TOWARDS A MERCOSUR REGIONAL DEVELOPMENT FUND? TRANSFERRING EUROPEAN UNION EXPERIENCE

By

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Abstract

The thesis examines the extent to which Mercosur member states can establish a common approach to regional development, and what Mercosur can learn from the European Union experience of regional development funds.
Through an extensive statistical analysis this thesis maps and profiles regional disparities in Mercosur in order to expose the nature and scale of the regional development challenge faced by the region.
It argues that the creation of a Mercosur Regional Development Fund (MRDF), although not the sole solution, is one way forward towards the reduction of regional disparities.
The thesis then proposes a theoretical framework which can be employed to account for prospective policy transfers between two supranational associations such as the EU and Mercosur.
A critical analysis of the EU regional development fund experience leads the thesis to propose that there are some key EU principles which Mercosur can apply.
Finally, the thesis discusses the objectives and main characteristics of a MRDF in terms of how it might best address the needs of the Mercosur less developed regions.

Síntesis

Esta tesis evalúa hasta qué punto los países miembros del Mercosur tienen la capacidad de establecer pautas en común hacia el desarrollo regional, y lo que éste a su vez puede aprender de la experiencia de la Unión Europea acerca de los fondos de desarrollo regional.
Por medio de un análisis estadístico, este trabajo desarrolla mapas y examina las diferencias regionales en el Mercosur con el fin de plantear la naturaleza e importancia de estas diferencias regionales.
Argumenta también que la creación de un Fondo Mercosur de Desarrollo Regional (FMDR) aún si no es la única solución, es un paso adelante hacia la reducción de dichas diferencias regionales.
La tesis así mismo propone un marco teórico que permite analizar prospectivamente la transferencia de políticas entre dos asociaciones supranacionales como la UE y el Mercosur.
Un análisis detallado de los fondos de desarrollo regional de la UE permite considerar principios fundamentales de la UE que el Mercosur podría llevar a cabo.
Finalmente, se analizan los objetivos y características principales de un FMDR para suplir óptimamente las necesidades de las regiones menos favorecidas del Mercosur.

To Christian, my father, for his unfailing support

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LIST OF ABBREVIATIONS

AP	Andean Pact
CACM	Central American Common Market
CAP	Common Agricultural Policy
CARICOM	Caribbean Community
CCM	*Comisión de Comercio del Mercosur* – Mercosur Trade Commission
CET	Common External Tariffs
CFSP	Common Foreign and Security Policy
CHJA	Community of Home and Judicial Affairs
CI	Community Initiatives
CMC	Consejo del Mercado Común – Common Market Council
CPC	*Comisión Parlamentaria Conjunta* – Joint Parliamentary Committee
EAEC	European Atomic Energy Community – Euratom
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Community
ECJ	European Court of Justice
ECSC	European Coal and Steel Community
EEC	European Economic Community
EFTA	European Free Trade Area
EIB	European Investment Bank
EMU	Economic and Monetary Union
EP	European Parliament
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FCES	*Foro Consultivo Económico-Social* – Economic-Social Advisory Forum
FIFG	Financial Instrument for Fisheries Guidance
GMC	*Grupo Mercado Común* – Common Market Group
IADB / IDB	InterAmerican Development Bank
IMF	International Monetary Fund
IMP	Integrated Mediterranean Programmes
LAC	Latin America and the Caribbean
LAFTA	Latin American Free Trade Association
LAIA	Latin American Integration Association
Mercosur	*Mercado Común del Sur* – Common Market of the South
MRDF	Mercosur Regional Development Fund
NAFTA	North Atlantic Free Trade Area
NGO	Non-Governmental Organisation
NUTS	Nomenclature of Statistical Territorial Units
PICAB	Programme of Integration and Cooperation between Argentina and Brazil
RDF	Regional Development Fund
SA	Supranational Association
SAM	*Secretaría Administrativa del Mercosur* – Mercosur Administrative Secretariat
SEA	Single European Act
SF	Structural Funds
SGT	*Sub-Grupos de Trabajo* – Work Sub-Groups

- CHAPTER 1 -

INTRODUCTION

CHAPTER 1. INTRODUCTION

The thesis examines the extent to which Mercosur member states can establish a common approach to regional development, and what Mercosur can learn from the European Union experience of regional development funds.

This introductory chapter first presents the reasons for which this research work has been undertaken. In a second section it discusses the research design, that is the hypotheses, the methodology of the research; its originality; the sources of information; the fieldtrip research; and the outline of the content of the thesis.

THE REASONS FOR UNDERTAKING THIS RESEARCH

In 1991, Argentina, Brazil, Paraguay and Uruguay signed the Treaty of Asunción, which initiated the Mercosur process of integration which aimed at creating a Common Market of the South (*Mercado Común del Sur* – Mercosur). Unlike other processes of integration, such as the European Union in Europe or the Andean Pact Community in Latin America, after ten years of integration the Mercosur member states have not yet established a common approach to reduce regional development disparities.

After examining regional development problems and issues in Mercosur member states, this thesis analyses the extent to which these member states can establish a common approach to regional development, in particular a regional development fund, and the extent to which the longer established EU experience of regional development funds can be transferred to Mercosur. Although no official active process of policy transfer has yet been initiated, key Mercosur policy-makers interviewed have shown a clear interest in the EU regional development funds experience.

Three sets of reasons underlie the decision to study this research topic. The principal set of reasons is related to personal interests in regional integration and development issues. A second set of reasons is related to the deep interest of the author in Mercosur. The third reason for the study is the desire to offset the existing lacunae on these matters within the academic literature.

From Africa to Latin America: personal views on development and regional integration

The difficulties that some countries have in overcoming their problems of economic and social development have been an issue for concern since childhood. Having grown up mostly in Africa, in an environment of people working for international and non-governmental aid organisations, exposure to the difficult fight towards development gradually increased. Consequently, a strong personal interest in the social and economic development issues faced by third-world countries emerged.

This interest has shifted over the past few years from Africa to Latin America. During personal academic research, another strong interest arose towards regional economic integration since these processes arguably contribute directly and indirectly to the economic and social development of countries. Since a considerable number of processes of regional integration have been started in Latin America over the last fifty years, this continent offered greater opportunities for research on that topic than Africa where fewer integration processes have occurred. Thus, the thesis focuses on Latin America because this continent faces similar problems of socio-economic development to Africa, but offers more possibilities of research on regional integration.

Previous research and work experience led to the study of the different processes of regional integration in Latin America, such as the Central American Common Market (CACM), the Andean Pact, the Caribbean Community (CARICOM)[1] and Mercosur. This latter process of economic integration – initiated by Argentina, Brazil, Paraguay and Uruguay – attracted attention since it seemed a promising initiative, in spite of presently undergoing a significant economic and political crisis and still facing a considerable number of challenges.

Challenges confronted by Mercosur

One of the difficulties faced by Mercosur, a relatively 'young' process of integration since it was only started in 1991, is the extreme disparities that exist between the different geographic regions of the Mercosur territory. Whereas a few regions, mostly situated along the coast and around the economic centres, are highly developed and industrialised, others are still facing significant problems of development being in a peripheral situation and subsisting mostly on traditional forms of agriculture.

Since it is a real challenge for every Mercosur country to reduce these socio-economic disparities, it can be discussed whether adopting a common approach to regional economic development at a supranational level – in addition to the national level, not instead of it – could arguably help the most backward regions catch up with the more developed regions.

Mercosur, having been created recently, has a limited experience. In the interests of time and money Mercosur could look for lessons to learn from 'an elder brother', from another process of integration with better experience in the field of regional development. As a proverb says, "learn from the experience of others: you cannot live long enough to make all their mistakes". The prime supranational association which comes to mind is the European Union. Indeed, in addition to being the most long-standing and successful process of regional integration, the EU has been managing various regional development initiatives during the past few decades. The EU could therefore provide Mercosur policy-makers with enough comparative material to consider, explore and assess.

Moreover, since its creation, Mercosur has often studied the EU and various forms of international technical cooperation were set up between the two supranational associations to help Mercosur learn from the EU experience. It is therefore possible to consider that Mercosur countries might learn some key lessons from the EU experience in using and managing regional development funds, and adopt some of its successes within their own territory, taking into account the specific local conditions.

The existing lacunae in the academic literature

At the time of writing, Mercosur is at the early stages of its process of integration and has consequently not yet adopted any form of regional development policy. It is therefore timely to assess and analyse the prospects for a more active approach to regional development policy on the part of Mercosur, and whether it is possible to transfer the EU regional development experience to Mercosur. Moreover, as interviews with Mercosur officials revealed, policy makers are interested in learning from the EU experience in regional development policy.

In addition, from an academic perspective, until now the academic world has undertaken relatively limited research with few publications on Mercosur. Presumably, the main reason is the recent creation of Mercosur and not a lack of interest from academic researchers. Some research has been undertaken by international organisations on

[1] The CACM was created on the 13th of December 1960, the Andean Pact on the 26th of May 1969 and the CARICOM agreement was signed on the 4th of July 1973.

development aspects in Latin America, such as the InterAmerican Development Bank or the World Bank. Yet, what has been done does not analyse the possibility for Mercosur countries to establish a common approach to regional development. Moreover, more often than not, the publications by these international organisations reflect work carried out from a practical point of view, rather than from an academic standpoint.

Likewise, the literature has only recently begun to analyse policy transfers. Within this field of social science, the theme of transfers between supranational associations has not been investigated yet. Moreover, there has been little work on the analysis of the extent to which policy can be transferred, before the transfer is to take place, and which explores the factors that need to be taken into account in such a prospective policy transfer.

There is consequently a real vacuum in the academic literature on the specific topic of the transferability of the EU experience in regional development funds for Mercosur, a gap that this research fills.

RESEARCH DESIGN

The thesis examines the extent to which Mercosur member states can establish a common approach to regional development, and what Mercosur can learn from the European Union experience of regional development funds.

Hypotheses and methodology

The research is based on the following three hypotheses which are tested:

1. It is possible for Mercosur to reduce significant regional disparities by complementing the activities of existing development agencies through the establishment of a Mercosur Regional Development Fund.
2. It is possible to design a prospective policy transfer framework to determine what lessons and under which circumstances Mercosur could transfer the extensive experience of the EU in regional development funds to design its own common approach.
3. It is possible to adapt the lessons learned from the EU within the Mercosur context to define the priorities and main characteristics of the Mercosur Regional Development Fund.

To test these three hypotheses, the research proceeds in several steps which are synthesised in Figure 1.1 below. As it shows, the thesis first analyses and quantifies regional development disparities within Mercosur member states. It is the significance of these disparities that justify Mercosur member states in looking to the EU for lessons in establishing a common approach to regional development. As Rose highlights, "there is no point in looking abroad for a remedy if you don't know what the problem is at home"[2].

This analysis of the regional development situation in Mercosur is achieved through the comparison of socio-economic statistics of the different administrative regions of Mercosur. This statistical analysis highlights and discusses the significance and nature of the regional disparities.

[2] Rose Richard, Ten steps in learning lessons from abroad, Future Governance Paper 1, Lessons from Comparative Public Policy, October 2001, University of Strathclyde, Strathclyde, p.6.

Such regional disparities can, arguably, be the source of dissatisfaction within civil society, as people living in less prosperous regions desire similar opportunities and levels of development to other regions. This situation is not new since regional disparities have always existed within Mercosur countries, and policy makers have always attempted to homogenise their territory by assisting the development of the less prosperous regions.

However, the statistical analysis suggests that the existing agencies that have been set up have not been able to successfully reduce regional disparities. In such a case, "routine [the policies already implemented] is disrupted and policymakers can no longer operate on the assumption that what was satisfactory before is still satisfactory"[3]. It is clear that something needs to be done. After having described the principal development agencies active in Mercosur, and their lack of success to reduce regional disparities, it is therefore possible to discuss whether it is possible for Mercosur policy makers to develop a common approach to regional development to complement the existing array of instruments. This discussion, based upon the opinions of 137 Mercosur policy makers interviewed during three fieldtrips in Mercosur[4], leads to the conclusion that it would be beneficial for Mercosur to establish a Mercosur Regional Development Fund to tackle the problem of regional disparities.

In developing a new policy, however, it can be argued that to reduce dissatisfaction, policy makers can take three possible courses of action. They can either consider past or present policies and learn from their mistakes; innovate by developing a new and original policy; or learn from the policies implemented in other countries. These three courses of action are respectively defined in this thesis as looking backward, forward, or across.

It is clear that Mercosur policy makers cannot look backward since, at the Mercosur level, no regional development policy has been implemented. It is possible for policy makers to look forward and to design an innovative common approach to regional development. However, generally, "instead of new knowledge, policy makers prefer the assurance of doing what has worked before, or been effective elsewhere"[5]. It can thus be argued that the option of looking across, that is learning from another's experience, offers significant advantages.

To learn from the experience of others, the thesis analyses the current policy transfer literature and discusses how existing conclusions and frameworks can be adapted to account for prospective policy transfers between supranational associations. However, most of the work on policy transfer analyses transfers which have taken place. Very little work has been done on prospective policy transfers.

As a consequence, the thesis develops a framework to account for a 'future' transfer of policy. This framework is then applied to explore the critical factors for a successful transfer of policy from the EU to Mercosur. This prospective policy transfer framework leads to the argument that, for a policy transfer to be successful, it would be advisable for Mercosur to learn from the fundamental principles which underlie the EU experience in regional development funds.

The thesis therefore presents an analysis of the past fifty years of EU regional policy, describing its general evolution and focusing specifically on its fundamental principles. In Rose's words these are the 'observable characteristics of an effective programme' in the EU.

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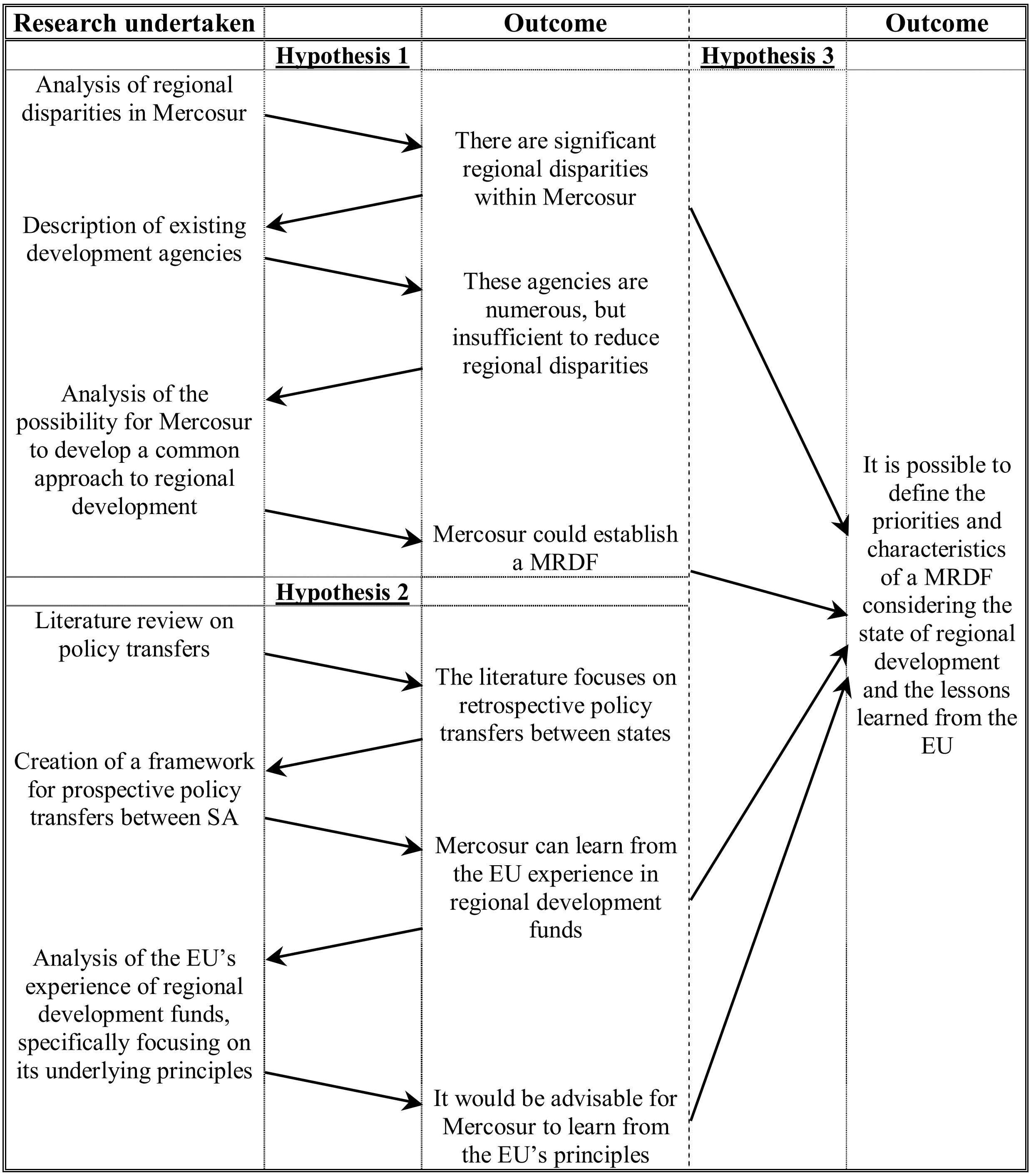
[3] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.11.
[4] See the fourth sub-section below for more information on the fieldtrips and interviews.
[5] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.10.

This leads to a detailed discussion of each of the principles since they would be the source of inspiration for Mercosur policy makers when designing an MRDF.

As shown in Figure 1.1 below, the thesis draws together the findings, that is the type of development assistance required by Mercosur's less developed regions as well as the lessons which might be transferred from the EU experience to Mercosur. This enables some priorities and characteristics of the Mercosur Regional Development Fund to be suggested that might best contribute to the reduction of development disparities.

Figure 1.1. Methodology to test the three hypotheses of the thesis



It is important to note that the thesis is open to criticism. A first criticism can be that the thesis is future oriented, that is, it is concerned about something that does not exist, namely the transfer of EU regional development experience to Mercosur to create a MRDF.

However, since "it compares observable characteristics of an effective programme in one country [the EU regional development fund experience] with observable conditions in another [Mercosur]"[6], the thesis is scientifically justified according to Rose.

Secondly, it can be criticised for being speculative since the priorities and characteristics that are suggested in the thesis contain an element of speculation. This can be argued to be contrary to the practice of traditional academic enquiry. However, it should be noted that the suggestions refer to the experience of the EU and consider the specific Mercosur context. As Rose suggests, this limits the element of speculation in the research since it is bounded:

> "Any prescription for action is necessarily speculative since it is about the future, and evidence is about the past. A lesson uses evidence about what has happened in one country's programme in the past to formulate hypotheses about how it will work here in future. In this way, the inevitable element of speculation is bounded by empirical observation of an existing programme"[7].

A third criticism relates to whether the findings of the research reflect personal preferences of the author. It should be noted that the suggestions reflect the results of statistical analyses and the views of the 137 policy makers interviewed. The suggestions are therefore not personal preferences, but are scientifically reasoned conclusions which are the outcome of the analysis. The scientific basis of prospective policy transfers is well argued by Rose:

> "Lesson-drawing is scientific in the original sense of the Latin root, *scientia*, to know or to understand things. Understanding is arrived at through a process of empirical observation"[8].
>
> "The analysis of public policy is more akin to epidemiology than to rocket science. An epidemiologist not only interprets biomedical symptoms of individuals in terms of universal principles, but also examines contextual variations in the incidence of these symptoms in order to find the most effective response"[9].

Originality of the research

Since regional development funds have been established in various places around the world during the past few decades, such funds have already been the topic of a considerable number of studies and analyses by international institutions, national governments and academic researchers. However, this research makes an original contribution to the existing literature in at least six aspects.

Firstly, there is a considerable number of publications on national regional development funds within EU countries[10]. However, these funds are managed and financed by the different governments and applied within their boundaries to solve their regional economic problems. In contrast to this, the thesis focuses solely on supranational regional development funds, within the EU as well as in the Mercosur.

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[6] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.23.

[7] Rose Richard, Ten steps in learning lessons from abroad, Future Governance Paper 1, Lessons from Comparative Public Policy, October 2001, University of Strathclyde, Strathclyde, p.17.

[8] Rose Richard, Ten steps in learning lessons from abroad, Future Governance Paper 1, Lessons from Comparative Public Policy, October 2001, University of Strathclyde, Strathclyde, p.5.

[9] Rose Richard, When all other conditions are not equal: the context for drawing lessons, Studies in Public Policy n°366, 2002, University of Strathclyde, Strathclyde, p.4.

[10] For example, different national strategies for regional development are discussed in Alden J. and Boland P., Regional development strategies: an European perspective, Regional Policy and Development Series n°17, 1996, Jessica Kingsley Publishers, London, p.322.

Secondly, the establishment of a regional development fund at the Mercosur level has not yet been critically analysed, either by the academic world or by international development organisations. Some studies were begun by the governments of the member states in the mid-1990s when they first considered transforming an existing fund, the Fonplata, into a Regional Development Bank. However, these studies were rapidly stopped due to a lack of political motivation. There are very few documents available about these negotiations, none of which were published.

Thirdly, an essential part of the thesis is based on the statistical analysis of Mercosur regional data. This has enabled the production of a map showing the relative regional disparities in Mercosur. Such a map of regional development has, at the time of writing, not yet been encountered in the existing literature.

Fourthly, the approach to the topic is both quantitative and qualitative. Indeed, the argument of the thesis is partly based on an extensive analysis of statistical economic and social data from Mercosur regions. This statistical analysis is complemented by an interview survey with decision-makers within Mercosur which sheds a different light on the topic.

Fifthly, there is a need for a more comprehensive theoretical framework for the study of public policy transfers in an international setting. Although some material exists, this research aims to make a contribution – even if a modest one – to the elaboration of a broader conceptual understanding of the dynamics of public policy transfers between supranational associations, and to determine the factors which most likely contribute to the success of such policy transfers. The thesis offers a framework which can be used to analyse policy transfers before they take place.

Finally, this thesis is prospective and future-oriented. Its objective is not to undertake research for its own sake, but to offer Mercosur policy makers a preliminary study of what they could learn from the experience of the EU in regional development funds to create their own mechanisms to reduce regional disparities. This approach is supported by Rose who gives great importance to the active and prospective role of policy transfer research:

> "Lesson-drawing is practical; it is concerned with making policies that can be put into effect […] Learners are not passive pupils but policy-makers actively trying to formulate or decide about a programme […] The primary demand of policy-makers is not for after-the-fact evaluation but for before-the-fact assessments that indicate whether a proposed programme will increase or decrease satisfaction"[11].

Sources of information

Three principal sources of information were consulted in order to undertake the research. Each of these sources sheds a particular light on the topic of research.

The first source of material comes from the analysis of raw data and figures related to the economic conditions within Mercosur. The interpretation of these statistical results represents a subjective approach to the topic since it is the author's interpretation of some data. The data necessary for conducting such an analysis were mostly provided by the statistical offices of the Mercosur member states. Some data also came from internal reports published by the two supranational associations and by other institutes, such as the United Nations, the Organisation for Economic Cooperation and Development, and the Inter-American Development Bank, which have studied the socio-economic situation of the member countries of the EU and Mercosur.

[11] Rose Richard, Ten steps in learning lessons from abroad, Future Governance Paper 1, Lessons from Comparative Public Policy, October 2001, University of Strathclyde, Strathclyde, pp.1, 3 and 17.

A second source of information is the interviews carried out during the two fieldtrips with key decision-makers on Mercosur or development issues. This source accounts for the opinion of those who daily work on issues related to regional development and Mercosur. Since these interviews are an essential aspect of the research work, the next sub-section is specifically dedicated to the fieldtrip aspect of this research.

Finally, the third source of information results from a review of the literature which has been so far published on Mercosur and on policy transfers. Probably because of the recent creation of Mercosur, few publications exist on Mercosur, and none has been found relating to the possibility of creating a regional development fund. Authors have been much more prolific when it comes to the EU and its regional policies. A second field of literature on which this thesis is based relates to policy transfers. Although this literature is extensive when referring to policy transfers which took place between governments, very few works have been published on prospective transfers or on policy transfers between supranational associations. These different fields of literature referred to in the thesis enable to take account of the analyses already undertaken by researchers, which therefore offers a foundation on which to elaborate this research.

These three sources of information give more perspective to the research since the topic is then analysed from different point of views: that of the author, that of key Mercosur decision-makers, and that of the academic world.

The fieldtrips to Mercosur: the foundation of the thesis

To enrich the research material used within the thesis and to test the ideas, it was necessary to obtain the views of some Mercosur decision-makers and key actors on the topics related to the creation of a Mercosur Regional Development Fund. It would have been possible to collect these opinions through a survey questionnaire which would have been emailed to the respondents. However, for six reasons it was considered preferable to collect these opinions through interviews conducted directly and on site with the respondents.

A first reason for conducting interviews and not sending out questionnaires was that it would have been more difficult to obtain answers through email. The response rate for postal questionnaires is indeed recognised to be extremely low. It is clear that most respondents would have waited until they had spare time to answer it, and would have always postponed the task. Moreover, filling in a questionnaire would have been in some cases more time consuming for respondents since they would need to qualify their arguments and develop their opinions in writing, while oral interviews can be less time-consuming. The responses were often obtained within a quarter of an hour, although on average the interviews lasted approximately one hour.

Secondly, for some respondents, especially those higher in the hierarchy, there might also be an issue of confidentiality. The interview approach would safeguard the respondent since the interviews were not recorded. This also allowed respondents to freely express their views since there would be no ‘proof’ that they had imparted confidential information or non-governmental views on the topic. Written answers through email or recorded interviews would certainly have contained more official and less controversial views on Mercosur and its member states.

Thirdly, by sending the questionnaires by email there was also the risk that some key decision-makers contacted, such as ministers and their deputies, would have transferred the responsibility for answering the questionnaire to other ministry officials. Although it sometimes happened that the ministers who were contacted for interview asked their advisors or directors to replace them, a few of these key decision-makers agreed to be interviewed.

Fourthly, there was an issue of the language that was to be used in the interview. Obviously, all the respondents did not speak English. As the following table shows, the interviews were conducted in four different languages, and only 7% of the interviews were in English. It would therefore have been necessary to send the questionnaires at least in Spanish and Portuguese to make sure all respondents could understand the questionnaire. Through oral interviews it was possible to adapt and use the language preferred by the respondent.

Table 1.1. Language in which the interviews were conducted

	Language of interviews					**Percentage**				
	Spanish	Portuguese	English	French	**Total**	Spanish	Portuguese	English	French	**Total**
Argentina	26	1	0	0	**27**	96	4	0	0	**100**
Brazil	15	25	5	2	**47**	32	53	11	4	**100**
Paraguay	27	0	2	0	**29**	93	0	7	0	**100**
Uruguay	17	0	2	0	**19**	89	0	11	0	**100**
Total	**85**	**26**	**9**	**2**	**122**	**70**	**21**	**7**	**2**	**100**

Fifthly, direct interviews have an essential advantage over survey questionnaires. This is that interviews enable more interaction with the respondents, which allows for new ideas to spring up during the conversation and for new questions to be asked. Interviews allow the questionnaire to be adapted to the respondent, to their past experience in relation to the topic and their present responsibilities.

Finally, interviews enabled excellent contacts to be developed with respondents interested in the creation of a Mercosur Regional Development Fund. This led to the co-writing of a publication and to participate in a conference of Mercosur academic specialists. Some steps were also taken with an official from a Paraguayan ministry towards designing a consultancy project to draw up an official proposal for a Mercosur Regional Development Fund, a proposal which would have been discussed within the Mercosur decision-making bodies. However, for financial and administrative reasons, this consultancy project had to be abandoned. It can be argued that such a relation with the respondents would not have been possible through questionnaires sent by email.

These six reasons clearly suggest that direct interviews with respondents were preferable to postal questionnaires. Therefore, during the three years of this research, two fieldtrips were completed within Argentina, Brazil, Paraguay and Uruguay, the Mercosur members. In addition, a third trip, only to Paraguay, was undertaken to participate in a conference on Mercosur at the invitation of one of the interviewees. Three objectives were set before undertaking these fieldtrips.

A first objective was to access regional Mercosur statistical data and recent literature on Mercosur which was not available in Europe or through the internet. Moreover, through the interviewees it was possible to have access to some unpublished material, such as internal documents.

A second objective was to get to know some of the people living in Mercosur, their way of thinking and their culture, as well as their opinion on their governments, on the economic situation and on the Mercosur process of integration. The objective was not to write a thesis while ‘locked away in an ivory tower’, but through taking into consideration the characteristics of the countries and the views of the people studied within the thesis. It was therefore necessary to go to Mercosur and ‘take the pulse’ of its people.

The third and main objective was to conduct interviews with many key decision-makers. This enabled the unpublished and unexpressed opinion of people working on

Mercosur and development issues to be accounted for. These interviews also provided the opportunity for views on the proposal to create a Mercosur Regional Development Fund and for the author's conclusions about this to be challenged. In addition, fieldtrips enabled up-to-date information on Mercosur to be collected. Indeed, since the Mercosur process of integration has evolved very rapidly, information which is available through publications has rapidly become rather obsolete.

This explains why the fieldtrip phase was done in two stages. The first fieldtrip, during five months in 2000, was longer than the second trip, which lasted three months in 2001. The first trip took longer because the author had no contact with people in decision-making circles and it took time to identify the key decision-makers to interview. Moreover, the second fieldtrip to Mercosur allowed the thesis to be updated by incorporating the latest information on Mercosur. The second trip, undertaken during the 2001 Argentinian economic and political crisis, enabled to include the opinion of the interviewees on Mercosur at a time when its future did not appear too bright.

In addition to these two fieldtrips, a third trip to Mercosur was completed in May 2001. This was to present a paper on the Mercosur Regional Development Fund at a conference organised by the Consejo Latino Americano de Ciencias Sociales (CLACSO – Latin American Council on Social Sciences) on Mercosur. Although no interviews were conducted with decision-makers at that time, it enabled the testing of some of the conclusions of this thesis with Latin American academic researchers who are specialised in studies of Mercosur.

Since Bolivia and Chile are Mercosur associate members which could participate in a Mercosur Regional Development Fund, interviews with some key decision-makers in both countries were considered at the outset of the study. However, the idea had to be abandoned because of a lack of time and of financial resources. Future research should nonetheless consider interviewing Bolivian and Chilean decision-makers since their opinion might provide new and original perspectives on creating a Mercosur Regional Development Fund.

During the two fieldtrips, a total of 137 people were interviewed, which represents approximately 123 hours of interviews. However, only 122 interviews are taken into account in the thesis because the 15 other respondents could devote only little time to the interview. While this time was sufficient to exchange some general views on the research topic, there was too little time to ask the interviewee the specific questions on which the thesis is based (see Appendix A1.2 for the questionnaires). The interviews conducted are presented in Table 1.2 below according to the country of interviewee and to the fieldtrip. The interviewees are then classified according to gender in Table 1.3. More details on the identity of the interviewees are given in Appendix A1. However, when reasons of confidentiality apply, interviewees are not identified when quoted in the text.

Table 1.2. Number and duration of interviews made during the two fieldtrips in Mercosur countries

		Fieldtrip 1	Fieldtrip 2	**Total**
Argentina	N° of persons	9	19	**28**
	Time*	7:20	15:00	**22:20**
Brazil	N° of persons	21	30	**51**
	Time*	18:35	29:50	**48:25**
Paraguay	N° of persons	21	17	**38**
	Time*	20:35	15:35	**36:10**
Uruguay	N° of persons	6	14	**20**
	Time*	4:40	11:20	**16:00**
Total	**N° of persons**	**57**	**80**	**137**

Time*	51:10	71:45	122:55

* Time: duration of the interviews in hours : minutes

Table 1.3. Interviewees according to gender

	N° of interviewees			Percentage		
	Male	Female	**Total**	Male	Female	**Total**
Argentina	17	11	**28**	61	39	**100**
Brazil	36	15	**51**	71	29	**100**
Paraguay	30	8	**38**	79	21	**100**
Uruguay	13	7	**20**	65	35	**100**
Total	**96**	**41**	**137**	**70**	**30**	**100**

With regard to the composition of the interviewees, the issue of a Mercosur Regional Development Fund is considered from the point of view of actors and decision-makers with different backgrounds. It was consequently decided to interview, in each Mercosur member state, people working on Mercosur or development aspects, from different types of institutions, and at different hierarchical levels within these institutions. On the one hand, ministers and their close advisors were interviewed since they have a broad understanding of the issues at stake, are aware of the final objectives of the Mercosur, and are part of the Mercosur negotiations. On the other hand, interviewing officials at a lower level of the hierarchy introduces the opinion of people working on specific issues on a daily basis. Such people are aware of technical details which might be overlooked in the broad picture but which might have significant consequences.

The interviews were conducted within different institutions in order to account for the different interests at stake. In each country many interviews were conducted in the institutions which are at the heart of the Mercosur process of integration, that is the Ministry of Foreign Affairs, the Ministry of Economy, the Ministry of Home Affairs, the Ministry of Integration (whenever this Ministry existed), the Presidencies and the Central Banks. Indeed, for example, the executive organ of Mercosur, the Common Market Group, is composed of eight representatives which must come from the Ministries of Foreign Affairs and of Economy, and from the Central Banks of each member state.

Moreover, since this thesis focuses on the creation of a development fund, it was necessary to interview development specialists working in Ministries related to development topics such as infrastructure, energy, education, health, development, and also in the national and international organisations based in these Mercosur countries.

Thirdly, it was decided to interview people who had been conducting research, whether for private consultancy agencies or for universities, on Mercosur or on development issues in Mercosur.

Fourthly, economy being at the heart of the Mercosur process of integration and being a core aspect of development, private sector representatives, from chambers of commerce or from trade unions, were interviewed to obtain their opinion on regional development issues at the Mercosur level.

Fifthly, a few political representatives, that is either deputies or senators, as well as their advisors, were interviewed. However, for the time being, their role is still minor at the Mercosur level.

Finally, a number of people working on Mercosur or development issues in other institutions than those mentioned above were interviewed.

To facilitate comparisons of the opinions of the interviewees, the respondents were grouped into ten different categories defined by the nature of their profession or occupation and the institution for which they work:

1. Central Banks;
2. Research Institutes (both public and private), Universities;
3. International organisations (e.g. the InterAmerican Development Bank - IDB), development banks (e.g. the Banco Nacional de Desenvolvimento Econômico e Social - BNDES), ministries of development;
4. Economy (e.g. ministries of economy, industry, trade, but also trade unions, chambers of commerce);
5. Ministry of Foreign Affairs;
6. Infrastructure (e.g. ministries of transportation, energy);
7. Social (e.g. ministries of education, health);
8. Representatives (i.e. deputies and senators);
9. Integration (i.e. ministries of integration);
10. Others.

Outline of the thesis

To test the three hypotheses the research is undertaken in three stages. The first stage analyses the nature of regional disparities within Mercosur and discusses whether it is possible for its member states to create a Mercosur Regional Development Fund. This would complement existing institutions and reduce regional disparities (first hypothesis). The second stage proposes a theoretical framework for analysing policy transfers. This forms the basis for the analysis of what lessons and under what circumstances the experience of EU regional development funds might be transferred to Mercosur (second hypothesis). The third stage explores how an efficient regional development fund might be designed for Mercosur (third hypothesis).

The thesis is presented in ten chapters. These are grouped into five parts: the introduction, parts which cover the three stages discussed above, and finally the conclusion.

The first part of the thesis is composed of three chapters. These introduce the research topic, define the key concepts, examine the theoretical contributions and present the two processes of integration under consideration. This present chapter, Chapter 1, introduces the reader to the research topic and the objectives of the thesis. Chapter 2 defines the essential terms and concepts related to regional integration which are used in the thesis. Finally, Chapter 3, presents the evolution and structure of the two supranational associations analysed in the thesis, that is the European Union and the Mercosur.

The second part of the thesis is composed of Chapters 4 and 5. Chapter 4 analyses regional development within Mercosur and describes the relative development gaps which exist between the advanced and backward regions of Mercosur. It draws on a statistical analysis of socio-economic data to highlight the differences in development across Mercosur. This analysis allows, as a conclusion, the drawing up of maps which summarise the relative levels of socio-economic development in Mercosur regions.

Chapter 5 describes in a first section the principal existing development agencies operating in Mercosur. It then considers the options open to Mercosur to establish a common approach to regional development, which demonstrates the case for the establishment of a Mercosur Regional Development Fund which would complement the existing institutions.

The third part of the thesis, composed of Chapters 6 and 7, analyses to what extent Mercosur can learn from the EU. The first chapter, Chapter 6, presents the policy transfer literature and adapts it to account for a prospective policy transfer from the EU to Mercosur. The second chapter, Chapter 7, presents an overview of the evolution of regional development funds in the EU. It then critically assesses EU experience in order to determine, according to the conclusions of Chapter 6, what aspects of EU regional development funds could be transferred to Mercosur.

The fourth part of the thesis, composed of two chapters, explores the characteristics of a Mercosur Regional Development Fund, according to the development disparities established in Chapter 4; the existing development agencies already operating in Mercosur described in Chapter 5; and the lessons which can be learned from the EU as argued in Chapters 6 and 7. Chapter 8 explores the priorities for a Mercosur Regional Development Fund, and Chapter 9 analyses the key characteristics of a MRDF.

Chapter 10 presents the conclusion. Chapter 10 briefly revisits the three hypotheses, indicates the contribution of the thesis to academic knowledge, discusses some of the limitations of the research, and suggests directions for future research.

- CHAPTER 2 -

UNDERLYING CONCEPTS

CHAPTER 2. UNDERLYING CONCEPTS

Partly as a response to globalisation, which has been characterising the world economy for the past few decades, many governments throughout the world have begun a formal process of economic integration with some of their neighbours. "Regional integration in Latin America has become an important answer to the challenges of the management of globalisation as well as the consolidation of the neo-liberal reform trajectory"[12]. Regional integration is a political response to an economic change. When independent states share some common characteristics and interests, it is often considered advantageous to form an association. This enables countries to acquire more strength to defend their political and economic positions within the world economy. Accordingly, the world is being progressively divided into a number of large economic regions. Some key examples are the European Union (EU), the North Atlantic Free Trade Area (NAFTA) and the Association of South East Asian Nations (ASEAN). Each of these are organised internally, by establishing common norms and institutions to control the gradual integration of the national economies of their region, and externally, by defending common positions on the international scene, an example being in World Trade Organisation negotiations.

This chapter aims at presenting the concepts related to regions and supranational associations. The first section defines some key related concepts, before the second section analyses the different categories of supranational associations.

DEFINITIONS

The concept of a 'region' is employed at length throughout this thesis which is focused on two geographic 'regions' of the world. Since this word is very ambiguous and covers different concepts in the English language, it is absolutely necessary to define it precisely so that the reader will have an understanding of how the term is used in the thesis. There are also some concepts which meaning derives from the word 'region' and which therefore require a precise definition. These are the concepts of 'regional policy' and 'regional association'.

Region

What is a 'region'?

According to the dictionary, the term 'region' refers to a continuous surface of land with certain characteristics, whether human or natural. Leaving aside the 'natural' characteristics, there are two main kinds of regions which are of interest for this thesis.

A region can first be defined as the unit into which countries are divided for administrative or historico-cultural purposes. For various reasons, such as the decentralisation of the power of the state or the development of local governance, most governments have adopted an administrative division of their country into smaller homogeneous units of territory. These 'regions' have different denominations depending on the countries in which they exist, such as 'Région' in France; 'Land' in Germany and Austria; 'Province' in Belgium and the Netherlands; 'Suuralueet' in Finland; and 'State' in the USA or Brazil.

Some of these administrative regions have been created on the basis of ancient cultural or historical distinctions which existed within the country; that is, people speaking the same

[12] Phillips Nicola, 'The future of the Political Economy in Latin America', in Stubbs Richard and Underhill Geoffrey, Political economy and the changing global order, 2nd edition, 2000, Oxford University Press, p.286.

dialect, having a similar past and culture. For example, the people of the island of Corsica, which is a French region, have a geographical continuity (they live on an island), a similar past, as well as a language and a culture of their own. However, this is not always the case and it sometimes happens that the administrative division does not take into account these historico-cultural aspects. As Temple says:

> "Can a region be defined in terms of some generally acceptable straightforward quantitative measure such as population size, income or rates of internal economic activity? The answer tends to be negative: the definition of a region remains essentially complex and qualitative in many respects, influenced by convention and custom as well as by administrative convenience or even – sometimes – economic cohesion"[13].

Since each country has its own background and political culture, the appreciation of what constitutes a region differs greatly from one state to the other. There does not exist one globally accepted definition of this term. Regions therefore differ considerably when different factors are taken into account, such as population, geographical size, the competencies ascribed to the regional authorities, or the economic situation. Such dissimilarities exist between regions within the same country and in different countries. In the United Kingdom, for example, Scotland is the largest in terms of geographical size while the South East is the largest when it comes to population.

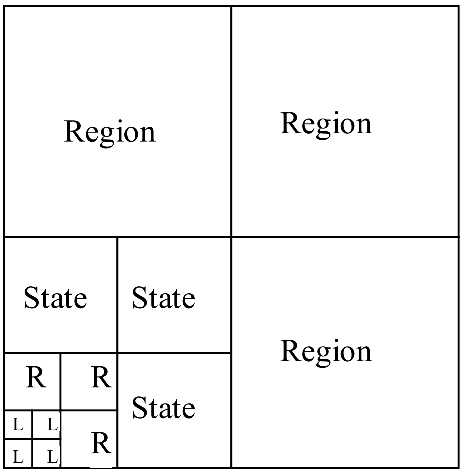
However, the term 'region' not only refers to these internal units of a country, but also to a group of neighbouring countries which have some characteristics in common. This characteristic can be natural such as a sea, a mountain, or a desert, which can form natural regions, such as the Sub-Saharan region[14], or the Mediterranean region[15] for example. However, these regions will not be considered in this thesis, this because its topic is focused on regions sharing common socio-economic characteristics and resulting from a political process started through human will. Such regions are created when the governments of geographically adjacent nations decide to recognise officially the existence of common characteristics and/or objectives among their countries, and set up common means and policies to develop this similarity.

The term 'region', thus, can refer at the same time to a sub-national unit (an intra-national division) as well as to an international entity (a supranational division or group of countries). For example, France is part of a supranational 'region' (the European Union) but is itself composed of 22 'regions'[16]. As a consequence, the world can be divided in regions, themselves sub-divided in countries which are composed of internal regions which regroup local areas. This can be schematised in two different ways, as shown in Figure 2.1:

Figure 2.1. Two representations of the division of the world into regions and countries[17]

<table>
<tr><td colspan="12">World</td></tr>
<tr><td colspan="8">Region</td><td colspan="4">Region</td></tr>
<tr><td colspan="4">Country</td><td colspan="4">Country</td><td colspan="4">Country</td></tr>
<tr><td colspan="2">Region</td><td colspan="2">Region</td><td colspan="2">Region</td><td colspan="2">Region</td><td colspan="2">Region</td><td colspan="2">Region</td></tr>
<tr><td>Local</td><td>Local</td><td>Local</td><td>Local</td><td>Local</td><td>Local</td><td>Local</td><td>Local</td><td>Local</td><td>Local</td><td>Local</td><td>Local</td></tr>
</table>

[13] Marion Temple, Regional Economics, 1994, St Martin's Press, New York, p.5.
[14] A region of Africa composed of the countries which are situated on the southern limit of the Sahara desert.
[15] A region composed of all the countries having a maritime border on the Mediterranean sea, whether they are European, African or Middle-Eastern countries.
[16] The French territory is divided in 22 'Régions', which are themselves divided in 100 'Départements'.
[17] These figures were created by the author to illustrate the different meanings of the term 'region'.



In order to avoid any kind of confusion, it is necessary to use an adjective to help make the distinction. The administrative divisions of a country can be called ‘administrative regions’ or ‘internal regions’ whereas the international groupings of countries can be characterised as ‘supranational regions’.

Regions in statistics

Much of the research in this thesis is based on the comparison of the social and economic statistics of different regions, both internal and supranational, in order to show the differences that exist between these. It is therefore necessary to have good statistical instruments as well as precise definitions of the territory, or region, that are covered by the statistics given.

At the European Union level, although there are a few problems and conflicts over some definitions, the matter is largely settled. Following negotiations with the European Office for Statistics (Eurostat) all members have adopted a common set of rules to divide the territory into a Nomenclature of Statistical Territorial Units (NUTS). Accordingly, each country is divided into different statistical regions, each of them being sub-divided again.

The largest territorial unit is called ‘level 0’ and covers each member state. Composed of 15 member states, the EU is thus divided into 15 NUTS 0. Each country is divided further into NUTS 1 regions, which correspond to their largest administrative regions, ‘Land’ in Germany, or ‘Standard Region’ in the UK. NUTS 2 areas are smaller territorial units such as `Regierungsbezirke' in Germany. Although in theory the classification goes down to NUTS level 5, in general level 3, ‘Kreise’ in Germany or ‘County’ in the UK, is the smallest territorial unit for which data is published. Small countries are different. For example, whereas the whole territory of Ireland is considered as a NUTS 2 region, Luxembourg appears at all NUTS levels. The economic territory of the European Union is subdivided into 77 regions at NUTS 1 level, 206 regions at NUTS 2 level and 1031 NUTS 3 regions.

This division into NUTS has been widely used since 1988 not only for statistical reasons, but also within Community legislation. For example, as will be shown later in Chapter 7, some EU regulations concern specifically NUTS 2 or NUTS 3 regions.

The matter is much more complex when it comes to Mercosur countries since there are statistical problems at two levels. Firstly, the Mercosur states have a rather limited statistical knowledge at the level of their internal regions. There are very few statistics available, whether in the economic or social field, when it comes to their internal regions. For example, at an interview with a respondent at the Paraguayan Central Bank who was asked about the existence of regional statistics within Paraguay, it was made clear that these were non-existent and that they would have to be constructed.

Another problem which Mercosur member states face is that, like the European Community at an earlier stage, their statistics have not yet been harmonised. Each country has its own methods of calculating statistics and definitions of the terms, which renders any type of comparison difficult, if not impossible. Argentina and Brazil have begun to solve this problem, with the help of Eurostat, by harmonising macroeconomic statistical methods. The aim was to publish a comparative statistical study by the end of 2001, but the deadlines were not met. The process will later be completed with Paraguay and Uruguay joining in the exercise. This is a very significant step since without common statistical tools it is impossible to assess effectively the situation of the countries and their administrative regions, an essential requirement to be able to implement socio-economic policies to effectively help the most backward areas.

Regional policy

Having defined the term of region, it is now possible to focus on a derived concept, that of regional policy. The concept of regional policy is so deeply interrelated with that of regional development that both terms are generally used interchangeably. It is first necessary to precisely define regional policy, before the rationale underlying its implementation is discussed. Finally, it is of importance to highlight the difference between the concepts of regional development and that of sustainable development.

Defining regional policy

Within the existing literature on regional policy it is possible to encounter six different definitions of this concept. These highlight some common characteristics which can then be used to draw a consensual definition of what is a regional policy.

1. OECD, 1977: "The ultimate objective of regional policy is to reverse the cumulative decline of the depressed areas by creating a rate of economic growth sufficient to secure full employment and which can be sustained in the long run without continued resort to regional policies"[18].
2. Molle *et al*, 1980: "It is the presumption of most if not all regional policies that well-being can be increased by decreasing the disparity between regions"[19].
3. Hansen *et al*, 1990: "Regional policy constitutes any and all conscious and deliberate actions on the part of government to alter the spatial distribution of economic and social phenomena, including population, income, government revenues, production of various goods and services, transport facilities, other social infrastructure, and even political power"[20].
4. Temple, 1994: "The aim of regional policy is the attainment of a more efficient and/or equitable interregional distribution of economic activity"[21].
5. Moussis, 1994: "The notion of regional development, aiming at the creation, maintenance and management of localisation conditions for economic activities, is a post-war concept. It stems from the observation that, contrary to given natural factors such as climate, geography and mineral resources, economic conditions for localisation can be influenced by a deliberate policy undertaken by official authorities. […] The main objective of Community regional policy is the reduction of existing regional disparities and the prevention of further regional imbalances by transferring Community resources to problem regions"[22].

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[18] OECD, Report on methods of measuring the effects of regional policies, 1977, OECD, p.16.
[19] Molle Willem, Van Holst Bas, Smit Hans, Regional disparity and economic development in the European Community, 1980, Saxon House, Westmead, p.70.
[20] Hansen Niles, Higgins Benjamin, Savoie Donald J., Regional policy in a changing world, 1990, Plenum Press, New York, p.2.
[21] Temple Marion, Regional Economics, 1994, St Martin's Press, New York, p.225.
[22] Moussis Nicholas, Handbook of European Union, 1994, Edit-eur, Rixensart (Belgium), p.99.

6. Vanhove, 1999: "Regional economic policy or regional planning includes all forms of public intervention intended to ameliorate the geographical distribution of economic activities; in reality regional policies try to correct certain spatial consequences of the free market economy in order to achieve two interrelated objectives: economic growth and improved social distribution"[23].

Referring to these six definitions, there seems to be a number of common characteristics between their opinions on what is a regional policy:

1. It reduces regional disparities (Molle *et al*, Moussis)
2. It alters spatial distribution (Hansen *et al*, Temple, Moussis, Vanhove)
3. It assists the economic development of the less prosperous regions (OECD, Temple, Moussis, Vanhove)
4. It assists the social development of the less prosperous regions (Hansen *et al*, Vanhove)
5. It is a direct and deliberate policy (Hansen *et al*, Moussis)
6. It is adopted by public authorities (Hansen *et al*, Moussis, Vanhove)

These six common characteristics can be combined to draw a consensual definition of a regional policy. A policy implemented by public authorities can thus be considered as regional if it deliberately and willingly aims to alter the spatial distribution of socio-economic factors to reduce regional disparities[24] by promoting the economic and social development of the less prosperous regions of an area.

The rationale for implementing regional policies

Since this thesis is about the adoption of policies to promote the regional development of less prosperous areas in the EU and in Mercosur, it is worth searching the existing literature to find the reasons for which a public authority, whether a state or a supranational body, would wish to adopt such regional policies.

According to Martin, there are four reasons for which a government would decide to adopt regional policies:

1. "Flattening 'unjust' spatial income distributions (equity or fairness argument).
2. Easing adjustment problems for economies undergoing major transformations or economic shocks.
3. Welfare increases due to the activation of previously unused factors of production.
4. Optimising the spatial allocation of production (for example, by internalising external agglomeration effects).

[…] Summing up, it is very difficult to find clear economic rationales in favour of regional policy. Equity arguments for regional policy are certainly more powerful than efficiency arguments"[25].

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[23] Vanhove Norbert, Regional Policy: A European approach, 1999, Ashgate, Aldershot (UK), p.57.
[24] The thesis uses the term regional 'disparities' and not 'inequalities', 'discrepancies', 'imbalances', or 'disequilibria' because it shares the view of Molle *et al*: "The latter two words [imbalances and disequilibria] refer to the state of a dynamic system and suggest that such a system could be inherently unstable. The structural and dynamic view which both words imply seems at odds with the objective of this study, which is to describe analytically the situation actually existing at some points in time, and its development through time, without going into the causes of either or into the implications for the regional system. The more static notions of 'inequality', 'discrepancy' and 'disparity' suit that objective better; of these we discard 'inequality' because of its moral overtones; of the other two we prefer the word 'disparity' because it is the one most commonly used" (Molle Willem, Van Holst Bas, Smit Hans, Regional disparity and economic development in the European Community, 1980, Saxon House, Westmead, p.69).
[25] Martin Reiner, The regional dimension in European public policy: convergence or divergence?, 1999, MacMillan Press Ltd, London, p.71.

The same Martin, in another publication, highlights four reasons for which the EU would adopt regional policies at the supranational level:

1. "The 'financial targeting' argument: because poor member states are unable to target their regional problems themselves, the EU has to provide the necessary resources.
2. The 'vested interest' argument: the solution to regional problems in one member state will also be beneficial for other member states.
3. The 'effects of integration' argument: because the benefits of integration are not evenly spread across the EU, a redistribution mechanism is required.
4. The 'effects of other EU policies' argument: since the regional benefits of other policies such as the Common Agricultural Policy are not spread evenly, the relative losers should be compensated by means of EU regional policy"[26].

Referring to a 1981 publication of Molle and Cappelin, Vanhove distinguishes three different rationales in adopting regional policies at the EU level:

1. "The 'compensational or neo-classical approach' suggests that regional policy is primarily motivated by the need to compensate a member state for the disadvantages of membership.
2. The rationale of the 'redistributive approach' is that of achieving a more equal distribution of resources through growth from which all parties will benefit.
3. The third approach to regional policy is the 'endogenous-growth policy approach' […] the disparities in income or unemployment are not the main indicators of a 'problem region' but the 'unbalanced' use of local resources in the various regions"[27].

The ultimate goal of EU regional policies is therefore to assist the convergence of levels of socio-economic development among the EU regions, in order to have a stable and harmonised Union. In this, the thesis agrees with Temple that "active regional policy measures designed to draw their economies towards economic convergence are an essential prerequisite if the long-term goal of a community with a unified economy and single currency is to be attainable"[28].

Considering these different reasons for which regional policies could be adopted, Delors, as President of the European Commission, defined three types of regional policies[29]:

1. 'Neo-classical' regional policies. These are designed to compensate for institutional rigidities which limit the mobility of factors of production. They can for example consist of regional employment premiums or investment grants.
2. 'Keynesian' or 'demand-side' regional policies. They are designed to sustain income and demand, such as budget equalisation transfer systems.
3. 'Decentralised supply-side' regional policies. This third type of regional policies aims at improving the resource base of the region through subsidised investments in physical infrastructure and human capital, but also through incentives to encourage local initiative, such as business centres or incubator houses.

Differentiating regional development from sustainable development

To end this sub-section on regional policy, a brief consideration should be made to highlight that the thesis does not focus on 'sustainable development' issues in Mercosur but on 'regional development'. Although both concepts are deeply related, they are dissimilar and imply different perspectives. The objective of regional policy, as argued above, is to reduce existing regional disparities and prevent new regional disparities. Such a goal might be

[26] Martin Reiner, Regional policy in the European Union, 1999, Centre for European Policy Studies, England, p.76.
[27] Vanhove Norbert, Regional Policy: A European approach, 1999, Ashgate, Aldershot (UK), p.439.
[28] Temple Marion, Regional Economics, 1994, St Martin's Press, New York, p.245.
[29] Quoted in Vanhove Norbert, Regional Policy: A European approach, 1999, Ashgate, Aldershot, p.344.

achieved through different means, one of them being to assist the sustainable development of less prosperous regions. As highlighted by Roberts, sustainable development is but one of the tasks of regional policy:

> "Taken together, the three principles of sustainable development, subsidiarity and spatial integration define the tasks for regional planning, and offer a style that will endure. Taking each in turn:
>
> Sustainable development addresses the questions of economic, social and environmental exclusion, both within the present generation and in the future.
>
> Subsidiarity answers the question of democratic exclusion and empowers the stateless nations and regions of Europe.
>
> Spatial integration addresses the question of spatial exclusion that threatens both the well-being of remoter regions and the harmonious development of the European Union itself".[30]

Regional associations

Being a significant term in relation to the research of this thesis, 'regional association' also has to be defined. Its precise definition is made even more necessary by the fact that, originally, it was a very vague and general term. However, since this term is very useful for this research, it is necessary to specify its meaning.

The 'classic', and generally accepted definition of a regional association is the gathering of the countries of a supranational region into a formal framework to achieve some common objectives. Since these associations refer to supranational regions and not administrative regions, this thesis will use the term 'supranational association' instead of 'regional association'. This will ensure that there is no possible confusion in the mind of the reader between supranational associations and the type of associations working at the 'administrative region' level.

According to this definition, a considerable number of bodies could be considered as being supranational associations, such as scientific or cultural organisations, or even the United Nations Organisation if the world were to be considered as one large region.

This 'classic' definition of a supranational association, as such, is not particularly useful because it is far too general and vague. For this reason, a few restrictions need to be added in order to make it more precise and employable throughout the thesis.

The term supranational association is therefore used in this thesis to designate a group of countries which have a geographical proximity and which decide through a process of regional economic integration to share some common rules, and sometimes common institutions, with the principal aim of achieving economic goals. This definition of supranational associations, however, does not exclude associations which have many and diversified objectives, be they social, cultural, educational, military, health, or political, as long as these are secondary compared to the economic aims.

This definition means that the expression of supranational association is sufficiently precise to ensure a common and similar understanding of that term. It does not include all kinds of associations or regional groupings which exist in the world, but is still general enough to encompass all the initiatives of regional economic integration which have been taking place over the last few decades.

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[30] Roberts Peter, Strategies for the stateless nation: sustainable policies for the regions in Europe, Regional Studies vol. 31.9, Regional Studies Association, 1997, Regional Studies Association, England, p. 881.

Having defined some of the concepts based on the word ‘region’ which are being used at length hereafter, the thesis now turns in the next section to consider the different categories of supranational associations.

THE DIFFERENT FORMS OF SUPRANATIONAL ASSOCIATIONS

In a thesis focusing on supranational associations it is necessary to describe the different types of supranational association and the forms of institutions which are based on it and which have been, or could be, created by countries.

Before a process of regional integration begins, the future member countries are sovereign and independent nations. They may, however, have economic cooperation agreements with their future partners. But the responsibility of conducting the business of the nation lies within the realm of each government. As governments begin a process of economic integration, these countries gradually lose part of their sovereignty. This sovereignty is transferred to common institutions and is dependent on the agreement of other members, although it still formally belongs to each country.

According to the general trends existing in the literature discussed in this section[31], governments which decide to begin a process of economic integration have a choice between four different levels of integration, each one representing a step towards deeper integration. The first stage is the creation of a free trade area. The next step involves the establishment of a customs union, which might be followed in a third stage by a common market. The final level of economic integration is considered to be an economic union.

It is possible to add to these four stages of integration a fifth stage which is generally overlooked in most of the literature. This level is different for two reasons. First, unlike the other four, it is so far a theoretical stage since no supranational association has ever attained such a level of integration. Secondly, this stage implies a stronger and deeper political integration on top of economic integration. This fifth level of integration is what will be called here the *federal union*.

It can be seen that, while governments might aim for one of the more integrated levels, in practice they go through the consecutive stages and integrate progressively. This is necessary since there are a considerable number of reforms to undertake. To seek a higher level might prolong the process since it takes time for all countries to agree on all necessary aspects of legislation governing integration.

These five levels of integration are described separately. In each case, they are defined and characterised, and the implications they have for the member states are highlighted.

Free trade area

In its document entitled Regional integration and developing countries, the Organisation for Economic Cooperation and Development (OECD) characterises the free trade area by the “removal of barriers to trade in goods and services between partner countries”[32]. Two kinds of obstacles exist between countries and must disappear in order to achieve a free trade area.

[31] See principally: De Almeida-Medeiros M., O Mercosul no limiar do século XXI, 2000, CLACSO and CORTEZ, Sao Paulo, p.45.
Molle W., The economics of European integration, 1994, Dartmouth, Aldershot.
OECD, Regional Integration and Developing Countries, 1993, OECD, Paris, p.22.
[32] OECD, Regional Integration and Developing Countries, 1993, OECD, Paris, p.22.

The first – and most obvious – obstacle is the tariffs set up by a country on imported products, resulting in an increase in the price at which these goods are sold on the national market. This is often used as a tool by governments to protect their national industries from international competition since home produced goods can be sold on the market at lower prices than the imported counterparts. Very high tariffs were often established in Latin American countries in the decades following the Second World War because of their import substitution model of development. This model involves setting up high tariffs on most goods in order to help the development of national industries to give them the time to adapt to international competition before gradually opening borders to outside goods.

The second kind of barrier which a government can create to protect its national industries, and which must disappear in a free trade area, are the non-tariff barriers. These barriers are "whatever administrative, financial, or any other kind of means by which a signatory country unilaterally decides to block or make difficult trade with other countries"[33]. They are thus very various and can be, for example, technical norms (which a product should comply with before it can be sold on the market), sanitary norms for agricultural goods, or administrative procedures which could impede free trade.

The objective of a free trade area is, by eliminating these two kinds of barriers, to facilitate the exchange of goods and services between its member countries. This offers a number of benefits for the members of such an area, such as an increase in production, a reduction of prices, an increase in investment, and more political weight.

A first advantage is an increase in production. Since there are no obstacles between the different markets, the consequence is the creation of a larger market and a boost to demand. Moreover, as explained by the theory of comparative advantage, first formulated by Ricardo in the early nineteenth century[34], each economy will start to specialise production in the fields at which it is best. Each economy will import from its partners the goods it cannot efficiently produce. In a free trade area there are no extra costs for the importation of these goods. The specialisation promotes technological progress and innovation, which in turn increases overall production.

A second benefit is the reduction of prices, which leads to an improvement of the living standard of the population. The decrease in prices is due to scale-economies and the lowering of the unit-cost of production attendant on the increase in production. Moreover, according to the law of supply and demand, an increase in production theoretically implies a reduction of prices, at least in the short term. In the long term, however, according to the theory developed by Say[35], an increase in demand leads to a rise in price, back to the previous level; it is not the price but the quantity of goods produced which is affected.

A third advantage is the attraction of investment to these economies; companies knowing that they will have access to a wide and secured market will more readily invest. This is true for investment of national origin as well as for foreign direct investment (FDI).

Finally, although a free trade area may be an economic creation, there are also political benefits for the member countries. A free trade area will enable a group of countries to have more weight on the international scene since they will adopt a common position. An example of this was the EU during the General Agreement on Tariffs and Trade (GATT) negotiations. There is also often some political capital which can be gained by member governments amongst their own population through establishing a free trade area. In a time of economic

[33] Personal translation from a text found in 2001 on the webpage of the Uruguyan site of the Comisión Sectorial para el Mercosur on: http://www.comisec.gob.uy/mercosur/español/htm/wmerco.htm.
[34] D. Ricardo, On the principles of political economy and taxation, 1817, London.
[35] This theory is encountered in J. B. Say's Traité d'économie politique, 1803, Horace Say, Paris.

crisis it shows that the governments are concerned about the economic situation and that they are taking action to improve it. As Peña points out, "[t]his is the source of Mercosur's mass appeal: sub-regional integration is synonymous with change and the future"[36].

Apart from the important and sometimes insurmountable problem of the loss of sovereignty for member states, a free trade area has two negative aspects. Firstly, because of the elimination of tariffs on intra-regional trade, there is an automatic reduction of state revenue. It follows that, if governments want to continue to provide social services, they either have to raise revenue through indirect taxes (such as Value Added Tax - VAT), this coming from increased production, or they will have to raise the level of direct taxation.

A further disadvantage is described by Viner in his seminal work The customs union issue as "trade-diversion"[37]. Taking a global perspective, Viner considers that the creation of a free trade area does not always have positive effects on trade. While the expansion of trade might occur, which would be beneficial since there would be an increase of global welfare, there might also occur what he calls "trade-diversion". This means that there is no overall increase in trade, the only evolution is a change of trade flows. To illustrate this case of "trade-diversion", a model can be considered with three national economies A, B and C, and a good called 'x'. A and C produce the good x. B imports x from C. If A and B create a free trade area, both will benefit from it since B will import x from A, the good being cheaper because there are no tariffs on the goods. For A, this signifies an increased production of x through a larger market, and therefore reduced unit costs. But in such a case there is no trade creation. This situation has advantages on a regional basis (for A and B), and a loss for C, but there will be no gains from a global point of view[38]; it is a zero-sum game.

The creation of a free trade area is the first step towards integration. Usually, this step does not necessitate the creation of any particular common institutions with any specific competencies. The general decisions made for the benefit of the free trade area can be adopted through inter-governmental negotiations. It is then the responsibility of each country, through its national legislation, to eliminate the barriers that exist in relation to the trade with its partners. However, most free trade areas have a minimal institutional structure, at least to afford an official representation to their members, to facilitate the flows of information between the countries, and to ensure that each government is doing what it should. The institution need not necessarily have the means to coerce a member state into adopting policies, but could be able to inform the other members so they can act accordingly, especially when one state transgresses the rules of the free trade area.

Customs union

The customs union is the second level of integration. Writers such as Willem Molle[39] consider it appropriate to establish a distinction between two sub-levels, the incomplete customs union and the complete customs union[40]. This distinction does not seem too useful. Since all customs union have the same objectives, and sometimes the same policies, they can be considered as a single group.

This second level of integration is built on the first level. In simple terms, a customs union can be defined as "a free trade area plus the application by each partner country of a

[36] Felix Peña in Prospects for the processes of sub-regional integration in Central and South America, 1992, Publisher unknown, Madrid, p.98.
[37] Viner J., The customs union issue, 1950, Carnegie Endowment for International Peace, New York.
[38] This is a personal example describing schematically the concept of trade-diversion as presented by Viner.
[39] Molle W., The economics of European integration, 1994, Dartmouth, Aldershot.
[40] De Almeida-Medeiros M., O Mercosul no limiar do século XXI, 2000, CLACSO and CORTEZ, Sao Paulo, p.45.

common external tariff against all third countries"[41]. Creating a common external tariff means that the governments of the member countries of the union decide to adopt the same tariffs for each good, tariffs which become generally lower than those the member countries had before the creation of the union.

Countries which create a free trade area often decide to proceed to this second level of integration for two reasons. First, this is because it stops the by-passing of tariffs and laws which might happen within a free trade area. To explain this case, it is useful to consider a country A where a company needs to import a good for production, the cost of which is increased by the tariffs imposed by A. A free trade area is set up between country A and country B. If the tariffs set up by B for that good are lower than A's, the company will import the good through B, paying the lowest tariff, and then move the good from B to A without paying anything extra due to the free trade area. Becoming a customs union and adopting a common external tariff, A and B will impose the same tariffs, and the company will have to pay them.

The second incentive for creating a customs union instead of keeping a free trade area lies within the logic of economic integration. One of the reasons for integration is to liberalise trade between the members of the supranational association. It is commonly believed that liberalisation is the best approach to secure economic development. The adoption of a common external tariff provides the member states with external encouragement to adopt tariffs lower than those applied before and signifies a step towards liberalisation.

When moving from a free trade area to a customs union, it is clear that members give away some of their sovereignty since they lose control on the fixing of tariffs. The creation of common institutions often appears more necessary at this stage of integration. These do not have to be all powerful, but need to have the role of facilitating inter-governmental negotiations and helping to harmonise policies between the different member states.

Common market

The third level of integration, based on the preceding one, is the common market. Similarly to a customs union, Willem Molle[42] creates a distinction which does not seem necessary; that of a complete and an incomplete common market. So far, very few regional integration processes have reached this level of integration, the European Union being the most accomplished one.

A common market can be defined as a stage which "extends upon the coverage of a customs union to include the liberalisation of factor movements within the market"[43]. This definition implies the liberalisation of all factors of production such as labour, technology and capital. Member states must eliminate all barriers which exist on the movement of these factors, in order to promote their liberalisation at an intra-regional level. Such barriers are often of a legislative nature and tend to be protective. For example, a government will not be able to have discriminatory laws in order to favour its national labour force compared with that of its partners.

There are many factors which tilt the balance in favour of creating a common market over a customs union. This third stage of integration entails a greater liberalisation, which it can be argued encourages intra-regional competition and offers competitive advantage on international markets. The free movement of labour results in a better division of the labour force and facilitates the spread of knowledge, experience and technical know-how throughout

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[41] OECD, Regional Integration and Developing Countries, 1993, OECD, Paris, p.22.
[42] Molle W., The economics of European integration, 1994, Dartmouth, Aldershot.
[43] OECD, Regional Integration and Developing Countries, 1993, OECD, Paris, p.23.

the region. Free movement of capital is beneficial for the economy since it permits easier investment within the common market.

Such a level of integration being reached, it becomes essential for the member states to constitute a common institutional body. There is indeed a need for ensuring the follow-up of adopted decisions and to guarantee the application of common norms in all the member states. Only independent institutions would have the capacity to play such a role. Inter-governmental bodies, which are often non-permanent, would not be able to deal with all the fields of competence which would come under the jurisdiction of such bodies.

Economic union

The economic union is the fourth and most advanced stage of economic integration. It differs from a common market in the fact that member states would decide to harmonise economic policies. With the gradual establishment of an Economic and Monetary Union (EMU), the European Union is the only example of a process of regional integration well engaged on this path.

There is no economic difference between a common market and an economic union; it is more a political evolution. For this reason, some authors consider that both stages correspond to the same level of integration and do not differentiate between them. "[I]n practice, the distinction between a common market and an economic union is economically unimportant since the mobility of factors in the former creates *de facto* harmonisation pressures which are called for in the latter. […] both terms are used interchangeably"[44]. In spite of this opinion it appears necessary that a distinction should be maintained since the political step which has to be taken by the member states which recognise *de jure* their legislative and political harmonisation cannot be considered negligible.

At this level of integration, the member states need to have a strong institutional body with extended competencies. Such institutions are responsible for guaranteeing the process of integration and, mostly, must have the power to impose regulations, or at least guidelines in their fields of competence to fully harmonise the different national legislations.

Federal union

On top of these four levels generally recognised as stages of integration, a fifth can be added. It is purely theoretical since no countries are engaged in this process so far. This level, which implies political integration on top of economic integration, could be called a "complete union"[45]. By analogy to existing federal states, which it would resemble partially (although existing federations started from a different approach), it seems more appropriate to describe this stage as a 'federal union'.

At this level, the different members give away to some common institutions a large part of their sovereignty, not only on economic matters but also on political matters, for example on foreign policy and defence. Member states would still have some autonomy in most matters but would always be limited by the common institutions, in the same way as a federal state is limited by national or regional institutions.

When taking into consideration the high degree of sovereignty that such a federal union represents, as well as the difficulty with which states consent to the loss of each parcel of sovereignty, it seems that this level of integration might remain theoretical for some time, although it might not be for ever.

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[44] OECD, Regional Integration and Developing Countries, 1993, OECD, Paris, p.23.
[45] This is the term used by W. Molle, The economics of European integration, 1994, Dartmouth, Aldershot.

This second section has described the theoretical and practical differences which exist between the five levels of economic and political integration. As states evolve towards a greater integration, they arguably pass from one level to the next one. In most cases of regional integration, governments try to first complete one level before proceeding to the next one. As such, regional integration can be equated to building a house: it is necessary to start from the first level and to complete each step in order to have a stable and solid foundation on which to construct the next levels.

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This second chapter of the thesis has introduced some of the key concepts related to regions and supranational associations. The following chapter continues by introducing the reader to the two supranational associations studied within the thesis. Chapter 3 explains the reasons underlying the choice of the European Union and of Mercosur and then briefly describes the evolution, the objectives and the institutional structures of the process of integration in each locality.

- CHAPTER 3 -

THE SUPRANATIONAL ASSOCIATIONS:

THE EU AND MERCOSUR

CHAPTER 3. THE SUPRANATIONAL ASSOCIATIONS: THE EU AND MERCOSUR

Having defined the key concepts related to regional integration, it is necessary to conclude the thesis' first part by introducing the two supranational associations studied. A first section below describes the reasons why the EU and Mercosur were selected for study. Two further sections are dedicated to each of these supranational associations and describe the general evolution and the institutional structure of the EU and of Mercosur. It should be noted that these are general descriptions of the EU and Mercosur, and that the more specific issues around the experience of EU regional development funds are discussed in Chapter 7.

THE RATIONALE FOR CHOOSING THE EU AND MERCOSUR

By studying policy transfers between supranational associations, the thesis analyses the extent to which an embryonic supranational association can learn from the regional development experience of a more integrated supranational association. Before the research can begin, it is necessary to explain the rationale which underlies the selection of the European Union and Mercosur as the two supranational associations to be studied. This first section explores this issue before it moves on to look at both the EU and Mercosur in greater detail.

The choice of the European Union as the example of the more integrated supranational association to be looked at in this study was easy to make. The EU is one of the oldest and, so far, the furthest developed in the process of regional integration in the world. Indeed, compared with other supranational associations, the EU has had a relatively long history of integration and has gained much experience in diverse fields of common policies. Since the EU has been implementing regional development funds for the past few decades, an historical perspective can be taken in the analysis and assessment of these funds. Moreover, this regional development experience having been thoroughly researched and documented, a sufficient quantity of material is available about these activities.

While discussing the development of regional policies in Russia, Artobolevskiy highlighted different reasons because of which he considered that "western regional policy" could be an example. Among these reasons, two can clearly read across and support the use of the EU as an example for Mercosur:

> "[I]n the course of the operation of regional policy over 60 years, virtually every possible problem and type of territory has been encountered. The regional problems in Russia are not fundamentally new and unique, and western counterparts can easily be found for the majority of them (although clearly not all). […]
>
> [A] range of 'success stories' can be included on the 'credit side' of western regional policy: the decentralisation of the largest agglomerations; the development of new towns and other growth poles; the economic growth in a number of depressed areas. Even the failures of regional policy – such as the development of certain depressed and underdeveloped territories – are of great practical interest. The underlying reasons for the failure can be established, or an understanding can be gained from the impossibility of economic growth in certain types of territory even despite the provision of state assistance."[46]

[46] Artobolevskiy Sergey, Regional policy in Europe, 1997, Regional Policy and Development n°11, Regional Studies Association, Jessica Kingsley Publishers, London, p.144.

The choice of the second, less integrated, supranational association was more difficult to make since there are more eligible candidates. Two main criteria were considered when defining which supranational association should be studied. Firstly, such an association needed to have been created recently so as to be in the first stages of its process of integration. Had it been another highly integrated supranational association, much experience would already have been accumulated. There would therefore be less value in exploring the benefit to be derived from the experience of learning from another supranational association.

The second criterion to take into account was that this supranational association, in spite of its youth, had to be pursuing a process of integration. A regional development fund (RDF) cannot be adopted by all types of supranational association since there needs to be a minimal common institutional structure with enough power to set up regional policies. A supranational association pursuing a process of integration which only aims to create a free trade area – such as the North Atlantic Free Trade Area for example – had to be discarded.

The Common Market of the South, the *Mercado Común del Sur* – Mercosur, perfectly matched these two criteria. Created in 1991, it is still in the early stages of integration. However, as its name suggests, it aims to create a common market. So far, and in spite of the recent crises, this supranational association seems successful, at least compared with the previous initiatives which have been adopted by Latin American countries over the past five decades. As this process of integration proceeds, the need for a RDF might become necessary in this part of the world where economic disparities are more considerable than in the European Union. Since Mercosur countries are inexperienced in this field, it might be advisable for these countries to consider the funds which have already been established by other supranational associations. They will be able to learn from this past experience.

Mercosur corresponds to these two essential criteria. However, it also offers an advantage for this research in the differences it has vis-à-vis the EU. Indeed, the EU can be characterised as a large supranational association of fifteen industrialised members, at present, whereas Mercosur is only composed of four members and two associated countries, all of them emerging economies. Moreover, whereas the EU possesses institutional structures which are competent in a number of fields at adopting common policies which are automatically implemented in member countries, the Mercosur institutions are for the time being very light and have no autonomous decision-making procedures. All its policies are decided during inter-ministerial meetings and are applied by each state according to its own national rules.

As will be shown in the policy transfer framework developed in Chapter 6, these dissimilarities have to be taken into account because they might render the adoption, even after adaptation, of the EU experience of regional development funds to Mercosur more difficult. However, these differences also give a broader scope to the use of the results of this research. If they highlight certain RDF characteristics which can be applied in Mercosur as well as in the EU, although a few modifications might have to be made, they might also be suitable for adoption by other supranational associations.

A final reason for choosing these two supranational associations is the fact that, since the creation of Mercosur in 1991, its members have often been inspired by the previous experience of the EU. The latter has also supported Mercosur institutions by sharing its know-how on diverse problems in relation to integration. For example, on the 29th of May 1992 representatives from the Commission of the EU and the Mercosur Council signed an Inter-institutional Cooperation Agreement, providing for the creation of a Joint Advisory Committee to set up ways for the EU to share its knowledge on integration through training and technical assistance. This support is also financial. The following year, on the 30th of July 1993, the European Commission decided to give Mercosur 3.95 million ECU to provide for institutional support, training, and information on the importance of regional integration procedures.

THE EUROPEAN UNION

This second section aims to present enough information about the European Union to give a minimum understanding of its establishment, its institutions, its objectives and its instruments[47]. The EU being so complex it could be, and has been, the topic of a series of books. Since the EU itself is not the topic of this thesis, it is only necessary to consider the most essential elements that need to be known for a basic understanding of this supranational association and its powers.

The origins of European integration

The idea of integrating the economies of European countries goes as far back as the fourteenth century when Pierre Dubois proposed the creation of an European Confederation. This concept reappeared in the seventeenth century with William Penn and at the end of the nineteenth with Proudhon.

However this project had to wait until the post world war two period to become reality. At that time there was a spirit of internationalism among the Allies, which led to the creation of international organisations such as the United Nations and the International Monetary Fund. Moreover, European countries had to cooperate to benefit from the financial aid offered by the US in its Marshall aid plan.

Within this environment, on the 9th of May 1950, the French Foreign Minister Robert Schuman made a declaration in which he invited Germany and other European countries to form a common market in coal, iron and steel[48]. The reasons underlying this declaration were both political and economic. The aim was to stimulate economic growth through heavy industries as well as to tie all the member countries' output in such a way that that of Germany could never be used again to wage a war. In his declaration, Schuman considered that this European integration should be progressive and that it might include other areas of production and other members. Even though Germany was the principal addressee of this speech, Schuman did not fix any frontiers to his idea of an integrated Europe.

Following this event, on the 18th of April 1951, France, West Germany, Italy, Belgium, Luxembourg and the Netherlands signed the Treaty of Paris instituting the European Coal and Steel Community (ECSC). The treaty came into force on the 25th of July 1952. The UK had been invited to join but refused, mostly because it rejected the idea of transferring some of its sovereignty to a supranational institution.

This Treaty instituted a supranational administration called the 'High Authority'. This was to control the customs union that had been created for these products. The general policies and objectives of the High Authority were defined by a Council of the Community, composed of a representative of each member state, and by what can be seen as an embryonic European Parliament. There was also an European Court of Justice which was to operate in cases of legal problems arising from the implementation of the laws of the Community.

The High Authority had the power to dictate quotas on national output to regulate production and to establish a range of prices; it also had to guarantee competition in these products was free. On top of this role, it adopted two types of policies to alleviate the

[47] Details about the evolution of the EU, described in the second section of Chapter 3, can be encountered in most publications related to the EU. For example:
Archer C., Butler F., The European Community, Structure and Process, 1992, Pinter Publishers, London, p.200.
Molle Willem, The economics of European integration, 1990, Dartmouth, Aldershot, p.547.
Moussis Nicholas, Access to European Union law, economy and policies, 9th edition, 1999, European Study Service, Rixensart (Belgium), p.584.
[48] The full text of the declaration can be encountered on www.europa.eu.int. It was downloaded in 2000.

unemployment caused by the closure of mines: re-adaptation (training and re-housing of redundant workers) and re-conversion (encouraging investment and the creation of new industries in mining area). Between 1954 and 1965, US$98 million were spent on the re-adaptation of 315,000 workers, while funds for re-conversion summed to US$104 million between 1961 and 1967[49]. These payments were generally matched by the national authorities concerned. It can be considered to represent the beginning of an European regional development fund.

The European Communities

After the establishment of the ECSC, the six member states attempted to create an European Defence Community and an European Political Community, but both failed, mostly due to French reluctance. However, in 1955, negotiations were started with the intention of forming a common market and an atomic energy community. These talks were successful and led on the 25th of March 1957 to the signing of the Treaty of Rome by the six ECSC members[50]. The treaty came into force on the 1st of January 1958.

The Treaty of Rome led to the existence of three separate but parallel communities: the ECSC for coal and steel; Euratom for atomic energy, its official name being the European Atomic Energy Community – EAEC; and the European Economic Community – EEC – for the creation of a common market among 'the Six'.

To achieve this common market, the member states agreed to reduce progressively their internal tariffs on all goods in order to reach duty-free trade within the customs union. This was completed in 1968. Non-tariff barriers were to disappear through legal and administrative harmonisation. Moreover, the 'Six' agreed on a common external tariff which was set at approximately the average of their individual rates.

The EEC promoted a free market and competition for almost all goods, with one noticeable exception, that is agriculture. Since this sector represented a substantial part of national income and employment, it was strongly protected by a Common Agricultural Policy (CAP). Among other aspects, this policy guaranteed high domestic prices, strong protection against imports, and quotas to limit overproduction. In theory, it was and still is a form of regional policy to help backward rural areas.

The Treaty of Rome provided for the creation of a large institutional structure with a number of powers. At the beginning, each Community was administered separately, at least until the Brussels Treaty of the 8th of April 1965 which merged the three executive bodies. Consequently, after 1965, there were only four institutions. Firstly, the Council of Ministers, which was the policy-making body. It was composed of the representatives of the member governments and was responsible for deciding the main political guidelines for the action of the European Communities. Secondly, the European Commission, which succeeded to the High Authority, was the executive organ, responsible for the implementation of the policies decided at the European level. It was composed of independent administrators nominated by the Council of Ministers. Thirdly, the European Parliament was there to represent the interests of the people but had very few powers. It was composed of representatives elected by the Parliaments of the member states. Finally, there was a Court of Justice of the European Communities which was there to solve any legal problems which might arise from the implementation of European decisions. Since this structure has been modified, it is not further detailed, so as to describe only the latest and still existing institutions.

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[49] Hallett Graham, Randall Peter, West E.G., Regional Policy for ever?, 1973, p.64.
[50] Once again, UK had been invited to join and participated in the negotiations, but finally did not sign the Treaty.

In the early 1970s the EC went through a first wave of enlargement. On the 1st of January 1973, three member states of the European Free Trade Area (EFTA)[51] joined the original 'Six': England, Ireland and Denmark. Negotiations were intense for this wave, especially with regard to the UK since it asked for a number of concessions. Two series of talks had previously failed, in 1962 and 1967.

The second wave of enlargement took place southward. Greece entered the EC on the 1st of January 1981 and was shortly followed by Spain and Portugal on the 1st of January 1986. This new enlargement was of a different nature from the previous one since it concerned relatively poor countries and new democracies. As it will be discussed further down in Chapter 7, this became a significant milestone in the process of establishing European regional development policies. With the accession of these countries, the common institutions needed to strengthen existing policies with new means to help the development of the backward internal regions of the new members.

The Single Market

The early 1980s saw a pause in the process of European integration. National economies were still stagnating after the two oil shocks of the 1970s, and so the representatives in the Council of Ministers were more preoccupied by their national problems. Moreover, the process of integration itself seemed to have reached a hiatus since the achievements were less than the hopes aroused by the Treaty of Rome.

To counter this downturn, the European Commission, more independent from local concerns, started to reflect on the need to renew integration. In 1985, Commissioner Lord Cockfield proposed in a White Paper a programme aiming to complete the European internal market by the end of 1992. Even though these propositions consisted in a larger transfer of sovereignty from national to European institutions, they were accepted by the member states. The Single European Act (SEA) was signed on the 17th and 28th of February 1986, in Luxembourg and The Hague. It became effective in 1987.

This treaty revised the existing dispositions in relation to the European Communities, creating one European Community, and included new resolutions for the creation of more political cooperation among member states. In particular, it made official the periodic meetings of Heads of Governments of the member states[52] that had been taking place since 1974. These meetings became the European Council.

It also aimed to improve the decision-making procedures within European institutions. For example, it recognised the abandonment of unanimity voting, which had prevailed until then within the Council of Ministers, for a system of qualified majority or normal majority voting for most decisions[53].

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[51] The EFTA was created in 1960 by European countries favourable to free trade but hostile to supranational institutions: Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and UK. It installed a free trade area for manufactured goods and a few primary goods.

[52] The French President is the only Head of State to participate in this meeting (the other countries are represented by their Head of Government). This is due to a French peculiarity: since 1870 the President heads the weekly Council of Ministers. The French Prime Minister is sometimes invited to the European Council, especially in periods of cohabitation, that is when the French President and Prime Minister are from different political parties, as was the case in 1986-1988, 1993-1995, and 1997-2002.

[53] The principle of equal sovereignty was abandoned to take into account the differences existing between the member states. Each state represents a certain number of votes to give it more or less weight reflecting its size. Germany, UK, Italy and France have 10 votes; Spain 8; Belgium, Portugal, Greece and The Netherlands 5; Sweden and Austria 4; Ireland, Denmark and Finland 3; and Luxembourg 2. To accept a proposition of the Commission, the Council of Ministers should reach a minimum of 62 votes out of the 87 possible. To adopt any other decision, the same quota is required, but those 62 votes should represent at least ten member states.

But the principal objective was of course economic since the SEA aimed to complete the European internal market to create a common market. It therefore confirmed the necessity to remove all barriers which hindered the “four freedoms of movement”, those of goods, services, capital and people. Indeed, in 1985 there were still a considerable number of obstacles to such movement. Non-tariff barriers were limiting the movement of goods, such as internal customs formalities and different technical standards. There were distortions to competition because of state aids to industry and public purchases which favoured the home over the European market. Finally, national legislation in relation to the market was very different among member states; the use of indirect taxes, laws relating to companies and banks, problems of trade marks, and so on. To solve these problems the SEA provided for the increased harmonisation of national regulations. Each member state was to recognise the others’ rules and to eliminate all contradictions.

The European Union

In the early 1990s, under French and German influence, the European Community went through another evolution. France was urging for the creation of an European Monetary Union, which the Germans would only accept if it were to go hand in hand with deeper political integration. The Treaty resulting from these negotiations was signed by the member states in Maastricht on the 7th of February 1992 and became effective on the 1st of November 1993. This step is the last significant milestone for European integration since it not only completed the Treaty of Rome, which had already been amended by the SEA, but extended it with new roles and consolidated institutions. To highlight the rupture it represented compared to the Treaty of Rome and the SEA, it gave a new name to the process of integration. The term European ‘Community’ was abandoned for that of European ‘Union’ (EU).

This European Union went through a new phase of enlargement on the 1st of January 1995 with the entry of three other EFTA countries into the European Union: Austria, Finland, and Sweden. After negotiations were started for their accession, Norwegian and Swiss electorates refused to join the EU[54].

New objectives for a deeper integration

The 1992 Maastricht Treaty was innovative in a number of ways since it stated that the final aim was to create an European Political Union. To facilitate this political integration, two new pillars were added to the earlier European Community, which includes the three historic communities (see Figure 3.1 below for a schematised description). The first being a common policy for external relations and security matters (the Common Foreign and Security Policy – CFSP), as well as the harmonisation of judicial and home affairs (Community of Home and Judicial Affairs – CHJA)[55].

Those two new branches of the EU are still in their early stages of implementation, especially the CFSP. Indeed, it is only recently that the Spaniard Javier Solana has been designated as the first ‘Mr. CFSP’ to head this Common Foreign and Security Policy, even though his role and competencies are still rather vague. Moreover, as was shown during the recent Yugoslav conflict, it is very difficult for all the member states to reach a common position. The CHJA is also a difficult task since it implies the harmonisation of national legislation, especially on matters related to immigration and refugees, which are a very sensitive topic for European countries.

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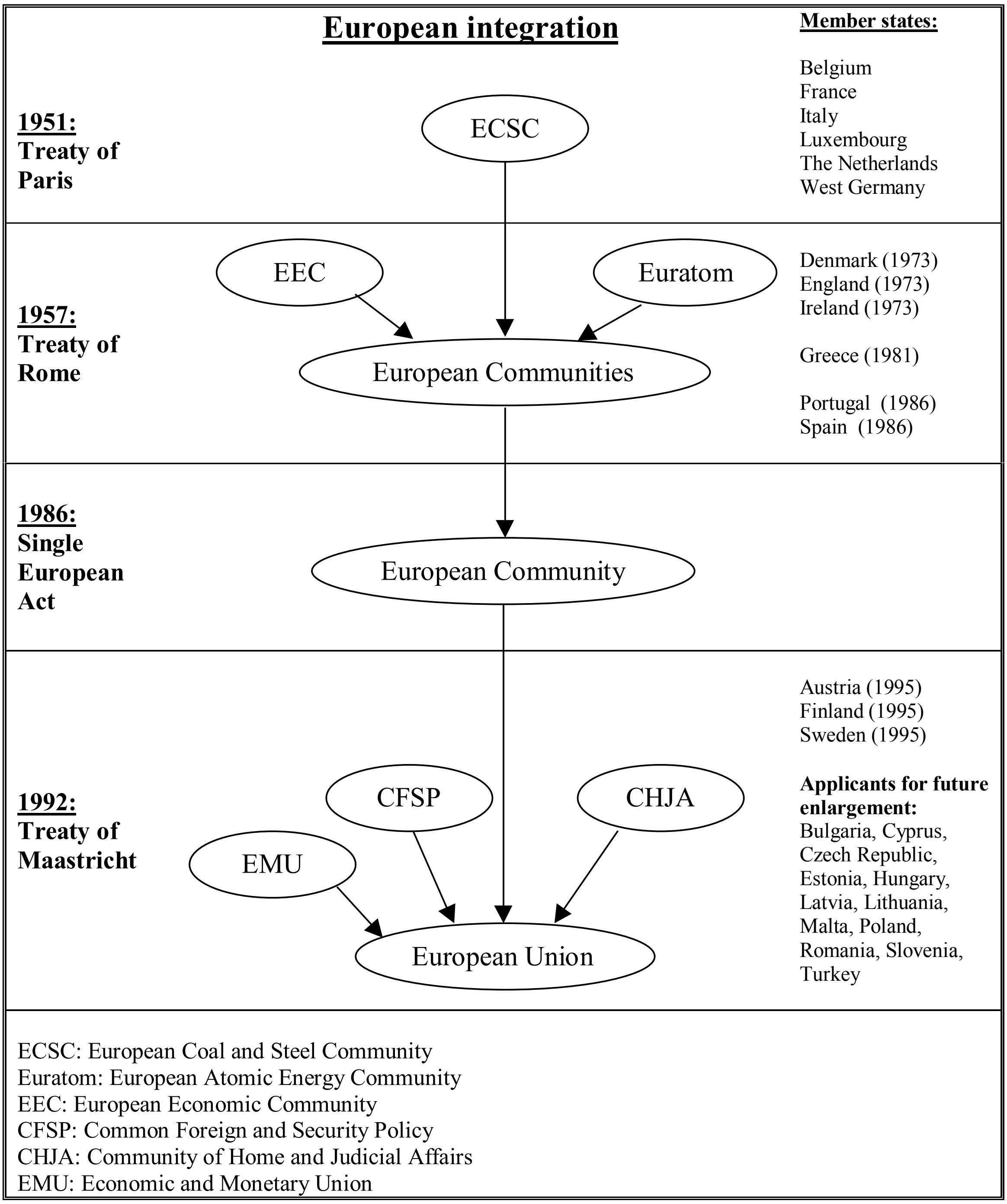
[54] Despite its constitutional limits ,which ensure its neutrality by prohibiting its membership to international and supranational organisations, Switzerland had indeed started negotiations to join.

[55] Respectively articles J. and K. of the 1992 Treaty.

Another major characteristic of the Maastricht Treaty is its objective of creating an Economic and Monetary Union (EMU). Since 1969 there have been a number of projects to fix exchange rates and to evolve towards a single currency. However they have all failed. So far, this EMU is rather more successful since the 'Euro', the single currency, has been used since 1st of January 1999 in the countries which have joined the EMU, although it was only in mid-February 2002 that national currencies were definitively abandoned for the Euro. Four EU members (Denmark, Greece, Sweden and UK) did not take part in adopting this common currency. This is either because they could not, since to enter the EMU there are five strict criteria that need to be adhered to, or because they did not want to. The UK is an example of the latter category. It is attached to its currency and prefers to 'wait and see' whether it is advantageous for it to join. The establishment of the EMU is supported by the creation of an European Central Bank which has been instituted to ensure price stability. It is directed by a Governing Council composed of six members of the Executive Board and the governors of the Central Banks of the eleven EMU members.

Figure 3.1. A schematised history of the European Union[56]



The institutional structure

The Maastricht Treaty adopts the same administrative structure as defined in 1957 and 1986, but it enlarges and specifies the competencies of each body. The European Union has five main bodies, each of them representing a specific aspect of EU authority and having well defined powers[57]. These are the Council of Ministers, the European Council, the European Commission, the European Parliament and the European Court of Justice. There are also two

[56] Schematised summary of European construction made by the author.
[57] For more detailed or updated information on the institutional structure of the European Union, please check its website: www.europa.eu.int.

smaller consultative bodies, the Economic and Social Committee and the Committee of the Regions.

The Council of Ministers is the decision-making body. It fixes the principal guidelines for action. It is composed of a representative from the government of each member state. Its composition varies in relation to the agenda. There are Councils of Ministers of Foreign Affairs, of Agriculture, of Industry, and so on. The presidency of the European Council changes every six months (art.146.2) with each member state taking a turn. It is possible for a member state deliberately to miss its turn of presidency, as Portugal did for its first turn. The presiding state is expected to give impetus to the development of the EU, and it usually tries to promote policies which it considers important.

The majority voting system installed by the SEA has been maintained. Only 62 votes out of 87 are necessary for the adoption of a proposition. Unanimity voting is only required in three cases:

1. For matters of a constitutional character such as the mode of election of the Parliament (art.138.3); agreements with third countries (art.238); or the official EU languages;
2. For matters highly sensitive to member states such as the tax system (art.99 and 100A); socio-economic cohesion (structural funds); and environment or research;
3. To order a pause in the progress of integration or to reverse this in areas related to the free movement of capital (art.70); transport (art.76); or state subventions (art.9).

The European Council can be compared to a special Council of Ministers, when the Heads of States meet, generally twice a year. It nonetheless has to be considered separately because of its specific characteristics. First, it was not part of the original institutional structure, but was added later on. Secondly, it brings together the most important national authorities to discuss a wide range of topics, thus promoting cooperation at the highest level. It can also ask the Commission to propose policies to the Council of Ministers so they can be adopted by this institution, or adopt decisions on its own. For example, it is the European Council which launched the European Monetary System by a decision in 1978. Finally, it has a role of arbitration and can solve problems in the cases where no consensus can be reached at lower levels of decision-making. At first this body had difficulty in finding its place in the original structure because it took away some of the competencies of other bodies, such as the Council of Ministers and the Commission, but it is now well integrated.

The third institution of the EU is the European Commission. It is currently composed of twenty Commissioners appointed by the member states for a five-year term which can be renewed. The Commissioners are each responsible for one or more areas of European policy, for example agriculture or foreign affairs. They are responsible as a group to the European Parliament which has to approve each new Commission and which can provoke the resignation of all the Commissioners, with a qualified majority of two thirds. This has only happened once so far in March 1999.

Being a permanent institution, independent from the member states, the Commission represents the common interest of the EU as a whole and not the interests of the different member states. The Commission has consequently four main roles:

1. The Commission is the only body able to initiate EU policy. This it does by proposing decisions to the Council of Ministers. Even though the Council of Ministers, as well as the European Parliament, might ask the Commission to prepare a proposition on a

specific topic, respectively art.152 of the Treaty of Rome and art.138B of the Treaty of Maastricht, the Commission is responsible for its content.

2. The Commission guarantees the implementation of the decisions and the application of the Treaties within member states (art.169 of the Treaty of Rome). Whenever necessary, it can ask the Court of Justice to settle a legal matter.
3. Since the SEA, the Commission is the principal holder of the executive power. However, the Council of Ministers has a few competencies of execution in sensitive fields.
4. The Commission possesses a status recognised by international law. In specific fields, it can represent its member states in international negotiations and sign agreements with third countries. It also maintains a diplomatic representation within 105 countries.

The fourth common institution of the EU is the European Parliament (EP). This represents the interests of the people within the process of integration. Currently, since the most recent enlargement, there are 626 European Deputies who represent the population of the fifteen member states[58]. At first, these Deputies were elected by national Parliaments. At present, according to art.138.3, there is a uniform voting system by universal suffrage. However this is not fully operational and procedures still vary from one member state to the other. The President of the EP is elected at the beginning of the term of office of the Parliament, with an alternation after two and a half years after agreement between what are the two main political groups in the Parliament[59].

The European Parliament faces difficulties that its national counterparts do not experience. It recognises and operates in eleven official languages. Moreover, since unanimity has never been reached on its location, it is split between Strasbourg, where the Parliament meets; Brussels, where it meets in commissions or political groups; and Luxembourg, where its General Secretariat is located.

In the beginning, the European Parliament had very few responsibilities. These were gradually increased through different reforms and the successive treaties. Currently, it has powers in three main areas. First, in conjunction with the Council of Ministers and the Commission, it participates in the elaboration of European decisions. There are four very complex procedures which describe the progress of proposals between the three bodies until their adoption. Depending on the type of proposals, Parliament has a role of consultation, of amendment, or of co-decision with the Council (art. 189).

The EP also plays a significant role in the adoption of the EU budget[60]. It participates in the definition of the budget, but only has the final say on non-obligatory expenditures (art.203). The Commission fixes a rate of marginal augmentation to control the budget, a rate which can only be increased if there is an agreement between the Council and the Parliament (art.203.9). Lastly, the Parliament can reject the budget. In such a case, until an agreement is reached, European institutions work on a month-to-month basis. Each month they can only spend a twelfth of their previous budget (art.204). The budget is relatively small. In 1995 it

[58] Belgium has 25 deputies, France 87, Germany 99, Italy 87, Luxembourg 6, The Netherlands 31, Denmark 16, Ireland 15, England 87, Greece 25, Portugal 25, Spain 64, Austria 21, Finland 16 and Sweden 22.

[59] When the European Deputies met the first time, they sat according to political affinities and not nationalities. As a result, there are two main political groups: the European Socialist Party and the European Popular Party.

[60] EU institutions acquired budgetary independence from their member states by disposing of their own revenues. These were provided for by art.201 of the Treaty of Rome, but were only defined by a decision of the Council of the 21st April 1970. They are the revenues from customs, agricultural contributions (difference between national and international agricultural prices that needs to be paid by an importer of world agricultural products), a percentage of Value Added Tax in each member states, and since 1988, a percentage of the GDP of each state.

represented a total of 89 billion ECU, which is around 2% of national budgets. However, this gives some significance to the Parliament since it has an indirect right of access to most policies adopted at the European level, including those decided by the European Council.

The third and last main competence of the European Parliament is its role of control. Like its national counterparts, the Parliament disposes of specific procedures which enable it to pose questions to the executive. Moreover, it can set up commissions of investigation if this is required by a quarter of its members (art.138C). Finally, as seen recently, in March 1999, it can force the Commission to resign.

The European Court of Justice (ECJ) is the fifth body of the EU institutional structure. It is composed of fifteen judges, each one being appointed by a member state, and nine attorneys (art.164s). The judges are nominated for a renewable term of six years, the Court being partially changed every three years. The President of the Court is elected by the judges for three years but has no particular role to play in the operation of the ECJ.

This institution so far has limited powers. Its only, but essential, role is to ensure "the respect of law in the interpretation and the implementation of the Treaty" (art.164). Only the member states or the European Parliament can present a case to the ECJ. The Commission can only do so when states do not respect their commitments and refuse to obey in spite of the warning of the Commission (art.169). This was recently the case in 2001 when France refused to lift its embargo on British beef. The judgements of the Court of Justice are mandatory for everybody. It also has the right to fine states if governments do not comply rapidly with the orders of the Court.

The Court has competence for all matters related to the three European Communities, to the CHJA, and for articles L to S of the Treaty (art.L). It follows that it is not responsible for matters relating to fundamental rights which are stated in articles A to F. In spite of these limits, the Court has increased its power through constructive judgements in which it extrapolates from a particular situation to cover other aspects of law. This was for example the case in the judgements given on the affairs of 'Van Gend en Loos v. Nederlandse Administratie der Belastingen' a case heard on 5th of February 1963 in which the ECJ recognised the direct effect of Community law on national legislative systems. A further example is the case heard on 15th of July 1964, 'Costa v. ENEL', which established the principle of the inherent supremacy of Community law over national law.

On top of these five main institutions, there are two smaller bodies that need to be briefly described since they can play a role in regional development. These are the Committee of the Regions (art.198B) and the Economic and Social Committee (art.196). Both were created to allow the representation of their respective interests at the European level. The first Committee has been the result of the increasing significance given to internal regions within EU policy, especially in countries which have a federal structure, such as Spain and Germany. It replaced in 1993 the existing Consultative Council of Regional and Local Authorities. It is composed of 222 members, and 222 alternates, which are elected or appointed members of local or regional bodies[61]. The Committee of the Regions is consulted by the Council and the Commission on issues related to education and youth; culture; public health; trans-European networks; employment policy; social policy; environment; vocational training; and transport. The Economic and Social Committee is there to represent the interests of socio-economic actors at the European level. Both Committees have a marginal direct importance since they only have an

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[61] Williams R.H., European Union spatial policy and planning, 1996, Paul Chapman Publishing Ltd, London, pp.43-45.

advisory and consultative role. However, they are the domain of pressure groups which influence indirectly the policies adopted by the other decisional bodies.

From the above description, it can be concluded that it appears that the European Union is the outcome of a process of integration which has been afforded by its member states a large institutional structure and a considerable number of competencies through the transfer of sovereignty to administer its affairs. This has not been the case for Mercosur.

MERCOSUR

Mercosur has relatively recently been established (1991). It therefore has undergone a less complex evolution than the European Union. The analysis of its main constitutive treaties allows the description of its objectives as well as the institutional structure and the instruments it has been endowed with.

Since the Second World War there have been many attempts at economic integration between the different countries of the Latin American continent. The best known attempts are the Latin American Free Trade Association (LAFTA), the Central American Common Market (CACM), the Andean Pact and the Caribbean Community (CARICOM)[62]. Most of these attempts have failed, or at least have not achieved all the objectives which had been established by their constituting treaties. However, they show the real interest of Latin American governments in regional integration. Moreover, participation in regional integration processes has been considered positive for their national economies both according to the import-substitution model of development[63] and to the liberal models which were adopted in Latin America over the second half of the twentieth century. These attempts at integration were also facilitated by the relative cultural and linguistic homogeneity of this region[64].

This Latin American interest paved the way for the creation of Mercosur. The Treaty of Asunción which created Mercosur in 1991 makes an explicit reference in its preamble to the development of regional integration in Latin America and to the inclusion of Mercosur within the framework established by the Latin American Integration Association (LAIA) in its 1980 Treaty of Montevideo[65]. The LAIA is a 'nursery' where countries are given help, advice and a framework in order to assist them in creating, maintaining and developing regional integration initiatives. The LAIA is thus either described as a "'common house' for all the economic integration processes under development in the region"[66] or as "a social club

[62] The LAFTA treaty was signed on the 18th of February 1960 and later replaced by the Latin American Integration Association (LAIA) on the 15th of August 1980. The CACM was created on the 13th of December 1960; the Andean Pact on the 26th of May 1969; and the CARICOM agreement was signed on the 4th of July 1973.
[63] This model of development implies setting up high tariffs on most imported goods in order to help the development of national industries and to give them time to adapt to international competition before opening the borders to outside goods. The creation of a free trade area reinforces this distinction between the goods produced inside the area and those from the outside.
[64] Unlike the members of the European Union who have to deal with eleven different languages, Mercosur members only have to handle Spanish and Portuguese which are very similar.
[65] LAIA members are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela.
[66] Prospects for the processes of sub-regional integration in Central and South America, 1992, Publisher unknown, Madrid, p.99.

dedicated to the development of integration"[67]. The Mercosur Treaty is consequently registered by the LAIA as the 18th Economic Complementarity Agreement (ACE n°18)[68].

In order to have a full understanding of Mercosur, it is necessary to go back to the series of economic cooperation agreements adopted by the governments of Argentina and Brazil between 1985 and 1991, since they comprise the backbone on which Mercosur was built. Once these various agreements have been described, it is then possible to analyse the Treaty of Asunción, by considering the objectives set by the members, as well as the institutions and the instruments established to achieve these objectives. Finally, in order to obtain a complete picture of Mercosur, the two additional Protocols of Brasilia and Ouro Prêto which modify substantially the Treaty of Asunción are looked at.

Cooperation between Argentina and Brazil in the 1980s

Mercosur is the result of the deepening of the integration process which was started between Argentina and Brazil in the mid-1980s. During most of the nineteenth and twentieth century, the relations between these two countries had been marked by a strong rivalry over which would play the role of regional power in Latin America[69]. These tensions often led to diplomatic disputes, such as the one resulting from the Itaipu Hydroelectric Project in the 1970s[70]. In the mid 1980s, after decades of dictatorship, democracy returned in these two countries. Raúl Alfonsín Foulkes and Tancredo de Almeida Neves were respectively elected in Argentina on the 10th of December 1983 and in Brazil on the 15th of January 1985. Following this democratisation, military, security and strategy matters were given a secondary importance compared to the economy, finance and trade, which then enabled the consideration of economic cooperation between the two countries[71].

In November 1985, the Presidents of Argentina and Brazil, the deceased Tancredo de Almeida Neves being replaced by his former Vice-President José Sarney, met and decided to develop cooperation between their two countries. This was given status in a Declaration of Political Intention.

The following year, in July 1986, a Programme of Integration and Cooperation between Argentina and Brazil (PICAB) was signed, which is the first step towards the future creation of Mercosur. The objective of this programme was to establish a gradual and flexible integration between the two economies. This was done through specific agreements being made for each industrial sector, and to help improve their international competitiveness through scale economies. It was a framework treaty which aimed to facilitate the conclusion of other agreements that were to be negotiated on a sector-by-sector basis; no common bodies or policies were created. Between 1986 and 1988, within this framework, twenty-two protocols were signed between Argentina and Brazil concerning different economic areas

[67] Personal translation from C. Vaitsos, Crisis en la cooperación económica regional, 1978, ILET, Mexico, p.19.
[68] For a complete list of all the Economic Complementarity Agreements registered by the LAIA, it is possible to consult their webpage at: http://www.aladi.org/. This information dates back to early 2000.
[69] For example, just after their independence in the early nineteenth century these two countries went to war against each other for the control over Uruguay.
[70] Paraguay and Brazil had a common project to create a hydroelectric plant on the Paraná River at Itaipu. This decision, taken without the consent of Argentina, affected the latter's own plans for hydroelectric projects on the river.
[71] This idea of the important role of democratisation for regional integration has for example been developed by A. Vasconcelos, Director of the Portuguese Instituto de Estudos Estratégicos e Internacionais in his article entitled 'The prospects for Mercosur: some remarks', published in Prospects for the processes of sub-regional integration in Central and South America, 1992, Madrid, p.123-129.

such as agriculture, capital goods, automotive industries, nuclear industries, and biotechnologies[72].

A new step was taken by Argentina and Brazil when their governments signed in November 1988 a Treaty of Integration, Cooperation, and Development. Indeed, with this treaty, it was decided to go further than just pure economic cooperation and to start a process of regional integration. The objective of the treaty was the creation within ten years of a common market between the two countries. This agreement stated that the two countries were to proceed step-by-step. They first were to establish a free trade area by reducing progressively taxes and tariffs on bilateral trade, and then to create a common market. This was approved by both National Parliaments in August 1989.

In July 1990, the two newly elected Presidents of Argentina and Brazil, namely Carlos Menem coming into power in Argentina in May 1989 and Fernando Collor, elected in Brazil in December 1989 and replaced by José Sarney in 1990, adopted the Buenos Aires Act. In this Act, they ratified the 1988 Treaty of Integration, Cooperation and Development, but modified it substantially. They reaffirmed the aim of creating a common market, but cut the deadline by four years. The bilateral common market was to be effective by the 31st of December 1994. It was also decided at that time to invite Chile, Uruguay and Paraguay to join the process of regional integration. Chile refused the invitation because it was hoping to negotiate some agreements with the US and Canada, hoping to be part of what became the North American Free Trade Area (NAFTA).

The last step prior to the creation of Mercosur was taken in November 1990 when an Economic Complementarity Agreement was adopted by Argentina and Brazil[73] as a consequence of the Buenos Aires Act. This agreement provided the technical steps which were to be adopted by the two countries in order to achieve the creation of a free trade area. It planned a 40% cut in tariffs on bilateral trade with automatic reductions every six months until a zero tariff was reached by the 31st of December 1994. Exceptions were agreed by both governments on a number of products, the number of which had to be reduced by 20% each year. Non-tariff barriers were also to be eliminated by the end of 1994. The measures stated in the Economic Complementarity Agreement were to be implemented as soon as January 1991 by each of the two countries.

The Treaty of Asunción

On the 26th of March 1991, after the conclusion of negotiations between the governments of Argentina, Brazil, Paraguay and Uruguay, the Treaty of Asunción, the constitutive treaty of the *Mercado Común del Sur*, was signed. It came into force on the 29th of November 1991 and is valid indefinitely. The analysis of this treaty below is threefold. The main goals assigned by the signatories are enumerated before the institutions and the instruments set up to achieve these objectives are described.

Objectives

The Treaty of Asunción establishes a period of transition which was to last until the effective creation of the common market on the 31st of December 1994[74], the main objective of Mercosur. In the first article of the treaty there are four examples of intermediate goals, these giving hints at the kind of instruments Mercosur was to have at its disposal, and which constitute first steps towards the common market:

[72] Mytelka L., South-South cooperation in a global perspective, 1994, OECD, Paris.
[73] This agreement has been registered by the LAIA as ACE n°14 on the 20th of December 1990.
[74] Article 3 of the Treaty of Asunción.

1. "The free movement of goods, services and factors of production between the countries […];
2. The creation of a common external tariff and the adoption of a common commercial policy applied to third countries or groups of countries, as well as the coordination of policies in regional and international meetings relative to trade and economy;
3. The coordination of macroeconomic and sector-based policies between the members on external trade, agriculture, industry, fiscal, monetary […] in order to ensure equal conditions of competition between the member states;
4. The commitment of the member states to harmonise their legislation in the necessary fields in order to consolidate the process of integration"[75].

The Preamble of the Treaty also enumerates some of the objectives the four countries hoped to achieve as a result of regional integration and the accomplishment of a common market. The first paragraph states that integration will allow an enlargement of their national markets, which is fundamental "to accelerate their process of economic development with social justice". Mercosur is also a means for its members to strengthen their position on the international scene, especially in relation to the economy, at a time when large economic zones are being created[76]. In the sixth paragraph, the member countries consider that Mercosur is a means to "promote the scientific and technological development of the member states and to modernise their economy to increase the supply and the quality of goods and services available in order to improve the living conditions of their population"[77].

These objectives can be encountered frequently within other supranational associations. But what is striking in the case of Mercosur is the short timetable established by the members. Such rapidity is mostly explained by the existence of a strong political will in each member state, as well as by the lessons learned from the integration of the European Union and from the past attempts at regional integration in Latin America. Concerning the rapidity of this integration, Peña, the Argentinian Under-Secretary for Integration, wrote in 1992:

> "The current working timetable seems short, but several factors should be kept in mind: this integration process is intended to be permanent; there is only limited time available to introduce the drastic economic changes needed by any country wishing to compete in the world economy; four years is not a short period of time if one considers the progress made between Argentina and Brazil in the run-up to the Mercosur, and particularly on trade over the past two years. […] When considering timetable viability, we must bear in mind that the member governments assume the Mercosur integration process to be irreversible. This implies they have ruled out the possibility of extending the schedules for trade liberalisation and for setting up a customs union"[78].

Institutions

These objectives having been set, the Treaty of Asunción creates in its second chapter an "organic structure" which is in charge of the application of the treaty and of the different protocols adopted during the transitory period. Compared to other regional integration associations, which have developed since their early years a vast institutional common body such as the EU or the Andean Pact, the one set up for Mercosur by its members is very light. Indeed, since the beginning, the priority has been given to economic progress based on political will and economic pragmatism. A high degree of institutionalisation was considered

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[75] Personal translation from the original text which can be found on the internet database of the IADB at www.database.iadb.org/intalbim/. Website accessed in March 2000.
[76] Third paragraph of the Preamble of the Treaty of Asunción.
[77] Personal translations from the original text found on internet in 2000 at the Uruguyan site of the Comisión Sectorial para el Mercosur on www.comisec.gob.uy/document/.
[78] Prospects for the processes of sub-regional integration in Central and South America, 1992, Publisher unknown, Madrid, p.103, 105.

as something which could endanger or slow down economic integration because it would introduce an excessive bureaucracy.

The Treaty establishes three bodies: the Common Market Council (*Consejo del Mercado Común* – CMC); the Common Market Group (*Grupo Mercado Común* – GMC); and the Administrative Secretariat (*Secretaría Administrativa del Mercosur* – SAM).

The Council is the supreme institution of Mercosur since it is where the policies are defined and the decisions are taken to ensure the creation of the common market[79]. Its members are the Ministers of Foreign Affairs and of Economy of each member state who meet whenever necessary. They can invite other Ministers, or persons of ministerial level, to participate in their meetings. Once a year, the Council meets in the presence of the four Presidents of the member states. The Presidency of the CMC rotates every six months between the members according to alphabetical order.

The Common Market Group is the executive organ of Mercosur[80]. It has to ensure the application of the Treaty and the decisions taken by the Council within the different member states. It also has the right of initiative. It can propose policies which will then be discussed and adopted by the CMC. It can create Work Sub-Groups (*Sub-Grupos de Trabajo* – SGT) which are specialised in different fields in order to help it in its task. The Fifth Annex to the Treaty enumerates ten such SGT, a list which can be, and has been, modified[81]. The GMC is made up of four permanent members and four substitutes which must come from the Ministries of Foreign Affairs and of Economy, and from the Central Banks of each state.

The main role of the Administrative Secretariat (SAM) is to help the GMC. It has its headquarters in Montevideo (Uruguay), and is the only permanent Mercosur institution. Its main role is to keep and archive the documents and decisions generated by the CMC and the GMC. It also has a role in information provision, both intra-regionally within the member states, and extra-regionally towards third countries.

Thus, in spite of the huge task being undertaken, Mercosur members have created a very limited institutional structure to implement common decisions. The policies and decisions are adopted through inter-governmental negotiations between the parties and are applied by each state individually through their own national legislative procedures. Unlike the European Union, which has the European Commission to make decisions on behalf of the EU, there is no independent institution which can make the same for Mercosur. The institutions are there to facilitate negotiations, to ensure a continuity in the integration process and to guarantee the application of the decisions by all members.

Instruments

The Treaty of Asunción sets up four main instruments which the member states and the Mercosur institutions must use in order to achieve intermediate goals and the final objective which is the creation of a common market.

The First Annex to the Treaty establishes a plan to reach free trade (*Programa de Liberación Comercial*) by the 31st of December 1994 for Argentina and Brazil. Paraguay and

[79] Articles 10 to 12 of the Treaty of Asunción.
[80] Articles 13 and 14 of the Treaty of Asunción.
[81] The original domains of the different sub-groups were: 1) Trade; 2) Customs; 3) Technical regulations; 4) Financial affairs; 5) Land transport; 6) Sea transport; 7) Industrial policy and technologies; 8) Agriculture; 9) Energy; and 10) Coordination of macroeconomic policies. This original list has much evolved over the years, some sub-groups being added (such as one on Labour, Work and Social Security, and another on Communications), others being merged (Land and Sea Transport). These examples date back to 2000, but the present sub-groups can be found on the internet on the SAM website: http://www.algarbull.com.uy/secretariamercosur/GMC.HTM.

Uruguay have an extra year to reach the zero tariff on intra-regional trade[82]. This process is the successor of the November 1990 Economic Complementarity Agreement adopted by the governments of Argentina and Brazil. Within the Annex, a distinction is made between two kinds of products, general products and special products. The general products are submitted to a progressive, linear and automatic reduction of their tariffs, starting by a decrease of 47% on the 30th of June 1991 and followed by a fall of 7 points every six months, and 11 points in the last six months, this in order to achieve a zero tariff on the 31st of December 1994[83].

Some products, because they represent essential elements or shares of the production of the member states, enumerated in a List of Exceptions[84], have a special regime. Argentina has a list of 394 products, Brazil 324, Paraguay 439 and Uruguay 960[85]. The number of goods included in these lists was to be reduced each year by 20%, in order to achieve a zero tariff on such goods by December 1995 for Paraguay and Uruguay and by December 1994 for Argentina and Brazil[86]. In August 1994, in Decision 22/94, some of the deadlines were postponed. By the 1st of January 1995 only approximately 90% of the goods traded intra-Mercosur were to be duty-free. Meanwhile the other goods saw their protection extended until the 1st of January 1999 for Argentina and Brazil or 2000 for Paraguay and Uruguay, and were to go through a process of progressive, linear and automatic reduction of tariffs until the deadlines were reached.

A matter for concern in the creation of the free trade area was also the non-tariff barriers. These were to be removed by the 1st of January 1995 to allow the free circulation of goods and services between the member countries. Decisions and Resolutions were adopted between 1991 and 1993 to achieve this goal. Whereas Resolution 62/93 (in 1993) eliminated all non-tariff barriers, others had more specific aims such as the harmonisation of norms in relation to vehicles (Resolution 09/91), to food (Resolution 03/92), to medicine (Resolution 04/92)[87], and so on.

In order to create a customs union, a prior stage to setting up the common market[88], it was necessary for the members to adopt a common external tariff[89], the second instrument at the disposal of Mercosur. The procedure to create it was implemented in December 1994. Without going into too many technical details, it can be said that the main characteristics of the external tariffs were similar to the process adopted for intra-regional tariffs. In this case the general goods had a fixed tariff which came into effect on the 1st of January 1995. The other goods which were particular to the national economies had specific deadlines, depending on the products and the countries concerned. This time, the same rules applied to Uruguay as to Argentina and Brazil, which had until 2001 to bring down to the common external norm the tariffs of their 300 protected goods; whereas Paraguay had special treatment

[82] The same rules and quotas are applied to the four countries, but Uruguay and Paraguay could start implementing them with a one year delay compared to Argentina and Brazil

[83] Due to their November 1990 Agreement, Argentina and Brazil had adopted on the 1st January 1991 a 40% cut in their tariffs on bilateral trade which was to be followed by automatic reductions of 7 points every six months and which resulted in the June 1991 47% cut decided in the Treaty of Asunción.

[84] Article 6 of the Treaty of Asunción.

[85] Source: the January 2000 Uruguyan site of the Comisión Sectorial para el Mercosur on www.comisec.gob.uy/document/tratadoa/asuncion.htm.

[86] The four member states do not have the same deadlines because these reductions started in December 1990 for Argentina and Brazil as a consequence of their November 1990 Agreement.

[87] Mercosur Resolutions and Decisions can be found on the website of the Consejo Argentino para las Relaciones Internacionales at: http://www.intr.net/mercosur/.

[88] See Chapter 2.

[89] First article of the Treaty of Asunción.

having 399 items and until 2006 to reach the common external tariff[90]. This reduction is being done through progressive, linear, automatic steps.

However, because of the economic recession that Mercosur countries have suffered since 1999, the process of integration was brought to a stand-still and all the deadlines of these agendas were postponed.

In order to determine whether a good can be classified as being produced in Mercosur or outside the region, the members have adopted a General Regime on Origins, and which constitutes the Second Annex to the Treaty of Asunción. This describes what should characterise the goods, which are being produced and/or transformed in the different countries, as being of Mercosur origin, and exempts them from tariffs when being traded intra-regionally.

A third instrument Mercosur members have made available is the coordination of macroeconomic policies. This requires continuous negotiations between the representatives of the member states, given the institutional structure of Mercosur. Since there is no supra-national body, all decisions have to be reached by a consensus achieved through negotiations between the members.

The last instrument strengthens the coordination of macroeconomic policies. It concerns the incentive to facilitate the harmonisation of members' different legislation necessary for integration. Indeed, within the provisions of the Treaty, the member governments recognise that they have to harmonise national norms. This ensures that there are no contradictions in the law between the different countries, at least in economic, trade, financial and any other Mercosur fields of competence.

These last two instruments describe in general terms the process which should be adopted by the member countries in order to guarantee the success of integration. They ensure through negotiations and consensus that national policies are coordinated and the different legislations harmonised.

The additional Protocols

The Treaty of Asunción charged the member states with negotiating additional Protocols on several specific matters which would complete the decisional and institutional structures created. The two most significant are the Brasilia Protocol of 1991 and the Ouro Prêto Protocol of 1994, this because of their effects on the institutional structure of Mercosur, and therefore on the means it has at its disposal to achieve its objectives.

The Brasilia Protocol

According to the third article of the Treaty of Asunción, the CMC adopted on the 17th of December 1991 the Decision 01/91 relating to the solution of controversies, and which is known as the Brasilia Protocol. This Protocol establishes procedures to solve the problems arising between members with regard to "the interpretation, the application or the non-respect of dispositions included within the Treaty of Asunción, the agreements consequent from this

[90] IRELA, Mercosur: Prospects for an emerging bloc, Dossier n°61, August 1997, IRELA, Madrid, p.6.

Treaty, as well as of the Decisions of the Common Market Council or of the Resolutions of the Common Market Group"[91].

In such cases, three possible ways to solve a controversy are provided. The first stage is one of direct negotiations between the countries concerned with the problem[92]. This is not allowed to take more than fifteen days, unless the different parties agree to extend the limit. In the case of failure of these negotiations, the second stage is reached. This entails the intervention of the Common Market Group[93]. The controversy is submitted to the GMC, which has a maximum of thirty days to hear the different parties and to find a solution.

So far, all controversies have been solved through these first two stages. However, if the solution proposed by the GMC is rejected by one of the parties, the party can decide to take it to a Tribunal set up through the Administrative Secretariat[94]. This is an *ad hoc* Tribunal which is specially created for the occasion, and which is established in one of the states party to the case. It is made up of two judges, one for each party of the controversy, and presided over by a third judge who is a national from a different member state, and who is accepted by both parties. The judges are selected from a list of ten judges who have been designated in advance by each government. If the Tribunal is not constituted within fifteen days, the Secretariat has to proceed to the nomination of the judges. The Tribunal then has sixty days, with an extra thirty days being possible, to give its judgement, which is final and mandatory. The Parties are allowed fifteen days following the judgement in which to ask the Tribunal for clarifications. After this, the Tribunal is dismantled.

This controversy settling system is also open to individuals[95]. They first have to submit their problem to their national GMC representation, which, if it believes the complaint is admissible, will take the case. The procedure is similar to the that described above.

This Brasilia Protocol is significant since it facilitates the equal and smooth implementation of the regional integration process in all the member states at the same time. Before its application, had a government refused to take the necessary measures to make a Mercosur Decision or Resolution efficient and legally binding within their legislative system, members had no means of coercion to ensure adoption. It is clear that the process of regional integration could have been endangered at any time by any of the member states' governments.

The Ouro Prêto Protocol

On the 17th of December 1994 the governments of the member states adopted the Ouro Prêto Protocol. This was the result of the "extraordinary meeting to determine the final institutional structure of the administrative organs of the Common Market, as well as the competencies of each and their decision-making procedures" planned by article 18 of the Treaty of Asunción. This Protocol complements the institutional structure established in 1991, by creating three new bodies, the Mercosur Trade Commission, the Joint Parliamentary Committee, and the Economic-Social Advisory Forum, on top of the three existing bodies, which benefit in an increase in competence of Mercosur[96].

[91] Personal translation of the first article of the Brasilia Protocol, which can be found at www.database.iadb.org/intalbim. This website was accessed in 2000
[92] Articles 2 and 3 of the Brasilia Protocol.
[93] Articles 4 to 6 of the Brasilia Protocol.
[94] This complex procedure is described in the articles 7 to 24 of the Brasilia Protocol.
[95] Brasilia Protocol, articles 25 to 32.
[96] For more details and updated information on the institutional structure of Mercosur, please check its website: www.mercosur.org.uy.

The CMC is basically the same. It remains the supreme body of Mercosur which defines the political guidelines for the integration process and takes the Decisions, which are mandatory for all members, to ensure the accomplishment of the Treaty of Asunción. Its composition is also similar. Its competencies are clearly enumerated in article 8: to ensure the respect of the Treaty of Asunción and its Protocols; to formulate the policies necessary for the creation of the common market; to exert the international personality of Mercosur, which has been only recognised in article 34 of this present Protocol; to negotiate and sign treaties with third countries; and to nominate the Director of the Mercosur Administrative Secretariat.

The Common Market Group (GMC) has not much changed. However, article 15 states that the Resolutions it adopts are mandatory for the member states. Moreover, its roles are precisely enumerated: it is to propose projects of Decisions to the CMC; to ensure the application of the Decisions of the CMC; to negotiate agreements with third countries, within the limits of a delegation of competence made by the CMC[97], and so on. In case of authorisation by the CMC, the GMC has also the authority to adopt the budget or financial resolutions following CMC guidelines.

The Mercosur Administrative Secretariat (SAM) preserved its role of keeping and archiving the legislative acts passed by the institutions of Mercosur. It also has to help in the organisation of different meetings of the other Mercosur bodies. As a consequence of its role of information provision, the SAM is also responsible for the editing of the <u>Mercosur Official Buletín</u> since its first publication on the 1st of June 1997.

The Mercosur Trade Commission (*Comisión de Comercio del Mercosur* – CCM) has the role of supervision in the application of common trade policy instruments amongst the Mercosur members and towards third party countries. According to article 19, it is also responsible for all matters related to tariffs, the common external tariffs, and can propose new norms to the GMC. In its fields of responsibility, the CCM is the institution responsible for the consideration of the complaints formulated by member states or individuals, following the procedures established by the Brasilia Protocol. This institution is made up of four permanent representatives and four substitutes from each member state and is coordinated by the Foreign Ministers. It can formulate Propositions, which are not binding, but can also formulate Directives, which are mandatory. It meets at least once a month, and whenever asked by one of the members through the GMC.

The Joint Parliamentary Committee (*Comisión Parlamentaria Conjunta* – CPC) is the "institution representing the Parliaments of the member states within Mercosur"[98]. It is composed of sixteen representatives from each country who are designated by their national Parliaments. This consultative body promotes legislative coordination and harmonisation between the countries, but is also there to facilitate the adoption by the national Parliaments of the measures adopted by the institutions of Mercosur. It can adopt Recommendations for the CMC through the intermediary of the GMC.

The last institution created by this Protocol is the Economic-Social Advisory Forum (*Foro Consultivo Económico-Social* – FCES). This body, which represents the economic and social sectors within Mercosur[99] is composed of nine delegates from the private sector and the union representatives of each country. It is consulted on economic and social issues to give an advisory opinion through Recommendations to the GMC.

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[97] These are the main roles assigned to the GMC. The complete list is included in article 14 of the Ouro Prêto Protocol.
[98] Article 22 of the Ouro Prêto Protocol.
[99] Article 28 of the Ouro Prêto Protocol.

The Ouro Prêto Protocol does not only describe the institutional structure of Mercosur. It also confirms in its articles 43 and 44 the system of controversy solution established by the Brasilia Protocol. It also describes the procedure of implementation of the norms adopted by Mercosur institutions[100]. Once a norm has been adopted, it is the members' responsibility to have their national systems adopt it according to their own procedures. As soon as this stage of national adoption is completed, the member governments have to inform the Secretariat. It lets the other members know that others have adopted the norm. The norm only comes into force simultaneously in each member state thirty days after this communication from the SAM.

As the foregoing has shown, similar to most other regional integration processes, Mercosur is proceeding on a step-by-step basis. Started as economic cooperation between two countries, that is Argentina and Brazil, it became a project for a free trade area including two additional countries, Paraguay and Uruguay, followed by a customs union, and it is finally hoping to become a common market. Mercosur seems to have passed each stage of regional integration. But what is striking in this evolution is its speed. In a dozen years it evolved from the Argentina-Brazil Cooperation Agreement of 1985 to the creation of an almost complete customs union between four countries. This is the case at least in theory; while most of the necessary norms and decisions have been adopted, there are still a number of exceptions and a lack of implementation in the different member states. However, it is still evolving towards its final objective: a common market.

Because of the large range of objectives and instruments, there are many different subjects which are still being dealt with by Mercosur. However, there is one great absentee: the social dimension. Indeed, the FCES represents the economic interests of the private sector and of the trade unions, not the people. Moreover, none of the main constituent texts mention the role of the population within this new economic region, nor do they make a reference to the impact Mercosur is supposed to have on society, except for the indirect allusion made through the improvement of the general well-being through economic development. During its first years of existence Mercosur has only been the fruit of the work of a very small political and economic elite, especially in the dynamic border regions. The people in the north of Brazil are more concerned in trade with neighbouring countries than in relations with Uruguay. The major part of the population is unaware of the on-going changes and of the impacts on everyday life.

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To conclude this chapter, it is possible to compare the EU and Mercosur by summarising in Figure 3.2 the main characteristics of their integration and their principal institutions.

[100] Ouro Prêto Protocol , article 40.

Figure 3.2. The EU and Mercosur: a comparison of the process of integration and their institutions

		European Union	Mercosur
Process of integration	Beginning of integration	18/04/1951	26/03/1991
	Present stage of integration	Towards the Economic Union	Between the free trade area and the common market
	Number of members	15 states	4 states, 2 associates
Institutions	Decision-Making	European Council Council of Ministers	Common Market Council
	Executive	European Commission	Common Market Group Mercosur Trade Commission
	Legislative	European Parliament	Joint Parliamentary Committee
	Judiciary	European Court of Justice	Ad-hoc Tribunals
	Consultative Bodies	Committee of the Regions Economic and Social Committee	Economic-Social Advisory Forum
	Administrative tasks	European Commission	Mercosur Administrative Secretariat

Chapter 3 concludes the first part of the thesis. This first part introduced the research topic in Chapter 1; discussed key concepts in Chapter 2; and described in the present chapter the evolution, the objectives and the institutions of the EU and of Mercosur. The thesis now moves on to the second part composed of Chapters 4 and 5. The former, Chapter 4, analyses the extent and nature of the regional disparities within Mercosur. Chapter 5 argues that existing development agencies have not been entirely successful in reducing regional disparities and that their action could be complemented by the implementation of a Mercosur common approach which could take the form of a Mercosur Regional Development Fund.

- CHAPTER 4 -

THE MERCOSUR REGIONAL DEVELOPMENT GAP

CHAPTER 4. THE REGIONAL DEVELOPMENT GAP

Chapter 4 highlights the disparities in development that exist among the internal regions of Mercosur. The chapter presents an analysis of the statistics that are available in order to show which regions are least developed and which are most developed. This enables a map of Mercosur to be drawn showing the different levels of regional development.

It should be noted that, since the objective of this chapter is to statistically analyse regional disparities in Mercosur, it tackles different types of development disparities but does not focus on poverty-related issues. Indeed, this research is not intended as a contribution to the blossoming literature associated with the new global concern for poverty reduction, which approaches the issue from a different perspective and would therefore imply other policy solutions.

The statistical analysis which follows is undertaken in three steps. Firstly, the difficulties encountered during the data collection as well as the methodology used for statistical comparisons are described. Secondly, after a brief general introduction to Mercosur countries in the second section, three different types of development gaps are highlighted. These are the economic, the infrastructural and the social gaps, which are respectively analysed in the third, fourth and fifth sections. Finally, in the last section, the indicators analysed are combined to produce an overview of the scale of disparities among the regions of Mercosur countries. It should be noted that the data analysed in this chapter are made available in detailed statistical tables and through Mercosur maps in Appendix A2.

COLLECTING AND COMPARING MERCOSUR REGIONAL DATA

Before starting the analysis itself, it is important to discuss the difficulties related to the selection, the collection and the comparison of the statistics which are used throughout Chapter 4 to highlight the disparities of levels of development in the internal regions of Mercosur countries.

It should be noted that this statistical analysis includes data not only from the four Mercosur members (Argentina, Brazil, Paraguay, and Uruguay), but also from the two associate members (Bolivia and Chile). Two principal reasons underlie this decision. Firstly, it might take a few years to establish a common Mercosur approach to regional development. Chile and Bolivia might thus have become full members by then and would have to be included in the analysis. Secondly, it is worth noting that, with the Mercosur four members, Bolivia is already taking part in a development fund called the Fonplata which might be a base on which to develop a common regional development approach, as will be argued in later chapters[101]. Although the following analyses are developed on a Mercosur 6 basis, the data for a Mercosur 4 situation are presented in each table.

Therefore, the internal regions considered during the following statistical analysis are determined according to the administrative divisions of each of the six Mercosur countries. Since there is not enough precise data to undertake analyses for different regional levels, as is done in the EU with the different NUTS categories[102], only the largest national internal

[101] See in particular the first section of Chapter 5 on Fonplata and the first section of Chapter 9 on the possible transformation of Fonplata.
[102] See Chapter 2 for a more precise definition of the EU NUTS categories.

division is employed for the analysis. The following are considered as 'regions': the 24 Argentinian provinces; the 27 Brazilian federal states[103]; the 18 Paraguayan departments; the 19 Uruguayan departments; the 9 Bolivian departments and the 13 Chilean regions. This sums up to a total of 110 Mercosur regions.

The selection of indicators

There is a considerable number of ways to measure levels of development around the world. Some analyses only focus on one indicator, in general the Gross Domestic Product (GDP) per capita, which is supposed to be the most complete indicator of development. Other development studies aim to create indexes of development which combine various indicators to account for the different aspects of the development issue. As described in Chapter 7 below, the main indicator used within EU regional funds is the level of GDP per capita to define the regions necessitating most assistance. However, in some specific cases, other indicators such as unemployment rates are also used.

Creating a Mercosur map of regional development based only on GDP per capita disparities was considered insufficient since this indicator does not account for many aspects of development, such as unpaid labour and self consumed agricultural production. Therefore, in order to have a broader view of regional development in Mercosur, various other indicators were considered to analyse three aspects of development, to highlight the different types of regional gaps which are to be examined in Mercosur. These three categories of development are related to the economy, infrastructure and social. The latter is itself divided into three sub-categories which are health, education and poverty.

Among the indicators most commonly used to measure aspects of development in countries, a list of twenty possible indicators was established across these three categories to shed some light on development disparities within Mercosur. This is recognised as an ambitious list. These indicators are enumerated in Figure 4.1 which briefly describes the reasons underlying their choice. More comments on the indicators are made later in the chapter.

[103] It should be noted that the 27 Brazilian federal states are regrouped into five larger administrative regions, that is North, Northeast, Central West, South and Southeast. However, these five regions are too large to allow meaningful comparisons with the regions of the other members.

Figure 4.1. Twenty possible development indicators

Economic development :	1. Regional exports. In addition to being an important aspect in a common market, they can represent the well-being of the economy, its production and its openness towards the rest of the world. Their distribution between primary, secondary and tertiary sectors also describes the structure of the economy. 2. Foreign Direct Investment (FDI). This is an indicator commonly used around the world to characterise the economic attractiveness of a country / region since investments show the existence of a satisfactory environment and capital inflows into the region. 3. Gross Domestic Product (GDP) per capita. This is the most used indicator when making comparisons of the wealth of countries. 4. Activity rate. This shows the importance of people being economically active.
Infrastructure development:	5. Road network density. This is vital to allow transportation of goods and people across the territory, which is necessary for any economic activity. 6. Electricity consumption per capita. High consumption can account for an important economic activity, since companies are important electricity consumers to power their production, and for a sign of better living conditions since private electricity consumption is higher when homes have electrical appliances such as television and fridge. 7. Telephone lines. As for the previous indicator, being an important element for companies and a non-vital object in houses, this can reflect the economic situation of a region and the well-being of people. 8. Household connection to drinking water. This is related to the well-being of households in hygiene terms and has consequently an indirect impact on health. 9. Household connection to waste removal facilities. This is selected for its impact on hygiene and indirectly on health.
Social development: - Health:	10. Child mortality. This is often used to characterise the efficiency of the medical system in countries. 11. Number of doctors per inhabitant. This represents the accessibility of people to a doctor, therefore to a medical consultation and treatment. 12. Number of consultations. This highlights how often people see a doctor, which implies having access to one, but also having the means or the public service to pay for the service. 13. Number of hospital beds. This represents the hospital infrastructure of a region by showing its capacity to accommodate sick people. 14. Life expectancy at birth. This represents the overall effects of medical care on people since the better the medical system the longer they will live.
- Education:	15. Number of primary and secondary school students within the population. This shows how much people are accessing basic education. 16. Number of years of study. This represents how much education people have received through schools. 17. Literacy rate. This is the overall result of educational policies since it highlights the percentage of the population which is literate.
- Poverty:	18. Human Development Index (HDI). This was created by the United Nations to characterise the level of development in countries around the world. 19. Unsatisfied Basic Necessities (UBN). This index represents the percentage of the population which does not have access to at least one basic set of characteristics. These can vary according to definitions and can include quality of housing, education, and so on. 20. Poverty rate. This represents the proportion of the population living in poverty conditions, however defined.

The difficulty with infrastructure development indicators

Before further analysis of the possible development indicators in Mercosur, it is necessary to pause to clarify an essential issue related to infrastructure development. This is because there are different possible interpretations for this term of 'infrastructure'.

In a December 2000 report the IDB identifies four categories of infrastructure[104]:

1. Economic infrastructure includes transport, energy and telecommunications. This category groups infrastructure relating to the transport of people and goods, of energy, or of information. Renaming it "transport infrastructure" seems therefore more appropriate.
2. Social infrastructure includes dams, irrigation canals, networks of drinking water and sewers, education, and health.
3. Environmental infrastructure refers to parks and nature reserves.
4. Infrastructure linked to information and knowledge, which includes cable TV and satellites.

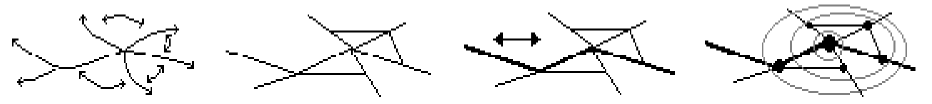
Although many different aspects are covered by the same term, the development of infrastructure in poor regions generally focuses mostly on transport infrastructure. For example, as discussed in Frame 4.1 below, South American countries recently, in 2000, gave a new impetus to the physical integration of the continent through axes of development. The type of development projects which were to be financed within this framework are mostly related to the transport infrastructure. Moreover, Ministries of Infrastructure, wherever they exist, are generally competent only for matters of transport infrastructure, not for social aspects of development.

For this reason, the statistical analysis which follows in the present chapter does not employ the same distinctions as that of the IDB within the category of infrastructure development. As it can be noted from the indicators presented in Figure 4.1 above, it has been decided to consider as infrastructure development indicators those related to all types of transport. These infrastructure indicators are related to the transport of goods and people (road network); of electricity (electricity consumption); of information (telephone lines); of drinking water (domestic connection to drinking water); and of waste (domestic connection to waste removal facilities). Other indicators which the IDB would have classified as social infrastructure, such as those related to health and education, are considered in a category on its own, one composed of social development indicators.

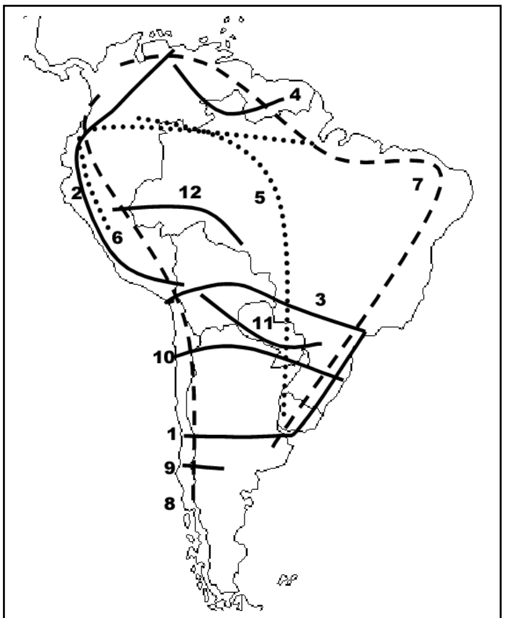
[104] IDB, Un nuevo impulso a la integración de la infraestructura regional en América del Sur, December 2000, IDB, Washington DC, p.13.

Frame 4.1. South American new impulse for axes of development

In 2000 all the South American governments decided to act jointly to give a new impulse to infrastructure integration in their subcontinent.
The idea underlying this project is based on the hypothesis that it is possible to determine throughout the territory axes of development which should be assisted to promote the development of the subcontinent.
As the IDB suggests, "spatial interaction gives birth to flows, which generally do not circulate freely through the territory but through the existing infrastructure networks. The flows considered are those of goods, persons, information, electrical energy, gas and oil. These flows, by dint of circulating through the infrastructure networks generally consolidate their movements on a few sections, leading to the creation of corridors. At a regional scale, considering that these corridors favour the economic and social development of the areas they go through, they can be real axes of integration and of development, constituting a first rate tool to organise the organisation of the territory."[105]



A Committee of Technical Coordination (Comité de Coordinación Técnica – CCT) was set up by the IDB, the CAF, and the Fonplata to define these continental axes of development and find solutions to finance these projects in the coming years. In a preliminary work, this CCT identified twelve axes of integration and development[106]:



1. Mercosur axis: São Paulo - Montevideo - Buenos Aires - Valparaiso
2. Andean axis: Caracas - Bogotá - Quito - Lima - La Paz
3. Inter-oceanic axis: São Paolo - Campo Grande - Santa Cruz - La Paz - Ilo/Matarani/Arica/Iquique
4. Axis Venezuela - Brazil - Guyana - Suriname
5. Multimodal axis Orinico - Amazon - Plata
6. Amazon axis: Brazil - Colombia - Ecuador - Peru
7. Atlantic maritime axis
8. Pacific maritime axis
9. Axis Neuquén - Concepción
10. Axis Porto Alegre - Jujuy - Antofagasta
11. Axis Bolivia - Paraguay - Brazil
12. Axis Peru - Brazil: Acre - Rondonia

[105] IDB, Un nuevo impulso a la integración de la infraestructura regional en América del Sur, 2000, IDB, Washington DC, p.14. The diagram is a reproduction of the one presented in p.14. Personal translation.
[106] CCT, Plan de acción para la integración de la infraestructura regional en América del Sur, 4th and 5th of December 2000, CAF/IDB/Fonplata, Montevideo, p.9. The map is a self-made approximation.

Data collection problems

Data were sought through four different channels. First, the internet sites of the six national institutes of statistics were searched for regional information[107]. Since not all data were available through this mean, other websites were searched for specific indicators, for example, the sites of ministries of health or education, or those of national electric or telephone companies for these specific data. Thirdly, people in these national institutes, ministries and companies were contacted by fax or email to ask for the information that was lacking. Finally, further data were collected during the two fieldtrips to the four Mercosur countries, and the statistical offices, the specific ministries and a few research institutes were visited.

The results of the quest for Mercosur regional statistics are synthesised in Table 4.1 which shows, with an 'X', the indicators which exist at the regional level in the six countries considered. For this table, as for the following ones, abbreviations are used to designate the six Mercosur states. AR stands for Argentina, BR for Brazil, PY for Paraguay, UY for Uruguay, BO for Bolivia, and CL for Chile.

Table 4.1. Availability of regional statistics

	Indicators	**AR**	**BR**	**PY**	**UY**	**BO**	**CL**
Economy	Exports	X					X
	Foreign Direct Investment						X
	GDP per capita	X	X			X	X
	Activity rate	X	X	X	X	X	X
Infrastructure	Access to drinking water	X	X		X	X	X
	Connection to telephone	X	X		X	X	X
	Connection to waste removal facilities	X			X	X	X
	Electricity consumption per inhabitant	X	X	X	X	X	
	Road network	X	X	X	X	X	X
Health	Child mortality	X	X				X
	Life expectancy at birth	X	X		X	X	
	N° of consultations per inhabitant	X	X			X	
	N° of doctors per inhabitant	X	X		X	X	X
	N° of hospital beds per inhabitant	X	X	X	X	X	X
Education	Literacy rate	X	X	X	X	X	X
	N° of students	X	X	X	X	X	X
	Years of study		X				X
Poverty	Human Development Index		X				X
	Unsatisfied Basic Necessities	X		X	X		
	Poverty rate		X	X		X	X
N° of indicators for which regional data were available		16	16	8	12	14	16

As this Table shows, none of the six countries had regional data for all of the 20 indicators. Regional data were available in all Mercosur countries for only five of these twenty indicators.

[107] The Instituto Nacional De Estadística y Censo en Argentina (INDEC - http://www.indec.mecon.ar/), the Instituto Brasileiro de Geografia e Estatística in Brazil (IBGE - http://www1.ibge.gov.br/ibge/default.php), the Dirección General de Estadística, Encuestas y Censos in Paraguay (DGEEC - http://www.dgeec.gov.py/index.htm), the Instituto Nacional de Estadística in Uruguay (INE - http://www.ine.gub.uy/), the Instituto Nacional de Estadística in Bolivia (INE - http://www.ine.gov.bo/) and the Instituto Nacional de Estadísticas in Chile (INE - http://www.ine.cl/).

It became evident during these statistical searches that most indicators were only available at the national level, and sometimes for the main cities, which excludes *de facto* all the rural areas. For some indicators the national data are divided into sub-categories, not according to regions but between urban and rural areas. This was especially the case for infrastructure indicators. National data could also be divided between male and female populations, mostly for health and education indicators. In Uruguay, statistics often separated data for the department including the capital city of Montevideo from the "interior".

Because of the absence of much regional information, the list of indicators analysed had to be reduced. Consequently, twelve indicators were selected. They are those for which regional information existed within at least four countries, and for which national data could be taken as surrogates by considering the other countries lacking regional data as homogeneous and attributing the value of the national average to each of its region:

- Economic development:
  1) GDP per capita
  2) Activity rate
- Infrastructure development:
  3) Road network
  4) Electricity consumption per inhabitant
  5) Connection to telephone
  6) Connection to waste removal facilities
  7) Access to drinking water
- Social development:
  8) Number of doctors per 1,000 inhabitants
  9) Number of hospital beds per 1,000 inhabitants
  10) Life expectancy at birth
  11) Number of students
  12) Literacy rate.

Data analysis problems

Once the statistics were gathered, it was possible to start the analysis and comparison. However, six principal difficulties arose during this work.

Firstly, when comparing data from different countries or periods of time, there are differences in the definitions and the methods of calculation. For example, there exist many definitions and ways of calculating activity and literacy rates throughout the world. The distinctions render precise comparisons difficult.

Moreover, secondly, there is the problem of data reliability since some countries have difficulties collecting and analysing their statistics, especially at regional level. This is especially the case in the developing world where statistical institutes sometimes lack the sufficient resources, qualified technicians and precise tools.

A third limitation to statistical comparisons lies in the analysis of the data. The numbers themselves do not represent much but have to be interpreted. This is a subjective task since a number can be understood in a considerable number of ways. For example, is an increase in the number of divorces positive, from the point of view of the liberalisation of women, or negative when considering the impact on the family?

Fourthly, it was found in a few cases that, not only did the countries have different methods for defining an indicator, but within a same country the data were not calculated in the same way for each region. For example, one table encountered with data on the Gross Domestic Product of Argentinian regions between 1991 and 1996 gave data either in units, thousands or millions, and were shown either in current prices, in 1986 prices, or in 1993 prices.

A fifth difficulty which arose is related to the comparison of some indicators, for example the GDP, which are calculated in financial terms. The problem is that most Mercosur countries have been in the past financially unstable and experienced high inflation and a number of currency changes. The most noticeable example is that of Brazil which had five different currencies between 1989 and 1994[108] and which had an inflation rate of 2,112% in 1994[109].

The last and most important difficulty is related to the dates of the regional data available. When these regional data exist, they often date back to an old census. Consequently, the situation described by the data is slightly out of date and will have evolved. However, in the absence of any more recent data, the only possibility is to use statistics of the early or mid 1990s.

Moreover, ideally, it is necessary to compare data for the same year for each region. However, this is not possible since the six countries do not undertake the process of population census and statistical analyses every year nor at the same time or periodicity. Table 4.2 describes the dates of the data analysed hereafter in the chapter.

Another complication raised in relation to dates is that, apart for very few indicators, these regional data were given only for one date, the one of the most recent census. Two consequences follow from this lack of statistics over time. Firstly, it was impossible to show the evolution of these data over the past ten years, since the creation of the Mercosur. The statistical analysis could not be dynamic but had to be a snapshot of the development situation in Mercosur at a given time. Secondly, it was impossible to extrapolate the data for the same year for all indicators. This was because data were available for different dates.

Table 4.2. Dates of regional data by indicator and by country

	Indicators	**AR**	**BR**	**PY**	**UY**	**BO**	**CL**
Economy	GDP per capita	1995	1997	1999	1999	1997	1999
	Activity rate	1991	1998	1992	1996	1995	1999
Infrastructure	Access to drinking water	1998	1997	1996	1996	1997	1992
	Connection to telephone	1997	1996	1992	2000	1996	1999
	Connection to waste removal facilities	1998	1998	1996	1996	1997	1992
	Electricity consumption	1996/1995*	1999	1997	2000	1999	1999
	Road network	1999	1997	1997	1998	1997	1997
Social	Life expectancy at birth	1998	1997	1997	2000	1999	1995
	N° of doctors	1998	1997	1997	1998	1997	1997
	N° of hospital beds	1995	1997	1997	1998/1993*	1998	1997
	Literacy rate	1991	1997	1992	1996	N/A**	1992
	N° of students	1997	1999	1996	1998	1997	1997

* The information found included data of two different years, depending on the regions.
** The document including these data did not give any indication concerning the date of these statistics.

These limitations reinforce the idea that it should be a priority for Mercosur members to harmonise their statistics to further their integration and their common approach to

[108] The Cruzado (Cz$) until the 15th of January 1989, the Cruzado Novo (NCz$) until the 15th of March 1990, the Cruzeiro (Cr$) until the 31st of July 1993, the Cruzeiro Real (CR$) until the 30th of June 1994, and the Real (R$) since then.
[109] Ministry of Development, Industry and Foreign Trade, Avança Brasil: Development structures for investment, 2000, Ministry of Development, Industry and Foreign Trade, Brasilia, p.8.

economic and social issues. For this reason the Mercosur members have decided, with the help of Eurostat, the European statistical institution, to attempt harmonisation of their main macroeconomic indicators. It might take much more time however before they start considering the issue of regional statistics.

In conclusion it is clear that because of all these constraints, it is necessary to be cautious when considering the following statistical analyses and to be aware of the limitations. The aim of this chapter is to give at least some indication of which regions are facing major problems of lack of development and what type of assistance they would require to counter these problems. Once precise and harmonised data are available throughout Mercosur, it will be possible to undertake a more precise statistical analysis.

The comparison of Mercosur regional data

It is important to note that this Chapter 4 departs from the rule according to which each table, diagram and map should indicate its sources and dates. This principle was waived to facilitate the reading of the chapter since each table gathers data coming from at least six different sources and for different years. The data presented in the following tables are always the most recent which could be found through the different sources. The list of all the sources of information used for these statistical analyses, as well as the dates for each statistical series are available in Appendix A2.

It should also be noted that, to facilitate the reading of this chapter, most of the data given in the detailed tables are rounded up when quoted in the text.

The following abbreviations are used within most tables and figures presented in this chapter: AR stands for Argentina; BR for Brazil; PY for Paraguay; UY for Uruguay; BO for Bolivia; CL for Chile; M4 for Mercosur composed of its members, namely Argentina, Brazil, Paraguay and Uruguay; and M6 for Mercosur including the two associates, that is M4 countries plus Bolivia and Chile.

Comparing regional data with Mercosur average

In order to allow comparisons, though they cannot be too precise given the statistical limitations previously mentioned, a simple statistical method has been adopted. This statistical method is highly inspired from the one used by the European Union to characterise the levels of development of its regions. Moreover, this method was discussed with two statisticians, two cartographers and a geographer, these last three experts having an extensive experience of analysing and comparing statistical data to produce maps. They all agreed that, considering the flaws inherent in the regional data available, there would be no interest in using more sophisticated statistical methods than the one employed hereafter.

For every indicator considered, the data were collected at the level of the different internal regions from the national statistical institutes of each member. Each data is compared as a percentage of the total or average of 1) the national data; 2) the ‘Mercosur 4’ data; and 3) the ‘Mercosur 6’ data. This basic comparison, which has been in use in the EU for the past decades with regional data being compared to the EU average, highlights the significance of the gap existing between the less developed regions and the most advanced ones[110].

To calculate the Mercosur average, two methods are possible (see Frame 4.2). On the one hand, the basic arithmetic mean could be calculated. This represents the addition of the value of the data of each region divided by 110, which is the number of Mercosur regions. This method could not be used because of the differences intrinsic to the regions. It would

[110] The terms ‘significant’ and ‘significance’ are used in this chapter to refer to statistical significance.

imply that the same weight is given to the data of a region inhabited by 20,000 people and to one where 35 million live.

The alternative method is the weighted arithmetic mean. This is calculated by multiplying the data value of each region by its population (or territory in the case of road infrastructure) and then dividing this result by the total population (or territory).

Frame 4.2. Calculating the Mercosur averages

$\bar{X}$ being the average; n_k the population / territory size of region k; X_k the value of the indicator studied for region k; and the total of regions being 110; the two formulas are the following:

Formula 1: $$\bar{X} = \frac{(X_1+X_2+\ldots+X_{110})}{110}$$

Formula 2: $$\bar{X} = \frac{(n_1X_1+n_2X_2+\ldots+n_{110}X_{110})}{(n_1+n_2+\ldots+n_{110})}$$

This second method, which was the one chosen, considers the significance of each region compared to the whole of Mercosur. Obviously, one consequence of this method is that Brazil influences greatly the Mercosur average since it represents such a large share of its territory and population[111].

The degree of homogeneity of regional data

To show the degree of regional homogeneity for each indicator, two methods are employed.

First, for each indicator, a diagram shows the distribution of the regions of each country according to the value of the indicator as a proportion of the Mercosur 6 average. The data are presented in categories representing 25%, ranging from 0-25% to more than 400% depending on the indicators.

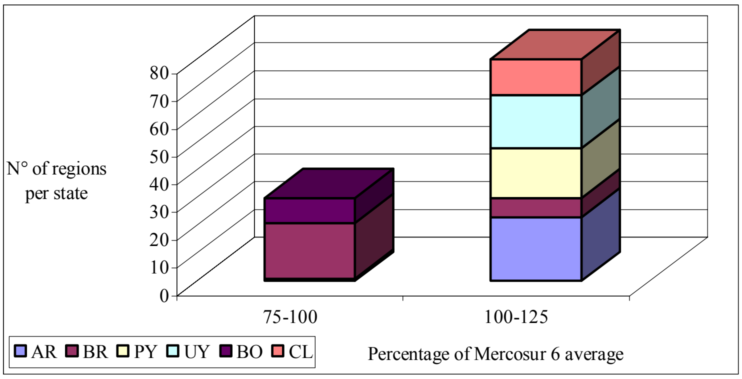
It can be seen that if the regional values of an indicator are homogeneous and close to the Mercosur average, the diagram obtained will be similar to the first example given in Figure 4.2. It shows that all regions exhibit an indicator which represents between 75% and 125% of the Mercosur 6 average.

The second example of Figure 4.2 shows on the contrary an indicator for which there are significant disparities between the regions. Indeed, the diagram being more spread, it shows that many regions, especially Argentinian regions, have an indicator representing between 0% and 25% of the Mercosur average, but that other regions can have indicators equivalent to more than 400% of the Mercosur average.

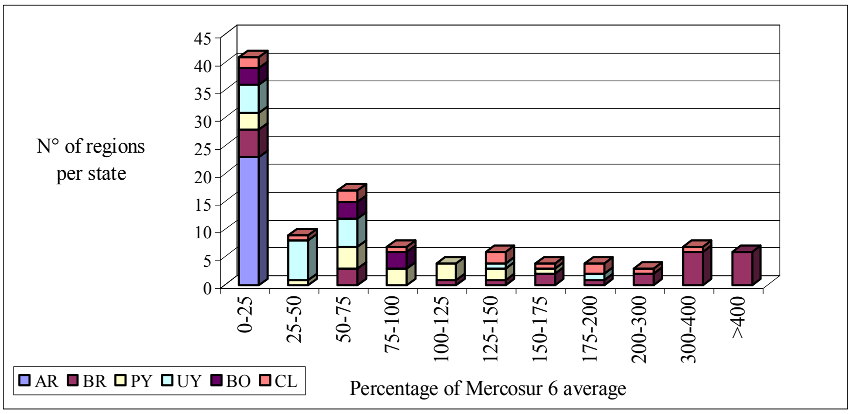
[111] See the second section of Chapter 4.

Figure 4.2. Examples of the distribution of the regions of each country according to the value of an indicator compared to the Mercosur 6 average

Example 1: Homogeneity



Example 2: Disparity



A second tool to highlight the degree of homogeneity and to allow further statistical analysis, is the use of average and standard deviations for each indicator. As detailed in Frame 4.3, the average deviation is "calculated using the absolute values of the deviation scores". The standard deviation shows the dispersion of data in a statistical series. It is calculated "by taking the square root of the variance"[112].

Frame 4.3. Calculating the average and standard deviations[113]

$\bar{X}$ is the average, as calculated above (see Frame 4.2); n_k the population (or territory size) of region k; N the sum of the n_k; X_k the value of the indicator studied for region k; and the total of regions being 110; the formulas are the following:

Average deviation (Ad)

$$Ad = \frac{\Sigma\,(n_k * |X_k - \bar{X}|)}{N}$$

Standard deviation (Sd or σ)

$$Sd = \sqrt{\left(\frac{\Sigma\,\{n_k * (X_k - \bar{X})^2\}}{N}\right)}$$

[112] Both definitions are extracted from Vogt W. Paul, Dictionary of statistics & methodology: a non technical guide for the social sciences, 2nd ed. 1999, Sage Publications, London, p.173 and 274.

[113] Kahn Martine, Statistiques et probabilités, 1988, Les éditions Foucher, France, p.45-48.

The deviations are not calculated using the absolute data of each region itself, but using the data in relative terms compared to the Mercosur 6 average, which allows meaningful cross-comparisons between each indicator's deviations. The deviations consequently represent the distribution of the regional data vis-à-vis the Mercosur 6 average. The higher these deviations are, the more significant is the spread of the data for the indicator selected and the higher are the regional disparities.

Defining a threshold to consider a region as being relatively less developed

It is necessary to determine a threshold after which a region could be characterised as being relatively less developed and which could become a geographic priority for a Mercosur Regional Development Fund. Within European Regional Development Funds, a region is considered as being relatively less developed if it has a GDP per capita lower than 75% of the EU average, which gives it the right to receive assistance from the Funds.

It was decided to apply the EU approach to Mercosur. Consequently, for each indicator analysed, the regions having an indicator below 75% of the Mercosur 6 average are 'below the threshold' and can be considered as being relatively less developed.

This 75% threshold however really needs to be flexible. Indeed the statistics are not sufficiently reliable to interpret them strictly. Given the significant limitations which exist in the data, the comparisons will not be too precise. Moreover, some regions at the threshold might be either below or over it, depending on whether data are compared to Mercosur 4 or 6.

The use of these different statistical tools of data dispersion and methods for making comparisons of indicators makes it possible to analyse the twelve development indicators that have been selected. These highlight the different types of regional gaps which exist in Mercosur.

MERCOSUR TERRITORY AND POPULATION

Before analysing the regional disparities which exist for the twelve indicators selected, it is necessary briefly to highlight the disparities in territory and population which exist between Mercosur countries and regions to put the following analyses into the appropriate context, and to assist a wider understanding of development issues in Mercosur. This is necessary before any other statistical analyses can be undertaken since the following data comparisons are calculated in relation to population or territory.

The map of Mercosur (Map 4.1) shows clearly that the difference in size between its members is striking. Paraguay and Uruguay seem compressed by the weight of Argentina and Brazil.

Map 4.1. Mercosur countries in South America

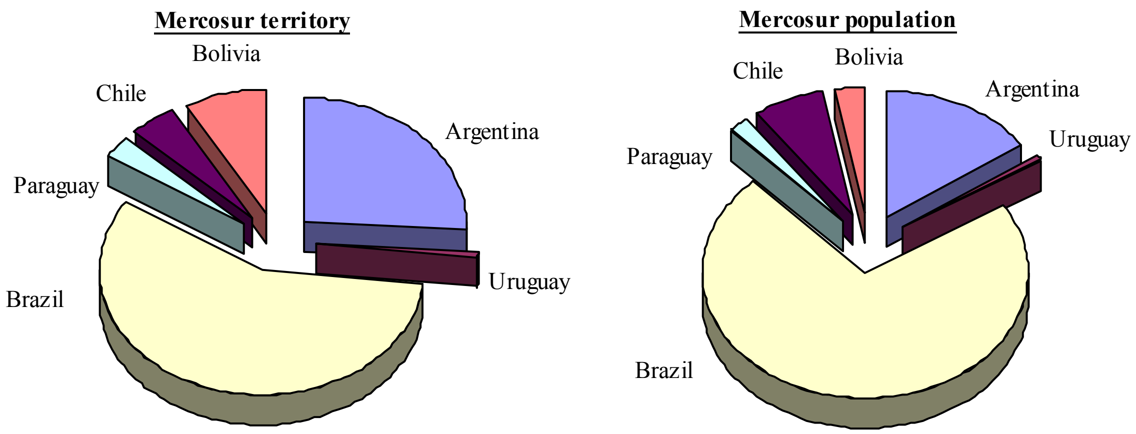
As detailed within Table 4.3 and represented in Figure 4.3, Brazil represents the lion's share of the territory and population of Mercosur. To compare the two extremes, Brazil is almost 50 times larger and more populated than Uruguay. When Bolivia and Chile are considered within a Mercosur 6 situation, their medium size diminishes the great divide between the two large and the two small countries of Mercosur 4. However, added together the four smallest countries only represent 17% of Mercosur territory and 13% of Mercosur population. This is in both cases less than the share of Argentina.

Table 4.3. Mercosur territory and population

	Territory km²	Population[114]	Density Pop/km²	Territory as a % of Mercosur 4	Territory as a % of Mercosur 6	Population as a % of Mercosur 4	Population as a % of Mercosur 6
Argentina	3,761,274	34,768,457	9.2	29	26	17	15
Brazil	8,547,403	160,710,275	18.8	66	58	79	71
Paraguay	406,752	5,085,328	12.5	3	3	3	2
Uruguay	175,016	3,163,763	18.1	1	1	2	1
Bolivia	1,098,581	7,767,060	7.1	N/A	8	N/A	3
Chile	754,905	15,010,755	19.9	N/A	5	N/A	7
Mercosur 4	12,890,445	203,727,823	15.8	100	88	100	90
Mercosur 6	14,743,931	226,505,638	15.4	N/A	100	N/A	100

[114] 1995 data for Argentina; 1997 population for Brazil, Paraguay, and Bolivia; 1996 data for Uruguay; 1999 data for Chile. For the dates of the data presented in future tables in this chapter, please refer to Table 4.2 or to Annex 2.

Figure 4.3. Mercosur 6 total territory and population



These disparities do not exist just at the national level. Such disproportion are also encountered at the regional level. Some regions such as the capital cities often count as independent regions although geographically speaking they are small. For example, the cities of Buenos Aires and Asunción respectively only represent 200 km² and 117 km². Compared to these regions, there are regions such as the Amazonas in Brazil which – with its 1.6 million km² – represents by itself about 12% of Mercosur territory. This is 13,500 times more than the region of Asunción (see Appendix A2 for the complete statistics).

Population wise, large differences appear among regions, especially between the metropolitan areas and the less populated rural areas. In Argentina, the province and city of Buenos Aires represents almost half of the total population. This is similar to Chile where Santiago accounts for 40% of the population. In Brazil, the situation is slightly different; the region of the capital represents only 1.2% of the population. This can be explained by the fact that Brasilia was built from nothing in the 1960s in the centre of the country. Most of the Brazilians live in the Southeast Great Region, which includes the states including economic centres such as São Paulo and Rio de Janeiro. This Southeast region represents 43% of the population of Brazil. Other regions are almost empty, essentially due to climatic or natural reasons such as the Andes, the Amazon forest, and the Antarctic region.

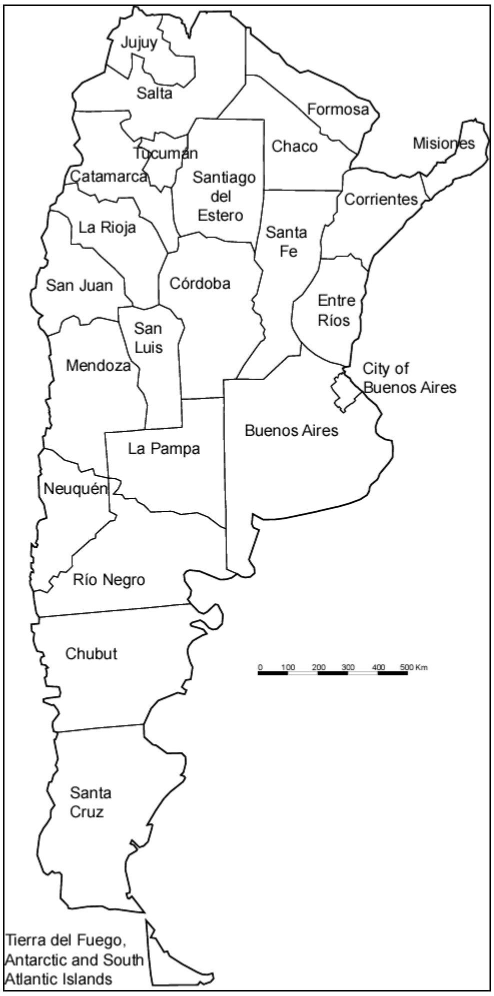
By compiling territory and population data, it is possible to calculate the population density of these countries and regions. The seven densest regions of Mercosur are, in that order, Buenos Aires (15,000 inhabitants per km²), Asunción, Montevideo, Santiago, Brasilia district, Rio de Janeiro and São Paulo. These regions represent five of the six capital cities and the two most important economic centres of Brazil. The four largest regions of Mercosur[115] have a small population, due to harsh geographic, natural or climatic conditions, and therefore exhibit a density as low as 0.1 inhabitant per km².

Since the statistical analysis undertaken in the coming sections refers to specific regions of Mercosur member states, it seems useful to give a map of the regional divisions of each Mercosur member state (see Map 4.2 below).

[115] Tierra del Fuego, Antarctica and South Atlantic Islands in Argentina (1 million km²), Amazonas, Pará and Mato Grosso in Brazil (respectively 1.6, 1.3 and 0.9 million km²).

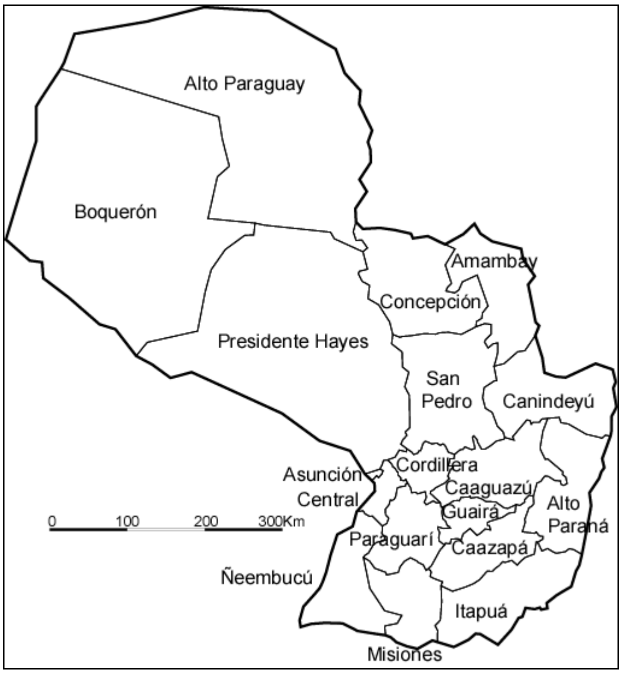
Map 4.2. Administrative regional divisions in Mercosur countries

Argentina



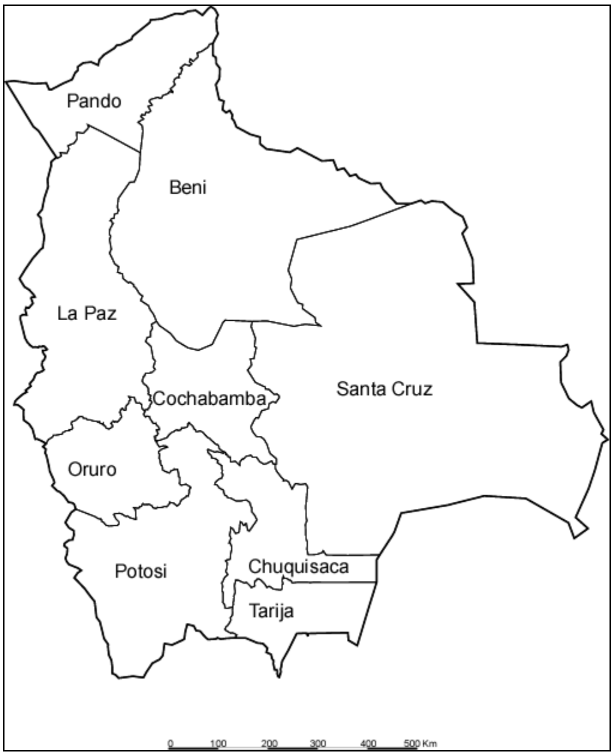
Brazil

Paraguay



Uruguay

Bolivia



Chile

This second section only aimed to highlight the disparities which exist among Mercosur countries and regions in relation to basic characteristics such as territory and population. These two indicators are now used within the following statistical analyses to allow wider comparisons between the regions to identify, first, the economic gap between regions, followed by the infrastructure and social gaps.

THE ECONOMIC GAP

As discussed above, only two economic indicators were selected to represent economic disparities among Mercosur regions. These are the GDP per capita and the activity rate.

GDP per capita

The Gross Domestic Product per capita is the first indicator which is used to highlight the regional disparities of Mercosur. The GDP is the total value in money terms of the production of a country or region in a year. It measures the income received by all the economic actors living in that country or region. Since the mid twentieth century this indicator is the most widely used and recognised indicator to characterise the level of economic development and wealth of a nation[116].

In spite of its wide use, four limitations have to be considered when using GDP. First, as an economic indicator it is incomplete since it does not take into account unpaid labour, such as domestic and voluntary work, nor black-market labour, which can be very significant in some countries. An example is Paraguay. Moreover, secondly, it measures income and not wealth, for example already owned houses and cars. Thirdly, GDP does not include agricultural or other production which is self-consumed or bartered, which can be very significant in poor rural areas. Finally, financial data are comparable with difficulty since local prices need to be converted at official rates to a common currency. The US dollar is used in the present case. However it is important to note that this might introduce biases. Indeed, a devaluation of the national currency would mean a diminution of GDP compared in dollars without any real change taking place[117].

Before analysing the regional disparities in GDP per capita within Mercosur countries, it is useful to have a brief look at the national data. As shown in Table 4.4, there is an important gap which separates Bolivia and Paraguay from the other four countries. Whereas both have a GDP per capita which respectively are equivalent to 17.5% and 32.7% of the Mercosur average, GDP in the other countries is either slightly below it or well above the average. Argentina has a GDP per capita nine times that of Bolivia.

Table 4.4. GDP per capita: Mercosur national averages

	GDP/cap (US$)	GDP/capita compared to (%) Mercosur 4	Mercosur 6
Argentina	7,855	149.6	155.3
Brazil	4,781	91.1	94.5
Paraguay	1,652	31.5	32.7
Uruguay	6,240	118.9	123.4
Bolivia	882	N/A	17.5
Chile	4,600	N/A	91.0
Mercosur 4	5,250	100.0	103.8
Mercosur 6	5,058	N/A	100.0

An analysis of the regional GDP per capita highlights more disparities within Mercosur (see Appendix A2.2.1 for more details). Since no regional data were available for Paraguay and Uruguay, the following analysis assumes that the countries are homogeneous and that the national indicator is applicable for all the regions. This explains why the regional indicators for these two countries appear within the same percentage ranges in the following table and figure. The situation is different in Bolivia where regional data exist, but the country is in any case homogeneous.

Using the formula detailed above[118], the average and standard deviations for the regional GDP per capita in Mercosur are respectively 45 and 57. This implies that there are important disparities among the regions since, on average, the regional GDP per capita is 45

116 For example, every year international organisations such as the World Bank publish the classification of world countries according to their GDP per capita.

117 For example, in 1955, the income per capita of Argentina was of 6,437 pesos. During most of the year the official exchange rate to the dollar implied an income per capita of US$858. Near the end of 1955, there was an official devaluation of the peso to the dollar: without any real change in income, the per capita income decreased to US$358.

118 In the first section of Chapter 4.

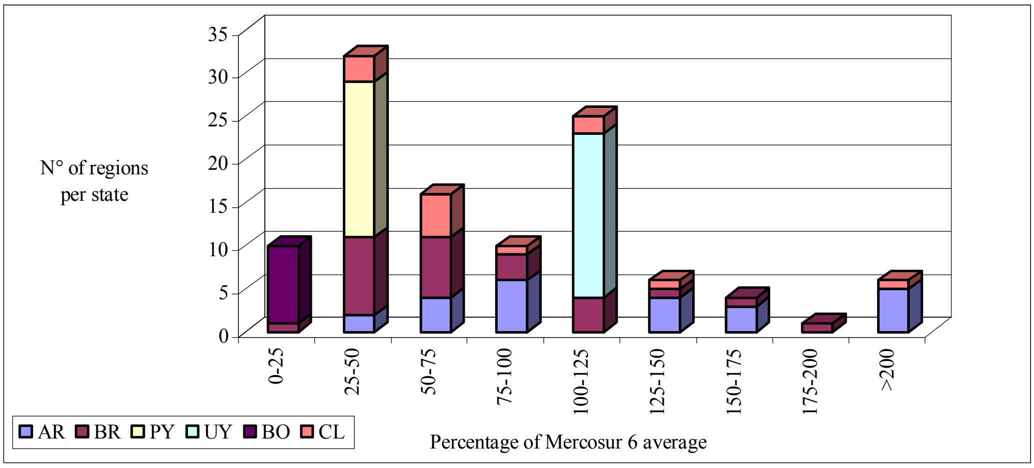
points distant from the Mercosur average. As shown in Table 4.5, the average deviation is much more significant in Brazil and in Argentina than in the other countries. It is of course zero for Paraguay and Uruguay since these countries were considered to be homogeneous because of the lack of regional data.

Table 4.5. GDP per capita: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
GDP/capita	37.5	41.3	0.0	0.0	19.2	28.6	44.7

The significance of the distribution of regional GDP per capita is confirmed in Figure 4.4. It appears from the figure that 60 of the 110 Mercosur regions have a GDP per capita lower than 75% of the Mercosur 6 average, whereas only 17 of them are above the 125% threshold. Out of these 17, 12 are Argentinian, 3 Brazilian and 2 Chilean. The fact that a non-negligible number of regions appear within the 100% – 125% range is essentially due to the assumption of homogeneity of the 19 Uruguayan departments. Whereas the region with the lowest indicator, Potosí in Bolivia, has a GDP per capita which represents only 10% of the Mercosur average, the region of the City of Buenos Aires is the highest at 430%.

Figure 4.4. Distribution of the regions according to their GDP per capita compared to Mercosur average



These 60 regions with a GDP per capita below the threshold have an average GDP per capita equivalent to 44% of the Mercosur 6 GDP per capita. As said above in the first section, the 75% threshold needs to be interpreted flexibly. Therefore, as shown in Table 4.6, two Argentinian regions, those of Catamarca and Salta, are slightly above the 75% limit, but are considered to be amongst the regions under the threshold since their data are lower than 75% of the Mercosur 4 average.

These 60 regions contain 40% of Mercosur's population; that is, about 88.4 million people. This share of the population would have been much higher if densely populated urban regions did not have, in general, higher GDP per capita than the rest. For example, with 3 million people, more than 1% of the Mercosur population, the city of Buenos Aires has the highest GDP per capita. With 35 million inhabitants, the region of São Paulo represents more than 15% of the Mercosur population with a GDP per capita higher than 150% of that of Mercosur (see Appendix A2.2.1 for a complete statistical table and a map on regional GDP per capita).

Table 4.6. GDP per capita: Mercosur regions below the threshold

		Population	GDP/cap (US$)	Regional data as a % of Nation	M 4	M 6
BO	Potosí	746,618	483	54.7	N/A	9.6
BO	Chuquisaca	549,835	677	76.7	N/A	13.4
BO	La Paz	2,268,824	777	88.1	N/A	15.4
BO	Beni	336,633	865	98.0	N/A	17.1
BO	Cochabamba	1,408,071	885	100.3	N/A	17.5
BO	Tarija	368,506	954	108.1	N/A	18.9
BO	Pando	53,124	1,090	123.5	N/A	21.6
BO	Oruro	383,498	1,107	125.4	N/A	21.9
BO	Santa Cruz	1,651,951	1,203	136.3	N/A	23.8
BR	Maranhão	5,349,575	1,222	25.6	23.3	24.2
BR	Piauí	2,758,129	1,352	28.3	25.8	26.7
BR	Tocantins	1,096,967	1,384	28.9	26.4	27.4
CL	De La Araucanía	846,000	1,575	34.2	N/A	31.1
PY	*Total Paraguay*	*5,085,328*	*1,652*	*100.0*	*31.5*	*32.7*
BR	Paraíba	3,433,234	1,796	37.6	34.2	35.5
BR	Alagoas	2,754,697	1,843	38.6	35.1	36.4
AR	Santiago del Estero	700,114	1,979	25.2	37.7	39.1
AR	Formosa	447,094	2,031	25.9	38.7	40.2
BR	Roraima	258,088	2,126	44.5	40.5	42.0
BR	Ceará	7,010,107	2,214	46.3	42.2	43.8
BR	Rio Grande do Norte	2,641,355	2,228	46.6	42.4	44.0
CL	De Los Lagos	1,028,200	2,229	48.5	N/A	44.1
BR	Pará	5,724,140	2,268	47.4	43.2	44.8
BR	Acre	504,489	2,296	48.0	43.7	45.4
CL	Coquimbo	553,400	2,463	53.6	N/A	48.7
CL	Del Biobío	1,874,100	2,568	55.8	N/A	50.8
BR	Sergipe	1,662,168	2,570	53.8	49.0	50.8
BR	Bahia	12,697,007	2,572	53.8	49.0	50.9
CL	Del Maule	889,800	2,616	56.9	N/A	51.7
BR	Pernambuco	7,548,183	2,740	57.3	52.2	54.2
AR	Jujuy	555,097	2,830	36.0	53.9	56.0
BR	Rondônia	1,289,365	2,872	60.1	54.7	56.8
AR	Chaco	895,900	2,947	37.5	56.1	58.3
BR	Goiás	4,629,154	3,055	63.9	58.2	60.4
CL	De Aysén	90,800	3,073	66.8	N/A	60.8
CL	Valparaíso	1,507,100	3,148	68.4	N/A	62.2
AR	Corrientes	857,685	3,259	41.5	62.1	64.4
CL	Del Libertador	758,400	3,287	71.5	N/A	65.0
BR	Amapá	402,557	3,344	70.0	63.7	66.1
BR	Mato Grosso	2,335,344	3,459	72.4	65.9	68.4
AR	Tucumán	1,216,623	3,611	46.0	68.8	71.4
AR	Salta	958,094	3,826	48.7	72.9	75.7
AR	Catamarca	289,212	3,873	49.3	73.8	76.6
	Mercosur 4	73,099,706	2,338	N/A	44.5	46.2
	Mercosur 6	88,414,566	2,232	N/A	N/A	44.1

The whole of Paraguay (in italics) is included due to the homogenisation of data

Activity rate

The activity rate is the second indicator used to show the state of regional economic disparities in Mercosur. This rate is the number of people economically active as a percentage of the population of working age, that is generally the people more than 15 years old. Since the following activity rates are calculated through different methods, it is necessary to handle the following data with care.

A difference of definition which is worth noting is the age at which a person is considered to be able to be economically active. Whereas it is 15 years old in Chile, it is 10 in Brazil and Paraguay. The implication is not only statistical. It reveals much about the socio-economic situation of the country. Indeed, when people are considered economically active at a young age, it can imply that the economic situation is so difficult that to survive even children need to leave aside their education to work to assist their families.

Likewise, in some countries, such as in most of Europe, there is an upper age limit to economic activity, often 65 years old. This is the age at which most people are considered as being no longer economically active but to be retired. As a result these older people are not included in the statistics. In these six countries of Mercosur the statistics do not include such upper limits. This might imply that the elderly need to work because their pensions are insufficient or non-existent.

At the national level, the gap in the activity rate is not too wide. Table 4.7 shows that the country with the lowest activity rate is Paraguay with an indicator representing 80% of the Mercosur average. This is not too surprising and the possible reasons explaining this are twofold. First, it might be due to the economic situation of this country. More likely, this is the logical consequence of the fact that most economic activity in Paraguay is 'informal'. Some estimates suggest that informal activity accounts for as much as half of the economy. The World Bank estimated in 1999 that the share of the informal economy was 40% of the total economy, composed of the traditional informal sector (25%), retail tourism trade (6%) and wholesale smuggling (9%)[119]. What is also remarkable is that Bolivia, which is also in a difficult economic situation and which has the lowest GDP per capita of Mercosur, is the country with the highest activity rate, that is 120% of the Mercosur average. This difference between Paraguay and Bolivia could be a result of different treatment of the informal economy or of family workers in the statistics.

Table 4.7. Activity rates: Mercosur national averages

	Population in age of economic activity*	Population economically active	Activity rate (%)	National activity rate as a % of Mercosur 4	National activity rate as a % of Mercosur 6
Argentina	23,288,242	13,202,200	56.7	95.5	95.6
Brazil	127,717,163	76,885,732	60.2	101.4	101.5
Paraguay	2,949,099	1,396,733	47.4	79.8	79.8
Uruguay	2,525,651	1,440,489	57.0	96.0	96.1
Bolivia	3,722,699	2,654,960	71.3	N/A	120.2
Chile	10,720,180	5,826,960	54.4	N/A	91.6
Mercosur 4	156,480,155	92,925,154	59.4	100.0	100.1
Mercosur 6	170,923,034	101,407,074	59.3	N/A	100.0

* Population over 14 for Argentina, 10 in Brazil and in Paraguay, 12 in Uruguay, 15 in Bolivia and in Chile.

119 Gonzalez José Antonio, Thobani Mateen, Paraguay Country economic memorandum: macroeconomic policies to reactivate growth, March 1999, World Bank, Washington DC, p.A-63.

When standard and average deviations are calculated, it confirms that, as at the national level, there is very little difference between the regions. They are respectively 8 and 6, which is very small compared to the values of the standard and average deviations for GDP per capita which respectively reached 57 and 45[120]. As shown in Table 4.8, the countries where regional disparities are the highest are Paraguay and Chile which both have average deviations higher than those at Mercosur level.

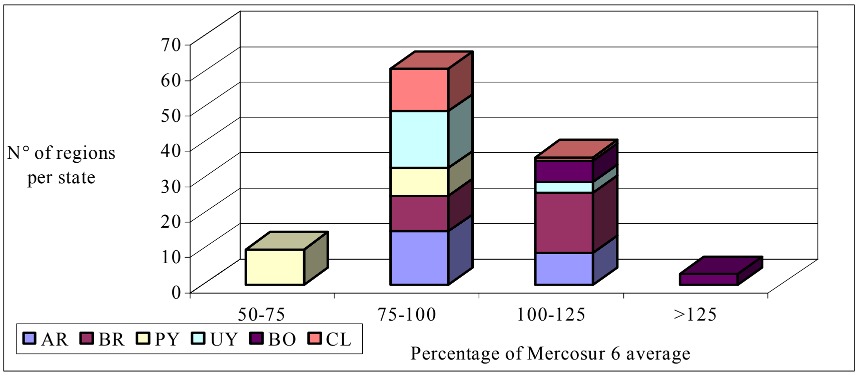
Table 4.8. Activity rates: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
Activity rate	2.6	5.0	8.4	3.9	3.9	7.4	6.0

The analysis of the activity rate at the regional level confirms that there are few disparities between regions and the Mercosur average (see Appendix A2.2.2 for all the regional data and a map). Only 39 regions of 110 have an activity rate higher than the Mercosur average. Apart from three Bolivian regions, those of Tarija, Beni, and Pando, these 39 regions are all included within the 100-125% range above Mercosur average.

The majority of the Mercosur regions, 71 of them, have indicators lower than the Mercosur average. However, as highlighted in Figure 4.5, most regions have an indicator not too inferior to that of Mercosur, since only 10 are below the 75% threshold.

Figure 4.5. Distribution of the regions according to their activity rates compared to Mercosur average



On top of these ten regions that are below the 75% threshold, an eleventh one, that of Guairá, which is at the threshold can be included. As shown in Table 4.9, these eleven regions are Paraguayan. These regions have an average activity rate equivalent to 72% of that of Mercosur and account for about two million people. It represents 40% of the population of Paraguay but less than 1% of the total Mercosur population.

[120] See the third section of Chapter 4.

Table 4.9. Activity rates: Mercosur regions below the threshold

		Total population	Population in age of economic activity (>10yrs)	Population economically active	Activity rate (%)	Regional rate as a % of		
						National	M 4	M 6
PY	Misiones	98,607	62,111	25,225	40.6	85.8	68.4	68.5
PY	Concepción	185,496	111,513	46,231	41.5	87.5	69.8	69.9
PY	Caazapá	141,559	86,280	35,937	41.7	88.0	70.1	70.2
PY	Cordillera	215,663	141,038	59,230	42.0	88.7	70.7	70.8
PY	Alto Paraguay	13,831	8,698	3,660	42.1	88.9	70.9	70.9
PY	Boquerón	35,241	21,534	9,192	42.7	90.1	71.9	72.0
PY	Paraguarí	247,675	147,817	63,189	42.8	90.3	72.0	72.1
PY	Ñeembucú	86,965	51,617	22,378	43.4	91.5	73.0	73.1
PY	San Pedro	332,926	186,500	81,051	43.5	91.8	73.2	73.3
PY	Caaguazú	442,161	260,225	114,510	44.0	92.9	74.1	74.2
PY	Guairá	173,668	112,699	50,128	44.5	93.9	74.9	75.0
	Mercosur 4	1,973,792	1,190,032	510,731	42.9	N/A	72.3	72.3
	Mercosur 6	1,973,792	1,190,032	510,731	42.9	N/A	N/A	72.3

A map of regional economic development in Mercosur

To conclude this section on regional economic development gaps within Mercosur, it is useful to look at the regions which have at least one of the two economic indicators below 75% of the Mercosur average.

These regions are detailed in Table 4.10. As the table shows, out of the 110 Mercosur regions, 49 have one economic indicator below the 75% threshold and 11 have both. These regions respectively represent 38% and less than 1% of the Mercosur population.

Table 4.10. Economic development: Mercosur regions with at least one economic indicator below the threshold

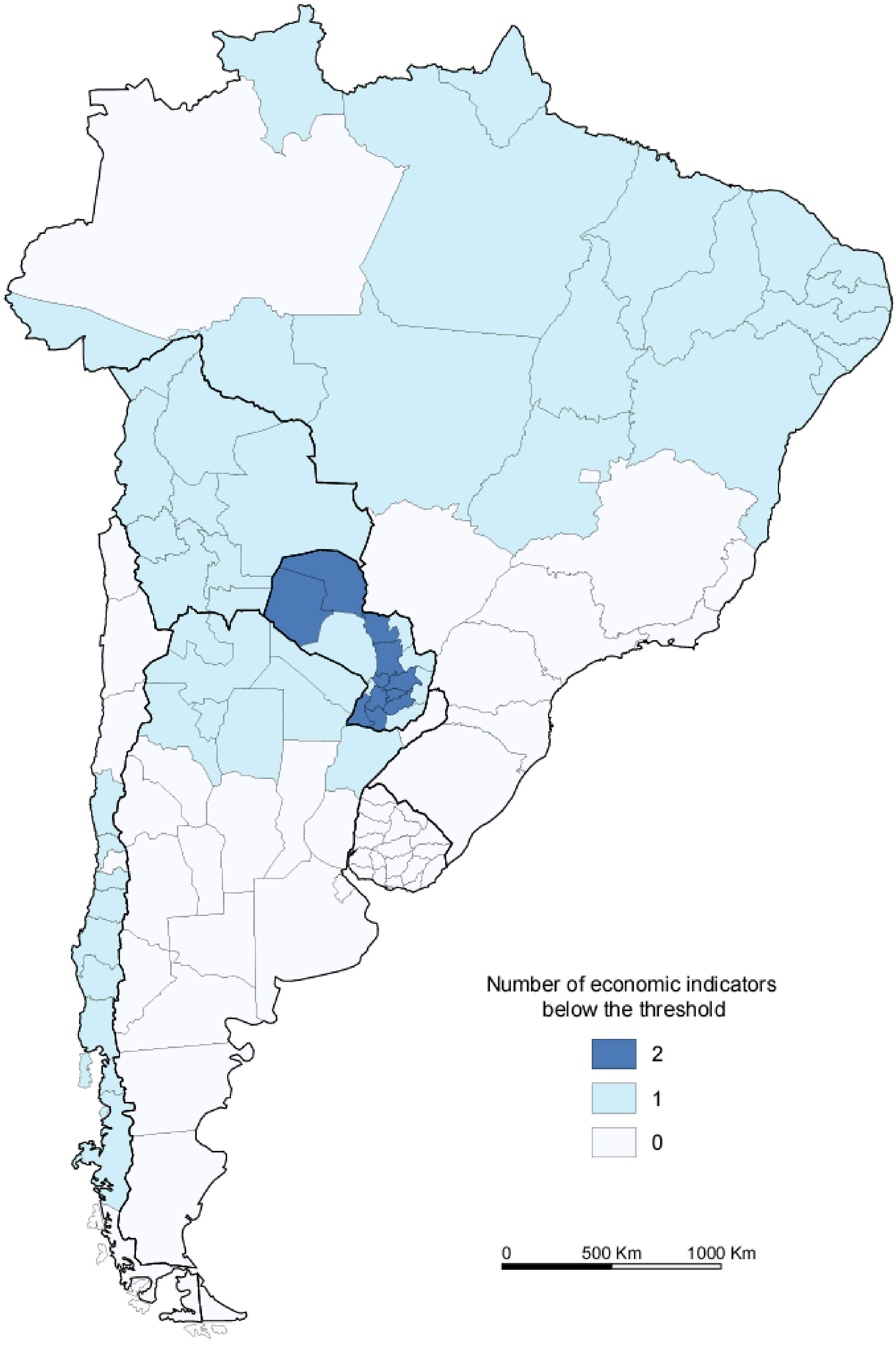
	Mercosur regions according to the n° of economic indicators below 75% of Mercosur average				
	N° of economic indicators 1	2	N° of regions	Population	% of national population
Argentina	Catamarca Chaco Corrientes Formosa Jujuy Salta Santiago del Estero Tucumán		8	5,919,819	17

Table 4.10 (continued)

	Mercosur regions according to the n° of economic indicators below 75% of Mercosur average				
	N° of economic indicators		N° of regions	Population	% of national population
	1	2			
Brazil	Acre		17	62,094,559	39
	Alagoas				
	Amapá				
	Bahia				
	Ceará				
	Goiás				
	Maranhão				
	Mato Grosso				
	Pará				
	Paraíba				
	Pernambuco				
	Piauí				
	Rio Grande do Norte				
	Rondônia				
	Roraima				
	Sergipe				
	Tocantins				
Paraguay	Alto Paraná	Alto Paraguay	18	5,085,328	100
	Amambay	Boquerón			
	Asunción	Caaguazú			
	Canindeyú	Caazapá			
	Central	Concepción			
	Itapúa	Cordillera			
	Pdte. Hayes	Guairá			
		Misiones			
		Ñeembucú			
		Paraguarí			
		San Pedro			
Uruguay	None	None	0	0	0
Bolivia	Beni		9	7,767,060	100
	Chuquisaca				
	Cochabamba				
	La Paz				
	Oruro				
	Pando				
	Potosí				
	Santa Cruz				
	Tarija				
Chile	Coquimbo		8	7,724,087	51
	De Aysén				
	De La Araucanía				
	De Los Lagos				
	Del Biobío				
	Del Libertador				
	Del Maule				
	Valparaíso				
N° of regions	49	11	60	N/A	N/A
Population	86,617,061	1,973,792	N/A	88,590,853	N/A
% of M6 population	38	1	N/A	39	N/A

This table enables an economic development map to be drawn for the six Mercosur countries (see Map 4.3). The map represents for each region the number of economic indicators which are below the 75% threshold.

Map 4.3. Mercosur regional economic development gaps



As the map shows, whereas none of the Uruguayan regions have economic indicators below the 75% threshold, all the Paraguayan and Bolivian departments have at least one economic indicator below this threshold. It is worth noting that all the eleven regions with both economic indicators below the threshold are Paraguayan.

As highlighted in Map 4.3, only parts of the three other Mercosur countries have at least one economic indicator below the 75% threshold. As the previous table indicates, 51% of the Chilean population lives in eight regions having one economic indicator below the 75% threshold. These regions are all in the centre of the country. Indeed, the only regions with no economic indicator below the threshold are, in addition to the region of the capital city, those of the extreme south and extreme north of the country. More than half of Brazilian regions, seventeen of them, have one economic indicator below the 75% threshold. As shown in Map 4.3, these regions, which represent 39% of the population, account for the whole of the Northeast, of the North, Amazonas excluded, and two states of the Centre West. Eight Argentinian regions have one economic indicator below the threshold. They are all situated in the north of the country and account for 17% of the population.

THE INFRASTRUCTURE GAP

The thesis now turns to look at disparities in terms of infrastructure provision.

To describe the infrastructure development disparities among Mercosur regions, five indicators are considered. As explained in the first section, included here are road network density, electricity consumption, number of telephone lines, domestic connection to drinking water, and existence of waste removal facilities in houses.

Road network

The first indicator which is taken to symbolise the level of infrastructure development in Mercosur countries is their road network, that is the number of kilometres of roads, not necessarily paved, per 1,000 km². Roads being a widely used transportation infrastructure to carry goods and people across Mercosur territory, the importance of the network and the quality of the roads, that is the percentage of paved roads, are good indicators which can highlight infrastructure disparities between the different regions.

First, from looking at national statistics (see Table 4.11), it is evident that there are significant disparities at this level among Mercosur members. Indeed, whereas Brazil has an average of almost 200 km of roads per 1,000 km², the road network of Argentina is twenty times less dense. Comparing these results to the Mercosur 6 data, they respectively correspond to 150% and 8% of this Mercosur average (126 km per 1,000 km²). The size of this gap can partially be explained by the importance given by Brazil to transportation infrastructure during the recent past while Argentina stopped its public financing of road construction. Argentina had previously a national fund for roads which was financed by taxes on petrol. The four other members are all below the Mercosur average. Whereas Chile is slightly underneath it, the indicators for Paraguay, Uruguay and Bolivia are at less than half of that of Mercosur. Brazil having an indicator much higher than the others and such a large territory, it pulls up the average leaving the other countries far behind.

However, although Brazil has a dense road network, the state of the road network is not as good as in other countries since only 9% of the roads are paved, with asphalt or concrete, while in Argentina this percentage rises to 81%. The country with the lowest percentage of paved roads is Bolivia with only 6% of its network. The percentage in the other countries is between 13% and 28% (see Table 4.11).

Table 4.11. Road network density: Mercosur national averages

	Territory (km²)	Total km of roads	Road density (km per 1,000 km²)	% of paved roads	National road density as a % of Mercosur 4	Mercosur 6
Argentina	3,761,274	38,371	10.2	81.0	7.6	8.1
Brazil	8,547,403	1,658,677	194.1	9.1	144.7	153.7
Paraguay	406,752	23,515	57.8	13.3	43.1	45.8
Uruguay	175,016	8,660	49.5	27.8	36.9	39.2
Bolivia	1,098,581	53,468	48.7	5.7	N/A	38.5
Chile	754,905	79,077	104.8	17.2	N/A	83.0
Mercosur 4	12,890,445	1,729,223	134.1	10.8	100.0	106.2
Mercosur 6	14,743,931	1,861,768	126.3	11.0	N/A	100.0

Before analysing the regional statistics, a look at the standard and average deviations for these data shows the significance of the regional disparities. Indeed, out of the twelve indicators analysed, road network density has the highest deviations. The average deviation is 111 and the standard deviation reaches 170. As shown in Table 4.12, the average deviation in each member state is lower than that at the Mercosur level. Brazil has by far the most significant regional disparities when it comes to road network.

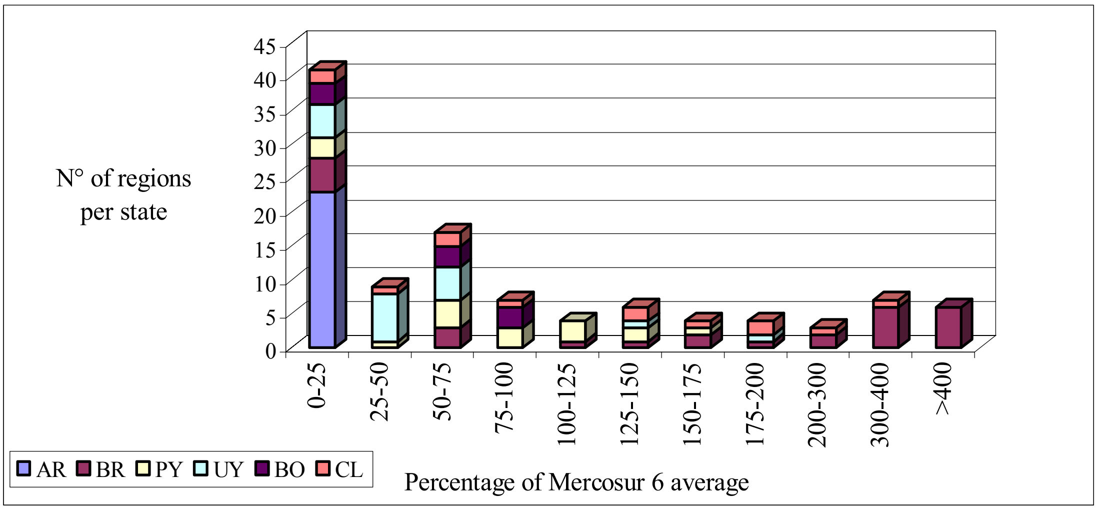
Table 4.12. Road network density: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
Road network	50.4	93.5	74.6	43.3	66.7	75.9	110.7

The significance of these disparities are highlighted in Figure 4.6. Only 34 regions have a road network which is similar to or more dense than the Mercosur average. Among these regions, six of them, all in Brazil, have indicators which represent more than four times the Mercosur average. One of these six regions, Paraná, stands at more than a 1,000% of the Mercosur average. At the other end of the spectrum, 68 regions are below the 75% threshold. Although it represents 79% of the Mercosur 6 average, the Paraguayan region of Amambay is included because it is below the 75% threshold in a Mercosur 4 situation (see Table 4.13 below).

Figure 4.6 shows that, apart from the range that is 0-25% of the Mercosur average, the regions are evenly distributed between 25% and more than 400%. This graphically highlights the extreme diversity of the road networks situation throughout Mercosur. The exception of the first category (0-25%) is mostly due to the presence of the whole of Argentina which swells it.

Figure 4.6. Distribution of the regions according to their road density compared to Mercosur average



As shown in Table 4.13, the 69 regions with a road network indicator which is below 75% of the Mercosur average are composed of the 24 Argentinian regions, 8 Brazilian, 9 Paraguayan, 17 of the 19 Uruguayan, 6 of the 9 of Bolivia and 5 of the 13 Chilean regions. In Argentina the data of the City of Buenos Aires are extrapolated from those of the Province of Buenos Aires which includes it.

The Argentinian case is mostly due to a lack of public support to road infrastructure at the national level, but also due to natural constraints such as the Andean mountains in the west and the harsh climatic conditions of the Arctic south. Indeed, the Mercosur region with the least dense road network is that containing Tierra del Fuego, Antarctica and South Atlantic Islands; this represents 0.7% of the Mercosur average.

In Brazil, limited road infrastructure occur in the 7 regions of the North and the Mato Grosso (Central West). They are all slightly populated regions, at 3 persons per km² in average, and are where the Amazon forests and rivers render road construction very difficult.

In the case of Paraguay most of the regions that have a road network representing less than 75% the Mercosur average are border regions. This is surprising since traditionally border regions are interfaces between countries and consequently regions where means of communication are well developed.

In Uruguay, the only two regions which are <u>not</u> below the 75% threshold are the capital city and an adjacent region. Being mostly urban areas, these regions have better road networks than the rest of the country.

In Bolivia, the three regions which are <u>not</u> below this threshold are at the centre of the country. The roads connecting the different regions and neighbouring countries, for example the highway linking Argentina and Peru passing through these regions, contribute to their relatively better level of road network while the rest of Bolivia has an underdeveloped road infrastructure, below the 75% threshold.

Finally, in Chile, the five regions below the 75% threshold are at the extremes of the country. These are the three regions of the north and the two of the south. These last two countries, Bolivia and Chile, also have to contend with the Andean mountains which, as in the case of the Amazon, has a direct negative impact on the development of road networks.

The majority of the Mercosur territory suffers from road infrastructure underdevelopment, that is below the threshold (see complete statistical tables and map in Appendix A2.3.1). These 69 regions represent 70% of the Mercosur territory. This can be explained by the presence among these of the four largest regions of Mercosur – i) Amazonas, ii) Pará, iii)Tierra del Fuego, Antarctica and South Atlantic Islands, and iv) Mato Grosso – which account for almost 5 million square kilometres, a third of Mercosur. However, since these infrastructurally underdeveloped regions are not densely populated, only a fourth of Mercosur population is found in this area. These regions have a road network which only represents 22% of the Mercosur average, which shows the significant gap which separates them from the rest of the territory.

Table 4.13. Road network density: Mercosur regions below the threshold

		Population	Territory (km²)	Km of roads	Paved roads (%)	Road density (km per 1,000 km²)	Regional road density as a % of		
							Nation	M 4	M 6
AR	Tierra del Fuego, Antarctica and South Atlantic Islands	89,992	1,002,445	908	24.3	0.9	8.9	0.7	0.7
BR	Amazonas	2,460,434	1,577,820	6,034	28.2	3.8	2.0	2.9	3.0
AR	Catamarca	289,212	102,602	891	82.0	8.7	85.1	6.5	6.9
AR	San Juan	555,223	89,651	827	88.6	9.2	90.4	6.9	7.3
PY	Alto Paraguay	13,831	82,349	802	0.0	9.7	16.8	7.3	7.7
AR	Santa Cruz	181,198	243,943	2,392	43.3	9.8	96.1	7.3	7.8
AR	Chubut	399,125	224,686	2,275	64.7	10.1	99.3	7.5	8.0
AR	Santiago del Estero	700,114	136,351	1,464	90.8	10.7	105.3	8.0	8.5
AR	La Pampa	282,356	143,440	1,589	85.5	11.1	108.6	8.3	8.8
AR	Chaco	895,900	99,633	1,112	70.3	11.2	109.4	8.3	8.8
AR	Mendoza	1,508,959	148,827	1,727	90.9	11.6	113.8	8.7	9.2
AR	Río Negro	559,590	203,013	2,382	66.0	11.7	115.0	8.7	9.3
AR	Salta	958,094	155,488	1,889	61.2	12.1	119.1	9.1	9.6
BR	Amapá	402,557	143,453	2,012	11.1	14.0	7.2	10.5	11.1
AR	Jujuy	555,097	53,219	754	61.9	14.2	138.9	10.6	11.2
BR	Acre	504,489	153,149	2,266	21.2	14.8	7.6	11.0	11.7
AR	Buenos Aires	16,407,287	307,771	4,690	100.0	15.2	149.4	11.4	12.1
AR	Córdoba	2,929,734	165,321	2,526	100.0	15.3	149.8	11.4	12.1
BO	Beni	336,633	213,564	3,294	2.2	15.4	31.7	N/A	12.2
AR	Neuquén	463,266	94,078	1,568	87.6	16.7	163.4	12.4	13.2
AR	San Luis	321,890	76,748	1,294	100.0	16.9	165.3	12.6	13.4
AR	Formosa	447,094	72,066	1,310	55.0	18.2	178.2	13.6	14.4
AR	Entre Ríos	1,069,102	78,781	1,460	100.0	18.5	181.7	13.8	14.7
AR	Santa Fe	2,949,050	133,007	2,479	96.2	18.6	182.7	13.9	14.8
AR	La Rioja	247,575	89,680	1,727	78.1	19.3	188.8	14.4	15.3
AR	Corrientes	857,685	88,199	1,761	100.0	20.0	195.7	14.9	15.8
BO	Pando	53,124	63,827	1,276	2.6	20.0	41.1	N/A	15.8
BR	Roraima	258,088	225,116	4,868	15.3	21.6	11.1	16.1	17.1
AR	Tucumán	1,216,623	22,524	507	89.2	22.5	220.7	16.8	17.8
UY	Salto	117,597	14,163	328	30.5	23.2	46.8	17.3	18.3
CL	De Aysén	93,636	107,567	2,552	6.2	23.7	22.6	N/A	18.8
CL	De Magallanes	156,530	132,033	3,250	12.9	24.6	23.5	N/A	19.5
BO	Santa Cruz	1,651,951	370,621	9,134	9.9	24.6	50.6	N/A	19.5
BR	Pará	5,724,140	1,253,164	34,344	9.9	27.4	14.1	20.4	21.7
AR	Misiones	884,291	29,801	839	76.3	28.2	276.0	21.0	22.3
PY	Pdte. Hayes	77,145	72,907	2,066	27.7	28.3	49.0	21.1	22.4
UY	Lavalleja	61,085	10,016	288	68.1	28.8	58.1	21.4	22.8
PY	Boquerón	35,241	91,669	2,678	4.5	29.2	50.5	21.8	23.1

Table 4.13 (continued)

		Population	Territory (km²)	Km of roads	Paved roads (%)	Road density (km per 1,000 km²)	Regional data as a % of Nation	M 4	M 6
UY	Treinta y Tres	49,502	9,529	280	41.1	29.4	59.4	21.9	23.3
UY	Paysandú	111,509	13,922	431	14.8	31.0	62.6	23.1	24.5
UY	Durazno	55,716	11,643	362	34.3	31.1	62.8	23.2	24.6
UY	Artigas	75,059	11,928	394	26.4	33.0	66.8	24.6	26.2
UY	Cerro Largo	82,510	13,648	485	0.8	35.5	71.8	26.5	28.1
UY	Tacuarembó	84,919	15,438	558	15.4	36.1	73.0	26.9	28.6
CL	Antofagasta	462,286	126,049	5,563	26.2	44.1	42.1	N/A	35.0
UY	Rivera	98,472	9,370	438	0.0	46.7	94.5	34.8	37.0
UY	Río Negro	51,713	9,282	447	24.8	48.2	97.3	35.9	38.1
PY	Ñeembucú	86,965	12,147	657	3.4	54.1	93.5	40.3	42.8
UY	Flores	25,030	5,144	279	29.7	54.2	109.6	40.4	43.0
UY	Soriano	81,557	9,008	513	25.0	56.9	115.1	42.5	45.1
PY	Misiones	98,607	9,556	614	22.3	64.3	111.2	47.9	50.9
UY	Rocha	70,292	10,551	682	25.1	64.6	130.6	48.2	51.2
UY	Florida	66,503	10,417	686	15.2	65.9	133.1	49.1	52.2
BO	La Paz	2,268,824	133,985	9,096	6.4	67.9	139.5	N/A	53.8
BO	Tarija	368,506	37,623	2,694	9.3	71.6	147.1	N/A	56.7
PY	Canindeyú	133,075	14,667	1,056	0.0	72.0	124.6	53.7	57.0
UY	San José	96,664	4,992	389	74.3	77.9	157.5	58.1	61.7
CL	Tarapacá	385,620	59,099	4,621	23.7	78.2	74.6	N/A	61.9
UY	Maldonado	127,502	4,793	382	41.6	79.7	161.1	59.4	63.1
PY	Alto Paraná	595,276	14,895	1,207	7.6	81.0	140.2	60.4	64.2
PY	Caazapá	141,559	9,496	793	2.0	83.5	144.4	62.2	66.1
CL	Atacama	269,047	75,176	6,366	15.4	84.7	80.8	N/A	67.1
BO	Oruro	383,498	53,588	4,580	6.9	85.5	175.6	N/A	67.7
UY	Colonia	120,241	6,106	531	20.7	87.0	175.8	64.8	68.9
BR	Tocantins	1,096,967	278,420	24,766	6.0	89.0	45.8	66.3	70.4
BR	Mato Grosso	2,335,344	906,806	82,875	4.8	91.4	47.1	68.1	72.4
BR	Rondônia	1,289,365	238,512	22,433	6.3	94.1	48.5	70.1	74.5
PY	Amambay	127,011	12,933	1,289	10.1	99.7	172.4	74.3	78.9
	Total Mercosur 4	51,524,422	9,028,283	236,604	20.1	26.2	N/A	19.5	20.8
	Total Mercosur 6	57,954,077	10,401,415	289,030	18.6	27.8	N/A	N/A	22.0

Consumption of electricity

A second indicator used to represent regional disparities in infrastructure development in Mercosur is electricity consumption, that is total electricity consumption divided by the population. As briefly described in the first section, this indicator has two parts. High consumption appears to imply first that people are connected to the electricity distribution network. This suggests that they have goods requiring electricity such as light, TV and fridge, which imply better living conditions. However, high consumption also signifies that there are companies using electrical power for machines, and this suggests a certain level of economic development.

Beginning the analysis with a look at the national statistics, there immediately appears a gap between Paraguay and Bolivia on the one hand and the other member countries on the other. Indeed, as Table 4.14 shows, whereas the four other countries have a superior electricity consumption per capita, which stands at 158% in the case of Chile, or have a slightly inferior consumption compared to the Mercosur average, such as Argentina with 86%, Paraguay and Bolivia are considerably below this average, with respectively 48% and 29%. In addition to having a low electricity consumption per capita, these two countries are characterised by a high percentage of residential utilisation, respectively 46% and 39%, Uruguay being the only other country with such a high percentage. These two indicators indirectly highlight that both Paraguay and Bolivia are relatively poor and less industrialised than the other Mercosur countries.

Argentina and Brazil are very similar. Their consumption per capita is almost the same, close to the Mercosur average, and both have a residential consumption representing about a third of the total. It shows that both have relatively well-off populations and are well industrialised.

In spite of having the highest electricity consumption per capita of Mercosur, Uruguay and Chile are very different, as highlighted by the percentage of residential consumption. This percentage being very high in Uruguay, it shows its lack of industrialisation, especially compared to Chile where the residential consumption percentage is the lowest in Mercosur.

Table 4.14. Electricity consumption per capita: Mercosur national averages

	Total Population	Total consumption (MWh)	Residential consumption (%)	Consumption per capita (kWh)	National consumption per capita as a % of Mercosur 4	
					Mercosur 4	Mercosur 6
Argentina	34,768,457	45,281,477	34.0	1,302.4	87.1	85.8
Brazil	160,710,275	249,099,000	32.6	1,550.0	103.7	102.1
Paraguay	5,085,328	3,737,828	46.0	735.0	49.2	48.4
Uruguay	3,163,763	6,378,284	45.5	2,016.0	134.9	132.8
Bolivia	7,767,060	3,420,910	38.6	440.4	N/A	29.0
Chile	15,010,755	35,911,000	16.2	2,392.4	N/A	157.6
Mercosur 4	203,727,823	304,496,588	33.3	1,494.6	100.0	98.5
Mercosur 6	226,505,638	343,828,498	31.6	1,518.0	N/A	100.0

Calculating the average and standard deviations for the electricity consumption confirms that regional disparities are rather significant. The value for these two deviations are respectively 36 and 44. The average deviation of Chile is null since, due to a lack of regional statistics, its 13 regions were considered to have the same indicator (158%). Paraguay is by far the country with the highest average deviation. It is also the only country with a deviation higher than that of Mercosur.

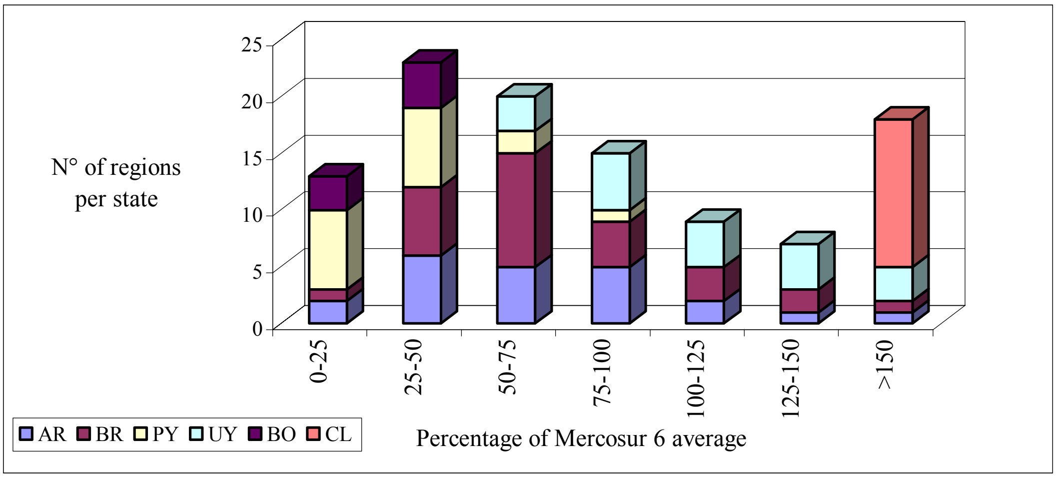
Table 4.15. Electricity consumption per capita: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
Electricity Consumption	28.9	34.2	55.4	19.4	31.9	0.0	36.4

When looking at the regional disparities (see also Appendix A2.3.2 for a complete statistical table and map on electricity consumption), it appears that only 34 regions have an electricity consumption per capita higher than the Mercosur average. The region with the highest consumption is that of Maldonado in Uruguay, with 209% of the Mercosur average. This number of 34 regions is slightly biased and overestimated because of the homogenisation of Chile.

As represented in Figure 4.7, 71 regions have a level of consumption of electricity per capita which is lower than the Mercosur average, with indicators which are as low as 0.1% of Mercosur average in Santiago del Estero in Argentina. Out of these, 59 have an indicator lower than 75% of this Mercosur statistic: 14 in Argentina, 17 in Brazil, 16 Paraguayan, 3 in Uruguay and the whole of Bolivia. It should be noted that the data for Asunción are extrapolated from those of Central which include it. Moreover, in the case of Bolivia, since data were available only for an area comprising Tarija, Beni and Pando, it was assumed that each of these three regions had the same indicator value.

Figure 4.7. Distribution of the regions according to their electricity consumption per capita compared to Mercosur average



The fact that the whole of Bolivia and Paraguay are below the 75% threshold, with the exception of the Central and Asunción departments in Paraguay – both representing 87% of the Mercosur average – has been previously explained during the analysis at the national level. The three Uruguayan departments below this threshold, Artigas, Durazno and Tacuarembó, are situated in the centre and the north of the country and are essentially rural areas, which may explain their lower consumption.

In Argentina, most of the regions which are underneath the 75% threshold are in the northwest, a few others being in the centre and the south. They are essentially rural and mountainous areas, which renders the task of connecting people and businesses to electricity networks harder. More than half of the Brazilian regions have an electricity consumption per capita less than 75% of the Mercosur average. They are part of the North, Northeast and Central West areas, which are the relatively less developed regions of Brazil and where the Amazon forest is a natural obstacle to any kind of infrastructural development.

As Table 4.16 shows, the population of these 59 regions add up to 78 million people, a third of that of Mercosur. Their average consumption of electricity per capita only represents half of that of the Mercosur average.

Table 4.16. Electricity consumption per capita: Mercosur regions below the threshold

		Population	Consumption (MWh)	% of residential consumption	Consumption per capita (kWh)	Regional consumption per capita as a % of		
						Nation	M 4	M 6
AR	Santiago del Estero	700,114	344	57.8	0.5	0.1	0.1	0.1
AR	Catamarca	289,212	2,941	3.1	10.2	0.8	0.7	0.7
PY	Boquerón	35,241	2,001	31.6	56.8	7.7	3.8	3.7
BO	Potosí	746,618	82,328	24.8	110.3	25.0	N/A	7.3
PY	Alto Paraguay	13,831	1,761	55.8	127.3	17.3	8.5	8.4
PY	Caazapá	141,559	20,265	67.8	143.2	19.5	9.6	9.4
BO	Chuquisaca	549,835	103,969	38.0	189.1	42.9	N/A	12.5
PY	San Pedro	332,926	65,102	61.2	195.5	26.6	13.1	12.9
PY	Paraguarí	247,675	61,335	61.4	247.6	33.7	16.6	16.3
PY	Canindeyú	133,075	39,203	42.5	294.6	40.1	19.7	19.4

Table 4.16 (continued)

		Population	Consumption (MWh)	% of residential consumption	Consumption per capita (kWh)	Regional consumption per capita as a % of Nation	M 4	M 6
PY	Caaguazú	442,161	148,565	47.1	336.0	45.7	22.5	22.1
BR	Piauí	2,758,129	948,000	62.8	343.7	22.2	23.0	22.6
BO	Cochabamba	1,408,071	519,365	41.9	368.9	83.8	N/A	24.3
BO	La Paz	2,268,824	938,444	49.0	413.6	93.9	N/A	27.3
PY	Guairá	173,668	73,201	22.8	421.5	57.4	28.2	27.8
PY	Itapúa	454,757	191,893	51.6	422.0	57.4	28.2	27.8
BR	Tocantins	1,096,967	467,000	58.2	425.7	27.5	28.5	28.1
PY	Cordillera	215,663	92,238	67.2	427.7	58.2	28.6	28.2
AR	Jujuy	555,097	247,542	54.0	445.9	34.2	29.8	29.4
PY	Amambay	127,011	57,670	49.0	454.1	61.8	30.4	29.9
PY	Concepción	185,496	87,402	26.9	471.2	64.1	31.5	31.0
BO	Oruro	383,498	190,867	21.7	497.7	113.0	N/A	32.8
BR	Acre	504,489	261,000	66.3	517.4	33.4	34.6	34.1
PY	Ñeembucú	86,965	45,778	29.5	526.4	71.6	35.2	34.7
AR	Formosa	447,094	248,374	N/A	555.5	42.7	37.2	36.6
BR	Paraíba	3,433,234	2,021,000	41.4	588.7	38.0	39.4	38.8
BO	Santa Cruz	1,651,951	1,032,518	42.3	625.0	141.9	N/A	41.2
BR	Rondônia	1,289,365	853,000	57.7	661.6	42.7	44.3	43.6
BR	Ceará	7,010,107	4,681,000	41.9	667.8	43.1	44.7	44.0
AR	La Rioja	247,575	172,829	59.9	698.1	53.6	46.7	46.0
PY	Alto Paraná	595,276	419,769	47.3	705.2	95.9	47.2	46.5
AR	Corrientes	857,685	608,650	N/A	709.6	54.5	47.5	46.8
BR	Amapá	402,557	290,000	68.6	720.4	46.5	48.2	47.5
AR	Tucumán	1,216,623	881,514	44.0	724.6	55.6	48.5	47.7
BO	Tarija-Beni-Pando	758,263	553,418	18.9	729.9	165.7	N/A	48.1
AR	Misiones	884,291	667,790	27.3	755.2	58.0	50.5	49.8
BR	Pernambuco	7,548,183	5,777,000	43.5	765.4	49.4	51.2	50.4
AR	Chaco	895,900	685,880	49.9	765.6	58.8	51.2	50.4
BR	Rio Grande do Norte	2,641,355	2,044,000	39.9	773.9	49.9	51.8	51.0
BR	Roraima	258,088	202,000	72.3	782.7	50.5	52.4	51.6
AR	Santa Cruz	181,198	144,530	47.4	797.6	61.2	53.4	52.6
PY	Misiones	98,607	82,125	28.0	832.9	113.3	55.7	54.9
BR	Amazonas	2,460,434	2,053,000	44.0	834.4	53.8	55.8	55.0
BR	Bahia	12,697,007	12,124,000	25.7	954.9	61.6	63.9	62.9
BR	Mato Grosso	2,335,344	2,367,000	49.4	1,013.6	65.4	67.8	66.8
AR	San Juan	555,223	576,487	40.9	1,038.3	79.7	69.5	68.4
UY	Artigas	75,059	77,975	49.5	1,038.9	51.5	69.5	68.4
BR	Alagoas	2,754,697	2,871,000	23.1	1,042.2	67.2	69.7	68.7
BR	Sergipe	1,662,168	1,737,000	29.8	1,045.0	67.4	69.9	68.8
PY	Pdte. Hayes	77,145	80,735	15.3	1,046.5	142.4	70.0	68.9
BR	Goiás	4,629,154	4,857,000	46.5	1,049.2	67.7	70.2	69.1
AR	Entre Ríos	1,069,102	1,128,432	30.2	1,055.5	81.0	70.6	69.5
UY	Durazno	55,716	59,135	57.9	1,061.4	52.7	71.0	69.9
AR	La Pampa	282,356	300,256	46.5	1,063.4	81.7	71.2	70.1
BR	Mato Grosso do Sul	1,985,579	2,136,000	46.6	1,075.8	69.4	72.0	70.9
UY	Tacuarembó	84,919	95,913	50.0	1,129.5	56.0	75.6	74.4
AR	Córdoba	2,929,734	3,345,182	26.4	1,141.8	87.7	76.4	75.2
	Mercosur 4	70,154,811	56,401,816	37.6	804.0	N/A	53.8	53.0
	Mercosur 6	77,921,871	59,822,726	37.7	767.7	N/A	N/A	50.6

Telephone lines

The number of telephone lines in service is a third good infrastructure indicator. As for electricity consumption, it can give indications about:

1. The level of development of infrastructure since the telephone network needs to be built;
2. The quality of life since, not being considered an essential good, the presence of a telephone in a house represents a 'luxury';
3. The economic situation since it is difficult for businesses to work at a scale larger than the local level without a telephone line.

The analysis of national statistics (see Table 4.17) shows that, as for electricity consumption, Paraguay and Bolivia are below the Mercosur average. Their data respectively correspond to 20% and 36% of the Mercosur average of 129 telephone lines per 1,000 inhabitants. The same reasons apply to explain this low indicator, that is high poverty and a weak economy. Whereas Brazil is slightly below the Mercosur average, Argentina, Uruguay and Chile have indicators much higher. The country with the most telephone lines per 1,000 people is Uruguay. This may be explained by the relative richness of this country, since it has the second highest GDP per capita of Mercosur[121], and its small size which render the construction of the infrastructure less costly.

Table 4.17. Telephone lines per 1,000 persons: Mercosur national averages

	Population	Tel lines in service	Tel lines per 1,000 people	Country data as a % of Mercosur 4	Mercosur 6
Argentina	34,768,457	6,824,425	196.3	155.2	152.0
Brazil	160,710,275	17,888,211	111.3	88.0	86.2
Paraguay	5,085,328	127,894	25.1	19.9	19.5
Uruguay	3,163,763	931,713	294.5	232.8	228.1
Bolivia	7,767,060	364,075	46.9	N/A	36.3
Chile	15,010,755	3,108,799	207.1	N/A	160.4
Mercosur 4	203,727,823	25,772,243	126.5	100.0	98.0
Mercosur 6	226,505,638	29,245,117	129.1	N/A	100.0

Before going further in the analysis, it is necessary to note that, since no departmental statistics were available for Paraguay, the country has been considered homogeneous and its 19 regions were given the national average.

For this indicator the average and standard deviations are significant. They are the third highest among the twelve indicators analysed. They respectively represent 46 and 58 points. In considering the national average deviation, as detailed in Table 4.18, it appears that the regional disparities are approximately the same in all Mercosur countries. Paraguay is excepted because of its hypothesised homogeneity. Indeed, the average deviation of Mercosur countries for telephone lines ranges between 27 and 37.

Table 4.18. Telephone lines per 1,000 persons: average deviations by country

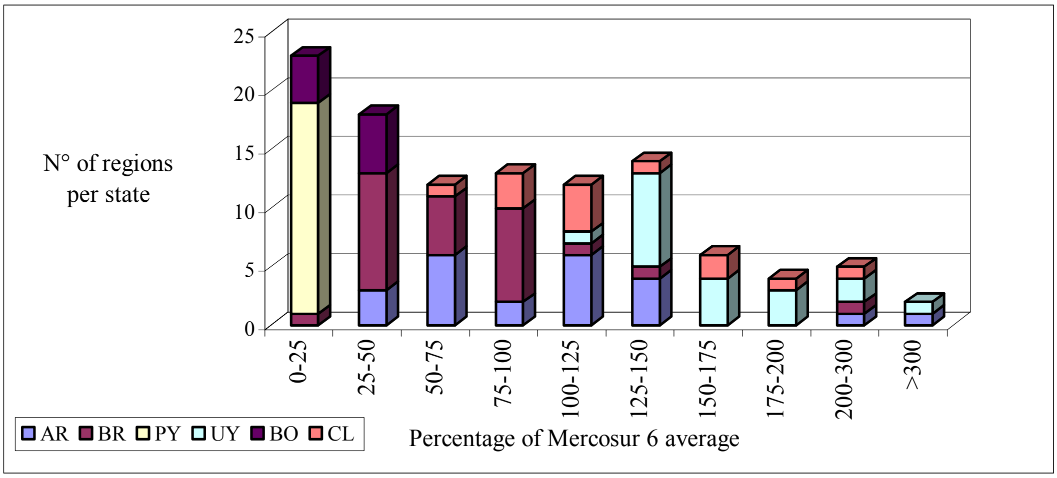
	AR	BR	PY	UY	BO	CL	M6
Telephone lines per 1,000 persons	35.8	37.1	0.0	27.4	31.8	35.9	45.6

[121] See the third section of Chapter 4.

Only 43 regions have an indicator higher than the Mercosur average. Maldonado, in Uruguay, is the region with the highest indicator since, with one telephone line for every two persons, it represents more than 380% of the Mercosur average. These 43 regions comprise 12 Argentinian regions, 3 in Brazil, the 19 Uruguayan departments and 9 Chilean regions.

Out of the 67 regions in which the indicator is lower than the Mercosur average, 53 are below the 75% threshold. As highlighted in Figure 4.8, these 53 regions include the whole of Paraguay and of Bolivia, as well as 9 regions of Argentina, 16 of Brazil and 1 of Chile. The region with the lowest indicator is that of Pando in Bolivia which only reaches 12% of the Mercosur average.

Figure 4.8. Distribution of the regions according to their number of telephone lines per 1,000 persons compared to Mercosur average



The situation of Paraguay and Bolivia does not require any comment since their case was briefly explained in the national level analysis. The region of Chile which is slightly below the 75% threshold of the Mercosur average is that of Del Maule. There are no particular geographic or natural reasons which could explain this since it is not an isolated region but close to the capital city. The 9 Argentinian regions with lower indicators are all located in the north of the country, a traditionally poorer area of Argentina. In the case of Brazil, the regions concerned are the whole of the North, Roraima excepted, and of the Northeast as well as Mato Grosso in Central West. They are all relatively poor areas where infrastructure development is difficult because of the forests and rivers of the Amazon basin.

As calculated within Table 4.19 below, the 53 regions whose indicator of telephone lines per 1,000 persons is lower than 75% of the Mercosur average represent 35% of the total population, that is more than 80 million people. Their average number of telephone lines per 1,000 persons only represents 44% of the Mercosur average. More information on these regional data and a map are available in Appendix A2.3.3.

Table 4.19. Telephone lines per 1,000 persons: Mercosur regions below the threshold

		Population	Telephone lines in service	Telephone lines for 1,000 people	Regional data as a % of National	M 4	M 6
BO	Pando	53,124	851	16.0	34.2	N/A	12.4
BO	Chuquisaca	549,835	13,108	23.8	50.9	N/A	18.5
PY	*Total Paraguay*	*5,085,328*	*127,894*	*25.1*	*100.0*	*19.9*	*19.5*
BO	Cochabamba	1,408,071	36,481	25.9	55.3	N/A	20.1
BO	Potosí	746,618	23,991	32.1	68.6	N/A	24.9
BR	Maranhão	5,349,575	172,482	32.2	29.0	25.5	25.0
BR	Tocantins	1,096,967	38,502	35.1	31.5	27.7	27.2
BO	Beni	336,633	12,958	38.5	82.1	N/A	29.8
AR	Formosa	447,094	18,444	41.3	20.8	32.6	32.0
BO	Tarija	368,506	17,010	46.2	98.5	N/A	35.8
BR	Piauí	2,758,129	128,359	46.5	41.8	36.8	36.0
BR	Pará	5,724,140	278,306	48.6	43.7	38.4	37.7
BR	Pernambuco	7,548,183	374,712	49.6	44.6	39.2	38.4
BO	Oruro	383,498	19,680	51.3	109.5	N/A	39.7
BR	Rondônia	1,289,365	70,188	54.4	48.9	43.0	42.2
BR	Alagoas	2,754,697	151,377	55.0	49.4	43.4	42.6
AR	Jujuy	555,097	32,166	57.9	29.2	45.8	44.9
AR	Santiago del Estero	700,114	40,815	58.3	29.4	46.1	45.2
BR	Paraíba	3,433,234	206,945	60.3	54.2	47.6	46.7
BO	La Paz	2,268,824	138,228	60.9	130.0	N/A	47.2
BO	Santa Cruz	1,651,951	101,768	61.6	131.4	N/A	47.7
BR	Rio Grande do Norte	2,641,355	165,262	62.6	56.2	49.5	48.5
BR	Sergipe	1,662,168	105,327	63.4	56.9	50.1	49.1
BR	Bahia	12,697,007	820,418	64.6	58.0	51.1	50.0
AR	Chaco	895,900	59,935	66.9	33.8	52.9	51.8
BR	Ceará	7,010,107	503,816	71.9	64.6	56.8	55.7
BR	Acre	504,489	36,352	72.1	64.7	57.0	55.8
AR	Salta	958,094	74,036	77.3	39.0	61.1	59.9
AR	Misiones	884,291	68,878	77.9	39.3	61.6	60.3
BR	Amazonas	2,460,434	191,676	77.9	70.0	61.6	60.3
AR	Catamarca	289,212	24,333	84.1	42.4	66.5	65.2
AR	Corrientes	857,685	74,099	86.4	43.6	68.3	66.9
BR	Mato Grosso	2,335,344	202,999	86.9	78.1	68.7	67.3
BR	Amapá	402,557	36,579	90.9	81.6	71.8	70.4
CL	Del Maule	906,882	83,896	92.5	44.7	N/A	71.7
AR	Tucumán	1,216,623	114,514	94.1	47.5	74.4	72.9
	Mercosur 4	71,557,189	4,118,414	57.6	N/A	45.5	44.6
	Mercosur 6	80,231,131	4,566,385	56.9	N/A	N/A	44.1

The whole of Paraguay (in italics) is included due to the homogenisation of data

Domestic access to drinking water

The fourth indicator studied to highlight the regional infrastructure development gaps is the percentage of the population having access to drinking water. It is an indicator of social improvement, but also of hygiene. It consequently has an indirect impact on health. It is also an important indicator since easy connection to water leaves people time for other tasks.

Before analysing the statistics, it is necessary to consider a difficulty which arose in the collection of these statistics. Data for Uruguay, Bolivia and Chile were only available based on the number of houses connected to drinking water, whereas that of the three other countries existed only in relation to people. To enable comparisons, the percentages of houses connected to drinking water in the first three countries mentioned were extrapolated to the population of these regions, to reach an estimation of the percentage of people having access to drinking water in their homes (see Appendix A2.3.4 for more details on this procedure, for the complete statistical table and for a map).

At the national level the disparities are not too significant. Only two countries, Uruguay and Chile, have a better accessibility to drinking water than the Mercosur average. Among the four other countries, Paraguay has the worst accessibility since its national average only represents 81% of the Mercosur average.

Table 4.20. Domestic access to drinking water: Mercosur national averages

	Total Population	Total n° of houses	Pop. or houses having access to drinking water	% with access to drinking water	Country accessibility to drinking water as a % of Mercosur 4	Mercosur 6
Argentina	34,768,457	N/A	24,445,702	70.3	96.2	94.7
Brazil	160,710,275	N/A	118,758,834	73.9	101.1	99.6
Paraguay	5,085,328	N/A	3,051,197	60.0	82.1	80.9
Uruguay	3,163,763	970,037	808,355	83.3	114.0	112.3
Bolivia	7,767,060	1,822,785	1,296,180	71.1	N/A	95.8
Chile	15,010,755	3,101,356	2,826,298	91.1	N/A	122.8
Mercosur 4	203,727,823	N/A	148,892,172*	73.1	100.0	98.5
Mercosur 6	226,505,638	N/A	168,094,776*	74.2	N/A	100.0

* Estimated total population having access to drinking water calculated by extrapolating the percentages of houses having access to the total population of Uruguay, Bolivia and Chile

Regional data show more significant disparities than the national ones. Before pursuing the analysis, it is worth mentioning that no regional statistics being available for Paraguay, the national average was applied to each of its regions.

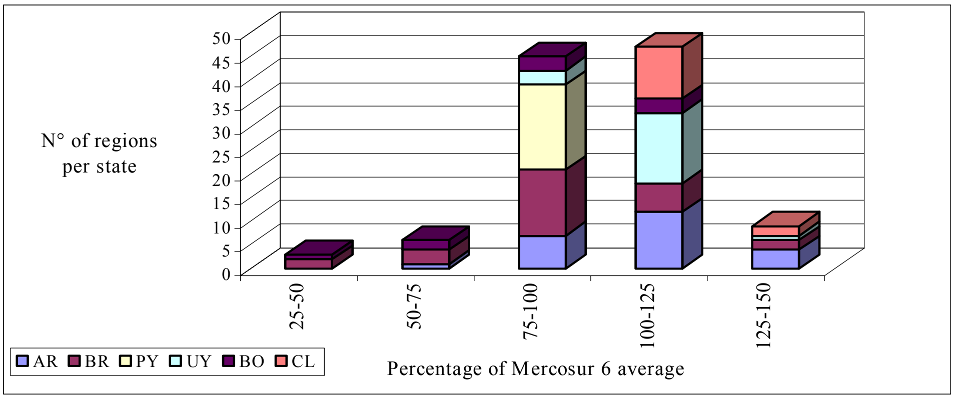
The average and standard deviations for this indicator are not too significant since they respectively are 18 and 22. As shown in Table 4.21, Chile is by far the most homogeneous country for this statistic since its average deviation is only 1. Argentina has the highest average deviation, which is slightly higher than that at the Mercosur level.

Table 4.21. Domestic access to drinking water: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
Access to drinking water	19.1	17.8	0.0	8.9	14.9	1.0	18.1

As represented in Figure 4.9, half the regions are above the Mercosur average. They include the whole of Chile, most of Argentina and Uruguay, with a few Brazilian and Bolivian regions. The region with the highest indicator is the City of Buenos Aires which stands at 135% of the Mercosur average. Among the 54 regions which have a lower accessibility to drinking water than the Mercosur average, though this number might be biased by the presence of all the Paraguayan regions, only 9 are below the 75% threshold.

Figure 4.9. Distribution of the regions according to their domestic accessibility to drinking water compared to Mercosur average



Among the 9 regions which have an accessibility to drinking water lower than 75% of the Mercosur average, there is only one Argentinian province, 5 Brazilian states and 3 Bolivian departments (see Table 4.22). The province of Misiones is far behind the other Argentinian regions with only 53% of the Mercosur average. One of the three Bolivian regions is also far below other regions since Pando represents 44% of the Mercosur average while the other two are closer to 70%. As could be expected, given the difficulties of infrastructure development and the relative poverty in the North and Northeast of Brazil, its five regions below the 75% threshold are situated within these two areas.

These 9 regions have an average indicator equivalent to 56% of the Mercosur average. They represent 22 million people, that is about 10% of Mercosur population.

Table 4.22. Domestic access to drinking water: Mercosur regions below the threshold

		Population	Population with access to drinking water	% of population with access to drinking water	Regional data as a % of		
					Nation	M 4	M 6
BR	Pará	5,724,140	1,760,543	30.8	41.6	42.1	41.4
BO	Pando*	53,124	17,423	32.8	46.1	N/A	44.2
BR	Rondônia	1,289,365	443,206	34.4	46.5	47.0	46.3
AR	Misiones	884,291	348,764	39.4	56.1	54.0	53.1
BR	Acre	504,489	212,342	42.1	57.0	57.6	56.7
BR	Maranhão	5,349,575	2,273,979	42.5	57.5	58.2	57.3
BR	Ceará	7,010,107	3,484,160	49.7	67.3	68.0	67.0
BO	Potosí*	746,618	380,917	51.0	71.7	N/A	68.7
BO	Chuquisaca*	549,835	300,212	54.6	76.8	N/A	73.6
	Mercosur 4	20,761,967	8,522,994	41.1	N/A	56.2	55.3
	Mercosur 6	22,111,544	9,221,546	41.7	N/A	N/A	56.2

* For Bolivian regions, the population having access to drinking water was calculated by applying the percentage of houses having access to water to the regional populations.

Domestic access to waste disposal systems

The fifth and final indicator of the infrastructure development gap is the domestic accessibility to waste removal facilities. As for the access to drinking water, this indicator can represent the quality of life and the level of hygiene which has a positive impact on health. For Uruguay and Bolivia a similar problem to that of accessibility to drinking water was encountered. To enable comparisons, the statistics for these two countries being only available for houses, the percentage of connection had to be extrapolated to the total population.

Significant disparities exist at the national level as shown in Table 4.23. Three countries have a better indicator than that of Mercosur. Whereas Brazil is slightly above it, the difference is much bigger for Uruguay which stands at 147% of the Mercosur average. Similarly, among the three other countries which are below the Mercosur average, one is slightly below it, Bolivia with 91%, while the two others are much lower, the lowest being Argentina with 55%.

Table 4.23. Domestic access to waste removal facility: Mercosur national averages

	Total Population	Total n° of houses	Pop. or houses having access to waste disposal	% with access to waste disposal	Country as a % of Mercosur 4	Country as a % of Mercosur 6
Argentina	34,768,457	N/A	12,534,029	36.1	56.4	55.4
Brazil	160,710,275	N/A	112,497,193	70.0	109.6	107.5
Paraguay	5,085,328	N/A	2,084,984	41.0	64.2	63.0
Uruguay	3,163,763	970,037	927,761	95.6	149.7	146.9
Bolivia	7,767,060	1,822,785	1,078,154	59.1	N/A	90.8
Chile	15,010,755	N/A	12,762,546	85.0	N/A	130.6
Mercosur 4	203,727,823	N/A	130,142,086	63.9	100.0	98.1
Mercosur 6	226,505,638	N/A	147,498,749	65.1	N/A	100.0

* Estimated total population having access to drinking water calculated by extrapolating the percentages of houses having access to the total population of Uruguay, Bolivia and Chile.

Before pursuing the analysis, it has to be noted that both Brazil and Paraguay had to be considered homogeneous since no regional data were available for them.

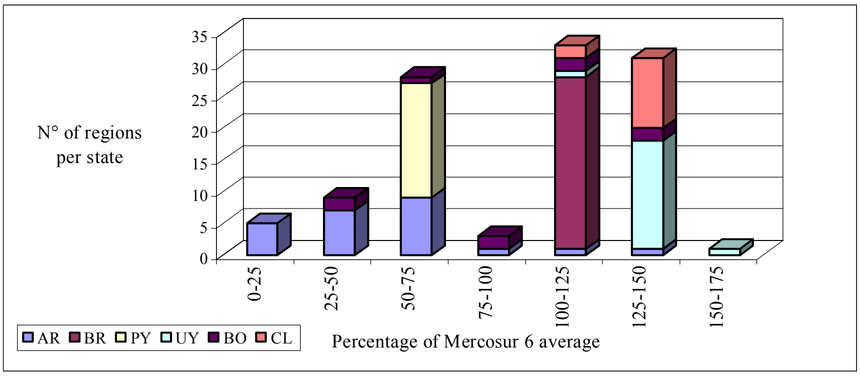
As for access to drinking water, the average and standard deviations are not too significant. Whereas the average deviation is the same (18), the standard deviation is slightly more significant than for access to drinking water (26 instead of 22). Argentina and Bolivia are by far the countries with the highest regional disparities since their average deviations are much more significant than that of the other members or of Mercosur (see Table 4.24). On the contrary, Uruguay and Chile are rather homogeneous countries on this indicator.

Table 4.24. Domestic access to waste removal facility: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
Access to waste removal facility	34.4	0.0	0.0	1.9	27.0	1.7	18.0

As shown in Figure 4.10, most of Mercosur regions have an indicator higher than that of Mercosur (see Appendix A2.3.5 for the data of each region and a map). This group is large since it includes 65 of the Mercosur regions. The size of the group is not only the result of the biased presence of the 27 Brazilian regions, but also because it comprises the whole of Uruguay and of Chile as well as 2 Argentinian and 4 Bolivian regions. Among the 45 regions which have an accessibility to waste removal facilities lower than the Mercosur average, only 3 are not below the 75% threshold.

Figure 4.10. Distribution of the regions according to their domestic accessibility to waste removal compared to Mercosur average



As detailed in Table 4.25, the 42 regions below the 75% threshold include the 18 Paraguayan departments, due to the assumed homogeneity of the country, 21 Argentinian provinces and 3 Bolivian departments. These regions have an average indicator which only represents 48% of the Mercosur average and account for 17% of Mercosur's population, that is 38 million people.

Table 4.25. Domestic access to waste removal facility: Mercosur regions below the threshold

		Population	Population with access to waste disposal	% of population with access to waste disposal	Regional data as a % of		
					Nation	M 4	M 6
AR	Misiones	884,291	66,322	7.5	20.8	11.7	11.5
AR	San Juan	555,223	70,125	12.6	35.0	19.8	19.4
AR	Chaco	895,900	119,961	13.4	37.1	21.0	20.6
AR	Santiago del Estero	700,114	103,547	14.8	41.0	23.2	22.7
AR	Córdoba	2,929,734	461,140	15.7	43.7	24.6	24.2
AR	Formosa	447,094	89,642	20.1	55.6	31.4	30.8
AR	La Rioja	247,575	57,388	23.2	64.3	36.3	35.6
AR	Catamarca	289,212	67,444	23.3	64.7	36.5	35.8
BO	Potosí	746,618	178,924	24.0	40.5	N/A	36.8
AR	San Luis	321,890	93,284	29.0	80.4	45.4	44.5
AR	Santa Fe	2,949,050	862,302	29.2	81.1	45.8	44.9
AR	Corrientes	857,685	260,565	30.4	84.3	47.6	46.7
BO	Oruro	383,498	121,423	31.7	53.5	N/A	48.6
AR	La Pampa	282,356	91,653	32.5	90.0	50.8	49.9
AR	Buenos Aires	13,379,401	4,400,485	33.0	91.2	51.5	50.5
AR	Neuquén	463,266	159,039	34.3	95.2	53.7	52.7
AR	Tucumán	1,216,623	419,370	34.5	95.6	54.0	52.9
AR	Río Negro	559,590	195,185	34.9	96.8	54.6	53.6
AR	Entre Ríos	1,069,102	385,091	36.0	99.9	56.4	55.3
AR	Jujuy	555,097	207,773	37.4	103.8	58.6	57.5
AR	Mendoza	1,508,959	581,402	38.5	106.9	60.3	59.2
BO	Chuquisaca	549,835	218,049	39.7	67.1	N/A	60.9
PY	*Total Paraguay*	*5,085,328*	*2,084,984*	*41.0*	*100.0*	*64.2*	*63.0*
AR	Salta	958,094	439,286	45.9	127.2	71.8	70.4
AR	Santa Cruz	181,198	88,515	48.9	135.5	76.5	75.0
	Mercosur 4	36,336,782	11,304,503	31.1	N/A	48.7	47.8
	Mercosur 6	38,016,733	11,822,898	31.1	N/A	N/A	47.8

The whole of Paraguay (in italics) is included due to the homogenisation of data

A map of regional infrastructure development in Mercosur

It is possible to compile the five infrastructure indicators analysed above to draw a picture of the infrastructure development gap in Mercosur. Table 4.26 enumerates the regions of each country according to the number of infrastructure indicators that are below the 75% threshold. Using this information, it is possible to draw a map of the Mercosur regions according to their infrastructure development (Map 4.4 below).

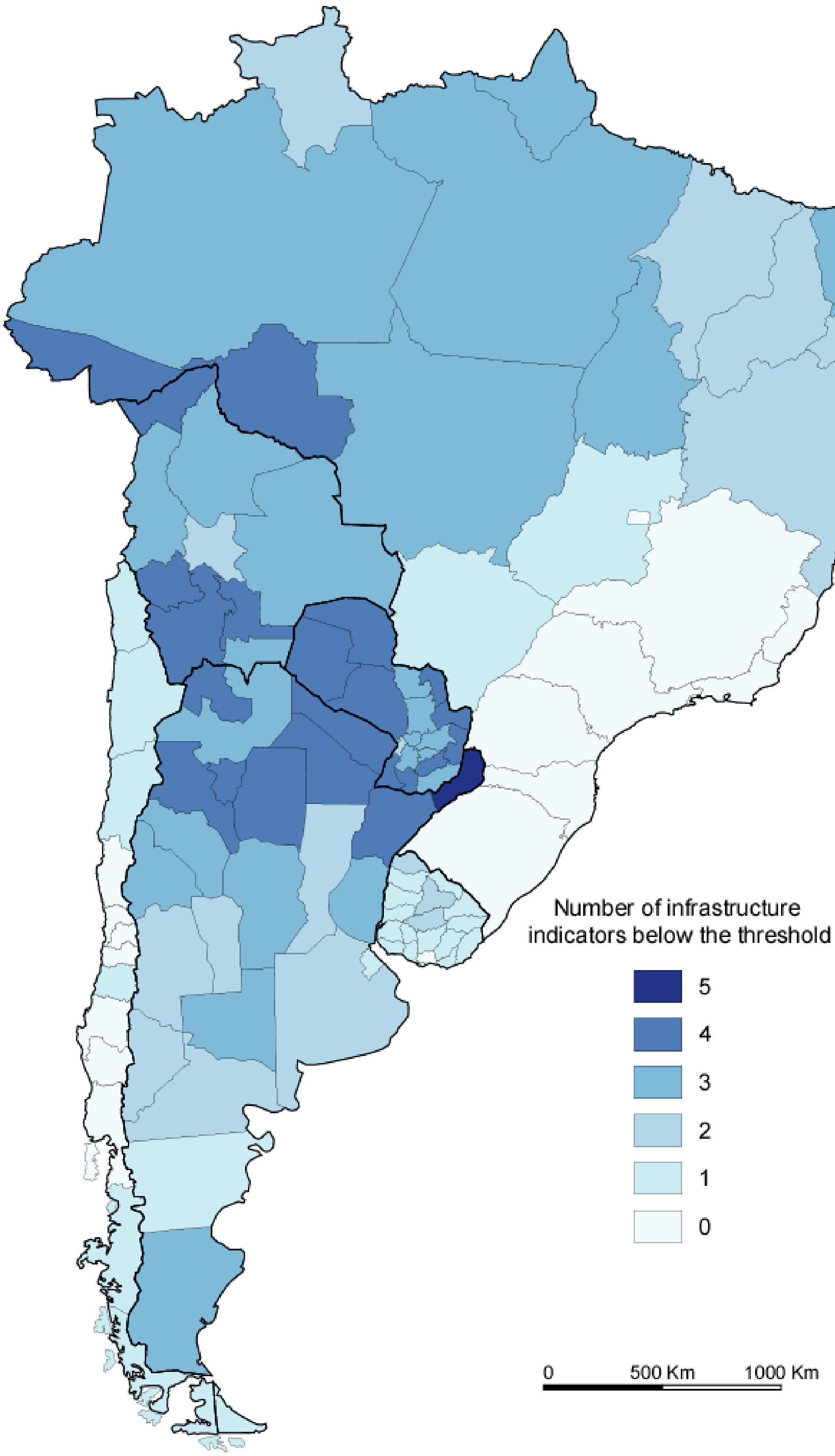
Table 4.26. Infrastructure development: Mercosur regions with at least one infrastructure indicator below the threshold

	Mercosur regions according to the n° of infrastructure indicators below 75% of Mercosur average							
	N° of infrastructure indicators					N° of regions	Population	% of national pop
	1	2	3	4	5			
Argentina	Chubut Ciudad de Buenos Aires Tierra del Fuego, Antártica e Islas del Atlántico Sur	Buenos Aires Mendoza Neuquén Río Negro San Luis Santa Fe	Córdoba Entre Ríos La Pampa La Rioja Salta San Juan Santa Cruz	Catamarca Chaco Corrientes Formosa Jujuy Santiago del Estero Tucumán	Misiones	24	34,768,457	100
Brazil	Goiás Mato Grosso do Sul	Alagoas Bahia Maranhão Paraíba Pernambuco Piauí Rio Grande do Norte Roraima Sergipe	Amapá Amazonas Ceará Mato Grosso Pará Tocantins	Acre Rondônia		19	66,540,572	41
Paraguay		Asunción Central	Caaguazú Concepción Cordillera Guairá Itapúa Paraguarí San Pedro	Alto Paraguay Alto Paraná Amambay Boquerón Caazapá Canindeyú Misiones Ñeembucú Pdte. Hayes		18	5,085,328	100
Uruguay	Cerro Largo Colonia Flores Florida Lavalleja Maldonado Paysandú Río Negro Rivera Rocha Salto San José Soriano Treinta y Tres	Artigas Durazno Tacuarembó				17	1,375,871	43
Bolivia		Cochabamba	Beni La Paz Santa Cruz Tarija	Chuquisaca Oruro Pando Potosí		9	7,767,060	100

Table 4.26 (continued)

	Mercosur regions according to the n° of infrastructure indicators below 75% of Mercosur average							
	N° of infrastructure indicators					N° of regions	Population	% of national pop
	1	2	3	4	5			
Chile	Antofagasta Atacama De Aysén De Magallanes Del Maule Tarapacá					6	2,274,001	15
N° of regions	25	21	24	22	1	93	N/A	N/A
Population	13,565,914	61,632,629	31,931,091	9,797,364	884,291	N/A	117,811,289	N/A
% of M6 population	6	27	14	4	1	N/A	52	N/A

Map 4.4. Mercosur regional infrastructure development gaps



As described in Table 4.26 above and highlighted in the preceding map, almost all of Mercosur regions have at least one infrastructure indicator which is below the 75% threshold. Indeed, 93 regions, inhabited by 52% of the Mercosur population, have at least one infrastructure indicator below the threshold.

Out of the seventeen regions which do not have infrastructure development problems according to the indicators studied, two are Uruguayan. These are Montevideo, the capital, and Canelones, which surrounds Montevideo. Seven other regions are in the centre of Chile, and eight are in the South and Southeast of Brazil as well as its Federal District. These seventeen regions account for 48% of the Mercosur 6 population.

The category with most regions is that of regions with one infrastructure indicator below the threshold. It is composed of 25 regions, half of them being in Uruguay. However, this category only represents 6% of the Mercosur population. In terms of population, the most important category is that of regions with 2 indicators below the threshold since its 21 regions, most of them being in Brazil, account for 27% of the Mercosur population. Only one region, the Argentinian Misiones, inhabited by less than 1% of the Mercosur population, has all five infrastructure indicators lower than 75% of the Mercosur average.

Analysing these data country by country, it appears that Chile and Uruguay have the best infrastructure indicators. Six regions of the former, accounting for 15% of the Chilean population, have a maximum of one indicator below the threshold. With the exception of Del Maule whose indicator below the 75% threshold is that related to telephone lines, the indicator of the other five regions is that of road infrastructure. In Uruguay, only three regions have two infrastructure indicators below the threshold, all the others have only one or none. These three regions, with two indicators below the 75% threshold related to road network and electricity consumption, represent less than 7% of the Uruguayan population.

In Paraguay and Bolivia most regions have either 3 or 4 infrastructure indicators below the 75% threshold. There are only two exceptions in Paraguay, the capital city and its surrounding department, and one in Bolivia, Cochabamba, which only have two indicators below the threshold. Consequently, the two thirds of the Paraguayans and 82% of the Bolivians live in regions with a minimum of 3 infrastructure indicators below the threshold. It should however be remembered that, for three of the five infrastructure indicators, Paraguayan data had to be homogenised using the national average.

Most Brazilian regions have either 2 or 3 indicators below the threshold, which respectively account for 24% and 12% of Brazil's population. After Chile, it is the country with the smallest share of its population living in regions with at least one infrastructure indicator below the 75% threshold. This nevertheless represents 41% of the Brazilian population.

Argentinian regions are evenly spread between the five categories, the most important categories being those with 3 and 4 indicators below the threshold. Both categories consist of 7 regions which respectively represent 18% and 14% of the population. Approximately 55% of the Argentinian population lives in the six regions which have two infrastructure indicators below the threshold. The importance of this share is due to the presence in this category of the province of Buenos Aires where 40% of the Argentinians live.

THE SOCIAL GAP

The social gap is described by the analysis of five indicators related to health and education.

Health is an essential component of the development of a country since it has a direct impact on the happiness and well-being of a population and, from an economic perspective, an healthy population is key to an efficient and productive work force. Three indicators have been chosen to highlight the health component of the social gap. These are the number of hospital beds per 1,000 inhabitants; the number of doctors per 1,000 inhabitants; and the life expectancy at birth. The first statistic gives an insight to the hospital infrastructure available to people in the different regions. The second data highlight the accessibility of people to a doctor and therefore to health care. Finally, life expectancy at birth shows the number of years a person is expected to live. It is often considered as an indicator of health and well-being.

The education component is the last type of indicator analysed in this study of regional development in Mercosur. As highlighted in the quote below, education is a key aspect to development:

> "Good education reduces poverty and inequality and is essential for sustained economic growth. Combined with good macroeconomic policies, it is fundamental for the construction of democratic societies and globally competitive economies. Education triggers a series of benefits: it is key to creating, applying and spreading new ideas and technologies which in turn augment the productivity of labor; better educated women are more effective in household production of children's good health and schooling. In addition, education is the ultimate liberator, empowering individuals to make personal and social choices. As aptly stated by Harbison and Myers, 1964, 'education is both the seed and the flower of economic development'"[122].

Two indicators have been selected to identify this educational gap. The first indicator is the number of students registered to primary and secondary schools, which highlights the number of people who currently obtain access to basic education. The second indicator is the literacy rate. This gives an overall rating of the knowledge of reading and writing among the population, irrespective of age.

Hospital beds per 1,000 inhabitants

Before analysing in depth the details of regional disparities, the national statistics related to the number of hospital beds are considered. As can be expected from developing countries, the average number of hospital beds available for 1,000 persons is relatively low. The country with the highest rate, Argentina, only has an average of 4.5 beds/1,000 persons (see Table 4.27). It is nevertheless almost seven times better than Paraguay. At the Mercosur level, the average is of 3 beds/1,000 persons.

[122] Development Committee, Education for dynamic economies: action plan to accelerate progress towards education for all, April 2002, World Bank/IMF, Washington DC, p.6.

Table 4.27. Hospital beds per 1,000 persons: Mercosur national averages

	Total Population	N° of beds in hospitals	Beds per 1,000 person	Country as a % of	
				Mercosur 4	Mercosur 6
Argentina	34,768,457	155,822	4.5	137.5	143.6
Brazil	160,710,275	496,740	3.1	94.8	99.1
Paraguay	5,085,328	3,426	0.7	20.7	21.6
Uruguay	3,163,763	7,342	2.3	71.2	74.4
Bolivia	7,767,060	11,548	1.5	N/A	47.7
Chile	15,010,755	30,957	2.1	N/A	66.1
Mercosur 4	203,727,823	663,330	3.3	100.0	104.4
Mercosur 6	226,505,638	705,835	3.1	N/A	100.0

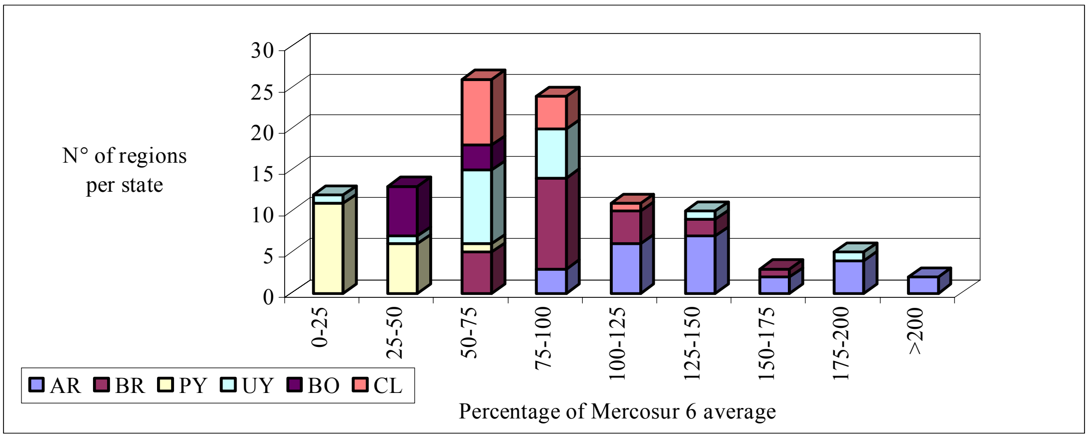
Similarly to any of the other indicators considered so far in this statistical analysis, these national averages hide significant disparities between the regions (see Appendix A2.4.1 for a detailed table and a map related to these regional statistics). The average and standard deviations for this indicator, respectively equivalent to 25 and 36, are relatively significant. Some countries, such as Paraguay, and to a lesser extent Uruguay, have significant regional disparities. Indeed, their average deviations are much higher than in the other countries and well above the level for Mercosur. The most homogeneous country is Bolivia since it has the lowest average deviation.

Table 4.28. Hospital beds per 1,000 persons: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
Hospital Beds	24.4	15.9	46.0	36.0	9.9	18.0	24.6

The data are represented in Figure 4.11. Out of the 110 regions of Mercosur, only 20 have a ratio representing more than 125% of the Mercosur average, whereas 61 of them are below 75%. If the 75% threshold was interpreted strictly, there would be only 56 regions. However, five other regions are included in this category because their data, higher than the 75% threshold in a Mercosur 6 situation, are below this threshold in a Mercosur 4 situation. These five regions are the combined Tierra del Fuego, Antarctica and South Atlantic Islands in Argentina; Ceará and Espirito Santo in Brazil; Cerro Largo and Paysandú in Uruguay (see Table 4.29 below).

Figure 4.11. Distribution of the regions according to their number of hospital beds per 1,000 persons compared to Mercosur average



The region with the highest number of beds per 1,000 persons is the city of Buenos Aires with an average of 7.7, which represents 245% of the Mercosur average. Out of the 20 regions whose indicators are higher than 125% of the Mercosur data, there are 15 from Argentina, 3 from Brazil, and 2 from Uruguay. At the other end of the continuum, among the 61 regions below 75% of the Mercosur data, there is the whole of Bolivia and Paraguay, respectively 9 and 18 regions, 12 regions of Brazil, 8 of Chile, and 13 of Uruguay and 1 of Argentina. Since no data were available for four of the Brazilian Northern regions, Rondônia, Acre, Roraima, and Amapá in Brazil, they were given the data available for this Northern region.

Argentina is the country with by far the most hospital beds per 1,000 persons, not only as a nation but also at the regional level. Indeed, only three of its 24 provinces are below the Mercosur average. These are Mendoza, Neuquén, and Tierra del Fuego, Antártica e Islas del Atlántico Sur which respectively represent 99%, 96% and 79% of the Mercosur average. Since the indicator of this latter region is at the threshold in the Mercosur 4 situation, it is included within the list of regions below the 75% threshold.

In contrast, Paraguay and Bolivia exhibit the worst situation since all their regions are below the 75% threshold. In the case of Paraguay, it is worth noting that these data are incomplete since their statistics account for 1,238 hospital beds in specialised hospitals, without specifying their location. These beds consequently had to be excluded from the regional comparisons, although it could have been assumed that most of these specialised hospital beds would be in Asunción, the capital, or in Central, the surrounding department.

Looking more closely at the list of the 61 regions lagging behind (see Table 4.29 below), it appears that within this group half of them are below 50% of Mercosur average. The region with the lowest figure is the Central department of Paraguay which, with its 0.1 beds/1,000 persons, represents 4% of the Mercosur average.

The group of regions below the 75% threshold, detailed in Table 4.29, represents a population of more than 63 million persons, that is 28% of the Mercosur population.

Table 4.29. Hospital beds per 1,000 persons: Mercosur regions below the threshold

		Population	N° of beds	Beds per 1,000	Regional data as a % of		
					Nation	M 4	M 6
PY	Central	1,174,212	161	0.14	20.5	4.2	4.4
UY	Canelones	443,053	106	0.24	10.3	7.3	7.7
PY	Alto Paraná	595,276	177	0.30	44.4	9.1	9.5
PY	Asunción	550,060	176	0.32	47.8	9.8	10.3
PY	Caaguazú	442,161	170	0.38	57.4	11.8	12.3
PY	San Pedro	332,926	146	0.44	65.5	13.5	14.1
PY	Canindeyú	133,075	61	0.46	68.4	14.1	14.7
PY	Itapúa	454,757	213	0.47	69.9	14.4	15.0
PY	Cordillera	215,663	125	0.58	86.5	17.8	18.6
PY	Amambay	127,011	74	0.58	87.0	17.9	18.7
PY	Paraguarí	247,675	168	0.68	101.2	20.8	21.7
PY	Misiones	98,607	71	0.72	107.5	22.1	23.1
PY	Concepción	185,496	145	0.78	116.7	24.0	25.1
PY	Guairá	173,668	137	0.79	117.7	24.2	25.3
PY	Pdte. Hayes	77,145	63	0.82	121.9	25.1	26.2
PY	Boquerón	35,241	32	0.91	135.5	27.9	29.1
PY	Ñeembucú	86,965	86	0.99	147.6	30.3	31.7
BO	Pando	53,124	54	1.02	68.2	N/A	32.6
PY	Caazapá	141,559	154	1.09	162.4	33.4	34.9
BO	Cochabamba	1,408,071	1,687	1.20	80.4	N/A	38.4
BO	Potosí	746,618	1,056	1.41	94.9	N/A	45.3
BO	La Paz	2,268,824	3,292	1.45	97.4	N/A	46.5
UY	San José	96,664	143	1.48	63.8	45.4	47.4
BO	Chuquisaca	549,835	814	1.48	99.4	N/A	47.5
BO	Santa Cruz	1,651,951	2,560	1.55	104.0	N/A	49.7
UY	Maldonado	127,502	201	1.58	68.0	48.4	50.5
CL	Metropolitana de Santiago	6,013,185	9,945	1.65	80.3	N/A	53.0
UY	Rivera	98,472	171	1.74	74.9	53.3	55.7
UY	Colonia	120,241	211	1.75	75.6	53.8	56.2
CL	Atacama	269,047	480	1.78	86.6	N/A	57.2
BO	Oruro	383,498	685	1.79	119.9	N/A	57.3
BO	Beni	336,633	604	1.79	120.4	N/A	57.5
CL	Del Libertador	778,801	1,438	1.85	89.6	N/A	59.2
CL	Coquimbo	569,825	1,107	1.94	94.3	N/A	62.3
UY	Artigas	75,059	146	1.95	83.8	59.7	62.3
UY	Tacuarembó	84,919	169	1.99	85.8	61.1	63.8
BR	*NORTH*	*11,736,040*	*23,553*	*2.01*	*65.0*	*61.6*	*64.3*
CL	Tarapacá	385,620	778	2.02	97.9	N/A	64.7
UY	Durazno	55,716	114	2.05	88.2	62.8	65.6
BR	Sergipe	1,662,168	3,415	2.05	66.5	63.0	65.9
PY	Alto Paraguay	13,831	29	2.10	313.0	64.3	67.2
UY	Río Negro	51,713	109	2.11	90.9	64.7	67.6
UY	Florida	66,503	141	2.12	91.4	65.0	68.0
BR	Federal District	1,875,104	4,020	2.14	69.4	65.8	68.7
BO	Tarija	368,506	796	2.16	145.5	N/A	69.2
BR	Bahia	12,697,007	28,230	2.22	72.0	68.2	71.3

Table 4.29 (continued)

		Population	N° of beds	Beds per 1,000	Regional data as a % of		
					Nation	M 4	M 6
CL	Del Biobío	1,915,844	4,319	2.25	109.4	N/A	72.3
CL	Antofagasta	462,286	1,048	2.27	110.1	N/A	72.7
CL	Del Maule	906,882	2,086	2.30	111.7	N/A	73.7
UY	Lavalleja	61,085	141	2.31	99.5	70.8	74.0
UY	Paysandú	111,509	267	2.39	103.2	73.5	76.7
BR	Espirito Santo	2,916,530	6,999	2.40	77.7	73.6	76.9
BR	Ceará	7,010,107	17,060	2.43	78.8	74.7	78.0
UY	Cerro Largo	82,510	201	2.44	105.0	74.7	78.1
AR	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	222	2.47	55.1	75.4	79.1
	Total Mercosur 4	44,547,222	87,807	1.97	N/A	60.5	63.2
	Total Mercosur 6	63,615,772	120,556	1.90	N/A	N/A	60.7

Number of doctors per 1,000 inhabitants

The second health indicator analysed is the number of doctors per 1,000 inhabitants. It is representative of people's ease of access to medical advice, though distance from the doctor is not evident.

A look at the national statistics detailed in Table 4.30 shows that the Mercosur average is very low. On average, there are less than two doctors per 1,000 people. Three of the countries have national averages lower than this, Bolivia and Chile exhibiting the worst situation with only a third of the Mercosur indicator. The country with the highest indicator is Paraguay, which is surprising since for most of the indicators studied so far it has often been below the Mercosur average.

Table 4.30. Doctors per 1,000 persons: Mercosur national averages

	Population	Number of doctors	Doctors per 1,000 persons	Country as a % of	
				Mercosur 4	Mercosur 6
Argentina	34,768,457	108,800	3.1	178.4	192.0
Brazil	160,710,275	212,932	1.3	75.5	81.3
Paraguay	5,085,328	23,393	4.6	262.3	282.2
Uruguay	3,163,763	12,159	3.8	219.1	235.8
Bolivia	7,767,060	4,472	0.6	N/A	35.3
Chile	15,010,755	7,888	0.5	N/A	32.2
Mercosur 4	203,727,823	357,284	1.8	100.0	107.6
Mercosur 6	226,505,638	369,644	1.6	N/A	100.0

Since there was a lack of regional data in Paraguay, all its regions have been attributed the national average in an hypothesised homogeneity.

Before detailing Mercosur regional data, which is available and presented in a map in Appendix A2.4.2, a look at the average and standard deviations for this indicator shows the significance of regional disparities. Indeed, both deviations are relatively significant since they respectively represent 54 and 88, which are the second most important for the twelve indicators studied. As shown in Table 4.31, Uruguay is particularly heterogeneous for this indicator since its average deviation is high, much more significant than the indicators for other countries.

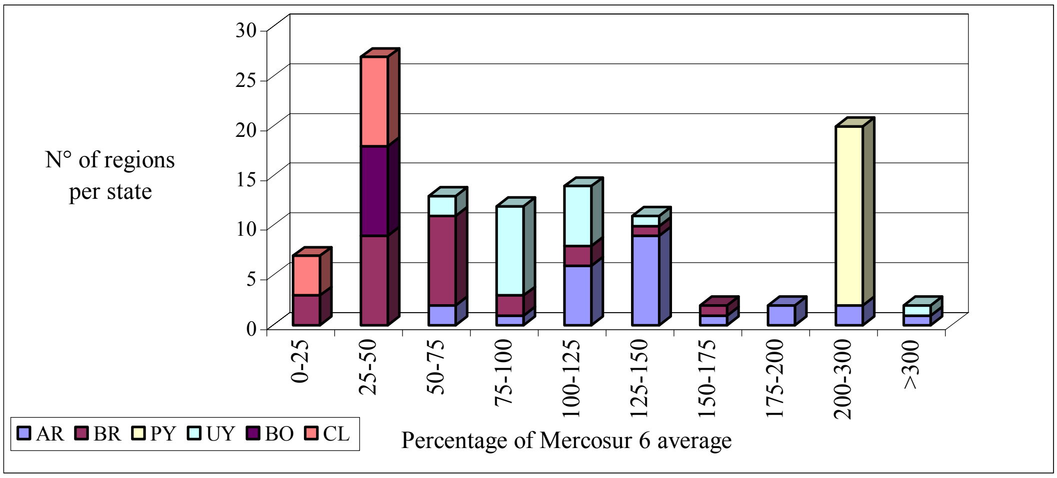
Table 4.31. Doctors per 1,000 persons: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
Doctors	48.0	41.0	0.0	66.8	14.0	12.7	54.1

Almost half of the regions studied have a number of doctors per 1,000 persons higher than the Mercosur average (see Figure 4.12). This number is likely to be biased by the presence of the 18 Paraguayan departments in the 200-300% range. The other regions are mostly Argentinian, 21 of them. There are also 4 regions of Brazil and 8 of Uruguay. Among these 51 regions, the region with the highest indicator is, by far, that of the City of Buenos Aires which stands at 650% of the Mercosur average. The second is Montevideo with 420%, while all others are below 300%.

Among the 59 other Mercosur regions which have an indicator lower than the Mercosur average, 49 are below the 75% threshold. The region with the lowest indicator is Paraíba, in the Northeast of Brazil, where it only represents 6% of the Mercosur average. Among these 49 regions, there are only 2 from Argentina and 4 from Uruguay, but also the whole of Bolivia and of Chile (respectively 9 and 13 regions), as well as 21 of the 27 Brazilian regions.

Figure 4.12. Distribution of the regions according to their number of doctors per 1,000 inhabitants compared to Mercosur average



While the totality of Bolivia is below the 75% threshold, due to the general poverty of the country, the case of Chile might seem strange; being more economically developed, better medical indicators would be expected than these figures for the number of doctors per 1,000 people.

The two Argentinian regions below the 75% threshold are Formosa and Tierra del Fuego, Antarctica and South Atlantic Islands. However, the margin is very small since their indicators represent 74.5% of Mercosur average. In Uruguay, the two regions are those of Cerro Largo and San José, which indicator is around 70% of the Mercosur data. However, the Uruguayan regions of Río Negro and Rivera are included since, while they are over the Mercosur average, they are below that for Mercosur 4. The indicators for these Argentinian and Uruguayan regions are almost similar to the threshold.

As Table 4.32 shows, the situation is more disparate among the 21 regions of Brazil. The only exceptions are the 4 regions of the Southeast, the Federal District (Central West) and Rio Grande do Sul (South).

These 49 regions with a number of doctors per 1,000 inhabitants lower than 75% of the Mercosur average account for almost half of the Mercosur 6 population (46%), that is 104 million inhabitants. They have 7 doctors per 10,000 inhabitants, that is less than half of the Mercosur average.

Table 4.32. Doctors per 1,000 persons: Mercosur regions below the threshold

		Population	N° of doctors	Doctors per 1,000 persons	Region compared to Nation	M 4	M 6
BR	Paraíba	3,433,234	327	0.1	7.2	5.4	5.8
CL	Del Libertador	778,801	270	0.3	65.4	N/A	21.3
BR	Acre	504,489	189	0.4	28.4	21.4	23.0
BR	Maranhão	5,349,575	2,023	0.4	28.6	21.6	23.2
CL	Del Maule	906,882	346	0.4	72.0	N/A	23.4
CL	Antofagasta	462,286	183	0.4	74.7	N/A	24.3
CL	Atacama	269,047	107	0.4	75.0	N/A	24.4
BO	Potosí	746,618	310	0.4	71.6	N/A	25.5
CL	Coquimbo	569,825	246	0.4	81.5	N/A	26.5
BO	Cochabamba	1,408,071	618	0.4	75.7	N/A	26.9
BR	Rondônia	1,289,365	581	0.5	34.1	25.7	27.6
CL	Del Biobío	1,915,844	940	0.5	92.6	N/A	30.1
CL	De La Araucanía	864,975	426	0.5	92.9	N/A	30.2
BR	Tocantins	1,096,967	560	0.5	38.7	29.1	31.3
BR	Amapá	402,557	209	0.5	39.3	29.6	31.9
CL	De Los Lagos	1,050,558	574	0.5	103.1	N/A	33.5
BR	Piauí	2,758,129	1,513	0.5	41.6	31.3	33.7
BO	Oruro	383,498	212	0.6	95.3	N/A	33.9
CL	Tarapacá	385,620	220	0.6	107.6	N/A	35.0
CL	Valparaíso	1,543,566	888	0.6	108.5	N/A	35.3
CL	Metropolitana de Santiago	6,013,185	3,513	0.6	110.2	N/A	35.8
BR	Mato Grosso	2,335,344	1,381	0.6	44.8	33.7	36.3
BR	Amazonas	2,460,434	1,462	0.6	45.0	33.9	36.5
BO	Chuquisaca	549,835	330	0.6	103.5	N/A	36.8
BO	Santa Cruz	1,651,951	1,009	0.6	105.3	N/A	37.5
BO	La Paz	2,268,824	1,437	0.6	109.2	N/A	38.9
CL	De Magallanes	156,530	101	0.6	121.7	N/A	39.6
BR	Pará	5,724,140	3,881	0.7	51.4	38.7	41.6
BO	Tarija	368,506	260	0.7	121.6	N/A	43.3
BR	Bahia	12,697,007	9,129	0.7	54.5	41.0	44.1
BR	Ceará	7,010,107	5,056	0.7	54.6	41.1	44.2
BO	Pando	53,124	39	0.7	126.6	N/A	45.0
BO	Beni	336,633	257	0.8	131.6	N/A	46.8
CL	De Aysén	93,636	74	0.8	149.1	N/A	48.5
BR	Roraima	258,088	222	0.9	65.2	49.0	52.8
BR	Rio Grande do Norte	2,641,355	2,433	0.9	69.8	52.5	56.5
BR	Sergipe	1,662,168	1,571	0.9	71.6	53.9	58.0
BR	Santa Catarina	5,032,175	4,809	1.0	72.4	54.5	58.6
BR	Alagoas	2,754,697	2,661	1.0	73.2	55.1	59.3
BR	Goiás	4,629,154	4,504	1.0	73.7	55.5	59.7
BR	Mato Grosso do Sul	1,985,579	2,062	1.0	78.7	59.2	63.7
UY	Cerro Largo	82,510	92	1.1	29.0	63.6	68.4
BR	Pernambuco	7,548,183	8,644	1.1	86.8	65.3	70.3
BR	Paraná	9,154,360	10,496	1.1	86.9	65.4	70.3
UY	San José	96,664	111	1.1	29.9	65.5	70.4

Table 4.32 (continued)

		Population	N° of doctors	Doctors per 1,000 persons	Region compared to Nation	M 4	M 6
AR	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	109	1.2	38.7	69.1	74.3
AR	Formosa	447,094	544	1.2	38.9	69.4	74.6
UY	Rivera	98,472	123	1.2	32.5	71.2	76.6
UY	Río Negro	51,713	67	1.3	33.7	73.9	79.5
	Total Mercosur 4	81,593,552	64,759	0.8	N/A	45.2	48.7
	Total Mercosur 6	104,371,367	77,119	0.7	N/A	N/A	45.3

Life expectancy at birth

The final indicator analysed to represent the health aspect of social regional disparities in Mercosur is life expectancy at birth. This indicator is the number of years a person born now is expected to live. It can be argued that high indicators symbolise improved living conditions, developed medical care, good hygiene and better work conditions.

As seen in Table 4.33, life expectancy at birth is the indicator where the disparities are the smallest at the national level. All Mercosur states are very close to the Mercosur average. It is noticeable that Chile is the country with the highest life expectancy at birth, this despite having the lowest number of doctors per 1,000 persons.

Table 4.33. Life expectancy at birth: Mercosur national averages

	Population	Life expectancy at birth Male	Female	Both	Country as a % of Mercosur 4	Mercosur 6
Argentina	34,768,457	68.4	75.6	71.9	104.8	104.5
Brazil	160,710,275	64.1	71.7	67.8	98.8	98.5
Paraguay	5,085,328	N/A	N/A	69.8	101.7	101.4
Uruguay	3,163,763	69.9	77.7	73.8	107.5	107.2
Bolivia	7,767,060	60.4	63.8	62.1	N/A	90.2
Chile	15,010,755	72.3	78.3	75.2	N/A	109.3
Mercosur 4	203,727,823	N/A	N/A	68.6	100.0	99.7
Mercosur 6	226,505,638	N/A	N/A	68.8	N/A	100.0

As Table 4.34 shows, no regional statistics were available for Paraguay and Chile. As done in previous analyses, both countries were considered to be homogeneous and the value of their national data was attributed to each region.

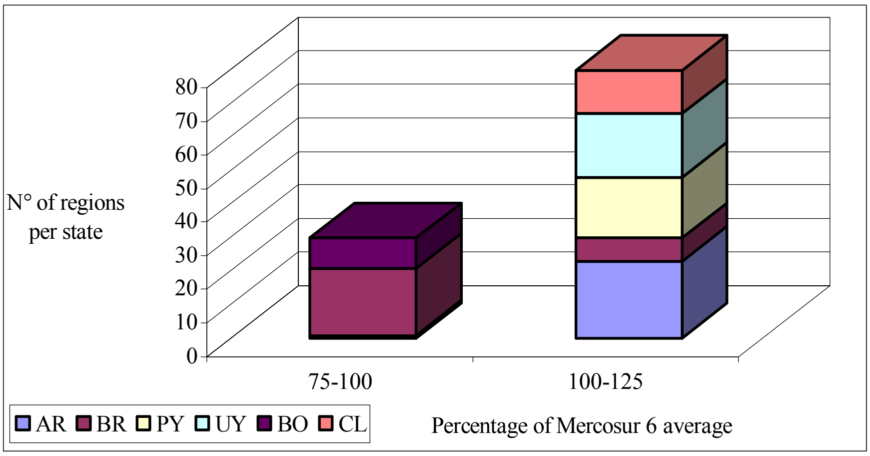
The lack of disparities remarked on at the national level is confirmed by the calculation of the average and standard deviations for this indicator. Both deviations, respectively equivalent to 4 and 7, are the lowest ones obtained for the 12 indicators studied. As shown in Table 4.34, the average deviation of each country is less than the Mercosur average deviation, which stands at 3.6. Argentina and Uruguay are the most homogeneous countries since their average deviations are the lowest.

Table 4.34. Life expectancy at birth: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
Life expectancy	1.1	2.9	0.0	1.2	3.3	0.0	3.6

The homogeneity of Mercosur regions for life expectancy is also confirmed in Figure 4.13 which shows that most of the regions are above the Mercosur average. None have an indicator higher than 111% of the Mercosur average, the value for Flores in Uruguay. Only 30 regions have a life expectancy at birth lower than the Mercosur average, but none are lower than 82% as in Potosí in Bolivia. Among these 30 regions there are the 9 Bolivian regions, 20 of the 27 states of Brazil and 1 Argentinian province.

Figure 4.13. Distribution of the regions according to their life expectancy at birth compared to Mercosur average



The only Argentinian region where the life expectancy is lower than the Mercosur average is that of Jujuy, but the difference is too small to be significant since it is at 99% of the Mercosur average (see Appendix A2.4.3 for more detailed tables and for a map). The whole of Bolivia has low indicators, which can be explained by the fact that it is generally poorer than the rest of Mercosur. However, no region has an indicator lower than the threshold. In Brazil, the regions where the life expectancy is lower than the Mercosur average are those of the North and Northeast, most of the Central West and the state of Rio de Janeiro in the Southeast. However, the differences are minimal since the indicators of these regions are not lower than 90%.

Since there are no regions with indicators lower than the 75% threshold, there is no need to study this indicator further.

Students registered in primary and secondary education

The number of students registered in primary and secondary education is one of the two indicators analysed to describe the educational component of the social development gap.

Starting this analysis with the usual national overview, it appears that disparities in the number of primary and secondary schools students are not too significant. As Table 4.35 shows, apart from Uruguay, no country is below the 75% threshold. The other countries all have between 208 and 273 students per 1,000 inhabitants (respectively Chile and Brazil), ranging from 81% to 106% of the Mercosur average of 257 students.

Table 4.35. Primary and secondary school students: Mercosur national averages

	Total Population	Primary and Secondary school students		Country as a % of	
		N° of students	Students per 1,000 people	Mercosur 4	Mercosur 6
Argentina	34,768,457	7,616,864	219	84	85
Brazil	160,710,275	43,828,941	273	105	106
Paraguay	5,085,328	1,168,296	230	88	90
Uruguay	3,163,763	543,911	172	66	67
Bolivia	7,767,060	1,880,554	242	N/A	94
Chile	15,010,755	3,116,146	208	N/A	81
Mercosur 4	203,727,823	53,158,012	261	100	102
Mercosur 6	226,505,638	58,154,712	257	N/A	100

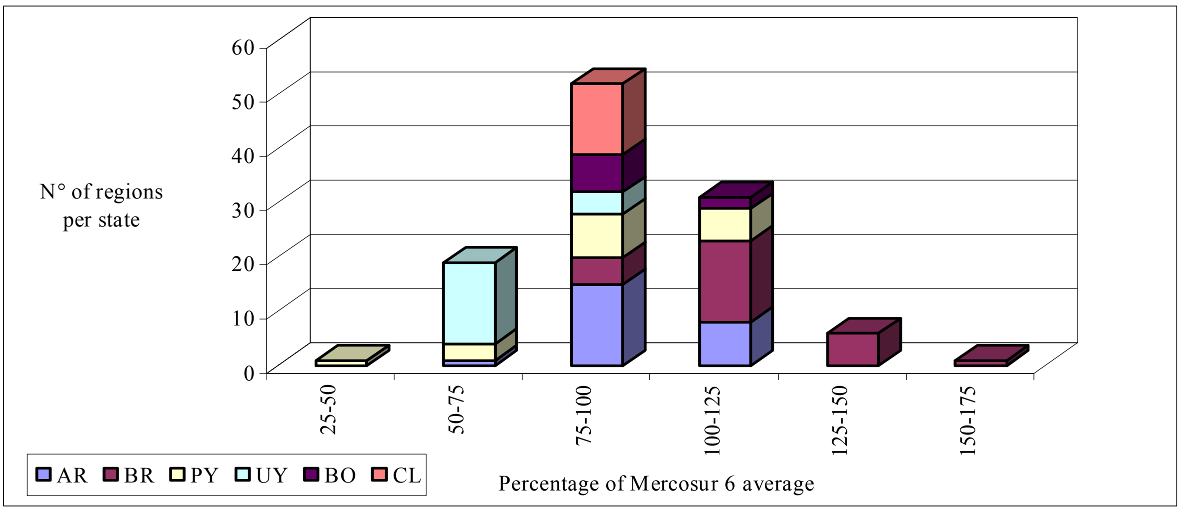
Calculating the average and standard deviations for this indicator, it appears that both are relatively small since they respectively represent 14 and 17. As shown in Table 4.36, Paraguay, Brazil and Argentina are the countries with the highest disparities, but these are not too significant. The three other countries have similarly small average deviations.

Table 4.36. Primary and secondary school students: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
Primary and secondary school students	9.2	11.8	12.0	5.8	5.3	3.7	14.0

Disparities appear at the regional level (see Appendix A2.4.4 for further statistical details and for a map), where the indicators range from 151% (Amapá, Brazil) to 47% (Boquerón, Paraguay) of the Mercosur average. As highlighted in Figure 4.14, only 38 of the 110 regions of Mercosur have a number of primary and secondary students per 1,000 inhabitants higher than the Mercosur average. Out of these, seven have an indicator higher than 125% that of Mercosur, all of them from the great regions of North and North East of Brazil: Amapá, Roraima, Tocantins, Maranhão, Bahia, Acre and Pará. Among the 72 regions which have an indicator lower than the Mercosur average, 20 are below the 75% threshold.

Figure 4.14. Distribution of the regions according to their number of primary and secondary students per 1,000 persons compared to Mercosur average



Apart for the region of the City of Buenos Aires, which represents 62% of the Mercosur average, the 19 other regions include 4 Paraguayan and 15 Uruguayan departments. Three other Uruguayan regions, Rivera, Tacuarembó and Salto, are included within this category because their data are at the 75% threshold in Mercosur 4. Consequently, as detailed in Table 4.37, 23 regions are considered as being below the 75% threshold.

This group of regions with less than 75% of the Mercosur average represents a total of almost 6 million persons, that is 3% of the Mercosur total population.

Table 4.37. Primary and secondary school students: Mercosur regions below the threshold

		Total Population	Primary/Secondary students		Regional rate of students per 1,000 as a percent of		
			Total n° of students	Students per 1,000	Nation	M 4	M 6
PY	Boquerón	35,241	4,237	120	52.3	46.1	46.8
AR	Ciudad de Buenos Aires	3,027,886	479,458	158	72.3	60.7	61.7
UY	San José	96,664	15,588	161	93.8	61.8	62.8
UY	Montevideo	1,344,839	218,700	163	94.6	62.3	63.4
UY	Lavalleja	61,085	9,988	164	95.1	62.7	63.7
UY	Florida	66,503	10,928	164	95.6	63.0	64.0
UY	Colonia	120,241	19,807	165	95.8	63.1	64.2
UY	Flores	25,030	4,234	169	98.4	64.8	65.9
UY	Canelones	443,053	75,937	171	99.7	65.7	66.8
UY	Rocha	70,292	12,277	175	101.6	66.9	68.0
UY	Cerro Largo	82,510	14,548	176	102.6	67.6	68.7
UY	Treinta y Tres	49,502	8,810	178	103.5	68.2	69.3
PY	Pdte. Hayes	77,145	13,746	178	77.6	68.3	69.4
PY	Amambay	127,011	22,798	179	78.1	68.8	69.9
UY	Maldonado	127,502	23,024	181	105.0	69.2	70.3
UY	Soriano	81,557	14,817	182	105.7	69.6	70.8
UY	Paysandú	111,509	20,314	182	106.0	69.8	71.0
PY	Alto Paraguay	13,831	2,536	183	79.8	70.3	71.4
UY	Durazno	55,716	10,370	186	108.3	71.3	72.5
UY	Río Negro	51,713	9,815	190	110.4	72.7	73.9
UY	Rivera	98,472	19,123	194	113.0	74.4	75.7
UY	Tacuarembó	84,919	16,649	196	114.1	75.1	76.4
UY	Salto	117,597	23,110	197	114.3	75.3	76.6
	Mercosur 4	6,369,818	1,050,814	165	N/A	63.2	64.3
	Mercosur 6	6,369,818	1,050,814	165	N/A	N/A	64.3

Literacy rate

The last indicator studied is the literacy rate, that is the percentage of the population who can read and write. The age limit in the statistics varies by country from people older than 10 or 15 years. The proportion of older people in the population is likely to lower the literacy rate as schooling was less available in their school days.

National averages of literacy rates are relatively similar (see Table 4.38). Two countries have literacy rates below the Mercosur average, but the lowest indicator only represents 91% of the average in Bolivia. Among the four countries with higher averages than that of Mercosur, there are few disparities since the country with the highest indicator, Uruguay, only represents 111% of the Mercosur average.

Table 4.38. Literacy rates: Mercosur national averages

	Population over 15 or 10*	Literate population	Literacy rate	Country as a % of Mercosur 4	Mercosur 6
Argentina	22,636,845	21,721,832	96.0	109.8	109.6
Brazil	108,033,627	92,136,609	85.3	97.6	97.4
Paraguay	2,427,485	2,183,661	90.0	103.0	102.7
Uruguay	2,629,654	2,549,054	96.9	110.9	110.7
Bolivia	3,722,699	2,977,853	80.0	N/A	91.4
Chile	10,593,668	9,788,875	92.4	N/A	105.5
Mercosur 4	135,727,611	118,591,156	87.4	100.0	99.8
Mercosur 6	150,043,978	131,357,884	87.5	N/A	100.0

* Statistics in Uruguay and Chile are only available for people older than 10 years, the statistics of the other countries are calculated for the population older than 15.

This apparent homogeneity of national data is confirmed by the average and standard deviations of this indicator. They respectively stand at 9 and 8, which are relatively low compared to the values obtained for the other indicators. As Table 4.39 shows, Brazil is the most heterogeneous country when analysing literacy rates. It is closely followed by Bolivia. Both countries have average deviations much more marked than the other countries.

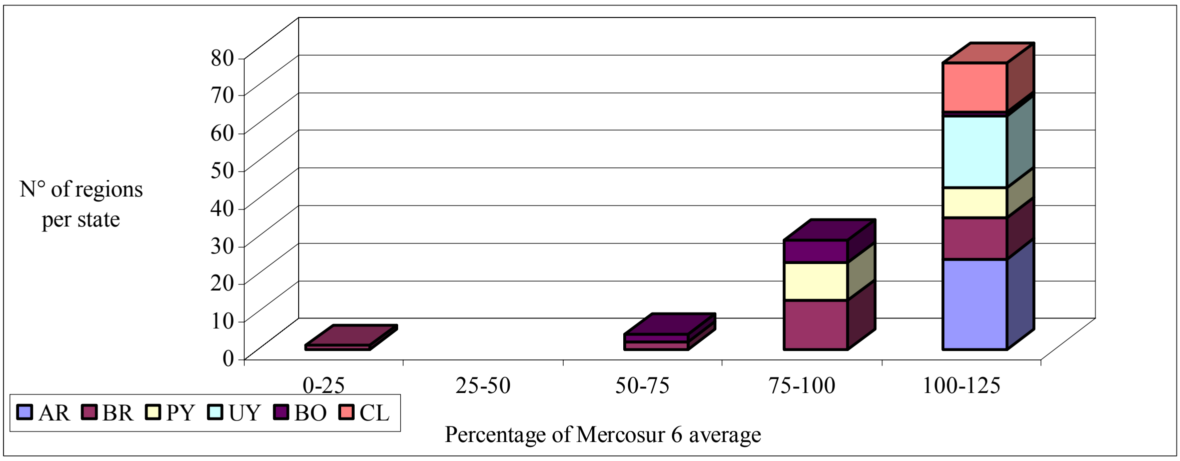
Table 4.39. Literacy rates: average deviations by country

	AR	BR	PY	UY	BO	CL	M6
Literacy rate	2.1	10.4	3.9	1.3	8.5	1.8	9.1

This homogeneity at the national level disappears when the regional data are analysed (see Appendix A2.4.5 for more details and for a map). As shown in Figure 4.15, most regions have higher literacy rates than the Mercosur average. Included in the 76 regions with higher literacy rates, there is the whole of Argentina, of Uruguay and of Chile, plus 11 Brazilian states, 8 Paraguayan departments and 1 Bolivian department.

Among the 34 regions with indicators lower than the Mercosur average, only 5 are below the 75% threshold. Three of them are Brazilian and two Bolivian.

Figure 4.15. Distribution of the regions according to their literacy rates compared to Mercosur average



As detailed in Table 4.40, the three Brazilian regions below the 75% threshold are part of the Northeast area. This is not too surprising since it is the part of Brazil most in need of assistance for development. One region, Sergipe, exhibits an indicator much lower than the other regions since it is only 9% of the Mercosur average. The two Bolivian regions, Chuquisaca and Potosí, are both slightly below the threshold since they represent approximately 70% of the Mercosur average. These five regions with less than 75% of the Mercosur average represents slightly more than 11 million persons, that is almost 5% of the Mercosur total population.

Table 4.40. Literacy rates: Mercosur regions below the threshold

		Total Population	Population over 15	Literate population	Literacy rate	Regional data as a percent of Nation	M 4	M 6
BR	Sergipe	1,662,168	1,078,533	80,562	7.5	8.8	8.5	8.5
BO	Chuquisaca	549,835	252,733	152,948	60.5	75.7	N/A	69.1
BO	Potosí	746,618	361,245	223,271	61.8	77.3	N/A	70.6
BR	Alagoas	2,754,697	1,716,599	1,094,599	63.8	74.8	73.0	72.8
BR	Maranhão	5,349,575	3,210,312	2,061,852	64.2	75.3	73.5	73.4
	Mercosur 4	9,766,440	6,005,444	3,237,013	53.9	N/A	61.7	61.6
	Mercosur 6	11,062,893	6,619,422	3,613,232	54.6	N/A	N/A	62.4

A map of regional social development in Mercosur

As for economic and infrastructure indicators, an analysis can be undertaken to bring together the five social indicators analysed previously to highlight social development disparities among Mercosur regions. The data are assembled in Table 4.41 below. These data are presented in the form of a map of Mercosur regional social disparities further down (Map 4.5).

As shown in the table, although five indicators were considered, no region has more than three indicators below the threshold. This is partly explained by the fact that no region has a life expectancy at birth below the 75% threshold, which *de facto* eliminates this indicator from consideration. Moreover, three of the five indicators, life expectancy, literacy rate and number of students, have low average deviations. These are respectively equivalent to 4, 9 and 14, and characterise a relative homogeneity of the regions for these three indicators.

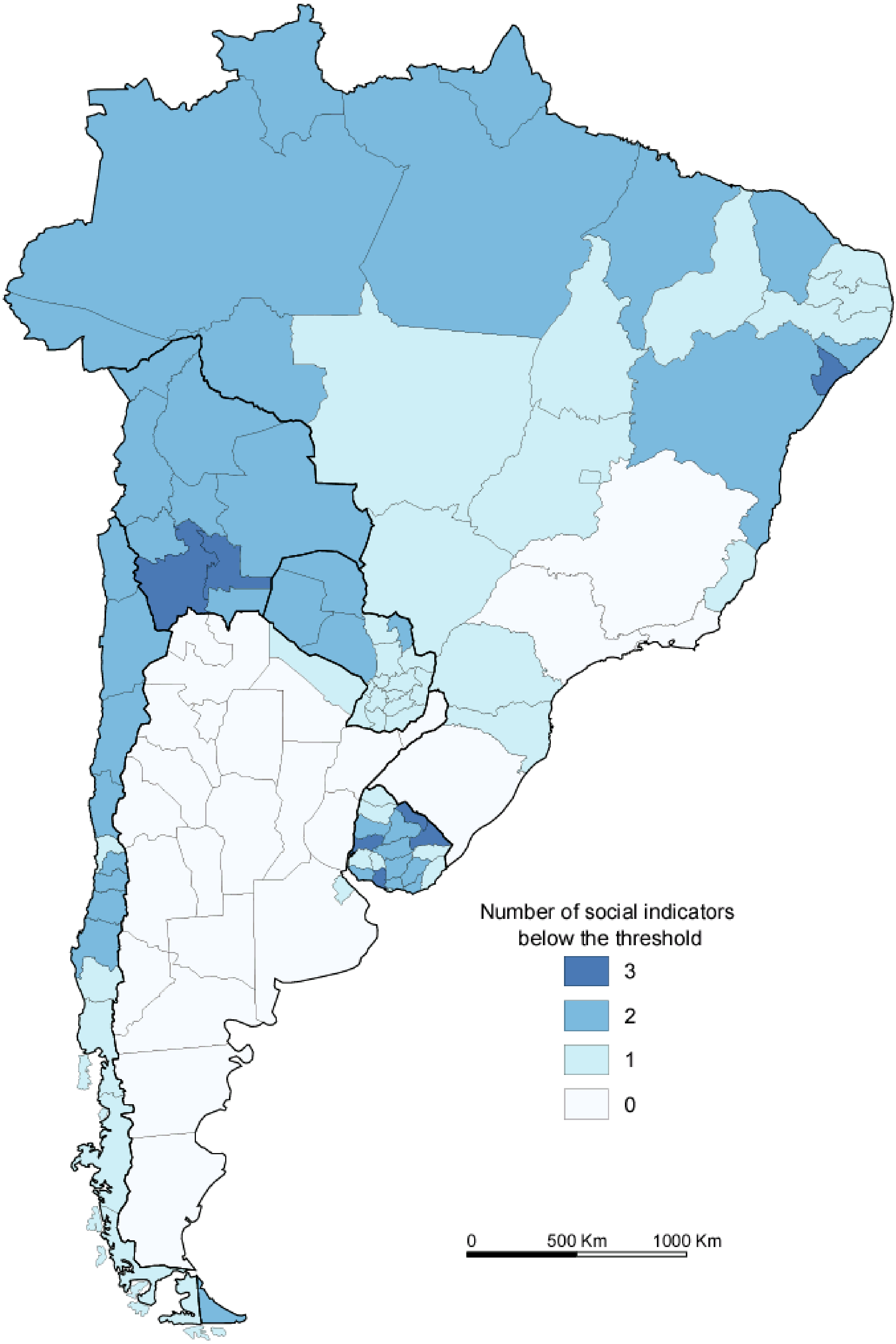
Table 4.41. Social development: Mercosur regions with at least one social indicator below the threshold

	Mercosur regions according to the n° of social indicators below 75% of Mercosur average					
	N° of social indicators 1	2	3	N° of regions	Population	% of national population
Argentina	Ciudad de Buenos Aires Formosa	Tierra del Fuego, Antártica e Islas del Atlántico Sur		3	3,564,972	10

Table 4.41 (continued)

	Mercosur regions according to the n° of social indicators below 75% of Mercosur average					
	N° of social indicators			N° of regions	Population	% of national population
	1	2	3			
Brazil	Espirito Santo Federal District Goiás Mato Grosso Mato Grosso do Sul Paraíba Paraná Pernambuco Piauí Rio Grande do Norte Santa Catarina Tocantins	Acre Amapá Alagoas Amazonas Bahia Ceará Maranhão Pará Rondônia Roraima	Sergipe	23	85,518,741	53
Paraguay	Alto Paraná Asunción Caaguazú Caazapá Canindeyú Central Concepción Cordillera Guairá Itapúa Misiones Ñeembucú Paraguarí San Pedro	Alto Paraguay Amambay Boquerón Pdte. Hayes		18	5,085,328	100
Uruguay	Artigas Flores Montevideo Rocha Salto Soriano Treinta y Tres	Canelones Colonia Durazno Florida Lavalleja Maldonado Paysandú Tacuarembó	Cerro Largo Río Negro Rivera San José	19	3,163,763	100
Bolivia		Beni Cochabamba La Paz Oruro Pando Santa Cruz Tarija	Chuquisaca Potosí	9	7,767,060	100
Chile	De Aysén De La Araucanía De Los Lagos De Magallanes Valparaíso	Antofagasta Atacama Coquimbo Del Biobío Del Libertador Del Maule Metropolitana de Santiago Tarapacá		13	15,010,755	100
N° of regions	40	38	7	85	N/A	N/A
Population	59,186,335	57,636,304	3,287,980	N/A	120,110,619	N/A
% of M6 population	26	25	2	N/A	53	N/A

Map 4.5. Mercosur regional social development gaps



Most of Mercosur regions fall below the threshold on at least one social indicator. As the table shows, 85 of the 110 regions are characterised as such. However, these regions only contain half of the population. This difference can be explained by the absence, within these 85 regions of highly populated regions like those of São Paulo, Minas Gerais, Rio de Janeiro, and Rio Grande do Sul which account for a third of Mercosur population.

Only seven regions, which account for only 2% of the population, have the maximum number of three social indicators below the threshold. Four of these regions are Uruguayan, two Bolivian and one Brazilian.

The categories of regions with one social indicator below the threshold, and that of regions with two social indicators below the threshold, both account for approximately 40 regions and a fourth of the Mercosur 6 population.

From a national point of view, it appears that four Mercosur countries have one or more social indicator below the 75% threshold in all their regions. The two exceptions are Brazil and Argentina. However, most of Brazil has at least one indicator below the threshold, with the exception of the four highly populated states already mentioned, that is São Paulo, Minas Gerais, Rio de Janeiro, and Rio Grande do Sul. Consequently, the population concerned represents slightly more than half of that of Brazil. Argentina exhibits much better social indicators since only three of its regions, which account for 10% of the population, have between one and two social indicators below the threshold.

DRAWING A DEVELOPMENT MAP OF MERCOSUR

Before concluding this chapter, it is necessary in a last section to suggest a combination of the twelve regional indicators analysed above, so as to draw a Mercosur map of regional development which represents the three categories analysed, that is economic, infrastructure and social development.

It is possible to create a specific index of development by weighting the twelve indicators to put more emphasis on some essential aspects of development. Such an index could be criticised since, on the one hand, it is a subjective task to decide the coefficients to attribute to each indicator; and, on the other hand, creating an index implies precise calculations which, because of the imperfections of the statistics available, would however inevitably lead to imperfect results.

However, the objective of this chapter is not to create a new index of development based on these twelve development indicators, but to analyse twelve regional indicators of development which can then be used by different researchers to develop their own indices according to their specific interests. It is nevertheless necessary to combine these indicators to draw a single Mercosur map of regional development which takes account of the different aspects of development.

As a result of this, a simple method of combination is used. The basis is the number of indicators for which the regional data are less than 75% of the Mercosur average. The regions with the most indicators below the threshold are therefore defined as being relatively less developed within Mercosur. Since out of the twelve indicators analysed there are a maximum of eight indicators which are below the threshold at the same time in the same region, it was arbitrarily decided to define as ‘relatively less developed’ the regions which had five or more indicators with a value less than 75% of the Mercosur average.

As was done above in the statistical analyses of the twelve indicators, before looking at regional disparities it is necessary to first consider the disparities in development at the national level. It is then possible to analyse the differences in development among the

Mercosur regions. Finally, these data are synthesised to describe, country by country, and then at the Mercosur level, the relatively less developed regions of Mercosur.

Development gaps at the national level

The following table (Table 4.42) presents for each Mercosur country the national data for each of the twelve indicators analysed, as well as the number of indicators each country has below the threshold.

Table 4.42. National development indicators compared to the Mercosur 6 average (%)

		Economic		Infrastructure					Social					N° of indicators compared to M6			
	Population (millions)	GDP/capita	Activity rate	Roads	Electricity	Water	Sewers	Telephone	Hospital beds	Doctors	Life expectancy	Students	Alphabetisation	<75%	75-125%	>125%	Total
AR	34.8	155.3	96.0	8.1	85.8	94.7	55.4	153.2	143.6	192.0	104.5	85.3	109.6	2	6	4	12
BR	160.7	94.5	101.9	153.7	102.1	99.6	107.5	86.0	99.1	81.3	98.5	106.2	97.4	0	11	1	12
PY	5.1	32.7	80.2	45.8	48.4	80.9	63.0	19.4	21.6	282.2	101.4	89.5	102.7	6	5	1	12
UY	3.2	123.4	96.6	39.2	132.8	112.3	146.9	227.6	74.4	235.8	107.2	67.0	110.7	3	5	4	12
BO	7.8	17.4	120.2	38.5	29.0	95.8	90.8	36.2	47.7	35.3	90.2	94.3	91.4	6	6	0	12
CL	15.0	90.9	92.0	83.0	157.6	122.8	130.6	160.0	66.1	32.2	109.3	80.9	105.5	2	7	3	12
M4	203.8	103.8	100.5	106.2	98.5	98.5	98.1	98.0	104.4	107.6	99.7	101.6	99.8	0	12	0	12
M6	226.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0	12	0	12

Brazil is the only Mercosur country which, at the national level, has no indicators whose value is lower than 75% of the Mercosur average. This situation is principally due to the method used to compare the statistical data. Indeed, each indicator has been calculated according to territory or population. Brazil, accounting for 60% of Mercosur territory and 70% of its population, has *de facto* the most weight in the calculation of the Mercosur averages for each indicator.

At the national level, Argentina, Chile and Uruguay are in a very similar state of development since they each have few indicators below the threshold. In Argentina, the two indicators below the threshold, the road network and the domestic connection to waste removal facilities, are related to infrastructure. Chile also has two indicators below the threshold at the national level but, in contrast to Argentina, these indicators are related to social development, that is the number of doctors and the number of hospital beds. A strict interpretation of statistical data indicates that Uruguay has three indicators below the threshold at the national level. Two of these indicators are related to social development, namely those related to the number of students and the number of hospital beds, although this last indicator is very close to the threshold since the Uruguayan average represents 74% of the Mercosur 6 average. The third Uruguayan indicator below the threshold is an infrastructure indicator, that is the road network density.

Finally, Paraguay and Bolivia also have very similar levels of development, which are much lower than those of the other four countries. Indeed, both countries have six of the twelve development indicators below 75% of the Mercosur 6 average. According to the definition given above, both countries can thus be defined as being relatively less developed Mercosur countries as a whole.

Development gaps at the regional level

Having considered the gap at the national level, it is now possible to focus on the disparities in development among Mercosur regions. To achieve this, it is necessary as a first stage to collate and combine the regional data for the twelve indicators. This is done in Tables 4.43 and 4.44, which data are then represented in Figures 4.16 and 4.17. These data are then discussed country by country in the following sub-sections, before an overall look at the Mercosur level is taken in the last sub-section.

Table 4.43 below brings together the data analysed in Chapter 4 to indicate for each region which indicators it has below the threshold, as well as the number of indicators, per category of development and in total, which are below the threshold.

Table 4.43. Indicators below the threshold for each Mercosur region

			Regions which indicator is below the 75% threshold												N° of indicators below the threshold			
			Economy		Infrastructure					Social								
	Region	Population	GDP/capita	Activity rate	Roads	Electricity	Water	Sewers	Telephone	Hospital Beds	Doctors	Life expectancy	Students	Literacy	Economy	Infrastructure	Social	Total
AR	Ciudad de Buenos Aires	3,027,886			X								X			1	1	2
AR	Buenos Aires	13,379,401			X			X								2		2
AR	Catamarca	289,212	X		X	X		X	X						1	4		5
AR	Córdoba	2,929,734			X	X		X								3		3
AR	Corrientes	857,685	X		X	X		X	X						1	4		5
AR	Chaco	895,900	X		X	X		X	X						1	4		5
AR	Chubut	399,125			X											1		1
AR	Entre Ríos	1,069,102			X	X		X								3		3
AR	Formosa	447,094	X		X	X		X	X		X				1	4	1	6
AR	Jujuy	555,097	X		X	X		X	X						1	4		5
AR	La Pampa	282,356			X	X		X								3		3
AR	La Rioja	247,575			X	X		X								3		3
AR	Mendoza	1,508,959			X			X								2		2
AR	Misiones	884,291			X	X	X	X	X							5		5
AR	Neuquén	463,266			X			X								2		2
AR	Río Negro	559,590			X			X								2		2
AR	Salta	958,094	X		X			X	X						1	3		4
AR	San Juan	555,223			X	X		X								3		3
AR	San Luis	321,890			X			X								2		2
AR	Santa Cruz	181,198			X	X		X								3		3
AR	Santa Fe	2,949,050			X			X								2		2
AR	Santiago Estero	700,114	X		X	X		X	X						1	4		5
AR	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992			X					X	X					1	2	3
AR	Tucumán	1,216,623	X		X	X		X	X						1	4		5
BR	Rondônia	1,289,365	X		X	X	X		X	X	X				1	4	2	7
BR	Acre	504,489	X		X	X	X		X	X	X				1	4	2	7
BR	Amazonas	2,460,434			X	X			X	X	X					3	2	5
BR	Roraima	258,088	X		X	X				X	X				1	2	2	5
BR	Pará	5,724,140	X		X		X		X	X	X				1	3	2	6
BR	Amapá	402,557	X		X	X			X	X	X				1	3	2	6
BR	Tocantins	1,096,967	X		X	X			X		X				1	3	1	5
BR	Maranhão	5,349,575	X				X		X		X			X	1	2	2	5

Table 4.43 (continued)

	Region	Population	Regions which indicator is below the 75% threshold: Economy		Infrastructure					Social					N° of indicators below the threshold			
			GDP/capita	Activity rate	Roads	Electricity	Water	Sewers	Telephone	Hospital Beds	Doctors	Life expectancy	Students	Literacy	Economy	Infrastructure	Social	Total
BR	Piauí	2,758,129	X			X			X		X				1	2	1	4
BR	Ceará	7,010,107	X			X	X		X	X	X				1	3	2	6
BR	Rio Grande do Norte	2,641,355	X			X			X		X				1	2	1	4
BR	Paraíba	3,433,234	X			X			X		X				1	2	1	4
BR	Pernambuco	7,548,183	X			X			X		X				1	2	1	4
BR	Alagoas	2,754,697	X			X			X		X			X	1	2	2	5
BR	Sergipe	1,662,168	X			X			X	X	X			X	1	2	3	6
BR	Bahia	12,697,007	X			X			X	X	X				1	2	2	5
BR	Minas Gerais	17,024,849																0
BR	Espirito Santo	2,916,530								X							1	1
BR	Rio de Janeiro	13,490,380																0
BR	São Paulo	34,899,765																0
BR	Paraná	9,154,360									X						1	1
BR	Santa Catarina	5,032,175									X						1	1
BR	Rio Grande do Sul	9,776,540																0
BR	Mato Grosso do Sul	1,985,579				X					X					1	1	2
BR	Mato Grosso	2,335,344	X		X	X			X		X				1	3	1	5
BR	Goiás	4,629,154	X			X					X				1	1	1	3
BR	Federal District	1,875,104								X							1	1
PY	Asunción	550,060	X					X	X	X					1	2	1	4
PY	Concepción	185,496	X	X		X		X	X	X					2	3	1	6
PY	San Pedro	332,926	X	X		X		X	X	X					2	3	1	6
PY	Cordillera	215,663	X	X		X		X	X	X					2	3	1	6
PY	Guairá	173,668	X	X		X		X	X	X					2	3	1	6
PY	Caaguazú	442,161	X	X		X		X	X	X					2	3	1	6
PY	Caazapá	141,559	X	X	X	X		X	X	X					2	4	1	7
PY	Itapúa	454,757	X			X		X	X	X					1	3	1	5
PY	Misiones	98,607	X	X	X	X		X	X	X					2	4	1	7
PY	Paraguarí	247,675	X	X		X		X	X	X					2	3	1	6
PY	Alto Paraná	595,276	X		X	X		X	X	X					1	4	1	6
PY	Central	1,174,212	X					X	X	X					1	2	1	4
PY	Ñeembucú	86,965	X	X	X	X		X	X	X					2	4	1	7
PY	Amambay	127,011	X		X	X		X	X	X			X		1	4	2	7
PY	Canindeyú	133,075	X		X	X		X	X	X					1	4	1	6
PY	Pdte. Hayes	77,145	X		X	X		X	X	X			X		1	4	2	7
PY	Boquerón	35,241	X	X	X	X		X	X	X			X		2	4	2	8
PY	Alto Paraguay	13,831	X	X	X	X		X	X	X			X		2	4	2	8
UY	Montevideo	1,344,839											X				1	1
UY	Artigas	75,059			X	X				X						2	1	3
UY	Canelones	443,053								X			X				2	2
UY	Cerro Largo	82,510			X					X	X		X			1	3	4
UY	Colonia	120,241			X					X			X			1	2	3
UY	Durazno	55,716			X	X				X			X			2	2	4
UY	Flores	25,030			X								X			1	1	2
UY	Florida	66,503			X					X			X			1	2	3
UY	Lavalleja	61,085			X					X			X			1	2	3
UY	Maldonado	127,502			X					X			X			1	2	3
UY	Paysandú	111,509			X					X			X			1	2	3

Table 4.43 (end)

	Region	Population	Regions which indicator is below the 75% threshold												N° of indicators below the threshold			
			Economy		Infrastructure					Social								
			GDP/capita	Activity rate	Roads	Electricity	Water	Sewers	Telephone	Hospital Beds	Doctors	Life expectancy	Students	Literacy	Economy	Infrastructure	Social	Total
UY	Río Negro	51,713			X					X	X		X			1	3	4
UY	Rivera	98,472			X					X	X		X			1	3	4
UY	Rocha	70,292			X								X			1	1	2
UY	Salto	117,597			X								X			1	1	2
UY	San José	96,664			X					X	X		X			1	3	4
UY	Soriano	81,557			X								X			1	1	2
UY	Tacuarembó	84,919			X	X				X			X			2	2	4
UY	Treinta y Tres	49,502			X								X			1	1	2
BO	Chuquisaca	549,835	X			X	X	X	X	X	X			X	1	4	3	8
BO	La Paz	2,268,824	X		X	X			X	X	X				1	3	2	6
BO	Cochabamba	1,408,071	X			X			X	X	X				1	2	2	5
BO	Oruro	383,498	X		X	X		X	X	X	X				1	4	2	7
BO	Potosí	746,618	X			X	X	X	X	X	X			X	1	4	3	8
BO	Tarija	368,506	X		X	X			X	X	X				1	3	2	6
BO	Santa Cruz	1,651,951	X		X	X			X	X	X				1	3	2	6
BO	Beni	336,633	X		X	X			X	X	X				1	3	2	6
BO	Pando	53,124	X		X	X	X		X	X	X				1	4	2	7
CL	Tarapacá	385,620			X					X	X					1	2	3
CL	Antofagasta	462,286			X					X	X					1	2	3
CL	Atacama	269,047			X					X	X					1	2	3
CL	Coquimbo	569,825	X							X	X				1		2	3
CL	Valparaíso	1,543,566	X								X				1		1	2
CL	Del Libertador	778,801	X							X	X				1		2	3
CL	Del Maule	906,882	X						X	X	X				1	1	2	4
CL	Del Biobío	1,915,844	X							X	X				1		2	3
CL	De Araucanía	864,975	X								X				1		1	2
CL	De Los Lagos	1,050,558	X								X				1		1	2
CL	De Aysén	93,636	X		X						X				1	1	1	3
CL	De Magallanes	156,530			X						X					1	1	2
CL	Metropolitana de Santiago	6,013,185								X	X						2	2
	Total		60	11	69	59	9	42	53	60	49	0	23	5				

Shaded regions are those which are considered as relatively less developed according to the definition used, that is the regions with five or more indicators below the threshold.

Table 4.44 below synthesises Table 4.43 by representing, for each country the number of regions, and their population, in terms of the number of indicators below the threshold. Data are given in absolute terms as well as in percentages. These data are then represented for each country (Figure 4.16) and for Mercosur (Figure 4.17), this showing the share of the number of regions and of the population affected by the number of indicators which are below 75% of the Mercosur average.

Table 4.44. Mercosur regions and population according to the number of indicators less than 75% of the Mercosur averages

N° of indicators		N° of regions in each country having indicators below 75% of national average										Percentages								
		8	7	6	5	4	3	2	1	0	Total	8	7	6	5	4	3	2	1	0
AR	N° of regions			1	7	1	7	7	1		24			4	29	4	29	29	4	
	Population			447,094	5,398,922	958,094	5,355,180	22,210,042	399,125		34,768,457			1	16	3	15	64	1	
BR	N° of regions		2	4	7	4	1	1	4	4	27		7	15	26	15	4	4	15	15
	Population		1,793,854	14,798,972	26,952,112	16,380,901	4,629,154	1,985,579	18,978,169	75,191,534	160,710,275		1	9	17	10	3	1	12	47
PY	N° of regions	2	5	8	1	2					18	11	28	44	6	11				
	Population	49,072	531,287	2,325,940	454,757	1,724,272					5,085,328	1	10	46	9	34				
UY	N° of regions					6	6	6	1		19					32	32	32	5	
	Population					469,994	561,899	787,031	1,344,839		3,163,763					15	18	25	43	
BO	N° of regions	2	2	4	1						9	22	22	44	11					
	Population	1,296,453	436,622	4,625,914	1,408,071						7,767,060	17	6	60	18					
CL	N° of regions					1	7	5			13					8	54	38		
	Population					906,882	4,475,059	9,628,814			15,010,755					6	30	64		
Total	N° of regions	4	9	17	16	14	21	19	6	4	110	4	8	15	15	13	19	17	5	4
	Population	1,345,525	2,761,763	22,197,920	34,213,862	20,440,143	15,021,292	34,611,466	20,722,133	75,191,534	226,505,638	1	1	10	15	9	7	15	9	33
Cumul.	N° of regions	4	13	30	46	60	81	100	106	110		4	12	27	42	55	74	91	96	100
	Population	1,345,525	4,107,288	26,305,208	60,519,070	80,959,213	95,980,505	130,591,971	151,314,104	226,505,638		1	2	12	27	36	42	58	67	100

Figure 4.16. Mercosur members: number of regions and population according to the number of indicators below the threshold

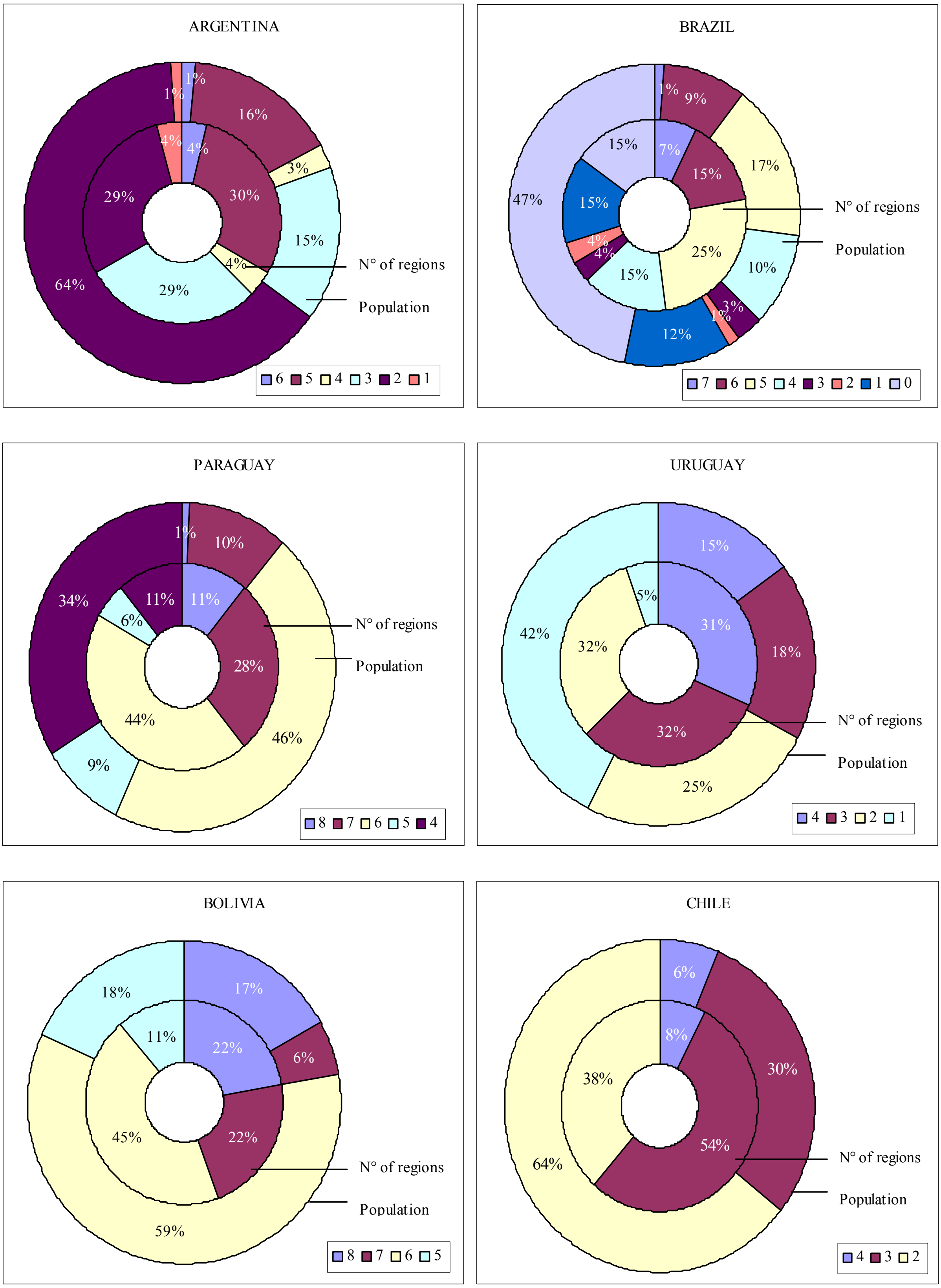
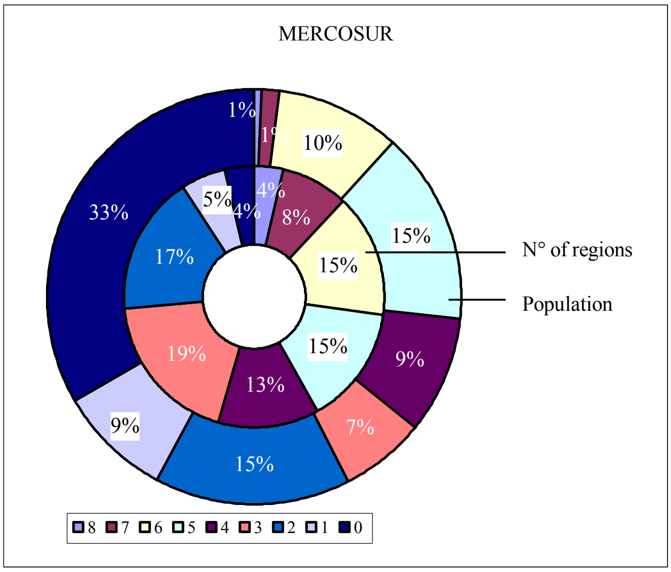


Figure 4.17. Mercosur: number of regions and population according to the number of indicators below the threshold

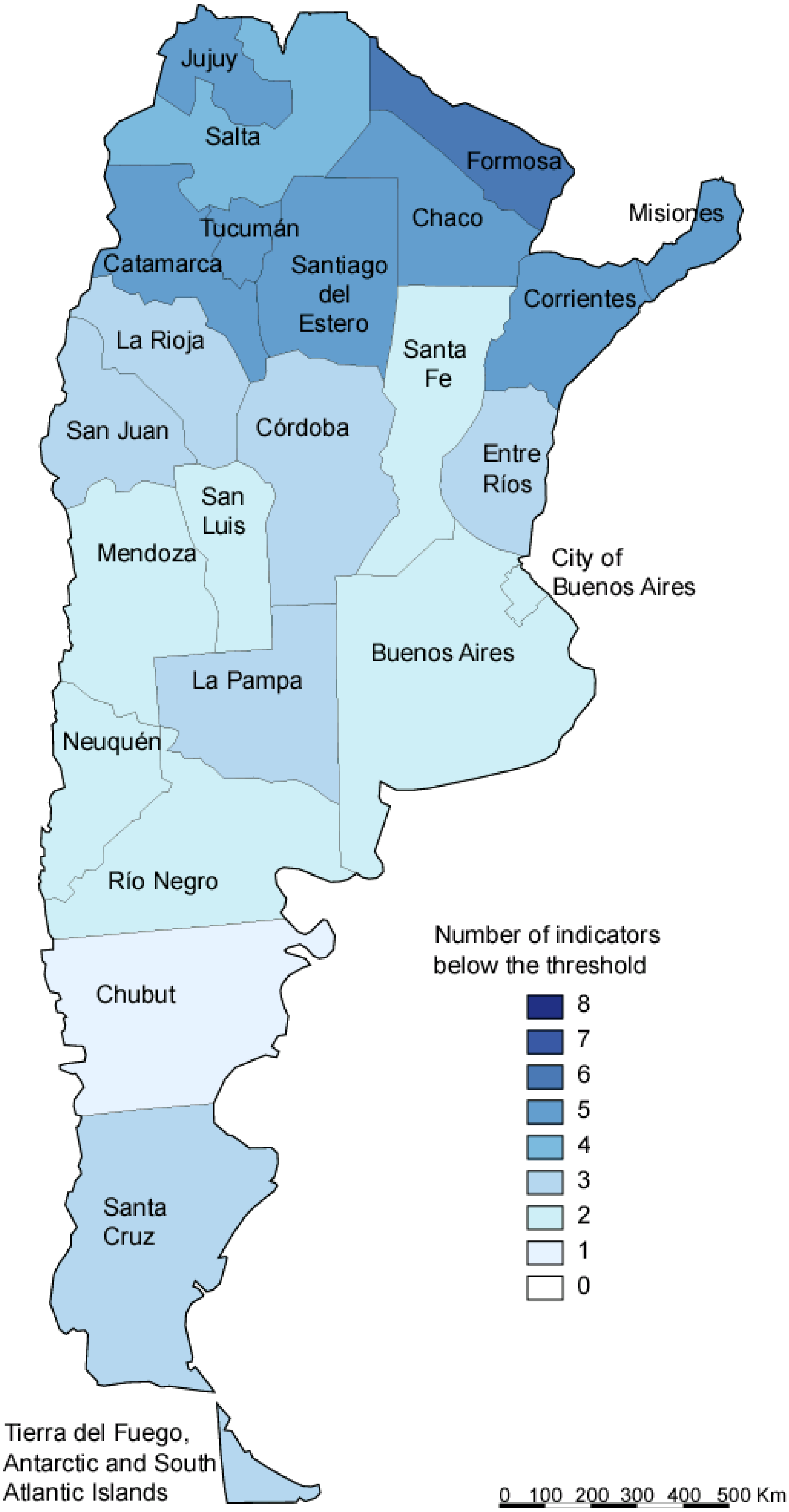


Having compiled and combined these data in the preceding tables, it is now possible to discuss them, country by country, and then at the Mercosur level.

Argentina

As shown above by Table 4.44, according to the present definition of Mercosur relatively less developed regions, eight Argentinian regions can be classified as such. These regions are Catamarca, Corientes, Chaco, Formosa, Jujuy, Misiones, Santiago del Estero and Tucumán (see Table 4.43). Apart for the region of Formosa which has six indicators below the threshold, the seven other regions have five indicators below the threshold. Given the indicators selected, it appears that infrastructure development is an important issue in Argentina since these eight regions have at least four of the five infrastructure indicators below the threshold. The following map of Argentina (Map 4.6) clearly shows that, with the exception of the region of Salta, the whole of the north of the country is defined as relatively less developed.

Map 4.6. A development map of Argentina

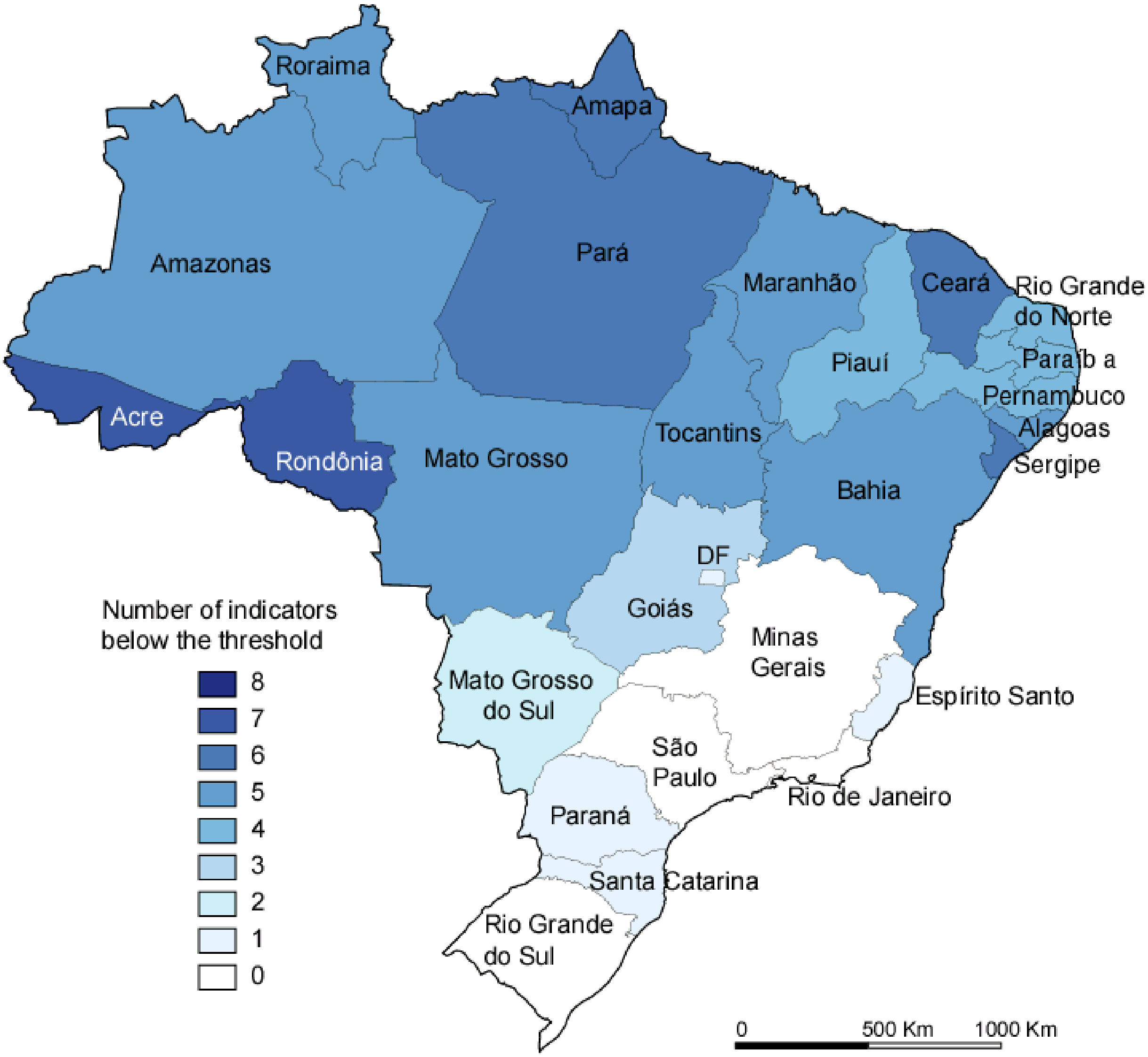


Brazil

In Brazil, the definition used leads to the classification as relatively less developed a group of thirteen of the twenty-seven federal states. Most of these thirteen regions have five or six indicators below the threshold, with the exception of Rondônia and Acre which have seven indicators below the threshold (see Table 4.43 above). These last two regions account for 1% of the population of Brazil. As highlighted in Map 4.7, all but one of these states are part of the North and Northeast areas of Brazil. The exception is the Mato Grosso, an adjacent state which is administratively part of the Central West area. More than 43 million people live in these relatively less developed Brazilian regions as defined above. This represents more than a quarter of the Brazilian population.

It is worth noting that Brazil is the only Mercosur country which has a few regions where none of the 12 indicators studied are below the 75% threshold. Only four regions are in this situation. These are Rio Grande do Sul in the South, and Minas Gerais, Rio de Janeiro and São Paulo in the Southeast. Being densely populated these four regions account for more than 75 million people, almost half of the population of Brazil and a third of the total Mercosur 6 population. This relative weight partly explains the lack of indicators below the threshold for Brazil since they had *de facto* a predominant influence on the calculation of the Mercosur averages.

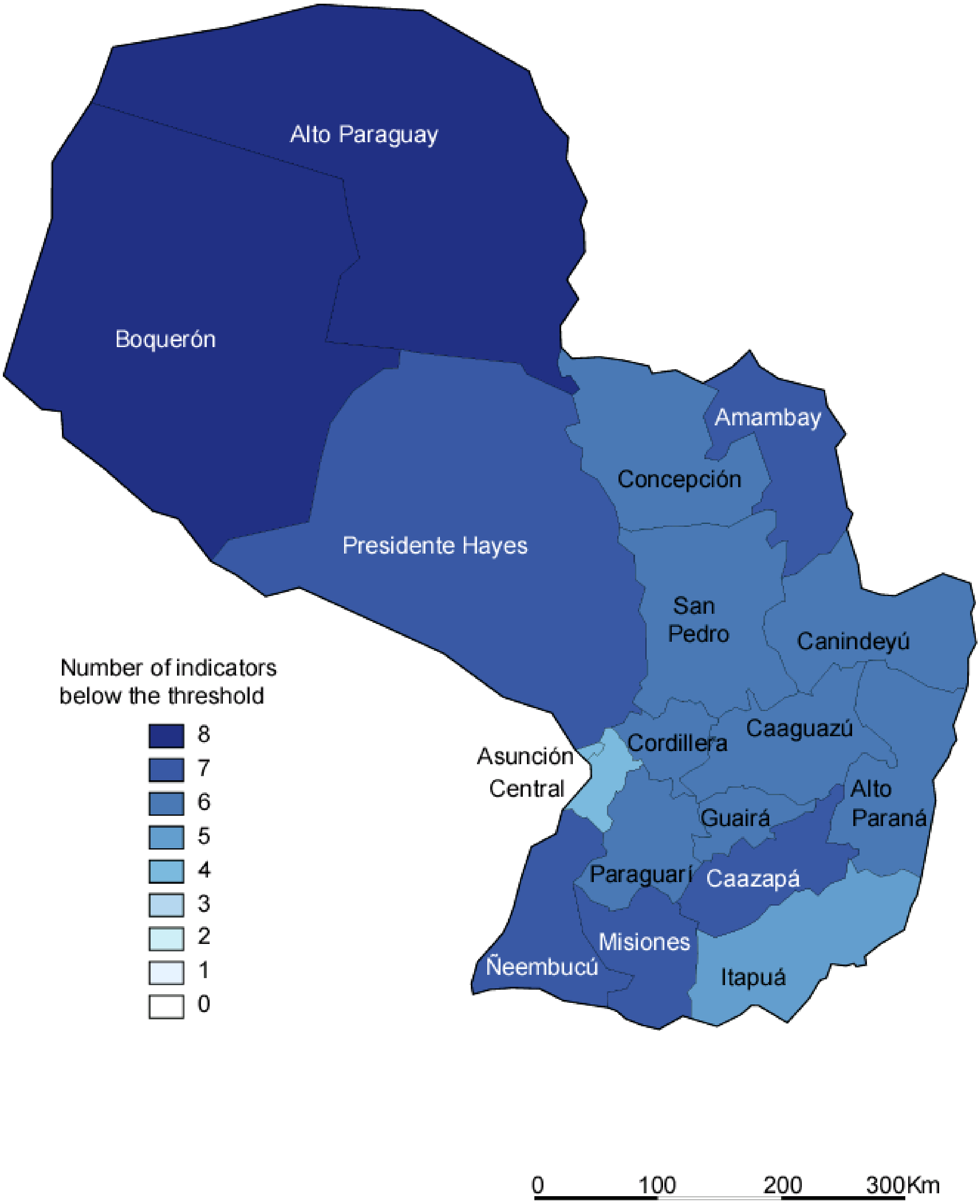
Map 4.7. A development map of Brazil



Paraguay

Only two of the eighteen departments of Paraguay are not classified as being relatively less developed according to the definition (see Table 4.44). These are the departments of Asunción, the capital city, and Central, which geographically surrounds the former, as shown in Map 4.8 below. Among the sixteen relatively less developed departments, half of them have six indicators below the threshold while five other regions have seven such indicators. Paraguay is the only Mercosur 4 country to have regions, namely those of Boquerón and Alto Paraguay, with eight indicators below the threshold (see Table 4.43). These sixteen relatively less developed Paraguayan regions account for 3.4 million people, two thirds of the population.

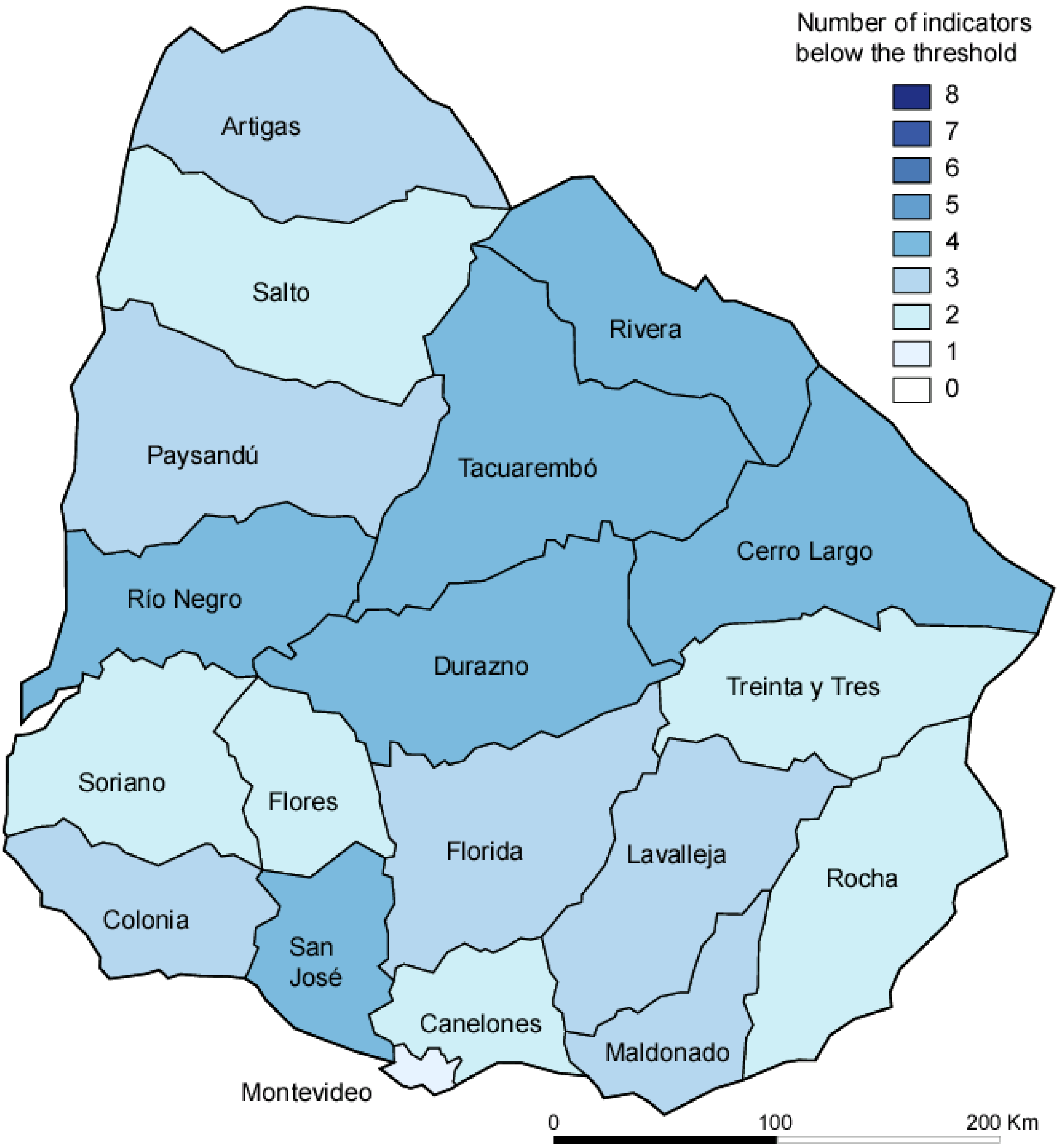
Map 4.8. A development map of Paraguay



Uruguay

Uruguay is the only Mercosur 4 country which does not have any relatively less developed regions. Six of the nineteen Uruguayan regions have a maximum of four indicators below the threshold (see Tables 4.43 and 4.44). As represented in Map 4.9, the remaining thirteen regions have between one and three indicators below the threshold.

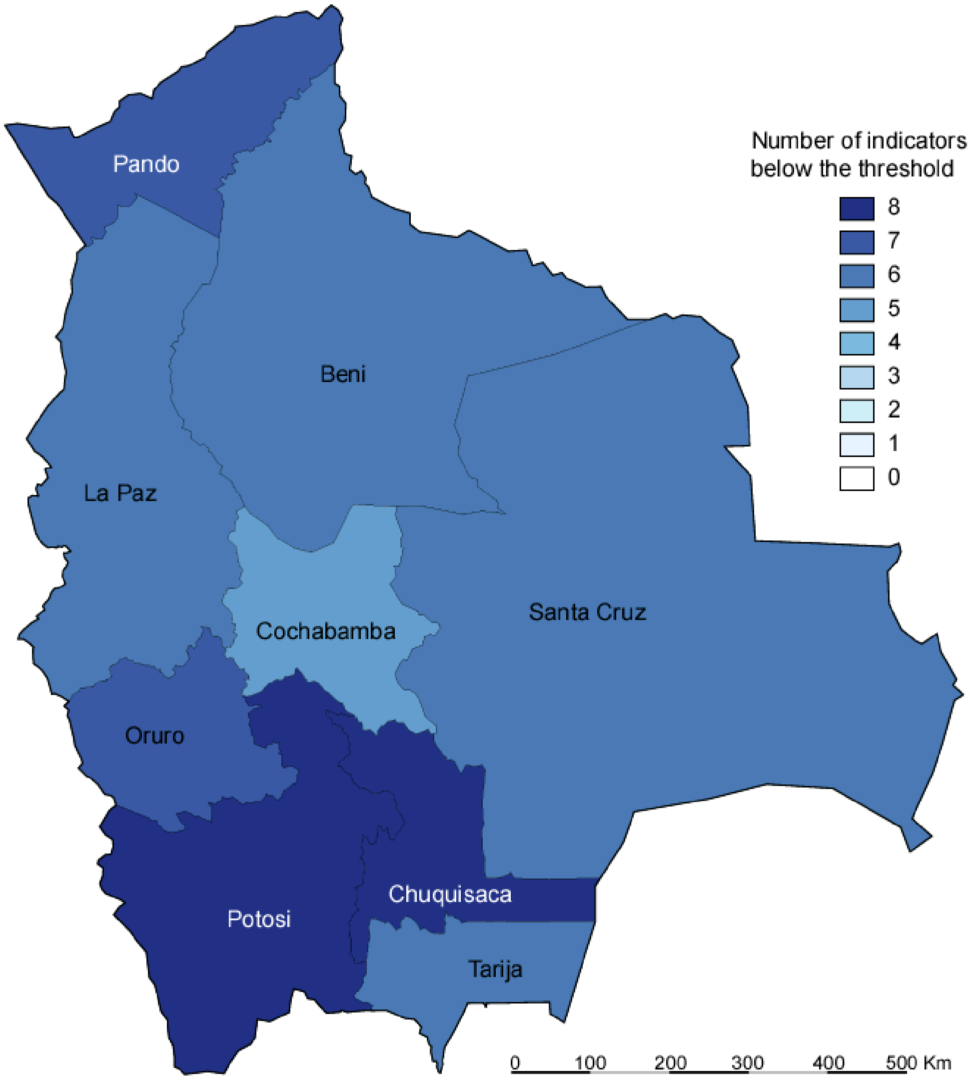
Map 4.9. A development map of Uruguay



Bolivia

The analysis of the Bolivian regions confirms the diagnosis made at the national level. Indeed, the whole country, its nine departments, can be classified as being relatively less developed according to the definition (see Map 4.10). One department, that of Cochabamba, is in a relatively better situation since it 'only' has five indicators below the threshold (see Table 4.43). As shown in Table 4.44, six other regions have between six and seven indicators below the threshold. Similarly to Paraguay, Bolivia has two regions with eight indicators below the threshold, the maximum reached in this study. As a consequence, all the 7.8 million Bolivians live in relatively less developed regions.

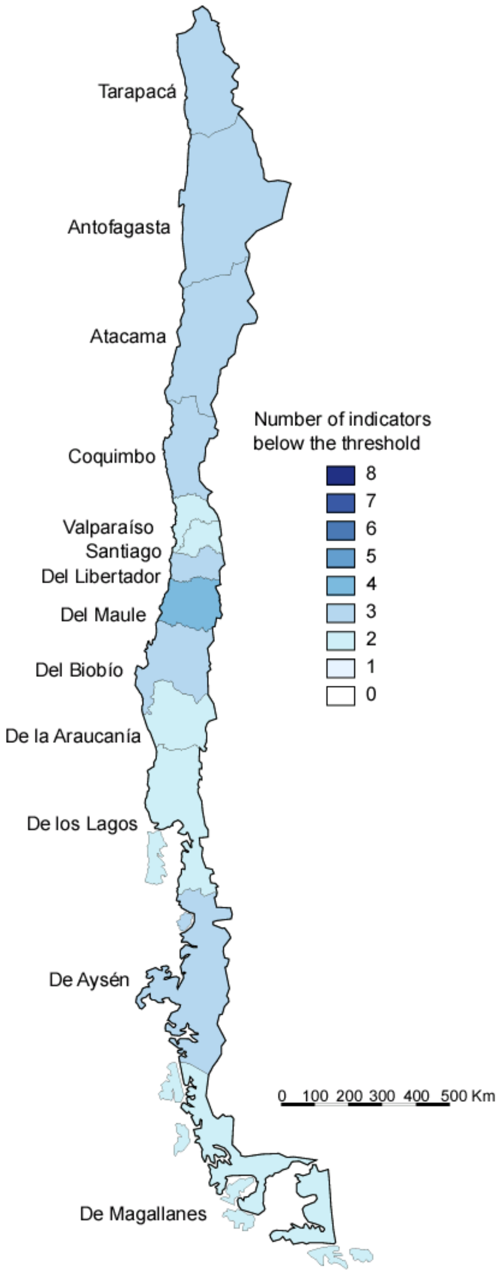
Map 4.10. A development map of Bolivia



Chile

As in Uruguay, none of the Chilean regions can be considered as being relatively less developed according to the definition. As shown in Map 4.11 below, Del Maule is the only region of Chile to have the maximum of four indicators below the threshold (see Tables 4.43 and 4.44), whereas the threshold to be considered as 'relatively less developed region' was fixed at five indicators.

Map 4.11. A development map of Chile



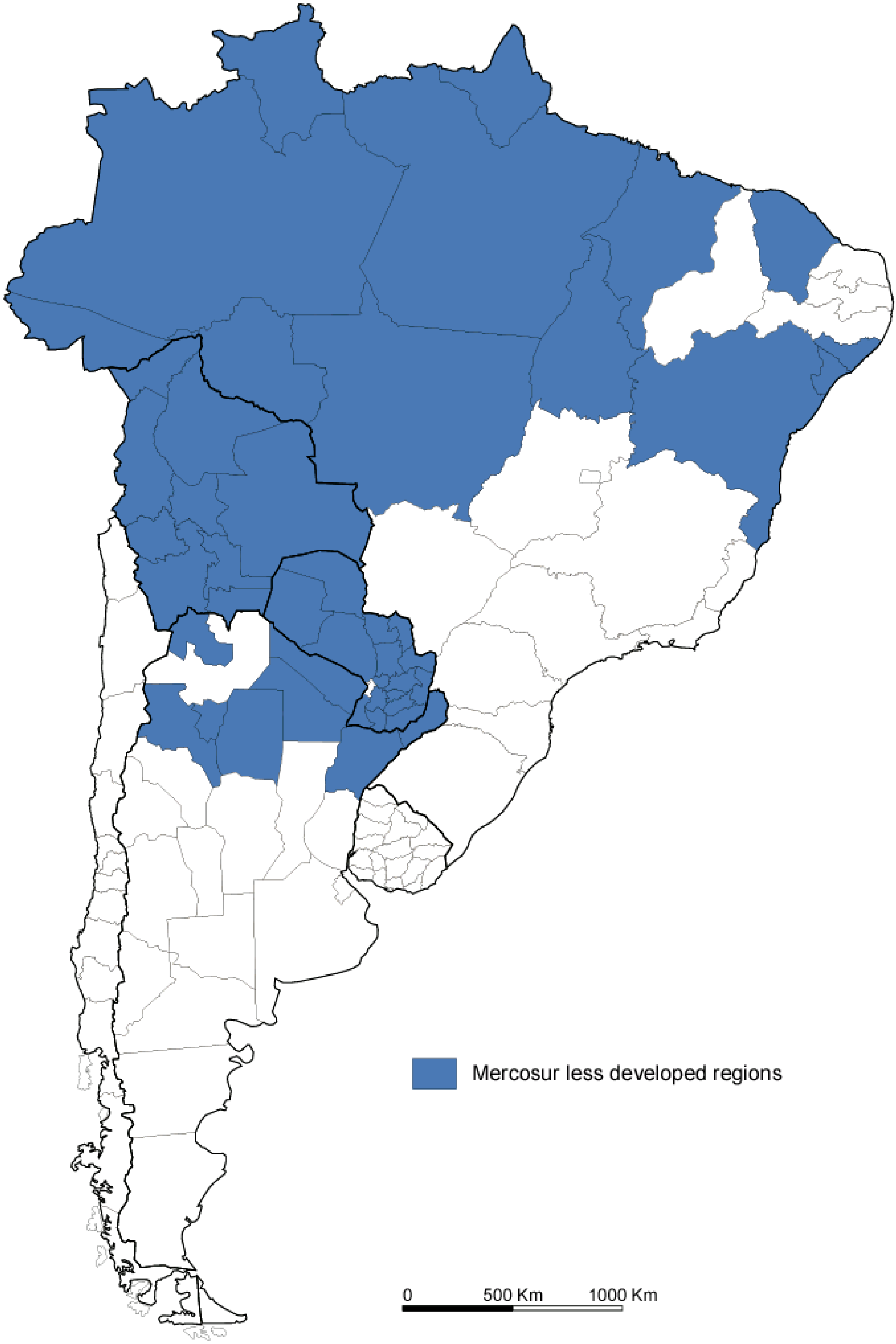
Mercosur

Referring back to Tables 4.43 and 4.44 above, it is possible to represent in a single map, Map 4.12, the relatively less developed regions of Mercosur, that is those with at least five indicators below the threshold. These regions are:

- In Argentina: 8 of the 24 provinces – Catamarca, Corrientes, Chaco, Formosa, Jujuy, Misiones, Santiago del Estero, and Tucumán.
- In Brazil: 13 of the 27 states – Rondônia, Acre, Amazonas, Pará, Amapá, Roraima, Tocantins (the seven regions of the North), Maranhão, Ceará, Alagoas, Sergipe, Bahia (five of the Northeast regions), and Mato Grosso (Central-West).
- In Paraguay: 16 of the 18 departments – Concepción, San Pedro, Cordillera, Guairá, Caaguazú, Caazapá, Itapúa, Misiones, Paraguarí, Alto Paraná, Ñeembucú, Amambay, Canindeyú, Pdte. Hayes, Boquerón, and Alto Paraguay.
- In Uruguay: none of the 19 departments.
- In Bolivia: the 9 departments – Chuquisaca, La Paz, Cochabamba, Oruro, Potosí, Tarija, Santa Cruz, Beni, and Pando.
- In Chile: none of the 13 regions.

According to the definition used in this chapter, 46 of the 110 Mercosur regions can be characterised as economically, infrastructurally and socially relatively less developed compared with the rest of Mercosur (see Map 4.12). These regions represent 42% of the Mercosur regions, cover 54% of its territory and are inhabited by 60.5 million people, that is 27% of the Mercosur population.

Map 4.12. The relatively less developed regions of Mercosur



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This chapter has presented an analysis of twelve statistical indicators to highlight the relative levels of economic, infrastructure and social development in the 110 Mercosur regions. This analysis needs to be extended in future work by including additional indicators, and up-to-date and harmonised regional data – assuming that they become available.

The last section of the chapter proposed one possible method of combining and interpreting these data. Since the objective of the chapter was not to develop a statistical index, composed of the twelve indicators, a simple statistical approach was adopted. It was consequently and arbitrarily decided to define as relatively less developed regions which have at least five indicators where the value is lower than 75% of the Mercosur 6 average. However, this is only one possible method and data can clearly be combined differently.

Chapter 4 should therefore be considered as a modest attempt, however imperfect, to analyse the levels of development in the Mercosur regions. In spite of the limits imposed by the data, the results of the analysis enable a map showing regional disparities to be drawn up and highlight the significance of regional disparities. This represents a contribution to the literature since, hitherto, such a map has not been available. Since this map highlights regional disparities, it enables a case to be built for the establishment of a Mercosur common approach to regional development.

The thesis now turns to Chapter 5 to discuss the actions which have been undertaken to develop Mercosur and which argue in favour of the establishment of a Mercosur common approach to regional development.

- CHAPTER 5 -

THE MERCOSUR POLICY CHOICE TO REDUCE REGIONAL DISPARITIES

CHAPTER 5. THE MERCOSUR POLICY CHOICE TO REDUCE REGIONAL DISPARITIES

Chapter 4 put forward the evidence of significant regional disparities in Mercosur. These disparities are a source of dissatisfaction which could lead to the sanctioning of the Mercosur policy makers, through elections, if they do not take action accordingly. For this reason, a considerable number of agencies have already been established, both internationally and nationally, to tackle the issue of development within Mercosur.

However, these agencies promote the development of Mercosur but are not focused specifically on regional development. Both aspects are deeply inter-related since development, if focused on less developed areas, can *de facto* imply a reduction of regional disparities. In other words, in reality, regional development is an outcome rather than an intention of these agencies' policies. The nuance, although difficult to grasp, exists. Since the existing agencies do not take into account the specific regional dimension of development, it can be argued that Mercosur, following the EU example, could develop a common approach to regional development, which would be specific to Mercosur and would complement the existing array of international and national agencies.

The first section of this chapter therefore looks at the principal development agencies active in Mercosur which would need to be taken into account in designing a Mercosur common approach to regional development. It would indeed be more efficient for a Mercosur approach not to compete with existing institutions but to complement their actions.

The chapter's second section argues in favour of the establishment of a Mercosur common approach to regional development and tests the conclusions reached against the opinion of the Mercosur and development specialists interviewed.

EXISTING DEVELOPMENT ORGANISATIONS ACTIVE IN MERCOSUR

Since the middle of the twentieth century various organisations have been set up to assist the development of Mercosur countries. These organisations fall into the three types of institution analysed in this section. The first category of institution is that of international organisations which finance development projects in Latin America as part of their world-wide mandate. The second category is that of development organisations specific to Latin America, whose member states are principally Latin American and whose actions are focused on this subcontinent. The last category is composed of Mercosur national institutions which were created by the governments of the different members to implement development projects according to national policies.

International organisations

Over the past five decades, two categories of international organisations have been working on the Latin American development issue. The first category comprises international organisations which assist the development of Latin America as part of a world-wide mandate. This implies that Latin America only represents some of their members and one of their areas of action. The second category is principally composed of two international organisations which, although their membership is world-wide, specifically finance development projects in Latin America.

World-wide international organisations for development

Among these world-scale development institutions, the principal one, and by far the most important, given the significance of its resources, membership and mandate, is the United Nations system and the myriad of organisations which compose it. Some organisations, such as the World Bank, are autonomous and independent but are formally and officially linked to the UN.

There also exist organisations focused on one specific development sector, but which are present world-wide. Since agriculture represents significant shares within production, exports and the labour force in Latin American countries, attention is focused on one international organisation working on agricultural development, the Consultative Group for International Agricultural Research (CGIAR).

The United Nations 'galaxy'

Towards the end of the second world war, the 'Allies' attempted to design a system which would preserve peace across the globe through international cooperation and collective security. This was concretised by the establishment of the United Nations on the 24th of October 1945. Created by 51 countries, the UN is presently a world-wide organisation composed of 189 member states.

The objectives of the UN are extremely varied. For example, among the objectives are peace keeping; coordination of radio frequencies; human rights promotion; stability of financial markets; environment protection; intellectual rights defence; poverty reduction; definition of safety standards for transport; consumer protection; anti-drug campaigns; landmine clearing; food safety and production; and so on.

The United Nations is composed of six main bodies. These are the General Assembly, the Security Council, the Trusteeship Council, the Secretariat, the International Court of Justice, and the Economic and Social Council. The latter body, entirely dedicated to social and economic development, includes nine functional commissions, which make recommendations on their area of responsibility, most of them dedicated to development aspects. The Economic and Social Council is also composed of five regional commissions, one of them dedicated to Latin America, the Economic Commission for Latin America and the Caribbean (ECLAC), and of five standing committees[123].

One of the central mandates of the UN is the promotion of higher standards of living, full employment and conditions of economic and social progress and development. During the 'Fourth Development Decade', defined as the 1991-2000 period, the UN prioritised four areas. These were poverty and hunger; human resources and institutional development; population; and the environment. As much as 70% of the work of the UN system was devoted to accomplishing this mandate. There are two types of organisations which are focused on development aspects.

[123] The functional commissions are: 1) Statistical Commission; 2) Commission on Population and Development; 3) Commission for Social Development; 4) Commission on Human Rights; 5) Commission on the Status of Women; 6) Commission on Narcotic Drugs; 7) Commission on Crime Prevention and Criminal Justice; 8) Commission on Science and Technology for Development and 9) Commission on Sustainable Development.
The five regional commissions are: 1) Economic Commission for Africa; 2) Economic and Social Commission for Asia and the Pacific; 3) Economic Commission for Europe; 4) Economic Commission for Latin America and the Caribbean; and 5) Economic and Social Commission for Western Asia.
The five standing committees are: 1) Committee for Programme and Coordination; 2) Commission on Human Settlements; 3) Committee on Non-Governmental Organisations; 4) Committee on Negotiations with Intergovernmental Agencies; and 5) Committee on Energy and Natural Resources.

Firstly, there are the UN programmes and funds. These work under the authority of the General Assembly and the Economic and Social Council, and embody the economic and social mandate of the UN. Since 1997 there exists a UN Development Group, which comprises all UN operational programmes and funds to improve the cooperation among them. This category comprises organisations such as:

- The UN Development Programme (UNDP) which works in 174 countries to eradicate poverty;
- The UN Children's Fund (UNICEF) which focuses on immunisation, primary health care, nutrition and basic education in 150 countries;
- The World Food Programme (WFP), which is a food aid organisation for emergency relief and development;
- The UN Population Fund (UNFPA) which provides population assistance;
- The UN Environment Programme (UNEP) which works to encourage sound environmental practices everywhere;
- The UN Centre for Human Settlements (Habitat) which assists people living in health-threatening housing conditions;
- The UN Conference on Trade and Development (UNCTAD) which promotes international trade, in coordination with the World Trade Organisation (WTO).

The second category includes the specialised agencies. They are independent autonomous organisations which are formally linked to the UN System. Only the organisations working on development aspects are listed and briefly described below:

- The ILO (International Labour Organisation) which formulates policies and programmes to improve working conditions and employment opportunities, and sets labour standards used by countries around the world;
- The FAO (Food and Agriculture Organisation of the UN) which works to improve agricultural productivity and food security, and to better the living standards of rural populations;
- The UNESCO (UN Educational, Scientific and Cultural Organisation) which promotes education for all, cultural development, protection of the world natural and cultural heritage, international cooperation in science, press freedom and communication;
- The WHO (World Health Organisation) which coordinates programmes aimed to solve health problems and the attainment by all people of the highest possible level of health;
- The IMF (International Monetary Fund) which facilitates international monetary cooperation and financial stability and provides a permanent forum for consultation, advice and assistance on financial issues;
- The IFAD (International Fund for Agricultural Development) which mobilises financial resources to raise food production and nutrition levels among the poor in developing countries;
- The UNIDO (UN Industrial Development Organisation) which promotes the industrial advancement of developing countries through technical assistance, advisory services and training;
- The World Bank group which provides loans and technical assistance to developing countries to reduce poverty and advance sustainable economic growth.

The World Bank is looked at in depth since it represents the largest share of UN development assistance. In 2001, the assistance provided by the UN system to developing countries amounted to more than US$ 30 billion. The World Bank and the IMF alone accounted for US$ 26 billions[124].

World Bank

Designed in 1944 at Bretton Woods, the World Bank was initially set up to assist the reconstruction of Europe after the second world war. Its first loan of $250 million was made to France in 1947 for post-war reconstruction. However, the objectives of the World Bank rapidly evolved to focus on world poverty reduction and sustainable development. Since the 15th of November 1947 the World Bank became formally linked to the United Nations.

The World Bank group is composed of five different institutions (information about these are given in Table 5.1):

1. The International Bank for Reconstruction and Development (IBRD) which provides loans and development assistance to middle-income countries and creditworthy poorer countries;
2. The International Development Association (IDA) which provides interest-free loans to the poorest countries;
3. The International Finance Corporation (IFC) which finances private sector investment and provides technical assistance to governments and businesses;
4. The Multilateral Investment Guarantee Agency (MIGA) which encourages foreign investment in developing countries by providing guarantees to foreign investors against loss caused by non-commercial risks;
5. The International Centre for Settlement of Investment Disputes (ICSID) which provides arbitration for investment disputes.

Table 5.1. World Bank institutions' lendings (US$ billion)[125]

World Bank institutions	Date of creation	Member states	2000 Lendings	Cumulative Lendings
IBRD	1945	183	10.9	349.4
IDA	1960	161	4.4	120.3
IFC	1956	174	2.4	21.7
MIGA*	1988	154	1.6	7.1
ICSID	1966	133	-	-
Total	-		19.3	498.5

* Issued guarantees and not lendings

Looking at the sectoral distribution of the world-wide lendings of the IBRD and the IDA, the largest sector is that related to infrastructural aspects, that is transportation, communication, water supply, sanitation, energy and mining, which accounts for 26% of the total loans. It is closely followed by the 'Human Development' sector which represents 22% of the loans.

These proportions are different in the specific case of the lendings made to Latin American and Caribbean countries. Infrastructure is only the fourth largest sector with 10%,

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[124] These data, the institutions described in the two categories and their brief description were found on the UN website in November 2001: www.un.org.

[125] All these data on the World Bank were found in the World Bank 2000 Annual Report downloaded in November 2001 from the internet: www.worldbank.org.

much behind 'Finance & private sector development', 'Human development' and 'Public sector management' which respectively account for 33%, 24% and 21% of the total lendings.

Latin America and the Caribbean were in 2000 the region which borrowed most from the World Bank. This area accounts for 26% of the loans made by the IBRD and the IDA, that is US$ 4.1 billion.

Other world-scale international development organisations: the CGIAR

In addition to these international organisations which finance different development projects in Latin America, a number of other organisations are specific to one sector of development, such as health, education or agriculture. It was decided to select only one such organisation as an example of this category.

As suggested above, since agriculture is so significant for Latin American economies and societies, it was decided to focus on the Consultative Group on International Agricultural Research (CGIAR) since its objective is to assist developing countries around the world with their agricultural research and production.

Created on the 19th of May 1971, the CGIAR originally consisted of eighteen members and was based on four existing international research centres. Its mission was "to contribute, through its research, to promoting sustainable agriculture for food security in the developing countries"[126].

The CGIAR now comprises 58 members which are 22 developing and 21 industrialised countries, 3 private foundations, and 12 regional and international organisations. The number of international centres has been increased from the original four to sixteen, all based in different countries around the world and each focusing on a specific theme.

Three of these research centres are based on the Latin American and Caribbean sub-continent (LAC). These are the International Maize and Wheat Improvement Centre (*Centro Internacional de Mejoramiento de Maíz Y Trigo* – CIMMYT), based in Mexico; the International Centre for Tropical Agriculture (*Centro Internacional de Agricultura Tropical* – CIAT), based in Colombia; and the International Potato Centre (*Centro Internacional de la Papa* – CIP), based in Peru. The IPGRI (International Plant Genetic Resources Institute), although based in Italy, is also much involved in the LAC region due to the biodiversity encountered in this sub-continent.

As shown in Table 5.2 below, the CGIAR in 1996 allocated US$ 325 million to its 16 research centres, out of which 18%, that is US$ 58 million, were directed to Latin America and the Caribbean (LAC). The CIAT is the centre most involved in the sub-continent to which it dedicates 71% of its resources. This represents almost 45% of the total allocations of the CGIAR to the region. The CIMMYT, the CIP and the IPGRI allocated an extra US$ 18 million, that is 31% of the resources allocated by the CGIAR to LAC.

[126] Lucerne declaration, February 1995, downloaded from www.cgiar.com in November 2001.

Table 5.2. CGIAR allocations to Latin America and the Caribbean (LAC), 1996 (US$ million and percentage)[127]

Centres	Number of centres	Total Allocations	Allocations to LAC	% of centres' resources to LAC	% of CGIAR resources
CIAT	1	36.8	26.3	71	45
Group 1	3	69.8	18.0	26	31
Group 2	3	36.8	8.5	23	15
Group 3	2	43.3	3.6	8	6
Group 4	4	71.4	1.6	2	3
Group 5	3	67.0	-	-	-
Total	16	325.0	58.0	18	100

Group 1: CIMMYT, CIP, IPGRI;
Group 2: IFPRI (International Food Policy Research Institute), ISNAR (International Service for National Agricultural Research), CIFOR (Centre for International Forestry Research);
Group 3: ILRI (International Livestock Research Institute), ICRAF (International Centre for Research in Agroforestry);
Group 4: ICARDA (International Centre for Agricultural Research in the Dry Areas), ICLARM (International Centre for Living Aquatic Resources Management), IRRI (International Rice Research Institute), IWMI (International Water Management Institute);
Group 5: ICRISAT (International Crops Research Institute for the Semi-Arid Tropics), IITA (International Institute of Tropical Agriculture), WARDA (West Africa Rice Development Association).

International organisations specifically assisting Latin American development

The Organisation of American States

Established on the 30th of April 1948 by eighteen American countries in Colombia, the Organisation of American States (OAS) now comprises thirty-five countries.

Its principal axes of action are the strengthening of democracy; the protection of human rights; the support to peace; the anti-drug fight; the development of the Free Trade Area of the Americas (FTAA); and the promotion of sustainable development.

In 2001, the OAS had an approved budget of US$ 84 million, slightly lower than the US$ 88 million of 2000. The organisation faces significant financial problems due to significant arrears in the quotas of its member states. By the end of 1998 the amount of arrears reached a total of US$ 49 million.

The Inter-American Council for Integral Development (Consejo InterAmericano para el Desarrollo Integral – CIDI) was created on the 29th of January 1996 to promote integral development through new forms of cooperation between the countries. For 1999 it approved the financing of 78 projects, 20 national and 58 multilateral, for a total of US$ 10.9 million.

More recently, at the beginning of 2000, the OAS created the Inter-American Agency for Cooperation and Development (IACD). The objective of this agency was to promote new and more effective forms of cooperation between its member states and to enhance partnerships with the private sector and civil society.

The Inter-American Development Bank

The Inter-American Development Bank (IDB) was established in December 1959 to help accelerate economic and social development in Latin America and the Caribbean. Created at first by the United States and 19 Latin American and Caribbean countries, the IDB

[127] This table was downloaded from www.cgiar.com in November 2001.

has since been composed of 46 members, 28 regional members, that is American countries, and 18 non regional members from Europe, Asia and the Middle East.

To this Development Bank were later added two other institutions as a part of the IDB. The Inter-American Investment Corporation (IIC) was established in 1989 to promote economic development through assistance to small and medium size enterprises. The Multilateral Investment Fund (MIF) was created in 1992 by some IDB members to promote modernisation and to ease the human and social costs of economic adjustment processes throughout Latin America.

The main objectives of the IDB are poverty reduction and social equity, and environmentally sustainable growth. It consequently finances projects in four priority areas:

1. "Fostering competitiveness through support for policies and programs that increase a country's potential for development in an open global economy;
2. Modernising the state by strengthening the efficiency and transparency of public institutions;
3. Investing in social programs that expand opportunities for the poor;
4. Promoting regional integration by forging links among countries that develop markets for goods and services"[128].

Consequently, the projects of the IDB cover the entire spectrum of economic and social development. As can be understood from Table 5.3, whereas productive sectors and physical infrastructure were traditionally the principal destination of the resources of the IDB, more weight has recently been given to social sectors and public sector reform. The 1961-2000 data indeed highlight a sharp increase in the share of the resources going to these two last categories to the detriment of the former.

Table 5.3. Distribution of the IDB loans (percentage)

Sectors[129]	2000	1961-1995	1961-2000
Productive sectors	11	33	23
Physical infrastructure	17	29	27
Social sectors	36	23	30
Public sector reform & others	36	15	20

The IDB is the principal source of multilateral financing for economic, social and institutional development projects in Latin America and the Caribbean. As shown in Table 5.4 below, the total lending of the IDB over 1961-2000 represents more than US$ 106 billion for projects with a total cost of over US$ 263 billion. The six Mercosur countries have been a significant destination for these resources since loans to them represent more than the two fifths of all the loans made in 2000, and also of all the loans made by the IDB during its 50 years of existence.

[128] These IDB objectives, as well as the data presented in the two following tables, Tables 5.3 and 5.4, were found in November 2001 in the annual report of the IDB available on the website of the organisation: www.iadb.org.

[129] Productive sectors: Agriculture, Fisheries, Industry, Mining, Tourism, Science and Technology.
Physical infrastructure: Energy, Transportation and Communication.
Social sectors: Sanitation, Urban development, Education, Social Investment, Health, Environment, and Microenterprise.
Others: Reform & Modernisation of the state, Export financing, Preinvestment and others.

Table 5.4. Destination of yearly and cumulative loans and guarantees made by the IDB (US$ million)

	IDB loans and guarantees		Total cost of projects[130]		% financed by the countries	
	2000	1961-2000	2000	1961-2000	2000	1961-2000
Argentina	832.0	15,753.6	1,257.7	38,962.6	33.8	59.6
Brazil	658.2	22,105.5	1,548.7	67,000.8	57.5	67.0
Paraguay	174.7	1,713.1	278.5	2,528.1	37.3	32.2
Uruguay	44.2	2,322.2	70.1	3,902.3	36.9	40.5
Bolivia	40.6	2,778.0	51.9	4,569.7	21.8	39.2
Chile	483.7	4,691.2	1,141.5	11,696.6	57.6	59.9
Mercosur 4	1,709.1	41,894.4	3,155.0	112,393.8	45.8	62.7
Mercosur 6	2,233.4	49,363.6	4,348.4	128,660.1	48.6	61.6
Total	5,266.0	106,607.1	9,762.8	263,383.2	46.1	59.5
% M4	32.5	39.3	32.3	42.7	-	-
% M6	42.4	46.3	44.5	48.8	-	-

Latin American regional organisations for development

There are two main Latin American organisations which have an impact on the development of the Mercosur countries. These organisations are the Andean Development Corporation (Corporación Andina de Fomento – CAF) and the Fonplata. Although both are focused essentially on the development of Latin America, they are different from the OAS and the IDB previously described. Indeed, these two latter organisations are international organisations with non-Latin American members even though they focus on the development of this continent. The CAF and the Fonplata are organisations of a 'supranational regional'[131] scale though they are only focused on the development of parts of Latin America. Both institutions are discussed hereafter in more depth than the previous agencies since, considering their scale and their scope, they could become closely related to a Mercosur common approach to regional development.

The Andean Development Corporation

The Andean Development Corporation (Corporación Andina de Fomento – CAF) is one of the few success stories of development funds in the continent[132].

The CAF is the financial institution of the Andean Community, a process of integration begun on the 26th of May 1969 to create a customs union. The Andean Community members are Bolivia, Colombia, Ecuador, Peru and Venezuela[133]. Although the CAF has been created as a result of another process of integration, it is of topic for this research since, Mercosur members being extra-regional shareholders of the CAF, the latter finances development projects in these Mercosur countries.

[130] Most projects are financed partly by the IDB and partly by the home countries, similar to the EU principle of additionality.
[131] See definitions in the first section of Chapter 2.
[132] All the data relative to the CAF were extracted in November 2001 from the 1999 report of the CAF (Informe 1999) found on internet.
[133] It is worth noting that Chile was one of the original members but it left the Andean Community in October 1976. Venezuela only became a member in February 1974.

The members of the CAF

Indeed, in addition to the five Andean Community members, the CAF now includes among its members private banks of the Andean region and eleven extra-regional member states: Argentina, Brazil, Chile, Costa Rica, Jamaica, Mexico, Panama, Paraguay, Spain, Trinidad & Tobago, Uruguay.

The ordinary capital of the CAF is distributed among three classes of shares: Series A, B, and C. Series A and B shares are subscribed by the governments of the five member countries of the Andean Community either directly or through designated governmental, semi-public or private entities with a social or public purpose. Series B shares may also be subscribed by individuals or private juridical persons from the Andean region, which has so far allowed eighteen private banks to join the Corporation. Series C shares may be subscribed by governments, or by public and private entities, of extra-regional members as well as by international organisations.

The objectives of the CAF

The principal objectives of the CAF are to support Latin American integration processes, since its extra-regional members give the CAF a continental scale, to assist sustainable development, trade and investment in its member states.

To achieve these objectives, the CAF finances projects which:

1. Promote the integration of its member states, by developing physical integration through improved infrastructures and promoting the development of border regions.
2. Encourage the modernisation of the production, by helping companies modernise, promoting strategic alliances amongst its member states' companies, and advising during the privatisation of some state-owned companies.
3. Improve economic infrastructure, by supporting the governments which decentralise their economic activities and inciting the private sector participate in infrastructure development projects.
4. Reform and modernise state institutions, by collaborating on the member states' administrative decentralisation and assisting local and national authorities strengthening their institutions and democratic processes.
5. Promote the integration of the member states' markets of capital, by consolidating financial systems and national markets of capital, and developing instruments to promote savings and redirect them towards investment.

The organisational structure of the CAF

The organisational structure of the CAF is based on three principal bodies: the Shareholders' Assembly, the Board of Directors, and the Office of the Executive President.

The Shareholders' Assembly is the supreme body of the CAF. It meets once a year on an ordinary basis to decide the main guidelines according to which the CAF will take action and to designate the members of the Board of Directors. It is composed of the shareholders of series A, B, and C.

The Board of Directors is the decision-making institution of the CAF. It is composed of twelve members whom are designated for three years. Ten of these Directors are elected by the shareholders of series A and B, namely the five Andean Pact members. Another Director is designated by the shareholders of series C, and the last Director represents the financial and private institutions holding series B shares. The Board of Directors determines the policies of the CAF, approves its actions and its annual budget. In 1999 the Board of Directors met three times.

In 1971 the Board of Directors established an Executive Committee, composed of six Directors designated by the shareholders of series A and B and presided by the Executive President. This Committee approves financial operations which do not exceed the limits set up by the Board of Directors. The Board of Directors also created, in December 1996, an Auditing Committee. This Committee is composed of four members: the Chairman of the Board of Directors, the Executive President, and two Directors. Its role is to select the external auditors and to verify the budget and annual report of the CAF before they are presented to the Board of Directors and to the Shareholders' Assembly.

The last CAF body is the Office of the Executive President. The Executive President is the legal representative of the CAF and its highest-ranking managing and administrative authority. His main duties are to approve the strategic plans for countries and sectors along with the institutional structures and processes under his authority, and financial operations within the limits delegated to him by the Board of Directors. He is assisted by an Advisory Council composed of a general adviser and experts from the region's economic, financial and business communities.

The financial competencies of the CAF

Given the allocation of the resources of the CAF (see Table 5.5), it appears that two sectors related to infrastructure are predominant. These two sectors, which are 'Transport, storing and communication' and 'Distribution of electricity, gas and water', represented 42% of the budget approved for the execution of projects in 1999, representing respectively 402 and 193 US$ millions.

Table 5.5. Loans approved by the CAF by sector, 1998-1999 (US$ million and percentage)

	1998		1999	
Sectors[134]	Total	%	Total	%
Economy	88.0	5.9	149.1	10.6
Infrastructure	1,140.5	76.8	594.5	42.4
Public administration	55.0	3.7	33.0	2.4
Financial intermediates	130.5	8.8	345.0	24.6
Others	70.5	4.7	279.0	19.9
Total	1,484.5	100.0	1,400.6	100.0

In 1999 the CAF was the first multilateral source of finance for the Andean Community members. It accounted for more than 40% of the total resources allocated by multilateral institutions to these countries. Its total assets in 1999 were equivalent to US$ 5.4 billion with an authorised capital of approximately US$ 3 billion.

Between 1995 and 1999, the CAF made loans for a total of almost US$ 7 billion. The sectors representing the largest share were infrastructure, with 57% of the total, and financial intermediates with 20%.

[134] Economy: agriculture, fisheries, mining, gas and oil extraction, industries, manufactures, hotels, restaurants.
Infrastructure: distribution of electricity, gas and water, transport, storing and communication.
Public administration: reform of public administration.
Financial intermediates: resources used through commercial banks and development banks for productive sectors, and through different programmes for education, health and community development.
Others: Education and other social and community services.

The CAF approved various loans for the Mercosur members in 1999. For example, it loaned US$ 26 million to Brazil to finance its project entitled 'Distribution of Electric Energy to the state of Roraima'. Moreover, US$ 86 million were loaned for the Venezuela – Brazil border road (BR174) and US$ 165 million for the Bolivia – Brazil gas pipeline. In Paraguay, it signed a contract for a loan to construct a Paraguay – Bolivia road (US$ 60 million), and approved a loan amounting to US$ 500 million for Paraguayan micro-companies.

In addition to making loans or grants, the CAF has other means to reach its objectives. For example, the CAF can co-finance projects with other public or private institutions, which is similar to the application of the EU principle of additionality[135]. The CAF may also play the role of an investment bank or of a intermediary financial actor by agreeing credits to financial institutions. Some activities of technical cooperation are also financed, through loans or grants, by the CAF to assist innovative projects. Finally, the CAF manages various funds which aim to reduce poverty in the Andean region.

The Fonplata

The Financial Fund for the Development of the Plata Basin (Fondo Financiero para el Desarrollo de la Cuenca de la Plata – Fonplata) is a second example of a Latin American development fund which finances development projects in Mercosur states. Although created before the Mercosur process of integration was initiated, the Fonplata's five members, that is Argentina, Brazil, Paraguay, Uruguay and Bolivia, are all part of Mercosur[136].

<u>The objectives of the Fonplata</u>

The Treaty of the Plata Basin was signed on the 23rd of April 1969 to commonly act "with the objective of promoting an harmonious development and the physical integration of the river Plata Basin and of the areas it directly and significantly influences" (article 1 of the treaty). Following this treaty, the five signatory states decided, on the 3rd of June 1971, to create a Financial Fund for the development of the river Plata Basin. However, the Fonplata only became operational on the 14th of October 1976.

The objective of the Fonplata is to "finance […] the realisation of studies, projects, programmes and works which aim to promote the harmonious development and the physical integration of the Plata Basin" (article 3 of the Fonplata constitutive treaty). The Fonplata can achieve this objective by granting loans, managing financial resources, and financially supporting pre-investment studies and technical assistance. Its priorities are the physical integration of its members, social development, reinforcement of the productive capacity and the protection of the environment. As a consequence of the first article of the Treaty of the Plata Basin, quoted above, the Fonplata is focused on the regions of these five members which are part of the Plata river fluvial basin. This area covers the basins of the rivers Paraná, Paraguay, Uruguay and Plata, that is approximately 3.2 million square kilometres and a fifth of the Mercosur 6 territory.

<u>The Fonplata's organisational structure</u>

The organisational structure of the Fonplata is light since it is built only on three bodies[137]. The Assembly of Governors, the Fonplata's supreme body, is composed of five governors, each designated by one member state, whom meet once a year in ordinary meetings. The Executive Directorate is the decision-making body. It is composed of five

[135] See the seventh section of Chapter 7.
[136] It is worth noting that, as it was mentioned earlier, Bolivia, Brazil and Paraguay are also part of the CAF.
[137] The organisational structure of the Fonplata is detailed in articles 15 to 31 of the Fonplata constitutive treaty and in the Fonplata regulations.

directors, one from each member state, whom meet regularly according to the Fonplata's activities. Both in 1998 and 1999, the Directorate met five times. Within the Assembly of Governors and the Executive Directorate, each member state accounts for one vote.

Finally, the Executive Secretariat is the permanent administrative and executive body of the Fonplata. The Secretariat, based in Sucre (Bolivia), was composed in 1998 of ten international civil servants and thirty local civil servants. A project presented to the Fonplata for financial support is first analysed by the Executive Secretariat, which prepares a technical report on the project for the Executive Directorate. The decision to involve the Fonplata or not is taken by this latter body.

The financing competencies of the Fonplata

On the 31st of December 1999, the Fonplata had a capital of US$ 308 million[138]. The two largest members, Argentina and Brazil, each contributed 33% of the capital of Fonplata, whereas each of the three small members contributed 11%. Compared to the CAF, the Fonplata has a much lower financial capacity. In 1999 the CAF agreed to make loans for a total of US$ 1.4 billion, which is about four times more than the amount loaned by the Fonplata during its 22 years of existence. This small financial size is mostly due to the fact that the five member states refused to allow Fonplata to open itself to other private or extra-regional members. Likewise, the Fonplata member states restrained its capacity to look for resources on international financial markets. Indeed, the Fonplata can manage internal and external loans, but only with the agreement of the member states which need to be co-responsible.

Another reason which might have resulted in this reduced financial capacity of the Fonplata might be the little confidence it inspires in its member states. Indeed, the quasi-unanimity of the 122 decision-makers interviewed considered the Fonplata to have failed, to have had too limited an impact on development, and to be corrupted. It is not the objective of this thesis to verify or not these assertions. However, the Fonplata seems to be at the centre of a vicious-circle since policy-makers, considering the Fonplata to be of little use, do not want to increase its financial capacities and competencies, which *de facto* implies that the Fonplata is financially too limited to have a significant impact on the development of the Plata basin, and thus appears to be of little use.

According to its constitutive treaty, the Fonplata can only finance part of the total cost of a project. Local authorities must finance a minimum of 10% of the cost, for studies and social projects, or a minimum of 20% of the cost for other projects. Between its creation and the end of 1999 the Fonplata participated in the financing of 50 projects for a total of US$ 922 million, out of which Fonplata contributed US$ 380 million, that is 41% of the total, the rest of the capital coming from local authorities (35%) and other sources (24%). This Fonplata financial participation is thus much lesser than the theoretical maximum average of 80% or 90% it could finance.

The analysis of the distribution of the loans made by Fonplata between 1977 and 1999 (see Table 5.6) makes it clear that the transportation sector, included within infrastructure, is predominant since it represents 33 of the 50 projects and accounts for 71.7% of the loans.

[138] All the data related to Fonplata are extracted from its website, www.fonplata.org, and from:
Cespedes Antonio, Integration y desarollo de la cuenca del plata, 1986, Universidad Mayor de San Francisco Xavier, Bolivia, p.192.
Fonplata, Memoria Anual 1999, Fonplata, 2000, Bolivia, p.122.

Table 5.6. Total Fonplata loans by sectors, 1976-99 (US$ thousand and percentage)

Sectors[139]	N° of projects	Total loans	Percentage
Economy	9	71,682.4	18.9
Infrastructure	35	273,787.8	72.3
Social	6	33,487.1	8.8
Total	50	378,957.3	100.0

It is also important to highlight the fact that Fonplata has principally financed projects in Paraguay and Bolivia, which respectively account for 33.7% and 26.3% of the resources loaned by Fonplata. In spite of being the largest contributors, neither Argentina nor Brazil have made much use of the Fonplata. This is certainly one of the origins of the bad reputation that the Fonplata has in these countries since there was a feeling among the Argentinians and the Brazilians interviewed during the fieldtrips that through the Fonplata both countries were financing the development of Paraguay and Bolivia.

Some interviewees explained this by stating that both Argentina and Brazil had originally accepted a *gentlemen's agreement* to leave access to the resources of the Fonplata to the countries which needed it most. This appears in article 13 of the Fonplata constitutive treaty which states that, when approving the financing of a project, the Fonplata should take into account "an harmonious geographical distribution among the Member Countries, giving preference to Bolivia, Paraguay and Uruguay". It therefore implies that Argentina and Brazil have not received much loans from Fonplata because they did not ask much financial assistance, and not because finance had been refused. This argument can be supported by reference to the fact that Argentina waited until 1983 to ask the Fonplata for its first loan and Brazil until 1992.

Before concluding this sub-section on the Fonplata, it should be noted that this fund aims to play an increasing role within the Mercosur region. To this end, since 1999, a process has been engaged to improve the institutional structure; to develop the Fonplata's human and financial resources to increase its capacity to answer the needs of its constituting members; and to increase its financial support to multinational projects, environment projects, projects promoting exports, infrastructure projects in less developed regions, and social development projects.

Mercosur national institutions for development

The previous sub-sections have analysed some of the international organisations financing development projects in Mercosur countries. This sub-section concentrates on examples of national policies and instruments which Mercosur countries have instituted to reduce regional disparities. Only two countries are taken as examples. Brazil is taken because it is the Mercosur country which has elaborated the most various and significant instruments for its development. Paraguay is also looked at to highlight the actions taken by a small country in economic crisis to assist its own development.

Brazil

Brazil is certainly the Mercosur state which has taken the most initiatives at the national level to secure regional development. On top of traditional ministries which are in

[139] Economy: agriculture, export, manufacturing;
Infrastructure: communications, water resources, transport;
Social: education, health, sanitation, social.

charge of development related to education, health, economy and so on, three ministries are dedicated to regional development. These are the Ministry of National Integration; the Ministry of Development, Industry and Trade; and the Ministry of Planning, Budget and Management. The latest plan of action of these ministries is the programme 'Avança Brasil' ('Brazil in Action'). To promote the development of the North, the Northeast and the Centre-West regions, the Ministry of National Integration created various development funds. In addition to these ministerial actions, Brazilians have also created an important development bank, the Banco Nacional de Desenvolvimento Econômico e Social (BNDES). The following sub-sections are dedicated to these three types of action taken by Brazil for its development.

Avança Brasil

'Avança Brasil' is a programme of development projects which was initiated in the mid-1990s at the beginning of the first presidency of F.H. Cardoso. It aimed to modify the way government planners defined the priority projects for the development of Brazil. There was a fourfold approach: reduction of the number of priority projects; reorganisation of existing resources to assign them where they are the most needed; reduction in bureaucratic procedures and red tape; and, whenever possible, increase in the participation of the private sector in these projects[140].

A list of 42 critical projects was put together, 26 of them related to infrastructure and 16 to social development. From 1997 to 1998 Avança Brasil channelled US$ 14.1 billion into basic infrastructure projects and US$ 16.6 billion into social development.

Considered as a success by the government, the programme was extended for seven years, until 2007. An international consortium was given the task of determining priorities for this period. They examined 822 projects and gave priority to 358. These projects will represent by the end of 2007 a total potential investment of US$ 180 billion, most of it allocated to infrastructure and social development, respectively amounting to 106.3 and 64.5 US$ billion, the rest being shared between environment, information and knowledge.

The Ministry of National Integration development funds

To achieve its objective of reducing regional disparities and promoting national integration, the Ministry of National Integration created several funds to assist the development of the Centre-West, the North, and the Northeast, the three Brazilian regions which are facing the most important development problems. There are three principal categories of funds:

- The three Funds of Regional Investments (Fundos Fiscais de Investimento, also called Fundos de Investimentos Regionais): the Fund of Economic Recuperation for the State of Espírito Santo (Fundo de Recuperação Econômica do Estado do Espírito Santo – FUNRES); the Amazon Investment Fund (Fundo de Investimento da Amazônia – FINAM); and the Northeast Investment Fund (Fundo de Investimento do Nordeste – FINOR). The first fund dates back to 1969 while the other funds were created in 1974.
- The three Constitutional Funds of Financing (Fundos Constitucionais de Financiamento): the Centre-West Constitutional Fund of Financing (Fundo Constitucional de Financiamento do Centro-Oeste – FCO); the North Constitutional Fund of Financing (Fundo Constitucional de Financiamento do Norte – FNO); and the Northeast Constitutional Fund of Financing (Fundo Constitucional de Financiamento do Nordeste – FNE).

[140] Ministry of Development, Industry and Foreign Trade, Avança Brasil: Development structures for investment, 2000, Ministry of Development, Industry and Foreign Trade, Brasilia, p.16-18.

- The two Regional Development Funds (Fundos de Desenvolvimento Regional): the Amazon Development Fund (Fundo de Desenvolvimento da Amazônia – FDA) and the Northeast Development Fund (Fundo de Desenvolvimento do Nordeste – FDNE). They are the most recent category of funds since they were only created in May 2001. The law n°10.251 of the 4th of July 2001 opened a special credit of R$ 770 million[141] for these two funds.

Only the three Constitutional Funds of Financing, created in 1989, are described more in depth here. In general, the objective of these funds is to contribute to the economic and social development of their respective regions, principally by making loans to the private productive sector, especially to small and medium size enterprises, preserving the environment, and developing economic clusters and poles throughout the region.

In 2001 the FCO had a budget of R$ 430.9 million. It was distributed among the four Centre-West regions and gave priority to Goiás and Mato Grosso which each received 29% of this sum. The rest was divided between Mato Grosso do Sul (23%) and the Federal district (19%)[142].

In the same year, the FNO had a budget of R$ 563 million, the largest share of which was allocated to Pará (25%). Three other states, that is Amazonas, Rondônia and Tocantins, received 15% each, while the three remaining states, Acre, Amapá and Roraima, each had 10%[143].

Still in the same year, the budget of the FNE amounted to R$ 1450 million. The FNE is managed by the Banco do Nordeste which afforded loans of a total of R$13.2 billion during the five last years. This bank is the source of 79% of all investments directed to the region. More than a third of these loans, that is R$ 3.7 billion, were made through the different development programmes of the FNE[144].

The BNDES

The Banco Nacional de Desenvolvimento Econômico e Social (BNDES) was established in the early 1950s to assist the socio-economic development of Brazil. Its mission statement was reformulated in 2000 to officially recognise new priorities, namely to "promote the development of the country, increasing the competitiveness of the Brazilian economy, giving priority to the reduction of social and regional inequalities, as well as to employment"[145].

In 2000, the BNDES disbursed R$ 23.4 billion, that is approximately US$ 12.4 billion, and aims to reach R$ 30 billion per annum by 2005. This 2000 figure represents a 26% increase compared to the 1999 figure. However, since there was a significant fall of 40% between 1998 and 1999, the 2000 amount is inferior to that of 1997 and 1998. The figures show that 37% of the amount disbursed in 2000 was used for infrastructure, while the largest share, 44.5%, was allocated to manufacturing industry[146].

[141] In 2001, date at which data was available for Brazil, the exchange rate was approximately 2 R$ for 1 US$.
[142] Proposta de Programação 2001 of the FCO, found in 2002 on the website of the Ministry of National Integration.
[143] Proposta de Programação 2001 of the FNO, found in 2002 on the website of the Ministry of National Integration.
[144] Proposta de Programação 2001 of the FNE, found in 2002 on the website of the Ministry of National Integration.
[145] Personal translation. BNDES, Plano Estratégico 2000-2005, 2000, BNDES, Brazil, p.55.
[146] Personal translation. BNDES, Plano Estratégico 2000-2005, 2000, BNDES, Brazil, p.55.

When considering the distribution of the disbursements by great region (see Table 5.7 below), it is striking that more than half of these disbursements were made towards the Southeast region. The three Brazilian regions facing most development problems, the North, Northeast and Centre-West regions, which represent 80% of the Brazilian territory and 43% of its population, only accounted for a quarter of the disbursements made by the BNDES. This might be explained by the fact that these three regions are little industrialised, while the larger share of the resources of the BNDES were allocated to the industrial sector.

Table 5.7. BNDES disbursements by greater regions, 2000

	Disbursements (R$ million)	Percentage
North	930,185	4.0
Northeast	2,783,085	12.1
Southeast	13,008,061	56.4
South	4,260,645	18.5
Centre West	2,063,854	9.0
Total	23,045,831	100.0

As highlighted by this sub-section, Brazilians have created a significant toolkit of instruments to promote development in their country. The BNDES alone has spent twice as much in Brazil as has the IDB in the whole of Latin America.

Paraguay

After having described the Brazilian national development institutions and funds, the thesis now looks at Paraguay as another example of a Mercosur country development institutions. Paraguay was chosen because it is the Mercosur member with the most severe development difficulties. Its development bank is called the Banco Nacional de Fomento (BNF). For reasons of country and economy size, this Bank is not comparable to the BNDES described above.

Created by the decree-law n°281 on the 14th of March 1961, the BNF began to be operational on the 20th of November 1961. Its principal objective is the "intensive development of the Paraguayan economy, to which end it finances general programmes and specific projects of development for agriculture, manufacturing, and the trade in materials and products originating from the country"[147].

In 1999, the BNF made loans of a total of G$ 839 billion, that is approximately US$ 240 million. Almost half of these loans were directed to agricultural projects, while commercial projects represented 32% and development projects 22%[148].

It is worth noting that this development bank has been in deficit. To escape bankruptcy, it had to be helped by the Central Bank and by external development agencies, notably a Chinese agency which in 1999 transferred G$ 100 billion which passed through the Ministerio de Hacienda.

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[147] Personal translation of the mission statement of the BNF found in November 2001 on its website: www.bnf.gov.py.

[148] Banco Nacional de Fomento, Síntesis de la acción institucional Ejercicio 1999, 2000, Banco Nacional de Fomento, Asunción, p.24.

TOWARDS A MERCOSUR APPROACH TO REDUCE REGIONAL DISPARITIES

The first section of Chapter 5 has described the main agencies which finance development projects in Mercosur. As statistically demonstrated in Chapter 4, these institutions have not had too much impact on regional disparities. This second section therefore argues that, to efficiently reduce its regional disparities, it is necessary for Mercosur to develop its own agency to focus specifically on regional development.

The argument is demonstrated in four steps. The first sub-section weighs the pros and cons of Mercosur adopting a common approach to solve its members' regional disparities. The second sub-section analyses some of the key issues that need to be considered when selecting the most appropriate common approach for Mercosur. Within the third sub-section these key issues are used to appraise four possible types of common approach and to determine an optimal approach for Mercosur. Finally, the fourth sub-section analyses the opinions of Mercosur and the development specialists interviewed during the two fieldtrips to Mercosur. Two aspects are considered in this last sub-section, that is their opinions on the necessity of a common approach to Mercosur regional development and their opinion on the optimal approach for Mercosur. This allows the conclusions of the preceding sub-sections to be tested against the opinion of the interviewees.

The need to adopt a Mercosur common approach to reduce regional disparities

In spite of the institutions which already finance development projects in Mercosur regions, it can be argued that Mercosur countries would benefit from establishing a common approach to regional development.

The first and principal reason in favour of a Mercosur common approach towards regional development is that the existing agencies, discussed in the previous section, are not 'regional development' oriented. Moreover, since the effects of integration are dissimilar in each region of Mercosur, this process of integration should provide a mechanism of compensation or redistribution to reduce regional disparities resulting from the integration, as has been done in the EU.

Other reasons also support this argument. A first series of reasons justifying the establishment of such a common approach is that it would complement the existing panoply of international and national development institutions active in Mercosur. A second set of reasons is based on the potential contribution of this common approach to the strengthening and deepening of the process of Mercosur integration. Both sets of arguments are discussed in turn.

Complementing existing development actions

Although a considerable number of institutions have been financing development projects in the Mercosur area for the past fifty years, there remain a few gaps which could be complemented by a Mercosur common approach to regional development.

Firstly, as highlighted in this chapter's first section, although all the development organisations and funds active in Mercosur consider poverty alleviation and social development as key objectives, they allocate a relatively small share of their resources to them. Table 5.8 compares the share represented by the social sector for some of the institutions considered previously.

Table 5.8. Loans made by international and national agencies by development sector (percentage)[149]

Body[150]	Economy	Infrastructure	Social	Others
World Bank *	33	10	24	33
IDB	23	27	30	20
CAF	11	42	25~	22
Fonplata	19	72	9	-
Avança Brasil	-	59	36	5
BNDES	45	37	4	14
Average +	22	41	21	16

* Distribution for the loans made by the World Bank to Latin America and the Caribbean, which is different from the distribution at the world-scale.

~ This percentage represents the share of financial intermediaries. Only part of it was allocated to social projects, the rest being for economic projects. Consequently, the percentage of the social sector average should be smaller and that of the economic sector higher.

+ This is a simple arithmetic average which does not consider the significance of the total sum loaned since some of the data account for one year, and others for a longer time period.

The table shows that the maximum share allocated by these institutions for assistance to social projects is about one third of their expenditure. However this share can represent as little as 4% in the case of the BNDES which, it should be remembered, is an economic and *social* development bank. Although the averages do not have any value as such, they give an indication of the relative significance of spending in the different development sectors. Infrastructure development is by far the most assisted sector. Economic and social aspects come equal second, each representing half of the share of infrastructure development. There is therefore a clear lack of support for economic and social development which could be addressed by a Mercosur common approach.

A second reason for the establishment of a common approach to regional development by Mercosur members is that, between the international and the national development organisations, there is room for a Mercosur common approach to regional development. It could be argued that the CAF and the Fonplata, which already exist, already occupy this institutional space. However, the CAF cannot fully occupy this position since, although it finances a few projects in Paraguay and in Brazil, it is above all the financial institution for Andean Community countries.

The Fonplata would be in a better position to perform this role since its members are Mercosur countries and its actions are directed towards some of its regions. However, in its present state and with its present status, the Fonplata cannot fully carry out the common Mercosur approach to regional development. Fonplata, focused on the regions of the Plata river basin, is too weak and too small to be efficient for the whole of Mercosur. This institution could however be transformed and endowed with more competencies. As argued later in the first section of Chapter 9, a revised Fonplata could become a basis for a Mercosur common approach to regional development.

[149] Source: these data have been extracted from the previous first section of Chapter 5 and gathered in this summary table. Further details on any of these organisations are available in the relevant sub-sections within the first section of Chapter 5.

[150] These are 2000 data for the World Bank and the BNDES, 1999 data for the CAF, cumulative data for 1961-2000 for the IDB and 1977-1999 for the Fonplata, and prospective data for the 2000-2007 plan of Avança Brasil.

A third reason to support the argument for a Mercosur common approach derives from the experience of the existing international organisations. During the early years of activity, international organisations became aware that financial resources for development had to be planned and implemented as close as possible to the local or regional actors which would benefit from them. It is necessary not only to facilitate the access to these financial resources, but also to ensure that the institution has a better understanding of the concerns and needs of the people and enterprises at the local level. Action taken at the Mercosur level will be closer to this local level than development banks based abroad and those working on a world-scale.

Fourthly, there is a need for a Mercosur approach to regional development to counterbalance the flaw inherent in national development institutions. Most Mercosur members have their own institutions to reduce national development disparities. By definition, the poorest and least developed countries are those in most need of assistance. However, being poor they do not have the necessary resources to finance their development, such as Paraguay and its Banco Nacional de Fomento. These countries consequently need external assistance, to which a Mercosur approach could contribute. It is what Martin, in an EU context, called "the *financial targeting* argument: because poor member states are unable to target their regional problems themselves, the EU has to provide the necessary resources"[151].

Fifthly, a common approach to regional development limits the possibilities of competitive overbidding for funds and investment between Mercosur members and their regions. Without a supranational body of supervision, each country will provide the private sector with the best possible fiscal and financial environment to attract inward investors. Such a situation might lead to a competitive overbidding race which would be highly detrimental to all the member states since it would lead to uncertainty and allow inward investors to play one country off against another. A common stance can limit this overbidding by defining priority regions for investments.

Sixthly, from a political perspective, it is important for Mercosur countries to develop a common approach in order to have at their disposal an alternative source of funding for development which would be independent of international organisations. In the present environment, when a Mercosur country looks for external resources to finance a development project, it has to turn to international organisations for assistance. Although each country might influence the decisions of these organisations through lobbying and internal decision-making procedures[152], the countries are automatically dependent on the goodwill of this organisation. If Mercosur countries developed their own approach, they would be the decision-makers.

A seventh argument is that the existing international and national organisations which assist development projects in Mercosur are above all financial institutions. The consequence is that these organisations loan and borrow at rates which vary widely, depending on financial state and business confidence. In such an environment, the existence of different institutions is beneficial. Indeed, it instils some competition which leads each institution to improve its

[151] Martin Reiner, Regional policy in the European Union, 1998, Centre for European Policy Studies, UK, p.76.
[152] Each member country of an international organisation has a number of votes, generally according to the contribution made to the budget, with which it can influence the decisions adopted.

services to offer the best rates. Otherwise, as described by economic models, there would be a quasi-monopolistic situation in which the existing institution might impose its services and rates.

Finally, a last advantage a common approach to regional development would have over international organisations is related to transnational projects. All international organisations have difficulties in financing projects involving more than one country. Constitutionally, these organisations can only make loans to individual states since they need financial guarantors for their loans. Therefore, when financing a project which affects a supranational region, such as that of Mercosur, the international organisations need to negotiate with each country individually and to share the amount loaned among the different participating countries. A Mercosur common approach to regional development could offer a double advantage for the financing of projects which involve different Mercosur countries. It would become an unique interlocutor both for the participating countries and for the international organisations contributing to its financing, which would facilitate the process of financing supranational development projects.

Strengthening the process of Mercosur integration

A second set of reasons which can be offered to justify a common approach by Mercosur to regional development is that doing so would deepen the process of Mercosur integration and diversify its competencies.

Firstly, a common approach to regional development implies *de facto* the undertaking of new public policy harmonisation. Since the 2000 process of 're-launching' (*relanzamiento*) of Mercosur[153], policy harmonisation is considered as an important axis of action for the deepening of the process of integration. The establishment of a Mercosur approach to development would make it necessary for Mercosur countries to harmonise their different regional development policies and to coordinate the actions of their national and local development institutions.

Currently, at the time of writing, each Mercosur country has its own approach to regional development. On the one hand, Brazil has significant development policies and instruments. Argentina has taken a diametrically opposed direction since in its recent process of liberalisation and privatisation, the Argentinian government privatised its development bank. Paraguay is placed in a yet different position with its significant regional problems and its weak development bank which can offer few resources to assist development. Finally, Uruguay, which is a fairly homogeneous country in a relatively better development situation than the others, has only a few small development funds. To adopt a common approach at the Mercosur level for regional development would enable the harmonisation and coordination of all these national initiatives.

Secondly, arguably, such coordination of activity could create a habit of working together and of looking for common solutions to common problems, a characteristic of integration. This would bring member states together and overcome the tendency to individuality. Indeed, currently, it can be suggested that Mercosur member states think more in terms of individual benefits, rather than in terms of the common good. When facing a problem, the first reaction of Mercosur governments is to find the best individual solution,

[153] After the standstill in the Mercosur process of integration resulting from the 1998-1999 economic crises, Mercosur members decided to "re-launch" their integration. But the new wave of economic crises at the end of 2000 and 2001 brought this process to a new stop.

without always considering the repercussion of their decision on the other members. This point can be illustrated by the Brazilian, and then the Argentinian reaction to the 1998-2001 economic crises. Both governments adopted a series of measures which, especially in the case of Argentina in the middle of 2001, had significant impacts on the other Mercosur countries and which brought the process of integration to a standstill, and even meant it took a few steps back.

Giving people the habit of working together, as would be the case in establishing a common approach to development, contributes to the promotion of relations between them and to developing better mutual knowledge. Moreover, it gives decision-makers the feeling that they are contributing to a common good, which can only have positive impacts in their own countries. These actions, this community of interests, helps to develop a Mercosur entity.

A third argument for Mercosur countries adopting a common approach to regional development is that the present process of integration lacks a social dimension. So far Mercosur is the result of negotiations among the political and economic elite, without much involvement of the people. Indeed, except for the Joint Parliamentary Committee, which has very limited powers, the people are not represented within Mercosur bodies.

Moreover, apart from a few decisions related to education or health, the policies adopted at Mercosur level have principally been directed towards trade and tariffs, in other words, non-social matters. If the decision-makers wish Mercosur to receive support from the people, they need to adopt decisions which would have a direct positive impact on the people which constitute the electorate. The member states, by adopting at the level of Mercosur a common approach to regional development, would send a strong signal to the population about the possible benefits of the process of integration.

Fourthly, as illustrated by the example of the European Union, in which member states gradually considered cohesion as a key objective, regional development disparities should not be overlooked within a process of integration. Tackling these would lead to greater integration through seeking cohesion.

In the early stages of EU integration the issues of regional disparities were considered of secondary importance, as it is currently the case within Mercosur. However, as the EU became more integrated, member states created Structural Funds as well as a specific Cohesion Fund[154] and cohesion officially became a key objective. For example, the 1989 Delors report on the European Monetary Union stated that, "[i]f sufficient consideration were not given to regional imbalances, the economic union would be faced with grave economic and political risks". It can be assumed that what Begg wrote in 1995 about the EU is also true for Mercosur: as the "economy becomes progressively more integrated the distribution of costs and benefits will become an increasingly visible political matter. Regions or social groups which feel that they do not share sufficiently in the gains from integration will be tempted to opt out, putting the whole process at risk"[155].

Since the EU gradually established cohesion and regional development policies as its process of integration was deepened, it can be argued that Mercosur member states, if they wish to pursue their integration, will need to develop a common approach to regional disparities. Indeed, Martin and Pearce echoed the concern that "regional transfers come to be

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[154] See the fifth section of Chapter 7 for more details on this fund.
[155] Begg Iain, 'Threats to cohesion', in Amin Ash, Tomaney John, Behind the Myth of European Union: Prospects for cohesion, 1995, Routledge, London, p.120.

seen by some as an essential counterbalance to the effects of the single market"[156]. Therefore, if Mercosur member states hope to create a common market, the establishment of regional development policies and instruments might become necessary to assist the regions suffering most from the negative impacts of the integration process.

Fifthly, unlike other examples of integration processes, Mercosur lacks a financial institution to counterbalance the negative impacts of the integration on the members. In other processes of integration, this financial institution takes the form of development funds or compensation funds, such as within the EU or the CAF. In Mercosur, it could take the form of an institution which would finance, or facilitate the financing of, development projects across the regions.

Finally, it can be argued that Mercosur member states should rapidly strengthen their integration. Under strong pressure from the US, the project of a Free Trade Area of the Americas (FTAA) is underway and should be completed within a short time span. Indeed, begun in 1994 after the First Summit of the Americas, the FTAA should be completed before 2005. In this context, two scenarios are possible for Mercosur.

The first scenario is that Mercosur would not be able to surmount the crisis its process of integration is undergoing, and consequently the integration would not be furthered. Mercosur would be a free trade area, not even complete, and would *de facto* progressively dissolve within the larger area of the FTAA. The second scenario is that Mercosur members pursue their integration, continue the creation of a common market, and manage to keep a Mercosur area of more integrated countries within the FTAA. This would permit Mercosur members to acquire more weight to face the USA within the FTAA than if they went to the negotiating table individually. Indeed, it can be asked what hopes of concessions do small countries such as Paraguay and Uruguay have when facing the US?

In the eventuality of the second scenario, preferred by Mercosur governments, the development of a common approach at the Mercosur level would be a step towards further integration and would contribute to create a Mercosur identity. It is this identity which will enable Mercosur countries to exist as a specific group of countries within the FTAA and to best defend their interests.

To conclude on the advantages of a common Mercosur approach to regional development, it should be emphasised that the reasons discussed above do not imply that Mercosur members should adopt a common approach to replace existing international and national development funds. Nor does it pretend to be the miraculous solution that would solve all the development problems of Mercosur regions within a short time. The discussion demonstrates that there is a gap in the framework of financing development projects in Mercosur countries, a gap that could be filled by the establishment of a common Mercosur approach to regional development that would complement existing institutions. The next sub-section establishes the parameters for the assessment and selection of the optimal form which would secure a common Mercosur approach to regional development.

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[156] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, Sweden, p.3.

Parameters for the selection of an optimal form for a Mercosur common approach

When considering the establishment of a common approach to regional development in Mercosur it is necessary to explore the form of such approach. According to their present characteristics, none of the Mercosur institutions could be given such competency. Since a new Mercosur body would need to be created, a number of key issues need to be taken into consideration to determine which institutional form would be optimal for a common approach to regional development in Mercosur. Eight principal parameters are suggested against which these forms can be assessed.

The organisational framework

Mercosur bodies are at the time of writing relatively small and little institutionalised[157]. In most cases, with the exception of the Administrative Secretariat, these bodies are not formally constituted but take the form of periodic negotiation meetings.

In fact, most Mercosur decision-makers do not want the institutionalisation of arrangements because of what was called the "Brussels syndrome" by one Brazilian interviewee. This means that member states are worried that Mercosur institutions could develop too much and become as powerful as those of the European Union are thought to be. This feeling is mostly explicable by past negative experience of multinational and national organisations in Latin America. Indeed, throughout Latin America it has often happened that new institutions have rapidly become what are considered to be excessive rampant bureaucracies, run out of hand and become 'dens' for the relatives of decision-makers.

In spite of this fear of over-institutionalisation, the present Mercosur structure is already expanding rapidly. For example, the Sub-Grupo de Trabajo 11, created in 1998 to handle health related issues, is already composed of sixteen commissions and sub-groups, each including one coordinator and one deputy. For SGT 11 alone, there are therefore thirty-two persons working in each Mercosur country. The rapid augmentation in the number of SGTs and commissions, leads an increasing number of officials from national governments to participate in Mercosur meetings. A Paraguayan official interviewed during the fieldtrips reported that some of the officials were now referring to Mercosur as "Merco*tour*", because of the travelling which resulted from the increased number of meetings due to bureaucracy.

The objectives

Objectives for a common approach to regional development can vary enormously. However, the minimal objectives would be to facilitate the harmonisation of different policies, such as development policies, policies related to investment facilitation, and the coordination of the actions of the different national development institutions. Other objectives could include improving the social condition of the people by financing different types of development projects, either economic, social and/or infrastructural.

It can however be argued that, whatever the objectives, they should not be over-ambitious. According to a senior official from the Paraguayan Ministry of Industry and Trade, for a common policy to be successful within Mercosur, a first project needs to be set up which has limited objectives which can be completed within one to two years. This successful project could then be shown to all as an example of what can be accomplished through such a common approach to regional development. This interviewee stressed that, if this first project was to have long-term complicated objectives, "people would get tired of the project and

[157] See the third section of Chapter 3.

progressively abandon it. Moreover, if it is not a complete success, people will reject the policy as a whole"[158]. The proposed project for a common approach to regional development therefore needs to be realistic and achievable in meeting the objectives of a regional policy.

The impact of decisions

The issue here is how the decisions adopted through a common approach to regional development could reach acceptance by Mercosur bodies and member states. For example, a form which is consultative will only have the capacity to propose recommendations that might, or might not, be followed by the Mercosur decision-making bodies. On the other hand, if the decisions are mandatory, they will be implemented and have a direct impact on development in these countries.

The financial cost

The financial cost of the common approach to regional development should not be excessive since Mercosur countries are relatively poor and already highly indebted states. Many member states are trying to reduce their public expenditures. Argentina implemented a drastic governmental plan in 2000 which for example included salary cuts for public servants. Consequently, the Mercosur countries do not have financial resources to spare, even for their own regional development. Their financial situation has worsened because of the series of economic crises which have taken place in Mercosur since 1999.

The financial capacities

It would be advisable – but not vital – to consider an approach which would have a minimal institutional structure but which would have some financial capability. On the one hand, this approach would need to have the capacity to borrow money on the international financial markets to increase the size of its resources and, on the other hand, to issue loans and/or grants to finance development projects.

The independence from the member states

In Mercosur the issue of national sovereignty is very sensitive for most countries. This is especially the case for Brazil where most public officials reject the idea of the transfer of competencies to common supranational institutions since it would represent a loss of sovereignty. Consequently, the common approach to regional development should not be completely independent from the member states in order not to be rejected.

However, nor should this common approach be too dependent from member states. Otherwise, the common body would be subjugated by the member states, and its actions would be subject to pressures from national or regional governments. In such a case, the actions of this common Mercosur approach might be determined more by political support or lobbying than by real needs for assistance. The decisions would consequently not be taken according to technical criteria but to political considerations.

The decision-making procedures

It is necessary for all members to participate in decision-making procedures within the common approach adopted at Mercosur level. This does not rule out the possibility that each country could have a different number of votes, according to criteria such as population size or financial contribution. However, each member should have the capacity to influence the

[158] Interview held in Paraguay in May 2000.

decisions. It is difficult to imagine that a country excluded from these procedures or having too minor an influence would accept participating financially in any approach.

The supervision

To function efficiently, this common approach will require a form which will need to inspire confidence in all the actors which participate in its actions. Such actors are the political decision-makers which implement this approach, the international financial institutions which are involved, as well as the population for which this approach is directed. It is consequently necessary to guarantee a good supervision of the actions undertaken by the approach selected by Mercosur so as to limit corruption and mismanagement. This supervision will certainly be undertaken by the different member states so as to ensure that their financial contribution is not misused by the others. This can be complemented by a supervision delegated to some other independent institution.

The eight criteria detailed above can now be used to assess the different mechanisms which are available to Mercosur to secure a common approach to regional development, to determine which is the optimal approach.

The optimal mechanism for a Mercosur approach to regional development

There are four principal approaches Mercosur member states could consider when adopting a common approach to regional development. As noted above, these are 1) a think-tank; 2) an advisory board; 3) a development fund; or 4) a development bank. To determine which of these options would be, in the present circumstances, the optimal approach for Mercosur, it is necessary to assess the extent to which each approach meets the eight criteria discussed in the previous sub-section. Table 5.9 below synthesises the results of the assessment of these four approaches before the optimal approach to regional development, the option which best meets the criteria, is suggested.

A think-tank

A Mercosur think-tank would have a valuable impact on regional disparities and could be given three types of responsibilities. Firstly, it could be put in charge of harmonising the different national legislation on regional development and of coordinating the actions of the national development institutes of Mercosur states. Secondly, it could contribute to facilitating communication and information transfers among the Mercosur member states on development related topics. Thirdly, it could be put in charge of drafting development related policies which could then be discussed and adopted by Mercosur institutions. This think-tank could be institutionalised as a new Work Sub-Group (SGT) within the Common Market Group[159]. It would consequently be a small forum of periodic discussions among experts of the different member states.

In this eventuality, the think-tank would have no institutional structure since it would consist of periodic meetings of experts designated by each member state. Like other Sub-Groups, its decisions would need to be adopted unanimously, which guarantees that every member has a say in the decision-making procedure. However, the think-tank as proposed is of a consultative nature. The difficulty with this is that it is dependent on the goodwill of member states and Mercosur institutions to implement its recommendations. Its decisions might therefore have a limited impact if they are not supported by all member states. Its

[159] For more details on Work Sub-Groups, see the description of Mercosur institutions in Chapter 3.

objective would be limited but achievable since it would aim to facilitate the coordination of the different national policies related to development aspects.

Accordingly, its competencies would be limited since it would not have the capacity to manage financial resources nor to finance development projects. Financially speaking, this approach implies little extra cost for Mercosur members. Indeed, the personnel of this think-tank would come from public bodies which will already be paying them. However, these different bodies would still have to provide for their transaction costs to enable the periodic meetings to take place.

Since the members of this think-tank would work for national public institutions, they would have no independence from the Mercosur governments. Finally, the supervision of the actions of this think-tank would most certainly depend only on the Mercosur states as is the case with the existing Sub-Groups. However, since it would not have any financial competence, this lack of external supervision is not too significant since there are limited risks of corruption and mismanagement.

An advisory board

The second possible institutional approach for a Mercosur common approach to regional development is to establish an advisory board in the form of an *ad hoc* committee. Whereas the think-tank would be more orientated towards proposing policies, this board would draw up development projects and/or select among those presented by the development agencies of each country the projects of priority interest. Its propositions would then be transmitted to Mercosur institutions, and/or other international or national organisations, for financing. The projects endorsed by this advisory board could then be given some priority and some facilities for financing compared to other projects.

Most of the characteristics of an advisory board are the same as those of a think-tank. Indeed, institutionally speaking, it could take the form of periodic meetings of experts from different national institutions, which likewise implies little extra cost for member states. Its impact would be limited since it would not have any financial responsibilities and it would not have a mandatory power but depend on the implementation and financing of its proposals by a third party. As with the think-tank, an advisory board would certainly be supervised only by Mercosur countries. Moreover, being a Mercosur institution its decisions would almost certainly be adopted through co-decision and unanimity.

The first main difference between the advisory board and the think-tank lies in the objectives of the advisory board, that is the selection of development projects. Indeed, such objectives might prove to be more difficult to achieve than those of a think-tank, but are nevertheless manageable. The second difference is that, although this body would be composed of officials working for the national governments, it would have more independence than a think-tank. Indeed, this advisory board will necessarily have a list of priorities or selection criteria to take into account when choosing development projects. This technical point gives this body some independence since political pressures cannot influence the approval of a project if it does not correspond to the pre-determined priorities.

A development fund

Thirdly, Mercosur countries could establish a development fund. In addition to selecting development projects, like the advisory board, this fund would also have the capacity to look for resources on international financial markets and to finance the development projects it has short-listed.

Although it might sound too ambitious, the scale of this objective might be reduced by restricting the assistance of the fund on a few specific regions or development themes, such as economic development, social development, or infrastructural improvements. Since this Fund would aim to finance projects, it obviously would need to have some financial powers to manage financial resources by borrowing money on the international markets and by making loans or grants for development projects. These financial powers imply that this Fund needs to be given an international juridical personality to be recognised as an actor on financial markets.

Consequently, there would need to be a minimal institutional structure for this fund to ensure a framework within which it would act. This structure does not need to be large, but it is necessary since it would be difficult to run this fund only through periodic meetings. Because of this structure, which needs to be created and financed, there would be a small cost involved in maintaining it, depending on its degree of bureaucratisation. The decision-making procedure internal to this fund could be conceived as co-decisional or as requiring unanimity to give each country influence.

This development fund should be a body separate from existing national and Mercosur institutions. As a result, this fund would have some independence from the member states. Although originating from these national institutions, the technicians administering the fund would become a separate corps. It would also be independent, and have a significant impact within the countries, because it would be financially independent and able to finance the projects it considers as priorities. However this independence is relative since this fund would without doubt be supervised by the Mercosur member states which would want to check how their resources are being used. This could be reinforced by external supervision through yearly audits and reports from independent institutions.

A development bank

Finally, the most complete action Mercosur states could take to create a common approach to regional development is to establish a development bank. Its functions would be similar to that of a fund, except that it would have a larger institutional structure to support its actions and that it would be completely independent from the Mercosur countries. Moreover, it could have extra fields of competence. For example, the Paraguayan development bank[160] also manages a few thousand personal accounts and is used by the government to distribute pensions and other financial assistance.

A decision to establish a development bank implies setting up from the start an international juridical existence and a relatively important institution to ensure that it has the necessary framework to support its actions. This has a direct impact on the cost of the approach and on the overproduction of paperwork and red tape.

However, this body could have at its disposal all the financial tools and competencies necessary for the achievement of its objectives. It could therefore have a significant direct impact on the development of the member countries.

This institution would be completely independent from member countries, although they would still have a say in its principal guidelines. Indeed, in such an eventuality, the member states would meet once or twice a year to define the main policies of the bank, but the day-to-day decisions and actions would be decided by the corps of the bank technicians. Another way for countries to keep control on the actions of such a bank would be through the supervision of its actions which would certainly complement any independent supervision required by the bank.

[160] For more details on the Banco Nacional de Fomento, see the first section of this chapter.

Defining the optimal common Mercosur approach to regional development

Table 5.9 below summarises the discussion of the four previous sub-sections by briefly stating how each of the four possible institutional approaches for regional development fits the eight selection parameters determined above. It is then possible to suggest which of these possibilities would be an optimal choice for Mercosur given the present circumstances.

Table 5.9. How do the four possible institutional forms for a common approach to regional development in Mercosur fit the selection parameters?

	Think-Tank	Advisory board	Development Fund	Development Bank
Institutional framework	None	None	Light	Significant
Objectives	Policy coordination	Project selection	Development projects financing	Development projects financing, bank services
Impact of decisions	Little impact, since it is consultative	Little impact, since it is consultative	Significant impact since it directly finances projects	Significant impact since it directly finances projects
Cost	Small	Small	Depends on its objectives	Depends on its objectives. High cost for the administration
Financial capacity	None	None	Can borrow money on international market and finance development projects	Can borrow money on international market, finance development projects, and offer other services such as a traditional bank
Independence	None	Average	Average	Independent
Decision-making	Co-decision	Co-decision	Co-decision	Co-decision
Supervision	Undertaken by Mercosur	Undertaken by Mercosur	Undertaken by Mercosur, but external supervision possible	Undertaken by Mercosur, but external supervision possible

The establishment of a think-tank or of an advisory board might be a temporary solution for the short term. Indeed, they can easily be implemented since they require no institutions nor transfer of competencies, and represent little extra cost. Their impact can be positive since there is a need for policy coordination, for policies related to development as for any other policy fields. However, given their limited objectives and competencies, both solutions would have little direct impact on regional development. Consequently, they might be rapidly implemented as first steps towards a more complete approach.

Creating a development bank seems too significant a step, and one that Mercosur countries, especially Brazil, are thought to be not yet ready to take. Indeed, it implies too much transfer of power, too much independence, and too important an institutional framework to be created in the present stage of regional integration within Mercosur.

A Mercosur Regional Development Fund (MRDF) is an intermediate approach which would offer many advantages. Due to the objectives and the financial tasks of the MRDF, it would be an efficient tool to fight regional disparities. Because of its light institutional structure and its limited financial cost, it is an approach which can realistically be implemented within a short time span. Only its relative independence might be a concern to the Mercosur countries, although they should consider this independence as a guarantee of good functioning.

According to these key issues, it can be argued that, considering the present circumstances, the optimal option for Mercosur would be to establish a Mercosur Regional Development Fund to assist the relatively less developed regions and to reduce regional disparities in member states.

Opinions of Mercosur and development specialists on the optimal Mercosur common approach to regional development

The assessment of the different options available for a Mercosur common approach to regional development, according to the eight selection criteria discussed in the previous sub-section has led to the suggestion that the establishment of a Mercosur Regional Development Fund would be the optimal approach. This sub-section tests this proposal against the opinions of the interviewees.

The views of key decision-makers who are involved in Mercosur or development related issues were sought during two fieldtrips undertaken in the four Mercosur countries in 2000 and 2001. The following sub-sections present the opinions of 122 respondents interviewed[161]. The interviewees were asked *inter-alia* three questions on the optimal approach for Mercosur: 1) Is a common approach at Mercosur level useful or necessary to reduce regional development disparities? 2) What would be the optimal approach for Mercosur? and 3) Is Mercosur ready for the establishment of this common approach?

The necessity of implementing a Mercosur approach to regional development

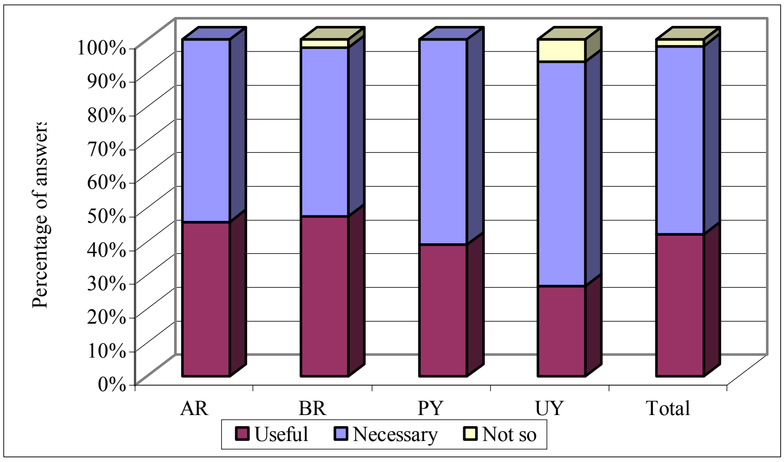
The 122 interviewees were asked whether they considered a common Mercosur approach to regional development useful, necessary, or not (for more details on the interviews see Annex A1). Among them, 102 gave their opinion on this issue, the others did not answer.

Among these 102 respondents, only two, an Uruguayan economist and a Brazilian economic researcher, considered that Mercosur should not adopt any kind of common approach. The Uruguayan economist adopted a very – if not ultra – liberal perspective, and rejected the idea of “bureaucracies managing funds for the good of people” and was highly critical about Mercosur, naming it “Merco*sour*”. This economist justified his opinion by arguing that, according to him, Uruguayans generally expect everything from the state and rarely take personal initiatives to improve their situation. Consequently, he believed that creating a Mercosur Fund which could assist Uruguayans would be worse than anything since it would increase the expectations Uruguayans had from public institutions and would reduce their personal initiative. The Brazilian economic researcher was against the development of a Mercosur approach because, rather than creating a new Mercosur institution, he thought it would be better to enhance the role of the BNDES by giving it the means to finance development projects in other Mercosur countries, not least in order to keep this policy aspect under Brazilian supervision.

Out of the remaining interviewees, 57 considered that the idea of a Mercosur common approach to regional development is ‘necessary’, whereas 43 defined it as ‘useful’. Figure 5.1 clearly shows the near unanimity of the interviewees in favour of adopting a common approach to regional development.

[161] See Introduction and Appendix 1 for more details on the fieldtrips and the interviews.

Figure 5.1. The necessity of adopting a Mercosur approach to regional development by country (percentage of 102 respondents)



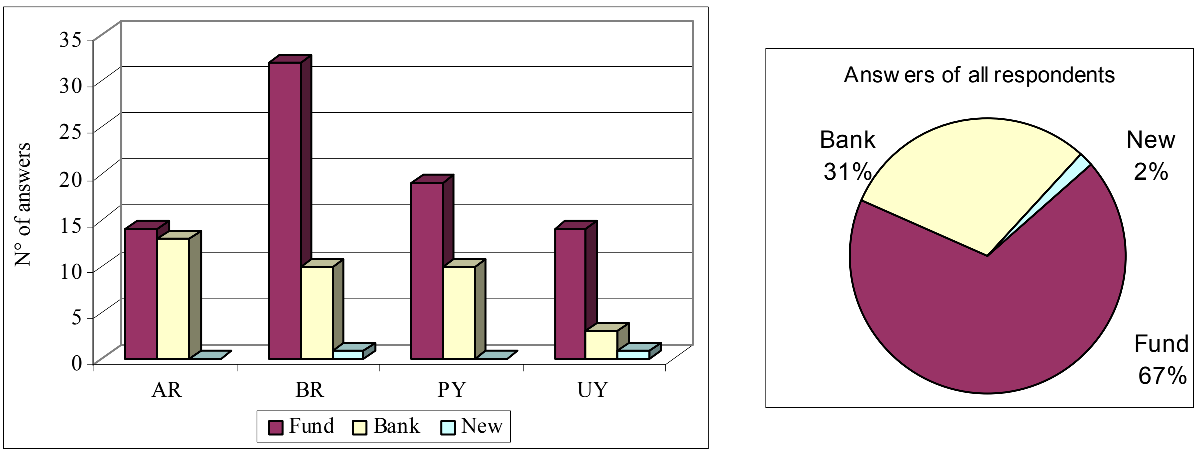
Views on the optimal approach for Mercosur

After the interviewees were asked about the necessity of a common approach to regional development, they were asked about the type of approach Mercosur should consider. Only the 117 interviewees who gave their opinion on this issue are considered hereafter.

In the preceding sub-sections a list of four possible institutional forms for a Mercosur common approach was presented. These were the establishment of a think-tank, an advisory board, a development fund or a development bank. The interviewees were not given a list of possible answers among which to choose, but were asked an open question and were left entirely free to propose whatever approach they considered best. None suggested something similar to an advisory board. Although a few respondents considered the creation of something similar to what was presented above as a think-tank, it was only seen as a transitional measure towards the establishment of either a development fund or bank.

Consequently, only these latter two possibilities are considered hereafter. However, as shown by Figure 5.2, two respondents considered a third possibility. Without giving a name to the type of institution they proposed, they described a cross-breed between a development fund and a development bank. This alternative approach would have more powers than traditional development funds, but a weaker institutional structure and less independence than development banks.

Figure 5.2. Opinions of interviewees on the optimal approach for a Mercosur common regional development approach (117 respondents)



These two figures above highlight the preference of the interviewees for the creation of a Mercosur Regional Development Fund. This approach, which accounts for two thirds of the 117 answers, was chosen as the optimal choice.

Is Mercosur ready for the creation of a MRDF?

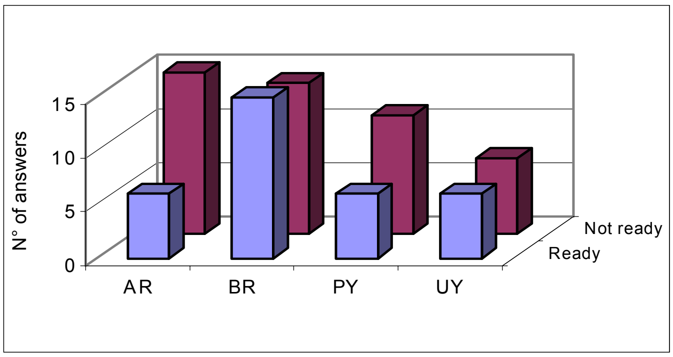
Although many interviewees supported the idea of creating a Mercosur Regional Development Fund, most were sceptical on whether the present state of Mercosur would allow the establishment of a Fund. Indeed, as illustrated in Figure 5.3 and Table 5.10 further down, most interviewees considered that Mercosur was not ready yet for such a MRDF and that it would be difficult, but not impossible, to establish a Mercosur Fund before certain reforms were completed.

The literature on Mercosur as well as the interviews conducted reveal that, although some are impressed by the speed with which the process of integration has been implemented, many criticise the lack of robustness of the Mercosur process and institutions. For example, while discussing the possibility to create a monetary union in Mercosur, Phillips considered in 2000 that "at present the Mercosur is not equipped to 'carry' the sort of integration that significant policy innovation might require. Its minimal level of institutionalisation and its slow progress on key (and basic) economic issues – such as trade in services, government procurement, intellectual property, competition policy, harmonisation of customs procedures and exchange rate coordination – prompt scepticism about its capacity as a *modus operandi* for collective action"[162].

Although a majority of interviewees believed a MRDF to be necessary[163], they wondered whether it should be implemented immediately. Interviewees were therefore asked whether they considered Mercosur ready for such a (r)evolution in its institutional structure and competencies. Indeed, a MRDF implies that member states would transfer some sovereignty as well as, for the first time, financial competencies to a common permanent institution. Those interviewees who considered Mercosur not to be ready yet were asked what they believed Mercosur lacked before it could develop a common approach.

Only 80 of the interviewees gave their opinion on the readiness of Mercosur and its member states for creating a MRDF. As shown in Figure 5.3, which illustrates the data presented below in Table 5.10, 59% of the respondents considered that Mercosur was not yet ready for this new step in the process of integration. However, almost all agreed that it should and could be created within a 3 to 5 years time span. Very few interviewees considered this project would not see daylight within another 10 years.

Figure 5.3. The readiness of Mercosur for a MRDF



[162] Phillips Nicola, Governance after the financial crisis: South American perspectives on the reformulation of regionalism, 2000, New Political Economy, vol. 5, n°3, Carfax Publishing, Philadelphia, p. 392.
[163] See the preceding sub-section.

Figure 5.3 clearly shows that Brazil was the only country where more interviewees considered that Mercosur was ready than not. However, the difference between the two possibilities is separated by only one response which supported the idea that Mercosur is ready. In Argentina and Paraguay the number of interviewees stating Mercosur to be not ready was twice that of those considering Mercosur to be ready.

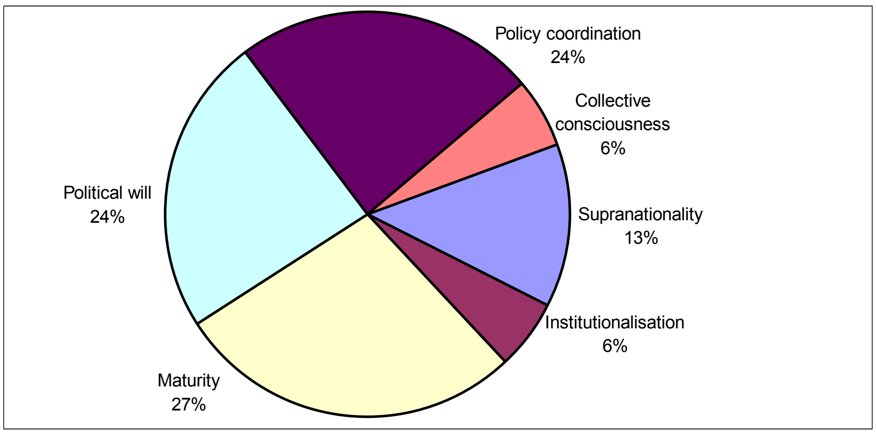
The 47 persons who considered that it was too early for Mercosur to create a MRDF were asked for the reason underlying their opinion, i.e. what was considered to be lacking in the existing Mercosur. Since seven respondents gave two answers, there are 54 responses to analyse (see Table 5.10).

Table 5.10. The readiness of Mercosur for a MRDF

	Mercosur readiness			What is lacking? (N° of answers)						
	Ready	Not ready	**Total**	Supranationality	Institutionalisation	Maturity	Political will	Policy coordination	Collective consciousness	**Total**
Argentina	6	15	**21**	1	2	8	6	2	1	**20**
Brazil	15	14	**29**	5		3		6	1	**15**
Paraguay	6	11	**17**		1	3	4	3		**11**
Uruguay	6	7	**13**	1		1	3	2	1	**8**
Total	**33**	**47**	**80**	**7**	**3**	**15**	**13**	**13**	**3**	**54**
Percentage	**41**	**59**	**100**	**13**	**6**	**27**	**24**	**24**	**6**	**100**

As Table 5.10 and Figure 5.4 below show, with 15 answers, that is 27% of the 54 answers, the most frequently cited problem is that Mercosur, being so recently established, lacks enough maturity to consider implementing a Mercosur Regional Development Fund. The absence of political will and of policy coordination are equally second with 24% of the answers each. As shown by Figure 5.4, 13% of the interviewees considered that Mercosur institutions should be empowered with more supranationality before thinking of creating a MRDF. Finally, with 6% of the answers each, the lack of collective consciousness and of better institutional structures accounted for the lowest number of answers.

Figure 5.4. What Mercosur needs before creating a MRDF (percentage of 54 answers)



In the case of five of these six characteristics Mercosur lacks for it to create a MRDF, it can be argued that the interviewees were considering the problem from the wrong point of view. Apart from the lack of political will, it is arguably feasible to establish a MRDF in the current state of evolution of the Mercosur. Admittedly, ideally, it would certainly be a better environment for the creation of a MRDF for Mercosur to be at a more mature stage of development which would have some common institutions with supranational competencies, and in which the national policies would be coordinated to achieve a common good defined by collective consciousness.

However, in a contrary view to the opinion of the interviewees presented above, it can be argued that these five characteristics are not necessary pre-requisites for the creation of a MRDF. Indeed, instead of highlighting what Mercosur lacks before it can create a MRDF, it seems more appropriate to consider how the creation of a MRDF can contribute to reduce these deficiencies. For instance, setting up a MRDF can contribute to creating a collective consciousness, in particular that Mercosur member states face similar development problems which could be solved through a common approach. It also implies the coordination of some of the national development policies of the different member states. Finally, this Fund implies a development of Mercosur common institutions with some supranational powers and financial competencies. Therefore, the creation of a MRDF can contribute to the overall Mercosur process of integration and would represent a new step towards a maturation of Mercosur.

The only exception is the political will which is a necessary pre-requisite to the implementation of such step. Given the present structure of Mercosur, all decisions are adopted through inter-governmental negotiations. It is therefore obvious that political will is the crucial aspect before a MRDF can be created. Moreover, since a MRDF body will act in partnership with member states, it is essential for the these states to support such an initiative.

The interviews suggested that there is an increasing consciousness in decision-making circles that Mercosur needs to create a common institution for regional development. However, the interviewees considered that the necessary political will was still absent within the highest decision-making levels, that is amongst the Presidents of Mercosur states, to launch the process of establishing a common approach to regional development. In 2001 the subject made a quick and indirect appearance on the Mercosur agenda, in the form of an item on coordinating fiscal incentives for development. However, this subject lost its priority after the 2001-2002 economic crises which Mercosur member states have been through. As a Paraguayan economist said in an interview, “[W]hen the house is on fire, you do not sit down to make plans about the future; you concentrate all your efforts to put out the fire”.

Mercosur member states will certainly necessitate two to three years before effectively creating a Mercosur Regional Development Fund, to initiate an official and open reflection on this subject in order to determine the specific characteristics of such a MRDF, its priorities, and its actions. This time-span will also allow member states to solve the present economic crisis and to pursue the Mercosur process of integration.

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* *

In conclusion, as was highlighted throughout this chapter, although a considerable number of actions have already been implemented by international and national institutions to finance development projects in Mercosur countries, Mercosur lacks a common approach to promote regional development. The analysis undertaken concluded that, among the different types of approach Mercosur has at its disposal to reduce regional disparities, a Mercosur Regional Development Fund would be the optimal approach considering present circumstances. This conclusion is supported by a critical and objective analysis and by the two thirds of the Mercosur decision-makers and development specialists interviewed.

Combined with the conclusions of Chapter 4, which highlighted the scale of regional disparities in Mercosur, this chapter supports the first hypothesis of the thesis which is that "it is possible for Mercosur to reduce significant regional disparities by complementing the activities of existing development agencies through the establishment of a MRDF ".

However, it seems that interviewees consider that Mercosur is not ready yet for a Mercosur Regional Development Fund. It can however be argued that a few years are needed to analyse, discuss and negotiate the creation of a MRDF, and that this will provide the necessary time to stabilise and strengthen the Mercosur process of integration, so as to create an environment favourable to the MRDF.

Having argued the case for the creation of a Mercosur Regional Development Fund, the thesis now turns to its third part to analyse to what extent and under what circumstances Mercosur could learn from the EU's experience. This will later allow, in the fourth part of the thesis, to consider these lessons when discussing the priorities and characteristics of a MRDF.

- CHAPTER 6 -

PROSPECTIVE POLICY TRANSFERS

BETWEEN SUPRANATIONAL ASSOCIATIONS

CHAPTER 6. PROSPECTIVE POLICY TRANSFERS BETWEEN SUPRANATIONAL ASSOCIATIONS

The thesis moves on to propose a framework for analysing the lessons that Mercosur might learn from the EU experience to enable it to design a Mercosur Regional Development Fund. The conclusions reached after this analysis at the theoretical level enable, in Chapter 7, a more precise scrutiny of the EU experience to be undertaken in order to determine the specific lessons which could be transferred to Mercosur.

It can be argued that policy makers can take three possible courses of action to develop a new policy. These are defined in this thesis as looking backward, forward, or across. Referring to Rose, these three possibilities can be defined as follows[164]:

> Looking backward: "Small changes can be made in an existing programme and their consequences evaluated to learn, on a trial-and-error basis, what does and does not dispel dissatisfaction. A trial-and-error strategy is backward-facing, for nothing can be learned until the results of a new programme are evident".
>
> Looking forward: "When old remedies become obsolete, policy-makers can look to the future, designing an innovative programme. By definition the workings of a new programme will be speculative, for it is outside the direct experience of policy makers".
>
> Looking across: "Lesson-drawing is future-oriented, drawing on current experience in other countries to improve national policy. It offers an evidence-based alternative to developing a new programme".

It can be argued that looking across, that is learning from another's experience through a policy transfer, offers significant advantages. In considering eight criteria to evaluate policy transfer as a method of prospective evaluation - precision, certainty of prediction, credibility, cost, time, ease of application, ease of explanation, and accuracy – Mossberger and Wolman conclude that:

> "Clearly policy transfer, when compared to more formal kinds of techniques such as social experiments, many forms of quasi-experiments, modelling and micro-simulations, fares poorly as a form of prospective policy evaluation in terms of precision and certainty of the prediction. The credibility criterion is somewhat difficult to apply. If policy makers understand and are comfortable with social sciences techniques, then more formal mechanisms are likely to be given greater credibility, although the fact that policy transfer involves an analogy with a program or policy that has actually been in place elsewhere may give it credibility that modelling, micro-simulation or deduction based on behavioural premises might not have.
>
> Policy transfer holds a substantial advantage over may more formal techniques (though not necessarily deduction from behavioural premises and inferences drawn from existing studies) with respect to cost and time. Done correctly, however, policy transfer entails considerably more application of both cost and time than do most of the more informal techniques (application of personal experience, reliance upon third party testimony or experts, extrapolation of present trends into the future). Policy transfer holds even greater advantages in terms of ease of explaining the method and its methodology in the course of policy debate.
>
> […] Given the real advantages of policy transfer in terms of cost, timing, credibility, and ease of understanding, it is likely that policy transfer will continue to prove attractive to policy makers"[165].

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[164] Rose Richard, Ten steps in learning lessons from abroad, Future Governance Paper 1, Lessons from Comparative Public Policy, October 2001, University of Strathclyde, Strathclyde, p.1.
[165] Mossberger Karen, Wolman Hal, Policy transfer as a form of prospective policy evaluation, November 2001, ESRC, UK, p.17.

Before going any further it is necessary to define precisely the concept of 'policy transfer'. According to Dolowitz, policy transfer is "the occurrence of, and processes involved in, the development of programmes, policies, institutions, etc. within one political and/or social system which are based upon the ideas, institutions, programmes and policies emanating from other political and/or social systems"[166].

Other authors, such as Rose, prefer the term 'lesson drawing'. Although Dolowitz and Marsh consider that "policy transfer, emulation and lesson drawing all refer to a process in which knowledge about policies, administrative arrangements, institutions, etc. in one time and/or place is used in the development of policies, administrative arrangements and institutions in another time and/or place"[167], they also write that "the term 'lesson drawing' implies that political actors or decision makers in one country draw lessons from one or more other countries, which they then apply to their own political system"[168]. 'Lesson drawing' is thus but one type of 'policy transfer'.

Policy transfers have often been done by force during wars and conquests, the conqueror coercing vassal states to adopt its policies. Sometimes this transfer is done willingly with states copying policies successfully implemented in other countries, in the hope that these successes can be repeated in their own state.

During the twentieth century, partly due to better communication facilities, voluntary transfers of policy have increased. Since it became easier and quicker to learn about policies which have been implemented elsewhere, the temptation to adopt successes from other countries has become greater. Indeed, with the development of democracy, decision-makers have had to work within a shorter time scale. Compared to kings, despots and dictators who have power for life, governments are generally elected for a limited number of years and thus have a short term during which to implement policies which will facilitate their re-election. Such a time span might not be long enough for the analysis of the situation and for inventing solutions. The alternative is to consider what other governments have done to solve a similar problem and to adapt the solutions to the local environment. This leads Rose to consider that "lesson-drawing tries to avoid the costs of being first and of re-inventing the wheel by learning from the trials and errors of a programme already in operation"[169].

The analysis of the process of policy transfer in the academic world is a very recent development since it is only during the second half of the twentieth century that policy transfers have begun to be studied within the field of comparative politics. The study of prospective policy transfers - that is the analysis of the factors that need to be taken into account in making a policy transfer before the transfer takes place - is an even newer field of academic research.

However, although the literature on policy transfers offers some valuable concepts and insights, it is limited. It is necessary to develop it further to answer the questions posed in the thesis. The first section of this chapter discusses the existing literature. The second section uses the findings of the review as a basis to develop a framework to analyse prospective policy transfers and to explore the basis on which lessons can successfully be transferred between two supranational associations. The third section applies this framework to the specific case of transferring the EU experience in regional development funds to Mercosur.

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166 Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.3.
167 Dolowitz David, Marsh David, Who learns what from whom: a review of the policy transfer literature, Political studies, vol 44, n°2, June 1996, Blackwell Publishers, London, p.344.
168 Dolowitz David, Marsh David, Who learns what from whom: a review of the policy transfer literature, Political studies, vol 44, n°2, June 1996, Blackwell Publishers, London, p.344.
169 Rose Richard, Ten steps in learning lessons from abroad, Future Governance Paper 1, Lessons from Comparative Public Policy, October 2001, University of Strathclyde, Strathclyde, p.4.

POLICY TRANSFERS IN THE LITERATURE

This section reviews the existing literature on policy transfers. To present this in a coherent way, the thesis refers principally to the works of Dolowitz and Marsh and adopts a thematic approach. In 1996 these authors had already conducted a literature review. This was organised according to a series of questions found within the literature[170]. In furthering their research, the authors gradually developed a framework for analysing policy transfers[171].

The Dolowitz and Marsh framework (see Figure 6.1) is based on eight essential questions that are asked in relation to policy transfers:

1. What are the reasons for initiating a process of policy transfer?
2. Who are the actors, that is the people or institutions, involved in the process?
3. What is being transferred?
4. What is the source of the transfer?
5. What is the significance of the 'degree' of transfer?
6. What is facilitating or constraining the transfer?
7. What are the sources of information for the principal actors?
8. What are the reasons for any failure of policy transfer?

In the discussion on these eight aspects of the Dolowitz and Marsh framework below, comments from other authors are included.

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[170] Dolowitz David, Marsh David, Who learns what from whom: a review of the policy transfer literature, Political studies, vol 44, n°2, June 1996, Blackwell Publishers, London, pp.343-357.
[171] Dolowitz David P., Learning from America: policy transfer and the development of the British workfare state, 1998, Sussex Academic Press, Brighton, p.212.
Dolowitz David P., Marsh David, 'policy transfer: a framework for comparative analysis', in Minogue Martin, Polidano Charles, Hulme David, Beyond the new public management: changing ideas and practices in governance, 1998, Edward Elgar, Cheltenham, pp.38-75.
Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.146.

Figure 6.1. A framework for analysing policy transfers between states, as designed by Dolowitz and Marsh

Reasons for transfer Continuum Want to ⟷ Have to	Actors initiating the transfer	Subject transferred	Origins of inspiration for transfer	Degrees of transfer	Constraints on transfers	Sources of information	Reasons for any transfer failure
Direct imposition Obligated transfers Transfers due to conditionality Transfers under international pressure Voluntary driven by perceived necessity Bounded rationality Lesson drawing	Elected officials Bureaucrats/civil servants Policy entrepreneurs Networks Political parties Pressure groups Non-governmental organisations Corporations Think tanks Consultants International organisations	Policies: • Goals • Contents • Means Programmes Attitudes / Cultural values Institutions Ideologies Negative lessons	Local National International Past	Copying Emulation Mixtures Inspiration	Policy complexity Past policies Local circumstances: • Political • Economic • Financial resources • Organisation • Technological abilities • Culture Institutional Structural Past relations Language	Media • TV • Radio • Newspapers • Internet Reports Physical encounters: • Meetings • Conferences • Visits	Successes are not always transferable Unknowledgable (or ill-informed) transfer Incomplete transfer Inappropriate transfer

Source: based on Dolowitz David and Marsh David in Minogue Martin, Polidano Charles, Hulme David, Beyond the new public management: changing ideas and practices in governance, 1998, Edward Elgar, Cheltenham, p.39;
and Dolowitz David, Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.10.

What are the reasons for initiating a process of policy transfer?

The first question Dolowitz and Marsh consider in their framework is related to the reasons for which actors[172] initiate a process of policy transfer. Dolowitz and Marsh consider that these reasons can be classified along a continuum ranging from voluntary transfers to coercive transfers. A transfer is voluntary when the actors engage in the process willingly, following a rational decision and free from any kind of pressure. At the opposite end of the spectrum, a transfer is characterised as coercive when the process of transfer is imposed by another actor.

Between these two extremes, there are a number of other types of reasons for policy transfer. In most cases, the transfers are engaged in both for voluntary and for coercive reasons. As shown by Figure 6.2, Dolowitz and Marsh identify a total of seven categories of reasons for policy transfers running from voluntary to coercive: 1) *lesson drawing*; 2) *lesson-drawing (bounded rationality)*; 3) *voluntary driven by perceived necessity*; 4) *transfers under international pressure*; 5) *transfers due to conditionality*; 6) *obligated transfers* and; 7) *direct imposition*.

Figure 6.2. Continuum of reasons for policy transfers[173]

Voluntary Transfer						Coercive Transfer
Lesson drawing (entirely rational)	Lesson drawing (bounded rationality)	Voluntary driven by perceived necessity	Transfers under international pressure	Transfers due to conditionality	Obligated transfers	Direct imposition

Voluntary transfers

Starting by describing the more voluntary end of the continuum, there is *lesson drawing*, which is "based upon the view that actors actively, and willingly, choose policy transfer as a rational response to a 'perceived problem' or undesirable condition"[174]. Dolowitz and Marsh argue that perfectly rational lesson drawing is mostly a theoretical notion since actors are rarely entirely rational, since they are usually subjective in their actions and decisions, or might have a limited knowledge of the problem and the consequences of their solutions. They therefore conclude that lesson drawing is often limited by *bounded rationality*.

When considering lesson drawing, it is necessary to refer to Rose who focuses on this particular aspect of policy transfers:

> "A lesson is knowledge that is instructive, a conclusion about a subject drawn after the fact from observation or experience […] A lesson is here defined as an action-oriented conclusion about a programme or programmes in operation elsewhere […] A lesson is more than an evaluation of a programme in its own context; it also implies a judgement about doing the same elsewhere. A lesson is thus a political moral drawn from analysing the actions of other governments"[175].

The main reason for which actors engage in a voluntary policy transfers he argues is related to some form of dissatisfaction with the status quo; "supporters of the dissatisfaction

[172] Actors are discussed below in the next sub-section.
[173] Based upon: Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.13.
[174] Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.13.
[175] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.7.

model presume that when governmental policies are functioning properly, there is no need to search for lessons; everything can operate through established routines. Only when routines stop providing 'solutions' is it necessary to search for lessons"[176]. Rose furthers this argument by specifying that dissatisfaction mostly appears due to changes in the policy environment or in political values.

To reduce their dissatisfaction the actors will turn to policy transfers, but only if it is perceived as providing an easier or better solution than developing a new and original policy. Rose argues that "dissatisfaction works by sanctions. The stimulus for search comes less from the uncertain promise of benefits than it does from the certain threat of pain if policymakers do not do something to remove current difficulties […] Dissatisfaction stimulates search with the argument: 'You can't afford not to'"[177].

Cyclical political events, especially elections and annual addresses, are another reason for which actors might engage in a voluntary policy transfer. Indeed, at such times "actors are encouraged to engage in policy transfer in order to distinguish themselves from their predecessors and competitors"[178].

Five other political motives for which actors might engage in a voluntary policy transfer were highlighted by Bennett[179]:

1. To put an issue on an institutional agenda: "Evidence that another country has formed a policy on an issue can have a persuasive impact on both activists and elites".
2. To mollify political pressure: When domestic pressure for action is high, "incentives might be quite high to utilise a program from elsewhere as a ready-made solution […] However, because there is insufficient time, a full appraisal of costs and benefits is unlikely".
3. To emulate the actions of an exemplar: "There is a distinction between slavish imitation [to mollify political pressure] and the borrowing and adaptation of a program because it provides a model, exemplar or blueprint which may be improved upon".
4. To optimise the search for the best policy: Lessons are searched from a multiplicity of sources to take the best parts of different programmes. It is a process of "mixing-and-matching".
5. To legitimate conclusions already reached: Evidence that a policy has been tested and is successful in another country "reinforces and rationalises conclusions already reached, or positions already entrenched".

The middle ground

Closer to the middle of the spectrum are transfers which are *voluntary but driven by perceived necessity* (Figure 6.2 above). This category includes the transfers which are initiated because policy-makers have the feeling that their country is becoming less competitive or less prosperous. Due to this psychological pressure, there is a need and a will to transfer policies from the more advanced countries. The same kind of psychological pressure can be found behind the transfers undertaken to achieve some type of international recognition by converging towards an existing international consensus. For example, ex-

[176] Dolowitz David, Marsh David, Who learns what from whom: a review of the policy transfer literature, Political studies, vol 44, n°2, June 1996, Blackwell Publishers, London, p.346.
[177] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.12.
[178] Dolowitz David P., Learning from America: policy transfer and the development of the British workfare state, 1998, Sussex Academic Press, Brighton, p.11.
[179] Bennett Colin J., How states utilize foreign evidence, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.33.

communist countries have adopted a number of policies similar to Western Europe, in order to be accepted as possible EU members.

Further towards the coercive extremity of the spectrum are the *transfers made under international pressure*, whether political or economic. Actors feel they have to engage in a policy transfer because of external actors or events. This influence is a direct *international pressure* and not simply a *perceived necessity*. This is specifically the case when the policies adopted by a state produce externalities detrimental to another.

Coercive transfers

Still closer to the coercive extreme (Figure 6.2 above), trans-national corporations or international organisations might force a state to adopt specific policies if that country wants to benefit from their investments and/or aid. Very often, international organisations like the International Monetary Fund agree to make loans to countries only if they adopt some specific measures or policies. This is the meaning of the category *transfers due to conditionality*.

Countries might also have to adopt some policies because they belong to international organisations or treaties. This is for example the case of the EU countries which might have to adopt a policy because they are EU members. Such policy transfers are characterised as being *obligated transfers*. However, there might be a degree of indirect free will in such transfers since countries voluntarily join such organisations and sign treaties.

Finally, at the extreme end of the continuum are the coercive transfers, those made by *direct imposition*, when an actor is forced by another to adopt some policies. This was for example the case when the US wrote the Japanese Constitution after world war two.

Who are the actors involved in the process?

Bennett only considers two categories of actors who might be involved in a policy transfer, namely the elites and the activists. Dolowitz and Marsh however consider eleven categories of actors. These are: 1) *elected officials*; 2) *bureaucrats and civil servants*; 3) *policy entrepreneurs*; 4) *networks*; 5) *political parties*; 6) *pressure groups*; 7) *non-governmental organisations* (NGOs); 8) *corporations;* 9) *think tanks*; 10) *consultants;* and 11) *international organisations*.

Firstly, and mostly, they argue there are the *elected officials*, such as members of parliament, the heads of state or of government. Dolowitz and Marsh however are not precise in their analysis; it can be argued that this category of actors *de facto* implies a democratic regime with elections. *Elected officials* are the main decision-takers and, since “their values give direction to public policy and their endorsement is needed to legitimate the adoption of programmes”[180], the probability of implementing a policy without their consent is almost nil.

The second category is composed of *bureaucrats and civil servants* who have a significant impact on the transfer since they are usually responsible for designing and implementing policies. Dolowitz considers that “these groups are as important as politicians in the policy development stage and, more important, in the implementation stage”[181].

Rose also distinguishes these two categories of actors, *elected officials* and *bureaucrats*, by considering that “the articulation of desires is the legitimate domain of

[180] Rose, quoted in Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.17.
[181] Dolowitz David P., Learning from America: policy transfer and the development of the British workfare state, 1998, Sussex Academic Press, Brighton, p.17.

elected officials; the determination of what is possible is a primary concern of career officials and experts. The ideal programme is both practical and desirable"[182].

According to Dolowitz and Marsh a third group of actors includes the *policy entrepreneurs*. For Kingdon these are "people with an interest in a particular substantive area of policy and who are willing to invest their resources, time, energy, reputation and sometimes money, in the hope of a future return"[183]. *Policy entrepreneurs* have a large influence in the circulation of information among actors and countries. For Rose, policy entrepreneurs are significant actors in policy transfers because "their concern with a special subject… leads them to build up a nation-wide or international network of contacts that are a source of ideas for new programs"[184].

However Rose's definition of *policy entrepreneurs* elaborates and suggests that this category of actors has similarities with that of *networks*. *Networks* include three sub-categories of actors. *Policy networks*, that is "institutionalised relationships [developed] between government officials and broader societal interests within a specific policy domain"[185], play a predominant role in placing information on the governing agenda. *Advocacy coalitions* refer to a small number of groups which enter into strategic alliances based upon deeply shared values or 'fundamental ideological principles'"[186]. The third type of network is that of *epistemic communities*, a term coined by Haas when he wrote that "an epistemic community is a knowledge-based network of individuals with a claim to policy-relevant knowledge based upon common professional beliefs and standards of judgement, and common policy concerns"[187].

Political parties represent a fifth group of actors. These are usually searching for new successful policies to attract the electorate. Political parties can therefore be interested in transfers from other countries if it has a positive impact on the electorate.

Another group of actors which by definition has a significant impact on the transfer of policies is that of *pressure/interest groups*. Their sole aim is to influence decision-making processes to their advantage. *Non-governmental organisations*, like *pressure groups*, influence the decision-makers to their advantage. *National and multinational corporations* are a further group of actors whose influence is based on lobbying activities and the information they provide to policy-makers, often of self-interest.

A *Think tanks* is "an organisation engaged in research and the dissemination of research, specifically intended to influence public policy"[188]. *Think tanks* therefore have a significant role within the policy transfer process since their aim is to find new solutions to existing problems. Another group of actors is that of *consultants*. These are increasingly being asked for advice on the best policy to apply.

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[182] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.24.

[183] Kingdon, quoted in Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.17.

[184] Rose, quoted in Dolowitz David, Marsh David, Who learns what from whom: a review of the policy transfer literature, Political studies, vol 44, n°2, June 1996, Blackwell Publishers, London, p.345.

[185] Kingdon, quoted in Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.21.

[186] Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.21.

[187] Haas, quoted in Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.16.

[188] Dolowitz David P., Learning from America: policy transfer and the development of the British workfare state, 1998, Sussex Academic Press, Brighton, p.19.

Finally, the last group of actors is that of *international organisations*. Their influence is important through their contribution to the circulation of ideas and policies. For example, as pointed out by Rose, the European Community "promotes comparison" since each member state becomes aware of the policies implemented by the other member states. Moreover, some international organisations have a direct impact on policy transfers. As seen earlier, some organisations such as the IMF or the EU have the possibility of forcing a member state to adopt specific policies.

What is being transferred?

The third aspect of policy transfers within the Dolowitz and Marsh framework concerns the subject to be transferred.

Dolowitz identifies six categories of transferable subjects. As shown in Figure 6.1 above, these are: 1) *policies*; 2) *programmes*, 3) *attitudes / cultural values*; 4) *institutions*; 5) *ideologies* and 6) *negative lessons*. It can be seen that thinking on policy transfers concerns much more than simply the transfer of policy.

Firstly, actors can transfer *policies*. These are "broad statements of intention which represent the direction in which policy-makers wish to go"[189]. The actors may adopt the whole policy, or just transfer the policy goals, the contents or the instruments.

Secondly, *programmes* can also be the object of a transfer. Programmes are the means and actions used for the implementation of a policy. As defined by Rose, a programme is "an instrument of public policy, because it is a necessary means of achieving policy intentions. Whereas the intentions of politicians about prosperity and equality are often vague or diffuse, programmes are concrete and specific"[190].

Actors may also be interested in transferring the *institutional structures* which enable the implementation of a policy in another country. The fourth and fifth items, *ideologies* and *attitudes / cultural values* can be transferred from one system to another. When they are compatible, it is often more feasible to transfer a general ideology or an attitude towards a problem and, then, to try to find some specific solutions for its implementation, rather than attempting to transfer a whole or specific policy.

Lastly, actors can transfer *negative lessons*. This happens "when, drawing lessons, policy-makers explicitly decide to leave aspects of a policy from a foreign country out of the transferred model or deliberately implement a borrowed model differently"[191]. In other words, they learn from the mistakes of others so that they do not make them.

What is the source of the transfer?

The fourth aspect considered within the framework of Dolowitz and Marsh is the source of the transfer. The authors conclude that there are three principal levels of governance from which policies could be transferred.

Firstly, to find transferable policies, actors might look at the *local level* in their country or abroad. They might analyse what has been done by different regions or cities in order to find some lessons which can be applied at the national level. While not relevant to the supranational case, this is especially true in the case of federal states in which the federal government often learns from the actions of its states.

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[189] Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.23.
[190] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.6.
[191] Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.23.

The second level is the *national level*. Very often policy-makers look across the border to find successful policies which they might be able to transfer and adapt to their own country. As Rose points out, "it is easier to see similarities between the same policy area in different countries than to find similarities between social security and environmental or defence policies within a country"[192].

The last level is the *international level*. As was pointed out above, some international organisations have a strong impact on the spread of knowledge on policies and might even be in a situation to impose some on national, regional or local actors.

On top of these three levels, another source of inspiration for policy-makers transcends geographical barriers, that is the *past*. Indeed, policy-makers can look into the past of their nation, or that of other countries, to find policies which could be transferred and adapted to present times to answer present needs. However, although Dolowitz and Marsh consider that "when policy makers begin searching for lessons, their own country's past is the logical place to begin"[193], such a transfer can be as difficult as a trans-national transfer since the context and the environment will have evolved.

As highlighted by Rose, policy-makers have little time and scarce resources to reduce dissatisfaction. They therefore cannot afford to search everywhere for lessons, but need to focus on some specific sources, which often have a high degree of geographic and/or political proximity. Rose considers that five factors are relevant when selecting a country to learn from[194]: ideological compatibility; similarities in resources; psychological, not geographical proximity; availability of evidence; and interdependence.

What is the significance of the 'degree' of transfer?

Bennett considers it necessary "to distinguish clearly between *knowledge* of a foreign programme, *utilisation* of that knowledge, and the *adoption* of the same programme […] Utilisation is more than awareness; it implies a mobilisation of that knowledge to further some political aim"[195]. This shows that there are different degrees of policy transfers, which is the fifth element of the Dolowitz and Marsh framework. Indeed, a transfer might imply a complete transfer or a partial one. Rose identifies five different degrees of transfer which are copying, emulation, hybridisation, synthesis, and inspiration. Dolowitz and Marsh combine hybridisation and synthesis to make a single category, that of mixtures, and only consider four degrees of transfer.

Firstly, *copying* "occurs when one country adopts a programme previously used, or in use, elsewhere without making any change"[196]. *Emulation* rejects copying every detail of a policy but "accepts that a particular programme elsewhere provides the best standard for designing legislation at home, albeit requiring adaptation to take different national

[192] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.4.
[193] Dolowitz David, Marsh David, Who learns what from whom: a review of the policy transfer literature, Political studies, vol 44, n°2, June 1996, Blackwell Publishers, London, p. 351.
[194] Rose Richard, Ten steps in learning lessons from abroad, Future Governance Paper 1, Lessons from Comparative Public Policy, October 2001, University of Strathclyde, Strathclyde, p.7.
[195] Bennett Colin J., How states utilize foreign evidence, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.32.
[196] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.21.

circumstances into account"[197]. According to Bennett, "the word 'emulation' is often used in both senses: to denote both a desire to imitate, as well as to rival or excel"[198].

Mixtures "involve combining elements of policies and/or programmes found in two or more countries to develop a policy best suited to the emulator"[199]. Finally, *inspiration* is when actors simply look for ideas, new thoughts and procedures in other systems.

What is facilitating or constraining the transfer?

Many policy advisors consider that programmes are perfectly 'fungible'. In their view 'one size fits all', which leads them to expect that a programme successfully implemented in one country will work everywhere. Such a view is highly questionable since "public policies are concerned with actions of government, and every government is embedded in a specific context of territory, institutions and national history"[200]. Ten years before writing this Rose already considered that "lesson-drawing is contingent. One cannot borrow blindly or condemn blindly, for the success of a programme is affected by the specifics of context as well as generic attributes" and that "in cross-national lesson-drawing, some adaptation to take account of local circumstances will be necessary"[201].

Therefore, when considering the transfer of a policy or a programme, the framework suggests that actors need to consider a number of factors which might facilitate or endanger this process, depending on the context. Dolowitz regrouped these factors in seven categories (see Figure 6.1 above): 1) *policy complexity*, 2) *past policies*, 3) *local circumstances*, 4) *institutional constraints*, 5) *structural constraints*, 6) *past relations* and 7) *language*.

Firstly, there is the *complexity* of the policy which could be transferred. Obviously, the more complex is the policy, programme or institution, the more risks there are that the transfer would be unsuccessful.

Next, there are interactive effects caused by *past and existing policies* which might help or hinder the transfer of new policies. Indeed, as highlighted by Rose, "policy makers are inheritors before they are choosers; as a condition of taking office they swear to uphold the laws and programs that predecessors have set… new programmes cannot be constructed on green fields"[202].

A third category of factors is composed of *local circumstances* or *feasibility constraints*. Indeed, there are a number of factors which might hinder the process of policy transfer. These include dissimilarities in fiscal and economic resources, societal values, political ideologies, cultural proximity, and technological abilities.

The *institutional* and *structural* constraints are two other categories. The institutions of the systems concerned in the transfer have an impact on the process. If they are too different, there might be an extra difficulty for the successful transfer of the policy. Policy transfers might be influenced by whether the institutions are well organised, highly hierarchical and

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[197] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.21.

[198] Bennett Colin J., How states utilize foreign evidence, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.36.

[199] Dolowitz David and Marsh David in Minogue Martin, Polidano Charles, Hulme David, Beyond the new public management: changing ideas and practices in governance, 1998, Edward Elgar, Cheltenham, p.52.

[200] Rose Richard, When all other conditions are not equal: the context for drawing lessons, Studies in Public Policy n°366, 2002, University of Strathclyde, Strathclyde, p.3.

[201] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, pp.5 and 21.

[202] Rose, quoted in Dolowitz David, Marsh David, Who learns what from whom: a review of the policy transfer literature, Political studies, vol 44, n°2, June 1996, Blackwell Publishers, London, p.353.

centralised, or not. However, some authors, such as Rose, give lesser importance to this constraint. "Even though institutions are necessary, it does not follow that they are important… A new programme can usually be administered in more than one way; insofar as this is the case, one institution can be substituted for another"[203].

The relationship between the two systems concerned with the transfer also affects the process. As Minogue *et al* point out, "past or existing relationships can both help and prevent agents from looking to a different system or time for solutions"[204]. The last factor is *language*. Sharing the same language will promote communication and the spread of ideas between the actors, and thus facilitate the policy transfer.

What are the sources of information for the principal actors?

The seventh aspect of the Dolowitz and Marsh framework enumerates the sources of information available to the actors who are looking for policies to transfer to their national system[205]. There are three main sources, the principal one being the *media*, such as TV, radio, newspapers, and internet, which contribute to the spread of information throughout the world. The second source is composed of the *reports* written by the actors and others who study the foreign policies before considering their transfer to the national system. A third channel of information relates to *physical encounters* during meetings, conferences and visits.

What are the reasons for any failure of policy transfer?

The last characteristic studied within this framework is the four sets of reasons which might explain the failure or lack of positive success of a policy transfer. Firstly, every transfer is based on the hypothesis that a successful policy in one system will be as successful in another. Secondly, they argue that the actors interested in the transfer might not obtain all the information necessary to analyse the policy properly before transferring it. This case is called *unknowledgable transfer* in the Dolowitz and Marsh framework. Thirdly, there might be an *incomplete transfer* when "although transfer has occurred, crucial elements of what made the policy or institutional structure a success in the originating country may not be transferred, leading to failure"[206]. Finally, the transfer can be hindered when the actors do not take into account all the local circumstances and the environment of each system, leading to what proves to be an *inappropriate transfer*.

A FRAMEWORK TO ANALYSE PROSPECTIVE POLICY TRANSFER BETWEEN SUPRANATIONAL ASSOCIATIONS

The previous section has reviewed the literature on policy transfer. It is clear that Dolowitz and Marsh have developed the most comprehensive framework for analysing policy transfers. However, the literature is limited since it rarely considers prospective analyses, that is the circumstances under which a policy can be transferred. Rose emphasises the importance of prospective analyses:

[203] Dolowitz David, Marsh David, Who learns what from whom: a review of the policy transfer literature, Political studies, vol 44, n°2, June 1996, Blackwell Publishers, London, p. 355.
[204] Minogue Martin, Polidano Charles, Hulme David, Beyond the new public management: changing ideas and practices in governance, 1998, Edward Elgar, Cheltenham, p.54.
[205] See Figure 6.1.
[206] Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.34.

> "Most studies of comparative public policy are backward-looking, seeking to explain how different countries adopted particular programmes rather than indicating how one's own country can apply this knowledge to improve conditions in the future […] Whereas retrospective evaluation identifies failings that cannot be undone, prospective evaluation gives warning of what to avoid"[207].
>
> "Understanding what others do today is meant to improve conditions here in future"[208].

The study of prospective policy transfers can however be criticised because, whereas "retrospective evaluation has the scholarly advantage of basing conclusions on empirical evidence"[209], conclusions arrived at through prospective research cannot be tested or verified, since they are related to things which do not exist or which have not taken place yet. This criticism has been refuted by Rose. He considers that prospective evaluation is a valid scientific method because "it compares observable characteristics of an effective programme in one country with observable conditions in another"[210].

An element of speculation is nonetheless inevitable. Since a MRDF has not yet been introduced, testing the appropriateness of the suggestions under all circumstances is not yet possible. However, this speculation is "not unbounded as in purely speculative prescriptions"[211].

Supporting the views of Rose, the thesis is concerned with analysing under which circumstances lessons can successfully be transferred between two supranational associations such as the EU and Mercosur. The existing literature needs to be further developed to account for such prospective policy transfers. Three issues need to be taken into consideration while developing a framework for analysing prospective policy transfers between supranational associations.

Firstly, although it recognises that local or international actors can be the source of a policy transfer, the literature focuses principally on the national level. However, it is clear that supranational associations too have an interest in learning from the experience of others to consider what could successfully be implemented in their specific environment.

Secondly, the literature looks at policy transfers that have taken place. Although some authors recognise that "lesson-drawing differs fundamentally from conventional social science comparisons, which concentrate almost exclusively upon after the fact explanation"[212], most studies on policy transfers are retrospective. The literature mostly analyses, whether through a framework or through a specific case-study, why and how a policy transfer took place. In this research, the concern is to develop a framework for prospective policy transfers.

Thirdly, most authors do not analyse which factors of a prospective policy transfer are most likely to lead to a successful transfer.

It can be argued that, in spite of these three fundamental problems with current theories, the literature raises relevant points which can read across to prospective policy

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[207] Rose Richard, Ten steps in learning lessons from abroad, Future Governance Paper 1, Lessons from Comparative Public Policy, October 2001, University of Strathclyde, Strathclyde, pp.2 and 17.
[208] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.5.
[209] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.23.
[210] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.23.
[211] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.23.
[212] Rose Richard, What is lesson-drawing?, Journal of Public Policy II.1, 1991, Cambridge University Press, Belfast, p.8.

transfers. These can be used to determine under what circumstances supranational associations can learn from one another.

As Dolowitz and Marsh did in the case of the analysis of retrospective policy transfers, a framework analysing prospective policy transfers between supranational associations can be built around seven simple but crucial questions and issues (see Figure 6.3):

Which actors are involved in the transfer?

What type of transfer is it?

What could be transferred?

To what degree can the transfer be made?

What is the source of the transfer?

What factors would facilitate or limit the transfer?

What sources of information could be consulted?

Each of the seven issues of this framework are discussed in turn to determine the factors which might contribute to the success of the policy transfer between two supranational associations. The next section will then apply this framework to the specific case of transferring the EU regional development experience to Mercosur.

Figure 6.3. A framework for successful prospective policy transfers

	Higher probability of success	Lower probability of success	Higher probability of failure
Which actors are involved in the transfer?	Elected officials Bureaucrats / civil servants	Policy entrepreneurs Networks Political parties Pressure groups NGO Corporations Think tanks Consultants International organisations	
What type of transfer is it?	Lesson drawing Bounded rationality	Voluntary but driven by perceived necessity	Coercive transfers: Direct imposition Obligated transfers Transfers due to conditionality Transfers under international pressure
What could be transferred?	Ideology Policy goals Policy objectives Policy principles Attitude		Institutions Programmes
To what degree can the transfer be made?	Emulation Mixture Inspiration		Copying
What is the source of the transfer?	International	Local National Past	
What factors would facilitate or limit the transfer?	Strong political will Constraints for all actors: - Policy complexity - Past policies and relations - Institutional structures - Language Constraints specific to SA: - Differences inherent in the member states - Differences in the processes of integration		
What sources of information could be consulted?	Reports Physical encounters		Media

Which actors could be involved in the transfer?

In considering policy transfers between supranational associations and not states, it can be argued that some of the characteristics of the former imply that some of the categories of actors considered by Dolowitz and Marsh can be used, but that they need to be modified, in particular those of *elected officials*, *bureaucrats and civil servants* and *political parties*.

Firstly, in relation to the category of *elected officials*, it should be noted that, in general, the decision-makers in supranational associations are not directly elected representatives. For example, the deputies within the Mercosur Joint Parliamentary Committee are designated by the national Parliaments but not elected to this position by the population. The principal exception would be the European Members of Parliament who are directly elected by the population.

Secondly, not all supranational associations have *bureaucrats and civil servants*. Unlike the EU, some supranational associations have no supranational bureaucracy. In 2000, only 27 officials worked for the SAM[213], the only permanent Mercosur institution. The SAM officials being designated by the member states for a short period, none make a career as Mercosur bureaucrats.

A last category of actor which is slightly different in the case of policy transfers between supranational associations and not states is that of *political parties*. This is because at the time of writing there are no supranational political parties within supranational associations but national parties associated around common objectives. Therefore, although this category of actors might participate in the spread of information and in the policy transfers, it does not legally exist at the supranational level.

It should moreover be noted that each category of actors can be active at the supranational level or at the national level. For example, in the EU, policy transfers might involve EU *bureaucrats* as well as member state *bureaucrats*, the latter intervening either to raise the issue in the EU agenda through the national agenda, or during the implementation stage of the transferred policy.

In spite of these three minor considerations, it can be seen that the different categories of actors suggested by the Dolowitz and Marsh framework clearly read across to prospective supranational policy transfers.

The different actors can moreover be divided into two groups because they have different influences on a prospective policy transfer. The first group includes the *elected officials*, *bureaucrats and civil servants*, that is all the actors who will have a direct impact on the adoption and implementation of a policy, and without whose consent a policy cannot become operational. These are likely to ensure a higher probability of success to the policy transfer. In the specific case of policy transfers between supranational associations, this category of actors can in some cases be *de facto* similar to that of *international organisations*.

The second category includes all the other actors listed above[214], that is, the actors who can only orientate or indirectly influence a policy transfer. Arguably, none of the categories of actors would have a negative impact on the policy transfer since the policy transfer would arguably not be endangered by the participation of any of these actors.

What type of transfer would it be?

A second aspect concerns the degree of force with which the transfer is made. Referring to what Dolowitz and Marsh consider as the reasons for which a transfer is undertaken, it is very unlikely that a policy transfer between supranational associations would have a coercive dimension, or that it would be successful if it was coercive.

A policy transfer would unlikely to be a *direct imposition*, since hitherto no supranational association has coercive power over another SA. The transfer could theoretically be an *obligated transfer*, a *transfer due to conditionality*, or a transfer under *international pressure* if the supranational associations had signed treaties necessitating such transfers. However, these too can be argued to be unlikely occurrences.

Therefore, voluntary policy transfers are most likely to be the case and will have a greater probability of success. Such transfers could be *driven by perceived necessity*, if the

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[213] GMC Resolution nº92/00. For more details on the Mercosur Administrative Secretariat (SAM) see Chapter 3.

[214] See the first section of Chapter 6.

actors of one supranational association feel less competitive. Transfers could also be the result of rational choices, whether purely rational, as in *lesson drawing*, or *bounded by rationality*.

What could be transferred?

It can be argued that the six categories of transferable subjects defined by Dolowitz and Marsh also apply to the analysis of prospective policy transfers between supranational associations. Among these however the category of *negative lessons* can be discarded since each of the other categories can be a source of transfer, whether positive or negative lessons are learnt. It seems to be more a category transcending the others rather than one to be considered on its own.

Programmes and *institutions* are two categories of subjects which it can be argued are difficult to transfer since they are often very specific to the context of one supranational association. Arguably, it is *policies*, *attitudes and cultural values*, and *ideologies* that can be successfully transferred between supranational associations, particularly when other conditions for successful transfers are met.

To what degree could the transfer be made?

The different degrees of transfers established by Dolowitz and Marsh and discussed above can also be applied to the analysis of prospective transfers between supranational associations, since the degrees of transfer are similar whether the transfer takes place between states or supranational associations. However, some aspects will contribute more to a successful transfer than others.

If the transfer is based upon *copying*, one supranational association will adopt a policy or a programme implemented in another without modifying it. Such transfers will *de facto* have a lesser probability of success because of the different contexts of each supranational association. It might be more successful to consider these differences and to adopt a policy after having adapted it according to the specificities of the supranational association adopting it, a procedure called *emulation*.

A *mixture* could be successful since the transfer aims at designing the best policy considering policies implemented in other supranational associations. Finally, *inspiration* can arguably be the most successful type of transfer since actors only look for ideas, and combine these ideas and the constraints related to their specific environment to develop their policies. *Inspiration* is therefore the most flexible type of policy transfer.

What could be the source of the transfer?

Similarly to the Dolowitz and Marsh framework, actors can look at *local*, *national*, *international* and *past* sources to find lessons to transfer to a supranational association.

Local and *national* sources might however prove to be problematic due to the fundamental differences which exist between a supranational association on one hand, and a state or a city on the other hand. A policy transfer might in such cases be very difficult. Transfers from an *international* source, that is from one supranational association to another will have a higher probability of success since they have similar characteristics. The *past* can also be a source for a transfer to a supranational association, although many are too recent to have a past from which they can learn.

What factors could facilitate or limit the transfer?

In addition to the constraints usually discussed in the literature when considering retrospective policy transfers, such as policy complexity, past policies and relations, local circumstances, institutional structures and language, some constraints are specific to prospective policy transfers.

The most crucial constraint is the existence of a will to undertake a policy transfer. Indeed, it is clear that if the key actors do not wish to undertake the policy transfer it is very unlikely that it will succeed. It is therefore not so much a constraint as a *sine qua non* condition.

In addition, there are two key sets of constraints which are specific to prospective policy transfers between supranational associations. These are firstly conditions which are inherent in the member states, such as geography, demography or economy. Secondly, there are conditions which relate to the differences existing in the two processes of regional integration, such as the reasons for integrating, the organisational arrangements or the financial means.

The list of these constraints depends on the supranational associations considered and the subject transferred. For example, transport infrastructure might not be a constraint when considering the transfer of an institutional structure.

What sources of information could be consulted?

The three sources proposed by Dolowitz and Marsh, that is *media*, *reports* and *physical encounters*, could be potential sources of information for policy transfers between supranational associations. Arguably, *media* would be the less trustworthy source since it would not imply in depth analysis of the policy or of the different contexts before the transfer. Therefore, a transfer based only on *media* would probably fail.

APPLYING THE FRAMEWORK TO THE TRANSFER OF THE EU REGIONAL DEVELOPMENT EXPERIENCE TO MERCOSUR

The previous section has designed a theoretical framework to analyse prospective policy transfers between supranational associations. It is possible in this third section to apply this framework to the specific case of transferring the EU experience in regional development funds to Mercosur. The seven crucial issues of the framework are discussed in turn.

Which actors are involved in the transfer?

In considering the specific case of Mercosur successfully learning from the EU experience, it is evident that the major actors to be involved in the transfer should be the *elected officials* and *bureaucrats/civil servants* since without their consent no transfer can be achieved. However, other actors can participate in the transfer to defend their views and develop new original perspectives on the transfer.

What type of transfer is it?

It is very unlikely that a transfer from the EU to Mercosur could be of a coercive nature. It cannot be an *obligated transfer*, the EU and Mercosur not having signed any treaty which would obligate either on issues related to regional development. It cannot be categorised as a *transfer due to conditionality*, since Mercosur faces no legal conditions related to regional development as imposed by the IMF or any similar organisation. Finally, there is no *international pressure*, either economic or political which would force Mercosur to adopt common regional development policies borrowing from the EU experience.

Arguably, the policy transfer could be categorised as *voluntary but driven by perceived necessity*, although the *necessity* would not be of international origin, as Dolowitz and Marsh suggest, but of local origin since policy makers would engage in a policy transfer to reduce their regional disparities. It is thus arguably more probable that Mercosur actors willingly choose policy transfer as a relatively rational answer to their needs. The EU-Mercosur policy transfer would then be categorised as *lesson drawing* (whether entirely rational or of *bounded rationality*).

What could be transferred?

Given the significant institutional differences existing between the EU and Mercosur, which have been described in Chapter 3, it seems highly improbable that Mercosur, if it wanted, could successfully learn from the EU regional development *institutions*. Indeed, EU institutions have reached a level of bureaucratic sophistication and independence that Mercosur members reject in the current context.

EU *programmes*[215] are also unlikely to be successfully transferred since they were designed to suit the specific context of the EU. This is very different from the Mercosur context and it seems highly improbable that Mercosur could find inspiration in the details of EU *programmes*.

Therefore, three subjects can be transferred from the EU to Mercosur. these, it can be argued, have a higher probability of contributing to a successful transfer of policy. First is the EU *ideology* which underpins its regional development policies. Second is the EU *policies*, which, as mentioned above, are "broad statements of intention which represent the direction in which policy-makers wish to go"[216]. It can be seen that, for a policy to be successfully transferred, the actors should consider as key points the policy goals and objectives, and not the specific means and contents. EU *attitude* towards regional development could also be considered as transferable to Mercosur.

It is indeed arguably easier to transfer aspirations and fundamental orientations rather than specific technical instruments. Mercosur in this sense could learn from the *policy principles* of EU regional development and adapt them to the specific Mercosur context. It would then be possible for Mercosur to create specific instruments to reach these objectives taking account of local circumstances.

To what degree can the transfer be made?

It can be argued that, given the significant differences which exist between the EU and Mercosur, a transfer based on *copying* would very likely be unsuccessful. Mercosur actors could base their regional development policies upon the EU model, without necessarily copying each and every technical detail. This *emulation*, could be successful since it leaves a margin to adapt the lessons learned according to the Mercosur specificities.

Given the disparities relating to core aspects of Mercosur and the EU, it arguably could be more relevant, and therefore successful, for Mercosur decision makers to look for new ideas, new frameworks and new procedures and thus take *inspiration* from the EU to develop their own specific instruments.

Although it is not central to the thesis, it can be argued that Mercosur actors can also make a *mixture* and learn from the experience of the CAF and the Fonplata[217] which operate in similar conditions to those of Mercosur. Therefore, it can be argued that for the Mercosur approach to be the most successful, it can principally take *inspiration* from the EU but also from similar experiences, namely those of the CAF and of the Fonplata.

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[215] The term 'programme' refers to the Dolowitz and Marsh framework, not to the EU programmes which are a specific aspect of the EU regional development policy and which are discussed further below in Chapter 7.
[216] Dolowitz David P., Policy transfer and British social policy, 2000, Open University Press, Buckingham, p.23.
[217] See Chapter 5 for more information on the CAF and the Fonplata.

What is the source of the transfer?

Since this thesis concerns a policy transfer from the EU to Mercosur, two actors of *international* status, *local* and *national* sources are *de facto* not relevant. The *past* cannot be a source for policy transfers since Mercosur has been set up too recently to have accumulated any experience on this specific policy approach. It could however be argued that Mercosur could look at the past of the EU experience for lessons.

What factors would facilitate or limit the transfer?

As established in the framework, the *sine qua non* condition for Mercosur to learn from the EU is the existence of a political will. In addition to this, other factors might have an influence, such as the complexity of the EU regional development policies or past relations between the EU and Mercosur. This sub-section focuses on the factors which are specific to policy transfers between these two supranational associations, that is the differences which are inherent in the member states and in the processes of integration. These differences are presented in summary form in Figure 6.5 at the end of the sub-section.

Differences inherent in the member states

Physical and natural characteristics

A first essential difference that exists between the Mercosur member states and the EU members relates to the physical characteristics of their territories. It is important to take this variable into account since a MRDF can in some respects offset the economic disadvantages that can result from peripherality or for example from the adverse effects of mountainous or desert terrain.

The EU is composed of fifteen countries which cover approximately 3.2 million km². In spite of its territorial scale, this territory is fairly homogeneous and principally composed of densely populated plains. The exceptions are a few relatively small mountain ranges[218] and the scarcely populated north of the Scandinavian countries. The overall temperate climate across Europe allows for a wide variety of agricultural production. This diverse physical geography is taken into account within the European structural funds. Objective 6[219], for example, was created especially to accommodate the development and structural adjustment of regions with low population density, that is less than 8 persons per km² [220].

Compared to the EU, Mercosur covers a much larger territory of 12.9 million km², or of 14.7 million km² when the two associate members are included, which is equivalent to more than four times that of the EU. Moreover, Mercosur is a land of contrasts. The territory comprises large plains such as the Argentinian pampas, as well as the Andes, a mountain range separating Argentina from Chile, which stretches for more than 8,000 km and peaks at almost 7,000 m. Mercosur territory also includes the vast Amazon forest, as well as a desert arctic region in the south of Argentina. As a consequence of this variety of difficult geographical conditions, large parts of the territory are scarcely populated. Meteorologically speaking, the situation is also very varied, ranging from the cold of the arctic to desert-like conditions, and from temperate to tropical climates. In short, the design and operational aspects of a MRDF could be largely affected by the need to overcome adverse or difficult geographical conditions.

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[218] The Alps, for example, stretch for more than a 1,000 km and peak at 4,807 m above sea level.
[219] As detailed in the fifth section of Chapter 7, EU structural funds are allocated according to geographical 'Objectives'.
[220] Regulation 2081/93.

Transportation infrastructure

There is also a difference between Mercosur and the EU when it comes to transportation infrastructure. EU countries and regions are linked in a considerable number of ways through vast and sophisticated road, rail, air, sea and telecommunications networks, which allow for the easy, fast and relatively cheap transportation of goods, people and information.

As the analysis of the Mercosur road network demonstrated in Chapter 4, the situation is much more heterogeneous in Mercosur. Some Mercosur regions have a dense transportation network, comparable to European standards. Most Mercosur regions, however, lag behind with very poor infrastructure. This can be explained partly through the lack of financial means, but it is also a consequence of difficult physical or climatic conditions, often coupled with sparse population. A MRDF would need to take account of these disparate and difficult circumstances in as much as the capital costs of building appropriate transportation networks will be considerable and demanding.

Demographic structures

A third dissimilarity which exists between EU states and Mercosur members and which has an impact on regional development concerns their demographic structures.

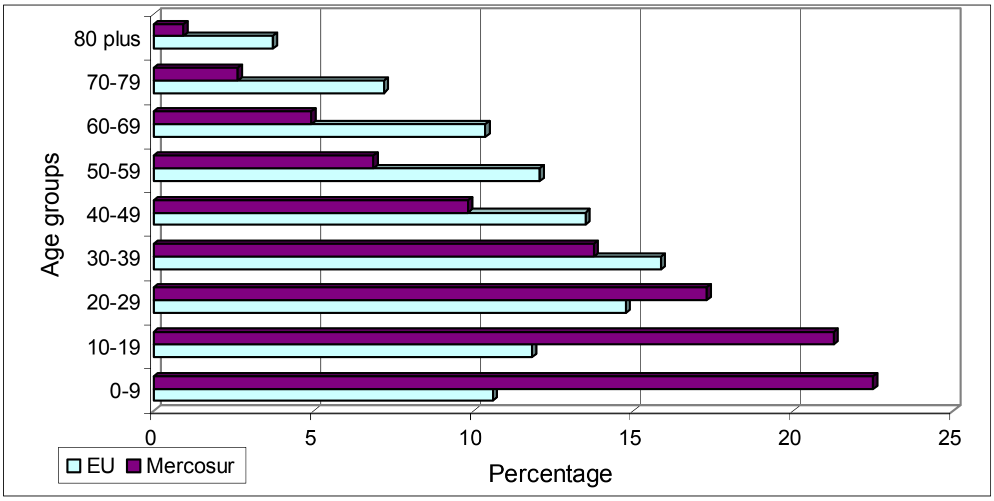
As Table 6.1 and Figure 6.3 show, the population of Mercosur is much younger than that of the European Union. Young people (0 to 19 years old) represent two fifths of the Mercosur population, which is twice the percentage of young people in the EU population. The EU population comprises four times as many over 80 year olds as Mercosur. Whereas the '0-19s' are five times more present than the 'over 60s' in Mercosur (44% against 9%), they represent about the same share of population within the EU (respectively 22% and 21%)[221].

Table 6.1. Age groups as a percentage of the population in Mercosur and in the EU

Age groups	Argentina	Brazil	Paraguay	Uruguay	**Mercosur**	**EU**
0-19	38.53	44.96	51.63	33.59	**43.80**	**22.45**
20-39	28.23	31.83	29.74	28.40	**31.10**	**30.65**
40-59	20.05	15.91	13.45	21.02	**16.70**	**25.59**
60-79	11.64	6.53	4.62	14.53	**7.56**	**17.57**
80 and more	1.55	0.77	0.56	2.45	**0.94**	**3.74**

221 Data in the table and the figure were downloaded in 2002 from the national institutes of statistics of the Mercosur states and from Eurostat (see Appendix A2 for the address of the websites). The data for Mercosur were compiled from 1991 statistics for Brazil, and 1995 data for the three other countries. 1997 data for the EU.

Figure 6.4. Age groups as a percentage of the population in Mercosur and in the EU



Demography has a significant impact on regional development since different age groups contribute differently to the economy and require different types of public services. Generally speaking, the working population covers the age group 15 to 65 years old. The other age groups are rarely economically productive and are often costly in terms of public provision of education and health.

Given the difference in the demographic structures of each supranational association, it can be argued that their populations require different types of economic and social policy responses. This also holds true for regional development funds if the competencies extend to such social issues. With a younger population, Mercosur arguably needs to focus on education and training for young people. Within the EU, because of its ageing population, there is a need to provide good structures for health and care for the elderly.

In this case, the demographic differences will be reflected in the policy objectives of a MRDF. Because of the younger age profile of the Mercosur population, if the MRDF is designed to give priority to social projects, it may seem more appropriate to support actions that favour young people.

Economic context

A fourth difference existing between Mercosur and EU members relates to their economic situations. Whereas the EU is largely composed of industrialised and fully developed countries (although some quite wide disparities of development exist among these states), Mercosur is composed of developing countries with emerging economies. To highlight this, it is possible to consider the 1999 Gross National Income (GNI) classification established by the World Bank. As shown by Table 6.2, out of more than 200 countries considered whose GNI has been assessed, the fifteen EU member states were ranked from 1st rank (Luxembourg) to 49th (Portugal). In this same classification, the highest placed Mercosur member is Argentina in 58th position, and the least well performing state is Bolivia at 134th position. In this analysis, countries are defined as 'middle income countries' when they have a GNI per capita of under 1,980 US$. Consequently, Paraguay and Bolivia are the only Mercosur states under this threshold.

Table 6.2. World Bank classification of countries by GNI per capita in 1999[222]

Rank	Country	GNI/capita	Rank	Country	GNI/capita
1	Luxembourg	42,930	29	Italy	20,170
6	Denmark	32,060	39	Spain	14,800
12	Sweden	26,750	46	Greece	12,110
13	Germany	25,620	49	Portugal	11,030
14	Austria	25,430	*58*	*Argentina*	*7,550*
16	Netherlands	25,140	*64*	*Uruguay*	*6,220*
17	Finland	24,730	*70*	*Chile*	*4,630*
18	Belgium	24,650	*73*	*Brazil*	*4,350*
21	France	24,170	*116*	*Paraguay*	*1,560*
23	United Kingdom	23,590	*134*	*Bolivia*	*990*
24	Ireland	21,470	207	Ethiopia	100

A further economic difficulty related to the potential adoption of a MRDF lies in the conflicting economic policies adopted by Argentina and Brazil, Mercosur's two largest members. Authors such as Phillips consider that "the divergence between member countries for much of the late 1990s was far more pronounced than convergence. Key differences in economic structures and policy orientations (notwithstanding a general commitment to an economic development model which privileges open markets) generated significant tensions between Argentina and Brazil especially, not only on immediate policy issues but also on visions of the future of the regional project"[223].

While Argentina has a far more liberalised economy, Brazil has adopted a more interventionist approach to industrial policy and protects its national markets from outside competition. "Traditionally Brazil has adopted policies which are more industrialist and more endogenous than has Argentina, which became extremely obvious during the presidency of Dr. Menem. These last few years Argentina has followed a policy of unconditional opening of the economy, of privatisation conducted with extraordinary speed and questionable care"[224].

Given this contrasting economic environment, the task of establishing and running a MRDF is likely to prove more problematic than in the present EU, where economic policies have been greatly harmonised by fifty years of integration. There is therefore more to do to improve the economic situation of these developing countries, but less resources to finance projects.

Differences in the processes of integration

In addition to the differences inherent in the member states which have been discussed above, there is a second series of six constraints which might influence the policy transfer between the EU and Mercosur. These six constraints are related to the differences in the process of integration.

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[222] World Bank classification made according to the atlas method, available on its website. Mercosur countries are indicated in italics. Ethiopia is included in the classification to show the country with the lowest GNI per capita according to this classification.

[223] Phillips Nicola, Governance after the financial crisis: South American perspectives on the reformulation of regionalism, 2000, New Political Economy, vol. 5, n°3, Carfax Publishing, Philadelphia, p. 392.

[224] Sociedad Internacional para el Desarrollo, Mercosur, una estrategia de desarrollo: nuevas miradas desde la economía y la política, 2000, Ediciones Trilce, Uruguay, p.41. Personal translation.

Reasons for undertaking regional integration

The first key difference between Mercosur and the EU which needs to be taken into account relates to the fact that these two processes of economic integration have been undertaken for slightly different reasons.

Underlying the post 1945 process of integration in Europe were a number of economic and political factors. There was obviously a fundamental economic stimulus, since integration started with the creation of a common market for coal and steel. The original EU member states aimed to stimulate their economic growth by creating a favourable environment for the development of their heavy industries. In his declaration of May 1950 which initiated the process of integration, the French Foreign Minister Robert Schuman also left the door open for other sectors of production to be included within this common market[225].

European integration was also essentially a political phenomenon. The EU founders had always seen the process as preventing any new war taking place among the member states. Peace in Europe post 1945 was to be consolidated by creating common sets of political and economic interests and by developing tight-knit and mutually reinforcing interdependencies between member states. More practically, it was also hoped that by integrating industrial processes across national frontiers no single state could independently prepare itself to wage war. In the early years of the process of integration, these political motives were certainly the engine of European construction, the memory of the 1914-1918 and 1939-1945 conflicts hanging like a sword of Damocles over the heads of European leaders. Indeed, according to Alan Winters, "European integration was essentially a political and ideological phenomenon. It was driven not by the careful calculation of economic costs and benefits, but by a grand vision that had fortunate economic side effects"[226].

In the case of Mercosur, there were similarly both economic and political reasons behind the process of integration. As with the EU, the Mercosur integration began with limited cooperation agreements targeted on a few specific economic sectors before cooperation was extended to the whole of the Mercosur economy. After the lack of success of the economic models adopted over the last four decades, such as the import substitution model of development, Mercosur policy-makers hoped that economic integration could be the solution to the need for improvements in economic growth.

This economic aspect of integration went hand in hand with a triple political objective. Firstly, it was hoped that integration would contribute to bringing member states closer together by overcoming historic tensions between the two regional powers, Argentina and Brazil. Secondly, the integration of the member states also aimed to reinforce their position on the international scene so as to create a counterweight to the US on the Latin American continent. Thirdly, integration could serve to guarantee and protect the democratic processes newly revived after years of dictatorship. To this end, the Presidents of the four Mercosur members and two associate states signed on 24th of July 1998 the Ushuaia Protocol of democratic compromise. This Protocol stated that democratic institutions were an essential condition of participation in Mercosur and that the 'rupture' of the democratic order in any Mercosur member state would be penalised to the extent of the possible exclusion of the state concerned. The Protocol was put to the test in 2000 with the attempted military coup in Paraguay. At this time of political crisis the Mercosur member state presidents supported the Paraguayan government and threatened to expel Paraguay from Mercosur if a military dictatorship was established.

[225] See the second section of Chapter 3.

[226] Alan Winters, What can European experience teach Latin America about integration?, 1997, Working Paper n°215, May 1997, IDB, Washington DC, p.3.

The fear of war, which strongly motivated the European construction, being largely absent from the Mercosur process, can partly explain the difficulties that Mercosur had to overcome in the situation caused by the recent economic crises (between 1999 to the time of writing). Indeed, because the Mercosur integration process lacks this significant factor, Mercosur members in periods of economic crisis are tempted to look for any possible solution, even if it is at the cost of regression in the process of integration. This was recently the case in April 2001 with Argentina adopting trade measures which contradicted the Mercosur advances.

In the early days of the EU, economic difficulties were overcome due to the fact that the founding states could see a common interest. However, the main drive was to protect the advances of integration since it was considered as a guarantee of peace. This motivation lacking within Mercosur, the implementation of a MRDF may be difficult. There is indeed the risk that, at every obstacle arising, Mercosur member states may be tempted to abandon the project of a common approach to resort to self-interested national policies.

Different approaches to regional integration

Not only did the Mercosur and the EU integration processes begin due to different reasons, but their approach to regional integration were and are almost diametrically opposed.

Since the inception of the European integration process, the founding member states have aimed to create a broad policy base. European integration has been intended to encompass not only economic issues, but also social, educational, cultural, health, foreign affairs and institutional issues. The integration across Europe of such a diverse and wide-ranging political agenda, implies transferring political competencies to a common set of institutions. Within the EU, given the number of members and the range of policies being tackled, member states agreed in the 1986 Single European Act to have most decisions adopted by a majority rather than a unanimous vote. This implies that a state can be obliged to adopt a policy it disagrees with.

In contrast to this, when Mercosur states began their process of integration, they opted from the start for an intergovernmental system of decision-making. This intergovernmental approach has always implied that each state maintains its full sovereignty on all matters. Most economic issues are handled in common but decisions are adopted unanimously and each Mercosur state retains a power of veto. Mercosur has concentrated its attention essentially on the economic domain and the creation of a common market. In other words, with some minor exceptions, the Mercosur policy agenda is more limited than that of the EU.

In spite of these different approaches to integration, they both share one goal, that is the creation of a common economic market among member states. However, Mercosur and the EU have not reached the same level of integration[227]. On the one hand, the EU can be described as a 'common market' which, over recent years, is progressing towards a more extensive form of integration, the 'economic union', with the creation of the European Central Bank, the advent of the Euro and so on. On the other hand, Mercosur is a far more recent phenomenon and is still struggling to complete its free trade area.

This difference in approach is reflected in the experience of Mercosur as it faces the challenge to design and implement a MRDF. Since for the time being Mercosur members are essentially focused on broad macroeconomic issues, they do not consider the creation of a MRDF as a high priority, especially if such approach was to focus on non-economic aspects of development. Moreover, if the intergovernmental system of decision-making were to also

[227] See the second section of Chapter 2 for more details on the different stages of regional integration.

apply to this Mercosur Regional Development Fund, it would reduce its field of action and its operational independence from member states.

Organisational arrangements

The third circumstance to take into account in comparing the EU and Mercosur follows on from the preceding point and is related to the question of organisational arrangements.

Given the breadth and depth of policy areas for which the EU is responsible, its member states have given the process of integration a relatively robust set of organisational arrangements in the form of common institutions able to conceive, discuss and deliver policy ambitions[228]. Consequently, the EU has developed over time a relatively capable executive (the Commission) and a democratic entity (the European Parliament). Other EU institutions, such as the Court of Justice and the Committee of the Regions, have their own body of permanent public servants. This institutional permanence and the quasi-independent way in which these institutions recruit staff strengthens their ability to act in the interests of the EU as opposed to those of individual member states.

The European Commission alone employs some 20,000 people[229]. The Commission has often been criticised for employing too many people, but the size of this administration has to be considered in the light of the tasks with which it has been entrusted. For the purpose of comparison, the Commission employs fewer people than the City of Paris.

Having opted for an intergovernmental approach, Mercosur countries have felt less inclined to institutionalise the process of integration to the same degree as the EU. In the spirit of Mercosur integration, the different representatives of the member states meet periodically to discuss and define the main guidelines and policies. There is no necessity for a supranational institution as such and the only permanent institution is the Administrative Secretariat (SAM). The SAM, with a small operational budget and a staff of some thirty people, has no power of decision-making since its sole objective is to organise and service the intergovernmental meetings[230].

Other Mercosur bodies are composed of temporary representatives designated by each state, and drawn from many levels, from President and Ministers to technicians, who meet periodically. Likewise, the Parliamentary Committee is composed of nationally elected deputies designated by national parliaments. Moreover, there is no permanent Court of Justice. The conflict solving happens on an 'as and when' basis with ad-hoc judges[231]. Since there are no permanent independent public servants, all staff assigned to Mercosur bodies and committees are drawn directly from each member state's civil service.

Arguably, in order to ensure independent and transparent decision-making, a MRDF requires its own non-partisan staffing arrangements. Appointing decision-makers of this Fund drawn directly from each national civil services would arguably not allow for a strategic common MRDF but would serve only to defend national interests. Were Mercosur member states to establish a permanent and independent structure for the management of the Fund, this would be a considerable challenge to the existing sets of Mercosur organisational arrangements.

[228] See the second section of Chapter 3.
[229] About a third of them work for translation services because of the eleven official languages of the EU.
[230] See the third section of Chapter 3.
[231] See the third section of Chapter 3.

Decision-making competencies and procedures

A fourth distinction which exists between the EU and Mercosur is related to the normative competence of the common institutions of these two processes of regional integration. Differences in approach appear at three levels; the fields of responsibility of the common authorities; the separation of powers among the institutions; and the application of common norms within national legislation.

It follows from the differences which have been previously highlighted that the common institutions do not have the same range of competence. On the one hand, EU institutions have some legally based competence in all policy areas where the EU plays a role. On the other hand, Mercosur institutions are currently only able to intervene in the economic policy area and have some limited involvement in related areas such as transport, energy and health. In this current context it is difficult to see where the remit for a MRDF would fit.

Within Mercosur, the only body having some degree of decisional power is the Mercosur Council (CMC). The Council can adopt Decisions which are mandatory for all members. All the other institutions either have consultative status or only have a right of initiative (for example, the Common Market Group which can propose policies to the CMC which then takes the final decision). Within the EU, the decision-making power is shared between the Council of Ministers, which adopts EU Decisions; the European Commission which can initiate policy discussions and is responsible for the execution of common policy decisions; and the European Parliament, which oversees the work of the executive and, depending on the fields of competence, has either a consultative or a co-decision role with the Council of Ministers.

The final difference in regard to decision-making procedures between the EU and Mercosur is related to the implementation of common rules within national legislative systems. All the rules and regulations adopted by the EU are directly and automatically transposed and enforced within the framework of national legislation. European rules and regulations are consequently hierarchically superior to those agreed within national legislation. When the EU adopts a law which 'contradicts' existing national laws, the former takes precedence over the latter.

The situation is somewhat different within Mercosur. The decisions adopted by the CMC are mandatory for all members, but these decisions need to be transposed by each member state into its national legislative structure before they are recognised by the SAM and come into effect[232]. This procedure, which is not automatic as it is in the EU, can therefore take a long time and is highly dependent on each national political context. Differing national contexts and priorities can and do affect the debate about, and application of, Mercosur rules.

The lack of direct enforcement of Mercosur norms within national legislation could make the creation and operational aspects of a MRDF extremely difficult since an individual state could delay or even block the decision-making process and the financing of projects.

Financial means

A fifth difference, which is essential to note in regard to the eventual creation of a MRDF, relates to the financial aspect. Since 1970, EU institutions have been accorded with their own resources and are financially independent from the member states. These revenues come from customs, agricultural contributions[233], a percentage of the Value Added Tax in

[232] Article 40 of the Ouro Prêto Protocol.
[233] Agricultural contributions are the difference between national and international agricultural prices that needs to be paid by an importer of world agricultural products.

each member state, and since 1988, a percentage of the GDP of each state[234]. This EU budget is drawn up by the Commission and is agreed by the European Parliament and the Council[235].

The situation is completely different within Mercosur. Its institutions do not have their own revenue stream and have little power to decide overall budget matters. Moreover, compared to the EU budget in 2001 of 96 billion Euros, that of the Mercosur is a financial 'dwarf', with the total operational budget of the SAM amounting to approximately one million Euros[236].

This lack of financial means has a direct and obvious impact on the evolution of a MRDF. Under the present budget situation, Mercosur is not in a position to finance the establishment of such a Fund. If Mercosur members were to move to create a financial instrument for regional development, they will need to devote more financial resources to common institutions.

Capabilities in 'economic intelligence'

A prerequisite to effective regional development policy-making is current and robust data on social and economic performance. Without precise statistical knowledge at the regional level, it is difficult, not to say impossible, to analyse the economic performance and hence the policy requirements of the regions. *Ex ante* evaluation of the impact of policy and programmes also relies on good data.

To deal with this problem, EU countries have created the European Office for Statistics (Eurostat) in order to harmonise and improve their statistical knowledge of the EU. One of the first tasks of Eurostat was to harmonise the definition and the calculation of statistical indicators in order to enable meaningful comparisons of data between the EU members. Another objective was the creation of comparable local and regional data sets through the creation of the Nomenclature of Statistical Territorial Units (NUTS)[237]. Through the work of Eurostat, the EU has set in place relatively good and precise statistical tools offering data from local to supranational level which can assist policy-making.

In 1835, the Chilean Andres Bello considered that "to improve the lot of the people, the first step is to know it thoroughly and, unfortunately, we lack statistical data!"[238]. As evident from Chapter 4, some 165 years later the statistical lacuna is still present in all Mercosur countries and indeed each is still struggling to establish their own statistical systems at a local level. Moreover, social and economic data are not yet harmonised among the Mercosur member states. Because of these limitations, it is naturally difficult for policy-makers to determine the requirements of regions, and consequently to adopt appropriate policies.

In considering the establishment of a MRDF, it clearly would be crucial for Mercosur to harmonise its statistical tools and to develop a comprehensive and comparable understanding of regional performance. Without this, the task of identifying priorities, designing appropriate policy and evaluating policy interventions will remain extremely problematic.

[234] These independent revenues were provided for by art.201 of the Treaty of Rome, but were only defined by a decision of the Council of the 21st of April 1970.
[235] Art. 203 of the Treaty of Maastricht.
[236] GMC Resolution nº01/02.
[237] For more details refer to Chapter 2.
[238] Personal translation. Original sentence: "Para mejorar la suerte del pueblo, el primer paso es conocerlo a fondo y, por desgracia, carecemos de datos estadísticos!".

To conclude this sub-section on the constraints which might exist in transferring the EU experience to Mercosur, Figure 6.5 synthesises the key contextual differences there are between the EU and Mercosur.

Figure 6.5. Key differences to be taken into account when considering the transfer of policies between the EU and Mercosur

		European Union	Mercosur
Differences inherent in states	1) Physical and natural characteristics	Land area of 3.2 million km² Homogeneous territory Temperate climate	Land area of 14.7 million km² (including Chile and Bolivia) Land of significant physical and climatic variation
	2) Transport	High level of infrastructure provision	Low level of infrastructure
	3) Demographic structures	Ageing population	Predominantly younger population
	4) Economic contexts	15 fully industrialised and developed countries	4 (or 6) developing countries with emerging economies
Differences in the processes of integration	1) Reasons for integrating	Economic integration Prevention of wars	Economic integration to facilitate development Stabilise democracy, counterweight to US
	2) Approach to regional integration	Create a common market covering a wide range of policies managed by common institutions	Create a common market through inter-governmental relations in a limited number of policy areas related to the economy
	3) Organisational arrangements	Permanent supranational institutions, having their own independent bureaucracies	Few non permanent common institutions composed of temporarily designated officials
	4) Decision-making competencies and procedures	EU institutions competent for a considerable number of policy areas EU decisional power shared between the Council of Ministers, the Commission, and the Parliament EU norms directly and automatically enforced in member states	Mercosur institutions competent principally for economic and trade related policies only The Mercosur Council (CMC) is the only institution with decisional power Mercosur norms are mandatory, but need to be transposed by each member in its legislation. Much greater room for local interpretation of norms
	5) Financial means	Own independent financial resources Budget: about 96 billion Euros (2001)	No independent revenues Budget: about 1 million Euros
	6) Capabilities in 'economic intelligence'	Developed and harmonised statistics at all levels (local, regional, national)	Lack of comprehensive data within each state, no harmonisation of data gathering and interpretation between member states

What sources of information could be consulted?

In the case studied within the thesis, *media* is an unlikely source for a policy transfer from the EU to Mercosur. Indeed, regional development policies being very technical issues, it is improbable that reliable details related to such policies and programmes could be encountered in the *media*. *Reports* are arguably an important potential source since they can lead to precise and specific analyses of the characteristics and implications of the policies to be transferred. It is also clearly crucial to organise *physical encounters* to allow Mercosur officials to meet EU counterparts and benefit from their first-hand knowledge and experience.

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This chapter has shown that the existing literature on policy transfers is very recent and still limited. Moreover, hitherto the literature is focused on analysing the characteristics of policies which have already been transferred between states. It is however possible to adapt this literature, and principally the works of Dolowitz and Marsh, to develop a framework for analysing prospective policy transfers between supranational associations, that is a framework accounting for the circumstances under which a policy might successfully be transferred between two supranational associations.

According to this prospective policy transfer framework, a transfer of the EU experience in regional development funds to Mercosur is justifiable. For this transfer to have a higher probability of success, it would be advisable that:

1. Elected officials and bureaucrats are involved in the policy transfer, although other actors can also participate in the transfer even if they have less influence;
2. The transfer is the result of a relatively rational choice made through lesson drawing or bounded rationality;
3. Only ideology, attitudes or policy goals, objectives, or principles are transferred;
4. The transfer is either made through inspiration, mixture or emulation;
5. Lessons are drawn from the international level, that is from the EU;
6. All the factors which might influence the transfer, positively or negatively, are considered to adapt the lessons accordingly;
7. The lessons which are transferred are informed by reports and physical encounters.

This framework suggests that the lessons Mercosur may learn from the EU are limited since only EU policy goals/objectives/principles, attitudes and ideology are suitable for transfer. These refer to the main principles which have guided the design and implementation of the EU regional development funds. With this framework in mind, the following chapter analyses the EU regional development funds in order to determine the fundamental principles underlying the EU experience which arguably could successfully be transferred to Mercosur.

- CHAPTER 7 -

A CRITICAL ASSESSMENT OF EU REGIONAL DEVELOPMENT FUNDS

CHAPTER 7. A CRITICAL ASSESSMENT OF EU REGIONAL DEVELOPMENT FUNDS

Chapter 5 argued that it would be advisable for Mercosur to establish a Mercosur Regional Development Fund to reduce the significant regional disparities which were highlighted in Chapter 4. The preceding chapter confirmed the hypothesis that it was possible, under certain circumstances, for a supranational association such as Mercosur, to learn from another supranational association. As argued before in Chapter 3, it would be advisable for Mercosur to learn from the EU since it has developed through time a significant experience in policies and measures which aim to reduce regional development disparities.

It should be noted that most policies adopted by the EU have an impact, positive or negative, on regional disparities. For example, although it has often been criticised, the Common Agricultural Policy contributes to finance rural development, but mostly in the EU's most developed countries. Since it would be near impossible within the scope of this thesis to account for all the Community policies which have an indirect impact on regional disparities, the thesis focuses on the specific tools which have been implemented by the EU to reduce the observable characteristics of regional disparities, namely the regional development funds.

Chapter 7 therefore analyses the EU experience of regional development funds in order to give an understanding of the complexity and length of the process which has led to the existing array of financial instruments.

There are various ways of describing the EU regional development funds. For example, Andrew Evans in 1999[239] described the complete evolution of each European fund one by one. This method has one principal disadvantage. With the different funds being analysed separately, it is difficult for the reader to understand their evolution within a broader historical context and thus to form an overall view. For this reason, a second approach, presenting the reforms in a chronological manner and describing the interrelated nature and effects of each regulatory reform on each fund, has been utilised here.

It is possible to divide the past fifty years of existence of EU regional development funds into six time periods, and each is dealt with in a separate section below. The first time period covers the early years of the European process of integration, from 1951 to 1956. The second section covers 1957 to 1969, during which were taken the first steps towards regional development at the European level. The third section is dedicated to the 'take-off' period of regional development funds, that is from 1970 to 1985. Between 1986 and 1992, the period analysed in the fourth section, the EU regional development funds were modified substantially in a series of reforms. The fifth section analyses the effects of the Maastricht Treaty on EU regional development funds during 1993-1999. The sixth section considers these funds at the dawn of the 21st century.

A final section assesses the EU regional policy experience, focusing especially on the different principles which underlie the EU regional development funds since, according to the conclusions of the preceding chapter, these principles could successfully be transferred to Mercosur.

[239] Evans Andrew, The EU structural funds, 1999, Oxford University Press, p.348.

1951-1956: The early years

In the early years of European integration, the EU founding fathers hoped that the process of integration would have a convergent effect on the European member states. Arguably, as a result of the common market, there would be a high level of economic growth which would gradually reduce the disparities existing between some regions. During this time, each member state retained its own regional policies and financial instruments which were defined and implemented at national level.

As a result, although the need for regional development measures to offset potential regional disparities was officially recognised, no new instruments were either conceived or implemented at the supranational level to achieve this objective. Indeed, even though it was in breach of the general spirit of the 1951 ECSC Treaty which aimed to promote a free market, member states were allowed to subsidise their coal and steel industries in a few specific cases where the employment or the economy of a region was under persistent threat of disruption.

The Treaty of Paris (1951) implies that nothing would, nor should, be done at the supranational level directly to influence the course of regional economic development, and likewise nothing would be done to question the prominence of national policies in this field. It should be remembered that in the early 1950s most national policies for regional development were also in the early stages of design and development. There were only relatively few national financial instruments with small budgets and limited objectives.

1957: The first steps towards regional development funds

Although Martin and Pearce consider that "[t]he architects of the Rome treaty were manifestly unaware of these future trends and believed that the spillover from progressive political and economic integration would lead to a reduction in regional disparities"[240], it can be argued that the Treaty of Rome represents a change of mood among member states. Indeed, the Treaty of Rome, which was signed in March 1957 and formally created the EEC, gives a higher priority to regional development, not only through 'regionally oriented' statements in the Treaty, but also through the creation of some specific financial instruments.

The Treaty of Rome: Statements…

A detailed examination of the text of the Treaty of Rome reveals that there is no section specially dedicated to the question of regional development. However, the member states showed their growing concerns via two specific items. In the Preamble, the Treaty indicated that the signatories were "[a]nxious to strengthen the unity of their economies and to ensure their harmonious development by reducing both the differences existing between the various regions and the backward of the less favoured regions". It went on in Article 2: "[t]he Community shall have as its task, by establishing a Common Market and progressively approximating the economic policies of the member states, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising to the standard of living and closer relations between the States belonging to it"[241].

[240] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, Sweden, p.2.

[241] The texts of the treaties, regulations and decisions adopted by the EU, and referred to in the present chapter, were encountered in 2000 on the EU internet website: www.europa.eu.int.

In addition to these general statements, the Treaty of Rome also makes references to the need for regional development in specific cases. For example, member states are allowed a derogation and could implement their own national policies in a few very specific cases, as stated by Art.92 Par.2c and Par.3:

> "The following shall be compatible with the Common Market: … aid granted to the economy of certain areas of the Federal Republic of Germany affected by the division of Germany, in so far as such aid is required in order to compensate for the economic disadvantages caused by that division."
>
> "The following shall be compatible with the Common Market: a) aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment; b) aid to promote the execution of an important project of Common European interest or to remedy a serious disturbance in the economy of a Member State; c) aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest."

… Supported by a few actions

But the Treaty of Rome does not limit itself to statements of principles. It establishes for the first time some common financial instruments for regional development. The common institutions of the EEC were given the capacity to act through three principal policy and funding channels. These concerned the activities of the European Social Fund, the European Investment Bank, and the Common Agricultural Policy. These are considered to be the first European mechanisms to finance regional development.

As stated in article 117, member states agreed on the necessity to improve the working conditions and the standard of living of their workers. Accordingly, they provided for the creation of a European Social Fund (ESF) in articles 123 to 130. The objective of this fund was initially very broad since "it shall have the task of rendering the employment of workers easier and of increasing their geographical and occupational mobility within the Community" (art.123), and thus to overcome existing rigidities in the labour market.

At the outset, the European Social Fund was directed to unemployed persons receiving vocational training, unemployed persons changing their place of residence for employment purposes, and workers who needed retraining. Every year, each member state was to present to the European Commission its estimate for financial assistance. On this basis, the ESF would then meet half of the cost of the state aid directed i) to the re-employment of workers through training or re-settlement; and ii) to help workers whose employment was threatened by the decline or closure of their employer. Since the Fund could only assist state measures, it was largely dependent on national policy frameworks which were often more short-term orientated and designed to solve socio-economic crises in backward regions, as opposed to adopting long-term structural reforms.

The second instrument implemented by the EEC Treaty concerned the European Investment Bank (EIB). Originally, the 1956 Spaak Report[242], which made recommendations on which member states negotiated before reaching agreement in the Treaty of Rome, proposed the creation of a European regional fund, but the member states finally opted for the formula of an investment bank, largely as the latter offered a far less interventionist approach.

[242] Intergovernmental Committee created by the Messine Conference, Rapport des Chefs de Délégation aux Ministres des Affaires Etrangères, Secretariat of the Committee, Brussels, 1956.

In terms of the Bank's operating criteria, the Treaty states that the EIB "shall, operating on a non-profit making basis, grant loans and give guarantees which facilitate the financing of the following projects in all sectors of the economy: a) projects for developing less developed regions; b) projects for modernising or converting undertakings or for developing fresh activities called for by the progressive establishment of the common market, where these projects are of such size or nature that they cannot be entirely financed by the various means available in the individual Member States" (art.130).

During its first years of activity, following to the letter its mission statement, the Bank mostly invested in infrastructure and large industrial projects (see the end of art.130 above). However, after a reform of its operations undertaken in 1968, loans were also made available to small and medium-sized enterprises.

The third and last instrument implemented by the Treaty of Rome to promote regional development was one component part of the Common Agricultural Policy (CAP), the European Agricultural Guidance and Guarantee Fund (EAGGF). The CAP has been one of the most significant aspects of the EEC/EU given the percentage of the total Community budget it represented. Its aim was to increase agricultural productivity, to develop technological progress related to agriculture, to optimise the use of factors of production, and to increase the standard of living of the agricultural society in the EEC/EU.

Accordingly, article 34.2 provides for the creation of 'common organisations of the market' for the different agricultural products. In such cases, since such organisations are of a trans-national nature, the member states agreed on the creation of "one or more European agricultural guidance and guarantee fund" (art.34.4) to help finance these common organisations.

This was achieved in Community law in 1962 with the formal creation of the EAGGF (Regulation 25/62). Two years later this fund was subdivided into two component parts (Regulation 17/64). The Guidance Section was to have at its disposal one third of total CAP financing and to have a long-term perspective in that it should seek to modify the structural conditions of agricultural production. The Guarantee Section was not a policy of regional development since it focused largely on supporting agricultural prices, and thus was essentially operating against existing sets of short-term objectives and had no 'development' component.

1970 - 1985: THE TAKE-OFF

Over the period 1970 to 1985, member states became increasingly aware of the existence of Europe-wide regional disparities and, in most cases reluctantly, decided to take action in order to find solutions at the Community level. Three tendencies can be discerned during this period. Firstly, there was a consolidation and extension of existing regional development funds; secondly, a reinforcement of the coordination of national policies; and thirdly, the implementation of new and EEC-wide shared regional development funds.

Consolidating existing regional development funds

As demonstrated in the previous section, the Treaty of Rome had set in place three instruments through which EEC-wide regional development policies could be implemented; the ESF, the EIB and the EAGGF Guidance Section. Through the earliest phases of their establishment, the three instruments were subject to review and modification.

During 1970 to 1985, the European Social Fund went through three reforms. The first reform, undertaken in 1971 by Decision 71/66, aimed to reinforce the role of the fund in fighting unemployment. This was not only to help less developed regions fight structural unemployment, but also to prevent unemployment from arising in the first place. This reform also widened the project eligibility criteria of the fund. Regulation 2396/71 provided for projects which targeted the unemployed as well as the underemployed; women over 35 desiring to retrain to return to work; and those having difficulties finding a job because of their age, that is workers who were too old or too young, and who lacked the necessary skills. This same Regulation gave priority to geographical areas which were less developed or which depended on declining industries.

The second ESF reform of 1977 (Directive 77/801) put into place some relatively minor amendments to the operating criteria of the Fund. Its principal effect was to allow the Fund to target those people who were working in self-employed activities. Moreover, it reinforced the priority given to 'backward' EU regions[243] which were designated according to specific criteria, and the ceiling of participation of the Fund in any state aid at project level was increased from 50% to 55%.

The last reform the ESF went through during the 1970-1985 period was the result of a 1983 Decision, 83/516. This modified substantially the objectives of the Fund in order to boost its regional impact. The aim thus became to increase the mobility of workers from regions or economic sectors adversely affected by Community actions and, at the same time, to stabilise employment by retraining workers to adapt them to market and technological change. The conditions for eligibility were again partly modified to take more account of the problem of age since assistance would now be provided to people under 25. This acknowledgement of the age dimension to unemployment in the early 1980s was underwritten by the decision to direct at least 75% of the Fund to young workers. People over 25 could also be eligible, but only if they corresponded to the eligibility criteria established in 1971, which concerned the unemployed, the underemployed, those workers whose employment situation was threatened by economic restructuring, or women wanting to work.

The operating criteria of the European Investment Bank have also been reformed, but only once, in 1978, with the establishment of the New Community Instrument (NCI), implemented by Decision 78/870. The objective of the EIB reform was to direct EIB activity to complement the implementation of other Community policies, so that the Bank could better "contribute to greater convergence and integration of the economic policies of the member states"[244].

To achieve this objective, this NCI aimed to provide loans and guarantees to enterprises favouring employment, innovation and technological research; to projects dealing with energy; and to infrastructure development. All these projects were to have both a regional development and a technological aspect.

The EAGGF-Guidance Section went through several reforms during the same period, although hereafter only a few of the key changes are described. A first reform, in 1970, aimed to reinforce the support of the Guidance Section of the EAGGF in relation to structural reforms in agricultural society (Regulation 729/70). Two years later, a series of reforms took place with the aim of augmenting the support of the Fund for the modernisation of farming to

[243] The original regions were the French Overseas Department, Greenland, Ireland, Italy's Mezzogiorno, and Northern Ireland.
[244] Evans Andrew, The EU structural funds, 1999, Oxford University Press, p.214.

increase production and income (Regulation 72/159); to promote early retirement for farmers (Directive 72/160); or to help farmers retrain and move into other types of employment (Directive 72/161).

In 1975, and in order to comply with the Treaty of Rome (art.42.a), the member states decided to increase Community help to farmers suffering from the effects of structural change or poor natural conditions (Directive 75/268). A further 1978 Regulation (1760/78) promoted the development of public infrastructure in less developed rural areas.

Finally, in 1985, there was a significant reform of the CAP. Regulation 797/85 aimed to connect agricultural development with the socio-economic development of each region. However, in spite of these reforms, the Guidance Section still represented only a minor part of overall CAP resources since most of the CAP budget remained dedicated to price support through the Guarantee Section.

Coordinating national regional development policies

Without any supranational coordination of the national regional development policies there was the very real risk of rampant competition between member states to provide the best fiscal and financial conditions to attract private investment into their respective regions. This type of competitive overbidding could have become highly detrimental to all the member states since it would have led to uncertainty and allowed inward investors to play one country off against another. Consequently, on the 20th of October 1971, the Council adopted a regulation which established what can be considered as the first attempts to coordinate national policies of regional development.

The creation of the European Regional Development Fund

Even though the European Regional Development Fund (ERDF) was the final Structural Fund to be created in 1975[245], after the Guidance Section of the EAGGF and the European Social Fund[246], it now represents the most significant fund in financial terms. Between 1975 and 1985 the ERDF was reformed twice, in 1979 and 1984[247]. The ERDF has five principal characteristics which are discussed in detail below.

Principles underlying the ERDF's actions: additionality and complementarity

Additionality and complementarity are two notions which have underpinned the activities supported by the ERDF. According to the former idea, Community Funds should be considered as being 'extra', as a further source of financing for regional development within member countries, additional to what member states already spend on regional development. That is to say ERDF resources must not be used as a replacement for national investment in regions. The latter notion, complementarity, implies that financial help from the ERDF should complement and not contradict national measures. The ERDF therefore depends on a pre-existing national assistance which is then expanded and complemented by Community Funds.

These two principles go hand in hand and were designed to prevent governments from using the ERDF as a substitute for, or a reimbursement of, their existing public expenditures in this domain. In practice this has proved not to be the case, and most governments have taken the opportunity afforded by the ERDF to decrease their national contribution to regional

[245] Regulation 724/75.
[246] In 1993 a fourth Structural Fund was established to assist fisheries. It is the Financial Instrument for Fisheries Guidance (FIFG). However, the ERDF can be considered to be the last Structural Fund created since this FIFG previously existed as a sub-category of the EAGGF which gradually became independent and autonomous.
[247] Regulation 214/79 and Regulation 1787/84.

development. For example, Keating and Jones wrote in 1985 that "the additionality principle, [as] applied by all member states, means that moneys received from the [EC] fund are not allowed to be added to national aids but, rather, are used to reimburse them"[248].

Quotas

At the outset within the framework of the ERDF, a system of quotas was devised for the distribution of the ERDF[249]. This quota system was believed to be equitable since it ensured that the regions needing the most assistance would receive it. The quota approach also limited the possible influence of the Commission on regional development affairs at national level. If member states proposed a limited number of projects, according to their own national criteria for regional development, which fulfilled their ERDF quota allocation, the Commission had little leeway to intervene (see Table 7.1 below to see the distribution of the quotas among the member states).

In order to increase its own influence over the utilisation of ERDF monies, the Commission proposed a reform of this system. The Commission claimed that some projects, such as those likely to have a wider regional impact, as well as those affecting frontier areas, would be best financed through a set of new 'common instruments'. To this end, the 1979 reform divided the ERDF into two sections[250]. The ERDF from 1979 consequently included a 'quota' section for supporting regional measures taken by national governments, operated according to the additionality principle, and a 'non-quota' section which could support specific Community programmes, where the Commission itself would have a greater degree of influence over funding priorities and decisions. In its proposal, the Commission requested that 13% of total ERDF resources should be dedicated to these newly created non-quota measures. Notably, the European Parliament believed this amount was insufficient. But, in the end, the decision was in the hands of the Council, which opted to allocate 5% of ERDF resources to non quota actions[251].

The last reform dealing with quota related issues took place in 1983. The Commission, in a new attempt to get more influence over the process of fund distribution, proposed to replace the system of quotas by a set of indicative ERDF ranges (see Table 7.1). Consequently, the ERDF contribution to each member state was set between a lower limit, which was the minimum of assistance it would get from the Fund as long as its proposals were eligible, and an upper limit, which was higher for each member state than the quota previously attributed – except for Denmark. In 1985, the sum of the lower limits amounted to 88.63% of the ERDF. This consequently ensured a larger influence to the Commission on the remaining 11.37% of the funds which were not allocated according to quotas.

[248] Keating Michael and Jones Barry, Regions in the European Community, 1985, Clarendon Press, Oxford, p.15.
[249] Article 2 of Regulation 724/75.
[250] Regulation 214/79, article 2.
[251] Vanhove Norbert, Regional Policy: A European approach, 1999, Ashgate, Aldershot, p.480.

Table 7.1. From quotas to ranges: ERDF assistance to member states as a percentage of total ERDF resources[252]

	1975 - 1977	1978 - 1980	1981 - 1984[253]	1985		1986	
				Lower limit	Upper limit	Lower limit	Upper limit
Belgium	1.5	1.39	1.11	0.90	1.20	0.61	0.82
Denmark	1.3	1.20	1.06	0.51	0.67	0.34	0.46
Germany	6.4	6.00	4.65	3.76	4.81	2.55	3.40
Greece	-	-	13.00	12.35	15.74	8.36	10.64
France	15.0	16.86	13.64	11.05	14.74	7.48	9.96
Ireland	6.0	6.46	5.94	5.64	6.83	3.82	4.61
Italy	40.0	39.39	35.49	31.94	42.59	21.62	28.79
Luxembourg	0.1	0.09	0.07	0.06	0.08	0.04	0.06
Netherlands	1.7	1.58	1.24	1.00	1.34	0.68	0.91
United Kingdom	28.0	27.03	23.80	21.42	28.56	14.50	19.31
Portugal	-	-	-	-	-	10.66	14.20
Spain	-	-	-	-	-	17.97	23.93
Total	100.0	100.0	100.0	88.63	116.56	88.63	117.09

Eligibility

The Commission was concerned about the eligibility for the funds. Therefore, when designing the ERDF, it proposed that the less-favoured regions eligible for Community help should be defined by the Council according to two common criteria; that is to say that they should already benefit from their national system of regional development, and should have a GDP per capita lower than the EC average[254].

This proposal was taken into account at the time of the creation of the ERDF. Articles 3 and 5 of Regulation 724/75 state that assistance should be allocated to regions suffering from serious economic disparities, especially those already considered to be priority areas by their governments.

Projects eligible for support

At its inception, the ERDF aimed to support three types of projects. The first category of projects supported by the ERDF were those in the manufacturing, crafts and services sectors[255] - the latter sector needed to specifically demonstrate a direct impact on regional economic development or employment. These projects had to be in receipt of national development funds and at least ten jobs had to be created or safeguarded if these jobs were threatened. This last condition provided possible support to industries in the throes of restructuring which were laying off workers, but only as long as some of the jobs were actually retained. Moreover, given the size of the workforce present in small or medium-sized companies, they could rarely comply with the criterion of ten jobs created or safeguarded, and consequently had a limited access to such assistance. Finally, it was difficult for local economic agencies to assess the employment effect in the long term. Indeed, in 1989 the Court of Auditors stated that only 48% of the job creation forecasts had been met.

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252 Vanhove Norbert, Regional Policy: A European approach, 1999, Ashgate, Aldershot, p.481.
253 From 1982 onwards, there was no longer a legal basis for the quota section.
254 Proposal of the 31st July 1973.
255 Regulation 724/75, article 4.1.a.

The second type of projects involved the development of economic and social infrastructure to reinforce regional growth[256]. Projects of this nature took up the largest share of the fund. These projects were initially supposed to account for less than 70% of the ERDF (Regulation 214/79). However, a modification in the phraseology of the text allowed this second category to represent more than the 70% limit first designed.

The third category of projects concerned endogenous development to support the internal or endogenous development of the regions (Regulation 1787/84). To this end, the ERDF could support revenue as well as capital projects in areas such as technical research, information exchange, technical assistance, training and vocational training facilities.

Towards a programmatic approach

After the 1979 reform[257] ERDF resources were shared between projects initiated at the national level by member states, which were allocated the lion's share, and Community programmes initiated by the Commission. As experience of funding regional development projects was acquired, programme funding was given an increasing importance. Whether of national or EC initiative, "[p]rogramme funding was another response to the perceived needs both to Europeanise the ERDF and to ensure that its funds were used to pursue a properly thought-out strategy for regional economic development rather than support an *ad hoc* selection of individual projects"[258].

Community programmes were "a series of consistent, multi-annual measures directly serving Community objectives and the implementation of Community policies"[259]. Examples of Community programmes include the STAR programme, which aimed to develop services and telecommunication networks, and the VALOREN programme to assist backward regions develop and improve their energy supplies[260]. Another initiative, the Integrated Mediterranean Programmes (IMP), was different from the others because these IMPs were given their own specific legislation in order to make them eligible for financing under all of the Structural Funds criteria (Regulation 2088/85). These IMPs aimed to improve socio-economic conditions in the Mediterranean regions. At the time of their creation (1985), IMPs applied essentially to Greece, but later took into account Spain and Portugal which became EU members the following year.

For programmes of national initiative, two forms of programming were designed. Firstly, instead of presenting individual projects to be financed by the Commission, member states were encouraged to include these projects within a National Programme of Community Interest (NPCI), that is a coherent programme which would take into account the Community guidelines for regional development. Secondly, for areas requiring assistance from different EU funds, member states could present an Integrated Development Operation (IDO).

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256 Regulation 724/75, article 4.1.b. The definition of the types of infrastructure which can be assisted was broadened in 1979 and then in 1984.
257 Regulation 214/79.
258 Williams R.H., European Union spatial policy and planning, 1996, Paul Chapman Publishing Ltd, London, p.74.
259 Regulation 1787/84, article 7.
260 Both were set up in 1986 through Regulations 3300/86 for STAR and 3301/86 for VALOREN.

1986-1992: THE CONSEQUENCES OF THE SINGLE EUROPEAN ACT ON REGIONAL DEVELOPMENT FUNDS

Signed on the 17th and 28th of February 1986, becoming effective in 1987, the Single European Act (SEA) paved the way for a major reform of Community regional development funds. Indeed, this treaty officially introduced the concept of 'cohesion' as a new and key objective of the process of European integration. According to Andrew Evans, 'cohesion' can be defined in a number of ways, depending on the perspective taken[261].

- From the political perspective: "cohesion may be connected with the idea of solidarity… to demonstrate the value of Union membership to weaker regions… it may be regarded as referring to the level of regional disparities which is found politically acceptable".
- From the social perspective: "cohesion may be seen as seeking the convergence of basic incomes and equality of access to employment".
- From the economic perspective: "cohesion may be regarded as designed to allow all regions to compete in the internal market and in the monetary union by endowing them with the requisite infrastructure and skills".

The 1988 reform of the Structural Funds

The amended article 130 of the SEA involved a major reform of the Structural Funds and related Community instruments; a reform which was proposed by the Commission and adopted unanimously by the Council after consultation with the European Parliament. This legislative process led to the creation of a think-tank which reported its conclusions in 1987 under the heading Efficiency, stability, and equity: a strategy for the evolution of the economic system of the European Community[262].

Following a number of key propositions from this think-tank, a review of the Structural Funds was begun in 1988. Four new principles emerged from this study. These concerned concentration, increased financial resources, subsidiarity and partnership, and the development of a programmatic approach to regional development funding. The reformed Structural Funds regulations were adopted in December 1988[263]. Each of the four new operating principles of the Structural Funds are discussed in detail below.

Concentration

The concentration of the assistance of the Funds to the most backward regions was one of the most revolutionary aspects of this 1988 reform. The less-favoured European regions were classified into five different types of regions and identified according to the precise nature of their economic and social circumstances. These five regional 'types' were referred to as 'Objective' regions. The precise revised definition of regions is set out below:

[261] Evans Andrew, The EU structural funds, 1999, Oxford University Press, pp.21-24.
[262] This document, better known as the Padoa-Schioppa Report, was found in 2001 on the EU website: www.europa.eu.int.
[263] Regulations 4254/88 for the ERDF, 4255/88 for the ESF, and 4256/88 for the EAGGF - Guidance Section.

- ‘Objective 1 regions’: regions where development is lagging. They are defined at NUTS 2 level as regions whose GDP per capita has been less than 75% of the Community average over the preceding three years;
- ‘Objective 2 regions’: regions seriously affected by industrial decline;
- ‘Objective 3 regions’: regions “combating long-term unemployment”;
- ‘Objective 4 regions’: regions displaying a need to “facilitate the occupational integration of young people”;
- ‘Objective 5 regions’: regions facing agricultural problems. This Objective is sub-divided into two:
  - ‘Objective 5a’ for regions needing to improve agricultural structure;
  - ‘Objective 5b’ for regions needing assistance with the development of their rural areas. The criteria applied to 5b areas meant that they needed to demonstrate a large share of agricultural employment, a low level of agricultural income, and a low GDP per capita. In a few specific cases, other regions could be included in this Objective if an application was made by the member state and if the area met other criteria such as low population density, high sensitivity to changes in its agricultural sector (a negative impact of the Common Agricultural Policy), were mountainous or peripheral.

The ERDF could be applied across Objectives 1, 2 and 5b, but it had the obligation to dedicate around 80% of its budget to Objective 1 regions. Moreover, the system of quotas was maintained for the distribution of ERDF within Objective 1 regions. In 1989 it was decided that Greece would be allocated 16.2% of the resources allocated to Objective 1, Spain 32.6%, France 2.1%, Ireland 5.4%, Italy 24.5%, Portugal 17.5%, and the UK 1.7%[264]. So far, within the Objectives 1 to 5 arrangements, only two funding periods have been supported, that is 1989-1993 and 1994-1999, although some of the funds of the last period have not yet been spent at the time of writing.

In spite of this effort by the EU to achieve a better concentration of assistance, Objective 1 regions alone nevertheless represented at this point 21.5% of the whole Community population, which arguably is not in keeping with the notion of a more spatially concentrated funding regime.

Increased financial resources

As the tasks faced by the Structural Funds both gradually increased and diversified, it became necessary to augment the financial resources to ensure that the individual financial instruments would have the means to accomplish the ambitions of the Community. Consequently, the value of the Structural Funds doubled in real terms between 1987 and 1993, from 7.2 billion ECU to 14.5 billion ECU.

Subsidiarity and partnership

The 1988 reform established the critical notion of subsidiarity. This meant that the Structural Funds were in the future to be managed at the most appropriate and efficient institutional level, whether local, regional, national, or European. This application of subsidiarity implied the development of partnership. According to Regulation EEC 2052/88, partnership is a “close consultation between the Commission, the member states concerned

[264] Decision 89/250.

and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal”[265].

This notion of subsidiarity was translated into the decision-making arrangements also for the Community programmes which were to be adopted by the Commission only after consultation with the newly formed Regional Policy Committee and as well as with the member states.

Reinforcing the programmatic approach

During this time period, 1986-1992, the Commission developed the principle that “programme financing had to replace project financing”[266].

From the perspective of the Commission, programming offered a number of advantages. First, it promoted a coherent, coordinated approach to regional development problems since it was designed with the Community and was arguably far less a patchwork of national measures brought together for simple ‘book keeping’ purposes. Moreover, it ensured to a large extent that the problems to be addressed corresponded exactly to the priority regions and sectors defined by the Community.

Finally, programming favoured an integrated approach to regional development since it could bring a number of financial measures, through the different Structural Funds, to bear on specific sectoral targets. Programming offered a workable solution to tackle inter-connected economic development challenges through an integrated approach to funding.

A new methodology was designed so that member states could propose a coherent programme to be financed by EU Structural Funds. States, in partnership with regional authorities, drew up a development plan which highlighted their priorities. Each state then negotiated its plan with the Commission, the results of these negotiations being inscribed in a Community Support Framework (CSF). According to this CSF, the Commission selected the type of operational programme which should be applied.

The programmes initiated by the Commission, although they changed their name from Community programmes to Community Initiatives after the 1988 reform, remained mostly the same. For example, STAR, VALOREN, and Integrated Mediterranean Programmes, which existed since 1985-1986 were pursued.

The impact of the SEA on other instruments of regional development

The Single European Act not only provoked a reform of the Structural Funds, but also of the other financial instruments such as the EIB.

Article 267 of the SEA maintained the original objectives of the Bank, which were originally stated in article 130 of the Treaty of Rome, but included a final paragraph in which it was expressly stated that the Bank should act in conjunction with the Structural Funds and other Community financial instruments where its investment programmes were concerned.

[265] Regulation quoted in Bache Ian, The politics of European Union regional policy: multi-level governance or flexible gatekeeping?, 2000, Sheffield Academic Press, Sheffield, p.74.
[266] Vanhove Norbert, Regional Policy: A European approach, 1999, Ashgate, Aldershot, p.495.

1993: THE POST-MAASTRICHT SYSTEM OF REGIONAL DEVELOPMENT FUNDS

However significant, the 1988 reform was an unsatisfactory step in a number of accounts. The member states therefore took the opportunity of the 1992 re-writing of the treaty to pursue further reforms. The Maastricht Treaty, signed on the 7th of February 1992 and effective from the 1st of November 1993, implied a number of modifications for the Structural Funds as well as for the other financial instruments. For the Structural Funds, the coming into being of the Maastricht Treaty coincided with the second operational phase of the Structural Funds from 1994 to 1999, the first operational phase having covered the 1989-1993 period.

Consolidating the Structural Funds

A number of different aspects of the Funds were modified. First, a new instrument was created to strengthen the support of the EU to fishing industries, the Financial Instrument for Fisheries Guidance (FIFG). Secondly, the geographical distribution of the funds was reconfigured in order to increase the degree of concentration of the Funds in those places where need was greatest. Thirdly, the programmatic approach to funding was once more developed. Moreover, a new system of evaluation and assessment was developed. Once more, the overall resources of the Funds were increased to enhance their impact. Finally, the Structural Funds' operational criteria were extended to cover new areas of intervention. Each of these modifications are presented in detail below.

A new instrument: the Financial Instrument for Fisheries Guidance

In the early 1980s it appeared that the Guidance Section of the EAGGF was inadequate to deal with the problems faced by the fishing industry. Gradually, this Guidance component was given a particular status within the EAGGF by designing specific rules for the fisheries[267]. It was not until 1993, with Regulation 3699/93, that the Financial Instrument for Fisheries Guidance (FIFG) was created to provide assistance to regions in need. During the 1993 reform of the priorities, Objective 5a regions were redefined in order to take into account measures to adjust fisheries structures. This development is discussed further below.

A new geographical distribution

To improve upon the degree of concentration, some of the Objectives of the Structural Funds were merged (Objectives 3 and 4 into the new Objective 3), while others were maintained almost in their same format (Objectives 1, 5a and 5b), and new Objectives created[268]. The modified Objectives are discussed hereafter.

Objective 1 aimed to promote the development and structural adjustment of regions whose development is lagging. This Objective still represents the biggest share of EU assistance. Between 1992 and 1999, the resources of the Fund available for Objective 1 were doubled in real terms. The definition of these regions remained the same since their GDP per capita in purchasing-power parities had to be under 75% of the EU average during the three preceding years. This limit was in reality interpreted rather flexibly, and a few exceptions were made to include some NUTS 3 regions into this Objective[269].

Objective 2 aimed to cover the regions, frontier regions, or parts of regions, including unemployment areas and urban communities, seriously affected by industrial decline. This

[267] See for example Directive 83/515, Regulations 2909/83, 4028/86, 3944/90.
[268] Regulation 2081/93.
[269] This is for example the case for the Arrondissements of Avesnes, Douai, and Valenciennes in France.

area covered 15% of the population of the EU. These regions had to belong to a NUTS 3 area and: i) to have an average rate of unemployment during the three preceding years higher than the Community average; ii) to have a share of industrial employment to total employment equal to or higher than the Community average; and iii) to have suffered an 'observable' loss of industrial employment.

Objective 3 aimed to combat long-term unemployment and facilitate the entry into working life of young people and of people excluded from the labour market. The objective was to complement national policies fighting unemployment. To be eligible for this assistance, it was necessary to target the long-term unemployed and the youth unemployed.

Objective 4 aimed to facilitate the adaptation of workers of either sex to industrial changes and to changes in production systems. In particular, it targeted people needing retraining due to changes in their sector of activity.

Objective 5a aimed to promote rural development by speeding up the adjustment of agricultural structures in the framework of the reform of the Common Agricultural Policy. The adjustment of fisheries structures was included in this new definition. Objective 5b aimed to promote rural development by facilitating the development and structural adjustment of rural areas. To be considered to meet Objective 5b criteria, areas needed to have a low GDP per capita and to satisfy any two of the three following conditions: i) a large share of agricultural employment in total employment; ii) a low level of agricultural income; and iii) low population density or depopulation. In a few specific cases, other regions could be included in this Objective if they met other criteria; for example, if they were sensitive to changes in the agricultural sector due to negative impacts of the Common Agricultural Policy, were mountainous, were a less favoured region, or were in a peripheral situation. It is worth noting that most of the assistance under this Objective was directed to France and Germany.

Objective 6 aimed to facilitate the development and structural adjustment of regions with an extremely low population density, that is less than eight persons per square kilometre. Objective 6 was created specifically for the northern regions of Sweden and Finland which were suffering from low population density, climatic harshness, and high peripherality. The rules governing Objective 1 regions were also applied to Objective 6 regions.

In practice, the interpretation of these criteria by the Commission has been flexible. The Commission has allowed the inclusion in the Objective 1 strand regions such as Hainault in Belgium and France, Merseyside, the Highlands and Islands in the UK, and Flevoland in the Netherlands, where eligibility was marginal. Indeed, these regions suffered not so much from a lack of development as from industrial decline. However, designing them as Objective 2 regions would have significantly reduced the resources which could be allocated to them.

As in the previous programming period, each of the four Structural Funds had its own set of specific rules. The ERDF could only be used in Objective 1, 2, 5b and 6 regions. The ESF was applicable in all Objective regions except 5a. The EAGGF Guidance Section could be applied in Objective 1, 5a, 5b, and 6 regions. The FIFG could only be employed under Objective 5a conditions.

A more programmatic approach to funding

In addition to the Community Support Framework[270] procedure, member states were offered a new programmatic approach for the financing of programmes of national initiative by the Structural Funds. This new approach, which entailed the production of a Single

[270] See the fourth section of this chapter.

Programming Document (SPD), aimed to reduce the length of the procedure. Like the CSF, the SPD was built on the proposals of a member state, according to its priorities and considering the EU criteria for financing, and agreed upon after negotiation with the Commission. However, the SPD already included the operational programmes which should be applied, thus saving one stage in the procedure.

On the 16th of February 1994 the Commission presented the Community Initiatives for the 1994-1999 operational period of the Structural Funds. Thirteen Community Initiatives were allocated ECU 13.45 billion, that is 9% of the resources of the Structural Funds. The Community Initiatives were defined according to seven priorities[271]:

1. Cross-border, trans-national and inter-regional cooperation and networks – INTERREG II;
2. Rural development – LEADER II;
3. The most remote regions – REGIS;
4. Employment and the development of human resources – EMPLOYMENT (NOW, HORIZON, YOUTHSTART);
5. The management of industrial change – ADAPT, RECHAR II, RESIDER, KONVER, RETEX, TEXTILES AND CLOTHING IN PORTUGAL, and SMEs ;
6. Development of crisis-hit urban areas – URBAN;
7. Restructuring of the fishing industry – PESCA.

Improving the system of evaluation and assessment

Another main aspect of the reform which took place after Maastricht was the strengthening of the appraisal, monitoring and assessment of the regional development programmes financed by the EU[272].

The reforms insisted on the need for an *ex ante* appraisal of the programme. When the programme was in its initial design phase, its proposals had to include as much as possible a set of clear and quantifiable objectives. This was intended to make it easier to compare the end results against the original stated aims. In theory, it would be easier thereafter to decide whether the programme should be maintained for a further period, modified to make it more effective, or ultimately abandoned.

The processes of monitoring and evaluation were somewhat similar. According to the text of the reform, “whereas monitoring appears to imply a mechanism of ensuring that national and regional authorities are doing what they said they would do, assessment implies evaluating whether, in so doing, the operations are achieving what they were anticipated to achieve in terms of overall socio-economic impact”[273]. The process of evaluation was to be carried out by national monitoring committees which comprised representatives of the member state, the Commission, the EIB, and in some cases regional authorities or social partners. On the other hand, assessment could be carried out by the Commission, the member state, or by third parties.

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[271] EU Commission, Guide to the Community Initiatives: 1994-99, 1994, European Commission, Brussels, p.7.
[272] For more information on the evaluation of EU policies, see: Bachtler John, Michie Rona, A new era in EU regional policy evaluation? The appraisal of the Structural Funds, Regional Studies, vol. 29.8, 1995, Regional Studies Association, UK, pp.745-751.
[273] Scott Joanne, Development dilemmas in the European Community: Rethinking regional development policy, 1995, Open University Press, Buckingham, p.25.

Increased resources

During this second phase of operations (1994-1999), the financial resources at the disposal of the Structural Funds were once more augmented. The total Structural Funds budget was increased by 38% from 19.8 billion ECU in 1993 to 27.4 billion ECU in 1999 (in 1992 prices)[274]. This increase, although not insignificant, was rather limited compared to that of the first phase of operation when the total funds allocated were doubled.

This can largely be explained by the effect of the Maastricht Treaty and its convergence criteria. Indeed, to create an Economic and Monetary Union, member states agreed on a nominal and real convergence which implied a reduction, drastic for some, of government expenditures. This was one of the main contradictions of the EU since, at the same time, the same Treaty called for increased public investment in measures aimed to reduce regional disparity.

Types of assistance allocated by the Structural Funds

Each of the four Funds operated according to its own criteria, and these could also vary according to the Objective regions concerned[275].

The contribution of the ERDF to any project varied depending on the circumstances of particular regions. Whereas projects in Objective 1 areas could be financed up to 75% by the ERDF, with few exceptions of up to 80% or even 85% in the most peripheral Greek regions, other projects could only be financed up to 50%. Respecting these rates, the ERDF could contribute to the financing of:

- Projects of productive investments which saved or maintained jobs;
- Regional aid schemes of member states;
- Regional operational programmes included within Community Support Frameworks;
- Global grants to assist local development initiatives (e.g. for small or medium-sized companies);
- In terms of the Community Initiatives (CIs), and in certain specific circumstances, the ERDF could also finance some types of CIs outside the Objective areas (1, 2, 5b and 6). For example, even non-member states could benefit from this type of aid through Initiatives such as INTERREG (cooperation between regions, which could encompass border regions including those of neighbouring non-EU countries) and PHARE (economic restructuring in Eastern and Central Europe);
- Integrated development operations: when projects were co-financed by two or more financial instruments;
- Studies and pilot schemes, for a maximum of 1% of its budget, to assess the impact of EU policies and propose new investments in infrastructures;
- Technical assistance, up to 0.5% of its budget, to help with the implementation of ERDF assistance. In these last two cases, studies and technical aid, the ERDF could finance the full cost of the projects.

With regard to the ESF, priority was given to fighting unemployment. Objective 3 regions were allocated at least 80% of the resources set aside for Objectives 3 and 4. This aid principally took the form of grants and operational programmes, as well as of Community

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[274] Vanhove Norbert, Regional Policy: A European approach, 1999, Ashgate, Aldershot, p.493.
[275] Regulations 2082/93 and 2083/93.

Initiatives. The ESF contributed to the financing of three CIs. These were EUROFORM, dealing with employment opportunities created by the common market; ADAPT, aimed to favour the spread of expertise and knowledge; and EMPLOYMENT (NOW, HORIZON and YOUTHSTART), to improve the functioning of the labour market. It also financed studies and technical assistance.

The EAGGF - Guidance Section aimed to reimburse government expenditures in the rural development domain. The Fund was mostly allocated through grants and operational programmes, as well as through studies and technical assistance[276]. The FIFG, which was originally part of the EAGGF, basically followed the same rules, although these were adapted to the problem of fisheries.

The creation of a Cohesion Fund

Following the guidelines set down by the Maastricht Treaty, within the Protocol on Economic and Social Cohesion and article 130D (which became article 161 after the 1997 Treaty of Amsterdam), the member states agreed to create a new financial instrument, namely the Cohesion Fund. This Cohesion Fund[277] principally aimed to assist Ireland, Portugal, Spain and Greece to meet the necessary requirements for their participation in the EMU.

At the time of inception of the Cohesion Fund, and in order to be eligible, a region needed to have a GDP per capita lower than 90% of the EU average and was required to implement projects which supported the process of economic convergence. This latter was the most critical eligibility condition. Where it was considered that the economic progress made was not sufficient, financial help from the Cohesion Fund could be suspended. The projects financed by this Fund fell into two categories; environmental protection; and the creation of trans-European networks.

Because of the conditionality of this assistance, some authors such as Evans have argued that "the Cohesion Fund appears more an instrument of convergence than cohesion. As a result, cohesion efforts which are not favoured by 'liberal market economics' may be starved of resources"[278].

EU REGIONAL DEVELOPMENT POLICIES AT THE BEGINNING OF THE 21ST CENTURY

In 1999, European officials launched an important process of reflection on EU policies. These reflections were published in a document called Agenda 2000. One of the main propositions concerned the modification of development policies and funds in order to make them more efficient during the 2000-2006 period of implementation.

The document clearly states that economic and social cohesion through regional development continues to be one of the priorities of the EU. Two principal challenges were defined for structural policies:

> "firstly, to improve the effectiveness of the structural policy instruments so that economic and social cohesion can be achieved;
>
> secondly, to ensure that structural policy plays a continuing role in the Union's future enlargement, bringing in the countries of central and eastern Europe"[279].

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[276] Regulations 950/97 and 951/97.
[277] Regulation 1164/94.
[278] Evans Andrew, The EU structural funds, 1999, Oxford University Press, p.230.
[279] EU Commission, Agenda 2000, downloaded in December 2001 from the EU website: www.europa.eu.int.

As discussed in the following sub-sections, the evolution resulting from the Agenda 2000 exercise was fourfold. It first had an impact on the Structural Funds which were modified to improve their efficiency. Secondly, the Cohesion Fund was similarly modified. Thirdly, Agenda 2000, by reaffirming the importance of regional assistance, confirmed the fundamental significance of the overall financial resources at the disposal of EU regional policy in terms the attainment of economic development objectives. Finally, Agenda 2000 has paved the way for the accession of the Central and Eastern European states.

Improving the effectiveness of the Structural Funds

Three main reforms were undertaken to render Structural Funds more efficient. Firstly, the Funds were increasingly targeted on the areas where they were most needed. Secondly, the significance of the existing principle of partnership was reinforced and broadened. Finally, improved financial supervision was set in train.

A higher concentration

To further increase the concentration of EU assistance to the needy regions, two actions were implemented. Firstly, a decision was taken to reduce the number of priority Objectives to three.

Objective 1 was set the task of promoting the development and structural adjustment of regions whose development was lagging behind (where GDP per capita fell below 75% of the European Union average). Objective 1 also included the most remote regions, and the former Objective 6 regions. As in the previous years, two thirds of the Structural Funds were directed to this Objective, covering about 20% of the EU population. The Funds could contribute from 50% to 75% of eligible project costs, with exceptions for cohesion countries and remote regions which were respectively entitled to a maximum grant contribution of 80% and 85%.

Objective 2 was set the task of contributing to the economic and social conversion of regions in structural difficulties other than those eligible for the new Objective 1. It included the regions which were formerly part of Objectives 2 and 5(b) and other areas facing the need for economic diversification. Some 18% of the EU population lives in these regions. The contribution of the Funds could amount to between 25% and 50% of the total project cost.

Objective 3 was concerned with assisting human resource development outside the regions eligible for Objective 1. This comprised the former Objectives 3 and 4 regions. As for Objective 2, the contribution of the Funds could represent between 25% and 50% of eligible costs.

Specific arrangements were put in place for regions which formerly benefited from a classification as Objectives 1, 2 and 5b, and were no longer eligible for Objective 1 or 2 status.

The second decision adopted to further increase the concentration dealt with the reduction of the number of Community Initiatives. Indeed, some authors, such as Bachtler and Michie, and Martin and Pearce, argued in the mid 1990s that, although "[Community Initiatives] have generated considerable interest, it has been suggested that they are too numerous and too small to have any significant impact on regional convergence"[280]. Consequently, the number of Community Initiatives was reduced from thirteen to four:

[280] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, p.6.

- INTERREG - to stimulate cross-border, transnational and inter-regional cooperation;
- LEADER - to promote rural development through the initiatives of local action groups;
- EQUAL - for the development of new ways of combating all forms of discrimination and inequality as regards access to the labour market;
- URBAN - to encourage the economic and social regeneration of towns, cities and suburbs in crisis.

Broadening the partnership

Historically, EU regional policy measures had favoured the development of partnership between national, regional and local authorities. It was decided within the framework of the Agenda 2000 to pursue this notion of partnership and hence to reinforce the role of those agencies involved at the local level by giving them more say in the process through a greater degree of decentralisation in decision-making. Moreover, the type of eligible partners was modified to include social partners and environmental authorities.

Improving the financial supervision

Although the notion of additionality has traditionally been one of the core concepts of EU Structural Funds, there had been many cases of ‘financial irregularity’ uncovered during the earlier operational phases of EU regional policy. Consequently, it was decided that each programme should be more thoroughly evaluated *ex ante*, mid-term and before the end of the project in order to verify its *bona fides*, its functioning from an audit perspective and that the principle of additionality was being respected in practice on the ground.

A *performance reserve* was also provided for. This was to be allocated to regions half-way through the programme but only if the mid-term evaluation provided good evidence of successful performance against targets.

Modifications of the Cohesion Fund

The Cohesion Fund was maintained since its task of further economic and social cohesion was still in train. This fund continued to focus on infrastructure and environmental projects.

The eligibility criteria for applicants were maintained, albeit slightly amended. It was proposed that, after a 2003 mid-term evaluation, the resources allocated to the Cohesion Fund would be reduced in line with GNP per capita improvements measured across eligible member states. Where member states did not have a GNP per capita less than 90% of the EU average they would see reductions in their Cohesion Fund allocations.

Maintaining the financial significance of the funds

In line with Agenda 2000, the Commission considered that one of the challenges for the 2000-2006 period was “to honour priorities while enjoying only very modest increases in budget income until 2006”[281]. The Structural Funds and the Cohesion Funds were to be allocated 213 billion Euros during this period.

Out of this sum, 18 billion Euros were to be directed to the Cohesion Fund. The March 1999 European Council of Berlin indicated that most of this Cohesion Fund (between 61%

[281] EU Commission, Agenda 2000, downloaded in December 2001 from www.europa.eu.int.

and 63.5%), should be directed to Spain. Portugal and Greece were each entitled to between 16% and 18%, while Ireland was only allocated between 2% and 6% of the Cohesion Fund. It is worth noting that, whereas the system of quotas and ranges was abandoned for the ERDF in the mid-1980s, these still apply to the Cohesion Funds.

Structural Funds, including transitional assistance, Community Initiatives and Innovative Actions, had the lion's share of resources (some 195 billion Euros). The resources were distributed as follows (see Table 7.2):

Table 7.2. Distribution of the structural assistance (2000-2006)[282]

	Total (billion Euros)	Share (%)
Objective 1+	135.9	69.70
Objective 2~	22.5	11.50
Objective 3	24.1	12.30
FIFG (outside Objective 1)	1.1	0.50
Community Initiatives	10.4	5.35
Innovative actions and technical assistance	1.3	0.65
Total Structural Funds	195.3	100.00
Cohesion Fund	18.0	
Total	213.3	

+ out of which 8.4 billion were for transitional support to former Objective 1 regions;
~ out of which 2.7 billion were for transitional support to former Objective 2 and 5b regions

Planning for the future enlargements

Within the next decade the EU will be enlarged to include some of the central and eastern European countries which have already started accession negotiations. Negotiations were begun in March 1998 for the enlargement of the EU to a first wave of six countries, that is Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia. This enlargement is likely to be followed by a second wave of five countries including Bulgaria, Latvia, Lithuania, Romania and Slovenia. Malta and Turkey have also applied for membership.

These countries have on average lower levels of development than that of the present EU members. For example, their GDP per capita is on average less than half that of the EU average. Consequently these new member states will have a great impact on EU development fund resources and will affect the definition of the EU averages and thus the eligibility criteria for accessing EU Funds. Given the prospect of these future accessions to the EU, the Commission has made provision for some additional financial assistance to help applicant member states to catch up with the levels of development present in the EU. The value of this aid was doubled after the European Council of Berlin of the 24th and 25th of March 1999. During the 2000-2006 period the pre-accession assistance to applicant countries will amount to 3120 million Euros per year.

Moreover, at the Berlin Council, two specific instruments were created. These are namely the pre-accession structural instrument (ISPA) and the pre-accession agricultural instrument (SAPARD). They have respective budgets of 1040 million Euros and 520 million Euros per annum from 2000. The IPSA is intended to finance infrastructure investments in

[282] EU Commission, Agenda 2000, downloaded in December 2001 from www.europa.eu.int, and EU Commission, Working for the regions, 2001, European Commission, Brussels, p.8.

environment and transport. The SAPARD aims to improve agricultural conversion structures, marketing channels and food quality control.

In addition to these two new instruments, the PHARE programme remains in force. Since 1989 PHARE has aimed to prepare applicant countries for accession by focusing on two priorities. The first priority concerns the strengthening of the administrative and institutional capacity of applicant countries. The second priority is to finance investment projects. These two priorities respectively account for 30% and 70% of total PHARE expenditure. From 2000 onward, PHARE has been allocated a budget of 1,560 million Euros per annum.

Finally, applicant countries can participate in Community programmes. Indeed, these programmes, covering as they do a wide range of European policies, give new EU member states the opportunity to familiarise themselves with the design and delivery of EU policies. A particular emphasis has been put on their participation in programmes which support cooperation and exchange across borders among citizens and businesses. EU programmes such as SOCRATES and LEONARDO in the fields of education and vocational training are good examples of these.

ASSESSING THE EU REGIONAL DEVELOPMENT FUNDS

In spite of the considerable number of projects financed by EU regional development funds and of the considerable support they have received from experts and academics, most authors have discussed the weaknesses of these funds and of their principles. It is important to conclude this chapter on EU regional development funds by discussing these criticisms, to highlight their weaknesses so these might serve as lessons for Mercosur.

Whereas the first sub-section is dedicated to criticisms formulated against the EU regional policy in general, the second sub-section is focused on assessing the principal principles on which the EU regional development funds are based. Indeed, as argued above in Chapter 6, Mercosur should mostly inspire itself from these principles when designing its common approach to regional development.

Before this discussion starts, attention should be drawn to a comment made by Kearney on the difficulty of evaluating the impact of EU regional policy:

> "The complexity of the subject matter and the limitations of the existing level of relevant information combine to make it impossible to draw definitive conclusions on many points of detail. In these circumstances, there is, naturally, a variety of interpretations of these lessons learned from this particular experience"[283].

Discussing the EU regional policy

Two series of criticisms are formulated against EU regional policy. A first series is related to its inherent characteristics, namely its objectives, its complexity and its perception of development; the second series is related to its implementation, namely that it does not sufficiently reduce disparities, does not have a *regional* impact, might lead to economic diversion, and is difficult to evaluate.

[283] Kearney Conor, 'Development programming, negotiation and evaluation: lessons for the future', in Bachtler John and Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.316.

The EU regional policy has over-ambitious objectives

Many authors argue that the EU does not give itself the means of its ambitions. On the one hand the EU regional policy has been assigned an ambitious objective, namely to reduce regional disparities across the EU territory. On the other hand, very few resources, when compared to the total GDP of the member states, are dedicated to achieve this objective.

Therefore, considering the importance of the EU structural funds objectives, the size of the territory covered, and the limited resources at their disposal, these funds cannot be expected to solve all regional problems by themselves. This view is shared by Bachtler and Turok, as well as by Martin and Pearce:

> "It is unrealistic for the EU to meet the objectives of economic convergence or social solidarity. The form and scale of regional disparities across the EU are attributable to an enormous range of social, economic, political, geographical and cultural factors and forces, some of which have defied the efforts of national governments and are beyond the present resources or instruments of the EU"[284].

> "Given the scale of problems facing disadvantaged regions even recent increases in the level of Structural Funds cannot realistically be expected to make more than a marginal contribution to strengthening regional economies and therefore the achievement of economic convergence within the Union"[285].

Therefore, when considering the establishment of a common approach to regional development in Mercosur, it is advisable for Mercosur to design objectives which are realistically achievable with the mechanisms created.

The EU regional policy is too complex

Most authors agree on the fact that the present EU regional policy is too complex, overly bureaucratic and administrative, which renders it difficult to implement. Echoing these concerns, Bachtler *et al* consider that "the current EU regional policy model is a complex one […] Regional policy represents one of the most complex areas of government policy-making in terms of definition, policy design and implementation"[286].

Some authors such as Vanhove, or Bachtler and Turok, have even argued in favour of having only one Structural Fund competent for all the areas of development since they considered, prior to the 2000-6 reforms, that

> "There are too many Funds and objectives with different institutional arrangements. Structural policy resources are allocated via five main funding sources, administered by four different Directorates General, to four geographic objectives (1, 2, 5b, and 6) and three horizontal objectives (3, 4 and 5a), producing a complicated matrix of expenditure allocation"[287].

It can be assumed that, in any case, Mercosur would not adopt an overly complex structure to finance regional development. Indeed, its member states will probably in a first stage design a common approach with limited competences and resources, thus limiting the risks of creating complex structures and mechanisms.

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[284] Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, pp.355.
[285] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, Sweden, p.17.
[286] Bachtler John, Downes Ruth, McMaster Irene, Raines Philip, Taylor Sandra, The transfer of EU regional policy to the countries of central and eastern Europe: can one size fit all?, Future Governance Paper 10, Lessons from Comparative Public Policy, January 2002, University of Strathclyde, Strathclyde, pp.1-3.
[287] Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.357.

The EU regional policy has a limited perception of development

Although the European Commission sometimes refers to unemployment rates, when dealing with regional development it mostly considers GDP per capita. Indeed, the relative levels of development of the regions and member states are determined according to GDP per capita. When defining Objective 1 regions the Commission refers to GDP per capita. Likewise, the Commission analyses the evolution of the disparities in GDP per capita to conclude that regions are converging.

As argued earlier in Chapter 4, although GDP per capita is the most commonly used indicator to define development, it is extremely limited. This view is shared by Scott who points out that events contributing to economic growth might not lead to development:

> "GDP is not sufficiently sensitive to distinguish between the purchase of manufacture of arms and the purchase of medicine. The privatisation of essential public services, transport, energy or water, and the sale of national assets, art or countryside, contribute positively to GDP but tend to undermine access to various basic social or cultural entitlements. GDP measures monetary transactions within an economy with no concern as to the social and human or environmental context of these"[288].

Such arguments lead her to consider that:

> "it is through its reliance on per capita GDP that the Community most vividly reveals the narrowness of its vision of development. Not only does this imply a conception of development which is inherently quantifiable and one which is concerned with generalised rather than individual acquisition of wealth but also it implies that development is a relative concept, shifting continuously in the light of the position of the point of comparison, in this instance the other regions of the Community"[289].

It can therefore be argued that the Commission could and should consider other indicators to characterise regional development. This would give a more complete view of the levels of development of its regions. This is why Chapter 4 considers twelve different statistical indicators, and not just GDP per capita, to highlight the importance of regional disparities in Mercosur. Not using GDP per capita as the unique indicator of development is certainly something Mercosur needs to consider.

The EU regional policy does not sufficiently reduce disparities

When discussing the implementation of the EU regional policy, there are various views in the literature on its impact on regional disparities, some authors considering that this impact is insufficient or even non-existent. This comment is part of the wider theoretical debate on convergence and divergence[290]. However, the issue of regional convergence is not a 'black and white' picture, but one composed of numerous shades of grey. Indeed, whereas some data support convergence, others build a case for divergence. Moreover, similar data can be interpreted through different methods and gives entirely different results. Therefore, there is a wide range of different interpretations.

Some authors recognise that there are still significant regional disparities within the EU, but that these have been greatly reduced due to EU regional policy. Obviously, the

[288] Scott Joanne, Development dilemmas in the European Community: Rethinking regional development policy, 1995, Open University Press, Buckingham, p.56.
[289] Scott Joanne, Development dilemmas in the European Community: Rethinking regional development policy, 1995, Open University Press, Buckingham, p.29.
[290] It is beyond the scope of this thesis to enter this debate. To briefly synthesise, neo-classical theories consider that economic growth leads to economic convergence between regions through an equilibrium reached in markets. Other authors on the contrary argue that, principally because of technological progress, the gap widens between regions, separating the most advanced areas from the less developed areas, the core from the periphery.

principal defender of this thesis is the European Commission itself. For example, the Commission considers that, between 1986 and 1996,

> "GDP per head in the 10 regions where this was lowest increased from 41% of the EU average to 50% […] GDP per head in the four Cohesion countries went up from 65% of the EU average to 76½% […] This is an unusually rapid pace of convergence, both from an historical and international perspective"[291].

Likewise, the 2001 Commission report on economic and social cohesion states:

> "In the EU today, disparities in income (GDP) per head between member states and, more particularly, between regions, remain considerable. The average income per head of the 10% of population living in the most prosperous regions is, for example, 2.6 times greater than the bottom 10%. The disparities, however, have narrowed over time. In the three least prosperous member states (Greece, Spain and Portugal), average income per head has risen from 68% of the EU average in 1988 to 79% in 1999, a reduction of a third in the initial gap"[292].

Other authors are less positive when analysing the impact of EU regional policy on regional disparities. For example, Armstrong and De Kervenoael argue that convergence has taken place, but at a slower rate than what had been expected:

> "Most studies suggest that the EU regional GDP per capita disparities have narrowed over time (at least since 1950) in the EU. […] The evidence for historical convergence within the EU is powerful but not yet overwhelming. […] The rate of regional convergence is very slow. All studies are agreed that even in the decades prior to the mid-1970s the rate at which convergence has taken place among EU regions has been extremely sluggish. […] The sustained convergence witnessed in the 1950s and 1960s in the EU gave way quite quickly to a much more confused situation in the late 1970s and 1980s"[293].

A few authors consider that, although some data support a pattern of convergence, some EU regions are diverging. In 1995, Bachtler wrote: "Looking back over the past decade, there have been some notable improvements in the differences between EU regions […] But the major income disparities between the richest and poorest regions remain extremely wide – and are widening"[294]. This view was also shared in 1995 by Martin and Pearce:

> "It seems clear that the available evidence does point to some convergence between regions near the economic centre of the Community […] After a period of economic stagnation, during which the prosperity of the regions diverged, economic growth resumed in the Community during the late 1980s, leading to a slight reduction in regional disparities. But, following the deep recession of the early 1990s, divergence appears to have reasserted itself"[295].

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[291] EU Commission, Sixth periodic report on the social and economic situation and development of the regions of the European Union, 1999, European Commission, Brussels, p.7.

[292] EU Commission, Second report on economic and social cohesion: Unity, solidarity, diversity for Europe, its people and its territory, Vol. 1, January 2001, European Commission, Brussels, p.XI.

[293] Armstrong Harvey, de Kervenoael Ronan, 'Regional economic change in the European Union', in Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.38.

[294] Bachtler John, "Policy agenda for the decade", in Hardy S. *et al.*, An enlarged Europe: regions in competition?, Regional Policy and Development Series n°6, 1995, Jessica Kingsley Publishers, London, p.314.

[295] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, Sweden, p.4.

Finally, some authors, such as O'Donnel, consider that EU regional policy, in its present form, cannot lead to convergence:

> "the Structural Funds as currently constituted will not be sufficient to create convergence let alone establish equality in regional economic structures and income. It is important to note that this conclusion does not arise only because of the size of the Funds. It reflects also two other substantive problems confronting regional policy – first, the limited effectiveness of traditional regional policy and, second, our limited knowledge of the determinants of regional development"[296].

In spite of these diverging views on the impact of EU regional policy on convergence, O'Donnel notes that "we cannot infer from the absence of economic convergence that the Community's structural policies have failed altogether to influence the regional pattern of economic activity or income"[297].

The EU regional policy does not have a *regional* impact

Another possible criticism which could be formulated against the EU regional policy is that some of its instruments have lost their 'soul'; that they have lost their 'regional' dimension. For example, Evans considered that the European Social fund encourages national rather than regional development[298]. Similarly, according to Heinelt and Smith, "parts of European structural policy can easily be interpreted as hidden agricultural policy or as sectoral industrial policy"[299].

As suggested, in the case of prospective policy transfers, it is necessary to consider the objectives of policies. When designing Mercosur's common approach to regional development, policy makers should not lose sight that its objective is not development as such, but *regional* development.

The EU regional policy might lead to economic diversion

A further criticism of EU policy is that it would lead to economic diversion. Analysing regional policy in general, Temple adapts the economic concept of Pareto's optimum to welfare. This leads her to consider that

> "general welfare can only be improved in circumstances where it is possible to make one person, or group of people, better off without making another person, or group of people, worse off. Much regional policy fails to satisfy this criterion. If an organisation relocates from London to Newcastle, the North East region of England is presumably better off but the South East is likely to be worse off"[300].

Developing this idea, EU regional policy could in some cases lead to a transfer of economic activities from prosperous regions to priority regions, and not to the creation of new activities in priority regions. Referring back to Viner, it seems possible to adapt his concept to the present case to conclude that, sometimes, EU regional policy does not achieve 'economic creation' but 'economic diversion'[301].

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[296] O'Donnel Rory, 'Policy requirements for regional balance in economic and monetary union', in Hannequart Achille, Economic and social cohesion in Europe: a new objective for integration, 1992, Routledge, London, p.37.
[297] O'Donnel Rory, 'Policy requirements for regional balance in economic and monetary union', in Hannequart Achille, Economic and social cohesion in Europe: a new objective for integration, 1992, Routledge, London, p.34.
[298] Evans Andrew, The EU structural funds, 1999, Oxford University Press, New York, p.171.
[299] Heinelt Hubert, Smith Randall, Policy networks and European structural funds, 1996, Avebury, Hants, p.66.
[300] Temple Marion, Regional Economics, 1994, St Martin's Press, New York, p.277.
[301] As discussed above in Chapter 2, Viner developed the concepts of 'trade diversion' and 'trade creation' in: Viner J., The customs union issue, 1950, Carnegie Endowment for International Peace, New York.

This discussion should be kept in mind when policy makers design the Mercosur common approach to regional development. Indeed, its objective would obviously be to assist regional development not by diverting economic activity from prosperous regions to relatively less developed regions, but to create new economic activity in these latter regions.

The EU regional policy is difficult to evaluate

A final commentary which is often encountered in the existing literature is that it is difficult to evaluate the impact of the EU regional policy, and therefore to determine whether it has been successful or not. Generally, authors consider that there is a lack of precise data to determine the impact of the EU regional policy. Another reason explaining this difficulty is that there is no consensus on the methodology to use to undertake evaluation.

These two arguments are for example formulated by Bachtler and Turok who consider that "the quantitative impact of the Structural Funds is hard to determine because of serious methodological and data obstacles to evaluation and the wide range of economic and social agencies involved in co-financing and delivering programmes"[302].

A third argument accounting for the difficulty of evaluating the impact of EU regional policy is that numerous other factors, such as political, economic or environmental factors, might also have an influence on regional development and disparities. It is therefore highly problematic, not to say impossible, to determine the exact share of the impact of each factor on a region's economic evolution: "regional policy has not been the only force affecting the 'trajectory' of regions in economic space […] A major problem afflicting the evaluation process is, therefore, the identification of changes which can be attributed with certainty to the implementation of regional policy"[303].

It is very likely that the same difficulties of evaluation will be encountered by a Mercosur common approach to regional development. However, Mercosur can certainly learn from the EU's mechanisms and their weaknesses when designing its own evaluation procedures.

Assessing the principles underlying the EU regional development funds

Whatever their opinion on EU regional policy, most authors support on principle the EU regional development funds' underlying principles. However, this does not mean that these principles are not criticised nor that they cannot be improved. For example, Kearney considers that, "even if definitive quantified evidence of their value is not easily produced, it is clear that the principles of the reform of the Structural Funds have served a useful purpose in the past and are likely to continue to be used, with some modifications, in the future"[304].

Since the analysis of policy transfers between the EU and Mercosur undertaken in Chapter 6 led to the conclusion that these EU principles could successfully be transferred to Mercosur, it is now necessary to focus on the six fundamental principles which have been at the core of the EU regional development experience. These policy principles relate to 1) resources; 2) concentration; 3) partnership and subsidiarity; 4) additionality; 5) programming; and 6) effectiveness.

[302] Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.350.
[303] Pinder David, Regional economic development and policy, Studies on Contemporary Europe n°5, 1983, G.Allen & Unwin Ltd., London, pp.89-90.
[304] Kearney Conor, 'Development programming, negotiation and evaluation: lessons for the future', in Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.318.

Resources

The size of the financial resources made available by member states for EU regional development policy have always been an issue for debate since policy implementation is limited by financial constraints. As early as 1977, the MacDougall report on the role of public finance in European integration argued "that the ERDF and ESF would need to be increased tenfold if they were to have any noticeable impact"[305].

Nearly twenty years later, Amin and Tomaney confirm that one of the limits of EU regional policy was that, "despite the changes in the operation and the doubling of the size of the Structural Funds, the measures and financial resources involved remain insufficient in relation to the scale and nature of the EU's entrenched regional problems and the threats posed by further integration"[306]. Likewise, Martin and Pearce argue that "given the scale of problems facing the disadvantaged regions even recent increases in the level of Structural Funds cannot realistically be expected to make more than a marginal contribution to strengthening regional economies and therefore the achievement of economic convergence within the Union"[307].

At the time of writing, in 2002, it can be argued that these comments remain valid, especially at the eve of the enlargement of the EU to include ten new members from Central and Eastern Europe which all face relatively low levels of development compared to the current EU average.

Although financial support from the EU to regional development has constantly been augmented over the past two decades (see Table 7.3 below), increasing its share of the EU budget, these resources still account for an insignificant share of the total GDP of the EU fifteen member states. As stated in the 2001 EU Second report on economic and social cohesion, finance made available through the Funds accounted for 0.46% of the EU GDP in 1999[308].

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[305] Quoted in Gibney John, Decision-making in the regional policy of the European Economic Community: towards an organisational interpretation of the ERDF, 1986, University of Birmingham, Birmingham, p.224.

[306] Amin Ash, Tomaney John, Behind the Myth of European Union: Prospects for cohesion, 1995, Routledge, London, p.20.

[307] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, Sweden, p.17.

[308] European Commission, Second report on economic and social cohesion, 2001, European Commission, Brussels. Downloaded from internet in 2001.

Table 7.3. Twenty years of financing regional development in the EU (1987-2006)[309]

	1987	1988	1989-93		1994-1999		2000-2006	
	Total	Total	Total	% of SF	Total	% of SF	Total	% of SF
Objective 1			36,200	53.0	93,429	61.7	135,900	69.7
Objective 2			6,698	9.8	15,064	9.9	22,500	11.5
Objective 3			7,200*	10.5*	12,896	8.5	24,100	12.3
Objective 4					2,285	1.5		
Objective 5a			3,300	4.8	6,311	4.2		
Objective 5b			2,607	3.8	6,934	4.6		
Objective 6					712	0.5		
CI			10,657	15.6	13,773	9.1	10,400	5.4
Others			1,700	2.5			2,400	1.2
Total SF			68,362	100.0	151,402	100.0	195,300	100.0
Cohesion Fund					16,750		18,000	
Pre-accession aid							21,840	
TOTAL	7,200	7,700	68,362		168,152		235,140	

SF stands for Structural Funds, CI for Community Initiatives
Figures in million Euros, in 1988 prices for 1987-93, 1997 prices for 1994-99, and 1999 prices for 2000-06.
* Value for Objectives 3 and 4.

However, some authors highlight the fact that these increasing financial resources are not a sufficient factor to guarantee regional development. O'Donnel therefore considers that "Until more effective regional development plans are designed, further increases in the volume of the Structural Funds would be of definite but limited value"[310]. Martin and Pearce also consider that "despite the large sums involved, therefore, it will take many years for the Structural Funds and Community Initiatives to have a sufficiently positive impact to secure sustainable growth in the poorer regions"[311].

Thus, in the EU case there is a good argument that a lack of resources has seriously constrained the efficacy of the regional development policy. This partly explains its mixed success over the past few decades. The availability of financial resources are therefore a necessary but not a sufficient condition to have a significant impact on regional disparities.

An important early lesson for Mercosur is that, whichever approach these countries adopt in order to reduce their internal regional disparities, they clearly will need to endow policy with sufficient financial resources to achieve objectives. In the Mercosur case there are two aspects to consider. On the one hand, the scale of regional disparities implies that the financial effort that Mercosur countries would have to accommodate will need to be significant. On the other hand, this needs to be balanced with the reality of Mercosur, which is that Mercosur is composed of developing economies having little resources to spare.

[309] Sources: Valenciano Eugenio O., Disparidades regionales e integración económica, 1992, BID/INTAL, Buenos Aires, p.21.
EU Commission, Agenda 2000, downloaded in December 2001 from www.europa.eu.int.
EU Commission, Structural Funds 1997: annual report, downloaded in December 2001 from www.europa.eu.int.
[310] O'Donnel Rory, 'Policy requirements for regional balance in economic and monetary union', in Hannequart Achille, Economic and social cohesion in Europe: a new objective for integration, 1992, Routledge, London, p.38.
[311] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, Sweden, p.7.

Concentration

Following the 1988 reform of the Structural Funds, the principle of concentration became a key aspect of EU regional development policies. Subsequent reforms reaffirmed the significance of this principle and aimed to increase the degree of concentration of EU financial resources in those regions which were most severely disadvantaged.

The main reason for giving importance to this principle was that not only was there a lack of overall budgetary resources being allocated to regional development policy, but in addition monies were being spread very thinly across a broad range of territories.

This concentration principle was achieved through the definition of priority Objective areas. Objective 1 regions were those regions designated as lagging behind, that is to say they had a GDP per capita lower than 75% of the EU average, and were thus allocated the larger share of the resources. In the current 2000-2006 period, these Objective 1 regions account for 70% of the Structural Funds.

During the 1989-1993 and 1994-1999 periods, Objectives 1, 2, 5b and 6 were targeted on specific regions[312]. The other Objectives 3, 4 and 5a, covered the financing of projects across the whole of the EU. During the 2000-2006 operational period only Objectives 1 and 2 are currently directed at specific regions[313].

As shown below by Table 7.4, in spite of this principle of concentration being of key importance, throughout the last three operational periods[314], the percentage of the EU population living in regions eligible for EU regional funds assistance remained high. Between 40% and 53% of the EU population were living in the Objective areas. Clearly, this is counter to the notion of a geographical concentration of resources.

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[312] As a reminder of the fifth section of Chapter 7, between 1989 and 1999 the aims of the Objectives in the EU Funds were:
Objective 1: promoting the development and structural adjustment of regions whose development is lagging behind.
Objective 2: converting the regions, frontier regions, or parts of regions, including employment areas and urban communities, seriously affected by industrial decline.
Objective 3: combating long-term unemployment and facilitating entry into working life of young people and of people exposed to exclusion from the labour market.
Objective 4: facilitating the adaptation of workers of either sex to industrial changes and to changes in production systems.
Objective 5a: promoting rural development by speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy.
Objective 5b: promoting rural development by facilitating the development and structural adjustment of rural areas.
Objective 6: development and structural adjustment of regions with an extremely low population density.

[313] As another reminder, for 2000-2006, the number of Objectives was reduced to three (see the sixth section of Chapter 7):
Objective 1: promoting the development and structural adjustment of regions whose development is lagging behind.
Objective 2: contributing to the economic and social conversion of regions in structural difficulties other than those eligible for the new Objective 1.
Objective 3: assisting human resource development outside the regions eligible for Objective 1.

[314] These operational periods cover the years 1989-1993, 1994-1999 and 2000-2006.

Table 7.4. Percentage of EU population in regions eligible for EU regional assistance[315]

	1989	1994	2000
Objective 1&6	21.7	27.3	22.2
Objective 2	16.8	16.4	18.0
Objective 5b	5.0	8.8	N/A
Total	43.5	52.5	40.2

This relatively low degree of concentration can be explained by the fact that individual member states retained a major say in the definition of eligible territories. For example, during the 1994-1999 period, although Objective 1 was in theory restricted to NUTS 2 regions according to strict technical criteria (GDP per capita), a short list of 'exceptions' was agreed. Consequently, as noted earlier, a number of regions from the Netherlands (Flevoland), the United Kingdom (Merseyside, Highlands, Islands), Belgium (Hainault) and France (Hainault) were counted as being Objective 1 regions whereas they would have far more appropriately, in purely statistical terms, been characterised as Objective 2 regions. Moreover, it should be noted that, apart for Objective 1 regions, there is a lack of clear criteria to categorise EU regions in the different Objectives. This leaves more room for interpretation and political influence to render eligible regions which otherwise would not have access to the Structural Funds.

It can be argued that there are two main but conflicting trends which exist in relation to the concentration of development funds. A first tendency is to consider that resources should be as concentrated as far as possible on the regions needing most assistance, so as not to spread the resources over too large a territory. The second tendency considers that a larger part, if not all, of the population should have access to the assistance of the funds since even within prosperous regions there can be severely deprived localities.

In the end, since the configuration of policy depends on decision-makers, who are democratically elected, there is a tendency not to choose the 'concentration' option, so that as many of the electorate as possible can have access to EU funding to improve their social, economic and infrastructural environment. The decision-makers are also often influenced by the lobbying done by regions which defend their interests. No doubt this can influence the level of support for national governments and EU institutions. In other words, concentration can be seen as a purely technical and technocratic solution to the resource problem, but regional development policy has a direct political fallout.

Given the eventuality of a common Mercosur approach to regional development, the issue of the concentration of resources is something which will have to be considered. The idea of concentration can be especially useful since Mercosur regional disparities are much more marked than those of the EU, as shown in Chapter 4, and the resources available to Mercosur are much less than those of the EU. Scattering the little resources Mercosur has at its disposal across a vast territory might not prove to be efficient. However, since even those relatively well developed Mercosur sub-regions are currently facing economic problems, certainly compared to European criteria, achieving a workable balance between an overly concentrated approach and thinly spread resources will be a real challenge.

[315] Source: EU Commission, Agenda 2000, downloaded in December 2001 from www.europa.eu.int.
And Martin Reiner, Regional policy in the European Union, Centre for European Policy Studies, England, p.87.

Partnership and subsidiarity

The principle of partnership, established during the 1988 reform and reinforced during the 2000 reform, was initially defined as "close consultation between the Commission, the member states concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal"[316]. This principle implies that regional development policy needs to be underpinned by partnerships at three levels.

Firstly, the European Commission acknowledged in the 1988 reform of the Structural Funds that there was a need to improve upon the degree of coordination between the various EU financial instruments impacting on the regions. This was confirmed during the 1993 reform which required that the Commission ensured coordination and consistency between the Funds and assistance from the other financial instruments[317]. In some ways, this can be considered to be a form of partnership between previously disparate financial instruments at the strategic policy level.

Secondly, at a more operational level, EU funds' administrators were charged with setting in place multi-agency partnerships between different levels of authority, at European, national, regional and local level.

A third type of partnership was to be implemented, following the recommendations of Agenda 2000, to include in the regional development management process social partners such as trade unions, voluntary bodies, and environmental authorities. However, this has not been implemented yet at the time of writing.

A criticism often formulated against partnership is that, even after the latest reforms, it is still national governments who designate the 'appropriate partners'. This can in practice lead to the exclusion of some partners. For example, in the early 1990s the UK was often criticised by the European Commission and other EU member states for not including trade unions within the partnership agreements.

According to Hooghe, partnership is "a very ambitious goal, given that these uniform procedures were expected to work equally well in twelve different political systems, having diverse territorial relations and regional policy traditions, in some cases with extremely weak subnational authorities"[318]. "Partnership has allowed the establishment of the European identity of the programmes assisted by the Structural Funds while assuring national and regional ownership"[319].

The principle of partnership goes hand in hand with that of subsidiarity since this latter concept implies that the EU Funds should be managed at the most appropriate and efficient level of authority, whether local, regional, national, or European.

Authors such as Bachtler *et al* highlight the importance of this principle in the EU regional policy. "The principle of subsidiarity (ie the allocation of functions to the lowest tier

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[316] Council Regulation [EEC] 2052/88 quoted in Bache Ian, The politics of European Union regional policy: multi-level governance or flexible gatekeeping?, 2000, Sheffield Academic Press, Sheffield, p.74.

[317] Council Regulation coordinating the Structural Funds, (EEC) No 2083/93.

[318] Hooghe, 1996, quoted in Bache Ian, The politics of European Union regional policy: multi-level governance or flexible gatekeeping?, 2000, Sheffield Academic Press, Sheffield, p.93.

[319] Kearney Conor, 'Development programming, negotiation and evaluation: lessons for the future', in Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.319.

at which they can satisfactorily be achieved) is designed to be central to the way in which responsibilities are assigned for the design and delivery of Structural Fund programmes"[320].

The principle of subsidiarity is based on article 3a of the Maastricht Treaty which states that the Community shall take action "only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the member states and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community". It is possible, given this definition, to consider that regional development policies can be achieved by member states and that the Commission should therefore not be competent. However, as discussed above in Chapter 2, it can also be argued that developing such policies at the national level is not sufficient enough to reduce regional disparities and that taking action at the Community level would be more efficient.

The coordination of the activities of the various actors, achieved via the principles of partnership and subsidiarity, aims to render Structural Funds more effective. It can be argued, however, that the desire to involve so many actors in the prioritising of projects, and to achieve a consensus between these partners, can result in long delays and bureaucratic procedures.

A positive consequence of the principles of partnership and subsidiarity is that the needs, views and aspirations of each agency are taken into account when deciding the priority actions of the funds. Bachtler *et al* consider that partnership ensures "that those most familiar with a region have a voice in its development"[321]. Moreover, the delegation of some management procedures for projects to local bodies can streamline procedures, at least in theoretical terms. Another positive impact of partnership is that, as noted by Martin and Pearce in an UK context, this principle influences local agencies:

> "There is evidence from several parts of the UK that the incentive of EU assistance has revitalised local economic strategies and encouraged local agencies to embrace new styles of policy making involving intra-regional cooperation, a more pluralist approach, which embraces social and economic partners, and the adoption of a more strategic framework for the long-term recovery of sub-regional economies"[322].

The significance of this principle of partnership is confirmed by the fact that international development organisations around the world are increasingly developing their actions by taking into account the views of local and national partners.

As far as Mercosur is concerned, the principle of partnership may prove to be a key to the success of a common approach to regional development. Considering the reluctance showed by the Mercosur member states to give away some parcels of sovereignty to supranational bodies, similar reluctance towards internal regional and local authorities may greatly limit the transfer to Mercosur of the principle of subsidiarity.

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[320] Bachtler John, Downes Ruth, McMaster Irene, Raines Philip, Taylor Sandra, The transfer of EU regional policy to the countries of central and eastern Europe: can one size fit all?, Future Governance Paper 10, Lessons from Comparative Public Policy, January 2002, University of Strathclyde, Strathclyde, p.5.

[321] Bachtler John, Downes Ruth, McMaster Irene, Raines Philip, Taylor Sandra, The transfer of EU regional policy to the countries of central and eastern Europe: can one size fit all?, Future Governance Paper 10, Lessons from Comparative Public Policy, January 2002, University of Strathclyde, Strathclyde, p.13.

[322] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, p.11.

Additionality

Dating back to the creation of the ERDF in the mid-1970s, the principle of additionality aims to ensure that EU resources are used by member states to complement their national or regional financial efforts in less developed regions and are not used as a substitute for them.

Consequently, the Funds cannot contribute to the totality of the cost of a development project. Depending on the type of project and on the Objective classification of the region concerned, the EU can contribute from between 25% and 85% of the project cost. The remaining matching funding must come from other sources, whether national, regional, local or private.

Most authors have recognised that additionality is almost impossible to verify, and this for two reasons. First, from the outset, additionality has been calculated as "a highly aggregate figure in the sense that it does not apply to individual programmes, but to all programmes under a single Objective in a given member state"[323]. Because of this method of calculation at the aggregate national level, and according to national Finance Ministry protocols, the exact contribution of each state can lack a degree of transparency. One solution would be to calculate additionality at the programme level and not at the member state level.

Second, the European Commission does not have the capacity to determine the levels of national expenditures for regional development in the eventuality of the non-existence of EU funds. Among other authors, Kearney, and Martin and Pearce highlight this difficulty:

> "Observance of the principle of additionality is notoriously difficult to confirm in practice since such confirmation depends on establishing what might have happened if support from the Structural Funds had not been available"[324].
>
> "It is virtually impossible for the Commission to determine additionality because it can not be sure how much would have been spent in a region in the absence of EU regional policy assistance"[325].

The difficulty of calculating additionality has consequences for the assessment of the impact of EU funds on regional development. On the one hand, "many of the outcomes ascribed to EU assistance may in fact have occurred in the absence of funding 'from Brussels'"[326].

On the other hand, many EU member states have made good use of the difficulty in calculating additionality to pay only 'lip service' to this principle over the past few decades. Member states have therefore used EU resources to cover up for the cost of their regional development projects. For example, Bache considers that, "while the reforms of 1979 and 1984 have failed to convert ERDF from a system of reimbursement to an effective instrument of regional policy, they contained the seeds for future policy development as seen in the 1988 reforms"[327]. However, even after later reforms, the application of the principle of additionality

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[323] EU Commission, Second report on economic and social cohesion: Unity, solidarity, diversity for Europe, its people and its territory, Vol. 1, January 2001, European Commission, Brussels, p.XXXV.
[324] Kearney Conor, 'Development programming, negotiation and evaluation: lessons for the future', in Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.308.
[325] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, Sweden, p.5-9.
[326] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, Sweden, p.5.
[327] Bache Ian, The politics of European Union regional policy: multi-level governance or flexible gatekeeping?, 2000, Sheffield Academic Press, Sheffield, p.66.

remained difficult to control. Among the member states which do not fully respect the principle of additionality, the UK has often been considered by the European Commission to be the member state the least likely to be complying with this principle.

In 2000 the Court of Auditors published a special report on additionality which discussed several issues which needed "to be addressed, such as the absence of penalties for non-compliance, methodological weaknesses and organisational difficulties within the Commission"[328]. Although some of these proposals were rejected by member states, more stress has been put during the 2000-2006 period on ensuring the effectiveness of this additionality principle. For example, all programmes were to be evaluated *ex ante*, mid-term and just before their completion, in order to verify the effective delivery of the programme as well as the respect of the principle of additionality.

There is much that Mercosur can learn from the additionality saga in the EU. Indeed, the principle of additionality, when it is genuinely respected, can have at least three direct positive consequences. Firstly, Mercosur monies applied additionally enable both the MRDF and the development managing agencies to bring on more projects than would otherwise be possible since both benefit from the financial support of the other. Furthermore, the application of external funding, at least in the emerging economies setting, can bring external technical expertise which would otherwise be unavailable or very costly. Thirdly, the principle of additionality reinforces the principle of partnership mentioned above since it implies a better participation of other partners to finance development projects. This contributes to a sense of overall inclusion of the various partners involved in regional development. However, a negative aspect likely to be present in Mercosur involves instances where indigenous matching funds are lacking or cannot be found.

Programming

Programming "allows the integration of different forms of regional support for a particular area into an encompassing development plan. The idea is to improve the coherence between the individual measures and the co-ordination between the different institutions involved at EU, member state and regional level"[329]. Due to its positive impact on regional policy, the share of the EU assistance allocated through programmes, whether of national or of EU initiative, has rapidly increased and currently represents most ERDF resources.

Most of the literature supports this principle of programming since it promotes a coherent and coordinated approach to regional development problems through a distinctive European regional policy. To quote just a few authors:

> "The Structural Funds have, through successive reforms, become more than pure financial assistance provided by the European Commission to support member states regional policies. They are now characterised by a distinctive policy approach – generally referred to as 'programming' – and common principles of programme design and implementation to which member states are required to adhere"[330].

[328] European Commission, 11th Annual Report on the Structural Funds, 1999, EU Commission, Brussels, p.125.
[329] Martin Reiner, The regional dimension in European public policy: convergence or divergence?, 1999, MacMillan Press Ltd, London, p.85.
[330] Bachtler John, Downes Ruth, McMaster Irene, Raines Philip, Taylor Sandra, The transfer of EU regional policy to the countries of central and eastern Europe: can one size fit all?, Future Governance Paper 10, Lessons from Comparative Public Policy, January 2002, University of Strathclyde, Strathclyde, p.3.

"Programming has been useful in both assuring the coherence and complementarity of activities assisted by the Structural Funds and developing the abilities of the Commission to work effectively with the administrations of the 15 different member states"[331].

"The programming system can be helpful in identifying the real development needs of regions, formulating strategies and priorities and as a vehicle for pulling together a wide range of partners in a co-operative approach"[332].

According to a Commission official in 1998, "Programming has proven its value. It took quite a long learning process but I think everyone agrees that programming is the best way to implement the Structural Funds. The current programmes are much better than the ones at the beginning, but there is still scope for improvement"[333]. However, authors such as Martin and Pearce are much more critical, especially when analysing the EU Community Initiatives, an aspect of EU programming, since they consider that "an assessment of the impact of other Community Initiatives might lead to the conclusion that these too provide assistance which is largely symbolic and palliative"[334].

The principle of financing regional development through programmes and not projects would clearly be a valuable experience to transfer to Mercosur, so as to facilitate a coherent and distinctive common Mercosur approach to regional development.

Effectiveness

In 1997, before effectiveness was established as a key principle of the EU Structural Funds, Kearney wrote that "the effectiveness of the structural policies is determined on three distinct levels: 1) the way in which resources are used to deliver the policies through specific programmes; 2) the broad nature of the policies themselves; 3) and the overall amount of resources allocated to the policies and the broad pattern of the allocation of these resources between member states and Objectives"[335].

The literature echoes a considerable number of criticisms about the effectiveness of the EU Funds. For example, Bachtler and Taylor argued in 1999 that "the programme development process is too complex to be undertaken easily in the time available for it in the formal programming calendar"[336].

The European Commission also had some concerns about some of the implementation characteristics of the EU funds which were limiting their overall effectiveness. This explains why effectiveness officially became in 2000 one of the Structural Funds principles. Agenda 2000 stated that one of the aims of the reform proposed was "to improve the effectiveness of the structural instruments by strengthening concentration through a reduction in both the

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[331] Kearney Conor, 'Development programming, negotiation and evaluation: lessons for the future', in Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.319.
[332] Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.359.
[333] A Commission official in 1998, quoted in Bache Ian, The politics of European Union regional policy: multi-level governance or flexible gatekeeping?, 2000, Sheffield Academic Press, Sheffield, p.128.
[334] Martin Steve, Pearce Graham, Economic convergence or crisis management: European regional assistance in the UK, paper presented to the Regional Studies Association Conference, May 1995, Regional Studies Association, p.7.
[335] Kearney Conor, 'Development programming, negotiation and evaluation: lessons for the future', in Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.320.
[336] Bachtler John, Taylor Sandra, Objective 2: experiences, lessons and policy implications: final report, July 1999, European Policies Research Centre, Glasgow, p.91.

structural policy objectives and the Community Initiatives, by improving management and by clarifying the share-out of responsibilities between the various parties involved”[337].

The Commission consequently proposed two main strategies to achieve a better effectiveness. The first strategy concerned the simplification of administrative procedures, such as promoting the use of the Single Programming Document instead of the Community Support Framework, but also streamlined the range of resources available for development financing. This strategy went hand in hand with the idea of reducing the number of overall Objectives and Community Initiatives in order to increase the concentration of the Funds. The second strategy aimed at strengthening evaluation procedures.

As a ‘carrot’ to drive programme managers to be more efficient in their duties, and states to respect the principle of additionality, the Commission established a performance reserve – in other words a performance bonus – to be allocated half-way through the programming period and only disbursed when and if the programmes were successfully implemented.

Each of these ideas and measures around improved effectiveness can read across to any other similar regional initiative. Effectiveness, as a principle, must be a key issue in the Mercosur case.

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The evolution of EU regional development funds, described in this chapter, can in some ways be described as a longstanding ‘battle’ between the embryonic supranational institutions which are the European Commission and the European Parliament, and member states which have been keen to retain national control of a highly politicised policy area, such as regional policy. This struggle for control is the origin of some of the inconsistencies and complexities in the evolution of the EU regional development funds.

However, as exposed in the latter section of the chapter, a number of key guiding principles have been present throughout this period. The application of these EU Structural Funds principles “should result in measures with specific, concentrated objectives being combined and implemented through coherent, multi-annual programmes which are negotiated and implemented in partnership and clearly additional to pre-existing efforts”[338]. These principles are those which, according to the framework developed in Chapter 6, could successfully be transferred to a Mercosur Regional Development Fund.

Chapter 7 built on the framework developed in Chapter 6 to confirm the second hypothesis on which the research is based, which is that “it is possible to design a prospective policy transfer framework to determine what lessons and under what circumstances Mercosur could learn from the extensive experience of the EU in regional development funds to design its own common approach”.

It is now possible for the thesis to draw together the conclusions of the preceding chapters to move on to the fourth part to discuss the priorities and characteristics of the Mercosur Regional Development Fund.

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337 EU Commission, Agenda 2000, downloaded from the EU website in December 2001: www.europa.eu.int.

338 Kearney Conor, ‘Development programming, negotiation and evaluation: lessons for the future’, in Bachtler John, Turok Ivan, The coherence of EU regional policy: contrasting perspectives on the structural funds, Regional Policy and Development Series n°17, 1997, Jessica Kingsley Publishers, Gateshead, p.309.

- CHAPTER 8 -

THE PRIORITIES FOR A MERCOSUR REGIONAL DEVELOPMENT FUND

CHAPTER 8. THE PRIORITIES FOR A MERCOSUR REGIONAL DEVELOPMENT FUND

Chapter 5 argued that the creation of a Mercosur Regional Development Fund was the most appropriate mechanism to deal with regional disparities. Since Chapters 6 and 7 led to the conclusion that the Mercosur should take inspiration from the EU principle of concentration of development funds on the areas which need most assistance, it is important to determine what objectives should be assigned to the MRDF so it is most efficient in reducing the regional development gap. Indeed, financial and human factors mean that it is not possible to tackle all the aspects of development at the same time.

Chapter 8 therefore analyses the different priorities which could be selected for the Mercosur Regional Development Fund. This chapter is based on the parallel study of two sets of information. Firstly there are the conclusions of Chapter 4, which led to the drawing of a map of development of Mercosur, and which highlighted the significant disparities of development between Mercosur regions. Secondly, there are the responses of Mercosur decision-makers interviewed during the fieldtrip phase of the thesis[339]. The interviewees were asked open-ended questions in relation to the priorities for a MRDF, and were not limited by a multiple-choice set of possibilities. Although this method renders the analysis of the results more difficult and less statistically rigorous, since answers have to be interpreted and classified into categories which can then be compared and analysed, it gives more freedom to the interviewee to give original answers and comments which would not have been obtained otherwise.

It is important to combine both analyses since one shows what the situation is and the other how it is perceived by decision-makers. This enables, from an objective and subjective point of view, the definition of the optimal priorities for a Mercosur Regional Development Fund to ensure an efficient instrument in reducing regional development disparities.

It is suggested that priorities for a Mercosur Regional Development Fund can be defined according to two criteria. The assistance provided by the Fund can either be concentrated on the sectors needing most assistance or on a few regions; setting, in other words, thematic or geographic priorities. Both types of priorities are not exclusive but can be combined since the MRDF could be designed to assist one category of sector in one type of region.

While defining the priorities for the MRDF it is necessary to remember the actions already undertaken in Mercosur by the existing international and national development organisations as outlined in Chapter 5. Indeed, it would be more sensible to design a MRDF which would be complementary to the funding mechanisms of these existing institutions and which would not compete with them.

This chapter looks first at thematic priorities, then at the geographic priorities in the second section.

[339] See the second section of Chapter 1 and Appendix 1 for more details on the interviews and the questionnaires.

THE THEMATIC PRIORITIES OF THE MRDF

Given the statistical results of Chapter 4 and the opinion of Mercosur and development specialists interviewed, it can be argued that there are four categories of development which could be considered as thematic priorities for a MRDF. These categories are infrastructural development, economic development, social development and research and technology. This last category was not analysed previously in Chapter 4 since regional disparities in this field could not be accounted for due to the lack of statistical data (and was not accounted for in Figure 4.1 in Chapter 4).

Before analysing the thematic priorities of a MRDF it is necessary to note that it is necessary to be cautious when interpreting the responses of the interviewees, especially because of the ambiguous meaning of the term 'infrastructure' development. This ambiguity has been discussed above in Chapter 4. For example, although most interviewees when opting for giving priority to infrastructure development meant transport infrastructure, some might have also included in this category social aspects. Likewise, respondents choosing a social priority might have implicitly included social infrastructure. This means, as a result, that the delimitation between the different priorities is somewhat flexible and blurred, and that the results should therefore be interpreted with caution.

Analysis of statistical indicators and results of the interviews

This section looks at the results of the statistical analyses, as well as the answers of the decision-makers interviewed during the fieldtrips in Mercosur countries, to determine the thematic priorities for the MRDF. The results and figures presented in this first sub-section are discussed in the three following sub-sections which are each dedicated to possible priorities, that is research and technology, infrastructure, and economic and social development.

The analysis of statistical indicators

The thematic priorities can be derived from the statistical information analysed in Chapter 4 by considering the average deviations of each of the three development categories. These are infrastructure, economy, and social. As noted above, research and technology was not considered since it could not be analysed through available regional development indicators. As described in Chapter 4, the higher the average deviation, the more significant are the regional disparities within Mercosur.

In considering the hypothesis that a MRDF should aim to diminish regional disparities, it could be argued that the priority for the Fund should be the category of development with the highest average deviation. Indeed, as discussed in Chapter 4, deviations represent the distribution of the regional data vis-à-vis the Mercosur 6 average. The higher these deviations are, the more significant is the spread of the data for the indicator selected and the larger are the regional disparities. Table 8.1 summarises the average deviations of each indicator and development categories, and the rank order from the highest to the lowest deviation.

Table 8.1. Average deviations per indicator and development category

		Average Deviation per indicator[340]		Average Deviation per development category	
Development category	Indicator	Value	Rank	Value	Rank
Economy	PIB/capita	44.7	4	28.0	2
	Occupation rate	6.0	11		
Infrastructure	Roads	110.7	1	30.8	1
	Electricity	36.4	5		
	Water	18.1	7		
	Sewers	18.0	8		
	Telephone	45.6	3		
Social	Hospital Beds	24.6	6	21.9	3
	Doctors	54.1	2		
	Life expectancy	3.6	12		
	Students	14.0	9		
	Alphabetisation	9.1	10		

As Table 8.1 shows, the indicator characterised by the most significant disparities is by far the road infrastructure network. Likewise, infrastructure development is the category with the highest deviation. The social indicator of life expectancy, as well as the social development category as a whole, have both the lowest deviations. These figures are discussed further in the three following sub-sections, in which these statistical data are combined with the results of the interviews to determine the thematic priorities for the MRDF.

The results of the interviews

Some 122 persons were interviewed during the fieldtrips (see Introduction and Appendix A1). Of these, only seven did not answer the question on the issue of the thematic priorities of a MRDF. Among these seven, four did not answer, this due to a lack of time since the interviewees ran out of time before this point in the questionnaire was reached. Two others did not answer this question because they considered that a MRDF would be useless or unrealistic, so this specific issue was not raised. The final person, a Brazilian, considered that a MRDF should only have a geographic priority, made up of transnational projects, and that no thematic priority of any kind should be considered.

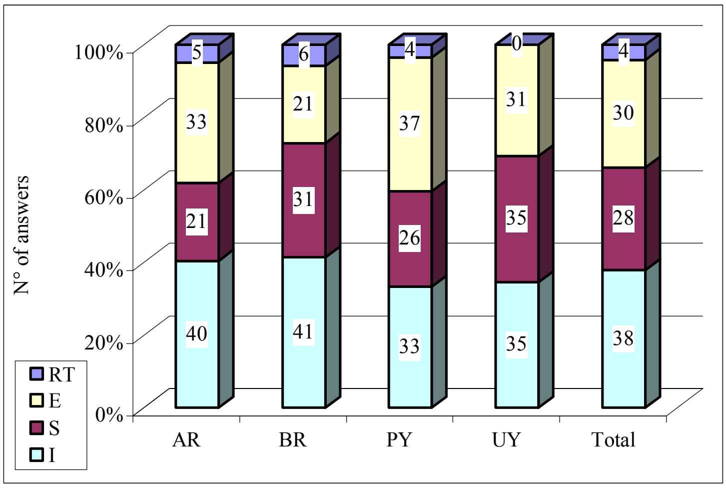
However, since interviewees could propose more than one priority for the MRDF, there are a total of 195 responses to the question. The responses can in the first place be analysed according to the country of the interviewee to highlight the trends in opinions which exist within each country. These results are detailed in Table 8.2 and illustrated in Figure 8.1.

Table 8.2. The thematic priorities for the MRDF classified by country of interviewee

	Total responses					**Percentage**				
	Infrastructure	Social	Economy	R & T	**Total**	Infrastructure	Social	Economy	R & T	**Total**
AR	17	9	14	2	**42**	40.4	21.4	33.3	4.8	**100**
BR	29	22	15	4	**70**	41.4	31.4	21.4	5.7	**100**
PY	19	15	21	2	**57**	33.3	26.3	36.8	3.5	**100**
UY	9	9	8	0	**26**	34.6	34.6	30.8	0.0	**100**
Total	**74**	**55**	**58**	**8**	**195**	**37.9**	**28.2**	**29.7**	**4.1**	**100**

[340] Data combined from Tables 4.5, 4.8, 4.12, 4.15, 4.18, 4.21, 4.24, 4.28, 4.31, 4.34, 4.36, and 4.39 in Chapter 4.

Figure 8.1. The thematic priorities for the MRDF classified by country of interviewee (percentage)



These results highlight the predominance given by the interviewees to infrastructure development. This did not apply in Paraguay, where interviewees selected economy by a slight margin as the priority for the MRDF, that is 37% for economy and 33% for infrastructure. Elsewhere, respondents preferred to give priority to infrastructure. However, in Uruguay, the answers of the respondents are equally in favour of priority being given to social as well as to infrastructure development. Research and technology accounts for the smallest share of the responses of the interviewees in each country.

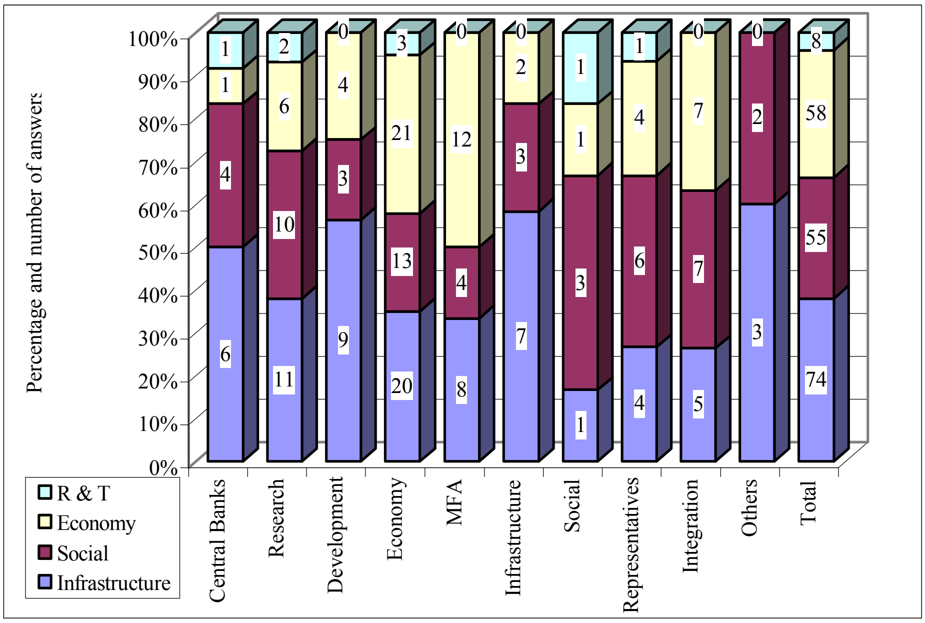
Table 8.3 shows the results of interviews analysed by the professional position of the interviewee. These results are illustrated in Figure 8.2. To facilitate comparison, the interviewees have been classified according to ten different categories based on their occupation or the institution for which they work:

1. Central Banks;
2. Research Institutes (public or private), Universities (‘Research’ in the following table);
3. International organisations (e.g. the IDB), development banks (e.g. BNDES), ministries of development (‘development’ in the following table);
4. Economy (ministries of economy, industry, trade, trade unions, trade chambers);
5. Ministry of Foreign Affairs (MFA in the following table);
6. Infrastructure (e.g. ministries of transportation, energy);
7. Social (e.g. ministries of education, health);
8. Representatives (i.e. deputies and senators);
9. Integration (i.e. ministries of integration);
10. Others

Table 8.3. MRDF thematic priorities according to the profession of interviewees (195 responses)

		N° of Responses					Percentages				Ranking			
		Infrastructure	Social	Economy	R & T	Total	Infrastructure	Social	Economy	R & T	Infrastructure	Social	Economy	R & T
Total Responses	Central Banks	6	4	1	1	12	50	33	8	8	1	2	3	3
	Research	11	10	6	2	29	38	34	21	7	1	2	3	4
	Development	9	3	4	0	16	56	19	25	0	1	3	2	4
	Economy	20	13	21	3	57	35	23	37	5	2	3	1	4
	MFA	8	4	12	0	24	33	17	50	0	2	3	1	4
	Infrastructure	7	3	2	0	12	58	25	17	0	1	2	3	4
	Social	1	3	1	1	6	17	50	17	17	2	1	2	2
	Representatives	4	6	4	1	15	27	40	27	7	2	1	2	3
	Integration	5	7	7	0	19	26	37	37	0	2	1	1	3
	Others	3	2	0	0	5	60	40	0	0	1	2	3	3
	Total	**74**	**55**	**58**	**8**	**195**	**38**	**28**	**30**	**4**	**1**	**3**	**2**	**4**

Figure 8.2. MRDF thematic priorities according to the profession of interviewees (percentage)



These results are now further analysed under the three following sub-sections: the first related to the issue of a research and technology development priority; the second to giving priority to infrastructure development; and the third to economic and social development as a priority for a MRDF.

The issue of a research and technology development priority

Although research and technology development has not been considered in previous chapters, it could however be a priority for a MRDF. This choice for a research and technology development priority exists but was expressed during only 8 of the 122 interviews carried out (see Table 8.2 above).

The reasons for this lack of responses in favour of research and technology as a priority might be twofold. Firstly, interviewees might not have considered it as a priority for a Mercosur Regional Development Fund. While they might have thought it an important option for the development of Mercosur countries, they could have thought it should not be the task of such a Fund but the task of national or local institutions. Indeed, it can be argued that the impact of such development projects is more national than regional. An example would be the discovery of a new medical cure which would be applied throughout a country, as well as internationally, this improving the situation of the whole population. It is clear that this is a contribution to more than just the development of region. This would therefore exclude such projects from the scope of action of a Mercosur *Regional* Development Fund.

A second reason for the low level of support for research and technology development from the interviewees might be that respondents have included this theme of development within the three other priority themes. For example, the development of communication infrastructure allows the transfer of knowledge and the propagation of technologies. Economic development goes hand in hand with the development of technologies and allows investment in research. Finally, it is through social projects, such as education, that people learn and adapt to using new technologies. This suggests that interviewees might not have specified that research and technology should be a priority theme because they *de facto* included it in the other theme(s) they considered as priorities.

Given this, and given the low number of responses in favour of this priority, it does not seem appropriate to suggest that research and technology should be a priority for the Mercosur Regional Development Fund.

Infrastructure development: the preferred priority… but already being addressed

As Table 8.1 above highlights, infrastructure is the category of development where regional disparities are the most significant. It is also the category which receives most support from the interviewees (see Tables 8.2 and 8.3). Nevertheless, it should be noted that, although it is designated as the priority in these tables, there is only a slim gap separating infrastructure development from the second preferred priority. Indeed, the average deviation for infrastructure is only 2.8 points higher than that for economy. Likewise, the support from interviewees for infrastructure development represents 38% of the responses, while economy is the second preferred priority with 30%, that is only 8 points behind infrastructure.

In addition to the impact infrastructures have on other development categories, such as economy and social, interviewees are likely to have favoured this priority because of the financial advantage of infrastructure projects. Indeed, since such projects generally provide a good return, it could be financially less risky for the MRDF to finance infrastructure projects.

The choice of this priority for Mercosur might also have been influenced by the recent project of South American physical integration[341] which might have been in the minds of the interviewees when pondering about the priorities for the MRDF. This would have especially been the case for Brazilian interviewees since they are the main actor in this project of physical integration through axes of development. Out of the twelve axes defined, nine cross the Brazilian territory. Moreover the support of the Brazilians for infrastructure is inscribed in the continuity of existing policies which for the past few decades have emphasised infrastructure development, seeking to physically integrate their vast country.

Infrastructure development was also supported by most of the Argentinians (see Table 8.2 and Figure 8.1 above). This choice might be explained by the low level of infrastructure development within the country, as the analysis of these indicators highlighted in Chapter

[341] See Frame 4.1 in Chapter 4.

4[342]. Moreover, over the past decade the Argentinian government has reduced public financing of such development projects. For example, the fund for constructing roads was abandoned, the development bank privatised, and so on.

Turning to look at the analysis of the responses according to the occupational category of the interviewees, infrastructure is the most frequently selected priority among the ten professional categories (see Table 8.3 and Figure 8.2 above). Five categories of interviewees ranked it first. These interviewees were those working in central banks; research institutes and universities; international organisations or on development issues; infrastructure; and the few interviewees who were classified as ‘others’.

However, there are three principal disadvantages to giving priority to infrastructure development for a Mercosur Regional Development Fund. These are financial issues, the possibility of alternative sources of financing, and the need to break with existing development strategies.

Firstly, from a financial point of view, it should be recognised that infrastructure projects are often very expensive, especially when they aim at constructing international connections between countries. Since Mercosur countries will have a low level of finance to allocate to a Mercosur Regional Development Fund, this Fund most certainly will have limited resources at its disposal. Moreover, in the early stages of operation, the Fund will have to prove its worth before members augment their contributions. Consequently, a MRDF with an infrastructure priority would probably imply that most of the resources allocated to the MRDF would be utilised by a very limited number of projects and, thus, in a limited number of places, a deterrent to popularity.

Secondly, contrary to other types of projects, such as social development projects, it is relatively easier to finance infrastructure development projects through other means than a specific MRDF. Indeed, as past experience proves, it is possible to attract the private sector into infrastructure building, especially for intra-national and inter-national projects related to transport, whether of energy, of goods or of people. This participation of the private sector can be promoted by developing systems such as concessions and fiscal incentives. Moreover, states and regions can appeal to international development organisations for financial assistance to build infrastructure. Indeed, most of these organisations have more financial resources than a Mercosur Regional Development Fund will have at its disposal. In such conditions, creating a MRDF with infrastructure development as a priority might not seem appropriate. Infrastructure projects can be financed through other means while there is a considerable number of projects to be carried out in other fields such as the economic and social.

Thirdly, it can be argued that it would be appropriate, from a common sense perspective, to adopt a development strategy different from those which have been implemented in Mercosur for the past few decades. As detailed in Chapter 5, most of the international, Latin American and national development organisations have been dedicating the largest part of their resources to infrastructure development. Indeed, through the existing institutions, significant financial resources were, are, and will certainly continue to be directed towards infrastructure development, while other development themes, although defined also as priorities, are allocated a smaller share of the resources by these institutions.

In suggesting a different type of development strategy, this is not to argue that such schemes were not successful or that they should be abandoned altogether. What is implied is

[342] See for example the indicators of road network and of electricity consumption.

that, given the range and amount of resources available to finance infrastructure development projects, it would be more beneficial to design a Fund which would focus on other priorities, and to leave the task of infrastructure development to alternative existing organisations. A Mercosur Regional Development Fund should be designed to build on the existing development institutions and to complement the existing array of development financing tools by covering other areas of development.

The thesis now turns to consider the case for an economic and social priority for a Mercosur Regional Development Fund.

An economic and social development priority for the MRDF

Five principal arguments can be brought forward to support the argument that a Mercosur Regional Development Fund ought to be focused jointly on economic and social development priorities. These arguments are the equal support shown by the interviewees for both priorities; the relative lack of support these priorities have received from existing development institutions; the difficulty such development projects have in attracting financial support from the private sector; the direct impact of both types of development projects on people; and finally the view that both economic and social development are necessary components of a process of regional integration.

Firstly, as shown above by Table 8.2, both categories account for similar support from the interviewees. The economic priority accounted for 30% of the responses and the social priority for 28%.

Considered by country, the results show that, whereas interviewees in Argentina and Brazil favoured the infrastructure priority, Paraguay is the only country where interviewees selected economic development as a priority. This choice is not too surprising considering the current (2000-2002) Paraguayan economic situation. Indeed, being a traditionally open economy which has survived through a system of triangular trade[343], Paraguay is certainly the country which has lost most from the integration process and the creation of a free trade area. The Uruguayan interviewees have an evenly distributed opinion on the thematic priorities for the MRDF at a third to each, excluding research and technology. However, social development and infrastructure are equally preferred as a priority, slightly ahead of economy.

Economic and social development each represent the preferred choices of three of the ten professional categories of interviewees (Table 8.3). Indeed, social development was the priority selected by the most people working as political representatives, in the social sector, or on integration issues. This last group of interviewees working on integration also considered that economy should be a primary priority, with an equal number supporting social development. Interviewees working in the economy category as well as those in foreign affairs also gave priority to economy.

There is one slight difference between economic and social development which can be noticed in the statistical analysis. As shown above in Table 8.1, the respective average

[343] Triangular trade describes a situation in which a country uses the tariffs of its neighbours to import from a first country some goods it directly exports, without any transformation, to another country. The benefit is the result of the differences of tariffs. In the case of Paraguay, most of this operation is done illegally: imports are under-invoiced and re-exports, mostly to Brazil, are mostly contraband. Most of the goods in this trade consist of luxury consumer goods, such as watches, electronics, and computers. In Paraguay, it is called "tourist regime" since it is supposed that tourists from Brazil and Argentina come to purchase the goods. But it is well known that most of the merchandise is not sold to tourists but to distributors in Brazil and in Argentina, mostly illegally.

deviations for economic and social development are 28 and 22, which implies that economic disparities are slightly more significant than social disparities.

As highlighted by the two approaches to thematic priorities, the statistical analysis and the responses of the interviewees, economy and social priorities display similar character. Indeed, both categories of development are characterised by relatively similar levels of disparities and receive relatively similar support from the interviewees.

Secondly, although economic development obtained slightly more support from international and national development organisations than social development, both have been less well regarded by these institutions which preferred to support infrastructure development. Table 5.8 above[344] shows that the international and national development institutions looked at in Chapter 5 have allocated on average as many resources to infrastructure development as to both economic and social development, that is respectively 41%, 22% and 21% of their total resources.

The third argument that can be brought forward to support an economic and social development priority is that it is difficult for both development themes to attract private sector finance. Most social projects offer too low a financial return, if any, to be interesting to private companies. For example, the creation of a school, or a health campaign giving information on vaccination offer little financial return. Some economic development projects, such as the creation of economic growth poles, offer a sufficient return to attract private investors. However, other projects such as micro-credits to small and medium-size enterprises are financially less attractive and consequently have difficulties in finding support from private financial institutions. It therefore seems more appropriate to give priority to such economic and social projects which otherwise would not be able to find financial resources.

Fourthly, both economic and social development have a direct impact on the lives of the people. Improving the economic environment through a MRDF would provide people with better employment opportunities and conditions, which would contribute to raising living standards. Likewise, a MRDF which would finance social development would contribute to endowing people with better access to social services such as health and education, which directly impacts on the quality of life. The consequences of this improvement in living conditions might well have an useful political side-effect. Indeed, Mercosur decision-makers might be interested in supporting the creation of a MRDF which gives priority to economic and social development, with the hope that the subsequent improvement of living conditions would bring Mercosur and its governments more electoral support from the people.

Finally, both economic and social development are necessary components of a regional process of integration. Economic development is at the heart of any process of economic integration such as that of Mercosur. A Mercosur Fund could indeed be employed to help fight the economic crises resulting from the process of integration. Moreover, it can be noted that since 1999 the four Mercosur member states have gone through a considerable economic and financial crisis, which led to political instability in Argentina at the end of 2001. As already mentioned, the reaction of the member states at this time was to adopt individual policies to attempt to overcome the crisis, even if these policies imply a regression in the process of integration. An alternative would be for the member states to look for some

[344] See Chapter 5.

common solutions at the Mercosur level which could be financed by the MRDF. In this case, the Mercosur Fund could help reduce tensions within Mercosur, tensions which are often created by disputes on economic and trading issues. Social development, although disregarded by Mercosur for the time being, is also a crucial element of the process of integration. This is because Mercosur needs to gain the support of the people if the integration process is to be pursued. If people do not see the benefits of Mercosur in their daily lives, they might not support a government which is pro-integration.

While there are these arguments in favour of economic and social priorities, a few arguments were brought forward during the interviews which reject the idea of a Mercosur Regional Development Fund giving priority to either economic or social development.

The main argument, which is often cited by the interviewees to reject the idea that a MRDF should give priority to economic development is of liberal origin. Some interviewees considered that, in accordance with liberal arguments, state intervention in the economy should be limited since the market would automatically regulate the situation. One Uruguayan interviewee in particular adopted extremely liberal views rejecting all forms of state intervention. Hence, it can be argued, from such a perspective, that if a project offers a good guaranteed return, a private investor will be interested in the project. However, the argument can be refuted since public institutions, such as a MRDF, can play an important role in guiding investments to support economic projects which might be financially risky but are beneficial to the development of a sector or of a region. Otherwise, without such public institutions, investments would be principally directed towards a limited number of the more highly financially attractive projects.

More arguments were put forward specifically against a social development priority. The interviewees used either of the three following arguments to justify the argument that social development should not be selected as a priority for the MRDF.

Firstly, in relation to the suggestion that a MRDF should focus on social development issues, the argument was put forward that there would be a risk that the decision-makers could become paternalistic. As the past experience of international development organisations would highlight, this was considered to have a negative impact since such principles have led to the failure of many development projects.

Secondly, the argument was put forward that it is difficult to evaluate such projects to determine their success or failure. The effects generally only appear over the long term, examples being improvements in literacy or in life expectancy through better medical care. Consequently, since it is difficult to evaluate the success of a project, it is extremely difficult for policy-makers to decide whether to implement such projects in other regions. Time scale is also a problem since the Mercosur decision-makers are elected. The exigencies of the democratic process imply that decision-makers are generally more interested in projects having a visible impact in the short-term so politicians can use the positive impacts of these projects as electoral arguments.

Finally, in the eventuality of a MRDF model which entails the award of loans, most interviewees opposed a social development priority. These interviewees considered that it would be difficult to give priority to social projects because these projects, such as the construction of a school, offer in general too low a financial return to reimburse the Fund or the financial institution making the loan. For this reason, only a very limited number of social development projects have been financed by private financial institutions over the past few decades.

In spite of the arguments against, this thesis favours the idea that the Mercosur Regional Development Fund should consider giving priority to both economic and social projects. The intention would be that the MRDF would in this way complement rather than compete with the existing array of international, national and private instruments financing development projects in Mercosur.

THE GEOGRAPHIC PRIORITIES FOR A MRDF

Having analysed in the preceding section the thematic priorities which could be assigned to a Mercosur Regional Development Fund, it was concluded that there is a case for it supporting economic and social development rather than infrastructure and research and technology projects. This section now looks at the geographic priorities of the MRDF. The aim would be for the MRDF to adopt the EU principle of concentration[345] to concentrate its financial resources on the regions which are in most need.

The opinion of interviewees on geographic priorities for a MRDF

It first should be noted that many of the interviewees, that is 51 of the 122 interviewed, refused to give their opinion on whether or not a Mercosur Regional Development Fund should have geographic priorities. In general, these respondents did not feel competent to answer, either because they considered it was not their direct field of competence or because they had not given sufficient thought to this issue. The reason for this is that, while the idea of the creation of a Mercosur development bank or fund has already been part of the agenda of a few decision-makers, there has been little publicity and little official reflection on the idea.

In consequence, whereas 71 of the 122 interviewees agreed to share their opinion on the geographic priority for the MRDF, the other 51 considered that the issue should be studied in depth before they could give an answer. Among the 71 interviewees answering this question, six selected two types of geographic priorities for the MRDF, which means there is a total of 77 responses (see Table 8.4 below).

The responses of the interviewees in relation to the geographic priorities for the MRDF are classified into five categories. Firstly, the MRDF should not be given any spatial priority. In relation to this, most interviewees (65%) took the contrary view that priority should be given to less developed regions (LDR). Three other possible priorities received less support from the interviewees. These are the MRDF giving priority to transnational projects (13%); to border regions (9%); or to urban areas (1%). The answers of the interviewees are presented in Table 8.4 and illustrated in Figure 8.3. This figure superimposes pie-charts, one for each country where the interview was done and one for the total, to represent the percentage of answers in favour of each geographic priority, with 77 answers taken as 100%. It allows comparisons between the different countries.

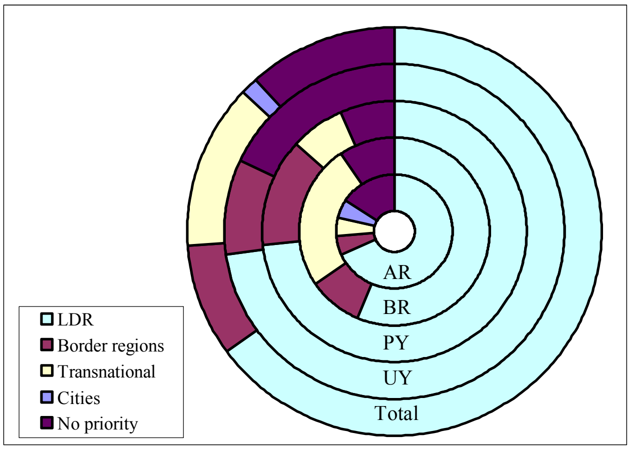
Table 8.4. Opinion of interviewees on the geographic priorities of a MRDF

	Number of respondents						Percentage					
	LDR	Border regions	Trans-national	Cities	No priority	**Total***	LDR	Border regions	Trans-national	Cities	No priority	**Total**
AR	13	1	1	1	3	**19**	69	5	5	5	16	**100**
BR	18	3	8	0	3	**32**	57	9	25	0	9	**100**
PY	11	2	1	0	1	**15**	73	13	7	0	7	**100**
UY	8	1	0	0	2	**11**	73	9	0	0	18	**100**
Total	**50**	**7**	**10**	**1**	**9**	**77**	**65**	**9**	**13**	**1**	**12**	**100**

* There are 77 answers for 71 interviewees answering the question since more than one answer was possible

[345] As discussed above in the last section of Chapter 7.

Figure 8.3. Synthesis of the responses on the geographic priorities of a MRDF



No geographic priorities

Among the 77 responses, 9 persons, which represents 12% of the responses, thought that a MRDF should not have any type of geographical priority. There were two main reasons put forward by the interviewees.

The first reason is financial. These respondents considered that the MRDF should function through loans because such a fund would not have the necessary resources and because, as some interviewees said, grants "favour mismanagement since there is no responsibility towards the money"[346]. These respondents also considered that, should the MRDF focus its loans on less developed regions, it would limit the scope of the Fund. Indeed, due to their limited financial capacities, less developed regions would not be able to put forward many projects, since they would not have the scope to reimburse the Fund for the loan, and the MRDF would only be used to finance this limited number of projects.

The second reason advanced is that the Fund should operate only on thematic priorities, which would exclude geographical focus altogether. For example, a Brazilian respondent considered that the MRDF should be designed principally to help industrial restructuring, the region of implementation of the project not being a selection criterion. This interviewee even argued that a MRDF should specifically not give priority to less developed regions because they generally have very little manufacturing.

An Argentinian researcher put forward a different argument. This respondent considered that choosing less developed regions as a priority would transform the MRDF into an arena of political struggle. The requirement of the MRDF, if similar to the European Regional Development Fund, would mean that a region would have to establish its degree of poverty and its lack of development to access the resources of the Fund. This might penalise the good functioning of the MRDF since regional authorities would attempt to prove the relative low level of development of their region to access the resources of the MRDF.

Less developed regions

Looking at the different possible geographic priorities, less developed regions (LDR) had by far the strongest support from the interviewees (see Figure 8.3 above). A large majority, 65% of the interviewees, considered that such regions should be a priority for a Mercosur Regional Development Fund. However, although in Brazil this response received relatively less support from interviewees, less developed regions still account for the majority

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346 For reasons of confidentiality, most of the quotes extracted from the interviews are kept anonymous.

of the responses since 57% of the Brazilian interviewees selected less developed regions as a geographic priority (see Table 8.4 above).

The main reason which underlies the relative support for a MRDF to allocate funds to less developed regions is certainly related to the important regional asymmetries which characterise Mercosur countries. The interviewees choosing less developed regions as a priority considered their choice to be obvious since, according to them, the MRDF should as a priority assist the regions which are the most backward. These interviewees often considered that a MRDF should concentrate on reducing disparities and on achieving similar opportunities and conditions of living throughout the territory. Moreover, projects in less developed regions might have a greater impact than in regions which are better off. It can be argued that it is sometimes easier and less expensive to help a very backward region to progress than a region already relatively well developed.

Out of the 50 interviewees who were in favour of giving priority to less developed regions, five Brazilians and one Paraguayan chose it jointly with another geographic priority. Although they did not expressly justify their view, it can be understood from the rest of their response that they were concerned about the financial implications of a Fund focusing only on less developed regions. Therefore, although it was considered necessary for a MRDF to assist the regions most in need, they preferred that the Fund should also be used for other types of actions which entail less financial risk. One of these six persons thought that the Fund should give priority to less developed regions and to border zones. This interviewee considered that the MRDF should give priority to economic development, and consequently that these two geographic priorities, less developed regions and border zones, would offer a better ground for economic development. The other five interviewees thought that a MRDF should give priority both to less developed regions and to transnational projects.

Transnational projects

The second spatial priority for a MRDF that was selected by most respondents is transnational projects; that is, projects that would have an impact on regions within different countries. Ten interviewees, representing 13% of the 77 responses, supported this priority. While projects of such magnitude could be of an economic nature, especially those which concern production chains that transcend borders, it seems that interviewees often considered these as transport or communication infrastructure projects of continental scale. The argument was based on the fact that the level of infrastructure is very low throughout Mercosur. As a result, infrastructure projects of transnational scale were considered necessary to contribute to economic development through the facilitation of goods transportation and communication. Moreover, the interviewees favourable to transnational projects as a MRDF priority considered such projects necessary since they contribute to the physical integration of the region.

The choice of this priority for Mercosur might also have been influenced by the recent talks about South American axes of physical integration which were detailed in Chapter 4 (Frame 4.1). Some interviewees expressly said that the first task of the MRDF could be to contribute to the financing of these projects to complement the work of the IDB, the CAF and Fonplata.

Two arguments were put forward against the adoption of this priority. Firstly, it appeared that most respondents believed that a Mercosur Regional Development Fund would be of a rather limited size and with few resources, principally because of the financial situation in Mercosur countries. In such a situation, transnational projects might be impossible to carry out because of the scale of the costs of such projects. Secondly, some interviewees considered that there already exist international organisations like the IDB which have been financing such transnational projects of infrastructure development, so a MRDF could be more useful supporting projects according to other thematic and geographic priorities.

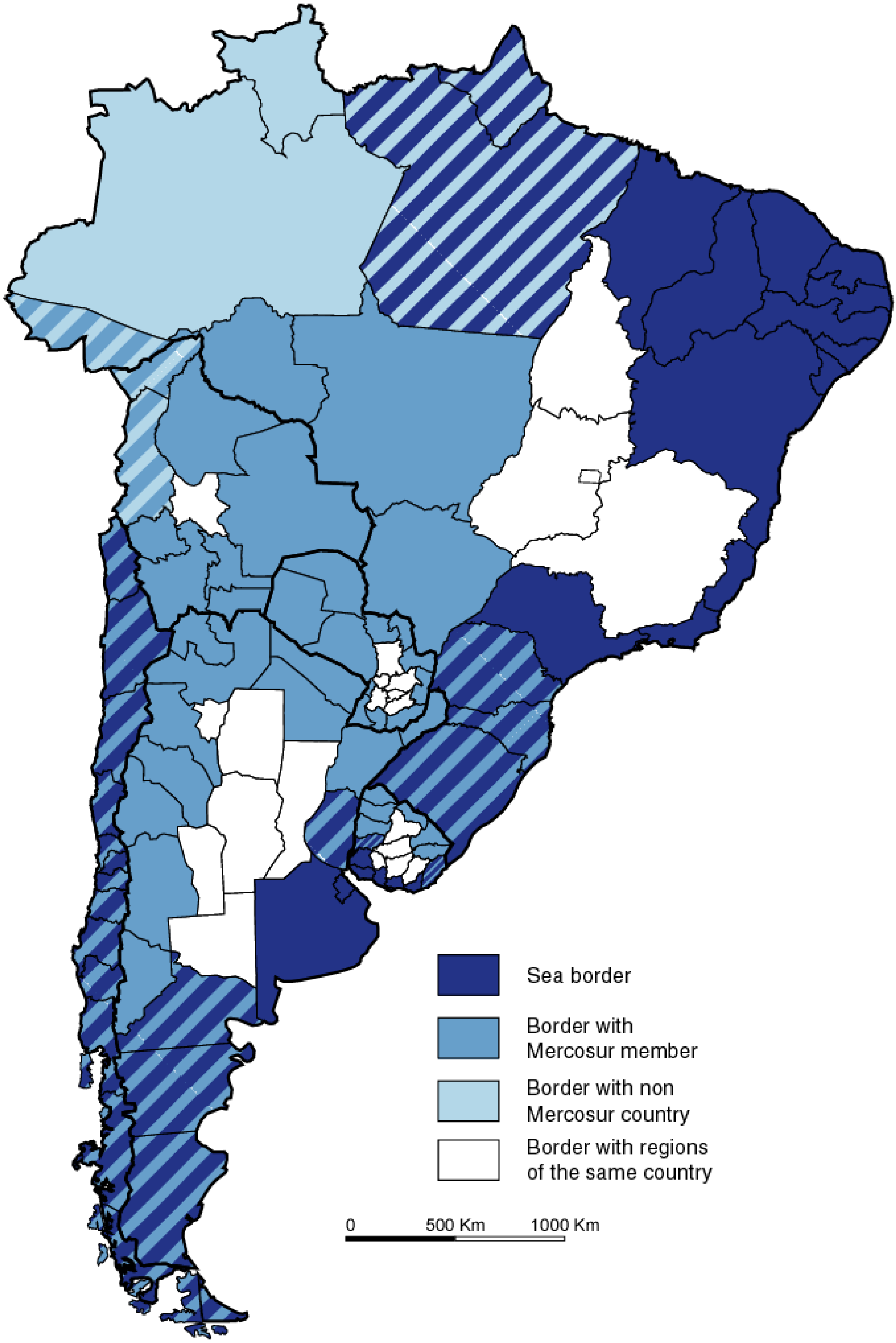
Border regions

After transnational projects, the geographic priority which received support was the border regions. Out of the 77 responses, only 7 were in favour of this priority, which represents 9% of the total.

It is worth noting that the respondents most in favour were in Paraguay. Indeed, 13% of the responses in this country were in favour of such a priority. This was followed by respondents in Brazil and in Uruguay, respectively 9% of the responses in each country. For the first two countries the explanation for this priority choice may lie in three words: Ciudad del Este. This city, east of Paraguay and bordering the Brazilian city of Foz de Iguaçu, is at the centre of contraband trade and the black market. This is a source of illegality and criminality, which is consequently an inconvenience for both countries, especially for Brazil which, as a Paraguayan interviewee said in 2000, "is having the biggest headaches due to contraband in Paraguay". One way to fight against the trade in contraband would be to legalise the production of companies at the frontiers. This could thereby become a priority for the Mercosur Regional Development Fund.

As shown on Map 8.1 below, most Mercosur regions have a border, either with the sea or with another country. Among the 110 Mercosur regions, only 22, that is six Argentinian, four Brazilian, six Paraguayan, five Uruguayan and one Bolivian regions are surrounded by regions of the same country, which would exclude them from the priority list. If border regions were selected as a priority, there would need to be other selection criteria to narrow down the number of priority regions. For example, only regions having a border with another Mercosur country might be considered, which would slightly reduce their number.

Map 8.1. Mercosur border regions



Urban areas

Finally, one interviewee proposed an original and interesting geographical priority and suggested that the MRDF should focus on urban areas. The argument put forward by this Argentinian public servant was that there has been an increase of poverty in urban areas which have traditionally been relatively 'rich'. Given the high density of poor people in these areas, compared to rural areas where people are scattered over large territories, this interviewee argued that the MRDF could have a greater impact.

According to the respondent, there are also two important political factors to support such a view. Firstly, the interviewee considered that the urban poor have the most resentment against government. Indeed, whereas in rural areas people have traditionally been poor, those living in urban areas have generally lived in better conditions until recently when conditions have worsened. A second political factor which could be important is that generally electoral participation is much weaker in rural areas than in cities. Since most politicians always have the elections in mind, it can be seen that tackling the poverty problem in urban areas might lead to more electoral support than such action in rural areas.

Definition of the priority regions for the MRDF

Given that the results of the survey show that, in the opinion of most interviewees, the Mercosur Regional Development Fund should give priority to less developed regions, it is possible to use the regional statistical analysis of Chapter 4 to select which regions would be included in such a geographic priority. There are two methods which can be used to define the Mercosur less developed regions which could be designated as a geographic priority.

The consideration of the overall development of regions, drawing on the conclusions of the statistical analyses undertaken in Chapter 4, is a first approach that could be adopted. However, there are two principal problems in selecting the priority regions according to this method. A first negative point is that Uruguay and Chile would have no incentive to participate in a Mercosur Fund. Both countries are indeed *de facto* excluded from the benefits of such fund since, according to the definition of relatively less developed regions adopted in Chapter 4, none of their regions can be defined as such. Creating the MRDF without two of the six Mercosur countries would be contrary to the logic of the process of integration.

A second problem in selecting the priority regions with this method is that regions are selected according to the twelve indicators of development analysed. This would result in some bias in the priority list since some regions are relatively less developed in respect of one category of development, but not according to other categories which would be thematic priorities. Consequently, it seems more appropriate to define the priority region according to the thematic priorities of the MRDF.

As suggested in the preceding section, the Mercosur Regional Development Fund should focus on economic and social development. Consequently, it can be argued that the MRDF should only consider regions which are economically and/or socially relatively less developed. It should not include those regions only facing infrastructure problems.

It has been arbitrarily decided that, to be considered as economically relatively less developed, a region needs to have at least one of the two economic indicators below the threshold. Likewise, since there is a maximum of three social indicators below the threshold for any region, socially relatively less developed regions are those with at least two indicators below the threshold[347].

[347] See Chapter 4 for the definition of regions economically or socially less developed.

The MRDF priority regions could be those regions which are both economically and socially relatively less developed. As shown below in Table 8.5, the list of priority regions would be composed of 27 regions, that is a fourth of the Mercosur regions. These regions are inhabited by almost 50 million people, that is 22% of the Mercosur 6 population.

However, such definition is not satisfactory since a region needing assistance on social development might be denied MRDF support if the region is not also considered as economically less developed. Therefore, a second possibility would be to consider as priority regions those which are economically or socially relatively less developed. According to such definition, 70% of the Mercosur regions would become priority regions and would qualify for access to the resources of the MRDF. This amounts to 78 regions which are inhabited by almost 100 million people, equivalent to 44% of the Mercosur population (see Table 8.5).

Table 8.5. The priority regions of a Mercosur Regional Development Fund

	Region	Population	E	S		Region	Population	E	S
AR	Catamarca	289,212	X		UY	Canelones	443,053		X
AR	Corrientes	857,685	X		UY	Cerro Largo	82,510		X
AR	Chaco	895,900	X		UY	Colonia	120,241		X
AR	Formosa	447,094	X		UY	Durazno	55,716		X
AR	Jujuy	555,097	X		UY	Florida	66,503		X
AR	Salta	958,094	X		UY	Lavalleja	61,085		X
AR	Santiago del Estero	700,114	X		UY	Maldonado	127,502		X
AR	Tucumán	1,216,623	X		UY	Paysandú	111,509		X
AR	Tierra del Fuego Antártica e Islas del Atlántico Sur	89,992		X	UY	Río Negro	51,713		X
BR	Rondônia	1,289,365	X	X	UY	Rivera	98,472		X
BR	Acre	504,489	X	X	UY	San José	96,664		X
BR	Amapá	402,557	X	X	UY	Tacuarembó	84,919		X
BR	Pará	5,724,140	X	X	BO	Chuquisaca	549,835	X	X
BR	Ceará	7,010,107	X	X	BO	La Paz	2,268,824	X	X
BR	Roraima	258,088	X	X	BO	Oruro	383,498	X	X
BR	Maranhão	5,349,575	X	X	BO	Potosí	746,618	X	X
BR	Alagoas	2,754,697	X	X	BO	Tarija	368,506	X	X
BR	Sergipe	1,662,168	X	X	BO	Santa Cruz	1,651,951	X	X
BR	Bahia	12,697,007	X	X	BO	Beni	336,633	X	X
BR	Tocantins	1,096,967	X		BO	Pando	53,124	X	X
BR	Mato Grosso	2,335,344	X		BO	Cochabamba	1,408,071	X	X
BR	Piauí	2,758,129	X		CL	Coquimbo	569,825	X	X
BR	Rio Grande do Norte	2,641,355	X		CL	Del Libertador	778,801	X	X
BR	Paraíba	3,433,234	X		CL	Del Maule	906,882	X	X
BR	Pernambuco	7,548,183	X		CL	Del Biobío	1,915,844	X	X
BR	Goiás	4,629,154	X		CL	Valparaíso	1,543,566	X	
BR	Amazonas	2,460,434		X	CL	De La Araucanía	864,975	X	
PY	Amambay	127,011	X	X	CL	De Los Lagos	1,050,558	X	
PY	Pdte. Hayes	77,145	X	X	CL	De Aysén	93,636	X	
PY	Boquerón	35,241	X	X	CL	Tarapacá	385,620		X
PY	Alto Paraguay	13,831	X	X	CL	Antofagasta	462,286		X
PY	Concepción	185,496	X		CL	Atacama	269,047		X
PY	San Pedro	332,926	X		CL	M. de Santiago	6,013,185		X
PY	Cordillera	215,663	X						
PY	Guairá	173,668	X						
PY	Caaguazú	442,161	X						
PY	Caazapá	141,559	X						
PY	Itapúa	454,757	X						
PY	Misiones	98,607	X						
PY	Paraguarí	247,675	X						
PY	Alto Paraná	595,276	X						
PY	Ñeembucú	86,965	X						
PY	Canindeyú	133,075	X		**Total**			**60**	**45**
PY	Asunción	550,060	X		**E and S**	**27 regions**	**49,843,833**		
PY	Central	1,174,212	X		**E or S**	**78 regions**	**99,671,304**		

An X indicates that the region is a priority according to economic (E) or social (S) indicators.

It was suggested above in Chapter 7 that the MRDF should adopt the EU principle of concentration and therefore focus on the regions which need most assistance. From a technical point of view, it would therefore be best to select the first definition of priority regions since it concentrates the assistance of the MRDF on the fifth of the Mercosur population which needs most assistance.

However, Argentina and Uruguay would *de facto* be excluded from a MRDF focusing on economically and socially less developed regions since none of their regions can be characterised as such. Moreover, from a political perspective, such decision will be difficult to adopt for the government of the member states. Indeed, due to electoral constraints, governments generally tend to facilitate access to assistance to a larger share of their population, so that more people might benefit and therefore support the government in future elections. Such situation has prevailed in the EU since, although concentration has always been a key objective, the concentration of EU funds has not been lower than 40% of the EU population (in 2000), and even peaked at 53% in 1994.

It should also be noted that, unless there is a system of quotas ensuring a percentage of the resources of the MRDF to each priority region, the creation of a priority list does not imply that all priority regions have an automatic access to MRDF assistance, but that they have the capacity to present projects to the MRDF to ask for assistance. Therefore, a MRDF less concentrated does not imply that more projects will need to be financed, but that a greater number of projects will be considered, such competition enabling to finance only the best propositions.

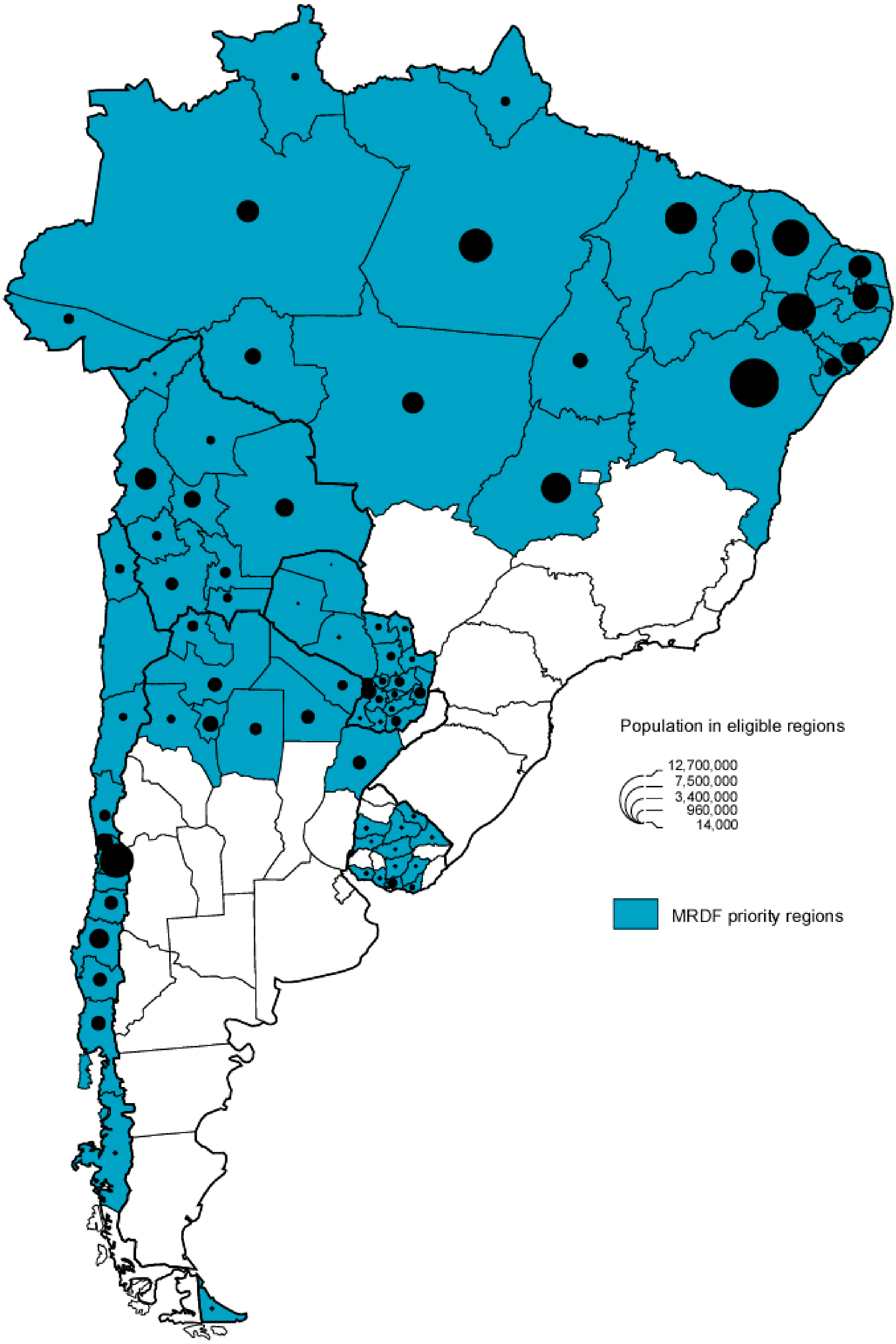
It can therefore be suggested that the MRDF should give priority to regions which are economically or socially relatively less developed, in order to have a fund not overly concentrated but nevertheless assisting in priority the two fifths of the Mercosur population which most need assistance. Table 8.6 below shows, country by country, the share of the population which would consequently be eligible for MRDF assistance.

Table 8.6. Population in regions eligible for MRDF assistance

	Total population	Population in eligible regions	% of national population living in eligible regions*	% of M6 population living in eligible regions+	% of eligible population to M6 eligible population~
Argentina	34,768,457	6,009,811	17.3	2.7	6.0
Brazil	160,710,275	64,554,993	40.2	28.5	64.8
Paraguay	5,085,328	5,085,328	100.0	2.2	5.1
Uruguay	3,163,763	1,399,887	44.2	0.6	1.4
Bolivia	7,767,060	7,767,060	100.0	3.4	7.8
Chile	15,010,755	14,854,225	99.0	6.6	14.9
Mercosur 6	226,505,638	99,671,304	-	44.0	100.0

* Percentage of population in eligible regions to total population
+ Percentage of population in eligible regions to total Mercosur 6 population
~ Percentage of population in eligible regions to total eligible population in Mercosur

Map 8.2. The MRDF priority regions



As indicated above in Tables 8.5 and 8.6 and in Map 8.2, the Mercosur Regional Development Fund priority regions on this basis include:

- 9 of the 24 Argentinian provinces, inhabited by 6 million people. They account for 17% of the population of Argentina and represent 6% of the population eligible for assistance.
- 18 of the 27 Brazilian states, inhabited by 64.6 million people, 40% of the population. Thus, Brazil accounts for almost two thirds of the Mercosur population living in priority regions.
- All of the 18 Paraguayan departments, inhabited by 5 million people, which only account for 2% of the Mercosur population.
- 12 of the 19 Uruguayan departments, inhabited by 1.4 million people. These account for 44% of the Uruguayan population but represent only 1.4% of the Mercosur eligible population.
- All of the 9 Bolivian departments, inhabited by 7.8 million people. Bolivians represent the third largest share of the eligible population with 8% of the Mercosur eligible population.
- 12 of the 13 Chilean regions, inhabited by 14.9 million people. They account for 99% of the population of Chile and 15% of the Mercosur population living in priority regions.

*

*   *

In conclusion, this chapter has analysed the possible thematic and geographic priorities for the Mercosur Regional Development Fund. Given the opinions of the decision-makers interviewed, as well as the regional statistical data analysed, it can be argued that the optimum choice for the MRDF would be to focus on economic and social development in the 78 Mercosur regions facing either type of lesser development. Having defined the objectives of the MRDF, that is its operational priorities, the main characteristics of this Fund can now be analysed in Chapter 9.

- CHAPTER 9 -

THE CHARACTERISTICS OF A MERCOSUR REGIONAL DEVELOPMENT FUND

CHAPTER 9. THE CHARACTERISTICS OF A MERCOSUR REGIONAL DEVELOPMENT FUND

Chapter 5 justified the choice of a Mercosur Regional Development Fund as the optimum choice for Mercosur member states to establish a common approach to regional development. The previous chapter argued that the MRDF would be most effective if its priority was social and economic development in the 78 regions classified as economically or socially less developed. This chapter pursues the examination of the Mercosur Regional Development Fund to discuss, in the eventuality of the creation of such Fund, the principal characteristics which will have a direct impact on its functioning and therefore on its success.

This discussion is informed by an analysis of a survey of the opinion of the 137 Mercosur and development key decision-makers interviewed during the two fieldtrips[348]. In many cases however the interviewees did not want to express their opinion. This was because they considered themselves not to be sufficiently informed, because they had not given the ideas enough thought, or because they considered themselves prevented by their position in the institution in which they were working. Where applicable, the lessons which it was earlier considered could be transferred from the EU experience of regional development funds and which were discussed in Chapters 6 and 7 are taken into consideration. Moreover, in some cases, EU lessons are complemented by references to the CAF and the Fonplata since, although they are not regional development agencies, both institutions are examples of Latin American supranational financial institutions.

The objective of this chapter is to discuss nine principal characteristics of a MRDF, in order to assess the different possibilities which Mercosur policy makers might consider. This should, consequently, offer Mercosur policy makers an indication of what the essential characteristics of the MRDF would be and to offer a basis on which to build further studies and negotiations. Indeed, this thesis fully supports the view defended by Macrae to "leave 'scientific' comparisons aimed only at understanding, to basic social scientist who believe that such explanation automatically eventually aids policy choice, but who often leave to others the task of demonstrating this effect"[349]. Policy transfers should not only be retrospective but also prospective to discuss possible futures and assist policy making.

The nine following sections each discuss one of what are the nine main characteristics of a MRDF. These characteristics are:

1. The genesis of the MRDF;
2. The membership of the MRDF;
3. The place of the MRDF in the Mercosur institutional framework;
4. The MRDF institutional structure;
5. The financial contribution of MRDF members;
6. The MRDF decision-making procedures;
7. The MRDF procedures for selecting development projects;
8. The financial mechanisms of the MRDF;
9. The evaluation and supervision of the MRDF.

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[348] See the second section of Chapter 1 and Appendix 1 for more details on the fieldtrips and the interviews.
[349] Macrae Duncan Jr, Cross-national perspectives for aiding policy choice, Journal of Comparative Policy Analysis, vol 1, 1999, Kluwer Academic Publishers, The Netherlands, p. 35.

Not all the issues related to a MRDF can be accounted for by these nine characteristics. However, these other characteristics can be considered of secondary importance, such as the process for designating the officials and the representatives of each MRDF member or, to be highly technical, such as the currency unit used by the Fund. This chapter however focuses on the nine characteristics which are arguably the most crucial aspects upon which the success of a Mercosur Regional Development Fund could depend.

THE GENESIS OF THE MRDF

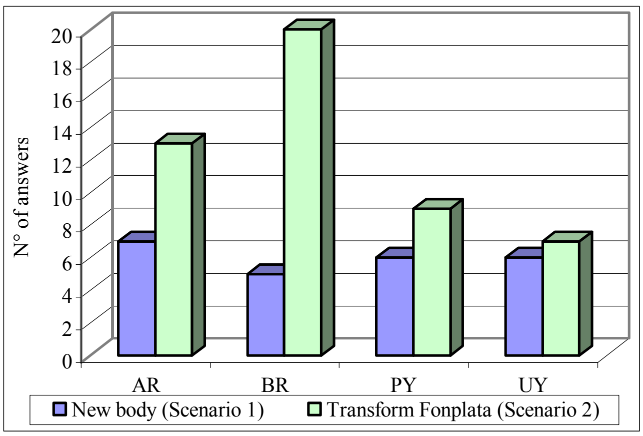
The first factor to take into account and which might have an impact on the success of a Mercosur Regional Development Fund is what is to be its genesis. There is indeed one significant factor to consider when creating a Mercosur Regional Development Fund. This is the existence of the Fonplata, the development fund discussed in Chapter 5 whose members are Argentina, Brazil, Paraguay, Uruguay – the four Mercosur members – and Bolivia, which is one of the two associate members of Mercosur.

The issue is whether to build a MRDF on the Fonplata or to develop a MRDF as a new policy initiative. There are therefore two main scenarios possible for the creation of a MRDF. The first scenario would involve setting up the MRDF as a completely new institution which would take its place in the existing environment of international and Latin American development organisations. A second scenario would be to transform substantially the Fonplata into a Mercosur Regional Development Fund.

The decision-makers interviewed in 2000 and 2001 were asked which of these two scenarios they would choose in designing a MRDF. Out of the 122 interviewees, 49 did not want to choose between the two scenarios. This was because they did not feel competent enough to make an enlightened choice, or because they had never reflected on the issue of a MRDF. In the latter case, the respondents wanted precise studies of both scenarios to be undertaken.

Among the remaining 73 interviewees who answered the question, there is a clear preference for the second scenario (see Figure 9.1), that is the transformation of the Fonplata into a Mercosur Regional Development Fund. There are issues following on from this which need to be discussed, namely the advantages and disadvantages of each option.

Figure 9.1. Opinion of the interviewees on the two scenarios for the genesis of a MRDF (by country of interviewee) (73 responses)



The creation of the MRDF as a new institution

The first scenario, the creation of the MRDF 'from a clean slate', implies the creation of a completely new structure that would have no relation whatsoever with the Fonplata. This can be considered to be an advantage since the Fonplata suffers from a very poor reputation, at least within the decision-making circles in which the interviews were carried out. Indeed, the Fonplata has a reputation of having a considerable number of drawbacks, of corruption, of being too small to be useful, and so on. A very limited number of people however defended the Fonplata as being a successful instrument to finance development projects.

Whether these rumours are true or false is not what matters in the present case. What is significant is that one of the factors of success of a MRDF is its capacity to inspire the confidence of the financial institutions and political decision-makers. It is the main reason for which the interviewees answering in favour of the first scenario proposed that the MRDF should be designed as a new institution, in order to create a clear-cut separation between the MRDF and the negative past of the Fonplata.

According to a few interviewees, however, there is further additional difficulty in transforming the Fonplata into a MRDF. If the Fonplata were to become the MRDF it would probably have to be based in Bolivia where the Fonplata has its headquarters. If there was a political will to establish the MRDF in the least developed member state, as was the case for the Fonplata, its location would be too far from financial centres like São Paulo and Buenos Aires. This would limit the access of the MRDF to these international financial markets, which would reduce the visibility of the MRDF on the international financial scene.

The transformation of the Fonplata into a MRDF

However, in spite of these difficulties, the second scenario, that of transforming substantially the Fonplata to become a MRDF, appears to offer greater advantages, especially from the financial point of view.

A first point to consider is that if a new fund was set up, it would have a significant financial cost. On the one hand, there are costs associated were the member states to maintain two parallel institutions, the Fonplata and the MRDF. On the other hand, costs would be incurred by closing down the Fonplata to create a MRDF, for example through having to make officials redundant. There would also be some difficulties encountered by ending the current Fonplata financed projects. The latter would however not be insurmountable since an exit strategy could be instituted.

A second advantage in transforming the Fonplata into a MRDF, is that the MRDF could be given, as initial capital, the US$ 300 million of the Fonplata, from which it could develop its early actions and make its first loans. It would then be possible to augment this initial capital through financial transfers from the member states or through borrowing money on international financial markets.

Moreover, it is possible to reduce the negative aspects of transforming the Fonplata into a MRDF, the reasons mentioned above for which 24 interviewees chose the first scenario. To limit confusion between the Fonplata and the MRDF, so that the MRDF is not affected by the negative image of its predecessor, a communication and information campaign directed towards key financial institutions and political decision-makers would need to be put in place, to highlight the major transformations of the Fonplata, and to strengthen the image of the MRDF. Changing the name of the institution, from the Fonplata to MRDF, would similarly contribute to the differentiation of the two. If there was the political will to transfer the headquarters of the institution from Bolivia to Argentina or Brazil, it might be easier and less expensive to transfer the institution than to create a brand new institution in these countries. As a counterpart to this political decision, some regional offices could be left in Bolivia.

There is a final consideration to take into account which renders a transformation of the Fonplata into a MRDF more attractive than the creation of a new institution. Over the past few years, there have been pressures within the governments of the member states to reform the Fonplata to give it more financial powers and more visibility on the international scene. A key meeting on this issue was to be held at the beginning of 2001. However, because of the Argentinian economic and political crisis, the Argentinian delegation could not participate in the meeting. It was therefore cancelled the week before it was to take place and was postponed to a later date. Given the probable transformation of the Fonplata in the near future, whether a MRDF is created or not, it can be argued that it would be more appropriate to take this evolution further and transform the Fonplata into a MRDF.

THE MEMBERSHIP OF THE MRDF

The second issue for discussion is which actors should be the members of a Mercosur Fund. The debate on this issue is not as clear cut as it would seem since there are a number of options. On the one hand, the MRDF could be restricted to the four Mercosur member states. On the other hand, it could also include Chile and/or Bolivia, the associate members. Membership might also be opened to extra-regional members, similar to the practice of the InterAmerican Development Bank (IDB) or of the Corporación Andina de Fomento (CAF)[350].

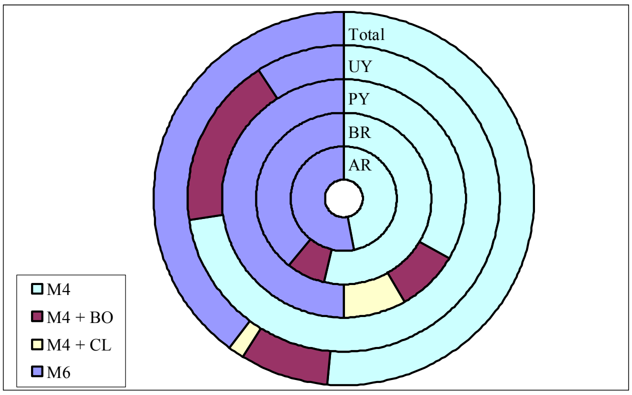
Interviewees were asked whether the MRDF should be designed only for the four Mercosur countries (M4), or whether it should also include Bolivia and/or Chile. As the answers show in Table 9.1 below, 54 of the 122 interviewees could not decide who should be members, or did not want to express their opinions. The answers of the other 68 respondents were evenly divided between the view that the MRDF should be restricted to the four members, and the view that it should include Bolivia and/or Chile. Figure 9.2 presents the percentage in favour of each option for membership according to the country of the interviewee. The superimposition of pie-charts enables comparisons between the different countries. These options are considered in turn.

Table 9.1. Opinions of interviewees on the MRDF membership

	Number of respondents					Percentage				
	M4	M4 + BO	M4 + CL	M6	Total	M4	M4 + BO	M4 + CL	M6	Total
Argentina	8	0	0	9	**17**	47	0	0	53	**100**
Brazil	15	2	0	11	**28**	54	7	0	39	**100**
Paraguay	4	1	1	6	**12**	34	8	8	50	**100**
Uruguay	8	2	0	1	**11**	73	18	0	9	**100**
Total	**35**	**5**	**1**	**27**	**68**	**52**	**7**	**1**	**40**	**100**

[350] For more information on the IDB and the CAF, see the first section of Chapter 5.

Figure 9.2. Opinion of interviewees on the MRDF membership (by country of interviewee) (68 respondents)



A MRDF restricted to the four Mercosur members

As illustrated in Figure 9.2, the highest proportion of respondents (52%) were in favour of restricting the membership to the four Mercosur member states. Three main reasons were put forward by these 35 interviewees to justify their choice. The first reason given was that they considered that the consequence of the creation of a MRDF is a new step towards a deeper integration between member states. They argued that, consequently, the MRDF should be restricted to the states which are already well engaged on the path to integration.

The second reason given is that these interviewees believe that a MRDF could constitute an advantage to full Mercosur member states and should exclude associate members. Were the MRDF to include Bolivia and Chile, these countries would have most of the advantages of the integration, such as free trade and access to a development fund, but would not face the constraints implied by this same process of integration, such as policy coordination. The MRDF could therefore be a further argument for Chile and Bolivia, and other South American countries, for becoming full Mercosur members and not just associates.

A third and final argument in favour of restricting the membership of the MRDF is that with only four members the Fund would have smaller institutions and would be easier to manage than if there were more members.

A MRDF composed of Mercosur members and associates

Five of the interviewees said that the MRDF should be established with only the four Mercosur members plus Bolivia (see Table 9.1 above). The main reason underlying this choice was that they believed the MRDF should be built on the Fonplata, keeping its present type of membership. A further argument was that, Bolivia being one of the poorest South American countries, it has often been favoured through a number of bilateral and multilateral agreements, such as those of the CAF, of Mercosur, or agreements signed with Brazil. These interviewees also said that their impression is that Chile does not currently show much interest in furthering its participation within the Mercosur process of integration.

Only one of the interviewees, a Paraguayan official, proposed a MRDF composed of the four Mercosur members plus Chile. The inclusion of Chile in the MRDF would be an advantage for the latter since it could benefit from the relatively good reputation of Chile on international financial markets. This interviewee excluded Bolivia from the MRDF because he considered that Chile is more involved in Mercosur than Bolivia. Bolivia being a member of the Andean Community, the respondent believed that the present association agreements linking Bolivia to Mercosur members represented the maximum level of participation within

Mercosur desired by the Bolivian government. According to the interviewee, another reason for including Chile but not Bolivia is that, considering the low level of development of the latter, Bolivia would be using most of the resources of the Fund while its financial contribution would have to be small.

The last group of interviewees, composed of 27 people, considered that the MRDF membership should be open to the four Mercosur states and their two associates. In addition to the reasons for including Bolivia and Chile as discussed above, there are a few other reasons for having a MRDF composed of six members. Firstly, the objective of Mercosur being to create a common market between the six countries, it could seem more appropriate to incorporate Bolivia and Chile in as many common activities as possible. Moreover, this scenario gives more significance to the MRDF since it would represent more countries. From a financial point of view, the MRDF could thus offer more and better financial guarantees, and would have an initial capital higher than otherwise. A final argument for having six members and not four is the impact the number of members has on the decision-making procedures. As will be explained in the sixth section below, a higher number of members would facilitate the implementation of a decision-making procedure based on majority voting, so that the actions of the MRDF are not impeded by any member using a right of veto.

Given that the MRDF would be a new step towards a deeper integration, it can therefore be argued that this Fund should be designed to include the six Mercosur members and associates. This would have positive impacts on the financial weight of the Fund and its capacities. However, if Mercosur members wish to create an incentive for the associate members to become full members, they could establish a system of quotas within the MRDF to give more prominence to Mercosur members than to Mercosur associates.

Opening the MRDF membership to extra-regional members

In addition to opening the MRDF membership to the six Mercosur states, it would be possible to include extra-regional members. These might be either private financial institutions, other countries, and/or public organisations. The participation of these third parties in the MRDF would increase its financial and political weight. However, such participation implies a slight loss of sovereignty since Mercosur countries would have to share the decision-making power.

Private institutions

From the point of view of private institutions, it could be beneficial to directly participate in a MRDF since it is a financial institution which could offer some return. As was seen in Chapter 5, among the CAF members there is a number of private banks. However, some private companies might be hesitant to transfer financial resources to a public or semi-public organisation, especially if they are worried about possible mismanagement and corruption.

Non-Mercosur states

Other Latin American countries might be interested in participating in the MRDF since it could be a new source of finance for their development projects. However, these countries would not by definition be part of the geographic priorities defined previously for the MRDF[351]. It would therefore be necessary to provide a mechanism for them to have access to the resources of the Fund. For example, there could be a system of quotas to ensure that, although priority is given to the Mercosur less developed regions, these extra-regional countries can use the financing capacities of the MRDF.

[351] See the second section of Chapter 8.

Developed non-Latin American countries could also be attracted to participate financially in the MRDF. Indeed, through their national development agencies, these countries have always been financing development projects in Mercosur countries and have supported the Mercosur integration process, two objectives they could pursue through financial participation in the MRDF. This could also allow them to improve the coordination of their different actions undertaken in the Mercosur area. Moreover, from an economic point of view, being inside the decision-making body of the MRDF might facilitate the obtaining of contracts for their national enterprises.

International development organisations

The last category of non Mercosur members which could participate in the MRDF is composed of international development organisations. Interviewees were asked whether they considered that international aid organisations would be interested in participating in a MRDF and, if so, which organisations would be likely to be the most interested in this initiative.

Amongst the 91 interviewees responding the question related to this issue, most were confident that international organisations would be prepared to participate in a Mercosur Regional Development Fund. Whereas 9 interviewees answered that the MRDF should not seek participation from these organisations, or that these would not be interested in a MRDF, 82 respondents considered that it would be positive for both parties. Indeed, like developed countries, these international organisations have always financed development projects and supported integration processes in Latin America. Participating in a MRDF could be an opportunity to pursue these actions while coordinating them.

The international organisations which could participate in the MRDF are, according to the interviewees, the EU, the IDB and the World Bank. The interviewees considered that an EU participation would be positive for the MRDF since it could benefit from the significant EU experience and expertise in regional development funds. From a geopolitical point of view, it would be mutually beneficial for the EU and Mercosur to reinforce the position of the former in Mercosur countries, in order to counter-balance the weight of the US. Moreover, the participation of the EU in the MRDF could be included within the agenda of the present trade negotiations which are taking place between the EU and Mercosur.

In the case of the possible participation of the IDB in the MRDF, it should be noted that four interviewees considered that there was a risk that the IDB could view the MRDF as a competitor and would consequently not support its actions. Adopting a geopolitical perspective, some interviewees said that the IDB, as well as the World Bank, is under US influence. Since the US government is in favour of diluting the Mercosur into a wider Free Trade Area of the Americas, these interviewees believed that both the IDB and the World Bank would limit their assistance to the Mercosur process of integration. These institutions would consequently likewise limit their assistance to the MRDF since it would be a new step towards a deeper Mercosur integration.

The MRDF membership

To conclude this section on the membership of the Mercosur Regional Development Fund, it can be argued that, although the MRDF should be designed principally for the six present Mercosur countries, it should leave the door open to extra-regional members, to private institutions and international organisations. The MRDF would otherwise rapidly be financially limited in pursuing its objectives, and would face some of the criticisms which have been made against the Fonplata, that is that the Fonplata has too few resources and is not open to non-Mercosur members.

As has been done by other organisations, such as the CAF, it is possible to design a Mercosur Regional Development Fund with four categories of members. The core of the

MRDF would consist of the present Mercosur full members, that is Argentina, Brazil, Paraguay and Uruguay. A second group of members would be composed of the present Mercosur associates, Bolivia and Chile. The third group would include extra-regional countries, that is other Latin American countries interested in participating in the MRDF to access new sources of development financing. The fourth group of members would be that of private institutions, international organisations and developed countries.

The exact definition of the characteristics, the rights and duties of each group of members is a political decision. For example, the first group could be empowered with more weight in the decision-making procedures and a better access to the resources of the Fund than the members of the second group. Likewise, the second group would in turn have more power and access to the Fund than the third or the fourth group.

Although the MRDF would essentially be established for the development of Mercosur regions, it will be necessary to give sufficient weight to the third and fourth groups of members. It would otherwise be difficult to convince these actors to participate in the MRDF.

THE PLACE OF THE MRDF IN THE MERCOSUR INSTITUTIONAL FRAMEWORK

The third characteristic of the Mercosur Regional Development Fund which needs to be discussed is its institutional place among the other Mercosur bodies. There are two possible scenarios.

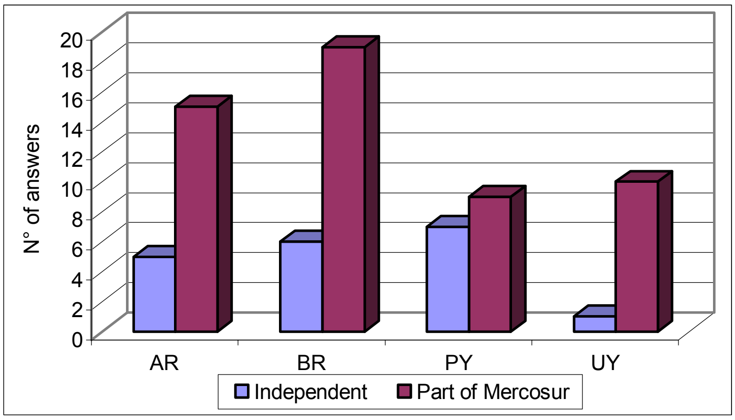
On the one hand the Mercosur Regional Development Fund can be designed as an institution, independent from Mercosur common institutions. The only link between the MRDF and Mercosur would be its membership and its priorities for development financing. Such a MRDF would certainly still be dependent on the governments of the member states since its highest decision-making committee would be composed of officials from the different member states.

The Mercosur Regional Development Fund could, on the other hand, be created as a new Mercosur institution, included in the existing framework, with different links and relations with the other Mercosur institutions like the Common Market Council or the Common Market Group.

The main advantage of the first scenario is the increased independence of the MRDF from Mercosur institutions, which would contribute to the allocation of the resources of the Fund according to technical criteria and not political criteria. A consequence of this independence is that the MRDF would be free of Mercosur negotiations and instability. Given that the process of integration is sometimes chaotic, being institutionally independent from Mercosur would protect the MRDF from these uncertainties. However, this advantage for the MRDF represents a significant obstacle for member states, especially Brazil, which are not yet ready for independent supranational institutions, even if their competences were to be very limited.

The key decision-makers interviewed were asked whether the MRDF should be an independent institution or if they preferred it to be part of the Mercosur institutional structure. Figure 9.3 shows that the majority of the 72 interviewees rejected the idea of an independent MRDF in favour of the limited independence as described in the second scenario. Out of the total of 122 interviewees, 50 refused to answer, 19 answered in favour of the first scenario and 53 in favour of the second, that is a MRDF set within the Mercosur institutional structure.

Figure 9.3. Opinion of the interviewees on the place of the MRDF in the Mercosur institutional framework (by country of interviewee) (72 responses)



This second scenario of creating the MRDF within the Mercosur institutional framework is more plausible. Firstly, because of the control member states will directly and indirectly exert on the MRDF, the competency transfers to this supranational institution would be limited, which member states would regard as an advantage.

Secondly, considering that a Mercosur Regional Development Fund is by definition a fund created by and for Mercosur countries, and would operate according to Mercosur priorities, there is little ground to justify the establishment of a MRDF outside the Mercosur institutional body.

Finally, it should be remembered that the MRDF is a new step towards a further integration of Mercosur countries. Moreover it contributes to creating a common Mercosur identity, especially within a Free Trade Area of the Americas. Consequently, although independence could be desirable to limit political pressure from members, excluding the MRDF from the Mercosur environment would be negating its impact on the process of integration. It would therefore eliminate some of the reasons for which the establishment of a MRDF was considered necessary.

Although the above discussion leads to the conclusion that the Mercosur Regional Development Fund should be part of the Mercosur institutional structure, it is still necessary for the MRDF to have some independence. Designing a MRDF following directives from the CMC, the GMC, or member states, would not be consistent with the use of technical criteria to independently select the development projects which should be financed. This would consequently mean that the financing of projects would reflect political interests.

It should be possible to design an institutional framework to include a relatively independent MRDF within the Mercosur institutional body. In such a case, the MRDF would have a duty of providing information on its work to other Mercosur institutions. Mercosur institutions, as well as national and local Mercosur authorities, could both request funds to finance development projects. However, the final decision should be taken by the Mercosur Regional Development Fund according to precise technical criteria, so as not to be influenced by political issues.

THE MRDF INSTITUTIONAL STRUCTURE

The thesis now turns to look at a fourth characteristic of a MRDF, that is its own institutional structure. In relation to this aspect, it is necessary to keep in mind the discussion related to the first criterion for selecting the optimal Mercosur approach to regional development[352]. It was there argued that the institutional structure needs to be relatively small and very flexible to be acceptable to Mercosur members.

However minimal, the structure of a Mercosur Regional Development Fund needs to include at least two bodies. The first body should be a Board of Governors[353], and would represent the members. Although the representation of each member in this assembly should be equal, the Governors might not have equal power during the decision-making process since some members might be given more weight than others. The Board of Governors would be the highest decision-making body of the Mercosur Regional Development Fund and would therefore be responsible for defining the priorities and the criteria which would be used to finance development projects. It would have the capacity to determine increases in the capital of the Fund, as well as the share incumbent on each member. The Board of Governors would also have a role of control over the actions of the Fund. The members of this Board do not need to be permanent since these different tasks can be achieved through periodic meetings.

In addition to this decision-making body, it is necessary for the Mercosur Regional Development Fund to have a permanent executive institution, such as an Executive Secretariat. This institution would be composed of international officials, theoretically independent from their states since their salary would be paid by the MRDF, but which would allow for a representation of each member. It would be the operational arm of the MRDF since it would be responsible for defining which projects should be financed by the MRDF; for financing them; for supervising reimbursements of loans when necessary; for supervising the implementation of the projects; and for all other practical, technical issues related to the operations of the MRDF. Depending on the significance of the resources managed by the MRDF and the number of projects financed, these activities could be shared among different Departments or Directorates. One such Department could be in charge of selecting the projects which should be financed by the Fund, while a second Department would be responsible for all the financial aspects and a third Department for the supervision.

These two bodies are the minimum necessary components of a Mercosur Regional Development Fund. However, depending on the will of the members, a third body could be set up to complement this structure. This would be a scientific consultative body, whose members would meet periodically to formulate recommendations on priorities or on specific projects. Although this body would only have a consultative role, it might influence the decisions taken by the Board of Governors or the implementation of projects managed by the Executive Secretariat. This consultative body could be composed of representatives of each member, but could also include delegates from national development institutions, such as the Brazilian BNDES. Since economic development is a MRDF priority, this body could also include representatives from the private sector, trade unions or entrepreneurial committees. It is however necessary to limit the number of representatives within this consultative body, this to avoid the creation of an over-sized institution.

[352] See the second section of Chapter 5.

[353] This name, as are the names given hereafter to other MRDF bodies, are indicative. It is similar to the terminology often encountered in international organisations or development funds.

THE FINANCIAL CONTRIBUTION OF MRDF MEMBERS

This fifth characteristic, the financial contribution of the Mercosur member states to the MRDF[354], is a much more technical issue than the four characteristics previously discussed, but is of vital importance for the functioning of the MRDF. Moreover, since some of the scenarios discussed below might lead to some of the members not participating in the MRDF, this is a very sensitive issue. Being such a vital and sensitive issue, the decision will in the end depend on the results of negotiations at the highest diplomatic levels. However, it is possible to discuss different possible scenarios concerning the financial contribution to the initial capital by the member states.

There are two options on how the burden of the contribution to the initial capital could be shared. A first scenario involves the principle of equality, which is a fundamental basis of Mercosur. It could be extended to cover the financial contribution to be made by each member state, so that each country would contribute the same. The second scenario is based not on equality but on equity. This implies that Mercosur member states acknowledge their economic and financial differences, and that the contribution of each member is calculated according to its financial capacity, a ‘fair’ contribution.

To illustrate the implications of both scenarios, it is possible to use a quantitative example to speculate on the financial contribution of each of the six Mercosur countries to a MRDF with an initial capital equivalent to US$ 600 millions (see Table 9.2). This amount has been arbitrarily chosen. It is a round figure and sufficiently high to be effective as initial capital. To compare this amount with data from existing organisations, it would represent approximately twice the capital of the Fonplata as of at the 31st of December 1999[355].

Table 9.2. Indicative quantitative example of the financial contribution of member states to a MRDF[356]

	% of total M6 eligible population*	GDP (US$)	% of Mercosur total GDP	Equal contribution to the MRDF			Fair contribution to the MRDF		
				US$	% of GDP	% of MRDF	US$	% of GDP	% of MRDF
AR	6.0	325,000	25.8	100	0.03	16.7	155	0.05	25.8
BR	64.8	820,400	65.1	100	0.01	16.7	390	0.05	65.1
PY	5.1	10,200	0.8	100	0.98	16.7	5	0.05	0.8
UY	1.4	20,000	1.6	100	0.50	16.7	10	0.05	1.6
BO	7.8	8,000	0.6	100	1.25	16.7	4	0.05	0.6
CL	14.9	77,000	6.1	100	0.05	16.7	37	0.05	6.1
M6	100.0	1,260,600	100.0	600	0.05	100	600	0.05	100.0

* Percentage of the Mercosur eligible population within each member, as calculated in Chapter 8 (see Table 8.5).

A financial contribution based on the principle of equality

In the first scenario, a contribution based on equality, the financial contribution of each country to the MRDF is the same, that is US$ 100 millions in the present quantitative example. According to this example, such a scenario would be highly beneficial for Brazil since it would contribute to 16.7% of the capital of the Fund, similar to the other members, although it accounts for 65% of the Mercosur population living in eligible regions.

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[354] This section principally focuses on the financial contribution of Mercosur member states to the MRDF, although the contribution of other categories of MRDF members is briefly discussed below in the fifth section.
[355] See the first section of Chapter 5.
[356] Amounts in US$ millions in 1997, extracted from the CD-ROM Anuario Estadístico de Argentina 1999.

This scenario based on equality is presently used to determine the contribution of Mercosur members to the budget of the Administrative Secretariat. In 2002, the financial contribution of each of the four Mercosur member states amounted to US$ 245.224[357].

Whereas this solution might be established for relatively small budgets, such as that of the SAM, it is more difficult to use this method for a Fund necessitating a few hundred million dollars. Indeed, because of the economic disparities inherent to Mercosur, a similar sum represents a much bigger share of national resources for smaller economies than for big economies. As illustrated in Table 9.2, whereas a contribution of US$ 100 millions represents only 0.01% of the GDP of Brazil, it accounts for 1.3% of the GDP of Bolivia. Whereas it can be argued that it is feasible for Brazil to set aside this level of resources for a MRDF, it is highly improbable that the Bolivian government would be able to do so.

Were the contribution to the MRDF to be based on equality, it is necessary to determine the capital of the Fund according to the financial capacity of the smallest members. Pursuing the preceding argument, it might be considered reasonable for Bolivia to contribute 0.01% of its GDP to a MRDF, as was illustrated above the case for Brazil. Consequently, Bolivia would have to contribute approximately US$ 800,000 to the MRDF, and so would the other members. The result would be a MRDF with a capital of less than US$ 5 millions. It is clear that this amount would be too small to create an effective Mercosur Regional Development Fund.

A financial contribution based on the principle of equity

It can be seen that, because a fund whose contributions are based on equality is determined by the members with the smallest financial capacity, international financial institutions prefer a system based on equity. This is because in such a system, a specific criterion is used to determine the contribution of each member such that the largest economies contribute more than the smaller members. GDP is generally used as a criterion to determine the size of the contribution of each country to the Fund. The quantitative example illustrated in Table 9.2 shows that, with Brazil accounting for 65% of the Mercosur GDP, it would account for 65% of the capital of the MRDF, that is US$ 390 millions. Likewise, the share of Bolivia would only represent 0.6% of the MRDF resources, that is US$ 4 millions.

As the comparison of the share of the contribution of each country to the share of their eligible population within the Mercosur eligible population shows (see Table 9.2), it appears that only Brazil and Uruguay would obtain an equivalent proportion, respectively approximately 65% and 1.5%. Paraguay, Bolivia and Chile would be potential winners, since the share of their eligible population is larger than their contribution to the Fund. Argentina would lose out in this scenario since it would contribute 26% of the MRDF capital whereas its population living in priority regions would only account for 6% of the Mercosur eligible population.

While such a division of the contribution of members takes into consideration their inherent differences, it is contrary to the present principle of equality. However, if the proportions are exact, equity leads to some degree of equality. Indeed, if the contribution to the MRDF is calculated in relation to the share of the GDP of the members, it is equivalent to each country contributing the same percentage of their GDP to the MRDF. In this example, the contribution of each country to the MRDF represents 0.05% of its GDP. Consequently, in such a method, equality and equity coexist.

There is also a second option for calculating the financial contribution to the MRDF that would be fair, without being exactly proportional. The members could negotiate the

[357] GMC Resolution nº 01/2002.

amount of their contribution according to their relative weight, without using proportionality to a specific criterion. It is the solution which has been negotiated for the Fonplata, where the share of Brazil and Argentina in the budget is equivalent to 33% each, while Uruguay, Paraguay and Bolivia each contribute 11%[358].

The opinion of the interviewees on the financial contribution to the MRDF

The 122 people interviewed during the two fieldtrips were asked which of these options should be implemented in a Mercosur Regional Development Fund. Out of the 77 interviewees who answered, only a Brazilian researcher opted in favour of an equal contribution to the MRDF.

There was a near unanimity of 77 respondents that considered it would be better to implement a system in which the contribution to the MRDF would take into account the financial capacity of each member. However the respondents all agreed that this would involve a very difficult negotiation to convince the government of Argentina, and especially that of Brazil, to participate in such a MRDF where their financial contribution would be the greatest. Indeed, considering that Brazil faces huge development problems in the North and Northeast, the interviewees argued that it would be difficult to persuade the Brazilians to contribute to a Fund which will not only help them but also their neighbours.

There are three possibilities which enable the smaller Mercosur members to negotiate and secure the participation of Brazil and Argentina in a MRDF with a fair distribution of the contribution. The first is that, because of the capital borrowed by the MRDF on the international financial markets, all countries should be able to receive more from the Fund than they contributed, even the largest contributors. The second is to provide some compensation for Brazil and Argentina. For example, more positions can be made available to Brazilians and Argentinian specialists among the MRDF officials, or the headquarters of the MRDF could be located in one of these two countries. A third possibility is to give more decision-making power to countries with the highest financial contributions. This third issue is discussed further in the next section related to the MRDF decision-making procedures.

Other types of financial contribution

In addition to the direct financial contribution of the member states to the initial capital of the Mercosur Regional Development Fund, a second type of financial contribution can be adopted. This does not require further direct transfers of resources from the members, but that they agree to act as financial guarantors for the loans the MRDF makes on the international scene. Having states as financial guarantors enables the MRDF to borrow money at better rates, since on the international financial markets reimbursement is guaranteed, from the member states, if not from the MRDF[359].

In such a case, the higher the number of guarantors, the more money the MRDF will be able to borrow, and the lower the interest rate. It can be seen that this is an additional argument to support opening the MRDF to other members and not to limit it to the four or six Mercosur members.

Finally, each MRDF member would guarantee a share of the borrowings made by the Fund, this share being determined either equally or equitably, copying the model established for the direct contribution of member states to the capital of the MRDF.

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[358] See the first section of Chapter 5.

[359] Except in a very few exceptional cases, states never becoming bankrupt, they offer a guaranteed return on the money they borrow. It has however happened that states declare themselves unwilling to repay their international debt, such as Russia in 1917, or that they are unable to do so, such as Mexico in 1982.

In the second section it was argued that it would be possible to attract international organisations and development agencies of rich countries to participate in the Fund, although they would not receive finance for projects through the MRDF[360]. It is consequently possible to establish a MRDF in which the contribution of these members, that is international organisations and developed countries, would take the form of guarantees. This implies that, in theory, these members would not transfer resources to the MRDF. However, it does mean that in the event of the Fund becoming bankrupt, such members would have to repay MRDF loans. Such an eventuality implies that the MRDF and its managers must be trustworthy.

Other MRDF members, that is the Mercosur countries, which will be the main borrowers, would have to guarantee part of the loans made by the MRDF and contribute to the initial capital.

THE MRDF DECISION-MAKING PROCEDURES

There are various ways to share the decision-making power within the bodies of the Mercosur Regional Development Fund. Two aspects need to be taken into account when defining the different possible scenarios. The first aspect is what should be the distribution of the voting power among the members. The choice is whether this should be based on equality, each member having one vote, or whether the distribution of votes is to be done proportionally according to some criterion, such as the financial contribution. The second aspect is related to whether decisions should be adopted through unanimity or majority voting. Since for each of these two factors there are two possible solutions, there is a total of four different scenarios relating to decision-making procedures that need to considered.

The distribution of votes among MRDF members

As noted above when the financial contribution to the MRDF was discussed, there are two solutions for the distribution of the number of votes, that is equality or equity.

It first can be argued that, since all Mercosur members are independent sovereign states, each has in theory the same significance. For this reason, they should be strictly considered as equal. This is the decision-making system currently used within Mercosur institutions. Each country is given one vote, whatever its geographic, economic or political significance. It should be noted that this system, based on equality, paradoxically creates inequality. Indeed, the same weight is given to the 3 million Uruguayans as to the 161 million Brazilians, which clearly disadvantages the larger member states.

A second solution can be considered and is based on an equity principle. This means giving more votes to larger countries, according to one or more criteria. For example, the criterion could be the population size, which would give a better representation of each inhabitant. However, for a financial institution like the MRDF, it can be argued that it would be better to use as a criterion the financial contribution of each country. This would imply that the financial contributions of the countries should correspondingly be determined on the equity principle rather than equality[361]. If it were defined by equality, it would mean that each country would contribute the same amount to the MRDF budget, and as a result would have the same number of votes, which would be similar to distributing votes according to the principle of equality.

[360] It would be paradoxical for the US or for an EU country to borrow money from the MRDF even if it participates in its financing.
[361] See the fifth section of Chapter 9.

A fair distribution of votes can be either strictly proportional or done through a system of weighting. In the event that a distribution of the votes proportional to the contribution to the MRDF is adopted, using the previous quantitative example (see Table 9.2 above), it would mean that Brazil would obtain 65% of the votes while Bolivia and Paraguay would each have less than one vote. Such a solution would greatly favour Brazil over all the other members. It would also give an almost non-existent role to smaller members, which would clearly be unacceptable to them.

The other system which takes into consideration the differences of size between the members without being strictly proportional is the weighting of votes. An agreement would have to be reached through negotiation, where each member state would have a certain number of votes related to the economic, geographic, demographic, or political importance of the country. This is the system chosen by the European Union. Here the highly populated countries like France and Germany have 10 votes, a medium-size country such as Austria has 4, and a small country such as Luxembourg has 2[362]. This system takes into consideration the disparities of size of the member states, without giving the small members too minor a role in the decision-making process.

Unanimity or majority voting?

The second aspect of the decision-making procedures which needs to be discussed is the percentage of votes necessary to adopt a decision. Two possible solutions are suggested and are that decisions should be adopted either through unanimity or through majority voting.

In the first case, decisions are adopted unanimously, that is through "having the agreement and consent of all without dissent"[363]. It is the system that has been established in Mercosur since its creation. The advantage is that no decision can be enforced in a country without its prior consent, which is a guarantee that their sovereignty is respected. It also guarantees that all member states are part of the negotiations, and not just the states which are necessary to reach a majority. However, unanimity can sometimes paralyse the process of integration if one country, whatever its relative importance and size, votes against a decision.

The second case is based on majority rule, that is where "a majority usually constituted by fifty per cent plus one of the members of a politically organised group shall have the power to make decisions binding upon the whole group"[364]. However, it can also be decided that the majority should be qualified, which implies that more than the half of the votes is necessary for the adoption of decisions, that is 66% or 75% of the votes. For example, at the time of writing, most decisions adopted within the EU are adopted on the basis of qualified majority voting, that is by at least 62 of the total of 87 votes. Moreover, an additional criterion could be agreed upon. It could for example be decided that to be adopted, a decision needs to represent the consent of 75% of the votes, this representing 66% of the number of members.

These different cases of majority voting reduce the risk that the integration process could become frozen as a result of difficult negotiations over any matter. However, majority voting requires that sovereign states acknowledge the fact that they might have to adopt norms which they first rejected.

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[362] As noted in Chapter 2, Germany, UK, Italy and France have 10 votes; Spain 8; Belgium, Portugal, Greece and The Netherlands 5; Sweden and Austria 4; Ireland, Denmark and Finland 3; and Luxembourg 2.

[363] Webster's third new international dictionary of the English language, 3 volumes, 1986, Webster, USA, p.2482.

[364] Webster's third new international dictionary of the English language, 3 volumes, 1986, Webster, USA, p.1363.

Four scenarios for decision-making procedures

It is possible to combine these two factors related to decision-making, the distribution of the vote and the type of majority required for the adoption, into four different scenarios. Each of these scenarios can now be discussed to determine which would be the most appropriate for a Mercosur Regional Development Fund. The four possible scenarios are: 1) equality and unanimity; 2) equality and majority; 3) equity and unanimity; and 4) equity and majority.

Scenario 1: equality and unanimity

The first scenario, equality and unanimity, would mean that each member has one vote and that it is necessary for all members to reach a consensus since they are all necessary for the adoption of the decision. It is the system in force in the present Mercosur bodies. It could be extrapolated to a Mercosur Regional Development Fund so there is a similarity between the different Mercosur bodies and a continuity of its underlying principles.

This approach guarantees that the support of each member is necessary for the decision. The larger members therefore need to accept the principle of having as much weight as the smaller members. There could be some drawbacks to this scenario in the event that a MRDF was open to extra-regional members and private institutions. The more members that take part in the decision-making process, the higher is the probability that one of the members will disagree.

Moreover, it implies that Mercosur members accept that it is necessary to give as much decision-making power to MRDF non-Mercosur members. These would certainly outnumber the four Mercosur members.

Scenario 2: equality and majority

The second scenario, equality and majority, means that each country has one vote and that decisions are adopted on a majority vote. If the membership of the MRDF is limited to the four Mercosur members, such a scenario would lead to most decisions being adopted by three out of the four countries. This might lead to alliances and exclude *de facto* a member from the decision-making procedures. On the other hand, if the MRDF is open to extra-regional and private members, as recommended above in the second section, the Mercosur countries might soon become a minority. This could lead to some MRDF decisions being adopted without the consent of any of the Mercosur members.

One way to limit such extreme situations would be to design a system of 'double majority', which means that the adoption of a decision depends on a majority vote from all the members, majority which would include the consent of the majority of the Mercosur members. Such a decision-making approach procedure was established within the Security Council, the highest decision-making body of the United Nations. This body is composed of five permanent members (China, France, Russia, the UK and the USA) and ten temporary rotating members. According to Article 27 of the UN Charter, each Security Council member has one vote, which is the application of the principle of equality. Whereas for procedural issues decisions are adopted by at least nine of the fifteen members, other issues require that the nine affirmative votes include the votes of the five permanent members[365].

Scenario 3: equity and unanimity

The third scenario, equity and unanimity, is meaningless and would be similar to the first scenario. This scenario implies that each member is attributed a different number of votes, according to its importance, but that the decision should be adopted unanimously. However, if unanimity is required, the consent of all members is needed, whether they account for 99% or 1% of the votes. There is therefore no justification for distributing votes according to equity principles if decisions are adopted unanimously since each member would have *de facto* the same importance.

Scenario 4: equity and majority

The fourth scenario, equity and majority, takes into consideration the differences between all MRDF members, thus giving a significant role to larger members. Indeed, not only do these members have more votes, but the votes have more significance since they are necessary to reach a majority vote. This scenario is arguably the most equitable since it gives to each country a role in the decision making process in accordance to its relative weight compared to other members.

Such a system would however be almost impossible to implement in a MRDF composed of only four members. It is necessary to have more members, such as the fifteen states which compose the EU, to give small and medium members the possibility to form coalitions to counter-balance the weight of the largest members.

The MRDF decision-making process

As discussed in the last sub-section, the majority of interviewees supported a MRDF open to non-Mercosur members, whose financial contributions would be based upon the equity principle[366]. Arguably, these characteristics accord best with the fourth decision-making scenario, that is decision-making procedures based on an equitable distribution of votes and on majority voting. This will enable the progress of tasks of the MRDF, whereas unanimity might not.

Indeed, if there is a large number of members within the MRDF, the use of unanimity will certainly lead often to a paralysis of the actions undertaken by the MRDF due to a lack of consensus between the members. This therefore rules out scenarios 1 and 3. Scenario 2 proposes that each member should have one vote. Given that the interviewees proposed the financial contribution should be calculated equitably according to the importance of the member, scenario 2 would imply that, although their financial contribution to the MRDF is more significant, the larger countries would have the same decision-making weight as the smaller countries. It is highly improbable that either Brazil or Argentina would accept such a scenario.

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[365] Article 27 of the UN Charter states that (Charter found in 2001 on www.un.org):
1. "Each member of the Security Council shall have one vote
2. Decisions of the Security Council on procedural matters shall be made by an affirmative vote of nine members
3. Decisions of the Security Council on all other matters shall be made by an affirmative vote of nine members including the concurring votes of the permanent members; provided that, in decisions under Chapter VI, and under paragraph 3 of Article 52, a party to a dispute shall abstain from voting".

[366] See respectively the second and the fifth sections of Chapter 9.

Therefore, given the influence exerted by Argentina and Brazil within the Mercosur process of integration, it is more probable that, if they agree to contribute more to the capital of the MRDF, they will require more votes than smaller members. However, the decision-making system selected should protect the smaller members from a 'dictatorship' of Brazil, and to a lesser extent of Argentina, which would otherwise impose their will on the MRDF.

THE MRDF PROCEDURE FOR SELECTING DEVELOPMENT PROJECTS

The seventh characteristic of a Mercosur Regional Development Fund which should be discussed is the procedure by which the Fund will select the development projects it will finance.

There are two subsequent issues which need to be discussed. The first issue, to which the answer is relatively straightforward, is related to the decision of whether the MRDF executives can be utilised in the selection of a project. It can be argued that the MRDF executive body should have the competency to take such a decision. Indeed, given the institutional structure proposed in the fourth section, the responsibility to approve the award of MRDF to a project would reside in the hands of the Executive Secretariat, the only permanent body, since it is the executive and operational arm of the MRDF. Such a responsibility would go against traditional organisational structures since, in general, secretariats execute decisions but do not adopt them. The decision of the Executive Secretariat would however be guided by the priorities and criteria which would be devised by the highest decision-making body, namely the Board of Governors. These project selection criteria would need to be defined in line with the priorities of the MRDF. Since such issue is too technical to be discussed briefly within this thesis, it could be a subject for further studies.

The second issue is related to the formulation of projects to be financed. This issue is more open to discussion than the above issue since there are three possibilities. Indeed, the development projects financed by the MRDF could either be formulated by the MRDF institutions, by the MRDF member states, or by third parties. These are discussed in turn.

Development projects formulated by the MRDF institutions

The first eventuality implies that, within the Executive Secretariat of the MRDF, officials would be given the responsibility of designing development projects these to meet the priorities and criteria defined by the decision-making body. This would arguably have positive outcomes since it would favour the financing of projects taking into account a Mercosur common interest. It would also improve the coordination among the different projects. For these reasons the European Commission has tried to develop such procedures during the past few decades through the establishment of a programmatic approach.

However, although it was argued in Chapter 7 that the EU principle of programming should be transferred to a MRDF, it is very unlikely that such a step would be taken in Mercosur in the near future for a number of reasons.

It can be argued that such a procedure would have two principal disadvantages for Mercosur member states. Firstly, it would mean a loss of sovereignty for member states in an important policy area, that of regional policy, since the MRDF would not finance projects of national interest. Secondly, such a procedure would require the MRDF Executive Secretariat to increase its number of officials, to create a body responsible for designing the development projects to be financed. This might represent too high a level of institutionalisation to be acceptable by member states. In addition to these two disadvantages from the point of view of the Member states, there is also the risk that development projects would be designed by technocrats who would not be aware of local or regional contexts and necessities. As a Paraguayan economist highlighted in 2001 during the interview, "how can we guarantee that a bureaucracy can define priorities and determine what Fullanito[367] needs? These bureaucracies are often a good idea when they are designed and established, but they then evolve and the initial principles and objectives are distorted".

Development projects formulated by the MRDF member states

The second possibility is that MRDF financed development projects would be formulated by the governments of member states. As it has been done in the European Union, member states would design a series of development projects and then transmit them to the MRDF to request financial assistance.

This is the solution generally preferred by member states since it enables them to keep a stronghold over regional policy and to design projects which, although they respect criteria defined by the MRDF, accord with national interests. However, the cost of this would be a lack of coordination between the different projects financed by the MRDF.

If the process of a national formulation of projects were adopted, local or regional actors, whether public or private, which needed MRDF funds to carry out a project, would have to present their proposition to their government. On the approval of the project by the government, this adjudged by national criteria, the project would be presented by the member states to the MRDF executive body to support the claim for assistance.

Development projects formulated by agencies

The third and last possibility is to assign the responsibility for formulating projects to a large variety of actors and authorities, which would include regional and local authorities, as well as public and private bodies. These actors could be given the capacity to present projects to the MRDF directly to obtain financial assistance, which would bypass the national level of authority. This would imply an application of the principles of partnership, since different partners are implicated into the development of the region, and subsidiarity, since local and regional authorities would have some competencies, as learned from the EU experience. Indeed, these principles favour the inclusion within the process a wide range of actors, this to take account of diverse interests.

Given the present reluctance of Mercosur member states to share their sovereignty, it is highly probable that, at least during the early years of existence of the MRDF, the states will not wish to share the responsibility for formulating development projects. Other actors might be given a consultative role, and the MRDF would be reduced to approving – or not – projects designed by the governments.

However, it can be argued that Mercosur might follow the EU example for this seventh characteristic of the MRDF. Accordingly, once the MRDF has proven itself in the first few years of its operational existence, the member states might agree to allow the MRDF executive body to propose development projects, these to satisfy the common interest. This would imply the development and application of the EU principle of programming. It might also allow a group of actors to propose projects to the MRDF – thus putting in practice the EU principles of partnership and subsidiarity.

[367] In Spanish, "Fullanito" represents any Latin American, like "Mr. X" in the English speaking world.

THE FINANCIAL MECHANISMS OF THE MRDF

Another essential characteristic of the Mercosur Regional Development Fund is the mechanisms which could be designed to finance development projects. There are two types of financing mechanisms which are discussed in the first sub-section. The options to be considered are loans or grants, or a mix of the two. In discussing the financial mechanisms of the MRDF, it is necessary to note that in the second sub-section the principle of additionality is taken into account, since it was argued above in Chapter 7 that the EU principle could be transferred to a MRDF. The last sub-section gives an overview of other means through which the MRDF could contribute to development projects.

Financing projects by loans or grants

Financing development through loans has one principal advantage. The capital loaned is eventually returned to the MRDF, thereby replenishing the Fund. The rate of interest needs to be as low as possible since, unlike private financial institutions, the aim of the MRDF is not to make a profit but to assist development. Some of the interviewees when asked for an opinion on this issue, considered that the making of loans would be a better solution for development financing. This was because loans financially involve the local actors responsible for the implementation of the project. Since these actors need to repay the loan, they are much more careful in the management of the finances of the project than if the project was financed by a grant. The conditions attached to the loans, such as the rate of interest and the repayment instalments, will need to be carefully determined, since it is necessary to make loans that are attractive and which will be a use to development projects. This issue is however too technical to be analysed in detail in the thesis.

The financing of development projects through grants, the second option, would arguably be more coherent in relation to the objective of a regional development fund. By definition, the regions which need most financial assistance from the MRDF are the regions with the fewest resources. Consequently, if regional authorities need to finance their development by taking out loans, they might not have sufficient resources to repay the loans and would therefore not be able to obtain finance for development projects. Moreover, some priority regions are already highly indebted and do not have the capacity to borrow any more money. Financing development through the award of grants overcomes such obstacles and allows the MRDF to assist the regions in the most need. A second reason in support of the argument for the award of grants is that some categories of development projects, especially those related to social issues, offer little or no financial return. Therefore, since such projects would not have the capacity to repay loan capital, they could not be financed by loans but only by grants.

It is clear, however, that were the MRDF to work solely through grants, it would lead to the exhaustion of the capital of the Fund, unless it is automatically replenished by members. As discussed above, Mercosur members face difficult economic and financial times and have little resources to spare for a common development fund. It would thus be impossible for these members to replenish the capital of the MRDF every few years.

It is consequently possible to set up a Mercosur Regional Development Fund where both systems of financing would coexist. A share of the resources of the MRDF could be used to award grants to development projects offering no return, such as many social projects. Another share of the Fund could be directed to making loans to projects which would have the capacity to repay the loan, such as assisting the creation of small and medium size enterprises or industrial reconversion projects. These shares would be calculated so that the MRDF would necessitate little or no replenishment of its capital by the members.

For example, the International Fund for Agricultural Research[368], created in 1977, finances agricultural development projects by awarding grants and loans to the countries requiring its financial assistance. Between 1978 and 2000, the IFAD approved 578 loans for a total amount of US$ 6,900.2 million and awarded 1,457 grants for a total of US$ 387.9 million[369]. Grants therefore accounted for 5.3% of the total IFAD loan and grant operations during this period.

The discussion about whether development should be financed through loans or through grants is also taking place within the EU. In a MRDF the issue would be to determine, within the projects financed through loans, a list of exceptions which might be financed through grants. It is the opposite in the EU since some authors, such as Martin, argue in favour of reducing the number of grant-financed projects to finance more projects through loans. "Many of the Structural Funds projects that are now grant-financed, especially infrastructure investments but also support measures for the productive sector such as the construction of business parks, could be financed on the basis of soft or interest-free loans"[370].

The principle of additionality

A second aspect needs to be taken into account in considering the financial mechanisms of a Mercosur Regional Development Fund. It concerns what percentage of the cost of the project is to be financed by the MRDF. Indeed, it can be seen that a project could be entirely financed by the MRDF, or cofinanced by a number of agencies, whether public authorities, private institutions or international organisations.

In the assessment of the EU regional development experience, it was argued in Chapter 7 that it would be appropriate to transfer to Mercosur the EU principle of additionality, according to which EU funds may contribute to between 25% and 85% to the cost of a project. Adapting this principle to Mercosur, the cost of development projects would be financed by public authorities, either directly, or indirectly through other financial institutions, leaving the rest to the MRDF which would be an additional financial source. It can be suggested that the size of the share which could be financed by the MRDF would depend on the significance of the project and on how it fits the MRDF priority list and selection criteria.

Other means to finance development projects

In addition to the funding financing mechanisms discussed above, there are other means through which the MRDF could contribute to development. Only two examples are given and briefly described. These are technical expertise and a guarantor role.

Firstly, the MRDF can provide free technical expertise. This would help a local or a regional agency to design a development project and to find resources to finance it. This service should not be provided by the Executive Secretariat since it should remain neutral and independent. Therefore, to provide such a service, it would be necessary for the MRDF to create a third body, with enough technical officials to give advice on projects.

A second method which could assist development is that the MRDF could act as a guarantor for other local financial institutions. The MRDF would not directly lend money to the agency which finances a project but would guarantee the loans made by this agency. This

[368] See Chapter 5 for more information on the IFAD.
[369] IFAD 2000 Annual Report, downloaded in 2002 from: www.ifad.org.
[370] Martin Reiner, Regional policy in the European Union, 1999, Centre for European Policy Studies, England, pp.128.

would help the agency to find loans with better rates since it would have a robust guarantor, the MRDF, which itself is guaranteed by its member states.

Such a mechanism of guaranteeing loans could be used to assist development projects which cannot be financed directly by the MRDF. The MRDF could indeed find that some projects are useful for regional development although they did not meet the criteria that would lead to the award of MRDF financial support. The MRDF could therefore support such projects indirectly, by helping the agencies responsible for funding the project. The MRDF managers would need to be cautious in acting as a guarantor since mistakes would have a double negative impact. There would first be a financial impact on the MRDF since it would have to repay the loan made by the agency which managed the project. More importantly, such errors would diminish the credibility of the MRDF on the financial scene.

THE EVALUATION AND SUPERVISION OF THE MRDF

The final characteristic of a MRDF that needs to be discussed is the evaluation and supervision of the activities of the Mercosur Regional Development Fund. It is indeed necessary for the members to ensure that confidence is inspired in the MRDF. One way of doing this is to guarantee the use of good methods of evaluation and supervision to demonstrate the efficient use of the resources of the Fund.

The evaluation of projects financed by the MRDF

It could be appropriate for the Mercosur Regional Development Fund to study the EU procedures for project evaluation. As in the EU, it can be argued that Mercosur projects should be evaluated *ex ante*, mid-term and at the end of the project. This would permit the verification of the *bona fides* of the project, its functioning from an audit perspective, and in respect to the principle of additionality.

Establishing what can be lengthy evaluation procedures requires that the projects are monitored over a mid or long term period. The mid-term evaluation might be excluded for very short-term projects since, otherwise, more time would be spent on evaluating a one year project than on implementing it. Another consequence of developing such evaluation procedures is that, if MRDF members do not wish to depend on external experts, it will be necessary to have a specific body of technicians in charge of project evaluations, body which should be independent from the Executive Secretariat since the projects are financed by the latter. This institutional and bureaucratic cost is necessary to ensure the successful implementation of the projects, as well as to strengthen the overall credibility of the MRDF.

The supervision of the activities of the MRDF

In relation to the issue of the supervision of the MRDF, that is the scrutiny of its activities, three main supervisors can be suggested. These are the MRDF Board of Governors, the Mercosur institutions, and the member states.

Firstly, it would be appropriate for the highest decision-making body of the MRDF to have the principal supervising role over the activities supported by the MRDF. As discussed in the fourth section, this body would be a Board of Governors, composed of delegates from each member. Being hierarchically the highest MRDF body, the Board needs to verify that the Executive Secretariat, the operational body responsible for financing development projects, acts according to the policy guidelines, the priorities and the criteria set out by the Board. Although the Board would have the responsibility for supervising the activities of the MRDF, it would be more appropriate if it did not undertake the task of supervision itself but delegated it to a third party, such as private consultants or international organisations. The Board of Governors would however remain solely responsible for taking the necessary measures in relation to the suggestions made by this third party. The participation of a third independent and objective party in the supervision process would contribute to the guarantee that the MRDF is transparent and well managed.

Secondly, since it was argued above in the third section that the MRDF should be part of the Mercosur institutional structure, it can be suggested that the Fund should also be supervised by the Mercosur Common Market Council (CMC), the supreme Mercosur body. It might be appropriate for the CMC to have a lesser role in the supervision process than the Board of Governors. Indeed, whereas the CMC only includes representatives from the Mercosur members, the Board of Governors would be composed of all the MRDF contributors, that is Mercosur members, other member states, international organisations and private institutions[371]. If more importance was given to the CMC than to the MRDF Board, non Mercosur members might feel that they were not given enough consideration within the MRDF procedures. This might lead non-Mercosur members to opt out of the Fund.

Thirdly and finally, it can be argued that all MRDF members will supervise closely the activities supported by the Fund, this because of their financial participation in it.

[371] See the second section of this chapter.

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The fourth part of the thesis, composed of Chapters 8 and 9, tested the third and last hypothesis on which the thesis is based, namely that "it is possible to adapt the lessons learned from the EU within the Mercosur context to define the priorities and main characteristics of the Mercosur Regional Development Fund".

To conclude this chapter, and to draw together the results of the analysis of the nine principal characteristics of the Mercosur Regional Development Fund it can be argued that, to efficiently reduce regional disparities, it would be advisable for the MRDF to:

1. Be created through a substantial transformation of the Fonplata;
2. Be composed principally of the four Mercosur members, that is Argentina, Brazil, Paraguay and Uruguay, and the two Mercosur associate members, that is Bolivia and Chile. However, the membership of the MRDF might also be opened to non-Mercosur states, to private institutions, and to international organisations;
3. Be independent, but to be included within the Mercosur institutional structure; have a light flexible institutional structure, which could be composed of a decision-making body, such as a Board of Governors, and an operational body, such as an Executive Secretariat;
4. Determine the financial contribution of its members according to their financial capacities. The MRDF could also ask its members to act as guarantors for loans that it makes;
5. Establish decision-making procedures based on an equitable distribution of votes, which means that some MRDF members would have more weight in decision-making than others, and on the basis of qualified majority voting. However, the distribution of votes and the threshold for the adoption of decisions needs to be carefully determined so that large members have a greater representation than small ones, but that the smaller members nevertheless have an influence on decision-making;
6. Have the capacity, in the short term, to select among development projects presented by members those which will be financed by the MRDF. In the long term, it might be advisable to also give to local and regional agencies the opportunity to design or bring forward development projects, and for the MRDF to propose projects of common interest;
7. Finance development projects both through loans, for projects which can offer a financial return, and through grants, for those projects which do not have the capacity to repay capital. The MRDF might also consider other opportunities for assisting development through technical advice and guarantees;
8. Establish robust evaluation procedures and be well supervised, so that the MRDF members and international financial actors can have trust in the sound and efficient management of the Fund.

The following chapter, Chapter 10, draws together the findings of the thesis and suggests future directions for research.

CHAPTER 10. CONCLUSION

The thesis examines three hypotheses:

1. It is possible for Mercosur to reduce significant regional disparities by complementing the activities of existing development agencies through the establishment of a Mercosur Regional Development Fund.
2. It is possible to design a prospective policy transfer framework to determine what lessons and under which circumstances Mercosur could transfer the extensive experience of the EU in regional development funds to design its own common approach.
3. It is possible to adapt the lessons learned from the EU within the Mercosur context to define the priorities and main characteristics of the Mercosur Regional Development Fund.

To conclude the thesis, Chapter 10 briefly revisits each of these three hypotheses by looking at how far the findings of the thesis support them and contribute to the literature. This chapter also suggests directions for future research.

Firstly, the statistical analysis undertaken in Chapter 4 has highlighted the nature and extent of regional disparities within Mercosur. The analysis of regional development in Mercosur has enabled the production of a number of development maps. These maps and the commentary have served to enhance the understanding of the scale and variety of the Mercosur regional development 'problem'. A basic statistical method which combined various indicators was used and this has enabled a list of regions to be drawn up, to characterise the regions as economically, infrastructurally and/or socially relatively less developed compared with the rest of Mercosur.

The statistical findings of this research need to be viewed with a degree of caution since the regional data that are available from Mercosur countries are somewhat imperfect. Further statistical studies on Mercosur regional disparities clearly need to be carried out, based on additional indicators, such as poverty rates and child mortality for example, as well as on up to date and harmonised data.

Because of the breadth and scope of these regional disparities, developing an efficient response to reduce these disparities is a real challenge. Although Mercosur countries have at their disposal a considerable number of mechanisms to sustain development, it is apparent that they lack a common approach at the Mercosur level that would focus specifically on regional development and that would complement and support their national actions.

Amongst the different options Mercosur has at its disposal to reduce regional disparities through a common approach, the research has suggested in Chapter 5 that the creation of a Mercosur Regional Development Fund would be the most appropriate choice given the present circumstances. However, future research might serve to deepen the understanding of other Mercosur options to reduce regional disparities, since clearly a MRDF is only one possible solution.

The conclusions reached after the analyses undertaken in Chapters 4 and 5 support the first hypothesis which stated that "it is possible for Mercosur to reduce significant regional disparities by complementing the activities of existing development agencies through the establishment of a Mercosur Regional Development Fund".

Secondly, the thesis has suggested that, when designing a MRDF, it would be of interest for Mercosur decision-makers to consider the experience of another supranational association in regional development, namely that of the European Union.

As a consequence, since the current literature focused principally on policy transfers that have already taken place between states, the thesis developed in Chapter 6 a framework to analyse prospective policy transfers between supranational associations. In addition to suggesting the factors which should be taken into account when considering a policy transfer between supranational associations, this framework also discusses whether these factors are likely to contribute to the success or the failure of the transfer.

This is however only a first attempt at designing a framework for the analysis of prospective policy transfers. Before it can be used by policy-makers, to learn from the experience of others, further research must be undertaken. A first direction for research would be to examine case-studies other than those which relate specifically to the transfer of the EU regional development fund experience to Mercosur. For example, as suggested in this thesis, Mercosur might also consider learning from the experience of the Corporación Andina de Fomento. It would also be valuable to use the framework to consider EU – CAF transfers since both have an experience in regional development funding and could learn from one another.

A second direction for further research would be to employ this framework, as well as the current literature on retrospective policy transfers, to develop a more comprehensive framework which would include all the factors that need to be considered in analysing whether a policy might successfully be transferred, whether between supranational associations or between states.

The framework developed in Chapter 6 was applied to the specific case under consideration in the thesis. This led Chapter 7 to discuss the fundamental principles of the EU regional development fund experience – namely concentration, partnership, subsidiarity, additionality, programming and effectiveness – since these could most successfully be transferred to Mercosur. Critically, however, and as suggested in the thesis, Mercosur should not copy and transfer 'lock, stock and barrel' these principles. On the contrary, Mercosur should consider them essentially as a source of inspiration as it moves on to define its own principles. Ultimately, the instruments which Mercosur sets in place for regional development must be appropriate to its specific political, social, economic and physical environment and circumstances.

This thesis, having initiated the debate, also suggests that it would be valuable to further research the principles underlying the EU regional development funds, in order to discuss their transferability to other supranational associations. Indeed, such research might lead to the definition of a set of 'generic' guiding principles which could be transferred not only to Mercosur, but to any other supranational association wishing to establish a common approach to regional development.

The conclusions reached after the research undertaken in Chapters 6 and 7 support the second hypothesis of the thesis, namely that "it is possible to design a prospective policy transfer framework to determine what lessons and under which circumstances Mercosur could transfer the extensive experience of the EU in regional development funds to design its own common approach".

The research undertaken in the first seven chapters of the thesis lead a consideration of the issue that there are some lessons that Mercosur can learn from the EU regional development experience. Chapters 8 and 9 considered these lessons, as well as the specific context of Mercosur, and discussed the nature of a MRDF by suggesting its priorities as well as its principal characteristics. This research confirms the third and last hypothesis of the thesis, namely that "it is possible to adapt the lessons learned from the EU within the Mercosur context to define the priorities and main characteristics of the Mercosur Regional Development Fund".

It would however clearly be valuable for future research to test the suggestions made within the thesis about the creation of a Mercosur Regional Development Fund.

This thesis has exposed the nature and scale of the regional development challenge faced by Mercosur. It has suggested that the creation of a Mercosur Regional Development Fund, although not the sole solution, is one way forward. It has proposed a framework which could be employed to account for prospective policy transfers between two supranational associations such as the EU and Mercosur. The analysis of the EU regional development fund experience has led to the proposal that there are some key EU principles from which Mercosur could learn. At a time when Mercosur decision-makers are looking at the EU experience to develop a common approach to regional development, the thesis has considered these EU lessons and the Mercosur situation, and has suggested some priorities and main characteristics of the MRDF.

Looking to the future, what Mercosur needs is a well-informed, coherent, and commonly agreed policy response to its regional development disparities. However, the 'jury' is still out in terms whether Mercosur can effectively meet this challenge. Nonetheless, this thesis provides much case study material for further academic research in the coming years.

- *APPENDICES* -

- APPENDIX 1 -

FIELDTRIPS AND INTERVIEWS

APPENDIX 1. FIELDTRIPS AND INTERVIEWS

A1.1. List of interviewees by country: profession, fieldtrip (F1/F2), date and duration of interview

Name	Title	Institution	F1	F2	Date	Time
AR	Economist	Dirección de Mercosur e Integración, Subsecretaría de Comercio Exterior		X	09/03/01	0:30
AR	Coordinador de Asuntos Internacionales and for SGT 5	Secretaría de Transporte de la Nación		X	09/03/01	1:00
AR	Director Maestria Relaciones Internacionales	Fundación Latino Americana de Ciencias Sociales (FLACSO)		X	13/03/01	0:50
AR	Professor, Head of the Master on Mercosur	Centro de Estudios Avanzados, University of Buenos Aires		X	07/03/01	1:10
AR	Economista en Relaciones Internacionales, Gerencia de Economia y Finanzas, Miembro adjunto del GMC	Banco Central de la República Argentina	X		11/07/00	1:20
AR	Researcher for the Instituto de Politica Exterior	Fundación Novum Millenium	X		11/07/00	0:50
AR	Researcher for the Instituto de Politica Exterior	Fundación Novum Millenium		X	08/03/01	1:00
AR	Jefe del Sector Financiero e Infrastructura	Embajada de Brasil		X	12/03/01	1:15
AR	Asesora de la Secretaría de Políticas y Regulación Sanitaria	Ministerio de Salud y Acción Social		X	12/03/01	0:35
AR	Directora Nacional de Asuntos Regionales	SEPYME		X	13/03/01	0:40
AR	Asesor para el Subsecretaria de Indústria, member of the SGT7	Secretaria de Indústria, Comercio y Minería	X		30/06/00	0:50
AR	Asesor para el Subsecretaria de Indústria, member of the SGT7	Secretaria de Indústria, Comercio y Minería		X	08/03/01	0:50
AR	Dirección Mercosur, Coordinator CCM	Ministerio de Relaciones Exteriores, Comercio Internacional y Culto		X	09/03/01	0:30
AR	Consultora Principal, member of the SGT4	Ministerio de Economía y de Obras y Servicios Públicos	X		28/06/00	1:00
AR	Asesor, Coordinator for SGT N°9	Secretaría de Energia y Mineria, Ministerio de Economia		X	09/03/01	1:00
AR	Coordinator SGT and Meetings of Health Ministries	Ministerio de Salud y Acción Social		X	09/03/01	0:20
AR	Diputado, Presidente de la Comisión del Mercosur	Cámara de Diputados de la Nación		X	12/03/01	0:35
AR	Economist	IDB/INTAL	X		26/06/00	1:00
AR	Economist	IDB/INTAL		X	08/03/01	1:00

List of interviewees (continued)

Name	Title	Institution	F1	F2	Date	Time
AR	Coordinadora de Estudios Agroalimentarios	Instituto Interamericano de Cooperación para la Agricultura (IICA)	X		10/07/00	0:45
AR	Subgerente de Relaciones Internacionales, member of the GMC	Banco Central de la República de Argentina	X		29/06/00	0:40
AR	Subgerente de Relaciones Internacionales, member of the GMC	Banco Central de la República de Argentina		X	12/03/01	0:50
AR	Ex Ambassador for Mercosur	Consejo Argentino para Relaciones Exteriores (CARI), Fondation Bank Boston		X	16/03/01	0:40
AR	Asesor de la Secretaría de Asuntos Internacionales, member of the FCES	Federación Argentina de Empleados de Comercio y Servicios (FAECYS)		X	09/03/01	0:50
AR	Asesora en Coordinación de Asuntos Internacionales	Ministerio de Trabajo, Empleo y Formación de Recursos Humanos		X	12/03/01	1:00
AR	Economic consultant	Consultores en Económia y Organisación (CEO)	X		27/06/00	0:25
AR	Sub-Director de la Dirección del Mercosur	Ministerio de Relaciones Exteriores	X		11/07/00	0:30
AR	Ambassador to the Mercosur-EU Business Forum, Director Instituto de Política Exterior	Minesterio de Relaciones Exteriores / Fundación Novum Millenium		X	13/03/01	0:25
BR	Senator, Member of the Mercosur Joint Parliamentary Committee	Senado Federal	X		07/06/00	0:30
BR	Diretora del Departamento de Micro, Pequena e Mèdia Empresa	Secretaria do Desenvolvimento da Produção, Ministerio do Desenvolvimento, Indústria e Comércio Exterior	X		09/06/00	0:50
BR	Diretora del Departamento de Micro, Pequena e Mèdia Empresa	Secretaria do Desenvolvimento da Produção, Ministerio do Desenvolvimento, Indústria e Comércio Exterior		X	02/04/01	0:50
BR	Diretor de Programa de Recursos para o Desenvolvimento	Secretaria de Planejamento e Investimentos Estratégicos, Ministério do Planejamento, Orçamento e Gestão		X	29/03/01	0:55
BR	Researcher, Area de Planejamento	BNDES	X		26/05/00	1:00
BR	Coordenador-Geral de Políticas de Organismos e Conjuntura, Director of Fonplata for Brazil	Secretaria de Assuntos Internacionais, Ministério de Planejamento, Orçamento e Gestão		X	30/03/01	0:55
BR	Jefe de la División del Mercado Común (DMC)	Ministerio das Relações Exteriores	X		09/06/00	0:50
BR	Jefe de la División del Mercado Común (DMC)	Ministerio das Relações Exteriores		X	02/04/01	0:30
BR	Professor in Economy	Instituto de Economia of the University of Rio de Janeiro, also works for FUNCEX		X	22/02/01	0:45

List of interviewees (continued)

Name	Title	Institution	F1	F2	Date	Time
BR	Professor, Coordenador Executivo del Núcleo de Estudos do Mercosul	Universidade de Brasília (UNB)	X		06/06/00	1:30
BR	Secretária de Integração Nacional e Desenvolvimento Regional	Ministério da Integração Nacional		X	30/03/01	0:20
BR	Secretário de programas regionais integrados	Ministerio da Integração Nacional	X		08/06/00	0:45
BR	Secretário de programas regionais integrados	Ministerio da Integração Nacional		X	29/03/01	0:55
BR	Coordenadora Geral de Assuntos Econômico-Comercials	Secretaria de Assuntos Internacionais, Ministerio da Fazenda	X		09/06/00	0:45
BR	Coordenadora-Geral de Integração Regional (DEINT), Departamento de Negociações Internacionais	Secretaria de Comércio Exterior, Ministerio do Desenvolvimento, Indústria e Comércio Exterior		X	02/04/01	0:20
BR	Economist, Member of the FCES	Confederação Nacional de Comercio, CNC	X		26/05/00	1:00
BR	Consultora Legislativa do Senado Federal para Mercosul e Relações Exteriores	Consultoria Legislativa, Senado Federal		X	27/03/01	0:40
BR	Assessora Especial do Gabinete do Ministro, SGT 11 y Reunião de Ministros da Saúde	Ministério da Saúde		X	03/04/01	1:00
BR	Brazilian Delegate to the Comité de Cooperação Técnica (CCT) do Mercosul	Agencia Brasileira de Cooperação (ABC), Ministerio das Relações Exteriores		X	02/04/01	0:45
BR	Economist	Gerência de Estudos e Planejamento, Secretária de Desenvolviemento Regional, Ministério da Integração Nacional		X	03/04/01	2:30
BR	First Secretary	Representation of Brazil's President to Mercosur, Ministério das Relações Exteriores		X	03/04/01	1:30
BR	Terceiro Secretario de la División del Mercado Común (DMC)	Ministerio das Relações Exteriores	X		09/06/00	0:50
BR	Gerente - Area de Planejamento	BNDES	X		26/05/00	1:00
BR	Gerente - Area de Planejamento	BNDES		X	20/02/01	1:15
BR	Economist	Diretoria de Estudios Macroeconômicos, Instituto de Pesquisa Econômica Aplicada (IPEA)	X		30/05/00	1:00
BR	Gerente de los programas Corredor Mercosul e Leste de Avança Brasil	Secretaria de Desenvolvimiento, Ministerio dos Transportes	X		07/06/00	0:20
BR	Analista de Comércio Exterior, Departamento de Negociações Internacionais	Ministério do Desenvolvimento, Indústria e Comércio Exterior	X		06/06/00	1:15

List of interviewees (continued)

Name	Title	Institution	F1	F2	Date	Time
BR	Analista de Comércio Exterior, Departamento de Negociações Internacionais	Ministério do Desenvolvimento, Indústria e Comércio Exterior		X	27/03/01	0:45
BR	Ex-Director of the Department of Economic Integration (MRE), Consejero Económico	Embajada del Paraguay in Brasil		X	23/03/01	0:50
BR	Secretária de programas regionais integrados	Ministerio da Integração Nacional	X		08/06/00	0:45
BR	Economist for the Unit of International Integration	Confederação Nacional de Industria (CNI)	X		30/05/00	1:00
BR	Director de Politica Regional e Urbana	Instituto de Pesquisa Econômica Aplicada (IPEA)		X	28/03/01	0:30
BR	Director	Fundaçao Centro de Estudos do Comércio Exterior (FUNCEX)		X	20/02/01	1:30
BR	Gerente - Area de Planejamento	BNDES	X		26/05/00	1:00
BR	Gerente de la Gerência de Estudos e Planejamento	Secretária de Desenvolvimento Regional, Ministério da Integração Nacional		X	03/04/01	2:30
BR	Gerente de la Gerência de Estudos e Planejamento	Secretária de Desenvolvimento Regional, Ministério da Integração Nacional		X	30/03/01	1:25
BR	Economist, Member of the FCES	Confederação Nacional de Comercio, CNC	X		26/05/00	1:00
BR	Adviser	Comissão Parlamentar Conjunta do Mercosul - Representação Brasileira		X	29/03/01	1:00
BR	Deputado, Presidente Comissão Brasileira do Mercosul	Camara dos Deputados		X	29/03/01	0:30
BR	Economist	Diretoria de Estudios Macroeconômicos, Instituto de Pesquisa Econômica Aplicada (IPEA)	X		30/05/00	1:00
BR	Assessor	Department of External Debt and International Relations, Banco Central do Brasil		X	28/03/01	1:00
BR	Mathematician, Statistician	Gerência de Estudos e Planejamento, Secretária de Desenvolviemento Regional, Ministério da Integração Nacional		X	03/04/01	2:30
BR	Subdivision Manager	Department of External Debt and International Relations, Banco Central do Brasil		X	28/03/01	1:00
BR		Instituto de Pesquisa Econômica Aplicada (IPEA)		X	28/03/01	0:55
BR	Coordenadora Geral de Assuntos Econômico-Comercials	Secretaria de Assuntos Internacionais, Ministério da Fazenda		X	27/03/01	0:40
BR	Coordenador Geral de Integração Energética	Secretaria de Energia, Ministério de Minas e Energia		X	27/03/01	0:35
BR	Analista de Comércio Exterior, Departamento de Negociações Internacionais	Secretaria de Comércio Exterior, Ministerio do Desenvolvimento, Indústria e Comércio Exterior		X	02/04/01	0:30
BR	Economist, Member of the FCES	Confederação Nacional de Comercio, CNC	X		26/05/00	1:00

List of interviewees (continued)

Name	Title	Institution	F1	F2	Date	Time
BR	Coordenadora de Projetos	Instituto Brasileiro de Economia (IBRE)	X		02/06/00	0:30
BR	Adviser for Foreign Affairs for the Partido de los Trabalhadores (PT)	Camara dos Deputados	X		08/06/00	0:45
BR	Adviser for Foreign Affairs for the Partido de los Trabalhadores (PT)	Camara dos Deputados		X	30/03/01	0:30
PY	Asesor – Asuntos Internacionales, SGT 5	Dirección Nacional de Transporte (DINATRAN), Ministerio de Obras Públicas y Comunicación		X	22/03/01	1:00
PY	Consultor for the Direction of Economic Integration	Ministerio de Relaciones Exteriores	X		04/08/00	1:00
PY	Ex-Viceministro de Relaciones Exteriores para Asuntos Económicos (1996-98)	Ministerio de Relaciones Exteriores		X	19/03/01	1:00
PY	Senador, Presidente de la Comisión Parlamentaria Paraguaya del Mercosur			X	20/03/01	1:40
PY	Directora del Departamento de Integración	Subsecretaría de Economía e Integración, Ministerio de Hacienda	X		17/05/00	0:45
PY	Directora del Departamento de Integración	Subsecretaría de Economía e Integración, Ministerio de Hacienda		X	21/03/01	0:40
PY	Directora del Departamento de Integración	Subsecretaría de Economía e Integración, Ministerio de Hacienda		X	23/03/01	0:40
PY	Director Interino del Departamento de Económia Internacional, SGT 4, GMC	Gerencia de Estudios Económicos, Banco Central del Paraguay		X	21/03/01	1:15
PY	Works for the Departamento de Integration, on Common External Tarrifs	Subsecretaría de Economía e Integración, Ministerio de Hacienda	X		17/05/00	1:20
PY	Represents the BCP at the SGT 4 for financial issues	Banco Central del Paraguay	X		18/05/00	1:30
PY	Vice Ministro de Asuntos Económicos Exteriores	Ministro de Relaciones Exteriores	X		17/05/00	0:15
PY	Directora General	Dirección General de Política Industrial, Minesterio de Industria y Comercio		X	22/03/01	0:50
PY	President du Centro de Importadores del Paraguay, Membre du FCES	Centro de Importadores del Paraguay	X		11/05/00	1:00
PY	Asesor, Gabinete Técnico	Ministerio de Industria y Comercio	X		02/08/00	1:30
PY	Director Ejecutivo	Centro Paraguayo para la Promoción de la Libertad Económica y de la Justicia Social (CEPPRO)		X	21/03/01	0:50
PY	Ex-Viceministro de Relaciones Exteriores para Asuntos Económicos (1992-96), Ex-Ambassadeur, négotiateur Mercosur pour le Paraguay		X		16/05/00	0:30

List of interviewees (continued)

Name	Title	Institution	F1	F2	Date	Time
PY	Ex-Viceministro de Relaciones Exteriores para Asuntos Económicos (1992-96), Ex-Ambassadeur, négotiateur Mercosur pour le Paraguay			X	19/03/01	0:25
PY	Jefe de Departamento de Energia No Convencional	Dirección de Recursos Energeticos, Viceministerio de Minas y Energia		X	21/03/01	0:30
PY	Director Alterno	Centro de Análisis y Difusión de Economía Paraguaya (CADEP)	X		12/05/00	1:30
PY	Director Alterno	Centro de Análisis y Difusión de Economía Paraguaya (CADEP)	X		03/08/00	1:15
PY	Director Alterno	Centro de Análisis y Difusión de Economía Paraguaya (CADEP)		X	17/03/01	2:30
PY	Works for the Dirección de Negociaciones Económicas	Ministry of External Relations	X		12/05/00	0:30
PY	Directora del Departamento de Económia Internacional	Gerencia de Estudios Económicos, Banco Central del Paraguay	X		04/05/00	1:00
PY	Directora del Departamento de Económia Internacional	Gerencia de Estudios Económicos, Banco Central del Paraguay	X		18/05/00	1:30
PY	Consultor	Oficina de Distorciones Comerciales, Ministerio de Industria y Comercio	X		02/08/00	1:30
PY	Director Estudios Económicos	Subsecretaría de Economía e Integración, Ministerio de Hacienda	X		10/05/00	1:00
PY	Director of the Direction for External Technical Cooperation	Secretaría Técnica de Planificación	X		11/05/00	0:30
PY	Director of the Direction for External Technical Cooperation	Secretaría Técnica de Planificación		X	22/03/01	0:35
PY	Directora de Servicios Nacionales de Empleo y de Relaciones Internacionales	Ministerio de Trabajo		X	21/03/01	0:50
PY	Viceministro	Viceministerio de Minas y Energia		X	21/03/01	0:10
PY	Viceministro de Economía e Integración	Ministerio de Hacienda		X	23/03/01	0:40
PY	Director of the Department of Economic Studies	Banco Central del Paraguay	X		10/05/00	0:45
PY	Director of the Department of Economic Studies	Banco Central del Paraguay	X		18/05/00	1:30
PY	Viceministro de Industria	Ministerio de Industria y Comercio		X	22/03/01	0:10
PY	Works for the Direction of Economic Integration	Ministry of External Relations	X		12/05/00	0:15
PY	Director del Gabinete Técnico	Ministerio de Industria y Comercio	X		04/05/00	0:45
PY	Director del Gabinete Técnico	Ministerio de Industria y Comercio		X	20/03/01	1:50
PY	Director of the Economic Sector	Embassy of Brazil	X		10/05/00	0:45

List of interviewees (end)

Name	Title	Institution	F1	F2	Date	Time
UY	Professor, Mercosur Coordinator for CLACSO (Consejo Latinoamericano de Ciencias Sociales)	Departamento de Sociologia, Universidad de la República		X	06/03/01	2:20
UY	Director Nacional de Industria	Ministerio de Industria, Energia y Mineria		X	01/03/01	0:45
UY	Researcher	FAS		X	06/03/01	0:15
UY	Director	Secretaría Administrativa del Mercosur		X	05/03/01	0:05
UY	Analista / Investigador por la Area de Investigaciones Economicas	Banco Central del Uruguay	X		14/06/00	0:45
UY	Subdirector	Política Comercial y de Integración, Oficina de Planeamiento y Presupuesto		X	06/03/01	0:20
UY	Ministro Consejero, Director General Adjunto para Asuntos de Integración y Mercosur	Ministerio de Relaciones Exteriores	X		06/07/00	0:40
UY	Ministro Consejero, Director General Adjunto para Asuntos de Integración y Mercosur	Ministerio de Relaciones Exteriores		X	06/03/01	0:30
UY	Jefe Sector Normativa del Mercosur	Secretaria Administrativa del Mercosur	X		15/06/00	0:30
UY	Asesor Economico – Financiero, Dirección de Integración	Minesterio de Economia y Finanzas		X	06/03/01	0:45
UY	Asesora, Centro de Comunicación Institutional	Banco Central del Uruguay		X	06/03/01	1:00
UY	Economist Editor	Newspaper "El País"		X	01/03/01	1:10
UY	Abogada, Dirección Nacional del Empleo	Minesterio de Trabajo y Seguridad Social		X	06/03/01	0:45
UY	Directora, member of the GMC	Política Comercial y de Integración, Oficina de Planeamiento y Presupuesto		X	06/03/01	1:05
UY	Jefe Documentación y Divulgación	Secretaría Administrativa del Mercosur		X	05/03/01	0:50
UY	Coordinador de la Divisió de Estudios y Estadísticas	Asociación Latino-Americana De Integración (ALADI)	X		05/07/00	1:00
UY	Directora Departamento de Información sobre las PYMEs, miembro SGT7	Ministerio de Industria, Energia y Mineria	X		04/07/00	0:45
UY	Directora Departamento de Información sobre las PYMEs, miembro SGT7	Ministerio de Industria, Energia y Mineria		X	05/03/01	1:10
UY	Coordinador nacional del SGT5 Transporte e Infraestructura del Mercosur	Ministerio de Transporte y Obras Públicas	X		05/07/00	1:00
UY	Director de la Direccion General de la Salud	Ministerio de Salud Publica		X	05/03/01	0:20
Total			**57**	**80**		**122:55**

A1.2. Questionnaires of interviews

The questionnaires used at the beginning of each of the two fieldtrip are presented hereafter. As the process of interviewing went on, questions were added while others, less relevant, were abandoned. Consequently, the two questionnaires presented below are indicative and only suggest the type of questions asked to the interviewees.

A1.2.1. Initial questionnaire for first fieldtrip (April – August 2000)

Questions on the support of the present government to Mercosur

1. Is the government supporting a furthering of the process of integration?
2. Does the government support an increase of the existing regional administrative structure?
3. Does the government support an increase of powers to Mercosur institutions?
4. What do you think of these three aspects?
5. What is the position of the political parties of the opposition on these themes?
6. Would a change of government endanger the process of integration or is it taken for granted?
7. Does the population know about Mercosur? Does it support this process of integration?

Questions on regional economic development policies adopted within this country

8. How is the territory divided in regions?
9. How significant are regional disparities in the country?
10. What are national regional economic development policies?
11. How are they evaluated? According to which criteria? By whom?
12. Is there a national development bank?
13. Importance of relations with international development organisations (IOs) and NGOs?
14. Are there reliable statistics on regional development?

Questions on regional economic development policies in Mercosur

15. Is a regional development policy (RDP) of topicality now for Mercosur?
16. Who should propose the adoption of such policies? National bodies (from which countries in particular?) or common bodies (Mercosur Council, Parliament)?
17. Would the present government support the adoption of RDP by Mercosur? And you?
18. What would be the pre-requisites for the adoption of RDP?
19. Who would oppose such adoption: parties, syndicates, pressure groups, other members?
20. What would be the main obstacles to such adoption?
21. What forms should these common RDP take?
22. Which body should be responsible for administrating these RDP?
23. Should there be a Mercosur regional development fund? Should it be developed from Fonplata?
24. How should these RDP be evaluated? According to which criteria? By whom?
25. What criteria to use for the definition of regions lagging behind?
26. Should there be quotas for regions/countries? According to which criteria?
27. Which regions of this country should be considered as priority for such policies and why?
28. Which regions of other member states should be priority areas for such policies and why?
29. Should these Mercosur policies complement or replace national policies?
30. How to finance those policies? Public (development bank, international funds) or private?

Questions on the transferability of EU's experience

31. Do you know any of the regional policies developed by the EU?
32. According to you, would any of them be of interest for Mercosur?
33. How could this transfer be done?
34. What would be the main obstacles to this adoption?

35. Could Mercosur's territory be divided like EU's in objectives? According to which criteria?
36. Do you know any of the regional development policy of other Mercosur members?
37. Have they influenced the ones adopted within your country?
38. Are there any existing attempts of coordination of the different members' RDP?
39. Are there any attempts of transmitting experience in RDP from one member to another?

A1.2.2. Initial questionnaire for second fieldtrip (February – April 2001)

<u>General evolution of Mercosur</u>

1. What has been achieved since last August and the relanzamiento process?
2. What are the relations with Chile and Bolivia? And with the FTAA?
3. Has any action been taken towards a common approach to regional development?

<u>Common approach to regional development</u>

4. Is it useful, necessary? Why?
5. What institutional form should it take and why?
6. What would be the best choice to implement now? In the future (5 years)?

<u>MRDF: General</u>

7. Who would oppose its creation (government, institutions, population)? Why? How?
8. What reform of Mercosur and/or the states needs to be undertaken before it can be created?
9. How long would it take before a MRDF can be created? Is Mercosur ready now?
10. What would be the steps towards this creation?
11. Should this MRDF be conceived for a Mercosur 4 or a Mercosur 6? Why?
12. Should the MRDF be conceived as a form of compensation for countries negatively affected by the Mercosur process of integration?

13. Should it be created from Fonplata or from scratch?

MRDF: Structure

14. Should it be rather rigid (eg a Development Bank) or flexible (eg a forum of discussion)?

15. Should it be inscribed within Mercosur or established as something separate?

16. From which institutions should the people working for the MRDF come from?

MRDF: Financial aspects

17. What would you consider as an appropriate budget size?

18. What form of contribution of the members? Equal or proportional?

19. From which budget should this contribution come from? Ministries? Central Banks?

20. Other sources of financial support: would NGOs/IOs support financially a MRDF?

MRDF: Control

21. What types of control should be installed so there is no mismanagement?

22. Who should do it? Ministry, NGO, IOs?

23. How can the independence of this fund be guaranteed?

MRDF: actions

24. Fund distribution? By regions or by priority? Only to transnational projects?

25. If by geographic priority, how should the priority regions be determined?

26. If by thematic priority, what would be the priorities for this fund?

27. If transnational, which priority? Industrial, infrastructure, education (cultural exchanges)

28. Should there be a system of quota (by priority or by region)?

29. How concentrated should this fund be? What % of the population should be eligible?

30. What should be the fund's first actions?

A1.3. Examples of interviews

The followings are examples of notes taken for different interviews. For reasons of confidentiality, the name and institution of these interviewees are not given. The only indication is the nationality of the interviewee and its professional category. The numbers at the beginning of some paragraphs refer to the question number in the original questionnaires.

A1.3.1. Argentinian researcher, first fieldtrip

The EU and Mercosur are two customs unions, but they are very different. The main difference is that Mercosur has no supranationality, which makes that negotiations are often blocked because there is no institution for conflict solving. Also there is a difference of origins: the EU was created with the back up of the US (Marshall Plan), and then to counterbalance the bipolarity of the world. Mercosur, on its side, was imposed on its members by the opening of the world and the process of globalisation: it is their only way to survive.

Moreover, Brazil and Argentina are two different models of economic development. On the one hand Brazil tries to produce all the industrial goods it needs, while Argentina is on the contrary trying to import everything. As a consequence the latter is more open to the world, and more technologically advanced than the former. Moreover, they have two different views of Mercosur: Brazil sees it more from a political point of view whereas Argentina sees it more from the commercial point of view.

Because of the economic crisis of last year, trade went down (reduction of Argentina's import from Brazil) and it blocked the negotiation process.

During the *relanzamiento* process, the member states need to discuss on the institutional theme with the possibility of having supranational organisations, the completion of the customs union, and the coordination of macro policies. Mercosur needs to be re-launched politically by the Presidents, the technical side will follow later as a consequence.

Different positions for the FTAA: Brazil wants to present itself as a regional leader, while Argentina prefers to work on its bilateral relation with the US to counterbalance the position of Brazil.

15. A Mercosur Development Bank is necessary. For the time being it would not be necessary to create a new SGT, since it would create new bureaucracy, but maybe just a Commission within the GMC.

22. Representatives: Ministry of Economy, Central Banks.

23. Institutional form: for Argentina it would be better to have a supranational institution (to counterbalance the weight of Brazil). But Brazil is reticent. It would be interesting to study the possibility of creating an independent but non supranational Development Bank. Also need to study Fonplata and why it failed.

26. Quotas: it would be interesting and would help to the development of the poorest regions.

27. Priorities: development of an equilibrated economy in the Mercosur, through a policy of incentives for agriculture and industrial sectors. For the time being, apart from Brazil through the SEBRAEE, none of the member states have a good policy for Small and Medium sized Enterprises.

30. It would be difficult to get funds from international organisations. In first place they take into account the interest of the EU and the US. It is necessary to invent a new model of development because, for the time being, the development of Latin America is tied to the one of the First world.

35. Objectives: it would be interesting, but very difficult to implement. Especially because Brazil and Argentina have different objectives for Mercosur.

A1.3.2. Brazilian official, first fieldtrip

The process of *relanzamiento* is just a political declaration: there are too many differences to have any kind of political coordination for the time being.

Brazil has an economy which is more diversified and more technologically advanced than that of its neighbours.

One of the main problems of Mercosur is that there is no mobility of workers.

15. Each Mercosur country has its own problems with different causes (which have not been studied): right now they cannot have common programmes with common solutions.

22. Representatives: Ministries of economy, of finance, BNDES, Central Banks, private sector…

23. It could be possible to coordinate the national policies of development. But the problem is that governments cannot invest for Mercosur, nor can they relaunch the process.

Creating a MRDF would be very interesting, there should then be some common objectives defined so has to be more efficient. Just coordination would not work well because there is a problem of how to inscribe these in the local agendas.

Mercosur needs to create its own structures to be independent from national interests. A fund or a Bank? No idea.

26. Quotas: if there is a process of integration, we cannot think in national terms. So there should be some quotas by region. But it might be necessary to define new geographical 'regions' different from the administrative ones, so as to go across the borders when necessary. These quotas should be defined in a flexible way to allow changes in specific cases of emergencies.

27. 28. Priorities: all of them. But fight poverty (especially in Brazil). Supporting SME could be a good idea since no country has a true policy of this kind. For infrastructure, everything

will gradually be managed by the private sector, but there could be a plan of investment with governmental aids.

30. Resources: in Brazil there is money ready to be invested. The contribution should be proportional by country. Use of international organisations would also be positive.it could be useful to also use funds from the private sector: investment funds of banks (e.g. Banco do Brasil).

It would be better to have a direct source of revenue (like a percentage of revenues from imports): otherwise, a member state can always make difficulties to pay (i.e. the USA in the UN).

32. The experience of the EU can be very useful.

35. Objectives: it would be the best solution, compared to quotas. But it would be difficult for the governments to do something at the Mercosur level without being able to do something at the national level before.

It is difficult to speak of a Mercosur project in the Northeast of Brazil.

A1.3.3. Paraguayan official, first fieldtrip

1. Mercosur is starting a new stage in its process of integration. There is a will to "re-launch" Mercosur: create a local Maasticht, but in lesser importance. Themes in discussion: access to the market (technical standards), increase across frontier trade, incentives to investment, free competition (anti-trust laws), environment, individual security, development of common institutions, common positions in negotiations with third countries/organisations.

2. 3. Paraguay fully supports an increase of Mercosur's competences: it supports Mercosur and would like to see it become a common market as soon as possible. Within the next 3 or 4 years, there will be a need to develop a coordination of the fiscal policies, and this will generate more common institutions. There is a need to pursue the Mercosur process of

integration. Otherwise all will fall apart. The member states are now at a cross-roads: either they go further and consolidate Mercosur, or do nothing and progressively regress. Brazil is the country which is the most reluctant, but it realises the needs which exist.

5. The people who criticised most Mercosur are of the faction of the Colorado party (principal party of government) which is now in power.

6. Paraguay does not see itself outside of Mercosur. There is no other alternative for it: no stability (whether economic or political) nor development. Mercosur helped to stabilise Paraguay's democracy a few times over the past ten years by "de-stimulating the authoritarians".

Of course, there exist many criticisms since Paraguay is the member state which benefited less from Mercosur (ie it was the only one which had to increase some of its tariffs to reach the CET). However, these criticisms do not ask for Paraguay to opt out of Mercosur, but plead for a reform of the negative aspects and the furthering of the positive ones: "es necesario de reformar lo malo y profundisar lo bueno".

15. Good theme. Especially now with the new step of integration.

16. 17. Paraguay is the most backward country of Mercosur. Therefore, it is the one which needs to give a body to this idea of Mercosur regional development policies, and not Brazil. Therefore, they would need all the help they can get (especially from the EU) to help them define such policies.

19. 20. Since it is not even yet a project which has been thought about, nor any proposal having been made, it is difficult to say who would oppose such a project or what would be the obstacles. But, the lack of financing could be a main problem to developing RDP at Mercosur level.

22. 23. It would be a good idea to have a Mercosur Development Bank to help the backward regions. It would need to be created from *ex nihilo*, but could also be created from a strengthened and reformed Fonplata. It mostly depends on Brazil since it is the motor of the Mercosur process and nothing can be done without it. Similarity with the EU: EU RDP were adopted only because France and Germany decided to help the less developed regions of Spain, Portugal and Greece.

27. 28. Examples of regions which should benefit from Mercosur help: Tucuman and Pampa in Argentina, the Nord Este of Brazil…

33. It is necessary to study the EU's experience.

35. The idea of using objectives seems great.

Recipe for success in Mercosur: for any policy, the first project needs to be successful. It is important to have a first project with limited objectives, which can be achieved in a very short term (one to two years maximum), and which can be seen by all and shown as an example. If it has too long-term objectives, people will get tired of the project and progressively abandon it. If it is not a complete success, people will consider the whole as a bad idea and reject everything.

A1.3.4. Uruguayan official, first fieldtrip

Need to consider Mercosur in the global context. In August there will be a meeting of the Presidents in Brasilia, since Brazil would like to promote the idea of a FTASA (Free Trade Area of South America). If the FTAA is created (and it seems likely since, whichever candidate is elected in the USA, the Congress seems ready to accept the fast-track to facilitate the negotiations process for the USA), it will start reducing the tariffs after 2005 (date agreed upon for the end of negotiations) or even before if the USA put pressure. So if before 2005

Mercosur has not strengthened itself and completed its evolution, it will be disintegrated and disappear within the FTAA.

Mercosur (mostly Brazil) is also trying to renegotiate its agreements with ALADI countries so as to conclude them on a quadripartite mode (negotiate them as Mercosur) and not at the bilateral level. This is especially the case for the agreement with the Andean Community: for the time being there are bilateral agreements between the member states of these two groups, but Mercosur member states would like an agreement between the two blocs. Since the Andean Community is reticent, Mercosur pressured them by declaring that after June 2003 all the ALADI agreements which have not been renegotiated will become obsolete and the concerned countries would be considered as any other third country.

Zona Franca de Manaus: it was created before Mercosur, and now faces problems because of it, since it should pay the customs for the products sent to Mercosur. The problem is now being settled.

15. In theory, a development bank should have been created from the start, in 1991, to support the economic sectors which would have been threatened by the integration process (like in EU). But it was not done and, for example, Uruguay lost many of its industries which went to Brazil, and nothing was done to help it.

When talking about Mercosur, it is necessary to consider its actual state: for the time being it is just an imperfect free trade area and a very imperfect customs union. Thus, there is a big difference between what should exist and what can be done.

Decision 5/94 “Programa 2000 del Mercosur”: it listed the objectives Mercosur should have reached before 2000. Most of them have not even been talked about until the recent *relanzamiento* process.

17. Uruguay would be interested in having any type of policy coordination, especially some at the development policies level, since it is a small country. But the problem is mostly from the big ones, especially Brazil, which refuse to loose any small parcel of sovereignty.

20. In Uruguay it is difficult to speak of regional policies: it is a small, centralised, non federal, homogeneous state. In Brazil it can be the case since it is big and there are huge differences between the state of Sao Paulo and the Nordeste: it would be the same as comparing the region of Madrid to Siberia.

Moreover, in Argentina there does not exist a policy of regional development, but policies of regional incentives to attract private investments. This is a problem for Mercosur (Uruguay is now analysing all these policies to try to raise the point in a future meeting). But the Argentinian Federal State says it can do nothing to prevent the provinces from developing policies to attract private investment since it is part of their domain of action and policy. The same goes for Brazil.

23. There was the idea of transforming Fonplata and using funds from the IDB and the CAF, but it stayed just an idea, nothing being studied or written about it.

The interviewee does not know if it should be created from Fonplata, but in any case it should be an independent institution, similar to Central Banks.

26. Quotas: no if it is for transnational projects, yes for smaller scale projects.

27. Priorities: infrastructure (like trains, especially in a country as big as Brazil) to support great projects like the "Corredor Cono Sur" going from Sao Paolo to Valparaiso via Uruguay and Argentina.

30. International Organisations should be interested in participating and supporting such an initiative since they have more trust now in the member states: the economic situation is really improving after the 1999 crisis, the political situation is rather stable (apart from Paraguay).

Therefore, investment is coming back: Mercosur is one of the parts of the world with the greatest investments.

31-35. The reality in Mercosur is really different from the one in the EU. There are cultural, physical, political, economic differences. Western Europe is an homogeneous, monolithic region, with countries very similar to each other, with numerous interconnections. This is not the case in Mercosur: the countries are really isolated (not only in Mercosur, but in Latin America in general) with great regional disparities. Thus it is very difficult to transfer the EU's experience to Mercosur.

A1.3.5. Argentinian official in foreign affairs, second fieldtrip

1. 3. *Relanzamiento*: some important aspects are part of this agenda (macro-policy coordination), but not a Development Fund. In 2000 there was a GMC meeting on financing development, with the idea of merging in the mid-term the CAF with Fonplata. This therefore implied the need to transform Fonplata. This idea of merger would be very difficult in the present situation. Since the voting system in the CAF is proportional, Brazil and Argentina would have little powers within it if their financial contribution is only through the 350 millions of the Fonplata: they would each need to put around 300 or 400 millions to have the same decisional power as Colombia. But where to get the money from? There could also be a problem for Paraguay, Uruguay and Bolivia since they would not have as much power in the CAF (vote is proportional to contribution) as in the Fonplata (consensus). But it would be the opportunity for them to participate to a much bigger fund at no new expenses.

4. A Development Bank would be useful but is not that necessary. If it existed it would need to be established in Sao Paulo or Buenos Aires, close to the most important financial places of Latin America. Nowadays Brazil would support a Development Bank, but it would depend on its form.

5. Form: it should be a Mercosur Development Bank (MDB)

8. No need for reforms. A Development Bank would be a step further towards more integration.

10. 13. The first step would be to improve Fonplata, and then, in a second step, transform it in a MDB. This solution would be the one with the lowest cost. The Fonplata could then be one of this MDB's specific funds… And in a third stage this MDB could be merged with the CAF.

Fonplata was not good so there is a need for restructuration to resuscitate it (meeting of the governors of the Fonplata on the 21st of March 2001 to change it and maybe give it a new opportunity to find resources on the international scene). Now it has about US$ 350 millions, which is very small (the CAF has about US$ 1,200 millions, the IDB US$7,000 and the World Bank and the BNDES US$12,000 each). Its aim was to develop the Plata River basin, and has nothing to do with Mercosur.

11. Mercosur 6: Chile would be invited to participate, and it should be interested in this institution, but first it is necessary to transform Fonplata (it does not make sense to invite Chile in the existing Fonplata).

15. It should be part of Mercosur.

16b. Vote: proportional.

18. Contribution: proportional.

20. International Organisations: they could co-finance some specific projects, but they would have no interest in participating directly (moreover it would be difficult to include them in the decision-making system). Need to make sure that the MDB does not compete with the IDB.

22. Control: both.

24. The IDB started by supporting infrastructure development, then social, and now both, as well as assistance to the private sector. The MDB should work principally on infrastructure and economic production. It is difficult to imagine a MDB focusing only on social development. First help economic restructuration (ie Sugar production in North of Argentina), then help the social.

25. Priority to poorest regions and integrating projects. But problem if all the investments go to the poorest since they do not have that much capacity to get into debt. It would also diminish the rating on the international financial scene from AAA to maybe B+, which would make it more expensive to borrow money on the international scene.

28. Quotas: no. Need to look for the good quality of the projects, since there is the need for a return on investments.

Concept of "Productive chains": for example, from cattle raising to shoe commercialisation. In Brazil a few chains were recently given priority (in function of unemployment, exports, impact and investment). A global vision of the chain is important to have a strategy of development. This could be done at Mercosur level to identify a few integrative chains (like shoes) to identify projects of investment.

A1.3.6. Brazilian researcher, second fieldtrip

1.-3. The *relanzamiento* is a "disaster" since not much has been done. But at least the tensions between Brazil and Argentina were reduced, even if there was no clear sign of this.

Mercosur does not have any type of regional development policy. There exists an asymmetry, a schizophrenia in its relations with the US in the FTAA: in the FTAA negotiations they ask for preferential treatments in relations to the US arguing that they are less developed, but they do not do anything within Mercosur towards the poorest countries (Brazil and Argentina have not been generous within Mercosur).

Within Mercosur there is no community vision, no technical body which only thinks of the common Mercosur good (like the EU Commission). Brazil only thinks in terms of Mercosur for international negotiations: for the rest it only thinks of Brazilian interests.

Paraguay does not have the image of being a serious country, which limits the enthusiasm of Brazil when negotiating with them.

1991-97: the increase of intra-Mercosur trade was not due to integration but to the liberalisation and the opening of the countries to the world. Now that this boosting effect took place, for once and for all, the increase will be limited and will depend only on integration.

In September 2000 there was a meeting organised by Brazil to talk about a SAFTA (South American Free Trade Area), and during these it was talked about creating a South American Development Bank with the CAF and BNDES. But no much support.

4. A MRDF is necessary. But the problem is to determine who would pay for it and who would gain from it. It is a problem for Brazil since, considering its size, population, GDP, it is so big that it already has issues of integrating internally and needs to care about its own poor regions: politically it cannot explain to its people that they are diverting funds towards other countries.

5. It should be a MRDF because it is more flexible and light, which is more in the Mercosur way of thinking. There is no time to pass by intermediary steps (create a SGT and wait for it to evolve): if the Mercosur wants to survive in a FTAA it needs to progress in its integration and make a difference with the other countries: there is a need to act quickly and strongly.

7. For the time being, nobody bothered about this topic, so there are no obstacles.

9. The timing is quite good. Now that the FTAA negotiations are becoming more difficult, Brazil is realising it needs to give concessions to its partners if it wants their support within these negotiations: external pressures are important for Brazil.

Brazil needs to bet on the future, to think a long time ahead. If it aims at being one of the leading countries of Latin America and of the world in the coming decades, it will need the support of its associates: it cannot do it alone.

11. The MRDF should be for the 4 members only: there is too much free riding on the part of Chile. It has already taken a lot from Mercosur without giving much. There should be some advantages of joining the full members and not being just associates: this could act as an incentive.

13. No opinion. Need to study the juridical structure of Fonplata to determine if it can be modified (no need for two similar institutions) or not.

18. The financing should be proportional since the contribution of Paraguay and that of Brazil cannot be equal.

20. International Organisations should be interested. It would be useful to check the financing procedures of the CAF. This MRDF should be able to borrow money on the international scene.

21-22. “We do not need a supervision: we are serious countries” (“no necesitamos tutela, somos serios”). But may be there could be a representative of International Organisations in the Board…

23. This Fund needs to be independent. Thus there needs to develop the Mercosur institutional structure.

24. Transnational projects would be better since they are the ones which would offer less political resistance: all the countries see what they can gain through such projects. These projects could be either of infrastructures, or projects of industrial nature if they help to solve Mercosur conflicts. For example, problem nowadays on sugar production where no agreement has been reached because it is helped in Tucuman by Argentina. But since it would never be

competitive (even with help), there could be some Mercosur help for industrial restructuration to solve the problem.

Each possibility has its advantages. It is necessary to analyse them.

25. Need to create indicators.

26. The priority might be education in Brazil, but different for Argentina… May be technologies too. But creating a hierarchy of priorities would not be the best solution.

28. Quotas no. Objectives and targets yes. There could be some common Mercosur targets of levelling. Quotas would be too rigid whereas there needs to be a certain dose of flexibility in Mercosur… But not too much!

There is a limit in the help BNDES can bring at the Mercosur level: most of its funds come from the FAT (Fund for the Workers): legally it is bound and these funds need to be used for Brazilian workers. That is why for the time being they only think of helping Brazilian companies which desire to establish themselves in Argentina (and may be Paraguay too) or those of other Mercosur countries being established in Brazil.

Need to be extra careful at the repartition of the votes. Whatever way it is done, Brazil would surely have a right of veto, but it should not have a right of imposition.

A1.3.7. Paraguayan official, second fieldtrip

1. *Relanzamiento*: it is something which was planned from the beginning, since Mercosur's work planning was made in two periods 1991-1995 and 1996-2000. Thus it implied defining a new program of work and negotiations for the next years.

2. Verify the website of the ITHO (hemispheric organisation for transport infrastructure). For Transport there exist already seven fora of negotiations at different levels: Mercosur, South America, Latin America, ALCA, Hemispheric, Iberian America, etc… There is a multiplication of fora which implies lots of discussions but little actions.

4. A MRDF is important.

5. This institution should be a MRDF.

8. Many reforms are needed before a MRDF can be established.

11. The MRDF should be designed for a Mercosur 6 membership.

13. Fonplata: no opinion.

15. This institution should be independent, not part of Mercosur.

16. The officials of the MRDF should be independent technicians.

16b. Vote distribution: no opinion.

18. Financial contribution distribution: proportional.

20. International Organisations: they would be interested in participating in the MRDF if the fund is serious and trustworthy. The IDB would not see it as a competition because it would be smaller and more specific.

22. Control: both types of control are necessary.

24. Thematic priorities: 1) education, 2) SME, 3) infrastructure, 4) agriculture.

28. Quotas are necessary so the funding of projects is rigid. Otherwise it is useless to determine priorities.

A1.3.8. Uruguayan official, second fieldtrip

1. *Relanzamiento*: Decisions 1 to 28 in 2000 have been adopted, but still need to be implemented. The whole process was essentially a declaration of intentions and a redefinition of the agenda. The automobile sector agreement is the only concrete thing which has been done. Uruguay liberalised its sugar sector (it got rid of a 80% tariff), but it was unilateral and was not followed by the others.

Mercosur is a geopolitical project for Brazil, not an economic one. Uruguay needs Mercosur for geographical reasons and for negotiating with the USA: it has no choice and nowadays

Uruguay has more doubts than certitudes about Mercosur. Mercosur only crystallised a situation which existed *de facto* before. This is not Mercosur but *Mercosour*.

3. A MRDF is still not part of the agenda.

4. It is not useful. The interviewee does not like bureaucracies which manage funds for the good of the people. Especially since there already exist many International Organisations on this topic. Very pessimistic about a MRDF.

The interviewee considered that everybody should have told me the same thing, and that if they did not, it was because they were politicians who were expecting to win elections or get some money by supporting such idea, or that they said so to take the easy way out of the question without having to justify themselves.

Need to take into account the high heterogeneity of the four Mercosur countries. The case of Uruguay is more systematic: there are no zones of extremely high poverty, but more a general poverty.

Moreover, need to consider which theory of development is behind this fund, especially since in this part of the world there are some economists who believe in mercantilism and protectionism.

A MRDF would not be of much interest for the member states. There has already been some past experiences which have not been negative but tragic. The experience of the IDB and the World Bank is not too bad because they financed projects to help increasing production and the efficiency of the economy. Moreover the IDB is not interventionist.

In Uruguay 27% of the population economically active is working for public administration. People in Uruguay are expecting everything from the state: increasing their expectations telling them about a Fund which will help them would be worse than anything: “we’d be dead” (“seriamos fritos”).

It is necessary to give the poor people the same opportunities, but without passing through voluntarism nor paternalism.

8. Need for more supranationality. It is more important to reinforce the structure of the private financial sector and let them decide which projects support.

20. International Organisations would not support a MRDF. Being bureaucracies, why would they transfer some of their powers and decision making, especially in areas where they are experts? They can subcontract their secretary services, but not the area where they are experts.

- APPENDIX 2 -

STATISTICAL TABLES AND MERCOSUR MAPS

APPENDIX 2. STATISTICAL TABLES AND MERCOSUR MAPS

This Appendix presents the detailed tables for the Mercosur regional statistics analysed in Chapter 4.

In these tables, AR stands for Argentina, BR for Brazil, PY for Paraguay, UY for Uruguay, BO for Bolivia, CL for Chile, M4 for Mercosur composed of its four members (Argentina, Brazil, Paraguay and Uruguay), and M6 for Mercosur including the four members and the two associates (Bolivia and Chile).

The Mercosur maps presented in this thesis were drawn up using the Philcarto software designed by Philippe Waniez.

So as not to repeat similar technical details at the end of each table, and to facilitate the reading of the statistics presented in this Appendix, it is necessary to first enumerate the principal sources used, as well as the dates of the data presented (see Table 1 below). The regional data analysed in Chapter 4, and detailed in the present Appendix, come from the following sources, classified by country:

Argentinian sources

- Anuario Estadístico de la República Argentina, CD-Rom published by the INDEC in 1999
- Consejo Nacional de la Vivienda : www.cnvivienda.org.ar
- Instituto Nacional De Estadística y Censo (INDEC): www.indec.mecon.ar
- Minesterio de Economia: www.mecon.gov.ar
- Minesterio de Salud: http://www.msal.gov.ar/minis_e.htm
- Ministerio de Desarrollo Social y Medio Ambiente: www.desarrollosocial.gov.ar
- Sistema Permanente de Información de Saneamiento: www.enohsa.gov.ar/SPIDES/

Brazilian sources

- Agência Nacional de Energia Elétrica - Aneel: www.aneel.gov.br
- DATASUS: www.datasus.gov.br
- Instituto Brazileiro de Geografia e Estatística (IBGE): www.ibge.gov.br
- Ministério da Educação: www.mec.gov.br
- Ministério da Fazenda: www.fazenda.gov.br
- Ministério da Previdência Social: www.previdenciasocial.gov.br
- Ministério da Saúde: www.saude.gov.br
- Ministério do Desenvolvimento, Indústria e Comércio Exterior: www.mdic.gov.br
- Ministério do Planejamento, Orçamento e Gestão: www.planejamento.gov.br
- Ministério dos Transportes: www.transportes.gov.br
- SIDRA: www.sidra.ibge.gov.br/bda/acervo/acervo6.asp

Paraguayan sources

- Dirección General de Estadística, Encuestas y Censos (DGEEC): www.dgeec.gov.py/index.htm
- Indicadores para focalizar el gasto social en Paraguay: Mapas de pobreza, DGEEC, 1999
- Ministerio de Educación y cultura: www.mec.gov.py
- Ministerio de Industria y comercio: www.mic.gov.py
- Ministerio de Obras Públicas y Comunicaciones: www.mopc.gov.py
- Ministerio de Salud Pública y Bienestar Social: www.mspbs.gov.py
- Sistema Estadístico Nacional, CD-Rom published by the DGEEC in 1997

Uruguayan sources

- Dirección Nacional de Comunicaciones: www.dnc.gub.uy
- Instituto Nacional de Estadística (INE): www.ine.gub.uy
- Ministerio de Educacion y Cultura: www.mec.gub.uy
- Ministerio de Salud Publica: www.msp.gub.uy
- Ministerio de Transporte y Obras Publicas: www.presidencia.gub.uy

Bolivian sources

- Instituto Nacional de Estadística (INE): www.ine.gov.bo
- Ministerio de Energía e Hidrocarburos : www.energia.gov.bo

Chilean sources

- Instituto Nacional de Estadísticas (INE): www.ine.cl
- Ministerio de Salud: www.minsal.cl
- Ministerio de Transportes y Telecomunicaciones : www.mtt.cl
- Ministro de Economía, Minería y Energía : www.minecon.cl

Other sources

- InterAmerican Development Bank: www.iadb.org
- International Monetary Fund: www.imf.org
- OECD: www.oecd.org/std
- Organización Panamericana de la Salud (OPS): www.ops.org.ar
- Secretaria Administrativo del Mercosur: www.mercosur.org.uy
- World Bank: www.worldbank.org

Table 1. Dates of the regional data analysed, by indicator and by country.

	Indicators	AR	BR	PY	UY	BO	CL
General	Population	1995	1997	1997	1996	1997	1999
Economy	GDP per capita	1995	1997	1999	1999	1997	1999
	Occupation rate	1991	1998	1992	1996	1995	1999
Infrastructure	Access to drinking water	1998	1997	1996	1996	1997	1992
	Connection to telephone	1997	1996	1992	2000	1996	1999
	Access to waste removal facilities	1998	1998	1996	1996	1997	1992
	Electricity consumption	1996/1995*	1999	1997	2000	1999	1999
	Road network	1999	1997	1997	1998	1997	1997
Health	Life expectancy at birth	1998	1997	1997	2000	1999	1995
	N° of doctors	1998	1997	1997	1998	1997	1997
	N° of hospital beds	1995	1997	1997	1998/1993*	1998	1997
Education	Literacy rate	1991	1997	1992	1996	N/A**	1992
	N° of students	1997	1999	1996	1998	1997	1997

* The information found included data of two different years, depending on the regions.
** The document including these data did not give any indication concerning the date of these statistics.

A2.1. Mercosur population and territory

		Territory	Population	Density	Territory as a % of			Population as a % of		
	Region	**(km^2)**		**(pop/km^2)**	**Nation**	**M 4**	**M 6**	**Nation**	**M 4**	**M 6**
AR	Ciudad de Buenos Aires	200	3,027,886	15,139.43	0.01	0.00	0.00	8.71	1.49	1.34
	Buenos Aires	307,571	13,379,401	43.50	8.18	2.39	2.09	38.48	6.57	5.91
	Catamarca	102,602	289,212	2.82	2.73	0.80	0.70	0.83	0.14	0.13
	Córdoba	165,321	2,929,734	17.72	4.40	1.28	1.12	8.43	1.44	1.29
	Corrientes	88,199	857,685	9.72	2.34	0.68	0.60	2.47	0.42	0.38
	Chaco	99,633	895,900	8.99	2.65	0.77	0.68	2.58	0.44	0.40
	Chubut	224,686	399,125	1.78	5.97	1.74	1.52	1.15	0.20	0.18
	Entre Ríos	78,781	1,069,102	13.57	2.09	0.61	0.53	3.07	0.52	0.47
	Formosa	72,066	447,094	6.20	1.92	0.56	0.49	1.29	0.22	0.20
	Jujuy	53,219	555,097	10.43	1.41	0.41	0.36	1.60	0.27	0.25
	La Pampa	143,440	282,356	1.97	3.81	1.11	0.97	0.81	0.14	0.12
	La Rioja	89,680	247,575	2.76	2.38	0.70	0.61	0.71	0.12	0.11
	Mendoza	148,827	1,508,959	10.14	3.96	1.15	1.01	4.34	0.74	0.67
	Misiones	29,801	884,291	29.67	0.79	0.23	0.20	2.54	0.43	0.39
	Neuquén	94,078	463,266	4.92	2.50	0.73	0.64	1.33	0.23	0.20
	Río Negro	203,013	559,590	2.76	5.40	1.57	1.38	1.61	0.27	0.25
	Salta	155,488	958,094	6.16	4.13	1.21	1.05	2.76	0.47	0.42
	San Juan	89,651	555,223	6.19	2.38	0.70	0.61	1.60	0.27	0.25
	San Luis	76,748	321,890	4.19	2.04	0.60	0.52	0.93	0.16	0.14
	Santa Cruz	243,943	181,198	0.74	6.49	1.89	1.65	0.52	0.09	0.08
	Santa Fe	133,007	2,949,050	22.17	3.54	1.03	0.90	8.48	1.45	1.30
	Santiago del Estero	136,351	700,114	5.13	3.63	1.06	0.92	2.01	0.34	0.31
	Tierra del Fuego. Antártica e Islas del Atlántico Sur	1,002,445	89,992	0.09	26.65	7.78	6.80	0.26	0.04	0.04
	Tucumán	22,524	1,216,623	54.01	0.60	0.17	0.15	3.50	0.60	0.54
	Total Argentina	**3,761,274**	**34,768,457**	**9.24**	**100.00**	**29.18**	**25.51**	**100.00**	**17.07**	**15.35**
BR	*NORTH*	*3,869,637*	*11,736,040*	*3.03*	*45.27*	*30.02*	*26.25*	*7.30*	*5.76*	*5.18*
	Rondônia	238,512	1,289,365	5.41	2.79	1.85	1.62	0.80	0.63	0.57
	Acre	153,149	504,489	3.29	1.79	1.19	1.04	0.31	0.25	0.22
	Amazonas	1,577,820	2,460,434	1.56	18.46	12.24	10.70	1.53	1.21	1.09
	Roraima	225,116	258,088	1.15	2.63	1.75	1.53	0.16	0.13	0.11
	Pará	1,253,164	5,724,140	4.57	14.66	9.72	8.50	3.56	2.81	2.53
	Amapá	143,453	402,557	2.81	1.68	1.11	0.97	0.25	0.20	0.18
	Tocantins	278,420	1,096,967	3.94	3.26	2.16	1.89	0.68	0.54	0.48
	NORTHEAST	*1,561,177*	*45,854,455*	*29.37*	*18.26*	*12.11*	*10.59*	*28.53*	*22.51*	*20.24*
	Maranhão	333,365	5,349,575	16.05	3.90	2.59	2.26	3.33	2.63	2.36
	Piauí	252,378	2,758,129	10.93	2.95	1.96	1.71	1.72	1.35	1.22
	Ceará	146,348	7,010,107	47.90	1.71	1.14	0.99	4.36	3.44	3.09
	Rio Grande do Norte	53,306	2,641,355	49.55	0.62	0.41	0.36	1.64	1.30	1.17
	Paraíba	56,584	3,433,234	60.67	0.66	0.44	0.38	2.14	1.69	1.52
	Pernambuco	98,937	7,548,183	76.29	1.16	0.77	0.67	4.70	3.71	3.33
	Alagoas	27,933	2,754,697	98.62	0.33	0.22	0.19	1.71	1.35	1.22
	Sergipe	22,050	1,662,168	75.38	0.26	0.17	0.15	1.03	0.82	0.73
	Bahia	567,295	12,697,007	22.38	6.64	4.40	3.85	7.90	6.23	5.61
	SOUTHEAST	*927,286*	*68,331,524*	*73.69*	*10.85*	*7.19*	*6.29*	*42.52*	*33.54*	*30.17*
	Minas Gerais	588,383	17,024,849	28.93	6.88	4.56	3.99	10.59	8.36	7.52
	Espirito Santo	46,184	2,916,530	63.15	0.54	0.36	0.31	1.81	1.43	1.29
	Rio de Janeiro	43,909	13,490,380	307.23	0.51	0.34	0.30	8.39	6.62	5.96
	São Paulo	248,808	34,899,765	140.27	2.91	1.93	1.69	21.72	17.13	15.41
	SOUTH	*577,214*	*23,963,075*	*41.52*	*6.75*	*4.48*	*3.91*	*14.91*	*11.76*	*10.58*
	Paraná	199,709	9,154,360	45.84	2.34	1.55	1.35	5.70	4.49	4.04
	Santa Catarina	95,442	5,032,175	52.72	1.12	0.74	0.65	3.13	2.47	2.22
	Rio Grande do Sul	282,062	9,776,540	34.66	3.30	2.19	1.91	6.08	4.80	4.32
	CENTRAL WEST	*1,612,077*	*10,825,181*	*6.72*	*18.86*	*12.51*	*10.93*	*6.74*	*5.31*	*4.78*
	Mato Grosso do Sul	358,158	1,985,579	5.54	4.19	2.78	2.43	1.24	0.97	0.88
	Mato Grosso	906,806	2,335,344	2.58	10.61	7.03	6.15	1.45	1.15	1.03
	Goiás	341,289	4,629,154	13.56	3.99	2.65	2.31	2.88	2.27	2.04

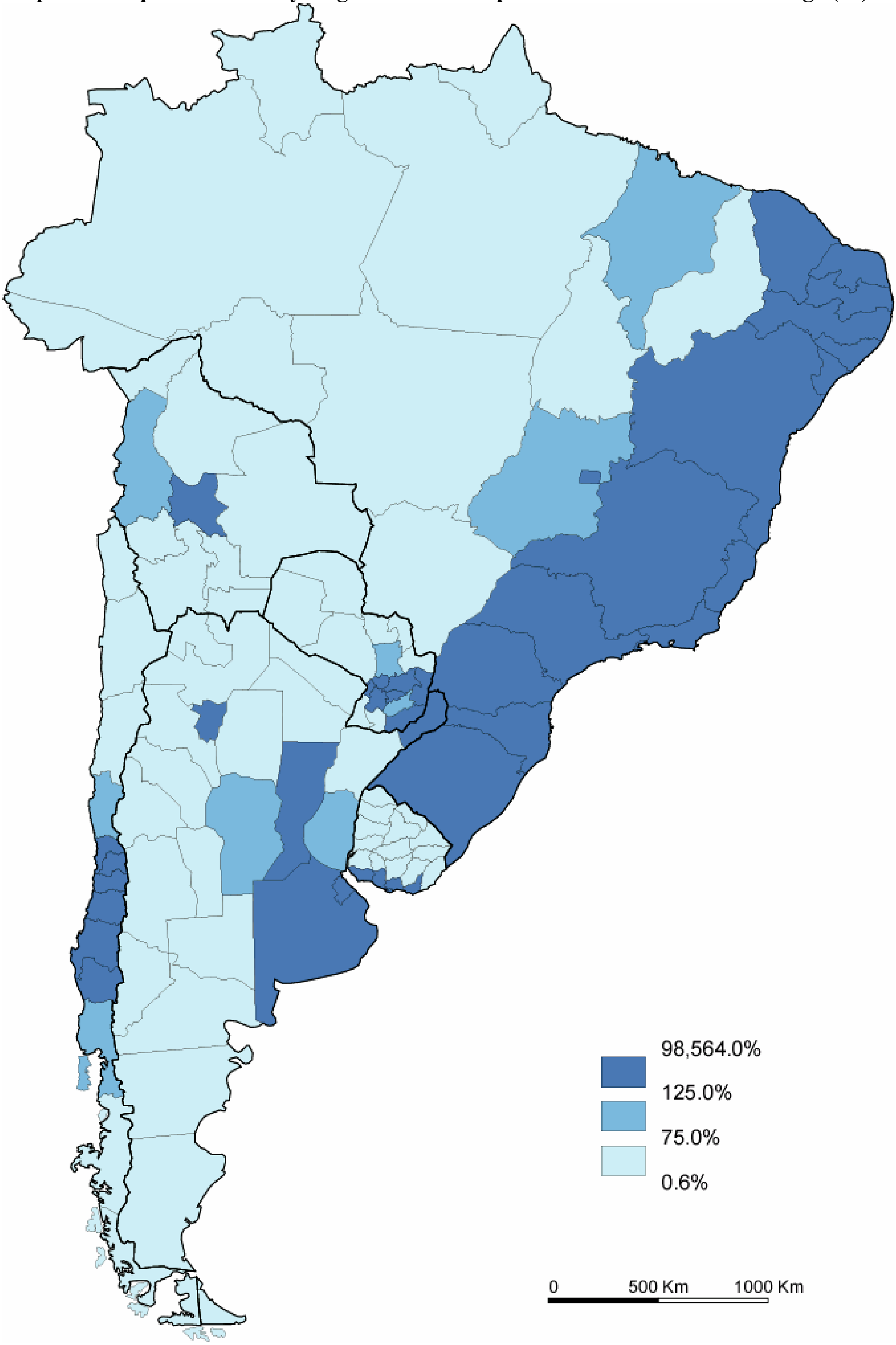
Mercosur population and territory (continued)

	Region	Territory (km²)	Population	Density (pop/km²)	Territory as a % of Nation	M 4	M 6	Population as a % of Nation	M 4	M 6
	Federal District	5,822	1,875,104	322.07	0.07	0.05	0.04	1.17	0.92	0.83
	Total Brazil	**8,547,403**	**160,710,275**	**18.80**	**100.00**	**66.31**	**57.97**	**100.00**	**78.88**	**70.95**
PY	Asunción	117	550,060	4,701.37	0.03	0.00	0.00	10.82	0.27	0.24
	Concepción	18,051	185,496	10.28	4.44	0.14	0.12	3.65	0.09	0.08
	San Pedro	20,002	332,926	16.64	4.92	0.16	0.14	6.55	0.16	0.15
	Cordillera	4,948	215,663	43.59	1.22	0.04	0.03	4.24	0.11	0.10
	Guairá	3,846	173,668	45.16	0.95	0.03	0.03	3.42	0.09	0.08
	Caaguazú	11,474	442,161	38.54	2.82	0.09	0.08	8.69	0.22	0.20
	Caazapá	9,496	141,559	14.91	2.33	0.07	0.06	2.78	0.07	0.06
	Itapúa	16,525	454,757	27.52	4.06	0.13	0.11	8.94	0.22	0.20
	Misiones	9,556	98,607	10.32	2.35	0.07	0.06	1.94	0.05	0.04
	Paraguarí	8,705	247,675	28.45	2.14	0.07	0.06	4.87	0.12	0.11
	Alto Paraná	14,895	595,276	39.96	3.66	0.12	0.10	11.71	0.29	0.26
	Central	2,465	1,174,212	476.35	0.61	0.02	0.02	23.09	0.58	0.52
	Ñeembucú	12,147	86,965	7.16	2.99	0.09	0.08	1.71	0.04	0.04
	Amambay	12,933	127,011	9.82	3.18	0.10	0.09	2.50	0.06	0.06
	Canindeyú	14,667	133,075	9.07	3.61	0.11	0.10	2.62	0.07	0.06
	Pdte. Hayes	72,907	77,145	1.06	17.92	0.57	0.49	1.52	0.04	0.03
	Boquerón	91,669	35,241	0.38	22.54	0.71	0.62	0.69	0.02	0.02
	Alto Paraguay	82,349	13,831	0.17	20.25	0.64	0.56	0.27	0.01	0.01
	Total Paraguay	**406,752**	**5,085,328**	**12.50**	**100.00**	**3.16**	**2.76**	**100.00**	**2.50**	**2.25**
UY	Montevideo	530	1,344,839	2,537.43	0.30	0.00	0.00	42.51	0.66	0.59
	Artigas	11,928	75,059	6.29	6.82	0.09	0.08	2.37	0.04	0.03
	Canelones	4,536	443,053	97.67	2.59	0.04	0.03	14.00	0.22	0.20
	Cerro Largo	13,648	82,510	6.05	7.80	0.11	0.09	2.61	0.04	0.04
	Colonia	6,106	120,241	19.69	3.49	0.05	0.04	3.80	0.06	0.05
	Durazno	11,643	55,716	4.79	6.65	0.09	0.08	1.76	0.03	0.02
	Flores	5,144	25,030	4.87	2.94	0.04	0.03	0.79	0.01	0.01
	Florida	10,417	66,503	6.38	5.95	0.08	0.07	2.10	0.03	0.03
	Lavalleja	10,016	61,085	6.10	5.72	0.08	0.07	1.93	0.03	0.03
	Maldonado	4,793	127,502	26.60	2.74	0.04	0.03	4.03	0.06	0.06
	Paysandú	13,922	111,509	8.01	7.95	0.11	0.09	3.52	0.05	0.05
	Río Negro	9,282	51,713	5.57	5.30	0.07	0.06	1.63	0.03	0.02
	Rivera	9,370	98,472	10.51	5.35	0.07	0.06	3.11	0.05	0.04
	Rocha	10,551	70,292	6.66	6.03	0.08	0.07	2.22	0.03	0.03
	Salto	14,163	117,597	8.30	8.09	0.11	0.10	3.72	0.06	0.05
	San José	4,992	96,664	19.36	2.85	0.04	0.03	3.06	0.05	0.04
	Soriano	9,008	81,557	9.05	5.15	0.07	0.06	2.58	0.04	0.04
	Tacuarembó	15,438	84,919	5.50	8.82	0.12	0.10	2.68	0.04	0.04
	Treinta y Tres	9,529	49,502	5.19	5.44	0.07	0.06	1.56	0.02	0.02
	Total Uruguay	**175,016**	**3,163,763**	**18.08**	**100.00**	**1.36**	**1.19**	**100.00**	**1.55**	**1.40**
BO	Chuquisaca	51,524	549,835	10.67	4.69	N/A	0.35	7.08	N/A	0.24
	La Paz	133,985	2,268,824	16.93	12.20	N/A	0.91	29.21	N/A	1.00
	Cochabamba	55,631	1,408,071	25.31	5.06	N/A	0.38	18.13	N/A	0.62
	Oruro	53,588	383,498	7.16	4.88	N/A	0.36	4.94	N/A	0.17
	Potosí	118,218	746,618	6.32	10.76	N/A	0.80	9.61	N/A	0.33
	Tarija	37,623	368,506	9.79	3.42	N/A	0.26	4.74	N/A	0.16
	Santa Cruz	370,621	1,651,951	4.46	33.74	N/A	2.51	21.27	N/A	0.73
	Beni	213,564	336,633	1.58	19.44	N/A	1.45	4.33	N/A	0.15
	Pando	63,827	53,124	0.83	5.81	N/A	0.43	0.68	N/A	0.02
	Total Bolivia	**1,098,581**	**7,767,060**	**7.07**	**100.00**	**N/A**	**7.45**	**100.00**	**N/A**	**3.43**
CL	Tarapacá	59,099	385,620	6.52	7.83	N/A	0.40	2.57	N/A	0.17
	Antofagasta	126,049	462,286	3.67	16.70	N/A	0.85	3.08	N/A	0.20
	Atacama	75,176	269,047	3.58	9.96	N/A	0.51	1.79	N/A	0.12
	Coquimbo	40,580	569,825	14.04	5.38	N/A	0.28	3.80	N/A	0.25
	Valparaíso	16,396	1,543,566	94.14	2.17	N/A	0.11	10.28	N/A	0.68
	Del Libertador	16,387	778,801	47.53	2.17	N/A	0.11	5.19	N/A	0.34
	Del Maule	30,296	906,882	29.93	4.01	N/A	0.21	6.04	N/A	0.40
	Del Biobío	37,063	1,915,844	51.69	4.91	N/A	0.25	12.76	N/A	0.85

Mercosur population and territory (end)

	Region	Territory (km²)	Population	Density (pop/km²)	Territory as a % of			Population as a % of		
					Nation	M 4	M 6	Nation	M 4	M 6
CL	De La Araucanía	31,842	864,975	27.16	4.22	N/A	0.22	5.76	N/A	0.38
	De Los Lagos	67,013	1,050,558	15.68	8.88	N/A	0.45	7.00	N/A	0.46
	De Aysén	107,567	93,636	0.87	14.25	N/A	0.73	0.62	N/A	0.04
	De Magallanes	132,033	156,530	1.19	17.49	N/A	0.90	1.04	N/A	0.07
	Metropolitana de Santiago	15,403	6,013,185	390.39	2.04	N/A	0.10	40.06	N/A	2.65
	Total Chile	**754,905**	**15,010,755**	**19.88**	**100.00**	**N/A**	**5.12**	**100.00**	**N/A**	**6.63**
	MERCOSUR 4	**12,890,445**	**203,727,823**	**15.80**	**N/A**	**100.00**	**87.43**	**N/A**	**100.00**	**89.94**
	MERCOSUR 6	**14,743,931**	**226,505,638**	**15.36**	**N/A**	**N/A**	**100.00**	**N/A**	**N/A**	**100.00**

Map A2.1. Population density: regional data compared to the Mercosur 6 average (%)



A2.2. Economic development regional statistics

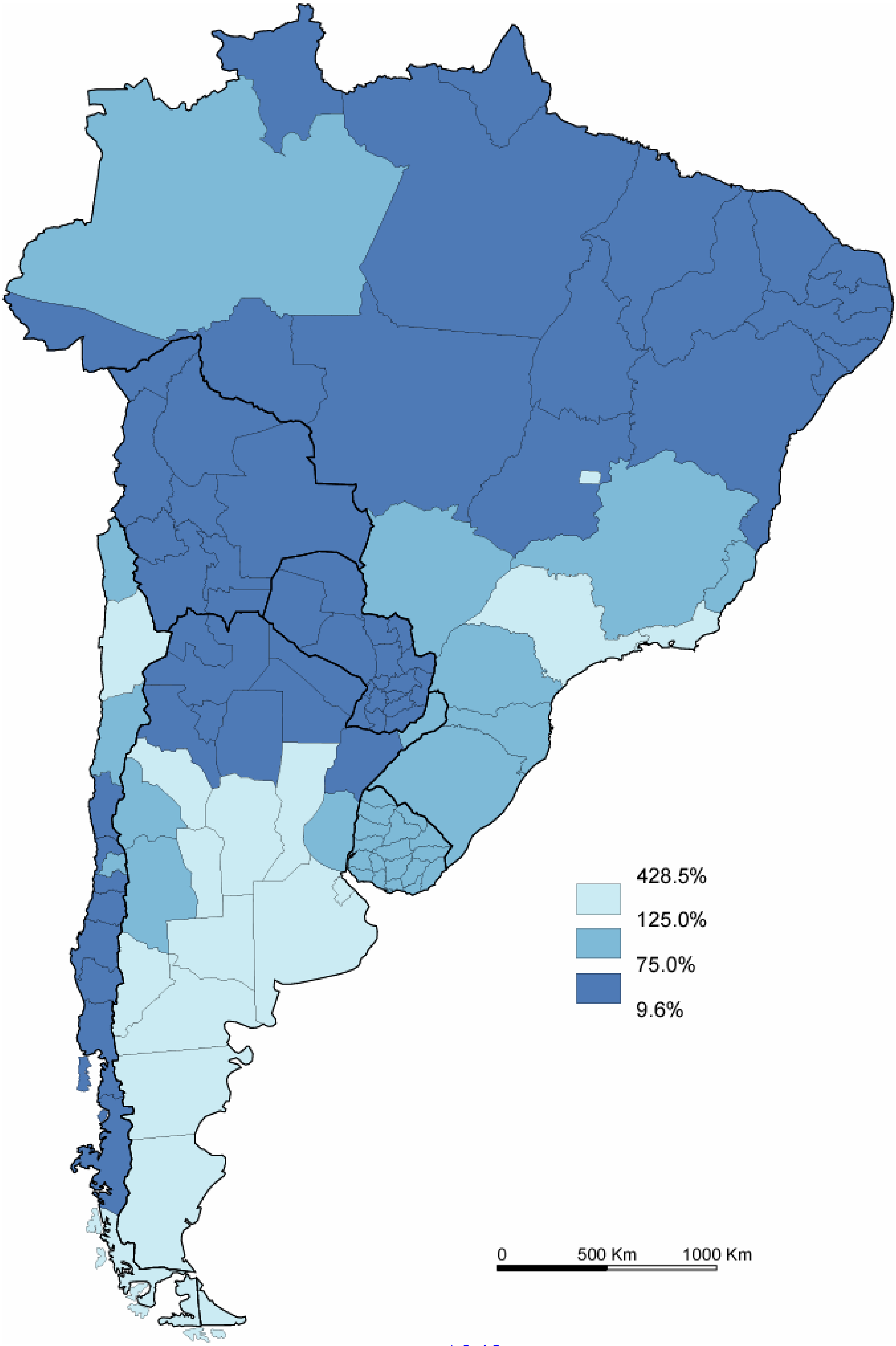
A2.2.1. Gross Domestic Product per capita

			GDP/cap	Region compared to		
	Region	**Population**	**(US$)**	**Nation**	**M 4**	**M 6**
AR	Ciudad de Buenos Aires	3,027,886	21,672	275.90	412.80	428.47
	Buenos Aires	13,379,401	7,145	90.96	136.10	141.26
	Catamarca	289,212	3,873	49.30	73.77	76.57
	Córdoba	2,929,734	6,861	87.35	130.68	135.65
	Corrientes	857,685	3,259	41.49	62.07	64.43
	Chaco	895,900	2,947	37.51	56.13	58.26
	Chubut	399,125	10,373	132.06	197.59	205.09
	Entre Ríos	1,069,102	4,881	62.13	92.96	96.49
	Formosa	447,094	2,031	25.85	38.68	40.15
	Jujuy	555,097	2,830	36.03	53.90	55.95
	La Pampa	282,356	8,333	106.09	158.73	164.75
	La Rioja	247,575	7,999	101.83	152.36	158.15
	Mendoza	1,508,959	4,488	57.13	85.48	88.72
	Misiones	884,291	4,764	60.64	90.73	94.18
	Neuquén	463,266	8,794	111.96	167.51	173.86
	Río Negro	559,590	7,006	89.19	133.45	138.51
	Salta	958,094	3,826	48.71	72.88	75.65
	San Juan	555,223	4,905	62.44	93.43	96.97
	San Luis	321,890	13,344	169.88	254.17	263.82
	Santa Cruz	181,198	14,662	186.66	279.28	289.88
	Santa Fe	2,949,050	7,175	91.34	136.66	141.85
	Santiago del Estero	700,114	1,979	25.19	37.70	39.13
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	14,049	178.86	267.60	277.76
	Tucumán	1,216,623	3,611	45.97	68.78	71.39
	Total Argentina	**34,768,457**	**7,855**	**100.00**	**149.62**	**155.30**
BR	*NORTH*	*11,736,040*	*2,895*	*60.56*	*55.15*	*57.24*
	Rondônia	1,289,365	2,872	60.08	54.71	56.78
	Acre	504,489	2,296	48.04	43.74	45.40
	Amazonas	2,460,434	5,171	108.18	98.50	102.24
	Roraima	258,088	2,126	44.46	40.49	42.02
	Pará	5,724,140	2,268	47.44	43.20	44.83
	Amapá	402,557	3,344	69.95	63.69	66.11
	Tocantins	1,096,967	1,384	28.94	26.35	27.35
	NORTHEAST	*45,854,455*	*2,192*	*45.86*	*41.76*	*43.34*
	Maranhão	5,349,575	1,222	25.56	23.28	24.16
	Piauí	2,758,129	1,352	28.27	25.75	26.72
	Ceará	7,010,107	2,214	46.31	42.17	43.77
	Rio Grande do Norte	2,641,355	2,228	46.60	42.43	44.04
	Paraíba	3,433,234	1,796	37.57	34.21	35.51
	Pernambuco	7,548,183	2,740	57.31	52.19	54.17
	Alagoas	2,754,697	1,843	38.56	35.11	36.44
	Sergipe	1,662,168	2,570	53.76	48.96	50.81
	Bahia	12,697,007	2,572	53.81	49.00	50.86
	SOUTHEAST	*68,331,524*	*6,586*	*137.76*	*125.44*	*130.20*

Gross Domestic Product per capita (end)

	Region	Population	GDP/cap (US$)	Region compared to Nation	M 4	M 6
BR	Minas Gerais	17,024,849	4,519	94.52	86.07	89.34
	Espirito Santo	2,916,530	4,904	102.59	93.42	96.96
	Rio de Janeiro	13,490,380	6,389	133.66	121.70	126.32
	São Paulo	34,899,765	7,810	163.37	148.76	154.41
	SOUTH	*23,963,075*	*5,668*	*118.56*	*107.96*	*112.06*
	Paraná	9,154,360	5,093	106.54	97.01	100.69
	Santa Catarina	5,032,175	5,589	116.92	106.46	110.50
	Rio Grande do Sul	9,776,540	6,247	130.67	118.99	123.50
	CENTRAL WEST	*10,825,181*	*4,430*	*92.66*	*84.38*	*87.58*
	Mato Grosso do Sul	1,985,579	4,128	86.35	78.63	81.61
	Mato Grosso	2,335,344	3,459	72.36	65.89	68.39
	Goiás	4,629,154	3,055	63.91	58.19	60.40
	Federal District	1,875,104	9,352	195.63	178.13	184.89
	Total Brazil	**160,710,275**	**4,781**	**100.00**	**91.06**	**94.51**
PY	**Total Paraguay**	**5,085,328**	**1,652**	**100.00**	**31.47**	**32.66**
UY	**Total Uruguay**	**3,163,763**	**6,240**	**100.00**	**118.86**	**123.37**
BO	Chuquisaca	549,835	677	76.71	N/A	13.38
	La Paz	2,268,824	777	88.05	N/A	15.36
	Cochabamba	1,408,071	885	100.28	N/A	17.50
	Oruro	383,498	1,107	125.44	N/A	21.89
	Potosí	746,618	483	54.73	N/A	9.55
	Tarija	368,506	954	108.10	N/A	18.86
	Santa Cruz	1,651,951	1,203	136.32	N/A	23.78
	Beni	336,633	865	98.02	N/A	17.10
	Pando	53,124	1,090	123.51	N/A	21.55
	Total Bolivia	**7,767,060**	**882**	**100.00**	**N/A**	**17.45**
CL	Tarapacá	379,700	5,752	125.05	N/A	113.73
	Antofagasta	449,800	10,292	223.74	N/A	203.48
	Atacama	259,800	5,368	116.69	N/A	106.12
	Coquimbo	553,400	2,463	53.55	N/A	48.70
	Valparaíso	1,507,100	3,148	68.43	N/A	62.24
	Del Libertador	758,400	3,287	71.46	N/A	64.99
	Del Maule	889,800	2,616	56.86	N/A	51.71
	Del Biobío	1,874,100	2,568	55.83	N/A	50.78
	De La Araucanía	846,000	1,575	34.23	N/A	31.13
	De Los Lagos	1,028,200	2,229	48.46	N/A	44.07
	De Aysén	90,800	3,073	66.80	N/A	60.75
	De Magallanes	154,000	7,457	162.12	N/A	147.44
	Metropolitana de Santiago	5,831,300	4,515	98.15	N/A	89.26
	Non regionalised GDP	N/A	N/A	N/A	N/A	N/A
	Total Chile	**14,622,400**	**4,600**	**100.00**	**N/A**	**90.95**
	MERCOSUR 4	**203,727,823**	**5,250**	**N/A**	**100.00**	**103.79**
	MERCOSUR 6	**226,117,283**	**5,058**	**N/A**	**N/A**	**100.00**

Map A2.2. GDP per capita: regional data compared to the Mercosur 6 average (%)



A2.2.2. Activity rate

	Region	Population in age of economic activity*	Population economically active	% of activity	Region compared to		
					Nation	**M 4**	**M 6**
AR	Ciudad de Buenos Aires	2,441,140	1,407,149	57.64	101.68	97.07	97.16
	Buenos Aires	9,194,813	5,213,477	56.70	100.02	95.49	95.57
	Catamarca	173,337	96,400	55.61	98.10	93.66	93.74
	Córdoba	2,014,620	1,153,114	57.24	100.97	96.39	96.47
	Corrientes	517,670	278,266	53.75	94.82	90.52	90.60
	Chaco	534,996	324,520	60.66	107.00	102.15	102.24
	Chubut	238,497	147,835	61.99	109.34	104.39	104.48
	Entre Ríos	709,845	382,698	53.91	95.10	90.79	90.87
	Formosa	248,900	147,717	59.35	104.69	99.95	100.03
	Jujuy	324,272	177,987	54.89	96.82	92.44	92.51
	La Pampa	183,839	110,993	60.38	106.50	101.68	101.76
	La Rioja	145,640	84,352	57.92	102.17	97.54	97.62
	Mendoza	989,502	555,183	56.11	98.97	94.49	94.57
	Misiones	490,019	309,910	63.24	111.56	106.51	106.60
	Neuquén	253,082	158,117	62.48	110.21	105.21	105.30
	Río Negro	337,907	208,148	61.60	108.66	103.74	103.82
	Salta	553,320	308,825	55.81	98.45	93.99	94.07
	San Juan	362,103	193,948	53.56	94.48	90.20	90.28
	San Luis	197,750	116,405	58.86	103.84	99.13	99.22
	Santa Cruz	107,328	70,380	65.57	115.67	110.43	110.53
	Santa Fe	2,024,674	1,096,280	54.15	95.51	91.19	91.26
	Santiago del Estero	429,471	229,035	53.33	94.07	89.81	89.89
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	45,671	33,186	72.66	128.18	122.37	122.47
	Tucumán	769,846	398,275	51.73	91.26	87.12	87.20
	Total Argentina	**23,288,242**	**13,202,200**	**56.69**	**100.00**	**95.47**	**95.55**
BR	*NORTH*	*5,851,449*	*3,347,029*	*57.20*	*95.02*	*96.33*	*96.41*
	Rondônia	638,315	387,457	60.70	100.83	102.22	102.31
	Acre	254,541	150,179	59.00	98.01	99.36	99.44
	Amazonas	1,454,597	754,936	51.90	86.21	87.40	87.48
	Roraima	144,288	76,761	53.20	88.37	89.59	89.67
	Pará	2,404,986	1,423,752	59.20	98.34	99.70	99.78
	Amapá	280,929	138,779	49.40	82.06	83.19	83.26
	Tocantins	854,215	549,260	64.30	106.81	108.29	108.38
	NORTHEAST	*35,772,865*	*21,535,265*	*60.20*	*100.00*	*101.38*	*101.47*
	Maranhão	4,030,338	2,849,449	70.70	117.44	119.06	119.16
	Piauí	2,119,156	1,292,685	61.00	101.33	102.73	102.81
	Ceará	5,364,657	3,250,982	60.60	100.66	102.05	102.14
	Rio Grande do Norte	2,056,518	1,108,463	53.90	89.53	90.77	90.85
	Paraíba	2,663,815	1,510,383	56.70	94.19	95.49	95.57
	Pernambuco	5,976,790	3,442,631	57.60	95.68	97.00	97.08
	Alagoas	2,082,610	1,112,114	53.40	88.70	89.93	90.01
	Sergipe	1,310,612	816,511	62.30	103.49	104.92	105.01
	Bahia	10,168,673	6,152,047	60.50	100.50	101.89	101.97
	SOUTHEAST	*57,277,334*	*33,392,686*	*58.30*	*96.84*	*98.18*	*98.26*
	Minas Gerais	13,805,904	8,352,572	60.50	100.50	101.89	101.97

Activity rate (continued)

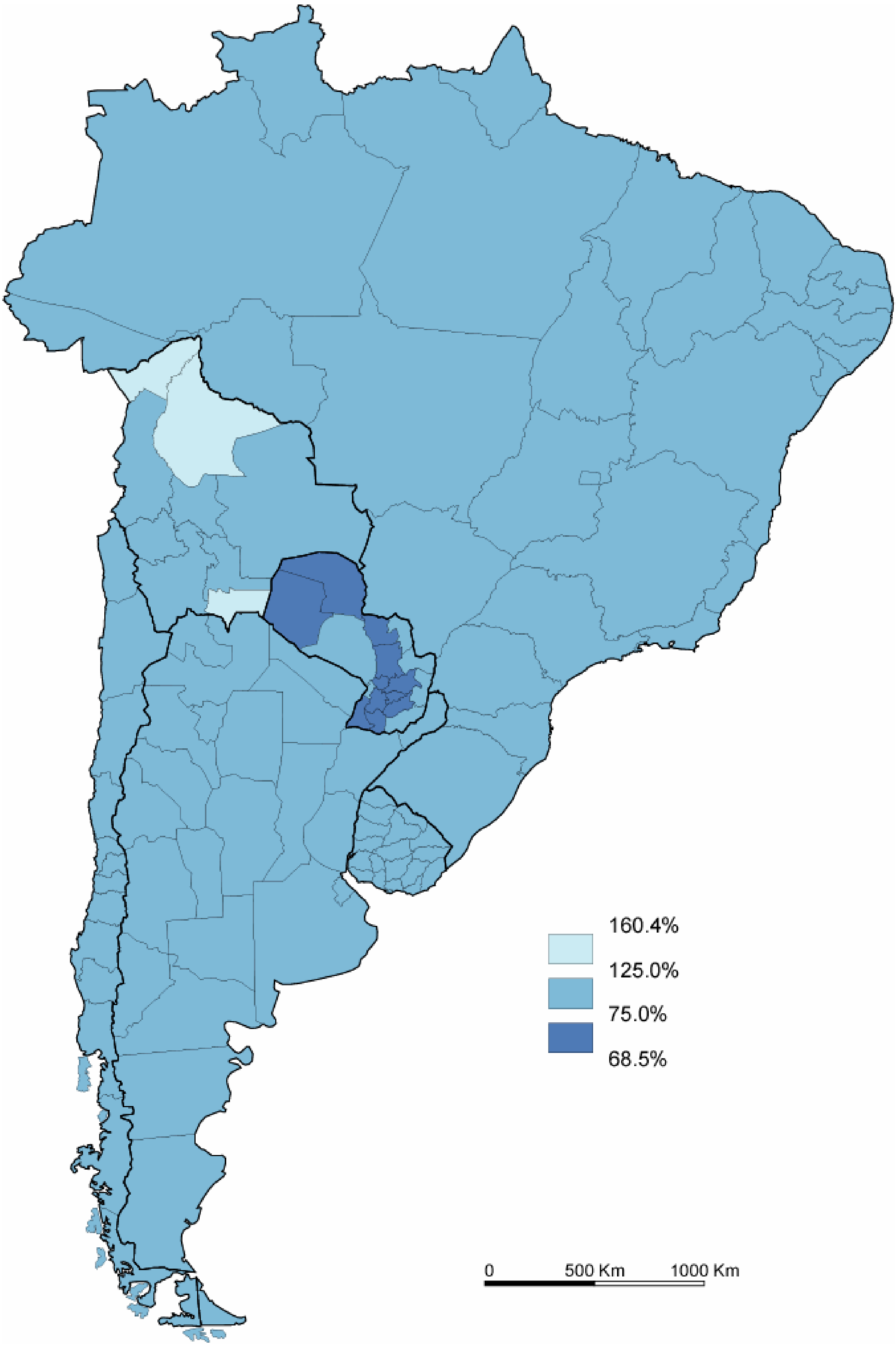
	Region	Population in age of economic activity*	Population economically active	% of activity	Region compared to Nation	M 4	M 6
BR	Espirito Santo	2,333,015	1,437,137	61.60	102.33	103.74	103.83
	Rio de Janeiro	11,483,139	6,258,311	54.50	90.53	91.78	91.86
	São Paulo	29,699,771	17,344,666	58.40	97.01	98.35	98.43
	SOUTH	*19,729,490*	*12,843,898*	*65.10*	*108.14*	*109.63*	*109.73*
	Paraná	7,470,047	4,765,890	63.80	105.98	107.44	107.53
	Santa Catarina	4,087,989	2,685,809	65.70	109.14	110.64	110.74
	Rio Grande do Sul	8,157,638	5,392,199	66.10	109.80	111.32	111.41
	CENTRAL WEST	*8,884,478*	*5,632,759*	*63.40*	*105.32*	*106.77*	*106.86*
	Mato Grosso do Sul	1,587,828	1,035,264	65.20	108.31	109.80	109.89
	Mato Grosso	1,867,794	1,243,951	66.60	110.63	112.16	112.25
	Goiás	3,855,029	2,417,103	62.70	104.15	105.59	105.68
	Federal District	1,576,500	936,441	59.40	98.67	100.03	100.12
	Total Brazil	**127,717,163**	**76,885,732**	**60.20**	**100.00**	**101.38**	**101.47**
PY	Asunción	400,975	220,927	55.10	116.34	92.79	92.87
	Concepción	111,513	46,231	41.46	87.54	69.82	69.88
	San Pedro	186,500	81,051	43.46	91.76	73.19	73.25
	Cordillera	141,038	59,230	42.00	88.67	70.72	70.78
	Guairá	112,699	50,128	44.48	93.92	74.91	74.97
	Caaguazú	260,225	114,510	44.00	92.91	74.11	74.17
	Caazapá	86,280	35,937	41.65	87.95	70.14	70.20
	Itapúa	254,392	116,305	45.72	96.53	76.99	77.06
	Misiones	62,111	25,225	40.61	85.75	68.39	68.45
	Paraguarí	147,817	63,189	42.75	90.26	71.99	72.05
	Alto Paraná	284,066	144,476	50.86	107.39	85.65	85.72
	Central	632,449	315,998	49.96	105.50	84.14	84.21
	Ñeembucú	51,617	22,378	43.35	91.54	73.01	73.07
	Amambay	69,222	32,054	46.31	97.77	77.98	78.05
	Canindeyú	71,639	34,917	48.74	102.91	82.08	82.15
	Pdte. Hayes	46,324	21,325	46.03	97.20	77.53	77.59
	Boquerón	21,534	9,192	42.69	90.13	71.89	71.95
	Alto Paraguay	8,698	3,660	42.08	88.85	70.86	70.92
	Total Paraguay	**2,949,099**	**1,396,733**	**47.36**	**100.00**	**79.76**	**79.83**
UY	Montevideo	1,108,641	644,244	58.11	101.90	97.86	97.95
	Artigas	55,192	28,191	51.08	89.56	86.02	86.09
	Canelones	349,975	200,594	57.32	100.50	96.53	96.61
	Cerro Largo	64,183	33,278	51.85	90.91	87.32	87.39
	Colonia	96,288	55,509	57.65	101.09	97.08	97.17
	Durazno	42,451	23,044	54.28	95.18	91.42	91.49
	Flores	19,855	10,948	55.14	96.69	92.86	92.94
	Florida	52,699	28,612	54.29	95.20	91.43	91.51
	Lavalleja	49,090	30,650	62.44	109.48	105.15	105.24
	Maldonado	100,537	62,701	62.37	109.36	105.03	105.12
	Paysandú	85,459	52,761	61.74	108.26	103.97	104.06
	Río Negro	39,241	20,435	52.08	91.31	87.70	87.77
	Rivera	74,660	39,225	52.54	92.12	88.48	88.55
	Rocha	55,795	30,521	54.70	95.92	92.12	92.20
	Salto	88,354	44,796	50.70	88.90	85.38	85.46
	San José	76,881	43,305	56.33	98.77	94.86	94.94

Activity rate (end)

	Region	Population in age of economic activity*	Population economically active	% of activity	Region compared to		
					Nation	M 4	M 6
UY	Soriano	63,424	33,568	52.93	92.80	89.13	89.21
	Tacuarembó	64,708	33,427	51.66	90.58	87.00	87.07
	Treinta y Tres	38,149	20,221	53.01	92.94	89.26	89.34
	Total Uruguay	**2,525,651**	**1,440,489**	**57.03**	**100.00**	**96.05**	**96.13**
BO	Chuquisaca	252,733	185,360	73.34	102.84	N/A	123.62
	La Paz	1,149,511	793,292	69.01	96.76	N/A	116.32
	Cochabamba	653,584	483,988	74.05	103.83	N/A	124.81
	Oruro	199,638	126,562	63.40	88.89	N/A	106.85
	Potosí	361,245	247,817	68.60	96.19	N/A	115.63
	Tarija	166,205	129,131	77.69	108.94	N/A	130.95
	Santa Cruz	774,013	561,488	72.54	101.71	N/A	122.27
	Beni	145,078	107,638	74.19	104.03	N/A	125.05
	Pando	20,692	19,685	95.13	133.39	N/A	160.35
	Total Bolivia	3,722,699	2,654,960	71.32	100.00	N/A	120.21
CL	Tarapacá	281,300	158,400	56.31	103.59	N/A	94.91
	Antofagasta	327,800	165,500	50.49	92.88	N/A	85.10
	Atacama	188,710	110,380	58.49	107.60	N/A	98.59
	Coquimbo	399,970	206,980	51.75	95.20	N/A	87.22
	Valparaíso	1,121,700	577,500	51.48	94.71	N/A	86.78
	Del Libertador	558,300	281,500	50.42	92.75	N/A	84.98
	Del Maule	642,900	336,200	52.29	96.20	N/A	88.14
	Del Biobío	1,352,000	672,300	49.73	91.48	N/A	83.81
	De La Araucanía	606,800	289,300	47.68	87.70	N/A	80.36
	De Los Lagos	742,800	382,000	51.43	94.60	N/A	86.68
	De Aysén	64,800	38,300	59.10	108.73	N/A	99.62
	De Magallanes	116,200	66,400	57.14	105.12	N/A	96.31
	Metropolitana de Santiago	4,316,900	2,542,200	58.89	108.33	N/A	99.26
	Total Chile	**10,720,180**	**5,826,960**	**54.36**	**100.00**	**N/A**	**91.61**
	MERCOSUR 4	**156,480,155**	**92,925,154**	**59.38**	**N/A**	**100.00**	**100.09**
	MERCOSUR 6	**170,923,034**	**101,407,074**	**59.33**	**N/A**	**N/A**	**100.00**

* Population older than 14 for Argentina, 10 for Brazil and Paraguay, 12 for Uruguay, 15 for Bolivia and Chile.
The Brazilian data for the North regions excludes rural population.

Map A2.3. Activity rate: regional data compared to the Mercosur 6 average (%)



A2.3. Infrastructure development regional statistics

A2.3.1. Road networks density

	Region	Territory (km²)	Total (km)	% Paved roads	Km per 1000 Km²	Region compared to Nation	M 4	M 6
AR	Buenos Aires	307,771	4,690	100.0	15.24	149.40	11.36	12.07
	Catamarca	102,602	891	82.0	8.68	85.14	6.47	6.88
	Córdoba	165,321	2,526	100.0	15.28	149.80	11.39	12.10
	Corrientes	88,199	1,761	100.0	19.97	195.75	14.88	15.81
	Chaco	99,633	1,112	70.3	11.16	109.42	8.32	8.84
	Chubut	224,686	2,275	64.7	10.13	99.27	7.55	8.02
	Entre Ríos	78,781	1,460	100.0	18.53	181.69	13.81	14.68
	Formosa	72,066	1,310	55.0	18.18	178.21	13.55	14.40
	Jujuy	53,219	754	61.9	14.17	138.90	10.56	11.22
	La Pampa	143,440	1,589	85.5	11.08	108.61	8.26	8.77
	La Rioja	89,680	1,727	78.1	19.26	188.80	14.36	15.25
	Mendoza	148,827	1,727	90.9	11.60	113.77	8.65	9.19
	Misiones	29,801	839	76.3	28.15	276.01	20.99	22.30
	Neuquén	94,078	1,568	87.6	16.67	163.40	12.42	13.20
	Río Negro	203,013	2,382	66.0	11.73	115.03	8.75	9.29
	Salta	155,488	1,889	61.2	12.15	119.11	9.06	9.62
	San Juan	89,651	827	88.6	9.22	90.44	6.88	7.31
	San Luis	76,748	1,294	100.0	16.86	165.30	12.57	13.35
	Santa Cruz	243,943	2,392	43.3	9.81	96.13	7.31	7.77
	Santa Fe	133,007	2,479	96.2	18.64	182.73	13.89	14.76
	Santiago del Estero	136,351	1,464	90.8	10.74	105.26	8.00	8.50
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	1,002,445	908	24.3	0.91	8.88	0.68	0.72
	Tucumán	22,524	507	89.2	22.51	220.68	16.78	17.83
	Total Argentina	**3,761,274**	**38,371**	**81.0**	**10.20**	**100.00**	**7.60**	**8.08**
BR	*NORTH*	*3,869,637*	*96,723*	*9.8*	*25.00*	*12.88*	*18.63*	*19.80*
	Rondônia	238,512	22,433	6.3	94.05	48.47	70.11	74.49
	Acre	153,149	2,266	21.2	14.80	7.62	11.03	11.72
	Amazonas	1,577,820	6,034	28.2	3.82	1.97	2.85	3.03
	Roraima	225,116	4,868	15.3	21.62	11.14	16.12	17.13
	Pará	1,253,164	34,344	9.9	27.41	14.12	20.43	21.70
	Amapá	143,453	2,012	11.1	14.03	7.23	10.46	11.11
	Tocantins	278,420	24,766	6.0	88.95	45.84	66.31	70.45
	NORTHEAST	*1,561,177*	*396,859*	*10.5*	*254.21*	*130.99*	*189.49*	*201.32*
	Maranhão	333,365	52,686	8.0	158.04	81.44	117.81	125.16
	Piauí	252,378	52,735	6.8	208.95	107.67	155.76	165.48
	Ceará	146,348	48,084	13.0	328.56	169.31	244.92	260.20
	Rio Grande do Norte	53,306	26,921	13.9	505.03	260.24	376.46	399.96
	Paraíba	56,584	33,190	9.0	586.56	302.26	437.24	464.53
	Pernambuco	98,937	41,263	13.1	417.06	214.91	310.89	330.29
	Alagoas	27,933	12,989	17.2	465.01	239.62	346.63	368.26
	Sergipe	22,050	9,510	18.1	431.29	222.25	321.50	341.56
	Bahia	567,295	119,481	9.7	210.62	108.53	157.00	166.80
	SOUTHEAST	*927,286*	*479,585*	*11.0*	*517.19*	*266.51*	*385.53*	*409.59*
	Minas Gerais	588,383	232,534	8.2	395.21	203.65	294.60	312.99

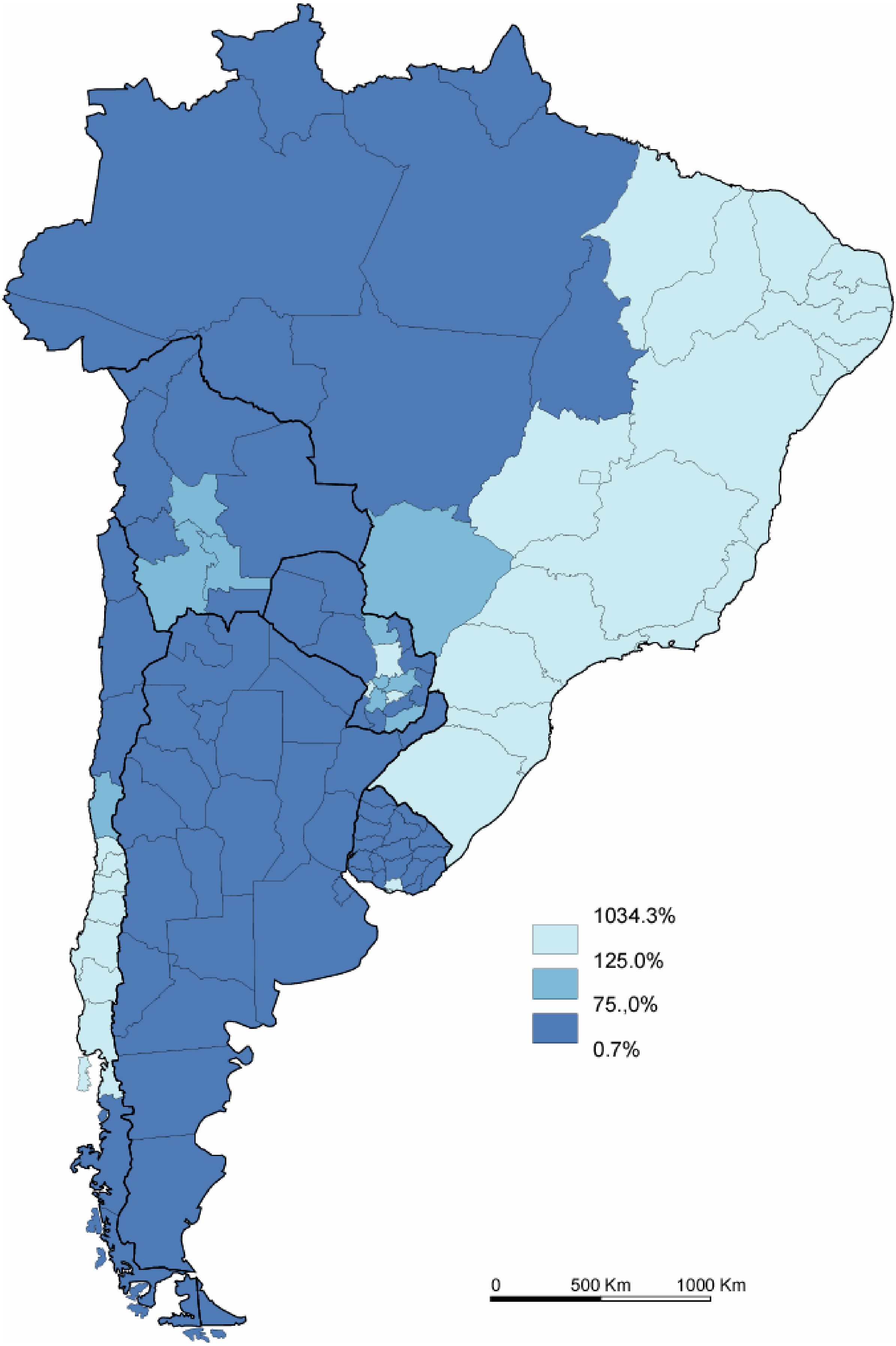
Road networks density (continued)

	Region	Territory (km²)	Total (km)	% Paved roads	Km per 1000 Km²	Region compared to		
						Nation	M 4	M 6
BR	Espirito Santo	46,184	29,956	10.1	648.62	334.24	483.51	513.68
	Rio de Janeiro	43,909	22,069	23.5	502.61	259.00	374.66	398.04
	São Paulo	248,808	195,026	13.0	783.84	403.92	584.30	620.77
	SOUTH	*577,214*	*460,557*	*6.5*	*797.90*	*411.16*	*594.78*	*631.90*
	Paraná	199,709	260,833	5.8	1 306.07	673.02	973.59	1,034.34
	Santa Catarina	95,442	61,363	8.8	642.93	331.31	479.27	509.17
	Rio Grande do Sul	282,062	138,361	6.7	490.53	252.77	365.66	388.48
	CENTRAL WEST	*1,612,077*	*224,953*	*7.6*	*139.54*	*71.91*	*104.02*	*110.51*
	Mato Grosso do Sul	358,158	53,915	8.6	150.53	77.57	112.21	119.22
	Mato Grosso	906,806	82,875	4.8	91.39	47.09	68.13	72.38
	Goiás	341,289	86,700	9.0	254.04	130.91	189.37	201.19
	Federal District	5,822	1,463	50.3	251.29	129.49	187.32	199.01
	Total Brazil	**8,547,403**	**1,658,677**	**9.1**	**194.06**	**100.00**	**144.66**	**153.68**
PY	Concepción	18,051	2,222	12.1	123.07	212.89	91.74	97.47
	San Pedro	20,002	3,241	8.6	162.03	280.28	120.78	128.32
	Cordillera	4,948	702	23.0	141.84	245.36	105.73	112.33
	Guairá	3,846	736	17.8	191.37	331.03	142.65	151.55
	Caaguazú	11,474	1,611	18.3	140.42	242.90	104.67	111.20
	Caazapá	9,496	793	2.0	83.46	144.37	62.22	66.10
	Itapúa	16,525	2,455	15.3	148.56	256.99	110.74	117.66
	Misiones	9,556	614	22.3	64.26	111.15	47.90	50.89
	Paraguarí	8,705	974	29.3	111.91	193.59	83.42	88.63
	Alto Paraná	14,895	1,207	7.6	81.04	140.18	60.41	64.18
	Central (inc. Asunción)	2,582	412	60.9	159.75	276.33	119.08	126.51
	Ñeembucú	12,147	657	3.4	54.05	93.50	40.29	42.81
	Amambay	12,933	1,289	10.1	99.66	172.39	74.29	78.93
	Canindeyú	14,667	1,056	0.0	72.01	124.57	53.68	57.03
	Pdte. Hayes	72,907	2,066	27.7	28.33	49.01	21.12	22.44
	Boquerón	91,669	2,678	4.5	29.22	50.54	21.78	23.14
	Alto Paraguay	82,349	802	0.0	9.74	16.85	7.26	7.71
	Total Paraguay	**406,752**	**23,515**	**13.3**	**57.81**	**100.00**	**43.09**	**45.78**
UY	Montevideo	530	88	94.3	166.04	335.57	123.77	131.49
	Artigas	11,928	394	26.4	33.03	66.76	24.62	26.16
	Canelones	4,536	1,099	34.6	242.28	489.66	180.61	191.88
	Cerro Largo	13,648	485	0.8	35.54	71.82	26.49	28.14
	Colonia	6,106	531	20.7	86.96	175.76	64.83	68.87
	Durazno	11,643	362	34.3	31.09	62.84	23.18	24.62
	Flores	5,144	279	29.7	54.24	109.62	40.43	42.95
	Florida	10,417	686	15.2	65.85	133.09	49.09	52.15
	Lavalleja	10,016	288	68.1	28.75	58.11	21.43	22.77
	Maldonado	4,793	382	41.6	79.70	161.07	59.41	63.12
	Paysandú	13,922	431	14.8	30.96	62.57	23.08	24.52
	Río Negro	9,282	447	24.8	48.16	97.33	35.90	38.14
	Rivera	9,370	438	0.0	46.74	94.47	34.85	37.02
	Rocha	10,551	682	25.1	64.64	130.64	48.18	51.19
	Salto	14,163	328	30.5	23.16	46.80	17.26	18.34
	San José	4,992	389	74.3	77.92	157.49	58.09	61.71
	Soriano	9,008	513	25.0	56.95	115.10	42.45	45.10
	Tacuarembó	15,438	558	15.4	36.14	73.05	26.94	28.62

Road networks density (end)

	Region	Territory (km²)	Total (km)	% Paved roads	Km per 1000 Km²	Region compared to Nation	M 4	M 6
UY	Treinta y Tres	9,529	280	41.1	29.38	59.39	21.90	23.27
	Total Uruguay	**175,016**	**8,660**	**27.8**	**49.48**	**100.00**	**36.88**	**39.19**
BO	Chuquisaca	51,524	5,876	2.8	114.04	234.32	N/A	90.32
	La Paz	133,985	9,096	6.4	67.89	139.49	N/A	53.76
	Cochabamba	55,631	6,134	10.0	110.26	226.55	N/A	87.32
	Oruro	53,588	4,580	6.9	85.47	175.60	N/A	67.69
	Potosí	118,218	11,384	1.2	96.30	197.86	N/A	76.26
	Tarija	37,623	2,694	9.3	71.61	147.12	N/A	56.71
	Santa Cruz	370,621	9,134	9.9	24.65	50.64	N/A	19.52
	Beni	213,564	3,294	2.2	15.42	31.69	N/A	12.22
	Pando	63,827	1,276	2.6	19.99	41.08	N/A	15.83
	Total Bolivia	**1,098,581**	**53,468**	**5.7**	**48.67**	**100.00**	**N/A**	**38.54**
CL	Tarapacá	59,099	4,621	23.7	78.19	74.65	N/A	61.92
	Antofagasta	126,049	5,563	26.2	44.13	42.13	N/A	34.95
	Atacama	75,176	6,366	15.4	84.68	80.84	N/A	67.06
	Coquimbo	40,580	4,957	18.1	122.15	116.61	N/A	96.74
	Valparaíso	16,396	3,318	35.0	202.37	193.19	N/A	160.26
	Del Libertador	16,387	4,089	20.3	249.53	238.21	N/A	197.61
	Del Maule	30,296	7,359	14.5	242.90	231.89	N/A	192.37
	Del Biobío	37,063	11,530	14.7	311.10	296.99	N/A	246.37
	De La Araucanía	31,842	12,379	8.7	388.76	371.13	N/A	307.88
	De Los Lagos	67,013	10,605	14.6	158.25	151.08	N/A	125.33
	De Aysén	107,567	2,552	6.2	23.72	22.65	N/A	18.79
	De Magallanes	132,033	3,250	12.9	24.62	23.50	N/A	19.49
	Metropolitana de Santiago	15,403	2,488	46.8	161.52	154.20	N/A	127.92
	Total Chile	**754,905**	**79,077**	**17.2**	**104.75**	**100.00**	**N/A**	**82.96**
	MERCOSUR 4	**12,890,445**	**1,729,223**	**10.8**	**134.15**	**N/A**	**100.00**	**106.24**
	MERCOSUR 6	**14,743,931**	**1,861,768**	**11.0**	**126.27**	**N/A**	**N/A**	**100.00**

Map A2.4. Road networks density: regional data compared to the Mercosur 6 average (%)



A2.3.2. Electricity consumption per capita

	Region	Population	Electricity consumption Total (Mwh)	Per cap (kwh)	% of residential consumption	Region compared to Nation	M 4	M 6
AR	Ciudad de Buenos Aires	3,027,886	7,642,330	2,523.98	34.95	193.80	168.87	166.27
	Buenos Aires	13,379,401	20,038,682	1,497.73	38.28	115.00	100.21	98.67
	Catamarca	289,212	2,941	10.17	3.13	0.78	0.68	0.67
	Córdoba	2,929,734	3,345,182	1,141.80	26.38	87.67	76.39	75.22
	Corrientes	857,685	608,650	709.64	N/A	54.49	47.48	46.75
	Chaco	895,900	685,880	765.58	49.87	58.78	51.22	50.43
	Chubut	399,125	571,737	1,432.48	30.63	109.99	95.84	94.37
	Entre Ríos	1,069,102	1,128,432	1,055.50	30.16	81.04	70.62	69.53
	Formosa	447,094	248,374	555.53	N/A	42.66	37.17	36.60
	Jujuy (1)	555,097	247,542	445.94	54.02	34.24	29.84	29.38
	La Pampa	282,356	300,256	1,063.39	46.45	81.65	71.15	70.05
	La Rioja	247,575	172,829	698.09	59.87	53.60	46.71	45.99
	Mendoza	1,508,959	2,707,751	1,794.45	18.13	137.78	120.06	118.21
	Misiones	884,291	667,790	755.17	27.32	57.98	50.53	49.75
	Neuquén (1)	463,266	901,529	1,946.03	22.28	149.42	130.20	128.20
	Río Negro	559,590	N/A	N/A	N/A	N/A	N/A	N/A
	Salta	958,094	N/A	N/A	N/A	N/A	N/A	N/A
	San Juan	555,223	576,487	1,038.30	40.85	79.72	69.47	68.40
	San Luis	321,890	540,287	1,678.48	25.76	128.88	112.30	110.57
	Santa Cruz (1)	181,198	144,530	797.63	47.38	61.24	53.37	52.55
	Santa Fe	2,949,050	3,741,330	1,268.66	31.71	97.41	84.88	83.58
	Santiago del Estero	700,114	344	0.49	57.81	0.04	0.03	0.03
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	127,079	1,412.11	41.35	108.43	94.48	93.03
	Tucumán	1,216,623	881,514	724.56	44.03	55.63	48.48	47.73
	Total Argentina	**34,768,457**	**45,281,477**	**1,302.37**	**34.02**	**100.00**	**87.14**	**85.80**
BR	*NORTH*	*11,736,040*	*13,407,000*	*1,142.38*	*26.88*	*73.70*	*76.43*	75.26
	Rondônia	1,289,365	853,000	661.57	57.68	42.68	44.26	43.58
	Acre	504,489	261,000	517.36	66.28	33.38	34.61	34.08
	Amazonas	2,460,434	2,053,000	834.41	43.98	53.83	55.83	54.97
	Roraima	258,088	202,000	782.68	72.28	50.50	52.37	51.56
	Pará	5,724,140	9,281,000	1,621.38	15.29	104.61	108.48	106.81
	Amapá	402,557	290,000	720.39	68.62	46.48	48.20	47.46
	Tocantins	1,096,967	467,000	425.72	58.24	27.47	28.48	28.05
	NORTHEAST	*45,854,455*	*39,680,000*	*865.35*	*30.11*	*55.83*	*57.90*	57.01
	Maranhão	5,349,575	7,477,000	1,397.68	12.37	90.17	93.51	92.08
	Piauí	2,758,129	948,000	343.71	62.76	22.18	23.00	22.64
	Ceará	7,010,107	4,681,000	667.75	41.94	43.08	44.68	43.99
	Rio Grande do Norte	2,641,355	2,044,000	773.85	39.92	49.93	51.78	50.98
	Paraíba	3,433,234	2,021,000	588.66	41.42	37.98	39.39	38.78
	Pernambuco	7,548,183	5,777,000	765.35	43.52	49.38	51.21	50.42
	Alagoas	2,754,697	2,871,000	1,042.22	23.06	67.24	69.73	68.66
	Sergipe	1,662,168	1,737,000	1,045.02	29.76	67.42	69.92	68.84
	Bahia	12,697,007	12,124,000	954.87	25.73	61.60	63.89	62.90
	SOUTHEAST	*68,331,524*	*146,665,000*	*2,146.37*	*32.24*	*138.48*	*143.61*	141.40
	Minas Gerais	17,024,849	32,718,000	1,921.78	24.22	123.99	128.58	126.60
	Espirito Santo	2,916,530	5,379,000	1,844.31	27.18	118.99	123.40	121.50

Electricity consumption per capita (continued)

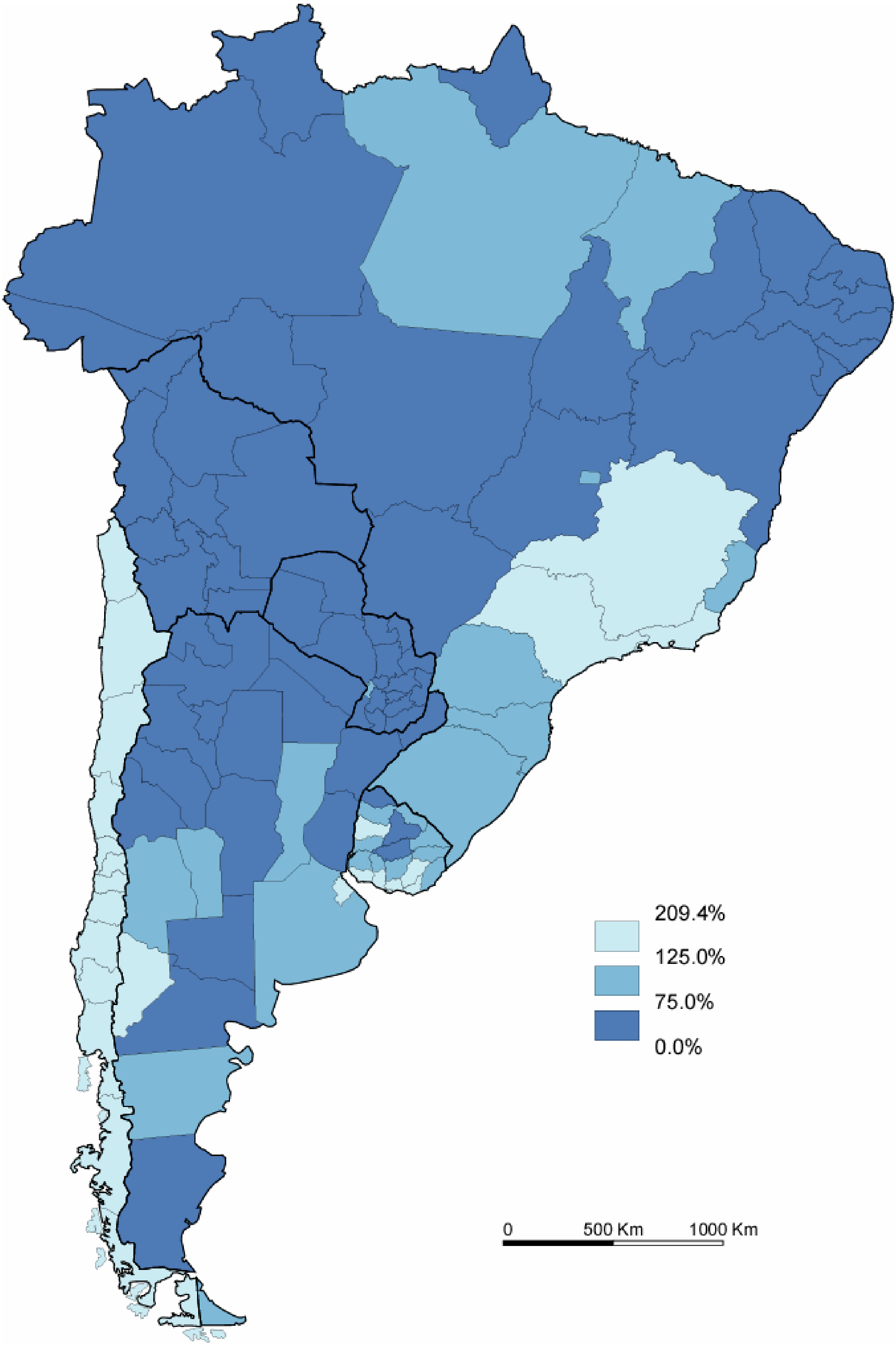
	Region	Population	Electricity consumption Total (Mwh)	Per cap (kwh)	% of residential consumption	Region compared to Nation	M 4	M 6
BR	Rio de Janeiro	13,490,380	27,516,000	2,039.68	40.15	131.59	136.47	134.37
	São Paulo	34,899,765	81,052,000	2,322.42	33.12	149.83	155.39	153.00
	SOUTH	*23,963,075*	*37,291,000*	*1,556.19*	*33.97*	*100.40*	*104.12*	102.52
	Paraná	9,154,360	13,352,000	1,458.54	33.32	94.10	97.59	96.08
	Santa Catarina	5,032,175	9,284,000	1,844.93	31.41	119.03	123.44	121.54
	Rio Grande do Sul	9,776,540	14,655,000	1,499.00	36.18	96.71	100.29	98.75
	CENTRAL WEST	*10,825,181*	*12,056,000*	*1,113.70*	*48.34*	*71.85*	*74.51*	73.37
	Mato Grosso do Sul	1,985,579	2,136,000	1,075.76	46.58	69.40	71.98	70.87
	Mato Grosso	2,335,344	2,367,000	1,013.56	49.43	65.39	67.81	66.77
	Goiás	4,629,154	4,857,000	1,049.22	46.45	67.69	70.20	69.12
	Federal District	1,875,104	2,696,000	1,437.79	52.19	92.76	96.20	94.72
	Total Brazil	**160,710,275**	**249,099,000**	**1,549.99**	**32.65**	**100.00**	**103.70**	**102.11**
PY	Concepción	185,496	87,402	471.18	26.90	64.10	31.53	31.04
	San Pedro	332,926	65,102	195.54	61.21	26.60	13.08	12.88
	Cordillera	215,663	92,238	427.70	67.17	58.19	28.62	28.18
	Guairá	173,668	73,201	421.50	22.78	57.35	28.20	27.77
	Caaguazú	442,161	148,565	336.00	47.10	45.71	22.48	22.13
	Caazapá	141,559	20,265	143.16	67.78	19.48	9.58	9.43
	Itapúa	454,757	191,893	421.97	51.57	57.41	28.23	27.80
	Misiones	98,607	82,125	832.85	27.99	113.31	55.72	54.87
	Paraguarí	247,675	61,335	247.64	61.39	33.69	16.57	16.31
	Alto Paraná	595,276	419,769	705.17	47.31	95.94	47.18	46.45
	Central (inc. Asunción)	1,724,272	2,268,785	1,315.79	46.86	179.01	88.04	86.68
	Ñeembucú	86,965	45,778	526.40	29.54	71.62	35.22	34.68
	Amambay	127,011	57,670	454.06	48.99	61.77	30.38	29.91
	Canindeyú	133,075	39,203	294.59	42.45	40.08	19.71	19.41
	Pdte. Hayes	77,145	80,735	1,046.54	15.26	142.38	70.02	68.94
	Boquerón	35,241	2,001	56.78	31.58	7.73	3.80	3.74
	Alto Paraguay	13,831	1,761	127.32	55.82	17.32	8.52	8.39
	Total Paraguay	**5,085,328**	**3,737,828**	**735.02**	**46.00**	**100.00**	**49.18**	**48.42**
UY	Montevideo	1,344,839	3,033,691	2,255.80	47.02	111.89	150.93	148.61
	Artigas	75,059	77,975	1,038.85	49.48	51.53	69.51	68.44
	Canelones	443,053	944,965	2,132.85	44.94	105.79	142.70	140.51
	Cerro Largo	82,510	99,028	1,200.19	45.02	59.53	80.30	79.07
	Colonia	120,241	304,262	2,530.44	36.04	125.52	169.30	166.70
	Durazno	55,716	59,135	1,061.36	57.87	52.65	71.01	69.92
	Flores	25,030	42,671	1,704.81	41.77	84.56	114.06	112.31
	Florida	66,503	97,218	1,461.86	49.48	72.51	97.81	96.30
	Lavalleja	61,085	120,903	1,979.25	33.63	98.18	132.43	130.39
	Maldonado	127,502	405,219	3,178.14	52.55	157.64	212.64	209.37
	Paysandú	111,509	222,873	1,998.70	35.37	99.14	133.73	131.67
	Río Negro	51,713	64,007	1,237.73	57.24	61.39	82.81	81.54
	Rivera	98,472	123,184	1,250.95	40.71	62.05	83.70	82.41
	Rocha	70,292	110,125	1,566.67	48.88	77.71	104.82	103.21
	Salto	117,597	139,922	1,189.85	54.13	59.02	79.61	78.38
	San José	96,664	228,463	2,363.48	33.17	117.23	158.13	155.70
	Soriano	81,557	124,477	1,526.26	44.90	75.71	102.12	100.55
	Tacuarembó	84,919	95,913	1,129.46	50.01	56.02	75.57	74.41

Electricity consumption per capita (end)

	Region	Population	Electricity consumption Total (Mwh)	Per cap (kwh)	% of residential consumption	Region compared to Nation	M 4	M 6
UY	Treinta y Tres	49,502	84,252	1,701.99	32.24	84.42	113.87	112.12
	Total Uruguay	**3,163,763**	**6,378,284**	**2,016.04**	**45.46**	**100.00**	**134.89**	**132.81**
BO	Chuquisaca	549,835	103,969	189.09	37.96	42.93	N/A	12.46
	La Paz	2,268,824	938,444	413.63	49.00	93.91	N/A	27.25
	Cochabamba	1,408,071	519,365	368.85	41.91	83.75	N/A	24.30
	Oruro	383,498	190,867	497.70	21.68	113.00	N/A	32.79
	Potosí	746,618	82,328	110.27	24.76	25.04	N/A	7.26
	Santa Cruz	1,651,951	1,032,518	625.03	42.34	141.91	N/A	41.18
	Beni-Tarija-Pando	758,263	553,418	729.85	18.92	165.71	N/A	48.08
	Total Bolivia	**7,767,060**	**3,420,910**	**440.44**	**38.61**	**100.00**	**N/A**	**29.01**
CL	**Total Chile**	**15,010,755**	**35,911,000**	**2,392.35**	**16.23**	**100.00**	**N/A**	**157.60**
	MERCOSUR 4	**203,727,823**	**304,496,588**	**1,494.62**	**33.29**	**N/A**	**100.00**	**98.46**
	MERCOSUR 6	**226,505,638**	**343,828,498**	**1,517.97**	**31.56**	**N/A**	**N/A**	**100.00**

Argentina data of 1996, except for (1) which are from 1995

Map A2.5. Electricity consumption per capita: regional data compared to the Mercosur 6 average (%)



A2.3.3. Telephone lines per 1000 people

	Region	Population	Telephone lines in service	Telephone lines per 1000 people	Region compared to Nation	M 4	M 6
AR	Buenos Aires (inc. Capital)	16,407,287	4,436,591	270.40	137.76	213.76	209.44
	Catamarca	289,212	24,333	84.14	42.87	66.51	65.17
	Córdoba	2,929,734	504,089	172.06	87.66	136.02	133.27
	Corrientes	857,685	74,099	86.39	44.02	68.30	66.92
	Chaco	895,900	59,935	66.90	34.08	52.88	51.82
	Chubut	399,125	75,035	188.00	95.78	148.62	145.61
	Entre Ríos	1,069,102	148,143	138.57	70.60	109.54	107.33
	Formosa	447,094	18,444	41.25	21.02	32.61	31.95
	Jujuy	555,097	32,166	57.95	29.52	45.81	44.88
	La Pampa	282,356	54,204	191.97	97.80	151.76	148.69
	La Rioja	247,575	27,236	110.01	56.05	86.97	85.21
	Mendoza	1,508,959	243,076	161.09	82.07	127.34	124.77
	Misiones	884,291	68,878	77.89	39.68	61.57	60.33
	Neuquén	463,266	61,969	133.77	68.15	105.74	103.61
	Río Negro	559,590	78,764	140.75	71.71	111.27	109.02
	Salta	958,094	74,036	77.27	39.37	61.09	59.85
	San Juan	555,223	76,788	138.30	70.46	109.33	107.12
	San Luis	321,890	41,254	128.16	65.30	101.31	99.27
	Santa Cruz	181,198	24,628	135.92	69.25	107.44	105.27
	Santa Fe	2,949,050	522,110	177.04	90.20	139.96	137.13
	Santiago del Estero	700,114	40,815	58.30	29.70	46.09	45.15
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	23,318	259.11	132.01	204.83	200.69
	Tucumán	1,216,623	114,514	94.12	47.95	74.41	72.90
	Total Argentina	**34,768,457**	**6,824,425**	**196.28**	**100.00**	**155.16**	**152.03**
BR	*NORTH*	*11,736,040*	*679,319*	*57.88*	*52.00*	*45.76*	*44.83*
	Rondônia	1,289,365	70,188	54.44	48.90	43.03	42.16
	Acre	504,489	36,352	72.06	64.74	56.96	55.81
	Amazonas	2,460,434	191,676	77.90	69.99	61.58	60.34
	Roraima	258,088	27,716	107.39	96.48	84.89	83.18
	Pará	5,724,140	278,306	48.62	43.68	38.43	37.66
	Amapá	402,557	36,579	90.87	81.63	71.83	70.38
	Tocantins	1,096,967	38,502	35.10	31.53	27.75	27.19
	NORTHEAST	*45,854,455*	*2,628,698*	*57.33*	*51.50*	*45.32*	*44.40*
	Maranhão	5,349,575	172,482	32.24	28.97	25.49	24.97
	Piauí	2,758,129	128,359	46.54	41.81	36.79	36.05
	Ceará	7,010,107	503,816	71.87	64.57	56.81	55.67
	Rio Grande do Norte	2,641,355	165,262	62.57	56.21	49.46	48.46
	Paraíba	3,433,234	206,945	60.28	54.15	47.65	46.69
	Pernambuco	7,548,183	374,712	49.64	44.60	39.24	38.45
	Alagoas	2,754,697	151,377	54.95	49.37	43.44	42.56
	Sergipe	1,662,168	105,327	63.37	56.93	50.09	49.08
	Bahia	12,697,007	820,418	64.62	58.05	51.08	50.05
	SOUTHEAST	*68,331,524*	*10,249,778*	*150.00*	*134.76*	*118.58*	*116.18*
	Minas Gerais	17,024,849	1,952,286	114.67	103.02	90.65	88.82
	Espirito Santo	2,916,530	297,625	102.05	91.68	80.67	79.04
	Rio de Janeiro	13,490,380	1,851,699	137.26	123.31	108.51	106.31
	São Paulo	34,899,765	6,148,168	176.17	158.27	139.26	136.45

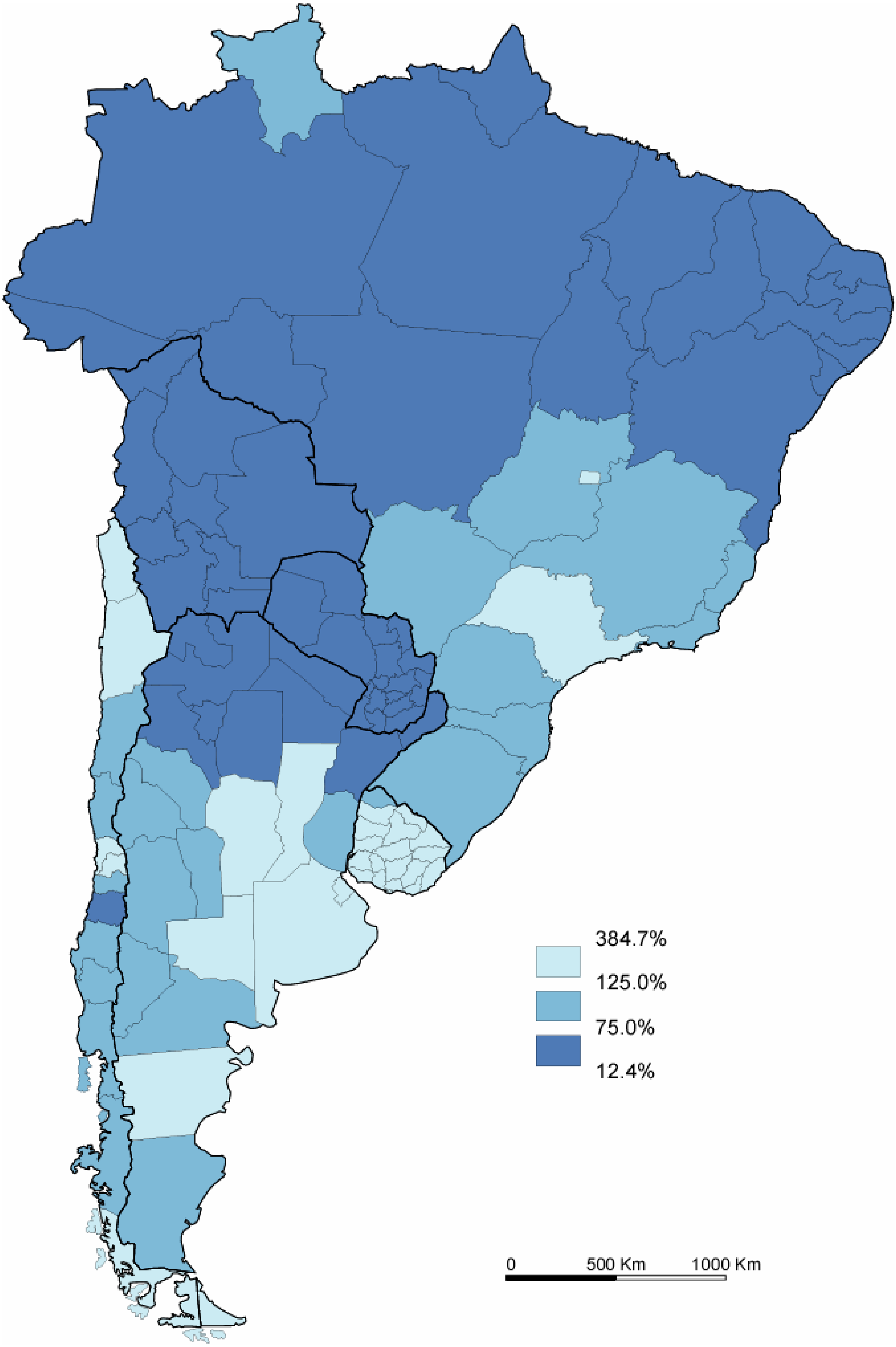
Telephone lines per 1000 people (continued)

	Region	Population	Telephone lines in service	Telephone lines per 1000 people	Region compared to Nation	M 4	M 6
BR	*SOUTH*	*23,963,075*	*2,768,191*	*115.52*	*103.78*	*91.32*	*89.47*
	Paraná	9,154,360	1,095,867	119.71	107.55	94.63	92.72
	Santa Catarina	5,032,175	648,249	128.82	115.73	101.83	99.78
	Rio Grande do Sul	9,776,540	1,024,075	104.75	94.10	82.80	81.13
	CENTRAL WEST	*10,825,181*	*1,562,225*	*144.31*	*129.65*	*114.08*	*111.78*
	Mato Grosso do Sul	1,985,579	216,062	108.82	97.76	86.02	84.28
	Mato Grosso	2,335,344	202,999	86.92	78.09	68.72	67.33
	Goiás	4,629,154	452,994	97.86	87.91	77.36	75.79
	Federal District	1,875,104	690,170	368.07	330.67	290.96	285.08
	Total Brazil	**160,710,275**	**17,888,211**	**111.31**	**100.00**	**87.99**	**86.21**
PY	**Total Paraguay**	**5,085,328**	**127,894**	**25.15**	**100.00**	**19.88**	**19.48**
UY	Montevideo	1,344,839	497,855	370.20	125.70	292.65	286.73
	Artigas	75,059	11,924	158.86	53.94	125.58	123.04
	Canelones	443,053	122,056	275.49	93.54	217.78	213.38
	Cerro Largo	82,510	14,363	174.08	59.11	137.61	134.83
	Colonia	120,241	29,787	247.73	84.12	195.83	191.87
	Durazno	55,716	9,967	178.89	60.74	141.41	138.56
	Flores	25,030	5,190	207.35	70.41	163.91	160.60
	Florida	66,503	14,379	216.22	73.42	170.92	167.47
	Lavalleja	61,085	14,231	232.97	79.11	184.17	180.44
	Maldonado	127,502	63,324	496.65	168.64	392.61	384.67
	Paysandú	111,509	21,364	191.59	65.06	151.45	148.39
	Río Negro	51,713	8,940	172.88	58.70	136.66	133.90
	Rivera	98,472	18,452	187.38	63.63	148.13	145.13
	Rocha	70,292	17,735	252.30	85.67	199.45	195.42
	Salto	117,597	20,471	174.08	59.11	137.61	134.83
	San José	96,664	21,763	225.14	76.45	177.98	174.38
	Soriano	81,557	15,466	189.63	64.39	149.91	146.88
	Tacuarembó	84,919	14,668	172.73	58.65	136.54	133.78
	Treinta y Tres	49,502	9,778	197.53	67.07	156.15	152.99
	Total Uruguay	**3,163,763**	**931,713**	**294.50**	**100.00**	**232.80**	**228.10**
BO	Chuquisaca	549,835	13,108	23.84	50.86	N/A	18.46
	La Paz	2,268,824	138,228	60.92	129.99	N/A	47.19
	Cochabamba	1,408,071	36,481	25.91	55.28	N/A	20.07
	Oruro	383,498	19,680	51.32	109.49	N/A	39.75
	Potosí	746,618	23,991	32.13	68.56	N/A	24.89
	Tarija	368,506	17,010	46.16	98.48	N/A	35.75
	Santa Cruz	1,651,951	101,768	61.60	131.44	N/A	47.71
	Beni	336,633	12,958	38.49	82.13	N/A	29.81
	Pando	53,124	851	16.02	34.18	N/A	12.41
	Total Bolivia	**7,767,060**	**364,075**	**46.87**	**100.00**	**N/A**	**36.31**
CL	Tarapacá	385,620	73,585	190.82	92.14	N/A	147.80
	Antofagasta	462,286	98,329	212.70	102.70	N/A	164.74
	Atacama	269,047	31,217	116.03	56.03	N/A	89.87
	Coquimbo	569,825	75,942	133.27	64.35	N/A	103.22
	Valparaíso	1,543,566	342,248	221.73	107.06	N/A	171.73
	Del Libertador	778,801	89,925	115.47	55.75	N/A	89.43
	Del Maule	906,882	83,896	92.51	44.67	N/A	71.65
	Del Biobío	1,915,844	254,254	132.71	64.08	N/A	102.79

Telephone lines per 1000 people (end)

	Region	Population	Telephone lines in service	Telephone lines per 1000 people	Region compared to Nation	M 4	M 6
CL	De La Araucanía	864,975	95,662	110.60	53.40	N/A	85.66
	De Los Lagos	1,050,558	137,990	131.35	63.42	N/A	101.73
	De Aysén	93,636	15,099	161.25	77.86	N/A	124.90
	De Magallanes	156,530	36,245	231.55	111.81	N/A	179.35
	Metropolitana de Santiago	6,013,185	1,774,407	295.09	142.48	N/A	228.55
	Total Chile	**15,010,755**	**3,108,799**	**207.10**	**100.00**	**N/A**	**160.41**
	MERCOSUR 4	**203,727,823**	**25,772,243**	**126.50**	**N/A**	**100.00**	**97.98**
	MERCOSUR 6	**226,505,638**	**29,245,117**	**129.11**	**N/A**	N/A	**100.00**

Map A2.6. Telephone lines per 1000 persons: regional data compared to the Mercosur 6 average (%)



A2.3.4. Access to drinking water (percent of population or households with access)

	Region	Population	N° of houses	Population / houses connected	% of pop / houses connected	Region compared to Nation	M 4	M 6
AR	Ciudad de Buenos Aires	3,027,886	N/A	3,025,464	99.92	142.11	136.72	134.64
	Buenos Aires	13,379,401	N/A	7,570,065	56.58	80.47	77.42	76.24
	Catamarca	289,212	N/A	253,465	87.64	124.65	119.92	118.10
	Córdoba	2,929,734	N/A	2,289,001	78.13	111.12	106.90	105.28
	Corrientes	857,685	N/A	602,867	70.29	99.97	96.18	94.72
	Chaco	895,900	N/A	544,259	60.75	86.40	83.12	81.86
	Chubut	399,125	N/A	371,426	93.06	132.36	127.33	125.40
	Entre Ríos	1,069,102	N/A	842,345	78.79	112.06	107.81	106.17
	Formosa	447,094	N/A	264,903	59.25	84.27	81.07	79.84
	Jujuy	555,097	N/A	483,934	87.18	123.99	119.29	117.48
	La Pampa	282,356	N/A	190,308	67.40	95.86	92.22	90.82
	La Rioja	247,575	N/A	220,466	89.05	126.65	121.85	120.00
	Mendoza	1,508,959	N/A	1,221,955	80.98	115.18	110.80	109.12
	Misiones	884,291	N/A	348,764	39.44	56.09	53.97	53.15
	Neuquén	463,266	N/A	416,476	89.90	127.86	123.01	121.14
	Río Negro	559,590	N/A	468,713	83.76	119.13	114.61	112.87
	Salta	958,094	N/A	809,973	84.54	120.24	115.68	113.92
	San Juan	555,223	N/A	476,492	85.82	122.06	117.43	115.64
	San Luis	321,890	N/A	260,506	80.93	115.10	110.74	109.06
	Santa Cruz	181,198	N/A	172,845	95.39	135.67	130.52	128.54
	Santa Fe	2,949,050	N/A	2,102,378	71.29	101.39	97.55	96.07
	Santiago del Estero	700,114	N/A	404,386	57.76	82.15	79.03	77.83
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	N/A	85,933	95.49	135.81	130.66	128.68
	Tucumán	1,216,623	N/A	1,011,865	83.17	118.29	113.80	112.07
	Total Argentina	**34,768,457**	**N/A**	**24,445,702**	**70.31**	**100.00**	**96.20**	**94.74**
BR	*NORTH*	*11,736,040*	*N/A*	*5,123,663*	*43.66*	*59.08*	*59.74*	*58.83*
	Rondônia	1,289,365	N/A	443,206	34.37	46.51	47.03	46.32
	Acre	504,489	N/A	212,342	42.09	56.96	57.59	56.72
	Amazonas	2,460,434	N/A	1,579,642	64.20	86.88	87.85	86.51
	Roraima	258,088	N/A	179,455	69.53	94.09	95.14	93.70
	Pará	5,724,140	N/A	1,760,543	30.76	41.62	42.08	41.45
	Amapá	402,557	N/A	243,361	60.45	81.80	82.72	81.46
	Tocantins	1,096,967	N/A	705,114	64.28	86.98	87.95	86.62
	NORTHEAST	*45,854,455*	*N/A*	*27,852,051*	*60.74*	*82.19*	*83.11*	*81.85*
	Maranhão	5,349,575	N/A	2,273,979	42.51	57.52	58.16	57.28
	Piauí	2,758,129	N/A	1,573,708	57.06	77.21	78.07	76.89
	Ceará	7,010,107	N/A	3,484,160	49.70	67.26	68.01	66.97
	Rio Grande do Norte	2,641,355	N/A	2,017,665	76.39	103.37	104.52	102.93
	Paraíba	3,433,234	N/A	2,199,344	64.06	86.69	87.65	86.32
	Pernambuco	7,548,183	N/A	5,222,194	69.18	93.62	94.66	93.23
	Alagoas	2,754,697	N/A	1,713,253	62.19	84.16	85.10	83.81
	Sergipe	1,662,168	N/A	1,209,366	72.76	98.46	99.55	98.04
	Bahia	12,697,007	N/A	8,158,382	64.25	86.95	87.92	86.58
	SOUTHEAST	*68,331,524*	*N/A*	*59,541,515*	*87.14*	*117.91*	*119.23*	*117.42*
	Minas Gerais	17,024,849	N/A	13,446,495	78.98	106.88	108.07	106.43
	Espirito Santo	2,916,530	N/A	2,120,179	72.70	98.37	99.47	97.96

Access to drinking water (continued)

	Region	Population	N° of houses	Population / houses connected	% of pop / houses connected	Region compared to		
						Nation	M 4	M 6
BR	Rio de Janeiro	13,490,380	N/A	11,551,880	85.63	115.87	117.17	115.39
	São Paulo	34,899,765	N/A	32,422,961	92.90	125.71	127.12	125.19
	SOUTH	*23,963,075*	N/A	*18,509,337*	*77.24*	*104.52*	*105.69*	*104.08*
	Paraná	9,154,360	N/A	7,448,353	81.36	110.10	111.33	109.64
	Santa Catarina	5,032,175	N/A	3,488,375	69.32	93.80	94.85	93.41
	Rio Grande do Sul	9,776,540	N/A	7,572,609	77.46	104.81	105.98	104.38
	CENTRAL WEST	*10,825,181*	*N/A*	*7,732,268*	*71.43*	*96.66*	*97.73*	*96.25*
	Mato Grosso do Sul	1,985,579	N/A	1,520,526	76.58	103.62	104.78	103.19
	Mato Grosso	2,335,344	N/A	1,437,644	61.56	83.30	84.23	82.95
	Goiás	4,629,154	N/A	3,032,411	65.51	88.64	89.63	88.27
	Federal District	1,875,104	N/A	1,741,687	92.88	125.69	127.09	125.16
	Total Brazil	**160,710,275**	**N/A**	**118,758,834**	**73.90**	**100.00**	**101.11**	**99.58**
PY	**Total Paraguay**	**5,085,328**	**N/A**	**3,051,197**	**60.00**	**100.00**	**82.10**	**80.85**
UY	Montevideo	1,344,839	425,280	400,035	94.06	112.88	128.71	126.75
	Artigas	75,059	19,537	16,316	83.51	100.22	114.27	112.54
	Canelones	443,053	132,845	111,428	83.88	100.66	114.77	113.03
	Cerro Largo	82,510	25,122	19,519	77.70	93.24	106.31	104.70
	Colonia	120,241	37,156	28,363	76.33	91.61	104.45	102.86
	Durazno	55,716	16,047	12,849	80.07	96.09	109.56	107.90
	Flores	25,030	7,846	6,524	83.15	99.78	113.77	112.05
	Florida	66,503	20,573	14,832	72.09	86.52	98.65	97.15
	Lavalleja	61,085	19,639	15,248	77.64	93.17	106.24	104.62
	Maldonado	127,502	41,420	36,589	88.34	106.01	120.87	119.04
	Paysandú	111,509	31,239	24,990	80.00	96.00	109.46	107.80
	Río Negro	51,713	14,367	11,210	78.03	93.63	106.76	105.14
	Rivera	98,472	28,679	21,713	75.71	90.86	103.59	102.02
	Rocha	70,292	23,804	19,573	82.23	98.67	112.51	110.80
	Salto	117,597	30,885	24,222	78.43	94.12	107.31	105.68
	San José	96,664	29,104	17,533	60.24	72.29	82.43	81.18
	Soriano	81,557	23,969	19,193	80.07	96.09	109.56	107.90
	Tacuarembó	84,919	24,811	18,283	73.69	88.43	100.83	99.30
	Treinta y Tres	49,502	15,526	12,466	80.29	96.35	109.86	108.19
	Total Uruguay	**3,163,763**	**970,037**	**808,355**	**83.33**	**100.00**	**114.02**	**112.29**
BO	Chuquisaca	549,835	120,054	65,550	54.60	76.78	N/A	73.58
	La Paz	2,268,824	560,609	446,170	79.59	111.92	N/A	107.25
	Cochabamba	1,408,071	348,681	223,960	64.23	90.33	N/A	86.55
	Oruro	383,498	103,070	74,774	72.55	102.02	N/A	97.76
	Potosí	746,618	189,939	96,905	51.02	71.75	N/A	68.75
	Tarija	368,506	76,104	56,500	74.24	104.40	N/A	100.04
	Santa Cruz	1,651,951	349,509	292,637	83.73	117.74	N/A	112.83
	Beni	336,633	62,412	35,615	57.06	80.25	N/A	76.90
	Pando	53,124	12,407	4,069	32.80	46.12	N/A	44.19
	Total Bolivia	**7,767,060**	**1,822,785**	**1,296,180**	**71.11**	**100.00**	**N/A**	**95.82**
CL	Tarapacá	385,620	75,101	66,703	88.82	97.46	N/A	119.68
	Antofagasta	462,286	90,616	85,010	93.81	102.94	N/A	126.42
	Atacama	269,047	53,929	48,143	89.27	97.96	N/A	120.30
	Coquimbo	569,825	115,986	103,944	89.62	98.34	N/A	120.76
	Valparaíso	1,543,566	347,494	317,572	91.39	100.28	N/A	123.15

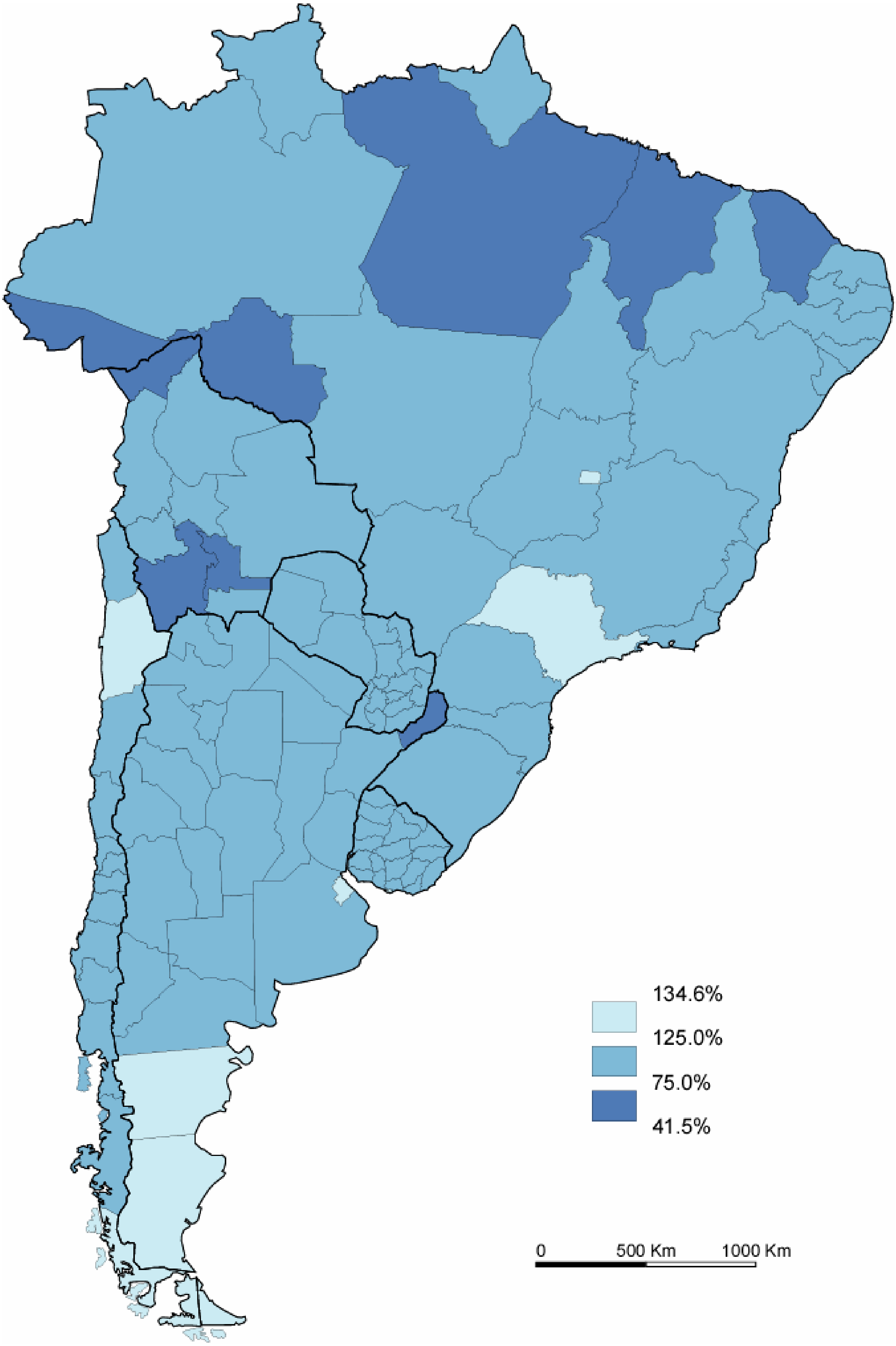
Access to drinking water (end)

	Region	Population	N° of houses	Population / houses connected	% of pop / houses connected	Region compared to		
						Nation	M 4	M 6
CL	Del Libertador	778,801	158,358	142,406	89.93	98.68	N/A	121.18
	Del Maule	906,882	190,108	171,157	90.03	98.79	N/A	121.32
	Del Biobío	1,915,844	390,263	356,454	91.34	100.23	N/A	123.08
	De La Araucanía	864,975	179,525	159,825	89.03	97.69	N/A	119.97
	De Los Lagos	1,050,558	217,443	196,660	90.44	99.25	N/A	121.87
	De Aysén	93,636	19,005	17,378	91.44	100.34	N/A	123.22
	De Magallanes	156,530	36,730	35,364	96.28	105.65	N/A	129.74
	Metropolitana de Santiago	6,013,185	1,226,798	1,125,682	91.76	100.69	N/A	123.65
	Total Chile	**15,010,755**	**3,101,356**	**2,826,298**	**91.13**	**100.00**	**N/A**	**122.80**
	MERCOSUR 4	**203,727,823**	**N/A**	**148,892,172**	**73.08**	**N/A**	**100.00**	**98.48**
	MERCOSUR 6	**226,505,638**	**N/A**	**168,094,776**	**74.21**	**N/A**	**N/A**	**100.00**

Data for Uruguay, Bolivia and Chile were only available by houses and not by population. To allow comparisons with the other members, and to calculate the Mercosur average, the percentage of houses connected is extrapolated and applied to the total regional population to calculate how many people in each region are connected.

For example, in Chile, 2.8 million of the 3.1 million houses are connected, that is 91.13%. Since Chile has a population of 15 million, it is assumed that 91.13% of the population is connected, that is 13.7 million people.

Map A2.7. Access to drinking water: regional data compared to the Mercosur 6 average (%)



A2.3.5. Access to waste disposal systems (percent of population or households with access)

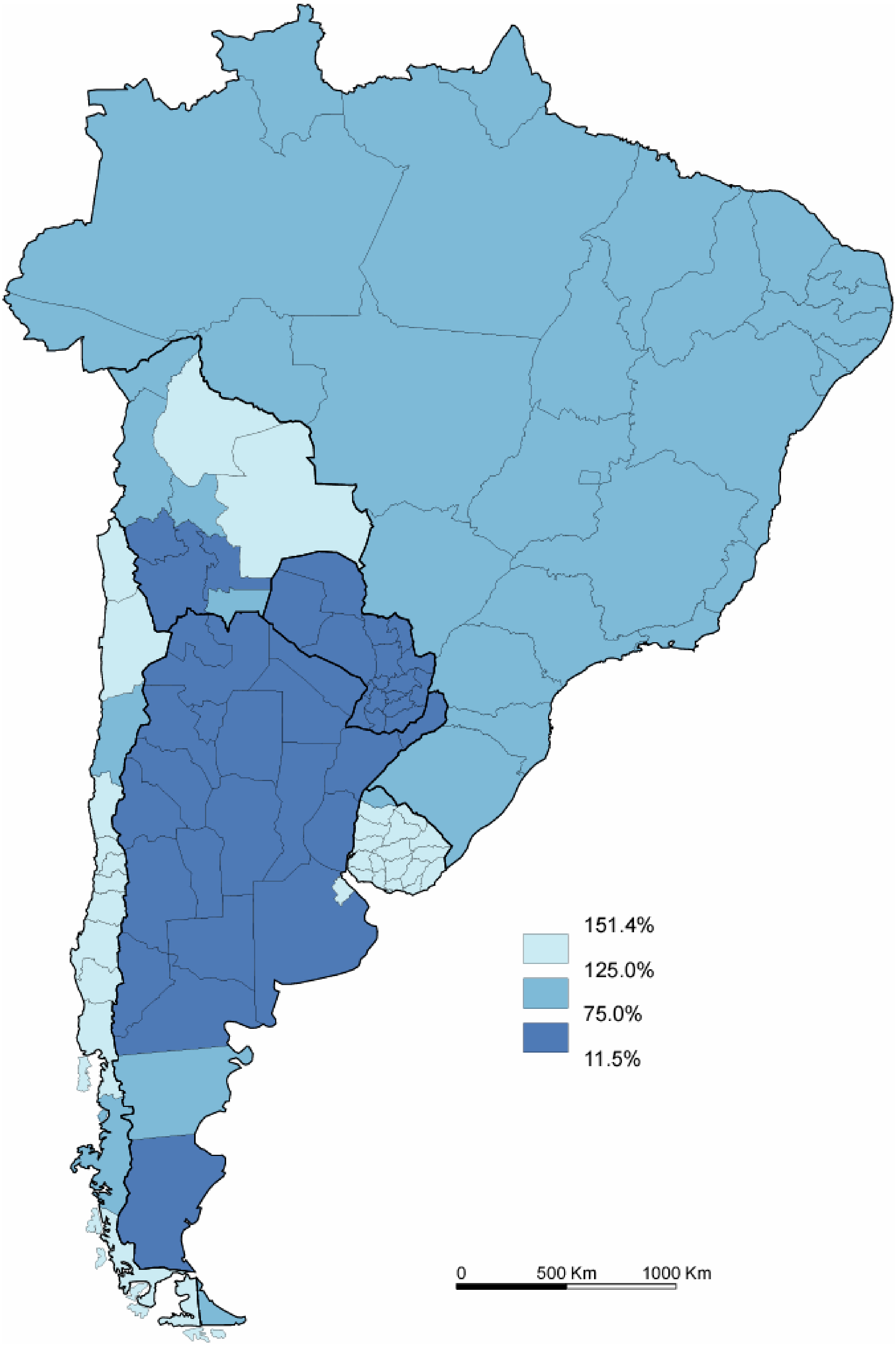
	Region	Population	N° of houses	Population / houses connected	% of pop / houses connected	Region compared to Nation	M 4	M 6
AR	Ciudad de Buenos Aires	3,027,886	N/A	2,935,535	96.95	268.93	151.77	148.88
	Buenos Aires	13,379,401	N/A	4,400,485	32.89	91.23	51.49	50.51
	Catamarca	289,212	N/A	67,444	23.32	64.69	36.51	35.81
	Córdoba	2,929,734	N/A	461,140	15.74	43.66	24.64	24.17
	Corrientes	857,685	N/A	260,565	30.38	84.27	47.56	46.65
	Chaco	895,900	N/A	119,961	13.39	37.14	20.96	20.56
	Chubut	399,125	N/A	198,884	49.83	138.22	78.01	76.52
	Entre Ríos	1,069,102	N/A	385,091	36.02	99.92	56.39	55.31
	Formosa	447,094	N/A	89,642	20.05	55.62	31.39	30.79
	Jujuy	555,097	N/A	207,773	37.43	103.83	58.59	57.48
	La Pampa	282,356	N/A	91,653	32.46	90.04	50.81	49.85
	La Rioja	247,575	N/A	57,388	23.18	64.30	36.29	35.60
	Mendoza	1,508,959	N/A	581,402	38.53	106.88	60.32	59.17
	Misiones	884,291	N/A	66,322	7.50	20.80	11.74	11.52
	Neuquén	463,266	N/A	159,039	34.33	95.23	53.74	52.72
	Río Negro	559,590	N/A	195,185	34.88	96.75	54.60	53.56
	Salta	958,094	N/A	439,286	45.85	127.18	71.78	70.41
	San Juan	555,223	N/A	70,125	12.63	35.03	19.77	19.39
	San Luis	321,890	N/A	93,284	28.98	80.39	45.37	44.50
	Santa Cruz	181,198	N/A	88,515	48.85	135.51	76.47	75.02
	Santa Fe	2,949,050	N/A	862,302	29.24	81.11	45.77	44.90
	Santiago del Estero	700,114	N/A	103,547	14.79	41.03	23.15	22.71
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	N/A	70,581	78.43	217.56	122.78	120.44
	Tucumán	1,216,623	N/A	419,370	34.47	95.62	53.96	52.93
	Total Argentina	**34,768,457**	**N/A**	**12,534,029**	**36.05**	**100.00**	**56.43**	**55.36**
BR	**Total Brazil**	**160,710,275**	**N/A**	**112,497,193**	**70.00**	**100.00**	**109.58**	**107.49**
PY	**Total Paraguay**	**5,085,328**	**N/A**	**2,084,984**	**41.00**	**100.00**	**64.18**	**62.96**
UY	Montevideo	1,344,839	425,280	412,709	97.04	101.47	151.92	149.02
	Artigas	75,059	19,537	15,335	78.49	82.07	122.87	120.53
	Canelones	443,053	132,845	125,458	94.44	98.74	147.84	145.02
	Cerro Largo	82,510	25,122	23,460	93.38	97.64	146.19	143.40
	Colonia	120,241	37,156	36,627	98.58	103.07	154.31	151.38
	Durazno	55,716	16,047	15,186	94.63	98.95	148.14	145.32
	Flores	25,030	7,846	7,568	96.46	100.85	151.00	148.12
	Florida	66,503	20,573	19,543	94.99	99.32	148.71	145.87
	Lavalleja	61,085	19,639	18,395	93.67	97.94	146.63	143.84
	Maldonado	127,502	41,420	39,850	96.21	100.60	150.61	147.74
	Paysandú	111,509	31,239	29,675	94.99	99.32	148.71	145.87
	Río Negro	51,713	14,367	13,656	95.05	99.38	148.80	145.96
	Rivera	98,472	28,679	26,791	93.42	97.68	146.24	143.45
	Rocha	70,292	23,804	22,649	95.15	99.49	148.95	146.11
	Salto	117,597	30,885	28,963	93.78	98.05	146.80	144.01
	San José	96,664	29,104	27,289	93.76	98.04	146.78	143.99
	Soriano	81,557	23,969	22,994	95.93	100.31	150.18	147.32
	Tacuarembó	84,919	24,811	23,138	93.26	97.51	145.99	143.21

Access to waste disposal systems (end)

	Region	Population	N° of houses	Population / houses connected	% of pop / houses connected	Region compared to Nation	M 4	M 6
UY	Treinta y Tres	49,502	15,526	14,575	93.87	98.15	146.95	144.16
	Total Uruguay	**3,163,763**	**970,037**	**927,761**	**95.64**	**100.00**	**149.72**	**146.87**
BO	Chuquisaca	549,835	120,054	47,610	39.66	67.05	N/A	60.90
	La Paz	2,268,824	560,609	308,177	54.97	92.94	N/A	84.42
	Cochabamba	1,408,071	348,681	220,844	63.34	107.08	N/A	97.26
	Oruro	383,498	103,070	32,634	31.66	53.53	N/A	48.62
	Potosí	746,618	189,939	45,518	23.96	40.51	N/A	36.80
	Tarija	368,506	76,104	53,515	70.32	118.88	N/A	107.98
	Santa Cruz	1,651,951	349,509	309,099	88.44	149.51	N/A	135.81
	Beni	336,633	62,412	52,382	83.93	141.89	N/A	128.88
	Pando	53,124	12,407	8,375	67.50	114.12	N/A	103.66
	Total Bolivia	**7,767,060**	**1,822,785**	**1,078,154**	**59.15**	**100.00**	**N/A**	**90.83**
CL	Tarapacá	385,620	N/A	317,776	82.41	96.93	N/A	126.55
	Antofagasta	462,286	N/A	389,986	84.36	99.22	N/A	129.55
	Atacama	269,047	N/A	217,519	80.85	95.09	N/A	124.15
	Coquimbo	569,825	N/A	464,723	81.56	95.92	N/A	125.24
	Valparaíso	1,543,566	N/A	1,337,741	86.67	101.94	N/A	133.09
	Del Libertador	778,801	N/A	669,448	85.96	101.10	N/A	132.00
	Del Maule	906,882	N/A	785,590	86.63	101.89	N/A	133.02
	Del Biobío	1,915,844	N/A	1,674,366	87.40	102.79	N/A	134.21
	De La Araucanía	864,975	N/A	739,915	85.54	100.61	N/A	131.36
	De Los Lagos	1,050,558	N/A	904,937	86.14	101.32	N/A	132.28
	De Aysén	93,636	N/A	73,336	78.32	92.12	N/A	120.27
	De Magallanes	156,530	N/A	132,815	84.85	99.80	N/A	130.30
	Metropolitana de Santiago	6,013,185	N/A	5,054,394	84.06	98.87	N/A	129.08
	Total Chile	**15,010,755**	**N/A**	**12,762,546**	**85.02**	**100.00**	**N/A**	**130.56**
	MERCOSUR 4	**203,727,823**	**N/A**	**130,142,086**	**63.88**	**N/A**	**100.00**	**98.10**
	MERCOSUR 6	**226,505,638**	**N/A**	**147,498,749**	**65.12**	**N/A**	**N/A**	**100.00**

As for access to water, data for Uruguay and Bolivia were only available by houses and not by population. To allow comparisons with the other members, and to calculate the Mercosur average, the percentage of houses connected is extrapolated and applied to the total regional population to calculate how many people in each region are connected.

Map A2.8. Access to waste removal facility: regional data compared to the Mercosur 6 average (%)



A2.4. Social development regional statistics

A2.4.1. Hospital beds per 1000 persons

			N° of	Beds per	Region compared to		
	Region	**Population**	**beds**	**1000 persons**	**Nation**	**M 4**	**M 6**
AR	Ciudad de Buenos Aires	3,027,886	23,152	7.65	170.68	234.55	245.07
	Buenos Aires	13,379,401	50,155	3.75	83.68	114.99	120.15
	Catamarca	289,212	1,344	4.65	103.73	142.55	148.95
	Córdoba	2,929,734	17,958	6.13	136.82	188.02	196.46
	Corrientes	857,685	3,433	4.00	89.34	122.78	128.29
	Chaco	895,900	4,184	4.67	104.24	143.26	149.68
	Chubut	399,125	1,976	4.95	110.51	151.87	158.68
	Entre Ríos	1,069,102	6,650	6.22	138.84	190.80	199.36
	Formosa	447,094	1,689	3.78	84.32	115.88	121.08
	Jujuy	555,097	3,169	5.71	127.43	175.12	182.98
	La Pampa	282,356	1,189	4.21	94.00	129.17	134.97
	La Rioja	247,575	1,231	4.97	110.99	152.52	159.37
	Mendoza	1,508,959	4,646	3.08	68.73	94.45	98.68
	Misiones	884,291	2,985	3.38	75.35	103.55	108.19
	Neuquén	463,266	1,393	3.01	67.12	92.24	96.38
	Río Negro	559,590	1,989	3.55	79.34	109.03	113.92
	Salta	958,094	4,014	4.19	93.52	128.51	134.28
	San Juan	555,223	1,750	3.15	70.35	96.68	101.02
	San Luis	321,890	1,256	3.90	87.10	119.69	125.06
	Santa Cruz	181,198	1,188	6.56	146.35	201.12	210.14
	Santa Fe	2,949,050	12,148	4.12	91.95	126.36	132.03
	Santiago del Estero	700,114	4,271	6.10	136.17	187.13	195.53
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	222	2.47	55.06	75.67	79.07
	Tucumán	1,216,623	3,830	3.15	70.27	96.57	100.90
	Total Argentina	**34,768,457**	**155,822**	**4.48**	**100.00**	**137.48**	**143.64**
BR	*NORTH*	*11,736,040*	*23,553*	*2.01*	*64.95*	*61.56*	*64.32*
	Rondônia	1,289,365	N/A	N/A	N/A	N/A	N/A
	Acre	504,489	N/A	N/A	N/A	N/A	N/A
	Amazonas	2,460,434	4,011	1.63	52.76	50.01	52.25
	Roraima	258,088	N/A	N/A	N/A	N/A	N/A
	Pará	5,724,140	10,067	1.76	56.92	53.95	56.37
	Amapá	402,557	N/A	N/A	N/A	N/A	N/A
	Tocantins	1,096,967	3,109	2.83	91.72	86.94	90.84
	NORTHEAST	*45,854,455*	*130,986*	*2.86*	*92.45*	*87.62*	*91.56*
	Maranhão	5,349,575	24,786	4.63	149.94	142.12	148.50
	Piauí	2,758,129	8,756	3.17	102.74	97.38	101.75
	Ceará	7,010,107	17,060	2.43	78.76	74.65	78.00
	Rio Grande do Norte	2,641,355	7,393	2.80	90.58	85.86	89.71
	Paraíba	3,433,234	11,700	3.41	110.29	104.54	109.23
	Pernambuco	7,548,183	21,944	2.91	94.08	89.18	93.18
	Alagoas	2,754,697	7,702	2.80	90.48	85.77	89.61
	Sergipe	1,662,168	3,415	2.05	66.49	63.02	65.85
	Bahia	12,697,007	28,230	2.22	71.95	68.20	71.26

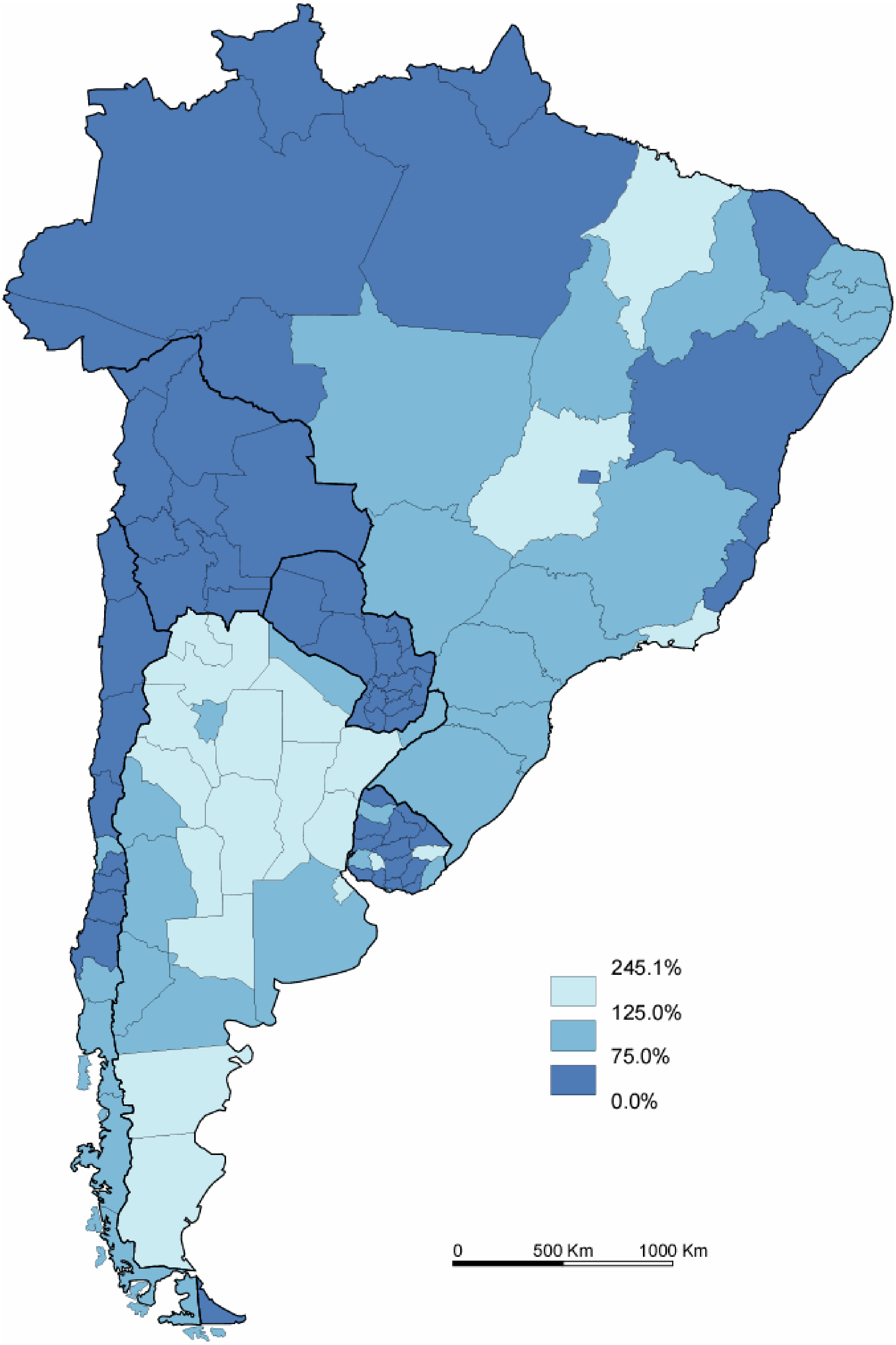
Hospital beds per 1000 persons (continued)

	Region	Population	N° of beds	Beds per 1000 persons	Region compared to Nation	M 4	M 6
BR	*SOUTHEAST*	*68,331,524*	*226,194*	*3.31*	*107.13*	*101.54*	*106.10*
	Minas Gerais	17,024,849	52,287	3.07	99.39	94.21	98.44
	Espirito Santo	2,916,530	6,999	2.40	77.66	73.61	76.92
	Rio de Janeiro	13,490,380	60,224	4.46	144.47	136.94	143.08
	São Paulo	34,899,765	106,684	3.06	98.93	93.77	97.98
	SOUTH	*23,963,075*	*76,884*	*3.21*	*103.83*	*98.42*	*102.83*
	Paraná	9,154,360	30,456	3.33	107.67	102.05	106.63
	Santa Catarina	5,032,175	15,210	3.02	97.82	92.72	96.88
	Rio Grande do Sul	9,776,540	31,218	3.19	103.34	97.95	102.34
	CENTRAL WEST	*10,825,181*	*39,123*	*3.61*	*116.96*	*110.86*	*115.84*
	Mato Grosso do Sul	1,985,579	5,959	3.00	97.12	92.06	96.19
	Mato Grosso	2,335,344	6,596	2.82	91.41	86.64	90.53
	Goiás	4,629,154	22,548	4.87	157.63	149.41	156.12
	Federal District	1,875,104	4,020	2.14	69.38	65.76	68.71
	Total Brazil	**160,710,275**	**496,740**	**3.09**	**100.00**	**94.81**	**99.07**
PY	Asunción	550,060	176	0.32	47.76	9.81	10.26
	Concepción	185,496	145	0.78	116.67	23.98	25.05
	San Pedro	332,926	146	0.44	65.45	13.45	14.06
	Cordillera	215,663	125	0.58	86.51	17.78	18.58
	Guairá	173,668	137	0.79	117.74	24.20	25.28
	Caaguazú	442,161	170	0.38	57.38	11.79	12.32
	Caazapá	141,559	154	1.09	162.37	33.37	34.87
	Itapúa	454,757	213	0.47	69.91	14.37	15.01
	Misiones	98,607	71	0.72	107.47	22.09	23.08
	Paraguarí	247,675	168	0.68	101.24	20.81	21.74
	Alto Paraná	595,276	177	0.30	44.38	9.12	9.53
	Central	1,174,212	161	0.14	20.46	4.21	4.39
	Ñeembucú	86,965	86	0.99	147.60	30.33	31.70
	Amambay	127,011	74	0.58	86.96	17.87	18.67
	Canindeyú	133,075	61	0.46	68.42	14.06	14.69
	Pdte. Hayes	77,145	63	0.82	121.89	25.05	26.17
	Boquerón	35,241	32	0.91	135.53	27.85	29.10
	Alto Paraguay	13,831	29	2.10	312.95	64.32	67.20
	Specialised Hospitals	N/A	1,238	N/A	N/A	N/A	N/A
	Total Paraguay	**5,085,328**	**3,426**	**0.67**	**100.00**	**20.67**	**21.59**
UY	Montevideo	1,344,839	4,100	3.05	131.41	93.52	97.71
	Artigas	75,059	146	1.95	83.84	59.67	62.34
	Canelones	443,053	106	0.24	10.31	7.34	7.67
	Cerro Largo	82,510	201	2.44	105.00	74.73	78.08
	Colonia	120,241	211	1.75	75.64	53.83	56.24
	Durazno	55,716	114	2.05	88.19	62.76	65.58
	Flores	25,030	154	6.15	265.20	188.73	197.20
	Florida	66,503	141	2.12	91.39	65.04	67.96
	Lavalleja	61,085	141	2.31	99.49	70.81	73.98
	Maldonado	127,502	201	1.58	67.95	48.36	50.53
	Paysandú	111,509	267	2.39	103.21	73.45	76.74
	Río Negro	51,713	109	2.11	90.85	64.66	67.56

Hospital beds per 1000 persons (end)

	Region	Population	N° of beds	Beds per 1000 persons	Region compared to Nation	M 4	M 6
UY	Rivera	98,472	171	1.74	74.85	53.27	55.66
	Rocha	70,292	193	2.75	118.35	84.22	88.00
	Salto	117,597	335	2.85	122.79	87.38	91.30
	San José	96,664	143	1.48	63.77	45.38	47.42
	Soriano	81,557	246	3.02	130.01	92.52	96.68
	Tacuarembó	84,919	169	1.99	85.78	61.05	63.79
	Treinta y Tres	49,502	194	3.92	168.92	120.22	125.61
	Total Uruguay	**3,163,763**	**7,342**	**2.32**	**100.00**	**71.19**	**74.38**
BO	Chuquisaca	549,835	814	1.48	99.36	N/A	47.45
	La Paz	2,268,824	3,292	1.45	97.38	N/A	46.51
	Cochabamba	1,408,071	1,687	1.20	80.41	N/A	38.40
	Oruro	383,498	685	1.79	119.88	N/A	57.25
	Potosí	746,618	1,056	1.41	94.92	N/A	45.33
	Tarija	368,506	796	2.16	144.97	N/A	69.23
	Santa Cruz	1,651,951	2,560	1.55	104.01	N/A	49.67
	Beni	336,633	604	1.79	120.42	N/A	57.51
	Pando	53,124	54	1.02	68.22	N/A	32.58
	Total Bolivia	**7,767,060**	**11,548**	**1.49**	**100.00**	**N/A**	**47.65**
CL	Tarapacá	385,620	778	2.02	97.94	N/A	64.66
	Antofagasta	462,286	1,048	2.27	110.05	N/A	72.66
	Atacama	269,047	480	1.78	86.61	N/A	57.18
	Coquimbo	569,825	1,107	1.94	94.31	N/A	62.27
	Valparaíso	1,543,566	3,997	2.59	125.70	N/A	83.00
	Del Libertador	778,801	1,438	1.85	89.63	N/A	59.18
	Del Maule	906,882	2,086	2.30	111.66	N/A	73.72
	Del Biobío	1,915,844	4,319	2.25	109.43	N/A	72.26
	De La Araucanía	864,975	2,327	2.69	130.59	N/A	86.23
	De Los Lagos	1,050,558	2,613	2.49	120.74	N/A	79.72
	De Aysén	93,636	287	3.07	148.79	N/A	98.24
	De Magallanes	156,530	532	3.40	164.99	N/A	108.93
	Metropolitana de Santiago	6,013,185	9,945	1.65	80.28	N/A	53.01
	Total Chile	**15,010,755**	**30,957**	**2.06**	**100.00**	**N/A**	**66.10**
	MERCOSUR 4	**203,727,823**	**663,330**	**3.26**	**N/A**	**100.00**	**104.36**
	MERCOSUR 6	**226,505,638**	**705,835**	**3.12**	**N/A**	**N/A**	**100.00**

Map A2.9. Hospital beds per 1000 persons: regional data compared to the Mercosur 6 average (%)



A2.4.2. Doctors per 1000 persons

				Doctors per	Region compared to		
	Region	**Population**	**Doctors**	**1000 persons**	**Nation**	**M 4**	**M 6**
AR	Ciudad de Buenos Aires	3,027,886	32,100	10.60	338.81	604.42	650.40
	Buenos Aires	13,379,401	26,876	2.01	64.20	114.52	123.24
	Catamarca	289,212	653	2.26	72.16	128.73	138.52
	Córdoba	2,929,734	11,642	3.97	127.00	226.55	243.79
	Corrientes	857,685	1,740	2.03	64.84	115.66	124.46
	Chaco	895,900	1,630	1.82	58.15	103.73	111.62
	Chubut	399,125	870	2.18	69.66	124.27	133.73
	Entre Ríos	1,069,102	2,610	2.44	78.02	139.18	149.77
	Formosa	447,094	544	1.22	38.89	69.37	74.65
	Jujuy	555,097	1,306	2.35	75.19	134.14	144.34
	La Pampa	282,356	653	2.31	73.91	131.85	141.88
	La Rioja	247,575	544	2.20	70.22	125.27	134.80
	Mendoza	1,508,959	4,460	2.96	94.46	168.51	181.33
	Misiones	884,291	1,197	1.35	43.26	77.17	83.04
	Neuquén	463,266	979	2.11	67.54	120.48	129.65
	Río Negro	559,590	1,306	2.33	74.59	133.06	143.18
	Salta	958,094	1,849	1.93	61.68	110.03	118.40
	San Juan	555,223	1,521	2.74	87.55	156.18	168.06
	San Luis	321,890	762	2.37	75.66	134.96	145.23
	Santa Cruz	181,198	326	1.80	57.50	102.57	110.38
	Santa Fe	2,949,050	10,226	3.47	110.82	197.69	212.73
	Santiago del Estero	700,114	1,197	1.71	54.64	97.48	104.89
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	109	1.21	38.71	69.05	74.31
	Tucumán	1,216,623	3,700	3.04	97.19	173.39	186.58
	Total Argentina	**34,768,457**	**108,800**	**3.13**	**100.00**	**178.41**	**191.98**
BR	*NORTH*	*11,736,040*	*7,104*	*0.61*	*45.86*	*34.51*	*37.14*
	Rondônia	1,289,365	581	0.45	34.14	25.69	27.64
	Acre	504,489	189	0.37	28.38	21.36	22.98
	Amazonas	2,460,434	1,462	0.59	45.02	33.88	36.45
	Roraima	258,088	222	0.86	65.16	49.04	52.77
	Pará	5,724,140	3,881	0.68	51.36	38.65	41.60
	Amapá	402,557	209	0.52	39.33	29.60	31.85
	Tocantins	1,096,967	560	0.51	38.67	29.10	31.32
	NORTHEAST	*45,854,455*	*33,357*	*0.73*	*55.11*	*41.47*	*44.63*
	Maranhão	5,349,575	2,023	0.38	28.65	21.56	23.20
	Piauí	2,758,129	1,513	0.55	41.56	31.27	33.65
	Ceará	7,010,107	5,056	0.72	54.64	41.12	44.25
	Rio Grande do Norte	2,641,355	2,433	0.92	69.78	52.52	56.51
	Paraíba	3,433,234	327	0.10	7.22	5.43	5.84
	Pernambuco	7,548,183	8,644	1.15	86.76	65.29	70.26
	Alagoas	2,754,697	2,661	0.97	73.18	55.07	59.26
	Sergipe	1,662,168	1,571	0.95	71.60	53.89	57.98
	Bahia	12,697,007	9,129	0.72	54.47	40.99	44.11
	SOUTHEAST	*68,331,524*	*126,902*	*1.86*	*140.69*	*105.88*	*113.94*
	Minas Gerais	17,024,849	22,222	1.31	98.88	74.42	80.08
	Espirito Santo	2,916,530	4,023	1.38	104.50	78.64	84.62
	Rio de Janeiro	13,490,380	32,578	2.41	182.95	137.68	148.15

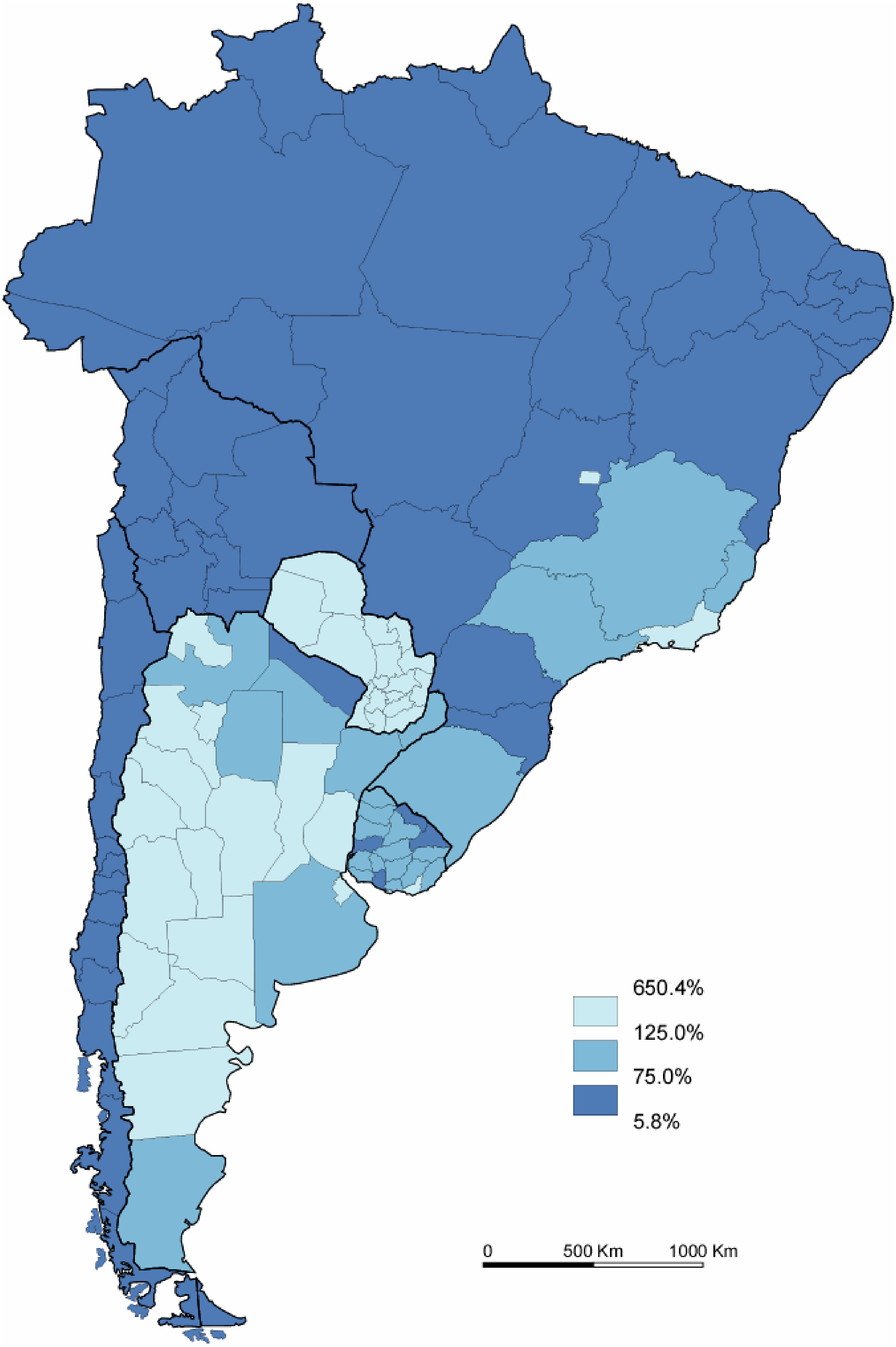
Doctors per 1000 persons (continued)

	Region	Population	Doctors	Doctors per 1000 persons	Region compared to Nation	M 4	M 6
BR	São Paulo	34,899,765	68,079	1.95	147.78	111.21	119.67
	SOUTH	*23,963,075*	*32,402*	*1.35*	*102.44*	*77.09*	*82.95*
	Paraná	9,154,360	10,496	1.15	86.86	65.37	70.34
	Santa Catarina	5,032,175	4,809	0.96	72.40	54.48	58.63
	Rio Grande do Sul	9,776,540	17,097	1.75	132.48	99.70	107.29
	CENTRAL WEST	*10,825,181*	*13,167*	*1.22*	*92.15*	*69.35*	*74.62*
	Mato Grosso do Sul	1,985,579	2,062	1.04	78.67	59.21	63.71
	Mato Grosso	2,335,344	1,381	0.59	44.80	33.71	36.28
	Goiás	4,629,154	4,504	0.97	73.71	55.47	59.69
	Federal District	1,875,104	5,220	2.78	210.90	158.71	170.79
	Total Brazil	**160,710,275**	**212,932**	**1.32**	**100.00**	**75.54**	**81.28**
PY	**Total Paraguay**	**5,085,328**	**23,393**	**4.60**	**100.00**	**262.26**	**282.21**
UY	Montevideo	1,344,839	9,225	6.86	178.63	391.08	420.83
	Artigas	75,059	99	1.32	34.35	75.20	80.92
	Canelones	443,053	763	1.72	44.85	98.18	105.65
	Cerro Largo	82,510	92	1.12	29.04	63.57	68.41
	Colonia	120,241	191	1.59	41.37	90.56	97.45
	Durazno	55,716	85	1.53	39.73	86.98	93.59
	Flores	25,030	37	1.48	38.50	84.28	90.69
	Florida	66,503	117	1.76	45.82	100.30	107.93
	Lavalleja	61,085	103	1.69	43.91	96.13	103.45
	Maldonado	127,502	282	2.21	57.60	126.10	135.69
	Paysandú	111,509	191	1.71	44.61	97.65	105.08
	Río Negro	51,713	67	1.30	33.74	73.87	79.49
	Rivera	98,472	123	1.25	32.53	71.21	76.63
	Rocha	70,292	108	1.54	40.01	87.60	94.26
	Salto	117,597	224	1.90	49.60	108.60	116.86
	San José	96,664	111	1.15	29.90	65.47	70.45
	Soriano	81,557	136	1.67	43.43	95.07	102.30
	Tacuarembó	84,919	137	1.61	42.01	91.98	98.98
	Treinta y Tres	49,502	68	1.37	35.77	78.32	84.27
	Total Uruguay	**3,163,763**	**12,159**	**3.84**	**100.00**	**219.11**	**235.78**
BO	Chuquisaca	549,835	330	0.60	103.48	N/A	36.82
	La Paz	2,268,824	1,437	0.63	109.20	N/A	38.86
	Cochabamba	1,408,071	618	0.44	75.67	N/A	26.93
	Oruro	383,498	212	0.55	95.31	N/A	33.91
	Potosí	746,618	310	0.42	71.59	N/A	25.47
	Tarija	368,506	260	0.71	121.65	N/A	43.29
	Santa Cruz	1,651,951	1,009	0.61	105.31	N/A	37.47
	Beni	336,633	257	0.76	131.63	N/A	46.84
	Pando	53,124	39	0.73	126.57	N/A	45.04
	Total Bolivia	**7,767,060**	**4,472**	**0.58**	**100.00**	**N/A**	**35.32**
CL	Tarapacá	385,620	220	0.57	107.64	N/A	35.00
	Antofagasta	462,286	183	0.40	74.69	N/A	24.29
	Atacama	269,047	107	0.40	75.04	N/A	24.40
	Coquimbo	569,825	246	0.43	81.45	N/A	26.49
	Valparaíso	1,543,566	888	0.58	108.55	N/A	35.29
	Del Libertador	778,801	270	0.35	65.41	N/A	21.27
	Del Maule	906,882	346	0.38	71.99	N/A	23.41

Doctors per 1000 persons (end)

	Region	Population	Doctors	Doctors per 1000 persons	Region compared to Nation	M 4	M 6
CL	Del Biobío	1,915,844	940	0.49	92.57	N/A	30.10
	De La Araucanía	864,975	426	0.49	92.92	N/A	30.21
	De Los Lagos	1,050,558	574	0.55	103.09	N/A	33.52
	De Aysén	93,636	74	0.79	149.11	N/A	48.48
	De Magallanes	156,530	101	0.65	121.74	N/A	39.59
	Metropolitana de Santiago	6,013,185	3,513	0.58	110.23	N/A	35.84
	Total Chile	**15,010,755**	**7,888**	**0.53**	**100.00**	**N/A**	**32.24**
	MERCOSUR 4	**203,727,823**	**357,284**	**1.75**	**N/A**	**100.00**	**107.59**
	MERCOSUR 6	**226,505,638**	**369,644**	**1.63**	**N/A**	**N/A**	**100.00**

Map A2.10. Number of doctors per 1000 persons: regional data compared to the Mercosur 6 average (%)



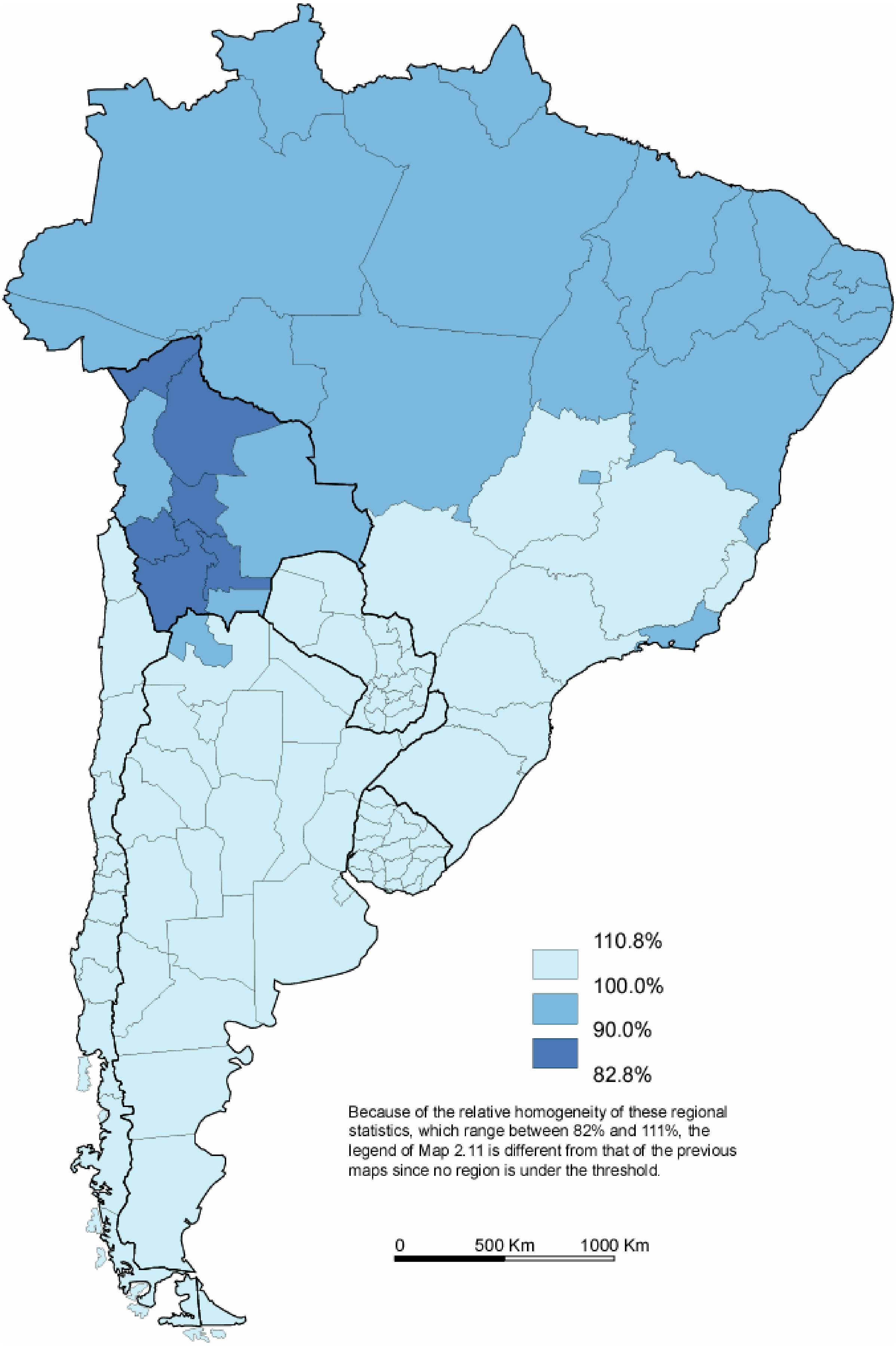
A2.4.3. Life expectancy at birth

			Life expectancy at birth			Region compared to		
	Region	**Population**	**Male**	**Female**	**Total**	**Nation**	**M 4**	**M 6**
AR	Ciudad de Buenos Aires	3,027,886	69.17	76.45	72.72	101.10	105.96	105.64
	Buenos Aires	13,379,401	68.53	75.78	72.09	100.22	105.04	104.72
	Catamarca	289,212	67.40	73.96	70.61	98.16	102.89	102.57
	Córdoba	2,929,734	69.15	76.60	72.79	101.20	106.06	105.74
	Corrientes	857,685	67.16	73.16	70.09	97.44	102.13	101.82
	Chaco	895,900	65.64	72.55	69.02	95.95	100.57	100.26
	Chubut	399,125	67.26	74.04	70.58	98.12	102.84	102.53
	Entre Ríos	1,069,102	68.13	75.26	71.61	99.56	104.34	104.02
	Formosa	447,094	66.27	72.62	69.37	96.44	101.08	100.77
	Jujuy	555,097	65.24	71.65	68.37	95.05	99.62	99.32
	La Pampa	282,356	68.15	75.15	71.57	99.50	104.28	103.97
	La Rioja	247,575	67.04	73.89	70.38	97.85	102.55	102.24
	Mendoza	1,508,959	69.80	75.75	72.72	101.10	105.96	105.64
	Misiones	884,291	66.45	72.65	69.49	96.61	101.25	100.94
	Neuquén	463,266	68.30	74.67	71.39	99.25	104.02	103.70
	Río Negro	559,590	67.54	74.36	70.87	98.53	103.26	102.95
	Salta	958,094	66.13	71.84	68.92	95.82	100.42	100.12
	San Juan	555,223	68.10	74.30	71.13	98.89	103.64	103.33
	San Luis	321,890	67.64	74.07	70.79	98.42	103.15	102.83
	Santa Cruz	181,198	67.11	73.90	70.41	97.89	102.59	102.28
	Santa Fe	2,949,050	68.50	76.28	72.29	100.50	105.33	105.01
	Santiago del Estero	700,114	67.13	72.73	69.83	97.08	101.75	101.44
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	66.85	73.64	70.16	97.54	102.23	101.92
	Tucumán	1,216,623	68.08	74.13	71.01	98.72	103.47	103.15
	Total Argentina	**34,768,457,00**	**68.44**	**75.59**	**71.93**	**100.00**	**104.81**	**104.49**
BR	*NORTH*	*11,736,040*	*64.77*	*70.77*	*67.55*	*99.66*	*98.43*	*98.13*
	Rondônia	1,289,365	64.41	70.41	67.35	99.37	98.13	97.84
	Acre	504,489	64.49	70.33	67.35	99.37	98.13	97.84
	Amazonas	2,460,434	65.11	70.89	67.94	100.24	98.99	98.69
	Roraima	258,088	63.58	69.72	66.59	98.24	97.03	96.73
	Pará	5,724,140	64.83	70.99	67.85	100.10	98.86	98.56
	Amapá	402,557	65.15	71.24	68.13	100.52	99.27	98.97
	Tocantins	1,096,967	64.71	70.38	67.49	99.57	98.34	98.04
	NORTHEAST	*45,854,455*	*61.81*	*67.89*	*64.83*	*95.65*	*94.46*	*94.17*
	Maranhão	5,349,575	60.45	67.55	63.93	94.32	93.15	92.87
	Piauí	2,758,129	61.49	68.11	64.72	95.49	94.30	94.02
	Ceará	7,010,107	62.24	68.78	65.44	96.55	95.35	95.06
	Rio Grande do Norte	2,641,355	62.36	68.73	65.49	96.62	95.42	95.13
	Paraíba	3,433,234	60.71	66.36	63.48	93.66	92.50	92.21
	Pernambuco	7,548,183	60.10	65.45	62.72	92.53	91.39	91.11
	Alagoas	2,754,697	59.32	65.20	62.20	91.77	90.63	90.35
	Sergipe	1,662,168	63.40	69.30	66.29	97.80	96.59	96.30
	Bahia	12,697,007	63.82	69.82	66.76	98.50	97.28	96.98
	SOUTHEAST	*68,331,524*	*64.63*	*73.61*	*68.97*	*101.76*	*100.50*	*100.19*
	Minas Gerais	17,024,849	66.07	73.16	69.55	102.61	101.34	101.03
	Espirito Santo	2,916,530	65.73	73.36	69.47	102.49	101.22	100.92

Life expectancy at birth (end)

			Life expectancy at birth			Region compared to		
	Region	**Population**	**Male**	**Female**	**Total**	**Nation**	**M 4**	**M 6**
BR	Rio de Janeiro	13,490,380	61.71	72.78	67.14	99.06	97.83	97.53
	São Paulo	34,899,765	65.07	74.21	69.55	102.61	101.34	101.03
	SOUTH	*23,963,075*	*66.67*	*74.27*	*70.34*	*103.78*	*102.49*	*102.18*
	Paraná	9,154,360	66.18	72.93	69.49	102.52	101.25	100.94
	Santa Catarina	5,032,175	66.98	74.58	70.70	104.31	103.02	102.70
	Rio Grande do Sul	9,776,540	66.98	75.24	71.03	104.79	103.50	103.18
	CENTRAL WEST	*10,825,181*	*65.56*	*72.18*	*68.67*	*101.31*	*100.06*	*99.75*
	Mato Grosso do Sul	1,985,579	66.46	72.73	69.53	102.58	101.31	101.00
	Mato Grosso	2,335,344	65.28	71.42	68.29	100.75	99.50	99.20
	Goiás	4,629,154	65.66	72.14	68.84	101.56	100.31	100.00
	Federal District	1,875,104	64.61	72.61	68.53	101.11	99.85	99.55
	Total Brazil	**160,710,275**	**64.09**	**71.70**	**67.78**	**100.00**	**98.76**	**98.46**
PY	**Total Paraguay**	**5,085,328**	**N/A**	**N/A**	**69.80**	**100.00**	**101.70**	**101.39**
UY	Montevideo	1,344,839	70.41	78.63	74.44	100.89	108.47	108.13
	Artigas	75,059	69.69	78.91	74.21	100.58	108.13	107.80
	Canelones	443,053	71.36	78.84	75.03	101.69	109.33	108.99
	Cerro Largo	82,510	69.35	77.90	73.54	99.67	107.15	106.83
	Colonia	120,241	71.91	79.91	75.83	102.78	110.49	110.15
	Durazno	55,716	71.40	78.76	75.01	101.67	109.30	108.96
	Flores	25,030	72.24	80.44	76.26	103.36	111.12	110.78
	Florida	66,503	72.25	78.84	75.48	102.30	109.98	109.65
	Lavalleja	61,085	71.05	79.58	75.23	101.97	109.62	109.28
	Maldonado	127,502	71.39	79.64	75.43	102.24	109.91	109.57
	Paysandú	111,509	71.87	78.44	75.09	101.78	109.41	109.08
	Río Negro	51,713	71.75	78.76	75.19	101.91	109.56	109.22
	Rivera	98,472	69.07	77.46	73.18	99.19	106.63	106.30
	Rocha	70,292	68.88	78.38	73.54	99.67	107.15	106.83
	Salto	117,597	70.89	77.43	74.10	100.43	107.97	107.64
	San José	96,664	69.41	77.82	73.53	99.66	107.14	106.81
	Soriano	81,557	70.95	78.24	74.52	101.00	108.58	108.25
	Tacuarembó	84,919	69.39	77.63	73.43	99.53	106.99	106.67
	Treinta y Tres	49,502	69.83	76.73	73.21	99.23	106.67	106.35
	Total Uruguay	**3,163,763**	**69.90**	**77.68**	**73.78**	**100.00**	**107.50**	**107.18**
BO	Chuquisaca	549,835	59.06	62.51	60.74	97.85	N/A	88.24
	La Paz	2,268,824	60.48	64.14	62.26	100.29	N/A	90.45
	Cochabamba	1,408,071	60.07	63.45	61.72	99.41	N/A	89.65
	Oruro	383,498	55.90	59.32	57.57	92.74	N/A	83.63
	Potosí	746,618	55.37	58.75	57.02	91.84	N/A	82.82
	Tarija	368,506	64.08	67.67	65.84	106.05	N/A	95.63
	Santa Cruz	1,651,951	64.60	68.12	66.31	106.82	N/A	96.33
	Beni	336,633	58.81	62.21	60.46	97.40	N/A	87.83
	Pando	53,124	59.57	62.78	61.14	98.48	N/A	88.81
	Total Bolivia	**7,767,060**	**60.42**	**63.81**	**62.08**	**100.00**	**N/A**	**90.17**
CL	**Total Chile**	**15,010,755**	**72.28**	**78.26**	**75.21**	**100.00**	**N/A**	**109.25**
	MERCOSUR 4	**203,727,823**	**N/A**	**N/A**	**68.63**	**N/A**	**100.00**	**99.70**
	MERCOSUR 6	**226,505,638**	**N/A**	**N/A**	**68.84**	**N/A**	**N/A**	**100.00**

Map A2.11. Life expectancy at birth: regional data compared to the Mercosur 6 average (%)



A2.4.4. Students registered in primary and secondary education per 1000 people

			Students in Primary and Secondary school		Region compared to		
	Region	**Population**	**Total n° of students**	**N° of students per 1000 people**	**Nation**	**M 4**	**M 6**
AR	Ciudad de Buenos Aires	3,027,886	479,458	158.3	72.27	60.69	61.69
	Buenos Aires	13,379,401	2,812,918	210.2	95.96	80.58	81.90
	Catamarca	289,212	77,639	268.5	122.52	102.89	104.58
	Córdoba	2,929,734	621,543	212.1	96.83	81.31	82.65
	Corrientes	857,685	229,253	267.3	122.00	102.45	104.13
	Chaco	895,900	226,683	253.0	115.48	96.98	98.57
	Chubut	399,125	96,450	241.7	110.29	92.62	94.14
	Entre Ríos	1,069,102	247,821	231.8	105.80	88.85	90.30
	Formosa	447,094	128,258	286.9	130.93	109.95	111.75
	Jujuy	555,097	151,827	273.5	124.84	104.83	106.55
	La Pampa	282,356	60,784	215.3	98.25	82.51	83.86
	La Rioja	247,575	63,674	257.2	117.39	98.58	100.19
	Mendoza	1,508,959	330,722	219.2	100.03	84.01	85.38
	Misiones	884,291	232,820	263.3	120.17	100.91	102.57
	Neuquén	463,266	114,681	247.5	112.98	94.88	96.44
	Río Negro	559,590	133,165	238.0	108.61	91.21	92.70
	Salta	958,094	263,319	274.8	125.44	105.34	107.07
	San Juan	555,223	129,649	233.5	106.58	89.50	90.97
	San Luis	321,890	76,489	237.6	108.45	91.08	92.57
	Santa Cruz	181,198	44,986	248.3	113.31	95.16	96.72
	Santa Fe	2,949,050	619,211	210.0	95.83	80.48	81.80
	Santiago del Estero	700,114	178,953	255.6	116.66	97.97	99.57
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	23,126	257.0	117.29	98.50	100.11
	Tucumán	1,216,623	273,435	224.7	102.58	86.14	87.55
	Total Argentina	**34,768,457**	**7,616,864**	**219.1**	**100.00**	**83.97**	**85.34**
BR	*NORTH*	*11,736,040*	*3,821,020*	*325.6*	*119.39*	*124.79*	*126.83*
	Rondônia	1,289,365	363,490	281.9	103.38	108.05	109.82
	Acre	504,489	167,116	331.3	121.47	126.97	129.04
	Amazonas	2,460,434	763,306	310.2	113.76	118.91	120.85
	Roraima	258,088	98,832	382.9	140.43	146.78	149.18
	Pará	5,724,140	1,853,697	323.8	118.75	124.12	126.15
	Amapá	402,557	155,739	386.9	141.87	148.28	150.71
	Tocantins	1,096,967	418,840	381.8	140.01	146.35	148.74
	NORTHEAST	*45,854,455*	*14,224,725*	*310.2*	*113.76*	*118.90*	*120.85*
	Maranhão	5,349,575	1,819,203	340.1	124.70	130.34	132.48
	Piauí	2,758,129	865,592	313.8	115.08	120.29	122.26
	Ceará	7,010,107	2,129,934	303.8	111.42	116.46	118.36
	Rio Grande do Norte	2,641,355	772,597	292.5	107.26	112.11	113.95
	Paraíba	3,433,234	1,003,277	292.2	107.16	112.01	113.84
	Pernambuco	7,548,183	2,150,306	284.9	104.47	109.19	110.98
	Alagoas	2,754,697	779,957	283.1	103.83	108.52	110.30
	Sergipe	1,662,168	496,578	298.8	109.55	114.51	116.38
	Bahia	12,697,007	4,207,281	331.4	121.51	127.01	129.08
	SOUTHEAST	*68,331,524*	*16,943,687*	*248.0*	*90.93*	*95.04*	*96.60*

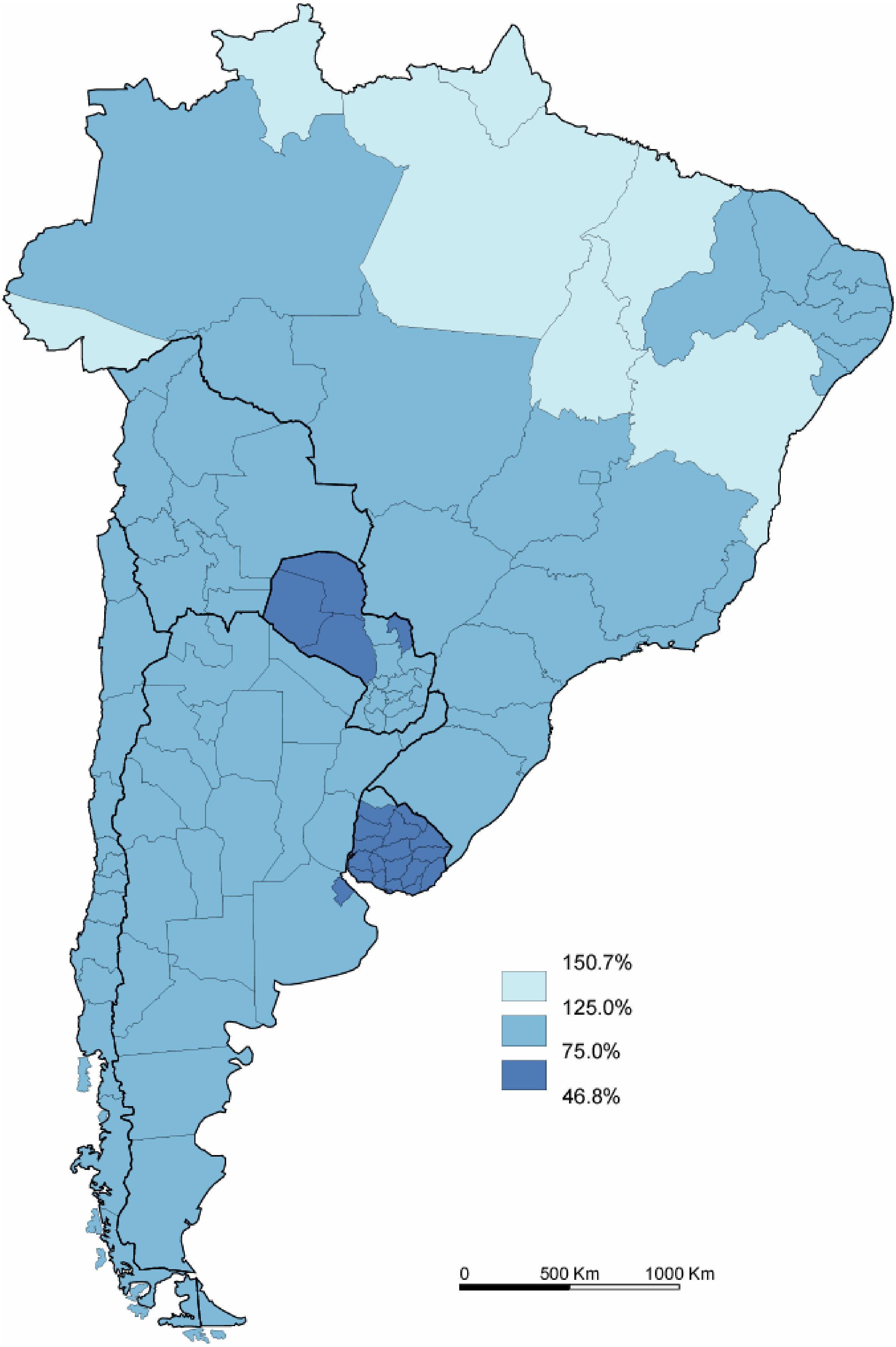
Students registered in primary and secondary education per 1000 people (continued)

			Students in Primary and Secondary school		Region compared to		
	Region	**Population**	**Total n° of students**	**N° of students per 1000 people**	**Nation**	**M 4**	**M 6**
BR	Minas Gerais	17,024,849	4,676,952	274.7	100.74	105.29	107.02
	Espirito Santo	2,916,530	778,082	266.8	97.83	102.26	103.93
	Rio de Janeiro	13,490,380	3,115,957	231.0	84.70	88.53	89.98
	São Paulo	34,899,765	8,372,696	239.9	87.97	91.95	93.46
	SOUTH	*23,963,075*	*5,677,996*	*236.9*	*86.89*	*90.82*	*92.31*
	Paraná	9,154,360	2,250,682	245.9	90.16	94.23	95.78
	Santa Catarina	5,032,175	1,216,829	241.8	88.67	92.68	94.20
	Rio Grande do Sul	9,776,540	2,210,485	226.1	82.91	86.66	88.08
	CENTRAL WEST	*10,825,181*	*3,161,513*	*292.1*	*107.10*	*111.94*	*113.77*
	Mato Grosso do Sul	1,985,579	549,031	276.5	101.40	105.98	107.72
	Mato Grosso	2,335,344	697,674	298.7	109.55	114.51	116.38
	Goiás	4,629,154	1,379,808	298.1	109.30	114.25	116.12
	Federal District	1,875,104	535,000	285.3	104.63	109.36	111.15
	Total Brazil	**160,710,275**	**43,828,941**	**272.7**	**100.00**	**104.53**	**106.24**
PY	Asunción	550,060	143,858	261.5	113.86	100.24	101.88
	Concepción	185,496	49,328	265.9	115.77	101.93	103.59
	San Pedro	332,926	82,258	247.1	107.56	94.70	96.25
	Cordillera	215,663	56,682	262.8	114.42	100.74	102.39
	Guairá	173,668	44,685	257.3	112.02	98.62	100.23
	Caaguazú	442,161	111,519	252.2	109.80	96.67	98.25
	Caazapá	141,559	39,217	277.0	120.61	106.18	107.92
	Itapúa	454,757	108,474	238.5	103.84	91.43	92.92
	Misiones	98,607	28,384	287.8	125.32	110.33	112.13
	Paraguarí	247,675	53,351	215.4	93.78	82.56	83.91
	Alto Paraná	595,276	120,965	203.2	88.47	77.89	79.16
	Central	1,174,212	236,055	201.0	87.52	77.05	78.31
	Ñeembucú	86,965	17,763	204.3	88.92	78.29	79.57
	Amambay	127,011	22,798	179.5	78.14	68.80	69.92
	Canindeyú	133,075	32,440	243.8	106.13	93.44	94.96
	Pdte. Hayes	77,145	13,746	178.2	77.57	68.30	69.41
	Boquerón	35,241	4,237	120.2	52.34	46.08	46.84
	Alto Paraguay	13,831	2,536	183.4	79.82	70.28	71.43
	Total Paraguay	**5,085,328**	**1,168,296**	**229.7**	**100.00**	**88.06**	**89.50**
UY	Montevideo	1,344,839	218,700	162.6	94.60	62.33	63.35
	Artigas	75,059	15,872	211.5	123.01	81.05	82.38
	Canelones	443,053	75,937	171.4	99.71	65.69	66.77
	Cerro Largo	82,510	14,548	176.3	102.57	67.58	68.69
	Colonia	120,241	19,807	164.7	95.83	63.14	64.17
	Durazno	55,716	10,370	186.1	108.27	71.34	72.51
	Flores	25,030	4,234	169.2	98.40	64.84	65.90
	Florida	66,503	10,928	164.3	95.59	62.98	64.01
	Lavalleja	61,085	9,988	163.5	95.12	62.67	63.70
	Maldonado	127,502	23,024	180.6	105.05	69.21	70.35
	Paysandú	111,509	20,314	182.2	105.98	69.83	70.97
	Río Negro	51,713	9,815	189.8	110.41	72.75	73.94
	Rivera	98,472	19,123	194.2	112.97	74.43	75.65
	Rocha	70,292	12,277	174.7	101.60	66.94	68.04

Students registered in primary and secondary education per 1000 people (end)

			Students in Primary and Secondary school		Region compared to		
	Region	**Population**	**Total n° of students**	**N° of students per 1000 people**	**Nation**	**M 4**	**M 6**
UY	Salto	117,597	23,110	196.5	114.32	75.32	76.56
	San José	96,664	15,588	161.3	93.81	61.81	62.82
	Soriano	81,557	14,817	181.7	105.69	69.63	70.77
	Tacuarembó	84,919	16,649	196.1	114.05	75.15	76.38
	Treinta y Tres	49,502	8,810	178.0	103.53	68.21	69.33
	Total Uruguay	**3,163,763**	**543,911**	**171.9**	**100.00**	**65.89**	**66.97**
BO	Chuquisaca	549,835	116,275	211.5	87.35	N/A	82.38
	La Paz	2,268,824	537,091	236.7	97.78	N/A	92.22
	Cochabamba	1,408,071	324,787	230.7	95.28	N/A	89.86
	Oruro	383,498	106,558	277.9	114.77	N/A	108.24
	Potosí	746,618	180,405	241.6	99.81	N/A	94.13
	Tarija	368,506	86,494	234.7	96.95	N/A	91.44
	Santa Cruz	1,651,951	419,938	254.2	105.00	N/A	99.03
	Beni	336,633	97,413	289.4	119.53	N/A	112.73
	Pando	53,124	11,593	218.2	90.14	N/A	85.01
	Total Bolivia	**7,767,060**	**1,880,554**	**242.1**	**100.00**	**N/A**	**94.32**
CL	Tarapacá	385,620	90,361	234.3	112.87	N/A	91.28
	Antofagasta	462,286	102,425	221.6	106.73	N/A	86.31
	Atacama	269,047	58,973	219.2	105.58	N/A	85.39
	Coquimbo	569,825	127,356	223.5	107.66	N/A	87.07
	Valparaíso	1,543,566	324,892	210.5	101.39	N/A	82.00
	Del Libertador	778,801	162,528	208.7	100.53	N/A	81.30
	Del Maule	906,882	193,090	212.9	102.56	N/A	82.94
	Del Biobío	1,915,844	404,174	211.0	101.62	N/A	82.18
	De La Araucanía	864,975	188,743	218.2	105.11	N/A	85.00
	De Los Lagos	1,050,558	219,416	208.9	100.61	N/A	81.36
	De Aysén	93,636	20,559	219.6	105.76	N/A	85.53
	De Magallanes	156,530	31,005	198.1	95.41	N/A	77.16
	Metropolitana de Santiago	6,013,185	1,192,624	198.3	95.54	N/A	77.26
	Total Chile	**15,010,755**	**3,116,146**	**207.6**	**100.00**	**N/A**	**80.87**
	MERCOSUR 4	**203,727,823**	**53,158,012**	**260.9**	**N/A**	**100.00**	**101.65**
	MERCOSUR 6	**226,505,638**	**58,154,712**	**256.7**	**N/A**	**N/A**	**100.00**

Map A2.12. Primary and secondary school students per 1000 people: regional data compared to the Mercosur 6 average (%)



A2.4.5. Literacy rate

	Region	Population	Pop >15yrs*	Alphabets	% of alphabets	Region compared to Nation	M 4	M 6
AR	Ciudad de Buenos Aires	3,027,886	2,398,341	2,378,455	99.17	103.35	113.51	113.27
	Buenos Aires	13,379,401	8,947,528	8,711,800	97.37	101.46	111.44	111.21
	Catamarca	289,212	167,143	158,778	95.00	98.99	108.73	108.50
	Córdoba	2,929,734	1,962,034	1,893,078	96.49	100.55	110.43	110.21
	Corrientes	857,685	500,129	448,463	89.67	93.44	102.63	102.42
	Chaco	895,900	515,710	451,681	87.58	91.27	100.25	100.04
	Chubut	399,125	230,597	218,853	94.91	98.90	108.63	108.40
	Entre Ríos	1,069,102	688,638	651,363	94.59	98.57	108.26	108.04
	Formosa	447,094	239,147	216,740	90.63	94.45	103.73	103.52
	Jujuy	555,097	311,487	286,817	92.08	95.96	105.39	105.17
	La Pampa	282,356	178,806	170,719	95.48	99.50	109.28	109.05
	La Rioja	247,575	140,454	134,318	95.63	99.66	109.46	109.23
	Mendoza	1,508,959	961,055	912,503	94.95	98.95	108.67	108.45
	Misiones	884,291	471,363	428,019	90.80	94.63	103.93	103.72
	Neuquén	463,266	244,332	229,539	93.95	97.90	107.53	107.31
	Río Negro	559,590	327,170	306,669	93.73	97.68	107.28	107.06
	Salta	958,094	532,885	492,071	92.34	96.23	105.69	105.47
	San Juan	555,223	350,440	333,983	95.30	99.32	109.08	108.86
	San Luis	321,890	191,928	182,907	95.30	99.31	109.08	108.85
	Santa Cruz	181,198	104,195	101,600	97.51	101.61	111.61	111.38
	Santa Fe	2,949,050	1,971,421	1,892,440	95.99	100.04	109.87	109.64
	Santiago del Estero	700,114	412,812	373,212	90.41	94.21	103.48	103.26
	Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	44,463	43,918	98.77	102.93	113.05	112.82
	Tucumán	1,216,623	744,767	703,906	94.51	98.49	108.18	107.95
	Total Argentina	**34,768,457**	**22,636,845**	**21,721,832**	**95.96**	**100.00**	**109.83**	**109.60**
BR	*NORTH*	*11,736,040*	*4,837,220*	*4,183,078*	*86.48*	*101.39*	*98.98*	*98.77*
	Rondônia	1,289,365	522,585	469,016	89.75	105.23	102.72	102.51
	Acre	504,489	209,555	171,258	81.72	95.82	93.54	93.35
	Amazonas	2,460,434	1,161,829	1,050,742	90.44	106.04	103.51	103.30
	Roraima	258,088	113,244	99,593	87.95	103.11	100.66	100.45
	Pará	5,724,140	1,930,510	1,678,332	86.94	101.93	99.50	99.30
	Amapá	402,557	223,072	197,148	88.38	103.62	101.15	100.95
	Tocantins	1,096,967	676,425	516,989	76.43	89.61	87.48	87.30
	NORTHEAST	*45,854,455*	*29,581,619*	*20,883,488*	*70.60*	*82.77*	*80.80*	*80.64*
	Maranhão	5,349,575	3,210,312	2,061,852	64.23	75.30	73.51	73.36
	Piauí	2,758,129	1,728,094	1,162,892	67.29	78.90	77.02	76.86
	Ceará	7,010,107	4,391,629	3,040,353	69.23	81.17	79.24	79.08
	Rio Grande do Norte	2,641,355	1,720,503	1,254,783	72.93	85.51	83.47	83.30
	Paraíba	3,433,234	2,246,361	1,579,278	70.30	82.43	80.47	80.30
	Pernambuco	7,548,183	5,008,029	3,682,623	73.53	86.22	84.16	83.99
	Alagoas	2,754,697	1,716,599	1,094,599	63.77	74.76	72.98	72.83
	Sergipe	1,662,168	1,078,533	80,562	7.47	8.76	8.55	8.53
	Bahia	12,697,007	8,481,559	6,201,488	73.12	85.73	83.69	83.51
	SOUTHEAST	*68,331,524*	*49,373,954*	*45,141,012*	*91.43*	*107.20*	*104.64*	*104.43*
	Minas Gerais	17,024,849	11,828,976	10,272,883	86.85	101.82	99.40	99.19
	Espirito Santo	2,916,530	1,971,353	1,697,787	86.12	100.98	98.57	98.37
	Rio de Janeiro	13,490,380	10,227,028	9,549,266	93.37	109.48	106.87	106.65

Literacy rate (continued)

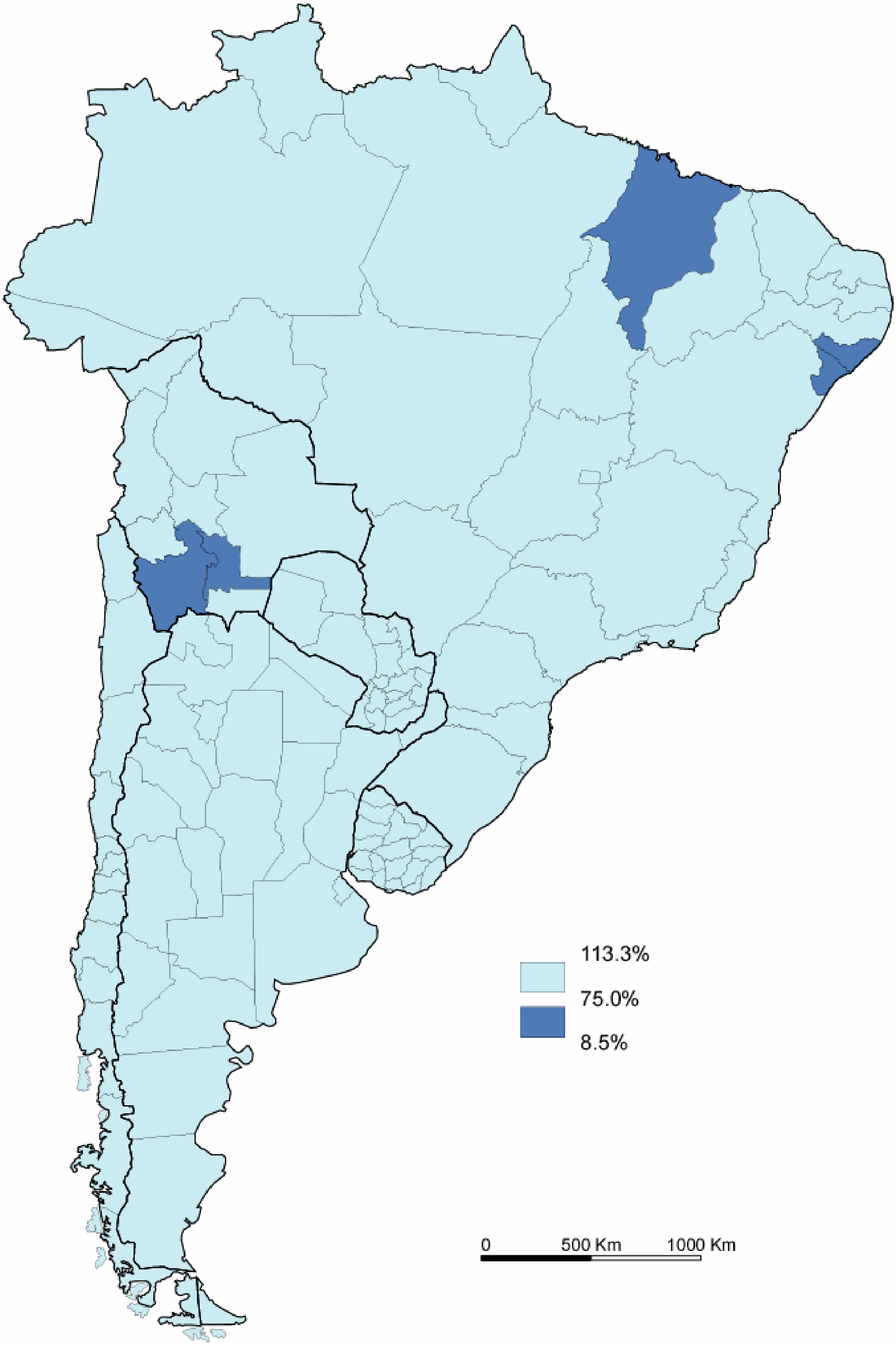
	Region	Population	Pop >15yrs*	Alphabets	% of alphabets	Region compared to Nation	M 4	M 6
BR	São Paulo	34,899,765	25,346,597	23,621,076	93.19	109.27	106.66	106.44
	SOUTH	*23,963,075*	*16,819,272*	*15,426,238*	*91.72*	*107.54*	*104.98*	*104.76*
	Paraná	9,154,360	6,320,815	5,650,453	89.39	104.81	102.32	102.11
	Santa Catarina	5,032,175	3,433,489	3,206,543	93.39	109.50	106.89	106.67
	Rio Grande do Sul	9,776,540	7,064,968	6,569,242	92.98	109.02	106.42	106.21
	CENTRAL WEST	*10,825,181*	*7,421,562*	*6,502,793*	*87.62*	*102.73*	*100.29*	*100.08*
	Mato Grosso do Sul	1,985,579	1,332,830	1,171,916	87.93	103.09	100.64	100.43
	Mato Grosso	2,335,344	1,541,748	1,320,446	85.65	100.42	98.03	97.83
	Goiás	4,629,154	3,222,134	2,764,976	85.81	100.61	98.22	98.01
	Federal District	1,875,104	1,324,850	1,245,455	94.01	110.22	107.60	107.38
	Total Brazil	**160,710,275**	**108,033,627**	**92,136,609**	**85.29**	**100.00**	**97.61**	**97.41**
PY	Asunción	550,060	352,112	337,104	95.74	106.42	109.58	109.35
	Concepción	185,496	87,359	76,345	87.39	97.15	100.03	99.82
	San Pedro	332,926	146,870	131,324	89.42	99.39	102.34	102.13
	Cordillera	215,663	114,803	104,395	90.93	101.08	104.08	103.87
	Guairá	173,668	91,682	79,681	86.91	96.61	99.47	99.27
	Caaguazú	442,161	207,409	185,871	89.62	99.62	102.57	102.36
	Caazapá	141,559	67,738	57,874	85.44	94.97	97.79	97.59
	Itapúa	454,757	202,819	178,213	87.87	97.67	100.57	100.36
	Misiones	98,607	49,976	43,460	86.96	96.67	99.53	99.33
	Paraguarí	247,675	120,270	107,470	89.36	99.33	102.27	102.06
	Alto Paraná	595,276	232,759	204,284	87.77	97.56	100.45	100.25
	Central	1,174,212	532,890	501,395	94.09	104.59	107.69	107.47
	Ñeembucú	86,965	42,923	37,055	86.33	95.96	98.81	98.61
	Amambay	127,011	55,763	44,616	80.01	88.94	91.58	91.39
	Canindeyú	133,075	58,140	45,321	77.95	86.65	89.22	89.04
	Pdte. Hayes	77,145	38,449	29,354	76.35	84.87	87.38	87.20
	Boquerón	35,241	18,460	14,503	78.56	87.33	89.92	89.74
	Alto Paraguay	13,831	7,063	5,396	76.40	84.92	87.44	87.26
	Total Paraguay	**5,085,328**	**2,427,485**	**2,183,661**	**89.96**	**100.00**	**102.96**	**102.75**
UY	Montevideo	1,344,839	1,147,332	1,127,432	98.27	101.38	112.47	112.24
	Artigas	75,059	58,583	55,383	94.54	97.53	108.20	107.98
	Canelones	443,053	364,854	353,154	96.79	99.86	110.79	110.56
	Cerro Largo	82,510	67,169	63,069	93.90	96.87	107.47	107.25
	Colonia	120,241	100,344	97,444	97.11	100.19	111.15	110.92
	Durazno	55,716	44,531	42,531	95.51	98.53	109.32	109.09
	Flores	25,030	20,679	19,879	96.13	99.18	110.03	109.80
	Florida	66,503	55,052	52,782	95.88	98.91	109.74	109.51
	Lavalleja	61,085	51,043	48,843	95.69	98.72	109.52	109.30
	Maldonado	127,502	104,800	102,200	97.52	100.61	111.62	111.39
	Paysandú	111,509	89,615	86,415	96.43	99.48	110.37	110.14
	Río Negro	51,713	41,171	39,371	95.63	98.66	109.45	109.23
	Rivera	98,472	78,393	73,093	93.24	96.19	106.72	106.50
	Rocha	70,292	58,196	55,396	95.19	98.20	108.95	108.72
	Salto	117,597	93,153	89,023	95.57	98.59	109.38	109.16
	San José	96,664	80,215	77,015	96.01	99.05	109.89	109.66
	Soriano	81,557	66,583	63,883	95.94	98.98	109.81	109.59
	Tacuarembó	84,919	68,016	64,216	94.41	97.40	108.06	107.84
	Treinta y Tres	49,502	39,925	37,925	94.99	98.00	108.72	108.50

Literacy rate (end)

	Region	Population	Pop >15yrs*	Alphabets	% of alphabets	Region compared to Nation	M 4	M 6
UY	**Total Uruguay**	**3,163,763**	**2,629,654**	**2,549,054**	**96.93**	**100.00**	**110.95**	**110.72**
BO	Chuquisaca	549,835	252,733	152,948	60.52	75.66	N/A	69.12
	La Paz	2,268,824	1,149,511	955,543	83.13	103.92	N/A	94.95
	Cochabamba	1,408,071	653,584	515,106	78.81	98.53	N/A	90.02
	Oruro	383,498	199,638	168,907	84.61	105.77	N/A	96.64
	Potosi	746,618	361,245	223,271	61.81	77.27	N/A	70.60
	Tarija	368,506	166,205	130,938	78.78	98.49	N/A	89.98
	Santa Cruz	1,651,951	774,013	688,344	88.93	111.18	N/A	101.58
	Beni	336,633	145,078	126,454	87.16	108.97	N/A	99.56
	Pando	53,124	20,692	16,342	78.98	98.73	N/A	90.21
	Total Bolivia	**7,767,060**	**3,722,699**	**2,977,853**	**79.99**	**100.00**	**N/A**	**91.37**
CL	Tarapacá	385,620	269,646	263,221	97.62	105.65	N/A	111.50
	Antofagasta	462,286	323,551	316,731	97.89	105.94	N/A	111.81
	Atacama	269,047	180,266	172,474	95.68	103.55	N/A	109.28
	Coquimbo	569,825	397,314	369,884	93.10	100.75	N/A	106.33
	Valparaíso	1,543,566	1,116,678	1,074,771	96.25	104.16	N/A	109.93
	Del Libertador	778,801	554,425	506,916	91.43	98.95	N/A	104.43
	Del Maule	906,882	665,111	596,413	89.67	97.05	N/A	102.42
	Del Biobío	1,915,844	1,375,751	1,253,706	91.13	98.62	N/A	104.09
	De La Araucanía	864,975	616,533	555,271	90.06	97.47	N/A	102.87
	De Los Lagos	1,050,558	753,018	691,703	91.86	99.41	N/A	104.92
	De Aysén	93,636	62,543	58,377	93.34	101.02	N/A	106.61
	De Magallanes	156,530	114,786	109,563	95.45	103.30	N/A	109.02
	Metropolitana de Santiago	6,013,185	4,164,046	3,819,845	91.73	99.28	N/A	104.78
	Total Chile	**15,010,755**	**10,593,668**	**9,788,875**	**92.40**	**100.00**	**N/A**	**105.54**
	MERCOSUR 4	**203,727,823**	**135,727,611**	**118,591,156**	**87.37**	**N/A**	**100.00**	**99.80**
	MERCOSUR 6	**226,505,638**	**150,043,978**	**131,357,884**	**87.55**	**N/A**	**N/A**	**100.00**

* In Uruguay and in Chile the population for which statistics were available is that over 10 years and not 15.

Map A2.13. Literacy rate: regional data compared to the Mercosur 6 average (%)



A2.5. Synthesising table: the 12 indicators of development compared to the Mercosur 6 average (%)

Region	Population	Economy: GDP/capita	Economy: Activity rate	Infrastructure: Roads	Infrastructure: Electricity	Infrastructure: Water	Infrastructure: Sewers	Infrastructure: Telephone	Social: Hospital Beds	Social: Doctors	Social: Life expectancy	Social: Students	Social: Alphabetisation
AR Ciudad de Buenos Aires	3,027,886	428.5	97.6	12.1	166.3	134.6	148.9	209.0	245.1	650.4	105.6	61.7	113.3
AR Buenos Aires	13,379,401	141.3	96.0	12.1	98.7	76.2	50.5	209.0	120.1	123.2	104.7	81.9	111.2
AR Catamarca	289,212	76.6	94.2	6.9	0.7	118.1	35.8	65.0	148.9	138.5	102.6	104.6	108.5
AR Córdoba	2,929,734	135.6	96.9	12.1	75.2	105.3	24.2	133.0	196.5	243.8	105.7	82.6	110.2
AR Corrientes	857,685	64.4	91.0	15.8	46.7	94.7	46.7	66.8	128.3	124.5	101.8	104.1	102.4
AR Chaco	895,900	58.3	102.7	8.8	50.4	81.9	20.6	51.7	149.7	111.6	100.3	98.6	100.0
AR Chubut	399,125	205.1	105.0	8.0	94.4	125.4	76.5	145.3	158.7	133.7	102.5	94.1	108.4
AR Entre Ríos	1,069,102	96.5	91.3	14.7	69.5	106.2	55.3	107.1	199.4	149.8	104.0	90.3	108.0
AR Formosa	447,094	40.1	100.5	14.4	36.6	79.8	30.8	31.9	121.1	74.6	100.8	111.8	103.5
AR Jujuy	555,097	55.9	92.9	11.2	29.4	117.5	57.5	44.8	183.0	144.3	99.3	106.6	105.2
AR La Pampa	282,356	164.8	102.2	8.8	70.1	90.8	49.8	148.3	135.0	141.9	104.0	83.9	109.1
AR La Rioja	247,575	158.1	98.1	15.3	46.0	120.0	35.6	85.0	159.4	134.8	102.2	100.2	109.2
AR Mendoza	1,508,959	88.7	95.0	9.2	118.2	109.1	59.2	124.5	98.7	181.3	105.6	85.4	108.5
AR Misiones	884,291	94.2	107.1	22.3	49.7	53.1	11.5	60.2	108.2	83.0	100.9	102.6	103.7
AR Neuquén	463,266	173.9	105.8	13.2	128.2	121.1	52.7	103.4	96.4	129.6	103.7	96.4	107.3
AR Río Negro	559,590	138.5	104.3	9.3	85.8	112.9	53.6	108.8	113.9	143.2	102.9	92.7	107.1
AR Salta	958,094	75.6	94.5	9.6	85.8	113.9	70.4	59.7	134.3	118.4	100.1	107.1	105.5
AR San Juan	555,223	97.0	90.7	7.3	68.4	115.6	19.4	106.9	101.0	168.1	103.3	91.0	108.9
AR San Luis	321,890	263.8	99.7	13.4	110.6	109.1	44.5	99.0	125.1	145.2	102.8	92.6	108.9

Synthesising table (continued)

Region	Population	Economy: GDP/capita	Economy: Activity rate	Infrastructure: Roads	Infrastructure: Electricity	Infrastructure: Water	Infrastructure: Sewers	Infrastructure: Telephone	Social: Hospital Beds	Social: Doctors	Social: Life expectancy	Social: Students	Social: Alphabetisation
AR Santa Cruz	181,198	289.9	111.0	7.8	52.5	128.5	75.0	105.0	210.1	110.4	102.3	96.7	111.4
AR Santa Fe	2,949,050	141.8	91.7	14.8	83.6	96.1	44.9	136.8	132.0	212.7	105.0	81.8	109.6
AR Santiago del Estero	700,114	39.1	90.3	8.5	0.0	77.8	22.7	45.0	195.5	104.9	101.4	99.6	103.3
AR Tierra del Fuego, Antártica e Islas del Atlántico Sur	89,992	277.8	123.0	0.7	93.0	128.7	120.4	772.7	79.1	74.3	101.9	100.1	112.8
AR Tucumán	1,216,623	71.4	87.6	17.8	47.7	112.1	52.9	72.7	100.9	186.6	103.2	87.6	108.0
AR Total Argentina	**34,768,457**	**155.3**	**96.0**	**8.1**	**85.8**	**94.7**	**55.4**	**153.2**	**143.6**	**192.0**	**104.5**	**85.3**	**109.6**
BR *NORTH*	*11,736,040*	*57.2*	*96.9*	*19.8*	*75.3*	*58.8*	*107.5*	*44.7*	*64.3*	*37.1*	*98.1*	*126.8*	*98.8*
BR Rondônia	1,289,365	56.8	102.8	74.5	43.6	46.3	107.5	42.1	64.3	27.6	97.8	109.8	102.5
BR Acre	504,489	45.4	99.9	11.7	34.1	56.7	107.5	55.7	64.3	23.0	97.8	129.0	93.3
BR Amazonas	2,460,434	102.2	87.9	3.0	55.0	86.5	107.5	60.2	52.3	36.5	98.7	120.9	103.3
BR Roraima	258,088	42.0	90.1	17.1	51.6	93.7	107.5	83.0	64.3	52.8	96.7	149.2	100.5
BR Pará	5,724,140	44.8	100.2	21.7	106.8	41.4	107.5	37.6	56.4	41.6	98.6	126.2	99.3
BR Amapá	402,557	66.1	83.6	11.1	47.5	81.5	107.5	70.2	64.3	31.9	99.0	150.7	100.9
BR Tocantins	1,096,967	27.4	108.9	70.4	28.0	86.6	107.5	27.1	90.8	31.3	98.0	148.7	87.3
BR *NORTHEAST*	*45,854,455*	*43.3*	*101.9*	*201.3*	*57.0*	*81.8*	*107.5*	*44.3*	*91.6*	*44.6*	*94.2*	*120.8*	*80.6*
BR Maranhão	5,349,575	24.2	119.7	125.2	92.1	57.3	107.5	24.9	148.5	23.2	92.9	132.5	73.4
BR Piauí	2,758,129	26.7	103.3	165.5	22.6	76.9	107.5	36.0	101.8	33.7	94.0	122.3	76.9
BR Ceará	7,010,107	43.8	102.6	260.2	44.0	67.0	107.5	55.5	78.0	44.2	95.1	118.4	79.1
BR Rio Grande do Norte	2,641,355	44.0	91.3	400.0	51.0	102.9	107.5	48.3	89.7	56.5	95.1	113.9	83.3
BR Paraíba	3,433,234	35.5	96.0	464.5	38.8	86.3	107.5	46.6	109.2	5.8	92.2	113.8	80.3

Synthesising table (continued)

	Region	Population	Economy: GDP/capita	Economy: Activity rate	Infrastructure: Roads	Infrastructure: Electricity	Infrastructure: Water	Infrastructure: Sewers	Infrastructure: Telephone	Social: Hospital Beds	Social: Doctors	Social: Life expectancy	Social: Students	Social: Alphabetisation
BR	Pernambuco	7,548,183	54.2	97.5	330.3	50.4	93.2	107.5	38.4	93.2	70.3	91.1	111.0	84.0
BR	Alagoas	2,754,697	36.4	90.4	368.3	68.7	83.8	107.5	42.5	89.6	59.3	90.4	110.3	72.8
BR	Sergipe	1,662,168	50.8	105.5	341.6	68.8	98.0	107.5	49.0	65.9	58.0	96.3	116.4	8.5
BR	Bahia	12,697,007	50.9	102.4	166.8	62.9	86.6	107.5	49.9	71.3	44.1	97.0	129.1	83.5
BR	*SOUTHEAST*	*68,331,524*	*130.2*	*98.7*	*409.6*	*141.4*	*117.4*	*107.5*	*115.9*	*106.1*	*113.9*	*100.2*	*96.6*	*104.4*
BR	Minas Gerais	17,024,849	89.3	102.4	313.0	126.6	106.4	107.5	88.6	98.4	80.1	101.0	107.0	99.2
BR	Espirito Santo	2,916,530	97.0	104.3	513.7	121.5	98.0	107.5	78.9	76.9	84.6	100.9	103.9	98.4
BR	Rio de Janeiro	13,490,380	126.3	92.3	398.0	134.4	115.4	107.5	106.1	143.1	148.2	97.5	90.0	106.7
BR	São Paulo	34,899,765	154.4	98.9	620.8	153.0	125.2	107.5	136.1	98.0	119.7	101.0	93.5	106.4
BR	*SOUTH*	*23,963,075*	*112.1*	*110.2*	*631.9*	*102.5*	*104.1*	*107.5*	*89.3*	*102.8*	*83.0*	*102.2*	*92.3*	*104.8*
BR	Paraná	9,154,360	100.7	108.0	1,034.3	96.1	109.6	107.5	92.5	106.6	70.3	100.9	95.8	102.1
BR	Santa Catarina	5,032,175	110.5	111.2	509.2	121.5	93.4	107.5	99.5	96.9	58.6	102.7	94.2	106.7
BR	Rio Grande do Sul	9,776,540	123.5	111.9	388.5	98.8	104.4	107.5	80.9	102.3	107.3	103.2	88.1	106.2
BR	*CENTRAL WEST*	*10,825,181*	*87.6*	*107.3*	*110.5*	*73.4*	*96.3*	*107.5*	*111.5*	*115.8*	*74.6*	*99.8*	*113.8*	*100.1*
BR	Mato Grosso do Sul	1,985,579	81.6	110.4	119.2	70.9	103.2	107.5	84.1	96.2	63.7	101.0	107.7	100.4
BR	Mato Grosso	2,335,344	68.4	112.8	72.4	66.8	83.0	107.5	67.2	90.5	36.3	99.2	116.4	97.8
BR	Goiás	4,629,154	60.4	106.2	201.2	69.1	88.3	107.5	75.6	156.1	59.7	100.0	116.1	98.0
BR	Federal District	1,875,104	184.9	100.6	199.0	94.7	125.2	107.5	284.4	68.7	170.8	99.5	111.1	107.4
BR	**Total Brazil**	**160,710,275**	**94.5**	**101.9**	**153.7**	**102.1**	**99.6**	**107.5**	**86.0**	**99.1**	**81.3**	**98.5**	**106.2**	**97.4**

Synthesising table (continued)

Region	Population	Economy: GDP/capita	Economy: Activity rate	Infrastructure: Roads	Infrastructure: Electricity	Infrastructure: Water	Infrastructure: Sewers	Infrastructure: Telephone	Social: Hospital Beds	Social: Doctors	Social: Life expectancy	Social: Students	Social: Alphabetisation
PY Asunción	550,060	32.7	93.3	126.5	86.7	80.9	63.0	19.4	10.3	282.2	101.4	101.9	109.4
PY Concepción	185,496	32.7	70.2	97.5	31.0	80.9	63.0	19.4	25.1	282.2	101.4	103.6	99.8
PY San Pedro	332,926	32.7	73.6	128.3	12.9	80.9	63.0	19.4	14.1	282.2	101.4	96.3	102.1
PY Cordillera	215,663	32.7	71.1	112.3	28.2	80.9	63.0	19.4	18.6	282.2	101.4	102.4	103.9
PY Guairá	173,668	32.7	75.3	151.6	27.8	80.9	63.0	19.4	25.3	282.2	101.4	100.2	99.3
PY Caaguazú	442,161	32.7	74.5	111.2	22.1	80.9	63.0	19.4	12.3	282.2	101.4	98.3	102.4
PY Caazapá	141,559	32.7	70.5	66.1	9.4	80.9	63.0	19.4	34.9	282.2	101.4	107.9	97.6
PY Itapúa	454,757	32.7	77.4	117.7	27.8	80.9	63.0	19.4	15.0	282.2	101.4	92.9	100.4
PY Misiones	98,607	32.7	68.8	50.9	54.9	80.9	63.0	19.4	23.1	282.2	101.4	112.1	99.3
PY Paraguarí	247,675	32.7	72.4	88.6	16.3	80.9	63.0	19.4	21.7	282.2	101.4	83.9	102.1
PY Alto Paraná	595,276	32.7	86.1	64.2	46.5	80.9	63.0	19.4	9.5	282.2	101.4	79.2	100.2
PY Central	1,174,212	32.7	84.6	126.5	86.7	80.9	63.0	19.4	4.4	282.2	101.4	78.3	107.5
PY Ñeembucú	86,965	32.7	73.4	42.8	34.7	80.9	63.0	19.4	31.7	282.2	101.4	79.6	98.6
PY Amambay	127,011	32.7	78.4	78.9	29.9	80.9	63.0	19.4	18.7	282.2	101.4	69.9	91.4
PY Canindeyú	133,075	32.7	82.5	57.0	19.4	80.9	63.0	19.4	14.7	282.2	101.4	95.0	89.0
PY Pdte. Hayes	77,145	32.7	77.9	22.4	68.9	80.9	63.0	19.4	26.2	282.2	101.4	69.4	87.2
PY Boquerón	35,241	32.7	72.3	23.1	3.7	80.9	63.0	19.4	29.1	282.2	101.4	46.8	89.7
PY Alto Paraguay	13,831	32.7	71.2	7.7	8.4	80.9	63.0	19.4	67.2	282.2	101.4	71.4	87.3
PY Total Paraguay	**5,085,328**	**32.7**	**80.2**	**45.8**	**48.4**	**80.9**	**63.0**	**19.4**	**21.6**	**282.2**	**101.4**	**89.5**	**102.7**

Synthesising table (continued)

Region	Population	Economy		Infrastructure					Social				
		GDP/capita	Activity rate	Roads	Electricity	Water	Sewers	Telephone	Hospital Beds	Doctors	Life expectancy	Students	Alphabetisation
UY Montevideo	1,344,839	123.4	98.4	131.5	148.6	126.8	149.0	286.1	97.7	420.8	108.1	63.4	112.2
UY Artigas	75,059	123.4	86.5	26.2	68.4	112.5	120.5	122.8	62.3	80.9	107.8	82.4	108.0
UY Canelones	443,053	123.4	97.0	191.9	140.5	113.0	145.0	212.9	7.7	105.7	109.0	66.8	110.6
UY Cerro Largo	82,510	123.4	87.8	28.1	79.1	104.7	143.4	134.5	78.1	68.4	106.8	68.7	107.2
UY Colonia	120,241	123.4	97.6	68.9	166.7	102.9	151.4	191.4	56.2	97.5	110.2	64.2	110.9
UY Durazno	55,716	123.4	91.9	24.6	69.9	107.9	145.3	138.2	65.6	93.6	109.0	72.5	109.1
UY Flores	25,030	123.4	93.4	43.0	112.3	112.0	148.1	160.2	197.2	90.7	110.8	65.9	109.8
UY Florida	66,503	123.4	91.9	52.2	96.3	97.1	145.9	167.1	68.0	107.9	109.6	64.0	109.5
UY Lavalleja	61,085	123.4	105.7	22.8	130.4	104.6	143.8	180.0	74.0	103.4	109.3	63.7	109.3
UY Maldonado	127,502	123.4	105.6	63.1	209.4	119.0	147.7	383.8	50.5	135.7	109.6	70.3	111.4
UY Paysandú	111,509	123.4	104.5	24.5	131.7	107.8	145.9	148.0	76.7	105.1	109.1	71.0	110.1
UY Río Negro	51,713	123.4	88.2	38.1	81.5	105.1	146.0	133.6	67.6	79.5	109.2	73.9	109.2
UY Rivera	98,472	123.4	89.0	37.0	82.4	102.0	143.5	144.8	55.7	76.6	106.3	75.7	106.5
UY Rocha	70,292	123.4	92.6	51.2	103.2	110.8	146.1	195.0	88.0	94.3	106.8	68.0	108.7
UY Salto	117,597	123.4	85.8	18.3	78.4	105.7	144.0	134.5	91.3	116.9	107.6	76.6	109.2
UY San José	96,664	123.4	95.4	61.7	155.7	81.2	144.0	174.0	47.4	70.4	106.8	62.8	109.7
UY Soriano	81,557	123.4	89.6	45.1	100.5	107.9	147.3	146.5	96.7	102.3	108.3	70.8	109.6
UY Tacuarembó	84,919	123.4	87.5	28.6	74.4	99.3	143.2	133.5	63.8	99.0	106.7	76.4	107.8
UY Treinta y Tres	49,502	123.4	89.7	23.3	112.1	108.2	144.2	152.6	125.6	84.3	106.3	69.3	108.5
UY Total Uruguay	**3,163,763**	**123.4**	**96.6**	**39.2**	**132.8**	**112.3**	**146.9**	**227.6**	**74.4**	**235.8**	**107.2**	**67.0**	**110.7**

Synthesising table (continued)

Region	Population	Economy		Infrastructure					Social				
		GDP/capita	Activity rate	Roads	Electricity	Water	Sewers	Telephone	Hospital Beds	Doctors	Life expectancy	Students	Alphabetisation
BO Chuquisaca	549,835	13.4	123.6	90.3	12.5	73.6	60.9	18.4	47.5	36.8	88.2	82.4	69.1
BO La Paz	2,268,824	15.4	116.3	53.8	27.2	107.2	84.4	47.1	46.5	38.9	90.4	92.2	94.9
BO Cochabamba	1,408,071	17.5	124.8	87.3	24.3	86.6	97.3	20.0	38.4	26.9	89.7	89.9	90.0
BO Oruro	383,498	21.9	106.9	67.7	32.8	97.8	48.6	39.7	57.2	33.9	83.6	108.2	96.6
BO Potosí	746,618	9.5	115.6	76.3	7.3	68.7	36.8	24.8	45.3	25.5	82.8	94.1	70.6
BO Tarija	368,506	18.9	131.0	56.7	48.1	100.0	108.0	35.7	69.2	43.3	95.6	91.4	90.0
BO Santa Cruz	1,651,951	23.8	122.3	19.5	41.2	112.8	135.8	47.6	49.7	37.5	96.3	99.0	101.6
BO Beni	336,633	17.1	125.1	12.2	48.1	76.9	128.9	29.7	57.5	46.8	87.8	112.7	99.6
BO Pando	53,124	21.6	160.3	15.8	48.1	44.2	103.7	12.4	32.6	45.0	88.8	85.0	90.2
BO Total Bolivia	**7,767,060**	**17.4**	**120.2**	**38.5**	**29.0**	**95.8**	**90.8**	**36.2**	**47.7**	**35.3**	**90.2**	**94.3**	**91.4**
CL Tarapacá	385,620	113.7	95.3	61.9	157.6	119.7	126.5	147.5	64.7	35.0	109.3	91.3	111.5
CL Antofagasta	462,286	203.5	85.5	35.0	157.6	126.4	129.5	164.4	72.7	24.3	109.3	86.3	111.8
CL Atacama	269,047	106.1	99.0	67.1	157.6	120.3	124.2	89.7	57.2	24.4	109.3	85.4	109.3
CL Coquimbo	569,825	48.7	87.6	96.7	157.6	120.8	125.2	103.0	62.3	26.5	109.3	87.1	106.3
CL Valparaíso	1,543,566	62.2	87.2	160.3	157.6	123.1	133.1	171.3	83.0	35.3	109.3	82.0	109.9
CL Del Libertador	778,801	65.0	85.4	197.6	157.6	121.2	132.0	89.2	59.2	21.3	109.3	81.3	104.4
CL Del Maule	906,882	51.7	88.5	192.4	157.6	121.3	133.0	71.5	73.7	23.4	109.3	82.9	102.4
CL Del Biobío	1,915,844	50.8	84.2	246.4	157.6	123.1	134.2	102.6	72.3	30.1	109.3	82.2	104.1
CL De La Araucanía	864,975	31.1	80.7	307.9	157.6	120.0	131.4	85.5	86.2	30.2	109.3	85.0	102.9

Synthesising table (end)

	Region	Population	Economy		Infrastructure					Social				
	Region	**Population**	GDP/capita	Activity rate	Roads	Electricity	Water	Sewers	Telephone	Hospital Beds	Doctors	Life expectancy	Students	Alphabetisation
CL	De Los Lagos	1,050,558	44.1	87.1	125.3	157.6	121.9	132.3	101.5	79.7	33.5	109.3	81.4	104.9
CL	De Aysén	93,636	60.8	100.1	18.8	157.6	123.2	120.3	124.6	98.2	48.5	109.3	85.5	106.6
CL	De Magallanes	156,530	147.4	96.8	19.5	157.6	129.7	130.3	178.9	108.9	39.6	109.3	77.2	109.0
CL	Metropolitana de Santiago	6,013,185	89.3	99.7	127.9	157.6	123.6	129.1	228.0	53.0	35.8	109.3	77.3	104.8
CL	**Total Chile**	**15,010,755**	**90.9**	**92.0**	**83.0**	**157.6**	**122.8**	**130.6**	**160.0**	**66.1**	**32.2**	**109.3**	**80.9**	**105.5**
	MERCOSUR 4	**203,727,823**	**103.8**	**100.5**	**106.2**	**98.5**	**98.5**	**98.1**	**98.0**	**104.4**	**107.6**	**99.7**	**101.6**	**99.8**
	MERCOSUR 6	**226,505,638**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
(a)	**Regions <75%**		**44.1**	**72.3**	**22.0**	**50.6**	**56.2**	**47.8**	**44.1**	**60.7**	**45.3**	**N/A**	**64.3**	**62.4**
(b)	**Population <75%**		**88.4**	**1.2**	**58.0**	**77.9**	**22.1**	**38.0**	**80.2**	**63.6**	**104.4**	**0.0**	**6.4**	**11.0**
(c)	**% of population <75%**		**39.0**	**0.5**	**25.6**	**34.4**	**9.8**	**16.8**	**35.4**	**28.1**	**46.1**	**N/A**	**2.8**	**4.9**

(a) Regions < 75%: for each indicator, average value for the group of regions being under the 75% threshold
(b) Population <75%: total population (in millions) living in regions under the 75% threshold for each indicator
(c) % of population <75%: percentage of the Mercosur 6 population living in regions under the 75% threshold

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Banco Nacional de Desenvolvimento Econômico e Social: www.bndes.gov.br

Consultative Group on International Agricultural Research: www.cgiar.org

Corporación Andina de Fomento: www.caf.com

Dirección General de Estadística, Encuestas y Censos (Paraguay): www.dgeec.gov.py

European Union: www.europa.eu.int

Fonplata: www.fonplata.org

Instituto Brazileiro de Geografia e Estatística (Brazil): www.ibge.gov.br

Instituto Nacional de Estadística (Bolivia): www.ine.gov.bo

Instituto Nacional de Estadística (Uruguay): www.ine.gub.uy

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Instituto Nacional de Estadísticas (Chile): www.ine.cl

Inter-American Development Bank: www.iadb.org

International Monetary Fund: www.imf.org

Organisation for Economic Co-operation and Development : www.oecd.org

Organisation of American States: www.oas.org

Pan American Health Organization: www.paho.org

Secretaria Administrativo del Mercosur: www.mercosur.org.uy

United Nations: www.un.org

World Bank: www.worldbank.org

For internet sites related to statistics please see the list at the beginning of Annex 2.