law Project on Productive Sector Incentives which sets out to compensate the tariff benefits to exporters (2013). This demonstrates once again that Ecuador seeks new alternative markets and that there is a strong ideological component with United States relations.

3.5.2 The European Union and the Andean Community

In the case of relations between the European Union (EU) and the Andean Community, these have been strengthened in the last two decades due to cooperation agreements between both parties (EU-CAN, 2013). In the nineties, the economic and commercial participation between the parts was intensified, and in 1990 the Andean countries got the General System of Andean Tariff Preferences (GSP) (2013). Then, in 2003, the CAN and the EU signed the Political Dialogue and Cooperation Agreement to deepen its ties and its sphere of application in issues such as peace and security, democracy and governance, trade, economic and social development, migration, environment and biodiversity (2013).

Then in 2006, the Heads of State of the CAN and the EU decided to start negotiating an Association Agreement with three major pillars, namely political dialogue,

¹²⁰All quotations were translated from Spanish by the author.
¹²¹Andean Trade Promotion and Drug Eradication Act.
¹²²All quotations were translated from Spanish by the author.

cooperation and a trade agreement between the parties (2013). Thus in 2008, there was defined a general framework for the negotiation of this latest agreement but in a "flexible" way which allows each CAN country member the opportunity to enter the agreement on various topics at different speeds and times (2013). Finally, the EU adopted a new GSP for the period from 2006 to 2015 for which the Andean countries can benefit namely, by the implementing of a series of international instruments on human rights, labor rights, the environment, drugs and corruption (2013).

In short, international relations between the EU-CAN have been primarily for trade and cooperation. Also, today, the EU accounts for the CAN as its second foreign investor and its second largest trading partner (2013). Moreover, although the values are not as high as the United States, the EU is vital for Ecuador and the CAN, especially for its tariff preferences.

3.5.3 The European Union and Ecuador

Finally, to complement the notion of international relations EU-CAN, I will discuss the EU-Ecuador relations. These have been mainly focused on cooperation and migration issues. Specifically, this latter topic is the primary point of Ecuador's foreign policy with the EU and especially with Spain (Jaramillo, 5, sa). Since 2002, the Ecuadorian government began a process of rapprochement with the Spanish government since this country has been the largest receiver of the Ecuadorian labor force since the crisis of 1999 (5).

In addition, within the scope of export, Ecuador maintain, a significant commercial percentage with the EU according to Tables 21 and 23, specifically characterized by a concentration of traditional products such as bananas, shrimp and cocoa (FEDEXPOR¹²³, 2013, 128). In turn, the country has expanded its exports with nontraditional products such as fresh fruit, fruit juices, vegetable oils, flowers, hats, jellies, tobacco, wood and others (128). This has also benefited MSMEs,¹²⁴ and generally to the Ecuadorian economy, because these companies represent about 85% of the exporting companies in the country (128).

¹²³ Ecuador Export's Federation.
¹²⁴ Micro, small and medium –size businesses.

In speaking about the foreign policy conduct of Ecuador in relation to the EU, Jaramillo mentioned that the Ecuadorian government has been more likely to make of the EU an "alternative strategic partner unlike the United States" (5, s). Therefore he also says that it is curious to know that despite the similarity of the FTA with the United States and the EU, Ecuador prefers the negotiations with the EU (5). According to all that I stated in this chapter I could say yes in part and no in part. Yes, because the current government openly confronts the United States so the EU turns out to be an alternative option for Ecuador. No, because the country has its primary foreign policy point focused on South-South cooperation. Ultimately, I think that Ecuador's situation in the CAN is generally good and its procedure is more neutral than with other countries or organizations.

3.5.4 The Chilean and Ecuadorian relationship

After studying in these three chapters about the integration processes in Chile and Ecuador, I believe that it is necessary to have an approach to the relations and foreign policy that defines the two countries together. While it has been seen that each country has its own reality, its only way to govern and its international form to relate with other regions, blocks or countries, the convergence point here would be the Chile-Ecuador trade relations.

In the LAIA framework, trade relations between Ecuador and Chile were ruled by the Economic Complementation Agreement (ECA 32) which was signed in Chile on December 20, 1994, and entered into force on January 1, 1995.¹²⁵ Since January 1, 2000, 96% of products are free of tariffs. Then, for 2004, both countries expressed interest in deepening the ECA 32, and in 2008 they signed the ECA 65 ACE deepening its trade relations on issues such as sanitary and python-sanitary standards, origin rules and a new more detailed chapter on dispute resolution. This agreement entered into force in February 2010 and it remains to date. Also, both countries have the Strategic Association Agreement by which they seek the promotion and the

¹²⁵ DIRECON. Ministerio de Relaciones Exteriores. (2013). Acuerdo de Complementación Económica: Chile-Ecuador. Availbale on: <u>http://www.direcon.gob.cl/acuerdo/796</u>

expansion of political and social dialogue, cultural cooperation and economic and trade issues.¹²⁶

The primary relationship between the two countries is characterized by trade exchange in food industries, petroleum and metals. In Ecuador's case, the main export products for 2012 were petroleum which accounted for 83,16% of exports to Chile with a high heading of 1,655,214 million dollars FOB. Meanwhile, Chilean exports to Ecuador were mainly yeast autolysates¹²⁷which do not represent even half of the value of what Ecuador exports to Chile. Now, I will show a table with the reference of the exchange trade between Chile and Ecuador and its five main products:

Table 27

Tableb 26

Main Ecuador's Exportation products towards Chile in 2012				Main Chile's Importation Products by Ecuador in 2012			
NANDINA Subheading	NANDINA Description	FOB - Dollars	% Total	NANDINA Subheading	NANDINA Description	CIF – Dollars	% / Total
<u>2709000000</u>	Crude petroleum oil or bituminous mineral	1.655.214	83,16	<u>2106904000</u>	Yeast autolysates	55.164	9,11
803001200	«Cavendish Valery» bananas	111.860	5,62	<u>808100000</u>	Apples	42.269	6,29
<u>1604141000</u>	Tunas	39.920	2,01	<u>2711130000</u>	Butanes	27.670	4,31
<u>1516200000</u>	Vegetables fats and oils and their fractions	24.080	1,21	8544491000	Others copper	22.256	3,7
<u>306139100</u>	Shrimps	18.179	0,92	<u>4811592000</u>	Intermediate aluminium layer, used for packaging products	17.735	2,84
Source: Banco Central del Ecuador. (2013). Información Estadística: Consulta de totales por país Nandina. Quito				Source: Banco Central del Ecuador. (2013). Información Estadística: Consulta de totales por país Nandina. Quito			

¹²⁶ DIRECON. Ministerio de Relaciones Exteriores. (2013). Acuerdo de Complementación Económica: Chile-Ecuador. Availbale on: <u>http://www.direcon.gob.cl/acuerdo/796</u>

¹²⁷ Are those yeasts derived from an autolysis process which consitis of cell destruction due to a large amount of water or enzymes. It is used in some foods such as sauces, soups, flavored snacks and prepared meals (Lezcano, sa).

So, what can be deduced from the commercial relationship between Chile and Ecuador? First, Chile is a commercial partner of great importance for Ecuador. Remembering the table no. 24, it can be observed that Ecuador exports in South America represent a total of 36%. Also, if we take as reference the tables about the main trading partners with Ecuador, LAIA - where Chile is - has a 19% of its exports participation. Moreover, Ecuador's exports to Chile are greater than imports thus it gives a positive balance for Ecuador.

Concerning Chile, in the second chapter, in Table 11, it was established that exports to Ecuador represent only 5% in South America, placing Ecuador as the seventh largest destination in the region. Nevertheless, in the case of imports - Table 12 of the second chapter - Chile imports from Ecuador 12% of the total in the region placing it in third position over Peru and Uruguay. This makes Chile a country with a negative trade balance because it imports more than it exports, but it should also be noted that this is generated by the benefits of the high oil prices. Finally, and according to these observations on the ACE No. 65 which currently regulates the trade relations between Chile and Ecuador, I believe that it has a more vital importance to Ecuador than to Chile.

Conclusions

Throughout this chapter we have observed that in a general way, Ecuador is a country that strongly advocates for an integration process in the region as an alternative to the traditional markets, specifically with the United States. However, this brief definition becomes something simplistic and limited since no country can be defined as only black or white. For this, I will take some preconditions which come along with an integration process, and with these parameters I will establish more concretely the country's situation in this area.

Reviewing the first chapter, we could see that the integration process of Ecuador has been conditioned by the geographical aspect, specifically with the South American region. Moreover, another factor that characterizes the situation of the country is its past or common origin and the community sense focused also on the region. Meanwhile, the diplomatic instrument that it uses is the *pro-regional* because the speech that moves the country's international relations is focused towards South America, and the South-South consolidation and cooperation. Then, on the subject of *dimension* Ecuador is not as extensive in comparison to Chile since it has few agreements in trade issues, and it has a regular *dynamic* capacity because its international trade has grown more gradually.

All these preconditions also arise according to the international politics that each country has. For example, we saw that among the main landmarks of Ecuador's history, during the nineties until 2006, there was severe political instability so the idea of integration fell into a second stage, and the agenda of foreign relations was heavily influenced by the United States. However, and in response to this, Ecuador made a total change with Correa when searching by way of regional integration, a new way for the country's trade relations.

In this context, I personally believe that the idea of market diversification for new business partners and the South-South cooperation that Ecuador supports is of vital importance because there are countries in the region that are standing out in the world stage and gaining economic importance in the region such as Brazil. But on the other side of the coin, while Ecuador supports and participates in different regional blocks, the importance that it has with the United States is and will be in the long term of great significance since it is its largest trading partner. Despite this, Ecuador highlights the idea of the regional integration with the aim to avoid the external relations concentration with the United States.

On the practical issue, Ecuador is more limited towards regional integration. Why? Although the country has a latent and South American regional discourse, Ecuador is more idealistic rather than pragmatic. It has been seen that the country has few trade agreements and the only regional blokc from which it is fully a member is the CAN. In addition, the country should be more strategic when conducting its foreign policy because it was observed that their neighbors begin to go on their own with other trading partners without the need to act together with Ecuador. Finally, the regional integration process addresses interesting topics for Ecuador due to the economic weight that it has, but there is the need to emphasize that this is a process that is emerging and that still has a long way to go.

CHAPTER 4: CHALLENGES AND PERSPECTIVES FOR ECUADOR

4.1 Comparison between the integration processes of Chile and Ecuador

The previous three chapters have covered the integration process of Chile and Ecuador into South America. On one hand, Chile manages its international relations in a pragmatic way looking forward to increase its vast commercial agreements subscriptions within the Latin-American region. On the other hand, Ecuador is much more limited than Chile when negotiating commercial agreements due to its ideological tendency. However, it has become an important Latin American actor regarding the integration process that South America is facing nowadays.

The current chapter is aimed to analyze the Ecuadorian integration process, as well as the Chilean one from a comparative view. In order to carry out this comparative study, it is required to take into consideration the scope and the consequences that commercial agreements have had within the Latin American region during the last former years. At this point, it is important to recall the central idea of the current paper of Chile as an example for other Latin American countries and its functionality to Ecuador. So far, the analysis covered in the previous chapters will not allow us to achieve a reliable conclusion for this paper since it is required to know not only their commercial facts but also the country's reality in which each one develops.

4.1.1 Overview to the Chilean case:

Towards the decade of the nineties, near the end of the dictatorship, Chile changed drastically its foreign policy in order to get back the prestigious international image that it had before in the seventies. Since then, Chile emerged as a country model for the Latin American region due to the growth of its exportations as well as to the increase of its commercial agreements during the former years. As a result, Chile began to sign up commercial agreements among strategic partners worldwide in

order to guarantee its presence throughout the world as well as to shift its foreign policy to a pragmatic start.

Democracy restoration, international law and treaty law attachment become an essential part of the Chilean foreign policy which has nowadays allow Chile to reinforce its exportations as well as to guarantee foreign capital investment due to its vast diversity of its commercial agreements. Furthermore, Chile accounts free trade agreements with an approximately of sixty countries, being the most important of them the commercial relation that the country has nowadays with the Asian-Pacific region, mainly with China.

4.1.2 How is the process of regional integration of Chile today?

Since Ricardo Lagos presidency, Chilean foreign policy has been characterized for its open regionalism. As a result, Chile has secured its Latin American position through its unilateral open strategy achieved from the celebration of several commercial agreements on its own. For instance, we can mention the diversity of personalized commercial agreements that Chile has with its Latin American partners, with countries such as Mexico or the countries that belongs to the MERCOSUR.¹²⁸ At the same time, Chile has had a smooth regional integration process since its exterior commerce is more significant in others regions, and its ideal of regional integration emphasizes the commercial part rather than the ideological one.

On one hand, in order to understand Chilean integration it is required to review the first chapter of the current paper which covers several definitions and levels of integration. For instance, Torrent established that integration is a condition, a process or a result of economic, commercial, political or social cooperation among states, organizations or country's blocks, whose nature have being defined by legal instruments (2008, 145). Within this context, the condition could be the Chilean liberalization since the nineties years, the process would be strong promotion and foreign investment for its exporter sector and its result would be the variety of the

¹²⁸ See the second chapter of this thesis in: 2.4.1 Chilean Treaties and Agreements, table 1 and table 2, p. 26-27.

vast Chilean commercial agreements that the country has nowadays. All of these instrumented within a legal body of neoliberals policies.

Jan Tinbergen sees integration as "the establishment of the most desirable international economic structure (...) by the deliberate introduction of all desirable elements of coordination and unification" (Tinbergen en Cueva, 1985, 8). Applying this definition to Chile, it can be said that the most desirable country's structure has been the openness of the country to the world as well as to the stand out of it in the region. In addition, when dealing with the introduction of coordination and unification desirable elements, we will be speaking of the complete adherence of Chile to TLC's.

Finally, according to Hartog, introduction deals with an advanced way of corporation since it refers to a partner's discussion over important subjects of economic policy (Hartog en Balassa, 1964, 4). In this context, when dealing with commercial matters, Chile has an advanced way of cooperation which has become a qualifying engine for its growth in the exportation sector as well as to count with a selective group of international commercial partners.

On the other hand, in order to understand the levels of integration covered in the first chapter of the current paper, it will be required to illustrate them by citing three regional Chilean agreements. The first example that I would like to analyze in general terms and which was chosen by fate is the TLC signed between Chile and Colombia. This TLC allows 98% tariffs liberalization of goods subjects of a bilateral commerce among these two countries and it is backed up in the ACE No.24 of 1993.¹²⁹ Today, this Free Trade Agreement (FTA), which operates since 2009, aims to establish a wide economic space between Chile and Colombia in order to allow free mobility of good, services and investments.

Taking back the levels of integration, we can see that Chile regarding to Colombia occupies the second level of integration since the former FTA aimed to establish a

¹²⁹ DIRECON. Ministerio de Relaciones Exteriores. (2013). *Free Trade Agreement Chile-Colombia*. Available on: <u>http://www.direcon.gob.cl/detalle-de-acuerdos/?idacuerdo=6271</u>

Free Trade Zone ¹³⁰ applicable merely to Chile and Colombia. This level of integration exhibits a low integration level which cannot deny the importance of the bilateral trade among both countries, and at the same time, it can be considered as a Chilean strategy to strengthening of its bilateral trade with Colombia without logging in into a specific regional block.

The second example chosen was the MERCOSUR due to its belonging to the Latin America region as well as to its significant importance within South America trade. It is important to emphasize that trade relation between Chile and the MERCOSUR organization is regulated by the ACE No. 35 which operated since 1996.¹³¹ This agreement has allowed the establishment of a commercial legal body for Chile and MERCOSUR, the liberalization of goods and services, the promotion of foreign investment and the physical infrastructure and bio-oceanic's interconnection development. Even tough, the vast majority of goods among both actors are free of tariffs; Chile is still an associated member of the MERCOSUR organization. As a result, its level of integration is located between a Preferential Agreement and a Free Trade Zone.¹³²

Finally, the bilateral relation between Ecuador and Chile has been regulated by the Economic Complementary Agreement (ACE No. 65) which has had a considerable exchangeable commercial growth backed on food industry, derivative oil products and metals. This agreement has been of higher interest for Ecuador than for Chile since the Ecuadorian level of exportations represent a significant amount on its trade balance. As a consequence, the level of integration that these countries have can be comparable to the Preferential Agreement which exposes a low level of regional integration.

¹³⁰ See the first chapter of this thesis in 1.1. Definitions and Concepts, p. 4.

 ¹³¹ DIRECON. Ministerio de Relaciones Exteriores. (2013). Economic Complementary Agreement *Chile-Mercosur*. Available on: <u>http://www.direcon.gob.cl/detalle-de-acuerdos/?idacuerdo=6282</u>
 ¹³² Ibid.

4.1.3 Chile within the region

Chile has been characterized for keeping a regional scheme of openness to the world; therefore, Latin America turns out to be a complement for its free trade agreements that the country has with its worldwide partners (Merke, 564, 2010). As a result and even tough, Chile has been introduced to the South American space; its politics elites as well as its business ones are still looking forward for the "multidimensional openness" (564, 2010). Consequently, as Merke has pointed out, the geopolitical space of country is not always the same of its economic space. Thus, Chile has a higher commercial orientation than its regional neighbors (564).

About Chile's orientations towards the region, Merke has established some questions in order to have an idea of how Chilean inhabitants perceive the integration process as well as regionalism. For instance, Chilean inhabitant's opinions are divided with regard to which place must have more attention than the other: Latin America or Europe (567, 2010). Furthermore, 46% of them confirm that the country's foreign trade policy stands out due to its wide subscription of trade agreements between several countries all across the world (567). Finally, about the level of preferential trade between countries, the places that enjoy more acceptances are the following: Europe, United States, Spain, China and Latin American countries excluding Brasil. Chile has a special focus on Brasil since it prefers a noticeable alienation with the former country, towards the sector of communications and energetic connection rather than commercial regionalism (567).

Regarding United Nations Human Development Index (HDI), between 1980 an 2012, Chile has had an annual growth of 1% placing the country in number 40 out of 187 countries (PNUD, ¹³³ 2013). As a result, Chile is placed above HDI Latin America regional media (2013). In addition, Chile has been considered as a country model thanks to a study published at the magazine The Economist which place Chile as one of the best places in the world to born and the first among the Latin America region (Universidad de Chile, 2013).

¹³³ United Nations Program for Development.

4.1.4 Consequences

One of the key points for Chile's success in the region, as a country model, is without a doubt the massive promotion of its exportations, promotion that began back in the late seventies. As a result, it was the reason why the country's exportation growth in a significant way allowing the financial sector to receive a big openness of capital markets as Castro pointed out (147, 2000). Thus, by the beginning of the eighties, the country began to diversify its exportable offer by having a cooper participation of 80% to 50% by the year of 2000 (147), whereas non-traditional exports passed from 5% by the seventies to nearly the half of the country's trade balance during the same year (147).

In spite of the positive statistics above mentioned, there are still some observations with regards to the exporter sector, such as the fact that Chile "have not could diversify its exportable offer being the country dependable on four or five products"¹³⁴ (Merke, 2010, 566). Furthermore, even though neoliberal's policies, public enterprise privatization and reduction of the state size brought economic growth to Chile, it also brought with them a huge social stratification. As a result, an article published in September 11 of 2011 by Marin, said that there was an important mobilization of Chilean inhabitants between may and august of that very same year in order to support a new constitutional project that rejects the economic order built after the military coup d'état because there was huge mistakes regarding Chilean social system (Universidad de Chile, 2013).

Additionally, one of the main critics belonging to the Chilean society was the fact that education, health and all basic services were turned into consumption goods under the management of the private sector without considering the social well-being (Marín, 2011). The article also informed that general acceptance of Piñera enjoys a support of only 25% of the population and even former presidents of the concentration have been criticized especially when dealing educational issues. As a result, this situation exposes an erosion of the Chilean political system (2011).

¹³⁴ Main exportable products of Chile are cooper with 50% of participation, followed by cellulose, fruits, wine and salmon (Merke, 2010, 565).

Then, the wide celebration of trade agreements with different countries and blocks worldwide is a signal of success and a model to be followed in a region? The answer is relative. It is undoubtedly that Chile is a reference model within the Latin America region but not exclusively for its integration process, but for its wideness and its parameters when looking for selective trade agreements. However, its social impact is an issue that deserves to be analyzed too, since its annual growth average since 2004 has been of 3.7% in contrast with the 7% annual growth that Chile had back in the seventies years (Marín, 2011).

At the same time, the economic and commercial systems of the country have generated more inequalities within Chilean population. A recently study belonging to the Organization for Cooperation and Economic Development (OCED) showed Chile as one of the countries with the higher economic segregation inside the economic sector (Marín, 2011). Consequently, we will be able to speak of Chile as a country that in the commercial aspect has regionally stand out but in terms of social well-being has generated strong inequalities and it is not necessarily a unique model to be imitated by other Latin American countries.

4.1.5 Overview to the Ecuadorian case:

Unlike Chile, Ecuador has highly encouraged an integration process in the region in spite of its unique condition of political instability during the nineties and the beginning of the year 2000; leaving away any strategy or idea of integration during that time. Nevertheless, by the time Rafael Correa reaches power, regional integration becomes a central point in the context of international relations.

In the commercial aspect, the main partner of the country is the United States of America, however, during Correa's presidency the search for other alternatives happened in order to increase its exterior commerce by its openness to countries such Iran, China, Russia and Venezuela. Similarly, its foreign policy looks forward to secure international bounds throughout mechanism such as the ALBA, to reinforce the UNASUR, to search alternative international organizations such as the Bank of South constitution and the cooperation between south-south. Consequently, Ecuador will become a drive of divers markets for its economy

4.1.6 How is the process of regional integration of Ecuador today?

With Correa's current government, Ecuador has a marked regionalist tendency that forms part of its foreign policy. Its international relations are focused on the searching of new commercial options by emphasizing the regional ones, mainly South America relations as well as South-South ones. Additionally, Merke pointed out that since 2009 the country has launched a strategy for development supported by the substitution of importations as well as by the concentration of resources in order to turn the country in a mediated economy that exports "bio-knowledge"¹³⁵ and touristic services, and to stimulate its feed sovereignty to finishing the dependency of food importation (574, 2010).

Merke also points out that all strategies in order to be implemented will require not only time but also institutional and Ecuadorian productive sector transformation (574, 2010). Among the main motives to carry out the mentioned transformation we can cite that the country is still dependent on the primary sector goods such as oil. At the same time, it must be strong ties between public and private sector so aggregate value can be added in our exportable offer (574, 2010). Going back to the Chilean case we can see that its huge strategy for its exports promotion was success due to the private and public support they had. Therefore, governmental changes did not affect trade policies regarding the exportable sector of the country (565, 2010).

Also, the Ecuadorian integration process is closely tied to the geographic aspect of the Latin America region. Inside this region Ecuador is a permanent member of only one regional block known as the CAN. Nevertheless, the country gives a special interest in the reinforcement of regional blocks such as the UNASUR and the ALBA, all of these, in spite of being a country which is more ideological than pragmatic regarding integration. However, we are talking about a small economy where integration process becomes essential.

¹³⁵ By the year 2011 and within the context of the Yasuní-ITT initiative, the government of Rafael Correa plans to create the bio-knowledge Amazonian city to carry out scientific investigations with medicinal purposes due to the high bio-diversity of the Yasuní (Onofa, 2011).

About the definitions of the first chapter, Gunnar Myrdal, states that integration is known as the "economic and social process that destroy barriers between the economical activities actors" (Myrdal en Cueva, 1985, 8). Applying it to the Ecuadorian case, we can say that the country has destroyed tariff barriers within the CAN context as well as to generate easy mobility and circulation among CAN's citizens. However, the country is not tied to any free trade agreement, therefore its openness and its barrier destruction is more partial and gradual than those of other Latin American countries.

Robert Marjolin said that "all process that carries out a higher level of unity can be defined as integration" (Marjolin en Balassa, 1964, 4). In this specific case, we will be talking of any preferential treaty that involves any sort of agreement between two or mare partners. Ecuador will also form part of the previous definition of integration due to its current pro-regional tendency that the country has emphasizing nowadays as well as for the initiative that the country has had lately in order to build new regional organizations or to reinforce current regional organizations such as the CAN.

Finally, Balassa definition points out that economic exchange among nations turns out to be affected by national policies and social, fiscal and monetary measures as well (1964, 5). For instance, Ecuadorian measures or nacional policies can be exemplified by the bilateral relations with the United States of America and its ATPDA no renovation can be understood as a measure that has generated a breakdown in their commercial relations. At the same time, a monetary measure would be the adoption of the dollar currency and the country's economic crisis towards the end of the nineties. As a result, any attempt of integration in the region was delayed.

By using three examples the integration of Ecuador within the region can be explained. First, the CAN case, which is a sub regional organism and is made up of the following countries: Colombia, Perú, Bolivia and Ecuador. This sub regional organism created a Free Trade Zone since 1993. As a result, just as Torres affirmed in the first chapter, we can see that the previous level described is located in the third level of integration which implies a Free Trade Zone among its members and a common tariff for non-CAN countries. Nevertheless, this level of regional integration does not mean a truly cohesion since the two most significant members of it (Colombia and Peru) are working in other treaties by their own, which undoubtedly has weaken this block. Besides, Ecuador has been left by its own that has been forced to look for new treaty alternatives with new partners.

The second example will deals with the MERCOSUR block which has carried out their negotiations within the CAN context. However, some of its members still negotiated by its own depending on the subject or on the treaty. Similarly, Ecuador's complete adhesion to the MERCOSUR will result complicates since this will involve a block negotiation rather than independent ones. Consequently, the level of integration achieved within this block will be the first one since we can only accomplish preferential tariffs among its members.

Finally, the third example deal with Colombian bilateral relations since it is one of the main trade partners of Ecuador in spite of the belonging of the CAN agreement. In this context, trade relations have favored Ecuador since Colombia means a wide market for Ecuadorian products. In addition, the commercial exchange of industrial goods influence in a positive way on the Ecuadorian economy since we are dealing with aggregated value goods. However, the traditional way of carry out their commerce was and still is the CAN. This is a fact of significant importance but we cannot talk about a truly Ecuadorian integration since it is a process that is still missing in the country.

4.1.7 Ecuador within the region

Ecuador is a minor actor in the region due to its economic weight; therefore, the country needs to negotiate as a block rather than independently. Opposite to Chile, that has several trade partners with several trade agreements, Ecuador enjoys four trade agreements in Latin America bending strongly for an integration process. Personally, I think that Ecuador holds up decidedly for a regional integration that goes beyond the commercial aspect since it supports some initiatives such as the energetic and infrastructure sector with its IIRSA case.

At the same time, the Ecuadorian constitution in operation since 2008 has an exclusive chapter that deals with the Latin America integration as a strategic objective of its foreign policy. This chapter encourages the country's approaching to supra regional's Latin America organizations, the promotion of compensation policies to overcome Latin America inequalities, the strengthening of regional states sovereignty and what mainly stands out: "the creation of a Latin-American and Caribbean citizenship" (National Assembly, 187, 2008).

4.1.8 Consequences

Within the regional integration process, Ecuador finds itself immerse in a more theoretical way than in a practical one. Thus, the country has become as much dependent of the CAN as it is with the United States of America, since the vast majority of manufactured or aggregated value goods reach the CAN block, mainly Colombia. Additionally, one of the consequences that integration process has brought to Ecuador is the idea of regional support in order to face big scale economies such as the American one, by the consolidation of a Latin American felling of unity.

With regards to the social aspect, by July 2013, an inform belonging to the United Nations Development Programme for Human Development enhances the annual growth that Ecuador has had to impulse of national development (Cancillería.gob.ec, 2013). It also states that the country has reduced significantly poverty over the last few years placing Ecuador within Latin America as the second country with better behavior against social inequalities. Furthermore, it points out that the human Development Index in Ecuador is since 2012 of 0,724 points (El Tiempo.com.ec, 2013). This shows that contrary to the Chilean case, Ecuador is considered as relevant due to its social aspect.

4.2 The functionality of the Latin America integration process of Chile for Ecuador

All that has been analyzed and studied in the current paper focuses in the following topic: The Chilean Latin America integration and its functionality for Ecuador. As a result, here are some points because the Chilean integration process will be useful to Ecuador:

- For Chile any attempt of commercial, regional or even international integration has its roots on its diplomacy as well as on its pragmatic civil style when carry out its foreign policy. This is functional for Ecuador because it looks for the improvement of its foreign policy in order to become it into a more practical tool for its commercial relations. However, there is a point in which we must emphasize our attention since the country needs to generate a continuous and a permanent policy aimed to have consistency in the country's foreign policy.
- Since the nineties, Chile has focused in manage its foreign policy in a pragmatic way, looking for new trade partners all around the world. This is useful for Ecuador since its governmental current tendency is to undo of its traditional trade partners. Nevertheless, Chile still has a strong relationship with the United States of America due to its commercial importance; therefore, Ecuador should not neglect this current strategically partner.
- A soft process of integration can be applicable to Ecuador as the one that was applied to Chile but specifically in regional organisms. For instance, one of the reasons why Chile did not want to join the MERCOSUR is because this institution will limit its economic freedom. In this context, Ecuador will have to obey the MERCOSUR rules which may be harmful for specific sectors since the country has a little economy. However, it can make itself noticeable as a country in front of newest organizations with a higher and with a better participation.

- Another functional point for Ecuador based on Chile's model is the creation of association agreements or economic complementation since not all agreements that Chile manages are not free trade agreements. It is well-know that Ecuador does not count with several free trade agreements all around the world and that its economy reacts better in block than by its own. However, it is important to mention that its neighbor countries are in different processes of negotiation by their own with other commercial partners. This will help Ecuador to open in a strategically way to a regional integration process with a more steady economy and with a wide exportable offer.
- Between 2006 and 2007 Chile signed free trade agreements with Colombia and Perú respectively, then by 2009 it signed with Argentina a treaty of cooperation and integration to finally signed a an agreement regarding social defense and security. With these previous cases, I did not mean that Ecuador must sign free trade agreements all over the region but it should have a higher interest in the commercial area of these countries with association agreements, for instance. Anyway, this observation should be considered as a starting point to get involve into a truly regional integration process.
- Another aspect that must be applicable to Ecuador is the consensus that exists in Chile between the public and private sector. Consensus that has reinforced the country's exportable area as well as its offer to improve its position in the region.
- The IIRSA involvement would be also functional for Ecuador and Chile as well, in order to improve Latin American interconnection. The fact of keeping better access routes for the very different markets will reduce transportation cost and will facilitate the commercial exchange among states. As a result, a higher Latin America level of integration will be possible.

Contrasting what has been said, the Latin America integration process will not be functional for Ecuador if we consider the following aspects:

- Chile's multilateral strategy would not be functional for Ecuador in order to build up free trade agreements since its economy is much more developed than the Ecuadorian one. Also, its exportable sector is more consolidated that the one Ecuador has; consequently, Chile turns out to be a much competitive country than Ecuador is.
- Chile's exports reinforcement has allowed the country to be selective regarding its commercial partners as well as on its exterior commerce too. This reality will not be applicable to Ecuador since it is still dependent on its currents commercial partners; as a result, it needs to act as a block rather than independently.
- Chile's development for Ecuador is questionable since it begins its integration process with a consolidated exportable sector and with a strong openness image worldwide. As a consequence, Ecuador still has a low level of integration since its exportable offer outside the CAN depends highly in primary goods or without aggregated value.
- The role that Chile plays at the UNASUR is not functional for Ecuador's integration process into the region. The second chapter settles down that Chile does not have an active participation inside the block as do other countries. This fact is because of the Chilean ideology which is not in favor of Chilean moderation in spite of the higher interest that it would bring in order to fully integrate the UNASUR. Chile is still a country that likes to act independently in the region.
- Soft integration aspect will not be applicable for Ecuador's economic regional integration due to the country's governmental goal which defends soft integration. However, since Ecuador's economic weight is not good enough for acting alone it must act as a block.
- Regarding UNASUR's topic a citizenship integration project is aimed in the region. Nevertheless, I see Chile as a cosmopolitan country which is more

related with the western world than with the eastern one. Consequently, Chile's example would either be applicable to Ecuador because the last mentioned country supports a Latin America identity as well as a common ideal for the region.

- Neoliberal policies that Chile has used for its international openness
 programme have generated positive results over its economy during the
 nineties decade. However, in the long term, it has brought social inequalities
 by favoring the wealthiest over the poorest as well as to putting obstacles on
 education and health access. By contrast, we have seen that in the Ecuadorian
 case, the country is looking for diverse organisms that solve financial,
 monetary and social issues.
- Free Trade Agreements are not functional for Ecuador since the country should have a better consolidation of its exportable sector as well as to become more competitive at an international level. It is important to take into consideration that Ecuador has unequal trade conditions when dealing with strongest and well developed economies being the least developed one, the one that enjoys the poorest benefits.
- Chile has several Free Trade Agreements with the vast majority of the Caribbean countries. For Ecuador this will be functional since it will allow the country to diversify its briefcase of commercial partners but not if the country intends to exclusively focus on that region because its main focus should be Latin America.
- Finally, Chile is much more internationalist than integrationist. It is the reason why Chile has several international agreements and if we would like to apply Chile's example, we will expand beyond Latin America borders. We cannot deny that Chile's success is based on exterior commerce outside Latin American borders.

To end the current analysis, it can be affirmed that the Chilean integration process in Latin America would have a minimal influence in Ecuador, especially because the southern Chilean country is much more immersed into an internationalist strategy. Furthermore, its integrationist tendency is much softer since it holds strong commercial ties with other non-regional countries, which makes of Latin America an important but not indispensable commercial partner. On the contrary, Ecuador sees regional integration as a necessary mechanism to face exterior commerce challenges in a global context.

4.3 Challenges and perspectives for Ecuador

The following are some important aspects that Ecuador must consider in order to be economically successful within the Latin American region:

- Reinforcing of the exportation sector through a unifying public-private strategy.
- Searching for alternatives markets as a way to diversify its export risk but without neglecting its traditional markets.
- Decreasing of dependence on the CAN block since two of its main members are looking for other markets which rest the block's credibility.
- Taking advantage of the country's geographical strategic location in the Pacific which facilitate the approach to Asiatic markets.
- Investing in regional infrastructure to a better insertion and commercialization with its neighbors and with South America.
- Turning its foreign policy into a pragmatic one rather than into an idealistic one.

CONCLUSIONS

Currently, the integration processes is of vital importance to countries in order to face the global stage challenges. This is an attempt toward unification, to give the strength necessary in different areas when acting in isolation is not enough. In this regional outlook, the integration process purpose is to reinforce the region and the cooperation among the states looking toward for a community like the South American one. In addition, this means a response to the capitalist free market model and their traditional organisms considering that these have generated irregular results and sequels in the corresponding economies.

That is why, and as an alternative way, that I considered an analysis of the integration process in Latin America, more specifically in South America. I took Chile as an example of a country that stands out in the region but have focused on its integration project and process, and not only on its economic or commercial evolution. Then I considered Ecuador, a country with a small economy, and the same which I will apply to the Chilean model.

Nonetheless, Chile and its ideal of integration in the region is not exactly a model because its foreign policy focuses mostly on the northern and the Asian countries. It is a country that prefers not to be involved in strong integration processes, and the idea of a regional or sub regional citizenship does not appear on its international agenda. Moreover, Chile is strongly aligned with the private sector and the global trade opening.

The cases of Chile and Ecuador in this work open a series of reflections rather than the idea of using them as absolute models. Furthermore, it is true that one of the challenges for Ecuador is to reinforce its international trade area, it cannot be neglected its equitable social development because any economic implication will bring different awaremess in the human activities. For this reason, the integration has to ensure an economic and social development.
On the other hand, it was relevant for me to notice that as students of the career of International Relations, it is fundamental to analyze or to study several cases of integration processes worldwide through comparative cases and not as isolated ones. As an illustration, what was called to my attention in order to carry out this paper was the fact that there is not a single recipe for an integration process. As a result, it is important to analyze different cases with different realities in order to reach positive and constructive conclusions.

About Latin America integration, it is important to mention that it has a long way to go since we are talking about conjugating different policy tendencies into a single regional one. Furthermore, the commercial regional integration does not have a clearly defined skyline. Therefore it is easy to raise more questions than answers. However, I strongly affirm that an energetic infrastructure initiative will be the starting point of regional integration as a process. Keep in mind that each country has its own economic and political history, its own reality and context, its own sort of government and its own way of carrying out its international relations, but by all means, what really matters is to keep in mind that each case or process is a unique one, incomparable and exclusive.

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