

**Determinants of Success  
in the Integration  
at the Sub-regional Level**

A Comparative Study between the Andean Community and the Baltic Sea  
Region



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## **Determinants of Success in the Integration at the Sub-regional Level**

A Comparative Study between the Andean Community and the Baltic Sea Region

### *Abstract*

This paper sheds light on the determinants that can explain the differences in the outcomes among processes of integration at the sub-regional level. For this purpose, I compare two different sub-regions facing processes of integration: the Andean Community and the Baltic Sea Region. These cases represent extreme cases of success and failure. To simplify the analysis, the evaluation of the degree of success of these outcomes is measured by the levels of cooperation and integration among the participating countries of the bloc in four political or economic aspects: flows of trade within the region, flows of investment within the region, the implementation of relevant projects at the sub-regional level, and the achievements of the sub-regional institutions. I find that on one hand, the integration process of the Baltic Sea Region has been one of the most successful in its category. On the other hand, the integration in the Andean Region has produced poor results despite its longer duration. How can these different outcomes be understood and explained? I find that the main determinants to explain these differences were: (1) the level of institutional development of the macro-region to which each sub-region belongs (the European Union versus the Organization of American States), (2) the quality of democracy of the countries forming the sub-regional bloc, (3) the level of economic integration of the economic regions to which each sub-region belongs (freedom for trading within the European Union versus freedom for trading within the Free Trade Area of the Americas), and (4) total economic size of the sub-regions and national trade policies.

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## **I. Introduction: regional and sub-regional levels of analysis**

Several processes of integration have been implemented in different continents around the world during the last fifty years. Increasing political cooperation and economic prosperity has been the main goals of these initiatives. At the regional level, the most successful project of political and economic integration has been the construction of the European Union. For centuries, Europe was the scene of bloody wars that destroyed the continent several times. From 1870 to 1945, France and Germany fought each other three times, with terrible losses of lives and resources. A number of European leaders became convinced that the only way to secure a lasting peace among their countries was to unite them economically and politically. Thus, embracing both types of integration (political and economic integration) would reduce the likelihood of a new war in the continent (Zurcher, 1958).

Since then, the European Union, which was called the European Coal and Steel Community (ECSC) in 1951, has grown in size with successive waves of accessions. Denmark, Ireland and the United Kingdom joined the organization in 1973 followed by Greece in 1981; Spain and Portugal in 1986; and Austria, Finland, and Sweden in 1995 (Vanthoor, 2002). Then, the European Union welcomed ten new countries in 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. These twenty-five countries have integrated most of their markets and political institutions within the framework of this continental organization. There are only a few differences among the new members concerning the speed of integration (Hansen, 2005).<sup>1</sup>

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<sup>1</sup> It took some time for the member states to remove all the barriers to trade between them and to turn their "common market" into a genuine single market in which goods, services, people, and capital could move around freely. The single market was formally completed at the end of 1992, though there is still work to be done in some areas - for example, to create a genuinely single market in financial services and a single labor market for the entire region. Likewise, during the 1990s it became increasingly easy for people to move around in Europe, as passport and customs checks were abolished at most of the European Union's internal borders. One consequence is greater mobility for European Union citizens. Thus, since 1987, for example, more than a million young

Within the European Union, different types of transnational institutions were developed at the regional and sub-regional levels in order to incorporate the participating countries.<sup>2</sup> At the sub-regional level, several initiatives were put into practice by the members of the European Union in order to enhance economic cooperation, political integration, and coordination for specific policies. These sub-regions were primarily formed by groups of neighboring EU countries such as Benelux (Netherlands, Belgium, and Luxembourg), and the Baltic Sea Region (Germany, Sweden, Poland, Denmark, Finland, Latvia, Estonia, and Lithuania) (Kapustans, 1996).

As I note later, the Baltic process of integration at the sub-regional level has probably been the most successful within the European Union among all these initiatives – in both, relative and absolute terms. Thus, according to the recent World Competitiveness Yearbook evaluations, the Baltic Sea Region is becoming one of the most competitive economic regions in Europe (Garelli, 2001). This process of integration in the Baltic Sea sub-region has allowed their members to trade more, to exchange higher amounts of investment, to increase competitiveness, and to encourage more cooperation among their members (to improve coordination for the execution of sub-regional policies and local projects, e.g. the energy market) (Ketels, 2002; Mika, 2000; Sweden Information Rosenbad, 1998).

Although the economic and political process in the area of Benelux has achieved high standards of integration, the Baltic process of

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Europeans have taken study courses abroad, with support from the European Union. In addition, in 1992 the European Union (EU) decided to go for economic and monetary union (EMU), involving the introduction of a single European currency managed by a European Central Bank. The single currency - the euro - became a reality on 1 January 2002, when euro notes and coins replaced national currencies in twelve of the 15 countries of the European Union (Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland).

<sup>2</sup> Thus, for example, at the regional level, the European Parliament (EP) was created to represent the EU's citizens, and it is directly elected by them. Other relevant institutions created were the Council of the European Union, which represents the individual member states; and the European Commission, which seeks to uphold the interests of the Union as a whole (European Commission, 2006).

integration is relatively more ambitious because of the greater size of its members' economies and its potential for reaching higher rates of economic growth (especially for the new European Union members: Estonia, Poland, Lithuania, and Latvia).<sup>3</sup> Table 1 shows the size of the economies of the Baltic Sea Region. To obtain an idea of the relative importance of the economic size of the Baltic Sea Region (including Russia), I employ these statistics to show that the Baltic Sea Region's total gross domestic product represents approximately 35% of the total economic size of the European Union.

**Table 1** Gross domestic product. The Baltic region

<b>Countries</b>	<b>Gross domestic product (2005 GDP) millions of US dollars</b>
Sweden	383,816
Germany	2,906,658
Poland	312,257
Denmark	265,934
Finland	204,385
Lithuania	23,702
Latvia	15,387
Estonia	12,310
Russia	755,437
<b>Total Baltic Sea region</b>	<b>4,879,886</b>
<b>European Union</b>	<b>13,926,873</b>

Source: International Monetary Fund  
World Economic Outlook Database, April 2005.

This continuous and rapid process of political and economic integration cannot clearly be seen on the other side of the Atlantic Ocean. First, a political project of integration in the Americas does not exist at the regional level. The only existent processes have been launched at sub-regional levels. Examples of these processes of political integration are the Andean Community (Colombia, Peru, Ecuador, and Bolivia), the South

<sup>3</sup> The Benelux countries have created an area in which there is free movement of persons, goods, capital, and services; coordination of economic, financial, and social policies; and unified economic policies in relations with third parties (Rozenbergs, 1996).

American Community of Nations, and Mercado Común del Sur (Brazil, Argentina, Uruguay, and Paraguay). None of these experiments in political integration has produced optimal results in terms of cooperation and coordination based on the effectiveness in the execution of sub-regional policies or local projects. Moreover, unlike the advances accomplished within the European Union, these sub-regional blocs have not been able to develop a common and coherent foreign policy.

Economically, the outcomes of these sub-regional processes have also been limited in their scope. These sub-regional blocs have not been able to build common and coherent policies at the sub-regional level. These policies include a consistent free trade area with a common tariff structure, common currency, common monetary policy, common fiscal policy, common foreign policy, common defence system, etc. (Villarreal, 2005).

Among these sub-regional experiments, the oldest one was launched in the Andean Region. The original Andean Pact was founded in 1969 by Bolivia, Chile, Colombia, Ecuador, and Peru. In 1973, the pact gained its sixth member, Venezuela. The history of this Andean bloc has been characterized by constant crisis and divisions (Editorial Gloca, 1973). The first important division occurred in 1976, when its membership was again reduced to five when Chile withdrew. Augusto Pinochet, a former Chilean dictator, withdrew Chile from the Andean Community claiming economic incompatibilities.

Another instigator of a crisis within this bloc was Peru in 1992. Peru temporarily suspended its obligations under the Andean Free Trade Zone again due to economic incongruities. Then, in April 2006, Venezuela also announced its withdrawal, reducing the Andean Community to four member states. Venezuelan President Hugo Chávez declared that the Andean Community was "dead" because Colombia and Peru had signed free trade agreements (FTAs) with the United States of America. There has been a general dissatisfaction with the potential benefits that the

membership of this international organization – the Andean Community – can provide to its members (Herrera, 2005).

As I show below, the political and economic outcomes of the integration of the Andean Community have been poor and unsatisfactory for most of the main political and economic actors (state actors and corporations). Although some portion of the political or economic elite of the members has obtained some partial benefits, these advantages do not exceed the absolute costs of belonging to such a small and weak organization.

This paper sheds light on the main determinants that can explain the differences in the degree of success among processes of integration at the sub-regional level. For this purpose, I focus this study on the comparison of two sub-regions facing processes of integration: the Andean Community and the Baltic Sea Region. The reasons for choosing these blocs rely on two main reasons. First, these processes represent cases of success and failure of integration at the sub-regional level. On one hand, the integration process of the Baltic Sea Region has been one of the most successful in its category. On the other hand, the integration in the Andean Region has produced poor results despite its longer period of life.

The second reason relates to the divergent macro-regional environments to which these sub-regional processes belong. Thus, while the European Union shows higher degrees of political cohesion coupled with a more integrated economy, its regional counterparts in the American continent – the Organization of American States and the Free Trade Area of the Americas FTAA – are completely inoperative (Sánchez, 2004; Villarreal, 2005). My study also accounts for the effect of these exogenous determinants.

Although the policies of these macro-regional blocs can be only partially influenced by national and sub-regional policy makers, they can

count for a considerable portion of the explanation of the success in the processes of integration at the sub-regional level. As I show below, the other group of explanatory determinants is of a more endogenous nature. In other words, most of these policies can be chosen and conceived by national or sub-regional authorities. This study, through the comparison between the Baltic Sea Region and the Andean Community, provides policy makers with new insight on how to increase the likelihood of success in processes of integration at the sub-regional level.

## **II. Comparing the two sub-regions**

The relative success of the Baltic Sea Region is evaluated based on the level of economic integration and political cooperation among their members in order to foster economic growth, flows of foreign direct investment, flows of trade, the development of sub-regional projects, and welfare within the sub-region. Hence, considering these goals, this study develops a comparison between the Andean Community and the Baltic Sea Region in terms of these features or outcomes. I primarily selected these features because they are the product of several endogenous choices at the national and sub-regional levels that reflect levels of cooperation, political integration, and economic complementarities among the members of a sub-regional bloc. The following section of this paper compares these outcomes. These outcomes are called “dependent variables” because the goal of this study is to explain the differences reflected through these variables.

## **1. Dependent variables**

### **1.1 Institutional framework**

#### **1.1.1 Achievements of sub-regional institutions**

This qualitative indicator compares the achievements and performance of the sub-regional institutions based only on the ability of these institutions to design feasible and cooperative policies. To evaluate this statement, I assume that these policies, to be effective and feasible, should increase the degree of cooperation among the members of the sub-region over time. These policies should at least be able to keep cooperation alive at the sub-regional level. However, if the design of these sub-regional policies produces disunion or conflict within the sub-region, I interpret this fact as a symptom of inefficiency and ineptitude in the performance of the sub-regional institutions.

Thus, on one hand, the Baltic Sea Region institutions have been able to build an environment of active and effective cooperation among their members (Jakobsen, 2005).<sup>4</sup> The main Baltic Sea Region institution created to implement policies and foster cooperation in the Baltic Sea Region was the Council of the Baltic Sea States (CBSS). The main purpose of the Council was to bridge the East and West parts of the Baltic region after the collapse of the Soviet Union and the independence of the “Baltic states” – Latvia, Lithuania, and Estonia.

About the functioning of this institution, Uffe Jakobsen (2005) states, “This organization soon became an arena not only for the implementation of democratic values in the region but also for a vivid discourse on the meaning of the very concept of democracy.” Thus, according to Jakobsen, although the political institutions created to improve cooperation and coordination have been un-coordinated, they

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<sup>4</sup> The Baltic Sea Region core institutions are the Council of the Baltic Sea States, the Baltic Sea Commission, the Baltic Sea Trade Union Network, the Baltic Sea Chambers of Commerce Association, the Union of the Baltic Cities, and HELCOM (the Helsinki Commission for protecting the marine environment).

have been effective in achieving their goals.<sup>5</sup> The CBSS-Monitor report (1994) has also confirmed Jakobsen's analysis on the performance and achievements of the Council of the Baltic Sea States. This report described the role of the Council of the Baltic Sea States as "a helpful and efficient coordinator."<sup>6</sup>

The full integration of the relatively isolated Russian region of Kaliningrad into the Baltic Sea Region is a future challenge for the Council of the Baltic Sea States. The effectiveness and impact of the Council of the Baltic Sea States' intervention in order to integrate economically (and fully) Kaliningrad into the Baltic Sea Region in the near future will allow us a more accurate evaluation of its performance (Halinen, 2004).<sup>7</sup>

Unfortunately, the evaluation on the performance of the Council of the Baltic States and other Baltic Sea institutions is neither conclusive nor uniform in the literature because of the lack of enough data and empirical studies. Despite these limitations in the literature and possible inefficiencies in the functioning of the CBSS, I can argue that the CBSS and other Baltic Sea institutions have been consistently contributing to the integration of the sub-region since their creation. They have not produced a relevant political crisis or disunion among the members of the sub-region.

On the other hand, the Andean Community institutions have constantly failed in bridging the Andean Region in order to pursue

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<sup>5</sup> The liberal Freie Demokratische Partei (F.D.P.) of Germany has demanded more coordination with the European Union institutions to increase efficiency in the functioning of the Council of the Baltic States (Williams, 2001).

<sup>6</sup> Concerns about the performance of the Council of the Baltic Sea States deal with the optimal definition of responsibilities and tasks (Stalvant, 2000.) An optimal definition of responsibilities and goals would reduce overlapping activities with those of the European Union institutions and NGOs which would reduce a waste of resources.

<sup>7</sup> According to Leena-Karina Williams (2001), the Council of the Baltic States has been in charge of other tasks such as supporting reforms in higher educational institutions (EuroFaculty), promoting democratic institutions, protecting and supporting minorities, assisting the implementation of international conventions on human rights, combating organized crime. Further policy areas of the Council of the Baltic States include taxes, health, labor markets, and youth.

common policies and objectives.<sup>8</sup> The evidence supports this argument widely. For example, as I noted earlier, two countries – Venezuela and Chile – abandoned the Andean Community because of divergent political and economic goals.

In the first case, Venezuela abandoned the Andean Community due to strategic factors in 2006. The strategic alliance of Colombia and Peru with the United States in several arenas – including economic and military ones – was the main cause of the decision of Venezuela despite its strong economic ties with Colombia (Herrera, 2005). For example, Venezuela, through its president Hugo Chávez, argued that a free trade agreement signed between Peru or Colombia with the United States could potentially damage its economy.

In the second case, Chile abandoned the Andean Community because of the design of Andean Community trade policy. Specifically, Chile did not want to share a common tariff with the rest of the Andean countries. In addition, while the rest of the Andean countries were implementing the import-substitution model in their economies, Chile decided to liberalize its markets and trade more with the rest of the world.<sup>9</sup> Thus, Chile, a country that was actively seeking larger trade markets, decided that concentrating its volume of trade within the borders of the Andean Community was a limiting factor to ensure healthy and expansive trade policies (Granell, 1977; Edwards, 1977). Essentially, Chile did not consider the economic size of the Andean Community to be big enough. Table 2 shows the economic dimensions of the Andean Community.

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<sup>8</sup> The Andean Community institutions are the Andean Presidential Council; the Andean Council of Foreign Affairs Ministers; the Andean Community Commission; Andean Community General Secretariat; Andean Community Court of Justice; Andean Parliament; Business Consultative Council; Labor Consultative Council; Andean Development Corporation; Latin American Reserve Fund; Simón Rodríguez Agreement, Andean Health Organization – Hipólito Unanue Agreement; and Simón Bolívar Andean University.

<sup>9</sup> The import-substitution model defended the idea of protecting national markets (with infant industries) from international goods through higher tariffs.

**Table 2. Gross domestic product. The Andean Community of Nations**

<b>Countries</b>	<b>Gross domestic product (2005 GDP) millions of US dollars</b>
Colombia	122,269
Peru	78,576
Ecuador	33,062
Bolivia	9,650
<b>Total Andean Community</b>	<b>94,858</b>

Source: Comunidad Andina. Secretaría General. Principales indicadores de la Comunidad Sudamericana de Naciones 1994-2005.

The literature on international trade predicts that limitations on free trade with other countries create losses of welfare especially for small countries, which most of Latin American countries are (Krugman & Obstfeld, 1997). For three decades, the Andean countries had to face these trade limitations created by the sub-regional policymakers. In addition, limitations for trading freely can produce additional inefficiencies and reduce flows of foreign direct investment. In a recent study, Aldo Ponce (2006) found that free trade agreements signed by Latin American countries have been significantly increasing the flows of foreign direct investment that these countries receive from abroad.

Therefore, due to these inefficient and inadequate trade policies, sub-regional authorities in the Andean Community failed in consolidating the Andean Region as a cohesive group of countries pursuing common policies. These unhealthy and limiting policies increased the costs associated with the membership of the Andean Community. Due to these reasons, the achievements of the Andean sub-regional institutions have been poor, and perhaps, counterproductive.

### 1.1.2 Dimension of regional projects.

Initiatives from the sub-regional institutions to implement cross-border projects of considerable importance have been almost nonexistent in the Andean Community. These projects of cooperation have been mainly developed bilaterally (between two members of the Andean Community) and focused on local social projects close to the borders of both countries or on the construction of highways to facilitate physical connection. Adequate management resources and enough institutional capabilities have been limited to coordinate the implementation of cross-border projects of great magnitude.<sup>10</sup> However, in the Baltic Sea Region, this diagnostic is different. For example, a cross-border project of large dimensions – called the Oresund Region – was launched in order to promote development in an area shared by Sweden and Denmark.

The Oresund Region consists of all Skane on the Swedish side, and the islands of Zealand, Lolland, Falster, and Bornholm on the Danish side. Through an aggressive marketing directed to the construction of the “Oresund concept” as an ideal place for living and investing, policy makers have been able to build institutions and strategies in order to attract new investors, tourists, and new professionals (immigrants) to this region (Hospers, 2005).

Another relevant area of sub-regional cooperation in the Baltic Sea Region concerns the preservation of the marine environment. The adoption of the “Baltic Sea Declaration” in 1990 was the cornerstone for cooperation in the sub-region in this arena. In a sub-regional convention that took place in 1992, the Baltic Sea Joint Comprehensive Environment Action Program (JCP) was launched in order to reduce emissions and discharges of pollutants in the sub-region. This convention also led to the creation of the Helsinki Commission (HELCOM) with a permanent secretariat in Helsinki. Since then, this Baltic Sea institution has been in

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<sup>10</sup> In the following section of this paper, I account for these differences through differences in the quality of the bureaucracies across sub-regions.

charge of the implementation of policies concerning environment protection (JCP) in the sub-region.

Fabrizio Tassinari and Leena-Kaarina Williams (2003) state that the success of this sub-regional program of environmental protection rests on the cooperation of the HELCOM with intergovernmental organizations (IGO), international financial institutions (IFI), and European Union agencies. According to these scholars, HELCOM and the other institutions took advantage of each other, improving the effectiveness of sub-regional integration regarding the policies associated with the protection of the environment.

## **1.2 Economic interdependence**

### **1.2.1 Foreign direct investment (FDI)**

Rates of foreign direct investment (FDI) coming from the other members of the sub-region have been much higher within the Baltic Sea Region than those of the Andean region (which have been relatively very low.) Tables 3 and 4 clearly show these differences. The percentages in these tables measure the share of the total amount (intra and extra sub-region) of flows of investment that each country receives from the other countries belonging to the same sub-region.

One partial explanation for these low rates within the Andean Community rests on the fact that the Andean countries do not own significant resources to invest abroad (low levels of capitalization). However, in spite of this fact, these percentages reveal that exchanges of investment among the Andean Community countries are meaningless, and consequently, the process of integration within the Andean sub-region lacks strength and rationality under the FDI consideration .

**Table 3. Baltic Sea Region Economies: Interdependence in FDI**

Countries	DK	EST	FIN	GER	LV	LIT	PL	RUS	S
Denmark		2%	4%	1%	8%	15%	3%		3%
Estonia					8%	8%			
Finland	2%	24%		2%	8%	8%	1%		16%
Germany	4%	2%	5%		15%	11%	13%	11%	6%
Latvia		1%				2%			
Lithuania					1%				
Poland						1%			
Russia		2%	1%		7%	8%	1%		
Sweden	20%	46%	54%	2%	11%	15%	5%		
<b>Total BSR</b>	<b>27%</b>	<b>77%</b>	<b>64%</b>	<b>5%</b>	<b>59%</b>	<b>68%</b>	<b>21%</b>	<b>11%</b>	<b>26%</b>

Source: International Monetary Fund. International Financial Statistics Yearbook.

**Table 4. The Andean Region Economies: Interdependence in FDI (2004)**

Countries	Colombia	Peru	Ecuador	Bolivia
Colombia		0%	0%	0%
Peru	0%		0%	0%
Ecuador	0.4%	0.1%		0%
Bolivia	5%	1%	0%	
<b>Total CAN</b>				

Source: Comunidad Andina. Series estadísticas de la Comunidad Andina 1996-2005.

### 1.2.2 Trade

Trade among Baltic Sea countries exhibits much higher levels of interdependence compared to that of the Andean region. Tables 5 and 6 clearly show these differences. The percentages shown in these tables measure the shares of the total amount (intra and extra sub-region) of flows of trade that each country receives from the rest of other countries belonging to the same sub-region. These figures indicate that economies in the Baltic Sea Region are more integrated than those of the Andean Region. Thus, while the levels of intra-region trade in the Andean Community reaches an average of 15% by taking into consideration shares of exports and imports, the levels of intra-region trade in the Baltic

Sea Region surpasses 50% - as shares of both exports and imports (for most of the members of this sub-region.) The only two exceptions in this pattern are Germany and Russia, countries that do not exhibit high interdependence with the other Baltic Sea countries because their economies are greater and more diversified, and consequently, relatively more interdependent with respect to other regions in the world as well.

**Table 5. Baltic Sea Region Economies: Interdependence in trade (percentages)**

<b>Countries</b>	<b>Share of BSR in imports</b>	<b>Share of BSR in exports</b>
Denmark	47	43
Estonia	69	72
Finland	55	43
Germany	13	11
Latvia	66	64
Lithuania	68	53
Poland	46	43
Russia	31	22
Sweden	47	36

Source: International Monetary Fund, Direction of Trade Statistics Yearbook.

**Table 6. The Andean Region Economies: Interdependence in trade (percentages)**

<b>Countries</b>	<b>Share of AC in imports</b>	<b>Share of AC in exports</b>
Colombia	10.8	19.9
Peru	17.4	6.5
Ecuador	21.2	14.8
Bolivia	11.1	16.6

Sources: Comunidad Andina. Indicadores económicos de la Comunidad Andina 2001-2005.

Unlike the members of the Andean Community of Nations, the integration in the Baltic Sea Region has been greatly favorable for countries with small economies. For example, specifically for the “Baltic states” – Latvia, Estonia, and Lithuania – their sub-regional integration around the Baltic Sea Region has improved their international competitiveness as well as those of the other countries of the Baltic Sea Region. Their integration policies were implemented together with liberalization of prices, the

privatization of state owned enterprises, the introduction of separate currency by means of a currency board system (for Estonia and Lithuania) or regular pegs (Latvia), and finally, the maintenance of conservative fiscal policy (Paas, 2002). All these factors must have influenced the high rates of economic growth in these countries (for a comparison with the rates of growth of the Andean countries, see tables 7 and 8).

**Table 7. Baltic Sea Region Economies: GDP growth rate (percentages)**

	1996	2001	2002	2003	2004	2005	2006e
Latvia	3.8	8.0	6.5	7.2	8.5	10.2	7.7
Estonia	4.4	6.5	7.2	6.7	7.8	9.8	7.2
Lithuania	4.7	6.4	6.7	10.4	7.0	7.5	6.2
Poland	6.2	1.1	1.4	3.8	5.3	3.2	4.3
Sweden	1.3	1.1	2.0	1.7	3.7	2.7	3.0
Finland	3.8	1.0	2.2	2.4	3.6	2.1	3.5
Denmark	2.8	0.7	0.5	0.7	1.9	3.4	2.3
Germany	1.0	1.2	0.1	-0.2	1.6	0.9	1.2

Source: International Monetary Fund. International Financial Statistics Yearbook.

e: estimated

**Table 8. The Andean Region Economies: GDP growth rate (percentages)**

	1996	2001	2002	2003	2004	2005
Colombia	2.1	1.5	1.9	4.0	4.0	5.1
Peru	2.5	0.2	4.9	3.8	5.1	6.7
Ecuador	2.4	5.1	3.4	2.7	6.9	3.9
Bolivia	4.4	1.7	2.4	2.8	3.6	3.3

Source: Comunidad Andina. Secretaría General. Principales indicadores de la Comunidad Sudamericana de Naciones 1994-2005.

### *Labor markets and monetary policy?*

The level of integration in labor markets and the design of common monetary policies were also considered as potential indicators when comparing levels of economic integration at the sub-regional level, specifically between the Andean Region and the Baltic Sea Region. Because processes of integration for labor markets and monetary policies in the Andean Region are nonexistent, such a comparison with the Baltic

Sea Region becomes irrelevant. A comparison of these policies and their outcomes between those of the Baltic Sea Region with those of another sub-region – which could have initiated similar processes of integration – could provide us with an appropriate framework to identify the important determinants to explain differences in success or failure.

## **2. Independent variables**

This section accounts for the main economic and political determinants that can explain the differences between the Andean Community and the Baltic Sea Region in terms of cooperation and economic integration. It was tempting to explain the institutional dependent variables by using exclusively political variables and the same exercise for the economic dependent variables focused on just economic determinants. Nevertheless, as I will show below, there is an important complementarity between these two dimensions. Political factors might strongly influence economic outcomes, and vice versa, economic factors affect institutional performance.

### **2.1 The political explanation**

#### **2.1.1 Exogenous**

***The level of institutional development of the region to which each sub-region belongs (the European Union and NATO versus the Organization of American States)***

In the American continent, the Organization of American States was created to strengthen peace and security in the American continent. Other goals were to promote and consolidate representative democracy; to ensure the peaceful settlement of disputes; to provide military support to members in the event of an aggression coming from other continents; and to promote, by cooperative action, the economic, social, and cultural development of its members. This organization has been widely criticized for its ineffective capacity to achieve these goals. Unfortunately, the Organization of American States' institutional design has been too weak

(lack of authority) and dependent on narrow national interests (Sanchez, 2004).

Thus, this continental organization has developed limited institutional structures to promote cooperation and economic integration. Its bureaucrats focus more on the evaluation and monitoring procedures for social programs rather than implementing them. In addition, its programs of continental integration are practically nonexistent.

On the Baltic side, the presence of solid, well-constituted, and well-organized macro or regional institutions such as the European Union or NATO has been an important factor of cooperation for the formation of economic policies, political institution-building, and military coordination within the Baltic Sea Region (Jakobsen, 2005; Bozhko, 2005). This was the conclusion of Sergiy Bozhko (2005), who analyzed the impact of the enlargement of the European Union and NATO on the quality of cooperation within the Baltic Sea Region. The idea is that the presence and functioning of the regional European institutions decreases the transaction costs (of coordination) among the Baltic Sea countries. Taking into consideration the information, technical knowledge, and experience developed by the European institutions, the Baltic institutions can take advantage of these capabilities in order to reduce their costs and increase their effectiveness.

Moreover, because all these networks of coordination and cooperation at the regional level already exist for the Baltic Sea Region (European Union institutions), the relative importance of sunk costs is higher in the Baltic Sea Region than those of the Andean Community when a new sub-regional project is launched. In several cases, because the European network of institutions already exists, it is not necessary to create new institutions in order to coordinate and implement new policies. To foster economic integration and cooperation, the Baltic governments can afford to create institutions only to intensify the levels of integration

(by avoiding overlapped activities with those of the European institutions). Thus, with a higher likelihood of lower transaction costs and higher sunk costs for new projects in the Baltic Sea Region compared to that of the Andean Region, coordination, implementation of sub-regional projects, and building institutions become a cheaper task to accomplish for the Baltic.

### 2.1.2 Endogenous

#### ***The quality of the political institutions of the countries forming the sub-regional bloc.***

The quality of institutions (determined by their design) within the participating countries such as the judiciary system, regulatory institutions, reactive or proactive presidential powers, and the degree of fragmentation in the parliament can determine the stability and performance of policies implemented by single countries. These policies may contribute to an environment of trust and stability that is necessary for the construction of these sub-regional blocs. Recurrent changes in the foreign policies of the participating countries could introduce a level of uncertainty that could produce instability and conflict within the sub-regional bloc.

According to Stephan Haggard and Mathew McCubbins (2001), there is a strong connection between the design of these institutions and the performance and stability of policies adopted at the national level. Haggard and McCubbins (2001, 3) argue that institutions have “systematic effects on policy making”. These authors review two dimensions of institutions: the separation of power, and the separation of purpose. The simplest version of separation of power occurs in presidential systems, although it can also occur in parliamentary systems. Separation of purpose is defined as “the extent to which different components of government have the ability to exert influence through the exercise of veto on the formation of public policy”. Cox and McCubbins

(2001, 39-44) measure veto points based on the number of parties and the fractionalization of the party system.

Following the same reasoning, separation of power and separation of purpose establish two tradeoffs with regard to policymaking: decisiveness vs. resoluteness, and the private vs. public-regardedness. Decisiveness is characterized by how easily the government can “enact and implement policy change” (26). Resoluteness is the ability to stick to a certain policy once it has been passed. According to their analysis, “as the effective number of vetoes increases, the polity becomes more resolute and less decisive” (27). More vetoes will also result in more private regarding policy. These authors characterize indecisiveness, irresoluteness, or private-regarding policy as a state of ungovernability.

Unfortunately, because of the differences in the types of the political systems between those of the Andean countries (mostly presidential systems, Bolivia being the only exception) – and those of the Baltic Sea Region (mostly parliamentary, Russia being the only exception), it is difficult to make a quantified comparison of the stability among countries of these two sub-regions. In addition, unfortunately there is no available data that could be used to compare across these two sub-regions based on the work of Cox and McCubbins.

However, there are alternative means to compare the performance of institutions across sub-regions. Although the theoretical explanation connecting these variables with the stability of policies will not be so direct and consistent as that provided by Cox and McCubbins, they may serve as proxy variables. Thus, I use the independence of the judiciary system (rule of law) and the indicator on government effectiveness to compare the quality of institutions between these two sub-regions (Kauffman, Kraay, & Mastruzzi, 2006). Intuitively, I should expect that higher levels of judicial independence (rule of law), and government effectiveness should produce more stable, efficient, and predictable policies. The

indicator on government effectiveness should provide us with information on the capabilities of the governments to implement effective and efficient policies.

**Table 9. Baltic Sea Region countries: Quality of institutions**

<b>Countries</b>	<b>Rule of Law 2005</b>	<b>Government Effectiveness 2005</b>
Denmark	98.6	99
Estonia	75.4	82.8
Finland	97.6	98.6
Germany	93.7	90.4
Latvia	61.4	73.2
Lithuania	63.8	76.1
Poland	59.9	71.3
Russia	21.7	38.8
Sweden	96.1	96.2

Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2006: Governance Matters V: Governance Indicators for 1996-2005.

**Table 10. The Andean Region countries: Quality of institutions**

<b>Countries</b>	<b>Rule of law 2005</b>	<b>Government Effectiveness 2005</b>
Colombia	32.4	53.1
Peru	28.5	33
Ecuador	22.7	13.9
Bolivia	27.1	23.9

Sources: Kaufmann D., A. Kraay, and M. Mastruzzi 2006: Governance Matters V: Governance Indicators for 1996-2005

Tables 9 and 10 show the values of these indicators for the Baltic Sea and Andean countries. Clearly, the Baltic Sea Region countries enjoy much higher levels of institutional quality. This could have produced a powerful influence on the stability and effectiveness of policies at the national and sub-regional levels. Thus, with stable policies, the sub-regional institutions of the Baltic Sea Region can coordinate policies and predict scenarios more easily. Because the functioning of the Andean institutions and the Baltic institutions depend on joint or individual actions of the participating countries, the differences in the achievements of the institutions of the two sub-regions could be explained in large part by the disparities in the

quality of these national institutions. Likewise, the degree of certainty increases for all economic actors in those economies. Hence, this greater certainty can favor more trade and investment among their members.

**Table 11. Baltic Sea Region countries: Quality of bureaucracy**

<b>Countries</b>	<b>Regulatory quality 2005</b>	<b>Control of Corruption 2005</b>
Denmark	1.69	2.23
Estonia	1.43	0.88
Finland	1.74	2.39
Germany	1.38	1.92
Latvia	1.03	0.33
Lithuania	1.13	0.26
Poland	0.82	0.19
Russia	-0.29	-0.74
Sweden	1.47	2.10

Source: World Bank. WGI: Worldwide Governance Indicators.

**Table 12. The Andean Region countries: Quality of bureaucracy**

<b>Countries</b>	<b>Regulatory quality 2005</b>	<b>Control of Corruption 2005</b>
Colombia	0.05	-0.22
Peru	0.1	-0.49
Ecuador	-0.83	-0.81
Bolivia	-0.53	-0.81

Sources: World Bank. WGI: Worldwide Governance Indicators.

Effectiveness of policies also depends on the quality of bureaucracy. In terms of the achievements of institutions, a more capable bureaucracy will be in better condition to launch more effective policies, projects or reforms (at the national and sub-regional levels). Other scholars have analyzed and tested the impact of the quality of bureaucracy on the promotion of trade. For example, Chong-En Bai and Shang-Jin Wei (2001) found that the more corrupt the bureaucracy, the more likely it is to impose capital controls. Tables 11 and 12 show two indicators that measure the quality of the bureaucracies of the countries of the two sub-regions, the Andean Region and the Baltic Sea Region. These statistics clearly demonstrate that the Andean bureaucracy exhibits lower quality compared to that of

the Baltic Sea Region. Hence, these differences of quality can also help to explain the differences in the levels of interdependence of trade and the performance of national and sub-regional institutions.

## 2.2 The economic explanation

### 2.2.1 Exogenous

***The level of economic integration of the economic regions to which each sub-region belongs (freedom for trading within the European Union versus freedom for trading within the Free Trade Area of the Americas)***

The Free Trade Area of the Americas (FTAA) is a proposed agreement to eliminate or reduce trade barriers among all nations in the American continent (except Cuba, Venezuela, and later Bolivia, which joined the Bolivarian Alternative for the Americas). The proposed agreement is an extension of the North American Free Trade Agreement (NAFTA) among Canada, Mexico, and the United States. Unfortunately, this continental agreement has been inoperative during since its creation (Villarreal, 2005).

Discussions have failed over time. While developed nations seek to expand trade in services and protect intellectual property rights, less developed nations seek to eliminate agricultural subsidies. Similar to the World Trade Organization talks, Brazil has taken a leadership role among the less developed nations, while the United States has taken a similar role for the developed nations (Moniz, 2006; Smith 2006; Petit 2004).

In addition to these conflicts of interests, FTAA has also faced political challenges from some leaders of the region. Thus, the Venezuelan president Hugo Chávez has described FTAA as a plan for the exploitation of Latin America. As a counterproposal to the FTAA's initiative, Chávez has promoted the Bolivarian Alternative for the Americas (*Alternativa Bolivariana para las Américas*, ALBA), an integration initiative for Venezuela and its allies – Cuba and Bolivia (Herrera, 2005). Most of the

Latin American countries have also followed the strategy of signing bilateral or sub-regional free trade agreements in order to compensate for the failure of the Free Trade Area of the Americas. Table 13 shows the outcomes of these bilateral and sub-regional initiatives.

The failure of the FTAA to promote trade in the American continent contrasts with the success of the European Union, which has been able to eliminate all the tariffs within this regional bloc for trading goods and services. Because of the elimination of tariffs, European countries have been able to gain access to this enormous market of 13,926,873 millions of dollars (domestic product of the EU) under favorable conditions with respect to other countries from outside the European Union.

In addition, the European Union has also created an appropriate environment to exchange flows of investment among its members. European firms have been encouraged to seek the least costly markets to invest, and then, to export their goods to other European markets. The creation of this organization at the continental level has increased the levels of certainty for flows of investment coming from other European Union members. Such an advantage does not exist in the Americas. Latin American countries have continuously attempted to sign treaties of "economic complementation" in order to increase the levels of certainty for flows of investment coming from other Latin American countries. The Andean countries have not been an exception in this trend.

**Table 13.- Free trade agreements and customs unions**

Free Trade Agreements	Customs Unions
<ul style="list-style-type: none"> <li>» Bolivia-Mexico (1994)</li> <li>» Canada-Chile (1997)</li> <li>» Canada-Costa Rica (2001)</li> <li>» CARICOM-Costa Rica (2004)</li> <li>» CARICOM-Dominican Republic (1998)</li> <li>» Central America-Chile (1999)</li> <li>» Central America-D.R.-U.S. (CAFTA) (2004)</li> <li>» Central America-Dominican Republic (1998)</li> <li>» Central America - Panama (2002)</li> <li>» Chile-China (2005)</li> <li>» Chile-European Union (2002)</li> <li>» Chile- Korea (2003)</li> <li>» Chile-Mexico (1998)</li> <li>» Chile - New Zealand - Singapore - Brunei (2005)</li> <li>» Chile-Panama (2006)</li> <li>» Chile-Peru (2006)</li> <li>» Chile-United States (2003)</li> <li>» Costa Rica-Mexico (1994)</li> <li>» Group of Three (Colombia - Mexico - Venezuela)- (1994)</li> <li>» Guatemala-Taiwan (2005)</li> <li>» Mexico-EFTA (2000)</li> <li>» Mexico-European Community (2000)</li> <li>» Mexico-Israel (2000)</li> <li>» Mexico-Japan (2004)</li> <li>» Mexico-Nicaragua (1997)</li> <li>» Mexico - Northern Triangle (El Salvador - Guatemala - Honduras)- (2000)</li> <li>» Mexico-Uruguay (2003)</li> <li>» Panama-Singapore (2006)</li> </ul>	<ul style="list-style-type: none"> <li>* <b>CACM</b> (Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica)</li> <li>* <b>Caricom</b> (Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and The Grenadines, Suriname, Trinidad and Tobago)</li> <li>* <b>Andean Community</b> (Peru, Bolivia, Ecuador, and Colombia)</li> <li>* <b>MERCOSUR</b> (Argentina, Paraguay, Uruguay, and Brazil)</li> </ul>
	<ul style="list-style-type: none"> <li>» Panama-Taiwan (2003)</li> <li>» Peru - Thailand (2005)</li> <li>» Peru - United States (2006)</li> <li>» United States-Australia</li> <li>» United States - Bahrain</li> <li>» United States-Israel</li> <li>» United States-Jordan</li> <li>» United States-Morocco</li> <li>» United States-Singapore</li> </ul>

Source: SICE. Foreign Trade Information System

Therefore, the advantages associated with the continental integration have encouraged European Union countries to export more goods and

services and diversify their economies. Thus, the high level of economic interdependence – through trade and investment – in the Baltic Sea Region is partially the product of the process of economic integration of the European Union. Unfortunately, this process and its potential impact in the level of interdependence never existed in the American continent. Thus, as shown in tables 14 and 15, the Andean countries have relatively closer economies than those of the Baltic Sea Region countries.

**Table 14. Baltic Sea Region countries: Openness. Trade (% of GDP)**

<b>Countries</b>	<b>Trade (% of GDP) 2005</b>
Denmark	82
Estonia	165
Finland	69
Germany	71
Latvia	78
Lithuania	111
Poland	74
Russia	57
Sweden	85

Source: The World Bank. Data & Statistics

**Table 15. The Andean Region countries: Openness**

<b>Countries</b>	<b>Trade (% of GDP) 2005</b>
Colombia	43
Peru	44
Ecuador	51
Bolivia	58

Sources: The World Bank. Data & Statistics

### 2.2.2 Endogenous

#### ***The total economic size of the sub-regions and national trade policies***

The economic size of the any economic bloc could also matter for explaining the degree of stability and cooperation within the union. Countries that belong to greater economic unions – with lower or zero tariffs within the union – will face fewer incentives to trade with other

countries or regions located out of the bloc. One of the current strategies of development followed by several countries has been to gain access to greater economies and under more favorable conditions.

Thus, the small size of the Andean Community has been a limitation for the development of this bloc over time. Several policies are difficult to implement in the region due to the lack of incentives among its members to comply with these policies. For example, because of the small size of the total domestic product of the Andean Region, the Andean Community's target date for implementing a common external tariff has not been met (Villarreal, 2005.) This lack of economic incentives encouraged some Andean countries to behave as free riders and look for external markets violating the common trade policies of this sub-regional bloc. This fact affected negatively the achievements and performance of the Andean institutions.

This limitation has not been present in the Baltic Sea Region for two simple reasons. First, most of the Baltic Sea countries (except Russia) can freely trade with the rest of the European Union countries. Thus, none of their members has faced strong incentives to become a free rider – by seeking new extra-region alliances with zero tariffs – or prevent another member of joining other countries or regions under a free trade area. Second, the economic size of the Baltic Sea Region is considerable in absolute terms and greater than that of the Andean Region. This fact also reduces the likelihood of conflicts and failures in the implementation of policies (due to a less likely free rider problem). In other words, the absolute size of the Baltic Sea Region economy may contribute to make more feasible the implementation of any kind of project for trade, investment, marketing, etc. at the sub-regional or national levels.<sup>11</sup>

Specific national trade policies can also have an effect on our dependent variables, especially those related with interdependence of trade and investment. To compare the degree of restrictiveness in trade policies between the Andean countries and the Baltic Sea Region

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<sup>11</sup> Tables 1 and 2 show the differences between the sizes of the economies of these two sub-regions.

countries, I employ the Overall Trade Restrictiveness Index. This index of trade restrictiveness includes measures of both tariff and non-tariff barriers, and the level of trade protection vis-à-vis different groups of countries (low-income, middle-income, least-developed countries). Tables 16 and 17 show the differences across these sub-regions by employing this index.

**Table 16. Baltic Sea Region countries:** Overall Trade Restrictiveness Index

<b>Countries</b>	<b>Overall Trade Restrictiveness Index 2006</b>
Denmark	
Estonia	0.050
Finland	
Germany	
Latvia	0.097
Lithuania	0.059
Poland	0.083
Russia	0.203
Sweden	

Source: The World Bank. Data & Statistics

**Table 17. The Andean Region countries:** Overall Trade Restrictiveness Index

<b>Countries</b>	<b>Overall Trade Restrictiveness Index 2006</b>
Colombia	0.217
Peru	0.156
Ecuador	0.147
Bolivia	0.147

Sources: The World Bank. Data & Statistics

This indicator also shows a significant difference in the degree of trade restrictiveness between the Andean Region and the Baltic Sea Region. Andean governments have imposed more trade restrictions to their private sectors than those of the Baltic Sea Region governments. This fact must have contributed to increase the relative levels of interdependence in trade in the Baltic Sea Region. Likewise, national trade policies can alter

flows of direct investment. For example, Aldo Ponce (2006) found that those Latin American countries that signed more free trade agreements – or signed them with the largest economies in the world – were the most successful in attracting FDI flows.

### *Public opinion?*

Another relevant endogenous variable considered in this study was public opinion. Thus, I compare popular support for the processes of integration between the two regions in order to help to solve the puzzle of this study (under the assumption that public opinion can produce an important impact on national and foreign policies). On the Latin American side, in every country (including the Andean countries), majorities of opinion holders support integration. The explanations for this support in Latin America (LA) are mainly two, the positive opinion of the European Union among Latin Americans along with the satisfaction with perceived benefits of regional trading blocs, and the perception of their personal and national economic situation (Seligson, 1999).

Although on the European side, popular support for more European integration has not been unanimous and uniform across the EU countries, it has been large enough to attract new countries and keep the EU united.<sup>12</sup> In several cases, referendums were conducted in several Eastern European countries with results in favor of a larger EU. Moreover, Thomas Christin and Simon Hug's empirical results (2002) suggest that voters more strongly supported European integration immediately after these referendums took place.

Given these facts in LA and the EU, I did not find any significant difference in the levels of public opinion across regions that could lead me to consider the level of popular support as a relevant explanatory variable. However, this variable could eventually become relevant in the study of

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<sup>12</sup> For example, while citizen support in Germany for European integration reaches 57.80%, that level of support is lower in Denmark with only 42.35% (Christin & Hug, 2002).

other sub-regions. Further research on other regions could provide us with more evidence to answer this inquiry.

### **III. Conclusions**

From the analysis of the independent variables, I showed that the process of integration in the Baltic Sea Region has been much more successful than that implemented in the Andean Region. This evaluation was based on the analysis of several economic and political variables – called “dependent variables” – which included achievements of sub-regional institutions, effectiveness in the implementation of sub-regional projects, interdependence in foreign direct investment, and interdependence in trade.

I chose these features because they are the product of several endogenous choices at the national and sub-regional levels that can reflect levels of cooperation, political integration, and economic complementarities among the members of a sub-regional bloc. These outcomes are also the result of the effect of macro-regional environments to which these sub-regional processes belong – in these cases, the European Union (for the Baltic Sea Region) and the Organization of American States or the Free Trade Area of the Americas (for the Andean Community.)

The determinants of such differences between these two sub-regions have been multiple. According to this study, these main explanatory variables were: (1) the level of institutional development in the integration of the region to which each sub-region belongs (the European Union versus the Organization of American States), (2) the quality of democracy of the countries forming the sub-regional bloc, (3) the economic size of the economic regions to which each sub-region belongs (the European Union versus the Free Trade of the Americas), and (4) total economic size of the sub-regions and national trade policies. Public opinion was not a

relevant explanatory variable in this study. Table 18 summarizes the logical structure and the main results of this paper (for independent and explanatory variables).

**Table 18. Comparing the Andean Community with the Baltic Region**

<b>Dependent variables</b>	<b>Explanatory variables</b>
<b>Achievements of sub-regional institutions</b> Greater cooperation in the Baltic Sea Region Recurrent political crisis of the Andean Community	Level of the institutional development of the European Union versus the institutionally weak Organization of American States.
<b>The dimension of regional projects: The Oresund Region</b>	Higher quality of democracy in the Baltic Sea Region countries.
<b>Interdependence in trade</b> Baltic Sea Region: relative high volume of trade within the sub-region Andean Community: relative low volume of trade within the sub-region	Economic size of the European Union (measured by the summation of the gross domestic products of all the members of the European Union)
	Free trade among EU countries versus the inoperative Free Trade of the Americas (FTAA)
<b>Interdependence in Foreign Direct Investment</b> Greater interdependence in Foreign Direct Investment within the Baltic Sea Region	Total economic size of the sub-regions (measured by the summation of the gross domestic products of the members)
	Differences in national trade policies
<b>Labor markets and monetary policy?</b>	Public opinion?

If increasing the levels of integration at the sub-regional level is desirable, this study contributes with some important lessons for policy makers (valid for the endogenous variables). First, the total economic size of the bloc matters. Policymakers should attempt to include more countries into

the sub-regional bloc when the sub-regional bloc does not belong to a macro-region that is not well-integrated economically. Second, if a regional or continental bloc does not exist, policy makers should attempt to contribute to its construction. Its creation and well-functioning will increase the likelihood of success of an integration at the sub-regional level. If the continental bloc exists, sub-regional policy makers should take advantage of all the technical capabilities and networks provided by the regional institutions. By taking advantage of these regional assets and avoiding performing overlapped activities with those of the regional institutions, the sub-regional institutions should be able to trigger integration and cooperation at the sub-regional level.

Third, by eliminating restrictions to trade, policy makers can create additional incentives for more integration. Then, several economic and political (through lobbies) actors will demand the creation of new sub-regional or regional institutions or a better functioning of the existing institutions in order to increase certainty for the flows of goods and investment. Fourth, the design of institutions in charge of increasing the levels of cooperation is also crucial. There must be enough technical capabilities to create feasible, effective, flexible, and efficient policies for the sub-region. In addition, these sub-regional institutions should be financially and technically capable of implementing these policies. Finally, any improvement in the quality of institutions within the participating countries (for example, the judiciary system) will create an environment of trust and stability that is necessary for the institutional construction of these sub-regional blocs.

Further research on processes of integration at the sub-regional level can complement and expand the conclusions of this study. Moreover, the analysis of more cases (more comparative studies) could provide us with more information that would allow us to make more powerful generalizations on the determinants of the degree of success of the processes of integration at the sub-regional level.

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*About BalticStudyNet*

## **BalticStudyNet**

### **Promoting Baltic Sea Region Higher Education Worldwide**

*BalticStudyNet* is a networking programme for the global promotion of higher education in and about the Baltic Sea Region. It aims at mapping higher education institutions and existing study programmes, developing innovative curricula, and designing new tools for academic training according to existing needs.

*BalticStudyNet* has its focus on study and research programmes dealing with political, economic and cultural aspects of the Baltic Sea Region.

*BalticStudyNet* is dedicated to collect information on Baltic Sea Region Studies and related study programmes as well as make this information available to the public, among other things through this working paper series.

*BalticStudyNet* organises international conferences, workshops, and summer schools in support of higher education institutions and to the benefit of scholars and students, not only from countries of the Baltic Sea Region and the European Union but worldwide.

*BalticStudyNet* is a joint programme of the University of Copenhagen (DK), the University College Södertörn (S), the University of Tartu (EST), the University of Latvia (Riga), Vytautas Magnus University in Kaunas (LIT), and the University of Gdansk (PL). The network is coordinated by the Baltic Sea School at the Department for Northern European Studies of the Humboldt University of Berlin (GER).

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