Latin American Regionalism in a Multipolar World

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Abstract

The landscape of Latin American regionalism has experienced profound transformations in a relatively short period of time. Regional organizations have proliferated; the open regionalism of the 1990s is in decay and new political organizations often referred to as belonging to a new wave of ‘post-hegemonic regionalism’ have moved to center stage, just to be shortly after overtaken in the attention of observers by new trade-oriented organizations such as the Pacific Alliance. These developments have been puzzling scholars and policy makers, who for their most part have tended to converge on the view that a fragmented regional configuration with diverging or even incompatible models of regional integration is on the rise. This article challenges this interpretation by arguing that many of the trends we observe can be rather seen as the result of a practical adaptation of regional states foreign policy strategies to the emergence of a multipolar political economy in the international system. One important consequence of this process of adaptation, I argue, is a major ‘decoupling’ of the economic function of regionalism from its other dimensions, a process that I show is facilitating the emergence of a regional architecture characterized by a more fine division of labor among organizations.

Keywords: regionalism, regional organizations, Latin America, multipolarity, foreign economic policy, open regionalism, post-hegemonic regionalism, cross-regionalism

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Introduction

Few phenomena in the international politics of Latin America of the last years have generated such degree of controversy among scholars and policy-makers as the rise of new so-called ‘post-liberal’ or ‘post-hegemonic’ regionalist arrangements and the concomitant multiplication of regional organizations in the same continental area arguably following disparate, overlapping and even competitive models of regional integration. Indeed, the first decade of the 21st century was witness of the almost complete disarray of the for many years unchanged landscape of the 1990s’ Latin American regionalism. Next to the Common Market of the South (Mercosur), the Andean Community (AC) and the Central American Integration System (SICA) – all regional schemes grouping each different countries and operating alongside the lines of a trade-oriented ‘open regionalist’ strategy – at least four new sizeable regional organizations have recently joined the fray of structuring the relations of Latin American states from 2004 onwards, namely the South American Community of Nations (CSN) (2004) – latter renamed as Union of South American Nations (UNASUR) (2008) –, the Bolivarian Alliance for the Peoples of Our America (ALBA) (2004), the Community of Latin American and Caribbean States (CELAC) (2011) and the Pacific Alliance (2012).

The result has been a complex patchwork of many coexisting and overlapping projects that poses a significant challenge to established approaches to understand and explain Latin American regionalism. In their attempt to make sense of this new configuration, scholars have been unable to find a common ground with regard to the characterization and the consequences of this proliferation for regional integration, and regional order, more generally (Nolte 2014:5). Thus, from a critical perspective, some authors concluded hopelessly that the recent unfolding of ‘segmented and overlapping regionalist projects is not a manifestation of successful integration but, on the contrary, signals the exhaustion of its potential’ (Malamud & Gardini 2012:117). In their view, within what they call ‘decentralized subregionalism’, multiple membership and double loyalty will inevitably create frictions between and within regional projects, and potentially lead to norm conflict and division (Ibid.:121-23). Representing a more open-ended perspective, other authors see in the current situation a trend toward greater diversification of (hybrid) regional organizations but diverge on whether this phenomenon is just as a phase of transition in which an
apparent contradiction between national, regional and international strategies needs to be solved sooner or later (Sanahuja 2008/2009:24) or it is not necessarily leading to amalgamation or convergence (Tussie 2009:185-86). Lastly, a third group of authors have recently taken an more optimistic view that, drawing on the European experience (Hofmann & Mérand 2012), emphasizes the positive potential of a plurality of overlapping regional organizations. According to them, across this broad spectrum of different regional organizations, each Latin American country can pick and choose the mix of regional organizations or cooperation structures that best fits its national interests and foreign policy priorities, thereby minimizing the risk of zero-sum politics in their interactions with other states (see: Nolte 2014:6; Gardini 2014:?).

Whether stressing the positive or negative implications of this new regional configuration, what all of these interpretations have in common, however, is that they start their different diagnosis from the underlying assumption that there are divergent and even incompatible models of regional integration currently coexisting and competing against each other in Latin America. Thus, according to Briceño Ruiz (2014) Latin America would be fragmented in at least three axes: an open integration axis (Pacific Alliance); a revisionist axis (Mercosur) and an anti-systemic axis (ALBA). Each of these axes would ‘subscribe to different economic models that are based on diverse approaches to economic development and different strategies of regional insertion in the world economy’ (Ibid.:13). More straightforwardly, Quiliconi (2013:148-50) argued that Latin America is currently divided in two geopolitical blocs, one formed by countries more oriented to the Pacific and that still adhere to the neoliberal policies of the 1990s, and another aligning those that have assumed a more neodevelopmental stance with active participation of the state in the economy. The ideological bid between these two blocs would also be reflected in that each subscribes to models of commercial integration that are ‘diametrically opposite’, namely ‘competitive bilateralism’ and ‘open regionalism’. The same view has also been expressed in policy-makers’ circles as in November 2013 the former Chilean President Ricardo Lagos compared the current situation in South America with the Treaty of Tordesillas of 1494 by virtue of which the crowns of Spain and Portugal divided in two their dominions in the Americas.
In this contribution, I challenge this broadly diffused assumption – which henceforth I call ‘the competitive models of integration paradigm’ – by examining the very roots of the proliferation of regional organizations in Latin America. My proposition is that the question of the proliferation of regional organizations and its implication for Latin American regionalism can be better addressed by looking at the interface between the rise of new so-called post-liberal or post-hegemonic political organizations such as UNASUR and ALBA on the one hand, and the crisis of open regionalism schemes such as AC and Mercosur on the other. I contend that both phenomena are the outcome of the same broader process by which Latin American states adapt their foreign policy strategies to the political economy of a multipolar world. The fact is that the gradual emergence of multipolarity in the international system is fundamentally transforming the structure of incentives that once motivated Latin American states to band together to form open regionalist arrangements like the AC and Mercosur, thereby making the pursuit of this particular strategy of international insertion considerably more difficult or even unviable. However, the appearance into scene of new regional organizations (UNASUR and ALBA) have not superseded, less transcended open regionalism by taking on the key tasks of providing access to international markets and attracting foreign direct investments given up by the latter. The importance of these tasks has of course not vanished. They remain as vital for Latin American states’ development goals as they were in the past. Instead, the bundle of policy issues open regionalism was designed to deal with (trade and investments) are progressively being taken up (although unevenly) by the relatively new international institution of cross-regionalism which, contrary as it is commonly assumed, avoids the high political costs usually involved in north-south regionalism via triangulation of several trade partners. Increasingly disencumbered from these functions, there is naturally less and less need at the regional level for major exercises of interstate coordination as in the past. Regionalism can, hence, concentrate on politics. In other words, in this new constellation, regional organizations have more leeway to deal with the second major foreign policy goal having traditionally been pursued by Latin American states either individually or in concert: autonomy. Thus, what we observe is not the proliferation of divergent and competing models of regional integration but a major (slow but steady) ‘decoupling’ of the economic
function of regionalism from its social-, politico-, and security aspects, which is reflected in the rise of post-liberal or post-hegemonic regionalism.

This argument, which I develop in the following pages, builds on at least three important considerations that are often neglected in the study of Latin American regionalism, and comparative regionalism, more broadly. First, following Hofmann & Mérand (2012:133-34) and Nolte (2014), I believe that it makes little sense to look at regional organizations in isolation, ‘thus neglecting the specific properties of an institutional architecture (i.e., how different regional organizations are assembled together) and the impact that these properties have on regional order’. Scholars often assume that regional organizations should be ‘self-contained’ and functionally similar as if they were states. From such a perspective, it is easy to conclude that regional organizations may be competing for membership or mandate if one observes two or more regional organizations overlapping in the same geographical space. If they do so and to what extent, is an empirical question that needs to substantiated ‘on the field’ and not ‘built in’ the theoretical framework in the first place. Short of an esthetical longing for symmetry, there are no reasons to a priori assume that under certain conditions, states may not deem expedient to pursue a certain policy goal within one organization and another policy within a different second organization.

This point leads us directly to the second consideration, which is that regionalism, insofar as it is an instrument of state action, has a big deal to do with foreign policy. Regionalism has been aptly defined as a states-led project designed to reorganize a particular regional space along defined political and economic lines (Payne & Gamble 1996:2). These particular ‘economic and political lines’ are defined by states (not organizations) to better deal with collective action problems relative to each other or to their international environment. Therefore, the study of regional organizations should pay more attention to unit-level variables, especially to states actors’ intentions. Instead of measuring regional organizations against each other, the researcher should ask how (different) organizations may help their member states to achieve fundamental foreign policy goals. Regionalism is not an end but a means. Faced with certain international challenges, it may become imperative, useful to certain purposes in other situations; it can finally prove a
burden under particular circumstances. This is especially true for regions like Latin America, in which intergovernmentalism remain dominant and that are generally far from displaying the attributes of a post-westphalian regional configuration in which state authority gets deeply entangled with supranational and sub-national levels of authority (Hooghe & Marks 2001).¹

Lastly, the third consideration refers to the fact that due to the relative laggard position of Latin America in the international system, regionalism is this part of the world has traditionally been about an strategic adaptation to the changes and opportunities perceived in its international environment. As Dabène (2012:42-43) put it, with regard to regionalism, Latin American states’ ‘decisions derive not so much from lessons learned from past experiences within the integration process, but rather from signals received from outside the region, and the way they interpret them’. One could think of a model in which the higher the position a region occupies in the international political economy – i.e. the more it approaches to or become the core itself –, the more the type of regionalism developing within this region – due to a general lower vulnerability vis-à-vis the world – is likely to be about dealing with intraregional policy challenges such as setting common rules and regulations. Conversely, the lower a region scores in the international economic pecking order, the more regionalism within this region is likely to be an instrument for better dealing with the extra-regional world, to which it is usually more vulnerable. In terms of participation in the global economic output, the position Latin America occupied shifted from the 5th right after independence, to the 6th in 1870 (its lower historical point at the height of the Pax Britannica), to again stabilize in the 5th position for most of the 20th century. Due to the dissolution of the Soviet Union and its dramatic consequences for the countries of that region, Latin America entered the 21st century in the fourth position after North America, Europe, and Asia (CEPAL 2002:79). Thus, given the region’s relative systemic position, it is unhelpful to approach Latin American regionalism as it were unfolding in an international-political vacuum; instead it should be understood as a devise that is constant adaptation and reinvention to better deal with the ever new challenges stemming from changing world.

¹ This observation does not preclude the possibility that regionalism could be consciously used by a group of state actors to transcend their Westphalian society or even create a new geopolitical entity.
In the following pages, I first make the case that the gradual emergence of a multipolar international economy during the last decade has substantially altered the structure of incentives on which the strategy of open regionalism – adopted by Latin American states in the early 1990s – was supposed to operate. Secondly, I demonstrate how the new international institution of cross-regionalism (and not the new so-called post-liberal or post-hegemonic regional organizations) is taking on the tasks open regionalism is increasingly unable to perform. I further show that cross-regionalism is qualitatively different from north-south Regionalism as some scholars have labeled some of the latest bilateral trade agreements signed by Latin American states. Contrary to this last type of regionalism, cross-regionalism permits states to attain at least four important foreign policy goals at the same time: (1) to secure access to the most important world markets; (2) to reduce economic dependency on one large trade partner; (3) to gain more control on the liberalizing process (and, thereby on the costs of domestic adjustment); and (4) to remain attractive destinations for FDI. Finally, I argue that this gradual ‘decoupling’ of the economic function of regionalism from its other dimensions is responsible for the proliferation of regional organizations in this part of the world as it facilitated the emergence of more specialized politico-security institutions. I sustain that this increasing diversity is not leading to a dominant pattern of overlapping, conflict, and competition but to an emerging regional governance complex characterized by a more fine division of labour among regional organizations.

**Multipolarity and the demise of ‘Open Regionalism’**

There is a consensus among scholars that the regionalist schemes established by Latin American states in the early 1990s have become immersed in a deep crisis or, at best, stagnated in the recent years (Sanahuja 2008-2009:13; Phillips & Prieto 2011; Malamud & Gardini 2012). Different explanations have been proposed to account for this decline. While some pundits have emphasized the role of endogenous variables such as weak demand-side conditions for further integration (Burges 2005), flaws in the institutional design of these regional organizations, or (more recently) the volatile behaviour of regional powers (Krapohl et al.: 2014), others have begun to point at the world-region interface in terms of an increasing ‘tension between regionalist
strategies and global priorities’ (Phillips & Prieto 2011:121; see also Malamud & Gardini 2012: 128-29) but without really fleshing out in a systematic manner the implications of this tension for Latin American regionalism. Unlike the first brand of this literature, I am not concerned here in the role played by single critical events or the behavioural attitude of an individual state in accounting for the crisis of open regionalism but on its overall strategic logic and the specific structure of incentives that was supposed to sustain this cooperation game over time. In this section, I contend that the structure of incentives of open regionalism, even when it was probably the right answer under the international conditions prevalent during the 1990s, is very likely to unravel within the emergent political economy of a multipolar world.

The Strategic Logic of ‘Open Regionalism’

As the import-substituting Old regionalism foundered amidst the hardships of the 1980s’ debt crisis, Latin American states soon saw themselves wrestling with the question of how to best deal with the new international realities unfolding. This was specially pressing since some of these new realities were by the time threatening to spoil most countries’ development goals. These were mainly characterized by the renewed impetus of globalization, driven principally by the expansion of MNCs from the OECD-world, and the general desecuritization of the international system as a consequence of the end of the Cold War. Latin American scholars and policy-makers asked themselves whether each state should be let to cope with these challenges alone or if, once again, an strategic rationale to cooperate could be identified? And if this was the case, which type of regional cooperation arrangement (or regionalism) would be the most adequate to meet these challenges under the most favourable possible conditions?

Within this context, the UN Economic Commission for Latin America and the Caribbean (ECLAC) soon advanced the new concept of open regionalism, which it concisely defined as the use of regional ‘preferential integration agreements and other policies in a context of liberalisation and deregulation, geared towards enhancing the competitiveness of the countries of the region’ (ECLAC 1994:8). According to this strategy, regional states band together to form
a larger market – either in form of a free trade area or a customs union – not much in pursuit of
direct gains of trade among each other but as part of an outward-looking strategy to insert
themselves under better conditions into the world economy. The primary strategic challenge was
to capture the largest possible share of the world’s foreign direct investment, the bulk of which
came from MNCs of the OECD-world. This task, however, was not an easy one since many
other developing countries with similar economic characteristics were also reforming themselves
and entering the fray almost at the same time. A consequence of this was that the bargaining
leverage of developing countries overall was very low and the leeway investors enjoyed in deciding
where to invest was high so that even a small comparative advantage of a developing nation over
their competitors could translate into significant amounts of FDI being attracted and, by
definition, diverted from other countries (Ethier 1998:1156). This explains in part the race
toward domestic liberalization policies seen in so many countries during this period. Thus, when
the ECLAC referred to the goal of ‘enhancing the competitiveness of the countries of the region’
in the definition above, it concretely meant enhancing their ability to compete effectively “against”
countries of other developing regions equally eager to attract FDI to modernize their economies.

Open regionalism was designed to assist Latin American states to capture a larger share of
FDI by exploiting the comparative advantages of a bigger integrated market to entice investors to
capitalise on them. First, it was hoped that by creating a larger market, the economic viability of
many so-called ‘lumpy investments’ would also increase – i.e., of those investments like a factory
that only make economic sense above a certain size. Second (and contrary to the application of
the strategy elsewhere), Latin American open regionalism foresaw the establishment of a common
external tariff wall, the aim of which was also to attract FDI but one that could bring more
technology with it. Concretely, it was expected that a common external tariff would make exports
of some industrial products to the region slightly more expensive than regional competitors, not
much in the spirit to shield regional producers from foreign competition as was the case in Old
regionalism, but in an attempt to lure extra-regional exporters to ‘jump’ the external tariff by
investing in manufacturing facilities inside the customs union (Fernández & Portes 1998:202).
A second strategic rationale of open regionalism was to increase the bargaining clout of their individual member states in multilateral- plurilateral or interregional trade negotiations. It was hoped that by using the bargaining chip of granting access to a larger market – or the threat of denying it – their member states might be able to strike better trade deals in negotiations with third parties. The application of this strategy was evident in the decision of Mercosur to negotiate as a bloc the now dropped Free Trade Agreement of the Americas (FTAA) proposed by the US or in Brazil’s intention to penetrate the highly protected EU agricultural market using Mercosur as a bargaining bait (Tussie 2009: 183-84; citation).

Open Regionalism in a Multipolar Political Economy

The strategy of open regionalism rested, however, on two important assumptions. First, it presupposed that the distribution of bargaining leverage was more or less even among the regional states trying to cooperate. That is, if the market of one of the member states becomes considerably larger than the national markets of its regional partners, this state may, in theory, be able on its own to attract large amounts of market-seeking FDI or strike advantageous deals in international trade negotiations with third parties. Second, it assumed that extra-regional partners, at least in principle, agree to negotiate with the regional grouping as a whole and abstain from pursuing a selective bilateral strategy. I contend that within the emerging political economy of a multipolar world these two premises are unlikely to hold with the same strength as once did.

I define emerging multipolarity as the parallel rise of new powers in different regions of the world. From a strict liberal economic perspective, these new powers are just large markets (Armijo 2007:12). From a IPE perspective, however, they are also governments that to different degrees enjoy a measure of control over these markets and can, therefore, use them strategically as an instrument of foreign economic policy. The variety of ways in which this market power can be used potentially affects the position and calculations of other states. So defined, multipolarity may have an inside-out and an outside-in implication for open regionalism. The inside-out implication is that if the regional group in question contains a rising regional (great) power, the first premise of
open regionalism, namely the relatively even distribution of bargaining leverage, would result adversely affected, thereby potentially disrupting or changing the structure of incentives once motivated neighbours to cooperate. On the one hand, the incentives for the rising regional power to go-it-alone and use its new-gained market power and political status to attract market-seeking and other kinds of FDI, and sign advantageous trade agreements with extra-regional partners may prove very difficult to resist. On the other hand, smaller regional states may fear a situation in which the regional power ends up capturing a disproportionate share of the regional FDI, and as a consequence, start searching for policy alternatives to open regionalism.

The outside-in implication of multipolarity for open regionalism refers to the way in which old and new powers interact with other world-regions besides their own within this new constellation. Instead of concentrating on their home regions, both established and rising powers are increasingly projecting their economic power to distant latitudes.\(^2\) For one thing, rising powers are growing eager to use their market power oversees to attain different foreign policy goals such as expand and secure markets for their exports, ensure the supply of scarce raw materials or, simply convert their new-found economic power into political currency. In order to make the most of their market leverage, these states have incentives to deal with individual countries instead of regional groupings. This kind of behavior is, in turn, putting pressure on the policy options available to established powers as they now have to face the competition of new powers equally keen to seize economic and political opportunities in the same target region. Under these new circumstances, the margin of maneuver for alternative ways to reach out regions, such as a bloc-to-bloc (also interregionalism) or country-to-bloc negotiations, may become considerably thinner compared with the time when this competition was absent.

In theory, the balance of incentives sustaining a strategy of open regionalism could be disrupted by either of these dimensions of a multipolar political economy operating individually or by both at the same time. Alone the emergence of a regional (great) power among the ranks of a regional grouping may, by itself, potentially transform an original strategy of open regionalism into a type of what has been called north-south regionalism (e.g. NAFTA or the Euro-

\(^2\) Garzón (forthcoming) has defined this phenomenon as a crisscrossing decentred multipolarity.
The structure of incentives of north-south regionalism diverges from open regionalism in that the asymmetry of power constitutes the very basis of the regional bargain. According to this strategy, smaller states adhere to the rules and standards set by the larger country (political costs) in exchange for market access (economic gains). These states’ privileged access to the market of the regional agreement’s larger partner (or regional power) would, thus, constitute the only source of their ability to draw investments from abroad (Fernández and Portes 1998:211). A transformation of open regionalism into north-south regionalism, I argue, is possible but increasingly unlikely under the emergent international constellation since the singularity of multipolarity is not the emergence of regional powers as some scholars seem to believe but the simultaneous emergence of several powers in different regions of the world.

The Demise of the Andean Community and the Dilemmas of Mercosur

There is plenty of evidence that the AC and Mercosur have been increasingly struggling with these international pressures in the last years. In this section, I show that in the case of the Andean Community, the policies of established and rising powers towards the region (the outside-in implication of multipolarity relative to regions) were ultimately responsible for the collapse of open regionalism and that within Mercosur, even when open regionalism remains still in operation, member states are fraught by the difficult strategic dilemmas that the inside-out and outside-in implications of multipolarity pose to them. As noticed above, the focus of inquiry lies in the structure of incentives that permit open regionalism to operate as a more-or-less coherent strategy and not in the continued persistence of the formal institutional structures of these regional schemes. Regional organizations may formally continue to exist for a long time after their strategic function has become obsolete, or even assume new functions and strategic rationales under the same name.

The Andean Community, the direct successor of the Andean Pact of 1969, started to function as open regionalism at least since 1993/1994, when the Free Trade Area and the Common External Tariff entered into operation. However, at the end of the 2000s decade, this
strategy was foundering as some member states decided to go-it-alone and negotiate individually with a number of large extra-regional trade partners at the same time that they put the Common External Tariff on the negotiation table. A first assault on this regional scheme came from the north. After failing to persuade Latin American states to form a continental-wide FTAA (Free Trade Agreement of the Americas), the United States decided to resort to a selective bilateral strategy to engage the region first by negotiating and signing a free trade agreement (FTA) with Chile. Yet, Chile was not taking part of any open regionalist scheme at the time. The same year of entry into force of this agreement (2004), however, the United States repeated the exercise and started bilateral FTA negotiations with two key AC member states, Peru and Colombia. Both negotiations concluded in 2006 and entered into force respectively in 2009 and 2012. At almost the same time, a pulling force from the east emerged, as China attempted to brace its rapid growing volume of trade with Latin America by seeking to establish bilateral FTAs. The first of them, signed with Chile, entered into force in 2006. A second FTA entered into force in 2010, this time with an AC member state, Peru. An additional FTA with an AC member state, Colombia, is said to be currently under discussion. Perhaps in the fear of being left behind the United States and China, the EU forewent its inter-regional bloc-to-bloc negotiation approach and signed two bilateral FTAs with Colombia and Peru in 2011, both of which entered into force in 2013.

Mercosur, which was created in 1991 alongside the strategic lines of open regionalism, performed better in resisting extra-regional temptations than its Andean counterpart. However, it may be approaching the limits of its ability to withstand such pressures as a bilateral EU–Brazil FTA seems likely to follow anytime soon the ‘strategic partnership’ already signed by both partners in 2007. Indeed, after more than a decade of discontinuous and ultimately unfulfilled inter-regional negotiations for a comprehensive EU-Mercosur trade agreement, Brazil looks about to succumb to the temptation of making the most of its privileged bargaining position as the world’s seventh-largest economy and special EU partner as it presented a proposal in August 2013

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3 There are also rumours that China and Ecuador are studying the feasibility of an FTA.
4 The growing trade volume between China and Latin America is already threatening to displace the EU to third in the list of Latin America’s most important trade partners after the US and China. In 2012, China was already the main trade partner of Brazil, Peru and Chile.
to start negotiations for an FTA with the EU. \(^5\) Domestically, the Brazilian National Confederation of Industry (CNI) has been already pledging for a more flexible Mercosur that allows their member states to negotiate trade and investment accords with third countries. It also called the Brazilian Government to actively seek to conclude new trade agreements, even without Mercosur (Tvevad 2014: 22-23). The frustration with the straitjacket of *open regionalism*, however, seems to be greater in the smaller Mercosur’s member states. Uruguay has unsuccessfully devoted much of its diplomatic efforts in obtaining a temporal authorisation of Mercosur to conclude a bilateral FTA with the United States.\(^6\) Likewise, in the midst of Paraguay’s suspension from Mercosur due to an irregular impeachment, the new government suggested that the country would be free to establish trade and investment links with other countries if it left Mercosur (citation). Both states’ request for observer status in the new-formed Pacific Alliance may be another signal of their dissatisfaction with the disciplines imposed upon them by *open regionalism*.

Thus, in less than a decade, the new way in which established and rising powers began to engage the region has practically dismantled the operation of *open regionalism* in the Andean Community and rolled it back to the early stage of an imperfect free trade area; whereas within Mercosur, the tensions between the *outside-in* and *inside-out* pressures of an emergent multipolar political economy on the one hand, and the norms of *open regionalism* on the other, lie at the hearth of debates and political struggles among and within Mercosur’s member states with regard to the future of this regionalist scheme. As a corollary it is possible to conclude following Phillips and Prieto (2011:116) that *open regionalism* ‘has essentially run aground as a force for structural transformation of the political economy in Latin America’.

\(^5\) Brazil’s growing preference for going-it-alone is reflected in the words of former Brazilian Foreign Minister Antonio Patriota: ‘There are objective conditions that create strong incentives for an advance on the EU-Mercosur front…but there is also an anticipation that each [Mercosur] country may be able to negotiate at separate speeds’. See Rathbone and Leahy (August 11, 2013).

\(^6\) Due to the substantial institutional implications of such an authorization to the regional bloc, Uruguay has ultimately only been allowed to sign a Trade and Investment Framework Agreement (TIFA), instead of an FTA, with the United States.
The New International Institution of ‘Cross-Regionalism’

In this section, I argue that the tasks open regionalism was supposed to fulfill—namely, to provide access to the world markets and attract FDI—has not been taken on by those new regional organizations that have deserved the name of post-liberal or post-hegemonic regionalism such as UNASUR and ALBA. As some scholars have already observed, no concrete strategy to improve the way their member states insert themselves into the world economy can be discerned from the goals, official documents, and actions of these two organizations (citation). In this sense, it cannot be said that this new type of regionalism has transcended open regionalism either by replacing it with a new strategy or by expanding its core functions as some authors seem to suggest (e.g.: Riggirozzi 2012:426). Instead, the reality on the ground for most states is that the job of open regionalism is progressively being assumed by the new international institution of cross-regionalism. The spread of this new strategy is yet not uniform. Due to their special economic characteristics (specially the dominance of the extractive industry), some few states are overcoming the demise of open regionalism quite well without having to recur to any alternative strategy, or only partially engaging in some aspects of cross-regionalism.

Cross-regionalism is by far the most rapidly expanding instrument of foreign economic policy in the world. A rarity barely a decade ago, they represented already by 2010 half of all Preferential Trade Agreements in force (WTO 2011: 58-61). As its name suggests, cross-regionalism implies the conclusion of trade agreements between countries belonging to different regions of the world, challenging thus the notion that economic integration can only proceed at the multilateral or the regional level. Cross-regionalism, however, should not be confused with inter-regionalism as when two different regional trading blocs agree to liberalize trade among each other (Aggarwal & Fogarty 2004:5). Instead, cross-regionalism is a policy pursued only by nation-states individually that engage in small-scale bilateral free trade areas with other nation-states overseas. Cross-regionalism also tends to transcend the traditional agenda of world trade liberalization as these agreements often include elements not only of what has been called the ‘WTOplus agenda’ (such as investments, standards, and intellectual property rights) but also diverse mechanisms of high-level political consultation. In this sense, a key characteristic of cross-
regional agreements is their *hybridity*. They may range from limited framework agreements to deep integration accords covering a wide range of issues beyond trade (Whalley 2008: 517-518). Precisely because of the various forms it can assume, another characteristic of *cross-regionalism* is that it is more *flexible* and oriented to *process* than other types of regionalisms, in which all issues are agreed and defined in one-off ‘constitutive treaty’ or ‘grand bargain’. Lastly, many of these agreements involve countries of marked power asymmetry –i.e. between developed and developing countries, or great/emerging powers and smaller states (Ibid.: 523). However, cross-regional agreements among developing countries and similar-sized states have also proliferated in the recent years.

The fact that a first wave of these agreements was signed by developed-developing country dyads seems to have led some authors to believe that *cross-regionalism* is just another instance of *north-south regionalism*. Thus, for example, Quiliconi (2013:150) argues that the Pacific countries in Latin America are following a strategy of *competitive bilateralism* under the leadership of the United States. Indeed, *competitive regionalism* or *competitive liberalization* was the name given by the former US Trade Representative, Robert Zoellick, to the US version of the strategy of *cross-regionalism*. It is also true that the original aim of this strategy from a US perspective was to start an all-out race toward liberalization by triggering a domino-effect of bilateral FTAs, in which the fear of trade and investment diversion in favor of the first wave of signatories would motivate other states to seek to conclude FTAs with the United States on the latter’s terms (Tussie 2009:179-180). That would indeed in the outcome amount to a type of regional economic governance resembling *north-south regionalism*. The irony of *cross-regionalism* is that even when it may have been unleashed by US-trade policies, its diffusion eventually got out of control as some smaller states have been also developing their own version of the strategy and using it in ways that paradoxically seek to preserve them from having to agree to the terms of *north-south regionalism*. Indeed, for smaller states and developing countries in general, the new international institution of *cross-regionalism* is an especially appealing strategy as it can potentially assist these states to fulfill at least four important functions crucially related to the overall goals of development and autonomy, namely: (1) to secure access to the most important world markets; (2) to reduce their economic dependency on one large trade partner; (3) to gain more control on the liberalizing process itself
(and, thereby on the costs of domestic adjustment); and (4) to enhance their attractiveness as destinations of FDI.

The first function of cross-regionalism, to secure access to most important world markets, is key for the development goals of any developing country. It is no wonder that the strategies of open regionalism and north-south regionalism were embraced by these states in pursuit of the same goal. In fulfilling this function, however, cross-regionalism is not superior to north-south regionalism in providing smaller states an ‘insurance’ against future trade wars or unilateral protectionist measures adopted by the larger partner with which they decide to integrate (see Perroni and Whalley 2000).7 Just as in the latter strategy, smaller states adhere to the rules and standards set by the larger partner in exchange for secured market access. In this sense, to the extent that they have to unilaterally adjust to policies defined by others, to engage in cross-regionalism may also entail a political cost for these states. Contrary to north-south regionalism, however, cross-regionalism does not incur in a second, potentially more risky, political cost of becoming dependent on the larger trade partner with which the agreement has been concluded as this new strategy permits the smaller country to balance a trade relationship with a large trade partner with another trade relationship with a second or even a third or fourth large trade partner, thereby fulfilling a second important strategic function. Thus, the practice of cross-regionalism implies the simultaneous participation of a country in various FTAs. As Tovias (2008:4) put it, by engaging in cross-regionalism these states ‘strive to escape their initial uncomfortable status of so-called “spoke” by signing agreements with more than one “hub”’. This strategy may have been impossible or considerably more difficult to pursue in a world with only one or two “hubs”. Hence, the proliferation of cross-regionalism in the last decade may be a phenomenon closely related with the emergence of multipolarity in the international system.

With regard to a third key function, precisely the availability of a plurality of ‘hubs’ coming in different sizes and espousing different economic structures bestows those smaller states

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7 Cross-regionalism is, however, certainly superior to those conditional concessions of trade preferences unilaterally granted by developed countries to developing ones – such as the EU’s Economic Partnership Agreements with the ACP countries or the Andean Trade Promotion and Drug Eradication Act (ATPDEA) giving Andean countries preferential access to the US market – as it is based on reciprocity.
and developing countries pursuing a strategy of cross-regionalism a measure of control on the liberalizing process itself they never enjoyed before under open regionalism or north-south regionalism. This control operates mainly through the selection of the trade partner with which to engage in FTA negotiations. Sure enough, considerations of market size are likely to be dominant in determining this choice but in a ‘multi-hub’ environment there is more room for other considerations such as the selection of partners that do not pose a threat to import-competing industries or are more likely to make concessions on sensitive issues (Katada and Solis 2008:156). For those states that are fearful of negotiating agreements with much larger economies, cross-regionalism even allows for the possibility of minimizing the costs of the liberalization adjustment by choosing a smaller extra-regional partners (Katada and Solis 2008:22). This can be done either as part of an incremental liberalization strategy or as a preparation to much tougher negotiations with larger partners. The above mentioned hybridity and orientation to process of cross-regionalism constitute other avenues in which some control on the liberalizing process can be exerted. While on the one hand, the inclusion in these agreements of new issues besides trade opens the possibility of obtaining (temporary) concessions in the front of trade in exchange for concessions in other fronts; on the other hand, competition among the largest trade entities is making possible that even very asymmetrical cross-regional partnerships become more process-oriented as some major trade powers such as the EU and China are trying to improve their own attractiveness as trade partners relative to the US by offering more flexible and customized agreements in which selective or at least gradual liberalization is possible.

Lastly, cross-regionalism supersedes open regionalism in fulfilling the task of enhancing the attractiveness of developing countries as destinations of FDI. As already mentioned, by signing cross-regional agreements with many extra-regional partners, states pursuing a strategy of cross-regionalism can enhance their reputation and economic visibility by establishing themselves as FTA ‘hubs’ that bridge different regions (Ibid. 152). By entangling themselves in a web of cross-regional trade agreements these states signal their commitment to certain economic policies at the same time that give investors a guarantee of predictable and secure access to foreign markets.
Thus, *cross-regionalism* should not be confused with *north-south regionalism*. Neither the latter nor *open regionalism* set out to go beyond the goals of securing access to world markets and attracting FDI. While in *north-south regionalism*, these goals were achieved by unilaterally adhering to the rules and standards of the larger trade partner, *open regionalism* was a more elaborated attempt to level the playing field by increasing the bargaining leverage of developing countries in negotiating trade agreements and drawing FDI in a similar context characterized by asymmetrical power relations. As we have seen, the strategy of *cross-regionalism*, as brandished by some middle-income small states and developing countries, seeks also accomplish these goals (functions 1 and 4) but without having to incur in the high political costs of *north-south regionalism*. If in the latter, these states accepted these costs in exchange for economic gains, in *cross-regionalism* they score both economic and political gains (Tovias 2008:24), being the latter reduced economic dependency on one large partner, and more control on the pace and sector coverage of the liberalization process.
Table No. 1

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Author’s elaboration with data of SICE, the Organization of American States’ Foreign Trade Information System (http://www.sice.oas.org/). The column representing years from 1994 to 2014 corresponds to the date of signature of the agreements. The year of entry into force is indicated in parenthesis besides each bilateral agreement. Part of the information from agreements ‘in study’ or ‘under negotiation’ has been drawn from different press releases.
Table No. 1 shows the spread of the strategy of *cross-regionalism* throughout the South American region. As we can observe, with the exception of a Framework Agreement on Closer Economic Partnership between Peru and Thailand in 2003, until 2005 the only South American country pursuing this strategy was Chile. Probably the fact that Peru and Colombia jumped first on the bandwagon of *cross-regionalism* by signing each an FTA with the United States in 2006, has helped to seed the notion that these two countries had yielded to a US project of regional economic governance along the lines of *north-south regionalism*. From Table 1, however, it is evident that both countries have attempted not only to triangulate this first trade relationship with the US by signing FTAs with other large trade entities like the EU, Japan and China (a Colombia-China FTA is yet still under consideration) but also to link with other high-income ‘spokes’ and ‘regional powers’ in Asia and elsewhere. More interestingly, Ecuador and Bolivia, two smaller economies and member states of ALBA, are also beginning to appear in the table. Specially Ecuador seems about to join the lines of *cross-regionalism* practitioners as it is embarked on negotiating its first bilateral trade agreements outside the AC framework, remarkably, with the EU as well as with other ‘spokes’ in Central- and North America.

**Conclusions: the ‘Decoupling’ of the Economic Function of Regionalism**

This article started with the observation that the rise of the new *post-liberal* or *post-hegemonic regionalism*, embodied by UNASUR and ALBA, has led to a fuzzy layering of different regional organizations in the same continental area. This development has generated much controversy among scholars and policy-makers, and eventually given rise to what I called the ‘competitive models of integration paradigm’ – or the widespread belief that there are divergent or even incompatible models of regional integration currently coexisting and competing against each other in Latin America. It can be said that the scholarly debate on Latin American regionalism has been revolving mainly around these two phenomena or puzzles – i.e. the rise of *post-hegemonic regionalism* and the proliferation of regional organizations. These two puzzles are obviously closely interrelated. This contribution has attempted to shed some light on both of them by identifying some major trends in the transformation of regionalism in Latin America. I contended that these
changes are the product of unit-level adaptations (and innovations) to the emergence of a multipolar political economy in the international system.

One of these major trends is the demise of open regionalism, a development that has already been observed and discussed by many scholars. I added to the debate by arguing that the strategy of open regionalism is very likely to become unviable or, at least, very difficult to pursue within the political economy of a multipolar world. This is because the emergence of multipolarity may have important outside-in and inside-out implications for regions, both with the potential to disrupt the balance of incentives underpinning this strategy. I provide evidence that these forces are closely related with the breakdown of open regionalism in the Andean Community and the tensions currently troubling Mercosur. Contrary as it is often assumed, however, the tasks that open regionalism is giving up are not being taken on, less transcended, by post-hegemonic regionalism (nor by north-south regionalism), but by the new international institution of cross-regionalism. This contention is substantiated by the spread of this strategy to more and more countries in the region since 2006. Even in those countries that have up to now refrained from actively pursuing it, cross-regionalism occupies a prominent place in their domestic debates on the formulation of foreign economic policy –that is specially the case of Brazil, Uruguay and Ecuador.

I showed that cross-regionalism is an specially appealing strategy for developing countries. This is so because it can assist these states not only to secure access to the most important world markets and enhance their attractiveness as destinations of FDI – the two main functions of open regionalism – but also to reduce their economic dependency on one large trade partner and gain more control on the liberalizing process. This is achieved through the triangulation of several trade partners, their selection as well as by taking advantage of the hybridity and process orientation of cross-regional agreements. These last two functions would certainly have been impracticable without the availability of multiple and heterogeneous ‘hubs’ or ‘powers’ in the international system as there are now. Thus, contrary to north-south regionalism, the practice of cross-regionalism permits developing countries to attain both economic and political gains at the same. An important consequence of this distinction is that it may be misleading the read the current regional economic governance architecture as centered around two competing poles: on
the one side the United States promoting a strategy of competitive liberalism, and on the other side Brazil, or Mercosur, engaging in some kind of defensive regionalism (see Quiliconi 2013:150; Tussie 2009).

Instead, the demise of open regionalism and the spread of cross-regionalism point out to another, more significant, trend brought about by an emergent multipolar political economy, namely a gradual ‘decoupling’ of the economic function of regionalism from its social-, politico-, and security dimensions. In other words, if most states in the region are faring relatively well with a languishing open regionalism, either alone or with the assistance of cross-regionalism, there is accordingly no obvious imperative need of engaging in major exercises of economic coordination as in the past. These coordination efforts among states can prove to be very challenging. During the times of old regionalism, for instance, Latin American states attempted to coordinate industrial policies and the establishment of tariff barriers high enough to protect their import-substituting industries. Later, under open regionalism, these regional arrangements’ member states had to coordinate a common external tariff wall for their custom unions as well as common positions in trade negotiations with third parties. None of this sort of cooperation games with their intrinsic collective action problems and distributional conflicts seems necessary today. This frees considerable political space for the emergence of other forms of regional cooperation or regionalisms that may be geared toward other important strategic goals besides economic ones, and can now operate without being necessarily arrested by the logics governing economic regionalism. I contend that this is the case of post-hegemonic regionalism.

Several explanations have been advanced to account for the emergence of post-hegemonic regionalism. Serbin (2009:146), for instance, suggested that UNASUR and ALBA – the regional organizations associated with the concept of post-hegemonic regionalism in the literature – could only emerge and prosper in the political vacuum left by the major strategic reorientation of the United States toward the Middle East and Central Asia after the terrorists’ attacks on 2001. Other scholars sustain that the leadership of regional powers, especially Brazil and Venezuela, is the real driver behind the creation of these organizations (Burges 2008). Whatever may be the case, I contend that post-hegemonic regionalism would have been considerable more difficult to
establish had not South American states been relieved from the pressure of having to agree on a complex type of economic regionalism as they were in the past. In this sense, the *decoupling* of the economic function of regionalism may well have facilitated the emergence of regional organizations with political mandates such as UNASUR. It may also have permitted this organization to develop the relevant institutional mechanisms to fulfill some key functions necessary to meet its main mandate of maximizing the member states’ autonomy in international affairs, such as manage regional instability, shield the region from external intervention, develop endogenous defense capabilities, and coordinate the member states foreign policies (see Battaglino 2012). The same can be said of ALBA with its focus on regime security and provision of public goods.

Finally, the *decoupling* of the economic function of regionalism can tell us something about the future of economic regionalism in Latin America itself. As it has been shown, the pressures of a multipolar political economy have already rolled back the Andean Community into a *de facto* Free Trade Area – that is, a zone of preferential trade in which individual member states have also the freedom to negotiate their own preferential trade agreements with third non-member states. The Pacific Alliance was born in 2012 as exactly that, as a zone of ‘deeper integration’ in which their individual member states had already signed separate FTAs with a plethora of regional and extra-regional states –hence, the Pacific Alliance does not represent a return to *open regionalism* as many seem to believe. In this sense, we see another tendency toward the consolidation of the ‘Free Trade Area’ as the dominant form of organizing economic relations in the region. This seems logic since, unlike Custom Unions, ‘Free Trade Areas’ are completely compatible, even synergetic, with the new international institution of *cross-regionalism*. Inasmuch as the internal debate within Mercosur is whether it should transform into a ‘Free Trade Area’ (the well-known claim for a more ‘flexible’ Mercosur), we may soon see the consolidation of continental-wide ‘Free-Trade-Area’.

Hence, Latin American regionalism in a multipolar world is increasingly characterized by a more fine division of labour among regional organizations. Nolte (2014) recently proposed the concept of *regional governance complex* to capture how different regional organizations are
assembled together to provide regional order and satisfy the fundamental foreign policy needs of neighboring states conforming a region.\textsuperscript{8} According to this idea, it is possible to visualize the emerging \textit{regional governance complex} in South America as a structure conformed by at least three functional differentiated layers: a first layer serves the foreign policy goal of ‘autonomy’ and concentrates mainly on the task of preserving South American states from extra-regional political (or military) intervention, here we find UNASUR and ALBA, partially overlapping with each other in the task of providing regime security. Beneath them, a second layer of regional organizations is rather geared toward the goal of ‘development’; here we find organizations that are beginning to operate as providers of regional public goods such IIRSA, or contain elements of what has been called \textit{transnational welfarism} (Riggirozzi 2012:434) or interstate resource redistribution mechanisms such as ALBA and, increasingly, Mercosur. Lastly, these first and the second layers move freely over a third layer that fulfills the function, traditionally assumed by the \textit{new regionalism}, of assisting regional states to interact under favorable conditions with the world economy; here we find \textit{cross-regionalism} working increasingly in tandem with regional-based ‘Free Trade Areas’ such as the Pacific Alliance. Within this third layer, we also find the real case of overlapping and contradiction highlighted by the proponents of the ‘competitive models of integration paradigm’ as Mercosur is still operating along the lines of \textit{open regionalism}.

Hence, this picture of the current South American regional architecture, instead of being a motive of conceptual disconcert, should serve as an illustration that in international politics is normal to find states that under certain conditions may choose to pursue a foreign policy goal within one organization at the same time that they engage in a second different organization in search of other foreign policy goals.

\textsuperscript{8} Nolte (2014:11) defined a \textit{regional governance complex} as ‘the overall configuration of regional organizations that frame the regional discourse of the member states and generate the norms and rules for the region in different policy areas which contribute to the solution of collective problems and to the realization of common benefits’. 
References


