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### Has Regionalism Peaked? The Latin American Quagmire and its Lessons

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# Has Regionalism Peaked? The Latin American Quagmire and its Lessons

Andrés Malamud and Gian Luca Gardini

Since 1960, Latin American attempts at regionalism have undergone distinct phases. More notably, they have tended to diverge across space, gradually giving birth to separate blocs that seem to be tearing South, Central and North America apart. Additionally, within and across these regions several overlapping projects coexist. This article focuses on the dynamics of segmented and overlapping regionalism in order to describe what they look like, analyse how they articulate with one another, and explain why member states have pushed for such a messy outcome. This situation, linked to the evolution of the global context, might be indicating that regionalism in Latin America has reached its peak, beyond which it may be difficult to achieve further progress. Two conclusions are elicited: first, economic integration is becoming a geographically diffused phenomenon rather than a regional one; second, regionalism is still a compelling foreign policy but its causes, goals and outcomes are no longer what they used to be.

**Keywords:** regionalism, regional integration, subregionalism, Latin America

When Henry Kissinger allegedly asked what number he should dial if he needed to talk to Europe, he was mocking a regional organisation that had developed a large bureaucracy but no single political authority. If anyone asked the same question today about Latin America, it would hardly be a laughing matter as it is only too evident that the region lacks not just a phone number but also a headquarters and phone attendants. Indeed, there is no regional organisation that exclusively brings

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together all Latin American countries: the Organization of American States (OAS) includes Canada, the United States and the Caribbean; the Ibero-American Community embraces Andorra, Portugal and Spain; the Latin American Integration Association (ALADI) comprises only twelve of the twenty Latin American states; the inchoate Community of Latin American and Caribbean States (CELAC) messily brings together 20 Latin American and 13 Caribbean countries; the Union of South American Nations (UNASUR) unites ten of them together with Guyana and Surinam; and the processes of subregional integration (Mercosur, the Andean Community, the Central American Integration System) are even less encompassing as regards membership. For its part, the Bolivarian Alliance for the Americas (ALBA) unites only five Latin American countries with three Caribbean microstates. One potential exception stands out: the Rio Group, which numbers 23 members, including all of Latin America, but also a few countries from the Caribbean. Yet, there is still a caveat: this organisation lacks a secretariat or permanent body, so if it did have a number it would have to be a cell phone.

This article argues that, since the first experiences in the 1960s, Latin American regionalism has never been all-encompassing, but rather territorially segmented, therefore disintegrating the conceptual Latin American space at the same time as it has sought to integrate subregions. This trend has only been accentuated more recently, giving birth to new blocs that are tearing South, Central and North America apart. More confusingly, some of these subregions overlap. In the following two sections, the focus will be on the dynamics of segmented (i.e. subregional) and overlapping (i.e. multilevel) regionalism respectively. The aim is to dissect the nature and features of the blocs, analyse how they articulate with one another, and explain why member states have pushed for such a messy outcome. The third section discusses five factors that pose limits to what Latin American regionalism may achieve, thus suggesting that the development of integration has reached its peak. Excessive expectations and high rhetoric have to be tempered against structural circumstances beyond the control of the region or the political will of its member states.

The claim made in the article is that the presence of segmented and overlapping regionalist projects is not a manifestation of successful integration but, on the contrary, signals the exhaustion of its potential. This is not incompatible with the proliferation of cooperation initiatives. Yet regionalism understood as 'comprehensive economic integration' in a macro-region is losing ground to regionalism understood as 'a set of diverse cooperation projects' in several subregions. Recent developments have shown traits such as the primacy of the political agenda, an increased role of the state, growing concern for social issues and asymmetries and an attempt to escape from broadly neoliberal and US-endorsed dynamics. This shift has been captured by definitions such as post-neoliberal or post-hegemonic

regionalism,<sup>1</sup> which seek to overcome the open or new regionalism paradigm. This study challenges these analyses by offering a different perspective: Latin American regionalism is not evolving towards yet another paradigm but is instead rolling onto itself, either spilling around without deepening or going back to standard cooperation arrangements.

The final part of the article offers two concluding remarks for reflection: first, economic integration is becoming a geographically diffused and thinner phenomenon rather than a regional and thicker one; second, regionalism is still a compelling foreign policy component but its goals and outcomes are no longer integration but cooperation, in line with the revitalized will of the larger states.

### **Segmented regionalism as decentralised subregionalisms**

In the 1960s, the thrust towards regional integration encompassed most geographical areas across the planet. Framed by the Cold War, the decolonisation process fostered a series of attempts at cooperation among neighbouring states in an era of nationalist restoration and protectionist economies. A few years later, though, most efforts had failed. Even the most successful case, the European Community (EC), entered the dark ages of so-called Eurosclerosis between the 1970s and early 1980s.

In the 1990s, a revival of integration arose. It was different from the earlier wave in that the so-called ‘new regionalism’ was conceived of as open: it did not pursue import substitution but export promotion, thus not aiming at closing the region in a defensive way but at improving national competitiveness in an increasingly free-trade environment.<sup>2</sup> The fears of a world divided into several ‘fortresses’ receded, and the new regionalism began to be thought of as a feature of the wider globalisation process. However, it developed heterogeneously. One of its features was “the very wide variation in the level of institutionalization, with many regional groupings consciously avoiding the institutional and bureaucratic structures of traditional international organizations and of the regionalist model represented by the EC”.<sup>3</sup>

As an attempt to rebuild the eroded national boundaries at a higher level, regionalism can be interpreted as a protective manoeuvre by states that cannot by themselves secure their own interests.<sup>4</sup> Yet, the new regionalism conceived of regional organisations as building blocks rather than stumbling stones of a new world order. In Latin America, where the dream of political unity had been present since the wars of independence, the emphasis gradually changed to economic integration after World War II.<sup>5</sup> The decisive thrust came from the United

<sup>1</sup> Riggirozzi and Tussie, *The Rise of Post-Hegemonic Regionalism*; Sanahuja, “Del ‘regionalismo abierto’ al ‘regionalismo post-liberal’”.

<sup>2</sup> Bhagwati, “Export-Promoting Trade Strategy”.

<sup>3</sup> Fawcett and Hurrell, *Regionalism in World Politics*.

<sup>4</sup> Milward, “The European Rescue of the Nation-State”.

<sup>5</sup> This part draws on Malamud, “Latin American Regionalism and EU Studies”.

Nations Economic Commission for Latin America (ECLA). Later renamed Economic Commission for Latin America and the Caribbean (ECLAC), this agency was established in 1948 to encourage economic cooperation among its member states, and its proposals aimed at the enlargement of national markets through the constitution of a regional market. The coalition of technocrats and reformist politicians led by its first president, Raúl Prebisch, considered that this was the only means to overcome traditional dependence on primary commodity export trade.<sup>6</sup> As the then prevailing model of development – that is, import-substitution industrialisation – was reaching its limit within the national markets, larger markets entailing economic diversification and technological modernisation were indispensable to advance further development. In the meantime, the creation of the EC also had an impact on pushing integration across the Atlantic, given that the resulting trade diversion in the Old Continent indirectly damaged Latin American countries.<sup>7</sup>

ECLAC's drive for regional integration initially came about in two waves. The first one saw the establishment of the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM) in 1960; the second led to the creation of the Andean Pact (later Andean Community) in 1969 and the Caribbean Community (CARICOM) in 1973, partly as a reaction to the effects produced by the previous wave. A third one took place later, following the transitions to democracy in the 1980s and 1990s, and saw the creation of the Common Market of the South (Mercosur) and the relaunching of both the CACM and the Andean Community. Moreover, the North American Free Trade Agreement (NAFTA), the first regional organisation that included developed and developing countries (US, Canada and Mexico), was also born in this period. Labelled 'open regionalism', as they aimed to combine regional preference with extra-regional openness, the latter processes reached early success and are still in existence. Yet, none achieved its initial objectives as stated by the respective founding treaties – whether a free trade zone, a customs union or a common market.

As of 2000, a fourth wave has been identified: post-liberal or post-hegemonic regionalism,<sup>8</sup> which has allegedly changed the focus from economics to logistics or politics. Physical integration, political identities and security issues are quoted as the rationale for the new integrative efforts, as in the cases of the Union of South American Nations (UNASUR), the Bolivarian Alliance for the Peoples of our America (ALBA) and even Mercosur.<sup>9</sup> Almost two centuries after holding two Bolívar-led pan-American conferences, in 1819 and 1826, Latin American visions

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<sup>6</sup> Wionczek, "The Rise and Decline"; Mace, "Regional Integration in Latin America".

<sup>7</sup> Mattli, *The Logic of Regional Integration*.

<sup>8</sup> Sanahuja, "Del 'regionalismo abierto' al 'regionalismo post-liberal'"; Riggirozzi and Tussie, *The Rise of Post-Hegemonic Regionalism*.

<sup>9</sup> Carranza, *Mercosur, the Global Economic Crisis*; Cienfuegos Mateo and Sanahuja Perales, *Una región en construcción*.

of integration seem to have gone full circle – back to a shared identity as the main driver. Identity politics, however, are likely to lead to fragmentation rather than integration, which is driven instead “by the convergence of interests”.<sup>10</sup> The most recent reaction to the ideological radicalisation of Latin American regionalism has come from the Pacific Arc, as Chile, Colombia, Peru and Mexico have signed a treaty that – once again – puts the economy first, as they vow to foster free trade.

As an outcome of the four consecutive waves, a patchy picture has emerged of “many coexisting and competing projects with fuzzy boundaries”.<sup>11</sup> However, these projects neither form “concentric circles of regionalist forums”<sup>12</sup> nor show a minimum common denominator or a convergence of political or policy positions.<sup>13</sup> The parallel with the European experience may be tricky but also helpful if handled with care. This is not to suggest that Europe be taken as a model, but just as a reference for comparison, as it has traditionally been for both analysts and decision-makers. Think of European integration as a combination of several circles that intersect partially: a political organisation (the European Union), a currency area (the Eurozone) and a border and migration zone (the Schengen area), all under the umbrella of the Council of Europe (see Figure 1). At the very centre, where all circles intersect, the six founding states sit together with nine countries brought together by successive waves of enlargement. Even if we added Europe’s defence alliance, that is NATO, thirteen countries would still share every circle of integration. In other words, the EU has displayed – so far – an increasing degree of convergence regarding functional organisation, internal leadership, external actorship, and development strategy. It is true that, back in the 1960s, the then EEC had to compete with the European Free Trade Area (EFTA); however, it came out the winner due to its economic dynamism and, ultimately, its success. But even with two competing schemes, the situation in Europe remained one of convergence. Alliance with or neutrality towards the US or fear of the USSR united all the members of the EEC and EFTA. The place of West Germany and France within the EEC and the United Kingdom within EFTA did not result in incompatible international policies or in clashes bordering on political and diplomatic inacceptability. Furthermore, while differences existed on the degree to which integration should proceed (common market in the EU versus free trade area in EFTA), convergence towards a capitalist regional order based on free trade was never questioned on either side.

A very different picture emerges in Latin America. Figure 2 shows nine of the afore mentioned regional organisations and one feature stands out: not one country participates in even half of them. In the Western hemisphere, regionalism is always

<sup>10</sup> Malamud and Schmitter, “The Experience of European Integration”, 147.

<sup>11</sup> Tussie, “Latin America: Contrasting Motivations”, 170.

<sup>12</sup> Phillips and Prieto, “The Demise of New Regionalism”, 120.

<sup>13</sup> Gardini, “Proyectos de integración regional sudamericana”, 26.

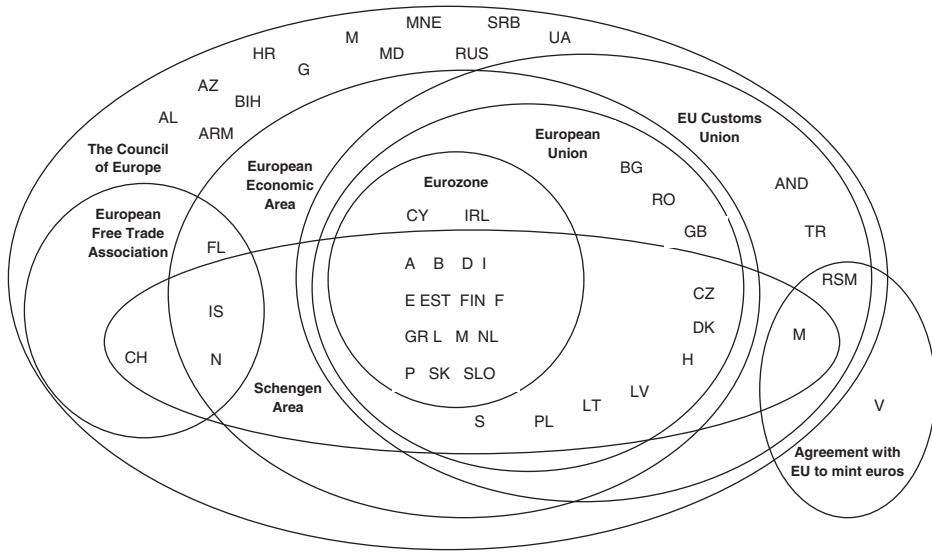


FIGURE 1. European Union: concentric integration  
 Source: Wikipedia, European Integration.

subregional and there is no common core or political centre. The reality is that, every time a new bloc is born, it does so by excluding neighbouring countries and by intentionally differentiating itself from other (sub)regional organisations. Decentralised subregionalisms rather than concentric regionalism has been the end-product of such logic, by which subregional integration proceeds through regional or hemispheric disintegration.

**Overlapping regionalism and conflicting national strategies**

In Latin America, no sooner is a regional conflict solved than a national leader comes forward publicly announcing that “now, it is time for integration”. Intermediate alternatives between conflict and integration, which are customary politics in other settings – such as conventional diplomatic relations or standard interstate cooperation – are either neglected or disdained. The burden of two century old dreams of Latin American unity, coupled with the shadow projected by the European model,<sup>14</sup> have imbued into most regional leaders the idea that anything short of integration is a political failure or, worse, a betrayal of the liberators or the peoples. The pre-eminence of this vision has had a twofold

<sup>14</sup> Sanchez Bajo, “The European Union and Mercosur”; Gardini, “Mercosur at 20”; and Sanahuja, “Del ‘regionalismo abierto’ al ‘regionalismo post-liberal’”.

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FIGURE 2. Latin America: decentralised regionalisms

From top left, reading wise: (1) the Americas, (2) Latin America, (3) ALBA, (4) North America (NAFTA), (5) Central America (SICA), (6) South America (UNASUR), (7) Mercosur, (8) Andean Community, and (9) Pacific Alliance.

*Source:* Wikipedia, several entries.

effect: while it has multiplied the number of regional organisations, it has at the same time emptied them – and the very concept of integration – of real content. This has resulted in ‘region inflation’: not a decade has passed without an additional couple of blocs being created. Similar to cooperation and integration processes in Africa, as discussed by Draper in this issue,<sup>15</sup> another important aspect of Latin America’s inflated regionalism is non-exclusivity: every country belongs to more than one organisation and is thus potentially subject to double loyalty and norm conflict.

<sup>15</sup> See article by Draper, in this issue, 67.



Latin American regionalism or regionalisms result diluted at best and emptied at worst. This situation is both the cause and the product of discrepancies on three different planes.

- the variety and coexistence of integration schemes and their membership make it hard to reach a minimum common denominator.
- national strategies are hard to articulate within regional organisations that are based on the intergovernmental principle and therefore are more exposed to national swings.
- multiple membership creates frictions between and within regional integration projects, fuelling divisions instead of the unity that regionalism purports to pursue.

First, the lack of a basic Latin American consensus on key issues is epitomised by the current situation in South America. Mercosur, ALBA and UNASUR, arguably the most relevant regional projects in the area, are the product of different political logics and visions. As a consequence, they give very different responses to three fundamental questions of Latin American regionalism: the relationship with the United States, the leadership issue, and the economic and development model to pursue.<sup>16</sup> The relationship with the United States varies from mildly competitive in commercial terms (Mercosur), to inconsistent or elusive (UNASUR), to ideologically confrontational (ALBA). The role of leadership is not clearly defined either. Whereas ALBA reflects the allegedly socialist vision of Venezuela's leader Hugo Chávez, UNASUR is a Brazilian creation designed to promote Brazil's role regionally and globally. In turn, Brazil's pre-eminence within Mercosur has been squeezed between the emergence of UNASUR and the bilateralisation of relations with Argentina. Finally, the models of development range from open economy and free trade (Mercosur), to rejection of free trade in favour of compensation and barter (ALBA), to the impossibility of adopting any model due to divergences among members (UNASUR).

Second, the difficulty in reconciling national interests at the regional level is amplified by the intergovernmental logic. Because Latin American regionalisms rely heavily on interpresidential dynamics rather than supranationality,<sup>17</sup> they are extremely responsive to national agendas. At the same time, they lack unifying input from a strong regional bureaucracy. Despite a generalised turn toward left-leaning administrations throughout Latin America, national visions of economic and development strategies remain very different. For instance, Chile has adopted low tariffs and concluded free trade agreements with countries across the world including the United States and the EU. It is not convenient for it to join regional integration schemes such as Mercosur, where common tariffs are higher.

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<sup>16</sup> Gardini, "Proyectos de integración regional sudamericana".

<sup>17</sup> Malamud, "Presidential Diplomacy".

In contrast, in both ideological and policy terms a free trade area with the US would be unthinkable for Venezuela. Peru and Colombia have broadly followed the Chilean model, while Ecuador, Bolivia and Venezuela tend to regulate and restrict foreign trade and are largely state-dominated economies. Brazil and Argentina are in their own ways somewhere in the middle. What is clear is that no real economic integration is possible without a minimum of trade policy convergence.

Third, multiple allegiances create or exacerbate tensions between and within integration projects. Simultaneous membership reveals, on the one hand, a degree of inconsistency of national choices and, on the other, an increasing gap between political declarations and diplomatic action. This may signal a parallel surge in both ideology and pragmatism.<sup>18</sup> Venezuela enshrined the principles of anti-capitalism and anti-free trade in the ALBA agreements; it has denounced and left the Andean Community for these reasons, but is seeking membership of Mercosur, still largely shaped by liberal economic precepts, and has joined UNASUR. The result is that Mercosur's enlargement to Venezuela, signed in 2006, is still pending and technical negotiations on Caracas' adaptation to the *acquis communautaire* are "not making progress".<sup>19</sup> For the time being, "we are not close to full accession".<sup>20</sup> Within UNASUR, countries with very different economic strategies (for example Chile and Ecuador) and political views and alliances (Colombia and Venezuela) coexist but limit the organisation's actorness on crucial regional and multilateral issues.

The relation between the adhesion to Latin American regional projects and the conclusion of free trade agreements with the US and the EU provide additional evidence of current inconsistencies, or more optimistically, extreme flexibility. Nicaragua has already ratified the US-sponsored Dominican Republic and Central American Free Trade Area (DR-CAFTA) while it has also joined ALBA. Ecuador, another ALBA member, has denounced the free trade agreement it had concluded with the US but at the same time has pursued preferential trade access to the US market through the Andean Trade Promotion and Drug Eradication Act (ATPDEA). Bolivia, also an ALBA member, has obtained an opt-out from the FTA negotiations between the Andean Community and the EU, thus further fragmenting the cohesion of the Andean integration project. The latter was further strained by Colombia's 2008 attacks on the territory of Ecuador during anti-guerrilla operations.

Ultimately, regional positioning pertains to the domain of foreign policy and as such is highly dependent on national calculations. To Brazil, Mercosur is essentially

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<sup>18</sup> Gardini and Lambert, "Introduction".

<sup>19</sup> Interview with José Manuel Quijano, former Director of the Mercosur Secretariat, Montevideo, 22 July 2010.

<sup>20</sup> Interview with Walter Cancela, Director of Mercosur at the Uruguayan Foreign Ministry until 2010, Montevideo, 20 July 2010.

a tool to manage its relation with the neighbours but has limited economic impact. For the other three associates, Argentina, Paraguay and Uruguay, Mercosur has economic relevance – it provides access to the Brazilian market – and somehow ideological appeal. UNASUR is a Brazilian creation to realise its vision of South – as opposed to Latin – America as a region in its own right, coinciding with what Brasilia has defined as its sphere of interest. To Venezuela and the other Bolivarian countries, Bolivia and Ecuador, UNASUR is a political forum to increase autonomy from the US and promote their agenda without significant economic or trade commitments. Chile has chosen to be an associate member of both the Andean Community and Mercosur in order to reap political benefits without compromising on its economic policy, and has joined UNASUR to avoid exclusion costs. The Andean Community has lost momentum and members such as Chile, Peru, and Venezuela have come and gone depending on national circumstances. Venezuela has created ALBA to spread the Bolivarian revolution but its members seem to be more interested in Venezuelan oil and rhetorical claims to cement internal support than in a sustainable regional project. At the same time, non-members look with suspicion at this highly ideological and quite divisive venture. The recent formation of the Pacific Alliance between Chile, Colombia, Mexico and Peru is an attempt to shift regionalism from the political back to the economic, to regain a role for Mexico in Latin American affairs, and to reflect the increasing relevance of the Asia-Pacific connections for the region.

### **Structural obstacles and the peak of regionalism**

This section discusses the possibility that regionalism in Latin America has reached a peak beyond which it will be unable to progress. Consolidated extra-regional trade patterns, the emergence of international groupings other than regional ones, the ambiguous role of regional leaders or absence thereof, the preference for bilateralism of the emerging powers, and the spaghetti bowl effect may signal that the world is not going the regional way and that further deepening of regionalism in Latin America is not to be expected. Yet, the exhaustion of comprehensive integration projects does not mean that regional cooperation will not take place; the difference is that the pooling or delegation of sovereignty is no longer an option.

The EU, as well as most similar schemes, started with the integration of production and most of all exchange of goods. Integration is primarily expected to unify the economies of a region, aiming at a single market. A convergence of political goals may be a precondition for or an outcome of regional integration but does not constitute its core. A level of physical integration in terms of transport and communication infrastructure certainly helps, as this is instrumental to the movement

of goods and people.<sup>21</sup> If one intends to avoid an all-encompassing definition, integration is basically an economic phenomenon and can be understood as “specific policy decisions by governments designed to reduce or remove barriers to mutual exchange of goods, service, capital, and people”.<sup>22</sup> Trade is central to its essence, and alternative or anti-neoliberal projects such as ALBA and UNASUR recognise this fact: while UNASUR aims at the creation of a South American free trade area,<sup>23</sup> trade – although understood as having different rules from liberalisation and competition – is central to ALBA and its People Trade Agreement.<sup>24</sup> As even non-orthodox scholars concede, it remains “undisputable” that regionalism is driven at least in part by economic calculations.<sup>25</sup>

However one may ask: why trade regionally? Latin American regionalism of the 1960s answered that increased intra-regional trade would lessen dependency and initiate a virtuous circle of development by enlarging national markets and, at the same time, shield them from external competition. In the 1990s the answer was almost reversed, suggesting that intra-regional trade should serve as a basis to strengthen and open up national economies to the world to compete in global markets and attract global investors. Today, Latin American economies are growing and surfing through the global crisis because of their exports to non-regional emerging markets, so why trade regionally? Latin America has tried to foster intra-regional trade where it does not exist. While the EU or NAFTA were born as a tool to manage existing interdependence, LAFTA, the Andean Community, the Central American Common Market and more recently Mercosur were created to decrease dependence on extra-regional markets and to induce a surge in intra-regional trade. But what if there is little to trade at the regional level and more to gain extra-regionally?

Some data help clarify the point. Between 2000 and 2006, intra-regional trade exceeded 60 percent in the EU and was well beyond 55 percent in NAFTA. The corresponding figure for Latin America and the Caribbean in the same period was less than 20 percent, with Mercosur totalling less than 15 percent and the Andean Community barely reaching 10 percent (Figure 3).

The breakdown for individual countries is even more telling. According to WTO figures for country profiles 2011, Germany, the largest economy, sent over 60 percent of its total exports to the EU and received from the region more than 58 percent of its total imports. Even the UK, the least euro-enthusiastic country and the one historically most linked with extra-regional markets, traded

<sup>21</sup> Indeed the countries that are most supportive of the South American Initiative for the Integration of Infrastructure (IIRSA) are those that would gain the most from inter-oceanic connections, namely Brazil, Peru, Bolivia, Chile and Uruguay.

<sup>22</sup> Hurrell, “Regionalism in Theoretical Perspective”, 43.

<sup>23</sup> Sanahuja, “Del ‘regionalismo abierto’ al ‘regionalismo post-liberal’”.

<sup>24</sup> Muhr, “The ALBA-TCP”.

<sup>25</sup> Ruggirozzi, *Region, Regionness and Regionalism in Latin America*.

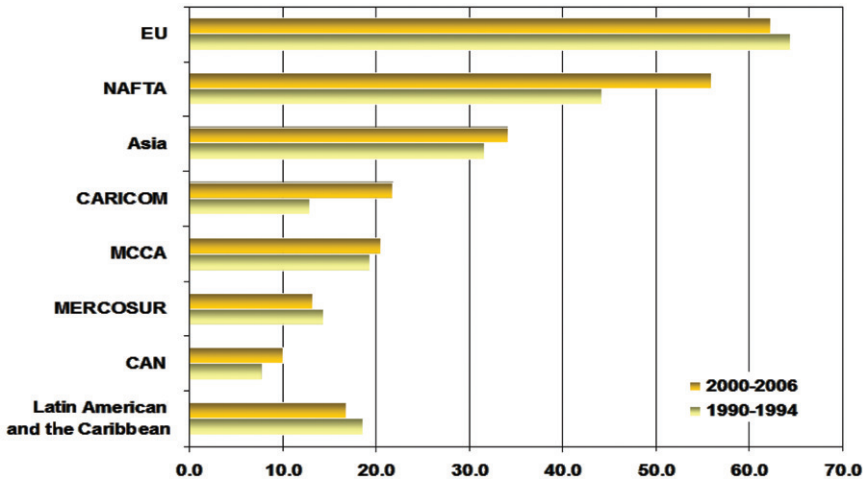


FIGURE 3. Regional interdependence in several integration schemes  
 Source: ECLAC International Trade and Integration Division. Figure plotted by José Durán.

almost 55 percent of its total with EU partners. In contrast, Brazil, the largest exporter of Mercosur, has none of the remaining three associates, individually or as a group, among its first three trade partners, which are the EU, the US and China. While it is true that Brazil is the first commercial partner of Argentina, Paraguay and Uruguay, this may be misleading. Brazil accounts for two-thirds of Mercosur’s trade, which makes the level of intra-regional trade pretty low overall. For members of the Andean Community, figures speak even more clearly, with the US, the EU and China representing over 50 percent of the total trade of the region, with regional associates lagging far behind.<sup>26</sup>

The Central American Common Market, the Andean Community, and Mercosur have contributed to raising the percentage of intra-regional trade over the years, but they started from quite low levels and still lag far behind the corresponding figures in Europe, North America or Asia.<sup>27</sup> This is not, or not only, the result of weak regional policies and commitment. Most of all it is the product of economic non-complementarities. Minerals, fuels and produce are being exported at high rates from Latin America to extra-continental markets and largely contribute to the current growth of the continent. Latin American regionalism has achieved reasonable economic results in terms of fostering intra-regional trade, but there is a limit to what Latin America can sell and buy within the region.

<sup>26</sup> All figures from World Trade Organisation, *Trade Profiles 2011*, <http://stat.wto.org/CountryProfile/WSDBCountryPFHome.aspx?Language=E>.

<sup>27</sup> ECLAC, *Latin America in the World Economy*.

A second limit to Latin American regionalism is the increasing availability of international groupings whose common rationale is issue-based rather than geographic proximity-based. At the multilateral level, common interests stem from similar levels of development or concerns for specific subjects, rather than belonging to the same region, where different levels of development, economic strategies and political positions intermingle. Within major international organisations this is a well-established pattern. At the World Trade Organisation, influent alliances such as the Group of Cairns of major agricultural powers and the G20 of developing nations defend the interests of their members in specific subject areas and there is no predetermined geographic scope. At the UN, political alliances and the issues at stake determine voting patterns much more than territorial contiguity. For instance Brazil, has aligned with the US much more often than it has with other developing countries, including regional partners.<sup>28</sup> The G20 of finance ministers, not to be confused with the WTO G20, is equally based on issues of common interests. At the multilateral level there is no forum of regions or regionalisms. Global issues are not handled by regions but by multilateral organisations or other coalitions of states where regional bonds are secondary at best.

This tendency towards issue-based rather than region-based alliances is also emerging in Latin America. Initiatives such as the Integration of Regional Infrastructure in South America (IIRSA) or the Integrated Latin American Market (MILA) of Peruvian, Chilean and Colombian equity markets focus on limited areas of common interest side-lining grandiose schemes. ALBA itself brings together a group of countries that do not share a single land border. This might be considered a sub-species of regionalism but, more correctly, it can be interpreted as a functionalist alternative to the shortcomings of more comprehensive regionalist projects. In this respect, MILA is precisely a way of “thinking outside the box” about integration in the intentions of its founders.<sup>29</sup>

A third factor suggesting that regionalism in Latin America may be reaching a peak emerges from absence of a leader or paymaster, that is an actor or actors who are capable of taking initiatives and willing to pay a disproportionate share of the cost for them.<sup>30</sup> Although Brazil’s central location, size, share of population, and GDP make it the natural candidate for leadership in South America, the combination of reluctance on its part and suspicion on its neighbours’ part has kept its potential from materialising – and this is not likely to change in the foreseeable future.<sup>31</sup>

Fourthly, there is a propensity towards bilateralism or multilateralism in the external projection of the emerging powers. China, India and Russia do not display

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<sup>28</sup> Montero, *Brazilian Politics*.

<sup>29</sup> Bolsa Valores de Colombia, *Mercados Integrados Latinoamericanos*, 3.

<sup>30</sup> Malamud and Schmitter, “The Experience of European Integration”.

<sup>31</sup> Malamud, “A Leader without Followers?”.

any preference for regionalism, either in their own region or in their dealings with other parts of the world. The implications for Latin American regionalism may be substantial. China for instance does not conduct business or political dialogue with Latin American regional blocs, but with a limited number of individual countries.<sup>32</sup> Considering China's growing weight, this may be a warning that in the near future regionalism may become irrelevant to deal with one of Latin America's key partners. A similar pattern is emerging with India, whose trade with Latin America is concentrated in just eight countries.<sup>33</sup> International forums of emerging countries, such as the BRIC or IBSA, are restricted to individual countries not regions, and Brazil participates as such and not as a representative of Latin America. Even the European Union, the most fervent supporter of region-to-region relations, has made exceptions with the creation of strategic partnerships with key countries around the world, including Brazil from 2007. Latin American regionalism as a strategy of international insertion and a form of participation in the big multilateral debates may have reached its peak, too.

Finally, the segmented (subregional) and overlapping (multilevel) nature of Latin American regionalism nurtures the 'spaghetti bowl' effect with all its complications and idiosyncrasies.<sup>34</sup> Being part of more than one regional integration scheme or preferential trade agreement adds complications to the determination of the origin of a certain product and the calculation of the customs duty to be applied. For example, belonging to the Andean Community and ALBA, as is the case of Ecuador and Bolivia, or to ALBA, the Central American Integration System and the US–Central American free trade area, as is the case of Nicaragua, implies difficult equilibria at both the political and economic level. The political implications have been discussed in the section on multilevel regionalism, and they are sustainable because politicians and bureaucrats are used to the gap between words and deeds and have a high level of tolerance for noncompliance. An additional political dimension is noteworthy: the mushrooming of regional projects has boosted the number of summits and meetings at both the higher and lower levels of government, thus straining agendas and budgets.

The intricacy of multilevel regionalism and regional commerce makes them less and less attractive for government and industry at the practical level, while maintaining high discourse value. This often results in rhetorical support for regionalism but also in ill-defined commitments, loose rules, incomplete legislation, patchy implementation, and high levels of infringement. In the absence of a serious

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<sup>32</sup>S. Castaneda, "Chinese Take-Over of South America?", *Foreign Policy in Focus*, 18 April 2011, [http://www.fpiif.org/articles/chinese\\_take-over\\_of\\_south\\_america](http://www.fpiif.org/articles/chinese_take-over_of_south_america).

<sup>33</sup>Government of India, Ministry of Commerce and Industry, Department of Commerce "Focus LAC, A Programme for Enhancing India's Trade with the Latin American Region", <http://commerce.nic.in/flac/focuslac.htm>.

<sup>34</sup>Bhagwati, *U.S. Trade Policy*.



reform and the streamlining of current mechanisms, the spaghetti bowl effect is a fifth factor signalling that Latin American regionalism may have reached its peak.

## Conclusions

If Latin American regionalism has not delivered, what keeps it on top of the political agenda? The answer is not economics but politics: “Regionalism in Latin America can best be understood as serving a set of political objectives, but . . . it can no longer be seen as playing a significant role in driving processes of structural political-economic change in the region”.<sup>35</sup> As should be remembered, “the signing of an integration treaty does not establish integration”:<sup>36</sup> Latin American states continue to establish regional organisations because their leaders know that sovereignty is not relinquished by signing papers. Rather, regionalism is a foreign policy resource used to achieve other ends such as international visibility, regional stability and regime legitimacy,<sup>37</sup> as well as to please domestic and foreign audiences and mobilise support for the incumbent administrations.

With such a variety of national goals, it is hardly surprising that regionalism in Latin America lacks a core country – or countries – and a political centre. Brazil is a lukewarm would-be leader that has not been willing to pay the price of leadership has limited projection beyond South America, and currently divides its credentials between two projects. Mexico has lost ground in most of South America for its approximation to the US and was purposively excluded from the UNASUR venture. Venezuela has divisive proposals and restricted appeal. Furthermore, its leading pretensions emanate from the current administration rather than a consistent external projection. A political centre is also missing in that no minimum common denominator is identifiable either politically or economically across Latin America to unite all countries under a single project. After all, if regionalism remains purely a question of foreign policy then regional organisations can be viewed as cumulative layers of contending national strategies. In this sense, current regionalism can be profitably seen as pre-liberal – rather than post-anything, with UNASUR resembling the Organization of American States but with a smaller membership and a southern country aspiring to hegemony.

Regional convergence is a necessary, albeit not sufficient, condition for a regional bloc to emerge as a cohesive entity and prosper – as opposed to mere survival or ‘low cap’ regionalism, that is to say a process based on limited or mostly secondary issues.<sup>38</sup> As discussed above, convergence among the members of a regional bloc has to be reached with regard to three issues: the relation with the international leading power(s), the role of the regional leader(s), and the economic model to be

<sup>35</sup> Phillips and Prieto, “The Demise of New Regionalism”, 120.

<sup>36</sup> Mattli, “Ernst Haas’s Evolving Thinking”, 328.

<sup>37</sup> Merke, “De Bolívar a Bush”.

adopted.<sup>39</sup> Lacking this, as is the case in Latin America, regional integration is not likely and cooperation is the maximum outcome to be expected. This finding is consistent with research results such as those collected by Laursen. Indeed, the structural model he develops in order to explain comparative regionalism allows for two values of the dependent variable: cooperation and integration, depending on the weight of three causal variables (power, interests, and knowledge or ideas) and their interaction with two intervening variables (institutions and leadership).<sup>40</sup> If interests are not convergent and supranational developments are missing in both institutions and leadership, integration is out of reach. However, or precisely because of this, a strong rhetorical component may not disappear but be accentuated in order to compensate for substantial failures.<sup>41</sup> If there are poles that have attracted or delivered Latin American political attention, increasing trade and migration flows, and growing foreign investment, they are out of the region – more precisely, in Washington and Beijing. This fact further contributes to decentralising an already segmented region. A new motto could then be coined to synthesize the ensuing foreign strategy of most Latin American states: speak regional, act unilateral, and go global.

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<sup>38</sup> The concept of ‘low cap’ regionalism is borrowed from Félix Peña, Argentine undersecretary of economic integration and of foreign trade in the 1990s, interviewed in Buenos Aires, 18 March 2003.

<sup>39</sup> Gardini, “Proyectos de integración regional sudamericana”.

<sup>40</sup> Laursen, “Regional Integration”, 14.

<sup>41</sup> Malamud, “Mercosur Turns 15”; Lagos, *América Latina: ¿integración o fragmentación?*

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