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## Is Regionalization the Way?

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## **ABSTRACT**

Globalization is an omnipresent force around the world. New challenges have emerged as a result of its dynamic presence and the nation-state appears to crumble under its influence. The very same nation-state that was a principle of coherence for centuries, it is now at the expense of outside forces, making countries open their long preserved borders and mingle with the rest of the world.

The modern state has been hardly questioned. As it has been argued, it cannot handle the new demands that have risen from globalization. To a great extent, issues such as capital movements, trade flows, information exchange, and increasing migration, still remain a huge question mark in the way they should be addressed. A growing number of decisions related to the nation-state come from outside its own borders, at the same time efficient and prompt answers are demanded from within: the nation-state faces a test never foreseen. Has it reached the end of its life?

But the global dynamic calling into question the usefulness of the nation-state itself have come across a different dynamic that opposes it by rejecting its influence in smaller geographical units: regionalization. A spatial redefinition of national sovereignties in reduced structures, with a clear economic objective in a wider geopolitical space.

Regionalization can be perceived simultaneously as a consequence and a response from the nation-state to the uncertainty that stems from global economic pressures. In a logic of recurrent episodes of economic turmoil around the globe, countries begun to look for strategic alliances and partnerships in order to be able to cope with the challenges emerging from globalization. The geographical proximity became an obvious factor to do so. Regionalization has sought to strengthen national positions in a reciprocal relation with neighbouring countries. It is a relationship that tries to take full advantage of individual as well as collective action, primarily with regard to trade. Regional entities have come a long way and can trace back the origin of this wave to the end of World War II, when a bipolar order was established.

But what is the role played by regionalization within global dynamics and the evolution towards a new international order? Regionalization might prove to be an effective defence-mechanism, a survival of the fittest strategy that enables nation-states to preserve a certain degree of autonomy and ownership over political processes, in addition to a much-needed balance between global and local strains, in the light of international order being shaped by open economies with less defined borders of all sorts.

As it can be clearly seen, regionalization processes are strongly influenced by -and oriented to- economic activity. The basic setting of a region –privileged member’s trade zones, namely Free Trade Areas or Customs Unions- is intended to strengthen the member countries’ individual positions within the region while concomitantly increasing its chances of a better positioning in the international order. Whereas intraregional trade is encouraged, the region adopts a protectionist stance with respect to the rest of the world. In consequence, the region demands new rules and institutions capable of handling internal as well as external affairs that stem from growing economic interdependence. Accordingly, nation-states undergo an integration process whose span varies in relation to the degree of interdependence and encompass a large number of common topics, such as: social and political problems, ecologic and security issues, among others.

The two main contemporary theories of regional integration, liberal intergovernmentalism and supranational governance, consider society as the source of integration. We have, on the other hand, the neofunctionalist theory, whose main thrust would rely on a strong regional leadership or institutional structure –or both-. This approach stresses the interaction between integration and institutions, rather than between interdependence and integration (as intergovernmentalist does).

European-oriented theories turned out to be insufficient to account for regionalization in Latin America. Notwithstanding, we have to bear in mind the political reality of the region: political institutions in Latin America are weak and its legitimacy among the population is rather poor. Latin American integration has evolved along three waves, but enduring results were only reached in the last one. The first one occurring in the late 1950s and early 1960s; the second one happening at the end of the 1960s; after the transitions to democracy took place in the 1980s, the region experienced with growing expectations the relaunching of these initiatives.

Despite the drive toward regionalization –at least on the public discourse- of the majority of Latin American nations to broaden and fuel the regional integration processes, there are still some hurdles to overcome and difficulties to be tackled. On some lessons learned, we can draw the attention on the following:

- a) We cannot perceive a genuine interest of the parties involved in getting truly committed to broaden and deepen the linkages among them.
- b) Institutional frailty and the nation-states’ reluctance to transfer sovereignty and the ownership of some of its political processes in favour of supranational frameworks.
- c) The feeble presence of transnational actors should be tackled, in turn generating a vibrant and dynamic interaction demand.

- d) The only actors who can push ahead regionalization processes are the Chiefs of State.
- e) Other national governments must deal with a powerful Parliament or a strong public opinion with institutional resources as to effectively oppose the executive initiatives.
- f) The level of development of the countries involved, their types of government, even geographical distances might affect negatively the integration process if participants have the perception of an unequal cost-benefit distribution among them.

# **Is Regionalization the way?**

by

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## INTRODUCTION

We are witnessing, as days go by, how world changes and reconfigures itself. The world today is not what it used to be 10, 20, or 50 years ago. An obvious truth. These changes are yesterday's history, some might say. We wrote history yesterday and today we envision and design the future, claim the vanguardists. And indeed that is true. However, all this fuzz and excitement may just be a deceptive façade of what is happening underneath, on a deeper, subtler level.

Global dynamics, a powerful current reshaping world economics and politics have kept its presence in the limelight lately. National states have underwent several, deep, unavoidable adjustments in the light of growing interdependence among them. Countries seek to strengthen their positions, poised to reap the fruits of this alleged global bonanza.

And yet, scepticism abounds. Those who have seen inequality and poverty increase dramatically cannot cease to ask questions about the miracles of global economy. Latin America is a perfect example to illustrate this situation. A piece of land observing how the rich get richer and the poor get poorer. In a desperate situation, a country searches to establish alliances that put them in a better position in coming to terms with their respective populations. Under these circumstances, regionalization emerges as a potential and effective possibility to face global challenges.

In the next pages we will outline the background of this phenomenon in an attempt to better understand it. We'll venture some thoughts on elements that might bolster –or hamper- the process. In the same regard, we'll take a look at what is currently happening in Latin America.

## CONCEPTUAL FRAMEWORK

Globalization is nothing new for the human being; it lies in the core of human nature. The human being instinctively explores every domain he finds himself into. The human being is a relentless discoverer who tries to gain control over different areas. Its centrifugal nature is conveyed in its latest attempt to go after a new experience: globalization.

New challenges have emerged as a result of its dynamic presence. The nation-state appears to crumble. The very same nation-state that was a principle of coherence for centuries, it is now at the expense of outside forces, making countries open their long preserved borders and mingle with the rest of the world, venture into the unknown.

Modern state has been hardly questioned. As it has been argued, it cannot handle the new demands that have risen from globalization. Traditional ways in which countries interacted seem insufficient to deal with the new global order. Back in 1998 -and a fair amount of things have happened since-, Arie Kakowicz mentioned that “at the international and global level the state system is attacked on the grounds that it is increasingly obsolete: States cannot cope with the threatening global ecological crisis; there is an emerging global civil society that challenges the authority of states; transnationalism has eroded and even replaced the sovereignty of states; and global interdependence has taken us beyond sovereignty and territoriality in the direction of economic globalization.”<sup>1</sup> To a great extent, issues such as capital movements, trade flows, information exchange, and increasing migration, still remain a huge question mark in the way they should be addressed.

The new international order makes concepts like *territory* and *sovereignty* look rather old and dysfunctional and its linkages to this new reality are on the wane. A growing number of decisions related to the nation-state come from outside its own borders, at the same time efficient and prompt answers are demanded from within: the nation-state is facing a test never foreseen.<sup>2</sup> Has the nation-state, a product of centuries of constant evolution, a human cultural feat, reached the end of its life?

As it was mentioned, it is in this era of global changes in the sphere of technology and the world economy that the nation-state has shown a structural weakness,

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<sup>1</sup>Kacowicz, A. (1998). Regionalization, Globalization, and Nationalism: Convergent, Divergent, or Overlapping? *Helen Kellogg Institute for International Studies Working Papers*. Retrieved 3 January 2008 from Kellogg Institute for International Studies Publications website.

<sup>2</sup> “The nation-state reveals itself inadequate to guarantee economically efficient and viable identity spaces in a context in which the global currents become more and more powerful.” Pipitone U. (2003). *Ciudades, naciones, regiones*. México: Fondo de Cultura Económica, p.p.272-273.

incapable of moving at the same pace; dynamism, a feature of this age, appears to be not part of it. Kakowicz notes that “four major arguments have been advanced to demonstrate the obsolescence of the state system in this age of globalization: 1) the global ecological crisis; 2) the development of global social movements and the emergence of a global civil society; 3) the deepening of global interdependence associated with economic globalization; and 4) transnational relations at the economic, social, cultural, and even political levels.”<sup>3</sup> Evidence leaves no room for doubt. Nonetheless, we can argue on behalf of the nation-state, we are giving it no choice other than the Procrustean bed: adjust swiftly to the current demands or else.

In view of this, there is a collision between the undeniable force of globalization and those who claim the nation-state is the last safeguard in a world with less and less borders –of every sort. A crossroad halts our way: should we close our borders and protect the remaining of nation-state, or give it up and left it for dead while laying the foundations of a new era?

But the global dynamic that call into question the usefulness of the nation-state itself have come across a different dynamic that opposes it by rejecting its influence in smaller geographical units: regionalization. A spatial redefinition of national sovereignties in reduced structures, with a clear economic objective in a wider geopolitical space. This might be the equilibrium; a bridge between past and future, between structures that have provided meaning and sense to social life and a future that showed up abruptly and unannounced.

#### *WHAT IS REGIONALIZATION?*

Regionalization can be perceived simultaneously as a consequence and a response from the nation-state to the uncertainty that stems from global economic pressures. In a logic of recurrent episodes of economic turmoil around the globe, countries begun to look for strategic alliances and partnerships in order to be able to cope with the challenges emerging from globalization. The geographical proximity became an obvious factor to do so. But there is always some arbitrariness regarding the definition of regional blocs, although one thing is certain: geographical neighbouring is not a sufficient condition for a group of countries to make an alliance and eventually constitute a region.

Kakowicz sheds some light on the topic: “The major criteria remain geographical contiguity, interaction, and a subjective perception of belonging to a distinctive community and having a collective regional identity. In addition, several common characteristics can be suggested, such as: 1) a certain amount or degree of social and cultural homogeneity; 2) similar political attitudes or external behavior toward third parties; 3) common political institutions, as an expression of political interdependence; 4) a certain degree of economic interdependence; and 5)

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<sup>3</sup> Kakowicz, *op. cit.*

common behavioral criteria, such as the identification of norms pertaining to conflict management and resolution.”<sup>4</sup>

Political and economically speaking, regionalization can be broadly defined as a limited number of states linked by a geographical relationship and by a degree of mutual interdependence. A concept laid out on a geographical element that might combine politic, social, and economical characteristics. Regionalization has sought to strengthen national positions in a reciprocal relation with neighbouring countries. It is a relationship that tries to take full advantage of individual as well as collective action, primarily with regard to trade.

Regional entities have come a long way. We can trace back the origin of this wave to the end of World War II, when a bipolar order was established. Back then, Europe makes an accurate reading of what was happening at the time understanding perfectly there is no way they can face the dual hegemony on an individual basis. A common approach is perceived as a much more effective way, rather than the usual individual competence approach.<sup>5</sup> The synergy principle: a combined effect greater than the sum of their separate effect.

Towards the end of the Cold War, geopolitical reshaping gathers momentum. The so-called *new wave of regionalism* points in the direction of new leaderships rising in the international order. In this regard, the European experience sets the standards among regionalization around the world: a broader and deeper experience no other region in the world has achieved so far. Concurrently, the U.S. –a world leader of yore- seeks to maintain some of its hegemony by building an alliance with Mexico and Canada. Experiences of this kind replicates throughout the world: south (SAARC) and southeast Asia (ASEAN); Africa (a number of associations); Central (CACM and CARICOM) and South America (MERCOSUR and CAN).

But what is the role played by regionalization within global dynamics and the evolution towards a new international order? As suggested above, regionalization might prove to be an effective defence-mechanism, a survival of the fittest strategy that enables nation-states to preserve a certain degree of autonomy and ownership over political processes, in addition to a much needed balance between global and local strains, in the light of international order being shaped by open economies with less defined borders of all sorts.<sup>6</sup>

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<sup>4</sup> *Idem.*

<sup>5</sup> Ugo Pipitone identifies three elements that triggered this process in Europe: 1) the inability of individual countries to compete effectively against each other and the rest of the world; 2) in becoming a single entity, put an end to the French-German rivalry, the epicentre of a two-centuries upheaval; and, 3) supranational unity as an adequate mean to withstand the risk of the Soviet bloc's closeness. *Op.cit.*, p.p. 281-282.

<sup>6</sup> Kakowicz ventures the possibility that regionalization might be, with regard to globalization, a convergent trend (as component of a larger phenomenon), a divergent trend (as a response to it) or an overlapping trend (a parallel process simultaneously happening in key areas such as security and economic relations). *Op. cit.*

As it can be clearly seen, regionalization processes are strongly influenced by -and oriented to- economic activity. The basic setting of a region –privileged member’s trade zones, namely Free Trade Areas or Customs Unions- is intended to strengthen the member countries’ individual positions within the region<sup>7</sup> while concomitantly increasing its chances of a better positioning in the international order. Whereas intraregional trade is encouraged, the region adopts a protectionist stance with respect to the rest of the world.<sup>8</sup>

In consequence, regions demand new rules and institutions capable of handling internal as well as external affairs that arise from growing economic interdependence.<sup>9</sup> Accordingly, nation-states undergo an integration process whose span varies in relation to the degree of interdependence and encompass a large number of common topics, such as: social and political problems, ecologic and security issues, among others.<sup>10</sup>

A clarifying parenthesis might be appropriate: while the concepts *regionalization* and *integration* are often used as synonyms, the former refers to processes that by happening widen its range, the latter comprises interaction in a much more complex manner, convergent motivations oriented by common interests that reflect in shared views and a common social and economic policy. Regionalization paves the way for integration (in a cause-effect relation). Conversely, regionalization can be an end in itself.<sup>11</sup>

Following Pipitone: “What is regionalization if not the political attempt to regulate broader areas and efficiently interact in global interdependencies while reducing its costs? A mechanism by which the number of actors is reduced and its

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<sup>7</sup> Without exception, national economies that have joined an association of this kind had experienced a sizable increase in commercial trade.

<sup>8</sup> “Regional integration is attractive for a number of economic reasons. First, neighborhood effects encourage intensive trade and investment relations. Secondly, economic regionalization processes often do not require the reciprocity that GATT and its successor organization, the World Trade Organization (WTO) insist on. And the inefficacy of the global GATT regime in addressing important economic issues in the 1980s and 1990s has acted as an additional impetus for regionalization. Thirdly, at the regional level efficiency and competitiveness are often strengthened through internationalized forms of deregulation, thus weakening directly the attraction of traditional, global approaches to liberalization while strengthening them indirectly. In addition, the effects of regional economies of scale and savings in transportation costs can create dynamic effects that also accelerate economic growth.” Katzenstein, P.J. (1996). *Regionalism in Comparative Perspective. Arena Working Papers Series 01/1996*. Retrieved 15 January 2008 from Arena Centre for European Studies Publications website.

<sup>9</sup> “The voluntary linking in the economic domain of two or more formerly independent states to the extent that authority over key areas of domestic regulation and policy is shifted to the supranational level.” Mattli, W. (1999). *The Logic of Regional Integration. Europe and Beyond* (p.41). Cambridge: Cambridge University Press.

<sup>10</sup> Ugo Pipitone suggests: “It may well be argued that all these experiences are limited to economic activities. However, isn’t it precisely there, that the circumstances that compel politics and institutions to change its accustomed ways have its origins in?” *Op.cit.*, p.p. 274-275.

<sup>11</sup> NAFTA provides a conspicuous example, given the vast structural inequality among its members.

efficacy enhanced. Regionalization is then conceived as a political reaction to global trends that have affected human life in a number of ways. The search of collective security goes beyond the borders of nation-states.”<sup>12</sup>

And so as the process goes along increasing its complexity, the relations among countries bring them closer, and the byproduct of that process forces the participants to adapt to new dynamics of collective interaction. A deeper evolution than the *security community* introduced by Karl Deutsch.<sup>13</sup>

That evolution must, at all times, envisage how two basic aspects of collective action -that affect the members of the bloc- should be addressed: decision-making and conflict resolution. To that effect, the creation of institutions capable of regulating these is essential. Here we are presented with a most interesting theoretical question: does the form precede the function or is it the other way around? In other words, real demand conditions –from economic and social actors- impel institutional adjustment<sup>14</sup> –i.e. the push for greater integration-, or institutional adjustment should come before –on the supply side as an incentive- the integration of economic and social actors? From a different perspective, is it a top-down or a bottom-up initiative?

The two main contemporary theories of regional integration, liberal intergovernmentalism<sup>15</sup> and supranational governance<sup>16</sup>, consider society as the source of integration. “Therefore, both approaches share the concept of integration whose main thrust is based on demand conditions”<sup>17</sup> from regional actors trying to increase their participation in regional dynamics. For liberal intergovernmentalism, economic interdependence is a necessary condition for the integration process. Supranational governance –relevant for the European context- underlines the participation of four actors in the process: nation-states, transnational transactions, the European Commission and the European Court of Justice. Clearly this approach points towards the formation of supranational

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<sup>12</sup> Pipitone, *op.cit.*, p.414.

<sup>13</sup> A stage in which countries no longer use violent means in conflict resolution. Deutsch, K. W. et al. (1957), *Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience*. Princeton: Princeton University Press. Kakowicz adds: “At a more subjective level, integration is achieved when there is a prevalence of mutually compatible self-images of the states participating in the process, up to the point of developing a common identity and mutual expectations of shared economic and security gains.” Kakowicz, *op. cit.*

<sup>14</sup> Increasing technical necessities are seen as demanding further intervention and regulation over wider areas, in turn generating new necessities.

<sup>15</sup> Moravcsik, A. (1998). *The Choice for Europe. Social Purpose and State Power From Messina to Maastricht*. New York: Cornell University Press.

<sup>16</sup> Sandholtz, W. and Alec Stone Sweet (1998). *European Integration and Supranational Governance*. Oxford: Oxford University Press.

<sup>17</sup> Malamud, A. (n.d.) *Jefes de gobierno y procesos de integración regional: las experiencias de Europa y América Latina*. Retrieved 13 January 2008  
www.usal.es/~dpublico/areacp/Doctorado0304/Seminario\_Investigacion03/Malamud04.PDF, p.2.

entities able to regulate regional processes, in terms of an open and modern sovereignty concept.<sup>18</sup>

We have, on the other hand, the neofunctionalist theory, whose main thrust would rely on the *supply* of a strong regional leadership or institutional structure – or both-. The core of this theory is the spillover effect. Supranational bargaining and interest group lobbying influence the dynamics of integration, being crucial factors for the reproduction of the spillover logic. In short, the principle is that what fosters the process is, eventually, fostered through feedback, therefore keeping the wheel spinning. The approach stresses the interaction between integration and institutions, rather than between interdependence and integration (as intergovernmentalist does).

Both these factors considered individually prove to be necessary but not sufficient to influence the integration process. Malamud suggests, “Supply conditions may be enough, even in the absence of demand, to initiate or relaunch a regional integration process. However, the same actors supporting an initiative of this sort may as well hinder the entire process. That is why is appropriate to stress integration cannot be successful if it depends on supply alone, unless it generates its own demand a posteriori.”<sup>19</sup> We will come back to this point.

Failure or success of regional processes depends on the commitment of the parties involved. Such commitment must reflect a common view that goes beyond individual positions, a commitment in which nation-states voluntarily relinquish some of their basic and traditional functions in order to win by making alliances with their neighbours.

So far there is no model that shows which is the best way to embark on an endeavour of this calibre. Regulation of integration processes is still a system waiting to be refined. The European Union is the most advanced region. But as history shows, the process has not been smooth and has experienced some major setbacks.<sup>20</sup>

The nation-state has come a long way. It is the product of a long and winding road, a mixture of concrete historical circumstances. Regional blocs make a similar case. It will take years before coming across a system adequate enough to bring together the prevalent structures of the nation-state and the exogenous stimulus

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<sup>18</sup> Opening the door to what once was considered unfeasible, as pointed out by Hoffman: that nation-states would move from the sphere of economics to the sphere of politics, therefore compromising their sovereignty to promote integration. Hoffman, S. (1964). The European Process at Atlantic Crosspurposes. *Journal of Common Market Studies*, 3, p.p. 85-101.

<sup>19</sup> Malamud, A. *Op. cit.*, p.13

<sup>20</sup> The French and Dutch negative to approve a European Constitution makes a good example.

that force countries to find themselves a way to deal and cope with its neighbours and the rest of the world.

## REGIONALIZATION IN LATIN AMERICA

Where to begin with Latin America? A disparate and homogenous subcontinent at the same time that no theory exposed here can account for what has happened there. Integration process in Latin America followed a way of their own, with little or nothing to do with those experiences happening elsewhere, specially in Europe. Heavily influenced by the absence or weakness of transnational interests, nation-states have had to step up becoming the real thrust behind regional processes.<sup>21</sup>

European-oriented theories turned out to be insufficient to explain regionalization in Latin America. It can be said that “the order of causality has been reversed in Latin America: economic interdependence became the consequence, not the cause, of political cooperation and of economic integration.”<sup>22</sup>

Nowadays we have at least twelve schemes of regional and subregional integration in the Americas, seven of them involving South American states. There are several reasons for this integrative fever: the increase in intraregional trade; the fear of uncertain future of the international political economy facing the transnational forces of economic globalization; the formation and consolidation of regional blocs across regions; the Initiative for the Americas launched by US President George Bush in 1990 and continued by President Clinton in 1994 (Miami) and in 1998 (Santiago de Chile); the establishment of NAFTA; the improvement in the regional political climate regarding the resolution, if not management, of outstanding territorial disputes; and domestic political motivations, including the need to enhance the democratization process.<sup>23</sup>

Notwithstanding, we have to bear in mind the political reality of the region: political institutions in Latin America are weak and its legitimacy among the population is rather poor. A twofold consideration stems from it in light of the aforementioned: on the one hand, the great merit on the moderate success these regional initiatives have, and on the other, the potential risk of collapse of the very same initiatives.

Latin American integration has evolved along three waves, but enduring results were only reached in the last one. In the late 1950s and early 1960s, the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM) were established, but some rapid success soon turned into failure. At the end of the 1960s, the Andean Community (CAN) and the Caribbean Common Market (CARICOM) were founded, but their fate replicated that of the first wave. After the transitions to democracy took place in the 1980s, the region

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<sup>21</sup> Malamud: “This scheme, which can be defined as integration whose thrust is based on supply conditions, makes the rule and not the exception among developing countries.” *Op. cit.*, p.3.

<sup>22</sup> Kakowicz. *Op. cit.*

<sup>23</sup> *Idem.*

underwent with growing expectations the creation of MERCOSUR and the relaunching of both the CACM and the CAN.<sup>24</sup> Let's briefly go over some of these experiences.

#### *The Central American Common Market (CACM)*

The signing of the Treaty of Managua, by El Salvador, Guatemala, Honduras, and Nicaragua, established the Central American Common Market (CACM) in 1960. Costa Rica joined the bloc in 1963.

By the late 1960s it was widely recognized as the underdeveloped world's most successful regional integration effort. Measured by the growth of trade within their respective areas, the achievements of the CACM long exceeded those of LAFTA. However, it would not last much longer: the so-called Football War of 1969 between El Salvador and Honduras inflicted a severe blow upon the process –whose difficulties had started before the war in any case. This progress was basically due to technical -i.e. non politicized- management, and to the low political and economic costs of integration- since it did not threat any powerful interests, while the administration expenses were paid by foreign sources.

The fact that Central American institutions did not emerge as a coherent system, but were built along disparate stop-and-go processes, left as imprint a still messy and mostly inefficient web of entities. The region reactivated the process in 1991.

#### *The Andean Community of Nations (CAN)*

The Cartagena Agreement marks the genesis of this bloc. Signed originally by Bolivia, Colombia, Chile, Ecuador, and Peru. Venezuela joined in 1973, but Chile withdrew in 1976.

Its goals were to improve the conditions or participation of the less developed countries covered by the LAFTA agreements. At the economic level it relied on two parallel processes: interregional trade liberalization and regional industrial planning. At the political level, it created a decision-making structure including two main institutions, the Commission and the Junta, whose respective majority-rule voting and binding supranational authority were as ambitious as exceptional. Apart from the rigidity of the agreement, the failure of this initiative was given to other reasons, namely, the unequal distribution of costs and benefits, the politicization of integration issues, the non-compliance of the member countries with the Andean Decisions, a great political instability, and the lack of regional leadership.

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<sup>24</sup> Malamud, A. (n.d.) *Regional Integration in Latin America*. Retrieved 4 January 2008. [www.scielo.oces.mctes.pt/pdf/spp/n44/n44a07.pdf](http://www.scielo.oces.mctes.pt/pdf/spp/n44/n44a07.pdf).

Today, the legal principle of direct effect and the pre-eminence of the community law make the Andean Community the second region in the world according to the level of formal institutionalization, only behind the European Union.

In spite of this, the overall balance is ambiguous: the Andean countries have not made a significant progress in consolidating a peaceful, stable and developed area, even though they have achieved an important degree of formal institutionalization and committed to accelerate their integration –by means of a common market and free flow of people.

### *Southern Common Market (MERCOSUR)*

Established in 1991 as an economic association, the original signers of the Treaty of Asunción were Argentina, Brazil, Paraguay, and Uruguay. Venezuela joined in 2006 although its status remains unclear. MERCOSUR has undeniable economic success: intraregional trade flows have increased in great numbers while at the same time the numbers pertaining to extra-regional flows also have increased. Foreign direct investment has grown remarkably and the region as a whole has become a growing international actor both for business and foreign governments. Yet, “MERCOSUR stands out as the main paradox, as the sequence of interdependence-integration-institutions simply did not take place”.<sup>25</sup>

Around 1995, MERCOSUR evolved from being a Free Trade Area among its member countries and became a Customs Union, with the explicit long-term goal of becoming a common market. To date, however, MERCOSUR has not built any significant institutional structure, whether supranational or not. Its decisions are instead taken through purely intergovernmental mechanisms, requiring unanimity in every case. The only decision-making organization consists of three regional bodies made up of either member states’ public officials or nationally appointed technicians with low-level responsibilities: the Common Market Council (CMC) – comprised of the foreign and economy ministers of each member country-, the Common Market Group (CMG), and the Commission of Trade. Two consulting bodies –one of them integrated by parliamentary representatives and the other by delegates of the civil society –and a minimum Secretariat located in Montevideo completes the institutional structure.

Social actors from member countries have remained marginalized along the process. The main intergovernmental negotiations –such as the Treaty of Asunción (1991) and the Protocol of Ouro Preto (1994) has not lived up to the expectations nor led to the creation of common supranational institutions or sovereignty transfer. The contrast between the proclaimed ambitious goals of MERCOSUR and its poor institutional concretions is not ironic, as it replicates a rooted Latin American tradition of eloquent -though useless- rhetoric.

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<sup>25</sup> Malamud, A. *Regional Integration in Latin America*.

### *LESSONS FROM LATIN AMERICA*

The transition from old, closed regionalism to new, open regionalism was simultaneous and significant all across Latin America and the Caribbean. As Malamud reminds us, “many were the factors that brought about such a revival; crucial among them were the restoration –or inauguration- of democracy all across the region, the resolution of border and military conflicts, and the homogenizing constraints that the national economies ought to face in the wake of global processes.”<sup>26</sup>

Despite the drive toward regionalization –at least on the public discourse- of the majority of Latin American nations to broaden and fuel the regional integration processes, there are still some hurdles to overcome and difficulties to be tackled. On some lessons learned, we can draw the attention on the following:

- a) We cannot perceive a genuine interest of the parties involved in getting truly committed to broaden and deepen the linkages among them. MERCOSUR Secretariat admitted: “the institutional model in effect today does not necessarily reflect a collective project, or common vision on regional integration.”<sup>27</sup>
- b) This suggests that institutional frailty on the region does not allow these sorts of initiatives to prosper, mainly due to its lack of legitimacy. Along the same lines, nation-states have a basic reluctance to transfer sovereignty and the ownership of some of its political processes in favour of supranational frameworks.
- c) Closely linked, the feeble presence of transnational actors should be tackled, in turn generating a vibrant and dynamic interaction demand. “Parliaments and National Tribunals have been often overlooked and neglected. Therefore regional blocs do not have a strong presence or representativeness from civil society members.”<sup>28</sup>
- d) It is therefore clear, that the only actors who can push ahead regionalization processes are the Chiefs of State. Adds Malamud: “presidential summits are the real thrust behind the process.”<sup>29</sup> So, “the weaker the regional institutional setting is, the greater influence Chiefs of State might have to influence –be it in the form of pushing forward, lead or even hamper- the integration process.”<sup>30</sup>
- e) “Conversely, other national governments must deal with a powerful Parliament [for instance, the American Congress and its denial to approve President Clinton’s *Fast Track* negotiating authority for trade agreements]

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<sup>26</sup> *Idem.*

<sup>27</sup> Citado por Zibechi, R. (n.d.). *Regional Integration After the Collapse of the FTAA* (p.3). Retrieved January 3 2008. <http://americas.irc-online.org/pdf/briefs/0511collapse.pdf>.

<sup>28</sup> Malamud, A. *Jefes de gobierno y procesos de integración regional: las experiencias de Europa y América Latina*, p.3.

<sup>29</sup> *Ibid*, p.13.

<sup>30</sup> *Ibid*, p.p. 3-4.

- or a strong public opinion with institutional resources as to effectively oppose the executive initiatives [such was the case of the Scandinavian, French and Dutch referendums, in opposing its governments intentions to broaden the integration process].”<sup>31</sup>
- f) The level of development of the countries involved, their types of government, even geographical distances (Central and Western Europe’s distances are not the same as the ones in Latin America, or South America alone) might affect negatively the integration process. Also, if participants have the perception of an unequal cost-benefit distribution among them, this might as well hinder it (and NAFTA gives plenty of elements to consider on this particular regard).

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<sup>31</sup> *Ibid*, p. 4.

## CONCLUSIONS

We have reflected upon the nature of regionalization process and its relation with current global dynamics. Also, we have pointed out how nation-states have lost parts and parcels of their sovereignty in terms of autonomy in order to better cope with global trends.

The nation-state remains the basic political unit for the analysis of world politics by defining the primary space in which political arguments take place. In spite of the evidence, there is no clear, rational sign, showing neither the withering away of the nation-state nor its stubborn resilience. What we may certainly witness would be its transformation. Some observers fear regional economic institutions will erode the multilateral system that has guided economic relations since the end of World War II, promoting protectionism and conflict. Others argue that regional institutions will foster economic openness and bolster the multilateral system. There is plenty of room for doubts and fears, as well as there is room for change.

Ugo Pipitone reminds us in a simple, elegant way: “[the sign of the times is] the progressive transference of portions from national sovereignty to regional bodies in search of a larger identity to face greater challenges, the same way nation-state once did. There are several cases, however, in which a large amount of countries that do not have a consolidated political structure are forced to embark on a new dynamic of neighbour bonding and cooperative schemes oriented to build new institutional structures in which trade and economic relationships are the first step.”<sup>32</sup>

Is it possible that regional integration can be built on the basis of free trade alone? There is no simple answer to that question. Economy is generally regarded as the gateway of structural political adjustment. If the process of regionalization were merely commercial, it would be rather simple because it only comprises the standardization of technical procedures. Nevertheless, the potential of regions –as drawn from the European experience- lies in taking these processes to a deeper level. “Regionalization goes beyond [economics], by broadening collective identity spaces, opening wider areas of institutional diversity towards new cooperative forms between neighbouring countries.”<sup>33</sup>

Yet, the experiences of developed countries prove that, to a certain extent, protectionist measures are required to create, foster, and consolidate national industries. Regionalization might provide -within this open-closed dual framework- adequate conditions that would allow national industries to thrive and develop, enabling them to better address global challenges.

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<sup>32</sup> Pipitone, U. *Op. cit.*, p.273.

<sup>33</sup> *Ibid*, p.410.

A pivotal factor supporting regionalization/integration processes is the presence of institutions. Institutions matter. This claim is widely acknowledged nowadays by most of the literature whether on political theory, comparative politics, or international relations. However, “to determine what institutions matter, how they effectively come to matter, and concerning what outcomes”<sup>34</sup>, are questions that still have no satisfactory answer. Regional leaderships are instrumental, and still, they have also been found to negatively affect the process. In addition to that, the role of civil society not only as economic actors, but also as guarantors of the process, is a key factor. Furthermore, we cannot neglect the risks of conflicts related to nationalist resistance. A sharp remark by Pipitone: “[for the regional process] to be sustainable in time, regional spaces in the making require to evolve from national cultures of interdependence, to trans and post national forms of solidarity; from there to wider forms of identity capable of processing differences.”<sup>35</sup> There is plenty to be done regarding the analysis of these and some other questions.

Finally we get to Latin America, where substantial advances have taken place, but we cannot deny there is still a vast room for improvement. The rigorous analysis of Latin America should begin with the very national structures. Democracy in the region is an omnipresent value, and yet, democratic institutions or practices are deemed to be inefficient, thus continuing to be largely mistrusted: in 2007, only 54% of Latin Americans support democracy and only an alarming 37% is satisfied with it.<sup>36</sup> Grave deficiencies prevail at the core of our democratic values: 17% of the population thinks that -under certain circumstances- an authoritarian regime is preferable. 20% do not even care whether they live under a democratic or an authoritarian regime.<sup>37</sup> Something is wrong. Latin Americans tendency to fall for hardline regimes and charismatic leaders is very much alive.

If Latin America does not make an accurate reading of its deficiencies and potentialities, it is likely the whole region will not catch up with the rest of the world. It is at the heart of that matter where the difference between being a simple linguistic or geographic coincidence, and being a defined project with a purpose lies. Latin America continues to be the most unequal region of the planet.<sup>38</sup> We can hardly demand respect for democratic values when corruption and inequity prevail in the length and breadth of the continent.

We need to turn our eyes back to the national essence, bring nationalism back to life. “Nationalism understood in a fresh, healthy manner. A way to establish

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<sup>34</sup> Malamud, A. *Regional Integration in Latin America*.

<sup>35</sup> Pipitone, U. *Op. cit.*, p. 414.

<sup>36</sup> Informe Latinobarómetro 2007, (2007). Retrieved 2 December 2007. [www.latinobarometro.org](http://www.latinobarometro.org), pp.79-81.

<sup>37</sup> *Idem*.

<sup>38</sup> UN Human Development Report 2007/2008, Human Development Indicators. Retrieved 10 February 2008. [http://hdr.undp.org/en/media/hdr\\_20072008\\_en\\_indicator\\_tables.pdf](http://hdr.undp.org/en/media/hdr_20072008_en_indicator_tables.pdf).

common goals for people deciding (...) to share objectives and ideals.”<sup>39</sup> Regional structures begin at the national level, in having solid foundations at the basic level.

We cannot forget the fact that rich regions tend to separate from the poor ones. We should pay special attention to those regions with the greater weaknesses, looking to improve social cohesion, thereby increasing prosperity in common areas.

Regionalization is not a hassle-free, linear process. It will surely experience some major setbacks in its road become a formal and stable setting. Yet, collective efforts will always top up individual experiences.

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<sup>39</sup> Reyes Heróles, F. (2001). Latinoamérica ¿Continente o Proyecto? Revista CIESS, 1, Centro Interamericano de Estudios de Seguridad Social, p.23.

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