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Pía Riggirozzi
Diana Tussie *Editors*

The Rise of Post-hegemonic Regionalism

The Case of Latin America

 Springer

THE RISE OF POST-HEGEMONIC REGIONALISM

United Nations University Series on Regionalism

Volume 4

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The Rise of Post-hegemonic Regionalism

The Case of Latin America

Pia Riggirozzi and Diana Tussie (editors)

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Editors

Pia Riggiozzi
University of Southampton
Southampton
United Kingdom
P.Riggiozzi@Soton.ac.uk

Diana Tussie
Department of International Relations
Facultad Latinoamericana de Ciencias
Sociales (FLACSO)
Buenos Aires
Argentina
Dtussie@Flacso.org.ar

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LIST OF ABBREVIATIONS

ALADI	Asociación Latinoamericana de Integración (Latin American Integration Association)
ALALC	Asociación Latinoamericana de Libre Comercio (Latin American Free Trade Association)
ALBA	Alianza Bolivariana para las Américas (Bolivarian Alliance for the Americas)
ALBA-TCP	Alianza Bolivariana para los Pueblos de Nuestra América – Tratado de Comercio de los Pueblos
ARF	ASEAN Regional Forum
ARPC	Agreement on Reciprocal Payments and Credits
AU	African Union
BNDES	Brazilian National Bank for Economic and Social Development, Brazil
BRIC	Brazil, Russia, India, and China
CACM	Central American Common Market
CAF	Corporación Andina de Fomento (Andean Development Bank)
CAFTA	Central American Free Trade Agreement
CALC	Summit of Latin America and the Caribbean on Integration and Development
CAN	Comunidad Andina de Naciones (Andean Community of Nations)
CARICOM	Caribbean Community
CARIFTA	Caribbean Free Trade Association
CBMS	Confidence Building Measures
CLOC	The Latin American Coordination of Rural Organisations
CONACAMI	Peruvian Communities Affected by Mining
CSEED	South American Centre for Strategic Studies for Defence
CSTO	Collective Security Treaty Organization
DPAD	United Nations Development Policy and Analysis Division
ECLAC/CEPAL	Economic Commission for Latin American Countries
EU	European Union
FARC	Revolutionary Armed Forces of Colombia
FCES	Foro Consultivo Económico y Social (Economic Social Forum)
FLAR	Latin American Reserve Fund

FOCEM	Fondo de Convergencia Estructural del MERCOSUR (Fund for the Structural Convergence of MERCOSUR)
FONPLATA	Financial Fund for the Development of the River Plate Basin
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
FTASA	Free Trade Area of South America
G20	Group of Twenty
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
HSA	Hemispheric Social Alliance
IADB	Inter-American Defence Board
IATRA	Inter-American Treaty of Reciprocal Assistance
ICU	International Clearing Union
IDB	Inter-American Development Bank
IFIs	International Financial Institutions
IIRSA	Iniciativa para la Integración de la Infraestructura Regional Suramericana (Initiative for the Integration of Regional Infrastructure in South America)
ILO	International Labor Office
IMF	International Monetary Fund
ISI	Import Substitution Industrialization
LAFTA	Latin American Free Trade Association
LAIA	Latin American Integration Association
MAS	Movimiento al Socialismo, Bolivia
MCCA	Mercado Común Centroamericano (Central American Common Market)
MCSD	Argentine-Brazilian Mechanism for Coordination of Security and Defence
MERCOSUR	Mercado Común del Sur (Common Market of the South)
MINUSTAH	UN Stabilization Mission in Haiti
MST	Brazil's Landless workers movement
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
OAS	Organization of American States
OCMAL	Observatory of Mining Conflicts of Latin America
ODECA	Organization of Central American States
OECD	Organization for Economic Co-operation and Development
OLCA	Latin American Observatory of Environmental Conflicts
OSCE	Organization for Security and Cooperation in Europe
PAC	Growth Acceleration Programme
PDVSA	Petróleo de Venezuela
RECLAME	Colombian Network against Large-scale Transnational Mining

REDLAR	Latin American Network against Dams and for Rivers, their Communities and Water
SACN	South American Community of Nations
SADC	South American Defense Council
SAT	Technical Assistance Sector (Sector de Asistencia Tecnica), MERCOSUR
SDR	Special Drawing Rights
SELA	Sistema Económico Latinoamericano y del Caribe
SICA	Central American System of Integration
SML	Local Currencies Payment System
SOUTHCOM	Southern Command of the United States
SUCRE	Unified System for Regional Compensation
U.S.	United States of America
UAC	Union of Citizen Assemblies
UCR	Unión Cívica Radical, Argentina
UNASUR	Union of South American Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNPGA	Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System
UNSC	United Nations Security Council
USAID	United States Agency for International Development
WTO	World Trade Organization

ABOUT THE EDITORS

Pia Riggiozzi is Lecturer in Global Politics at the University of Southampton. She completed a PhD in the University of Warwick and worked as Research Officer on the ESRC-funded project on Governance after Crisis at the University of Sheffield, where she completed an ESRC post-doctoral fellowship. Her publications focus on global and regional governance for development, power relations and policy processes involving international organisations and developing countries, and regionalism in the Americas.

Diana Tussie heads the Department of International Relations at FLACSO/Argentina and is the founding director of the Latin American Trade Network (LATN) and Senior Research Fellow, National Council for Scientific and Technical Research (CONICET), Argentina. She is the author of many books and journal articles on trade policy and international negotiations, regionalism and integration, and external evaluations for the WTO, World Bank and UNDP. She is a current member of the Committee for Development Policy of the United Nations.

ABOUT THE AUTHORS

Jorge Battaglini is Assistant Professor of Political Science and International Studies at the University Torcuato Di Tella in Buenos Aires, Argentina. He is also a Research Fellow at Argentina's National Scientific and Technical Research Council (CONICET). His research focuses on civil military relations in South America, regional security and militarisation.

Ricardo Carciofi is Director of the Institute for the Integration of Latin America and the Caribbean of the Inter-American Development Bank (IDB/INTAL).

Olivier Dabène is Professor of Political Science at the Paris Institute of Political Studies (Sciences Po), where he directs the Latin American studies programs, and researcher at the Center for International Studies and Research (CERI). He is also Visiting Professor at the University of Salamanca (Spain) and at the Externado University in Bogota (Colombia). He is currently President of the Political Observatory of Latin America and the Caribbean.

Andrés Malamud is a research fellow at the Institute of Social Sciences of the University of Lisbon. He received a BA from the University of Buenos Aires and a PhD in Political and Social Sciences from the European University Institute in Florence. His areas of interest include comparative regional integration, government institutions and parties, EU Studies and Latin American politics. He also served in the executive committee of the Latin American Political Science Association (ALACIP).

Marcelo Saguier (PhD) is Research Fellow at Argentina's National Science and Technology Research Council (CONICET) and Senior Fellow at the Department of International Relations of the Latin American School of Social Sciences (FLACSO) in Buenos Aires. His research focuses on transnational civil society; the intersections between socio-environmental conflicts and regionalism in South America; and the governance of transnational corporations from a rights-based perspective.

Andrés Serbin is an anthropologist and a PhD in Political Sciences, Co-founder of the Venezuelan Institute of Social and Political Studies (INVEST), currently President of CRIES and Professor at Venezuela's Central University. He also chairs the International Coalition for the Responsibility to Protect (ICRtoP), and is member of the Global Partnership for the Prevention of Armed Conflict (GPPAC).

Pablo Trucco is Researcher at the Latin American School of Social Science (FLACSO/Argentina). He earned an MA in Economics at San Diego State University and received a BA in Economics at the University of Buenos Aires as well as a BA in International Relations at the University of Salvador. His publications reflect his interest in political economy of finance, financial reform and economic integration in the Americas.

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We have tried out some of the ideas for the book at conferences and seminars at the World International Studies Conference, Latin American Studies Association, International Studies Association and University of Manchester. We are grateful to all those who contributed through panel discussions and comments helping us refine our ideas about what regionalism entails and reflect on what we meant by post-neoliberalism. We would particularly like to thank Philippe de Lombaerde at UNU/CRIS, Jean Grugel at the University of Sheffield, Nicola Phillips at Manchester, Mercedes Botto at FLACSO and Monica Hirst at FUNCES, for their incisive comments at different stages of this project. We think that the road is ready for further enquiry as the landscape shifts from being US and trade-led to new pillars that are not altogether anti-liberal but at the same time have ceased to be the result of an external marshal leading the pack. The global financial crises and the traction of China loom large in the ongoing transformative dynamics, but purposefully our focus has not been on these factors per se, but rather on the hold of a changing cycle for regional projects.

Finally, spanning regions as well as generations we would like to thank John and dedicate this book to our daughters, Delfina and Celina, and Ximena and Natalia (and offspring) with love.

CHAPTER 1

THE RISE OF POST-HEGEMONIC REGIONALISM
IN LATIN AMERICA

Domestic politics and institutions, in particular the state, were for long thought to be a hindrance to regional integration (Milner and Mansfield 1999). At times regional agreements were thought to ‘lock in’ structural reforms overcoming the limits of domestic politicization (Haggard 1997). In this view, regionalism and globalization were inherently intertwined in a causality where regionalism was often seen as subordinate to the dictates and constraints of globalization, or at best as a supplementary layer of governance (Söderbaum and Hettne 2005: 4). A new wave of scholars subsequently argued that the construction of regions is fundamental to the structure of the global order (Hettne 2005; Katzenstein 2005; Acharya 2009; Fawn 2009). However, as the long-term wisdom of excessive market freedom and extreme financial deregulation has come under fire with the eruption of the global financial crisis in 2008, rapid transformations in the governing of the regional space demand rigorously intellectual and new critical interrogations about causal influences on regional developments.

Even before the systemic quake, political renewal was underway in Latin America, and mostly in South America, where a tide of Left/Left of Centre and governments championing ideas to improve redistribution of income and social services gained political purchase in Venezuela (1998), Brazil (2002, 2006 and 2010), Argentina (2003 and 2008), Uruguay (2004), Bolivia (2005), Ecuador (2006), Paraguay (2008) and more recently Peru (2011). The rallying cry, ‘Que se vayan todos’ (out with them all) that ended the government of President Fernando de la Rúa in Argentina in December 2001 has been a tipping point of the ‘will to renew politics’ (Arditi 2008: 57) towards a reversal of conventional wisdom with regard to the locus and practice of ‘good’ economic policy-making. Several of these governments have moved to free themselves of direct oversight from the International Monetary Fund (IMF) by repaying loans early. In December 2005, Argentina and Brazil announced that they would pay off \$9.8 billion and \$15.5 billion respectively. Uruguay, Panama, Ecuador and Venezuela followed suit. In 2006 Ecuador ended the operating contract with the US oil company, Occidental Petroleum. A year later President Rafael Correa ordered the expulsion of the World Bank’s representative in the country. The rejection of external oversight was coupled with social mobilization, a new focus on empowerment of indigenous people, and the call to enact solidarity on a regional scale. Whatever one’s views, South America became a ready platform for the reignition of regionalism incorporating the normative dimensions of a new era moving beyond American-led patterns of trade integration and that cannot be dismissed as passing.

The effort to recapture the development potential of South America is the clear manifestation of a historical change, a *'change of era'* (rather than simply an era of change) as claimed by the President of Ecuador, Rafael Correa, in his inaugural speech as president of Ecuador in January 2007.¹ This change of era is aptly expressed 'at the edges of liberalism' (Arditi 2008), adding social development, community action and new forms of politics and organization onto existing practices. This book is concerned with these transformations as they manifest in new regional constructions. Our aim is thus twofold: to better understand the current analytical formulations of regional policies; and to discuss what new developments mean for how we theorize regional agreements that are grounded in different system of rules from those erstwhile championed by the US market-driven open regionalism.

We argue that alternative institutional structures and cooperation projects are, although embryonic, part of a complex set of alternative ideas and motivations affecting politics and policies across the region. But we also argue that to understand the significance of the current regional projects we also need to rethink the regional space. Regionalism is not only the institutionalization of trans-border practices but also reflection of transformations of the regional space. What region means for state and non-state actors can be signified and resignified as motivations, interests, ideas, narrative and political economic policies undergo changes. Region is, paraphrasing Wendt (1992), what actors make of it. Regions are a function of formal and informal exchanges and practices sometimes reflecting 'network societies' (Castells 1996; Bøas et al. 2005).

How far can we genuinely discern new regional governance at a time when trade has ceased to be the mechanism for the transmission of neoliberal principles? What does this post-trade regime look like? What do we know about these processes and the new terms of politics that are simultaneously regional and national? In what ways do they affect the given causality between globalization and regionalization? Is it theoretically and analytically misleading to analyse regionalism in terms of success or failure, as Dabène argues (Chapter 3)? Is the imaginary of regional projects mere endurance? Or politics by another name? That is precisely what theory struggles to explain. How can we dissect forms of regionalism expressed rather than in formal institutions in cooperation, social mobilization and 'informal networks' (Jayasuriya 2008)?

With these questions in mind, the contributions of this book focus on specific dimensions of regional formation and institutional building that account for current transformations in regional politics, policies, identities and forms of cooperation and competition. The contributions illustrate processes of regionalism and regionalization taking shape in contemporary South America. These processes must not simply

¹ The reproduction of President Correa's inaugural discourse can be found at http://www.radio36.com uy/mensaje/2007/01/m_150107.htm. Accessed 22 June 2011

be seen as ad hoc sub-regional responses to the many crises of neoliberalism and the collapse of US-led hemispheric leadership but rather, we argue, as the visible manifestation of a repoliticization of the region giving birth to new polities or regional projects in which states, social movements and leaders interact and construct new understandings of the regional space.

The focus of this volume is on South America as this is an area where contestation and even counter-hegemonic processes of importance have been taking place at the level of the state and region (Escobar 2010: 2). By looking at a set of new foundational ideas and institutions, from new continental redefinitions under the Union of South American Nations (UNASUR) and the Bolivarian Alliance for the Americas (ALBA) to reterritorialized management of natural resources (IIRSA), security (CDS), currency and payments arrangements we ask how transformative these developments are; what are the tensions and contradictions they face and what they mean for the way we understand regionalism in its own right, as expanding the referent away from trade integration, and as a level of analysis clearly distinct from the international (Fawn 2009).

1.1. THE STUDY OF REGIONS AND REGIONALISM

Regions are formed and operate in very different ways, and are advanced by different actors. For some the presence of regional powers, emerging markets or ‘middle states’ with a clear position within the region and the international system, and with certain attributes that allow for leadership, are critical to explain the emergence of regional formations (Belanger and Mace 1999; Lemke 2002; Nel and Nolte 2010). Accordingly, some scholars argue that middle states will attempt to reproduce their role and interests by developing institutions and forms of cooperation in support of specific models of development (see Chapter 9). As a result, region is seen as a construction of authority and order in reflection of regional hierarchy (Lake 2009).

Although this understanding helps us to think of regions as an outcome of power politics and interests, in many ways in reflection of complex double-edged diplomacy *a la* Evans et al. (1993), there are some methodological and analytical difficulties with this approach. First, it attributes tautological significance to what the region is for, namely the means for stronger states to pursue their interests in a multiscalar way. Second, it severely overlooks the question of *followers*. According to Schirm (2010: 199) ‘successful leadership depends not only in resources and ambition but also crucially upon the support of followers’. This is an interesting addition to a discussion that portrayed regions as top-down disciplinary mechanisms. The notion of *followership* adds a relational dimension to the discussion about regional powers.

In this view, other than hegemonic politics, region can be constructed on the basis of consensual views and interests that, although advanced and guaranteed by the leader, reflect the position of the followers. For some, this implies a transaction between the leading and following states securing some sort of win-win situation in which the leader can use the region as a platform for their interests on an

international scale, and the followers can benefit from ‘negotiated’ autonomy and otherwise restricted access to resources and markets. This interplay between self-interested actors in the construction of a common order resembles neoliberal theories in International Relations, by which regionalism is equated to regimes (see Krasner 1983). From this perspective, leaders and followers join together based on a functional definition of *the common* advantageous to all parties, even after, or despite, or even beyond hegemony (Keohane 1984). As stated by Ikenberry (2001: 28), the order is still organized around asymmetrical relations but the coercive aspects of it are ‘muted’. As acknowledged by Schirm (2010: 199) while the leaders (emerging powers) provide incentives to the followers, the latter will consider the costs of following against the cost of free riding or following other leaders or established powers, such as the United States.

Malamud (Chapter 9) builds from this hypothesis highlighting that in a context of waning US hegemony in inter-American relationships, the emergence of Brazil, and possibly Mexico and Venezuela as leaders does not bear any teleological outcome. According to the author, despite its regional preeminence, Brazil has been unable to translate its structural and instrumental resources into effective leadership (see also Hurrell 2005). Potential regional followers have not always aligned with Brazil’s main foreign policy goals, such as its pursuit of a permanent seat in the Security Council, the WTO Directorship-General, or the IDB presidency, and some have even challenged its regional influence. But if the Brazilian leadership is in question, what its double-edged diplomacy shows, in any case, is that non-hegemonic leadership is yet an important element to advance region building on the basis of a shared search for autonomous development and security, keeping extra-regional powers at bay. Many scholars have recognized that the historical legacy of Brazil teaches us that this has been a country whose political style and motivations have been guided by the goal of economic development rather than regional hegemony. In many ways, the political economic history of Brazil has been driven by a tension between the search for power and the search for development. This tension supported pragmatic policies towards regional integration and multilateralism. From this perspective, the question of leadership, and that of the role of Brazil as a ‘leader without followers’ (Malamud 2011), becomes important to analyse the nature of regional collective action. Do regional leaders act in recognition of collective concerns, or as simply self-interest maximizers using the regional space as platform for achieving national and global interest?

One way of tackling this question is precisely by fragmenting the notion of leadership. Leadership and power are important elements explaining state-led regional programmes and the establishment of control and coherence over certain arrangements. Yet, leadership itself, and even leadership as a tool for coherent regional integration, needs no mystification. The success of Brazil lies in the conception of a regional order that includes cooperative relations across a number of issues, such as geographical connections and security. Carciofi’s analysis in Chapter 4 supports this argument when he holds that rather than a single leader advancing regional arrangements, the region is a space for the articulation of shared projects involving actors

of different magnitudes yet confluent interests. In his analysis of IIRSA, Carciofi shows how infrastructure is a part and parcel of new drivers of regionalism where 12 players come together. IIRSA is thus a manifestation of renewed efforts reasserting control over infrastructure and energy for the remapping of the regional political economy around natural resources. Coordination over natural resources is key in a context where global incentives structure is based on sustained demand and rising commodity prices in world markets. Like infrastructure, security and monetary policy are areas that shifted control from the radar and dominium of the United States and US-supported institutions to new institutions and arrangements where Brazil has been a key articulator. Thanks to oil bounties, Venezuela's drive for transnational welfarism is providing a new set of incentives away from strictly based market ones (Chapter 2, also Murh 2010).

These developments are explored in detail in the following chapters. These prove that these regional agreements are grounded in systems of rules different from those that were shaped by US-led inter-American relations, and that are part of a complex set of alternative ideas and motivations that are affecting politics and policies across the region. Pía Riggirozzi reminds us in her analysis that in a period of rapid transformation of regional policies, where the political and economic circumstances that gave substance to new regionalism in the 1980s and 1990s do not hold firm any longer, these alternative regionalist projects, together with more informal social and political inter-linkages, are also reflecting a new sense of purpose in Latin America. These practices are expressions of a redefinition of regional consensus over social and economic resource sharing, regulations, planning and financial cooperation. At the same time, these practices are laying new foundations for political and social cohesiveness that can be also interpreted as a sense of community building, or what has been identified by Söderbaum and Hettne in their many academic pieces as *regionness*.

Regionness denotes two sets of dynamics: first, a sense of identity and belonging of state and non-state actors to a particular region based on shared values, norms and institutions that govern their interaction and the ways they perceive themselves within a common polity (self-recognition). Second, regionness denotes cohesive action towards the outside (recognition by others) (see Hettne and Söderbaum 2000: 461; Hettne 1993, 2008). In other words, the idea of region as defined by its level of regionness has been portrayed by who defined regionness in terms of organized social, political and economic trans-border relations (material foundations of regionalism), supported by a manifested sense of belonging, common goals and values (symbolic foundations), and institutions and regulations that enhance the region's ability to interact autonomously in the international arena (external recognition as an actor).

Understood in these terms, regionness was often used to explain the role of the European Union (EU) as an actor in the international arena (Hettne and Söderbaum 2005), at the risk of falling in a critical comparative analysis that places the EU as the starting point to analyse other regions and their regionness (Rosamond and Warleigh-Lack 2010). Little has been explored on what determines regional identity, sense of

mission and belonging in other areas, in particular in Latin America, as regionalism beyond Europe was often seen as part of interest maximization and dependency management of developing nations vis-à-vis rather the global and regional effects of US policies. From this perspective, Latin America was the ‘regional laboratory’ for US policies on trade, investment, services and government procurement (Serrano 2005: 13). The level of analysis, the point of entry and the DNA to understand identity, common practices and belonging, in this view, was the global system. Furthermore, a transformative regionalism based on solidaristic practices and identity formation beyond market imperatives was expected to come from networks of non-governmental actors forming coalitions with like-minded groups throughout the hemisphere (Saguier 2007; Icaza et al. 2009; Von Bülow 2009).

However, new forms of politics and organization, most generally under the umbrella of new regionalist projects such as UNASUR and ALBA, are currently redefining new geographical and ideological boundaries while fostering new consensuses that are defined regionally, not globally, and supported by the mainly state-led practices, institutions and funding mechanisms in new social fields such as education, health, employment, energy, infrastructure and security. Although embryonic, these consensuses are setting new regional boundaries beyond the historical hub of what defined US and market-led regionalism. From this perspective not only is the notion of region resignified to reflect new spaces for state action but more fundamentally leads to new rhetoric about what regionalism *is* and *is for*. In sum, we can – almost certainly for the first time – begin to talk about regionness, belonging and even a new DNA in Latin American regionalism as arrangements reflect new ideas, domestic policies and institutions rather than the global system.

These drivers carve South America as a distinctive region. Building on this difference, we understand regionalist projects such as UNASUR and ALBA, and other regional collaborative forums such as IIRSA or the Defense Community as spaces for action driven by the search for consensuses over practices and cooperation in politico-institutional, socio-economic and cultural arenas. What the chapters in this book demonstrate is that any formation of a sense of *regionness* needs to be understood as the outcome of the articulation of foundational ideas about what the region is for, about common goals and common space and a sense of belonging. These ideas resonate with different social groups, local and ethnic identities, along with economic programmes for the organization and management of natural resources, production and distribution. Altogether they are redefining activism and practices broadening the arena of action beyond their own communities and nation states. From such a perspective, region must be seen as socially and politically constructed, and hence an area for contestation. What we also see, however, is that this process is not lacking contradictions as the civil society organizations born from the windows of opportunity of the erstwhile liberal projects of governance under the watch of the United States now feel reasonably estranged (Chapter 8).

1.2. WHAT REGIONALISM IS AND IS FOR

The literature on regionalism since the 1980s, when significant regional integration projects took shape outside the EU, embraced the concept of ‘new regionalism’ to reflect regional transformations in an increasingly globalized world. New Regionalism as an approach has captured the intellectual imagination of scholars concerned with regionalism beyond neofunctionalist understandings of integration based on EU studies (Rosamond and Warleigh-Lack 2010). The evolution of the theoretical debate about regionalism since the 1980s has been driven by a proliferation of regional cooperation agreements that, unlike the previous experiences of (old) regionalism associated with post-war economic protectionism, were part of a broader process of neoliberal globalization. While the ‘old regionalism’ of the 1950s to 1970s was a manifestation of regionalized forms of regulated markets and high tariffs, ‘new’ regional formations were tied to the transnationalization of trade and production, and the progressive liberalization of markets in developing countries (Bøas et al. 1999; Hettne 1999: 7).

The New Regionalist Approach (NRA) made important contributions to understand the relation between globalization and regionalism. It emerged during the 1990s as a nuanced approach to understand the regional phenomenon in the context of economic globalization. It was conceived as a systemic approach focusing on the pressures of the international political economy on regions, and the responses of these to those pressures, rather than the intra-regional factors and interdependencies that characterized many of the so-called old approaches, especially neofunctionalism (by Ernst Haas and others), in support of EU studies. For NRA the concerns were the construction of regions and regional agents. The focus was not only on state-led regional organizations, seen important but just as one element explaining regionalism, but also on the processes of *regionalization*, thriving out of (informal) trans-border exchanges between non-state social and business actors. This means, among other things, that regions are not taken for granted, they are not unproblematic or predefined geographical spaces, as EU studies tended to propose (see Gaspare and deLombaerde 2010).

For New Regionalist scholars regionalism was part and parcel of global capitalist transformations, manifested regionally as meso-globalization processes (Phillips 2003b: 329). It has been well researched and highly speculated how many structural factors such as the end of communism, the collapse of economies in the developing world in the wake of the debt crisis of the early 1980s and the rise of global finance in the 1980s and 1990s contributed to the ‘triumph’ of liberal ideas about the centrality of the markets and the inescapable spread of capitalism (Biersteker 1990; Drake 2006). In Latin America this template explained a generalized agreement amongst mainstream thinkers and policy makers, business, international aid agencies, financial institutions and governing elites about the failure of market regulation and state-controlled economies and the promises of open economies (Babb 2009). Loosening the restrictions on finance and trade therefore fostered new trade

agreements as the hub for new regionalist projects that took place *within* the fundamental and ongoing neoliberal consensus (Riggirozzi 2011). From this perspective, earlier versions of new regionalism therefore understood Latin America as part of a North-Americanized system that posited regionalism through locking in linkages to the North American economy (Grugel 1996; Phillips 2003b). As a governance project, new regionalism unfolded as a state strategy to lock in market reforms of the Washington Consensus on a regional scale. Regionalism from this perspective was conceived as a building block to global liberalization through the interplay between state-led macro-processes of regulation and, sometimes informal, micro-processes of regionalization led by non-state actors (Hurrell 1995; 2005; Bøas et al. 1999, 2005; Mittelman 2000: 113; Breslin and Hook 2002: 8). This persuasive argument proved resistant to many claims about historical roots supporting different pathways to regionalism (Fawcett 2005); diverse dynamics of cooperation in different areas of regional policy (see Söderbaum and Shaw 2003; Gomez-Mera 2008, 2009; Tussie and Trucco 2010) or US-Latin American regional agendas post-September 2001 (Fawcett 2005). Regionalism was simply seen as manifestations of global orders, envisioned as hegemonic politics modelled by the need of countries to engage efficiently in global market activity (see Gamble and Payne 1996: 251–252).

This perception is now seriously challenged. As the collection of chapters in this volume shows, the contours of the regional arena are being defined by formal and informal trans-boundary practices that denote a rich variety of forms of regionalism(s) that are moving beyond the issue of trade and finance, contesting the wisdom of neoliberal, market-led integration, and relocating the focus of regionalism as an extension of domestic rather than global politics. In this context New Regionalist approaches are faced with at least two challenges: first, how to explain projects like UNASUR and ALBA, and other institutional structures like IIRSA, monetary and security arrangements, that embrace new discursive and ideational patterns as well as practices based on alternative interpretations of what regionalism is and is for. These developments, together with the reinvention of some principles of collectivism and socialism may even result in a deconstruction of *the* region and a reconstruction of *regions* as spaces, or arenas for debate and action.

Second, new regionalists have tended to overstate the role of informal non-state agencies embracing new forms of regionalization that either reinforce or adjust formal institutional arrangements. This is a difficult formula for the understanding of Latin American regionalism. The place for non-state actors in Latin American politics, regionally and often nationally, have been ambiguous, if not weak, and often coordinated under state initiatives (Phillips and Prieto Corredor 2011). If anything, economic and business actors have sought to influence, lobby or participate in regional forums to minimize the risks associated with global competition and insertion in the global economy (Phillips 2003a; Grugel 2004: 605; Phillips and Prieto Corredor 2011: 129) but they can hardly be seen as creating a regional space in hand with regional integration led by states, or as creating opportunities for dissent and strategies that may challenge the regional-global liberalization relationship.

But even new projects related to social security and social development are still state-led and social actors are brought in under the auspices of the state into new dynamics of integration and cooperation. According to Serbin (Chapter 8), this creates a contradiction in spaces that embraced real commitments with regional provisions for social policy. Most of the civil society actors fostering further regionalization operate within state-led institutional frameworks and, in the case of ALBA, state-led trans-societal welfarist programmes. Hence, little seems to have changed in the statist character of regionalism and formal institutions almost directly dependent on national administrations and coordination (Malamud 2003; also Chapter 9). Emerging regionalism must therefore be still understood as intergovernmental yet grounded in new conceptions of solidarity and cooperation that do challenge the relations between regionalism and globalization. Escobar (2010) has even considered some developments within the ALBA region as state-led post-capitalist integration.

From this perspective, we propose that the relationship between regionalism and regionalization needs to reach a new synthesis. The divide formality/informality, state/non-state is unhelpful to grasp the number and nature of alternatives, and often competing, conceptualizations of regional governance in Latin America. Furthermore, the separation between state and society is arbitrary in many cases. As illustrated in cases new welfare programmes such as ‘oil for doctors’ or Peoples Trade Agreement (Tahsin 2009), binary conceptualizations can overlook the complexity of broader political economic processes linked to new commitments of inclusion and citizenship (Grugel 2009). Even if embryonic the logic of regionalism led by the state but with enormous impact on new areas of social development reveals a nuance that is not fully grasped by arbitrary distinctions between what states do and what non-state actors do. In the current context of overlapping regionalisms we can even speculate on the extent to which processes of regionalisation are forming regions without regionalism. A critical analysis of ALBA is a case in point.

Finally, the emergence of new practices, institutions and trans-societal networks, together with the redefinition of what constitutes region and *regionness*, pose another challenge to the explanatory power of NRA addressing current transformations in Latin American regionalism. As an approach New Regionalism was empirically bounded by binary categorizations of ‘old’ and ‘new’ regionalism. As new regional practices, projects, institutions and networks are departing from the usual approach to regional integration to focus on the creation of new spaces for (regional) consensus building, resource sharing, autonomous development and power decentralization, the challenge for NRAs is to reach a new understanding that supersedes binary notions of ‘old’ and ‘new’ regionalism. This categorization helped to explain the relationship between regionalism and the process of globalization leveraged and supported by the political and economic authority of the United States. However, Latin America is experiencing a move away from the neoliberal project as *the* hegemonic project envisaged by the United States regionally through the FTAA and bilaterally through market access and financial support. In this context, a shift in resources of power and authority together with new practices and motivations exceed what NRAs framed as new regionalism.

Region building in projects such as UNASUR and ALBA offer new spaces for deliberation and policy implementation that are at odds with neoliberalism and embrace global solidarity rather than global liberal governance and market-driven economic policies. This does not mean that capitalism, liberalism and trade-related forms of integration cease to exist or to move the regional agenda. What this means is that their centrality is being displaced with new valid and genuine alternatives to open, neoliberal integration significantly taking precedence. In an altered context, content also changes.

1.3. TOWARDS A POST-HEGEMONIC REGIONALISM

In the 1960s, when there was a renaissance of region building, the economist Gunnar Myrdal issued a note of caution, suggesting that the regional approach has no intrinsic justification. There are no mystical qualities in geographical proximity that make neighbouring nations a ‘unit’ in any real sense culturally, politically or economically (Myrdal 1968: 39). True to this dictum, Latin America is a vast and uneven continent of many contrasts which escapes essentialist characterizations, such as language, Hispanic, Catholic traditions or a single civilization as Huntington would have it. The differences in size and levels of development are several times larger than those found between the actual and prospective members of the EU. But such contrasts still leave room for some more positive assertions about shared trends, common dilemmas or recurrent policy features that prompt region-building efforts. This once again manifested in the current context of rapid transformation in which the cloth of regional policies, regional identities and regional forms of cooperation, and competition has come into focus as it has significant global reverberations, with Latin America being the passive receivers (Belanger and Mace 1999). Receivers are not helpless all along. In a context where Washington is aloof, astray and busy keeping above water tending its own with financial fragility, the opportunity to recapture the region for regional processes and agendas has not been lost. In this sense this re-ignition of regionalism is not only post-liberal but also post-hegemonic. In Gramscian fashion, agenda-setting capacities have been set free. Changes are already under way shaping alternative spaces, relationships and identities.

Latin America today represents a conglomerate of post-trade and political integration projects, and trans-societal welfarist projects reclaiming the principles of cooperation and solidarity. In this overlapping and sometimes conflicting scenario the term regional governance is being redefined as each project is faced with substantially divergent visions of what regionalism is and is for. The reconfiguration of regional governance in a South America distinct from the wider ‘Latin’ America has been a major feature in the hemispheric political economy over the last decade. Regional governance is currently the result of a mosaic where different regional policies, regional identities and regional forms of cooperation and competition are transforming the cartography itself.

Regionalism as an intensely political process is now a motivating and legitimizing tool for linked strategies and objectives whereby governments seek to coordinate the terms of competition on which rival economic and political agents confront each other. The process has gone through phases of energetic expansion, of mere trend-following, controlled stalemate, disaggregation and reconfiguration as a result of the ups and downs of policies and the changing conditions in the global scene. These factors have led to a leadership competition not only in terms of goals but also of the policies included and geographical reach. The analysis of competing projects consequently raises a number of interesting questions about the relationship between the erstwhile US ambition to lead a continent-wide project and the reactions to it. The vacuum created by Washington's detachment also offers new opportunities for a fresh look at the increasingly rich and ambivalent relationships spanning the continent.

Today the regional picture presents a complexity that challenges both the notion of defensive regionalism and US-led liberal governance. In a context where the very pillars of neoliberalism – as a political and economic paradigm, as a model of market democracy, as a sustainable and inclusive model of development – are critically questioned by academics, politicians, social actors and practitioners and many other stakeholders, there is in Latin America an effort to reassert fresh rules of regional engagement and cooperation based on the reconfiguration of alliances and new motivations that, led by new Left-leaning leaders, are redefining the contours of regional governance. As such, the configuration of Latin American regionalist map can be defined as an overlap of and sometimes competition between three main projects:

- I. Projects with a strong emphasis on commercial integration as a transit to broader multilateralism, with low socio-political content (i.e. the so-called Pacific Rim with Mexico under NAFTA, Chile, Colombia and Peru in the Andean Community);
- II. Projects that advance trade at its core, deepening linkages with neighbouring countries, yet seeking alternative and autonomous trade and post-trade political projects, even reaching outside the region (i.e. Central American Common Market, Caribbean Community (CARICOM), Southern Common Market (MERCOSUR), Andean Community (CAN), Union of South American Nations (UNASUR);
- III. A model that more radically emphasizes political and social aspects of integration, with new economic and welfare commitments, reclaiming the principles of socialism in direct opposition to neoliberal globalization (such as the Venezuela-led ALBA grouping Cuba, Bolivia, Ecuador, Nicaragua, Dominica and Honduras).

This complex backstage is unfolding in a mantle of abeyance and contestation to the US-led established model of 'open regionalism' that prevailed in the 1990s. True the current wave of regionalism represents a hybrid model, expressive of an alternative continental strategy for growth and social justice, representative of a more

political and confident ‘Latin’ America, suspicious of US leadership yet still largely in tune with the need for open markets. Nevertheless, new regionalist projects in Latin America are emerging as something more than a context-dependent, ad hoc reaction to the collapse of neoliberalism.

In this context, the chapters in this volume reflect on the essence of regional governance within the current milieu, the different trajectories of regional politics at odds with neoliberalism, and its mix of abeyance, adaptation, contestation, sidelining and pragmatism to a number of *realpolitik* dilemmas (Tussie 2009). In so doing we offer a discussion about institutional and ideational underpinnings of new regional agreements grounded in shifting and competing paradigms, a new flux of styles, fashions and rules contesting the open regionalism of the 1990s and proposing new, beyond-trade and post-hegemonic regional polities. The approach challenges the specific essence and permanent identity of the larger Latin American construct to dissect how a region emerges with the visible and invisible social jell of values, interests and ideologies.

By post-hegemonic we mean regional structures characterized by hybrid practices as a result of a partial displacement of dominant forms of US-led neoliberal governance in the acknowledgement of other political forms of organization and economic management of regional (common) goods. As we see it this is a relevant contribution to the study of regionalism, an issue-area that per se adds an exciting dimension to the study of international political economy for long over-focused on advanced industrial states as *the systemic rule makers par excellence*.

1.4. STRUCTURE OF THE BOOK

The focus of this edited volume is twofold: to better understand current regional transformations and to discuss what new developments mean for how we theorize regionalism without obsessing with the European referent and how we analyse regionalist governance in a setting marked by the aloofness of the United States. Following this introduction Pía Riggirozzi concentrates on post-hegemonic and post-trade regional projects grounded in new understandings of development, regional cohesion and identity formation to evaluate post-trade regional governance in UNASUR and ALBA. Although there is undisputable agreement that regionalism is driven by economic calculations, the chapter claims that UNASUR and ALBA are engendering alternative political spaces for the reformulation of regional policies and practices in close relation to a search for autonomous development.

Subsequently, Olivier Dabène’s chapter reclaims that trajectories of regionalism must be seen as manifestation of a repoliticization of the region that despite stop-and-go dynamics are resilient in the understanding of common interests and a sense of Latin (or increasingly South) *Americanness*. In the redefinition of new identity and politics, new regional institutions are emerging as part of a renewed will of government leaders to redefine the terms of cooperation and solidarity to maximize the management of resources and the impact on autonomous development and social

improvements. Carciofi's analysis of IIRSA must be read in this way. IIRSA is key to understanding new consensus, agendas and cooperation processes in the provision of infrastructure that ultimately shape a region, and the redefinition of the regional space as an arena for harmonization of public policies. This is an interesting case that challenges conventional wisdom about the state and state regulations as hindrance for regional integration (Milner and Mansfield 1999; Haggard 1997). The management and coordination of energy and infrastructure is an example of regionalization of public enterprises, an extension of public policies as a new motor of regionalism. The development of regional infrastructure is intertwined geopolitics and international political relations. The chapter by Jorge Battaglini looks at the foundational ideas of a regional security community stretching from power competition to integration and a forum for conflict resolution and peace. In turn, Pablo Trucco assesses monetary cooperation mechanisms that have been spruced up in the face of the global financial crisis and that render at the very least a buffering potential.

At a different level of analysis, Marcelo Saguier picks up the social dynamics in South America. He argues that there is a significant demobilization and fragmentation of civil society as a result of the centre-left governments which have both incorporated and restricted their demands. Yet the force of natural resource extraction has led to a multitude of environmental conflicts that require attention and force the reshaping of public-led agendas. On a more critical note, Andrés Serbin analyses the gap between the official utterances to participation in the regional process and the mechanisms for effective civil society involvement in the new regional structures. Andrés Malamud turns his eye to Brazil as the regional leader and analyses the growing mismatch between its regional and global performance. He thus questions the assumption that the regional order arises following the interests of a dominant state. Such questioning lends support to resignification of the regional projects less pegged to the whims and needs of a rising power in the global order and makes it possible to imagine the duration of some projects less related to the balancing between regionalization and globalization of the neoliberal variant. In this sense we cannot discount the uses of regionalism serving to protect fragile domestic coalitions in smaller states such as Ecuador or Paraguay, or even Venezuela, whose presidents came under fire at different points and were supported by rapid regional responses. By observing these points we hope to open a new space for an analysis of the transformative capacity and the political resilience of new regional spaces and institutional arrangements. The book offers an original contribution debating the critical question of what the current regional developments mean for how we theorize non-European regionalism and regionalist governance.

Taken together these constructions lead from the question of economic desirability to that of political sustainability. The extent to which these initiatives can consolidate centripetal resilient projects is still to be seen. Nevertheless, they need to be taken as part of valid transformative arrangements shaping new spaces for thinking and negotiating alternative models for political and social cooperation. Theoretically these developments call for new, rigorous and critical analysis that supersedes the old

categorizations of ‘old’ and ‘new’ regionalism as these are limited to explain economic dimensions of regionalism routinely assimilated to trade policies and taking place within and modelled by neoliberalism.

Pulling the threads of all chapters together the volume will thus relink the socio-political and institutional dimensions defining new polities in a post-hegemonic regional order. Finally, the collection will add new dynamism to the literature on comparative regionalism that despite recognition of diversity, even today, tends to perceive the EU to be by far the most ‘advanced’ instance of regional integration, innately superior to other regional integration projects. As such the book is an ‘open invitation’ to engage EU and other studies on regionalism as South America matters for the knowledge it can provide on pressing questions such as flexibility, the use of informal politics and power, and the continuing widening-versus-deepening debate understanding regionalism and regionalization in all regions of the world. Even if regions remain as ongoing projects in ever-changing shapes, they are fundamental pillars of global politics as contested and contesting results of given power relations.

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RECONSTRUCTING REGIONALISM: WHAT DOES
DEVELOPMENT HAVE TO DO WITH IT?

Latin America is transiting an era of redefinition through a combination of national level statecraft and the reshaping of the regional political economy. The significance of current transformations is to be seen in political reinvention of democracy and development in response to the legacies of neoliberalism in the region. The extent to which these responses are framing anti-neoliberal or post-neoliberal projects is a matter of debate. This debate is picked up in this chapter by looking at how regionalist projects are part and parcel of how development is thought of and implemented in the region. Regionalism has often been thought as a governance strategy, a pragmatic response to exogenous factors and the challenges of the global political economy. Regionalism in short has been seen as policies pursued by actors (mainly states) directed at enhancing (some aspect of) their capabilities/powers of agency. Without denying the importance of exogenous factors, the aim of this chapter is to rethink the place of development in the current transformations in the political economy of regional governance. We argue that at the core of the new strategies of cooperation and solidarity is a broader question about what sort of development is at stake in a post-hegemonic era. Emergent types of regionalism in the Americas are the embodiment of alternative models of development that contest or reframe the neoliberal orthodoxy prevailing in the 1980s and 1990s. While the terms of integration and regional governance are being redefined, in practice, however, this is not exempt of contradictions. Regional projects are faced with substantially divergent visions of what regional governance should mean and how integration projects should respond to current challenges of development in the new construction of the region

Although it would be wrong to assume that we can depict a single, fixed interpretation to what are evolving regional policy responses, we suggest, that the moment of *a* hegemonic single mode of political economy for the region is over. Latin America is navigating in the absence of one, hegemonic, “meta-narrative” (Whitehead 2009). There is no master history or a single roadmap redefining the political economy in the region. What we rather find is that the many crises of neoliberalism gave way to a redefinition of the regional space and regional politics of cooperation and integration. A new common sense defies the accepted wisdom on development and the common sense model of society of the Washington Consensus. This chapter analyzes the new architecture of regionalism in Latin America in light of these trends, focusing not only on the factors that govern the emergence of alternative projects that contest the “open regionalism” associated with neoliberal governance, but also the factors that address

the transformative capacity of new regionalist projects such as the Bolivarian Alliance for the Americas (ALBA) and the Union of South American Nations (UNASUR) in advancing new models of development and society. The regional level political process itself is opening up to a much wider range of issues and political, economic, and social actors. Regionalism and integration therefore are analyzed in light of the models of development. Regionalism is increasingly what actors make of it.

Is the region facing a “Polanyian” moment of compensation for market excess, or is it part of a “revolution in the making?” There is no short answer to this question. Debates now turn to what the appropriate balance should be between states and markets and building mechanisms of responsiveness and resilience within economies and societies. The difficult birth of alternative political economies to neoliberalism certainly is testimony of the cost of neoliberalism and the ongoing processes of transformation and social recomposition. The new tonality we argue is multiscale. The loss of certainty about the wisdom of orthodox, market-led strategies for development has led to the adoption of mixed and often pragmatic policies for more responsive political economies, broadening at the same time the arena of action beyond their own immediate communities and nation states. This is visible in the creation of UNASUR and ALBA where trans-governmental and trans-social societal cooperation in welfare projects, workers cooperatives, and the creation of regionally anchored health, education, and energy production systems attempt to create a sense of belonging, identity, and inclusion. Even as they crawl, the agenda-setting capacity of these projects reflects an important political shift. This chapter depicts what these projects mean in terms of development and regional governance in a post-hegemonic era.

Looking at the UNASUR and ALBA, how are we to understand current trends of regional cooperation and projects of integration, given that the political and economic circumstances of the 1980s and 1990s no longer hold so firm (both at domestic and global levels)? How are we to conceptualize current agenda-setting attempts from a development perspective? Are we witnessing the articulation of a “third wave” (post-neoliberal) regionalism? By covering these questions the chapter provides an original and grounded analysis of alternative uses of regionalism that stand aside from those that prevailed when the United States was able and willing to play a leading political, economic, and ideological role.

Theoretically, the chapter proposes to rethink region and regional governance as a new political space, where consensus are deliberated and delivered. Although most scholars accept that regionalism is more than legalism, institutions, and supranationality, there is still much misunderstanding (and even bewilderment) about what regionalism beyond Europe means (Sbraglia 2008). Prevailing arguments seem to characterize regionalism as a dichotomy between “old” and “new” regionalism. But these categories that nest mainly within the regionalism-neoliberal globalization relationship are insufficient to explain how states are currently responding to their own national commitments and to new region-building, a project that contests the politics and policies of established neoliberal architecture. We contend that Latin America can be seen as the subject of new struggles and political formations where old trajectories

and political economic projects are being redefined. In other words, in a context where the wisdom of unregulated markets is being contested the region is emerging as a platform where diverse political and developmental projects find a space for action. Second, while the analytical field of (comparative) regionalism, especially that explaining non-European regionalism, addresses questions about the factors that lead to the emergence of a specific form of regionalism, the literature runs short on explaining how transformative regionalist projects are part and parcel of a broader question about development. By analyzing emerging projects of regional cooperation, the chapter suggests that their transformative capacity needs to be seen in terms of new spaces for action driven by new aspirations for autonomous development and socioeconomic inclusion.

This study therefore analyzes regional governance as manifestations of a broader search for alternative, post-hegemonic, political economies in the region. The analysis proceeds in four parts. The first part offers an overview of regionalism and development in historical perspective. The second part concentrates on ALBA and UNASUR and speculates on the nature of transformations in regional politics and the extent to which these projects represent new parameters beyond the neoliberal consensus. The third part provides an analytical framework to make sense of these changes and offers a critique to New Regionalism as an approach as it falls short in explaining regionalism beyond market-based considerations of “old”/close and “new”/open. The chapter closes with a discussion about challenges to the resilience of post-neoliberal regionalism.

2.1. REGIONALISM AND DEVELOPMENT IN AN ERA OF CHANGE

Latin America is currently a test bed for political and economic processes that since the early 2000s brought forth a debate that centers on what a synthesis between state and society, and between state and markets, entails to overcome the costs of neoliberalism in terms of citizenship, democracy, and inclusion. The relationship between state and markets, and the place for social actors, however is not new. It has been at the core of a debate about development and regional cooperation since the late nineteenth century. In many ways, both development and regionalism have been embedded in historical patterns of national and inter-American politics. Undeniably, the uniqueness of Latin American political economy lies in the fact that its search for economic development has been profoundly and indelibly shaped, from the nineteenth century onward, not only by local political and economic conflicts but also by the need to offer national and regional responses to the steady assertion of US global and regional hegemony.

Considering development, some have described it as paradigmatic grand narratives while others as specific forms of ideas (knowledge) informing practices that sustain power relations (Escobar 1995). From these perspectives, development shapes power relations as much as it is shaped by them. The argument could also be extended to the concept of region building. Development often unfolds as alignments of political

institutions and economic growth, which may manifest nationally and echo regionally, if generally accepted. This defines regionalism as economic organization of a particular regional space through institutions established along economic and political lines (see Gamble and Payne 1996; Söderbaum and Shaw 2003).

Historically, the debate concerning the political economy of development in Latin America has been marked by a tension between two paradigms: namely “neoclassical” free trade view versus structuralist view based on building long-term comparative advantage. This debate responded to demands of uneven growth despite early insertion into the global political economy; tensions between production for the internal market and the global economy; difficulties with domestic capital formation and the presence of foreign capital across important sectors of regional economies; and class struggles over the direction of state policy (Cardoso and Faletto 1979). These tensions were exacerbated by the presence of the United States as a regional (hegemonic) power that never ceased to loom large.

Latin America has, in effect, been in search of a stable model of growth and development since the collapse of the oligarchy-dominated model of liberal economics and export agriculture in the 1930s. At the center of the development debate in Latin America are questions about the role and the weight of the state versus the market at the national level, and the potentials of the region as a platform of a better insertion in the global economy.

The way these tensions unfolded can be summarized as two main waves of regionalism: a first wave identified as “closed regionalism” echoing experiments with import substitution after 1945 and the search for nationalist development while attempting to build regional autonomy; and a second one, “open regionalism,” shaped by a generalized collapse of nationalist projects in the 1960s and 1970s and the embrace of Latin America’s neoliberalism and a political willingness on the part of the (new democratic) governments to pragmatically accept leadership from Washington. The transformative capacity of regional development projects, as well as their resilience, has been linked to their capacity to respond to changed circumstances and demands at different levels of policy and politics across time. Today the regional scenario is marked by a loss of interest in the United States with building its backyard, amidst internal opposition to market opening from business and trade unions, security concerns and fears of migration after September 11, 2001; and more significantly the loss of faith in neoliberal development and economic integration across the region. This paved the way for the emergence of alternative projects of regionalist political economy creating a new environment for the (re)emergence of new agendas of regional development in the South.

2.1.1 Narratives of Development and Regionalism in Latin America

The first wave of regionalism, in the 1950s and 1970s, was identified as the “Grand Design” (Bouzas and Knnack 2009: 29). During this period regional integration was conceived as compromise between the prevailing development policy

of import-substitution industrialization and the new paradigm of integration into the world economy. Influenced by the European experience and attempting to build closed trading blocs favorable for industrialization between countries with linguistic, cultural, and geographic affinities, this “closed regionalism” was part of an economic project as much as part of the Cold War mosaic. It was grounded in the political economic philosophy as well as the policy suggestions of the ECLAC/CEPAL in the mid-1940s. The idea was to enhance and expand industrial planning to the region-wide scale, to remove barriers to mutual trade while keeping high levels of external protection to serve as an incentive to industrialization, economic growth, and investment, and a way to overcome the limitation of small domestic markets. Proponents of this policy advocated regional integration as development (see Hettne et al. 2000; Devlin and Estevadeordal 2001). At its center was the notion of bounded sovereign states, largely able to control the nature of regional commitments and protect via subsidies and tariffs their domestic producers from external competition (Chibber 2005; Lewis 2005). Ultimately, economic nationalism framed a new way of thinking and speaking about politics, economics, and culture, while regionalism became a generalized reaction to the liberal, oligarchic rule in many countries in the region (Grugel 2009).

The first relevant trade project of this kind took shape in 1960 with the creation of the Latin American Free Trade Association (LAFTA, or ALALC in Spanish). LAFTA was created, under the inspiration of the ECLAC, by Mexico and six South American countries with the objective of eliminating all barriers to intraregional trade. In Central America, a similar initiative gave birth to the Central American Common Market joined by Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, which set a more ambitious objective of creating a free trade area and implementing a common external tariff. In 1969 a split from LAFTA led Bolivia, Colombia, Chile, Ecuador, and Peru to establish a more institutionally ambitious common market project, the Andean Community, with an executive body with “supranational” powers and mechanisms to promote an equitable distribution of benefits. To complete the regional architecture a Caribbean Free Trade Agreement (CARIFTA) was signed in 1967, to be superseded six years later by the Caribbean Community (Bouzas and Knnack 2009).

But political instability, the general difficulties attendant on import-substitution across Latin America in the 1960s and 1970s, “stop-go cycles” of economic expansion followed by contraction led to a loss of faith in state-led growth. Protectionism had resulted in overvalued and uncompetitive exchange rates for exports and the economy was dependent on the imports of capital and intermediate goods to sustain industrialization, creating a progressive trade deficit. Public spending, meanwhile, was financed by growing external indebtedness taking most of Latin America into a lost decade in the 1980s, characterized by economic collapse and a brutal fall in employment and living standards (Haggard and Kaufman 1992; Fanelli 2003). Nationalistic development projects increasingly became unsustainable. The failure of import substitution projects, together with the severity of many years of political

repression during military dictatorships that followed, affected the spirit and the actual progress of close regionalism. Furthermore, many severely indebted economies in the region were left with little choice than to align closer with the United States, a gatekeeper to external finance. Having found itself in an extremely weak bargaining position and with little faith left in nationalistic economic recipes, Latin America surrendered to US rules, which predicated the end of the revolutionary nationalist utopia, even presenting free market as a way of strengthening democracy in the region.

Partly as a pragmatic program to regain access to international financial flows, and partly as a result of a sense that there was little choice, the region embraced the Washington Consensus almost submissively (Drake 2006:27). The United States also provided debt relief through the Brady Plan while involving Latin American governments in a discussion of the (new) rules for regional integration. This set the agenda for the second wave of regionalism, the so-called new regionalism, dominated by trade and financial liberalization and underpinned, politically and ideationally, by an acceptance of the perception of an “unavoidable reality” of the market-led globalization. Although most of the organizations of the first period, such as the Andean Community, did not disappear, by the early 1990s, the old regionalism was largely superseded by “open” regionalism, which also fitted well with the new geopolitics of the post-Cold War period (Fawcett and Hurrell 1995; Payne 2000; Varynen 2003; Sørensen 2004).

These pressures were even more urgent as the trade regime came increasingly under the umbrella of the World Trade Organization (WTO). An equally important driver was a series of US-led free-trade agreements aimed at eventually creating a hemispheric free-trade association, and the formation of multiple and overlapping, bilateral and plurilateral preferential trading arrangements. The establishment of the MERCOSUR in 1991 grouping together Brazil, the largest economy in Latin America, with Argentina, Uruguay, and Paraguay, and the North American Free Trade Agreement (NAFTA) signed with Canada and Mexico in 1994, for instance, was premised on the notion of “open regionalism.” Both MERCOSUR and NAFTA were articulated as strategic responses to the imperatives generated by globalization processes aimed at enhancing markets, trade, and investment (Phillips 2003b: 329). For the United States, meanwhile, this context opened a window of opportunity toward a more ambitious “Enterprise for the Americas,” introduced in 1990 by President George W. Bush Sr. and designed to lead to a Free Trade Area of the Americas (FTAA) launched by President Bill Clinton at the Summit of the Americas in Miami in 1994 for its signature in 2005. The FTAA, launched on the footsteps of NAFTA, resembled the old vision of Pan-Americanism under a neoliberalism guise as it sought to integrate the Americas through the liberalization of economic policies opening up a vast market from Alaska to Tierra del Fuego.

The embrace of neoliberalism as a developmental project has been material for extensive debate among academics and practitioners. The idea of switching to the market as the driver of the economy, and cutting back the state, settled into the economic policy program of choice in a context of political instability and hyperinflation

in the early 1980s. Without questioning the view that the neoliberal era did indeed represent a high point of external influence over regional politics, we should nonetheless note that there were quite distinctive national patterns of engagement in Latin America as elsewhere (Peck and Tickell 2002). In the process, emphasis on the particularities of regional development gave way to narratives which posited a model of globalized development through markets, financial deregulation, and internationalized capitalism (Williamson 1990; Dornbusch and Edwards 1991). Across Latin America, whether through conviction or because there seemed to be no alternative, governments capitulated to the tenets of letting markets operate both domestically and globally (Drake 2006: 33). The arguments about how the economic recession of the 1980s intensified the ideational and material leverage Washington and Washington institutions enjoyed (Stallings 1992) are now well known. It is not surprising then that critical voices saw the adoption of neoliberalism in Latin America not only as an erroneous economic recipe but also as a straightforward capitulation to the United States—something the region had tried to avoid in the earlier years of industrialization by import substitution (Robinson 2004).

The Washington Consensus set out to transform economic practices via a range of policies from the privatization of public assets to cuts in public expenditure and it played well at a time of conservative and timid democratization when the “excesses” of the Left were blamed for having provoked the extreme violence that engulfed much of the region in the 1960s and 1970s. There is some evidence to suggest that liberal economics did indeed limit (or at least shed light) on corrupt state practices (Wise 2003). But overall, the immediate political (as well as economic) impact of the Washington Consensus on Latin America’s nascent democracies was negative. It led to the introduction of highly executive, undemocratic, and non-consultative procedures within government, reduced access to the state, deepened poverty, heightened social and economic exclusion, and increased social tensions. The attempt to locate citizenship and identities through market relations proved particularly difficult in a region with strong traditions of both corporatist and social movement-based forms of organization. Socially, the neoliberal legacy was measured in poverty rates that barely dropped throughout the high period of neoliberalism (from 48.3% in 1990 to 44% in 2002), as welfare was systematically squeezed and inclusion reduced to those who could pay for health, good schooling, and social security (ECLAC 2010). Moreover, despite the introduction of poverty-reduction policies, significant numbers of people were still left behind, including poor children and women and indigenous groups (ECLAC 2010) and inequality intensified. As the problems associated with market-based and market-led policies spiraled, two trends were clearly visible by 2001.

The shallowness of neoliberal democracies was an important factor in the opposition to the political and economic order that bred in much of Latin America during the 1990s and was catalyzed, sometimes with considerable violence and state repression, by economic crises by the turn of the century. In the early 2000s, civil society and many forms of non-partisan collective action movements emerged demanding

participation, inclusion, and accountable governance (Friedman and Hochstetler 2008). There were periodic episodes of resistance and unrest at the attempts to undermine traditional patterns of community or belonging in Mexico, Venezuela, Bolivia, Ecuador, Brazil, and, eventually, Argentina. The claim was that the state should have a responsibility toward rights of citizenship, while finding new spaces for reshaping politics, policies, and institutions. Indeed, in the end it was the difficulty of reconciling neoliberalism with popular expectations of inclusive, democratic politics, rather than a failure of its strictly economic rationale, that has led to its unraveling, as governments committed to change gradually took office in a setting marked by the retreat of market orthodoxy.

One important manifestation of these developments across the region has been the emergence of New Leftist governments. A spectrum of national responses has seen the election of a series of Leftist governments in much of Latin America, in Argentina, and Venezuela, Bolivia, Brazil, Ecuador, Uruguay, Paraguay, and recently in Peru. At odds with neoliberal policies, these governments embarked on a search for an alternative to the orthodoxy of neoliberal political economies (Grugel and Riggirozzi 2009; Panizza 2009).¹ The change in the political orientation in many countries in the region since the early 2000s was not simply rhetorical. In general new Latin American governments adopted more radical models of political inclusion and citizenship and a new attitude to state building and representation in a multiscalar way. In this context, reclaiming the region became not only a way of resisting US power but also a genuine reflection of what Latin American should do and what it should look like in the face of the crisis of neoliberalism. New and often contingent policies were introduced to rebuild and extend the role of the state in the regulation, provision, and distribution of economic resources. This combined with a greater emphasis on the inclusion of previously excluded groups and the significance of ethnic politics, supports Tockman's (2010) notion of "post neoliberalism" as a combination of Keynesian welfare politics and socialism. Finally, the change in political economy led to another important manifestation, the rediscovery of the region as a common space for pulling together resources in support of post-neoliberal practices and in rejection of the idea of neoliberal-led regionalism.

The adverse effects of economic integration on social cohesion and development were gradually shared across the continent contributing to an increasing deep disenchantment with neoliberal policies as they failed to deliver on their promises of development beyond controlling inflation. Latin American countries were increasingly hit by unsustainable levels of poverty and inequality. Poverty rates barely dropped throughout the high period of neoliberalism (from 48.3% in 1990 to 44% in 2002), as welfare was systematically squeezed and inclusion reduced to those who could pay for health, good schooling, and social security (ECLAC 2010). Soon,

¹ Norberto Bobbio (1996) argues that the pursuit of equality is the dimension that distinguishes left from right. In particular, he argues that the Left seeks to reduce the amount of suffering in the world, that the Left tends toward egalitarian values.

even subregional expressions like MERCOSUR gradually turned into a platform for resistance to further neoliberalism, reinforced in turn by the incorporation of Venezuela to the founding group (Malamud 2005: 423). Institutionally, the “repoliticization” of MERCOSUR was seen in reference to new initiatives for labor rights, participation of civil society, the establishment of a regional parliament, the introduction of the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) in 2000, and the establishment of a Fund for Structural Convergence in 2005, marking a new direction beyond trade-led goals, and the road to what later crystallized as UNASUR. In this context, the agenda of integration ushered in by the FTAA negotiation encountered the difficulties of losing support and legitimacy, while the United States turned to a number of bilateral trade deals (Phillips 2005; Shadlen 2005; Gallagher 2008).

The Fourth Summit of the Americas, which took place in Mar del Plata in November 2005, grounded two opposing views: one favoring the proposed FTAA—mainly supported by the United States, Mexico, and Canada, and countries especially dependent on preferential US trade agreements—and another dissenting group—including MERCOSUR countries, Venezuela and Bolivia—which declared themselves against a hemispheric trade agreement and refused to commit to future FTAA talks. New talks about South American governance and forms of cooperation took shape into concrete projects that contested both neoliberalism as a development project and the legitimacy of Washington to remake the hemisphere in its own image. UNASUR and ALBA were embraced as contesting projects (Tussie 2009). As the next section explores, both opened an opportunity for accommodation of political and economic projects, reasserting alternative ideas about development and regionalism. Indeed, in contrast to the proverbial “There Is No Alternative,” now promising alternatives realigned their strategies for development and governance recapturing the region as a space for policy formulation on social, political, and development issues that overtook the traditional drivers of “open regionalism” in the 1990s.

How transformative these national and regionalist projects are is a matter of debate. The extent to which South America has separated itself from the larger Latin America and is transiting a moment of adjustment managing the worst aspects of neoliberalism, or some sort of “revolution in the making” remains an open discussion. To analyze what these projects mean in terms of current dilemmas of development the following section makes a distinction between moderate political economic projects born from resilient neoliberal models that prevailed during the late 1980s and 1990s and more radical, counter-hegemonic models of integration led by new and deep transformative projects.

2.2. TRANSFORMATIVE REGIONALISM: RE-TERRITORIALIZATION OF REGION(S) AND CONSENSUSES

One of the striking characteristics defining current dynamics of political economy in Latin America is the attempt to redefine boundaries (geographical and ideological) beyond the historical hub of open regionalism, while fostering new institutions,

funding mechanisms, regional policies, and collective practices in social fields such as education, health, employment, energy, infrastructure, and security. Although embryonic, this manifestation of post-neoliberal politics attempts to give answers to unresolved needs of development, growth, and democracy. Regional models embraced by ALBA and UNASUR reflect attempts to refashion the relation between the state and the regional space for the achievement of those goals, redefining at the same time collective responsibilities and more critically what development is for, and what regionalism is for. It is at this point that it is interesting to make a distinction between the two main regionalist projects that have, although in different ways, a transformative perspective of continental reach, ALBA and UNASUR.

2.2.1 ALBA: Non-capitalist Practices as Alternative Development Principles

ALBA represents an unprecedented attempt to foster an agenda that is not based primarily on trade liberalization but actually on welfare cooperation and solidarity, placing a distinctive emphasis on civil society participatory practices in planning and administration (Harris and Azzi 2006). In contrast to other projects in the Americas, it has taken a particularly confrontational line in trying to challenge the United States with regard to almost all issues on the inter-American agenda.

The creation of the ALBA was proposed by President Hugo Chavez in 2001, but as a project materialized in 2004 when Fidel Castro and Hugo Chavez endorsed the first declaration of the ALBA.² ALBA represents a radical, ideologically transformative project that extends Chávez's twenty-first century socialism into a pursuit of regional integration scheme, in direct opposition to neoliberalism. The link between the ideological strand of Chavez and the *Chavismo* however must not overlook new practices driving trans-border relations as well as the consequences of these relationships for a concept of development based on the exchange of human resources.

ALBA rallied around the rejection regionalism of the 1990s in which Latin American economies competed to lock in deregulation and attract foreign investment. Since its conception in 2004, it proposed an alternative model of development and accumulation underpinned by new principles of solidarity and complementarities, which in some cases, like in Bolivia and Ecuador, were included in constitutional reforms (Chapter 3). The political economic philosophy embraced by ALBA is based on two pillars: endogenous development and a new internationalism based on the exchange of human capital. Undeniably this is a model that is sustained by an oil-dependent diplomacy. Nevertheless, the impact of many of the human development and capacity-building projects supported by this new philosophy is to be seen in the longer run. Endogenous development is conceived as new types of production relations aimed at creating community-based economies or "popular economy." It has been largely applied in Venezuela through cooperative models, state intervention

² http://www.alternativabolivariana.org/pdf/documentos_albaVI.pdf

for the application of redistributive policies, and social programs; establishment of new local institutions, cooperatives, and public firms to support planning; management of local-based resources; and implementation of welfare projects in response to communal needs (see Parker 2007).

The promises of endogenous development in Venezuela have been accompanied by a region-wide set of initiatives defining ALBA, grouping Cuba, Bolivia, Ecuador, Nicaragua, Dominica, and Honduras. Since its conception in 2004, ALBA's growth in membership and integration capacity has translated into a number of bilateral and regional agreements, including cooperation in energy, food security, culture, finance and banking, social development, healthcare, and education (Ruttemberg and Fuchs 2011). These sectors have seen an increasing internationalism that in essence is advanced by intergovernmental agreements rather than institutionalized treaties or supranational institutions. The mechanisms to advance internationalism in these areas include mainly production networks, and "grand national" (gran-nacional) welfare programs and private cooperatives and community-owned enterprises (Altmann 2009). These instruments are the basis of a new model of organizing regional production and distribution representing an alternative to multilateralism as conceived by "open regionalism." The concept of Grand National alludes to a new form of transnational public enterprise that challenges current conventional multilateral forms of economic organization.³ It is ideologically based but not partisan. It rather sits at the intersection of new conceptions of development that in Bolivia and Ecuador are seeking to redefine the place of indigenous communities, their identity, and relationship with natural resources and their land (Escobar 2010). Echoing this philosophy, Grand National projects are intergovernmental arrangements for the exchange of human and capital resources, while Grand National enterprises geared production, sale, and distribution of goods. The Grand National projects operate within key sectors of state in the field of political, cultural, economic, scientific, and industrial activity. For instance, Tahsin (2009: 14–17) shows that in 2008, projects between Cuba and Venezuela in these areas reached 1,355 million US dollars, including a flagship program "Oil for Doctors" by which Venezuela exports subsidized oil for the exchange of medics and training programs in the country. Within this framework, programs like *Barrio Adentro* provided free basic medical care in Venezuela, while Mission Miracle provides free care to individuals with eye-related conditions, while other programs tackle the needs of individuals with disabilities across ALBA countries. The exchange of human resources is also oriented to training and education. Since 2004 5,000 Cuban medical scholarships are given to Bolivia. Bolivia is reportedly benefiting from 600 Cuban medical specialists. Bolivian doctors are educated in Cuba which at the same time helps coordination of health centers in Bolivia by sending specialists and doctors. Literacy has also been a key component

³ Conceptualización De Proyecto y Empresa Grannacional En El Marco Del Alba http://www.minci.gov.ve/doc/conceptualizacion_de_proyectos.pdf

of socioeconomic development in ALBA. Cuba provides Bolivia with the experience, didactic material, and technical resources necessary to implement the literacy programs, and has been assisting Bolivia in expanding its public schools and hospitals. In the Dominican Republic, over 100 students are reportedly attending Cuban medical schools, and approximately 75 Dominican students are in other Cuban schools. Some 2,000 Venezuelan and Cuban scholarships are available to Dominican students in computer science, medicine, engineering, sports, physics, math, and agriculture. Venezuela and Nicaragua have also implemented agreements of mutual assistance around social programs for housing and education for 47,000 street children in the latter. Other programs include food production and the organization of the ALBA Athletic Games, a two-yearly event established in 2005.

As for the Grand National enterprises, these are specific entities, private or communal, established to organize productive and trade activity to reduce asymmetries among societies, and fair and just trade. Grand National enterprises include ALBA-Food, ALBA-Energy, ALBA-Forestry, Geological Institute, and enterprises for Mining and Metallurgy, Iron and Steel, and Aluminum. A Food Grand National has been set up between Venezuela and Bolivia.⁴ ALBA is also moving into the consolidation of the Unified System for Regional Compensation (SUCRE), signed in October 2009. The SUCRE is a common monetary denomination for the payment of commercial transactions between ALBA countries (see Chapter 6). This is a financial instrument to help stimulate and deepen intra-regional trade and productive enterprises envisioned in the People's Trade Agreement. Likewise, the proposal for the first Latin American *Banco del Sur* is not only a reflection of the search for autonomy in policy formulation and implementation but also in the institutionalization of an alternative financial architecture in response to the new regional political and economic trend. If it succeeds in terms of goals and achievements, such an institution could play a significant role in regional monetary policy and provide resources to secure sound balance of payments finance. A major distinction from established international financial institutions, such as the Inter-American Development Bank and the World Bank, is that the *Banco del Sur* will not operate on the basis of conditional loans but intends to advance a more democratic decision-making process for its operations. The relevance of these programs is to be seen in the way they advance a new political economy and the formation of a regional consciousness supportive of what Murh (2010: 50) identified as "transnational organized society." In many ways these developments advanced by ALBA constitute a new political economy where a concept of development sits at the intersection of trade and business; citizenship and social development; and inclusion and human rights. Interestingly, this mode of regionalism contrasts with other regionalist projects such as NAFTA, MERCOSUR, and UNASUR not only in its conception but also because the construction of region is advanced by member states which do not share any contiguous borders.

⁴ See ALBA Summit: Caricom members enter reservations on Sucre, Defence Council. Available from <http://alainet.org/active/33803&lang=es> (May 22, 2011).

Many arguments have pointed out that ALBA resembles a mere propagandistic project whose future and resilience are conditioned to the presence of Chávez and more significantly the record high oil revenues. True, there is a great deal of ideological discourse in the shaping of ALBA. At the same time, ALBA's rhetorical commitment to building "21st Century Socialism" is largely reliant on Venezuela's petroleum wealth, but we emphatically argue that, unlike other regional projects in the Americas, the significance of ALBA and possibly its resilience is to be seen in the transnational welfarist space where socioeconomic projects and regional welfare networks of solidarity can have an impact, even beyond Chávez. Likewise, although it is true that state-owned oil and gas company, PDVSA, became central for the funding of regional social welfare programs, the possibility to think development and political economy given by new trans-border practices shaped a new space for thinking and negotiating alternative models for cooperation.

2.2.2 UNASUR: Rebuilding the Region in Search for Autonomous Development

On a more moderate side of regional reinvention, Brazil is emerging as the silent competitor for regional leadership and political style, ushering consensus mechanisms with new players capable of making a new balance viable. Such policy direction is evident in the efforts of the newly created UNASUR. UNASUR crystallized as a model of governance in 2008, yet its origins must be traced back to the beginning of the decade when Brazilian President Fernando Henrique Cardoso called in the First Summit of South American Presidents in 2000. The aim was an ambitious integration project beyond notions of market expansion with renewed commitments on democratic principles and a broader sense of development. This summit created the foundations on which South American integration settled and contested US continental ambitions (Briceño-Ruiz 2007). However, it was not until 2004 that the South American integration process entered a new phase and dynamism. The Third Summit held in Cuzco, Peru, in December 2004, established the South American Union of Nations (SACN) which was later institutionalized as UNASUR. The Cuzco Declaration established three main goals: convergence between MERCOSUR, the Andean Community, and Chile through trade agreements, but more fundamentally new commitments to advance physical infrastructure (roads, energy, and communications)—a plan that was originated in the First South American Summit with the establishment of IIRSA—and political cooperation.⁵ Divergence in leadership, motivations, and political understanding of the purposes of region building led Venezuelan President Hugo Chávez to diverge from the South American regionalist strategy. The result was the establishment of Venezuela-led ALBA in 2004, and the formation of Brazil-led UNASUR four years later in 2008 (Briceño-Ruiz 2010).

⁵ Cuzco Declaration. Available from www.comunidadandina.org/ingles/documentos/documents/cusco8-12-04.htm (March 28, 2011).

UNASUR is fundamentally a regional construction that capitalizes on pre-existing trade-led agreements of the “open regionalism” of the 1990s but aimed at strengthening its institutional structure in issues beyond trade, while seeking at the same time an autonomous position vis-à-vis external influence such as the United States or the EU. Remarkably, trade is underplayed as a pillar of UNASUR whereas the backbone of the new treaty is formulated in relation to democracy, inclusion, social development, physical integration, defense, and identity.⁶ In terms of institution building, it gave new impetus to the IIRSA which already formulated an ambitious project in 2000 to boost infrastructural and energy integration throughout the continent (Chapter 4). IIRSA represents a vision that in many ways reconciles established pro-market patterns of South American integration and a tradition of structuralism which recognizes a developmental role for the state guiding and promoting (rather than arbitrating) economic development (Prebisch 1949; Furtado 1961; Grugel and Ruggirozzi 2007).

It has also created the South American Defense Council, which picked up steam first in the face of territorial conflicts between Ecuador and Colombia, and more recently involving Venezuela and Colombia (see Chapter 5). These are important initiatives that restrict US interference in the South balancing the authority of the existing US-led institutions such as the Organization of American States (OAS). Other areas of regional policy where regulatory frameworks are emerging are in the establishment of the South American Council for Education, Culture, Science, Technology, and Innovation seeking to reinforce the objectives of quality, equity, and international competitiveness through harmonization of higher education programs. Although incipient, the council aims to facilitate the mobility of students and professionals in the region and formulate flexibility proposals and degree accreditation.⁷ Likewise, a new UNASUR Health Council was established to consolidate a space of cooperation in health provision and training.⁸

These institutional ambitions of UNASUR are laid out in the Constitutive Treaty of the UNASUR which also sets out analogous institutions to the EU, that is, an Executive Council of Delegates as well as a General Secretariat, a Council of Ministers of Foreign Affairs, and a Council of Heads of State and Government. The Constitutive Treaty also provides for a parliament that is yet to be established. While these dimensions vindicate the tenets of the New Regionalist literature, it is important not to understate this regional arrangement as it represents a new perspective in the regional and global politics without being “washed away by the powerful waves of globalization” (Cooper and Heine 2009: 21). In other words, while the extent to which

⁶ Tratado Constitutivo de la Union de Naciones Sudamericanas. Available from http://www.comunidadandina.org/unasur/tratado_constitutivo.htm (April 3, 2011).

⁷ UNASUR ‘Operational Roadmaps 2009–2011’ and official declarations are available at <http://www.coseccti-unasur.org/web/educacion/new-page> (March 29, 2011).

⁸ Official Declaration available at <http://www.ocai.cl/unasur-english.pdf> (March 29, 2011).

UNASUR can reconfigure broader links in terms of political and social community is still embryonic, progress has been seen in the creation of alternative and fruitful economic and infrastructure projects bridging CAN and MERCOSUR, and as a block with extra-regional emerging powers such as China, India, the Gulf Cooperation Council, the South African Customs Union, and the EU (Tussie 2010: 12).

Unlike ALBA, UNASUR's instruments of regionalism are institutionalized, and its conception of development is based on a construction of reasserting the management of natural resources and infrastructure in support of autonomous development. What both UNASUR and ALBA share however is a redefinition of the regional space as a place for action, new practices, and consensuses that are framed regionally rather than globally expressing new collective concerns about growth, social development, and democracy. The politicized regional arena echoes a nebulous yet important spirit of change with important implications for inter-American relations. Theoretically, this also places a tall order for scholars. Current political and economic trends and the emergent regional institutional architecture suggest that the "old" and "new" characterizations of regionalism are insufficient to explain how states are currently responding to their own commitments within national areas of governance, and to new region-building projects that contest the politics and policies of established neoliberal architecture. Understanding the nature of this transformation also demands a reorientation of some of the prevalent ways in which the study of regionalism has been approached so far.

2.3. CONCEPTUALIZING REGIONALISM IN A CHANGE OF ERA

The political and academic significance of current transformations has been clearly described by Arturo Escobar (2010: 1) when he stated,

Latin America is the only region in the world where some counter-hegemonic processes of importance might be taking place at the level of the State at present. Some argue that these processes might lead to a re-invention of socialism; for others, what is at stake is the dismantling of the neo-liberal policies of the past three decades.

This statement about the transformation under way raises important questions about how to characterize and theorize changes in the political economy of the region and regional governance. Since the early 2000s the region has witnessed the articulation of models of development as a reaction to the excess of two decades of neoliberalism. The move away from neoliberalism combines an attempt to refocus the direction and the purpose of the economy in crucial ways through, for example, state spending or increased taxation (Grugel and Riggirozzi 2009) with a political project for change. These articulations manifested in different ways across the region. A new political economy has been mainly geared by state leaders with support of social and grassroots movements in a parallel and complementary movement that has been characterized as "rebuilding the state" and "reclaiming the state (Grugel and Riggirozzi 2012)." In other words, the state takes control of the main tools of the economic

management observing at the same time widespread social demands for renewed democracy, accountability, local inclusion, and the creation of more effective institutionalized channels of representation. The redefinition of state-society relationships resonate with quite different social groups, along with economic programs for redistribution of political power away from traditional elites; but fundamentally it also proposes policy reforms that work with the grain of the global economy. From this perspective, *post-* rather than plainly *anti-*neoliberalism supports policies that are at odds with the dominant forms of US-sponsored liberalism, acknowledging other forms of social, political, and economic engagement.

Although the idea of a unified counter-hegemony to supplant neoliberalism is clearly an overstatement, the new continentalism represented by projects like ALBA and UNASUR is a dramatic departure from the region's more usual approach to regional integration. In contrast to proposals for "new" regionalism in the 1990s in which Latin American economies competed against each other to lock in deregulation and attract US investment, alternative regionalist projects propose a space of mutual exchange and cooperation that redraws the political map of South and Central Americas and the Caribbean on the basis of providing a platform for the extraction of shared resources and decentralizing power.

The current context of transformation creates a dilemma in the field of development studies and that of regionalism. For many decades, the approach known as New Regionalism captured the intellectual imagination of scholars concerned with regionalism beyond neofunctionalist understanding of integration based on EU studies (Warleigh-Lack 2010). Specifically, the evolution of the theoretical debate about regionalism since the 1980s has been driven by a proliferation of regional cooperation agreements that, unlike the previous experiences of (old) regionalism associated with post-war economic protectionism, were part of a broader process of neoliberal globalization. While the "old regionalism" of the 1950s to 1970s was a manifestation of regionalized forms of regulated markets and high tariffs, "new" regional formations were tied to the transnationalization of trade and production, and the progressive liberalization of markets in developing countries (Bøas et al. 1999; Hettne 1999: 7). In this context, many scholars understood these projects as "open regionalism," *conceived as and modeled by* the need of countries to engage efficiently in global market activity (Gamble and Payne 1996: 251–252). As a governance project, new regionalism unfolded as a state strategy to lock in market reforms of the Washington Consensus, driving processes that Phillips (2003b: 329) identified as "meso-globalization," or neoliberal strategies at a regional scale. Regionalism from this perspective was conceived as a building block to global liberalization through the interplay between state-led macro-processes of regulation and micro, and often informal, processes of regionalization led by non-state actors (Hurrell 1995, 2005; Bøas et al. 1999, 2005; Mittelman 2000: 113; Breslin and Hook 2002: 8).

This persuasive perspective broadened our understanding of formal and informal dynamics of regionalism as manifestations of global orders, adding new dynamism to Eurocentric and EU-specific studies of regional integration over-reliant on an

understanding that effective cooperation in one area will lead to the creation of supranational institutions that will in turn foster further cooperation in other areas—mitigating in the way sporadic and conflictual process that could affect further political integration (Warleigh-Lack and Rosamond 2010). However, New Regionalists have tended to overstate the role of informal, non-state agencies, embracing new forms of regionalization, which in Latin America have been weak and often coordinated under state initiatives (Phillips and Prieto Corredor 2011). If anything, the role of non-state actors in the shaping of new regionalism in Latin America was mainly seen in economic and business actors seeking to minimize the risks associated with global competition and insertion in the global economy (Phillips 2003a; Grugel 2004: 605; Phillips and Prieto Corredor 2011: 129). In this context, New Regionalist approaches brushed aside an enquiry about the extent to which the regional space can create opportunities for dissent and strategies that may challenge the regional-global liberalization relationship. This becomes a pressing dilemma in a period of rapid transformation of regional policies where political and economic circumstances that gave substance to new regionalism in the 1980s and 1990s—as a project and an approach—do not hold so firmly any longer. As a number of social and political inter-linkages are reflecting a new sense of purpose in Latin America, perhaps the most significant question about current regionalism is how we are to understand regional agreements that are grounded in different systems of rules that reconfigure open regionalism and that are part of a complex set of alternative ideas and motivations affecting politics and policies across the region.

While we agree with Phillips and Prieto Corredor (2011) that we are witnessing a transit from neoliberal politics to more diverse regional political economies, we disagree that regionalism is giving ground. Even accepting that projects of the neoliberal era, such as MERCOSUR (Argentina, Brazil, Uruguay, and Paraguay plus Venezuela, Chile, and Bolivia as associates) or the Andean Community (Bolivia, Chile, Colombia, Ecuador, and Peru), have failed to create sustainable levels of intra-trade and political commitment, a new focus needs to be placed on alternative processes, models, and tools of regionalism that are grounding regional consensus about policies and cooperation beyond what used to be the hub of “open” regionalism, namely markets, trade, and investment.

How far can we genuinely discern alternative regional governance in a post neoliberal regime? What sort of alternative social and political dynamics, institutions, and scope can be identified in new regionalist projects such as UNASUR and ALBA? How do these regionalisms represent themselves as a cohesive group? These are pressing questions as we are moving from neoliberal-led open regionalism to distinctive forms of regional consensus building, regional solidarity and integration, and identity formation. At the same time, these questions challenge the explanatory power of New Regionalist approaches which have often overemphasized globalization as a structure of constraints, and regionalism as a defensive mechanism of adjustment.

Furthermore, New Regionalist approaches contributed a great deal to understand how, in facing both demanding histories and outside pressures, states found that working together augmented/enhanced their survival and ability to gain economic and/or political advantages. This is in fact an important argument to explain the factors leading to regionalism and regionalist projects in Latin America. Nevertheless, this argument does not say much about how transformative and resilient a given regionalism is likely to be under changing political and economic factors. Open regionalism of the 1990s in many ways responded to an economically constructed reality, neglecting political, social, and ideological factors that affect the feasibility and sustainability of policy decisions. But to make sense of current changes in the regional architecture, and to compare this to previous experiences in the region and/or other regions, we need to place further attention to the material and ideational factors, the actors, and the networks and institutions that shape the contours and dynamics of specific forms of regionalism. Challenging the powerful assumption that governance, from a regionalist point of view, implies “market governance” to understand here how regional agreements are grounded in different systems of rules that are part of a complex set of ideas and motivations that affect policy making and strategies of development across the region.

Our argument supports that in the current climate of transformation progressive social and political actors, committed to find alternative ways of managing politics and the economy, will rediscover the regional space as one for contestation and maximization of political options. As we detail in the next section, in the case of ALBA the region became a space for political action and development of an alternative model of production and distribution that challenges conventional means of development. In this case, new practices come close to what has been identified as “neocapitalism” (Escobar 2010). In the case of UNASUR, the region became a space for redefining consensus and programs over regional resources, and a priority for autonomous management of natural resources as a tool for further economic autonomy and security. Both cases represent alternatives to pro-market reforms but fundamentally a change in discourse which became the new center of reference for politics (Arditi 2008: 71). ALBA and UNASUR are the two cases most clearly associated with a new political economy of regionalism. Both hold a strong critique to unmediated marketization reclaiming the region as a space for the provision of regional goods beyond trade and market competitiveness. Both are led by two strong regional actors, Venezuela and Brazil, two countries that also share a significant domestic level change, including significant popular mobilization, strengthening of the state as main actor in the management of the economy, particularly thorough redistributive policies, and a decisive will to play a different role in regional governance fending off external influence from the United States and the EU. In this context both ALBA and UNASUR represent the creation of new spaces to enhance these goals. Regionalism is, consequently, more than an outcome of interconnectedness and strategic cooperation but essentially a place for resignifying politics and maximizing public policies. The use of the region to introduce new practices and policies provides a chance for

political invention beyond the premises of development embraced by the neoliberal consensus.

The challenge for New Regionalist approaches, as we previously claimed, is to reach an understanding that supersedes binary notions of “old” and “new” regionalism that helped to explain current regionalism as a space for deliberation and implantation of political economic alternatives that are moving away from the neoliberal project as *the* hegemonic project. This does not mean that capitalism, liberalism, and trade-related forms of integration cease to exist or to move the regional agenda. What this means is that their centrality is being displaced. The realization of these regional alternatives, as imaginaries and arenas for new actions and practices, defines their sense of identity, belonging, and mission. In many ways, UNASUR and ALBA represent experiments that “take place at the edges of liberalism,” borrowing Arditi’s (2008) arguments, adding social development, community action, new forms of politics and organization, and a more active agenda-setting onto existing regional practices.

To analyze current developments in South America regionalism is to be confronted with a conceptual puzzle: for decades critical approaches in the study of international political economy stressed how multilateral governing arrangements were established and must then be seen as sites for North-South conflict; vehicles to advance the interests of the powerful developed countries; weapons for coercion of the weak; and structural frameworks of policy restraint. But the current transformations suggest that emerging regionalist projects must be seen as the space where regional (as opposed to global) consensuses are redefined and advanced by means of new models of development, cooperation, and policy making. Although the extent to which new regional initiatives can consolidate coherent and resilient projects is still to be seen, they need to be taken as part of valid transformative arrangements shaping new spaces for political and academic reflection.

2.4. RESILIENCE IN POST-NEOLIBERAL REGIONAL GOVERNANCE

The analysis of UNASUR and ALBA suggests that to recognize the particularities of the societies and their regional arrangements we need to be aware of not only the constraints they face but also the alternative spaces they open, for both (regional) consensus building and policy implementation. Despite different rhetoric and political styles, UNASUR and ALBA are manifestations of alternative regionalist projects built on the bases of redefinitions about what development is and what the region is for.

New practices of cooperation in areas of social policy, and social and natural resources, are reinforcing alternative programs, networks, and institutions that are at the same time stretching the possibilities of development policies and politics. From this perspective we consider UNASUR and ALBA as models in the construction of post-hegemonic integration based on alternative modes of social and

economic integration while strengthening a new sense of mission and regionalism. It is true many programs are part and parcel of proactive actors, in particular Brazil and Venezuela, that seek to redefine their positions within the region and outside. However, in both cases specific practices are creating new spaces and even a different narrative about regional interaction and development that affect larger populations beyond national state's interests.

Likewise, both ALBA and UNASUR contest the role of geography as a signifier of region. The regional space in ALBA is based on a sense of legacy, solidarity, and collective action that exceeds geography. In this case, for instance, transnational social welfarism integrates a regional society with low levels of institutionalization but with high levels of socioeconomic impact. In this case, welfare regionalism constitutes a central dimension to understand the type of mission advanced by ALBA and the development of transnational political spaces with new levels of interdependence and trans-local relationship which to date is not only led by Venezuelan/Chávez political calculations and oil diplomacy but also by civic organizations of doctors, educators, and builders that are recapturing collective action in the process of regionalization. In UNASUR, on the contrary, geography is key for the reconstruction of what South America is and is for in relation to natural resources and security.

Certainly, the resilience of UNASUR and ALBA as alternative regional constructions and models of governance is still to be seen. Beyond ideological standpoints and the diversity of new regional institutions there are elements that have the potential to derail the embryonic political economy in Latin America. On the one hand, there is the apparently "technical" debate about how to finance autonomous political projects, regionally and domestically. New models of growth and politics are politically and financially far from stable. In both regional spaces, many economies are still vulnerable to the volatility of commodity prices and energy export prices. In places such as Argentina and Bolivia, this has opened up a range of distributional tensions that are not easily managed and that certainly affect the position of the governments at different levels of authority (Grugel and Ruggirozzi 2010). Regionally, this attempts against the establishment of long-term resilient projects of cooperation and integration. On the other hand, there is a "political" debate about the extent to which rhetoric and symbolic politics may radicalize the delivery of alternative projects in a post-neoliberal era. Will regional actors such as Venezuela and Brazil be able to stand as brokers of collective concerns or will they observe their national interest? Latin America is a continent of contrasts and alternative mind-sets are not unfolding without differences. Nonetheless, what unites most actors in the search for new forms of regionalism is a real need to re-found the nation state, to re-embed socially responsive models of development and social justice, and to distance themselves from the United States over a number of key issues. Exploring emerging forms of regionalism thus needs to readdress the relationship between regionalism-integration-globalization.

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CONSISTENCY AND RESILIENCE THROUGH CYCLES
OF REPOLITICIZATION

Fifty years of regionalism in Latin America can be characterized by an oxymoron: consistency despite instability, resilience despite crisis. The governments have been consistent in their efforts to keep their collective endeavor afloat and have found ways of reinventing their regional agendas. Even the widely shared disappointment concerning the outcomes never totally annihilated their commitment to move on with new initiatives. Yet they were hardly capable of preventing instability and sometimes even provoked it. In parallel, the regional institutions such as the Andean Community, the Central American integration process, and the common market of the south (MERCOSUR) have been remarkably resilient to recurrent and severe crises. Defying catastrophic forecasts, not only did they manage to survive over the years, but got periodically reactivated.

In this chapter, I offer an explanation of this oxymoron, that some have referred to as a stop-and-go pattern of evolution (Schmitter 1970a; Corbey 1995), using the notion of sequences of politicization. Some classical authors (Nye 1965; Vargas-Hidalgo 1979) have considered politicization of integration issues as responsible for the failure of regionalism. In this chapter, I take issue with them, offering a distinct definition of politicization, centered on the actors' will to achieve a collective political goal through economic integration, and arguing that the degree of politicization is a good predictor of the dynamism of the processes or lack of it. I show that a strongly politicized initial phase puts an integration process on a path that is not easy to deviate from. The chapter thus shows that most Latin American integration processes were politicized during their foundational sequence, and their promoters designed institutions that proved to be very resilient in the long run. It is also suggested that high levels of politicization, or the will to renew, reinvent, and advance regional collective action, in Latin American integration have rested on those same institutions established by actors' collective commitments.¹ Finally, the process of politicization

In this chapter I draw from Dabène (2009). Previous versions of this piece were discussed during presentations at Northwestern University, Columbia University, FLACSO Quito and FLACSO Buenos Aires. I thank the colleagues and students who helped me clear up my ideas and the editors of this volume for their insightful remarks.

¹ As Pierson (2004: 43) puts it, "Stickiness is built into the design of political institutions to reduce uncertainty and enhance stability, facilitating forms of cooperation and exchange that would otherwise be impossible".

has to be understood as collective presidentialism, in open challenge to those theoretical understandings that see regionalization as non-state-led processes (see Boas et al. 2005). Collective presidentialism has assumed different levels of commitments and built agendas originally centered on free trade. Since the early 2000s, however, a new cycle of politicization manifested in new, enriched agendas of integration beyond trade-centered issues, adding commitments for deeper integration.

The chapter starts by defining politicization. It is then organized in three parts. Part I examines different sequences of integration in Central America, the Andean region, and MERCOSUR, showing how they were characterized by different levels of politicization. Part II examines collective presidentialism as an independent variable impacting the degree of politicization. Part III gives some preliminary thoughts about the current trend of post-trade integration. Fifty years of history shows that changes have always been incremental, casting some doubt on the transformative capacity of the current post-trade sequence.

3.1. POLITICIZATION OF AN INTEGRATION PROCESS

According to Haas and Schmitter (1964: 707), “politicization implies that the actors seek to resolve their problems so as to upgrade common interests and, in the process, delegate more authority to the centre.” This definition can still be considered valid, yet it probably overemphasized the importance of authority transfers. The historical sequences of integration in Latin America have very rarely yielded any such transfers. However, it did not preclude the governments from upgrading common interests. In order to better account for the sequences of integration in Latin America, I suggest paying more attention to the state and non-state actors’ intentions. Hence, I offer a slightly different definition, posing that politicization implies that the actors consider economic integration as an instrument to reach political goals, such as crisis resolution or consolidation of democracy. As corollaries, politicization also implies a commitment of key political actors sharing a conception of common interests, institutional building to embody common interests, and possible participation of non-state actors.

This definition allows a better account for the irregular patterns observed in the evolution of most regional integration processes. It also helps to avoid teleological interpretations of success or failure in the construction of regionalism. Although often mentioned in the neofunctional literature, this pattern is never satisfactorily explained. When Schmitter (1970a) describes “crisis-induced decision cycles,” or Corbey (1995) a “stop and go pattern” of European integration’s evolution, they offer rational-actor-centered explanations that underestimate the importance of the state and non-state actors’ representations. They also fail to consider the historical context the actors are embedded in. And they finally ignore the importance of external incentives.

These latter points deserve to be emphasized. Central to explaining a crisis or reactivation of an integration process in Latin America is the perception the actors

have of a change occurring at a broader level. Their decisions derive not so much from the lessons learned from past experiences within the integration process, but rather from signals received from outside the region, and the way they interpret them. Just to mention one example, at the beginning of the 1990s, the signing of the European Maastricht Treaty and the announcement by US President George Bush of an Enterprise for the Americas initiative have played a decisive role, convincing Latin American presidents to reactivate their integration processes or to launch new ones, such as MERCOSUR.

In order to grasp the full meaning of the above definition of politicization, I suggest evaluating each of its components through time, in order to unveil sequences and pinpoint critical junctures, taking into account different types of foreign or domestic incentives. The key component of the definition is instrumentalization. To assess it, I evaluate if economic integration is a means or an end. Put differently, I try to understand whether or not a group of countries is keen to build a free trade area for the sake of it, or if they have a superior political goal in mind, such as crisis resolution or consolidation of democracy. I focus on the actors' will to achieve a collective political goal through economic integration. What kind of common interests do the state actors want to push when they envision an integration process? Is their commitment genuine or fake? Do non-state actors have an interest or an incentive to get involved? Finally, regarding institutions, a number of questions can be raised, including the following: How are they designed? What are their main features? Do they have supranational prerogatives? How sticky are they?

In Table 3.1, I tentatively represent possible sequences of politicization, depoliticization, and repoliticization. Each of the components listed in the table is susceptible

TABLE 3.1. Hypothetical sequences of politicization, depoliticization, and repoliticization of an integration process

Sequences Components	1 Politicized onset	2 Depoliticization	3 Repoliticization
Incentives	Internal or external	Internal or external	Internal or external
Instrumentalization	Economic integration as a device to reach a political goal (peace, democracy)	Permutation: economic integration as an end	New political goals following a crisis. Integration as crisis-avoidance device
Representation	Political goal (peace, democracy) as a common interest	Political goals considered achieved or no longer reachable	Common will to regain control over free markets
Commitment	Key political actors committed	Loss of interest	Commitment of new actors
Participation (Non-state actors)	Civil society possibly involved	Loss of interest	New actors involved
Institutionalization	Institutional arrangements	Resilience	Institutional reform

of affecting the level of politicization. Even if the key component does not allow for much room for appraisal (either there is a political instrumentalization or not), the other components can add or deduct some degrees of politicization, depending mainly on the institutions' capacity to keep on embodying the common interests.

The main hypothesis of this chapter is that the way the sequences concatenate and the level of politicization reached in the process are responsible for the "consistency despite instability, resilience despite crises" oxymoron. Typically, the level of politicization reached during sequence 1 is sufficient enough to insulate the process from collapsing during sequence 2, but insufficient from preventing setbacks. This is either due to the commitment of the actors being minimally consistent or to the institutions providing for a minimum of resilience. Subsequently, sequence 3 does not yield a very high level of politicization either. An integration process can try to start anew; it remains pretty much path dependent. In the rest of this section, I specify the way the three sequences are set into motion.

First, there is no linearity in the flow of sequences, nor is there a dominant independent variable explaining the transition from one sequence to the next one. As mentioned earlier, the onset of a politicized regional integration process is triggered by a common will to achieve a collective political goal through economic integration. This cannot occur without a strong commitment from key political actors, but it neither requires an active participation from civil society actors nor does it necessarily imply a complex institutional arrangement. The latter elements just add degrees of politicization. There can be many reasons why such a politicized initial sequence begins in the first place and eventually comes to an end. Among the factors susceptible of jump starting a politicized process, some sort of historical foundational trauma can be mentioned. The case of World War II for Europe evidently comes to mind, but it can be any event, including economic crises, that will raise the consciousness of the key political actors over the necessity for collective action. The more severe the trauma, the deeper the cooperation envisioned, including possible pooling or relinquishing of sovereignty. In addition to this output-oriented motivation, there can also be more ideological or external incentives, such as the challenge of regionalism in other parts of the world, or a brutal acceleration of internationalization (Keohane and Milner 1996). In the final analysis, much depends on the perception of a historical juncture shared by the different countries' key political actors and their approaches to meet common challenges.

The end of sequence 1, and subsequently the beginning of sequence 2, occurs when the important actors lose interest in the integration process,² either because they consider the initial political goal has been met or they estimate it is no longer achievable. This loss of political interest will be all the more damaging that the integration process does not yield economic gains. If the initial sequence entailed complex institutional building, its resilience provides for a minimal degree of politicization in times of

² Schmitter would describe this situation as a "zone of indifference" (Schmitter 1970b).

depoliticization. If the integration process does yield economic gains, it can consolidate the conception of common interests in the region, also providing for a minimal degree of politicization. For these two last reasons, sequence 2 of depoliticization may not be a complete setback.

Note that a crisis during sequence 1 does not necessarily lead to a depoliticized sequence 2. A more or less complex re-equilibration can occur. The key political actors may try to put the integration process on a new path, if they consider for instance that the initial one has delivered unintended negative externalities, such as uneven distribution of benefits. In that case, the degree of politicization remains equal, with a constant commitment. In another scenario, there can be a positive appraisal of outcomes, in terms, for instance, of reciprocal trade boosting, entailing an increase of ambition. In that case, the degree of politicization increases, with a stronger commitment to raise the level of integration. Partner governments may decide to better coordinate their macro-economic policies or to adopt a common currency. Pressure from civil society actors, unpleased with the social impact of trade liberalization, may provide an additional motive to change or reverse the integration course.

If the integration process does get into a sequence 2 of depoliticization, there are reasons to believe it can last for some time. Once the foundational trauma, such as a war or an economic crisis, loses momentum, the actors' core motivation to keep on working together fades away. Some isolated integration entrepreneurs, working for instance in regional agencies, may be pushing for some deeper integration, but they will most probably not be heard.

Again, there is a wide range of reasons why sequence 2 might be shaken by new events acting as a disjunction. International political or economic crises can act as critical junctures (Collier and Collier 1991), triggering a change of course. Free trade may no longer be considered a panacea, a product of a new political preference-convergence among the governments. New actors may bring about changes of paradigm and enforce an institutional reform. Whatever the reasons, a new sequence 3 of repoliticization implies the construction of a new project and a new conception of common interests in a given region. It is important to point out that sequences are not cycles. Member states do not go back to their initial intentions during a phase of repoliticization, but agree upon new challenges to be collectively met. Despite their resilience and stickiness, institutional arrangements do change during each phase. Institutional change tends to be incremental in the depoliticization phase, with a progressive paralysis, and more brutal in its scope and level during the politicization one, with possible complete across-the-board rebuilding. These sequences are analyzed in the rest of the chapter by focusing on the evolution of integration models in Latin America.

3.2. SEQUENCES OF POLITICIZATION AND DEPOLITICIZATION

This section traces the process of politicization and offers a description of historical sequences, using the categories described in the previous section.

3.2.1 *Central America*

Central America has been characterized by some commentators as a nation divided (Woodward Jr. 1976). United during the colonial times, its five components³ built a federation right after independence (1824–1838). The experience was short-lived, but it was followed by many attempts to rebuild it. None succeeded (Karnes 1961). After World War II, Central America ambioned to have its own regional organization, inspired by the 1948 Bogota Treaty giving birth to the Organization of American States (OAS). In 1951, the five Central American countries signed the San Salvador Charter, creating the Organization of Central American States (ODECA). ODECA's ambitions were to encompass economic, political, as well as cultural dimensions of regional integration. However, it rapidly proved instrumental for the US-sponsored anti-communist crusade in the region, targeting Guatemalan President Jacobo Arbenz. By criticizing communist intromission in Central America, ODECA gave some legitimacy to the 1954 military coup that put an end to 10 years of democratic experience in Guatemala. The initial politicization (sequence 1) of Central American integration is twofold. On the one hand, there is a construction of a political project and some institutional building, accompanied by the revitalization of functional cooperation.⁴ This process is domestically conceived. On the other hand, there is common will (in four of the five countries) to rid the region of one of its member state's government (Guatemala), suspected of communist affiliation. This second vector of politicization is externally driven (United States).

In parallel to this political construction and the way it got instrumentalized during these times of cold war, the Central Americans also embarked upon an economic project. The same year ODECA entered the scene (1952), the Central Americans held their first meeting with the assistance of some experts (or *técnicos*) from the Economic Commission for Latin America and the Caribbean (ECLAC) (Wynia 1972; Cohen Orantes 1972). Economic integration was on the agenda, and eventually in 1960 the discussions led to the signing of a General Treaty of Central American Economic Integration, creating the Central American Common Market (CACM) and a Secretariat for Economic Integration (SIECA). During the 1960s, Central American integration was rather successful as regards the dynamics of its intra-regional trade. However, the region was submitted to contradictory external pressures as regards the instrumentalization of economic integration. On the one side, ECLAC was advocating for regional planning of import-substitutive industrialization, inserting trade liberalization into a development project. On the other side, the US Agency for International Development's Regional Office for Central America and Panama (USAID ROCAP)

³ Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua.

⁴ With the creation of the following regional agencies: Central American University Council (CSUCA, 1948), Nutrition Institute of Central America and Panama (INCAP, 1949), Regional Organization of Agriculture Sanitation (OIRSA, 1953), Central American Institute of Public Administration (ICAP, 1954), Central American Institute of Research and Industrial Technology (ICAITI, 1955).

was criticizing possible monopolies and pushing for trade opening as an end. What ECLAC and ROCAP did agree on was to depoliticize regional integration, yet for different reasons. ECLAC had a technocratic conception of integration considering it an exercise of planning without public debate or civil society participation. ROCAP emphasized free trade, without envisioning common policies. The 1969 war between El Salvador and Honduras epitomized the depoliticization of integration. Article 1 of ODECA's charter mentioned that one of the organization's aims was to secure a pacific resolution of any conflicts that might emerge in the region. It never got enforced. During the 1970s, no political project was able to relaunch the process. Some Central American countries were facing serious internal turmoil and guerrilla wars (Guatemala, Nicaragua, El Salvador), and even the economic dimension of integration was stalemated.⁵

It was not until the mid-1980s, in the midst of the Central American crisis, that a common project started to emerge. The 1986 summit of Esquipulas (Guatemala), with the participation of the five Central American presidents, marked the first step of the integration reactivation. During the second Esquipulas summit in 1987, Costa Rican President Oscar Arias presented his peace plan, and the countries of the region started to work together on a common agenda including peace and democracy. The peace process meant a repoliticization of integration for two reasons. First, the region was able to put together a new collective project, agreeing on a series of objectives, such as peace, democracy, and reconciliation. Second, the implementation of the peace plan acted as an incentive to upgrade the countries' regional commitments. In order to comply with the plan's objectives, the five Central American governments reactivated old regional agencies or created new institutional arrangements. In other words, this collective work of crisis resolution unintentionally reactivated the regional integration process (Dabène 1992).

During the 1990s, this repoliticization of the integration process had many effects. The agenda got inflated with new treaties,⁶ and an attempt was made to grant the process a global steering (Central America System of Integration, SICA), this latter organization being a reformed and actualized version of ODECA. As mentioned in Table 3.1, typical of sequence 3 of repoliticization are new political goals following a crisis. The new treaties embodied these new goals, with new topics added to the regional agenda, such as sustainable development, security, or social issues. However, this widening of the scope of integration did not translate into a more complex institutionalization. Soon the mismatch between the wide scope and the limited level of integration had the presidents looking for some coherence building. In 1995, they

⁵ Although during the years 1972–1976, a High Committee for the restructuring and improvement of the common market prepared a project for a Central American Economic and Social Community (CESCA) that was eventually ignored.

⁶ Alliance for a sustainable development (1994); Treaty of social integration (1995); Treaty of democratic security (1995).

commissioned ECLAC and IDB to make some recommendations in order to modernize the organs and institutions of Central American integration. In their final report, ECLAC and IDB insisted on the necessity to make distinctions between three spheres of articulation between scope and level of integration (CEPAL-BID 1997). The first one corresponded to the highest level of integration and an agenda limited to the improvement of the regional unified market, with a common trade policy and complementarities between other public policies, such as the macro-economic one. The second one had a lesser level of integration but an amplified scope, with a “functional cooperation” in the fields of environment, health, education, culture, transportation, infrastructure, and tourism. And the third one was even more modest as regards the level of integration and only one issue was on the agenda: Central America was invited to keep on reinforcing its political collaboration to consolidate democracy. As far as politicization is concerned, these recommendations entailed a downgrading. They limited the scope of integration to trade and hence narrowed the common interests of the region. According to ECLAC and IDB, the agenda of integration was to be limited to the unification of the regional market.

In 1997, the Central American presidents decided to follow ECLAC-IDB’s recommendations and launched the political reform of their integration process, announcing most notably the reunion of the different secretariats. However, they immediately ran into obstacles, as Honduras was devastated by Hurricane Mitch (1998), Costa Rica faced political scandals, and the external agenda of negotiation kept the diplomats busy.⁷ For a decade, Central American integration was pretty much kept out of the governments’ radar, yet it was an issue of interest for civil society. A strong opposition to free trade gathered momentum, with powerful networks of transnational mobilizations acting in the region.

In 2007, the region opened a round of talks with the European Union forcing them to get back to work together. Contrary to CAFTA, where the United States negotiated on a bilateral basis, the European Union was willing to support the process of political, economic, and social integration of the region. In February 2008, the institutional reform was eventually relaunched. It is of course too soon to say if the years 2007–2008 have opened a new sequence of politicization. The fact that Nicaragua and Honduras adhered to Venezuela-sponsored ALBA⁸ represented a political schism in the region that did not allow heralding any easy way to build a consensus on common interests. Moreover, the coup in Honduras (June 2009) and the border dispute

⁷ With the Puebla Panama Plan (PPP) suggested by Mexico in 2001 and the opening in 2003 of the negotiations for a U.S. Central America and Panama Free Trade Agreement, including the Dominican Republic (CAFTA RD).

⁸ ALBA: Bolivarian Alliance for the Peoples of our America, associating Cuba, Venezuela, Bolivia, Ecuador, Nicaragua, Honduras and the Caribbean islands of Dominica, Saint Vincent & Grenadines, and Antigua & Barbuda. Honduras withdrew from ALBA following the coup against Manuel Zelaya.

TABLE 3.2. Central American integration's sequences of politicization

Sequences Components	Politicization 1948–1954	Depoliticization 1960–1986	Repoliticization 1987–1998	Depoliticization 1998–2007
Incentives	Internal/external	Internal	Internal	Internal/external
Instrumentalization	Yes	No	Yes	No
Representation	Peace, solidarity, anti-communism	Trade	Peace, freedom, democracy, and development	Trade
Institutionalization	ODECA	SIECA	SICA	SICA
Commitment	High	High	High	Low
Participation	Low	Low	High	High

between Costa Rica and Nicaragua (2010–2011) further handicapped the consensus-building efforts. As Table 3.2 shows, Central America has experienced four historical sequences, two of politicization (1948–1954 and 1987–1998) and two of depoliticization (1960–1986 and 1998–2007). Two serious crises were instrumental to put an end to some sequences (1954, 1980s).

Despite this complex and highly unstable history, Central American key political actors have been consistent in their effort not to totally jeopardize the integration process, maybe because they faithfully remain attached to the idea of a Central American brotherhood. A symbolic dimension is also important in the Andean region.

3.2.2 The Andean Region

The Andean Pact was first idealized in 1966 by a group of presidents dissatisfied with the unequal distribution of benefits yielded by the Latin American Free Trade Association (LAFTA) launched in 1960 (Bawa, 1980). On August 16, 1966, the Presidents of Chile, Colombia, Ecuador, Peru, and Venezuela met in Bogota, Colombia, and issued a declaration stressing the need for subregional economic integration. Their motives were also geopolitical, as Argentina and Brazil, both under military rule, inspired preoccupation for democratic Chile and Andean countries (Moniz Bandeira 2003).

Chile, Colombia, Ecuador, Bolivia, Peru, and Venezuela signed a first agreement on February 7, 1968, giving birth to the Andean Development Bank (*Corporación Andina de Fomento*, CAF). One year later, the same countries, without Venezuela, created the Andean Group, signing the Cartagena Agreement (also know as the Andean Pact) on May 26, 1969. The regional group was granted a complex set of institutions, quite similar to the European one. Most notably, and importantly when assessing the degree of politicization, they created a supranational organ, the *Junta de Cartagena*, whose members were supposed to represent the general interest of the

region and were prohibited from receiving instructions from their respective countries' governments. The expectations were high, as the regional integration process was supposed to "promote the balanced and harmonious development of the Member countries."⁹ Bolivia and Ecuador were given special consideration, in order to close the development gap within the region, and policies were adopted to promote industrialization at the regional level. The onset of the integration process in the Andean region is probably the most politicized of all Latin American processes, due to this level of ambition and the complexity of the institutional arrangement. This latter element, as shown in Table 3.3, has provided for a minimum level of politicization ever since.

Much of the Andean Pact evolution has been punctuated by crises, mostly provoked by disputes between member countries over the distribution of benefits and their level of commitment. However, not all crises have triggered a change of sequence. Again, the Andean institutions have been remarkably sticky, even when there was a lot of indifference in the region regarding regional integration. Contrary to Central America, no impressive acceleration of intra-regional trade has ever captured the attention of key political actors in the region. As a result, many policies were simply never implemented (Adkisson 2003).

The first crisis occurred even before the treaty was signed, with Venezuela deciding to opt out. But the country eventually joined the group on February 13, 1973. Then Chile withdrew on October 30, 1976. In both instances, the issues at stake were the obligation to create bi-national enterprises and the treatment of foreign investments. During the 1970s, the Andeans embarked upon an ECLAC-inspired strategy of import substitution, while expanding the scope of integration, with the signing of several *Convenios* on education (Andrés Bello agreement, 1970), health (Hipólito Unanue agreement, 1971), and labor (Simón Rodríguez agreement, 1973). As the decade came to an end, the Andean countries were too busy managing their transitions

TABLE 3.3. Andean integration's sequences of politicization

Sequences Components	Politicization 1969–1989	Depoliticization 1989–1996	Repoliticization 1996–2006
Incentives	Internal	Internal	Internal/external
Instrumentalization	Yes	No	Yes
Representation	Solidarity	Trade	Lack of consensus Polarization
Institutionalization	GRAN	GRAN	CAN
Commitment	High	Low	Medium
Participation	Low	Low	Medium

⁹ Article 1 of the 1969 Cartagena Agreement.

to democracy to bother about their process of integration. Then the 1980s' economic crisis further paralyzed the integration process and led to a political shift at the end of the decade. On May 12, 1987, the Andean countries adopted the Quito Protocol, introducing flexibility in the realm of policy harmonization and development plan coordination. Then, two years later, during the Galapagos meeting celebrating the twentieth anniversary of the integration scheme, the Andeans embraced the neoliberal era and shifted toward open regionalism (CEPAL 1994). Their new agenda was resolutely centered on free trade, entailing a depoliticization of the integration process. The 1990s witnessed a period of growth in the region, and intra-regional trade made substantial progress. The intra-regional to total trade ratio went up from 12 to 17% between 1990 and 1995. During the 1990s, the authoritarian drift of the Peruvian regime (1992 shutdown of Congress or *autogolpe*) did not even lead to a repoliticization, although Venezuela decided to break its diplomatic relations with Peru. Peru temporarily withdrew from the free trade area and the customs union in 1992, essentially for technical reasons. It reintegrated both in 1997. More importantly, in 1995, a border dispute led to a short war between Peru and Ecuador, with close to no reaction from the Andean Pact. In Table 3.3, I refer to the 1990s as a sequence of "modest" depoliticization, because the institutions were rather insulated from the political turmoil.

The repoliticization sequence eventually began on March 10, 1996, with the signing of the Trujillo protocol. By converting the Andean Pact into the Andean Community (CAN) and setting renewed ambitions, despite Peru's temporary withdrawal, the protocol relaunched the process of integration putting it on a new track. The agenda of integration made some progress, with the inclusion of the social issues in 2003. The repoliticization is somehow limited though, from an institutional viewpoint. Indeed, the protocol refreshed the institutional arrangement, placing the Meeting of Presidents at the top of the decision-making process, but in parallel, the supranational prerogatives of the *Junta* were undermined. On the political front, the left turn of many Latin American governments in 2000 impacted the CAN. Venezuelan president Hugo Chávez, first elected in 1998, started to criticize the neoliberal orientation of the integration process. He was later joined by his Ecuadorian and Bolivian counterparts, Rafael Correa and Evo Morales. Colombia and Peru's opening of free trade negotiations with the United States further polarized the political climate. In 2006, Venezuela decided to leave the Andean Community and joined the MERCOSUR.

As far as politicization is concerned, it can be said that the Andean integration process has always been minimally politicized, because of its high degree of institutionalization and, quite oddly, its frequent crises. The Andean integration process has been hit by a crisis almost every 10 years since 1966, each being followed by a reactivation, most notably in 1987 and 1996. The crisis resolution efforts kept the integration process on the agendas of the Presidents, preventing them from dropping their commitment to regional integration. As in Central America, the Presidents have

been consistent in their commitment. Hugo Chávez, of course, stands as an exception. To the Venezuelan president, regional integration could not be separated from political allegiances.

3.2.3 MERCOSUR

The Common market of the South (MERCOSUR) has a much shorter history than the Central American or Andean regions. However, since the mid-1980s, despite promising debuts (Roett, 1999), the region has experienced several crises, setbacks, and reactivations. Table 3.4 shows that MERCOSUR's evolution is characterized by a succession of five short sequences.

The initial sequence preceding MERCOSUR's inauguration is clearly a politicized one. MERCOSUR's origin goes back to the years 1983–1985, when Argentina inaugurated a democratic regime after seven years of brutal dictatorship and Brazil was in the midst of its transition. Argentina at that time was surrounded by military regimes and faced both a severe economic crisis and the discontent of the armed forces, humiliated by the Falkland war and threatened by judicial charges for human rights violations. At the end of 1984, Argentine President Alfonsín took the initiative of opening talks with Brazilian politicians about possible ways to build a device for the collective defense of democracy. In December 1985, both countries held a summit on the triple border, in Foz de Iguazu, that can be considered as MERCOSUR's birth act. Presidents Alfonsín and Sarney had three main issues on their agenda. One was infrastructure, with the symbolically very relevant inauguration of a bridge between the two countries; the second one was defense, with the parties agreeing on a transparent nuclear policy, a major step toward establishing a security community; and the last one was democracy. The Presidents considered regional integration as an instrument of economic development, and development as an instrument of democratic consolidation. Democracy, in its turn, was supposed to strengthen regional integration. This circular argument would influence a dozen protocols, signed between Argentina, Brazil, and later Uruguay, between 1986 and 1990.

TABLE 3.4. MERCOSUR's sequences of politicization

Sequences Components	Politicization 1985–1990	Depoliticization 1991–1996	Repoliticization 1996–1998	Depoliticization 1998–2001	Repoliticization 2002–2008
Incentives	Internal	Internal/external	Internal	Internal	Internal
Instrumentalization	Yes	No	Yes	No	Yes
Representation	Democracy	Trade	Democracy	Trade	Stability
Institutionalization	Protocols	Institutional modesty	Democratic clause	None	Institution building
Commitment	High	High	Medium	Low	Medium
Participation	Low	High	Medium	Medium	Medium

This first sequence of a politicized launching of regional integration came to an end quite abruptly with the opening of the 1990s, for three sets of reasons. One had to do with the proliferation of democratic regimes in the region. The initial mid-1980s preoccupation for the future of democracy was just no longer perceptible. The second owed much to the neoliberal turn. New presidents like Argentine Carlos Menem, Uruguayan Luis Alberto Lacalle, and Brazilian Fernando Collor, who all took office between December 1989 and March 1990, had a trade-centered conception of regional integration. Third, US President George Bush launched a so-called Enterprise for the Americas Initiative in June 1990, emphasizing free trade and investment. It then came as no surprise that MERCOSUR's founding treaties did not mention any political objective. The word "democracy" does not appear in the Asunción Treaty signed on March 26, 1991, or in the Ouro Preto Protocol signed on December 17, 1994. The 1991 treaty considers economic integration as an end, not as a device to defend democracy and promote development. However, this depoliticized conception of integration that prevailed in 1991–1994 did not translate into a loss of interest for integration matters. The first half of the 1990s witnessed an impressive increase in regional trade. Intraregional to total trade ratio reached 20.2% in 1995 and 25.3% in 1998, compared to a modest 8.9% in 1990. As a result, there was a great deal of enthusiasm for MERCOSUR in the region, both within governments and private-sector actors, and free trade remains high on the political agenda as a common interest builder (Achard et al. 1994).

Despite this early 1990s' depoliticization, interestingly enough, MERCOSUR's concern with democracy soon resurfaced. On April 22, 1996, a coup attempt in Paraguay seriously challenged the regional integration process and allowed MERCOSUR to upgrade its level of politicization. Two months after the crisis, MERCOSUR Presidents issued a Presidential Declaration on Democratic Commitment on June 25, 1996, in San Luis (Argentina) and signed the Ushuaia Protocol on Democratic Commitment on July 24, 1998. This two-year period represented a short sequence of repoliticization. The Paraguayan April crisis was a short parenthesis, although its importance in Latin American regional integration history should not be neglected as it generated the introduction of the first democratic clause in the region.¹⁰ Once the crisis was solved, MERCOSUR returned to its business as usual. Somehow, the governments had been forced by circumstances to briefly acknowledge that integration could help defend democracy, but they were not ready to deviate from their neoliberal conception of trade-centered integration. It took another serious crisis and a significant political change to make them open a new sequence or repoliticization.

In 1999, the Brazilian devaluation was a severe and brutal signal for other MERCOSUR member States that this country was acting as a hegemonic power, with a conception of common regional interests that had to be compatible with its

¹⁰ The Andeans adopted the same clause soon after (October 17, 1998).

own national interests. Brazil took its decision without any consultation with its MERCOSUR partners. Two years later, the 2001 Argentine major depression made the main political actors realize that the integration process required some adjustments. In addition to this perception that collective action was urgent, the region experienced a major political shift. The so-called turn to the left, embodied by the election of Lula to the Brazilian presidency in 2002, brought to power new leaders deeply committed to the deepening of integration. As mentioned in Table 3.1, this convergence of changes typically launches a sequence 3 of repoliticization.

In the years 2002–2004, MERCOSUR embarked upon an institutional reform, with the creation of a parliament and a judicial body, among others. MERCOSUR also enforced its first redistributive policy, with the creation of a structural convergence fund aimed at lowering the development differential between member countries and regions.¹¹ However, the sequence of repoliticization remained modest both in scope and level, although some sectors were actively pressing for deeper changes. The 2003 reform of MERCOSUR's Secretariat illustrates this outcome. The creation, within the Secretariat, of a Technical Assistance Sector (SAT), with the recruitment of four high-level experts on a merit basis, served the purpose of forming “a space of common reflection on the development and consolidation of the integration process.”¹² The SAT soon proved to be an active entrepreneur of integration. The four experts were academics defending the general interest of MERCOSUR, and pressing for the process to deepen. During its first year of existence, the SAT clashed several times with some diplomats, and in particular the Director of the Secretariat, keen to secure its control over the integration process and preserve its strictly intergovernmental dimension. In 2004, the SAT played an important role in preparing the December summit of Ouro Preto (Brazil). Ten years after the 1994 first Ouro Preto summit that gave MERCOSUR its institutions, and with four Presidents committed to the relaunching of the process, there was a window of opportunity the SAT was eager to seize. Among other proposals, the SAT designed an ambitious project of Parliament, inspired by the European example. The final decisions fell short of what the SAT expected, with a parliament deprived of significant role in the decision-making process. The diplomats had won the battle.

As other regional integration processes in Latin America, with the already mentioned exception of the Andean *Junta de Cartagena* between 1969 and 1996, MERCOSUR discards any evolution that would grant its institutions supranational prerogatives. As explained later on, this precludes a consolidated representation of regional interests. Two other factors contribute to explaining the modesty of MERCOSUR's repoliticization in 2000. One was Brazil's diplomacy under Lula which definitively turned global. Despite many declarations of intention, the fact of

¹¹ Fondo de Convergencia Estructural del Mercosur (FOCEM).

¹² MERCOSUR's decision 30/02.

the matter is that Lula prioritized multilateral diplomacy over his regional commitments, and in the region favored South America¹³ over MERCOSUR (Spektor 2010). The other was the civil society actors' deception. MERCOSUR's institutions provide for several instances of participation in working groups. However, the experience proved to be disappointing, with agendas of discussion being excessively technical and no possibility for civil society actors to have a say about the general orientations of the integration process. As a result, "bottom-up" dynamics of regionalization were limited, and new Leftist governments commitments in this regard remain to be seen. Perhaps MERCOSUR's main problem was not so much the lack of governments' commitment, but rather its excessive imbalance and asymmetry. Yet, despite difficulties in defining "common" interest within this scheme, repoliticization in the Southern Cone meant a reinvention of institutional commitments and regional provisions for integration in new arenas beyond trade, including in security, energy, and infrastructure (Chapters 4 and 5). Despite crisis, or perhaps because of it, new institutions such as UNASUR, bridging resilient institutions such as MERCOSUR and CAN since 2008, are part of a renewed will of government leaders to redefine the terms of cooperation and solidarity to maximize the management of resources and the impact on autonomous development and social improvements.

3.3. POLITICIZATION AND COLLECTIVE INTERGOVERNMENTAL PRESIDENTIALISM

The previous discussion showed that in all Latin American regional integration processes, the presidents have played a key role. Even during times of crises and setbacks, they have been rather consistent in their commitment to defend regionalism. And their capacity to set new collective goals has been instrumental to reactivate moribund processes. Yet it turns out that this central role of the presidents also impacts the integration processes in a possibly negative way. If the presidents are capable of being consistent despite instability, the way they govern regional integration processes can also nurture instability and may trigger crises. In this section, I explore this argument.

Latin American integration governance is very much driven by collective intergovernmental presidentialism. This should not come as a surprise, since the features of national formal and informal institutions, or at least the ones of an integration scheme's dominant country, constrain the choices the actors make when designing regional institutional arrangements.¹⁴ Latin American countries having presidential regimes, the designers of regional institutional arrangements tend to reinforce their presidential features, even if sometimes they also seem to imitate European integration's institutions when crafting their own. Europe, conversely, has a dominant

¹³ In particular the Union of South American Nations (UNASUR), whose treaty was signed in Brasilia in 2008.

¹⁴ I have called this "domestically-inspired isomorphism" (Dabène 2009: 90).

tradition of parliamentary regimes that has influenced the evolution of the European Union, in particular the strengthening of the European Parliament. This complex interaction between domestically inspired isomorphism and imitation is particularly salient in the Andean integration process, where a treaty creating a parliament (PARLANDINO) was signed in 1979, the same year the Europeans inaugurated a new era voting for their Parliament. However, the PARLANDINO remained nonexistent until a new treaty was signed in 1997. The Andeans were not ready to grant their integration process a parliamentary dimension. Other than this “natural” tendency to build regional institutions that resemble the domestic ones, Latin American regional integration processes have also been run by collective presidentialism because the presidents were keen to defend national interests, and they thought regionalism was nothing more than an exercise of bargaining. Very often, they were under the influence of powerful economic interests that shape the process of national preferences’ construction, and they had to conduct a “double-edged diplomacy” (Evans et al. 1993). This great difficulty in putting the common interest before national ones is manifest in several institutional features, most notably decisions by consensus, limited resources for the secretariats, modest role for the regional parliaments, or non-binding decisions. The effects of presidentialism applied to regional integration are far-reaching and ambivalent. Presidentialism has been considered either an obstacle or a “hidden cause” for success. Malamud (2003) has a point when he argues that during the first years of MERCOSUR, collective presidentialism was a substitute for weak institutions. Many trade disputes were resolved at the highest level, and the presidents kept their endeavor rolling even through hard times. Malamud rightly points out that this concentration of decision-making capacities in the hands of presidents has allowed the integration process to evolve with celerity and to take political action when necessary. It could be added, regarding MERCOSUR, that there has been a fairly good personal relationship between Argentine President Raúl Alfonsín and his Brazilian counterparts, Tancredo Neves¹⁵ and José Sarney, at the onset of the process, and later between their successors Carlos Menem and Fernando Collor at the beginning of the 1990s. Alfonsín and Neves/Sarney shared the view that democracy had to be collectively defended; Menem and Collor thought that integration was to be strictly trade-centered, in conformity with dominant neoliberal values during the 1990s. This “personal” factor has to be emphasized when dealing with Argentine/Brazilian relations. The capacity to build bilateral relations through presidential meetings had not been present since the years 1958–1962, when Argentine President Frondizi had a close working relation with Brazilian Presidents Kubitschek, Quadros, and Goulart (Moniz Bandeira 2003). The military regimes also collaborated, especially between 1976 and 1982. In 1980, Brazilian President Geisel was the first to visit Buenos Aires since 1935, but the mutual concern was essentially security-centered. All in all, the

¹⁵ Tancredo Neves was elected president on January 15, 1985. On March 15, his vice-president José Sarney was sworn in because Neves was ill. He later died on April 21, and Sarney became president.

historical periods when Argentina and Brazil have shared a common conception of their common interests have been very rare. In that sense, the capacity of their presidents to set common goals does not take root in a long historical tradition, as in the case of Central America for instance. Despite this initial role of presidentialism as a substitute for weak institutionalization, it did not take long before the MERCOSUR presidents themselves realized that excessive concentration of power in their hands was slowing down the process. Argentina, Uruguay, and Paraguay reckoned that without solid institutions, there was no safeguard, no legal binding, and Brazil could not be dissuaded from making unilateral decisions, such as the January 1999 devaluation of its currency. Two years later, with the Argentine debacle, even Brazil agreed that weak institutions meant inefficiency. As some observers concluded, MERCOSUR's low level of legalism "led to issue-congestion and over-burdened agenda at the top" (Bouzas and Soltz 2001: 104).

MERCOSUR's experience is peculiar in the Latin American context. Older integration schemes were granted solid institutions by their founding treaties. As previously mentioned, the 1969 Andean Pact went as far as creating a legislative branch (*Comisión*) and an executive organ (*Junta de Cartagena*) with supranational prerogatives. The Commission made decisions and the *Junta* was responsible both for preparing and implementing them. Two features were of crucial importance: the Commission used majority rule to make decisions the *Junta* was composed of three persons who were supposed, according to Article 13 of the 1969 Treaty, to act "only according to the interests of the Sub-region as a whole." Article 14 added that they were prohibited from "asking for or accepting instructions from governments, national or international bodies." Yet, despite complex institutional arrangements, the first-generation integration schemes were also governed by collective presidentialism. In the Andean case, the presidents kept firm control of the process. Nationalism was a common characteristic of authoritarian governments during the 1970s. In addition, the *Junta's* members had a hard time protecting their autonomy, due to frequent turnover provoked by political instability in their home countries that had them worry about their appointments. When democracy was reinstated in the 1980s, it was the debt crisis that generated protectionism and nationalism. The 1990 reform allowed the presidents to institutionalize their political pre-eminence with the creation of the Andean Presidential Council. Later in 1996, the so-called Trujillo Protocol substituted the *Junta* by a less "supranational" Secretariat.

In Central America, the Organization of Central America States (OCAS) created in 1951 and reformed in 1962, had a complex set of institutions, but with no supranational organs comparable to the Andean *Junta*. During decades, the main entrepreneur of integration was the Secretariat for Economic Integration (SIECA), rather than the political institutions. When the process was reactivated at the beginning of the 1990s, the "presidentialization" of the institutional arrangement had a lot to do with the role the presidents collectively played to solve the regional crisis and put an end to a decade of civil wars. As we saw in the first part of this chapter, the peace process

meant a repoliticization of integration. Up until now, the summit of presidents has been the dominant institution in Central America.

Collective presidentialism is a core feature of Latin American integration. In the rest of this section, I examine some consequences of this dominant trait on the level of politicization. First, collective presidentialism is a highly visible institution. It only exists through periodical summits that are exposed to media attention. Some presidents who are TV presidents (*telepresidentes*)¹⁶ at home tend to also be TV presidents during the summits and push to submit their deliberation to public scrutiny.¹⁷ This visibility is definitively no incentive to a free ride as no president wants to be held publicly responsible for an integration setback. As a consequence, they tend to pledge allegiance to regionalism, because no one wants to spoil the party. Summits are always displays of unity and they offer “photo opportunities” (Whitehead and Barahona 2005) that give the public a concrete representation of what regionalism is. Those symbolic effects ought not to be underestimated, especially in times of crises.¹⁸ In addition, the frequency of summits is another factor susceptible of upgrading the collective commitment toward regionalism. Due to the proliferation of new initiatives, the Latin American presidents have at least a dozen opportunities to meet every year¹⁹. The socialization effect of this repetition of meetings is probably important, as it enhances the presidents’ feeling of belonging to a community.

It has to be noted that the presidents can receive some help from non-governmental actors. Civil society actors, who are not necessarily associated to the decision-making processes, can use the summits as voice opportunities, taking advantage of the spotlights. Beyond the summits, regionalist governance provides an opportunity structure for civic activism (Grugel 2009). Going back to our categories mentioned in Table 3.1, it entails an involvement of new actors typical of sequence 3 of repoliticization. In short, collective presidentialism and the summits that embody it can insulate the integration processes from entering a depoliticized sequence and it can even foster its repoliticization. However, there are great differences between the regions. Some presidents attract more media attention than others and consequently some summits have more exposure, and civil society participation is also very uneven. Moreover, the credibility of the commitments displayed during summits is often doubtful. More

¹⁶ Rincon, Omar et al., *Los Telepresidentes. Cerca del pueblo, lejos de la democracia*, Bogota, Friedrich Ebert Stiftung, 2009, cited by Erica Guevara, “La crise de la représentation médiatique en Amérique latine”, *OPALC Latin American Political Outlook 2010*, Paris, Sciences Po-CERI-OPALC, 2010.

¹⁷ On August 28, 2009, a UNSAUR summit in Bariloche (Argentina) was broadcast live on TV.

¹⁸ The photo showing a hug (*abrazo*) between Venezuelan and Colombian Presidents Chavez and Uribe, during a Rio Group summit in Santo Domingo a few days after the Colombian bombing of a FARC camp in Ecuadorian territory in 2008, has probably contributed to ease the tensions in the region.

¹⁹ In addition to their bi-annual regional summits (MERCOSUR, CAN, SICA), the presidents meet during other summits such as Rio Group, UNASUR, summit of the Americas, Ibero-American summits, Euro-Latin American summits, and for some of them, summits with Asia Pacific, Africa, or the Arab countries.

often than not, the presidents' commitment is essentially rhetoric. Final declarations of summits typically refer to Latin American brotherhood and underline the necessity to unite, but the "Plans of action" that accompany them rarely take the necessary steps in that direction. This tendency to insist on the symbolic importance of integration contrasting with the defense of national interests often entails inflated agendas of integration.

The way collective presidentialism affects the agenda of integration is the second consequence worth discussing. Collective presidentialism tends to aggravate the mismatch between the scope and level of integration. Presidents are typically keen to enlarge the scope without paying too much attention to adjusting the level of integration.²⁰ The reasons they tend to do so are to be found in the political benefits the presidents expect to derive out of their commitment to regional integration. Three of them are of particular importance. One is the prestige associated with an important declaration adopted, or a treaty or protocol signed in a given capital city. Each president is keen to rip domestic political gains from a historical meeting held in his country, and he will push for an enlarged agenda. Any presidential summit that does not represent a milestone in the evolution of an integration process will be labeled a failure, and the president will be held responsible for it. At stake is the reputation of a president and a country, and it entails a vigorous symbolic incentive to push for enlarged agendas. Another reason for inflating the agendas is an exoneration of a problem-solving failure at the domestic level. The inclusion of a new issue in the regional agenda sends a message to the constituents regarding the inadequacy of the national level of decision making to address it. In some instances, besides trade that has always been on the agendas, the regional level adds an undeniable added value for new issues such as infrastructure, sustainable development, drug trafficking, or migrations. For social issues, especially in times of deregulation, the impact of regional norms is doubtful.

Finally, related to this last strategy, in a given situation where a regional integration process is suffering increasing opposition by major social sectors, and where the domestic economic situation is not too favorable, a president may use a credit-claiming/blame-shifting type of strategy, as any politician is used to do at the domestic level (Mayhew 1974). The inclusion of new issues on the agenda will eventually allow the presidents to shift the responsibility of a problem-solving failure to some sort of coordination difficulty, or to the integration's lack of progress. Conversely, a president will claim the credit for a successful regional policy, while hiding the origins of the decisions made. The increasing complexity of multilevel governance makes it harder for the citizenry to actually verify the claims. Although this holds true for the European Union more than for any other regional integration process in the world, I argue that the Americas are acquiring some similar features (see Dabène 2009, chapter 9). Central America is probably the integration scheme where these dynamics

²⁰ Philippe Schmitter (1970a) refers to this as a "spill around".

of agenda inflation are more easily observable. During the 1990s, many new issue areas were included in the regional agenda, such as social, environmental, or security issues,²¹ whereas the level of integration remained constant.²² Although other factors were instrumental in expanding the scope of integration, such as external incentives for instance, collective presidentialism played a decisive role.

If, for the presidents, there are strong incentives to widen the scope of integration, there is none to adjust its level. Delegating authority and/or appropriating means for regional institutions have never been politically rewarding anywhere. Regional integration processes in Latin America do not have good reputations, being widely seen as inefficient and costly bureaucracies. Had it not been for the European cooperation, the mere survival of the Central America System of Integration and of the Andean Community would be at risk. A way to measure this lack of interest for the level of integration is to look at the implementation of the norms adopted by the regional institutions. Norms' compliance has always been a severe weakness of all regional integration processes in Latin America. Collective presidentialism is not solely responsible for it. There is a deeply rooted tradition in Latin America not to abide by the rules, that can be traced back to the colonial rule, when the laws used to be respected but not enacted (*se acata pero no se cumple*). However, collective presidentialism has either prevented the institutionalization of a recent regional integration process such as MERCOSUR or overshadowed existing complex institutional arrangements such as the ones CAN or SICA had.

Just to mention one example, the first biannual report of MERCOSUR's Secretariat shed some light on the very low level of norms incorporation into national laws. From 2000 to 2004 only 43 of the 107 Council of the Common Market's decisions that required incorporations had been actually incorporated, representing a poor 40%. As for the Common Market Group, the balance was even worse, with 25.9% of its resolutions actually incorporated.²³ The same report mentioned the fact that due to the absence of a regional Tribunal or Court of Justice, no single interpretation of the norms was available, leading to different interpretations in courts from one country to another and even within the same country from one region to another. In short, MERCOSUR had trouble implementing its common norms, and was incapable of imposing the same norms everywhere. In 2004, a Permanent Review Court was created, that would supposedly secure a unified jurisprudence.

In short, collective presidentialism translates into inflated agendas that are not accompanied by any progress in terms of institutionalization. During a sequence 2 of depoliticization, it may contribute to the setting of new goals, provided the incorporation of new issues is coherent with a representation of the common interests,

²¹ See note 16.

²² The overall budget was not adjusted. The new programs were financed by international cooperation.

²³ MERCOSUR (2004: 33).

but if not accompanied by an institutional reform, it will prevent the sequence 3 of repoliticization from being sustainable and long lasting.

3.4. A POST-TRADE REPOLITICIZED SEQUENCE OF REGIONALISM?

During 2000, many Latin American countries turned to the left, entailing a rehabilitation of the state as a provider of opportunities for progress through redistributive policies. Although with mixed outcomes at the domestic level (Weyland et al. 2010), at the regional level, it translated into a new interest for redistribution of trade-generated growth and a renewed popularity of the neodevelopmental approach of regionalism. Following the severe economic crises of the years 1999–2001 and 2008–2009, a will to collectively regain control over free markets and set new political goals, typical of sequence 3 of repoliticization (Table 3.1), is perceptible at three levels.

First, there are signs of institutional reforms and integration deepening. In Central America, an efficiency-driven reform has been implemented since 2004, while MERCOSUR is making an incursion into positive integration, with the creation of a (modest) fund destined to compensate the huge asymmetries of development between countries and regions that characterize this regional grouping.²⁴

Second, new initiatives are emerging with new agendas. The Bolivarian Alliance for the Americas (ALBA),²⁵ championed by Venezuela, was originally born as an alternative to the Free Trade Area of the Americas (FTAA) proposed by the United States. It later became an original scheme of cooperation, focusing on social issues, inspired by a shared will to challenge neoliberalism (Kellogg 2007). The Union of South American Nations (UNASUR),²⁶ formed in 2008, has been working on a new agenda of integration. As listed in Article 2 of the Brasilia Treaty (May 23, 2008), the objectives include the formation of a political, economic, cultural, and social union between the peoples, stressing social policies, political dialogue, education, energy, infrastructure, finance, and environment. No reference to free trade is mentioned, signaling a new era of post-trade regionalism.

Third and last, some governments have shown a renewed interest for integration issues and have managed to make their commitment with regionalism a constitutional

²⁴ Mercosur's Structural Convergence Fund (FOCEM) is based on the European Structural Funds' model, but with a much smaller budget, representing a modest 0.03% of the regional GDP (US\$ 100 million per year).

²⁵ ALBA associates Venezuela, Bolivia, Ecuador, Nicaragua, Cuba, and the Caribbean islands of Dominica, Antigua and Barbuda, and Saint Vincent and the Grenadines.

²⁶ UNASUR associates the 12 South American countries: Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay, and Venezuela.

obligation.²⁷ Bolivia and Ecuador, most notably, have strongly emphasized integration in their new constitutions. The 2008 Ecuadorian constitution refers three times to regional integration in articles 276 (defining the regime of development), 284 (defining the economic policy), and 416 (defining the principles of foreign policy). It then dedicates a long article (423) exclusively to regional integration, defining it as the “State’s strategic objective.” This article 423 develops a conception of integration that is very different from classical FTAs, insisting on the principles of solidarity and complementarities, just as ECLAC used to do back in the 1960s. It also insists on such issue areas as science and culture, defense, or sustainable development, and calls for a harmonization of regulatory norms in the realm of labor or social security. It even mentions the objective of free circulation of people and regional citizenship and the ambition to build supranational institutions in Latin America.

The 2009 Bolivian constitution is about just as ambitious in the matter of regional integration, insisting on asymmetry reduction, solidarity, and complementarities. However, if there are strong signs showing that the region might be entering a post-trade sequence of repoliticization, it remains fragile, most notably because collective presidentialism is still a dominant institutional feature and because the panorama of regionalism in Latin America is much more complex and differentiated than it has ever been. This latter point deserves close attention. Since the 1990s, Latin American regional schemes have turned flexible, allowing different levels of commitment, adaptable pace, and “à la carte” agendas. As a consequence, there are multilayered and possibly competing jurisdictions and interferences between different rationales, some trade-centered, others not. Many countries of the region have signed free trade agreements (FTAs) with the United States,²⁸ while at the same time trying to reactivate their regional scheme or adhering to new ones. One country, Nicaragua, even adhered to Venezuela-sponsored ALBA after having signed an FTA with the United States.

This flexibility is a major shift when compared to the previous periods when all countries used to assume the same level of commitment. The new variable geometry approach prevents the regional schemes from elaborating coherent representations of common interests. In addition, it offers the member states incentives to a free ride and to think in terms of national interests that they have to defend in every regional integration process they are part of. In that sense, the current sequence 3 of repoliticization is rooted in unstable ground.

²⁷ The reactivation, deepening and politicization of integration is a claim made by the Sao Paulo Forum since its first meeting in the Brazilian city in 1990. This network of Latin American leftist parties and movements has been meeting on a yearly basis ever since. During the 1990s, each declaration emphasized the necessity to move on toward a less trade-centered type of integration. Many of the Sao Paulo Forum members won elections and are now running such countries as Brazil, Uruguay, Venezuela, Ecuador, Bolivia, Nicaragua, and Salvador.

²⁸ Central America and the Dominican Republic (CAFTA DR), Chile, Peru, and Colombia.

3.5. CONCLUSION

The consistency despite instability, resilience despite crises oxymoron referred to political actors keeping up with their level of commitment to regionalism and to institutions being sticky even when the integration processes were stalemated or moribund. What has made the difference between the different historical sequences is the level of politicization, essentially defined as the actors' commitment to instrumentalize economic integration in order to reach political goals, such as crisis resolution or consolidation of democracy. The hypothesis of this chapter was that the succession of sequences of politicization is responsible for the highly unstable pattern of evolution. The empirical evidences presented strongly confirm it.

The contribution of this chapter to the literature is twofold. On the one hand, it helps accounting for the present sequence of post-trade regionalism, casting some doubt on its transformative capacity. There is no doubt that post-trade regionalism represents a step toward greater politicization of integration, as it implies a collective reflection to set new common goals. As indicated by UNASUR's objectives, or even more so by ALBA's ones, there is a new agenda of integration that goes far beyond trade facilitation, reflecting a new conception of common interests in the region and entailing the provision of regional goods. Its transformative capacity, however, should not be overestimated. As this chapter showed, Latin America has a long history of sequences of politicization followed by depoliticization. What has prevented the politicized sequences from putting the integration process on a lasting path is the weak institutionalization (or collective presidentialism). The current repoliticized sequence is further handicapped by the pattern of differentiated integration that emerged during the 1990s and has not been contested by the leftist governments during the 2000s. On the other hand, this chapter is a theoretical invitation to further investigate both the way representations of common interests shape regional integration dynamics and the way the regional institutions respond to political stimuli.

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CHAPTER 4

COOPERATION FOR THE PROVISION OF REGIONAL
PUBLIC GOODS: THE IIRSA CASE¹

4.1. INTRODUCTION

The Initiative for the Integration of Infrastructure of South America (IIRSA) is an intergovernmental coordination mechanism for the development of physical infrastructure with a view to strengthening integration in South America.² To this end, the IIRSA seeks to promote projects in the sectors of transportation (in its various modalities), energy, and telecommunications, as well as regulatory measures conducive to increased efficiency in the provision of all these services. Since its launch in 2000, IIRSA has achieved a series of results while arousing some controversy.³ Although various studies have dealt with the Initiative, one of its attributes that has been mostly overlooked is its continuity over more than a decade. Even if “continuity” is not synonymous with “efficiency,” this feature is particularly noteworthy not only because similar efforts have been short-lived but also because IIRSA has thrived on a minimal institutional structure and in the absence of a robust regional integration scheme.⁴

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¹ This paper is an updated version of an article published in *Integration and Trade*, January-June 2008, Volume 12.

² Background information about IIRSA, mainly with regard to its institutional structure, spatial planning, and project selection, can be found on IIRSA’s website (www.iirsa.org). In addition, there are official documents from the countries and institutions forming part of the Technical Coordination Committee (TCC); see, for instance, IDB (2006) and IDB (2010). Of course, the other IIRSA-related articles in this issue also provide a useful frame of reference for analysis. Details and particulars about these aspects will not be commented upon here; for further information, refer to the cited sources.

³ Major objections to IIRSA so far have come from environmentalist groups concerned about the general impact of the proposal and, at times, from local actors that oppose some projects in particular. See Killeen (2007).

⁴ The Initiative had its origins in the South American Presidential Declaration made in Brasília, Brazil, in 2000. From then onward, IIRSA’s work and action plans are approved at ministerial meetings held annually. The bulk of the technical work is carried out at intergovernmental meetings attended by representatives from each country (*national coordinators*). For further information on IIRSA’s institutional structure, visit www.iirsa.org/acercadeiirsa_ENG.asp?CodIdioma=ENG

During the first decade IIRSA operated through an inter-governmental cooperation scheme partially linked to the emerging South American Community of Nations. In 2010, IIRSA was formally integrated as the technical body of UNASUR.⁵ In other words, IIRSA has succeeded in focusing its agenda of activities on the development of physical infrastructure and advancing it at its own pace, in spite of the changing conditions that characterize the general context of the integration process in the region (see [Chapter 3](#)).

The situation described above raises some questions that can serve as guidelines for the purpose of this chapter, specifically, why it has been feasible to keep such an intergovernmental cooperation and coordination scheme in operation while South America has only just begun to make progress in a comprehensive project of regional integration. Why and to what extent has it been possible to further this physical integration agenda with relative autonomy from the other integration dimensions? The hypothesis that we explore here is that key to understanding IIRSA's continuity and cooperation process is, on the one hand, the appropriate identification of topics, which has allowed to garner consensus among the participating countries, and, on the other hand, the fact that the work agenda has materialized in the form of concrete results that have proven useful to the participants in the initiative as a whole.

The development of regional infrastructure is intertwined with geopolitics and international political relations. Although these dimensions obviously pervade IIRSA the scope of this chapter is confined to the economic dimension. This in no way means the implicit privilege or primacy of one dimension over the other; it is simply a means to narrow down the topics under analysis to a more limited number of issues. The chapter is organized as follows. Section [4.2](#) provides a description of the initiative. Sections [4.3](#) and [4.4](#) delve into the main topics on which the cooperation process has been built in practice and highlights the reasons why the initiative has managed to remain in place and attain part of its objectives. Section [4.5](#) highlights its limitations and pending challenges.

4.2. PHYSICAL INTEGRATION: A CONCEPTUAL FRAMEWORK

IIRSA was designed to spur investments and promote regulatory measures in the areas of transportation, energy, and telecommunications for regional integration. The usual economic perspective and rationale is that the different types of infrastructure entail capital formation and hence have a bearing on growth.⁶ Viewed from this macro and growth angle, the region has lagged behind other emerging regions. It has lower availability of infrastructure and, more specifically, a poorer quality of

⁵ The Declarations of the South American Community of Nations in 2005 and 2006 have publicly acknowledged IIRSA's accomplishments (<http://www.cumbresudamericana.bo/armado.htm>) during the early years. In 2010, UNASUR approved the creation of the Council of Infrastructure and Planning. IIRSA is a technical body that supports the Council.

⁶ See Easterley and Servén (2003), Lucioni (2004), and ECLAC (2004a).

services in comparison with other regions.⁷ This being the case, studies have weighed the factors inhibiting a more expeditious development of infrastructure projects. As in most cases, the implementation of this type of projects gives rise to natural monopolies—the most frequently attempted solution in Latin America has been public provisioning.⁸ From this it follows that fiscal solvency has put limitations on investments in this type of projects and that recent endeavors have been made to overcome such limitations through the involvement of private capital.⁹ Yet, it is evident that obstacles do not end there. The lack of savings, along with difficulties in harmonizing public and private interests, securing long-term financing, and minimizing the uncertainty surrounding very long decision horizons in economies subject to high volatility also play a part. It is clear then that one way or another, and even in the case of countries taken separately, the development of infrastructure is heavily dependent on public policies.

If infrastructure is approached from a perspective different from the macro dimension reviewed above, other economic consequences are brought to the fore in addition to the impact of investment on growth rates. Irrespective of the technical features of each individual project infrastructure has a common denominator: it facilitates transportation and reduces its costs, whether it be for the physical movement of natural persons, goods, services, energy products, or information.^{10,11} This feature of infrastructure as an investment capable of modifying the equation of transportation costs has decisive implications for the location of economic activities, the facilities offered for attracting or expelling people, the impacts on the environment, and ultimately, the economic dynamics in the region. Hence the significance of all actions that influence the development of investment in infrastructure, and public policies, as explained below, in addition to taking into consideration the other economic aspects involved in infrastructure projects, should also deal with their spatial impact.

The most recent literature on economic geography (Krugman (1998)) has focused on the factors that trigger agglomeration and dispersion processes. Among

⁷ South America ranks 83rd (out of a total of 124 positions) in the infrastructure pillar of the Global Competitiveness Index (GCI) compiled by the World Economic Forum (www.wef.org).

⁸ This term is used to refer to economic activities that (naturally) tend to the concentration in a single supplier: the whole market can be supplied, at minimum average prices, by a single production unit. Historically, the formation of public enterprises in the region can also be attributed to strategic considerations and, in general, to the characteristics of the State-led industrialization process.

⁹ Contractual forms are varied—management contracts, build–operate–transfer (BOT) arrangements, and so on—and are generally referred to as PPPs.

¹⁰ Strictly speaking, the above mentioned reduction in transportation costs explains why infrastructure has a positive impact on the rate of economic growth.

¹¹ IIRSA's definition of projects does not explicitly provide for investment in residential networks (for the distribution of either potable water or electrical power) directly intended for household consumption. From a practical point of view, this is a reasonable decision. However, this does not preclude that the development of the other modalities of infrastructure should be supplemented with this type of investments. A case in point would be transportation projects requiring investment in urban development for towns located in border areas.

agglomeration forces, market size can be cited as an example, whereas the location of natural resources is a dispersion force. Thus, in deciding their location, enterprises take into account the proximity to markets—in relation to both consumers and inputs—and, depending on the nature of their activity, the distance to (and supply costs of) natural resource-based commodities. Transportation costs and the associated infrastructure play a key role in location-related decisions. One of the central conclusions that can be drawn from this type of analysis is that in the presence of economies of scale and at moderate levels of transportation costs, the location of an economic activity tends toward agglomeration.¹² A *core-periphery* pattern is therefore reinforced, with the core growing in population, income, employment, and economic activity. As transportation costs decrease, the *periphery* can offer alternative locations that offset the benefits of physical proximity to the market, leading to a more balanced use of space.

As a result of these impacts, the development of infrastructure rebalances the centripetal and centrifugal forces behind locational decisions. This translates into an additional component to public policy making: the spatial or territorial dimension. The dispersion–agglomeration dynamics can be left to evolve freely or, on the contrary, can be explicitly addressed as a public policy agenda. If the latter is the case, projects will probably draw the interest of local actors, subnational governments, and, depending on the situation, the national government.¹³ Naturally, this analysis should not be restricted to a one-dimensional reading. Even if infrastructure investments produce the previously mentioned type of effects on the territory, the allocation of capital for these investments does not prevent the feasibility assessment from being based on conventional criteria of socioeconomic profitability and environmental sustainability. Whether private or public, a project can always find alternative resources. Nonetheless, an assessment of the relative advantage of a given project is very likely to have different readings depending on where its beneficiaries are located and whether there exist mechanisms for the geographic redistribution of the (social, economic, and environmental) costs and benefits.

The area of influence of a project depends on the type of infrastructure concerned. A project may have far-reaching effects (for instance, in the case of gas pipelines or power transmission lines); conversely, its effects may be restricted to the immediate surroundings and its intensity may be lower as distance grows (for example, in the case of some types of road-building projects). In the case of network systems, its impact is more diffuse and extensive, spreading through the different network nodes. Consequently, a project can be said to have “spillover effects” in terms of

¹² Location models also take other factors into consideration: the magnitude and diversity (in terms of skills) of labor markets in the region, the potential for tapping geographically localized external economies (leading to clustering) as opposed to land rent, location diseconomies and congestion, which favor dispersion. See Krugman and Venables (1995).

¹³ For instance, this is one of the reasons why national and subnational legislations frequently provide for public consultation mechanisms prior to governmental approval of an investment.

costs and benefits on its area of influence. Given that infrastructure generally results in situations of natural monopolies, regardless of whether they are publicly or privately funded, these projects must include regulatory components and constitute, in many cases, a peculiar category of public goods, which can be either national or local depending on their geographic scope of influence.

The spatial impact becomes especially relevant if undertaken beyond the scope of a country's own territory. When infrastructure projects are implemented in border areas, their spillover effects can spread to the bordering regions of neighboring states. These states can be passive recipients or *free riders* of the benefits accruing to them from infrastructures that do not belong to them, or, if it is in their interest, they can boost these effects by making supplementary investments in their own territory.¹⁴ A case in point is an integration project, in which investments are coordinated between two or more countries. In an integration project, participants bear the costs of its implementation and, following previously selected criterion, distribute the resulting benefits. Naturally, this does not imply that costs and benefits are strictly proportional to the investment made by each of the "partners"—there may be a compensation mechanism for the asymmetries inherent to the project. Furthermore, there is a wide variety of modalities for the implementation of a project as well as formulas for the distribution of its costs and benefits. Thus, in the case of road projects, countries usually engage in the works within their respective territories; the coordination of actions is therefore more limited and may include execution schedules, regulatory aspects, border-crossing characteristics, etc. Alternatively, states can decide on the creation of "a (binational or trinational) entity" to serve as the vehicle for the project and "to internalize" all the costs and benefits derived from its execution and operation. Regardless of the modality or formula chosen, it is undeniable that the implementation of regional infrastructure requires considerable coordination and cooperation. The menu is broad and diverse, since it includes not only the distribution of costs and benefits but also the financial framework, the rules for managing the project, the mechanisms for the participation of private capitals, if any, the mitigation of environmental impacts, etc. In short, implementing projects entails addressing the issues that are usually an integral part of infrastructure projects while adding the perspective of states that decide, based on the mutual benefit principle, to cooperate and assume the responsibilities inherent to the type of project concerned. These new demands for cooperation point to a new type of public good of a regional nature in the sense that its implementation involves the participation of more than one state. The participation of the states materializes not only in the final result, i.e., the physical works of integration infrastructure, but also in the previous cooperation process needed for completing the project. The next section further explores this point.

This type of investment has two additional implications. In the first place, if integration works and projects reduce transportation costs and, hence, modify the

¹⁴ Carcamo-Diaz and Goddard (2008).

economic geography, trade barriers—whether tariff or non-tariff—represent a market access cost stemming from public policy making. Therefore, it would be contradictory to make efforts to implement integration infrastructure while trade policies as well as processes that facilitate the creation and enlargement of the economic space beyond national borders do not support these efforts. Moreover, it can be argued that if market access facilitated by infrastructure is offset by trade barriers, agglomeration and concentration are more likely to occur in the most advanced regions (or country) to the detriment of peripheral regions. Evidently, this type of obstacle is not present when investments are located within national borders, where by definition there are no barriers to the movement of natural persons and goods.

In the second place, in light of geographic spillovers of net benefits and the effects of scale, the advantages of the integration process can become more extensive when progress across the economic space is jointly coordinated. This suggests promoting a synchronized progress of as many countries as possible, in order to maximize the benefits derived from market size. This contention is also empirically supported. There is sufficient evidence and measurements through gravitational models indicating that, when controlled for economy size, the most crucial factor in cross-border trade, investments, and technology flows is distance.¹⁵ This is therefore a compelling argument to consider South America as a space for integration—greater physical proximity is a factor that fosters growth through an enlarged market. And this effect is reinforced when infrastructure drives down transportation costs.

In sum, coordination and cooperation for the development of infrastructure should be focused on two interrelated aspects. One is linked to the specific universe of projects and their implementation, such as the evaluation of costs and benefits leading to the selection of works, the adoption of a regulatory framework for their development and management, and decisions concerning the allocation of resources for their financing. The other aspect involves the tapping of market size and the economies of scale. The next three sections address these issues by analyzing how they have been resolved in the specific case of IIRSA and how they have come to be the backbone of a cooperation agenda that has encouraged the involvement of the countries participating in the initiative.

4.3. COOPERATION: PROJECT IDENTIFICATION AND REGULATORY HARMONIZATION

The purpose of this section is twofold. First, it seeks to illustrate the work carried out by the initiative both in the identification and selection of integration projects and in the harmonization of regulations relevant to their viability. Second, it attempts to identify the factors that have made it possible to advance this intergovernmental dialogue.

Almost half of the projects agreed upon by IIRSA countries are binational integration projects and therefore entail some sort of joint undertaking by the parties

¹⁵ Crafts and Venables (2001: 7–8).

involved. From this point of view, coordination and cooperation are undeniably important. Consequently, what are the dimensions inherent to this process? To a great extent, the decisions of governments are based on the benefits that can be expected from the project. As public and governmental presence is inescapable, what is at stake is not only economic but also political gains from the action concerned, whether for the central government or the local stakeholders more closely linked to the project.

In view of all these factors, an integration project faces complex negotiations in which costs and benefits are seldom equally shared by all the countries and in which the economic and political resources available to each party are also asymmetrical. Moreover, it is necessary to take into account that lead time is directly proportional to its economic scale, technical difficulties, environmental and social impacts, etc. In turn, the longer a project takes, the higher the uncertainty faced by the project, thus decreasing the value of its net benefits. The data concerning its context and its estimated benefits and gains calculated *ex ante* are only provisional; their materialization will depend on whether the projected scenario materializes or not. All these elements are inherent to the development of infrastructure—and all the more so when it comes to integration projects. For example, participating countries may have very well-grounded reasons to apply a different discount rate to the same project. Following this criterion, each participating country will reach a different conclusion when analyzing whether to make the investment.

Similar—though very specific—considerations may be applied to the execution phase of a project, regardless of whether a project is directly financed by the treasury or with investments from public–private partnerships (PPP). In the cases in which both the execution and financing of an integration project are undertaken by the governments, the countries concerned have a concurring interest in getting to know with as much accuracy as possible whether their partners' fiscal programming is compatible with the project completion schedule. Under PPP modalities, the countries involved have to agree on the rules under which private capital will be summoned to participate in the management phase. Whatever the case, intergovernmental coordination is a prerequisite for the execution phase. These difficulties have not been an insurmountable obstacle, even in the absence of initiatives such as IIRSA. For several decades and with no overall integration framework, the region has had numerous experiences in binational projects—some with very ambitious objectives, such as the Yacyretá or Itaipú hydroelectric plants and others with considerably simpler objectives, such as the integration of gas pipelines between Argentina and Chile, a project that did not encounter any problem during its physical development and yet has faced difficulties in terms of supply and contract performance. IIRSA's distinctive feature is, by contrast, that it brings together all the countries in South America and joins them in a process that goes beyond the scope of bilateral interconnection.

What, therefore, is IIRSA's specific contribution that encourages countries to become involved? The initiative affords the possibility of exchanging information about investment programs and assessments conducted by individual countries on the most tangible benefits and costs. Consequently, it provides a mechanism that helps

in the reduction of uncertainties and in the early detection of the type of externalities associated with each project. Although it may seem trite, it is worth pointing out that these dialogues were unprecedented in South America on the scale and scope as those evidenced by IIRSA. Furthermore, the procedure used by IIRSA for communicating and managing the most advanced projects has been standardized in a “management- intensive system:” that connects online the 12 participating countries and is aimed at facilitating the management of the priority projects that make up the *Implementation Agenda based on Consensus*.¹⁶ Naturally enough, IIRSA’s forum, its technical meetings, and the formal and informal communications among its national coordination teams do not meet all the expectations and are therefore far from satisfying the information requirements for the decision-making process. However, IIRSA provides government officials with a forum conducive to dialogue, which is further reinforced through specific actions. Once projects reach more advanced phases or enter the execution phase, relevant bodies and specialized agencies step in.

The issue that follows is how valid the cooperation strategy is. In other words, what is the incentive that each country has in order to share information with the rest of the participants if it does not know for certain whether the other countries will furnish information useful to its own plans? The question is not easy to tackle, but we can try. First, IIRSA is not a “bilateral game” but rather involves 12 players of very different weight. The participation of these players—each one with very different strategies and resources, which, moreover, change with time—precludes non-cooperative attitudes, or, more precisely, the benefits from participating in the project outweigh the associated costs. Second, a factor that contributes to facilitating the coordination mechanism is the presence of the Technical Coordination Committee. Albeit belonging to the countries participating in IIRSA, the institutions that form part of the TCC operate independently from their governments and hence have capacities to build consensus. Finally, a third element that encourages intergovernmental work is that IIRSA’s agenda is not merely restricted to the exchange of information on the subject of projects but extends to the field of regulations, planning, and financial management. This enlarged work menu favors the continuity of the process.

At this point we should pass on to the other key chapter on which IIRSA has focused attention: the harmonization of sectoral regulations. Only in very few areas have regulatory frameworks been consistently applied across the regional sub-blocs currently in place in South America. The Andean Community of Nations (ACN) has made the greatest progress in the fields of transportation and other trade-facilitating mechanisms. The South American Common Market, or MERCOSUR, notwithstanding the considerable trade volume between its members, has made fewer regulatory advances on this front. IIRSA’s aspirations to achieve greater regulatory harmonization in South America have encountered hurdles. In each of the areas,

¹⁶ For a detailed analysis of the Consensus Agenda, see IIRSA (2010a).

there are specialized agencies—generally coordinated with national counterparts—that have regulatory supremacy, in addition to the corresponding interest groups that may feel either favored or harmed. IIRSA’s work has therefore consisted in detecting proposals and formulating suggestions that must then be channeled through the specific relevant bodies. However, for a proposal to be effectively adopted it must be incorporated into the national legislation concerned, an obstacle that has yet to be overcome.¹⁷ A comparison between the efforts and results in the field of project identification and selection, including in some cases execution tasks, on the one hand, and IIRSA’s capacity to create regulations, on the other hand, reveals clear differences. In the area of regulations, which is more intensive in terms of management and institutional agreements (which include their corresponding national statutory provisions and regulations), IIRSA’s process has not been effective so far. It remains an open question whether UNASUR will provide a better structure to develop regulatory frameworks aimed at more efficient infrastructure services at a regional level.

4.4. COOPERATION: INVESTMENT AND FINANCING

Since its inception IIRSA has been aware of the economic and financial difficulties facing the development of infrastructure projects.

Thus, the initiative has pushed three lines of action: the adoption of PPPs for the development of projects, the search for “fiscal margins” to accommodate public investment in the budget, and, finally, the design of financial instruments tailored to IIRSA’s needs.

4.4.1 Private Participation in the Development of Infrastructure

Countries have been adopting a wide variety of approaches to private sector involvement. Thus, Chile and Peru, for instance, having had some experience in PPPs, applied this solution to several projects in the portfolio. Brazil, in turn, passed novel legislation on the subject so as to make it possible to support projects that could not be financed by its budget. Argentina, conversely, after having advanced at an accelerated pace in the privatization and concession of public utilities in the 1990s, leant once again on public financing, laying down the modalities for private sector participation in each case and according to the project involved.

Regardless of the peculiarities of each country, the adoption of these kinds of partnerships has proved useful to all the participants. Both public and private sectors gain better insight into this type of contract scheme. Such knowledge can in turn be applied to integration projects that are more complex because of their cross-border impacts. And, indeed, IIRSA’s efforts in this direction have tended to stimulate

¹⁷ Thus, for instance, one of the topics to which IIRSA has allocated great resources has been the study of problems affecting border crossings and the critical factors influencing their efficiency. However, in spite of the technical efforts made by IIRSA, little progress has been made in the streamlining of border crossings and the consistent adoption of statutory regulations is far from being achieved.

the dissemination of knowledge and exchange of experiences in relation to schemes involving private participation. Specifically, contributions have been aimed at exploring how PPPs can be applied to multinational projects. Several projects currently in execution funded by the IDB and CAF have adopted these mechanisms.

4.4.2 “Fiscal Margin” for Public Investment

Yet the potential for the application of private participation mechanisms in the development of IIRSA’s projects is limited. The public budget plays a prominent role for a number of reasons. On the one hand, the concession of projects requires guarantees or subsidies that constitute actual or contingent public expenditure. On the other hand, there are multiple situations in which the most effective instrument is public investment. Since IIRSA’s inception, several countries participating in it have raised before various international fora their concern that macroeconomic considerations, in this case the level of the public debt, ultimately affect capital formation in infrastructure and hence growth.¹⁸ The most compelling pronouncement was made in 2004, during the Annual Meeting of the IDB’s Board of Governors, at which the Ministers of Finance from 11 countries in Latin America, most of them from South America, signed what is known as the “Letter of Lima.” The document voices concern about the quality of infrastructure in the region and the impact of fiscal stringency on public investment. This statement warns about the risk of creating a vicious circle: excessive controls on fiscal sustainability could lead to perpetrating the weakness resulting from insufficient investments and the ensuing poor economic growth. The text of the letter places a special emphasis on regional integration projects, showing the support for IIRSA.

These claims were particularly targeted at the IMF, given that the level of fiscal imbalance and the sustainability of public debt are variables closely followed in the case of IMF-supported programs.¹⁹ For this reason, it is necessary to find a fiscal “margin or room” to authorize items of capital expenditure in the budget. This political claim did not go unheard and actually had its echo in the IMF. The Fund’s Executive Board thoroughly discussed the issue and commissioned studies to clarify

¹⁸ There are records that the subject was under consideration at IIRSA’s initial meetings. See the Minutes of the Executive Steering Committee (CDE, in Spanish) entered in 2001 in Buenos Aires (www.iirsa.org).

¹⁹ Hemming and Ter-Minassian (2004) explain that the issues raised by several Latin American countries led the IMF to study the problem in more detail, both from the conceptual point of view and through case studies. Tanzi (2004), in a paper prepared for the IDB and also in relation to the case of integration projects, presents a series of arguments warning about the difficulties in allocating public budget to investment projects of complex execution and great scale. Both studies reveal how the debate on fiscal policy, its macroeconomic impacts, and its consequences on long-term growth was very intense in those years and was also linked to the concerns that countries experienced over the development of integration infrastructure. IIRSA was an important topic in the debate.

conceptual aspects and make proposals of economic policies.²⁰ The debate has cast light on several concepts while suggesting some criteria for application: insistence on the appropriate assessment of public projects, identifying fiscal margins to make room for investment; taking into account the effect of the investment on the national net worth (asset building) and not only on spending and debt; the need for keeping an adequate record of any contingent obligation assumed by the public sector when adopting risk-mitigation mechanisms for the private sector, among others.

The improvement of the macroeconomic situation in South America in the past three years has contributed to consigning these issues to oblivion, as if they had taken place in a remote past. However, it seems advisable to keep an appropriate record of the underlying economic problem because this problem has not lost its currency. Lessons drawn from the 1980s and 1990s show, first, that in times of fiscal constraints, adjustments in spending fall more than proportionately on investment and, second, that private investment is insufficient to fill the gap. From 2003 onward, economic recovery in the region has been accompanied by greater fiscal solvency. However, few countries manage their public finances in a countercyclical manner. Therefore, there is a risk that in case of a slowdown, fiscal concerns may resurface. In order not to repeat past episodes, it is necessary to ensure, among other instruments, a careful selection of public projects and, as indicated above, private capital investment in the development of infrastructure.

4.4.3 Innovative Financing Mechanisms

The search for innovative financial mechanisms is long standing and is an incentive for the countries to participate. Context matters in this regard. IIRSA was launched at a time when the region was threatened by financial turbulences, hitting Asian countries in the late 1990s, followed by Brazil (in 1999), and Argentina and Uruguay (from 2001 onward). Against this backdrop, it was difficult to access financial markets on the scale and timelines needed to spur investment in infrastructure, foster growth, and boost domestic demand. The adoption of innovative financing instruments was a formula which different international circles started to advocate. The documents discussed at the International Conference on Financing for Development held in Monterrey in 2002 illustrate the type of concerns. In the political arena and at the Latin American level, the Cusco Declaration, issued by the Rio Group in 2004, also provides an insight into the interpretations entertained in Latin America.²¹

In IIRSA's specific case, the search for "innovation" in financing acquired multiple forms but mainly three directions were pursued. In addition to the two directions already explained above—private sector involvement and fiscal margins for public investment—a third path was followed: the search for a vehicle that allowed

²⁰ IMF (2005).

²¹ United Nations (2002) and ECLAC (2001). Rio Group (2004).

the funding of integration projects by forging partnerships between countries while minimizing the impact on public finances. With the design of this instrument, eminently legal in nature, the initiative sought to surmount a difficulty that cannot be easily overcome when resorting to multilateral banks. These institutions provide financing with sovereign guarantee through their public windows.²² However, the loan facilities available have a fiscal impact even if applied to integration projects.²³ A proposal intended to lift this restriction was the establishment of a South American Infrastructure Authority.²⁴ This would be a multilateral entity, whose capital would be made up of the countries' contribution and whose assets would comprise the concessions (projects) granted by the partners. Therefore, this entity would be entrusted with the development of the projects—from obtaining their financing to the subsequent management of the concession. The appeal of this scheme was that, operating as a “regional mega-concessionaire,” this entity would be in a position to develop projects, attracting funds with a minimum impact on the partners' fiscal accounts.²⁵ The ambitious nature of the project, the uncertainty surrounding access to financing, and the inherent complexities of its institutional and legal design made it difficult to build consensus for the launching of the scheme. Other mechanisms also examined in IIRSA have been the creation of guarantee funds, styled after the Multilateral Investment Guarantee Agency of the World Bank, with capital from the countries. Except for institutional governance, it is not clear, though, whether these instruments would represent an innovation to the ones already offered by multilateral banks.

4.4.4 *Asymmetries*

Even when the previous background reveals several attempts to envisage the effort to develop mechanisms for raising finance and capital, it is striking that IIRSA has not paid explicit attention to regional asymmetries. The South American territory is a huge geographical space of nearly 18 million square kilometers where population and economic activity are unevenly distributed. Infrastructure services should be provided

²² They also have a private window, with no sovereign guarantee, which in the case of IDB, for example, was originally designed in the 1990s to grant loans to the private sector. One of the purposes of this facility was to support the development of infrastructure arising from the concessions and privatizations carried out in the period.

²³ As explained above, the formulae applied in the region have resorted to the formation of “binational agencies.” The requirement of sovereign guarantees, however, entails that multilateral loans be taken out by the agency's member countries and invested in the agency itself. For public accounting purposes, this is a financial investment, covered by multilateral financing, which has an impact on the treasury and increases the fiscal deficit (if its effect on the national net worth is not taken into account).

²⁴ The technical proposal, its economic rationale, and legal framework were analyzed at a meeting held by the Deputy Ministers of Economy and Finance of IIRSA's member countries on October 27, 2004, in Lima, Peru. See Executive Technical Group on Financial Instruments (2004), op. cit.

²⁵ Public spending was thus limited to the capital contribution (*paid in*) and the eventual granting of subsidies or special guarantees to the projects chosen by the country.

in remote areas to improve connectivity. Capital and projects will not flow to those regions by the mere effect of market forces. Geographic trickle down might operate slowly in the absence of specific policy instruments to correct locational imbalances. To the extent that some tools for compensating asymmetries were in place it could be argued that potential beneficiaries would take a higher stake in IIRSA agenda. As is well known, in advanced processes of deep integration such as the European Union, the compensation of asymmetries and physical integration has advanced in tandem.²⁶ MERCOSUR is another relevant case. Fifteen years after its inception, the regional bloc has decided to take a proactive stance to deal with structural asymmetries.²⁷ The answer to the question of why this issue has not taken root in IIRSA is pretty straightforward when considering what has been pointed out at the beginning of this chapter. At a certain stage, precisely when getting to the very core of integration, issues evolve toward a more complex agenda. The deployment of structural funds in the European case, or FOCEM in MERCOSUR, requires an institutional architecture that IIRSA has been lacking along its first decade. It is yet to be seen how these particular issues will be addressed by UNASUR.

4.5. PENDING CHALLENGES

To close, we need to discuss the major challenges that lie ahead. As argued above, IIRSA succeeded in launching an agenda for physical integration at a regional level. South American governments worked intensively during the last 10 years. The task helped to develop a portfolio of projects, to highlight the need for improving connectivity in the region and also the sheer backwardness and isolation of extensive areas of the hinterland.²⁸ No other systematic effort had been developed previously at the South American level. IIRSA managed to operate in a relatively weak institutional environment for an entire decade. UNASUR provides an entirely different scenario: starting in 2010, the issues concerning regional connectivity are inserted within a mechanism that has a truly regional mandate for fostering the many different dimensions of South American integration. The first issue is then whether UNASUR and its wider and overarching scope will provide the necessary leadership to the process.

Even when UNASUR furnishes a richer institutional environment, the process will remain focused at the intergovernmental level. Therefore the continuity of cooperation depends on the capacity to establish an agenda that offers net benefits vis-à-vis non-participation. Thus, for instance, the absence of results, thematic irrelevance, the

²⁶ The EU has allocated € 347 billion to its Cohesion Policy for the 2007–2010 period, of which €282.8 billion are assigned to the objective of convergence of less-developed countries and regions.

²⁷ IDB-INTAL (2011).

²⁸ For a summary of IIRSA's portfolio and projects see IIRSA (2010b). For a broader coverage of the initiative's 10-year work program see IIRSA (2011).

incapacity to build consensus could lead to failure. Moreover, it would be very attractive to envisage tools for facilitating investments and new integration projects. As we have seen, physical integration is plagued with peculiar obstacles: spillover effects and net returns may be different for countries involved, national priorities are not the same, and also the issue of structural asymmetries has yet to be dealt with. An integration initiative has to devote resources and reach agreements upon rules in order to provide facilities to those members requiring preferential treatment. Moreover, governments will remain keen insofar as interest groups perceive results. On the other hand, it would be reasonable to expect that as physical integration advances and materializes into results, the process will encounter difficulties and opposition. Success will be determined by the capacity to surmount such obstacles. Whereas IIRSA has been intense on dialogue, understanding, and planning during its first 10 years of existence, the next stage will need to deliver results. Once in operation, infrastructure services are quite visible. Beneficiaries and the public in general can easily see those benefits. However, as argued in this chapter, integration projects and connectivity imply the need to overcome difficulties and risks associated with those investments. It is a long-term effort that is quite demanding in terms of the public policy agenda. Returns are usually beyond any single government period.

Finally, there seems to be a fundamental key issue. IIRSA was launched as part of a broader strategy: the idea that South America represents a region capable of forging ties of deeper integration as a development tool. That entails the notion that there are clear advantages for improving connectivity at the regional level. And in doing so, South America will be able to benefit their citizens and face global challenges too. These founding notions had an intrinsic value at the turn of this century. Nowadays, the potential results of a more integrated region look even more appealing when looking at the travails of the global economy

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CHAPTER 5

DEFENCE IN A POST-HEGEMONIC REGIONAL AGENDA:
THE CASE OF THE SOUTH AMERICAN DEFENCE COUNCIL

5.1. INTRODUCTION

The end of the Cold War has favoured the spread of a large number of regional institutions working to build and manage frameworks that foster cooperation in both defence and security.¹ Across the Atlantic, the *Organization for Security and Cooperation in Europe* (OSCE) underwent a process of mission expansion after the Paris Summit in November 1990. In Asia, the establishment of the *Collective Security Treaty Organization* (CSTO) between the states of the former Soviet Union, and the *ASEAN Regional Forum* (ARF) in 1994 incorporated 25 states, including the regional powers of China, Russia and Japan. The main goal of ARF is to promote a constructive dialogue concerning political and security issues of common interest. Africa's two main regional institutions, the *African Union* (AU) and the *Southern African Development Community* (SADC), have both assumed a leading regional role in defense and security, including, among others, the management of peacekeeping operations within the region. In Latin America, the *Southern Common Market* (MERCOSUR) has expanded its range of functions by, in 1988, including a regional commitment to the maintenance of democracy and peace. In the Caribbean, the *Caribbean Community* (CARICOM) established the *Regional Task Force on Security and Organized Crime* in 2001 to deal with drug trafficking, weapons and money laundering. This list of regional institutions was recently expanded with the establishment of the *Union of South American Nations* in 2004 (UNASUR) and the creation of one of their premier Councils, the *South American Defense Council* (SADC).²

On a March 2008 visit to Washington, Brazilian Defence Minister Nelson Jobim announced the intention to create the South American Defence Council (SADC), a body 'based on the principles of non-intervention, sovereignty and territoriality'. Jobim then travelled the region to obtain support for the SADC initiative. The Brazilian proposal was prompted by the conflict between Colombia, Ecuador and Venezuela when Colombia attacked an FARC (Revolutionary Armed Forces of

I thank Pia Riggiozzi and Diana Tussie for many insightful comments on earlier drafts.

¹ Söderbaum and Shaw (2003).

² Composed by Argentina, Bolivia, Brasil, Chile, Colombia, Ecuador, Guayana, Paraguay, Perú, Surinam, Uruguay and Venezuela.

Colombia) camp in Ecuadorian territory (Saint-Pierre and Castro 2008).³ Brazil, Argentina and Chile headed the project and made it clear that they did not intend to form a NATO-like alliance, but a cooperative defence arrangement to enhance multilateral military cooperation, promote confidence and security building measures and foster defence industry exchange. The decision to launch the SADC was formally adopted in Brazil during a Union of South American Nations (UNASUR) Special Summit in December 2008.⁴ The SADC, the first regional institution in the South American history specialized in defence matters, is composed of the Minister of Defence (or its equivalent) of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay and Venezuela. The Declaration of Santiago de Chile, in March 2009, states that the Council is a forum for consultation, cooperation and coordination on defence. The SADC has established three main objectives that reflect the consensus of its members regarding the challenges that face the region: (a) Consolidating South America as a zone of peace; (b) Creating a South American defence identity; and (c) Generating consensus in order to strengthen regional defence cooperation.⁵

The establishment of the SADC reveals the interest of South American governments in developing a regional defence agenda. In this sense, the creation of SADC reflects the limitations of the Inter-American defence system, which includes two institutions: the Inter-American Defence Board (IADB), which depends on the Organization of American States (OAS), and the Inter-American Treaty of Reciprocal Assistance (IATRA).⁶ These institutions have been perceived as functional to the US national interest, rather than to the needs of a South American defence vision.

This chapter argues that the establishment of the SADC is a regional response to a new defence context characterized by an increased global asymmetry in the distribution of military power and militarization of the US security agenda towards

³ On 1 March 2008, Super Tucano aircraft of the Colombian air force launched attacks on Ecuadorian territory, which killed 27 people, including Raul Reyes, the second-in-command of the FARC.

⁴ As of November 2010, several councils and working groups have been created in the UNASUR framework: (1) South American Council on the World Drug Problem; (2) South American Council for Infrastructure and Planning; (3) South American Council of Social Development; (4) South American Energy Council; (5) South American Council of Health; (6) Board of Education, Culture, Science, Technology and Innovation; (7) Working Group on Financial Integration; (8) Working Group on Disputes Settlement.

⁵ See South American Defence Council, *Goals*, available at <http://www.cdsunasur.org/es/consejo-de-defensa-suramericano/objetivos>.

⁶ The Inter-American Defense Board provides technical advice and services to the OAS. It is composed of nationally appointed defence officials who develop collaborative approaches on common defence and security issues facing countries in North, Central and South America. The IADB was created in 1942. The Inter-American Treaty of Reciprocal Assistance (commonly known in Spanish as TIAR from *Tratado Interamericano de Asistencia Recíproca*) was an agreement signed in 1947 in Rio de Janeiro among many countries of the Americas. The central principle contained in its articles is that an attack against one state in the region would be considered an attack against them all; this was known as the 'hemispheric defence' doctrine.

the region, but at the same time as a consequence of a revival of long political and intellectual regional traditions that has never abandoned the goal of Latin American integration. The new defence scenario, it is argued, has been shaped by material and identity changes. Material changes are related to the militarization of the security policy of the United States towards the region, the revival of territorial and ideological disputes and the emergence of Brazil as a regional power. Ideational changes are linked to the development of a regional consensus regarding how to deal with defence challenges. The recent convergence of those two dimensions is essential to explain the emergence of regionalism in defence in South America. This chapter thus combines both material and ideational dimensions to explain the creation of the SADC.

The structure of the chapter follows from this argument. The next section provides an overview of the factors governing the creation of SADC. It does so by analysing material and ideational factors that frame the definition of defence (and what defence is for in a new regional context), as well as the tensions between the militarization of the US security agenda towards South America and the emergence of new regional practices enforcing regional autonomy and power in the Southern Cone. The second section examines motivations and mechanisms that support the construction of a new defence community. Here the role of Brazil advancing defence as a sense of zones of peace is particularly relevant. The third section concentrates on the defensive and non-defensive functions advanced by the SADC in the governing of South American defence. This section places most of its attention on the strategies of identity formation which are held in SADC's framework. Finally, the conclusions related to what the SADC represents in terms of the transit towards a new form of regionalism and the limits to such endeavour are presented.

5.2. FACTORS GOVERNING THE EMERGENCE OF A NEW SOUTH AMERICAN DEFENCE COMMUNITY

5.2.1 *Material and Ideational Roots*

The establishment of regional organizations has been explained in material and ideational terms. Neorealist accounts hold that such institutions are built as a response to regional or global changes in the balance of power or as a reaction against military threats. According to this view, regional formation processes are led by the strongest state in the region with a goal of achieving a more favourable balance of power. Regional institutions are, thus, not autonomous from the interest of the state (Baldwin 1993). Neoliberal scholars suggest that regional organizations are established to reduce the growing transaction costs in interstate relations through mutually profitable exchanges. In short, while in neorealist accounts institutions maximize the state interest, liberals argue that institutions respond to the need to allow for the achievement of joint interests (Keohane 1984).

By contrast, ideational accounts stress the logic of identity formation that underlies processes of region building. In this connection, regions arise from the redefinition of

norms and identities by governments and civil society groups which are shaped by the collective perception of identities and meanings. Actor's identities are the result of a shared inter-subjectivity that emerges from reciprocal interaction, which presupposes that identities are dynamic. In this context, the history and process of interaction is a key factor not only for explaining identity formation but also for distinguishing the nature of the system, for instance, if it is more or less cooperative (Kolodjied 2005). Implied here, ideational approaches bring to light the instrumental uses of regionalism to promote specific political and economic ends. In the case of the governing of regional security in South America, this has been the result of a combination of material and ideational factors. The creation of the SADC reveals that although material factors are important in explaining regional responses to security dilemmas, these alone do not bring about regional institutions of defence. To account for the process leading to such institutions it is also necessary to consider the construction of collective identity, particularly since the early 2000s the understanding of new political community in South America that in many ways emerged at odds with traditional paradigms and US regional leadership.

Changes in the defence scenario in South America in the last two decades have been driven by material changes related to the militarization of the security policy of the United States towards the region, the revival of territorial and ideological disputes and the emergence of Brazil as a regional power. These material factors are yet one part of the picture. Ideational changes are also important and have been linked to the redefinition of new regional consensus regarding how to deal with autonomous management of two highly politically sensitive areas of policy: development and defence. The recent convergence of those two dimensions is essential to explain the emergence of regionalism in defence in South America.

Although material and ideational factors are necessary conditions for the formation of regionalism, the ideational dimension in particular has been especially relevant and novel since it is the first time in South American that countries conceive defence issues in regional terms, to protect and advance new solidarities and collective management of regional problems, at odds with US intervention and doctrines. This dimension is an innovative trend in South American history whereas material incentives have been common since the past century. In fact, the US militaristic approach, the proliferation of interstate conflicts and the ascent of regional powers, for instance Argentina at the beginning of the twentieth century, were not unusual events in the South American past (Kacowicz 1998, 2005). However, it is the first time that a regional defence institution is created under the auspicious of South American countries that are reclaiming the regional space. This highlights the importance of the ideational dimension in explaining SADC's creation, since the presence of similar material factors in the past did not favour regional institutional building. In many ways, current transformations in the political economy of the region, together with a redefinition of national priorities on the part of the United States, lent a new margin of manoeuvre for South American nations to rethink what defence is for.

Essentially, the establishment of the SADC can be traced as the result of a process where South American nations shared new understandings of defence based on a genuine regional approach. This interpretation reflects the presence of a new political context in which actors are seeing themselves as carriers of new ideas, perceptions and positions within the Inter-American framework. At the same time, these actors are conceiving the region in terms of autonomy and new identity formation.⁷ In brief, South America has begun to think of defence issues in a regional perspective.

South America has been experiencing since the past two decades the gradual formation of a new identity in defence matters. Regional leaders have come to share the view that challenges in this area have to be handled collectively. This emergent identity includes, for instance, a shared understanding of what a defence issue constitutes, which is a crucial factor when establishing SADC's sphere of action. In this way, SADC's agenda has been restricted to certain tasks: use of the military in external missions, especially those concerning defence cooperation among countries, participation in peacekeeping operations or strengthening of defence industry. This consensus excluded from SADC's framework internal security missions, such as the struggle against organized crime or drug trafficking. In other words, the creation of the SADC itself reflects a shared understanding between South American countries about what constitutes a defence issue, an understanding even shared by those countries, such as Colombia or Brazil, where the military is domestically used.

In this way, the SADC is also a driver of identity formation since it contemplates the implementation of several policies which aim to strengthen the existent regional practices in defence matters. The SADC embodies a new model of regional governance underpinned in alternative understandings about the goals of and tools for regional defence as well as the political economic challenges faced by South America since the early 2000s.

SADC's objectives are not only designed to manage the regional instability that emerge from latent and potential interstate conflicts, but also to promote the consolidation and further development of a shared regional understanding about defence in terms of new cooperation and community practices to reduce uncertainties and enhance a peaceful environment to develop further integration, particularly in areas of political economic significance such as energy and infrastructure. In this way, SADC's goals seem to play two defensive and non-defensive functions.

Defensive functions are designed mainly to control or limit external intervention. Traditionally, the region has been subject to security dilemmas resolved by US indirect influence or direct power via installation of military bases or troops, diffusion of foreign military doctrines or direct military intervention. New practices, now institutionalized in the SADC, seem to respond to the legacy of these interventions setting new normatives, organizations and political coordination that not only reject the

⁷ See [Chapter 2](#).

intervention of external agents but potentially create a new governance of security, what Acharya (2007) called regional order, for South America.

Likewise, non-defensive functions are designed to prevent future interstate crisis caused by external intervention or regional disputes. These functions are preventive in an additional sense: they foster the socialization of members in new ideas and practices that allow for certainty and promote transparency in regional interstate relations. Socialization and uncertainty reduction are non-defensive functions contemplated in the SADC framework.

From this perspective, the SADC can be defined as a hybrid combination of *realpolitik* responses and redefinition of what defence is for in a region that is rewriting the rules of engagement and practices beyond trade and beyond hegemonic competition. In this context, we can define defence governance in South America as an alternative system of rules conceived by state and non-state actors aiming at coordinating, managing and regulating their collective interests in response to threats that are not simply militarily defined. Securing the region brings new understandings of physical and ontological security (Adler and Greve 2009: 64).

5.2.2 *A New Defence Context and the Autonomy of SADC*

The emergence of SADC, as the result of a new defence scenario in South America, may be a useful point of departure to discuss the importance of a regional level of analysis and the extent to which it can remain autonomous from systemic forces—particularly, an intervention of the United States. As argued, defence regionalism in South America has been promoted by a new defence context which material and ideational manifestations can be traced back to the growing military presence of the United States in the region, the new wave of territorial disputes, the rise of Brazil as a regional power and the emergence of a new and shared understanding of defence issues. While the first two conditions have fostered instability and recurrent interstate tensions, the last two have favoured a regional response through the formation of UNASUR and the SADC. Given its disproportionate power vis-à-vis South American countries, the growing military presence of the United States in the area since September 11 deserves attention. This point is especially relevant to account for the level of autonomy of the SADC.

Studies on US security policy towards Latin America agree in that this region does not stand as a strategic priority to US interests (Vilas 2005). However, this assertion neglects one central recent development: September 11 changed international security priorities of the United States as the process of macrosecuritization transformed the world into a single battlefield for the so-called long war against terrorism.⁸

⁸ Barry Buzan defines macrosecuritization as ‘a securitization aimed at, and up to a point succeeding, in framing security issues, agendas and relationships on a system-wide basis. Macro-securitizations are based on universalistic constructions of threats and/or referent objects. A macro-securitization can be about a shared fate, where the referent object is staged in universalistic terms (e.g. the planetary

Certainly, South America has not avoided macrosecuritization as the United States drastically increased its military presence and intervention in the region. Since September 11 the US military relation with South America has evolved rapidly, the 'war on terror' and the 'war on drugs' has replaced the Cold War as the guiding mission for Washington's assistance programmes in the region. The Southern Command of the United States (Southcom) has acquired a growing presence in the region. Southcom has more people working on Latin America than most key civilian federal agencies combined, including the Departments of State, Agriculture, Commerce and Treasury (Isacson et al. 2006). Moreover, Southcom personnel have claimed that 'radical populism' and gangs are problems that should be targeted militarily, and thus should not be treated as social problems. Moreover, the policy promoted by the Pentagon sustains that US national security was increasingly threatened by those governments in the region that failed to exercise control over vast 'ungoverned spaces' within their borders (Guy Emerson 2010).

The military orientation of Plan Colombia after 2002 and its effects on Brazilian and Venezuelan borders began to worry both countries.⁹ In this way, Colombia was perceived by Brazil as a platform for US surveillance over the Amazon and Venezuela (Marques 2004). This situation worsened after the Colombian military incursion into Ecuadorian territory in March 2008, which almost caused a war between Colombia, Ecuador and Venezuela. The attack was perceived by most South American countries as the arrival of the preventive strike doctrine to the region (Guy Emerson 2010).

The subsequent policies implemented by the United States did not help to diminish the regional concern. The reactivation of the Fourth Fleet (May 2008),¹⁰ which had been deactivated after the Second World War and remained under that status even during the Cold War, and the attempt to deploy US troops and sophisticated surveillance systems in Colombian bases (March 2009) increased regional tensions

environment, human civilization), or about a widespread sharing of the same threat even though the specific referent objects are mainly at state and societal level (e.g. terrorism, disease)' (Buzan 2006).

⁹ In 2000 the Government of Colombia launched 'Plan Colombia' which was developed by former president Andrés Pastrana (1998–2002) as a six-year plan to end Colombia's long armed conflict, eliminate drug trafficking and promote economic and social development. The original plan called for a budget of US\$7.5 billion, with 51% dedicated to institutional and social development, 32% for fighting the drug trade and 16% for economic and social revitalization. However, over 80% of that amount has gone to the Colombian military and security forces since 2000. See Isacson (2010).

¹⁰ The United States Fourth Fleet is a major command of the United States Navy in the South Atlantic, operating as a component of the joint US Southern Command and US Fleet Forces Command. Fourth Fleet is based at Mayport Naval Station in Jacksonville, Florida and is responsible for U.S. Navy ships, aircraft and submarines operating in the Caribbean, and Atlantic and Pacific Oceans around Central and South America. The US Navy also has operational fleets in the Pacific, the Gulf and off the coast of Asia. The US Department of Defense says the measure is aimed at building confidence and trust in the region by focusing on common threats.

and distrust over a US militarized intervention to levels that the region had not experienced since the Second World War (Battaglini 2009). This increasing US military presence and the arrival of one of the most dangerous features of the 'War on Terror' to the region (preventive strikes) prompted the emergence of the SADC. Its establishment, however, would not have been possible without the existence of an emergent identity in defence matters, which recognizes that the maintenance of the national defence in this new scenario demands more interstate cooperation, that is, a regional approach.

It has been for long argued that great powers can easily intervene or use regions as platforms to project their power because regions are in many ways permeable to power politics (Katzenstein 2005). One of the main sources of regional porosity is the presence of weak states that favour the intrusion of the hegemon. In this sense, hegemonic powers have the capacity to overwhelm regional organizations. For instance, Katzenstein (2005) maintains that if Latin America or Africa are enjoying freedom from intervention, this must be the result of *hegemonic disinterest*, not real autonomy. If so, the creation of the SADC would only be possible as the result of the retrenchment of the United States from South America: the involvement of United States in Afghanistan and Iraq enables the region to challenge its subordination to hemispheric organizations such as the OAS. However, this argument could be contested by the fact that rather than abandoning the region, the United States has renewed its presence through a military deployment that South America had not experienced since the Second World War. This militarization of the region is, according to some, an expansion of the 'War on Terror' in South America (Guy Emerson 2010).

Understood like this, the rapid transformations experienced in South American political economy would only allow for ad hoc policy responses rather than the institutionalization of cooperation that is not simply reactive or defensive but also non-defensive involving peace and trust building amongst South American nations. The formation of a regional institution of defence in fact, has deliberately excluded the participation of the United States, revealing the existence of an important level of regional autonomy vis-à-vis the world hegemonic power. This argument in many ways exceeds the work of Buzan and Weaver (2003) and feeds into new arguments about regional autonomy since the end of the Cold War. Likewise, it contributes to rethink regional orders in relation to US primacy, neoliberal globalization (Hettne et al. 1999) and post-hegemonic orders (Acharya 2009).

5.3. MOTIVATIONS AND MECHANISMS IN THE CONSTRUCTION OF A NEW DEFENCE COMMUNITY

South America is experiencing a redefinition of its identity as a region and as an actor. Since the early 2000s political motivations, identity politics and leadership are transiting a change that is linked to the displacement of established rules and consensus for new ones that are regionally conceived as opposed to globally advanced ones (see

Chapters 1 and 10). Defence has been a pillar of this transformation. New practices are redefining what trans-border cooperation, including state and non-state actors, is and is for. During the last two decades military and civilians have engaged in practices based on new ideas about how to deal with defence challenges. New ideas and shared understandings support a multilateral perspective in the search for new ways to think about defence. Although national thinking has not disappeared, it began to coexist with a more regional approach to defence issues. This approach is the substance of the new SADC.

It would be wrong to assume that the institutionalization of new defence mechanisms under the SADC emerged from new political and economic transformations in the regions since the early years of the new decade. There is a legacy in civil and military practices that traces back to the redemocratization period since the mid-1980s. For instance, South America has experienced a growing process of interaction between civilian and military elites in the realm of defence since the beginning of the 1990s. This process started with the ‘Santiago Commitment’ signed in 1991 in the framework of the OAS. This commitment reflected a regional will to advance in the elimination of conflict hypotheses, improve military cooperation, support democratic stability, foster civilian control over the military and promote transparency of defence policies. Since 1991, the numbers of multilateral and bilateral initiatives have persistently increased. There have been nine Conferences of Ministers of Defence of the Americas since 1995. Confidence building measures (CBMs), such as the joint manoeuvres or the officers’ exchanges, have increased considerably since 1994, especially amongst Southern Cone countries. Argentina and Brazil have established a mechanism for bilateral cooperation regarding defence policies called the Argentine-Brazilian Mechanism for Coordination of Security and Defence (MCSD). The MCSD is a forum for policy coordination on defence matters. These mechanisms gained new momentum; new debates emerged around the role of the United States and international security, and the role of solidarity and cooperation in the search for autonomous development in South America (Flemes 2005). Brazil has been an active actor in the promotion of these debates and in the establishment of MCSDs with every South American country.

The Argentinean-Chilean relation has also experienced significant progress in terms of defence. Between 2002 and 2008, 45 joint military exercises were carried out. In 2001, both states developed a common methodology to measure defence expenditures with the support of the Economic Commission for Latin America (ECLA). This initiative has no precedence worldwide and managed to achieve great impact at the regional level.¹¹ With regard to the bilateral level, a mechanism of annual conferences between the Ministers of Defence and Foreign Affairs of Chile

¹¹ The South American Defence Council used this methodology as a model for developing a common methodology for measuring UNASUR defence spending.

and Argentina has been established. It is also relevant to take into account the experience of the Standing Committee on Security. This committee was founded in 1996, formed by senior officials from the Ministries of Defence and Foreign Affairs who have held two meetings per year since it was first launched. Furthermore, the inter-consultation meeting between the Joint Chiefs of Argentina and the General Staff of National Defence of Chile has been held annually since 1997. In addition, both armies have developed bilateral conferences on a biennial basis between their staff in order to coordinate specific joint activities. With the same purpose, the military has been developing annual staff meetings, which take place alternately in each country. The natural consequence of this thick military relation was the creation of a binational force: the 'Cruz del Sur', whose main task has been United Nations peacekeeping missions.

The Andean region has also experienced a process of interaction, although less intensive than the one of the Southern Cone. Interaction among Andean countries has not only taken place in hemispheric and regional forums, such as the OAS, but also at the subregional level. This latter interaction can be illustrated by the signing of the Andean Chart for Peace and Security and the Guidelines for an Andean Common Security Policy. In addition, in the Conferences of Foreign Affairs and Defence Ministers' framework, there has been a regular interaction. Moreover, the armed forces of the Andean region have developed bilateral conferences that have included the Army, the Navy and the Air Force.

The increasing number of CBMs and the addition of White Papers on National Defence are clear examples of the transformation of previous understandings regarding the importance of secrecy about national military power. The publication of military data before 1995 was considered a matter of national security and therefore subject to the strictest secret in every country in the region. However, the intense process of interaction and socialization contributes to shape a new shared understanding of the value of publishing White Books, which has come to be seen as a mechanism of transparency and as a method to reduce uncertainty about neighbouring countries' intentions. Thus, the first White Book was published in 1997 by Chile, and was followed by most of the countries in the subsequent years.

This intense process of interaction contributes to the consolidation of a new community of practice that is circumscribed to South America in its understanding of a new relation between autonomy and cooperation. This is a pragmatic response to post-hegemonic politics as it not only contests the role of the United States in the region but also reproduces a new dialogue in search for understanding about what defence is for. This interaction helps to create a regional network of politicians, members of the armed forces and academics that developed a new understanding concerning the importance of common solutions to defence matters. Largely, the most important shared understanding that emerged from this process of interaction is that national defence cannot any longer be maintained only through unilateral policies: instead, coordination with other countries in the region has been perceived as increasingly important in a complex and changing regional scenario.

5.3.1 *Securing Zones of Peace: Realpolitik Meets Community of Practice*

The militarization of the US agenda and the intensification of interstate tensions have incited a response from Brazil, the regional power. Brazilian diplomats and academics alike have long regarded regional leadership as a springboard to global recognition and influence. Brazil's elites consider this subregion to be within its natural sphere of influence.¹² In this way, South American instability is perceived by Brazilian elites as an obstacle to international aspirations. For this reason, Brazil has constantly criticized US intervention, especially through Plan Colombia. Moreover, the reactivation of the 4th Fleet provoked a strong response: President Lula speculating that American naval forces constituted a threat to Brazil's offshore oil reserves. Similarly, Lula sharply criticized the US-Colombia basing deal signed in 2009, which allowed the deployment of US troops and sophisticated surveillance systems in Colombian bases. Brazil was concerned that Colombian bases would be used as a platform to increase US military control over the region. Brazilian elite believe that the Amazonia and the newly discovered oil reserves could be sought by foreign powers. In fact, the Defence Strategy, published in 2008, stated that the defence of Amazons from a great power invasion is a possible scenario.¹³ It holds that the military should be prepared 'for an asymmetrical warfare, especially in the Amazon region, to be held against an enemy of superior military power' (Government of Brazil 2008).

The plan of the establishment of the SADC was announced by Lula in March 2008 (Saint-Pierre and Castro 2008), a few days after the Colombian-Ecuadorian crisis. The regional behaviour of Brazil is in line with the regionalist literature which sustains that change in both international and regional contexts function as the basic incentives for the foundation of regionalism in defence and security matters. Institutional development in those areas begins when regional powers perceive that unilateral policies are ineffective at protecting national interests in an environment where the distribution of world power brings growing asymmetries (Keohane 1984; Barnett and Finnemore 1999; Finnemore and Sikkink 1998).

Brazilian elites perceive that both the arrival of the 'War on Terror' to the region and interstate conflict have the potential power of affecting its regional leadership, that is, its platform for international projection. For the first time, South America has become crucial for Brazil's international aspirations. For this reason, regionalism in defence and its institutional manifestation, the SADC, is conceived as a tool to maintain South America as a zone of peace, which is an essential platform for Brazilian international projection as much as a way of securing a cooperative environment in support of politically sensitive arrangements in other areas such as energy, infrastructure and the management of natural resources.

¹² See Chapter 9.

¹³ In fact, 82.6% of the Brazilian military and 72.7% of the civilian believe that the Amazonas could be militarily occupied by a foreign power (Bitencourt and Costa Vaz 2009).

5.4. INSTITUTIONALIZING NEW DEFENSIVE AND NON-DEFENSIVE FUNCTIONS: THE ROLE OF SADC

5.4.1 Defensive Functions: Political Coordination, Normative Dissent and Self-Organization of Defence

The above analysis provided an overview of the factors, context and motivations that allowed for the restructuring of new mechanisms and practices governing defence in South America since the last decade. This section now concentrates on the actual nature of the SADC as the main institution governing defence in the region. Three main functions are identified as defence in character: (i) new forms of political coordination, (ii) alternative normative definitions; and (iii) organizations.

Political coordination: SADC's first goal is the consolidation of peace in South America. Although the mere existence of UNASUR and the SADC do not prevent the break out of interstate crisis, it can contribute to the development and institutionalization of dynamics that facilitate their prevention and management through the political coordination among South American countries. Political coordination includes rapid summons to presidential meetings for confronting regional crises and a fast-track agreement approval mechanism between states. Political coordination in the framework of SADC could be interpreted as a new manifestation of the South American tradition to resolve disputes peacefully, which has been essential in maintaining peace in the region (Kacowicz 1998, 2005). Political coordination is a crucial function for region formation, since it could not only help to limit external intervention, but also to manage regional turmoil, which can be a pull factor for foreign powers.

In this way, the practice of political coordination developed within the framework of both UNASUR and the SADC have been fundamental in the resolution of various regional crises during the past five years. UNASUR and the SADC are institutional settings for regional negotiation with members who can be quickly summoned and also have the flexibility to deal with a wide range of defence-related issues. These features have become more apparent since the attempt to deploy US troops in Colombian bases in March 2009. Neighbouring nations were concerned that Colombian bases would be used as a platform to increase US military control over the region. Venezuela sustained that a plan could be designed to provide a cover for a later invasion of Venezuela by US forces in order to obtain oil. Venezuela also threatened to nationalize Colombian companies and seal the border. The rest of the countries made clear their vehement opposition to the decision of Colombia to expand cooperation with the United States.

As a reaction to that future deployment, South American presidents, defence and foreign relations ministers quickly cancelled prior commitments and within a few days organized two consecutive meetings. The first in Argentina included all the UNASUR presidents, while the second in Ecuador called the defence and foreign affairs ministers of the SADC. The final document of the meeting includes a rejection of foreign military threats to the sovereignty of the member nations. This dynamic

contributed not only to the de-escalation of the crisis, but also to the establishment of a system of defence consultation, discussion and negotiation that could become a precedent in dealing with crises to come.

UNASUR and SADC intervention was critical for the release of the secret agreement that Colombia had signed with its northern partner affording the latter use of its bases. The disclosure of the agreement considerably reduced the level of regional tension since it revealed that the US troops would not be operating outside of Colombia.

Normative dissent: South American nations are undergoing a process of redefinition of regional consensus contesting, and in cases rejecting, the wisdom of neoliberal politics in the region. The idea of autonomy is building in this context and is affecting the ways states and non-state actors redefine cooperation and solidarity in the management of important political and economic resources. Contesting external views and doctrines is part of a reformulation of what the region is and is for. This process of normative dissent is placing limits to doctrines, interests and views that are rooted extra-regionally. Foreign normative intervention is perceived by the region as a threat to peace in two different ways: (i) by fostering the regional adoption of military doctrines that favour military conflict (ii) by encouraging the participation of the military in domestic missions such as the fight against organized crime or drug trafficking.

South America has experienced many instances of normative dissent with the United States. The United States has attempted on several occasions to foster the incorporation of the armed forces in the fight against terrorism or organized crime. During the Sixth Conference of Ministers of Defence (2004), held in Quito (Ecuador), the United States insisted on the proposal. However, the meeting culminated with the rejection, by most of the participant countries, of the proposition that the armed forces be turned into a security agency with police functions. Regarding the adoption of the war on terror approach in South America, most countries, except Colombia, neither recognized the presence of terrorist groups in the region, nor accepted the denomination of some guerrillas as terrorist groups. At the Conference on Hemispheric Security in Mexico (2003), for example, several South American countries refused to include terrorism as a threat to national defence (Chillier and Freeman 2005). South American countries maintain that violent conflict in South America should be interpreted as a problem rooted in social issues. As a conflict stemming from development gaps and social and political inequality, their resolution cannot be found in the military sphere (Duarte Villa and Trindade Viana 2010).

The creation of SADC is itself a manifestation of normative dissent, since it was launched a few days after the Colombian attack to an FARC camp in Ecuador in March 2008. This attack was interpreted by the region as the arrival of the preventive attack doctrine to South America and, as such, most countries strongly rejected it since it broke two crucial regional norms: sovereignty and non-intervention. The regional condemnation of the attack has had an important political effect as it has signalled to Colombia that a similar action in the future would severely affect its relations with the rest of the South American countries. In fact, this course of action, a

preventive attack, was dismissed by Colombia when President Uribe denounced in July 2010 the presence of at least 30 FARC camps and 1500 guerrillas on Venezuelan territory, near the Colombian border.

Self-organization of defence: If the function of normative dissent is designed to limit external normative influences, the self-organization of defence is an attempt to restrict extra-regional material influences by developing endogenous capacities such as new weapons and technology. Thus, the main goal of this function is to reduce the distance between South America and the great powers in the realm of defence technology.

The global arms trade sheds light on the current distribution of global power. The United States imports less than 1% of their military equipment, while its military research budget is four times larger than all of the European Union countries combined. Thus the rising costs of research and development, which in some cases reach up to 70% of the total, provide a strong incentive for regional cooperation (Neuman 2006).

South America currently faces a high level of both external and internal constraints to the acquisition of such weapons in the new millennium. External restrictions are decisions of great powers regarding the commercialization of advanced weaponry. For instance, a state may decide not to export advanced weaponry to avoid regional imbalances of power, to sanction a specific nation or to prevent the diffusion of advanced technology. Restrictions may also be internal, when the high cost of equipment makes it difficult to afford them or when countries cannot produce such weaponry because they lack the necessary technology. The lowest level of external and internal restrictions occur when the full range of weapons are available for exportation and when states have the resources to both acquire them and fabricate them domestically.

The growing technological gap between advanced countries and the South American nations is perceived by the region as a factor that reduces state autonomy in two different ways. First, South American countries are highly dependent on arms imports, since they produce few weapons systems domestically. Second, the high level of external and internal restrictions severely constrain the incorporation of sophisticated weapons, therefore, it increases considerably and exponentially the technological gap, which is perceived, in the long term, as an incentive for a direct foreign military intervention.

In this way, Brazil's National Defence Strategy gives central importance to the development of a national defence industry and proposes strengthening its space, cyber and nuclear industries. It also recognizes that the SADC action is essential to increasing the scale of the regional arms market in order to incentivize the necessary investment which would allow for greater strategic autonomy (Government of Brazil 2008). The Brazilian Defence Minister Nelson Jobim has said that the technological modernization of South American armed forces needs an endogenous and autonomous arms industry. This would require the joint development of regional capabilities that favour technological modernization (Jobim 2008).

In this sense, the third goal of the SADC is designed to foster the development of material capacities, such as new weapons and technology. The new SADC Action Plan encourages the development of a survey of the regional arms industry and the identification of common areas of potential strategic partnership in research, technology transfer and cooperation. This is intended to fulfil one main objective: the reduction of the military gap between South America and the great powers. In this view, the increase of the regional military power will raise the cost of an extra-regional military intervention.

5.4.2 *Non-defensive Functions: Socialization and Uncertainty Reduction*

Socialization: Socialization is understood here as a process that fosters the progressive transformation of views about the other, contributes to the construction of new shared understandings through regular interactions between civilians and the military from all over the region (see Barnett and Finnemore 1999). Through socialization actors transform their social and political perceptions by creating a new regional language on defence issues and by identifying those elements that are crucial for building a shared defence vision, that is, a new identity in defence. The impact of practices of socialization has been studied in relation to the NATO enlargement. In this connection, NATO relied extensively on mechanisms of socialization to project a set of liberal-democratic norms of security into the former Eastern bloc. NATO conducted a socialization process that targeted not simply the behaviour of Central/East European societies, but also their definitions of national identity and interests. This shared ideational framework, established via socialization, also empowered subsequent appeals launched in the name of different liberal-democratic norms (Gheciu 2005).

The SADC can play an important role as a framework to socialize political officials and state bureaucracies. It is an institutional space in which senior military and civilian officials working both in defence and foreign relations interact regularly. This interaction can favour the building of trust, which is crucial to overcoming the traditional scepticism that typically surrounds negotiations related to defence issues. If government officials rely on their counterparts with the goal of fostering positive expectations regarding their future actions, they are more likely to reach compromises and keep them in the future. In this way, regular contacts between members of the civilian and military elite help to modify perceptions and previous values.

Previous studies have found that a lack of interaction between groups encourages distrust (Allport 1954). Other research shows that groups that are in dispute but still interact with each other are much more likely to avoid precarious situations than those parties who maintain disputes yet choose not to interact. Thus the interaction between conflicting groups significantly reduces the level of hostility between them (Brewer and Miller 1996). This interaction should be regular and structured, rather

than sporadic, in order to achieve better results. Other authors suggest that, in general, increased contact between leaders itself encourages the peaceful resolution of conflict (Indorf 1984).

Socialization could be a crucial function to advance in the building of a common identity in defence issues (second goal of the SADC). The interaction in the defence realm in the region is based on the increasing importance of cooperation between states, while excluding any substantial progress on the integration side of the process. This is due to the diversity of missions assigned to the South American armed forces and to the different priorities granted to those missions by the states. In other words, the absence of a common regional threat makes states less likely to push for integration.

The region's soldiers perform several missions. In recent decades they have adopted new ones, such as the participation in peacekeeping operations or asymmetric defence strategies, but that change has not led to a devaluation of their traditional purpose, such as engaging in conflicts with neighbouring countries or military involvement in maintaining internal order (Pion-Berlin and Arceneaux 2000).

Brazil has declared regarding this diverse picture of regional military roles, that 'now is the time to deepen our South American identity in defence (. . .) It must articulate a new vision in the region based on common values and principles such as respect for sovereignty, self-determination, territorial state integrity and the promise to abstain from intervening in the internal affairs of our regional neighbours'.¹⁴ It is clear then, that one of the main goals of the SADC is 'to build a South American identity on defence, taking into account sub-regional and national interests'. To this end, the SADC created the South American Centre for Strategic Studies for Defence (CSEED) in Buenos Aires, whose only aim is to 'promote the building of a common defence vision'.¹⁵ It will work towards the definition and identification of a 'regional interest in defence' conceived as the sum of the various national interests that are common to UNASUR countries.

The new SADC plan for 2010–2011 includes four activities related to the construction of a common defence identity: (1) development of a digital network that serves to exchange information on defence policies; (2) organization of a combined peacekeeping regional exercise in 2011 to promote military interoperability, also on the table is the possible creation of an inventory of national defence capabilities to support humanitarian operations; (3) construction of a database containing information on military and civilian defence specialist training centres in order to establish a network of academic centres in member countries; (4) and finally the development of

¹⁴ Speech of President Luiz Inacio Lula Da Silva during an extraordinary meeting of the Unión Sudamericana de Naciones, Brasilia, 23 de mayo de 2008.

¹⁵ See South American Defence Council, *Action Plan 2010–2011*, available at <http://www.cdsunasur.org/es/plan-de-accion/formacion-y-capacitacion>.

a South American Defence training programme specifically designed for SADC state representatives.¹⁶

Reducing uncertainty: Uncertainty about the military capabilities and intentions of states is one of the main obstacles to a regional project in the realm of defence. The lack of information on defence equipment, military doctrine and troop deployment most often increases the threat perception between states in a region. In this way, the adoption of CBMs in the SADC framework contributes to the reduction of uncertainty and to the building of cooperative relations that eventually replace visions of competition and rivalry (Briones 2008). The SADC can serve to provide information to its members about the military capabilities and intentions of their neighbours, helping to reduce tensions associated with uncertainties. From this perspective, SADC 2010–2011 plan envisages different actions establishing a mechanism for consultation and providing instant information about situations that put regional peace at risk, as well as the development of a common methodology for measuring UNASUR defence spending, and common procedures for the implementation of CBMs.¹⁷

What the above suggest, ultimately, is that this novel institution created in South America and for South America arose from identity and material changes in a region that has redefined physical and ontological understandings of what security is and is for. A new shared understanding of defence and the rise of Brazil as a regional power have fostered more regional activism in a context undeniably affected by the transnationalization of the US-led ‘War on Terror’. Yet, SADC is proposing not only defensive mechanisms to face the new challenges but also non-defensive functions designed to manage a defence scenario defined beyond material factors. SADC therefore complements and fosters a process of reregionalization of consensus where the region became the platform for contestation to the established rule. Even when it would be an overstatement to define SADC as a post-hegemonic regional mechanism what is certain is that it represents the reterritorialization of what defence means for a new regional order emerging in South America.

5.5. FINAL REMARKS

The arguments developed in this chapter suggest that the importance of analysing the creation of regional mechanisms of defence governance must be seen in terms of physical and ontological redefinition. South American defence practices are part and parcel of a broader political economic transformation since the early 2000s that, in the area of defence, is manifested as the result of the interaction between ideational and material dimensions. The establishment of the SADC reveals new politics at odds with the regional defence order established in rejection of US power and influence in

¹⁶ See South American Defence Council, *Action Plan 2010–2011*, available at <http://www.cdsunasur.org/es/plan-de-accion/plan-de-accion-2010-2011>.

¹⁷ See South American Defence Council, *Action Plan 2010–2011*, available at <http://www.cdsunasur.org/es/plan-de-accion/politicas-de-defensa>.

inter-American relations. The creation of the SADC paradoxically occurs in the midst of a growing and sustained US intervention in South America. However, responses from the region are now challenging traditional engagement vis-a-vis the hegemonic power. This suggests that in contrast to what has been predicted by some, great powers need not mystify. It is not simply the result of US disinterest that allows for the SADC to emerge but a reaccommodation of political, economic, military and ideological resources in the management of sovereign decisions in the South.

Nonetheless, the SADC has challenges that could affect its continuity. The first one is related to the balance between defensive and non-defensive functions. In this sense, the development of non-defensive functions may be essential to compensate for the inherent weakness of any defensive strategy. The main shortcoming of the latter is that changes in the contextual conditions that fostered its design may threaten institutional continuity. It is therefore important that the SADC develop other functions beyond those that are strictly defensive. Essentially, the non-defensive function of socialization is crucial for this purpose, since it encompasses a deliberate process of building a shared understanding of the value of coordinated and unified political action to deal with regional defence challenges. In this way, the stronger this shared identity the less the likelihood that the SADC will vanish if extra-regional involvement increases or decreases.

The second challenge concerns the potential damage that might provoke US bilateral penetration, in particular, because of the close relations between Colombia and the United States. US relations with Colombia or Peru could fragment the bloc and therefore disrupt one of the main goals of the SADC, which is the autonomy of the South American defence agenda. Colombia, for instance, has insisted that OAS constitutes the appropriate forum to discuss issues related to regional security. Noticeably, the success of the SADC will depend on its capacity to socialize those countries on the advantages of a regional approach to national defence problems.

The third challenge is related to the role of Brazil in the SADC framework. The regionalist project of SADC will survive as long as South American countries do not see it just as an instrument for furthering Brazil's interest. For a middle power to be accepted as a regional leader, it must provide meaningful benefits to the smaller countries whose support it desires to enlist. As several political scientists have noted, region formation is inherently an expensive and burdensome undertaking.

Finally, although institutionally and politically the SADC represents a form of transformative regionalism, it has not assumed yet the form of a post-hegemonic project, that is, it does not position itself as anti-United States. In this way, the degree to which the US rule will be challenged is still to be seen, as the United States is still an important player in the region. As the editors of this book hold 'how transformative and political resilient these projects are will depend not only on policy style but on the extent to which they can transit from a hybrid model. . . . to a coherent, post-neoliberal program across the region'. Whether SADC will be able to overcome these challenges or succumb to the weight of the past is an exciting dilemma still to be seen.

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CHAPTER 6

THE RISE OF MONETARY AGREEMENTS IN SOUTH
AMERICA

6.1. INTRODUCTION

If you have a fallen tree, turning it into firewood stands as the best option. The global economic crisis has severely hurt the international monetary tree whose branches converge—even today—in a single trunk: the US dollar. The robust roots that had offered stability in the post-war era have been tragically weakened for two reasons: in the first place, the large and sustained current account deficits in the US balance of payments have poisoned the confidence that irrigates the tree, turning the ground into sandy unstable soil. The second reason comes from the cup, which has grown faster than the trunk becoming such a burden that it threatens to end up knocking down the whole tree. Some voices disregard these facts ignoring this increasingly untenable situation. Notwithstanding the sandy ground, they propose to stake the tree. Others believe this could only be sustained for a while since international structural constraints will unavoidably lead to relapse in the near future, leaving reform as the only consistent solution in the long term.

The weakened position of the US dollar in the world economy found several Latin American countries—that had been under the dollar area for almost a century—with governments politically in tune. These left-wing governments decided it was time to abandon the eroding comfort of a precarious *status quo* in the international monetary system to look for enlarged basis for regional stability and enhanced autonomy for intra-regional trade by the means of regional monetary arrangements—injecting new life into forgotten agreements as well as creating new supplementary regional monetary initiatives.

Thus, the erosion of the dollar's hegemonic power at the hemispheric—and also at the international level—has been a necessary but not sufficient condition for the rise of monetary agreements in South America. The confluence of social, political, and economic conditions in several countries in the region was also necessary for the emergence of the repoliticization of South America that boosted monetary integration arrangements. The proliferation of left wing governments resulted from a genuine grassroots reaction against the negative effects of neoliberal policies of the 1990s, the war against drugs—mostly in Andean countries—the intensification of

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economic adjustment, and the impoverishment of millions of Latin Americans at the same time as a growing concentration of income, corruption, and cynicism in politics in the hemisphere (Loveman 2006). This domestic circumstance pervasive in most countries in the region was also key to the renewed regional emphasis on overlapping monetary arrangements. Monetary reform winds blow at both the domestic and international levels providing a rare opportunity to hoist the sails and venture into the seas of monetary cooperation at the regional level.

Taking into consideration this concurrence of winds at both national and international levels, this chapter focuses on the renewed impetus conferred on regional monetary agreements in South America in a post-hegemonic era for regionalism. Particularly, the chapter presents the three main regional monetary cooperation initiatives in South America to analyze their transformative capacity and political resilience, highlighting both their potential and limitations to be sustained in time.¹ The arrangements under consideration are three: (1) the Agreement on Reciprocal Payments and Credits (ARPC) that works within the framework of the Latin American Integration Association (LAIA); (2) the Local Currencies Payment System (SML, Spanish acronym for *Sistema de Pagos en Moneda Local*) in MERCOSUR; and (3) the Unified System for Regional Compensation (SUCRE, Spanish acronym for *Sistema Unico de Compensacion Regional*), among countries of the Bolivarian Alliance for the Peoples of our Americas (ALBA-TCP, Spanish acronym for *Alianza Bolivariana para los Pueblos de Nuestra America-Tratado de Comercio de los Pueblos*).² The first one has existed for decades and is receiving new attention in the current post-hegemonic context, while the other two were born out of changing circumstances in the political economy of Latin America since the early 2000s. The emerging currency arrangements are part and parcel of a redefinition of regional cooperation and policies in the search for greater autonomy from what were the established rules under the auspices of the US-led Inter-American system. But they gained new momentum as the international financial structure failed to contain the latest crisis in the developed world in 2008. The global financial crisis that erupted in the summer of 2007 has raised many questions about the wisdom of unregulated

¹ Some authors such as Chang (2000) also analyze the Latin American Reserve Fund (FLAR—Spanish acronym for Fondo Latinamericano de Reserva) when focusing on the South American monetary system. However, this is out of the scope of this chapter since such arrangement is not strictly a monetary agreement (related to the three functions of currency namely, unit of account, medium of exchange, and store of value) but an agreement for balance of payments financing. This second category refers to a common pool of international reserves among neighboring countries mainly aimed at creating a regional borrowing source when temporary problems with balance of payments arise. Thus, FLAR is not a monetary instrument but a financial tool. To learn more about FLAR, read Agosin (2001).

² The original name of the group was Alternativa Bolivariana para las Americas. The name was changed to Alianza Bolivariana para los Pueblos de Nuestra America- Tratado de Comercio de los Pueblos in the IV Extraordinary Summit in Maracay on June 24, 2009.

markets and international financial systems. Theoretical innovation and new empirical research are required to make sense of the current dilemmas in the international political economy: namely, the limitations revealed by the crisis in existing interstate power relations; post-crisis regulatory frameworks; and the regional responses to the crisis (Helleiner and Pagliari 2011). This chapter focuses on the latter and argues that the South American region is witnessing an expansion of monetary cooperation agreements that have intensified in the face of the international crisis, offering an alternative to the power of the dollar as an exchange currency for intra-trade transactions. These agreements carry the potential to provide the south of America with an unprecedented degree of autonomy for intra-regional trade, bringing to an end the perpetual limitations arising from the need for dollar reserves to fuel trade between neighbors. The increasing use of these regional cooperation mechanisms as well as their consolidation as usual regional trade channels would become an invaluable asset as a catalyst for regional integration and economic growth and as a factor for greater autonomy from the vagaries of global economy. In this sense, regional currency agreements are important drivers toward a post-hegemonic (financial) governance in the region.

Regional monetary arrangements result from a concerted effort among neighboring countries to coordinate at least some features of their monetary policy and legislation. Specifically, the rights and duties of each agreement as well as their institutional architecture will vary significantly based on both their declaimed and underlying goals. Do the agreements aim at *saving* US dollars for intra-regional trade or, instead, are they an attempt at *getting rid of* the US dollar for such operations? And in the latter case, will South American countries trade among them by using their own national currencies or will they appeal to the creation of a common means of exchange and unit of account? Are these monetary arrangements mere technical instruments for enhancing intra-regional trade? To what extent do they cover additional domestic and international political purposes? Are most ambitious projects such as the SUCRE really aiming at fulfilling the *Bolivarian* dream of a united (Latin) America or are they just feeding rhetoric for politics? In this chapter we attempt to provide answers to these questions taking into consideration the specificities of domestic and international historical circumstances.

The following section presents the situation of the international monetary system and the solutions discussed in the international agenda, shedding light on the post-hegemonic context where the rise of regional monetary agreements in South America takes place, and stressing the opportunity this scenario represents for developing regional monetary initiatives. The South American monetary initiatives are subsequently explained in the third section taking into consideration this international context as well as the domestic political scenario. In the case of ARPC—which has existed for several decades—the third section also follows the evolution of the arrangement until the current post-hegemonic era. In the final section the chapter draws conclusions from the previous sections.

6.2. UNSTABLE FINANCIAL GROUNDS: RESCALING THE DEBATE

The unusually severe economic and financial hardship of the late 2000s has been a powerful stimulus for both regional and domestic levels in South America. The financial crisis was quickly reflected in the international economic agenda in a debate on possible solutions to global imbalances. The inclusion and permanence of a problem in the economic (and political) international agenda are key elements of the international level that catalyze a change. Particularly, in the monetary aspect the debate that revolves around the role of the US dollar in the global economy goes beyond the international level spilling over the other two. The core of the debate lies in whether the fact of maintaining a national currency such as the US dollar simultaneously acting as the global reserve currency has generated economic instability worldwide and, in the latter case, what solutions are available to solve this problem.

In this regard, two complementary solutions are framing the discussions about financial regulations and instability at international and regional levels. The first solution has led to the debate around the establishment of a supranational global reserve currency, while the second solution advocates the proliferation of regional monetary arrangements. Although the debate on the first solution has existed for several decades in recent years the most visible proponent of a global reserve currency has been the Professor of Columbia University at New York and Nobel Prize laureate, Joseph Stiglitz (see for example, Stiglitz 2010) supported by other renowned scholars from Columbia University such as José Ocampo and Stephany Griffith-Jones (see for example Griffith-Jones et al. 2010), among others. Other scholars, such as Barry Eichengreen (2011), have argued that a multipolar international monetary system is more likely to emerge, with room for several contending national currencies acting as a store of value. Nevertheless, the academic debate on how to administer the post-hegemonic era for the dollar and the urgency to reform the international monetary system has jumped from university campuses to the arenas of international politics, where the underlying interests behind these transformations have been translated into a fierce debate under the form of declarations and statements among the US Government and the IMF on the one side and several governments of developing countries such as the BRIC backed by United Nations Conference on Trade and Development (UNCTAD 2009) and United Nations General Assembly on Reforms of the International Monetary and Financial System (UNPGA 2009) on the other side, as explained in the next subsection. Regarding the second solution—which is the focus of this chapter—sponsored by the aforementioned United Nations agencies and followed by several developing countries—including South American nations—it has aroused much less contention than the first solution and therefore carries a greater probability of advancing successfully through the turbulent waters of international politics.

These two proposals presented in greater detail in the following two subsections—a supranational global reserve currency and regional monetary arrangements—do not imply a conflict of global monetary solutions versus regional monetary arrangements

but on the contrary they reinforce each other in an international scenario of coexisting regionalism and globalization. Under these circumstances of eroding hegemonic power of the United States coexisting with global instability in the international monetary system born in Bretton Woods, constraints from the international level for regional monetary cooperation are weaker than in the past and an unprecedented environment is now platform for regional responses to monetary instabilities. The rest of the chapter looks at these alternative currency arrangements and speculates on what they mean in terms of post-hegemonic regional politics in the South.

6.2.1 A Supra-national Global Reserve Currency

The Commission of Experts of the President of the UNPGA—also known as the Stiglitz Commission—and the UNCTAD expressed the need to create a global reserve currency to take over this function from the US dollar (UNPGA 2009; UNCTAD 2009). In short, this proposal aims at solving the inconsistencies arising from using a national currency for the international arena, both in a role as a medium of exchange and as a store of value. This would reduce pressures on the current account of the US balance of payments. Since the Bretton Woods Conference of 1944 in the United States, New Hampshire, the management of the “international reserve currency,” i.e., the currency of the United States, is based on the particular economic and political needs and interests of the United States. Crucial decisions such as the determination of the interest rate—which has a direct impact on international liquidity as well as capital flows and thus on the level of global economic activity—are determined by the Federal Reserve of the United States based on the US economic cycle, contingent particularly to the evolution of inflation and unemployment rates in the United States.

However, the most appropriate monetary policy for the United States may end up being inappropriate for other economies, pushing countries into recessions on the one hand and on the other hand leading other economies to overheat, which in a short time translates to increasing inflation and indebtedness and, eventually, a crisis. In fact, the Latin American debt crisis of the early 1980s, only to provide one example with a strong impact on the region, is closely linked to US monetary policy, the management of interest rates, and decisions based on national needs of the United States (Damill et al. 2005).

Another problem arising from the use of the dollar as a medium of exchange and store of value was explained by the Belgian economist Robert Triffin to the US Congress in 1959. On that occasion, Triffin warned that global economic growth would increase the demand for liquidity and this need would be met through a current account deficit of the United States. Since it is impossible to sustain any deficit indefinitely, at some point fear will arise on the possibility that the dollar-denominated assets would begin to depreciate, thereby decreasing confidence in the stability of the system (Triffin 1960). Thus, the creation of a global currency is presented as a mechanism that would solve or at least alleviate the dilemma posed by Triffin, making possible supplying the necessary liquidity to global growth increasingly independent of the current account balance of the United States.

The debate on this proposal roughly replicated the Bretton Woods debate between the British delegation project led by John Maynard Keynes and the proposal of the US delegation headed by Henry White.³ Such debate found a new heyday during 2009, shaping the international scenario that opened the window of opportunity to the rise of monetary agreements in South America. Indeed, in early 2009, concerned about the weakness showed by the US dollar and more specifically about the risks of erosion of the large amount of reserves in US dollars held by China, the Chinese Premier, Wen Jia Bao, urged the United States to “maintain its good credit, to honor its promises and to guarantee the safety of China’s assets.”⁴ A few days later, the Governor of the People’s Bank of China, Zhou Xiaochuan, proposed to replace the US dollar with a new global reserve currency controlled by the International Monetary Fund (IMF). He specifically recommended the use of Special Drawing Rights (SDRs) as the best alternative to reach this goal.⁵ The proposal by China was certainly the loudest although it was only reproducing similar proposals launched elsewhere, such as Russia, Brazil, India, South Korea, and South Africa. Thus, the lack of confidence in the dollar and the Federal Reserve monetary policy inspired a *soft* revolt challenging the position of the US currency in the international monetary system.

Nevertheless, the creation of a global reserve currency seems politically difficult. Although this idea has been gathered by several relevant powers, it has met stiff resistance from the United States. Only one day had passed since the publication of the Chinese document when the President of the United States, Barack Obama, reflected Wall Street uneasiness with the offensive to take over the international role of the US dollar. He categorically dismissed the proposal stating, “I don’t believe that there’s a need for a global currency,” and added that the strength of the dollar is based on investors consideration of the United States as the strongest economy in the world with the stablest political system in the world. Finally, Obama stated, “You don’t have to take my word for it. I think that there is a great deal of confidence that ultimately, although we are going through a rough patch, that prospects for the world economy

³ The proposal of the United Kingdom called for the creation of a supranational bank “International Clearing Union (ICU)” responsible for clearing trade deficits and surpluses between countries. Transactions would be registered in Bancor, a supranational currency managed by the ICU that would maintain a fixed exchange rate with gold. The British proposal was dismissed by the United States in favor of the plan delineated by Henry White that placed the US dollar as a hub in the international monetary architecture. To learn more on this topic, see Trucco (2010).

⁴ See The New York Times: “China’s Leader Says He Is ‘Worried’ Over U.S. Treasuries,” (March 14, 2009). Available at <http://www.nytimes.com/2009/03/14/world/asia/14china.html>. According to the U.S. Federal Reserve, at the time of these statements China was the largest holder of U.S. Treasuries, with \$ 767.9 billion. In October 2010, China stood first in the ranking with \$ 906.8 billion. See, “Major Foreign Holders of Treasury Securities,” Available at <http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt>

⁵ To read the essay by Zhou Xiaochuan that was posted at official website of the People’s Bank of China: “Reform the International Monetary System,” (March 23, 2009), Visit <http://www.bis.org/review/r090402c.pdf>

are very, very strong.”⁶ From that moment onward, US efforts and initiatives on topics related to the international monetary system were largely oriented to persuade China to adopt a more flexible exchange rate for the Renminbi or Chinese Yuan in a context of an intended devaluation of the US dollar against other major currencies.

Thus, domestic political economy constraints in the United States—still the dominant economy worldwide—hamper the real possibilities of implementing a supranational reserve currency at the global level in the short or even mid run, although proponents of this solution have maintained this matter in the agenda. Nevertheless, the volatility derived from the current international monetary system together with a weakened position of the United States in the global economy has eroded the ability of the United States to contain the move by several developing countries that push ahead monetary arrangements that will provide them with enhanced independence from the dollar.

6.2.2 Regional Monetary Arrangements

Difficulties to launch a supranational reserve currency have turned attention to the second family of proposals promoted by several emerging countries, the UNPGA, UNCTAD, and more recently from the United Nations Development Policy and Analysis Division,⁷ aiming at dealing with the instability that results from using dollars as a medium of exchange and as an international store of value: the promotion of monetary agreements between countries to reduce both dependence on the dollar and demand of the US currency. There are two ways of making sense of these regional proposals: that is, in the light of experience, these agreements can be seen as providers of a solution whose implementation is significantly faster and easier than creating a global reserve currency. In fact, several countries from different corners of the globe, including most Latin American countries, have already run such arrangements for decades. The described circumstances in the international level call for avoiding any delay in taking advantage of the enlarged window of permissiveness to increase the regional monetary autonomy. A second reading, however, would speculate on how the proposal of regional currency arrangements and intraregional exchange rate coordination supports a new regional idiosyncrasy that redefines the relationship between finance and development. That is, contrary to conventional wisdom, there is reason to believe that monetary arrangements in South America are the manifestation of a new philosophy in support of endogenous national-regional development, breaking the ties of their economies dependent on foreign capital and fostering at the same time alternative understandings of what regional economic integration is for (Arruda 2008).

⁶ See Reuters: “Obama dismisses idea of single global currency,” (March 24, 2009). Available at <http://www.reuters.com/article/idUSN2434732920090325>

⁷ See: “UN Economic and Social Survey,” 2010.

In fact, the series of regional monetary agreements analyzed in the next section show how South American governments are seeking to capitalize on the uncertain global situation. With the US dollar monetary hub role challenged from various flanks and most South American countries enjoying a decade-long booming prices for their export commodities, the political counter-hegemonic mood prevalent in several countries in the region has found—for the first time in a century—a more solid economic support. In addition, the neoliberal paradigm that in the past had conferred a veil of legitimacy to the policies that minimized existent monetary agreements currently lack political and popular support in most South American nations.

As we will see, since the early 1960s, a number of regional economic and political integration processes in Latin America developed a variety of monetary initiatives to promote intraregional trade. However, the most recent ones, namely the Local Currency Payment System (*Sistema de Pagos en Moneda Local* – SML), which was agreed on in January 2007 in a Presidential Summit of MERCOSUR and SUCRE conceived as an element of a regional monetary zone within the ALBA in 2009, not only propose a process of “decoupling” from the US dollar as a means of transaction but also open a window of opportunity to assert a more comprehensive and alternative “Regional Financial Architecture” supported by regional financial institutions and regional monetary agreements.⁸ The following section elaborates on these regional monetary arrangements and their implications for alternative regionalism in South America.

6.3. A FERTILE LAND: MONETARY ARRANGEMENTS IN SOUTH AMERICA

6.3.1 *Watering the Withered Tree: The Agreement on Reciprocal Payments and Credits*

As early as September 1966, the members of the Latin American Free Trade Association (LAFTA) met in Mexico City to plant the seed of the South American monetary tree. In contrast with the Bretton Woods attempt of founding the monetary arrangement on a single currency, Latin American countries decided there would not be a single trunk to hold the top. Instead, it would be supported multilaterally through the Agreement on Reciprocal Payments and Credits (ARPC). Sixteen years had passed when in 1982 the tree was transplanted to the framework of the Latin American Integration Association (LAIA/ALADI in the Spanish Acronym).⁹ Most South American countries (with the exception of Guyana and Suriname) have signed

⁸ See PAGINA/12, “Correa quiere moneda común”, December 11, 2007. Available at <http://www.pagina12.com.ar/diario/elpais/1-96013-2007-12-11.html>. Accessed June 22, 2011

⁹ The agreement was completely amended on August 25, 1982 in the City of Montego Bay, Jamaica, and has had several minor revisions thereafter. The agreement is available in Spanish at <http://www.aladi.org/NSFALADI/CONVENIO.NSF/conveniopagos>

this agreement, as well as two other countries from outside South America: Mexico and the Dominican Republic.¹⁰ The ARPC aims to facilitate payment of intraregional trade through a mechanism for payments compensation.

The rationale behind the ARPC aims at decreasing the amount of dollars required for intraregional trade. Trade of goods and services among member countries is registered by their central banks (including related services and other expenses). Every four months (compensation period), dollar imbalances are settled—including interests, following each country provisions on foreign exchange and/or capital mobility. The multilateral clearing mechanism significantly reduces the amount of dollars required for trade. In fact, such amount is limited to the quarterly trade imbalance among partners. Thus, the goal of ARPC in terms of regional integration has been limited to facilitate intraregional trade while saving international reserves. In addition, since under this agreement central banks act as clearinghouses for payments among countries, they record every transaction and make payments to the importers regularly in pre-established periods, thereby extending credit to each other (Chang 2000). Despite the declaimed economic goal of this agreement, it can be also read in political key as enlarged autonomy for intraregional trade. This is due to the fact that for acquiring US dollars countries are limited to three sources: exports of goods and services (to obtain dollars in exchange), receive external loans in US dollars, or attract foreign investment. By the means of the ARPC member countries can see a significantly reduced need to appeal to any of these sources of dollars and still be able to carry on and even increase intraregional trade.

The ARPC was increasingly used until the end of the 1980s (see Fig. 6.1). However, during the 1990s the importance of this instrument relative to other forms of payment experienced 13 years of sharp decline. According to information provided by LAIA, in 1989, 90% of intraregional imports were carried out under the ARPC umbrella in a context where intraregional trade exceeded US\$ 11.1 billion. During the next four years the use of ARPC remained at levels above those of 1989, although its relative weight took a sharply negative slope in the context of the liberalizing reforms, in South America and many other parts of the world, that marked the 1990s. Since early stages of the programs of economic liberalization, ARPC member countries gave priority to alternative means of payment for the vigorous trade increase triggered by the reforms. However, a lag emerged between the drop in absolute terms in the use of the ARPC—that only becomes visible after 1996—and fall in relative terms that was evident since the very dawn of the 1990s.

Two main factors brought the ARPC to a halt. The first of them is clearly systemic while the other is related to the institutional design of the agreement. They were both carried out under the influence of a strong ideological offensive coming from the international system. The first cause is related to the structural change in the international system derived from the world that emerged after the Cold War ended and the

¹⁰ The Dominican Republic joined the agreement in 1973.

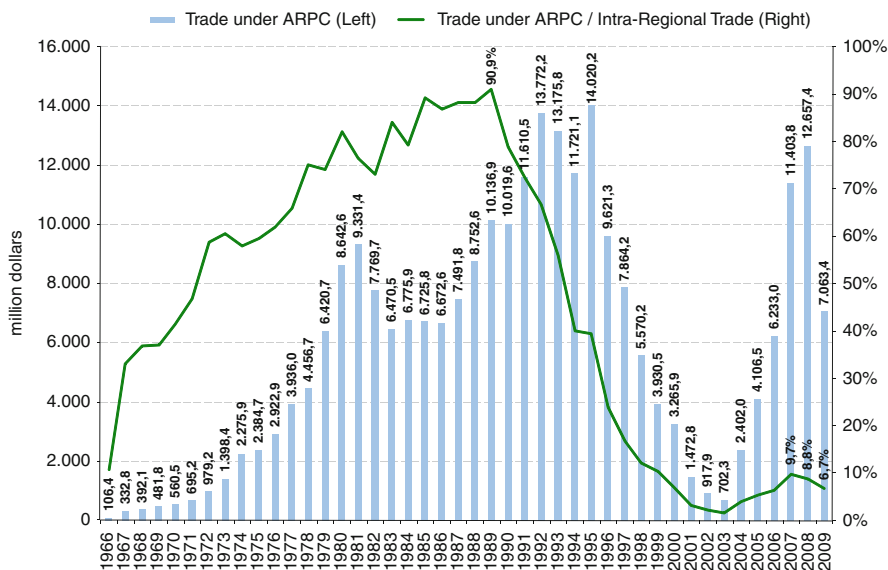


FIGURE 6.1. Evolution of the trade under the agreement on reciprocal payments and credits, 1966–2009
(Source: Latin American Integration Association (LAIA/ALADI))

subsequent flourishing of the “global era” that eased the capital external constraint of developing countries. Such external constraint had been particularly tight for Latin American countries after their early 1980s debt crisis. In the early 1990s, a neoliberal-driven wave of optimism flooded most corners of the world. Neoliberal recipes invited abandonment of old mechanisms that offered some degree of autonomy and protection to countries from the swings of the international economy. Instead, they championed embracing the paths of economic and financial liberalization lectured from Washington—in the case of several Latin American countries included a debt restructuring by the means of the Plan Brady—that according to its promoters would rapidly lead to prosperity. Thus, the enhanced access to international funding reduced the need of cooperative mechanisms for saving foreign currency.

The second element affecting the significance of the ARPC is directly related to the guarantee of convertibility, transferability, and reimbursement included in the agreement, which makes central banks accountable in the “unlikely” case that importers fail to comply with their committed payments. Although Article 6 of ARPC conferred full responsibility to institutions authorized to operate under the agreement underscoring that central banks do not take any responsibility for disputes among them, Article 11 provides that debits registered in central bank accounts due to transactions settled under the agreement imply an irrevocable commitment by the central

bank that is liable for these debts, even if the authorized payer institution fails to comply with its obligations. Thus, the central banks would be indirectly assuming a risk that naturally belongs to exporters, who ensure collection of the results of their sales by trading under ARPC.

In addition, the liberalizing economic reforms applied in the region since the early 1990s included in many cases the strengthening of the independence of central banks. This policy was regarded as an institutional incentive for fiscal balance since it became difficult to fund government budget deficits through expansionary—and inflationary—monetary policy. Thus, the newly appointed boards of South American Central Banks implemented a policy to discourage the use of ARPC by the means of unilateral increases in red tape and fees required to operate under the agreement, aiming primarily to hedge against the risk of liabilities aroused by the above-mentioned Article 11.

The period 2004–2008 witnessed a major turnaround in the use of ARPC, mainly due to the impetus provided by Venezuela. The jump in the use of the ARPC by Venezuela occurred after the Venezuelan Government decided the suspension of foreign exchange trading and created a currency control board to handle foreign exchange procedures. In 2008, the Bolivarian Republic of Venezuela had a strong balance deficit with its regional neighbors under ARPC that reached US\$ 11,472.4 million, as a result of exports for US\$ 7.3 billion and imports for US\$ 11,749.7 million. The Venezuelan imports traded under the agreement in 2008 accounted for 93% of total imports under ARPC. Nevertheless, this same dynamism provided by Venezuela implied at the same time that the recovery in the use of ARPC was strongly dependent on Venezuelan operations. Indeed, such dependency would turn against the ARPC the following year.

In 2009, the total amount of operations conducted by the ARPC collapsed, declining by 44.2% from the level of 2008 to US\$ 7,063.4 million. The downfall was due to shrinking Venezuelan operations in the context of a GDP contraction of almost 3% in Venezuela. This decline in the volume of trade through ARPC was partially offset by an increase in the average amount of transactions that reached 159,000 dollars in 2009, a significant increase in comparison with 2006 when they stood at an average of 85,000 dollars. Venezuela's share in the debits was reduced from 93% in 2008 to 87% in 2009.¹¹

The global financial crisis and economic downturn resurrected the willingness of LAIA governments to promote the use of ARPC aiming to increase the protection of the region from global instability. In late April 2009, “deeply concerned about the negative effects of the crisis on employment, which aggravate the social situation of

¹¹ ALADI, Secretaría General (2010) “Evaluación del Funcionamiento del Sistema de Pagos de la ALADI en el año 2009”, ALADI/SEC/di2325 (March 23, 2010).

our people, especially the most needy sectors among our populations,”¹² the representatives of the LAIA Governments met in Montevideo “to take measures supporting -in the short term- the strengthening of the integration process against the international crisis, such as [...] the strengthening of the multilateral system of payments established by the Agreement on Reciprocal Payments and Credits. In this context, a seminar for the Revitalization of ARPC and the Use of Local Currencies Payment Systems was held at LAIA headquarters on April 22 [...]”¹³ The results of this seminar were presented at the XV Meeting of the LAIA Ministers Council on April 29, 2009, and after passing through various internal offices of the association, it entrusted both the General Secretariat and the central banks with the technical work that had been recommended in the report of the seminar.¹⁴

Subsequently, in early 2010, the Summit of Unity that gathered the XXI Summit of the Rio Group and the II Summit of Latin America and the Caribbean on Integration and Development (CALC, Spanish acronym), that took place at Riviera Maya, Mexico, on February 23, 2010, it was decided “To hold a meeting on the LAIA Agreement on Reciprocal Payments and Credits to be convened by such organization. [LAIA would] invite representatives of alternative payment systems in the region as well as countries of Latin America and the Caribbean who are not members of ARPC, in order to exchange information.”¹⁵ This meeting took place on July 22, 2010 and July 23, 2010, in Santo Domingo, Dominican Republic, where representatives of central banks of ARPC members shared their experience highlighting the use of the multilateral payments system in times of crisis as well as on occasions when conditions in the region highly favored its use.

Strengthened awareness on the usefulness of ARPC for regional trade growth and as an anchor of stability in the midst of the international economic storm demonstrates how a stimulus coming from the international level has fallen into a domestic political terrain that allowed a reflowering of the old Latin American monetary tree.¹⁶ The political impetus to promote the use of ARPC as a tool to achieve enhanced levels of autonomy and stability for monetary flows—and trade—in the region occurs simultaneously with other initiatives and monetary arrangements aiming at the same

¹² ALADI, XV Consejo de Ministros. (2009) “Declaración sobre la Crisis Económica Internacional y las Acciones a Desarrollar en el Ámbito de la ALADI para Hacerle Frente”, Montevideo, April 29, 2009. Available in Spanish at <http://www.aladi.org/nsfaladi/juridica.nsf/pdeclaraciones>

¹³ Ibid.

¹⁴ ALADI, Secretaría General. (2010) “Términos de Referencia de la Reunión para el Intercambio de Información sobre el Convenio de Pagos y Créditos Recíprocos de la ALADI”, ALADI/SEC/di 2334/Rev.1 (March 26, 2010).

¹⁵ “Declaración de Cancún,” (February 23, 2010), Available at http://www.voselsoberano.com/v1/index.php?option=com_content&view=article&id=4227:declaracion-de-cancun&catid=1:noticias-generales

¹⁶ The domestic political circumstances in Latin America are explained in greater detail in the sections on the Local Currencies Payment System and Unified System for Regional Compensation in this chapter.

direction of ARPC that also require favorable conditions at the three levels. These overlapping initiatives are not competing projects but instruments able to coexist and thrive together. In this regard, two new seeds have begun to sprout: the SML within the framework of MERCOSUR and more recently the SUCRE within the framework of ALBA.

6.3.2 A New Sprout in South American Land: The Local Currencies Payment System

The SML is a limited transformative instrument for regional integration. This monetary agreement clearly goes further than the ARPC in terms of the potential implications it has for regional autonomy but it does not challenge the traditional ways of understanding development or extend over other aspects of regionalism such as identity politics. Furthermore, such potential for enlarging autonomy still needs to be translated into facts. The short amount of time since the launching of this monetary initiative and the small number of participating countries (so far only Argentina and Brazil have signed the SML) are the main causes of the still poor use of this monetary instrument.

Negotiations on the SML began in 2006, although an agreement was reached only in late 2007¹⁷ and its actual implementation had to wait until September, 2008. At the time of writing this chapter (late 2010), the SML involves only Argentina and Brazil, although in October 2009, Brazil signed a letter of intention with Uruguay in which their central banks pledged to conduct the necessary studies to start using this instrument in 2010.

The SML is an optional device that is complementary to other existing payment systems. It allows both the importer and the exporter to pay and charge respectively in their local currency. Specifically, the exporter quotes, makes invoices, and actually charges in its national currency, in the same way it would be done in a local sale within the domestic market. As a result, the exporter is exempted from any participation in the exchange market. This attribute implies a significant difference from ARPC, since under the latter system commercial operations are nominated in US dollars. Therefore, in addition to saving foreign currency—in the function of money as a medium of exchange—trade under SML also implies abandoning the US dollar in its function as unit of account for international trade since such function will be assumed by the local currency of the exporting country. In turn, the importer must participate in the exchange market since the trade operation is nominated in the currency of the exporting country. The exchange rate is determined on a daily basis following the wholesale money markets of both countries.

Thus, the SML goes further than the ARPC in terms of its goal since in addition to saving international reserves in trade among member countries it eliminates the need for the US dollar thereby enhancing independence from such currency and any

¹⁷ Decision CMC N° 25/07 “Transacciones Comerciales en Monedas Locales”

other extra-regional medium of exchange and unit of account. Implications of this agreement regarding identity formation are indirect, mostly as a consequence of the positive externalities derived from increased interaction for trade and a greater degree of confidence evidenced by the acceptance of the neighbor's national currency.

During the period October 2008—beginning of the use of SML—and March 2010, trade between Argentina and Brazil¹⁸ under SML amounted to AR\$ 1,456 million (equivalent to US\$ 383 million).¹⁹ While this amount is relatively low as a share in the total amount traded between both countries during this period—the SML was used for only 1% of bilateral trade—there is a clear increasing trend. Due to the institutional design of the SML, this mechanism raises weaker resistance from domestic groups that are reluctant to risk public funds to ensure private businesses. Unlike the ARPC which includes repayment guarantees, convertibility, and transferability from central banks, under the SML only trade that has already been paid for takes place. In this regard, due to its institutional architecture the SML was born immune to one of the main controversies that had caused the decline in the use of ARPC during the 1990s.

Political support for this initiative has been large in 2010 regional summits dealing with economic issues. In fact, neighbors who are not yet part of the system have been invited to join it. In the aforementioned Cancun Summit in February 2010, the heads of Government of Latin America and the Caribbean included a section in the final declaration instructing the ministers of finance to work on the progressive development of a regional and subregional financial architecture taking into consideration a range of proposals. Within this range was highlighted “a multilateral system of payments on a voluntary basis based on both a revitalization and expansion of existing payment systems in the region, including institutional mechanisms of payment in national currencies.”²⁰ This proposition was further pushed at the MERCOSUR Summit held in San Juan, Argentina, in August 2010, where the presidents of MERCOSUR countries “stressed their commitment to make progress on the implementation of the Bank of the South, and emphasized the high significance of the LAIA Agreement on Reciprocal Payments and Credits (ARPC) as well as initiatives of commercial transactions payments in local currencies, such as the Local Currencies Payment System (SML) and the Unified System for Regional Compensation (SUCRE), as ways to deepen economic and financial cooperation in the region.”²¹

¹⁸ According to information published by the National Direction for Information of the Ministry of Economy and Finance of Argentina, between October 2008 and March 2010, bilateral trade between Argentina and Brazil reached US\$ 36.628.577.389.

¹⁹ Pasin (2010) “Sistema de Pagos en Moneda Local. Argentina – Brasil,” paper presented at the Regional Meeting: *Reforma de la Arquitectura Financiera Internacional y Cooperación Monetaria y Financiera en América Latina y el Caribe*, Caracas, Venezuela (April 8–9, 2010). Sistema Económico Latinoamericano y del Caribe (SELA).

²⁰ “Declaración de Cancún,” op. cit.

²¹ Joint Communiqué of the Presidents of MERCOSUR member countries, San Juan, Argentina (August 2010). Available in Spanish at http://www.mercosur.org.uy/innovaportal/file/2328/1/CMC_2010_ACTA01_COMUNICADO_ES_EE.PP%20del%20%20MCS.pdf

In turn, the Minister of Finance of the host country, Amado Boudou, recognized additional goals for these monetary initiatives. In remarks that were widely reported in the Argentine media—and posted in official websites on the Internet—the minister was quoted saying that member countries of the bloc are “moving forward to strengthen the local currency payment system to banish the U.S. dollar from regional trade.”²² Afterwards, Boudou added, “We are not thinking in the local currency payment system as a tool to get out of a crisis, but as an excelling mechanism.”²³ The crisis had merely served as a wake-up call to countries in the region to abandon the sleepy inertia of international and regional monetary *status quo* and to push them to embark on initiatives empowering monetary regional autonomy even after the storm was left behind.

Apparently, South Americans are not alone in their attempt to free themselves from dependence on the dollar standard for international trade. To the initiatives from international agencies of the United Nations calling to create a global reserve currency were added other initiatives coming from countries located outside the region but occasionally directly involving members of the South American system. The first summit of the BRIC countries (Brazil, Russia, India, and China) held in Ekaterinburg, Russia, in mid-June 2009, raised an important signal of the growing opposition of emerging countries about the role of the dollar in the international monetary system.

Indeed, in the final declaration of the summit the leaders of the BRIC countries indirectly cast doubt on the dollar as international reserve currency by stating “the urgent need for a more stable, predictable and *diversified* international monetary system.”²⁴ According to the BBC, the Russian President, Dmitry Medvedev, suggested during the meeting that countries should strengthen their currencies by mutually buying national bonds rather than buying US bonds.²⁵ The significant amount of international reserves hoarded by these four countries implies Medvedev’s proposal should not be lightly considered. A coordinated action by these countries (or individual action in the case of China) has great potential to substantially influence the function of the dollar as an international store of value. It was left to the Brazilian President, Lula da Silva, to refer to the intention of these countries to reduce the use of the dollar in its role as a medium of exchange. Specifically, referring to the trade with China Lula told the Brazilian Globo News channel, “If we reach the conclusion that it is possible [to partially eliminate the dollar in our trade] we are going

²² Official website of the Secretary of Media, Cabinet of Ministers, President’s Office. Available in Spanish at <http://www.prensa.argentina.ar/2010/08/02/10467-boudou-hay-que-fortalecer-el-sistema-de-pagos-en-moneda-local-y-desterrar-al-dolar-del-comercio-regional.php>

²³ Op. cit.

²⁴ Joint Statement of the BRIC Countries Leaders, Ekaterinburg, Russia, June 16, 2009. Italics added.

²⁵ See: BBC Mundo: “El dólar en la mira del BRIC”, (June 16, 2009). Available at http://www.bbc.co.uk/mundo/economia/2009/06/090616_2057_bric_divisas_gm.shtml

to adopt such policy,”²⁶ although he made it clear that the replacement of the dollar by the Brazilian real and the Chinese yuan should be reviewed by the central banks and ministries of finance of both countries. This proposal took shape during the second summit of the BRIC countries held in Brasilia in mid-April 2010, where the presidents instructed their finance ministers and central bank presidents to study “the feasibility of monetary cooperation, including a local currency payment system between our countries.”²⁷

The fact that a MERCOSUR member with an ongoing SML agreement with a member of the same group is also advancing negotiations for a simultaneous SML with extra-regional countries reveals that the mechanisms of monetary cooperation at the regional level are compatible both technically and politically with similar agreements at the international level. These agreements are also valuable indicators of the declining influence of the United States on the shaping of the international monetary regime and the emergence of decentralized post-hegemonic monetary arrangements. Specifically, SML agreements are evidence of proactive initiatives by developing countries to promote monetary arrangements at both regional and international levels taking advantage of the aforementioned widened range for action due to eroding US supremacy. In addition, these agreements are both compatible and complementary since both have a positive impact on the global monetary stability by contributing indirectly to reduce the demand for US dollars, subtracting pressure from the US balance of payments and strengthening the external position of the signatory countries.

6.4. A COUNTER-HEGEMONIC SPROUT? UNIFIED SYSTEM FOR REGIONAL COMPENSATION (SUCRE)

Sprouting in the land of the ALBA, SUCRE has distinctive characteristics. Unlike the SML, which has been presented as an economic tool (with political effects), the SUCRE has been conceived as a political tool with highly symbolic content since its inception. In terms of the conceptual framework of this book (see [Chapter 1](#)), the SUCRE is both inherently and explicitly a project of transformative regionalism. In the words of the President of Venezuela, Hugo Chávez Frías, the SUCRE “is an example of political will. This is truly historical (. . .) The SUCRE is an important step in our monetary sovereignty, to make us free from the dictatorship of the dollar that the Yankee empire has imposed to the world.”²⁸ Taking a more moderate tone, the President of Ecuador, Rafael Correa, added, “This new financial instrument, adopted on April 16 [2009], at the VII Extraordinary Summit of the ALBA Heads of

²⁶ Op. cit.

²⁷ BRIC Communiqué, Brasilia, Brazil (April 16, 2010).

²⁸ Internet blog of the Presidente de Venezuela, Hugo Chávez, “Sucre = Independencia,” (July 6, 2010). Available in Spanish at <http://www.chavez.org.ve/temas/noticias/sucre-independencia/>

State, will—among many other benefits—leave the dollar—that is an extra-regional currency—fall into disuse for intra-regional trade, putting an end to the transference of wealth through *seigniorage* to the United States.”²⁹

The confluence of political trends among ALBA countries that share common values as well as counter-hegemonic positions has undoubtedly fostered an environment conducive to the germination of SUCRE. At the same time, such germination reinforces these common values and defiant positions. However, it should be noticed that this initiative is part of a set of policies launched worldwide to face the international economic storm of the late 2000s. In this sense, the SUCRE is also a reaction to a stimulus coming from the international economic system. ALBA leaders have sought to capitalize on the global economic debacle taking advantage of the greater tolerance for state-led policies to effectively gain degrees of freedom and strengthen regional monetary cooperation. At the same time, they did not lose any opportunity to criticize the United States along with some multilateral financial institutions, thereby scoring some points with their domestic nationalistic audience. Thus, at the end of the day the use of the SUCRE project for political purposes has prevailed over its economic usefulness.

Only two months had passed since the bankruptcy of Lehman Bros., when the first agreement to develop the SUCRE was enacted. In the final declaration of the III Extraordinary Summit of Heads of State and Government of the ALBA countries which took place on November 26, 2008 in Caracas, Venezuela, the leaders enunciated their “diagnosis of the various ways the financial crisis born in north-capitalist countries has impacted each of our countries and the region as a whole. [The leaders] are also concerned by the absence of credible and robust proposals to deal with its devastating effects.”³⁰ Due to this lack of credible proposals, they “reiterated their firm conviction that the regional space should be privileged in order to provide immediate and effective responses, and they made specific proposals to *establish an economic and monetary area* ALBA-TCP [aiming] to protect our countries from transnational capital depredation, promote the development of our economies and establishing an area free from the dysfunctional multilateral financial institutions and the dollar’s monopoly as currency [for international] exchange and reserve [. . .]. [Subsequently, they proposed the construction] of a common currency area that

²⁹ The power of seigniorage is the capacity held by governments derived from their monopoly for printing money, which is an asset used as a medium of exchange in transactions. By printing money—which has a low cost—the government can purchase goods and services. This acquisition of goods and services through the printing of money is called seigniorage. Since the United States is the only country that can print dollars and given that the dollar is both a medium of exchange in the US economy and also in the international economy, the United States government has a power of seigniorage of global reach. See also Internet blog of the Presidente de Venezuela, Hugo Chávez, *op. cit.*

³⁰ Statement of the III Cumbre Extraordinaria de Jefes de Estado y de Gobierno de la Alternativa Bolivariana para los Pueblos de Nuestra América – Tratado de Comercio de los Pueblos, (ALBA – TCP), Caracas, Venezuela (November 26, 2008).

will initially include the members of ALBA (the Commonwealth of Dominica would participate as an observer) and the Republic of Ecuador, by establishing the SUCRE (Unified System for Regional Compensation) Common Currency Unit and a Clearing House.”³¹

A few months later, in the aftermath of the early April G20 summit in London,³² United Kingdom, where consideration of restructuring the IMF had been agreed aiming at improving the institutional response during the crisis as well as attempting a coordination of counter-cyclical policies, President Chavez declared at the summit of ALBA, “The crisis the world is facing today looks like a mutating virus. Nobody knows how far is it going to take us [. . .] We ought not expect anything from others. The solutions to our problems are in our own hands. These will not come from the north, from the International Monetary Fund or from the World Bank.”³³ Concluding his belligerent statement, Chavez stated, “Attaching tremendous importance to the IMF as it is currently occurring and supplying it with billions of dollars is like asking an arsonist to put out a fire [. . .] The IMF is one of the greatest arsonists and at the same time it is an instrument of the imperialism and economic dictatorship imposed to our peoples. They will come back to try to impose [their will] once more, they will try to deceive us but we are not going to be fooled.”³⁴

Beyond the striking volume and pointed language with an obvious political purpose, in economic terms the SUCRE is just a fledgling initiative with still imperceptible impact. Until mid-2010, it has been ratified by the governments of Venezuela, Ecuador, and Cuba, although the goal is to include the rest of ALBA countries: Antigua and Barbuda, Bolivia, Dominica, Nicaragua, and Saint Vincent and the Grenadines. The SUCRE is a virtual currency, since it does not act as a legal tender although it is used as a unit of account by central banks to register trade among member countries of the agreement. This makes it different from the SML where the unit of account is the legal tender of the exporting country. The Bank of ALBA, based in Caracas, is the agent that performs real-time registration of transactions between the participating central banks by means of the SUCRE Information System. The Bank of ALBA also carries out the management of the Clearing Chamber. In this regard, the SUCRE has developed the most sophisticated institutional architecture for regional monetary cooperation and it is by far the most ambitious project: a common currency for intraregional trade, which would imply—if extensively used—the highest degree of regional monetary autonomy.

³¹ Op. cit. Italics added.

³² The debate between China, Russia, and the United States—among others—on the establishment of a global reserve currency took place on the brink of this G20 summit. View the section on “Unstable Financial Grounds” in this chapter.

³³ See El Universal: “Chávez: El sucre terminará con la dictadura del dólar,” (Abril 16, 2009). Available at http://www.eluniversal.com/2009/04/16/eco_ava_chavez:-el-sucre-ter_16A2294071.shtml

³⁴ Op.cit.

The first operation under SUCRE occurred in early 2010. On February 3, Venezuela exported 360 metric tons of rice worth 108,000 sucres (equal to US\$ 86,400) to Cuba. This was the first shipment under an arrangement involving a total of 8,000 tons of Venezuelan rice to the Cuban market.³⁵ In turn, on July 6, 2010, Ecuador joined the SUCRE club by exporting 5,430 tons of rice worth 1,894,015 sucres to Venezuela. The exchange rate of the transaction is established based on a parity of US\$ 1.25 per sucre. For the remainder of 2010, about 154 million sucres were left available for trade among member nations. This amount was divided as follows: Venezuela accounted for 67.2 million sucres, Ecuador had at its disposal 24.8 million sucres, and Cuba had 20 million sucres.³⁶ It is also expected that in the near future a transaction between Bolivia and Venezuela will take place under this monetary scheme. In fact, Bolivia has been one of the main promoters of channeling intraregional trade through the Andean institutional system to the extent that it pushed to include the acronym TCP (People's Trade Agreement) after ALBA as the name of the Andean project. The TCP aims at becoming the counterpart of the FTAs (Free Trade Agreements) pushed by the United States widely seen by ALBA leaders as favoring foreign interests at the expense of locals. Specifically, the adoption of mechanisms leading to financial and monetary independence are explicitly encouraged by the TCP.³⁷

These figures demonstrate that the high political profile of the SUCRE stands in striking contrast with the microscopic economic importance of such a monetary cooperation initiative. This fact does not imply the lack of economic potential for the SUCRE but only that until the time of writing this chapter, its use has been mostly for political purposes, mainly at the rhetorical level. Indeed, such a high degree of politicization might be the major obstacle to the growth of the project since its development could remain subject to short-term political expediency of the member governments. The latter does not imply that political momentum of economic cooperation initiatives is harmful to their consolidation and growth. Instead, it is the excessive exploitation of economic projects by politics what makes the former hostages of the political

³⁵ See the official website of Ministerio del Poder Popular para la Comunicación y la Información de Venezuela: "Venezuela, Cuba y Ecuador consolidan integración comercial con el Sucre," (July 9, 2010). Available at http://www.minci.gob.ve/noticias/1/201080/venezuelacuba_y_ecuador.html

³⁶ See Noticiero Venevisión: "Ecuador y Venezuela realizan primera transacción comercial con el SUCRE," (July 6, 2010). Available at http://noticiero.venevision.net/index_not.asp?id_noticia=20100706002702&id_seccion=02

See also El Ciudadano: "Transacción comercial a través del SUCRE es un hecho histórico," (July 6, 2010). Available at http://www.elciudadano.gov.ec/index.php?option=com_content&view=article&id=14571:transaccion-comercial-a-traves-del-sucre-es-un-hecho-historico-&catid=1:actualidad&Itemid=42

³⁷ For further information about the principles of TCP, please visit the official website of ALBA-TCP at <http://www.alba-tcp.org/content/principios-fundamentales-del-tratado-de-comercio-de-los-pueblos-tcp>

circumstances, putting growth potential at risk. Consequently, the high political profile of the SUCRE covers the seed of the project with a dense shade that erodes the chances of further germination.

6.5. CONCLUSION

While South Americans were comfortable with the international monetary tree in its pre-Great Recession fashion, given that the economic global cataclysm has already occurred they have now realized that their best option is to take advantage of it. A reform of the international monetary system to limit the need for US dollars for world trade growth as well as to meet the demand for global savings is urgent. Due to domestic political economy constraints in the United States and the undeniable influence this country maintains in the international system, proposals aimed at implementing a global currency have met with strong resistance. At the same time, the momentum enjoyed by monetary issues at both the international and regional level has concurred with a domestic political scenario in several South American countries that has turned favorable for the development of regional monetary cooperation agreements. However, the three monetary arrangements analyzed in this chapter show that the greater the transformative goals of the monetary agreement, the lower the trade volume channeled under it (see Table 6.1 below).

Of the three, the ARPC has proved resilient despite political and economic instability for more than four decades of its existence. As such, it has remained a valuable instrument to reinforce regional integration all along but more particularly in the last

TABLE 6.1. A comparative perspective of monetary arrangements in South America

	South American regional monetary agreements		
	ARPC	SML	SUCRE
Institutional framework	LAIA	MERCOSUR	ALBA
Starting year	1966	2008	2010
Institutional device	Clearing house	Agreement to accept national currency of member countries	Virtual common currency (for intraregional trade)
Goal	Saving international reserves (US dollars)	Eliminate the US dollar from trade among member countries	Increase monetary sovereignty by the means of a common currency area
Transformative capacity (formally)	None	Limited	High
Political resilience	High	(Recent agreement)	(Recent agreement)
Currency functions affected	Medium of exchange	Medium of exchange and unit of account	Medium of exchange and unit of account

half decade. Nevertheless, the transformative capacity of this regional project is very low since it is just a mechanism limited to save foreign currency. Although debatable, it could be said that the SML has been a transformative initiative since it attempts to gain degrees of freedom for more autonomous economic development. In turn, the SUCRE stands out as both inherently and explicitly transformative as an alternative radically different from the status quo in the regional monetary architecture, introducing elements of both political and economic counter-hegemony.

Indeed, despite a sound interest in revitalizing ARPC to make it a central element of trade among LAIA countries, it is just a mechanism limited to save foreign currency. Under the ARPC the US dollar remains as the medium of exchange and unit of account. The latter does not minimize the usefulness the system undoubtedly has for LAIA countries to increase their regional trade. Rather than representing an alternative for a structural transformation, the ARPC is simply a mechanism that allows a more efficient use of a scarce resource: the US dollar. In this regard, ARPC is far from an element of transformative regionalism. The words “values,” “social cohesion,” and “identity formation” are out of the scope of the ARPC.

Beyond the speeches and good intentions in the summit of presidents of various country groupings in the region, the only country that has actually made extensive use of ARPC for regional trade during the second half of the 2000s has been Venezuela. This impetus by Venezuela is strongly linked to domestic policy decisions such as the establishment of a currency exchange board to regulate both foreign exchange flows as well as the exchange rate. While the use of the ARPC by Venezuela has brought new life to this faded regional monetary agreement, it has had the “unintended” consequence of making it highly dependent on both the Venezuelan Government decisions and the performance of the Venezuelan economy. True, the ARPC is in a precarious situation due to its strong dependence on Venezuela. Nevertheless, this agreement has survived for more than four decades despite changing regional and international conditions and it is now receiving strong political support to regain a central role in intraregional trade. In this regard, the ARPC has demonstrated it is definitely a resilient project of regional integration.

The SML goes one step further than the ARPC since the requirement of using US dollars for regional trade is lifted while operations are valued in the currency of the exporting country. This means that the US dollar is left aside from its traditional role as an international medium of exchange as well as in the role of unit of account. However, the number of countries that have implemented this regional agreement—Brazil and Argentina, so far, and Uruguay and Brazil in the near future—is well below those implementing the ARPC, as is the volume of trade. The SML does not aim to promote identity formation among its member countries, although it indirectly fosters confidence building and supplies member countries with greater monetary autonomy for reciprocal trade. The good performance observed over the short life of this institutional mechanism allows envisaging continuation of its increased use. As a matter of fact, large developing countries such as those gathered in the BRIC have taken this example and are studying a similar mechanism for their mutual trading.

The transformative capacity of the SML is limited. Although this arrangement provides member countries with enhanced autonomy to carry on trade and also releases them from depending on the US dollar for various purposes, this agreement does not propose an alternative development paradigm or present a challenge to existing orders. Instead, it only enlarges the range of autonomy within the same paradigm. Despite the passionate statements by the Minister of Finance of Argentina, rather than a counter-hegemonic model of integration, the SML should be classified as an initiative accommodating the declining hegemony of the United States. The political resilience of this agreement is still to be seen due to its recent implementation (2008). Nevertheless, the technical profile that governments have conferred on this monetary arrangement makes it unlikely to become a target of both domestic and international criticism and political attacks. Therefore it is reasonable to expect the SML will be able to prevail over incidental difficulties.

Finally, the SUCRE is the most ambitious and radical project with the highest transformative capacity (at least formally). Since the SUCRE is the most recent agreement among those dealt with in this chapter, a sound assessment of its performance as well as an evaluation of its political resilience remains even more difficult than in the case of SML. On the one hand, the SUCRE involves the creation of a common (virtual) currency for regional transactions. This means that not only the US dollar would be left aside as a medium of exchange and unit of account but also South American countries' own national currencies would be dismissed for these functions. Therefore, the SUCRE institutional architecture is the most far reaching among regional monetary arrangements in South America. Nevertheless, until late 2010 only two operations with negligible significance for the volume traded among member countries had occurred under SUCRE. On the other hand, this arrangement has carried from the beginning an underlying label of rebellion against US—eroding—hegemony. This fact has placed the SUCRE as the regional monetary agreement with the greatest political visibility as a post-hegemonic tool, leaving it exposed to political strikes from home and abroad, raising doubts about its real purpose and jeopardizing its potential to grow and remain through time.

In sum, a confluence of factors at the domestic, regional, and international levels emerged from the structural change since the last decade created conditions conducive to develop and consolidate regional monetary arrangements that bring positive effects for each of the three levels. The moment monetary issues gained a position in the international agenda, they began to spill over the regional agenda, as evidenced by the profusion of documents and statements at regional presidential summits in 2009 and 2010. Despite this political thrust, the regional monetary arrangements in force face the classic dilemma posed by the inverse relation between extension and comprehension. The challenge posed to South America is to break this logic and move toward a greater use of agreements—both in terms of the number of partners as well as in terms of trade volume channeled through them—implying greater depth and transformative capacity, such as the SML and SUCRE. This will require sustained

political support for these economic instruments, avoiding falling into the opposite: the extensive use of these economic instruments mainly for political purposes.

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CHAPTER 7

SOCIO-ENVIRONMENTAL REGIONALISM IN SOUTH AMERICA: TENSIONS IN NEW DEVELOPMENT MODELS

7.1. INTRODUCTION

The politics of post-hegemonic regionalism in South America are characterized by the pursuit of new bases of consensus and procedures aimed at building regional governance beyond market integration objectives. These include commitments to political cooperation in the areas of social, technological, communications, financial, infrastructure, energy, judicial, and defense policies. Post-hegemonic regionalism does not follow a unidirectional progression or a clearly defined doctrine (Tussie 2009). It is rather a path-dependent process driven at least by two distinct dynamics. On the one hand, regionalism is the result of new commitments by state and non-state actors seeking to cooperate and coordinate new policies based on the redefinition of priorities of development, social development, and growth in open contestation to the policies and practices of neoliberal models of the past. New regional projects such as UNASUR and ALBA have emerged out of those commitments grounding new practices in new consensuses about sovereign management of security, growth, and human development. The region became in this way a platform magnifying the potential and reach of coordinated public policies in these areas. New political coordination to safeguard and institutionalize instruments for the management of economic resources, democratic stability in the region, diplomatic conflict resolution, as well as convergence in an embryonic form of extra-regional foreign policy have been put in place.¹ All this has strengthened the sense of being part of an emerging regional political community which accommodates like-minded governments, yet of different ideological persuasion. In other words, new understandings of what regionalism *is for* expresses an identity-building process centered on shared values and practices challenging the narrative of neoliberalism and open regionalism as the only alternatives for inter-American governance. On the other hand, post-hegemonic politics are associated with a series of policies and initiatives that have been advanced in South America for a number of years with the aim of securing access to natural resources. Such initiatives

¹ UNASUR was a key stabilizing factor in offsetting attempts to destabilize democratic order in Bolivia and Ecuador, and in resolving diplomatic conflicts between Colombia, Ecuador, and Venezuela. It also adopted a common position to support Argentina's demands of UK compliance with UN resolutions over the Malvinas/Falkland Islands dispute; cooperation over the earthquake in Haiti; condemnation of the coup in Honduras followed by diplomatic actions that aimed to isolate the illegitimate government in international fora.

involve the establishment of new international agreements and practices in mining and energy integration, as well as intraregional foreign direct investments in resource sensitive sectors. As a form of *resource-driven integration*, this process is likewise connected with the proliferation of socio-environmental conflicts across the region derived from the detrimental implications of these policies on the livelihood of local communities.

The argument presented in this chapter is that unlike the first set of political dynamics that characterize post-hegemonic regionalism, resource-driven integration set the current limits to the transformative potential of regionalism in South America. This is the case since socio-environmental conflicts present new sources of development tensions related to the asymmetrical distribution of benefits and liabilities of natural resource extraction. In many ways this dimension regionalism contradicts the significant advancement reached in terms of political coordination.

There is a burgeoning literature that analyzes the emergence of socio-environmental conflicts related to extractive industries. Some authors explore the socio-political and cultural implications of such conflicts for development policies and processes (Broederlijk Denle and ALAI 2008; CIDSE/ALAI 2009; Chaparro 2006; Escobar 2010; Svampa and Antonelli 2009), while others stress the implications on state-building processes as part of shifting interrelations between social movements, companies, and states (Bebbington 2009). The strategies developed by local communities to demand rights accountability to powerful state and corporate interests when extractive industries undermine their sources of livelihood have also led to scholarly analysis (Martinez-Alier 2003; Newell and Wheeler 2006; Rodriguez and Carruthers 2008; Saguier 2010a). Yet, the regional and international dimensions of socio-environmental conflicts have been less explored. Some exceptions include analyses that focus on the redefinition of the South American regional space by its capture by transnational capital (Ceceña et al. 2007) or by the trans-local patterns of migration driven by small-scale gold miners (Theije and Heemskerck 2009). This chapter explores the intersections between socio-environmental conflicts and region-building process which define the path-dependent trajectories of post-hegemonic regionalism in South America.

To explore this claim the first section reviews a series of policies and initiatives being undertaken in South America with the aim of facilitating access to natural resources for trade and industrial development. The expansion of transnational mining activities and the integration of hydroelectric power infrastructure constitute key vectors of resource-driven integration. It is discussed that this approach to integration effectively represents a particular and controversial approach to regional resource governance. The second section explores the relations between resource-driven integration and the exacerbation of socio-environmental conflicts stemming from the unequal outcomes of mining and hydroelectric integration which often entail overriding communities' rights to a livelihood and to consultation. These conflicts are being represented and acted up by social movements and actors that express the views and demands of affected communities throughout the region. The third

section shows how this is changing the patterns of relations of civil society groups with regional governance. Finally, the conclusion speculates on the potential trajectories of post-hegemonic regionalism in the case that ongoing intersections between resource-driven integration and socio-environmental conflicts are maintained. It also suggests pending challenges to save regionalism from undermining itself.

7.2. RESOURCE-DRIVEN INTEGRATION

The politics of regionalism in South America are being shaped by a series of government policies, investments, and social conflicts that modify the terms of access and use of natural resources for trade and industrial development purposes. Mining and energy integration feature as two axes along which regional dynamics are being advanced. The politics of resource-driven integration can be seen as a gradual and more recent process that combines in a common geopolitical space trends that have been taking place in all South American countries for a long time, even if at different rates and levels of intensity. The economic dependence on natural resources, a historical characteristic of most Latin American economies, continues to be a defining element of the region's political economy (UNCTAD 2007). There has been a continuity and even expansion of extractive industries in all countries. This can be seen in the case of mining. From the early 1990s to the year 2000, the share of Foreign Direct Investment (FDI) in mining projects in Latin America increased from 12 to 33% in relation to overall global investments (De Echave 2007). During the same period, Latin America concentrated 12 of the 25 world's largest investment projects in mining (Bridge 2004). Recipients of mining FDI include not only countries where this activity has a long history, like Peru, Chile, or Bolivia, but also countries where large-scale mining is being promoted as a newly established industry. This is the case of Argentina, where mining investments increased by 740% between 2003 and 2009. Likewise, the number of transnational mining projects in Argentina went up from 3 to 150—mostly in copper and gold but also silver and molybdenum—from 2002 to the end of 2005 ("La nota. . ." 2009). Large-scale mining projects are also planned in Uruguay, another country where this industry is only recently beginning to enter.

A similar situation is found in terms of hydrocarbon (oil and gas) exploration and production. In Peru, areas of hydrocarbon concessions, where companies acquire exploration rights, cover more than 70% of the country's Amazonian territory. This is likewise the case in Ecuador, where two-thirds of the Amazon is already zoned for hydrocarbon expansion. Moreover, 55% of the national territory in Bolivia is officially considered to be of potential hydrocarbon interest. Indeed, under the current Morales administration in Bolivia, hydrocarbon operations have significantly expanded in the country's northern Amazon basin. Bebbington (2009) shows a structural dependence on extractive industries which is common to different Andean countries characterized by very different ideological persuasions of their governments. Peru, Bolivia, and Ecuador all rely on the expansion of such extractive

industries for fiscal purposes. A similar situation can be seen in relation to the expansion of extractive industries in other countries, such as soybean production and biofuel agriculture in Argentina, Brazil, and Paraguay, forestry in Chile, Uruguay, and Brazil, and salmon fisheries in Chile.

The reinforcement of historical patterns of extractivist models is largely associated with the high price of such primary goods in the world market which results from the sustained demand of industrializing China and India. This creates a complex situation for South American economies. It is the case that natural resource exports provide a reliable source of fiscal revenues that ensures solvency, and a platform for funding public policies. This is particularly important at a time when there is a global economic crisis. Moreover, such fiscal resources are key to financing much-needed social and redistributive policies as well as programs to support industrial development and innovation. Yet, having the right balance between industrial and natural-resource production is proving more difficult to attain.

Another factor driving the turn to extractivism across South America relates to shifting patterns in manufactured goods industries. South American economies are losing competitiveness to cheaper Chinese products affecting industrialization. Furthermore, the increase in revenues from natural resources introduces a pressure to strengthen national currencies, resulting in exports becoming more expensive. This affects particularly industrial goods, since the price of primary goods is expected to remain high in the foreseeable future. This situation, often referred to as the “resource curse” and as the “Dutch disease,” leads to the bolstering of the neoextractivist component of current economic models across the region based on the export of primary and agricultural goods.

Another regional implication is that in order to withstand the competitive pressures on manufactured goods, there are incentives to obtain natural resources and energy from the region by disregarding the social and environmental costs of doing so. Namely, the pursuit of industrial competitiveness is another factor leading resource-driven regionalism in ways that generate a race to the bottom to lower socio-environmental standards and override communities’ rights. The externalization of such “costs” becomes part of the ingrained logic of regionalism.

Resource-driven integration is thus based on the coexistence of extractivist and neodevelopmental policies. As it was suggested, both aim at different goals, namely the economic reliance on natural resource extraction in the first case, and the aspiration of industrial development in the second case. However, both policy orientations share something in common. This is that they equally pose a great challenge to socio-environmental sustainability in the region. One of the vectors of this form of integration is the expansion of mining activities in international border areas. This enables access to untapped underground minerals in locations which many times are prevented by national constitutions from exploitation. Mining has traditionally been banned from international borders due to geopolitical and national security considerations. Arrangements put in place to advance integration through transnational mining are varied.

There is the case of a bilateral *Chile-Argentina mining treaty*. It was signed in 1997 and ratified by both parliaments in 2000. This bilateral treaty marks a new generation of transnational resource governance. It allows for the first time a cross-border exploitation of mineral deposits in an area that covers more than 200,000 square kilometers equivalent to over 95% of the international border—one of the longest borders in the world. Many provisions that facilitate companies' activities were added to the treaty through further protocols. According to the treaty, Argentina and Chile must set up special border controls, grant access to the mining companies for "all types of natural resources"—including water—allow private airports in the border area, and grant broad exemptions to their immigration, health, labor, and sanitary laws. In the case of Chile, many of the treaty's provisions are protected by multiple bilateral free trade agreements (FTAs). In Argentina, the Mining Code (1999) and a Law on Mining Investments (2004) set the regulatory framework for the treaty. Mining corporations have already begun to explore in this area attracted by the conditions established in the treaty, while others have expressed their interest in doing so. At present, there are four large binational projects that have been approved. The largest project is currently Pascua Lama by Canadian company Barrick Gold. There are also the El Pachón project, owned by Xstrata (Switzerland) in addition to Vicuña and Amos-Andrés, both owned by Rio Tinto (UK). These projects, at different stages of development, are all concentrated in the highlands of northern Chile and Argentina and in the extreme southern end of the Andes range. Both areas are key sources of water that feed rural communities and several cities. Future projects will be located in more central areas of the Andes, near where most of the agricultural activity takes place and where most of the Chilean people and a significant part of the Argentinean population live.

Transnational mining is also taking place along the Peru-Ecuador border in the *Cordillera del Condor*. This area is known for the conflict that pitted Peru and Ecuador in 1995. Since then, mining investments were attracted to this area rich in gold reserves. Concessions issues to mining corporations have almost tripled between 2005 and 2010, turning the Cordillera del Condor into a "transnational mining district." Most of the mining concessions issued until now have taken place on the Peruvian side of the border. Cenepa is one of the largest projects, comprising of 10 mining concessions which total an area of approximately 9,000 hectares. New Dimension Resources Ltd. (Canada), Minera Afrodita (owned by Donato Resources from Canada), and Monterrico Metals (originally a British company that was sold to the Chinese Zijin Consortium in 2007) are the main investors. Zijin alone acquired 35 concessions in an area that covers 28,000 hectares, in addition to holding some concessions on the Ecuadorian side of the border. The Condor project, owned by Kinross Gold (Canada), and Ecuacorriente are also important investments located on the Ecuadorian side (IWGIA 2010).

In addition to transnational mining along international borders, resource-driven integration in South America is associated with the creation of regional energy infrastructure. Particularly, the development of a regional hydroelectrical power infrastructure mobilizes large sums of public and private investments. This is geared

toward increasing and integrating regional capabilities for electricity generation, transportation, and intraregional trade. The abundance of water in the Amazon basin makes this area the epicenter of a series of networks of interconnected dams and transport infrastructure that link production sites and consumer markets throughout the region marked by a growing demand for energy. Access to reliable, sufficient, and cheap energy resources is vital for industrial development prospects of all countries, though the Brazilian industrial sector constitutes the main source of demand considering its growth over the last years.

In this context, a number of large-scale hydroelectric dams are planned to be constructed in different parts of the Amazon basin. This is leading to new patterns of regional international cooperation in which Brazilian companies play a key role as the main concessionaries of infrastructure projects. The Initiative for Regional Infrastructure in South America (IIRSA) provides the finance for these projects. IIRSA is an institutional mechanism created in 2000 for the coordination of inter-governmental actions with the aim “to promote the process of political, social and economic integration of South America, including the modernization of the regional infrastructure and specific actions to stimulate the integration and development of isolated sub regions.”² IIRSA is a critical pillar in resource-based regionalism currently hosting an agreed portfolio of 524 infrastructure projects in the areas of transportation, energy, and communications, which are grouped in 47 clusters of projects that represent an estimated investment of US\$ 96,119.2 million at June 2010.³ The Inter-American Development Bank (IDB), Corporación Andina de Fomento (CAF), and the Financial Fund for the Development of the River Plate Basin (FONPLATA) provide the technical governance of IIRSA. These organizations and the World Bank provide financial resources.

Yet, most importantly, Brazil’s National Development Bank (BNDES) is also a key regional player in mobilizing resources for IIRSA-sponsored projects that are planned both within Brazilian territory and in neighboring countries. One of the most emblematic projects being carried out in the IIRSA framework is the *Madeira hydroelectric complex*. Comprising of four interconnected dams, this project is currently the main hydroelectric initiative within IIRSA and, once completed, it will be the largest in the Amazon basin. The construction of the Santo Antonio and Jirau dams is already under way in the Brazilian state of Rondonia. They are being financed by BNDES, as part of the IIRSA component of the government-sponsored Growth Acceleration Program (PAC) set up to increase Brazilian competitiveness. It is planned that the Cachuela Esperanza dam will be located in Bolivia close to the Brazilian border. Lastly, the Gayra-Mirin dam will be placed on a river that sets the international border of Bolivia and Brazil, hence being binational jurisdiction.

² IIRSA website: <http://www.iirsa.org/> (Retrieved February 2, 2011).

³ Ibid.

Another project that is advancing resource-driven integration is the construction of a *mega-hydroelectric complex* in the Peruvian Amazon. This initiative followed the signing of a bilateral energy integration treaty between Peru and Brazil in 2010. Just as the IIRSA-sponsored Madeira project, the aim of this initiative is to generate electricity in Peru to be mostly transported to Brazil to meet its rising energy demand. The treaty establishes that Peru must ensure that up to 30% of the energy generated by the dam complex is for its own demand or use, while the remaining 70% can be exported to Brazil.⁴ The hydroelectric complex includes the Inambari dam located in southeastern Peru. Once completed, this will be the largest hydropower project in the country and the fifth largest in Latin America. Its construction is expected to cost US\$ 4,000 million, which also includes a line of 357 kilometers to take the electricity to the Brazilian border. The construction work is planned to begin in mid-2011 to early 2012 and it is expected to take from four to five years to complete. The Inambari dam is supported by the Egasur consortium made up of a group of Brazilian companies: OAS, Eletrobras, and Furnas. The complex also contemplates the construction of four additional dams, the Paquizapango, Mainique 1, Tambo 40, and Tambo 60. The total combined investment is estimated at between 13.5 and 16.5 billion dollars. Brazil's BNDES finances this colossal project. These are only some of the projects planned to take place in the region and which will interlink the Amazon basin in a common hydro-energy system. Among other initiatives that are planned to follow there are projects to build 10 more dams along the Uruguay River within Brazilian territory, as well as the Garabí and Paramí dams on a binational Brazilian-Argentinean area.⁵

The politics of resource-driven integration suggest that regionalization is a politically sensitive process. States and private interests are currently building forms of regional resource governance that enhance in many ways autonomous development and the capacity of the states to financially support social policies, both nationally and regionally. But at the same time these policies are puzzling as they are engendering a new source of conflict related to socio-environmental effects on populations that affect their citizenship. Transnational mining and hydroelectric energy integration are examples of this. This depiction of integration suggests that there are no deterministic outcomes in current processes of regionalism in South America. Regional exploitation of natural resources and social and ecological consequences are two new elements defining the new agenda of regional development and at the same time refocused demands for social activists. As the next section discusses, the outcomes of these tensions are manifesting in concrete conflicts that will need further political will.

⁴ <http://www.minem.gob.pe/minem/archivos/file/Electricidad/acuerdo%20junio%20%202010.pdf> (Retrieved February 4, 2011).

⁵ <http://www.cipamericas.org/archives/3596> (Retrieved February 1, 2011).

7.3. SOCIO-ENVIRONMENTAL CONFLICTS

This section discusses the proliferation of socio-environmental conflicts in South America related to the advancement of resource-driven integration. The main claim is that conflicts arise because integration disregards its negative consequences for the livelihood of rural communities who are left to cope with the environmental liabilities of this form of regional integration.

Socio-environmental conflicts have been part of South America for a long time. These involve communities struggling against the unequal distributions of costs and benefits of natural resource extraction and the impact this has on their livelihood. What is at stake with resource-driven integration is who uses natural resources, how are they being used, and for what purposes. Conflicts emerge when there are asymmetric expectations and understandings concerning the economic, ecological, social, and cultural *value* of different resource-sensitive projects (Martinez-Alier 2003). The destruction of communities' livelihoods stems from the limitations of development conceptions and practices associated with resource-driven integration. These reflect what has been defined as the logic of "accumulation by dispossession" (Harvey 2003). This refers to a mode of generating material wealth that comes at the expense of depriving people of their rights and causing ecological destruction. This form of accumulation has been characteristic of prevailing forms of capitalism where accumulation depends on expanding the boundaries of a global market with the commodification of nature. Indigenous peoples are particularly vulnerable to this since their possibility of survival is directly dependent on their territories not only for material subsistence but also for cultural and spiritual reproduction.

This represents something of a paradox, as post-hegemonic regional politics of integration in many ways echo a resurgence of identity politics and recognition of indigenous populations as subjects of politics. Mining and hydroelectric energy integration, two main pillars in support of alternative projects of regionalism, however threaten the livelihood of poor rural communities whose subsistence depends on maintaining the rich biodiversity of rain forests, rivers, and land. Large-scale mining activities are responsible for the pollution of water reserves with the use of cyanide and mercury in the mineral extraction process. This leads to the decimation of fish in rivers, health problems in people exposed to this contaminated water, loss of fertile land, and shortages of clean water for human and animal consumption. All this affects fishing and husbandry activities of communities located near mining sites. Peasants and indigenous peoples are particularly exposed to this situation (CIDSE/ALAI 2009; Broederlijk Denle and ALAI 2008). In the region of the Southern Andes, large-scale mining activities have been responsible for the pollution of mountain glaciers and downstream water, such as raised by the accusation on Barrick Gold in relation to the Concota glacier in 2005 with its Pascua Lama project. Mining is a particularly sensitive industry that has led to different forms of conflict in connection to its negative social and ecological consequences on local communities. Throughout Latin America there are presently 154 mining-related conflicts out of a total of 184 mining projects

affecting 222 communities and involving 247 companies. In South America alone, these figures register 121 conflicts in relation to 148 mining projects with 179 affected communities (Table 7.1).⁶ This shows the extent to which mining and conflicts are related, and the absence of adequate national and regional governance instruments to prevent such conflicts from taking place.

With the increase of mining activities there has also been a growing number of cases of deaths and criminalization of anti-mining community leaders (Godnick et al. 2008; Saguier 2010b). Often, violent clashes take place with police forces many a time leading to casualties on both sides. The protests of the Awajun indigenous communities in the Peruvian town of Bagua in 2009 resulted in the death of 33 people (23 police officers and 10 civilians), 200 wounded, and 83 detained. This event was the last episode of a long process of protests led by Awajun to resist the concessions of exploration and exploitation rights to mining company Afroditá in an area located in the Cordillera del Condor region where there has been a long-standing controversy between the government, indigenous communities, and the company (IWGIA 2010). All has led to an intense protest campaign by indigenous peoples affected by mining activities of the Afroditá leading to the government's decision in 2010 to revoke

TABLE 7.1. Socio-environmental conflicts related to mining in Latin America

Countries	Conflicts	Projects	Companies	Communities
Argentina	24	30	43	37
Bolivia	5	6	7	21
Brazil	21	21	37	34
Chile	25	28	42	34
Colombia	16	32	21	20
Costa Rica	3	3	4	3
Ecuador	4	5	4	5
El Salvador	2	2	3	4
Guatemala	4	4	7	4
Honduras	3	2	4	2
Mexico	13	13	17	15
Nicaragua	3	3	6	7
Panama	5	5	7	5
Peru	26	26	42	28
Dominican Rep.	3	3	2	2
Trinidad and Tobago	1	1	1	1

Conflicts registered: 154.

Projects involved: 184.

Affected communities: 222.

Source: OCMAL, <http://www.olca.cl> (retrieved January 28, 2011).

⁶ See Table 7.1 for nationally disaggregated list of socio-environmental conflicts related to mining in Latin America.

the concession indefinitely. It was recognized that the concession had been irregular and that it violated constitutional provisions. The mining license granted to Afrodita on the Cordillera del Condor violates article 7 of the Peruvian constitution which establishes a prohibition of foreign direct or indirect ownership of mines and land anywhere within a 50-km strip close to the international border. Moreover, the area covering Afrodita concessions had been part of a national reserve whose size was reduced in 2007 to allow the company to be able to bypass yet another legal restriction. Indeed, the concessions issued to mining and oil transnational corporations in Peru without the consultation of indigenous communities cover 49 million hectares and affect 72% of the Peruvian Amazon region. There is suspicion that countries will try to seek a new bilateral mining treaty that will remove such impediments to transnational mining taking the antecedent of the Chile-Argentina mining treaty.

These conflicts are also experienced in relation to infrastructure projects to create a hydroelectric regional market. The construction of dams often entails the removal of local populations that inhabit areas that are flooded by the dams. This creates internal migrations and deep social problems related to this condition. Moreover, the flooding of large areas leads not only to great loss in biodiversity but also to the release in the atmosphere of great volumes of carbon emissions that are generated by the decomposition of biomass. This contributes to climate change. Likewise, the alteration to the natural flow regimes of rivers and streams is also recognized as a major factor contributing to loss of biological diversity and ecological function in aquatic ecosystems. This has led to great social backlash. In Brazil a united front made up of indigenous peoples, the Movement of People Affected by Dams, claims to represent one million people displaced from their land, several environmental organizations, and scientists. It is estimated that 44% of hydroelectric generation planned within PAC-IIRSA affects legally established indigenous territories, such as the Karitiana and Karipuna indigenous communities. Similarly, it is estimated that the mega-hydroelectric complex planned in the framework of the Peru-Brazil bilateral energy integration treaty will damage an area as large as 56% of the Peruvian Amazon. The worst case scenario predicts damages of 91% of the jungle area (Dourojeanni et al. 2009).

Socio-environmental conflicts are also the result of recurring patterns of exclusion and marginalization of affected communities which are reproduced in resource-driven integration. This has been the case in transnational mining where indigenous and peasant communities have not been consulted prior to the granting of exploration rights to mining corporations. This violates 196 ILO Indigenous and Tribal Peoples Convention which establishes the right to prior and informed consultation of indigenous peoples. This can be seen in the Pascua Lama project on the Argentina-Chile border and in the mining concessions issued on the Cordillera del Condor area on the Peru-Ecuador international border. Likewise, there have been no consultations in the IIRSA-sponsored hydroelectric projects. According to the UN 2009 special report on the rights of indigenous people, IIRSA infrastructure projects have been impacting the environment and local indigenous communities without implementing mechanisms of previous consultation and participation (Human Rights Council 2009). The

most controversial case in this respect has been the Belo Monte dam, which is strongly opposed by the indigenous peoples of Xingu and is one such project which will contribute toward the energy needs of the aluminum industry in Brazil. Likewise, the hydroelectric complex planned in Peru does not count with a social license which needs to be issued by the would-be affected local inhabitants that will be exposed to the impact of flooding of their land, loss of economic activities, relocation, etc. (Dourojeanni et al. 2009).

According to a report produced by CLAES, infrastructure works with high environmental impact such as dams and roads that are conducted in Brazil under the Growth Acceleration Program (PAC) have not received the required environmental permits or follow consultation with potential beneficiaries and affected (CLAES 2010; Van Dijck 2008, 2011). Indeed IIRSA has received little, if any, public debate or parliamentary oversight in any of the countries involved. IIRSA-sponsored projects suffer from a serious accountability gap. In many ways, this represents the limits to the transformative capacity of new forms of regionalism embraced by projects such as UNASUR. This also reveals an absence of national and regional political debate about what post-hegemonic integration means and a more technical question about how to finance it. There is a need for a regional debate which could lead to new policy frameworks for sustainable regional resource governance. How to deal with the asymmetrical distributive implications of natural resource use where populations are stripped of their livelihood and rights in the name of development? Who benefits from this kind of integration? Who can decide over such resources? The following section reviews some social responses spurred by socio-environmental conflicts which suggest the regional political process is also subject to changes in social dynamics of contestation.

7.4. CIVIL SOCIETY AND REGIONAL GOVERNANCE

The proliferation of socio-environmental conflicts in South America connected with resource-driven integration is changing the ways in which civil society organizations relate with regional governance. The main claim of this section is that there is a migration of the socio-environmental agendas of social movements outside the institutional mechanisms established for civil society consultation on regional integration issues. This raises concerns about the future trajectories of post-hegemonic regionalism, particularly with respect to the fulfillment of its democratic and transformative potentials.

The political demise of the Free Trade Area of the Americas (FTAA) project at the 2005 Summit of the Americas marks a turning point in civil society relations with South American regionalism (see [Chapter 8](#)). This trade initiative had been the pillar of hemispheric economic relations since the mid-1990s and a key drive of the US engagement with the region in the post-Cold War context. The spirit behind the FTAA project was to embed and consolidate a neoliberal agenda with a model of regional governance based on market integration. Its demise in 2005 responded to the

concerted opposition of newly elected governments who came to power in the havoc of social, economic, and political unrest after over a decade of neoliberal policies. Stiff opposition also came from mobilized social movements and social actors from across Latin America who found in the FTAA a visible manifestation of growing global corporate power and the power of the United States and US doctrines in the Inter-American system.

Until this moment social movements' role as subjects in the regional arena had been shaped by resistance to neoliberal trade integration (this remained the case in Andean countries that subsequently pursued bilateral free trade agreements since the FTAA had ceased to be an option). Mobilization to oppose the FTAA proposal led to the formation of national and transnational social movement coalitions, some of which even engaged in grassroots bottom-up process to build alternative integration agendas. This was the case of the Hemispheric Social Alliance, a broad-based hemispheric coalition of trade unions, peasants, and indigenous movements created in 1997 (Saguier 2007). Likewise, the emergence of the World Social Forum since 2001 enabled a space for social movements to debate alternatives to neoliberalism. These and many other practices resonated with a generalized loss of credibility of neoliberal policies and institutions around the world which came to public sight with unprecedented mass demonstrations in Chiapas, Seattle, Porto Alegre, Quebec, among others (Gill 2003; Pleyers 2010; Seoane and Taddei 2002).

The defeat of the FTAA, however, was a turning point not only for the definition of the regional agenda advanced by new leaders and governments, but also for the reposition of civil society organizations that now saw a turn to the Left in national and regional political platforms, incorporating and acknowledging several aspects of their resistance to the FTAA. This context epitomized the crisis of neoliberal hegemony in the region as well as a reorientation of social activism. As a consequence, new relationships were configured between new leaders, new agendas, and new spaces for dialogue and political action between social actors and governments. Doing so required reinventing the spaces for social movement engagement in regional political process. Many social movements saw the emergence of UNASUR and ALBA as opportunities to engage with governments in the construction of new agendas, mostly now focused on the consequences of natural resource extraction and the recognition of citizenship rights. These had been historically ignored issues in regional integration and now emerged as prerogatives replacing trade liberalization and other considerations of the past.

Three institutional initiatives were introduced in the attempt to explore novel arrangements of civil society relations with regional governance. First, the *MERCOSUR Social Summits* were created in 2006 as a deliberative supranational space where social movement representatives could engage with governments to discuss regional issues in the search for policy proposals moving beyond its trade-centric legacy (Carranza, 2006, 2010).⁷ Second, the *ALBA Council of Social Movements* was

⁷ <http://www.somosmercosur.net/>

established in 2007 with the aim to formulate and present projects and declarations to the ALBA presidential council. Though ALBA is a subregional grouping, the council is open to the participation of social movements from the entire region, including from non-ALBA countries. Some of these organizations which engaged in this council include the landless workers movement (MST) from Brazil, peasant organizations from Argentina, and even some groups from the United States. The Latin American Coordination of Rural Organizations (CLOC)—the regional peasant coalition member of the international network Peasant Way (Via Campesina)—also endorses the ALBA council.⁸

Finally, the *Social Summit for the Integration of the Peoples* was convened by the newly elected government of Morales in Cochabamba, Bolivia, in 2006, as a parallel event of a presidential summit of the South American Community of Nations (with was later replaced by UNASUR). An embodiment of Morales concept of “peoples’ diplomacy,” the summit was attended by 5,000 social movement delegates and was coordinated by the Bolivian members of the Hemispheric Social Alliance. Among the key resolutions that emerged from this social summit was a recommendation urging governments to sign a protocol for the homogenization of national legislations related to *extractive activities*, which includes social, cultural, economic, and environmental aspects. Similarly, it also proposed the creation of a regional institution to gather information about the behavior of transnational corporations operating in the region (Fundación Solón 2007). All these agendas are relevant for the regional governance of natural resources, its social, environmental, and developmental implications.

It would be premature at this point to try to reach any conclusive assessment on the extent to which these new regional governance arrangements have improved the possibilities of civil society organizations and movements to influence the regional political process. Influence on regional policy also depends on a number of other domestic factors that fall beyond the scope of this chapter. Yet, in some way these arrangements do represent a departure from past experiences of regional integration processes in Latin America, which have historically been led by strong executive leaderships with minimal, if any, participation of civil society actors and parliamentary oversight (Icaza et al. 2010; Malamud 2008). However, it is also the case that post-hegemonic regionalism in the form of resource-driven integration still present social and environmental dilemmas that can potentially derail commitment to social inclusion and identity politics embraced by the new leaders and manifested in the letter of many projects. The fact that the *Social Summit for the Integration of the Peoples* has never convened again after the establishment of UNASUR in 2008 is indicative of this tension.

⁸ “CLOC ratifica compromiso con ALBA de los Pueblos”, V Congreso de la Coordinadora Latinoamericana de Organizaciones del Campo, Quito, Ecuador, 8 al 16 de octubre del 2010, http://www.movimientos.org/noalca/albasi/show_text.php3?key=18360.

The ambiguities of regional agendas that portray a post-hegemonic, anti-elitist message yet with limited channels of social voice in new and highly conflictive areas of policy are also fragmenting social actors' position vis-à-vis the governments. While some social movements and organizations continue to participate in new, yet embryonic, regional governance mechanisms, others preferred to disengage from them considering they serve as means of cooptation rather than transformation. What this shows is that the new agenda of regionalism has not been able to maintain, recreate, or capitalize on the levels of social movement convergence that were reached during the phase of resistance to the FTAA project. Building a peoples' alternative to neoliberal regionalism is proving to be a difficult process.

In the pursuit of alternative agendas of regionalism, a number of affected communities and social organizations involved in socio-environmental conflicts from across the region have begun to explore transnational advocacy opportunities. There is a burgeoning literature which explores how transnational mobilization allows social actors to complement, and redefine, the local and national focus of their work as part of experimentation with different forms of interest representation and rights-claiming practices (Della Porta and Tarrow 2005; Gaventa and Tandon 2010; Khagram 2004; Tarrow 2005; Keck and Sikkink 1998; Smith et al. 1997). Networks that had been created for continental resistance to neoliberal trade policies, like the Hemispheric Social Alliance, provide a valuable organizational resource to foster new solidarity links. Others, like the indigenous movement, have a long-established trajectory which has enabled them to regionalize a grassroots debate on the relation between new forms of citizenship and collective rights to "natural resources" (Bengoa 2000; Toledo Llancaqueo 2005; Yashar 2005). Local ecologist organizations link up with international issue-based NGO networks to gain support for their struggles, advocacy expertise, and access to wider audiences. In different ways, such transnational solidarity alliances aim at preventing and redressing the detrimental consequences of extractivism on livelihoods that are being exacerbated by resource-driven integration. As a bottom-up process, transnational activism is another form of civil society engagement with regionalism.

Mining has become a focal point for regional transnational advocacy. Social mobilization to oppose large-scale mining activities led to 40 organizations and networks creating a regional anti-mining coalition in 2007; the *Observatory of Mining Conflicts of Latin America (OCMAL)*. Its goal is to defend communities and populations against the effects of mining in their livelihood activities (agriculture, livestock, forestry, fisheries, tourism, housing, and culture).⁹ From an environmental justice

⁹ OCMAL has roots in the work started by the Ecuadorian organization Acción Ecológica in the mid-1990s. Its member organizations come from Ecuador, Argentina, El Salvador, Bolivia, Guatemala, Brazil, Honduras, Chile, Mexico, Colombia, Nicaragua, Costa Rica, and Perú. Additionally, there are also two regional networks members, the Central American Alliance against Mining and the Latin American Network of Women for the Defence of Social and Environmental Rights. See OCMAL, <http://www.conflictosmineros.net> (Retrieved February 5, 2011).

perspective centered on rights, OCMAL's work focuses on the analysis of current institutional frameworks for mining activities to offer alternatives which do not accentuate asymmetries and infringe rights of populations.

Communities affected by mining projects located on international borders increasingly build solidarity links to coordinate joint advocacy actions. This is the case with communities from Argentina and Chile for the exchange information and the systematization of research on the socio-environmental implication of the Pascua Lama project—and on the proposed future investments that are planned along the border. They also organize public events aimed at reinforcing solidarity ties, such as holding meetings on the international border with the message to “embrace the Andes range simply because it is ours.” The sharing of experiences in anti-mining struggles permitted Union of Citizen Assemblies (UAC) in Argentina to learn from a popular consultation held by social movements in the Peruvian town of Tambogrande in 2002 in opposition to a mining project. This was later replicated in Argentina (CIDSE/ALAI 2009), leading to changes in provincial legislations that ban the use of chemicals in extraction procedures.

Similar developments are taking place in the Cordillera del Condor along the Peru-Ecuador border. Indigenous communities from both countries are joining actions to prevent their ancestral territory being destroyed by the arrival of extractive industries. They press their governments to declare this region free of large-scale mining and promote the creation of an international commission to investigate and sanction the many cases of assassination of community leaders associated with communal resistance to mining activities. They also collaborate in joint judicial actions in national and international courts, including the Inter-American Commission of Human Rights, to demand that their rights to consultation and to the sovereignty of indigenous territories are respected.¹⁰

Much of these solidarity actions led by indigenous communities build on intensive previous work, at times in collaboration with peasant organizations and labor unions. This is the case of the *Andean Forum on Large-scale Mining: Alternatives by the Communities, Indigenous Peoples and Workers* that was held in Bogotá, Colombia, in 2008. The forum gathered 500 delegates of 49 organizations. They issued a declaration which, among its several points, called for a continental action for states, peoples, and communities to reclaim the control of their territories, nature as a public good and biodiversity. It also called for the promotion of alternative mining policies based on the previous consent of communities, the prohibition of using underground sources of water in dry areas, pollution, violation of labor rights, and others.¹¹ Regional events

¹⁰ Binational Declaration of indigenous communities of Peru and Ecuador affected by mining enterprises Piura, Peru, July 2–4, 2010, <http://www.conflictosmineros.net/contenidos/19-peru/5661-declaracion-binacional-de-comunidades-afectadas-por-mineria> (Retrieved February 5, 2011).

¹¹ Declaración del Foro Andino frente a la Gran Minería: Alternativas de las Comunidades, Pueblos Indígenas y Trabajadores: <http://www.asc-hsa.org/node/651> (Retrieved February 5, 2011).

like this bring together vibrant national processes with different levels of mobilization experiences, such as at the National Confederation of Peruvian Communities Affected by Mining (CONACAMI) founded in 1999¹² and the Colombian Network against Large-scale Transnational Mining (RECLAME) launched in 2010.¹³ The Americas Social Forum is also another important venue for the articulation of common views and strategies of resistance to policies and projects that undermine the livelihoods of indigenous and peasant communities.

Increasingly social organizations that respond to mining activities from a rights-based perspective resort to non-legal public opinion tribunals as means to denounce and systematize information about rights violations connected to extractivism in Latin America. This is the case of the *Ethical Tribunal on Transnational Mining*, which was held in the city of Santiago, Chile, in 2010 hosted by the Latin American Observatory of Environmental Conflicts (OLCA)—a Chilean organization member of OCMAL. This tribunal is the first of its kind to address specifically the subject of mining on international border areas. Affected communities located along the borders of Mexico-Guatemala, Guatemala-Salvador, Peru-Ecuador, Bolivia-Brazil, and Chile-Argentina presented cases to be reviewed by the tribunal.¹⁴ Likewise, a similar experience was the *Permanent Peoples' Tribunal* processes held in Peru and Colombia during 2008. In these cases, affected communities from many Latin American countries brought accusations of the complicity of transnational corporations in the violation of human rights. Most of the cases presented evidenced crimes related to extractive industries including mining, among others. These abuses were facilitated by public-private regimes of impunity that involve corporations and national and international organizations (Saguier 2010a).

Hydroelectric energy integration, another vector of resource-driven integration, is also a growing focal point of regional transnational advocacy for an evolving Latin American anti-dam movement. The *Latin American Network against Dams and for Rivers, their Communities and Water (REDLAR)* was set up in 1999 to articulate 250 social organizations, movements (indigenous, human rights, women, environmental), and networks from 18 Latin American countries. This network stems out of the struggles for the defense of access to water as human rights against policies of privatization of public services during the 1990s. It advocates the democratization of water and energy policies and governance mechanisms, in line with principles of social equity and ecological sustainability.¹⁵ It is opposed to the construction of socially and environmentally destructive dams that have not been approved by affected populations through a genuine and properly informed and participatory process that can ensure

¹² CONACAMI: <http://www.conacami.org> (Retrieved February 5, 2011).

¹³ RECLAME: <http://www.reclamecolombia.org/> (Retrieved February 5, 2011).

¹⁴ Indictment Declaration of the Ethical Tribunal on Transnational Mining, http://www.olca.cl/oca/mineras/fallo_tribunal_etico_a_mineria_de_frontera.pdf (Retrieved February 5, 2011).

¹⁵ REDLAR: <http://www.redlar.org/> (Retrieved February 5, 2011).

that their basic needs are prioritized. IIRSA-sponsored hydroelectric projects feature as an important element of REDLAR's work. Indeed, the plans to build 10 dams on the Uruguay River within Brazilian territory, as well as the Garabí and Paramí dams in a binational Brazilian-Argentinean area, are expected to give greater dynamism to this regional movement. It is estimated that these future dams will displace 50,000 people that live on the shores of the Uruguay River.¹⁶

The relations between civil society groups with regionalism are complex and far from linear. Transnational advocacy represent social actors' search for new channels to resist, critically engage, and transform some of the current features of post-hegemonic regionalism. Governance arrangements set up for civil society consultation do not yet provide a venue where affected communities can find immediate solutions, in the form of policy changes which could prevent and redress the continuing threats to which they are being exposed. The formal regional political process is cumbersome, slow, and often swamped by the short-term priorities of entangled government leaderships. The pressures to gain economic competitiveness at the expense of social and environmental costs reduce incentives to advance in new regional policy approaches to natural resources and their impact on communities. As a result of this, growing demands for coherence between the regional development aspirations and the socio-environmental rights of communities are not being adequately addressed by the regional political process. In this respect transnational social activism becomes another form of engaging in the politics of regionalism.

Transnational activism does not necessarily express the emergence of a socio-ecological political movement in South America. The wide diversity of mobilized actors across sectors, classes, and cultures in rural and urban settings is both the source of strength as well as weakness of transnational coalitions. Yet, solidarity actions create possibilities for new encounters to take place between indigenous movements, ecologists, and ordinary citizens concerned with the implications of the expansion of extractivism on their lives and on future generations. These encounters are not resulting in a coherent and unified agenda on regional issues. However, there is indeed a process of regionalization of dialogues in which socio-environmental conflicts are increasingly seen as rooted in socially exclusionary and ecologically detrimental processes of development. Perhaps the most salient significance of this is the emergence of a new language and set of values to refer to nature and communities in their relation to development. A regional public space is being created even if its connection with the formal political and agenda-setting process of regionalism cannot be easily seen yet. Indeed, as observed in the last section of the chapter, much of this regionalizing movement led by transnational social activism can be equally hijacked by competing sectoral and national interests which could undermine the aspirations of political regionalism.

¹⁶ <http://www.cipamericas.org/archives/3596> (Retrieved February 1, 2011).

7.5. PENDING CHALLENGES IN REGION-BUILDING

There are contradictory trends with respect to the politics of post-hegemonic regionalism. There is no doubt that the new socio-political context in South America turns to new political economic goals and progressive agendas which have been long overlooked and neglected. Regionalism has opened political space for institutional innovation and for the exploration of more democratic forms of regional and national governance. The transformative aspiration of regionalism needs to be uploaded but also defended. It is here that this chapter has tried to make a contribution, hoping to identify sources of tension that may inform future debates on policy and institutional developments.

The argument put forward is that regional integration in natural resources are causing and exacerbating socio-environmental conflicts in ways that undermine ongoing efforts to build more cohesive regional governance. While at one level regionalism contributes to set in motion a process of collective reassurance, rules of engagement, and assertion of common interests, at another level it generates conflicts that raise important questions about their future influence in the regional process.

There is a growing source of tension with local communities that are left to bear the costs of “development” in the form of impoverishment, displacement, health hazards, ecological devastation, and even cultural extinction. It is reasonable to expect that the intensification of these tensions will strain governments’ legitimacy and social support to engage in regionalism. The tensions experienced from the radicalization of indigenous communities’ positions with respect to natural resource policies seen in Bolivia, Ecuador, and Peru suggest potential future pathways that could be also extended to other countries, even if there are different federal state arrangements in place and socio-political configurations.

There already appears to be a shift in the rhetoric used to refer to these conflicts. This can be seen in relation to the demands of Paraguayans for a renegotiation of the terms of hydroelectric energy export to meet the demands of the Brazilian industry. The issue became a Paraguayan “national cause” where people understood that their dignity was at stake. In the same vein, Bolivia under the Morales administration renegotiated the value of the contracts of gas exports to Brazil, following the implementation of a sweeping national hydrocarbon policy reform and straining bilateral relations. The view that the protection of natural resources is a duty of the armed forces, since they constitute a strategic asset for national development, is an accepted idea in Brazil and Venezuela. Likewise, the diplomatic rift between Argentina and Uruguay over the installation of a pulp mill plant on a river that is the international border was many times approached by civil society groups and governments in both countries as a conflict between competing national interests. Indeed, it was leaked in the news that former Uruguayan president Tabaré Vázquez contemplated that the bilateral conflict could escalate to a war with Argentina. The preponderance of a Brazilian gravitation in resource-driven integration (with the alignment of public instruments and companies for this purpose) agitates fears of imperialistic attitudes toward the region and its resources.

It is uncertain how the regional context could evolve should the proliferation of socio-environmental conflicts that are currently expressed as community struggles against state policies and corporations be nationalized. Could this scenario end up pitting countries against each other in a struggle to control common regional resources? It is certain that such a form of resource nationalism can only complicate the future prospects of regionalism as a political project. In the same vein, the prospects of radicalization of community-state relations could only add to such a treacherous context.

A regional policy and institutional framework for the governance of natural resources is needed to prevent these burgeoning tensions leading to the worst possible outcomes. This means defining common regional standards on environmental sustainability and adherence to respect the right to prior consultation of vulnerable and affected communities to resource-sensitive projects. This requires also the creation of mechanisms of enforcement that can be effective and transparent and which can ensure that member states and companies are equally subject to judicial accountability and public oversight in line with regionally defined standards, consistent with the respect and advancement of international human rights principles. Access to justice and reparation to the “victims of development” also need to be taken into account.

In a positive scenario civil society groups at the forefront of these conflicts will continue generating new forms of consensus on the treatment of regional natural goods that will be eventually incorporated by governments in the making of new regional governance arrangements for natural resources. In this respect, the regionalization of civil society groups acts as a form of articulation and diffusion of new ideas across national societies. Just as UNASUR has demonstrated great progress in making democracy, peace, and defense regional public goods, it is also time that it treats nature as a regional public good. Only then is it feasible to conceive of regional governance instruments that can protect and use sustainable natural resources in harmony with the welfare of populations.

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NEW REGIONALISM AND CIVIL SOCIETY: BRIDGING
THE DEMOCRATIC GAP?

8.1. INTRODUCTION

The South American political process itself has opened up to contestation. After September 11, 2001, while the project of the Free Trade Area for the Americas (FTAA) began to dissemble, the foreign policy of the United States shifted its strategic focus. The region lost interest altogether. At the same time, the election of a broad spectrum of progressive and center-left governments in Latin American and the Caribbean turned the tables. While the governments took up many of the demands of civil society organizations (CSOs), the new scenario did not necessarily retain the same spaces for citizen participation in the reconstruction of regionalism in South America. This chapter aims at analyzing present dynamics of regionalism in Latin America and the Caribbean, a project that aims to reverse the exclusionary legacies of “Washington Consensus” yet lacks a coordinated and coherent strategy for civil society in the setting and implementation of regional agendas.

Initiatives such as UNASUR and ALBA and possibly the Community of Latin American and Caribbean States to be formally established in 2012 constitute a manifestation of transformative regional politics that have been characterized as post-liberal, post-commercial, or post-hegemonic regionalism (Sanahuja 2010a; Riggiozzi 2010). This chapter challenges several assumptions regarding those initiatives arguing that there are pending questions associated with distinctive features of coordination between actors in the process of formulating and implementing a regional agenda and that the interaction between citizens and social movements, on one side, and of governments and political parties on the other, currently shows serious shortcomings. These shortcomings, we argue, are evident in the lack of institutionalized mechanisms and the constraints for participation, which aggravates the democratic deficit in the regional projects. The main forum of citizen participation, the Social Summits held in parallel or in coordination with intergovernmental summits, has been gradually abandoned, for reasons that stem from both state-led politics and a lagging process of adaptation of hemispheric activism that had sprung up to reject neoliberalism, in particular as expounded in the FTAA.

With the failure of the FTAA as a US-led project and the advent of leftist politics at national levels, rescaled at the regional level, CSOs are displaced from a high-profile role in resistance to one of ambiguous engagement. As a result, the construction of regional consensus to institutionalize spaces for participation is seriously obstructed

and, when it happens, it is increasingly vertical in nature. Furthermore, the process as such fails to respond to the ongoing redemocratization, as well as to the demands and expectations of activists. In turn, it deepens the democratic deficit of intergovernmental organizations. Within this context, we analyze the distinctive features of the evolution of civil society in the regional political scenario, its weaknesses, drawbacks, and strengths; the emerging social actors in the process of building citizenship in the region; and the obstacles they face. Finally, we analyze the scope of citizen participation in the regional agenda through the existing mechanisms and their limitations in order to address the key question we pose in this chapter: Is there presently effective participation in the different regional issues which can contribute to overcome the democratic deficit?

8.2. FROM OPEN REGIONALISM TO POST-LIBERAL REGIONALISM: SOCIAL AGENDAS, SOCIAL CHARTERS, OR MERE LETTERS OF INTENT?

Between the 1990s and the first decade of this century, most regional agreements were embraced as part and parcel of what was identified as “open regionalism.” The prefix “open” alludes to an acceptance of market-led reforms and liberalization of the economy that was at the basis of regional agreements between countries that in many cases were struggling for financial survival. Competition policies, harmonization, and competitiveness were the mantra of integration arrangements such as the Andean Community of Nations (ACN), NAFTA, MERCOSUR, and a new continentalism embraced by the United States in the promotion of the FTAA. These processes were led by the state with the aim of embedding regionalization and globalization as a governance project. Social policies were at best marginal, at worse absent, and social views were actively expressed through networks of CSOs often campaigning and making their voice heard in Social Summits, where they could generate debate and establish a dialogue with governments and intergovernmental organizations to address different issues of the regional agendas. The apolitical character of integration in many cases and the nature of neoliberal politics that in many domestic scenarios was rooted in elite politics and socio-economic exclusion set a limit to the ultimate influence of the Social Summits.

The new phase of regionalism since the early 2000s features a distinct repolitization of the agenda and a displacement of the trade and economic issues from the central focus of the integration process for the benefit of more political issues (see [Chapters 2, 5, and 7](#)). This is a “return to politics” as much as a “return of the state” in social and development policies. This “return to the state” is linked with the return of strong nationalistic views that revitalize the traditional concepts of national interest and sovereignty, at odds with the demands of regional integration and the need to concede and yield to supranational norms (Serbin 2010). Third, linked with these two “returns” and, in particular, with the legitimacy of governments and the fostering

of a top-down social agenda, there is a third “return”: the “return to the development agenda” that unmistakably turns back the “Washington Consensus” and its formulae toward a neodevelopmentalist drive.

To these three fundamental “returns” we should add the prioritization of new issues in the regional agenda, which include, on the one hand, concern for the creation of common policies and institutions, cooperation in non-trade issues, and a greater emphasis on the social context and existing asymmetries and, on the other hand, a focus on regional infrastructure, energy, finance, and security issues, as it began to appear in the constitutive treaty of the South American Community of Nations (CSN) that preceded the UNASUR (see [Chapters 2, 4, and 6](#)). In addition to these issues, there is an increasing interest in South–South cooperation, both on the part of the emerging new regional architecture – particularly in the cases of Brazil and Venezuela – and on the part of a series of initiatives among the Global South countries oriented toward a cross-regional and global projection strategy.

The state has regained legitimacy as the main driver of integration initiatives through intergovernmental agreement whereby governments aim at building a political community at the regional level through permanent dialogue and *concertación*. The construction of intergovernmental consensus as a privileged instrument for regional decisions frequently becomes an obstacle to the consolidation of a more solid regional architecture and of a set of supranational institutional norms. Sovereignty rules supreme.

In this line, the budding organizations can have a reactive and/or defensive approach to their relations with the United States, both because of the historical threat of a hegemonic intervention and because of its overwhelming influence in the region. As mentioned by Cooper and Heine (2009: 303), “. . . anxiety about US coercive power – whether it is acting alone or through proxies – remain implanted in the collective mentality of the region.” Indeed, for better or worse, the United States is still a fundamental reference in these processes and continues to have influence, even assuming different roles, on the creation of integration organizations, giving continuity and renewed strength to sovereignty.

The return of the state, of politics, and of development to the regional construction, however, expresses the most puzzling challenge. While the state is becoming the most prominent actor in the process and the agenda is no longer trade-led, non-state actors such as CSOs and businesses are relegated to lesser influential positions in negotiations, which barely go beyond so-called consultation mechanisms and which do not monitor or follow up the government commitments. The paradox is explained by the fact that a more active role of the state implies not only the revitalization of its capacity to formulate and implement social policies (eventually ceasing to partially delegate its implementation to CSOs) but also a return to state-centric views and perceptions in terms of the role played by civil society. In fact, in many cases there seems to be difficulties acknowledging a role for organized citizens (with the exception of trade unions), increasing the democratic deficit in regional politics. In this regard, the potential expansion of deliberative public spaces that leads to a more informed

citizenry at the national level does not translate into institutional spaces and resources at the regional level.

Furthermore, the repoliticization of regional agendas at this stage restricts the new regional process to traditional political actors such as governments and political parties and tends to reject the inclusion of civil society nonpartisan players, thus excluding or ignoring the regional CSO networks which in the past fostered clearly anti-hegemonic agendas with potentially high anti-systemic content. This affirmation should obviously be nuanced if we take into account the emergence of new players such as the indigenous movements or the environmental groups and organizations which, as illustrated by the World People's Conference on Climate Change and the Rights of Mother Earth held in Cochabamba in December 2010, managed to generate effective interlocutions in regional multilateral environments (Foster 2010). However, the criticism of CSOs to intergovernmental organizations and to new forums of emerging countries does not take into consideration the linkage between the new role of the state and the new preeminence attached to sovereignty in the formulation of regional policies and strategies.

Paradoxically, the banner of development has been taken up again by the state, frequently at the expense of the previous work of CSOs and networks, which had been the main protagonists in this field during the 1980s and the 1990s. As pointed out in a recent report, "in different ways and under different approaches, in recent years the state has regained its investments and presence in the social field; it has gone from the neoliberal position that alienated the state from its social responsibilities to a political practice in which the state recovers its central role as a social player".¹ It is also worth noting, as argued above, that this state-centric approach reactivates the imposition of "top-down" social agendas without the participation of civil society both at national and regional levels. The social programs developed in this context, on the one hand, restore and reinforce political clientelism while, on the other hand, being directed to the same sectors that have originated important social movements in recent decades and have contributed to relieve poverty, hindering, however, their autonomous growth (Zibechi 2009: 254).

Beyond the political difficulties associated with the construction of a consensus and of a new imaginary on the creation of a "South American," "Greater Caribbean," or "Latin American" space by new political leaders in the region, civil

¹ As argued in the same report, "This reformulates the role of the CSOs: it is one thing to act in a context where the state is absent and in retreat than to act in a context where the state is the very center of social investment. It is, rather, the exercise of a wide and diverse set of roles which help, supplement, control or require the state to fulfill its duties: as organized levers of society to claim rights, demand adequate service quality and coverage, participate in the design of public policies which properly channel public resources, design and test innovations for the resolution of problems, etc. (...) In this regard, it is clear that the CSOs claim a role as players and partners of development. Their capacity and skills are considered to be impoverished when they are only perceived as operators for the implementation of policies and projects designed by others", ALOP (2010).

society participation is affected by the legacies of restricted decision-making processes and technocratic politics that deepened during the 1990s as a consequence of a “marketization of democracy” (Grugel 2009). The management of foreign affairs, international integration, and cooperation decisions was highly monopolized by the executive branch (if not directly by the president), without going through a debate by the pertinent parliamentary committees or through broader plebiscite or referendum mechanisms. Second, these decisions were often made in response to the pressures or influence exercised by powerful private sector and political lobby groups. An example of the latter is the reactions caused throughout the length and breadth of the continent by the negotiations to create the FTAA, which was strongly rejected by rural and agricultural workers, several trade unions, and a wide range of social organizations and networks with different ideological positions that gathered to form an anti-FTAA movement closely associated with anti-neoliberal and anti-globalization beliefs (Serbin 2001; Saguier 2007, 2008).

This political approach became unsustainable as the economic and social consequences of neoliberal reforms made it evident that despite the economic growth, social inequality, exclusion, and poverty were pressing. Even international financial institutions, supporters of the neoliberal reforms, recognized these limits. Both the World Bank and the Inter-American Development Bank (IDB) started to highlight the need to associate the reforms with inclusive development policies aiming at alleviating the unequal distribution of wealth in the region. The move also led to reviewing the role of the state in terms of social policies and the need to emphasize the role of social actors in development (including the active participation of civil society organizations and networks),² to foster transparency in governmental actions, and to fully enforce the rule of law through the implementation of political reforms which would consolidate the state’s institutional structure. But the real change came as a result of newly elected governments within a broad spectrum of politically progressive views and with new commitments about the responsibility of the state (Arnson et al. 2007; Cameron and Hershberg 2010). This acknowledgement also influenced the rise of a new shape and content for regional integration, which included more equitable and socially inclusive regionalism presumably involving the committed participation of citizens in the transition process from the neoliberal approach to new developmentalist schemes based on a more active role of the state.

However, as Grugel (2002) accurately points out, this growing reference to the inclusion and to a more active role of citizens strongly emphasized the need to develop a social agenda in regional integration processes, basically by governments and intergovernmental agencies, without paving the way, with a few exceptions, for real involvement and effective citizen empowerment. In this regard, the rising social dimension in the new concepts of regionalism emphasized the incorporation of social redistribution mechanisms, regional social and labor regulations, regional

² Cf. Equipo de Sociedad Civil (2007).

sector policies concerning health and education, among others, promoted by a more active and sensitized state regarding social issues (Deacon 2001). Nevertheless, it only contributed in a collateral and limited way to promoting and reinforcing social empowerment mechanisms that effectively allowed citizens to claim their civil, political, and social rights as rights and not privileges and to fostering their active participation in the design and implementation of public policies aimed at promoting regional public goods.

In fact, the introduction of a social agenda, with its inherent concern for balancing situations of exclusion, did not bring about the development of a new vision regarding the construction of a regional, social, and supranational citizenship, redefining the role of citizens in this construction processes of the new architecture of regional integration. Several examples of this situation can be found in the ACN, where the proliferation of agreements and resolutions to promote a social agenda is at odds with the absence of vigorous citizen involvement and commitment with the integration process, and of institutional mechanisms that enable its implementation, or in MERCOSUR, where the Economic and Social Forum, created by intergovernmental decision and boosted since the early 21st century, initially confined citizen involvement, in many instances, to a pre-set agenda and a corporate and tripartite vision focused on the interaction between government, business organizations, and trade unions, frequently setting aside other citizen organizations and networks (Podestá et al. 2000).

The rise of progressive agendas and left-leaning governments opened an opportunity for the construction of new consensuses about citizen involvement in the design of regional integration as seen in the emphasis placed by some governments on the need to promote and approve a Social Charter for the Americas.³ The most promising signs are evident in the increasing capacity of regional civil society networks to formulate and implement proactive agendas to foster regional integration. These networks include initiatives such as the Hemispheric Social Alliance, which emerged originally harbored by the resistance against the NAFTA⁴; the *Mesa de Articulación de Asociaciones Nacionales y Redes de ONGs de América Latina y el Caribe*,⁵ mostly focused on generating liaison with governments on regional topics

³ At the initiative of the Venezuelan delegation, during the XXXIV regular session of the OAS General Assembly in 2004, the Permanent Council and the Permanent Executive Committee of the Inter-American Council for Integral Development (CEPCIDI) were called to prepare a draft Social Charter of the Americas and an Action Plan on inclusion. A report by the CEPCIDI of September 2, 2010, stated that progress had been made in the completion of the normative section of the Social Charter, a proposal for a preamble and a proposal of guidelines for action and implementation of the Charter with the intent to have it approved before the end of 2010 which is still pending, in "Informe Final del Presidente del Grupo de Trabajo Conjunto del Consejo Permanente y la CEPCIDI sobre el Proyecto de Carta Social de las Américas", CP OEA/Ser G, CP/doc.4510/10, September 9 2010.

⁴ <http://www.asc-hsa.org>

⁵ <http://www.mesarticulacion.org> and <http://www.alop.or.cr>

in the framework of forums, summits, and dialogues with Presidents and Ministers; the Citizen Diplomacy Forum,⁶ aimed at lobbying and influencing the agenda of the OAS and a set of regional and sub-regional organizations, or the Bolivarian Congress of Peoples,⁷ developed around an agenda opposing neoliberalism, the FTAA, and US hegemonic power and clearly identified with ALBA (as a member of its Council of Social Movements); and an assemblage of civil society initiatives and networks at the sub-regional level in the case of Central America⁸ and SOMOS MERCOSUR.⁹

Despite a more optimistic scenario in terms of social actors' activism, there are still difficulties that relate to a tradition of hyper-presidentialism in the construction and negotiation of regionalism. Institutionalized spaces for interaction with governments within regional organizations and integration forums are still embryonic, while at the national level state–civil society relations and citizenship building are still negotiating the terms of autonomy and empowerment of civil society (Norris 2011). At the level of the civil society organizations themselves, these are facing a bigger challenge of defining who are the interlocutors and what are the main demands that define their agendas in a post-FTAA world. Regional civil society is represented by an array of networks and alliances, fragmented and atomized by the diversity of actors and by the different sectional interests they represent. Beyond the general aim of promoting and defending regional common goods, these networks and alliances show serious difficulties when trying to articulate a common voice and position, particularly when they have to deal with a diversity of governments and domestic technocrats, at times showing conflicting state and government interests among them (Altinay 2011).

8.3. CIVIL SOCIETY PARTICIPATION IN REGIONAL PROJECTS: THE CHALLENGE OF INTEGRATION “FROM ABOVE”

UNASUR and ALBA are sometimes presented as “processes that operate in a parallel but coordinated manner.”¹⁰ These new regionalist projects, however, differ significantly in conceptual terms and political objectives. Those differences make it difficult to forecast and assess the political compatibility of both integration schemes. Nevertheless, both initiatives introduced in the regional agenda a social and political dimension that had often been left aside in the past. Accordingly, the regional objectives traditionally restricted to economic growth are being balanced with those focused on equity, social inclusion, and justice and the appeal to the access of citizens of the region to the potential

⁶ <http://www.forodiplomaciaciudadana.org>

⁷ http://www.minci.gov.ve/noticias-prensa-presidencial/28/9866/manifiesto_del_congreso_bolivariano

⁸ <http://www.ccsica.org>

⁹ <http://www.somosmercosur.org>, cf. also <http://www.mrecic.gov.ar>

¹⁰ Statements by the Venezuelan Vice-Minister of Foreign Relations Rodolfo Sanz, cf. <http://www.mci.gob.ve>

benefits of integration and development. Moreover, it is also evident that the process cannot be dissociated from the predominantly progressive nature of many governments.

Despite the increasing relevance of the social agenda in regional processes, it is also important to review the extent to which both UNASUR and ALBA actually foster effective channels for citizens' participation and empowerment in the regional process. With regard to the UNASUR, civil society participation and advocacy mechanism originally created at the South American Community of Nations (SACN) was structured by convening parallel Social Summits. At the second CSN summit in Brasília and especially during the third SACN summit in Cochabamba in December 2006, Social Summits were held before the intergovernmental summit. During those summits, several mechanisms and spaces were created for dialogue and interaction with governments and especially with some presidents and foreign affairs ministers in order to present and debate the conclusions, recommendations, and proposals of civil society forums, workshops, and work groups held during the parallel Social Summits.¹¹ In addition to these public dialogues and roundtables with government representatives, during the 2006 Cochabamba Summit, a special meeting was held between deputy foreign affairs ministers, other government representatives, and 12 representatives of civil society. The claims and recommendations of CSOs regarding a fairer and democratic integration were presented and discussed.¹²

An important evidence of the effective advocacy of CSOs is the initiative to rename the CSN as UNASUR, suggested by the civil society representatives at the Cochabamba Social Summit and later taken up by President Hugo Chávez at the ALBA Energy Summit held in Porlamar in 2007.¹³ Nevertheless, regardless of the new name for the South American organization, the Cochabamba Social Summit showed that CSOs were soundly prepared and more than able of presenting proposals and recommendations to the governments. During the fruitful dialogues and exchanges between CSOs and governments, these recommendations and proposals reached the heads of state and officials¹⁴ attending the governmental summit, to the extent that some analysts¹⁵ do not hesitate to point out that the organization, program, results, and activities of the Social Summit turned out to be more effective and assertive than those of the intergovernmental summit.

In any event, since the Brasília Summit, Social Summits were included as part of the SACN's structure as a previous step to institutionalized dialogue and exchange

¹¹ Cf. "Manifiesto de Cochabamba. Declaración final de la Cumbre Social promovida por la Alianza Social Continental y el Movimiento Boliviano para la Soberanía y la Integración Solidaria", <http://www.integracionsur.com>, Centro Latinoamericano de Ecología Social (CLAES), Montevideo, and <http://www.comunidadesudamericana.com/cochabamba>

¹² CSI-ORIT (2007).

¹³ Acuña Montero (2007).

¹⁴ CSI-ORIT (2007).

¹⁵ Gudynas (2006).

mechanisms between civil society and governments. Nevertheless, this mechanism was limited to the sphere of the summits and does not necessarily allow for the development of institutionalized and sustained exchange and advocacy channels at the regional level or the establishment of mechanisms to monitor and follow up the agreements that were reached. Instead of permanent mechanisms for civil society participation linked to the regional organizations, this mechanism rather aimed at holding such exchanges and dialogues in forums in between the summits, at the national level, according to the level of receptivity and acceptance of each government.

However, the creation of UNASUR in 2008 seems to have put an end even to Social Summits. After the marathon intergovernmental summit in Costa do Saúpe held in December 2008, currently the different intergovernmental summits and technical meetings do not include preliminary Social Summits and interaction spaces between civil society and governments. Despite the fact that UNASUR Constitutive Treaty repeatedly refers to citizen participation as an essential element for sustaining and strengthening democracy, it does not create institutionalized spaces and mechanisms for such participation as part of UNASUR's structure, neither during presidential summits nor within the framework of the different councils created by the Treaty, including the South American Defense Council (Serbin 2010; Rodrigues and Rodrigues 2011).

It seems that since the Social Forum for the Americas held in Caracas in January 2006 to the most recent Social Forum held in Asunción in 2010, the proposals made by civil society networks and organizations and by social movements, especially with regard to regional integration, have been displaced to the Americas Social Forums, held in different locations and separately from intergovernmental meetings and summits. Given the predominance of left-leaning administration, within the UNASUR, probably the most advanced mechanisms of consultation – but not of participation and empowerment – of civil society¹⁶ have developed within the scope of the MERCOSUR, in terms of both the presence and possible advocacy of civil society and citizen networks and organizations and the creation and development of regional parliamentary mechanisms (Alemany and Leandro 2007). In this regard, in addition to the mechanisms we have mentioned before, such as the Economic and Social Forum, we can find the MERCOSUR Social-Labor Commission, the Subgroup on Labor, Employment and Social Security Affairs, the Specialized Meeting of Women, the Specialized Meeting on Family Farming of the Common Market of the South, and the Specialized Meeting of MERCOSUR Cooperatives within the Common Market Group; and the High-Level Group for MERCOSUR Employment Growth Strategy and the Meeting of High-Level Authorities in Human Rights of MERCOSUR and Associated States within the Common Market Council (Alemany 2008). Together

¹⁶ As Alemany and Leandro (2007) point out, “A more comprehensive view of participation is an operational view, where civil society actors are not consulted on specific issues, but rather became part of a system of monitoring, of decision making, that is to say, of influencing decisions on regional policies”, pp. 113–135.

with these mechanisms, the inclusion of a social agenda in the MERCOSUR by member states' progressive governments created the conditions, within the 2004–2006 Employment Program promoted by Brazil, for the Common Market Council to choose to “foster an increase in the participation of civil society in the integration process” (ibid. 145). It was within this context, during the Summit of MERCOSUR heads of state, held in Córdoba in July 2006, that the forum SOMOS MERCOSUR was created, as a result of a series of prior meetings with a group of social actors engaged in these groups and commissions as well as in other organizations. SOMOS MERCOSUR is a public initiative launched during Uruguay's *pro tempore* Chair of MERCOSUR in 2005, with the support of FESUR. SOMOS MERCOSUR aims at engaging citizens in the regional integration process, creating new spaces for civil society and governments to be able to debate, raise claims, and take part in decision-making processes.¹⁷

Nevertheless, such participation is coordinated by the focal points of the Ministries of Foreign Affairs of each MERCOSUR member country,¹⁸ which means that “this channel for civil society participation is still organized by the governments of the five countries” (Alemany and Leandro 2007: 147).¹⁹ However, this initiative allowed the first MERCOSUR Social Summit, promoted by Brazil, held in Brasilia, on December 13 and 14, 2006, during Uruguay's *pro tempore* Chair of MERCOSUR, with the aim of increasing civil society participation and promoting a political, productive, and cultural MERCOSUR²⁰ within the framework of the XXXI Summit of MERCOSUR heads of state. A participative methodology similar to the one adopted in the CSN Social Summits was applied and various actors, through different working groups, were able to elaborate a series of recommendations in a report submitted to the intergovernmental summit.

Together with SOMOS MERCOSUR and the formal implementation of the Social Summit as an essential component of communication and interface between governments and civil society regarding regional agenda topics, MERCOSUR encompasses the MERCOSUR Consultative Forum of Municipalities and the MERCOSUR Parliament,²¹ established in Montevideo in May 2007, with 81 representatives appointed by the governments of the member states. During its first session, the parliament declared Social Summits and Productive and Social MERCOSUR meetings²² to

¹⁷ <http://www.somosmercosur.org>

¹⁸ In Argentina a Consultative Civil Society Council was created; it is coordinated by a special desk of the Ministry of Foreign Affairs.

¹⁹ It is worth noting that, in the framework of the admission of the Bolivarian Republic of Venezuela, this space originated strong discrepancies and confrontations, particularly with regard to trade union accreditation.

²⁰ <http://www.somosmercosur.org>

²¹ Cf. for a more detailed account of its establishment and evolution, Vázquez (2005).

²² <http://www.somosmercosur.org>. Cf. also “Debuta el Parlamento del MERCOSUR”, in *La Nación* (Buenos Aires), May 6, 2007, p. 18.

be of “regional interest,” reflecting the growing concern of political actors to achieve a consistent and fluent relationship with social actors.

In spite of its limitations, this complex structure for civil society participation in MERCOSUR is not matched by other regional organizations (Silva 2006). However, as mentioned above, in previous years there was a noticeable trend toward allowing Social Summits to periodically become the forum of choice for interlocution and dialogue with governments and, together with regional parliaments, an important component of the structure of regional organization. Nevertheless, the effect these mechanisms may have in terms of advocacy and participation in and monitoring of regional agenda decisions and the development of the resulting public policies is still to be assessed, particularly regarding regional parliaments, whose decisions are generally not binding unless a supranational judicial structure is developed, such as in the case of the Andean Community of Nations (CAN), which, in fact, is not very effective (Podestá et al. 2000). The monitoring and follow-up by civil society networks and organizations of the decisions and agreements reached at these summits remains an unresolved issue, and the sustainability and continuity of these efforts is strongly conditioned upon availability of resources, thus favoring some trade union organizations and cooperatives, but not the totality of civil society networks and organizations, many of which depend on external funding from cooperation agencies or INGOs (International Non-Governmental Organizations).

Nevertheless, MERCOSUR’s civil society participation structures and the CSN in general have been widely criticized from more radical points of view. Some claim that they answer to specific national interests, pointing out, for example, that despite the fact that the implementation of FTAA has been derailed, it was not merely due to the actions of social movements, but because ultimately, Brazil and Argentina could not obtain enough concessions for the exports of their agricultural industries (Fritz 2007). From a more extreme position, some claim that the CSN’s neoliberal origins should be rejected and, more importantly, that the CAN/MERCOSUR convergence and the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) should be contested, as they favor the interests of transnational capital and the deepening of social divisions (Valencia 2006).²³ These same critics dispute both MERCOSUR and CAN civil society participation mechanisms and the Cochabamba Social Summit itself.²⁴ From their point of view, both MERCOSUR and CAN are viewed as “dominant class” programs, lacking social legitimacy, regardless of the fact that some activists promote a “MERCOSUR with social content” (Katz 2006: 64).²⁵ Likewise, activists from other social movements claim that, within the regional integration process, “social movements must remain independent from any government, even those which are the result of such movements’ efforts” (Fritz 2007: 7).

²³ Valencia (2006).

²⁴ Ibid. By the way, Judith Valencia is one of the well-known personalities supporting ALBA in Venezuela.

²⁵ Katz (2006) also notes that MERCOSUR re-structuring threatens ALBA development.

Finally, it is noteworthy, as we have already stressed before, that the MERCOSUR structures have not yet found a match in terms of citizen participation within UNASUR's emerging structure. Since the establishment of the latter, its evolution shows that this is mainly an intergovernmental body, with a clear political focus, in which greater importance is given to the decisions and performance of the governments of the member states, despite the many references made in its documents and statements about the need to promote a social agenda and a renewal of development strategies, together with an increasing citizen participation.²⁶ In fact, in UNASUR there are still no established mechanisms for citizen participation, while the Social Summits had become a marginal and noninfluential space, eventually dissociated from the intergovernmental summits and meetings.

When compared to the experiences mentioned in terms of civil society participation in South America, during its fifth summit in Venezuela, ALBA conducted the first ALBA encounter with social movements and incorporated a Social Movements Council into its formal structure. A second meeting of the council was held before the sixth summit in January 2008,²⁷ as well as the first ALBA-TCP Social Movements Council Summit, held in Cochabamba, during October 15–17, 2009, where no role was assigned to parliamentary bodies at the national level or within the framework of a regional structure.²⁸ Actually, despite the fact that the organization openly accepts proposals from social movements, the most important decisions are still made by governments and especially by their respective heads of state, while the Social Movements Council is subordinated to them.

As stated in a report, “the ALBA-TCP Treaty was negotiated without the participation of civil society (. . .) Energy-related projects, such as the South Gas Pipeline (Gasoducto del Sur) are carried on without public participation. Whenever social movements are asked to submit proposals, such as the creation of a regional network of recovered companies, it is because such proposals present no potential conflict. Thus, ALBA still pays very little attention to the proposals of civil society” (Fritz 2007: 24). Especially regarding the South Gas Pipeline, several environmental organizations have reported damages to the Amazonian area and demanded the suspension of the project to the governments of Argentina, Brazil, and Venezuela. In fact, and despite the 2007 Social Summit, as we have already pointed out, ALBA has assimilated several important proposals submitted by social movements and networks such as the Hemispheric Social Alliance, but has not taken into account criticisms made by some social movements or the participation of its citizens in the implementation of

²⁶ Cf. Tratado Constitutivo de la UNASUR.

²⁷ <http://www.telesur tv.net/secciones/noticias/nota>

²⁸ As pointed out by one of the participants to a conference held at the Latin American System (SELA, according to its Spanish acronym), in Caracas on August 20, 2007, “initiatives such as ALBA, which are not regional integration processes in classical terms, are still lacking institutional mechanisms that can be followed up”, in Márquez (2007).

intergovernmental agreements. As pointed out in the same report, “especially regarding energy-related projects – which are essential for the ALBA – there is a series of critical voices that should not go unheard” (ibid: 13).

Additionally, the VI ALBA Summit, held in Caracas in January 2008, where Dominica joined and became the fifth member of the body, was preceded by a social movements meeting, which included representatives from countries that are not members of ALBA. However, there is no evidence that this broadened Social Movements Council participated in the summit’s decision-making process.²⁹

More recently, and according to Silva, the Social Movements Council has been structured into national chapters, usually promoted by the governments of the different member states, although it is also important to take into account the participation of regional networks, such as the Bolivarian Congress of Peoples and the Bolivarian Continental Coordination (Silva 2011). The first ALBA-TCP Social Movements Council Summit, held in Cochabamba during October 15–17, 2009, was aimed at “allowing the direct participation of social movements in the various cooperation and solidarity mechanisms,” and was in line with ALBA-TCP main goals and principles as an integration process. Moreover, it stated that every national coordination chapter within ALBA-TCP member states will “establish its own dynamics to operate and interact with governments” and will be linked to the Social Movements Council. The activities of each national chapter will be coordinated with those of social movements within other countries, which need not be members of ALBA in order to strengthen development, participation, and assistance programs through social movements.³⁰ However, this declaration failed to clearly state the way in which ALBA decision-making mechanisms should be coordinated.

Basically, within this context, social proposals connected to ALBA are usually launched or made public by President Chávez through different governmental, inter-governmental, or social meetings and forums, eventually capitalizing on the proposals made by some social movements in the region.

Ultimately, and despite the fact that ALBA, as a project under development, appears to be a scheme receptive to proposals by regional social movements, especially in connection with the possibility to pursue “other integration”³¹ or an alternative integration, based on principles other than those of the commercialist and neoliberal rationale followed by prior programs, in practice it still remains, at least up to this date, an interstate cooperation initiative. And more precisely, an

²⁹ Cf. Declaración Política del Consejo de Movimientos Sociales del ALBA-TCP, <http://www.cubainformacion.tv>, 30 de enero de 2008, and <http://economiasocialista.blogspot.com>

³⁰ Manifiesto General de la Primera Cumbre de Consejos de Movimientos Sociales del ALBA-TCP, in *El ALBA de los Movimientos Sociales*, Sumario de Noticias, October 20, 2009, in http://www.movimientos.org/noalca/albasi/show_text.php3?key=16092

³¹ “Other integration is possible” is a slogan coined by social movements in their contestation to the FTAA and to commercialist and neoliberal approaches of the time.

inter-presidential one, which shows the persistence of the same limitations and a democratic deficit similar to those of other integration processes.

Nevertheless, when comparing the social participation mechanisms existing within UNASUR/MERCOSUR with those existing within ALBA, some similar traits can be found. One of them consists in the way in which these organizations structure their links with civil society networks and organizations through national chapters, which are usually surpassed by the development of broader regional or sub-regional networks. In ALBA's case, the civil society participation mechanism – the Council of Social Movements – has a broader approach and includes extra-regional social networks and movements. The differences in the language used by both integration schemes when referring to civil society are particularly revealing; while the UNASUR/MERCOSUR refers to citizen participation, without differentiating specific actors within civil society organizations and networks, ALBA refers specifically to social movements, as well as to their struggles and mobilizations. This is an important difference, as the way in which social movements are viewed and perceived within ALBA is strongly linked to the different campaigns and social mobilizations against the FTAA, globalization, neoliberalism, and militarism, while the citizen participation referred to in UNASUR documents, as well as in the MERCOSUR experience, seems to aim at the effective participation of a broad spectrum of citizen networks and organizations, including the different social movements, without any ideological qualification.

Paradoxically, and despite the limitations of its institutional structure, the schemes that supported the UNASUR, especially MERCOSUR, seem to include social participation mechanisms that are clearly more institutionalized and tend to better facilitate dialogue and interface between governments and civil society. This does not mean that the democratic deficit evident in the decision-making process, the monitoring of integration processes, and the lack of empowerment of civil society is effectively overcome. However, in spite of all of its defects and limitations, up to this date, these institutionalized mechanisms, in connection with both civil society and existing or emerging parliamentary bodies, seem to be better aligned with a democratic approach.

8.4. POST-LIBERAL REGIONALISM, CIVIL SOCIETY, AND “REGIONALITARIAN” APPROACHES

In a post-FTAA world, several Latin American integration proposals emerged and even compete in the search for new definitions and signifiers of regionalism. Both models represented by UNASUR and ALBA include specific topics in their regional agendas (from industrial production and the insertion into the international market to energy-related, financial, infrastructure, and South–South cooperation issues) under different ideological and operational conceptions. Despite the differences, both initiatives are manifestations of a repoliticization of regional relationships and new consensus around inclusive political economies. This is a framework that opens up

new possibilities for political engagement for social movements with a long trajectory in regional politics – a trajectory that found its most influential point in resistance campaigns against the establishment of the FTAA (Serbin 2003a). The capital gained in terms of demands and representation, however, is now facing a paradox. As the FTAA process is out of the discussion table, now networks of NGOs and social movements have to find a new center, a focus, and even new interlocutors to channel concrete demand of inclusion and development in a context where paradigms have shifted. What are CSOs demanding? Who do they represent? Who do they oppose and why? These are all questions that are being resignified as the regional space and regional politics transit deep transformations. In the current context, development policies have been adopted by states in many ways replacing the previous performance of social networks and citizen organizations which used to have a central role in their implementation during the 1980s and the 1990s. When the state regains a central position among other social actors,³² it reactivates the establishment “from above” of social agendas, without the participation of civil society both at the national and at the regional level. In fact, the tension existing between the participation of citizens organizations (both NGOs and social movements) in integration processes and the unilateral decision-making by governments have grown as the result of the new political traits of the different governments in office, while the democratic deficit in emerging regional organizations deepens instead of losing its strength and fading away as a consequence of the eventual increase and the development of social participation mechanisms.

In the post-FTAA world, social movements were able to gain a significant relevance up until the SACN Cochabamba Summit, where important exchanges between citizen organizations in general and social movements in particular and the governments attending the official summit took place. However, following this high point, after which no sustainable participation and advocacy channels and mechanisms were institutionalized, the participation at and planning of parallel Social Summits decreased substantially, as well as civil society capacity to interact with governments regarding different issues of the regional agenda. To the crisis of identity and redefinition of social movements in the face of new regionalist projects embracing alternatives to neoliberalism, there are also the legacy of weak institutional channels of communications and participation in regional organizations that affect the

³² As stated in the same report, “This questions the role of civil society organizations: it is not the same to act when the state is absent and in retreat and to act when the government is at the core of social investment. The idea is to have a wide and diversified amount of roles to help, supplement, monitor or demand the state to fulfill its duties: as socially organized levers to claim rights, demand quality, participate in the creation of public policies that direct public resources in an adequate manner, create and experience problem-solving innovations, etc. (. . .) Thus, it is clear that civil society organizations vindicate their roles as social actors and partners of social development. We believe that their capacity and talents depreciate when they are merely viewed as political operators for policies and projects prepared by others”, ALOP, op. cit., p. 12.

prospects of citizen inclusion in both UNASUR and ALBA. In the case of UNASUR, the prospects of the Summit of the People of the South or similar CSO initiatives, which has had some influence in channeling demands in MERCOSUR, still remain to be seen. In the case of ALBA, it is the Social Movements Council, integrated to ALBA's emerging structure that may find effective mechanisms for citizen participation in regional policy making. As it stands, the Social Movements Council has no direct influence on presidential decision-making processes and tends to act more to legitimize the initiatives adopted by governments and intergovernmental bodies, both in the political and ideological spheres and in the social and economic ones. Regardless of the fact that some of the proposals made by social movements have been incorporated into ALBA's agenda, especially through the initiatives of the HSA, the relationship between social organizations and ALBA's decision-making bodies and implementation of social programs (social missions) remain vague and highly ideological.

Finally, we must point out that both within UNASUR³³ and ALBA,³⁴ as stated in a document recently published by social organizations, "in spite of the differences and variations existing amongst the diverse integration initiatives under analysis; we must acknowledge that all such initiatives allow a restricted space for participation and advocacy by social and political actors other than the states themselves. Differences are mainly linked to the degree of democratic institutionalization reached through spaces in which governments can create and promote dialogue and consult with civil society organizations and through the creation of institutionalized mechanisms allowing their participation. It seems that, until such spaces and mechanisms are expanded and improved, the historical democratic deficit in regional intergovernmental processes will challenge the possibility of an 'alternative integration' as proposed by social movements in the Social Forum of the Americas, held in Caracas, in January 2006.³⁵ Whether this new integration will finally reflect governmental interests and junctures (even in the case of progressive governments) or it will be developed in accordance with the interests of their peoples and allowing them to participate in debates on such integration's political meanings" still remains to be seen.

³³ "Unfortunately, the process of consolidation of UNASUR did not acknowledge (...) the importance of social actors, and did not consider until recently citizen participation" in Ramis (2009).

³⁴ "...we must attune the official dialogue process for social movements within ALBA's process. We have been able to organize public meetings and activities, sometimes sporadically, which generally coincide with Presidential Summits or Social Forums, and which have allowed us to strengthen ties, but have not been very efficient to discuss these topics in depth," in Programa Mercosur Social y Solidario (2010), *op. cit.*

³⁵ Cf. "Declaración de Caracas: Otra integración es posible", issued at the World Social Forum held in Caracas, in January 2006, and supported by several regional networks such as ALOP, PIDHH, and CRIES and currently advanced by the Mesa de Articulación de Asociaciones Nacionales y Redes de ONGs.

Such questions cast doubts on how and to what extent post-neoliberal models of regionalism effectively tackle the issue of democratic deficit in regional institutions, revisiting the vertical and exclusive nature of governance that Ramonet (1997) identified as “globalitarian.” In these terms, the question is to what extent new regionalisms are able to overcome “regionalitarian” processes mostly related to the lack of effective channels of inclusion of social actors in regional politics. In the long term the effective participation and consequent empowerment of civil society at the regional level depends on a joint effort on the strengthening, within a democratic framework, of the institutional architecture both of the state and of intergovernmental organizations, as well as the development and advancement of civil society organizations and networks, overcoming their intrinsic weaknesses and imperfections.

Currently, many initiatives such as the Citizens Diplomacy Forum, the movement for the “Other integration is possible,” the “Mesa de Articulación de organizaciones y redes sociales,” and the Hemispheric Social Alliance, with increasingly weaker influence on intergovernmental summits and forums, are not able to foster an actual change of citizen participation and empowerment levels in regional integration processes and the overcoming of the existing democratic deficit. This situation affects both the drafting of their agendas and the outlining and implementation of public policies at the regional level, particularly when related to the two new post-neoliberal bodies UNASUR and ALBA. The interface of citizen organizations with these emerging organizations is either scarce or nonexistent, and issues related to regional or global public goods are dealt with within different spheres and intergovernmental meeting spaces, not necessarily linked to regional integration or emerging forms of regionalism, as is the case of environmental issues or indigenous claims.

In short, frustration and demobilization of CSOs hand in hand with the weak institutionalization of social participation in the budding post-liberal regionalist processes risk deepening the democratic deficit that was paradoxically a critical element explaining the disenchantment with neoliberalism. There still remains to be seen how post-neoliberalism can reconcile democratic rule with encompassing regional social contracts.

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CHAPTER 9

MOVING REGIONS: BRAZIL'S GLOBAL EMERGENCE AND
THE REDEFINITION OF LATIN AMERICAN BORDERS

9.1. INTRODUCTION

Brazil's major foreign policy aspiration has long been to achieve international recognition in accordance with its self-perception as a 'big country' (Lima and Hirst 2006: 21). This gigantic nation – be it in territorial, population, or economic terms – has been categorized as an emergent power at least since 2001, when a Goldman Sachs report defined it as a BRIC – one of the four emerging markets that were forecast to run the world economy by 2050.¹ Brazil, Russia, India, and China, together with the United States, had previously been called “monster countries” (Kennan 1993). However, unlike its companions, Brazil scares nobody. On the contrary, it has been defined as the “quintessential soft power” (Sotero and Armijo 2007: 43; see also Lima and Hirst 2006; Gratius 2007). Having demarcated all its borders at the beginning of the twentieth century, it neither makes nor is the object of territorial claims. Brazil's last major war was fought in 1865–1870, when it aligned with its historic rival Argentina and tiny Uruguay to defeat Paraguay. It sent troops to Europe during both world wars but never again engaged in military conflicts within its own region. Despite its large armed forces and defense budget, which is the highest in Latin America,² Brazil is not – and has no intention of becoming – a military power. Instead, it sees itself as a peace-loving, law-abiding, and benign power (Lafer 2001; Ministério da Defesa 2008). These are the characteristics that its leaders have tried to build on to conquer a preeminent role on the regional and global stages. They have done this with largely positive – albeit heterogeneous – results. Brazil lacks the

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¹ Brazil's performance and emergence as a global power has been acclaimed by top specialized media sources: “An economic superpower, and now oil too”, *The Economist*, 2008-04-17; “Brazil Joins Front Rank of New Economic Powers”, *The Wall Street Journal*, 2008-05-13; “Weathering the Storm”, *Newsweek*, 2008-07-26; “Economy Fuels Brazil's Ambitions Beyond South America”, *The Wall Street Journal*, 2009-02-06.

² In 2005, Brazil's military budget doubled Colombia's, tripled Chile's, quadrupled Mexico's, and was eight and ten times higher than Argentina's and Venezuela's, respectively (IISS 2006). In 2007, it exceeded all its South American counterparts combined (CEUNM 2008).

economic leverage to buy its way to regional or global leadership: although it is the largest Latin American economy, it is not the richest. Argentina, Chile, and Uruguay rank consistently higher in terms of GDP per capita and human development, and Mexico and Venezuela do so intermittently depending on oil prices. This means that it is virtually impossible to sell to a domestic audience large money transfers from Brazil to neighboring countries, as this would sacrifice poor Brazilians to the benefit of richer foreigners.

In South America, as everywhere except Europe, regionalism has never acquired a dynamics of its own. This is the reason why leadership is crucial to understand its ups and downs: it is the foreign policy goals and resources of the larger states, rather than mechanisms such as spillover or institutionalized commitments, which explain the evolution and operation of regional organizations. In this chapter I show how changes in the international environment have led Brazil to reevaluate its engagement with the region, feeding strategies that can be equated to favoring enlargement while reversing deepening.

In the next section, I test Brazil's regional influence by measuring three dimensions: performance in region building, regional support for the country's extra regional goals, and the existence of contenders for regional leadership. After that, I assess global influence by looking at Brazil's participation in top international groupings and organizations. In the last part, I show that Brazilian foreign policy has increasingly combined damage control within the region with mounting global activism, thus going it alone into the world while playing a fireman role in the region.

9.2. REGIONAL SETBACKS

The absence of hard power instruments to pursue foreign policy goals despite Brazil's relatively rich endowments is aptly characterized by Burges (2006) as "without sticks or carrots." Deprived of the structural resources of leadership (i.e., military power and economic might), Brazil has had no choice but to resort to instrumental (or ideational) ones – hence the characterization of the country as a 'soft power' promoting 'consensual hegemony' (Burges 2008). But this is only part of the story: if it is true that the quest for regional influence has been conducted surreptitiously, Brazil has shown a more transparent ambition to find a place in the global sun – in a sort of reverted image of the regional–global duplicity highlighted by Pinheiro (2000: 327). Brazil's market size, export capacity, and investment weight have been instrumental as bargaining chips in international negotiations.

Smaller and less powerful than the other monster countries, Brazil's ruling elites believed it necessary to gain the support of the region in order to bolster their global claims (Almeida 2007; Hurrell 2000; Lima 2008). This is consistent with the conventional argument that "it is the neighboring countries which have to sign up to the lead of emerging powers . . . in order to give them the power base necessary for regional as well as global power projection and international coalition building" (Schirm 2007: 6). Therefore, in the 1970s Brazil started a slow but steady warming of relations

with neighbors it had long neglected. The agreements with Paraguay and Argentina to build the Itaipú and Corpus power plants, the signature of economic agreements with Argentina that led to the establishment of Mercosur, and Brazil's pro-democracy activism during the 1990s paved the way for more far-reaching goals. In 2000, these ambitions crystallized in a new regional concept: South America. By substituting it for Latin America, Brazil tacitly recognized that it was unable to exert a significant influence upon the whole continent and was thereby ready to focus on a smaller area, in accordance with two objectives: first, Mexico – the other Latin American giant and potential rival – was left out, and second, the countries included in the newly defined region were less dependent on the United States than those excluded, which gave Brazil broader room to maneuver. In order to assess Brazil's performance as a regional and global player, there are three areas that merit inspection: the operation of Brazilian-led region-building projects; the degree of regional support for Brazilian goals within international organizations; and the existence and prospects of rival contenders for regional leadership.

9.2.1 Collective Leadership: Erratic Attempts at Region Building

Mercosur has been a keystone of Brazilian foreign policy since its inception in the early 1990s. Some years later, however, the government began to develop a strategy of enlargement to bring into the fold of Mercosur all the other South American countries. In the Brazilian view, South America is not just a specific geographical region (different from Latin America as a whole) but also an autonomous political-economic area, given that US influence recedes as distance from Washington increases. Brazil's elites consider this subregion to be within its natural sphere of influence (Souza 2008; CEBRI – CINDES 2007). Hence, the Cardoso administration organized the first summit of South American presidents in Brasilia in September 2000. Lula deepened this strategy, leading to the creation of the South American Community (SAC) at the Cuzco presidential summit of December 2004. The name was later changed to the Union of South American Nations (UNASUR), the constitutive treaty of which was signed in Brasilia in May 2008. Mercosur arguably constitutes the inner circle of UNASUR.

Mercosur was initially a pragmatic integration project that dealt with trade, customs, and market access, but increasingly it has become a symbol for progressive political activism and leftist ideologies (Malamud 2005). In Brazil, it has turned into the flagship of those who stand for developmental, anti-imperialist, or nationalist ideas. To the most vocal of its supporters, Mercosur is not simply an economic association or a strategic instrument, but rather a supranational identity that provides its member countries with the only way to survive in a globalizing world (Jaguaribe 2001). Mercosur's position as South American core was officially established by the Lula administration, as the inaugural speech of its foreign minister showed:

Under the Lula government, South America will be our priority. The relationship with Argentina is the pillar upon which Mercosur is built. [Without] the Common External Tariff and the Customs Union [. . .]

any pretension to negotiating together with other countries and blocs is a mere illusion [. . .] We consider it is essential to deepen integration among the countries of South America [. . .] The process of democratic change that Brazil is undergoing with the Lula government can be a source of inspiration and stability for the whole of South America [and] we will not shirk from contributing to the solution of conflicts [. . .] A political stable, social just and economically prosperous South America is a goal that must be pursued not just from a natural sense of solidarity, but also for the benefit of our progress and well-being (Amorim 2003).

Stability, justice, and prosperity of the surrounding states are referred to as goals that are both altruistic and self-interested. International negotiations without a consolidated customs union are seen as “illusory” and region building as a priority. In short, regional integration is given precedence over further global action. As even a reputed critic of the administration admitted, the region was at the center of Lula’s foreign policy: “Regional diplomacy, of which integration policy is a part, is certainly the foreign policy area that most distinguishes the Lula government” (Almeida 2005: 49). Yet, results did not measure up to stated ambitions.

Just as the formula that led to the consolidation of the European Communities involved a combination of liberalization (by France and others) and compensations (especially by Germany), the underlying formula of Mercosur was to obtain “preferential access into the Brazilian market in exchange for Argentine support for Brazilian international trade strategies” (Bouzas et al. 2002: 145). With the passing of time, however, mutual understanding between the two countries waned and cooperation decreased, giving way to growing suspicion. The implementation problems that emerged as a result of this were dealt with increasingly through unilateral measures and “flexibility and a case-by-case focus [replaced] the enforcement of rules and established procedures” (Bouzas et al. 2002: 146).

Enlargement and institutionalization faced the same obstacles that plagued deepening. In 2006, a protocol was signed with Venezuela to grant it accession but it has yet to be ratified by Paraguay. Similarly, several institutions have been created but their autonomy and effectiveness remain dubious. The launching of the Initiative for the Integration of South American Regional Infrastructure (IIRSA) in 2000 and the creation of a Committee of Permanent Representatives in 2003, a permanent Court of Appeals in 2004, a Fund for Mercosur Structural Convergence (FOCEM) in 2005, and of a common Parliament in 2006 have not only had little impact but have actually served to disguise the significant shortcomings of the bloc, among them the absence of a regional budget and of an agency that can represent common interests. All this is not necessarily a drawback for Brazilian interests. Indeed, some argue that these are best served by not relinquishing any sovereignty to regional bodies, but it certainly deals a blow to Brazil’s leadership, as the undertaking it officially values most is far from thriving. The perception that Mercosur is becoming a burden rather than an asset has led some politicians, among which twice presidential candidate José Serra, to call for it to be downgraded to a free trade zone. The argument is that Brazil will be more capable of pursuing its foreign goals on its own rather than depending on costly agreements with unpredictable partners.

UNASUR aims to unite two existing regional free trade blocs, Mercosur and the Andean Community, as well as to integrate Chile, Guyana, and Suriname. The scheme was originally devised to serve Brazil's goal of redefining its area of influence as South America. However, it was later hijacked by President Chávez and has become a Venezuelan rather than a Brazilian instrument. The cities chosen to host the future institutions of this bloc, Cuzco and Cochabamba, reflect identity claims rather than functional concerns and pay lip service to the autochthonous discourse of Chávez and his regional allies, whose understanding of the organization differs considerably from Brazil's. In sum, neither Mercosur – because of its malfunctioning – nor UNASUR – because of ideology and rivalry – have turned out to be solid springboards for Brazilian leadership. Instead, Mercosur became stagnated and UNASUR has yet to become more than a photo-op forum in which the Bolivarian impetus is at least as significant as Brazil's more pragmatic influence.

The conditions that may foster or limit regional integration processes depend on demand (derived from potential common gains), supply (i.e., leadership), and inertial (i.e., institutional) conditions (Mattli 1999; Malamud and Castro 2007). In South America, a low level of all these explains not only regional underperformance but also the free-riding behavior of prospective leaders and followers alike (Burges 2005, 2006).

9.2.2 Lack of Regional Support for Brazil's Global Goals

Brazil has long aspired to a permanent seat in the United Nations Security Council (UNSC). In 2004, a high-level committee submitted to the UN Secretary General a proposal that called for the establishment of new permanent members. Four countries – Brazil, Germany, India, and Japan (the so-called G4) – promptly joined efforts to attempt to grab the new seats. Many countries in the world have expressed support for some but not for others in this group. But a larger group formed to oppose the creation of any new permanent seats and proposed the introduction of semi-permanent membership. This assembly, which was initially called the Coffee Group and later renamed Uniting for Consensus, brings together the regional rivals of the G4. Argentina and Mexico are among its leaders, together with Italy, South Korea, and Pakistan. As it turned out, aspiring UNSC members could not sell to their home regions their bids for international recognition (Arraes 2007: 27–40). Though not a surprise, the fact that Argentina, Brazil's main regional partner, was simultaneously the staunchest opponent of its main international ambition dealt a heavy blow to Brazil's image as a regional leader.

Also under the Lula administration, Brazil put forward a candidate for the post of Director General of the World Trade Organization (WTO). Early in 2005, there were four contenders: one from the European Union, another from Mauritius, and, rather embarrassingly, a third from Uruguay, as well as the Brazilian candidate. This not only showed that Mercosur was unable to agree to a joint candidate, but also that Brazil could not even gather majority support for its position (as Argentina supported the

Uruguayan candidate). To add insult to injury, the Brazilian nominee was eliminated in the first round, while the Uruguayan made it to the last. This internal quarrel did not damage Brazil's reputation and influence within the WTO, but it showed that the prospects for it to build a regional consensus to support its global goals were bleak.

Just a couple of months later, Brazil suffered another blow to its aspirations to rally the region behind a nominee for a top international post. In July 2005, two candidates ran for the presidency of the Inter-American Development Bank (IDB), one of them Colombian and the other Brazilian. Analysts expected the election to be a divisive and difficult one, with the United States and Mexico backing Colombia and much of South America rallying behind Brazil. However, the Colombian candidate won the support of a majority of Central American and Caribbean countries, which ensured his quick victory. The election, held behind closed doors at the IDB Washington headquarters, lasted about two hours and delivered a sound defeat to Brazilian diplomacy, not least because the rival and victor was also South American.

In contrast with the episode above, Brazil did gain regional support for its goal of heading the UN Stabilization Mission in Haiti (MINUSTAH). Officially, the Brazilian authorities linked the country's presence in Haiti with the aim of obtaining a permanent seat in the UNSC or at least having a bigger say in the United Nations (Gauthier and John de Sousa 2006). Although Brazil's real motives were more complex, most did relate to its international ambitions (Hirst 2007: 7). Thus, Brazil exhibited leadership attributes by signaling the adoption of a new foreign policy to its neighbors, working together with its main partners in South America, by showing its capacity to project power abroad, and by demonstrating that it could legitimize a military intervention in the eyes of other countries in the region. And although these actions were initially controversial at home, this strategy worked. Regardless of the results of the mission in Haiti, here Brazil was effectively recognized as a regional leader. But this was hardly enough to cement its higher ambitions; worse, the 2010 earthquake devastated not only Haiti but also the one thing Brazil had been successful at in Latin America.

9.2.3 Reluctant Followers and Contending Leaders

There are two countries in Latin America that are in a structural position to dispute Brazilian claims to leadership: Argentina and Mexico. Both have sizeable economies, large territorial landmasses and populations, rich natural resource endowments, and a record of intermittent international activism. Moreover, both relentlessly pursue the diplomatic goal of impeding any single country from "representing" the whole region. Their leading role in the Uniting for Consensus group that disputes the right of Brazil and others to occupy a permanent seat at the UNSC, and their participation in the G20 with Brazil (the only Latin American countries in the forum), testifies to their international standing as well as their determination not to be left behind by their bigger neighbor. One of Brazil's responses to this has been to exclude Mexico from its

redefined region. In his inauguration speech, Foreign Minister Amorim listed Mexico after South America, the United States, and the European Union, together with other so-called large developing countries such as China, Russia, India, and South Africa. It would appear, then, that to the Itamaraty, Mexico can no longer be considered a regional rival: it belongs to other region.

It is not so easy for Brazil to similarly dispatch Argentina, officially recognized as its main regional partner. However, for Argentina this partnership is based on equality of standing rather than on Brazilian supremacy. Indeed, Argentine leaders have even considered their country as a legitimate contender for regional leadership and have promoted closeness with the United States or other circumstantial allies (Venezuela most recently) in order to counterbalance Brazil's power (Russell and Tokatlian 2003). Argentine ambivalence toward its neighbor wanes when times are good and waxes during times of economic hardship, independently of which party is in government. In the 1990s, Peronist President Carlos Menem was one of the founders of Mercosur but simultaneously aligned Argentina with the US foreign policy. Likewise, in the 2000s, Peronist Presidents Néstor and Cristina Kirchner not only cultivated excellent relations with the Lula administration but also struck a close alliance with Venezuelan President Hugo Chávez. Argentina has similar political ambitions to Brazil's and it has nurtured recurring economic grievances against it, which have given rise to spasms of protectionist behavior and hindered further integration. As long as these competing aspirations and neighborly fears remain in place, trying to win Argentine support for Brazilian leadership is tantamount to "sleeping with the enemy."

As regards Venezuela, the official line is that Brazil is "not competing for the leadership of South America. . . [However, they] "are engaged in a contest for leadership. . . each offering a different vision of how the regional geopolitical, geo-economic, and ideological space should be organized and directed" (Burges 2007: 1343). This contest for leadership is neither structurally nor historically determined, as Venezuela has never been one of the "big" Latin American countries. Indeed, it has promoted divergent strategic goals and its policies are based on the utilization of oil wealth as a means to build political alliances. In 2006, oil made up 89 percent of Venezuela's total exports and 56 percent of its fiscal revenues (Álvarez 2007: 269). In spite of this weak power base, Chávez has developed a high-profile foreign policy, which is based largely on reviling the United States. Furthermore, following the principle that "my enemy's enemy" is my friend, Chávez has toured the world several times to meet with the leaders of such revisionist countries as Russia, Belarus, Syria, Libya, and Iran – not to mention Cuba, which Chávez holds up as a model. All these dubious alliances notwithstanding, the main challenge to Brazilian leadership posed by Venezuela is not global but regional. Chávez has courted and "bought" the loyalty of countries purportedly within the Brazilian sphere of influence such as Bolivia and Ecuador, and he even tried his luck with Paraguay. The capacity of Venezuela to win out some regional support with a stance that diverges from Brazil's has challenged Brazilian leadership. In the long run, an oil-based foreign policy is limited by the

vagaries of the international prices; but in the short term, Brazil's ability to control its near abroad has been seriously impaired.³

Turning now to Paraguay, traditionally this country has sought to maintain a balance in its relations with its two giant neighbors, Brazil and Argentina. Over the years, however, it has also kept close ties with the United States. Recently, this has included permitting US troops to engage in military maneuvers on Paraguayan soil and the opening of an FBI office at the US embassy in Asunción. Reports say that 46 US military operations have been conducted in Paraguay since 2002, including visits, special exercises, and humanitarian missions, especially in the areas close to Ciudad del Este, in the tri-border region (Inter Press Service 2005). In response to this, Brazilian troops have staged frequent exercises along the border, sometimes crossing the frontier and provoking Paraguayan protests. The Lugo administration's questioning of the current distribution of benefits and energy generated by the Itaipú dam has further embittered relations, and a mutually satisfactory agreement has not been easy to strike. An additional headache for Brazilian diplomacy is that Paraguay is one of the 23 countries in the world (and the only one in South America) that maintains diplomatic relations with Taiwan rather than with the People's Republic of China. Since 1957, Taiwan has become Paraguay's main international donor, offering cash to finance agricultural, educational, and social projects and paying entirely for the construction of a new house of parliament. The unintended consequence of this bizarre relationship – one that hurts Brazilian aspirations to establishing closer relations with a key global power – is that it prevents Mercosur from signing international treaties with China.

As regards the smallest member of Mercosur, Uruguay nurtures resentment toward Brazil for two reasons. First, there is Mercosur's low performance and its bias against the smaller economies, compounded by the straitjacket that it imposes by denying member states the possibility of individually signing trade agreements with third countries (Vaillant 2007). Second, there is Brazil's refusal to intervene in Uruguay's border conflict with Argentina over the building of a pulp mill. This conflict led a group of citizens from the Argentine city of Gualaguaychú to block one of the three bridges that unite the two countries by land. The blockade was in place from April 2005 to June 2010, in violation not only of Argentine laws but also of the Mercosur treaties. However, Brazilian authorities argued that this was a bilateral issue and stuck to a *hands-off* policy. This triggered bitter complaints by Uruguayan leaders. In spite of Uruguay's hints that it would sign a free trade agreement with the United States, the American administration decided not to intervene in a way that could damage Brazil's reputation or leadership. However, it agreed to sign a Trade and Investment Framework Agreement (TIFA), which crowned the Uruguayan decision to leave the door open for a Chilean-style policy of international insertion through

³ Venezuela's alternative regional organization, the Bolivarian Alliance for the Americas (ALBA), reunites eight small or medium countries with two common features: they are subsidized by Venezuela and they lack a common border with one another. These features make of ALBA an oil-based network rather than an ideological association or a geographic region.

multiple bilateral agreements rather than through exclusive membership of a regional bloc. The United States has also become the main destiny for Uruguayan exports, a fact that further highlights the deterioration of Uruguay's trade links with both its large neighbors.

Bolivia has posed one of the toughest challenges for Lula's "strategy of patience" and to Brazil's policy of foreign investment and energy integration. The dependence of São Paulo's giant industrial complex on Bolivian gas adds stress to a relation already complicated by blurry territorial borders. The sudden decision in 2006 by the recently inaugurated President Evo Morales to send troops to guard dozens of plants, refineries, and pipelines and to give foreign companies – including, conspicuously, Brazil's Petrobras – six months to renegotiate their contracts or get out signaled the new combative stance his administration would pursue with regard to foreign investors. What is worse, it underlined a growing affinity with the Venezuelan President, Hugo Chávez, who had already cracked down on foreign firms and allegedly offered technical assistance to help Bolivia manage its nationalized companies. Lula called an emergency cabinet meeting, and Petrobras, whose investment in the decade since Bolivia privatized its energy sector had helped that country to quadruple its gas reserves, called the measure "unfriendly" and threatened not to make new investments. Opposition leaders cried out that Brazil had been humiliated and asked the president to toughen his stance, which Lula refrained from doing. Instead, he stated that the Bolivian government had made a sovereign decision and pledged that his country would respect it. However, the event made it clear that Bolivia was no longer a reliable partner or energy source. Since then the Brazilian government has accelerated its goal of reaching energy self-sufficiency at the earliest possible date.

Brazilian relations with Ecuador also turned sour on occasions. In September 2008, President Rafael Correa expelled the managers of Odebrecht, a Brazilian engineering company, which he accused of bribery and of constructing a flawed power plant. Not only did Correa declare that his country would not compensate the company for what it had already built, but he also refused to repay the US \$243 million loan that Brazil's national development bank, the BNDES, had lent Ecuador for that purpose. The fact that Ecuador also defaulted on some of its bonds that same month did not make the Brazilian government any happier. The decision led Brazil to recall its ambassador, an unprecedented measure. There was much speculation about why Correa would have antagonized a friendly power, which also risked Ecuador's access to foreign credit. Analysts referred to the poor state of Ecuador's public finances and to rumors that Correa opted to act preemptively because of the imminent disclosure of the fact that Odebrecht had funded his electoral campaign. Whatever the reason, this crisis shook the foundations of the ALADI trading system and made the Brazilian authorities realize that, for some neighbors, it is Brazil rather than the United States, that is, the new "imperialist" power. In December 2008, Foreign Minister Celso Amorim (2008) threateningly declared that his government would revise its policy of granting loans to any South American partners that contest their

debts. Lula's top foreign advisor, Marco Aurelio Garcia (2008), a usually conciliatory and soft-spoken envoy to the region, did not mince his words either: "What I observe is that the Ecuadorean government committed a very serious mistake [. . .] If a friendly government treats us this way, what should we expect from our enemies." In the end, Ecuador agreed to disburse the next due payment and Brazil reinstated its ambassador. Nevertheless, the affair brought home the fact that Brazilian money may well be welcome but is insufficient to buy consent. On the contrary, it can generate resentment. To many civil society organizations and social movements, Brazilian protagonism "is interpreted politically as an expression of economic expansionism" (Vaz 2007: 34).

In contrast with the cases described above, Peru and Colombia turned out to be friendlier partners for Brazilian interests than expected. But Brazil is not as significant for these countries, which are also courting an extra regional heavy weight: the United States. For Colombia, in particular, the partnership with the United States is crucial to the country's hopes of winning back large parts of the national territory that have fallen into the hands of guerrilla forces and drug gangs. Although the United States is not that vital a partner for Peru, the latter has cultivated increased commercial relations with Asia – mainly China and Japan – rather than with Brazil.

Finally, Chile is as reliable a partner as Brazil can hope to find in the region. Alas, though, Chile is as reliable in its relations with Brazil as it is in its relations with everyone else, since the country has sought to carve out for itself a position as a respectable global player by abiding by international law and contracts. Although both countries have participated in the MINUSTAH since 2004 and although their economic and diplomatic relations are excellent, Chile's global rather than regional orientation – as well as the fact that it has no territorial borders with Brazil – has limited the potential for cooperation. In sum, South American countries are either ambivalent about Brazil – seeing it as a mix between a welcome paymaster and a new colonial power – or have only minor shared interests or both. What is worse, there are a handful of rivals for leadership, whether neighbors (Venezuela and Argentina) or not (the United States).

9.3. GLOBAL ACHIEVEMENTS

Brazil's most resounding international disappointment has been its failure to obtain a permanent seat on the United Nations Security Council. This long nurtured ambition was positively fed in 2005, when then UN Secretary General Kofi Annan called for a consensus to expand the Council from 15 to 24 members. A report presented by a committee of experts that year put forward two alternatives to implement this reform (United Nations 2005). One proposed the appointment of six new permanent members, and the other called for the creation of a new class of members, with eight countries serving for four years subject to renewal. Neither plan was put into practice, but these blueprints provoked broad contestation and led to the formation of the Uniting for Consensus group, which preferred no change to reforms that might favor

rival neighbors. Because it was clear that this was a core Brazilian foreign policy goal, this lack of support was seen as a fiasco. But this is an exception, as Brazilian global foreign policy has experienced many more successes than failures.

Perhaps one of the factors that most boosted Brazil's foreign reputation was its sudden promotion as a "BRIC" country (Armijo 2007). Goldman Sachs's report predicted that the combined economies of these countries would eclipse those of the current richest countries of the world by 2050 because of their fast growth rates. The report did not advocate the creation of a BRIC economic bloc, but there are mounting indications that the four BRIC countries have sought to form a "political club" and thereby convert their growing economic power into greater geopolitical stature. Notably, the presidents and foreign ministers of the BRIC countries held exclusive meetings on the sidelines of a variety of fora, especially during 2008.

IBSA is a more limited and "principle-oriented" grouping. This acronym refers to the trilateral developmental initiative between India, Brazil, and South Africa to promote South-South cooperation and exchange (Vizentini 2007: 178-189). In the aftermath of discussions between top IBSA government officials at the G-8 meeting that took place in Evian in 2003, the three foreign ministers met in Brasilia on June 6, 2003. At this meeting, the IBSA Dialogue Forum was officially launched with the adoption of the Brasilia Declaration. This group has been publicized not only as a south-south initiative, but as one that brings together the largest democracies on every continent of the southern hemisphere (Saraiva 2007). It therefore more powerfully conveys than the BRIC Brazilian foreign policy banners such as democracy, respect for human rights, and the peaceful resolution of conflicts. Indeed, its main strategic goal has been aptly defined as "soft" (Flemes 2007).

Brazil has been most skillful in the realm of commercial negotiations. Although the current WTO round has stagnated, a new collective actor has emerged from it: the Group of 20 (G20). Variouslly called the G21, G22, or G20+, this is a bloc of 20 odd developing nations that came together at the fifth ministerial WTO conference in Cancún, Mexico. It brings together 60 percent of the world's population, 70 percent of its farmers, and 26 percent of world's agricultural exports. Its origins date back to June 2003, when the IBSA foreign ministers signed the Brasilia Declaration, which stated that the developed countries were acting to protect their less competitive sectors and emphasized that their goal was to promote the reversal of such protectionist policies and trade-distorting practices. In the document, the "Ministers of India and South Africa thanked the Brazilian Minister for convening this first trilateral meeting," which made it clear that Brazil was not a minor partner but a leading force in the group (Vizentini 2007: 169-177). This became clear in 2008, when the Doha Round, albeit unsuccessful, came to a close with febrile negotiations between four actors: the United States, the European Union, India, and Brazil. This dynamic was reiterated at the Copenhagen Summit on Climate Change in December 2009, at which the leaders of China, India, Brazil, and South Africa negotiated the final declaration with US President Barack Obama, excluding the European Union, Russia, Japan, and other global powers.

Probably the most select international club after the UNSC, the Group of Eight (G8) has been the most influential when it comes to the global economy. It is a forum for eight nations of the northern hemisphere: Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States, plus the European Union. The G8 organizes annual summit meetings of its heads of government, and various ministers also meet throughout the year. In the last decade, some members expressed a desire to expand the group to include five developing countries, referred to as the Outreach Five (O5) or the Plus Five: Brazil, China, India, Mexico, and South Africa. These countries had participated as guests in previous meetings – the so-called G8+5. The latter were institutionalized in 2005, when then Prime Minister Tony Blair, as the host of the G8 summit at Gleneagles, Scotland, invited the leading emerging economies to join the talks. The hope was that this would consolidate a stronger and more representative group that would reenergize the trade talks at Doha and promote deeper cooperation on climate change: hence, Brazil became a permanent member of yet another world class international organization. It is also a member of the “other” G-20 (more formally, the Group of Twenty Finance Ministers and Central Bank Governors), a group of 19 of the world’s largest national economies plus the European Union. This group also met twice at the heads of government level in November 2008 and March 2009 in the wake of the world financial crisis. In the former event, Brazil played a high-profile role as it hosted the preparatory meeting.

A last conspicuous sign of international recognition of Brazil as an emerging power and regional reference was the European Union’s 2007 invitation for a “strategic partnership.” This is notable because the EU had been reluctant to engage other Latin American countries – especially those of Mercosur – on an individual basis. The strategy of the EU was to increase the legitimacy of its integration model by fostering similar projects beyond its borders through bloc-to-bloc interregional negotiations. Singling out one country constituted recognition of Brazil’s rising star as much as an acknowledgment of the futility of previous European illusions regarding the future of Latin American regionalism:

Over the last years, Brazil has become an increasingly significant global player and emerged as a key interlocutor for the EU. However, until recently EU-Brazil dialogue has not been sufficiently exploited and carried out mainly through EU-Mercosur dialogue. Brazil will be the last “BRICS” to meet the EU in a Summit. The time has come to look at Brazil as a strategic partner as well as a major Latin American economic actor and regional leader. [...] Its emerging economic and political role brings new responsibilities for Brazil as a global leader. The proposed strategic partnership between Brazil and EU should help Brazil in exercising positive leadership globally and regionally [...] Over the last few years Brazil has emerged as a champion of the developing world in the UN and at the WTO [...] A quasi-continent in its own right, Brazil’s demographic weight and economic development make it a natural leader in South America and a key player in Latin America. Brazil is now actively pursuing this role in the Mercosur framework and is at the forefront of the drive to promote the Union of South American Nations (UNASUR) [...] Positive leadership of Brazil could move forward Mercosur negotiations (EU Commission 2007: 1).

Although the EU did not intend to harm Mercosur or its relations thereof, its pompous rhetoric had negative repercussions. By calling Brazil a “regional” and “global”

leader, a “champion of the developing world,” a “quasi-continent in its own right,” and “a natural leader in South America,” it damaged its own position and that of Brazil vis-à-vis the other South American countries (Saraiva 2009). Once again, global success has proven to be antithetical to regional leadership.

9.4. CONCLUSION

In spite of its regional preeminence, Brazil has been unable to translate its structural and instrumental resources into effective leadership. Its potential followers have not always aligned with Brazil’s main foreign policy goals, such as its pursuit of a permanent seat in the UNSC, of the WTO Directorship-General, or of the IDB presidency, and some have even challenged its regional influence. By playing the regional card to achieve global aims, Brazil ended up in an unexpected situation: while its regional leadership has grown on paper, in practice it has met growing resistance. Yet, the country has gained increasing global recognition. Today, Brazil is acknowledged as an emergent global player by the established world powers, such as the G8 members and the European Union. This chapter has analyzed the mounting mismatch between the regional and global recognition of Brazilian status. Due to South American last-ing cleavages, divergent interests, and power rivalries, the mismatch is not likely to be bridged anytime soon. Growing regional interactions may have improved political relations and smoothed diplomatic conflicts, but they have not led to effective region building. South American regionalism has strengthened not weakened the nation state, and can thus be regarded as reproductive rather than transformative.

In the 2000s, Brazil and Venezuela have stood out as promoters of different regional projects. While the former has relaxed its focus on Mercosur while aiming larger at UNASUR, the latter has backed ALBA, which on surface is an ideological rather than geographically based organization. Looking deeper, though, it is visible that ALBA’s politics rests on oil as much as on ideas. While Brazil’s quest for autonomy conceives of the region as a tool for managing relations with its neighbors and countering the influence of extra regional powers, Venezuela has mainly sought to legitimize its domestic regime through international alliance building. Apparently, Brazil’s way has been both more inclusive and successful; however, as shown above, its aspirations to regional leadership have met unexpected resistance. Be that as it may, the struggle for leadership has been beneficial for its national interests. This paradox has lately come to the attention of the country’s foreign policy elite, which is increasingly advocating a more pragmatic stance based on diversified strategies to minimize dependency on a troublesome region (CEBRI – CINDES 2007). Although sub-regional integration has not ceased to be a goal, it is no longer a priority (Vigevani et al. 2008). Furthermore, the increasing pluralization of actors with a stake in foreign policy (Cason and Power 2009) may also be making Brazil more globally – as opposed to regionally – sensitive.

The Brazilian bid for leadership has been hindered by several factors. The structural components of its leadership project have been insufficient to cajole or buy

support, especially when faced with rivals such as Venezuela, the United States, or even Taiwan, which are willing to give money or military support to win over undecided followers. The instrumental components of leadership have either been unavailable or insufficient. Brazil is reluctant to build common institutions because it feels they would tie it to unreliable neighbors rather than consolidate regional integration. As regards ideas and values, its regional strategies look to some neighbors like hegemonic incursions rather than enlightened leadership based on the pursuit of shared interests. And regarding higher education and migrant destinations, the main attractors for most South American countries continue to be extra regional powers, namely the United States and Europe.

To be sure, Brazil has not become indifferent to the region. However, its ambitions are increasingly defensive rather than offensive. The main goal is no longer to integrate South America into a regional bloc with a single voice but rather to limit damages. Now, it seems sufficient to stabilize the region and prevent political instability, economic turmoil, and border conflicts. The name of the game is to *keep quiet* rather than *lead* the neighborhood, since preventing trouble in its backyard seems to be a necessary condition for Brazil to consolidate its global gains. As Brazil is not a revisionist power that intends to upset the system but rather a reformist one that wishes to enter it, damage control has become its central task. This has turned a would-be leader into a fireman or, as Carlos Quenan once paraphrased from economics jargon, a *leader of last resort*. Thus, as *The Economist* (2008) aptly remarked, “it may be the rising power in the Americas but Brazil is finding that diplomatic ambition can prompt resentment.” By trying to mitigate this resentment, the country may find that it can aspire to a leading role on the global stage as long as it goes it alone.

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CHAPTER 10

POSTLUDE

10.1. RECLAIMING THE REGION

Is Latin America ‘navigating in the fog’, as bluntly put by Whitehead (2009) or is the recourse to the metaphor an easy way to make sense of contradictions when ‘light’ is not shed by the torch of an external marshal? The issue deserves to be evaluated in its own right. The contributors of this book painted a complex and subtle picture of the politics and development strategies and options of countries advancing conscious attempts to redefine the rules of the game at many levels of authority, nationally and regionally. More than a decade into the political economy of Latin America, we can certainly talk about a change of era that despite real limitations on policy making, external and internal, managing the national economy and the challenge of global integration have been turned into ways unthought of 10 years ago. What this book tried to show is that any approach to comparative regionalism cannot ignore the new contours and signifiers shaping politics in the South. The future is empirically inaccessible, but what is most striking today is the ‘return of the state’ as a central site for post-neoliberal political economy in Latin America. Without pretentious definitions, post-neoliberal politics simply denotes, in varying degrees, a generalized rejection of market orthodoxy and its neglect of social equality. In some countries like Argentina, Bolivia, Ecuador and Venezuela, attempts at post-neoliberal governance emerged from the breakdown of political coalitions implementing neoliberalism, the rise of new social actors and organized indigenous movements, leading even to constitutional reform. In countries, such as Brazil, Uruguay, Chile and Peru, new promises of rebuilding the state have supported reforms within the limits of prudential macroeconomic frameworks yet with a strong emphasis on social policy as a tool to ameliorate the costs of long decades of market reforms. This is what Dabène describes as repoliticization of political and economic management. Another striking development is seen at the regional level where repoliticization meant new arrangements to manage natural resources, infrastructure, social development and more sensitive issues of political stability.

What we identified as post-neoliberal political economies – accepting that this is a hybrid, nuanced and sometimes ad hoc model of political economy according to different realities and national circumstances in which neoliberalism has been, and remains, embedded in state-society relations – translates into post-hegemonic regionalist projects, at odds with the neoliberal core, namely trade and financial integration, and defiant of US mentoring. The domestic mindset is buttressed from two sources: on the one hand, by a positive consensus on the need to step up public investment in

health and education, to bring the state back in to coordinate the provision of physical infrastructure and energy, and, on the other, by a negative consensus derived from the critique of neoliberalism as such. The movement of national reforms is accompanied by a second great transformation in the global political economy which has seen the rise of China, in many ways an alternative globalizer giving rise to new trends in trade, production and consumption, new geopolitical challenges to the United States as a hegemonic power, and a general loss of faith in markets as a legitimate agent conducive of social equality. Post-neoliberalism first arose as the politics of desperation. Gradually it has turned into a process of transformation and recomposition that moves between regional commonalities of change and continuity and national differences in institutional and political cultures as well as political economies. As a consequence, it is wrong to assume that we can depict a single, fixed interpretation onto what are evolving policy responses, in the context of also changing policy constraints and ideas. Post-neoliberalism, we suggest, is therefore not a rupture with the past, but an evolution, shaped by legacies of past development trajectories, pragmatism, ad hoc policy making and responses to global and regional politics. What is certain is that the moment of a hegemonic single mode of political economy for the region is over. Latin America is navigating in the absence of a 'meta-narrative', a master history, a single roadmap as the crisis of neoliberalism first manifest in the collapse of the Washington Consensus and then the eruption of the global financial crisis.

This is particularly manifested in a reconceptualization of development that exceeds nationally bounded management. The rise of extractive industries is at the core of contemporary cooperation and conflict, and a string of struggles over redistribution and development politics. While governments make efforts to develop provisions and institutions in support of natural resource governance, such initiatives often come at the expense of local communities being dispossessed of access to their means of livelihoods. It is local communities that are more than often left to bear the costs of 'development' in the form of (forced) displacement from their territories, environmental degradation and loss of means of subsistence. Of course, such upheaval leads to heated debates about what post-neoliberal natural resource governance consists of – for some extraction models exhibit significant continuity with earlier models, for others it is a reversal of fortunes, and for yet others a window of opportunity for development. What is clear is that there is a new understanding that this new model of growth requires cooperating in management and infrastructure. The outcomes also raises new questions: for Brazil it may be a matter of autonomous development (even at the expense of industrial achievements), for Venezuela the chance to extend '21st Century Socialism' beyond its borders. But regardless of manifestos and symbolic politics it is certainly making a difference in terms of growth, the turn from indebtedness to creditor status, and a chance to extend social benefits and gain internal legitimacy in an unprecedented way.

This book derives from the conviction that salience and contradictions of these changes are not satisfactory grasped in the current literature of regionalism. The

direction of the argument throughout has therefore been that regionalism in Latin America, especially as carved out in South America, cannot be seen any longer as a slow movement of blind following and adjustment to Anglo-American free trade doctrines. There are better ways to advance the debate. As the various chapters of this book showed, changing national realities and policy choices have had an impact on inter-state relations and regional politics. Regional projects, institutions and source of funding are being developed in support of national development strategies in fundamental ways. This is a tall order for scholars interested in the study of international relations and political economy, particularly those of us who lived and wrote under the spell of New Regionalist approaches. Regionalism in a post-hegemonic era is challenging the discourse about dependent economies reacting collectively to the external forces of globalization. At the same time there is no single crystallized project arising in a quixotic crusade against neoliberalism. And this is probably good news. What we see from the findings of the contributors is precisely the many aspects of collective action that are taking shape more or less institutionalized in several dimensions of human activity: infrastructure, security, trade, finance, social policy and democratic deliberation. We recognize that this is not a time for grand strategy or grand meta-narratives. Nevertheless, we acknowledge that in exploring regional politics one has to embrace the wide-ranging and informal processes of regional interdependence that, particularly in South America, are giving substance to national development strategies in ways that transcend established orders.

10.2. REBUILDING REGIONALISMS

As Dabène puts it, a growing politicization of the regional space and regional relations is part and parcel of a redefinition of what regionalism should mean and how integration projects should respond to current challenges of global political economy. The process may be welcomed or deplored but two analytical questions are central to any approach to regionalism. First, what factors govern how resilient a given project is likely to be under changing political and economic conditions? All societies seek to ensure that promises once made will be kept or that agreements once undertaken will be carried out. Second, what factors, structural and agential, enable or constrain how transformative a given regionalism is (or can be) with respect to the powers of the actors, the policies and the institutions encompassed by it? Development is after all a vision of transformation. Unless this is understood, much of what is taking place today will remain incomprehensible.

The idea of resilience stresses resistance to, and or capacity to recover from, political, economic and social disturbances and setbacks from domestic, regional and the international crises. A resilient project will resume functions and growth trajectory after a critical hold-up. This simple understanding attributes to resilience a bit more than mere survival. It opens the way for thinking about regionalism beyond 'empty-shell' institutions, rhetorical missions or symbolic politics, to consider regionalism as a crisis management platform with a buffering capacity to changing conditions at

different levels of social relations. As illustrated later in the chapter by Riggiozzi, resilience is a dynamic attribute associated with a process of continual adjustment of institutionalized, coherent and cohesive set of rules and procedures, where social relations, alignments and resources transcend the political agenda of a leader and 'propitious' contexts (i.e. US market, Venezuela's oil, China's demand for commodities). Ultimately, the evidence of resilience has to be seen in the ability of a given governance arrangement to enhance the capacity and power of agents in facing changing circumstances and demands across time.

Transformative regionalism refers to the emergence of models of regional governance underpinned by ways of understanding alternative (and autonomous) development, democracy and identity politics, as well as changes in leadership and decision-making procedures, seeking real alternatives to existing orders and institutions, flawed as all human constructions are. How profound the process of transformation is has to be analysed tracing patterns of continuity and change across time. The search for alternative models of political economy and attempts at articulating new projects of governance, both at local and regional levels, have been driven by a generalized critique to unmediated, unregulated models of democracy prevailing in the region for over two decades of neoliberalism. Despite a wide reformulation of identity politics and economic models of growth and inclusion across the region, however, it is not possible to speak of one united endorsement of an alternative economic system, or post-neoliberal regional governance but rather of overlapping, and perhaps competing, models defining regional governance.

Loosening the harness of the neoliberal myth as an organizing principle allows us to see the contradictions in the regionalization process – this is not straightforward and conducive to deeper integration but is full of contradictions. It becomes plausible in the course of such a critical enterprise that current understandings are inadequate, often dated and always in need of being revised. Saguier and Serbin showed that this is even more the case in the aftermath of the defeat of the grand vision of the FTAA in 2005. Since then the relationship between civil society and regional constructs are marked by opposing processes. On the one hand, as a result of the emergence of new Centre-Left governments which have incorporated the demands of social movements, there is a significant unravelling of civil society as the moral sentry of the democratic ideal. At the same time, other neglected constellations of civil society are rising as communitarian movements in response to a number of social and environmental conflicts throughout the region related to natural resource industries. To the extent that such differences are related to political camps there are practical consequences to such tensions. Channelling these new demands is difficult as there are limited institutional channels and they point to the heart of new developmental models based on extractivist economies. The implications of these dynamics are important for the way we understand regionalization when the exportation of cognitive contents loses sway.

10.3. THEORIZING REGIONALISM IN A NEW ERA

This collection arrives at a critical moment where referential scholars in IR and IPE are discussing not simply what regionalism is but how to reconcile the many theories that explained regional integrations for half a century. Theorizing regionalism has never been a straightforward project. The different understandings of region building and regionalism have framed a field of studies where neofunctionalism and inter-governmentalism in EU studies believe in an incremental process of integration by which the positive effects in one sector of the economy will lead to cooperative arrangements in other sectors, in what was identified as ‘spillover effect’. Spillover as a driver of integration also explains, according to this view, the establishment of formal institutions in support of those outcomes (see Haas 1958, 1964). This theory was highly criticized by scholars eager to explain what the transformations of a globalized world meant for developing nations. New Regionalist scholars therefore claimed that the old school failed to generate workable theories capable of contrasting different realities other than European integration. New Regionalist approaches instead explained regional collective action as a way of managing globalization, the external force and the pressures of competitive markets. As such, regional integration processes outside Europe were diverse in nature and comprised a range of models, structures and processes defining region building (Hurrell 2005). New Regionalist scholars thus added to the discussion two critical variables brushed aside by old notions of European regionalism, namely the role of non-state actors, and the dialectical relationship between regionalism and globalization. In sum, regionalism was now understood as a multidimensional process, part and parcel of transformations in the international political economy since the early 1980s, global in scope (rather than effectively limited to Europe), based on neoliberal economics as opposed to protectionism and shaped by state and non-state actors (Hettne 2005; Hettne and Söderbaum 2005). Naturally, this attracted a lot of interest in the late 1980s and early 1990s. The literature thus emphasized that regionalism was the outcome of two inter-related forces: an exogenous perspective (according to which regionalization and globalization are intertwined articulations of global transformation) and an endogenous perspective (according to which regionalization is shaped from within the region by a large number of different actors). What is striking is that the wealth of scholarly in new regionalism overemphasized the exogenous perspective as the primary force driving actions and reaction in regional politics, while the endogenous perspective was largely overlooked. Furthermore, in extra-European areas where regionalism was seen as responding to intraregional hegemonic politics, especially in the Americas, the external dimension of power and influence was taken as the main driver explaining motivations and origins of regional agreements. The economic and political dynamics of post-war regionalism in the Americas have been explained as a process of *Americanization*, based on the hegemonic position of the United States (Hettne 1999). By definition there was a unifying meta-narrative at that stage.

Aiming at bridging the role of agency, highlighted by functionalist and neo-functional theorizing about the integration of Europe, and the long-term transformation of territorial politics as a consequence of globalization supported by New Regionalism, a new enquiry has recently been opened by scholars trying to enrich comparative analysis. Pioneering this task, Warleigh Lack (2006) and Rosamond (2008; Rosamond and Warleigh Lack 2010) have accurately revised these debates to assess the state of the arts in the study of regionalism and the divide between new regionalism and regional integration scholars by avoiding benchmarking in the comparison of different experiences yet reevaluating the usefulness of historical legacies and empirical patterns that explain the 'hows', 'whys' and 'by who' in the construction of regional polities (Rosamond et al. 2011). Adding to this discussion, the findings of our collection offer fresh insights on particular institutional choices as well as informal transnational and trans-social cooperative practices providing new clues to the advancement of integration in Latin America. Regional collective action we argued needs to be placed within a broader context, identifying two sets of factors: (i) immediate domestic, agential factors associated with the constellation of actors (governmental and non-governmental actors as well as private and public networks); political, economic and 'intellectual' leadership; and the network activities that emerge from their interests, beliefs and incentives; and (ii) structural factors in the global political economy (crises, power and authority, sources of finance and ideas; context in which these elements are manifest). The confluence of these factors is shaping multiple regional spaces detached from the conventional powerful assumption that governance, from a regionalist point of view, implies solely 'market governance'. In many ways, freeing the region from the hand of the hegemonic propeller opens an opportunity for intraregional synergies and spillovers to create stronger regional arrangements. Carciofi's illustration of the relevance of IIRSA in region making is an example. The potential impact of infrastructure integration on the region's economic geography may be significant through its stimulus to investment, production and trade. In this way, IIRSA may stimulate the rise of new centres of economic gravity in South America. At the same time, IIRSA may accelerate technological transformation and thus threaten the existence of ecosystems through unsustainable use of land. To balance economic governance and welfare and environmental effects of IIRSA, appropriate regulatory frameworks will be required to tackle common challenges in other areas and develop domains of deliberation and authority. These observations however must not be taken as an acritical understanding of spillover effects. Haas' understanding of institutions shaping political actors' embrace of deeper integration has been rightly highly criticized. Likewise we understand that integration synergies do not respond to technocratic chains of events or self-powered mechanisms but rather as an outcome of national and transnational groups' interest. This is as highly economic oriented as it is political. Current regional arrangements must be analysed as national politics by other means. The position of national governments

plays a key role in this regard. The same drift can be expected in social and economic arrangements promoted between ALBA members for the provision of health, education, food and oil.

Further investigation into new drivers of regionalism and regionalization may support our enquiry subverting the thinking that regionalism loses momentum in the absence of the hegemonic force. The uncertainties regarding American hold are naturally fertile ground for a different traction and efforts to construct new legitimations. This is the point of further research. In fact, a situation becomes problematic when familiar assumptions begin to break down. To derive from this an endorsement of existing projects would be to overlook certain other points that have also been stressed throughout the volume. To understand what is going on is not to choose but to take as facts the choices of others.

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