The State of the Union(s): The Eurozone Crisis, Comparative Regional Integration and the EU Model

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Miami-Florida European Union Center/Jean Monnet Chair, 2012

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Printed in the United States by Thomson-Shore, Inc.

ISBN: 978-1-4675-2401-8

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Sovereignty is Back, Integration Out: Latin American Travails with Regionalism

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Abstract

After 20 years of its foundation, the Common Market of the South (Mercosur) has failed to meet its declared goals. Far from being a common market and not yet a customs union – or even a fully-fledged free trade zone –, it has neither deepened nor enlarged. Remarkably, all other regionalist projects in Latin America fare even worse. Yet, they have arguably fostered domestic democracy, economic reforms and the consolidation of regional security communities. Aware of the growing gap between treaties and facts, regional elites have responded by signing additional protocols, building up powerless institutions and voicing rhetorical statements, with the EU model often in mind and paper but rarely in practice. As a result, Latin American regional blocs have lost a shared *raison d'être* and have been attached a different purpose by each of their member states. This presentation evaluates Mercosur's sprawling goals and declining performance in the context of Brazil's global emergence. The aim is to show how the strengthening of national sovereignty - as opposed to its pooling or delegation - is at the heart of most regionalist strategies. Ironically, the setback of regional integration and the comeback of national sovereignty in Latin America parallel the developments that are afflicting the EU.

Introduction

After 20 years of its foundation, the Common Market of the South (Mercosur) has failed to meet its declared goals. Far from being a common market and not yet a customs union – or even a fully-fledged free trade zone –, it has neither deepened nor enlarged. Remarkably, all other regionalist projects in Latin America fare even worse, albeit they have arguably fostered democracy, economic reforms and peaceful regional relations. Faced with a growing gap between treaties and facts, regional elites have responded by signing additional protocols, building up powerless institutions and voicing rhetorical statements, with the EU model

often in mind and paper but rarely in practice. As a result, Latin American regional blocs have lost a shared *raison d'être* and have been attached a different purpose by each of their member states. This paper evaluates Mercosur's sprawling goals and declining performance in the context of Brazil's global emergence. The aim is to show how the strengthening of national sovereignty - as opposed to its pooling or delegation - is at the heart of most regionalist strategies. The article proceeds as follows: first, it introduces integration theories in order to show that Latin American regionalism can be explained by existing approaches. Second, it analyzes Mercosur's travails with integration and its current situation. Subsequently, it brings forth lessons from the Latin American experiences that may shed light over the developments that are currently afflicting the European Union. The last section concludes.

Application to Latin America of Europe-inspired Theories

Regional integration can be defined as the process of "how and why (nation states) voluntarily mingle, merge and mix with their neighbors so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflicts among themselves" (Haas 1971: 6). To this definition, Malamud and Schmitter (2011: 143) add that states "do so by creating common and permanent institutions capable of making decisions binding on all members. Anything less than this – increasing trade flows, encouraging contacts among elites, making it easier for persons to communicate or meet with each other across national borders, promoting symbols of common identity – may make it more likely that integration will occur, but none of them is *the real thing*."

This conceptualization stands in contrast with the so called New Regionalism Approach (NRA), which allegedly "refers to a phenomenon, still in the making, that began to emerge in the mid-1980s, in contrast to the 'old regionalism' that began in the 1950s and faded away in the 1970s" (Hettne and Soderbaum 1998: 6). Malamud and Schmitter (2011: 143) consider a debate with the NRA futile, as "its definition of the phenomenon is so broad that it encompasses several different species under the same label, and thus cannot be subject to standardized comparison." I will argue here that an old theory developed to explain European integration in the 1950s and 1950s, ironically called neofunctionalism, holds more potential to grasp current developments in Latin America than newer and fancier ones such as the NRA. This is mainly due to its core mechanism: spillover.

Neo-functionalism was first developed by Ernst Haas around the 1960s. It drew on functionalism, an earlier approach advocated by David Mitrany whose main pitfalls were the neglect of political and geographical factors. The neofunctionalist approach argued that "what matters most is a utilitarian calculus on the part of actors, and not a dramatic or passionate commitment to a new order" (Haas 1975: 12). The theory conceived of integration as an open process, characterized by spillover, "attempt to resolve their dissatisfaction either by resorting to collaboration in another, related sector (expanding the *scope* of the mutual commitment) or by intensifying their commitment to the original sector (increasing the *level* of mutual commitment) or both (Schmitter 1969: 162). The notion is that integration in one sector will create incentives for integration in other sectors, in order to fully capture the benefits of integration in the sector in which it started. Although neo-functionalism was sensitive to the difference between background, initial and process conditions, it "had more to say about the ongoing role of institutions than about the factors that explain the birth of regionalist schemes" (Hurrell 1995: 60): its main accent and stronger predictions were focused on the process. Once integration had started, neo-functionalism saw it being fostered by two sorts of spillover: functional and political, as politicization was considered as initially avoidable but later inescapable. This mechanism predicted that integration would become self-sustaining, as the emerging conflicts of interest would be dealt with by enlarging the tasks and expanding the authority of the common institutions. Indeed, European integration has been driven as much by intergovernmental treaties as by unforeseen, interstitial change, that is, structural transformations brought about by the daily operation of EU institutions rather than by the strategic calculations of national executives (Farrell and Heritier 2007). In particular, the Court of Justice has been crucial to foster integration, even – or above all – during the seeming stagnation ages of the 1970s and early 1980s. It did so by establishing the direct effect of community law and its supremacy over national legislation between 1963 and 1964, and by banning unilateral restrictions on trade through the establishment of the principle of mutual recognition in 1979.

Over time, however, spillover did not take place as expected. What first appeared as a mechanical process changed afterwards into an extremely contingent phenomenon with several ramifications. Schmitter (1970) conceived of it as a member of a more numerous family (see Table 2). According to its two defining variables, scope and level of authority, spillover meant the simultaneous increment in both indicators. In contrast, the simultaneous decline was called spillback. Retrench meant greater decisional authority along with less coverage of issue areas, whereas muddle about named the opposite case. Two extra possibilities were also anticipated: spillaround, that defined an increase in the coverage of issue areas with no change in the level of authority, and buildup, which implied greater levels of authority irrespective of any increment regarding its scope; both spillover and buildup were oriented toward the construction of a political community. Finally, encapsulation meant the maintenance of the status quo. In Latin America, spillover and buildup rarely occurred as regional institutions were continuously created but not given effective powers. Mercosur, in particular, was to be increasingly characterized by spillaround.

Table 1 - Spillover Family

		SCOPE OF AUTHORITY		
		+	=	-
LEVEL OF AUTHORITY	+	Spillover	Buildup	Retrench
	=	Spillaround	Encapsulation	Spillback
	-	Muddle about	Spillback	Spillback

Own elaboration based on Schmitter (1970). See also Malamud (2010).

Diagnosis of Regional Integration in Mercosur and Beyond

Malamud and Gardini (2012: 124) have argued that, "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 sub-regions. 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 sub-regions overlap." Following Phillips and Prieto (2011), they claim 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 sub-regions. 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" (Malamud and Gardini 2012: 124). This shift has been addressed by concepts such as post-neoliberal or post-hegemonic regionalism (Riggirozzi and Tussie 2012; Sanahuja 2009), which seek to overcome the open or new regionalism approach. I contest this perspective and argue that 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. Mercosur is the clearest example of the former case, spillaround.

Mercosur has overtly failed to meet its declared goals, as it is neither a common market nor a customs union. It does not even work as a free trade zone,

as border barriers and obstacles to trade are frequently raised and never fully removed. True, it has achieved other relevant – if tacit – objectives, such as supporting democracy, economic reforms and peaceful regional relations. This, however, should not be confused with integration. The main reason for Mercosur's fizzling out is that its underlying formula, i.e. preferential access for Argentine goods into the Brazilian market in exchange for Argentine support for Brazilian international strategies (Bouzas et al 2002), has exhausted its fuel without being replaced. Consequently, Mercosur has acquired disparate meanings for each member state.

The external agenda has provided some glue that is lacking indoors (Gómez-Mera 2009). Unlike the Andean Community, negotiations with the EU are still underway as a bloc, though their prospects are dim – to be optimistic. Although it is Brazil, as opposed to Mercosur, that sits at top international fora such as the BRICS, IBSA, and the WTO 4-party negotiating table, the possibility of signing a bloc-to-bloc agreement with the EU keeps Mercosur sense of being alive. However, the signature of a strategic partnership agreement between the EU and Brazil – not Mercosur – in 2007 has done little to promote a happy ending in the bi-regional negotiations. As regards enlargement, Venezuela has been a "full member in process of accession" (this oxymoron is official-wording) for the last five years. The accession protocol has not been ratified by Paraguay, an eloquent manifestation of a double phenomenon: the growing inoperability of the bloc and the fuzziness of its in-out borders.

Mercosur is a case of supply-side integration (Perales 2003). Interpresidentialism, its main working mechanism, is the outcome of combining an international strategy, presidential diplomacy, with a domestic institution, presidentialism (Malamud 2003, 2005). Presidential diplomacy is the customary resort to direct negotiations between national presidents every time a crucial decision has to be made or a critical conflict needs to be solved. Another way to put it is that Mercosur is, from birth, power-oriented rather than rule-oriented.

The legalization of internal procedures, as well as the judicialization of conflicts, have not taken place but in paper. Mercosur's top dispute settlement institutions have been called on only 15 times in 20 years. Formal institution-building was not due to functional needs but to the pressure of epistemic communities and transnational networks (i.e. jobs for lawyers and judges). A standing case in point is the Permanent Review Tribunal, established in 2006, which has been said not to be permanent or a real review instance - and not even a tribunal (Perotti 2008). Likewise, the development of a parliamentary institution (Parlasur) is an outcome of professional and political lobbying (national legislators and academic sectors), but also a legitimizing resource born out of mimesis (Dri 2010). The marketplace of ideas regarding regional integration is substantially limited to one successful source, the EU. In fact, Parlasur has no legislative competences, no oversight capacities, no popular representation, and hardly any transnational party politics.

The consequence of Mercosur's sprawling institutions and declining performance has been the diversification of expectations that member states attach

to it. For Brazil the bloc has become an instrument to administer its relations with Argentina, long considered the only country important for Brazil to which Brazil is also important. Symmetrically, Mercosur's main function for Argentina is now to bind Brazil and prevent it from making unilateral decisions or going global alone. for Paraguay Mercosur is not an option but a doom (paraphrasing Celso Lafer, who once said that, for Brazil, the FTAA was an option while Mercosur was destiny): it is unavoidable – as exclusion costs would be higher than permanence - though not necessarily good. In the case of Uruguay, exclusion costs and political inertia explain the decision to stay in the bloc, although in this case the ruling coalition's ideology also plays a role.

In sum, Mercosur is not what it is purported to be in the official discourse. Albeit its balance sheet is marginally positive, the divergence of words and deeds has damaged its reputation and jeopardized its usefulness. Regionalism is still a compelling foreign policy but its goals and outcomes are no longer integration but cooperation, in line with the revitalized will of the larger states and dependent status of the smaller ones.

Lessons from Latin American Integration[1]

How useful is the Mercosur – and, more generally, Latin American - experience to test hypotheses drawn from EU case? There are at least five dimensions in which this can be evaluated: the generalizability of the theories outside the EU, the different dynamics of origin and operation, the impact of domestic institutions, the timing of institutionalization, and the nature of politicization.

Generalizability outside the EU

To speak of theories of European integration is as inappropriate as to speak of theories of German politics or of American parties: theories are not case studies but systematic explanations of general phenomena. However, the singularity of the EU development have led analysts to discuss the problem of n=1 – i.e. the possibility of crafting a theory that only applies to one case (Caporaso et al. 1997). A way to avert such situation has consisted of moving away from integration to governance (Hooghe and Marks 2001) – and from international relations to comparative politics (Hix 1994), approaching the EU by comparison with federal states (Majone 2005; Sbragia 1992). However insightful this may be, it only solves half of the problem: it puts the adjective – European – in comparative context, but it leaves the noun – integration – in the dark. Comparative regional integration, not comparative governance, is the only way to deal with the root phenomenon. And, outside Europe, nowhere but in Latin America have integration attempts and thinking developed so extensively across space and so consistently

over time. Without Latin America, n=1 would not be a research problem but a fact of life.

The different dynamics of origin and operation

The first approaches that promoted or sought to explain European integration were not fully sensitive to the contrast between birth and growth of integration. Federalism focused on founding events and functionalism on ongoing processes. Only with the advent of neofunctionalism in Latin America was the distinction between background conditions, conditions at the time of union, and process conditions made (Haas and Schmitter 1964). However, neofunctionalism remained more able in accounting for integration dynamics after union, while liberal intergovernmentalism shed more light on the initiation or relaunching of a regional organization. The analysis of the Latin American experiences has confirmed the validity of this division of labor among theories, showing that they are not rival but rather complementary, depending on context and timing.

More recently, Warleigh-Lack (2010) has advanced an analytical framework that focuses on four dimensions: genesis, functionality, socialization and impact of regional organizations. Genesis asks why states join – and stay within – an integration process. Functionality investigates how a regional organization functions once it is established. Socialization and impact, in turn, study the outcome of the process, whether at the ideational or material levels. This typology suggests that the factors that account for origin (and resilience), operation (and evolution), and outcomes (either ideational or material) are not necessarily the same; therefore, no single theory of integration is capable of explaining the whole process. This finding is consistent with research results such as those collected by Laursen (2010: 14). 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). If interests are not convergent and supranational developments are missing in both institutions and leadership, integration is out of reach.

The impact of domestic institutions

Direct presidential intervention has played a crucial role in both the start and the development of every integration process in the continent, while no equivalent figure to such supranational bargainers as Jean Monnet, Robert Schuman or Jacques Delors is to be found. The capacity of presidential intervention to advance integration was not evident from the outset. In CAN, the Andean Presidential Council was belatedly established in 1990 but only consolidated in 1994. In CACM, Wynia (1970: 331) early suggested exploring "the effects of the national

1990s, though, democratization led to an increase in the impact made by chief executives.

In the history of European integration, the most noteworthy interventions of chief executives were those of De Gaulle in the 1960s and Thatcher in the 1980s, and both were detrimental to integration. However, the necessity to institutionalize the influence of national executives led to the belated creation of the European Council in 1974, twenty years after the EEC was founded. The Latin American cases show that, given certain institutional settings, chief executives were the only available driver of integration. Presidentialism, alongside power-oriented rather than rule-oriented political traditions, has made a difference that EU pioneers could not have predicted. Yet, there is not enough evidence to tell whether these developments challenge the neofunctionalist low-politics argument or, instead, support its political spillover hypothesis.

Timing of Institutionalization

The timing and sequence of institution-building can alter the effects produced by institutions. For example, the early introduction of executive summits is likely to reflect, but also feed, stronger intergovernmental procedures. In the EU, the role played by the Court of Justice has been recognized as crucial in pushing integration forward into unexpected, and often unintended, developments. The option for triadic (judicial) rather than dyadic (diplomatic) institutionalization of dispute-settlement mechanisms distinguishes the EU from Mercosur and has shown greater spillover potential. However, apparently similar institutional outlooks may conceal huge differences: even though CAN established a sophisticated institutional architecture since its origins, member-states' reluctance to relinquish sovereignty prevented the precocious regional institutions from generating spillover effects. As Dominguez (2007: 127) stresses, "institutional design features have explained little about the efficacy of organizations." Although he adds that the key exception has been automaticity, the greatest transformations of sub regional organizations took place after the establishment of decision-making bodies involving the national presidents.

As CAN shows, regional integration may suffer from excessive or, at least, precocious institutionalization – and not only from institutional deficit, as some believe to be the case in the EU. Mercosur performed reasonably well in its first years precisely because it chose not to replicate the strategy of the Andean Pact, which had tried to emulate the EU form instead of function. Had Mercosur done alike, its ineffectiveness could have eroded the legitimacy of the integration project as a whole. The under-development of common institutions cannot persist for long if integration is to move ahead, but reforms in their scope and authority must be timed with regard to needs and perceptions (Malamud and Schmitter 2011). The promoters of the 2004 Treaty establishing a Constitution for Europe could have benefitted from this lesson.

The nature of politicization

In the EU, politicization is understood as a process opposed to technical management. Caporaso argues that power has been downplayed because "integration studies, as a field, has a 'technicist' orientation," but also because of "the nature of the EC itself" (Caporaso 1998: 347). The mechanism through which political leaders agree on general principles and leave the drafting of the detailed rules to leading national and supranational technicians is known as the "Messina method." Both neofunctionalists and intergovernmentalists agreed on this definition, notwithstanding the focus of the former on technical management and of the latter on political preferences. In Latin America, though, this conceptualization was only valid during the first theoretical surge; afterwards, the technicians that had driven integration in LAFTA and CACM waned and top politicians took charge. Since then, politicization has been understood as opposed to institutional checks rather than to technical management. Whereas in Europe politicization meant democratizing and taming regional agencies, in Latin America it meant not establishing them. Nye (1965: 872) had early on alerted about the risks of "premature overpolitization," echoing Haas's suggestion that high politics was inimical to integration. Although Haas later withdrew this argument, the Latin American experiences have vindicated his earlier claims. EU students and practitioners may want to take this issue into account when considering proposals regarding such questions as common defense or joint representation in international organizations.

A last lesson can be drawn. Several scholars fail to appreciate the nature of the phenomenon by focusing on the adjective, regional, rather than the noun, integration. The former indicates scope, not substance. The conventional usage of the word Europe to refer to the EU tends to misdirect observers from politics toward geography, culture or identity: this is a mistake, especially when applied to "regions" that are not organizations. For, as Latin America teaches, "natural" regions can be dysfunctional for regional integration.

All the above further suggests three areas of research that EU studies could profit from. The first regards disintegration; to date the EU has only seen Greenland off, but never has a member state left. This might change, and the CAN experience demands a better understanding of the conditions under which it could happen and the effects it may produce. The second area concerns informality and non-compliance; as the Greek tragedy shows, deceit could be more harmful than open rejection of common rules. Scrutinizing any Latin American bloc would have sent an earlier wake-up call to those who interpret rules at face value. The final research avenue leads to actorness: EU officials have long fantasized about a world built on regions, in which the EU would be both demiurge and role-model. After analyzing the evolution of Latin American regionalism, though, it seems wiser to recalibrate downwards the potential of interregionalism. This calls for more realism and less complacency when studying integration from

Conclusion

Integration is a potentially global phenomenon, and therefore it should be recognized whenever it appears. This requires standard definitions and theory that can travel. Malamud and Schmitter (2011) compare this concept with a similarly contested one in political science, i.e. democracy: They argue that "there are as many types thereof as there are countries in which citizens are formally equal and rulers are accountable; yet, lacking these characteristics, we do not call it a democracy. The same applies to regional integration: either there are sovereign states that voluntarily transfer parcels of sovereignty to joint decision-making or there are not, and in this case we do not call it integration. We have resisted the temptation to stretch conceptual definitions or dispose of working theories when a given phenomenon does not turn out as expected, as long as those concepts and theories are capable of explaining why this happened. EU lessons are useful to understand South American travails with regional integration precisely because they can also make sense of non-integration – instead of calling it otherwise and pretending that it is a new animal" (Malamud and Schmitter 2011: 155). In other words, non-integration and disintegration are phenomena that can be grasped by theories developed to understand European integration. The EU may be leading the way once again – this time only backwards.

The setback of regionalism is accompanied, if not led, by the return of big regional powers to central stage. In the case of Brazil, "its ambitions are increasingly defensive (...) The main goal is no longer to integrate South America into a regional bloc (...) 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" (Malamud 2011: 20). The role of Germany in the EU is still to be seen, but what is already clear is that the European decision-making center has moved from Brussels to Berlin – or Frankfurt at best. National sovereignty, not the pooling thereof, is giving cards again.

Regionalism is still a (regional) process and a (national) foreign policy. However, too many scholars tend to overstate the former and overlook the latter. In this article I have claimed that Latin American efforts at regionalism are neither based on a shared identity nor aimed at common goals but are rather national strategies to maximize the foreign policy goals of the contracting governments. These goals differ: in the case of the smaller states, they regard visibility, redistribution, and the avoidance of exclusion costs; in the case of the larger states, they aspire to safeguard regional stability and to line up a followership that helps them gain recognition out of the region (cf. Nel 2010; Malamud 2011). Unlike Europe, the pooling of sovereignty has never been regarded as either a means or an end, and national sovereignty has always been more valued than any potential gains from integration. The conclusion is that regionalism in the Western Hemi-

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