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The Latin American Union? Lessons for Latin America from the European Union and the International Monetary Fund on the Promises, Challenges, and Need for Regional Economic Integration

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The Latin American Union? Lessons for Latin America from the European Union and the International Monetary Fund on the Promises, Challenges, and Need for Regional Economic Integration

By: Jaime Andrés Collazo[1]

The concept of a Latin American union has been a long-standing idea, but recent advocacy from the continent's leading political figures for economic and political integration has reignited a debate in the region as to its feasibility and desirability. The impetus behind such advocacy includes bolstering economic connections, enhancing global standing, increasing regional autonomy, and collaboratively addressing modern challenges such as pandemics, climate change, and social inequality. This comment will explore the history of efforts to integrate the region, analyze the promises, challenges, and implications of establishing a common market and a common currency as documented in the creation of the European Union, and ultimately argue that the region does indeed need a unified market culminating in the establishment of a shared currency.

I. Introduction

During the 2022 Brazilian Presidential campaign, then-presidential candidate of Brazil, Luiz Inacio Lula da Silva ("Lula"), proclaimed: "[I]f God wills, we will create a common currency for Latin America, because we shouldn't be dependent on the dollar."[2] This statement sparked a debate in the region as to the desire and feasibility of creating a single currency for the entire region similar to the Euro in Europe.[3] The former mayor of Sao Paulo, Brazil, even suggested a name for the currency: *Sur*, meaning "south" in Spanish.[4] After Lula was inaugurated as the 39th president of Brazil, eleven former Latin American presidents and foreign ministers went further and wrote an open letter to current leaders urging the establishment of a common market akin to the European Union (EU) in Europe: "In this world of regional blocs, our Latin America appears as a marginal and irrelevant region."[5] Mexican president Andrés Manuel López Obrador would later remark that an integrated Latin America is vital in order to "regain international prestige" and "face the four greatest threats that threaten the region: climate change, pandemics, social inequalities, and authoritarian regression."[6]

Within the context of the political and socioeconomic history of the region, these calls for a common currency and market are part of a larger movement to integrate the region economically that dates back to the founding of these nations.[7] While these comments differ as to what is proposed—for example, a common market or a common currency—the underlying premise remains the same: a deep economic integration of the region culminating in a union akin to the European Union (EU).

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[2] Tobias Käufer, *The Dream of a Single Latin American Currency*, Deutsche Welle, Jun. 08, 2022. https://www.dw.com/en/the-dream-of-a-single-latin-american-currency/a-62043189
[3] *See e.g. id.*
[4] *Id.*
[5] Rocío Montes, *'Nuestra región puede más': siete expresidentes y 11 cancilleres instan a reconstruir Unasur*, EL PAÍS, Nov. 14, 2022.
[6] *Id.*
[7] *See e.g.* DAVID BUSHNELL, THE SANTANDER REGIME IN GRAN COLOMBIA, THE CREATION OF GRAN COLOMBIA 12-13 (1954).

II. Background

A. A Primer on Economic Unions and Common Currencies

Economic integration is a byproduct of agreements between nations to reduce or eliminate barriers to the trade of goods, services, people, and knowledge.[8] Up until the 20th century, nations around the world employed tariffs and other trade barriers as a means of protecting their internal domestic industries.[9] But as evidence mounted that the free movement of tradable entities increases economic growth through enhanced production and consumption, multiple regions around the world began adopting accords of trade to economically integrate—Europe passed the Maastricht Treaty which ultimately led to the formation of the European single market, and the nations of North America passed the North American Free Trade Agreement (NAFTA) in an effort to free up the flow of goods.[10] The benefits of economic integration include enhanced cooperation between nations, access to broader markets, and improved socioeconomic conditions.[11] The spectrum of integration varies from simple agreements like Preferential Trade Agreements (PTA), where countries mutually reduce tariffs on specific goods, to comprehensive arrangements like the European Union (EU).[12] Under a PTA, two or more countries agree to a reduction or elimination of tariffs on select goods or services; under an economic union, a single market is established when multiple countries enter a contractual customs union that eliminates all tariffs among themselves, and set up a tariffs regime dealing with the imports outside the union applying equally to all members.[13] Moreover, members of an economic union transfer some authority to a supranational body to conduct monetary policy within the union for the purpose of creating a synchronized response to internal and external economic shocks, which in economics is another word for a significant internal or external economic disruption.[14] An economic union holds several advantages to lower levels of economic integration—for example, the uniformity of tariffs between members of on an economic union when dealing with third parties significantly boosts investment into and within members.[15]

Within an Economic Union, member states harmonize their fiscal and monetary policies, which naturally leads to the adoption of a shared currency—the pinnacle of monetary integration.[16] Such a common currency abolishes individual currencies, curbing exchange rate fluctuations, and

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[8] Hem C. Basnet & Subhash C. Sharma, *Economic Integration in Latin America*, 28 J. of Econ. Integration 551, 552 (2013).
[9] *Id.*
[10] *See id*; *See also* Chrysost Bangake & Jude Eggoh, *The Impact of Currency Unions On Trade: Lessons from CFA Franc Zone and Implications for Proposed African Monetary Unions,* 33 SAVINGS AND DEVELOPMENT 61, 62 (2009).
[11] *See id*; *See also*, Sisira Jayasuriya et al., *A Single Currency for South Asia: Economics and Politics of Monetary Integration*. 40 ECON. AND POL. WKLY. 3159, 3159-60 (2005).
[12] Basnet & Sharma, *supra* note 7, at 553-54.
[13] *Id.*
[14] *Id.*; Hastings Roer et al., *Modeling and Measuring the Effects of Economic Shocks on a Defense Industrial Base* RAND CORPORATION (2022) https://www.rand.org/pubs/research_reports/RRA475-1.html.
[15] José de Sousa & Julie Lochard. *Does the Single Currency Affect Foreign Direct Investment?* 113 THE SCANDINAVIAN J. OF ECON. 553, 576 (2011).
[16] CAROLINE FOSDIKE, THE VIABILITY OF A MONETARY UNION IN SOUTH AMERICA: INSIGHTS FROM GENERALISED PURCHASING POWER PARITY THEORY 3 (2016).

consequently lowering transaction costs to boost trade and investment.[17] An exchange rate is the rate at which one currency will be exchanged for another currency.[18] When it comes to trade and economic integration, exchange rates are important because a change in exchange rates affects a nation's prices for its goods and services.[19] If member nations within an economic union have varying exchange rate regimes, currency appreciation can render export tariffs out of the union ineffective, and thus undermine intra-regional trade.[20] Every one percent increase in overall trade compared to GDP tends to raise income per capita by one third of one percent, and thus, as overall trade increases, it translates to a significant economic benefit.[21] In addition, a common currency increases economic integration, business ties, movement of people, and diplomatic and social ties between member nations.[22]

B. A 200-year Struggle to Integrate

Latin America has a long and treacherous history of attempting to integrate economically and/or politically to combine its powers in counteracting imperial and external economic forces.[23] Following independence from the Spanish Empire in the early 19th century, independence hero Simón Bolívar concluded that the best path forward for the young, liberated nations was to combine their economic and social resources into a federation to counteract European powers and the rising United States.[24] Bolívar was successfully able to create a federation out of several former Spanish colonies known in modern times as "Gran Colombia," with dreams of expansion to include even more liberated nations.[25] Shortly after, Bolívar sought to unite the rest of the region through the Amphictyonic Congress of Panama.[26] But Bolívar's ambitions would soon derail as the fragility of the former colonies succumbed to political infighting, exogenous financial factors, and border disputes.[27] Gran Colombia collapsed into smaller territories (present day Colombia, Panama, Venezuela, Ecuador, etc.), as did other unions in the region, such as the United Provinces of South America to the south, and the Federal Republic of Central America to the north.[28]

Sixty years after the Amphictyonic Congress, Bolívar's fears began manifesting as the region was once again introduced to an integration plan, but this time by the United States via the newly declared "Monroe Doctrine," which sought to deter European aggression on the hemisphere and open Latin America to U.S. markets.[29] Through the Doctrine's Pan-American Conference, the

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[17] *See* Luiz Carlos Bresser-Pereira & Marcio Holland, *Common Currency and Economic Integration in Mercosul* 32 J. OF POST KEYNESIAN ECON. 213, 215 (2009).
[18] JEFFRY A. FRIEDEN, CURRENCY POLITICS: THE POLITICAL ECONOMY OF EXCHANGE RATE POLICY 201 (2015).
[19] *Id.*
[20] Bresser-Pereira & Holland, *supra* note 16, at 213-14.
[21] Jayasuriya, *supra* note 10, at 3159-60.
[22] *See id.*
[23] Fosdike, *supra* note 15, at 2.
[24] Bushnell, *supra* note 6
[25] *Id.*
[26] Orlando A. Patiño, *"A united America, the one Bolivar dreamed of...",* EL FARO DEL CANAL (2022).
[27] *See e.g.* DAVID BUSHNELL, THE SANTANDER REGIME IN GRAN COLOMBIA, THE YEAR OF CRISIS: 1826 323 (1954).
[28] Matthew Brown, *Not Forging Nations But Foraging For Them: Uncertain Collective Identities In Gran Colombia* 12 Nations & Nationalism 223, 223 (2006).
[29] Brook Poston. *'Bolder Attitude': James Monroe, the French Revolution, and the Making of the Monroe Doctrine*. 124 THE VIRGINIA MAGAZINE OF HIST. & BIOGRAPHY 282, 284 (2016).

Pan-American Union was created to promote trade among nations in the hemisphere.[30] As the Cold War's tensions escalated, the United States moved to transform the Pan-American Union into a military defensive collective to counter the Soviet Union's growing influence in the region, rebranding it as the Organization of American States (OAS).[31] With time, OAS received an increasing amount of criticism from the region's leaders over the outsized role the United States played in the political affairs of the entire hemisphere.[32] In response to OAS, Latin American nations created the Rio Group which excluded the United States and Canada in order to regain more autonomy over their own political affairs.[33]

Trade, apart from politics, emerged as a key instrument for regional integration. This was evident when Central American nations founded the Organization of Central American States (ODECA) and South American counterparts initiated the Latin American Free Trade Association (LAFTA).[34] But protectionism and repeated political instability rendered LAFTA virtually ineffective, and thus any economic gains from it were a foregone conclusion.[35] Inspired by Europe's economic integration efforts in the latter half of the 20th century, what remained of LAFTA morphed into the Latin American Integration Association (ALADI) under the auspices of the second Treaty of Montevideo.[36] ALADI ambitiously sought to drive social and economic progress in the region by laying the foundation for a common market.[37] This spirit of cooperation also led to the establishment of other trade blocs, such as the Andean Community of Nations (CAN) encompassing Chile, Bolivia, Peru, Ecuador, Colombia, and Venezuela; and Mercosur, uniting Brazil, Paraguay, Uruguay, and Argentina.[38] These alliances aimed to foster trade, facilitating freer movement of goods, people, and currency.[39]

C. Lessons from The European Union

1. An Obstacle to Economic Integration: Nationalism

While efforts to integrate the region have created some trade and monetary unions limited in scope, ambitions of a greater, more closely integrated union have repeatedly succumbed to nationalism, political differences, and general distrust.[40] Take, for example, the creation of ALBA (Bolivarian Alliance for the Peoples of Our America), a monetary and political union established by the leftist leaders Hugo Chávez of Venezuela and Fidel Castro of Cuba in 2004.[41] The union was established under the banner of shared political values—socialist ideals and anti-American sentiment.[42] Six

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[30] Alejandro Alvarez, *The Monroe Doctrine at the Fourth Pan-American Conference*. 37 THE ANNALS OF THE AMERICAN ACADEMY OF POLI. & SOC. SCI. 24, 26 (1911).
[31] Daniela Segovia, *Latin America and the Caribbean: Between the OAS and CELAC***.** EUROPEAN R. OF LATIN AMERICAN & CARIBBEAN STUDIES 97, 98 (2013).
[32] *Id.*
[33] *Id.* at 100
[34] THOMAS T. ALLCOCK, THOMAS C. MANN: PRESIDENT JOHNSON, THE COLD WAR, AND THE RESTRUCTURING OF LATIN AMERICAN FOREIGN POLICY 172, 198 (2018).
[35] *Id.* at 186-87.
[36] ALADI, https://www.aladi.org (last visited February 27, 2023).
[37] *Id.*
[38] Mario E. Carranza, *Clinging Together: Mercosur's Ambitious External Agenda, Its Internal Crisis, and the Future of Regional Economic Integration in South America*." 13 R. OF INT. POL. ECON. 802, 807 (2006).
[39] *Id.*
[40] *See* Jayasuriya, *supra* note 15, at 2.
[41] George Lambie, *THIS ISSUE* 3 INT. J. OF CUBAN STUDIES 89, 90 (2011).
[42] *Id.*

years later, ALBA established a common currency known as SUCRE to replace the U.S. Dollar in trade transactions among members.[43] In addition, the union became especially appealing for smaller nations hoping to exchange with the oil-rich Venezuela.[44] Indeed, the union added several Caribbean nations and would later add Nicaragua, Bolivia, and Ecuador.[45] But the limits of establishing an economic union based on shared political values and oil trade alone proved insufficient in the long run. After years of criticism from members about the union's dysfunction, Bolivia and Ecuador eventually left the union when right-wing governments came to power citing irreconcilable political differences and accusations of political interference by the group in their nation's electoral process (Bolivia would re-join in 2020 when left-leaning Luis Arce came to power).[46] Indeed, it was an alliance limited by political dogma that kept nations such as Colombia, which Hugo Chávez once branded a "U.S. puppet," from joining.[47] As proponents of Latin American integration reflect on ALBA's trajectory, there's a crucial lesson to be gleaned: a successful economic union requires more than just shared political ideologies and fervor.

Exploring the bonds and values necessary for union establishment, the EU's creation offers invaluable insights. The idea of a united Europe arose from the conflict of the Second World War, in which proponents believed that integration would be the only way to prevent future conflicts.[48] Jean Monnet, a French civil servant referred to as the "father of Europe," proclaimed: "There will be no peace in Europe if the States are reconstituted on the basis of national sovereignty […] [t]he countries of Europe are too small to guarantee their peoples the prosperity that modern conditions make possible and consequently necessary. They need larger markets." For Monnet, the solution to binding diverse nationalities was clear: "make men work together, show them that beyond their differences and geographical boundaries there lies a common interest."[49] This spirit led to the 1951 Treaty of Paris and the creation of the European Coal and Steel Community (ECSC) among France, Germany, Italy, and others to establish the first supranational European governmental institution.[50] The purpose of the ECSC was to combine the economic interests of member states for reconstruction of post-war Europe. This would enhance economic performance and create mutual trust by centralizing the coal and steel industries of each member—the backbone of the military industry during the war—under one European governing body.[51]

The idea behind the consolidation of resources in the ECSC was that nations that would share and depend on each other would be less likely to fall into conflict, and it would facilitate integration.[52] Envision German and Polish workers traveling to France for employment in the steel industry; their interactions would naturally expand their perspectives, leading to a shared "European"

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[43] *Id.* at 91
[44] *See id.*
[45] *Id.* at 90
[46] Marc Saint-Upéry & Pablo Stefanoni, *Bolívar's nightmare: Crisis and fragmentation among ALBA members' governments* 171 Hérodote 27, 28 (2018).
[47] Rory Carroll & Sibylla Brodzinsky, *Chavez sends 10 battalions to Colombian border after killing of Farc commander*, THE GUARDIAN, Mar. 3, 2008.
[48] Robert Godby & Stephanie Anderson, *European Integration: The Road to the EU and the Euro. Greek Tragedy, European Odyssey: The Politics and Economics of the Eurozone Crisis*, 25, 25 (2016).
[49] *Id.* at 25-6.
[50] Michael Burgess, *Introduction: Federalism and Building the European Union* 26 Publius, 1, 1 (1996).
[51] *See* Godby, *supra* note 46, at 26.
[52] Burgess, *supra* note 48, at 2.

identity that surpasses national borders.[53] Countries that significantly trade with one another over a certain period of time not only become economically interdependent, but may also work together towards shared goals.[54] Drawing insights from this, Latin America might find that fostering a unified "Latin American" or "Latino" identity, based on shared socioeconomic bonds, offers a more powerful path to integration than relying on the divisive political rhetoric from a minority of nations within the region.

Federalists in Europe understood that intranational bureaucracies or meeting groups do not create the attachments between citizens of nations that is necessary for genuine economic integration.[55] Creating a regional central bank or multi-nation parliament wouldn't just simply make the citizens of Argentina identify with the citizens of Brazil. As Jacques Delors, the main architect of the EU, aptly noted: "you can't fall in love with a single market."[56] Economic advantages of integration, by themselves, do not sway public opinion. While citizens may consider the economic consequences of integration, conceptions of group membership, such as family or nationality, are much more potent.[57] In Europe, to encourage feelings of togetherness and "Europeanness," pro-union federalists sought to weave both a narrative and symbols, crafting a story with which citizens could identify.[58] In essence, the treaty of Paris became the first step in a much larger effort by pro-union federalist in the continent to establish the European Union.[59] The arduous journey to cultivate a sense of unity cannot be supplanted by fleeting summits and impassioned political rhetoric, as exemplified by former Venezuelan president Hugo Chávez's proclamation that Bolívar's dream had been realized after the region's heads of state agreed to establish CELAC.[60]
During the creation of the EU, the identity narrative channeled human bonds to fuel efforts to redefine notions of nationality, create a new cultural identity, reorganize the continent's political and economic powers.[61] Europe's tumultuous past, especially the scars of war, provided valuable lessons on forging economic solidarity. The European Union has consistently reinforced the shared values and achievements of its member nations through poignant symbols.[62] Its blue flag adorned with twelve yellow stars, along with its distinctive anthem, echoes the symbolic resonance of a unified nation.[63] The word "euro" was applied to everything from trains and football championships to the EU's euro coins and bills.[64] National symbols such as flags, anthems, money, and passports are what cause people to recognize themselves as a particular group out of habit.[65] Contrast this deliberate and strategic process of identity formation with the efforts undertaken by Latin America to economically integrate—occasional diplomatic meetings, preliminary drafts for regional group formation, only to witness the withdrawal of member states upon political shifts.[66]

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[53] *See* Godby, *supra* note 46, at 26.
[54] *See generally id.*
[55] See *id.* at 34.
[56] *Id.*
[57] *Id.*
[58] *Id.*
[59] *See* Burgess, *supra* note 48, at 2.
[60] Christopher Toothaker, *Chavez: New regional group revives Bolivar's dream*, ASSOCIATED PRESS, Mar. 2, 2011.
[61] *See* Godby, *supra* note 46, at 26.
[62] *Id.* at 35.
[63] *Id.*
[64] *Id.*
[65] *Id.*
[66] *See* Caroll, *supra* note 45.

If a deeply integrated economic union is to last, it must be able to withstand a certain level of shifts in political governance common to democracies. The road to integration and the Euro in Europe was defined by an existential battle between nationalists, who sought to resist any delegation of economic or political power to an outside entity, and federalists, who saw the integration of the continent as a necessity to avoid future wars and reap the benefits that come from the establishment of a common market.[67] This ideological struggle came to a head in 1965, when a newly elected nationalist president in France, Charles De Gaulle, believed that the ongoing integration efforts in Europe undermined French sovereignty.[68] De Gaulle's crusade against the newly created European Economic Community (EEC) resulted in creation of the 1966 Luxemborg Compromise, which gave member states veto powers over matters deemed as national interests.[69] This compromise significantly diminished the prospects of a strong European government that affects the EU to this day.[70] Nevertheless, even if sacrifices had to be made, the EU largely withstood these challenges. With a long-term vision, federalists methodically deepened economic ties, advancing integration with each treaty and milestone achieved.[71]

In Latin America, nationalists continue to undermine and stall efforts to integrate the region. Indeed, looking at the political history of the region, there have been constant rivalries and deep political divisions among nations that have created more distrust than unity.[72] Historically, the two largest economies in the region, Argentina and Brazil, have frequently engaged in wars over territorial disputes, fostering a general air of distrust between the two nations.[73] While Venezuela has been governed by left-wing nationalists over the past century, Colombia has predominantly had right-wing nationalists at its helm, engendering deep mutual distrust.[74] These political divisions have manifested themselves in the limited trade unions created in the region, where more right-wing countries such as Colombia, Ecuador, and Peru created their own union (CAN), while more left-wing governments such as those in Venezuela, Cuba, and Nicaragua founded CELAC.[75] The creation of CELAC itself, which includes every Latin American nation, vividly portrayed these divisions when Hugo Chávez and Nicaraguan president Daniel Ortega proclaimed that the new organization achieved Bolívar's 200-year-old dream and that it "[sentenced] the Monroe Doctrine to death." Conversely, Colombian president Juan Manual Santos, a U.S. ally, exclaimed that the organization was "[not] being born to be against anyone." With two completely different camps—a group that wanted to use the union to manifest anti-American sentiments, and another that was looking to solve regional challenges—forming this alliance, it is impossible to create a fully functioning organization when its members cannot even agree on its purpose.[76]

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67 *See e.g.* Burgess, *supra* note 48, at 7.
68 Godby, *supra* note 46, at 27.
69 *Id.*
70 *Id.*
71 *See e.g.* Burgess, *supra* note 48, at 3.
72 Ron L. Seckinger, *South American Power Politics during the 1820s* 56 The Hispanic American Hist. Rev. 241–67 (1976).
73 *See id.*
74 *See* Caroll, *supra* note 45.
75 Saint-Upéry, *supra* note 44, 28.
76 Toothaker, *supra* note 58.

Latin America's journey toward integration, while riddled with challenges, can take inspiration from the European project's blueprint for economic union. The EU's steadfast commitment to a multi-national unity, cultivated over decades, showcases that regions with tumultuous histories, like Europe's wars, can achieve unity.[77] It is important to point out that despite the hopes of the original visionaries, a "United States of Europe" did not emerge from the original Treaty of Paris.[78] Instead, the EU, and the eurozone, represent hybrid governmental institutions that are far more economically integrated than politically.[79] This balance emerged from the tug of war between federalists, championing a central governance, and nationalists, advocating for retained state powers.[80] While the eurozone embodies a supranational economic authority, its politics resemble a confederation, steered by intergovernmental relationships.[81] The EU's journey, marked by forfeited ambitions like a continent-wide banking union and harmonized fiscal policy, shows that while member states upheld their sovereignty, a profound economic and political integration was still achieved.[82]

a. A Catalyst for The Creation of an Economic Union

Something worth noting about the impetus for the creation of the European Union is how dramatic the crisis was that persuaded the nations of the continent to form such a deeply integrated economic union—two world wars on the continent which killed tens of millions of Europeans.[83] While Latin America has been mired in decades of political instability, financial crisis, underdevelopment, and general mistrust among nations, it is uncertain whether these long historical issues are sufficient as a catalyst to create enough urgency and consensus among the nations of the region to create an economic union akin to the European model.[84] Despite the current "pink tide" wave, where most major economies in Latin America have embraced left-wing leadership, the political alignment hasn't catalyzed deeper economic integration.[85] In the most recent elections for the president of the Inter-American Development Bank (IDB), the largest development financier for the region, Latin American nations were unable to come to consensus on a candidate.[86] Brazil, Argentina, and Mexico chose instead to launch their own candidates, allowing the United States to fill the position.[87] If Latin American countries cannot come to a consensus on a more basic task such as filling the IDB presidency, could they come to a consensus on a massive undertaking such as launching a robust economic integration project? an exploration of the benefits of an economic union for the region, along with its transformative potential, may contain the key to creating an effective rallying cry for integrating the continent.

2. *The Incentive for Creating a Latin American Union and Common Currency*

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[77] *See* Godby, *supra* note 46, at 43.
[78] *Id.*
[79] *Id.*
[80] *See* Burgess, *supra* note 48, at 2.
[81] Godby, *supra* note 46, at 43.
[82] *Id.*
[83] EUROPEAN-UNION, History of the European Union 1945-59, https://european-union.europa.eu/principles-countries-history/history-eu/1945-59_en (Mar. 17, 2023).
[84] *See e.g.* Jose A. Ocampo, *The Latin American Debt Crisis in Historical Perspective*, *in* INT. ECON. ASS. SERIES. LIFE AFTER DEBT 88, 115 (2014).
[85] Oliver Stuenkel, *A Second Pink Tide Might Not Unify Latin America*, AMERICAS QUARTERLY, (Nov. 17, 2022), https://americasquarterly.org/article/a-second-pink-tide-might-not-unify-latin-america/
[86] *Id.*
[87] *Id.*

a. Latin America's Need for an Economic Union: Intra-Regional Trade

Latin America remains one of the most closed regions in the world when it comes to trade.[88] In addition, the nations of the region have a less diversified economy than their counterparts.[89] As any student taking a finance course learns at the beginning, it is a bad proposition for when times get tough.[90] The region continues to be export-dependent on traditional industries such as mining and agriculture, while being unable to develop a modern competitive manufacturing industry.[91] These economies stand in dark contrast to their once-developing counterparts in Asia such as South Korea and Singapore, who have now closed the wealth gap with the developed world.[92] Several factors have contributed to Latin American being unable to advance as quickly as their Asian counterparts, but one of the most striking and solvable is intra-regional trade—the exchange of goods, capital, and knowledge within Latin American itself.[93] Compared to the EU, whose intra-regional trade accounts for almost 55% of its overall trade, Latin America as a whole is near last with only 15% of its trade being intra-regional.[94] This lack of intra-regional exchange has come as a detriment to the region—commercial ties to adjacent nations expand the manufacturing sector and diversifies economies.[95] Manufacturing, in turn, develops domestic industries, evolves worker's skillsets, and enhances economic growth.[96]

The EU has resulted in increased trade between its partners, a success mirrored by the NAFTA agreement in North America.[97] In contrast, Latin America's free trade agreements, riddled with unworkable and unsustainable terms, as well as exceptions added by skeptics, have largely failed, and left the region deindustrialized.[98] Mercosur, the Pacific Alliance, and other integration trade projects have been bogged down by bureaucratic inefficiencies, physical barriers, and a lack of uniformity in currency policy rooted in protectionist sentiment.[99] This is starkly different from the EU—for instance, Argentina and Chile, despite sharing a border of over three thousand miles, only have four crossings between them and a singular train route to the north.[100] Indeed, a Latin American economic union will need to be accompanied by major infrastructure projects to better connect all member states and capitalize on any enhanced trade. Companies engaged in international trade typically pay higher wages and are more efficient.[101] Increasing intra-regional trade also leads to a greater creation of jobs and production within the region.[102] One compelling reason to establish a Latin American Union lies in the transformative potential of modernizing

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[88] Shannon K. O'Neil, *Why Latin America Lost at Globalization—and How It Can Win Now*, AMERICAS QUARTERLY, (Jul. 26, 2022), https://www.americasquarterly.org/article/why-latin-america-lost-at-globalization-and-how-it-can-win-now/
[89] *Id.*
[90] See *id.*
[91] *Id.*
[92] *Id.*
[93] *Id.*
[94] Basnet & Sharma, *supra* note 7, at 555.
[95] O'Neil, *supra* note 85.
[96] *Id.*
[97] *Id.*
[98] *Id.*
[99] Carranza, *supra* note 37, at 807.
[100] O'Neil, *supra* note 85.
[101] *See e.g. id.*; *see also* Andrew K. Rose et al., *One Money, One Market: The Effect of Common Currencies on Trade*, 15 ECONOMIC POLICY 9, 44 (2000).
[102] *Id.*

economies through manufacturing growth.[103] While this alone will not overcome key differences between nations, when combined with other strategies, it may prove potent in creating the necessary economic and political impetus to integrate.

b. Latin America's Need for an Economic Union: Globalization, Economic instability, and the IMF

Another way to incentivize the region to integrate economically and generate its own investments and capital, one would only need to examine the experience of the region in dealing with foreign financial players in acquiring capital and importing economic planning and management. For nearly its entire history, Latin America has suffered economic crisis after economic crisis.[104] The region was among the first in the developing world to accrue vast amounts of foreign debt, and also the first to default on those debts.[105] In 1944, while World War II continued to rage on, the United States and Britain organized the Bretton Woods conference, in which forty-five countries came together to establish a post-war global financial system in which multilateralism would decrease tensions and conflicts.[106] The conference excluded Argentina, one of the largest and most promising economies in the region, for its neutral stance during World War II which the United States opposed.[107] The exclusion of Argentina, along with the underrepresentation of the rest of Latin America in the conference, resulted in a global financial order which did not adequately meet the needs of Latin America's developing economies.[108] The conference resulted in the establishment of the International Monetary Fund (IMF), The World Bank, and the Bretton Woods monetary system which created a global adjustable exchange rate peg to the U.S. Dollar.[109]

With a yearning for development, and a lack of resources and capital, the nations of the region turned to foreign lenders and technocrats such as the IMF and the World Bank.[110] The inclination for seeking international loans was supercharged by authoritarians in the region looking for legitimacy through economic progress.[111] In the 1950s, nations in the region such as Brazil and Argentina entered into loan agreements and stabilization programs that, unfortunately, laid the foundation for dependence on foreign capital.[112] Over the following years, the IMF and its delegates obtained greater control over the internal economic affairs of each individual country.[113] Through repeated contacts between the IMF and the nation's politicians, the region's economic leaders soon begun adopting the IMF's customs and acting in accordance with IMF doctrine.[114] Furthermore, through various contractual agreements, the IMF gained monitoring powers over

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[103] *Id.*
[104] Ocampo, *supra* note 82, at 88.
[105] *Id.* at 89.
[106] Claudia Kedar, *Multilateralism from the Margins: Latin America and the Founding of the IMF, 1942–1945*. The International Monetary Fund and Latin America: The Argentine puzzle in context, 11, 22 (2013).
[107] *Id.* at 18.
[108] *See id.* at 26.
[109] Ocampo, *supra* note 82, at 89.
[110] Claudia Kedar, "Conclusions." *The International Monetary Fund and Latin America: The Argentine Puzzle in Context*, 188-89, 190 (2013).
[111] Manuel Pastor, *Latin America, the Debt Crisis, and the International Monetary Fund*. 16 Latin American Perspectives 84-85, 96 (1989).
[112] Claudia Kedar, *Dependency in the Making: The First Loan Agreement and the Consolidation of the Formal Relationship with the IMF, 1957–1961*. 66, 87 (2013).
[113] *Id.* at 67.
[114] *Id.*

each nation's economic internal affairs as well as permanent offices inside the nation's central institutions.[115] This deepening relationship left Latin America more reliant on external economic institutions than ever before.[116]

During the subsequent decades, the IMF's power and influence in the region significantly expanded.[117] Currency policy, particularly exchange rate policy, is important to the economic well-being of a nation.[118] Exchange rate regimes differ widely across the region—some countries choose a fixed exchange rate, others choose to float their exchange rates, and so on. Some are more protectionist of their industries, and their exchange rate regime reflect that; meanwhile, others, influenced by the Chicago school of economics, adopt more liberal economic policies, and their exchange rate regime reflects that.[119] The Bretton Woods monetary system created perhaps among the most stable economic periods in the region's history, but when the system collapsed in the 1970s, the region was once again left with varied exchange rates and little incentives beyond their own national priorities to pursue monetary policy goals.[120] With an underregulated international financial system following the collapse of the Bretton Woods, private bankers turned their sights to developing countries.[121] As Latin America transitioned from closed authoritarian societies into open democratic societies in the 1980s, the region's economies, now exposed to global capital markets, once again accrued vast debts.[122] When commodities—the region's main economic engine—collapsed, Latin American entered what became known as "The Lost Decade," a period marked by a debt crisis that led to hyperinflation and deep economic recessions.[123] Without much leverage, Latin American nations entered into debt restructuring deals with the IMF.[124]

Up until the debt crisis, the IMF had agreements with only one third of nations in the region, but when the debt crisis hit, the IMF entered into agreements with nearly all the nations in the region, becoming the main economic planner for private capital in Latin America.[125] Without regard for the global nature of the crisis, the IMF almost exclusively blamed the nations of the region for the debt crisis as result of domestic economic mismanagement.[126] Even after placing the blame on each country for its own set of errors in managing their economies, the IMF still gave all of them the same plan—devaluation, reductions in public sector wages, decreases in government subsidies, and decreases in other governmental interferences.[127]

Despite the uncertainty of the IMF's methods in solving the region's financial problems, the IMF pushed them with full force, causing economic stagnation and fueling inequality.[128] In a way, the

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[115] *Id.*
[116] Pastor, *supra* note 111, at 90.
[117] *See id.*
[118] *See e.g.* Frieden, *supra* note 17, at 202.
[119] *See id.* at 201.
[120] *Id.* at 193.
[121] Pastor, *supra* note 111, at 88.
[122] Kedar, *supra* note 105, at 186.
[123] Ocampo, *supra* note 82, at 88.
[124] Pastor, *supra* note 111, at 86.
[125] *Id.* at 88, 90.
[126] *Id.* at 82.
[127] *Id.* at 92.
[128] *Id.* at 100.

region became more economically integrated than it had in the past due to a uniform approach to economic liberalization and privatization. Yet, this externally imposed uniformity did not meet the needs of a developing region.[129] Brazil and Ecuador's negotiations with the IMF were completely detached from the reality of the debt crisis on the populace of the country, particularly the most vulnerable on the economic rungs.[130] While Latin American nations suffered from inflation and under-development, the IMF consistently pushed for austerity as a means of debt restructuring.[131] This led to the cutting of vital social programs that were crucial to healthy socioeconomic development.[132] Despite the dramatic reforms of the 1980s, Latin America continued to experience exchange rate uncertainty.[133] Because most of the nations were by this point open societies, they became susceptible to new economic shocks and gained more needs for capital and efficient economic management.[134]

Establishing an economic union and common currency would have gone a long way in mitigating the worst effects of Latin America's economic crisis during the tumultuous 20th century.[135] Uniform fiscal policies would offer greater consistency, predictability, and resilience in exchange rate regimes. By aligning monetary policies and exchange rates within an economic union, trade within the region would likely flourish due to reduced exchange rate costs, consequently invigorating the economies of all member nations.[136]

Better economies under a deeply integrated economic union would have resulted in, increased capital and less need to borrow from international creditors.[137] In addition, predictable monetary policy leads to increases in foreign investment, and the increase in regional trade would lead to more diversified economies that might have withstood the worst of, for example, a crash in oil prices.[138] Next, the collective power that comes from an economic union would be in full display when dealing with major economic powers and institutions, such as the United States, China, and the IMF.[139] A collective agreement, as opposed to individual Latin American countries negotiating with the IMF during the debt crisis, could potentially have resulted in better terms and conditions that would not have prioritized austerity but rather taken a more holistic approach that could both meet obligations to creditors and also continue to develop economically and protect the most vulnerable in each individual member country.[140]

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[129] Kedar, *supra* note 101, at 13.
[130] *Id.*
[131] *See* Pastor, *supra* note 111, at 92.
[132] *Id.*
[133] *Id.* at 93.
[134] Ocampo, *supra* note 82, at 99.
[135] *See e.g. id.* at 88.
[136] Ocampo, *supra* note 82, at 99.
[137] Bangake, *supra* note 9, at 70.
[138] O'Neil, *supra* note 85.
[139] *See generally* Paul Masson & Catherine Pattillo, *A Single Currency for Africa?: Probably Not, But Selective Expansion of Existing Monetary Unions Could be Used to Induce Countries to Improve Their Policies*, FIN. & DEV. 10, 15 (2004).
[140] *See* Pastor, *supra* note 100.

Ultimately, an economic union in Latin America cannot be a substitute for global markets.[141] While Latin America would instantly become the second largest economic union in the world, from the lens of development and investment, Latin America would still need to continue to engage with the international community.[142] Nevertheless, the extra economic power derived from a Latin American Union should not be underestimated, and if effectively organized, it would give the region more bargaining power when dealing with foreign central banks and monetary agencies.[143] It would also create more solidarity between each nation—indeed, division and mistrust between countries have plagued the region for centuries, meaning each nation has had to deal with powerful foreign entities on their own.[144] Divided, Latin American nations have been cast aside on the international stage; together, they have the potential to create a louder unified voice.

It is worth mentioning that an economic and monetary union will not shield Latin America from future debt crises as evidenced by the Euro Crisis of 2009.[145] During the crisis, multiple EU members were unable to repay their public debts or assist their commercial banks on their own. Because they lacked the necessary monetary instruments given up after adopting the Euro, these economies entered deep recessions.[146] While the lack of monetary instruments would suggest that a common currency was to blame for the crisis, a number of economists have pointed out that Europe's fiscal problems did not derive from being too integrated, but rather not enough.[147] A more integrated EU would contain entities such as a unified banking system, or banking union, which would allow the EU wide regulatory framework for all the banking systems inside member states; and a fiscal union, which would allow for oversight over EU member's budgets and other fiscal systems.[148] Unlike the United States, which has wide economic and political latitude over each state, the EU continues to lack sufficient powers to stabilize and promote equitable outcomes among its members.[149] Indeed, if any lessons were learned from the Euro Crisis, it was that insufficient partial integration could ultimately hurt the smallest members within a union, particularly in moments of crisis.

c. The Suitability of an Economic Union for Latin America

In order to form a deeply integrated economic union, prospective countries within a region must meet several economic requirements to make the creation of such a union feasible—they must all experience similar economic shocks, similar business cycles, and similar trends in gross domestic product (GDP) among others.[150] Focusing on the leading economies of Latin America, their GDP fluctuations closely correlate, they have mostly similar business cycles, and they experience common shocks as well as share similar responses to those shocks.[151] Pending further studies on labor market conditions, these findings thus far suggest that Latin America contains favorable

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[141] *See* Sisira Jayasuriya et al., *A Single Currency for South Asia: Economics and Politics of Monetary Integration*, 40 ECON. & POL. Weekly 3160, 3166 (2005).
[142] *Id.*
[143] *See* Pastor, *supra* note 100.
[144] *See generally* Stuenkel, *supra* note 83.
[145] Kathleen McNamara, *Banking on Legitimacy: The ECB and the Euro Zone Crisis*, 13 GEO. J. OF INT. AFF. 144, 143-50 (2012).
[146] *Id.* at 146.
[147] *See e.g. id.*
[148] *Id.*
[149] *Id.*
[150] *See* Robert A. Mundell, *A Theory of Optimum Currency Areas*, 51 THE AM. ECON. REV. 657, 663 (1961).
[151] Basnet & Sharma, *supra* note 7, at 575.

economic conditions for the creation of an economic union.[152] Smaller economies in the region may also join even if they don't share the same conditions, since they make up a significantly smaller share of the market.[153]

Regarding the size differences between each country, Brazil's GDP is nearly 40 times that of Paraguay, and has a population nearly 29 times larger.[154] But despite these dramatic differences in size, economic and monetary indicators continue are the true guides of feasibility when it comes to economic unions.[155] Nevertheless, where size could play a difference is in the desirability of nations to form an economic union.[156] Without a doubt, Brazil would have an outspoken role in a Latin American Union given its economic size.[157] This outsized role would be akin to that of Germany in the European Union, and that could be a factor in determining if the region would be inclined to fully integrate.[158] There are signs this may already be a barrier—ever since the election of Lula in Brazil, several representatives from other Latin American nations including Argentina were less enthusiastic about the return of "bossy" Lula, who is often outspoken and at times takes contrarian positions from other members within existing political bodies such as CELAC.[159] Nations such as Argentina might be lukewarm about the idea of having Brazil take a leading role in the region's fiscal and monetary governance.

The tension of Brazil having an outsized influence in an economic union would not dissipate once the union was created—differences over monetary policy could ignite nationalist sentiments among members, and ultimately make a union create more political harm than good in the long-run.[160] It is worth noting that the EU dealt with this same problem by heavily subsidizing member states negatively affected by fiscal policies.[161] Such a move a requires highly effective institutions and coordination among member states, as well as the generation of enough capital to alleviate such fluctuations.[162] In essence, a monetary union can only function through a high level of economic coordination which in turn demands some delegation of monetary powers.
One major difference between European and Latin American nations is that European nations are considered by economists as "developed" nations, while Latin America is largely composed of "developing" nations.[163] Economic similarities between nations in Europe made integration more politically acceptable since the EU reduced changes in distribution, which fostered scale economies, and expanded intra-industry trade.[164] On the other hand, trade among developing nations is largely based on comparative advantage, and thus such similarities tend to undermine

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[152] *Id.*
[153] *Id.* at 555.
[154] WORLD BANK, https://data.worldbank.org/indicator/NY.GDP.PCAP.CD; https://data.worldbank.org/indicator/SP.POP.TOTL
[155] Basnet & Sharma, *supra* note 7, at 575.
[156] Godby, *supra* note 46, at 48.
[157] *See id.*
[158] *Id.*
[159] Stuenkel, *supra* note 83.
[160] *See* Godby, *supra* note 46, at 27.
[161] Jeffry Frieden, *The Euro: Who Wins? Who Loses?* 112 FOREIGN POL'Y 25, 34 (1998).
[162] *See generally* Masson, *supra* note 134, at 11.
[163] Ocampo, *supra* note 82, at 11.
[164] Werner Van Lembergen & Margaret G. Wachenfeld, *Economic and Monetary Union in Europe: Legal Implications of the Arrival of the Single Currency*, 22 FORDHAM INT'L L.J. 1, 4 (1998).

any gains in trade from the regional integration.[165] Because increases in trade may not be as potent as in more developed regions, Latin America must continue to engage with the international community, but would do so from a stronger position in a deeply integrated economic Union.[166] Nevertheless, significant economic gains can come from regional integration, as long as such integration is based on regional comparative advantages and scale economies.[167] A common currency can allow member states to better benefit from such gains as long as the common currency policy does not hamper their ability to engage in trade and investment opportunity with foreign entities.[168]

A point of concern for the region in creating an economic union is that of political shocks.[169] Political shocks, such as military coups, often lead to economic policy changes that may be detrimental to economic integration efforts according to conventional economic integration analysis.[170] While Latin America has had a long history of political instability, particularly in the 20th century, there are signs of increasing political stability in the region in the 21st century as social democratic institutions continue to grow stronger and thus reducing the threat such shocks pose to integration efforts.[171] But there are recent developments that may worry proponents of integration, particularly the on-going political and fiscal crisis in Venezuela, as well as the 2023 failed coup attempt on Brazil's political and judicial institutions by supporters of the former president Jair Bolsonaro.[172] Nevertheless, economic integration and common currency tends to foster greater political stability among its members, and thus this could serve as another benefit which proponents of integration may tout.

d. Creating a Common Currency

Latin America will likely need to integrate economically and politically into something akin to the European Union before establishing a common currency.[173] Taking the European model as an example, establishing a common currency requires that participating countries delegate currency policy to a central bank outside of its own jurisdiction.[174] Such a move contains a myriad of prerequisites; one which is a large degree of trust between participating partners.[175] In the EU, this trust was built through a 50-year project that began in the aftermath of the second world war.[176] Latin America will need to embark on its own journey of creating sufficient trust, particularly among its largest economies, such as Brazil and Argentina.

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[165] Lambie, *supra* note 90, at 39.
[166] Masson, *supra* note 134, at 11, 12.
[167] *Id.* at 15.
[168] *Id.* at 12.
[169] Fosdike, *supra* note 15, at 5.
[170] *See id.*
[171] *See e.g.* Ricardo Restrepo Echavarria, *Sovereign Democratic Transformation in Ecuador (2007-2016),* 9 REV. EUR. STUD. 20, 30 (2017).
[172] Siobhán O'Grady, *Venezuela's crisis: How did it get so bad?*, THE WASHINGTON POST (Jan. 24, 2019), https://www.washingtonpost.com/world/2019/01/24/venezuelas-crisis-how-did-it-get-so-bad/; James N. Green, *Brazil's Bolsonaro Perfected Trump's Jan. 6,* NEWSWEEK (Jan. 13, 2023), https://www.newsweek.com/brazils-bolsonaro-perfected-trumps-jan-6-opinion-1773731
[173] Bresser-Pereira & Holland, *supra* note 16, at 217.
[174] Godby, *supra* note 46, at 30.
[175] Burgess, *supra* note 48, at 3.
[176] *Id.*

Under conventional economic literature, Latin America lacks sufficient economic integration and coordination to make a common currency a desirable prospect.[177] While most studies argue that a robust economic integration should be in place before introducing a common currency, alternative views propose that the introduction of a common currency or exchange rate regime might actually spur economic integration and ease the transition to an economic union.[178] A potential initial step for nations considering a common currency could be the establishment of an exchange rate band.[179] But this move demands coordination and power delegation, potentially to a central banking entity, necessitating a certain level of trust and consensus among participating countries.[180] Yet, this also means relinquishing individual monetary policy tools that address specific economic challenges.[181] If poorly managed, a continuously depreciating currency might bring more disadvantages than benefits.[182] Nevertheless, because Latin American nations have significant similarities when it comes to shocks relevant to economic integration analysis, a common policy response to shocks will be beneficial to all member and not require individual monetary autonomy.[183]

Ultimately, the goal of a monetary union could be used to promote better governance and fiscal discipline among prospective members.[184] A member nation with unsound fiscal policies may ultimately hurt the union and its members, thus a union could make membership contingent on achieving certain fiscal stability and thereby increasing economic credibility on the international stage.[185] A monetary union has the potential to enhance trade among members between 1.5-3 times more than without a union or just a mere Preferential Trading Agreement (PTA) establishing a preferential trade area.[186] Given the typical political divisions and mistrust between nations in Latin America, a monetary union is desirable in that it can bring these nations closer together.[187]

e. Lessons from Europe in the Creation of the Euro

Giving up a currency means giving up a symbol of national sovereignty, a symbol of a nation's history, cultural heritage, achievements, values, etc. A monetary union does not just ask to give that up, but also to give up monetary economic policy—what is traditionally a national instrument of governance—to a central bank perhaps outside of their own country heralded by what is often a foreigner.[188] With this in mind, how do any number of nations convince their public and elected officials to give up a prized symbol? In this realm, the European Union offers some guidance through the roll-out of the Euro. In 1993, as part of its massive European public relations campaign, the European Parliament sponsored a competition to get people excited about the introduction of the euro.[189] It asked individuals to choose among ten different designs for the new common currency; the goal was to put something born out of the preference of all citizens on the currency

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177 Fosdike, *supra* note 15, at 6.
178 Basnet & Sharma, *supra* note 7, at 575.
179 Bresser-Pereira & Holland, *supra* note 16, at 214.
180 Burgess, *supra* note 48, at 3.
181 Fosdike, *supra* note 15, at 6.
182 Masson, *supra* note 134, at 10.
183 Basnet & Sharma, *supra* note 7, at 575.
184 Van Lembergen & Wachenfeld, *supra* note 159, at 11.
185 *See id.*
186 Bangake, *supra* note 9, at 69.
187 *See* Sisira Jayasuriya et al., *A Single Currency for South Asia: Economics and Politics of Monetary Integration*, 40 ECON. & POL. WEEKLY 3160, 3166 (2005).
188 Kurt Juul, *EU and the Single Currency*, 52 Pakistan Horizon 7, 7 (1999).
189 Godby, *supra* note 46, at 35.

that would symbolize the linking together of Europe.[190] To further cement the euro in the hearts and minds of the people, in the 1990s, the European Parliament President Enrique Barón supported the creation of a new comic book hero for Europe: Captain Euro, who saved people against his archenemy, Dr. D. Vider, who promotes division among Europeans from within.[191] The lesson for Latin America here is that the larger creation of a continental identity to promote regional integration can also serve as the basis for establishing a common currency.

Beyond building public support for the establishment of a common currency, a union must also do it in an orderly and efficient manner that lets all members' economies and business communities accommodate and transition to the new currency without causing chaos.[192] In Europe, the European Economic and Monetary Union (EMU) were a set of policies aimed at converging the economies of members states, each stage marking a deeper integration which culminated into the third and final stage—the adoption of the single currency known as the Euro.[193] In order for prospective members to join the Euro at the third stage, the European Union required that they meet certain criteria under Article 109(j) of the European Community Treaty—they had to maintain stable inflation rates, maintain control over national budgetary deficits, and maintain sustainable exchange rates, etc.[194] This high entry threshold meant that of the fifteen EU member states at the time, only eleven were eligible to adopt the common currency, and the rest who had not exercised their opt-out choice had to adjust their policies to meet the required criteria.[195] This was very challenging for all member states, with nations such as France and Germany to implement politically difficult policies such as raising taxes and cutting public spending to meet the criteria, and Italy implementing a tax on its middle class that it proclaimed was a "tax for Europe" to its populace.[196] But as the initial members adopted the Euro, other members such as Greece, who were increasingly keen on joining but did not meet the EU's economic criteria for adoption, had enthusiasms for the prospect of joining the Euro, and this gave the nation the political will to adopt some of the most difficult measures.[197] This demonstrates how even though the process was challenging, as more and more members joined, it gained momentum for other nations to meet its guidelines and ascend to the Euro.[198] This ascension to the Euro gave all prospective members macroeconomic standards such as inflation and deficits for which to strive, something Latin America as a region has lacked for most of its history.[199]

The rationalization for the European Monetary Union (EMU) and the singular European currency predates the formal foundation laid by the Maastricht Treaty on the European Union in 1991.[200] The exchange rate instabilities of the 1960s and the subsequent dissolution of the Bretton Woods System in 1971 highlighted the detrimental impact of extreme currency fluctuations on trade,

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[190] *Id.*
[191] *Id.* at 12.
[192] Van Lembergen & Wachenfeld, *supra* note 159, at 2.
[193] *Id.*
[194] *Id.* at 3.
[195] *Id.*
[196] Juul, *supra* note 183, at 13.
[197] *Id.* at 15.
[198] *See id.*
[199] *See* Fosdike, *supra* note 15, at 6.
[200] Juul, *supra* note 183, at 7.

investment, and growth, emphasizing the need for robust monetary collaboration among nations.[201] In response, 1979 saw various European countries launching the European Monetary System (EMS), a mechanism where members harmonized their currencies to curb significant rate fluctuations.[202] An empirical study showed that public support for a common currency increased the longer a nation was a part of the EMS.[203] This suggests that by initially setting up an exchange rate corridor, Latin American nations might foster increased public advocacy for the eventual roll-out of a shared currency.[204] The positive influence of the EMS on inflation and fiscal deficits further bolstered public and business community backing.[205] European enterprises were of the view that exchange rate predictability within Europe would provide them a notable edge over foreign rivals.[206] The EMU functions under a single monetary policy and directed by the powers of the European Central Bank (ECB), which along with the central banks of individual central banks of the member states comprised the European System of Central Banks (ESCB).[207] The ESCB's primary aim encompasses ensuring price stability, fostering economic growth, and mitigating inflation.[208]

During the course of the EMU multi-staged process, the EU produced binding laws, non-binding pronouncements, reports, recommendations, and a host of other documents in tandem with governments, consumer groups, professional organizations, etc.[209] Indeed, if Latin America is to aspire to establishing an effective common currency, it will need to embark on a large multi-staged process coupled with all the necessary actors playing critical roles.[210] Europe's remarkable roll-out of the Euro was itself a culmination of the multi-decade European integration project. Latin America may find it daunting to exactly emulate what the Europeans have been doing since the 1940s. To that end, Latin America may be better suited to establishing a common exchange rate band and allowing that harmonization to lead to other forms of economic integration. In that way Latin America would be creating its own economic union in a distinct order to that of the European Union, choosing instead to integrate monetarily first instead of through the movement of people and resources.[211]

Another obstacle to establishing a common currency is presented by the same forces that create an obstacle to establishing a common market.[212] Indeed, the road to the EU and the Eurozone was not without turbulence—the EMS and EMU were constantly tested by nationalist forces.[213] Nevertheless, unemployment and slow growth kept Europeans yearning for economic prosperity, and the ideals set forth by the Euro and the EU kept the public and business support in line for economic integration. While promoting such economic benefits will certainly make several nations

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[201] *Id.*
[202] Godby, *supra* note 46, at 39.
[203] Manfred Gärtner, *Who Wants the Euro -- and Why? Economic Explanations of Public Attitudes Towards a Single European Currency*, 93 PUBLIC CHOICE 487, 507 (1997).
[204] *See* Fosdike, *supra* note 15, at 6.
[205] Gärtner, *supra* note 197, at 507.
[206] *Id.*
[207] Van Lembergen & Wachenfeld, *supra* note 159, at 3.
[208] *Id.*
[209] *Id.* at 25.
[210] *See id.*
[211] *See id.*
[212] Godby, *supra* note 46, at 27.
[213] *See id.*

in Latin American keen on joining a common currency, the EU was greatly aided by the years-long creation of a "European" identity.[214] To that end, Latin America may find it to its benefit in the monetary realm to emulate Europe's identity project.

f. Enshrining Societal Values through an Economic Union

One of the distinguishing elements of Economic Union agreements and FTAs is that they contain accords based on international human rights law.[215] They are meant to promote values such as labor rights, environmental protections, transparency, and respect for the rule of law.[216] Unlike the FTA which contains mechanisms that are largely based on self-regulation by member nations, an Economic Union can establish an enforcing body that can oversee new implementations and rollouts of new systems.[217] A Latin American union could look to ratify, for example, the International Labor Organization's (ILO) standards on labor practices such as the rights to collective bargaining, the abolition of child labor, and the elimination of employment discrimination.[218] Beyond labor laws, an economic union could also look to strengthen other fundamental virtues such as freedom of the press and freedom of religion.[219] Indeed, a Latin American Union could herald in a new era of civic life unlike the region has ever experienced.

Any increase in trade and manufacturing resulting from deepening economic ties in the region must be accompanied by binding agreements to improve labor conditions and strengthen worker's rights.[220] Indeed, a Latin American Union must not repeat the mistakes of Mexico after it signed NAFTA, where the U.S. and Asian multinational corporations took advantage of Mexico's cheap labor leading to a steep rise in *Maquiladoras,* factories in the free trade zone, with insufficient regulatory oversight systems and worsening worker conditions.[221] In contrast to what proponents of NAFTA promised, the increase in manufacturing jobs resulting from the agreement did not increase worker's wages, instead the benefits went to Mexico's more affluent individuals.[222] In a discouraging predicament, Mexico's government found itself in a position where improving labor conditions and worker's right would mean alienating companies who came for the exploitive conditions in the first place.[223] Because the *Maquiladoras* were the only source of income and thus survival for many poor rural residents who had migrated from the countryside, they had little appetite to speak out and jeopardize their positions.[224] A Latin American union must not put profits over worker and human rights. A stronger Latin America must make it clear from the onset that it will not tolerate inhumane exploitation of its people, and that it will implement effective safeguards in place so that workers find both safety in the workplace and just recourse in the case of wrongdoing by corporations.[225]

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[214] Gärtner, *supra* note 197, at 507.
[215] David A. Gantz et al., *Labor Rights and Environmental Protection under NAFTA and Other U.S. Free Trade Agreements*, 42 THE U. OF MIAMI INTER-AMERICAN L. R. 297, 304. (2011)
[216] *Id.*
[217] Basnet & Sharma, *supra* note 7, at 553-54.
[218] Gantz, *supra* note 210, at 302.
[219] Catherine Connolly & Julie Tennant-Burt, *The NAFTA Labor Agreement and U.S. Employment-Discrimination Law*, 24 Soc. Just. 148, 154 (1997).
[220] *See id.* at 156.
[221] Esteban Flores, *Misery in the Maquiladoras*, 38 HARV. INT. R. 10, 10-11 (2017).
[222] *Id.*
[223] *Id.*
[224] *Id.*
[225] *See id.*

III. Conclusion

The vision of a Latin American union, complete with a common currency, seeks to strengthen political institutions, enhance fiscal stability, bolster economic well-being, foster mutual trust, and emerge as a formidable international presence. This ambition hinges on the emergence of a compelling catalyst or a significant will to unify the region. Historically overshadowed in international discourse, a united Latin America, speaking with one voice, can more effectively address its commercial concerns and uphold shared principles. The European Union exemplifies this—by tying access to its markets to adherence to its standards and principles, it has carved out an important voice on the global stage. Similarly, by consolidating its influence, Latin America can ensure its perspectives and interests do not go unheard.