



Latin America: Regionalism to No Effect

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For the last fifty years Latin America has displayed a remarkably dynamic regionalism. Many integration agreements were signed at the end of the Second World War, and even more during the 1960s. Some of these, in Central America for example, were cited as success stories of South-South cooperation. Many onlookers believed that the dream of a united Latin America—one it had cherished since the era of independence and Simon Bolivar's campaigns—was finally to come true, enabling the continent to occupy a more prominent position in the concert of nations. However, from the 1970s onwards, the situation called for a grim reappraisal: paralyzed tariff negotiations, low increase in intraregional trade, unfulfilled commitments and insufficient government involvement. The 1980s and especially the 1990s saw a strong revival, but this also ended in disappointment. Some of the most commonly voiced criticisms are of overburdened negotiation agendas, institutions not acting in the general interest and not benefiting from any transfer of sovereignty, lack of coordination of macroeconomic policies, frequent trade disputes and very incomplete customs unions.

The 2000s have not really seen a change in circumstances. Political readiness to move the integration process forward is often expressed and sometimes leads to major reforms, but Latin America seems to have real difficulty in arousing collective interest and creating the institutions capable of managing it.

However, could it be said that regionalism in Latin America enables some of its emerging countries, in particular Brazil and Mexico, to gain additional influence on the international scene? This chapter shows that these two countries, for different reasons, are not taking on regional leadership. Only Venezuela, through its oil diplomacy, has managed to lay the groundwork for a new regionalism and



figure 56: **Main regional integration processes in the Americas, April 2008**





to project itself onto the international scene as leader of the struggle against imperialism.

This chapter takes stock of how the American continent's main integration agreements—Mercosur, the Andean Community of Nations (CAN), the Central American Integration System (SICA) and the North American Free Trade Agreement (NAFTA)—have evolved, then analyzes the compatibility of these agreements with competing plans for governance of the hemisphere that have been developing since the 1994 Miami Summit of the Americas and the proposal for a Bolivarian Alternative for the Americas.

Regional experiments with mixed results

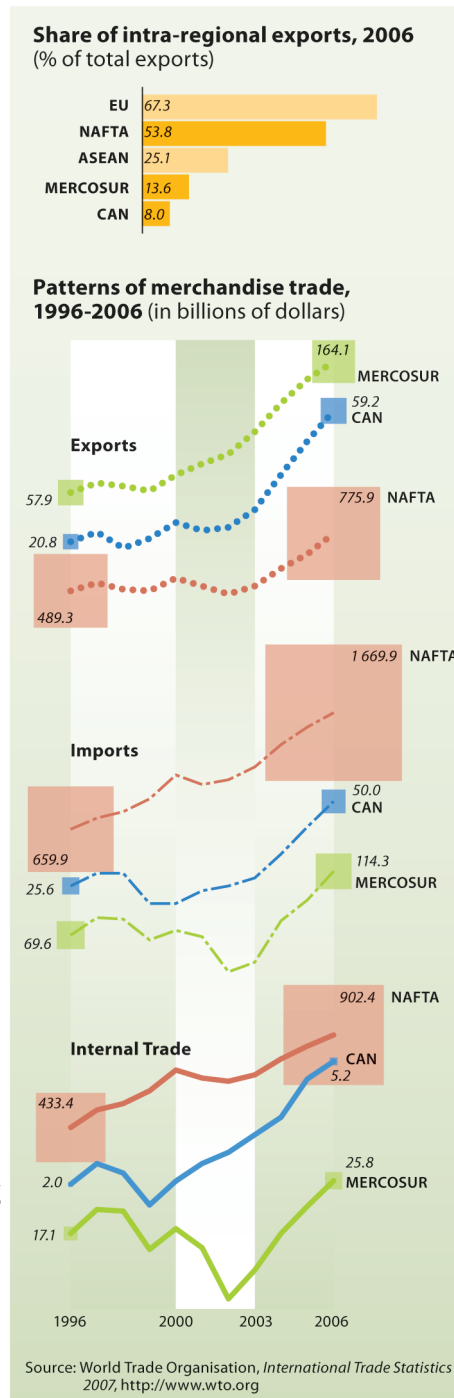
The newest of the Latin American integration processes was immediately considered the most promising, probably because Argentina and Brazil intended to learn from past mistakes. In March 1991, Argentina, Brazil, Paraguay and Uruguay signed the Treaty of Asunción, lending their project for a Southern Common Market (Mercosur) an aura of pragmatism.

Mercosur, its political reforms and the question of its expansion

Throughout the 1990s the process went through highs and lows. Trade increased rapidly but institutionalization remained at a low level and compliance with community norms erratic. Imbalance within the bloc did not make negotiations any easier. Brazil, considering itself a global trader, ultimately gave little regard to Mercosur. In 2001, Mercosur celebrated its tenth anniversary as Argentina was experiencing an economic crisis. So integration was paralyzed, and the trade flows remained at a level comparable to that of 1991.

As often in such circumstances, a crisis gives rise to a common desire to make the integration

figure 57: **Intra-regional trade for NAFTA, MERCOSUR and CAN, 1996-2006**





process cross a qualitative threshold in order to prevent such incidents. It was time for a fresh start, which came mainly in the form of institutional improvements. Elsewhere I have analyzed the scope and limitations of the two main political reforms, the Parliament and Structural Convergence Funds. The creation of a Mercosur Parliament was designed to give the integration process additional democratic legitimacy and efficiency. Elected by universal suffrage, the Parliament has no power of codecision, but if its recommendations are followed, it helps to speed up the decision-making process. Regional parliaments are moreover expected to act as communication links with national parliaments and mobilize the national political classes. At the same time, Mercosur's Structural Convergence Funds (FOCEM) are supposed to help combat development asymmetries within the regional bloc. A regional fund was set up based on the European model to finance development projects.

These reforms are unlikely to have significant impact in terms of the degree of integration inasmuch as the four countries have taken great care to avoid any transfer of sovereignty. But they still represent substantial progress as they symbolize the will to move forward after the Argentine debacle and in the face of external challenges.

Mercosur must indeed manage its expansion to include Hugo Chávez's Venezuela. The strengthening of that country's ties with Mercosur is largely due to Argentina's need to reduce its debt servicing and find solutions to its energy dependency. As for Hugo Chávez, he chose to turn his back on the Andean Community (see below) and strengthen his connection with Mercosur, taking advantage of his capital of sympathy with the Argentine President Nestor Kirchner. He clearly saw it as a chance to extend his influence in the region, and his offer to buy up the Argentine bonds and finance the construction of a jumbo pipeline linking his country to southern Argentina, was certainly tempting.

Therefore in July 2006, with no preliminary negotiation, Venezuela became a member of Mercosur. Chávez's outbursts and very aggressive diplomacy did nothing to pacify his detractors. The Brazilian Senate still not having ratified its membership in September 2008, Venezuela's legal status within Mercosur was then still undecided.

Mirroring Europe's relationship with Turkey, Mercosur chose to accommodate Venezuela rather than marginalize it. But nothing seems able to calm Hugo Chávez's fervour, and Brazil is proving incapable of standing its ground and imposing any leadership. To those who thought that Mercosur was going to become a tool for empowering Brazil, Luiz Inacio Lula da Silva has shown instead that he would rather go it alone on the international scene and lead the battle in arenas such as the WTO where Brazil could find allies of its standing, India and China.

The Andean Community (CAN) after Venezuela's withdrawal

The situation is not much clearer as regards the CAN (Bolivia, Colombia, Ecuador, Peru), none of which can lay claim to regional leadership. Venezuela has





participated in Andean integration for 35 years but has maintained its trade preferences, particularly with Colombia, and Hugo Chávez may yet change his mind. Originally Venezuela pulled out in order to punish Colombia and Peru, guilty in the eyes of the Venezuelan president of having signed a free-trade agreement (FTA) with the United States. The CAN was, however, able to make a speedy comeback under the leadership of the new Peruvian President Alan Garcia, who orchestrated a rapprochement with Chile (which had left the group in 1976) and Panama, the two countries becoming associate members. The opening of negotiations with the European Union in 2007 also guaranteed the lasting stability of this agreement regularly threatened by internal friction.

The Andean Community is in fact divided between supporters (Ecuador, Bolivia) and opponents (Colombia, Peru) of Hugo Chávez, and runs up against the energy issue. The Venezuelan president immediately set up offices representing ALBA (the Bolivarian Alternative for the Americas) in Peru and directly finances social projects in Bolivia, Ecuador and Peru. His country also provides assistance to Ecuador and Bolivia in their reforms aiming to regain control of their natural resources, and Hugo Chávez has even declared willingness to help Evo Morales with military defence in the event of an attempt to destabilize Bolivia. That country tried to renegotiate its gas-exporting contracts with Brazil and Argentina and still refuses to deliver gas to Chile until the matter of its access to the sea is settled. Michelle Bachelet's Chile has proven willing to allow an "almost" sovereign corridor across its northern border, but this, according to Peruvians, ends in their territorial waters. Like the dispute between Argentina and Uruguay over a cellulose factory set up by Uruguay on its shore of the River Plate, the triangular Chile-Bolivia-Peru dispute highlights the limits of regional integration.

Central America faced with the challenge of free-trade (CAFTA) with the United States

On 5 October 2007 Costa Rica approved a free-trade agreement with the United States by referendum. This followed a relentless campaign in which President Arias used every means at his disposal to ensure success.

A political first for Latin America, this referendum revealed a clearly defined bipolarization of public opinion showing noticeable divisions throughout the continent. The media, business and all the conservative forces in favour of free trade were violently pitted against the intellectual and trade union circles who were opposed to it. For Costa Rica the possible dismantling of successful public companies such as the Costa Rican Institute of Electricity (ICE) was one issue at stake. The reforms that will come about as the FTA comes into force are likely to generate social protest movements.



Costa Rica was the last country in Central America not yet to have ratified the CAFTA, a comprehensive trade agreement negotiated separately by each of the Central American countries and the United States. The fact that the region was not able to negotiate collectively reflects both the pressure applied by the United States and the weakness of the regional integration process.

While in the 1960s the Central American Common Market (MCCA) was often cited as an example of successful integration in developing countries, the people of Central America at first vigorously revived the integration process with the end of the regional crisis of 1979-1990 (the Sandinista revolution in Nicaragua), before this momentum ran out and the prospect of negotiation with the United States became the main focus. The Central American Integration System (SICA) is still the most complex of the Latin American integration processes, covering many fields from social to environmental, economic to educational, and political to security. The region has many communal bodies, but these lack an overall view and have little political support. Paradoxically Hurricane Mitch, which devastated Honduras in 1998, was the only event that for a time revived regional solidarity.

Daniel Ortega's victory in the Nicaraguan presidential elections in 2006 reintroduced an element of political polarization in the region that had disappeared since the leader of the Sandinista revolution lost the 1990 elections. His rapprochement with Hugo Chávez is not looked on favourably by his Central American counterparts, traditionally close to the United States. Border disputes, especially with Costa Rica, add to the climate of tension.

North America in the aftermath of September 11, 2001

Since its inception in 1994, the North American Free Trade Agreement (NAFTA) has produced an explosion in trade among its three members, Canada, the United States and Mexico, taking the trade flows between these three countries from \$109 billion in 1993 to \$622 billion in 2000. The social consequences, however, are very controversial, notably in Mexico where the figure of 1.5 million bankrupt peasants is often quoted. Another great source of concern is the prospect of elimination of the remaining tariff barriers in 2008.

Since the terrorist attacks of September 11, 2001, the security-oriented turn American foreign policy has taken has certainly affected NAFTA. While the United States was already in the habit of disregarding the rules set out in trade agreements, such as those concerning Canadian timber, the Homeland Security Act brought about the closure of the border that NAFTA had contributed to opening.

On the political front, tensions surfaced within the group. Vicente Fox's Mexico courageously opposed the United States during debates prior to the Iraq war in the United Nations Security Council. The new President Felipe Calderón has taken this even further, initiating a noticeable strengthening of ties with South America,



in particular with Mercosur. A rebalancing of inter-American relations is definitely on the agenda, at least until the 2008 presidential elections in the United States, which could once again bring about a change in the situation.

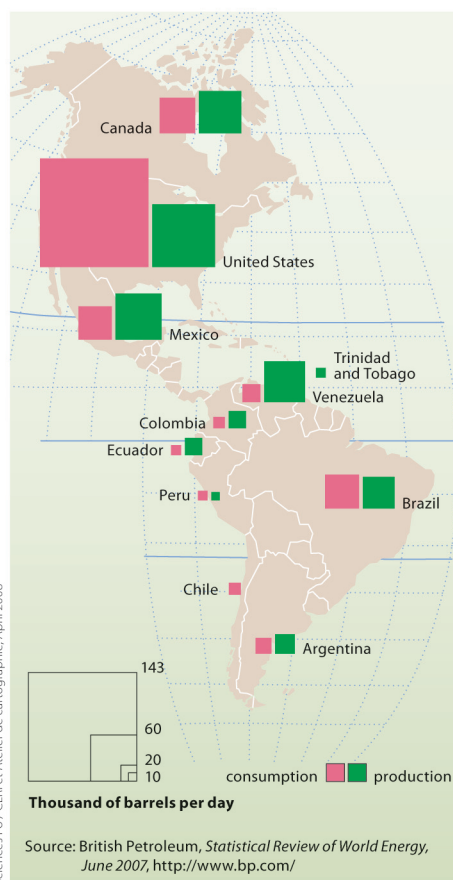
Regional governance beyond the failure of the Free Trade Area of the Americas (FTAA)

The post-2001 security orientation also contributed to the paralysis of negotiations for the FTAA, but it was not the only factor responsible. Following Luiz Inacio Lula's arrival in power Brazil, the other main actor in negotiations revealed a preference for global negotiation arenas such as the WTO and set about building new alliances with other major emerging countries such as India, China and South Africa.

The failure of the FTAA must not blind us to other issues. The trade aspect of the negotiations set in motion at the 1994 Miami Summit of the Americas is often the one that grabs media attention, but it is not the only issue. In fact, for about the last ten years, the continent's negotiations have tackled some twenty themes that cover the whole spectrum of international cooperation, from democracy, human rights and justice to security, from trade to infrastructure, from sustainable development to gender issues, from agriculture to labour laws, and from education to cultural diversity and minority rights. The body has been co-chaired since 2001 by a working group made up of the Economic Commission for Latin America (ECLAC), the Inter-American Development Bank (IDB), the Pan American Health Organization (PAHO), the World Bank and the Organization of American States (OAS). Other institutions such as regional banks (Central American, Andean) have recently joined the group.

The summit process has all the trappings of a complex exercise in regional governance, bringing together a number of public and private actors. No supranational decision can be taken, but resources are mobilized and international regimes strengthened. It is certainly a tricky job to understand the advantage gained by the exercise, since the summit process is more a means of harmonizing a set of existing mechanisms

figure 58: **Oil consumption and production in the Americas, 2006**



Sciences Po / CERi et Atelier de cartographie, April 2008





than of creating a new structure. Nevertheless, the fact remains that a silent revolution is operating in the region where the inter-American system has proved very disappointing over the last century. Anyway the progress of these negotiations does not seem to be affected by the Venezuelan President Hugo Chávez's competing offer.

The Bolivarian Alternative for the Americas (ALBA): a true alternative?

From the moment he came to power in 1998, President Chávez of Venezuela had luck on his side with the continuing rise in oil prices, and as his predecessors had done in similar circumstances, he was keen to use this windfall to further his diplomatic ambitions.

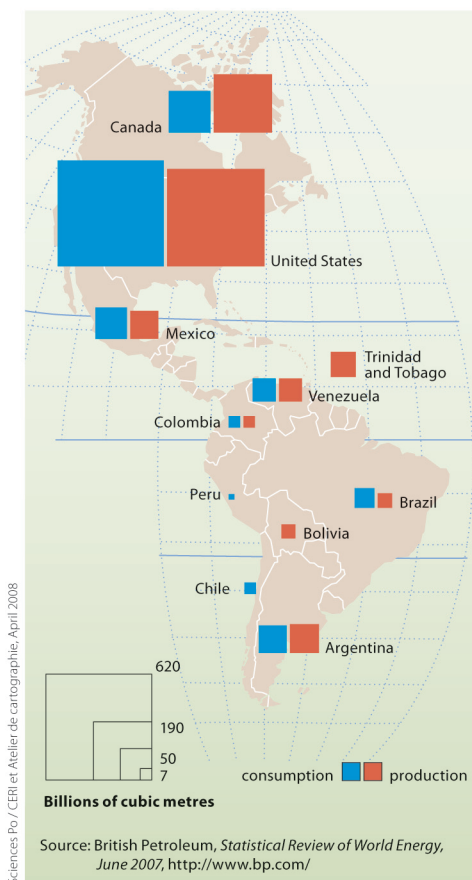
Hugo Chávez, champion of the Bolivarian revolution in his country, poses as Fidel Castro's heir and endeavours to influence the political developments of

the continent. Often proving himself impolitic in his support of like-minded candidates during the wave of elections in 2005-6, he managed to rally only a few countries to his anti-imperialist crusade. In spite of a "shift to the left" in Latin America, only Bolivia and Nicaragua joined ALBA along with Cuba.

Chávez's idea of launching a regional integration process based on channels other than trade is being slow to take shape. However, aid projects have been set up, and most importantly, the map of energy integration has been redrawn. The Venezuelan president is quick to supply his political friends with hydrocarbon resources, keen for the whole of Latin America to profit from his country's oil wealth. His project to build a pipeline that will reach Argentina leaves many an observer sceptical, but Chávez's project for a "Bank of the South", which is intended to enable Latin Americans to do without the International Monetary Fund (IMF), arouses more enthusiasm as the dismal record of the Washington Consensus years lingers on in people's memories.

This does not mean that the whole of left-wing Latin America supports his plan to build the socialism of the 21st century and stand up to North American imperialism. Brazil's Luiz Inacio

figure 59: **Gas consumption and production in the Americas, 2006**





Lula, in particular, has often said that confrontation is a thing of the past and that inter-American cooperation is the way forward. The Chilean President Michelle Bachelet is equally doubtful and advocates a mature relationship with the United States. Did Chile not oppose the Iraq war while negotiating a free-trade agreement with the United States?

Towards a conciliation of inter-American relations?

During his second term George Bush has generally turned a deaf ear to Hugo Chávez's outbursts. Latin America, as was often the case throughout the 20th century, was not on the American president's foreign policy agenda. The difficulties he met with while trying to get the free-trade agreements ratified by a Congress dominated by the Democratic Party dissuaded him from taking on new negotiations in the last year of his term of office. Although Colombia is the United States' closest ally in the region, the treaty with that country was blocked because of President Alvaro Uribe's supposed links with the paramilitaries and drug cartels, in particular that of Pablo Escobar.

The relative abandonment of Latin America could turn out to be salutary in as much as it allows each of the countries of the region to gain political leeway. But a constructive and not overly "ideologized" attitude on the part of the United States administration has always defeated many of its principal opponents' arguments, something George Bush has not managed to do with Hugo Chávez. A more pragmatic approach would enable the consensus on common regional values to move forward. It would also allow the United States to make a comeback on the Latin American scene and further throttle Brazil's and Mexico's vague ambitions for regional leadership.

Nevertheless, for the time being integration agreements in Latin America are going through difficult times and the major emerging countries, Brazil and Mexico, are not able to use them as springboards to gain access to the international scene. Brazil is going it alone and neglecting its background team on the continent. Mexico is just barely turning back towards Latin America. Only Venezuela is benefiting from the paralysis of regional integration to construct an alternative regionalism, financing social projects in many countries on the continent. ALBA may have only a few members but the hyperactivism of Hugo Chávez' oil diplomacy and his inflammatory outbursts, picked up in many countries by the "Bolivarian circles", have earned him the stripes of an important player in international relations.





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