

Latin America: Contrasting Motivations for Regional Projects ¹

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In

Review of International Studies, Volume 35, Supplement 1, March 2009

Introduction

Latin America has a long tradition in a diversity of regional associations. The region broadly speaking is in some ways unique because of its shared beginnings in the system of states, commonality in terms of Iberian as well as indigenous culture², the intimate exposure to the US reach and the ultimate mark of US hegemony. In this sense, policy diffusion is hardly “new”; regionalism as quite a dense web for policy diffusion dates as far back as the struggles for independence and the coetaneous conformation of republics. This is a distinct birth mark, which also helps to explain regionalism’s trajectory, and its mix of contestation, adaptation and pragmatism to a number of *realpolitik* dilemmas. The time frame, together with the exposure to a particular set of influences, distinguishes the Americas from other expressions of regionalism around the world. Frontiers are mostly consolidated, a feature that is reflected in the lowest levels of armed conflicts between states and the lowest share of military expenditures in GNP worldwide. The 1968 Treaty of Tlateloloco established an early commitment to prohibit and prevent the use, manufacture, production or acquisition of nuclear weapons in the region, then turning Latin America into the sole continent free from nuclear war competition. While the region is also largely free of religious conflicts and strong ethnic strife, the differences in size and levels of development are several times larger than those found between the actual and prospective members of the European Union. Although a continent of many contrasts, policy trends, patterns of consensus and conformity have come in tides. Such commonalities, whether economic, political or social, have provided a distinct analytical and normative frame.

True to this pattern, the last decade of the twentieth century ushered in a paradigm shift, a new flux of styles, fashions and philosophies manifest in the collapse of military rule, renewed electoral competition and the crumbling of import substitution that had shaped and inspired policy for so long. Trade became the mechanism for the transmission and adaptation of neo-liberal principles.

¹ The diligent research assistance of Melisa Deciancio is most gratefully acknowledged.

² Fawcett, Louise, “The Origins and Development of the Regional Idea in the Americas” in L Fawcett and Mónica Serrano Eds, *Regionalism and Governance in the Americas* (London: Palgrave-Macmillan, 2005)

Regionalism made a comeback. In some cases, it entailed sprucing up old commitments, the Andean Pact in 1989 and the Central American Common Market (CACM) in 1990. In other cases, new regions were created, such as the North American Free Trade Area (NAFTA) in 1993 and Mercosur in 1991. The competition for potential expansion of the latter two brought them into steadfast opposition from time to time, a continued tension over modes of regional associations and ultimately, regional leadership. Mercosur was widely believed to create a window of opportunity for contestation of the US-led mode, an opportunity that as soon as it was seen to lose vigour was jumpstarted by the Bolivarian Alternative for the Americas (ALBA in its Spanish acronym) -a project forged by President Hugo Chavez of Venezuela. Regionalism is not just a single tidy entity but has given way to many coexisting and competing projects.

The focus on regional projects adds an exciting dimension to the study of international political economy for long over-focused upon Western states and societies. Countries view of the world and their policies reflect their geographical placement in the globe. While Europe enshrined the balance of power and the United States the Monroe doctrine, most other countries also had ways of dealing with neighbours albeit under-studied or less doctrinaire. Regionalism hence, is not a product but an intensely political process. It is a motivating and legitimising tool for linked strategies and objectives whereby governments seek to coordinate the terms of competition on which rival economic and political agents confront each other. In Latin America the process has gone through phases of energetic expansion, of mere trend-following, controlled stalemate, disaggregation and reconfiguration as a result of the ups and downs of development strategies and the changing conditions in global markets. These factors have led to a variety of forms of regionalism not only in terms of goals but also of the policies included and geographical coverage. Different forms of regionalism in the

Americas have distinctive roots that have contributed to its evolution and current progress. The analysis of competing projects consequently raises a number of interesting questions about the relationship between the development inspired subregional level and the US ambition to lead a continent-wide project.

The approach of this contribution is primarily analytical. My concern is to assess the nature of regional projects that have emerged in Latin America and to provide some analytical categories to show the distinctive features of Latin American regionalism from a political economy perspective, pointing at the interaction between states and markets and how their mutual boundaries are reshaped in the contemporary regional order. According to Keohane³ Latin American countries are takers rather than makers of global rules. True, no doubt; but going behind this simple assertion and once we draw open the curtains that close this overture, as in the richest of Puccini's opera, one can discern a complex stage with multiple scenes, concert pieces and arias.

The article begins with a brief review of the early start to the regional idea, its variegated influences and its sinuous course. It then advances a dualistic conceptual framework and proceeds in two broad parts, each part tackling contrasting motivations for regional projects. The first shows the main features and the trajectory of the hemispheric regional project that was born under American leadership. With quite marked intentionality, this project tends to shore up American power by magnifying benefits to American

³ Keohane, Robert, "Between Vision and Reality: Variables in Latin American Foreign Policy," in Tulchin, Joseph and Espach, Robert (eds), *Latin America in the New International System*, Boulder, Colorado, Lynne Rienner, 2001

business interests, allowing autonomy on U.S. economic policy-makers while curbing the autonomy of partners. It is legitimized by the widespread belief that markets are a-political and efficiency is a goal in and of itself. The second part of this article examines rival attempts: the quest to fend off American pre-eminence making the claim for more autonomous regional projects; it shows how these uphold a domestic market bias and grappled in rocky waters to resist the onslaught of the former project. It concludes with an applied reflection questioning the significance of these projects in perspective.

Latin America: shared origins in rocky waters

Many leaders of Latin American independence in the early XIX century considered the establishment of a single government for all the former Spanish colonies to be the natural follow-up to driving out the *peninsulares*. Bolívar, however, was the one who made the most serious attempt to unite the Spanish American republics; his legacy is legendary. Since the struggle for independence had been a joint project carried out by all the Spanish vice-royalties soon after the final victory in 1824, Bolívar convened a first conference of the newborn states to which Britain was invited in reciprocity for having supported the cause of independence, while the United States, Brazil and Haiti were excluded. Bolívar's Congress of Liberty aimed to secure Spain's recognition of independence and create a Spanish-speaking confederation. The Congress of Panama finally met in 1826 and achieved neither: Bolívar was absent, and only a smattering of delegates from the newly independent states –Mexico,

Central America, Gran Colombia and Peru- attended, together with representatives from Holland and England.⁴ The ties that had united the continent in the struggle for independence had by then begun to break down and rival factions were warring against each other to establish the boundaries for the splintering republics. Four decades of strife and instability ensued.

The first formal bid to a pan-american regionalism came from the United States after the dust of its own civil war had also been left behind. To chart its search for foreign markets on to the hemispheric stage and ensure no annoying meddling from the European powers, the US made a call for Pan-Americanism in the 1880s, proposing the creation of formal institutions to facilitate common political, economic and security objectives. While some Central American and Caribbean countries (Haiti, Nicaragua, Honduras, Panama and the Dominican Republic) were by then the victims of US occupations, other governments welcomed the invitation in the belief that inter-American cooperation and integration could make domestic political institutions sounder and domestic economies more prosperous. They then shared similar emancipatory concerns with the US which explains why many proposed formal hemispheric political and economic alliances against Europe⁵. American support to Cuban independence from Spain at the close of the XIX century is a case in point. In this spirit the First International Conference of American States, was held in Washington, D.C. in 1890; it established the International Union of American Republics and a

4 Ibid.

5 Corrales, Javier & Feinberg, Richard, "Regimes of Cooperation in the Western Hemisphere: Power, Interests, and Intellectual Traditions" , *International Studies Quarterly*, Vol. 43 (Denton: International Studies Association/Blackwell Publishers, 1999).

secretariat, the Commercial Bureau of the American Republics. In 1910, this organization became the Pan-American Union, the embryo which four decades later was to provide the scaffolding for the Organization of American States (OAS).

The transition from the Pan-American union to the OAS was part of the architecture conceived to contain and fend off global rivalries at the end of the Second World War. As American foreign policy grew increasingly worried with the rise of Communism and the East- West divide, at the Ninth International American Conference in 1948, the OAS Charter was signed, together with the American Declaration of the Rights and Duties of Man, the first international expression of human rights principles, even preceding the UN Declaration by several months. The step leading from the Pan American Union to the OAS was quite smooth. The Director General of the former became the first Secretary General of the second. From then on regionalism in Latin America has advanced in a slow but continuous pace; in Polanyian duality it has adopted a variety of expressions as it faced changing domestic circumstances and it struggled to engage but also sideline, challenge and offset US supremacy.

The Cold War opened an era of deep rooted bitter divisions, an all time low with the constant flaring up of serious political conflicts and recurrent tensions as country after country saw (or thought they saw) the specter of rival powers competing in the region. At the United Nations, Latin Americans, often at the head of the Group of 77, adopted pro-Third World stances sympathetic to de-colonization and pro-independence movements in Africa and Asia, and almost unremittingly voted against US interventions. The end of World War

II had also ushered in new notions of development and a conceptualization of the divide between developed and developing countries. Development was predicated on the shift from outward to inward oriented growth, a preference for domestic markets, Keynesian demand management and the renovating process of import substitution industrialization (ISI); it was firmly grounded in the structuralist school of thought which emerged from the work of the Economic Commission for Latin America (ECLA).⁶ In this strategy, the state played a vital role as accelerator and catalyst of growth, as central planner and provider of infrastructure. Encouraged by ECLA the countries of Latin America proposed regional integration as a way to overcome the limitation of small domestic markets. The idea was to expand industrial planning to the region-wide scale level, to remove barriers to mutual trade while keeping high levels of external protection to serve as an incentive to industrialization, economic growth and investment. The first relevant trade project of this kind occurred in 1960 with the creation of the Latin American Free Trade Association (LAFTA), which was established with the ratification of the Treaty of Montevideo in 1960, and tried to draw in the South American countries and Mexico. The main purpose was the creation of a free trade area between those states within a period of twelve years. The Central American Common Market and the Inter American Development Bank also saw the light at the time in the same spirit.⁷ But the trade projects plateaued early on. Intra-regional trade quickly doubled from an extremely low base and after the first half decade it lost all steam. The failure of inward oriented development strategies came under

⁶ Tussie, Diana , *The Less Developed Countries and the World Trading System*, 1988 reviews the competition between paradigms and the projection on the screen of regional integration

⁷ Tussie, Diana, The Inter-American Bank, Lynne Rienner, 1996)

fire and so did the regional projects that had accompanied these. Two competing projects emerged to solve the bottleneck: the Andean pact promoted closer cooperation and tighter regional planning; the Latin American Integration Association (LAIA) a loosening of the framework to enable more global than regional trade.

The Andean Pact was established in 1969 under the umbrella of LAFTA. Its explicit goal was to enhance the participation of the less developed countries encompassed by the LAFTA agreements, while simultaneously aiming at the gradual formation of a Latin American Common Market. Five countries signed the founding Cartagena Agreement: Bolivia, Colombia, Chile, Ecuador, and Peru. Venezuela joined the group in 1973, but Chile under General Augusto Pinochet withdrew in 1976. The emergence of the Andean Pact was a direct response to LAFTA's failure, and its project was more far-reaching than ever attempted before⁸. Two central features characterized the project. At the institutional level, it created supranational decision-making structures including two main institutions, the *Commission* and the *Junta*, whose respective majority-rule voting and binding authority were radical departures from the easy going ways of LAFTA. At the economic level, it relied on high rates of external protection, intra-regional trade liberalization and regional industrial planning. The progress of the Andean Pact was quite reasonable in its early years but the drastic withdrawal of Chile under Pinochet and the sway of neo-liberalism generated a succession of major crises,

⁸ Mace, Gordon , "Regional Integration in Latin America: a Long and Winding Road", *International Journal*, Vol. 43, No. 3 (1988)

antagonism to region-wide industrial planning and a backlog of non-compliance of Andean Decisions⁹.

The Latin American Integration Agreement (LAIA) was conceived as an umbrella for these conflicting interests and at the same time to anchor what trade flows had been enabled from the LAFTA and Andean channels. It buried the ideal of a full fledged free trade area while it also conceived of mechanisms to allow integration to proceed at multiple speeds. The LAIA agreement produced a framework in which the sub-sets of partners could commit to additional trade liberalization schemes or increased economic cooperation without waiting for the grouping as a whole and without extending benefits to non-participants.

The balance of these processes could not be more ambiguous. For one, despite the legal principle of direct effect, the pre-eminence of community law and the high institutionalization of the Andean Community (second only to the European Union in formal institutionalization) regional institutions remain feeble, honoured more in the spirit than in the letter, and intra-regional relations are frayed with competing development projects.¹⁰ For another, the LAIA as a mere umbrella moved on; because its initial expectations had been so low, it did not give rise to much disappointment, passion or dispassion.

9 Vargas-Hidalgo, Rafael, "The Crisis of the Andean Pact: Lessons for Integration Among Developing Countries." *Journal of Common Market Studies*, Vol. 17, No 3 (1979) and Fairlie, Alan, "Desafíos para la integración andina", in López V. and J. Di Masi, *Del TLC al MERCOSUR* (Buenos Aires: Siglo XXI Editores, 2002)

10 A free trade zone came into being in 1993. As fleshed out in the next section, the US offer of free trade agreements opened a rift between those in favour and those against. Venezuela has simply left the bloc to join MERCOSUR in 2006

The eruption of the debt crises in the mid1980s severely tested the ability to continue with an arms length relation with the US; cash strapped governments silenced remaining mumbles of dissent and eroded the traces of faith in the virtues of protecting domestic markets. Almost *en masse*, Latin American nations began to adopt closer alignment with the US and increasingly pro-foreign investment policies, including trade liberalization. All of this culminated in the celebratory Summit of the Americas in 1994. The so-called “new regionalism” is commonly used to contrast this tide with that of the import substitution era. It emerged as a new mosaic of factors like systemic pressure, the end of the Cold War, reshaped regional interdependencies and democratic convergence were all playing a role. New frames of reference and levels of regional activity cut across –and built on- older patterns. Such regionalist projects were integral to economic liberalisation and neoliberal restructuring that took root over the course of the 1990s. The US aim to create a regional project of hemispheric range (to include Canada but not Cuba) was premised on this notion.

The manner in which these changing incentives influenced government policy choices with regard to regionalism depended on how actors located within domestic social and political contexts responded to the variety of pressures, on the one hand, and, on the other, to domestic political imperatives that could collide, impede or halt the globalisation logic. It is out of such dynamics that forms of regionalism emerged as a response to globalisation. Some of the main structural factors that shaped these projects are related to the patterns of trade and specialization which are quite distinct as one travels from North to South. The cluster composed by Mexico,

Central American and Caribbean countries has always been connected to the US, through labour migration, investment flows, offshore processing of manufactured goods and the provision of business services to the American market. As one approaches the tip of the continent in the Southern Cone economies, trade is increasingly diversified; intra-regional links are more intense and so are commodity exports to global markets Venezuela stands in a category of its own, as a founder of the Organization of Petroleum Countries, and an oil exporter of major proportions. Not surprisingly the political response from sub-regions will also be quite different. While this is a static and rather simple classification of export specialization, it sheds light on the potential interests of each group of countries and the different biases that regional projects adopted.

In response to the tide of open regionalism, the Andean Community was revamped in 1989 and the Common Market of the South, or Mercosur was created in 1991 bringing together the countries on the River Plate Basin, Argentina, Brazil, Paraguay and Uruguay. The institutional configuration of the MERCOSUR¹¹ bloc has been a topic of debate from the outset. Learning the negative lesson of the Andean Community, where neofunctionalist form predominated over matter and substance, MERCOSUR's institutional structure adopted gradualism as a way of life, relied on intergovernmental decision making and shied away from any leap to supranationalism¹². Decisions rest on unanimous consent, with the idea of allowing integration to thrive on market incentives and governments to retain

¹¹ Pena, Celina and Rozemberg, Ricardo, "A Different Approach to Institutional Development", *FOCAL Policy Paper*, FPP-05-06

¹² Almeida, Paulo Roberto, "MERCOSUL em sua primeira década (1991-2001): Uma avaliação política a partir do Brasil", INTAL - ITD -STA, Documento de Divulgación Nro. 14, (Buenos Aires, 2002)

freedom of action from the autonomous decisions of a community-driven bureaucracy.

The presidents and foreign ministers of member countries have referred to it as a “strategic alliance,” “destiny rather than choice,” “the dynamic axis of South American integration,” and even as “the most transcendental political decision in our history”¹³. Lower ranking officials are more sober about its workings but presidents, especially of Brazil, project its public image and define external relations. In this sense MERCOSUR is an extreme type of intergovernmentalism: “interpresidentialism”. Interpresidential dynamics have kept MERCOSUR pedalling on but have not led to major spillovers.

After the global financial crises of 1995-1999, MERCOSUR came to be seen as a symbol of resistance to neo-liberalism. It has even been considered as a prototypical association of developing countries that could stand in the way of a US promoted hemispheric free trade area. For progressive ideologues, it has acquired an “epic” status as a preferred tool for promoting social rather than mere market goals. The battle cry has been the push for “a political MERCOSUR” that would be able to combat the neo-liberal approach to regional integration, an idea that has been reinforced with the incorporation of Venezuela to the founding group¹⁴. The argument is that a progressive state-led initiative must be recaptured from

¹³ These paragraphs draw extensively on Andrés Malamud and Philippe C. Schmitter “The Experience of European Integration and the Potential for Integration in South America”, *IBEI Working Paper*, 2007/6, available at <http://papers.ssm.com/>

¹⁴ Argentina was the most enthusiastic supporter of Venezuela’s application to MERCOSUR with the idea of offsetting Brazil. In this way, Argentina’s South American priorities have entailed a marked chill in relations with the United States.

conservative hands, by prioritizing the social and representative dimensions of regional integration as opposed to its trade and investment aims. In this context, there are recurrent references to labour based initiatives, the participation of civil society and the establishment of a regional parliament. At the same time as a backlog of unrealized commitments accumulates¹⁵; new projects to push integration to a new level have been advanced. The introduction of IIRSA (Initiative for the Integration of South American Regional Infrastructure) in 2000, the creation of a Committee of Permanent Representatives in 2003, the foundation of a permanent Court of Appeals in 2004, the establishment of a small Fund for Structural Convergence in 2005, and the regional parliament seem to be steps in that direction. At the same time, a more ambitious initiative aimed at integrating the whole subcontinent has been launched: the Union of South American Nations (UNASUR). We will come back to them¹⁶.

The following two sections flesh out in a dualistic manner the features of the regionalist relationships that vied for centrality in Latin America over the last decade. The density and strength of each project varied over time as a result of the changing national strategies to confront the challenges. Hemispheric politics became captive to the configuration and reconfiguration of porous regions meant to simultaneously engage and offset US power. Economic

15 Bouzas, R. (2001) "Mercosur Ten Years After: Learning Process or Deja-vu?" in J. Tulchin (ed), *Paths to Regional Integration: The Case of Mercosur*, Washington DC.

16 Malamud (2007) defines interpresidentialism as the outcome of combining an international strategy, presidential diplomacy, with a domestic institutional structure, presidential democracy. It consists of resorting to direct negotiations between national presidents who, making use of their institutional and political capabilities, intervene on regional affairs every time a crucial decision has to be made or a critical conflict needs to be solved.

dependence and political cooperation meant that governments had to embrace a pragmatic approach and confronted difficult decisions both about the management of US power and relations with neighbours. Regions became wrestling camps where competing projects vie, revolt, and hold out in an attempt to shape distributive outcomes. Implicitly and explicitly, a mix of challenge and acceptance to the hegemony of American interests and values lie at the core of these development policy conflicts.

Sailing with the Captain: open regionalism in the high seas

Latin America was the only region where American influence remained largely uncontested after the end of the Cold War¹⁷; it provided a window for the most encompassing US attempt to establish a model of regional economic governance. The relevance of the Free Trade Area of the Americas (FTAA) here stems not only from issues of regional market access for trade and investment, but also from a broader set of global power issues. The idea of creating a single market with the 34 countries of the Americas was predicated on consolidating the hegemony of U.S. multinationals and structural adjustment policies—that is, neoliberalism—until they became practically irreversible. This, in turn, would be a major step toward establishing U.S. hegemony over the international system, as the net was cast over more and more countries to bring them into The interaction between the domestic political economy and the

¹⁷ Castañeda, J. G., “Can NAFTA Change Mexico?”, *Foreign Affairs*, September/October, 1993.

regional economy is a two-way street with constant traffic.the spiral of expanding agreements.

The effort to join the economies of the Americas into a single free trade area began at the Summit of the Americas held in December 1994 in Miami. The initial plan was to create a Free Trade Area of the Americas, or FTAA, in which barriers to trade and investment would be progressively eliminated. The initiative was warmly received by Latin American heads of government, at a time where the Washington Consensus was the dominant mindset. Countries in the region were making progress on both the political and economic fronts, leaving behind the worst excesses of authoritarianism, regulation, and protectionism. When the heads of state signed the 1994 Miami Declaration and Plan of Action, there was a consensus accepting American leadership in the post Cold War world and in favour of de-regulation and trade liberalization. The 34 countries of the Americas agreed to complete negotiations towards this agreement by the year 2005. During the preparatory phase (1994-1998), the 34 Ministers responsible for trade established twelve working groups to identify and examine existing trade-related measures in each area, with a view to identifying possible approaches to negotiations. The FTAA negotiations were formally launched in April 1998 at the Second Summit of the Americas in Santiago, Chile. The Heads of State declared that the negotiating process would take into account the differences in the levels of development and size of the economies in the Americas in order to facilitate full participation by all countries and that existing sub-regional schemes would not be wiped away.

The term ‘open regionalism’ is used to describe the new regional projects that are fundamentally about engaging with globalisation and the global market.¹⁸ It is used to contrast the phenomena with the ‘closed’ regionalist schemes of the 1960s and 1970s bent on insulating members from the global economy. Consequently, much of the literature explains open regionalism as a project of governments responding to the needs of corporate actors to improve competitiveness in global markets, using regional action as a means to engage with the global economy¹⁹. These projects are likely to include a strong neoliberal agenda requiring extensive domestic deregulation, apart from trade liberalisation, aimed at reducing the state’s role in economic life in order to yield efficiency gains.²⁰ The effect of such actions is to markedly reduce transaction costs for firms engaged in transnational economic activities across national borders. In short, this form of regionalism subordinates the economies of member countries to what are seen as the beneficial forces of global markets. It is a regionalism that is informed by neoliberal economic ideas. Open regionalism and neoliberal regionalism are often regarded as synonymous in the literature²¹; in Latin America it was intimately connected to the attempt to replace import substitution, countenance the FTAA and its subsequent

18 The concept of ‘open regionalism’ in Latin America originated in Economic Commission for Latin America and the Caribbean (ECLAC) proposals of the early 1990s, CEPAL, *El regionalismo abierto en América Latina y el Caribe*, (Santiago: CEPAL, 1994)

19 Grugel, J. and Hout, W. ‘Regions, Regionalism and the South’, in Jean Grugel and Wil Hout (eds), *Regionalism Across the North-South Divide: State Strategies and Globalisation*, (London: Routledge, 1999); Hveem, H. ‘Explaining the Regional Phenomenon in an Era of Globalisation’, Richard Stubbs and Geoffrey R.D. Underhill (eds), *Political Economy and the Changing Global Order*, (Oxford: Oxford University Press, 2000); and Mittelman, J.H., *The Globalisation Syndrome: Transformation and Resistance*, (Princeton, New Jersey: Princeton University Press, 2000)

20 Phillips, Nicola, ‘Governance After Financial Crisis: South American Perspectives on the Reformulation of Regionalism’, *New Political Economy* 5, no. 3.(2000)

21 See, for instance, Mittelman, J.H., *The Globalisation Syndrome: Transformation and Resistance*, (Princeton, New Jersey: Princeton University Press, 2000).

fallback option, that is, the web of bilateral agreements connected to the US hub that replaced the original blueprint.

The establishment of the North American Free Trade Area (NAFTA) was a watershed: it triggered panic reactions in a spate of excluded countries. North-south agreements modelled on NAFTA were put on offer and for many countries that had been silent bystanders in the GATT, regional arrangements of the north-south variety provided an opportunity to increase inward investment and to gain the market access they sought but had never really extracted from multilateral negotiations. In this context, the United States tried to achieve WTO-plus agreements that would allow a favourable position not only in the hemisphere but also with other countries from other parts of the world. Unable to ignore these forces governments, businesses and other social groups responded with a variety of tactics.

Latin American governments and firms felt particularly challenged by the multitude of pressures, with an ever-watching eye on growth prospects and the intense competition for foreign investment flows. Open regionalism emerged as one such response to these multiple pressures. It was considered a mid-course placement along the way to globalisation, a means through which policymakers and business could flex their muscles and, at the same time, make a difference in the manner of connecting to the engine of globalisation processes. By engaging in market expansion (integration of larger regional markets) and by employing selective protection/privileges (preferential treatment only to group members), governments perceived regionalism either as a form of gaining and locking in access for their competitive exports or of helping competitive

domestic industries before exposing them to global market competition. Strategic trade insights, thus, suggest that regionalism in a developmental perspective is not always or necessarily about governments providing sanctuary to sunset industries.

In this sense, regionalism approximated a type of ‘meso-globalisation’²², which advanced through a ‘bottom-up’ process ultimately convergent with increasingly deep engagement with the process of globalisation. The expectation was that globalization, as well as new forms of economic regulation, would generate a new system of international political governance grounded in multilateralism. Business and governments reacted to actual market pressures and responded to perceived or anticipated events²³

The US dimension was crucial at that juncture. Both the Bush (Senior) and Clinton Administration were at the time actively engaged in the changing regional landscape, a policy that both expanded and complicated policy alternatives. In spite of some tensions and disagreements about strategy and in spite of the weight of American power, relations between Latin America and the United States then entered a comparatively smooth era. Apart from facilitating trade liberalization, open regionalism was designed to enhance the potential for countries to attract foreign direct investment, as a result of the lure of larger markets for multinational corporations eager to take advantage of economies of scale.

22 Phillips, Nicola, ‘Governance After Financial Crisis: South American Perspectives on the Reformulation of Regionalism’, *New Political Economy* 5, no. 3.(2000)

23 Palan, R. and Abbott, J. with Deans, P., *State Strategies in the Global Political Economy*, (London: Pinter, 1996)

But the contested nature of the project led it down a winding road and the specific form that it finally took departed quite significantly from the original template which the US sought to enforce. The year 2005 concluded with the collapse of the FTAA as envisioned by the United States and with it, the fall of Washington's principal strategy for the region. As challengers gained momentum, rather than confronting a losing battle on a united ground, the US opened multiple negotiating windows in order to be able to "forum shop". In this more docile environment, the policy of competitive liberalization opened a race for access to its market, thereby enticing countries to open their economies to U.S. companies and farmers. Competitive liberalization has been taken to describe a trade negotiating strategy containing a sequential logic linking negotiations, and therefore trade liberalization, across different levels (bilateral, regional, and multilateral). It is also the dynamic that is said to be created by that strategy, the competition among countries to be part of the club. As the USTR Representative recognized,

By moving forward on multiple fronts, the U.S. can exert its leverage, create a new competition in liberalization, target the needs of developing countries, and create a fresh political dynamic by putting free trade on to the offensive.²⁴

The competitive liberalization strategy has allowed the US to complete a string of FTAs. The countries involved include: Singapore, Australia, Morocco, Bahrain and South Korea; and in the Americas, Chile. CAFTA-DR (Costa Rica, El Salvador, Nicaragua, Honduras, Guatemala and the Dominican Republic), Peru, Colombia

²⁴ Zoellick, R. "Unleashing the Trade Winds" in *The Economist*, (December 2002)

and Panama. For the US, trade policy has never been just about trade, but also about setting the rules of the game with a view to broader global political interests. The change of course was not merely a means of favouring apt allies and punishing the wavering. One of the main reasons for US interest in, first, the FTAA, and subsequently the bilateral deals that became a fall back option was the window of opportunity to advance a ‘new trade agenda’, at a time when the ability of the US to control the multilateral agenda is undermined.

The strategic motivations behind the plethora of bilateral deals that spread like wildfire need to be understood in the context of the possibilities they provide for strengthening the hand of local lobbies in the domestic political economy; for favouring piecemeal rule acceptance, and building on sequential negotiations as a means of generating ‘a spiral of precedents’²⁵. The thrust of the new bilateral deals is towards articulating regional disciplines which reflect a set of offensive extra-regional and global interests at least as much as they respond to more defensive regional priorities. At the hemispheric level, the deals were part of the strategy to encircle recalcitrant countries, and can be interpreted as a preventive gamble to avoid Brazilian leadership of a consolidated South America that could emerge from the ambition to link of Mercosur with the Andean Community and create a space for Brazilian internationalised business. US irritation subsequently switched from

²⁵ Van Grasstek, Craig ‘What is the FTAA’s role in the USA’s global strategy?’, Capítulos del SELA 54 (1998)

Brazilian leadership to the exuberant sparring of President Chavez in oil-rich Venezuela and his own regional ambition extending to the Caribbean, Bolivia and Cuba in particular. Whether a defensive reaction against Brazil or Venezuela as contending states, the logic underlying the whole approach is to remain at the centre and ensure the adoption of U.S.-style market-friendly business laws and regulations, or at least the adoption of regulations in which American businesses do not lose the upper hand.

Winners of the race are supposed to garner more foreign direct investment and exports, both of which may well have been diverted from losers. The loss of trade shares is said to put pressure on the losers to participate in the contest more enthusiastically in the future (by offering to liberalize more). On this logic countries are concerned not just with their absolute position with respect to the U.S. market but also with their relative position vis-à-vis other U.S. trading partners. Business interests are prodded in one country after another, in one export sector after another. The race has put considerable weight on the inter-relationships between different levels of trade negotiation and reform (namely, the bilateral, regional, and multilateral levels). For countries on the receiving end of this policy, the developmental trade-offs have been formidable: they retain market access for their leading exports and opportunities for specialization in exchange for restricting their use of industrial policy instruments to create new productive capacities. This is especially evident in the management of inward investment (commitment to ‘investor-state’-type arrangements and the

elimination of capital controls) and intellectual property protection.²⁶

(Shadlen, 2008)

Why do Latin American countries agree to such bilateral agreements that undermine their aspiration to increase bargaining power in the putative FTAA and the WTO? A significant part of the answer is to be found in the export specialization and the political dependence that underlies it. As just noted, except for Mercosur most of Latin America remains highly dependent on the US as a destination for its exports and source of direct investment flows. A source of fear is the phase-out of non-reciprocal agreements which contain preferences granted on a discretionary base. The most widespread is the General System of Preferences, which coexists with the Andean Trade Preferences and Drug Eradication Act and the Caribbean Basin Trade Preference Act. By encouraging trade in sectors where there are rents, preferences induce specialization in those sectors. In addition, by raising returns, they have also created a powerful business interest that will lobby for the continuation of access. If preferences apply to highly protected sectors in donor countries, they will result in high rents for those able to export free of trade barriers. Hence the threat of phase out generates an immediate policy induced distress.

Bilateral trade agreements are a way of locking in benefits on a binding basis. But binding, in turn, is only granted so long as there is reciprocal give and take. Most important in the case of Central

²⁶ Ken Shadlen shows the disproportionate influence of these export lobbies in trade dependent countries in "Globalization, Power and Economic Integration in the Americas in Diego Sánchez-Ancochea and Kenneth C. Shadlen (eds), Responding to Globalization: The Political Economy of Hemispheric Integration in the Americas, (Basingstoke, Hampshire: Palgrave/Macmillan., 2008)

American and the Caribbean is the panic provoked by the phase out of the Textile and Garment agreement at the end of 2005 leading to the elimination of quotas, which, restrictive as they might have been, had put order and guaranteed access to the US market. The free-for-all with China's highly competitive industry would lead to the collapse of the rents associated with quota rights. Holders of rents are well aware of how they stand to lose. They are well organized and have considerable clout. Leading export sectors in many countries are either internationally integrated or have well established links with buyers. In this context they have been able to exert powerful pressure on the conclusion of agreements. Industrial sectors behind the Central American Free Trade Agreement (CAFTA-DR) were the electronics industry (Intel in Costa Rica), medical equipments (Costa Rica), pharmaceuticals (Costa Rica, El Salvador and Guatemala), chemicals and chemical by-products (El Salvador and Costa Rica), paper and paper by-products (El Salvador and Nicaragua). Foodstuff producers such as fresh and preserved foods, including pineapples, melons, flowers, plants, cigars, vegetables and pulses, tubers and roots, traded by transnational enterprises such as Chiquita and Del Monte were also avid players.

A broad segment of US interests was happy to see the elimination of duties on 80 percent of all industrial goods exported to CAFTA-DR countries, benefiting information technology, construction equipment, chemicals, and paper products, medical and scientific equipment. In addition, the agreement wiped out duties on US (subsidized) farm exports, including cotton, rice, wheat, soybeans, as well as processed foods, fruits and vegetables and beef. CAFTA-

DR also agreed to open markets to US telecoms, banks, insurers, retailers, advertising agencies, express-delivery couriers, travel and transport firms,. It also allows freer movement of professional services such as engineering and accounting (granting short and medium term visas). The deal will grant WTO-plus protection for patented drugs, copyrighted movies and software, internet domain names and other intellectual property.

In its encompassing but failed attempt to construct the FTAA and in its fragmented version of a hub and spoke shaped around the web of bilateral agreements, open regionalism, is an attempt to entrench both the global and the regional hegemony of the US. The crumbling of the Central America Common Market as a result of these pacts is, at the risk of belabouring it, an important development. Together with the Andean Community, both had been relatively successful in articulating a set of common negotiating objectives in the FTAA process, in good part because these objectives had been largely limited to the single issue of special and differential treatment for small economies. In addition, the reduced clout of the smaller nations in the negotiations themselves allowed them to take a comfortable place in the back seat while bigger players were left to fight the big battles. The Andean Community had been generally rather robust vis-a vis the FTAA process. In part this owed to the presence of supranational institutional structures, and a certain delegation of authority which allowed some coordination amongst member countries. The pattern had been one in which different countries assumed leadership on different issues and at different times. So there had been a (albeit timid) record of more success at executing common negotiating positions. Moreover, in the last

quarter of 2002 members had reached an agreement over 62% of the lines in the common external tariff and had made a commitment to agree on the remaining 38% by the end of the year. But the commitment was never honoured: Colombia, Peru and Ecuador defected and opened up to negotiations with the US. With neither the letter nor the spirit of this agreement to hold on to, Venezuela's President Hugo Chavez announced in April 2006, that his country was pulling out of a hollowed Andean Community.

No doubt intensifying bilateralism reflected adversarial and competing strategic-alliance behaviour, and hence diminished the prospects of regional community-building processes and endeavours. The conflictive context is exemplified by the signing and negotiation of the agreement with Peru behind closed doors in order to isolate the participation of civil society. As the United States pressed on, election ushered in new leaders and fresh analyses of costs and benefits. This was largely the case of Ecuador and Bolivia which withdrew from the table. Mercosur, under Brazilian leadership first resisted the FTAA and then the first overtures for bilateral pacts²⁷. Many Brazilian social, political and economic actors perceived that Washington used the FTAA to undermine the strides in subregional integration and align the hemisphere to its interests. Other countries more dependent on the US market were more

²⁷ Uruguay signed a bilateral investment treaty with the US which, though causing ripples of discontent within the governing party as well as with its regional partners , did not actually violate Mercosur commitments.

willing to undertake policy reforms as a quid pro quo for preferential access for their exports. As the continent split on the costs and benefits of the package on offer, bilateral agreements netted a coalition comprising Chile, Colombia, Peru and Central America. North America and Mercosur became contending hubs for the emerging patterns of integration. Gradually a degree of creativity and flexibility in setting the regional agenda emerged in the interstices. While the opposition to neoliberalism gathered strength, the string of globalization crises in the region (Mexico in 1995, Brazil in 1999, Argentina in 2001) forced a reality check, damaged all starry-eyed confidence in neoliberal reform and even changed the mindset of elites. US unilateral policy in the era of George W Bush, its lack of strategic vision –even negligence and divisiveness in its dealings with Latin America was to be the handmaiden that provided the occasion for a turnaround of the ever so sweet entanglement that had marked the 1990s. George W. Bush came to personify the threat that acquiescence to American power could get out of control. His contribution to contesting politics should not be judged by its own tragic global outcomes but by the strong counter reactions it provoked. It is out of such dynamics that in Latin America regionalism emerges in spasms as a defensive developmental response.

Steering the currents: defensive regionalism

Much regional activity grows out of the need for mitigating open regionalism and balancing crystallized inequalities between states; it is also concerned with retaining power in the region, filling spaces in which American leadership or global structures are seen as encroaching or excessively constraining²⁸. In a number of sectors where producer interests sometimes compete with foreign business and often plays a crucial political role, governments may well respond to the globalisation wave and open regionalism in ways that attempt to preserve and nurture spaces for local players. The regional arena is used by governments, business and other actors to resist and shape markets, the model emphasising the primacy of concerted state intervention, domestic politics and economic or social values such as distributive outcomes rather than global efficiency. Governments, deriving political legitimacy from their capacity to undertake traditional social responsibilities for the societies they govern, may be compelled to turn to regional collective action as an option to maintain levels of employment and policy instruments.²⁹

The proponents of this type of regionalism play a circular game of alternating pro and anti-liberalization stances through regional structures and arrangements, attempting to use their own sub-regional base to resist the United States. [A lesson stemming from](#)

28 Fawcett, Louise, "The Origins and Development of the Regional Idea in the Americas" in Louise Fawcett and Mónica Serrano eds, *Regionalism and Governance in the Americas* (London: Palgrave-Macmillan, 2005)

29 Hirst, P. and Thompson, G. (1996) Globalization in Question, Cambridge: Polity Press, and Mittelman, J.H., *The Globalisation Syndrome: Transformation and Resistance*, (Princeton, New Jersey: Princeton University Press, 2000).

Europe is that regional integration projects often need large member states with and technocratically capable cadres in order to provide vision and leadership for the rest of the group. France and Germany have played this role in the European Economic Community and its antecedents from the 1950s, and Singapore and Thailand seem to aspire to a similar partnering role in ASEAN³⁰. Venezuela and Brazil compete and cooperate for that role, each attempting to promote South American unity as part of their strategy, each battling to use the proven hold of Mercosur in the social imagination of the electorate and its ability to plod along despite an inability to move forward. Mercosur's plodding was sustained by the strengthened ties between Argentina and Brazil since Lula and Kirchner were elected in 2003. It has since been used as platform to bring in new issues while others have been repackaged. Several reasons underlie Mercosur's capacity for plodding, resistance and sidelining. In the first place, Brazil is the dominant country in the sub-region, accounting for three quarters of GDP, exports and population. The association is an essential building block of Brazilian grand strategy. Argentina and Brazil, are sizeable economies with dense domestic markets of their own. Both are the least open economies in the region with average tariffs standing at around 14% (the highest in place in the continent) and with exports accounting for less than 10% of GDP. Business interest in the hemispheric initiative has been lukewarm and public opinion at most indifferent, if not outright averse. A referendum in 2002 organized in Brazil by more than 60 civil society organizations, with the support of the National Confederation of Catholic Bishops, revealed that more than 90% of the people that cast a vote were opposed to the FTAA and in favour of quitting negotiations

³⁰ Dent, Christopher, "Free Trade Agreements in the Asia-Pacific: Convergence or Divergence?", LATN Working Paper No. 62, (July, 2006), available in www.latn.org.ar

altogether. Brazil stands apart in other respects too. Brazil's main exports to the U.S. include: relatively high tech goods such as aircraft, tractor-parts, engines and telecommunications equipment; low skilled labour intensive goods such as footwear; and natural resource intensive goods like steel and paper. Many of these have often been the target of the wide gamut of U.S. protectionist instruments (tariff peaks, antidumping and countervailing duties, to name a few). That has been the case, for instance, with orange juice, footwear, apparel, and sugar exports.

To restrain American might, overtures with Europe, China and other countries of the global south were also exercised. At the core is a defensive reaction that seeks to avoid, delay or compensate adjustment costs, a concern with global redistribution which accepts the inevitability of some trade liberalization while trying to manage its Darwinian aspects by means of continuous counterproposals on all negotiating fronts, including the WTO. Disagreement with the U.S. on procedural and substantive issues were raised relentlessly all along the FTAA process, a strategy that delayed all established schedules and deadlines and ultimately hollowed the project. While the U.S. had favoured country-by-country negotiations, Brazil led the charge for decision-making by consensus and the recognition of the presence and collegiate interests of sub-regional blocs. When the U.S. promoted an 'early harvest' to advance the process, Mercosur upheld the principle of a single undertaking for the entire package, in other words, that no issue be brought to a final decision until the whole set of trade related issues is agreed upon. In regard to liberalization of services, the U.S. had insisted on a broad liberalization scheme, a top-down approach to services trade liberalization based on negative listing, whereby all sectors and

measures are to be liberalized unless otherwise specified in annexes containing reservations, or non-conforming measures. Mercosur, in contrast to other countries in the region, counter-proposed a positive list approach, following the policy lines applied in its own Montevideo Protocol on Services Liberalization.³¹ The positive list approach entails a gradual step by step mechanism whereby countries specify the type of access or treatment offered to a particular service (or service supplier) in scheduled sectors. On government procurement, in order to carve out and retain a slice of the market for itself, Mercosur opposed the U.S. stance to extend open bidding to state companies and sub-national entities.

At the 2001 Ministerial meeting in Buenos Aires, the Brazilian delegation rejected the U.S. proposal to bring forward the deadline for concluding an FTAA. Argentine backing of Mercosur was crucial at the subsequent Ministerial meeting in Miami in 2003, when Argentina turned down a backdoor offer from the US.³² Mercosur expressed broad disagreement with a good part of the FTAA agenda. The U.S. attempt to have agriculture and trade relief measures tackled at the WTO was mirrored by Mercosur with its own defensive interests -- government procurement, intellectual property, and services should in turn be unloaded on the WTO as well. Use of the global arena of the WTO has the twofold advantage of requiring lower concessions than the ones demanded in the FTAA, and of coalition activity with China, India and other non-Latin

³¹ Tussie, Diana & Quiliconi, Cintia, "Market Access as a Substitute for Development? North-South Regionalism in Latin America", Commissioned Paper for 2005 Human Development Report, December, www.undp.org, (2004).

³² Carranza , Mario "Clinging Together: Mercosur's ambitious external agenda, its internal crisis and the future of regional economic integration in South America" *Review of International Political Economy*, 13:5, December 2006

American countries that might provide greater leverage over the agenda.

Against this backdrop Mercosur has also pursued a hedging strategy opening negotiations with other South American nations both to weave a fabric of agreements that allow mutual access and to increase leverage *vis-à-vis* the United States. The interest in extending the reach of Mercosur and obtaining a free trade area with the Andean Community and Central America, as well as the Gulf Cooperation Council, the South African Customs Union and India, exemplify this vision. The aim is to preserve the backbone of Mercosur while at the same time prying open markets abroad. Ultimately, the aim is to build consensus with new players capable of making that balance viable. Such policy direction is evident in the Brazilian efforts to give life to the South American Community of Nations, bringing together the countries of the Andean Community of Nations (ANC) with those of Mercosur, through initiatives of energy integration and physical infrastructure. While at the micro-level it is the projection of Brazilian export interests in regional markets and all countries` appetite for energy from Bolivia and Venezuela, the sum total constitutes a direct challenge to the compact created by the 12 US bilateral agreements. Regardless of the coming to fruition of the South American Community as an geo-economic union of sorts on the basis of an institutional bridge building between CAN and Mercosur, the overall balance has moved from trade negotiations to a political project to keep the US at bay.

The fear of being swamped by the massive asymmetries in political power, social, cultural and economic resources has translated into the emergence of a heterogeneous ensemble of governments, vying for the role of hub and trying to gain a competitive edge over US inspired regional pacts. While Mercosur acquired a life of its own, the ALBA (Alternativa Bolivariana para las Américas), as its Spanish initials indicate, was born as another rather more radical and rambunctious contender led by President Chavez of Venezuela. ALBA's agenda has emerged as a result of the widespread resistance of social movements to the FTAA and the ensuing reflection in search for alternatives³³. The advocates of ALBA promote a socially-oriented trade block rather than one strictly based on market incentives. The corner stone in the design of the ALBA is the proposal for a Compensatory Fund for Structural Convergence which would manage and distribute financial aid to the most economically vulnerable countries. The programme favours endogenous development; rejects taking up the low quality employment of globalised sweatshops; promotes self-sufficient agriculture, the establishments of cooperatives and opposes the intellectual property rights regimes on the grounds that they only protect the areas of scientific and technological knowledge that developed countries control, while neglecting biodiversity and the traditional knowledge of peasant and aborigine peoples. Venezuela has voiced the need for identifying bottlenecks arguing for a transfer of resources to develop infrastructure. In that vein, Venezuela has acquired the leading microcredit institution in Bolivia, Prodem, which own 92 branches across the country and has 250.000 clients.

³³ Saguier, Marcelo, "The Hemispheric Social Alliance and the Free Trade Area of the Americas Process: The Challenges and Opportunities of Transnational Coalitions against Neo-liberalism", *Globalizations*, Vol. 4, No 2, (2007), available at <http://dx.doi.org/10.1080/14747730701345267>

Making efforts to also regionalise financial arrangements, it is ready to support the start up a Bank of the South to provide balance of payment financing and catalyze regional development projects.

What these projects, in sum show, is not unified one-directional strategy, but motivating and legitimizing piecemeal steps. In a world where tariffs have lost a good deal of their weight and shortages of foodstuffs and energy have gained relevance, what is beginning to change is the US hold on regional projects. The trend may be towards regional convergence on some issues, such as payments or tariffs, and also towards greater diversity over other instruments. Some improvement has been witnessed in setting up binding dispute settlement mechanisms, dealing with existing asymmetries, creating (albeit timid) structural funds, and coordinating social policies and initiatives in the fields of energy and infrastructure. Many political and institutional obstacles remain. As each country juggles with its idiosyncrasies, the trend may be not towards amalgamation or a single converged regional bloc, but towards greater diversity of hybrids with mutually fuzzy boundaries, arranging component pieces in ever new combinations³⁴, underpinned by increasingly intense regional relations sidelining or contesting US policy preferences. Such contestation has grown in a context where many countries in the region have, in recent years, elected left-leaning governments. New figures have stood up in representation of the highly mobilized masses and battle for the

³⁴ See Richard Baldwin, «Multilateralising Regionalism: Spaghetti Bowls as Building Blocs on The Path to Global Free Trade», Working Paper 12545, available at <http://www.nber.org/papers/w12545> (2006) for the similarities of the process with the configuration of the European Free Trade Area following the creation of the European Economic Community and the domino effect when Britain changed camps in the 1970s. Ireland, Norway and Denmark, nations that had seen fit to stay out of the EEC in the 1957, all put in applications soon after Britain.

hearts and minds of Latin Americans pushing for a new social contract. The conditions for this turn were ripe when Latin America was overridden by a series of financial and economic crises in the 1998-2001 periods, and trade deficits contributed greatly to show how economically vulnerable countries had become. The policy of “open regionalism” proved not only insufficient but also counterproductive to generate balanced accounts. The popular uprisings that ousted de la Rua in Argentina in 2001 , the Sanchez de Lozada government in Bolivia in 2003 and the Gutierrez government in Ecuador have prompted a change of course.

In the new political climate governments are motivated to make overtures to civil society networks for the purpose of mobilizing public support in contentious negotiations with the United States. Those governments, at least potentially, are likely to be more receptive than right-leaning ones to the concerns and claims being articulated by civil society groups and social movements. The emerging alliances forged between Lula in Brazil, Evo Morales in Bolivia, Rafael Correa in Ecuador, Hugo Chavez in Venezuela, Nestor Kirchner in Argentina, the *Frente Amplio* in Uruguay and Lugo in Paraguay³⁵ suggest an interesting configuration in which agendas advanced by groups resisting neo-liberalism are accepted and to some extent articulated by governments³⁶. What we are suggesting, however, is less a full ideological swing to the left than a loss in the faith of the self-equilibrating power of global markets,

35 The election that led Lugo to victory in April 2008 in Paraguay broke the 60 year authoritarian stronghold of the conservative Colorado Party.

36 Heidrich, Pablo and Tussie, Diana “Post-Neoliberalism and the New Left in the Americas: The Pathways of Economic and Trade Policies” in *Post Neoliberalism in the Americas*, Laura MacDonald and Arne Ruckert (eds), (London: Palgrave , 2008)

regional channels once again allowing a synchronization of agendas by governments seeking allies to consolidate their power and legitimate their positions with grassroots movements, disenfranchised electorates and labour groups. Specific strategic political motivations are making for an alignment of perspectives, an ideological affinity of governments with those groups more resistant to American-led patterns of regional trade integration. Concessions of selective participation to some civil society actors, a common currency used by the United States in classic two level games to increase leverage in negotiations, are being emulated by weaker Latin American governments in their strategies that challenge the U.S. Each of the Latin American government leaders mentioned earlier face the *realpolitik* dilemmas of avoiding open confrontation with powerful, established commercial interests while at the same time enhancing and maintaining important domestic civil society support to shore up their domestic popularity. As governments and civil society alignments converge to increase their mutual effectiveness and base of support, the FTAA (perceived as “the onslaught of empire”) became a leading case in the new generation of contested trade agreements that cannot be insulated from public concerns. What emerges from these trends is an interesting relationship between the use of mobilization and resistance in which it is not always clear how governments will balance the risk adverse mindset of elites with popular disaffection and adapt in response to claim-making and mobilizing by civil society.

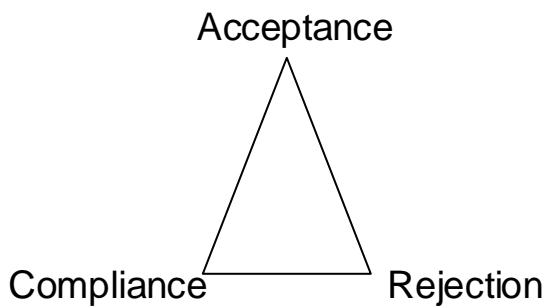
All told, if we are to point out the single coincidence in this diversity, there is a very significant one: the search for a new social contract and the emergence of a pragmatic belief in a combination of public

goals and market-friendly choices. This points to a road where, within the context of continued market liberal regional order and a mostly market liberal global economy, the scope for real clashes of interest and of values will remain wide, and it is in fact here that we will continue to see the deepest changes.

Conclusion

Pulling the threads together, then the origins of regionalism in Latin American are multiple; Bolivarian solidaristic instincts; fear of US meddling; an antidote to the limitations of import substitution strategies. Perhaps the most dramatic change in the 1990s was the shift from the traditional intra-regionalism (South-South) to growing interest in North-South agreements. My central contention in this paper is that there is a strategic competition between these regional projects, a competition which is at times adversarial and at other times mere sidelining of US interests. The Free Trade Area of the Americas as a blueprint of regional order did not turn out to be such a ready package to be applied at large. Rather than a point of arrival it became a point of departure. To continue in a dualistic framework, as the U.S. attempted to extend its power and influence abroad and use regionalism to magnify its interests and policy preferences, challenges to its push multiplied as new domestic political coalitions came to power in the early XXI century and changed the dynamic of the regional associations. This assertiveness gets expressed through a numerous efforts to build competing regional projects peopled by producer constituencies and civil society groups. What should be apparent is that the regional trade arena has become a site of noncompliant challenges where the weak or under-

represented seek windows of opportunity to reshape rules and reduce pressure for policies they wish to evade or for which they want genuine pay-offs. As contending players grow in strength and stature, they are at the same time investing in becoming technically empowered to challenge through evasion, modification and resistance. Dealing with the world becomes less of an exercise in helplessness. Oscillating between staunch opposition and supple negotiations, it becomes instead an exercise in resistance and accommodation where state and non-state actors interact and feed off each other in a process whereby values become shared, rules gradually codified, and all actors get to reinvent themselves. Imagine a triangular policy space whose points with regard to U.S. policy preferences are grudging acceptance of the inevitable, eager compliance, and blanket hostile rejection.



Within that triangle lies abundant space for mixed motive projects that are complex, contradictory and even patchy. In this search for tradeoffs between political constituencies, more de-construction than construction is occurring. Developmental regionalism as a contending project is not a grand strategy and remains far from crystallized; it is rather diverse and brittle, with overlapping and competing interests in a state of flux but it cannot be assumed away. The bias towards domestic markets offer opportunities for attracting citizen allegiance, strategies in order to achieve an inner circle of consensus with

key domestic constituencies and some other selected states. In regional arenas, civil society has become an important vehicle for attempts to shape international distributions of goods and bads. There is then a constant weaving of negotiations to build consensus at home by co-opting some anti-globalisation movements (particularly those affiliated with more organised and combative labour organizations) and by generating technocratically empowered proposals that accommodate domestic commercial interests, all amounting to a growing politicisation of the regional space. All actors look like wrestlers attentively circling one another in a continuous process, all intensifying their bilateral relations, none wanting full disruption, failure or long-standing deadlock. Regional relations have turned into a complex, multi-layered arena where social forces and contending political projects compete, a far cry from the simple and conceptually neat hegemonic project for market-driven integration initially conceived and spearheaded by the United States. The interaction between the domestic political economy and the regional economy is a two-way street with constantly intense traffic.