

Uruguay and the region: in search of a new paradigm for insertion in a global world

Carlos Gianelli

Lawyer, Master in Social Sciences, Diplomat. E mail: cgianelli@uruwashi.org

In the past, the planning of national development exercises generally did not take into account external variables since internal development was always the main priority. This was particularly clear in the industrialization period characterized by an internal development that lasted until the end of the 60's. The external insertion of Uruguay had been taking place in an extremely structured world which was rigidly administered by the nation state. Uruguay was only one more country in the international system based on principles and rules clearly defined by the world order, established after World War II by the winning superpowers of the conflict. In that context, we did well or not in direct relation with how the internal variables were handled, which in fact, were the ones that really mattered. In the political sphere, countries tended to enclose themselves; it was their biggest battle to be recognized as independent entities in the international concert and in their own region. To reaffirm the nation, it was necessary to differentiate ourselves from other countries. This gave us our identity and the aspiration to achieve social and economical development based principally on our own efforts. It was a world where the nation-state was an indisputable actor in the international concert.

Nowadays, however, the situation has been changing and the fate of countries no longer depends on the differentiation with others. The new tendencies in the world are changing this traditional perspective, substituting it for another one which reflects more accordingly the global trends that begin to predominate in the world and that allow countries – small countries in particular- to integrate better in it. According to what was previously said, it is important to clearly establish the association of the national field with the world as a global entity, and with the region as a shared developing space.

The process of globalization begins to separate more and more two levels of action: An international level that goes beyond borders and a global level which ignores them. From these different levels two agendas of diverse issues are derived, one that our national space has more and more difficulties to handle them isolated, because of the complexity and extension they have acquired. These different levels of the world system operation have a decisive impact in the traditional principles of foreign politics, making the former system of international relations tremble. Adjust the old structures to the deep changes that are taking place in the world is probably the biggest challenge that our country will have to deal with regarding international politics.

As a consequence of the aforementioned, there are various concepts linked to the classic form of conceiving international relations that are also changing as a consequence of these circumstances. The most important one refers to regionalization, that being conceived as a space of trade cooperation with a group of countries of the same region to expand their national spaces, will soon be seen as an instrument of joint development of a group of countries that handle in a communal manner a series of instruments in order to gain competitiveness in a global world and therefore be able to negotiate under better conditions with other blocks or actors that the new world system is creating.

The other concept that is being redefined is the one regarding sovereignty. In international relationships this one is no longer conceived as completely unlimited but it appears as a concept limited to the preservation of values and dimensions that make the context regional or global. It is in Europe where this new conception has progressed and that it is today the base of a deep integration in this continent. The ill-fated European constitution in its article N°1 said: "Reflecting the will of the citizens and states of Europe to build a common future, this constitution establishes the European Union, on which the member states confer competences to attain objectives they have in common ...". That competence delegation to achieve common objectives is, in the current context, what determines the failure or success of the modern integration processes.

The European Union –especially since Maastricht- has created a new model of collective government based on the principle of supranationalism but respecting the individuality of the member states. The European Commission concentrates a big part of the economical and commercial issues that used to be exclusive patrimony of the countries, therefore, it now exists an important delegation of sovereignty of them supranational entities. Perhaps the most transcendental issue of this process is that both ambits coexist harmoniously and

support each other reciprocally. The European Parliament permits national and subnational structures to have representation in their headquarters in Strasbourg, the same way that the jurisdictional organisms from Luxembourg habilitate the solution of conflicts with agile procedures and with decisions of mandatory execution.

Other regions of integration (less deeper than in Europe) are gaining significant spaces too. The ASEAN in Asia, the establishment of the African Union in this continent, and the creation of a common market in the Middle East under the auspices of the Gulf Cooperation Council countries are all examples of how the world has begun to organize in regional blocs. MERCOSUR (Southern Common Market) was established with the purpose of creating something similar in the south of America. Unfortunately, it was created in the early nineties, in a time when the world started to change quickly and few could have imagined the deep crisis which their member states would have to go through years later. After the crisis, an attempt was made to expand it, when it became evident the difficulties to deepen it, but it was neither expanded nor deepened, on the contrary, mechanisms that were destined to launch it into the world as an alternative model were immobilized and frozen.

Anyway, we believe it is important to distinguish conceptually the issue of MERCOSUR integration -which in Uruguay's case has a constitutional origin- which is an instrument to promote integration. This will remain as a central principle of our foreign policy, although MERCOSUR cannot achieve the key objectives designed twenty years ago.

South America, for example, began to develop different institutions, searching a new South American system wider and shallower than MERCOSUR and more flexible than institutions created some years ago in the Southern Cone, but with a clear objective of responding to international events including the whole region in a coordinated way. The establishment of UNASUR as a political coordination forum, Brazil's initiative on regional security with the South American Defense Council and the establishment of the Southern Bank, together with the participation of whole South American area as a MERCOSUR associate, could be the initiation of a new system designed to fulfill an institutional empty space as regards political, security, finance and trade affairs of the region.

This new space does not intend to replace MERCOSUR. In deed it is a complementary scheme, due to the fact that MERCOSUR keeps on canalizing and managing the exchange in the sub region and will continue this way until would be replace it by a different mechanism. Perhaps the newness has been the growth of a strong bilateral alliance between Brazil and Argentina inside of it, however in our opinion it was conceived to respond to a global phenomena, rather than to attempt to erosion MERCOSUR foundations. But paradoxically this

political alliance is decisive in the conformation of an emerging South American pole, although it might leave MERCOSUR initials objectives of creating a common trade market weakest.

And the third level that appears is an even broader and less structured coordination than the South American space, where are also Mexico, Central America and the Caribbean and its field is the same than the Rio Group's one. This third broader level of coordination has been driven by Brazil and had its baptism in Bahia, in the end of 2008, with a summit attended by almost all the presidents of Latin America and the Caribbean, but US and Canada were not invited. With the two of them we will keep involve in a fourth level, much wider and lax than the three other levels, express by OAS and the Summits of the Americas.

Maybe in some years Latin America can build a new regional space with an effective functioning that synthesize several integration processes of different origins, which ultimately would be more realistic than the one we dreamt as a mirror reflection of Europe process in the early nineties. However, for instance will continue coexisting mechanisms created in different regions in that period, although there is a clear trend towards its convergence, and that will be the great challenge that our region during the next years and the scenarios where our diplomats will have to play.

According to this, Uruguay not only would have to pay attention to MERCOSUR as an exclusive area of regional integration, but it should be prepared to act in a South American wider cooperation scheme and also in a Latin America and Caribbean coordination space. This new scope recently opened, would allow a greater flexibility to develop new integration agreements at regional level, beside the commitments already agreed within MERCOSUR, with countries we have increased our relationship over the past years such as Mexico, Chile and Venezuela.

And finally, as regards the relation outside the region, while a perfect trade union would not be establish, the country should recover its autonomous capacity to search for bilateral understandings, accordingly to its convenience and national interest, taking advantage of other partners agreements with other regions or directly with our major trading partners outside the region like United States, China and Russia.

IN SEARCH OF MODERN DIPLOMACY

Rebuild the country's foreign policy with different institutional bases than the ones we had in the past is not an easy task. The emotional charge on this subject had been heavy, but it is

essential to begin the arduous task of adapting to changes that had happened in the international world since the Berlin's Wall had fallen, and that has kept on transforming, from the roots, the structures that had dominated the last century. This task should have as guiding criteria not only the classic principles of public international law but also other globalization issues like human rights, environmental preservation, natural resources conservation or fight against poverty.

The instrument in charge of foreign policy with the relevant task of preparing guidelines that lead us into the new international and global system is diplomacy. It is not possible to address this task if we don't have the appropriate mechanism to address the challenges that the modern world is imposing us.

There is no doubt about the current Uruguayan Foreign Ministry is based on a structure designed to play in the cold war worldwide scenario, and a bilateral oscillating policy due to Argentina and Brazil rivalry of the last century in the region. Today we must act on a global, not bipolar world, in an integrated and communitarian region not challenged by bilateral conflicts and should be guided by an economic and trade policy that goes beyond the simple market dictates, which is seriously questioned after the mortgage crisis in the first world power occurred in the end of 2008.

British scholars have studied in depth the changes occurred in modern diplomacy as a consequence of the technology huge advances. Particularly the University of Oxford made an important contribution to elaborate the central tasks of today's diplomacy. Especially professor Brian White makes an excellent contribution when he highlights different concepts of diplomacy if we analyze it in terms of global policy or foreign policy. The first level refers to a communication process between the international actors that looks for solution of conflicts of different kinds. However the concept of diplomacy in foreign policy refers to the use of diplomatic instruments with associated with other instruments that allow to reach the goals that were previously designed by foreign policy (Baylis y Smith, 2001).

GLOBALIZATION IS CREATING A NEW INTERNATIONAL SYSTEM

The main characteristic of the world we live in is that the capital actors of the world's economy system – and in particular the transnational corporations - no longer operate with national spaces but operate with global strategies and see the world as one single place, which means that the borders that divide countries are no longer considered a limit for their operations. This

is a fact that should be taken into account when new policies to enter in the international field are defined.

The same thing occurs with states: They compete less with each other as autonomous entities. Their competition is transferred to a global ambit -beyond national borders- using larger national spaces to position themselves better and allow their transnational corporations to act more efficiently in a world practically without borders. This is why it is better to begin by analyzing the changes that this phenomenon has originated in today's world in order to interpret correctly the events taking place in our increasingly smaller national spaces and determine which are the best options regarding the administration of this smallness in a world of giants. The central thesis of this paper is that the best option ~~for us~~, for us to be able to move in that globalized world, is to integrate ourselves to a space big enough to be able to compete in the world market. There are many definitions about this phenomenon, but we are going to mention only two which have captivated the differences between the actual globalization from others that existed in past periods. One is offered by Jan HARTE SCHOLTE: "*Processes whereby many social relations become relatively delinked from territorial geography, so that human lives are increasingly played out in the world as a single place*" [1]. This definition distinguishes this process from international phenomena that separate national from what it is not national. It's no longer a world divided into nation-states, but it is also a "whole" almost without borders. Transferred the above to external dimension, we can say that it exists for the first time since the feudal society a sphere of interaction differentiated from the activity of states. The other definition that we will quote emphasizes in economical considerations and it's the one provided by Joseph STIGLITZ: "*Is the closer integration of the countries and peoples of the world... brought about the enormous reduction of costs of transportation and communications, and the breaking down of artificial barriers to the flow of goods, services, capital and knowledge and (in less degree) people across borders*". This definition emphasizes in the transnational phenomena that are making of the world a single economical space, element that without a doubt distinguishes it from other types of globalization that existed in the past.

The novelty of the contemporary world is that together with the classic internalization process- where the nation-state has the main role- the globalization phenomenon appears where the state shares that task with other actors. In international relations "*people need to cross considerable distances at comparatively long intervals (commercialization of a product for example), while in global connections (satellite networks) they are*

instantaneous and distance does not matter. Globalization produces phenomena that can extend at the same time through out the whole territory.”

The international system that was always characterized by national divisions is, up until now, in charge of establishing the organization of institutes of countries in general. Ministries, international organizations and other instruments of classic external relationships from the post Westphalia world such as treaties and international agreements, have as reference the nation-state. However, the phenomenon of globalization is currently creating a dimension of interrelationship which is threatening to drastically change all what was previously done, and every day the need of adjusting national and regional policies and instruments to this phenomenon, which is definitively the one that characterizes the world of the XXI Century, grows increasingly.

Globalization is manifested through elements that the states already control with difficulty because regulations are more and more difficult to apply because of the transnational nature of activities of big enterprises. Capital markets have developed very efficient mechanisms for their free transit around the world such as deposits, loans, found transfers, transnational bonds.

Nowadays, “on line” commercial transactions are extremely frequent in every ambit and e-commerce is transforming bit by bit the traditional rules in which trade and these kinds of transactions were based on -at least for now- there are no boundaries. All it takes is to have a computer with in reach to access this virtual market that grows more each day in direct correlation with the imagination of those who elaborate sites and portals and of the consumers taste that navigate the World Wide Web (www).

The American professor and adviser of international companies, George YIP, distinguishes four different areas through which companies try to compete globally, more than in a domestic level. In first place, because of the fact that regionalism in the world, as a reaction to the globalization process, has created enormous economical spaces, broader than their member states, and in which an accelerated reduction of restrictions to trade of goods and services is currently taking place. Restrictions and incentives are being established, destined to promote the location of those companies within their geographic limits, creating better conditions for free circulation of their products and services. And in second place, the technological changes that have increased the speed of communications and has lowered transportation costs, has brought as a consequence that trade activities expand to a planetarium level using global networks as a vehicle, this allows industries located in different countries to communicate more with each other, and being at the same time less

dependent of state regulations. In third place, big companies develop and impose world trademarks, develop advertisements in the global field and elaborate marketing strategies taking as reference the world, and no longer individual nations. And in fourth place, all the above is accompanied by a constant effort of costs reduction, searching locations for their activities in areas of the world where manpower is cheaper, trying to increase their scale economies and constantly softening productive processes through the permanent introduction of technological innovations, gradually substituting the old Taylorist model that characterized the industry in the XX century (Yip, 1997).

The immediate consequence of everything that was mentioned above is the need of a change of perspectives, and to elaborate new strategies of development in order to better administrate this complex and at the same time global international process, from an each time more pragmatic and realistic approach as Stiglitz highlighted in his papers. Other authors with opposite theoretical frameworks such as Manuel Castells and Daniel Bell, agreed to highlight the innovationist features of this new dimension of development.

The first one has to do with the transition of production of goods to an economy of services or goods with a larger component of services. The second one relates to labour distribution, in which stands out the prominence of technicians and professionals who are progressively getting involved with the political process. The third characteristic –and the main one in this new process- is knowledge as a source of innovation and transformation of the classical structure of international society.

However, it turns out to be paradoxical that in spite of this irrepressible process of concentration of economical activities which is characterizing the world today, the world politics system is each day more fragmented. There are almost two hundred independent states that currently preserve their social relations, their cultural, ethnic and religious diversity and defend, each time with more aggressiveness, their particular interests in the world scene.

These contradictions of the new model of development, is creating a system where people are permanently affected –as a consequence of the new communication technologies- because of decisions that are being taken from a far distance from where this activities are taking place. This profound contradiction that confronts global values with local values is one of the most notorious characteristics of modern days, described clearly by Samuel HUNTINGTON taking as an example the war that took place a couple of years ago in the ex Yugoslavia where issues of a global economical nature and issues of a religious, ethnical nature and ancestral nationalisms were fiercely confronted.

Our country has the big challenge of incorporating in its international agenda those issues that will be the ones dominating for many years multilateral negotiations and that comprises new issues, more complex and extremely technical. They are considered beneficial or harmful, depending on society group that analyze it. It is up to diplomacy to manage these tensions and develop proposals that balance the conflicting interests.

More and more the international agenda will be determined by the necessity of establishing regulations for every new issue derived from the technologic revolution of communications, such as the use of the Internet, e-commerce, cell phones, use of digital satellites, and all other kind of electronic media. To all this we add up issues like the administration of the new dimensions of financial and capital markets; the industrial revolution that has generated the automation and robotics that have transformed the essence of production, for example in the fields of microelectronics and automotive; the revolution of agriculture that has generated biotechnology and the massive appearance of genetically manipulated products that are changing from their roots the traditional foundations of this field of economy and the new challenges that are creating issues of environmental deterioration with global warming, the destruction of the ozone layer and biological diversity. Also NGOs have made important contributions in those areas that had overflowed the national borders and now are more global than international affairs.

The appearance of universal jurisdiction in matters of human rights with the creation of the International Criminal Court that was established in The Hague, who is studying the possibility of judging severe violations of the human rights in diverse countries, and the previous establishment in the context of United Nations of special courts to judge the war crimes in ex-Yugoslavia and Rwanda, introduces a new and unknown dimension in the global agenda. The creation of these forums has a notable relevance because with them it is established for the first time a universal jurisdiction in which individuals can be actors and no longer exclusively the states.

Together with the notable changes that overtook the world agenda, the actors that see them involved in these negotiations are also changing. They are new and bigger actors that range through supranational mechanisms as the ones established by the European Union, to states of continental dimensions such as United States, India, Brazil, Russia or China. As we can see the universal agenda is increasingly broader and complex, while the actors that negotiate it are substantially less, more structured and more powerful.

It is being discussed, and with good reasons, if we are living the end of the system created by the Westphalia treaty of 1648 that has dominated international relations for three and a half centuries, and whose pillars of operation are independence and sovereignty of the nation-state, and the system of equilibrium of nations in the international ambit. Each day it is less doubted that the society of information is jeopardizing the foundations over which is based the structure of the nations organization in which we grew up, and that the United Nations represented during a big part of the past century. No doubt it is not the end of history as declared by a member of the United States Department of State, Francis FUKUYAMA, as it is also not predictable at a short term the end of the nation-state and its substitution by regional-states as proclaimed by the Japanese businessman Kenische OMAHE in his famous book "The end of the Nation-State" or the creation of continental-states as prognosticated by Henry KISSINGER in his book "Diplomacy". But what it is changing is a lot of the concepts that were the pillars in which was based the classic international system.

Not being the world system exclusively international and by not having the states to share a lot of areas with new external actors, the classic concept of national sovereignty starts to change slowly. In the global level, it is the empire of facts what changes, since there are modern economical phenomenons that transcend countries limits and even if they wanted to avoid it they can't. It's no longer a matter of sovereignty but the impossibility of executing it. On the other hand, in the regional level it's the own countries that by their own will give in part of their sovereignty to a larger communitarian entity in a short term, avoiding being exposed to global phenomenons that are characteristic of this new process.

We think that the regionalization process is one of the few efficient defenses that small countries have in order to survive in a differentiated manner inside the new global space and if the price that should be paid to achieve this is to delegate some of our sovereignty to a bigger space such as the region -but a lot less bigger than the world- we agree to pay for it as long as national independence doesn't erode, as the making of decisions should remain in the hands of individual states that conform the regional scheme, as we see in Europe today. Otherwise the delegation of sovereignty would be a mere dissolution into larger spaces. But in a scheme like the one proposed the region works as a sort of political shield to protect us from intervention temptations and interference in national spaces, sometimes with arguments of a humanitarian character, other times through economical blockades and other times directly through military force, as if the world were already a single space without

borders, administrated by the most powerful countries in the planet due to the lack of a world government.

In short, there are many and varied issues that today are on top of every important table of negotiation of the world and the region. The biggest challenge for small countries like ours is to privilege accordingly issues that affect us in our capacity of development and concentrate on them the main efforts of the instruments of external insertion of the country; and begin to firmly search the way to improve integration schemes created in the heat of regionalization in the nineties, as a way to generate adequate frameworks of development for our countries in more proper conditions than the current ones.

A WORN OUT MODEL OF INTEGRATION AND A NEW ALTERNATIVE

Many authors have pointed out with great worry the notorious fact of the deterioration of competent national mechanisms in matter of economical and social development created previously to the apparition of the current globalization process. Due to the above is that *"The need of substituting that national domestic weakness with the creation of strong and coherent institutions at a regional level"*, as proclaimed by OCAMPO, acquires relevance. This author describes with precision which is the type of future international scheme that we should favour on behalf of our development: *"An international system that depends on a few global institutions will be less stable than a system based on a network of regional institutions, and the position of countries with very scarce power in the international field would improve if they participated actively in regional schemes...In fact, these schemes can offer a degree of autonomy and of mutual support that countries will not be able to reach in an isolated manner. Consequently, the international order should offer an extensive space for the operation of strong regional institutions, evidently respectful of a global order based on clear rules...Effectively, regional institutions can be the best conduct to carry out the process of gradually structuring a better institutional order"*. The objective in every case, is to pursue greater levels of competitiveness in order to navigate better inside globalization, although the characteristics of current in force processes are different.

In the international and global system we can distinguish three different models of regional cooperation and integration.

The European Union has made the most complete and deep one that has constituted a great political apparatus, where the trade element- that was originally the one that predominated- has been subsumed in a great supranational scheme that represents the whole community in

the most diverse issues that can be imagined. The individual states subside taking care of everything that they did not delegate to the communitarian apparatus, which are increasingly less.

The other model is the NAFTA which has established the common normative for the three member states and which has an exclusive commercial basis. Jointly, with this normative, two subsidiary agreements rule in matters of environment and labour standards. In parallel to this common normative regarding specific trade issues, a bilateral trade liberalization scheme was established between pairs of countries. Furthermore, partners maintain their autonomy in matters of trade and economical policies and no political body exist with supranational characteristics like in the case of Europe.

And the last one is the Asian model which is the most informal one and that is practically not institutionally structured. It is based on areas of cooperation which include industrial zones, technological parks and free trade zones, in order to process exportations and exploit complementarities between neighboring regions between different countries and also with the final goal of gaining competitiveness in the international insertion. The most efficient manifestations of this model are the Growth Triangles. They are zones which are oriented towards exportation and can be quickly established with low costs. The most notorious examples are Greater China (South Continental China, Taiwan, Macao and Hong Kong), Greater Mekong (Cambodia, Laos, Thailand, Vietnam and Yunnan province of China) and the Northeast of Asia (Japan, North and South Korea, Northeast China and East Russia). This "Growth Triangles" are established in countries whose geographical conditions allow a much greater insertion between zones of different countries which at the same time are far away from the power centers of each one of them GAMBLE y PAYNE.

However, if the MERCOSUR just remained with the establishment of a free trade zone or in a Customs Union it would not be building a common market, which is its final goal according to the Treaty of Asunción which established it. Instead, if these objectives of a deeper integration are accomplished, there is no other alternative than moving a lot of the issues, which were traditionally competence of our countries, to the communitarian ambit, and that way redefining the subject of national sovereignty like it was done in Europe.

"The concept of national sovereignty is unblemished in Latin America even though it's a continent that shares language, culture, has common historical backgrounds/roots and similar legal systems. On the other hand, it is curious that in Europe, with diversities of every kind, they did not take the loss of sovereignty with the same drama as it was taken by Latin America", Wolf GRABENDORFF sustains.

The same author clarifies that supra nationality in integration mechanisms do not imply a diminution of sovereignty but a redefinition of it, where the novelty is that “the whole is greater than the sum of the parts and that makes its competence capacity to amplify” GRABENDORFF.

Today it is clear that without a political consensus which accepts the transfer on behalf of the sovereignty of a lot of issues which used to be handled by the country, it will not be possible to progress towards a deep integration, which is what brings greater benefits to small countries in the current globalization process. Daniel CHUDNOVSKY and José María FANELLI have emphasized on very solid arguments in order to substantiate the need of a deep integration process of the MERCOSUR and contribute with many examples to highlight de fact that acting in a deep regional process does not necessarily imply being dissolved in it.

Sandro SIDERI- a very respectful Italian academic in Europe- has pointed out with great clarity the advantages that a deep regionalism has for developing countries in order to compete better in the global world, and the advantages it has for small countries in particular: “ *Regionalism is also functional to medium and small countries, the ones who usually feel more comfortable with this type of schemes, since their dimensions are smaller and because their economies are less sophisticated, they have greater capacity to unite, to use services collectively as well as to confront greater risks, and a greater capacity to adjust to the changes that large companies are always promoting*” SIDERI 1996.

The project of building a regional integration model, sustained in a new consensus to encourage economic and social development in the region, has today its maximum expression in the MERCOSUR. It can't be ignored the imperfections that it still posses in order to encourage a scheme of deep integration as the one suggested in this paper, but without a doubt, it has been devised to respond to the phenomenons that are restructuring the world today, as it's recognized in the preamble of its constitutive treaty.

Anyway, the MERCOSUR contrasts with other mechanisms of regional integration which still subsist and that were built to answer past phenomenons and for periods where things worked differently. The LAIA was created for the need of encouraging a regional integration between partners with inward models of development, which sought to substitute importations to encourage their industrialization processes, and was at the time a good instrument to extend the field of local companies to a regional level. But this scheme exhausted towards the beginning of the decade of the 80's when it was not possible to

achieve a consensus around a regional tariff preference of enough entity which allowed laying the groundwork of a free trade zone effective in the Latin America field.

From there on the different members started to develop other alternatives to insert themselves more accordingly in the changing world which, since the decade of the nineties, is gaining impulse with the growing globalization process. Mexico joins the NAFTA, southern cone countries created the MERCOSUR and the Andean countries created the Andean Community and Chile sought via bilateral and sign a free trade agreement with the United States and other countries of the region and the world.

We are not going to do in this paper an evaluation of the operation of the MERCOSUR, since its creation to recent days; however, it is clear that it has had two different stages. Until approximately half of the nineties it obtained notorious successes in matters of trade liberalization, quadruplicating interregional trade and duplicating trade with other regions. It was also noticeable the increase of foreign investments in the region, which was, without a doubt, a direct consequence of the creation of the block, since before its constitution foreign investments were very low. It was also achieved high levels of specialization and industrial complementation, particularly between Argentina and Brazil in very dynamic sectors such as steel and the automotive industry. Companies linked to these sectors were the first to become benefited because of the MERCOSUR strategies of establishment, in the regional field, of facilities to gain firms who could compete in the global field SANCHEZ BAJO, 2001.

However, all these economic-trade achievements are obtained in a low density institutional framework. The lack of strong institutions, that anchored member states to deep communitarian policies, have taken the strength that mere trade schemes will never be able to grant.

Thomas Andrew O'KEEFE – president of the Consulting MERCOSUR Group Ltd. with head offices in Washington- sustained a few years ago “that the numbers of trade creation are more eloquent than the frequent criticism which receives as an organism which diverts trade” [23]. Without a doubt, from a commercial point of view, the MERCOSUR will always be beneficial to member states since it channels the intense regional movement that has historically taken place in the region, and in particular the most dynamic sector shared by Argentina, Brazil and Uruguay in the south. However, when discussing if the MERCOSUR has advanced or not, we have in mind not only the trade aspects of integration but the multidimensional project which was created by the Asuncion Treaty.

Nobody at this point doubts that the steps taken up until now are not enough and we believe that there is a consensus about the measures that should be encouraged in order to transform it

in an instrument that can actually meet with the objectives pursued when it was founded. There are several measures that have not been able to implement, as the establishment of special and differential treatment for Uruguay and Paraguay to correct the enormous disparities that exist with the big countries, improve customs union, to develop a joint strategy to seek to establish common currency, take a real industrial policy, developing infrastructure projects in areas of protractors, hydrocarbons, and establishing forms of collective bargaining, even if not a supranational system immediately. Is required in order to continue in the path of deep integration in the region, a stronger institutional framework, as said many times the Brazilian Motta Da Silva (2000) and Helio Jaguaribe (2002).

The elaboration of joint social actions programs in the fields of education, culture and science and technology become extremely important in order to progress in a simultaneous way in all fronts of integration, as a form of substituting the predominating trade approach of the MERCOSUR for a total integration approach, as it was established in the Asunción treaty.

And in the final place, it's crucial the deepening of the settling dispute mechanisms, definitively including instances where the private sector can go completely against the state, as a way of giving investors in the region more guaranties. The Olive Protocol meant a progress in relation to the Brasilia Treaty but it still continues to be an extremely tedious mechanism and of long and complex procedures. There is no doubt that the creation of an Arbitral Tribunal independent from the parties involved in the dispute, as it exists in the WTO and the European Union, would give a greater solvency to the MERCOSUR of the future. GARCIA PELUFO, 2004.

These measures aren't easy to implement, but if there's no progress in this sense we can hardly expect members not to generate other instruments for insertion outside the long time agreed scheme. Unfortunately the process lost his ability to sue about 2000, almost ten years later we can see that no progress was made in accordance with the expectations we had of its creation and in the years immediately following it. Today begins to fill the void left by other instruments that the future will tell if they really fill any or if they must invent new formula.

Either we take one road or the other, what it's not reasonable is not to achieve progress through either one of them as it is happening so far.

FINAL REFLEXIONS

It is clear that Uruguay has certain potentiality that we could take advantage of if we took the region as reference, since the domestic market is too meager to develop them accordingly. They will have an extraordinary impact in development in the extent that its projection towards regional space is used. This is why it is of vital importance to consider the kind of productive organization that depending upon the participation it has in a bigger space will be wise to encourage, and by these means avoid being absorbed by more powerful productive structures of the neighboring countries.

We could quote many examples of productive specialization that take as reference external markets rather than the national market. But in fact we will be able to achieve important levels of insertion in the extent that products are developed with higher added value and more sophistication, that have possibilities of reaching a better position in the regional market and that are able to compete with the production of our neighbors. In every regional scheme there is a sound grounding of cooperation but there is also an intense competition between partners and that is why we believe that in this context Uruguay should tend towards productive specialization in order to achieve a greater insertion in the expanded market.

In the field of business there are many instruments meant to develop flexible productions. It would seem that the industrial district model would be the one that best adjusts to the productive conditions of Uruguay. This model allows gathering up an important number of small and independent companies which compete and cooperate between each other, and that are established in nearby areas. The example of great success has been the development of flexible production in the north of Italy. There are other types of possible industrial associations that we will see later on, but we believe that it is the district industrial model the most viable one for Uruguay. On the other hand, the kind of national economical development – based on medium and small companies- place us in excellent conditions to establish productive lines in specific areas with companies from Argentina and Brazil.

Charles OMAN explains very well the interconnection between the two processes before us. This author emphasizes on globalization as a “microeconomic” process designed and directed by the post-taylorism forms of flexible production. However, regionalization emerges as a response to globalization, and at the same time it helps strengthen the micro economic forces that lead globalization, while stimulating internal competence. The first phenomenon is centrifugal and micro economic in the extent that economical activities of

private actors are made through national and regional limits. However, regionalization is a centripetal phenomenon that involves two or more economies. Another important difference pointed out by OMAN is the following: We can talk about globalization of capital movement, finances, Hi-Technology, control of communications and services, but we cannot talk about globalization of production in itself. The tendency in productive processes is of regionalization and not of globalization OMAN, 2004.

OMAN describes magnificently the advantages of flexible organizations to elevate work and capital productivity by reversing the logic of taylorism. This author believes that integrating in some way “thinking” and “making” in all levels of business operations, eliminates a big amount of intermediate elements, which only either “make” or “think”, duplicating the process and turning it less efficient. Its advantages are of a more organizational character rather than of a technological nature. This way the excessive specialization can be avoided and we can encourage what is known as “multifunctional responsibility” which is based mainly on teamwork. OMAN also insists in the permanent innovation of productive organization processes. This new form of producing described by the author is destined to combine greater flexibility, quality of the product and personalization characterized by manufacturing industries, with the speed and low costs of massive work, characteristic of the taylorism.

PATRIZIO BIANCHI – a prominent academic from Ferrara University who visited Uruguay in 2001- has pointed out four characteristics of the industrial district that can be adjusted to the productive conditions of Uruguay: the first one, refers to the homogeneity given by family management which has a common system of values expressed in terms of work ethic, family ethic, etc; the second one, is that the district is born and developed in a geographic area delimited by its own specificity, origin of the population and other factors that differentiate it from neighboring areas; the third one, is the culture of the territory that forms the industrial atmosphere which represents the most diverse districts. And finally a fourth characteristic, the presence in the district of a large number of small and medium companies engaged in specific tasks of production in divers stages and related with other companies in the area (service providers, handcraft companies, service centers, etc) BIANCHI, 2001.

Without a doubt, the experience of Italy, particularly in the manufacturing sectors, in the furniture industry and in the agriculture industry, can serve as an example for Uruguay, who has fundamental characteristics which would make it suitable for promoting this model: it is an open country, integrated to the region, it has a great capacity for innovation, a good

university and research structure and a group of companies in new areas such as forestation and software, for instance.

Apart from the industrial district to organize the flexible production there are other models as interesting, such as the industrial poles encouraged by the state or the processing goods for exportation zone or the industrial pole without state participation and financed by the private sector. It is not the object of this paper to analyze all these models but it is important to emphasize that neither one is exclusive from the others but that all of them can be very successful when encouraging a flexible production model that adjusts to the region's development and that allows to maximize the participation of our country in a regional scheme of development. HILLHORST, 1996.

So it is important to have in mind that Uruguay, in order to have a better integration into regional space which was opened to us with the MERCOSUR, can encourage the development of flexible organizations that contribute in giving the country an industrial profile again, even if it is different from the ones in past decades and that has been going through a big crisis for many years. This new productive model – which has been successfully put into practice in countries such as Italy, Japan and United States - together with the development of fields linked to services such as logistics and tourism or new fields of services like the aforementioned software as well as the audiovisual field, can raise the country's productivity and competitiveness standards in the near future. This tangible change in the forms of production can be perfectly guided by the state although the main responsibility to encourage it will always be of the private sector. On the other hand, other tangible forms characteristic of the globalization process, such as capital and finance movements, are very difficult to orient, and here probably lay the problems that our country went through this last years, beneficiating those sectors that cannot be controlled, since they are patrimony of decisions made by big companies that act outside the framework of countries.

Ultimately we can affirm -following OMAN- that regionalization can contribute to an easier transition towards a new national development based on a new industrial and services profile linked to a flexible production system, capable of introducing changes by means of an increase of productivity and competitiveness, instead of the old-fashioned way of imposing protective measures destined to restrict competence in the region.

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