

Bachelor Thesis

# EU Studies and regional integration: **The Latin American Case**

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Bachelor of Science (B.Sc.) in European Public Administration

School of Management and Governance | Faculteit en Management en Bestuur

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## Abstract

In this bachelor proposal 'grand theories' of European integration, Neofunctionalism and Liberal Intergovernmentalism, are tested in a case study about Latin America. Recent literature uses New Regionalism theories to describe and explain regional integration in Latin America rejecting to use European integration theories due to its state-centrism and the famous  $n = 1$  problem, *id est*, the European case as *sui generis*. However, I assume that the 'grand theories' are in fact genuine and rich in literature to test on other regions and to explain its regional dynamics. After reviewing the aforementioned grand theories and its concepts hypotheses are tested whether or not Latin America's regional integration can be explained with European integration theories. Since the 19th century, Latin America strived for independence from European colonialist powers and political union. Simón Bolívar, one of the most famous Latin American independence leaders, demanded the liberation and self-determination of the Latin American people in the Cartagena Manifesto. Since then, several integration attempts failed to realise Bolívar's vision due to external and internal influences, and also because of ideological warfare among leftist and neoliberal actors at all political dimensions. The thesis claims that the regional integration in Latin America is a segmented process into several sub-regional projects that rely heavily on national preference setting of Latin American governments and are best described with Liberal Intergovernmentalism. The reluctance of transferring sovereignty to a supranational institution enables a cooperative mode of regional integration, but not an integrative one, similar to the European Union. Furthermore, IIRSA-UNASUR-CELAC sequence of integration is promoted by the regional power Brazil seeking to increment its regional influence as national interest, in particular against the United States of America as an expression of the Liberal Intergovernmentalism theory. Additionally, Political and Cultivated Spillovers as emanations of Neofunctionalist theory in institutionalising political areas at a supranational level can be partially verified in sub-regional organisations. Moreover, supranational interest groups and individual members influence the regional integration agenda in Latin America through the creation of sub-regional organisations and proposals, however, with sparse results despite a sense of collective self-identification by state actors and promotion of a political union by leftist governments throughout most of the Latin American sub-regions.

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# I. Introduction

## a. Problem Definition

The strive for Latin American integration emerged in the 19th century when Simón Bolívar, one of the Latin American independence leaders, demanded a front against European colonialist powers in his Cartagena Manifesto. His ideas were emanated throughout several Latin American congresses starting with the Panama Congress in 1826 where a common defence policy and supranational parliamentary assembly were proposed. Nonetheless, the differences among the newly proclaimed republics were vast: Brazil as the only Latin American Portuguese-speaking nation retained itself from Bolívar's plans for preventing further turmoil against the former colonial powers at the Iberian Peninsula. Furthermore, Brazil with Emperor Pedro II was a representative parliamentary monarchy until the declaration of the Brazilian Republic in 1889. Down to the present day, political divergence among political actors in Latin America and external factors inhibit a further regional integration and cooperation which led since the 20th century into numerous projects intending to promote regional integration, for example, NAFTA with Canada, United States and Mexico or the Comunidad Andina de Naciones (CAN), but also several attempts to institutionalise Pan-American projects, like *Alianza Bolivariana para los Pueblos de Nuestra América* (ALBA), Organisation of American States (OAS), Mercado Común del Sur (MERCOSUR), Unión de Naciones Suramericanas (UNASUR) or the recently founded Comunidad de Estados Latinoamericanos y Caribeños (CELAC). It can be said that since the emergence of independent Latin American republics in the 19th century, supranationalisation and intergovernmental cooperation as integrational processes were existent, the former even before than in Europe.

The so-called 'Grand Theories' of European integration, namely **Neofunctionalism** and **Liberal Intergovernmentalism**, are mainly used to describe and explain the dynamics of regional integration and cooperation in Europe. However, this close association is caused by its categorisation as *sui generis* or famous  $n = 1$  problem that means there is no other case to compare with the European integration project. In fact, during Ernst B. Haas publication of *The Uniting of Europe: Political, Social and Economic Forces 1950-1957* (1958) the European Coal and Steel Community (ECSC) was a unique case. As Carsten Strøby Jensen (2010: 72) states, Haas' intention was to provide a 'scientific and objective explanation of regional cooperation, a Grand

Theory that would explain similar processes elsewhere in the world (in Latin America, for example)'. Recent literature uses New Regionalism theories to describe and explain regional integration in Latin America rejecting to use European integration theories due to its state-centrism and the afore-mentioned  $n = 1$  problem. However, I assume that the 'Grand Theories' are in fact still valid and rich in literature to test on other regions and to explain its regional dynamics.

The existing literature uses new and mostly untested approaches which cannot be used for other cases outside of Latin America due to its lack of reliability – in fact, they stumble into the same pitfall they blame European integrationist do stumble into which I will elaborate in the theory chapter. Using rich and well-tested theories which just not describe but explain regional integration dynamics and its cooperation among national actors is essential to comprehend how Latin American integration work. Researchers and policy-makers can use these insights to further research and/or improve their policies for a more attentive regional integration agenda.

## **b. Research Question**

The objective of this paper is to review the history of Latin America's regional integration in light of a revised version of the aforementioned grand theories of **Neofunctionalism** and **Liberal Intergovernmentalism** and to test whether or not these integration theories are also applicable to other regions than Europe explaining regional integration. Concretely, my research question would be:

*To what extent do **Neofunctionalism** and **Liberal Intergovernmentalism** explain regional integration in Latin America?*

As many European integration scholars, as Moravcsik (1993), Haas (1975, 1976), Risse (2005), for **Neofunctionalism** Nugent (1999), Scharpf (1999) and Wincott (1995) for **Liberal Intergovernmentalism** they admit implicitly that both theories as stand-alone approaches do insufficiently explain regional integration in its full scope. This paper aims to use the insight of both theories and to describe and explain the regional integration of Latin America since the Latin American Independence Wars in the 19<sup>th</sup> century. The thesis claims that the regional integration in Latin America is an episodic process into several sub-regional projects that rely heavily on national preference setting of Latin American governments and are mostly best described with

**Liberal Intergovernmentalism.** The reluctance of transferring sovereignty to a supranational institution enables a cooperative mode of regional integration, but not an integrative one similar to the European Union. In recent time, as the Initiative for the Integration of the Regional Infrastructure of South America (IIRSA), The Union of South American Nations (UNASUR), The Community of Latin American and Caribbean States (CELAC) is a sequence of integration promoted by the regional power Brazil (and partially by Venezuela) seeking to increment its regional influence as national interest, in particular against the United States of America as an expression of the **Liberal Intergovernmentalism** theory I claim that **Liberal Intergovernmentalism** can characterise recent regional integration in Latin America. Nonetheless, Political and Cultivated Spillovers and the supranationalisation of interest groups, namely the Sao Paulo Forum (SPF) as agglomeration of the Latin American left and neoliberal and pro-market politicians as counterpart to the former as emanations of **Neofunctionalist** theory in institutionalising political areas at a supranational level can be verified including public declarations and sense of collective self-identification by state actors and promotion of a political union by leftist governments throughout most of Latin American sub-regions.

As aforementioned, several attempts were made by different actors wherefore in this paper Latin America will be the unit of analysis. Notwithstanding, the restriction to two integration theories may not explain the entire integration process of Latin America and creates a lack of comparison with for instance the European Union. In this paper, UNASUR is considered as one of the most promising regional projects in Latin America and can create an institutional framework for the entire region, similar to the European Community.

### **c. Structure**

To answer the research problem, this thesis is divided into six chapters. Followed by the introduction, a literature review of regional integration theories on Latin America and a review of **Neofunctionalism** and **Liberal Intergovernmentalism** are examined in the second chapter. In the third chapter, the research methodology of the thesis is explained including the types of indicators and to answer the research question. It follows the fourth chapter where the integration in Latin America is analysed since the 19<sup>th</sup> century putting emphasis on recent integration since 1945 until mid-2016. Here,



the theories are applied and examined to what extent the theories to understand integration in Latin America better. In the fifth chapter, the main findings are summarised, and policy implications for decision-makers are laid out. In the last chapter possibilities of further research and the limitations of research will be presented.

## II. Theoretical Framework

### a. Literature review of regional integration theories in Latin America

Literature about regional integration in Latin America started to exist almost at the same time as EU studies did thanks to Ernst B. Haas's comparative approach applying his theory of **Neofunctionalism** to other case studies during the 1960s. Indeed, Latin America was one of the first cases Haas, and Schmitter analysed in 1964. To that time, however, European integration was the focus of attention and the study of other regions came to a halt, although Latin America showed an increased and complex activity of economic integration since the 1950s (Dabène, 2009).

Just during the 1970s debates about regional integration theories in Latin America emerged again having a rather normative than empirical narrative and sought to create a grand theory to explain and describe the dynamics of Latin American integration. Generally speaking, the discourse can be divided into the following different schools of thought:

- (1) Liberal Economic Integration Theory (Neoliberal)
- (2) Structuralism, including historical Materialism theories, Dependency Theory
- (3) European Integration theories, including **Neofunctionalism** and **Liberal Intergovernmentalism**
- (4) Social-Constructivism.

The New Regionalism Approach emerged after the Cold War at the same time when a wave of regionalisms emerged (Hettne & Söderbaum, 2000). It is an attempt to conceptualise regional integration outside of Europe. However, some of the proponents of the new approach put its validity into question, as Hettne (2003) and Warleigh-Lack (2004).

## **b. Neofunctionalism**

A synonym of European regional integration is the theory of **Neofunctionalism** of Ernst B. Haas. Its aim is to explain the dynamics of integration and originates from the works of the diplomat David Mitrany which is necessary to understand **Neofunctionalism**.

In his central works, 'The Progress of International Government' from 1933 and 'A Working Peace System' from 1966 Mitrany analysed the deficits of the League of Nations (LoN) as one of the first intergovernmental institutions. The League of Nations has been founded as an American initiative to avoid bloodshed and to foster peaceful cooperation after the First World War. The proponent of the LoN was US President Woodrow Wilson who tried to establish a liberal democratic world order. Mitrany exemplifies the failures of the League of Nations which are manifold, but here just shortly mentioned: first, the United States as hegemonic power kept away from the organisation. Second, France and Great Britain, both allies in the Entente during the First World War against Germany and Austria-Hungary, were not able to complement their political goals. Third, France wanted to keep Germany isolated and maintain a security architecture for Europe via the LoN, Great Britain saw the organisation as a complementary tool for maintaining its power which was during the Interbellum strong. Fourth, countries, as the Soviet Union, Italy and lastly Germany quitted the organisation while smaller countries dominated the policy-making. This led to an erosion of the international legitimacy of the organisation causing double-barrelled policies of European actors. One of the most crucial factors being as a catalyst for the outbreak of the Second World War was the unsolved issue of the reparation payment by the Entente against Germany. As it can be seen, the LoN was rather an inefficient security council rather than a 'true' predecessor of the United Nations (UN) or even of the European Community/European Union. This policy-gridlock affected further international proposals as of the London Economic Conference from 1933 to stabilise global economy or to stop the ongoing armament race (Fitzsimons, 1945). The inefficiency of the international organisation led to the termination of international cooperation and isolationism, the strengthening of totalitarian ideologies, such as Fascism and Communism and the outbreak of the Second World War.

Based on that, Mitrany conceptualised its theory of Functionalism with his famous formula 'form follows function'. The function after the Second World War was to establish a system which maintains peace. The concept of Functionalism explains how sovereign states with common interests can obtain their goals in a specific political area. Technocrats and officials depoliticise the area and create an international network which deals with this area. Through a technocratic approach, a politicised conflict is avoided, and problems are solved in a rational and utilitarian way. A succeeded depoliticisation of an area creates a process Mitrany called 'doctrine of ramification' which means the expansion of cooperation in complementary areas.

It was Ernst B. Haas who revised Mitrany's concept during the 1950s when the European Coal and Steel Community (ECSC) in 1951 and the European Economic Community (EEC) in 1957 were established and conceptualised a theoretical framework for regional cooperation in his work 'The Uniting of Europe: Political, Social and Economic Forces 1950-1957' (Haas, 1958). Haas theory considered supranational institutions as the main drivers of a gradual regional integration process with own interests (cf. Niemann and Schmitter, 2009). He gave up the Functionalist notion that depoliticised areas are exclusively for technocrats and civil servants due to the blurred line in reality (Knodt and Corcaci, 2012) and focused on regional integration rather than international cooperation. The theory considers integration as an open process, characterised by the Spillover from one area to another. Furthermore, Haas considered political parties and supranational interest groups as the relevant elites transferring its loyalty to supranational institutions (Haas, 1964) via Spillover Effects, the core concept of **Neofunctionalism** and in fact a synonym to Mitrany's doctrine of ramification.

In fact, **Neofunctionalism** became a popular theory among elites and scholars until the 1970s which will be elaborated in the critics' section later on. Since then, the theory lost its relevance because it did not predict the incremental political integration (Jensen, 2010; Wolf, 2006: 75-80). Nonetheless, the theory received several revisions by scholars as Lindberg (1963), Lindberg/Scheingold (1970), Schmitter (1969) and Haas (1970) and had a renaissance after the Cold War thanks to a new drive in European integration with the creation of the Single Market and the Monetary Union. As Jensen (2010) writes it: 'Since this revival of interest in **Neofunctionalism**, some scholars have sought to adapt the theory to their research agendas – whether on the European integration process writ large, on specific policy areas, or on the role of the

supranational institutions.’, **Neofunctionalism** started to become a toolkit to analyse regional integration dynamics and less an all-encompassing theory.

**Neofunctionalism** has three main concepts which will be used in this thesis. These are:

1. **Spillover Effect**
2. **Elite Socialisation**
3. **Supranational interest group**

The Spillover Effect is a mechanism where “a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more, and so forth” (Lindberg 1963: 9). Haas defines Spillovers as “the expansive logic of sector integration” (Haas, 1958: 311). Trade liberalisation and a customs union would eventually lead to further harmonisation of economic policies and to further political areas up to a political community (ibid). Various scholars conceptualised different types of Spillovers, Schmitter (1970) identifies even seven<sup>1</sup> different types which, however, were insufficiently tested. Here, we will elaborate the three most relevant types of Spillover, namely, the functional, political and cultivated Spillover. Jensen (2010) describes them best with the Single Market:

*‘The Single Market was functionally related to common rules governing the working environment. This meant that some of the trade barriers to be removed under the Single Market Programme took the form of national regulations on health and safety, as the existence of different health and safety standards across the Community prevented free movement. The functional consequence of establishing a Single Market was, then, that the member states ended up accepting the regulation of certain aspects of the working environment at European level, even though this had not been their original objective.’*

In sum, Functional Spillover is the unintended expansion of cooperation in another complementary sector due to functional pressure. Contrary to the Political Spillover where political actors or interest groups argue that a further supranationalisation of a policy area be more efficient to tackle issues (loc. cit.). This implies a conscientious

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<sup>1</sup> These are: spill-over, spill-around, build-up, retrench, muddle-about, spill-back, encapsulate (Schmitter 1970: 842-844).

integration by the political elite or interest groups. Finally, Cultivated Spillover 'refers to situations where supranational actors – the European Commission in particular [in the European case] – push the process of political integration (loc. cit.). In the European Union, the European Commission, the European Court of Justice and to a large degree the European Parliament can be considered as institutions triggering Cultivated Spillovers leading to further integration. **Neofunctionalists** explain why political actors shift their loyalties to supranational institutions with its second concept, namely Elite Socialisation. Haas (1964) already identified the loyalty shift of interest groups and political parties to the supranational level while Jensen (loc.cit.) states that:

*'European integration process would lead to the establishment of elite groups loyal to the supranational institutions and holding Pan-European norms and ideas. This elite would try to convince national elites of the advantages of supranational cooperation. At the same time Neofunctionalists also predicted that international negotiations would become less politicised and more technocratic. '*

Welz and Engel (1993: 144) explain it with a degree of expectations and demands elites create after further allocation of competencies to the supranational level against domestic decision-makers or in the end supranational decision-makers. Elite Socialisation is interrelated to the concepts of Political and Cultivated Spillover, such as the last concept, namely Supranational Interest Groups. The conceptual framework Advocacy Coalitions elaborated by Paul Sabatier (1993)<sup>2</sup> examines the dynamics of elites, group formation and power battles in a much deeper scope than Neofunctionalists did but using it to explain regional integration would go far beyond the scope of this paper. As mentioned before, contrary to Mitrany, Haas and other Neofunctionalists consider interest groups and political parties as elites. Here, a loyalty shift from national decision-makers to supranational decision-makers happens with the expectation that the supranational institution represents the policy preferences of the interest group. Jensen (*loc. cit.*) summarises the process:

*'As economic and political integration in a given region develops, interest groups will try to match this development through a process of reorganisation, for form their own supranational organisations.'*

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<sup>2</sup> For further reading: Sabatier, P. (1993). Policy Change and Learning: An Advocacy Coalition Approach (Theoretical Lenses on Public Policy). Westview Press.

In that way, interest groups Europeanise themselves and put pressure on domestic decision-makers for further integration.

Unfortunately, scholars of Neofunctionalism rarely analyse, how and why these Supranational Interest Groups emerge (or did not).

### **i. Critics**

One of the biggest critics is Ernst B. Haas himself, but also Mattli and Moravcsik among others, whose claims vary between empirical and theoretical deficiencies. First, critics state that the expected outcomes, i.e. the political integration did not happen after the 1970s till the 1980s, which is labelled as the *Eurosclerosis* and a decade of no further integration in Europe. Haas admitted in various interviews and articles that 'the prognoses often do not match the diagnostic sophistication, and patients die when they should recover, while others recover even through all the vital signs look bad' (Haas 1975). This is, in fact, true and is exemplified by the Empty-Chair-Crisis initiated by Charles de Gaulle. Haas expected that the dynamics of regional integration would not be stopped and certainly not by member states. De Gaulle's boycott by not sending his representative to the Council of Ministers impeding the resolution of the previous policy created a policy-gridlock, which temporarily stopped European integration.

The biggest deficiency of the theory was named by Haas (1976) again: that of the impact of externalities. **Neofunctionalism** does not consider the international environment where regional integration is happening. It includes many different dimensions, such as political, legal, economic, environmental, technological and many other which often influence the regional integration independently. The theory, for example, fails to explain why cooperation in the security and defence area of the European Community during the Cold War did not happen and what impact the Cold War had on the EC. One can assume that the course of history would be different, if the United States would abstain economically, but also militarily with the foundation of the NATO military alliance. **Neofunctionalist** did not consider external influences at all while Schmitter (2002) reconsiders these in his revised version. Mattli (2005) even writes that Haas revised model applied outside of Europe with functional equivalent variables is 'at worst [...] ad hoc statements, leaps of faith and speculations'. The last criticism comes from the 'father of the next theory which will be examined, Moravcsik (1993: 476): 'Whereas **neo-functionalism** stresses the autonomy of supranational

officials, **Liberal Intergovernmentalism** underlines the autonomy of national leaders.’ This claim will be further elaborated in the next section c.

## ii. Renaissance

The Single European Act in (SEA) 1986 and the further integration of the European Community/European Union revived the theory, especially due to the concept of Spillover which predicted further integration (Tranholm-Mikkelsen, 1991). While during the 1970s Spillover effects were mainly absent and regional integration did not occur, Spillover explained that after the creation of a Single Market in 1986, further integration became necessary for neutralising the drawbacks of national currency fluctuation without a single currency. The creation of the European Monetary Union can be seen as a logical consequence, as Jensen (2010) explains it in preceding paragraphs. Furthermore, **Neofunctionalist** applied the criticism and accepted that **Neofunctionalist** does not explain the complete regional integration as during the 1960s but is a partial theory (Jensen, 2010). In fact, recent **Neofunctionalist** chooses certain elements of the theory and focus on the dynamics of regional integration while the next theory explains how states act and bargain in a multilateral world.

In fact, recent **Neofunctionalists** choose certain elements of the theory and focus on the dynamics of regional integration. Arne Niemann (2013: 638) for example adds the ‘Social Spillover’ and ‘Countervailing Forces’ (= disintegrative pressures, as sovereignty-consciousness, domestic constraints or a negative integrative climate) as concepts based on Tranholm-Mikkelsen (1991: 18) assumptions that integration happens under certain conditions as a ‘dialectic process’ that is under certain conditions involving pro-integrative and countervailing forces. Niemann (ibid) justifies his revision as ‘a wide-ranging, but partial, theory that is only intended to account for part of the process of regional integration in Europe [...]’. Based on this assumption, **Neofunctionalism** will be used as a partial theory setting an additional emphasis on the concept of Supranational Interest Groups and its influence on Latin American regional integration.

## c. Liberal Intergovernmentalism

While **Neofunctionalist** seeks to explain the dynamics of (regional) integration, **Liberal Intergovernmentalists** examine why sovereign states transfer competencies to international institutions. For understanding **Liberal Intergovernmentalism**, the general theory of Intergovernmentalism which deducts from the International Relations studies will be explained shortly.

Stanley Hoffmann (1964, 1966) formulated intergovernmentalist explanations during the 1960s as the counterpart of the dominant **Neofunctionalist** approach. Charles de Gaulle was elected as President of the Fifth Republic of France in 1958. De Gaulle is seen until today as the proponent of the Europe of the Fatherlands where nation states cooperated among each other, but without a powerful supranational institution. After the Treaties of Rome of 1957, the European Economic Community (EEC) faced its first crisis: In 1963, de Gaulle vetoed the accession of the United Kingdom and later, in 1965, the empty-chair-crisis' emerged due to a disadvantaged French position concerning the planned sourcing of the regional common agricultural policy (CAP) and due to transitional arrangements in the EEC Treaty decreasing the power of member states. President de Gaulle was a staunch supporter of the CAP based on France's agricultural sector while Germany was stronger in the industrialised sector. For this reason, De Gaulle wanted that Germany would be one of the biggest contributors of the CAP; thus, France would be the main beneficiary. De Gaulle did not send his representative to the Council of Ministers impeding the resolution of the former policy. Furthermore, de Gaulle's rationale was to prevent the transitional provision in the EEC Treaty from unanimous voting to majoritarian voting in the Council of Ministers with effect from 1 January 1966. In the case of majoritarian voting, France could be outvoted by formed coalitions among other member states whereas unanimous voting would maintain France power to block unwanted proposals. The Luxembourg Compromise was an informational decision; that means it was an 'unwritten rule of procedure' to keep with the planned unanimous procedure but to consider vital interests of a member state. This is the main argument of Hoffmann (1966) to suspend the validity of the Spillover Effect of **Neofunctionalists** and to prove that the member states as actors still are the key players in the International Relations. This implies the prerequisite of state-centrism and that states just further integrate if it is a domestic interest, characteristics of Realist International Relations (Morgan, 2005). In a Realist world, there is no power maintaining order but governments and states which interact with each other in a rational way. The main issue is to maintain security for its own state



even if it means insecurity for other countries. Hoffmann (ibid) argues that in the aftermath of the Second World War the member states acted rationally and that a supranational institution did not replace these states as central actors. However, he admits that states lost partially its capacity to act, especially in an economic and security sense. For Hoffmann, European prosperity due to the EEC and international security thanks to the presence of US military forces were the reasons why states gave up part of their sovereignty. Sovereignty is a central element for Intergovernmentalists and is associated with 'notions of power, authority, independence, and the exercise of will' (Nugent, 1999). Nugent (ibid) defines it as 'the legal capacity of national decision makers to take decisions without being subject to external restraints.' This implies that sovereign countries are opposed to transferring their ability to make decisions with other countries or a supranational institution. Nonetheless, Cini (2010) indicates that pooling, sharing or delegating is a valid action to increment the efficiency of international cooperation.

Before writing about the second main theory in this thesis, it is crucial to elaborate Robert Putnam's (1988) dichotomous framework of domestic and international politics which he calls 'two-level games.' The 'players' are states and play a game at home, i.e. in the domestic arena and another internationally. In both national executives create their policy preferences wherein a national level is focused on power-seeking, supporting their agenda while internationally they seek to foster their domestic positions. Based on that, one of the most important evolutions of Intergovernmentalism is conceptualised by Andres Moravcsik (1993), namely **Liberal Intergovernmentalism** (LI). It is based on his work 'Preferences and Power in the European Community: A **Liberal Intergovernmentalist** Approach'. He argues 'that a tripartite explanation of integration – economic interest, relative power, credible commitments – accounts for the form, substance, and timing of major steps toward European integration' (1998). For Moravcsik, integration is a three-step approach: **domestic formation of national preferences, intergovernmental bargaining to substantive agreements and the creation of institutions to secure these agreements**<sup>3</sup> (Schimmelfennig, 2015). The first step is directly linked to Putnam's two-level games where domestic societal actors set pressure to national politicians who embody national preferences at the international arena. Here, Nugent (1999) states

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<sup>3</sup> The third step can be considered as partial characteristics of supranational institutions in Neofunctionalist theory.

'state goals can be shaped by domestic pressures and interactions which in turn are often conditioned by the constraints and opportunities that derive from economic interdependence'. Thus, dominant economic groups influence policy preferences the most. Moravcsik (1998) confirms this assumption claiming: 'the vital interest behind General de Gaulle's opposition to British membership in the EC ... was not the pursuit of French grandeur but the price of French wheat.' The second step, namely the intergovernmental bargaining, deals with the negotiation process leading to international cooperation and finally treaties. During negotiations, actors represent different policy preferences which also rely on immediate divergent effects through interdependencies. One example is the external border protection of the EU. While geographically central member states like Germany or France support this idea because the benefits are much higher than the external costs, countries like Greece, Hungary or Romania seek to find agreements where they can decrease the extra cost leading in a long-term to a zero-sum game. Nonetheless, Moravcsik (1993) set emphasis on the approximation of national interests and saw the European Community as 'international regime for policy co-ordination,' i.e. implicitly the international bodies should focus on international preference formation, less on integration or supranationalisation. In the so-called 'policy arena' Moravcsik names three characteristics, namely,

- 1. the intergovernmental cooperation as a voluntary process without military or economic pressure,**
- 2. state representatives are well-informed and know about the preferences of their partners, i.e. there is no information asymmetry,**
- 3. Low transactions costs and sufficient opportunities to insert alternative proposals and to negotiate 'side payments' or create 'linkages' (*ibid*).**

Side payments are compensatory payments for the external effect which one or more actors may have to bear. Moravcsik (1998) explains it in his book 'The Choice for Europe': 'Governments that gain the most offer the most significant compromises or side-payments. Concessions on the margin are systematically biased toward outcomes preferred by governments least likely to support the core agreement'. However, Moravcsik accepts the outcome of a positive sum outcome (Hix, 1999), but expects compromises for avoiding vetoes. Linkages, in turn, are sometimes considered as package deals, thus, strategic linkages to agenda items which do not necessarily have to be connected to each other. States with the ability to act

unilaterally, to exclude other participants or to offer compromises have a high bargaining power, according to Moravcsik (*ibid.*). The last step, creation of institutions to secure these agreements, defines international (or supranational) institutions and its functions in the policy arena. Unlike the **Neofunctionalist** approach where supranational institutions promote further institutions through Spillover effects, in **Liberal Intergovernmentalism** they seek to improve cooperation among the actors or to supervise agreements and its compliance by the actors. This is the case when a state violates environmental standards. Generally speaking, **Liberal Intergovernmentalism** explains how state actors cooperate and bargain about policy agendas and how to prioritise domestic preferences during negotiations.

#### **i. Critics**

**Liberal Intergovernmentalism** has been criticised by its empirical selectivity (Nugent, 1999). Although Moravcsik tested his theory on several cases, for example the negotiation of the Treaty of Rome in the 1950s, the consolidation of the common market and the Common Agricultural Policy from 1958-69, among others (see his book *The Choice for Europe*, 1998), which are historically, his theory is not able to explain day-to-day politics in Europe. He also did not consider the power of supranational institutions like the European Commission or the European Court of Justice which does not just settle down disputes but also promotes regional integration (de Witte, 1999).

*European integration can best be understood as a series of rational choices made by national leaders. These choices responded to constraints and opportunities stemming from the economic interests of powerful domestic constituents, the relative power of each state in the international system, and the role of institutions in bolstering the credibility of interstate commitments.* (Moravcsik, 1998, as cited in Moravcsik and Schimmelfennig, 2009: 69)

#### **d. Conclusion**

The underlying premise of the first section was to clarify the current debate of regional integration theory and the theoretical framework which will be used in this thesis. The grand theories of European integration show a deep overview of almost 80 years of

regional and international cooperation studies, mainly with Europe as a geographical unit of analysis. After several revisions and updates, the two dimensions of **Neofunctionalism** and **Liberal Intergovernmentalism** represent a solid framework for regional integration theory where the former seeks to explain the dynamics of regional integration while the latter examines the cooperation among rational and sovereign states in an interdependent world. In the next section of the thesis, the formulation and operationalisation of the theories will be discussed.

### III. Research Methodology

#### a. Concepts

##### i. Regional Integration and Regional Cooperation

Before analysing Latin America's regional integration, it must be distinguished between Regional Integration and Regional Cooperation. Schmitter (2007: 4, 5) defines the conditions of the latter as 'voluntary, unanimous and continuous decisions of its SNS [Sovereign Nation States] members.' The autonomy of the member states remains and preference setting is mainly done domestically. "Entry" into and "exit" from such arrangements is relatively costless; "loyalty" to the region as such is (and remains) minimal.' "Legitimacy" – voluntary compliance with collective decisions – is based exclusively on utility of output, not on normative expectations about input, i.e. on what the TRO [trans-national regional organisation] accomplishes, not on how it does it.' It perfectly fits in Moravcsik's **Liberal Intergovernmentalism** theory where rational-choice of the state actors and the minor role of the intergovernmental organisation are described as given. The author (*ibid.*) puts emphasis on it that intergovernmental organisations are able to become supranational organisations if 'it acquires some legitimate capacity (however limited) to act on its own by initiating proposals, making decisions, and/or implementing policies that the regionalism can be said to switch from cooperation to integration.'

Correspondingly, Regional Integration leads to a higher price in 'Entering' or 'quitting' or becomes even 'prohibitive' (*ibid.*). The legitimacy of the organisation is increased, and double memberships of actors in other organisations happen less often. Member states transfer sovereignty or even give it up to the supranational organisation which

'is capable of taking initiatives, making decisions and implementing rules without the unanimous consent of all of its member states.' (Schmitter, 2007: 2). It is apparent that Schmitter's definition of Regional Integration leads to **Neofunctionalism** as integration theory.

Again, Schmitter states clearly that Regional Cooperation and Regional Integration have different dynamics but also interconnections (Schmitter, 2007: 8). The necessary condition of Regional Integration is successful Regional Cooperation which means 'cooperation to build up mutual trust among elites and sufficient interdependencies among broader publics before plunging into the much riskier (and potentially rewarding) business of integration' (*ibid.*). Thus, it is a *conditio sine qua non*. That leads to the conclusion that Regional Integration does not happen without Regional Cooperation beforehand. This also means that the region can remain in Regional Cooperation and does not necessarily imply to Regional Integration.

To clarify where this concept fits into proving **Neofunctionalism** and **Liberal Intergovernmentalism**; the former is adapted to Regional Integration as the latter to **Liberal Intergovernmentalism** and will be later included in the framework section.

#### **IV. Research Design**

This thesis uses a mixture of historical, interpretative and descriptive case study as research design. The goal is to give insight whether or not European integration theories can be used to describe and explain regional integration and cooperation in Latin America. It should provide new knowledge of Latin American regional integration with the intention to give a framework for further research in a more accurate way. Additionally, historical case studies analyse the historical context in a deeper way than specific variables over time would do. Furthermore, it should provide policy recommendations for decision-maker to optimise regional integration.

Nonetheless, I am aware that case studies, in general, can hardly be applied to an explicit rejection or a non-rejection of a hypothesis but more in generating a new hypothesis. Furthermore, the results of this paper highly depend on the operationalisation of the observation and data collection, which is also an issue de Lombaerde et al. (2010) discuss comparing several different regional integration

frameworks. Case studies furthermore have a lack of comparisons due to the Small-N problem.

Keeping these aspects in mind, I will test the integration theories divided into three time-frames, namely the time before the 1890s, the decade from 1890 to 1950 and the time from 1950 to 2015. The objective of this thesis is explicitly focused on new regional integration. Nonetheless, the historical component of this study gives valuable insights how and why regional integration occurred in Latin America and what are the indicators which hindered further integration/cooperation. An analysis of recent regional integration in Latin America would be a deficient depiction without considering historical events which are directly linked to the present. After describing the different time-frames, the theories are applied by using the indicators based on de Lombaerde and van Langenhove's indicators (2005).

### **a. Operationalisation of the main concepts**

In this section, I will explain how the theories will be tested. Recently, scholars and policy-makers are interested in schemes to measure regional integration. In 2005, de Lombaerde and van Langenhove proposed in their discussion paper such a *system of indicators of regional integration* (SIRI). In their proposal, the authors created a supposedly first attempt to measure and to monitor regional integration. Although it was not intended for testing regional integration theories, the authors categorise six different dimensions:

1. Actors, outlines the type, number, and behaviour of actors;
2. Structural factors describe the contextual characteristics of the region, e.g., proximity to actors, economic interaction, culture, language, political, historical;
3. Institutionalisation, i.e. the number of treaties signed, amount of ministerial meetings, content of treaties or decisions;
4. Implementation that means whether or not political decisions were implemented or the degree of regional convergence;
5. Effects, as policy outcomes of regional integration, like economic growth, intra-regional trade, cultural and social improvements;

6. Interdependence, describing the degree of interdependence among actors in economic, political, cultural, social areas independently from the other five dimensions.

As it can be seen, all dimensions include both qualitative and quantitative data. The association among the different dimensions is illustrated in Table 1 and will be applied to both theories in the next paragraphs. Additionally, I will add the dichotomy 'Integration' and 'Cooperation' as a mode of regional integration which I have elaborated in section III a) to the conceptual framework. Although not all indicators apply to each theory and to each time-frame, it functions as a compass for categorising the feature of both theories.

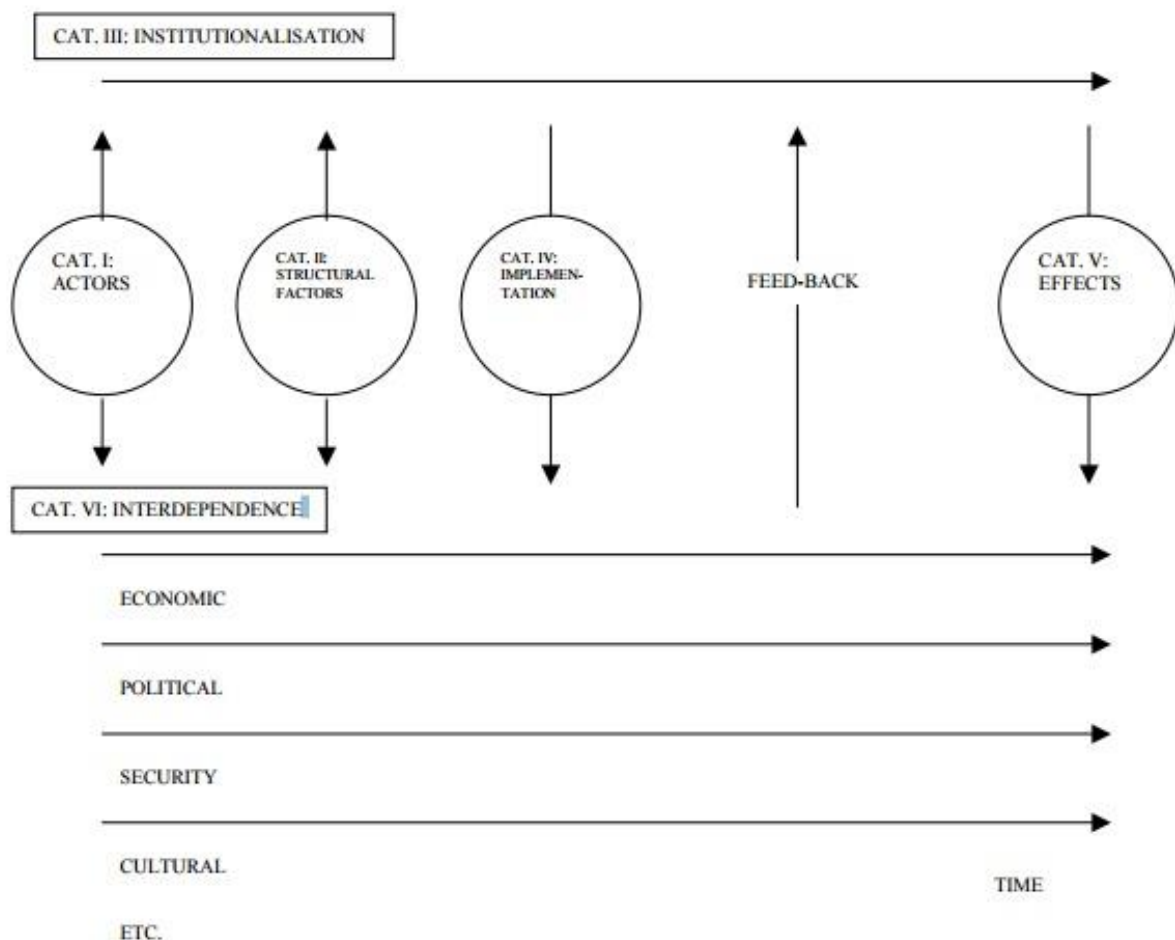


Figure 1. Regional integration as a process: a conceptual framework. Reprinted by "Indicators of Regional Integration: Methodological Issues", by Philippe De Lombaerde and Luk van Langenhove, 2005, *IIIS Discussion Paper No. 64*. Copyright 2005 by Philippe De Lombaerde and Luk van Langenhove.

## **Neofunctionalism**

In **Neofunctionalist** theory, the main actors (CAT.I) are national and supranational elites who are members of interest groups, political parties and supranational institutions seeking for further supranationalisation through **Spillover Effects**. It implies a process is leading first to **a shift of loyalty from national to supranational institutions**, but also common transnational interests which create a greater benefit for key actors. A high contextual proximity through culture, language, location, history or economic interaction is given (CAT. II) and influences the institutionalisation process of the region looking for creating a regional community, security and/or incremental welfare gain through economic integration (CAT.III). **Spillover Effects, Elite-Socialisation** and **Supranationalisation**, lead to pressure on member states to implement the given goals to integrate further and converge economically and harmonise the regional jurisdiction (CAT. IV). While the interaction among member states and supranational institutions are not the focus of **Neofunctionalism**, it explains the effects of implementation leading to further shifting of national sovereignty to a supranational organisation (CAT. V) and higher interdependence among member states up to a political union where mostly the majority of policy fields are ratified on a supranational level (CAT. VI).

## **Liberal Intergovernmentalism**

Based on Schimmelfennig's definition (2015), **Liberal Intergovernmentalism** rests on three stages, namely the **domestic formation of national preferences (CAT. II), intergovernmental bargaining to substantive agreements and the creation of institutions to secure these agreements**. Here, the main actors are governments and states representing national interests due to domestic pressure of national preferences (CAT. I). Depending on these structural factors which vary due to domestic factors, **cooperation** may be high or low as far as the actors consider intergovernmental bargaining as fruitful for their national preferences (CAT. VI). In **Liberal Intergovernmentalism**, international organisations mainly act as a watchdog for treaty compliance (CAT. III) and as a facilitator among actors (CAT. IV). Instead of



promoting integration and Supranationalisation, international organisations seek to converge interests and increase cooperation via the intergovernmental arena lowering transactional cost among actors CAT. V). It must be kept in mind that **Liberal Intergovernmentalism** does not analyse the evolution of collaboration which is one of the major deficits of this theory.

In Figure 2 there is a summary of the predicted values and features for Neo-Functionalism and **Liberal Intergovernmentalism**.

<b>Dimension</b>	<b>Neofunctionalism</b>	<b>Liberal Intergovernmentalism</b>
<b>Actors</b>	Elites = Interest groups/political parties, Supranational Institutions	Governments and States
<b>Structural Factors</b>	Incremental, endogenous events, Regional community, security and incremental welfare gain by shared values and interests (history, culture, language, geography) Economic Interdependence	National Interests (area-specific), exogenous shocks and events
<b>Institutionalisation</b>	Highly institutionalised framework, transfer of national sovereignty to supranational level, own legal system, Several agreements, treaties, meetings, decisions	Depending on degree of cooperation, intergovernmental institution as political forum for bargain, mediator, and supervisor of compliance
<b>Implementation</b>	High regional convergence and policy implementation by supranational actors	Depending on compliance of international institution
<b>Effects</b>	Harmonisation of political areas and widening of integration through Spillover increased pressure by supranational	Convergence of Interest, increase of cooperation Intergovernmental Organisation

	interest groups, elite socialisation, Supranationalisation, Political Union	
<b>Interdependency</b>	High coordination of common policies, high degree of economic interdependence (trade, capital flows, correlation of activity levels, symmetry of shocks, ...), decrease of significance of member states	Depending on degree of national interest and cooperation
<b>Mode of Regional Integration</b>	Integration	Cooperation, no cooperation/integration (depending on national preferences)

Table 2. Dimensions for Neofunctionalism (NF) and Liberal Intergovernmentalism (LI), own elaboration.

**b. Case Selection**

Colburn (2002: 10) divides Latin America into four sub-regions, namely:

- North America (Mexico),
- Central America,
- The Caribbean Islands and
- South America.

There are still confusions about the definition who or what Latin America is. Several attempts were made arguing geographically, politically or culturally. One of the most predominant definitions which countries are part of Latin America is where Romance language, *i.e.* Spanish, Portuguese or French, is spoken. This, however, excludes geographically almost a dozen of Caribbean Islands which still are partly dependencies of the Netherlands or the United Kingdom and Central American states, like Belize. Per this definition, it would also eventually include Québec, the French part of Canada and many southern states in the US, like New Mexico, Florida, Texas or California

which does not help to conceptualise Latin America. Another definition is that exclusively Portuguese and Spanish-speaking countries are Latin American, i.e. that Haiti which shares the island La Espanola with the Dominican Republic, would not be part of Latin America, neither Guyana and Suriname in South America nor Belize in Central America. This idea is also called *Iberoamerica*. Nonetheless, again southern states in the US would be included in this concept. Independently, whether the definition includes French as an indicator or not, it is reasoned that cultural but also political traditions vary among non-Romance language and Romance language due to the colonisation (ibid). Another more revisionist view is that the definition of Latin America is a relic of colonial imperialism wherefore *Hispanoamerica* may be a better definition including solely Spanish-speaking countries excluding Brazil (ABC España, 2012).

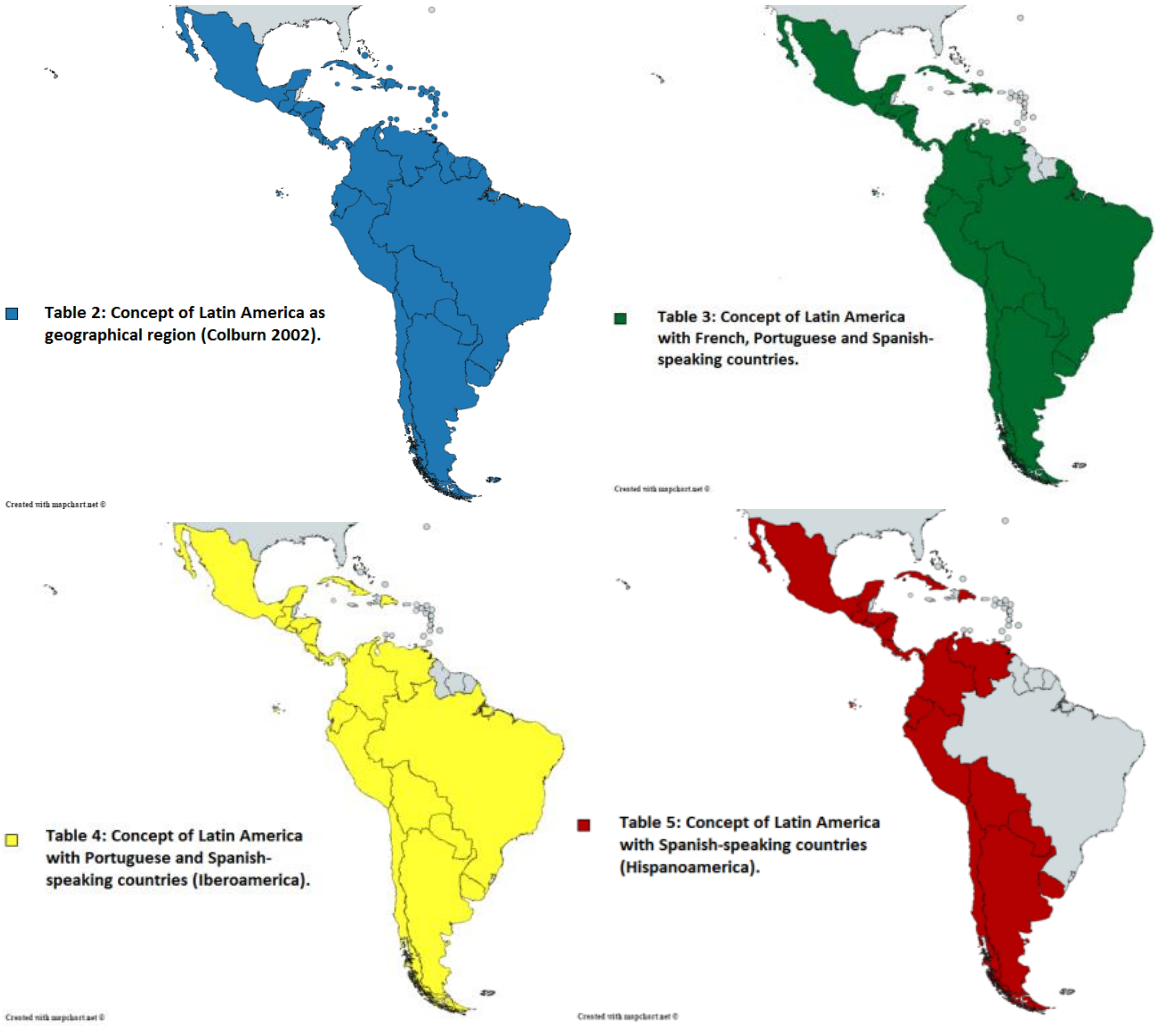


Figure 3. Concepts of Latin America as a geographical region, own elaboration. In blue: Concept based on Colburn (2002). In green: Concept of Latin America with French, Portuguese and Spanish-speaking

countries. In yellow: Concept of Latin America with Portuguese and Spanish-speaking countries (Iberoamerica). In red: Concept of Latin America with Spanish-speaking countries (Hispanoamerica).

As it can be seen in this short discourse, Latin America is shaped by an extensive phase of self-discovery which I assume is one of the reasons why regional integration in Latin America still did not succeed as in Europe or in a federal manner as in the US. In this paper, for the sake of simplicity, Latin America is defined as ‘the geographical region and encompassing nation-states of Mexico, Central America, the islands of the Caribbean and South America’ (Colburn 2002: 10) and is defined as the unit of analysis in this paper. Additionally, as being part of the Latin American integration, the most relevant regional organisations are analysed as well.

### c. Hypotheses

The conceptual framework leads to the possibility to formulate and to test an infinite number of different Hypotheses supporting or rejecting the expectations of this thesis. The hypotheses that will be tested in this thesis are the following:

*(H1) The European integration theories **Neofunctionalism** and **Liberal Intergovernmentalism** can be applied to describe and explain the dynamics of Latin American regional integration.*

*(H2) Supranational interest groups are the principal actors in regional integration in Latin America creating supranational organisations (NF).*

*(H3) Heads of Government are the principal actors in regional integration in Latin America and decide to cooperate through intergovernmental institutions or to not cooperate/integrate (LI).*

As a matter of clarification, H1 as main hypothesis is expected to answer the main research question. H2 is considered to justify **Neofunctionalism** as theory while H3 explains **Liberal Intergovernmentalism**. Furthermore, these hypotheses can be also applied since the beginning of Latin American integration in the 19<sup>th</sup> century. Researchers and policy-makers are able to formulate plenty of other hypotheses testing both theories in much more detail analysing whether or not for instance the

Latin American defence policy has been supranationalised by UNASUR's efforts as supranational actor through Cultivated Spillover Effects (NF). Another hypothesis may be whether or not economical powerful states side payments or linkages to economical weaker countries lead to an intergovernmental agreement (LI). Further hypotheses would be the role of UNASUR as main actor promoting regional integration in economic, security, defence and foreign policy while applying Spillover Effects in Latin America (NF) or as intergovernmental organisation serving as policy arena for regional cooperation (LI). A more Liberal Intergovernmentalist hypothesis could be Brazil's role keeping Mexico and the United States of America out of UNASUR as full members to increase Brazil's vital economic interests as regional power. Neofunctionalist researches could ask if after a successful cooperation among member states in Latin America in security and defence a Spillover Effect emerges deepening regional integration. The reasons why these hypotheses were chosen are manifold but explained shortly. The formulation of these hypotheses is used to support the main research question whether or not European integration theories can be applied to explain Latin American integration (H1). Furthermore, they should give an idea which formulations can be made based on the theoretical framework and set of indicators and they show whether supranationalist actors have more influence or state actors in Latin America.

#### **d. Data Collection and Data Analysis**

The data collection is based on primary sources, i.e. treaty texts, legislation, declarations, regulations, decisions, interviews and on secondary sources, i.e. academic articles and books about Latin American regional integration and its history.

The integration theory will be divided into three time-frames, namely the time before 1890, then the decade from 1890 to 1950 and the period from 1950 to mid-2016. The last time-frame will be subdivided into Dabène's (2012) four waves of regional integration in Latin America, specifically, from 1951-1969, from 1973-1986, from 1991-1996 and 2000-2014. The objective of this thesis is explicitly focused on recent regional integration. Nonetheless, a historical case study gives valuable insights how and why regional integration occurred in Latin America and what are the indicators which hindered further integration/cooperation. An analysis of recent regional integration in

Latin America would be a deficient depiction without considering historical events which are directly linked to the present. After describing the different time-frames, the theories are applied by using the indicators based on de Lombaerde and van Langenhove's indicators.

Due to the fact it is a mixed case study research design the data analysis is theory-guided the case study will be analysed with qualitative content analysis method. After reading and analysing the data collected, the information will be categorised into the framework of de Lombaerde and van Langenhove's SIRI including **Neofunctionalism** and **Liberal Intergovernmentalism**. With this, the theoretical fuzziness is decreased, and the information is more stringent. However, there is a limitation of the reliability of the conclusions due to the personal codification and the codification of secondary sources.

## V. Integration in Latin America

### a. Before 1890

#### i. From a disintegration of colonial empires to regional integration – the Independence Wars of Latin America (1810-1826)

In regional studies, the historical context is often overlooked. However, it is important to understand the history of a region for identifying cultural, historical, linguistic or political proximities and to understand the recent context of regional integration.

The first emanations of Latin American integration can be found in 1791 when Venezuelan Francisco de Miranda proposed to “*formar de la América Unida una grande familia de hermanos*.”<sup>4</sup> (de la Reza, 2006: 13). In 1810, the authors of the *Proyecto de Declaración de los derechos del pueblo de Chile*<sup>5</sup> manifested the necessity of a Hispano-American union for guaranteeing the interior and exterior security (*ibid*). Bernardo O’Higgins, one of the Chilean founding fathers, demanded in 1818 “*la gran confederación del continente americano*”<sup>6</sup> (*ibid*). In Latin America, *La*

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<sup>4</sup> = form from the United Americas a big family of brothers.

<sup>5</sup> = Project of the Rights of the People of Chile.

<sup>6</sup> = the Great Confederation of the American Continent.

*Independencia*<sup>7</sup> in the 19th century is the starting point of *la patria*, which means ‘fatherland’ or homeland’ and nationhood and which influence until now the understanding of sovereignty and the nation-state in Latin America. For an extensive description of the historical context during this time, check the annex part of this paper.

The Iberian colonies, these are colonies of Portugal and Spain, were divided into different administrative entities, namely:

- *Virreinato de la Nueva España* (Mexico, California, New Mexico, Texas, Louisiana, Florida, Caribbean Islands plus Cuba, Guatemala and Puerto Rico as autonomous entities)
- *Virreinato de Nueva Granada* (Panama, Colombia, Ecuador, and Venezuela)
- *Virreinato de Perú* (Perú and Bolívia)
- *Virreinato del Río de la Plata* (Argentina, Uruguay, Paraguay, parts of Bolívia, South Brazil, parts of Chile and Southeast Peru)
- *Capitania General de Chile* (Chile)
- *Reino do Brasil* (Brazil).<sup>8</sup>



Figure 4. Latin America in 1800 divided into Spanish colonies. Reprinted from *La independencia de América Latina (I): de 1780 a 1810* by D. Juan, 2013, Retrieved from <https://latinamericahoy.es/2013/10/19/independencia-america-latina-1780-a-1810/>. Copyright 2013 by David Juan.

<sup>7</sup> = the independence.

<sup>8</sup> See Juan, D. (2013): *La independencia de América Latina (I): de 1780 a 1810*. Latin America Hoy. Retrieved online: <http://latinamericahoy.es/2013/10/19/independencia-america-latina-1780-a-1810/>.

Latin American independence was a long and highly dynamic transformation. Both European integration theories can be applied when the necessary conditions of each theory are given.

That means for **Liberal Integovernmentalism** the prerequisite of state-centrism and that states just further integrate if it is a domestic interest (cf. Morgan, 2005) and sovereignty as 'notions of power, authority, independence, and the exercise of will' (Nugent, 1999). For **Neofunctionalism** it is a region with social and political pluralism, internal regional homogeneity and bureaucratized decision-making coupled with the supranational agency (cf. Mattli, 2005). Since the Independence Wars in Latin America had moments when the conditions of both theories were fulfilled in some sub-regions (for example Brazil or Gran Colombia) in other sub-regions neither theory can be applied. The reasons will be subsequently explained. First of all, two highly centralised empires<sup>9</sup> of Portugal and Spain disintegrated due to the Napoleonic invasion of Europe. European integration theories just explain the integration and not the disintegration dynamics. Thus, one must see the disintegration period as starting point and exogenous cause for the integration of Latin America as a region. Nonetheless, this is hardly possible due to several factors:<sup>10</sup>

- Different colonial culture between Portugal and Spain and imperial administration (cf. Malamud, 2010),
- Political fragmentation,
- Race, nationality, and civilisation,
- Nationalism and sovereignty,
- Difference between urban (= areas with dense presence of royal troops) and rural areas,
- Different socio-economic composition,
- The degree of institutionalisation.

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<sup>9</sup> The imperial mode of regional cooperation/integration is based on Schmitter (2007: 10) where exclusively hegemonic members hold the decision-making capacity and power. For subordinate members a withdrawal from the empire would be highly costly (i.e. war).

<sup>10</sup> See Rivera (2014) and annex for further information.



In this period Latin America is hardly analysable as one region or would at least result in an insufficient outcome. This is why it is divided into the Hispano-American region and Brazil due to the deviant progress of integration

International Relations theory and also regional integration theory imply the interaction among countries, states, organisations or political leaders. In Latin America, communication among different local actors was highly dependent on the accessibility to ports and coastal regions which were the *de facto* channels to the outer world and the unique importance of sea-based transport and commerce due to the vast size of the region. This also leads to the assumption that independence movements in the coastal region had a better advantage in receiving foreign assistance and in communicating with allies. The local elites (and eventually the later heads of state /supranational elite) were barely able to communicate due to deficient infrastructure and the lack of communication technology in their sub-regions where they were actively involved. Furthermore, the rivalry between royalists and *patriotas*, liberals against conservatives and *criollos*<sup>11</sup> against *peninsulares*<sup>12</sup> created mistrust and difficulties in centralising power and authority to implement the new order. Furthermore, the big dilemma of *el pueblo* and *los pueblos*<sup>13</sup> or between *caudillos*<sup>14</sup>, nationalists and federalists and internationalists hindered further regionalism.

These divergences can be seen between Brazil and Hispano-America where the former was institutionalised and ruled by the Portuguese crown while the latter was struggling with only little coordination and with several different actors in nation building and the *modus operandi* of governance and implementing stability in the individual constituencies. Latin America was, in fact, a fragmented puzzle which can be roughly divided between Hispano-America and Brazil. The Caribbean Islands are even more fragmented, and European colonial powers struggled for territory and influence there.

Just almost a decade later, about 1820, first intergovernmental relations of the newly created countries can be analysed while a **supranationalist** vision of a politically

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<sup>11</sup> Spaniards born in Latin America

<sup>12</sup> Spaniards born in Spain

<sup>13</sup> During the Independence movement, Ibero-America used the concept of “el pueblo” which has an ‘abstract unitary’ connotation while “los pueblos” has a ‘concrete’ and ‘exclusive’ definition (cf. Espejo, 2012) and reflects the deep tension among different geographical, cultural and social backgrounds.

<sup>14</sup> Local leaders who pursued by charisma and brutality allegiance to their cause and were highly influential as local patrons.

united Latin America existed even before of the outbreak of the independence wars among liberal elites. It was an **elite project** (NF), especially of Simón Bolívar and liberal *criollos* that fostered the creation of a confederation for protecting themselves from foreign intervention and to increase the identity of a Latin American *pueblo*. This was caused by the common idea of enlightenment, independence from Spain and other foreign powers and nationalism based on the newly founded Latin American republics and can be defined as **Elite Socialisation**<sup>15</sup>. Additionally, the exogenous threat (NF) from the *Reconquista*<sup>16</sup> by Spain was the perfect *causa justa* for integration in Latin America. Indeed, the Congress of Angostura in 1819 with the creation of Gran Colombia, the political union of the states Nueva Grenada (= Colombia), Venezuela and Ecuador was a **Political Spillover** and first step for regional integration initiated by Bolívar as the first President of Gran Colombia.

This led to the situation that Gran Colombia became the main driver of **cooperation** with the objective to integrate into a United States of South America in Hispano-America, excluding Brazil as former Portuguese colony and monarchy. Nonetheless, power battles among the local elites were high and although a common defense policy was desirable and would justify a **Neofunctionalist** mode of integration, local ambitions in expanding their personal influence and territories led to interstate war of the newly founded republics and in some countries to civil war due to authoritarian rule and the lack of implementation of the constitutional rules and values (see Paraguay or Chile). It is interesting to mention that Gran Colombia fulfilled a **supranationalisation** of three countries in only a few years while other parts of Hispano-America still struggled with nation-building and thus to fulfil the necessary conditions of a **Liberal Intergovernmentalist** cooperation i.e. the capacity to act as a state and to represent national interests in an international arena. Additionally, exogenous and endogenous pressure (NF) through foreign intervention and civil unrest, Hispano-America was not able to implement a formalised confederation. In the end, merely in the sub-region Gran Colombia and Central America **Neofunctionalist** integration mechanism through a common identity and in especially since a defence alliance against foreign intervention can be seen. This also supports the assumption that coastal sub-regions

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<sup>15</sup> The Franc-Masonry were also a significant part for the independence movements in Latin America and can be considered as elite socialisation between *criollos* and *peninsulares*, see Santiago del Solar's article 'Masones y Sociedades Secretas: redes militares durante las guerras de independencia en América del Sur' (2010).

<sup>16</sup> = Reconquest.

were advantaged to rural sub-regions (compare the independence of Bolivia or Peru with Gran Colombia and Central America). The newly founded confederations acted as supranational institutions and fostered sub-regional integration (NF). Local elite preferences in other sub-regions inhibited regional cooperation and integration with other sub-regions (LI).

The Brazilian case is *sui generis* due to its origins and development that is different to the Hispano-American regions. Nonetheless, I am aware that the latter is comprised by several different sub-regions that for the sake of keeping this thesis compact are summarised as one region.

The (sub-) regional integration of Brazil<sup>17</sup> can be best described with **Neofunctionalism**. Since the colonisation of Brazil, the Portuguese crown invested a vast amount of resources in Brazilian infrastructure and royal institutions. For the Portuguese Crown, Brazil was economically highly significant and the first resort for the royal family to flee from French troops during the Napoleonic wars. During exile, the Portuguese crown as the main driver prepared the foundation of a Brazilian state with essential institutions to maintain the power of the rulers in a top-down approach (NF)<sup>18</sup>. Although King Dom João VI's rule was benevolent and less restrictive and exploitive than of its Spanish counterparts he was an absolutist king, thus, he represented the state. That means that his actions were up to the revolution in Portugal emanations of the Portuguese state (**Liberal Intergovernmentalist** actor) while he was also part of the royal elite (can be considered as supranational elite, **Neofunctionalist** actor). The centralisation of power and authority in Brazil did not just suppress any challenging groups or local elites as it was the case in Hispano-America with the *caudillos and criollos* it can be considered as a **Political Spillover** based on Jensen's (2010) definition: "Political Spillover where political actors or interest groups argue that a further supranationalisation of a policy area is more effective to tackle issues." It was, in fact, necessary for the Portuguese crown during exile in Brazil to be capable of ruling the kingdom. Through **strong institutions**, the **implementation of a stable federation** of Brazilian states was guaranteed. The proclamation that Brazil is as equal as Portugal and the Algarves by Dom João VI as another **Political Spillover** executed by Joao VI fostered, even more, the independence of Brazil. The elite

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<sup>17</sup> *Per definitionem*, see p. 30.

<sup>18</sup> See annex for further information.

surrounding the Portuguese crown (civil servants, military officials) accompanied the crown in Brazil and underwent to an Elite Socialisation process (NF) agreeing upon the institutionalisation of Brazil which in the end led to a common identity as Brazilian against Portugal after the latter demanded that Brazil should be a colony again. Without the centralised power and presence of Portuguese monarchy in Brazil, history would certainly be different, and Brazil would be fragmented into many different sub-regions as it happened in Hispano-America due to the emergence of local elites trying to create institutions.

Dimension	Hispano-America	Brazil
<b>Actors</b>	<p>Local Elites: highly disputed and divided into different factions and combinations: <i>criollos</i> and <i>peninsulares</i>, royalists and <i>patriotas</i>.</p> <p>International Actors: United States of America, United Kingdom, Spanish Kingdom, Napoleonic France (see Annex)</p>	<p>Royal Elite: Portuguese Royal family (Prince Pedro I. King Dom João VI; NF)</p> <p>International Actors: Portugal (revolutionaries, <i>cortes</i>), United Kingdom.</p>
<b>Structural Factors</b>	<ul style="list-style-type: none"> <li>- Common Hispanic heritage (history, culture, language) and geographic proximity (NF)</li> <li>- Local elite interests (pueblos, LI) with expansionist aspirations, but common Hispano-American identity (pueblo Americano, NF)</li> <li>- Divergent socio-cultural tensions in sub-regions (<i>criollos</i>, <i>mestizos</i>, rural, coastal)</li> <li>- Independence from Spanish Crown/France (exogenous pressure, NF)</li> </ul>	<ul style="list-style-type: none"> <li>- Common Portuguese heritage (history, culture, language; NF)</li> <li>- Royal family interest as national interest (LI; until the implementation of the <i>cortes</i> after the revolution in Portugal)</li> <li>- Low socio-cultural tensions in Brazil (NF)</li> <li>- Independence from revolutionary Portugal (exogenous pressure, NF)</li> <li>- Monarchy with liberal elements</li> </ul>

	<ul style="list-style-type: none"> <li>- Republicanism based on North America/French Revolution</li> <li>- Protection from foreign intervention (LI, common interest)</li> </ul>	
<b>Institutionalisation</b>	<ul style="list-style-type: none"> <li>- Sub-regional <i>juntas</i> with constitutional arrangements and bilateral treaties (LI)</li> <li>- Gran Colombia and Central America as supranational confederations (NF) while rural sub-regions still struggled for stability and independence (LI)</li> <li>- High degree of correspondence and support from USA and UK for <i>patriotas</i> proclaiming independence</li> <li>- High degree of influence from Spanish Kingdom/Napoleonic France for royalists maintaining Spanish empire</li> </ul>	<ul style="list-style-type: none"> <li>- Highly institutionalised and centralised governmental body in Brazil built up by Portuguese monarchy (NF)</li> <li>- Equal status as Portugal, not as colony</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>- Lack of ratification of treaties and constitutions due to endogenous and exogenous conflicts and power battles among elites up to authoritarianism, low regional convergence (Spill Around, NF/Divergent interests, LI)</li> </ul>	<ul style="list-style-type: none"> <li>- Due to high institutionalisation and royal presence, high regional convergence and legal enforcement (NF)</li> </ul>
<b>Effects</b>	<ul style="list-style-type: none"> <li>- Slow increase of regional cooperation and violent</li> </ul>	<ul style="list-style-type: none"> <li>- Fast and non-violent proclamation of independence, creation of</li> </ul>

	<p>proclamation of independence</p> <ul style="list-style-type: none"> <li>- At the same time inter-state confrontations creation of unstable republics, no regional integration (LI)</li> <li>- common identity as <i>Hispano-America</i> (NF)</li> </ul>	'empire' and federal system (NF)
<b>Interdependency</b>	<p><i>Patriotas</i>: High interdependency due to common enemy, common cultural and social identity (NF, homogeneity/aligned national preference settings, LI)</p> <p>USA: high interdependency due to geographical and political proximity</p> <p>UK: moderate interdependency due to commercial and economic interests</p> <p>Spain/France: high interdependency due to loss of territory, power, commerce, trade</p>	<p>Brazil and Republican Portugal: High interdependency due to trade, commerce, economy and politics</p> <p>UK: moderate interdependency due to commercial and economic interests</p>
<b>Mode of Regional Integration</b>	<p>Regional Cooperation</p> <p>Regional Integration (Gran Colombia, Central America; NF)</p>	Regional Integration (NF)

Table 5. Dimensions for Neofunctionalism (NF) and Liberal Intergovernmentalism (LI) during the Independence Wars of Latin America (1810-1826), own elaboration.

## ii. The (Bolivarian) Pan-American Movement (1826-1890)

After the victory against the Iberian colonial empires, the newly proclaimed republics tried to establish stability in their jurisdictions. Bolívar as the first president of the Confederation of Gran Colombia continued with his ambition to foster the political union of Latin America. During the 1820s Bolívar sent delegates to pave the way for the

future Pan-American Congress (LI)<sup>19</sup> where the political union should be celebrated (NF). Most of the countries agreed on the bilateral agreements which were avowals of mutual recognition and a constructive partnership between Gran Colombia and the signatory state. In 1826, the Panama Congress was held involving the presence of all Hispano-American states plus Great Britain. Although the agenda was ambitious and resembled a script for proclaiming the confederations of the Americas, the participants were reluctant to agree upon the majority of Bolívar's proposals (cf. de la Reza, 2006). A further continuation of the Congress in Tacubaya (Mexico) failed such as the ratification of the treaty by the signatory states. The only state ratifying the treaty was Gran Colombia<sup>20</sup>. Both Congresses were not able to monitor the commitment of the negotiated Treaty, a vital element of **Liberal Intergovernmentalism**.

Just a few years later, in 1831 Gran Colombia was dissolved in Nueva Granada (= Colombia), Ecuador and Venezuela. The Central American Federation balkanised into Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. In Mexico, a short-lived declaration of independence of the Peninsula Yucatán emerged, and Spain started a *Reconquista* while the United States conquered the northern parts.

Further attempts to revive the Latin American union, the Confederation of Peru and Bolivia (1836), the First Congress of Lima (1847/1848), the Congress of Santiago (1856/1857) and the Second Congress of Lima (1864/1865) failed due to the lack of willingness to transfer sovereignty, to implement the negotiated treaty and/or to gather all states (LI). However, although there were still interventions partially from Europe, but in particular from the United States through the phenomenon of filibustering<sup>21</sup> the Hispano-American states focused more on economic integration through the improvement of intra-regional infrastructure, a common framework for trade, commerce, tariffs and the usage of seas and ports that would foster the integration of the region and its wealth and prosperity that can be considered as first attempts of a Spillover Effects depoliticising areas of for forstering further integration (NF; An ideal was the German *Zollverein* (= customs union). José María Torres Caicedo who also

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<sup>19</sup> First, Bolivar wanted to create an intergovernmental forum where the bases of a political union can be negotiated.

<sup>20</sup> For further details of the content, the negotiation, see de la Reza (2006) and the annex.

<sup>21</sup> = private military expeditions to Latin America and to conquer territories for creating English-speaking territories (see William Walker in Central America in Germán de la Reza's book "El Congreso de Panamá de 1826 y otros ensayos de integración latinoamericana, 2006").

was the “inventor” of the term “América Latina” (Streckert, 2013) proposed a confederative model including diets, Supreme Court, common army and a harmonised legal framework (de la Reza, 2006: 56) which never has been realised (NF).

Where do **Neofunctionalism** and **Liberal Intergovernmentalism** fit in this period of Latin America? It clearly shows that an attempted political union is hardly possible without the basic conditions of regional cooperation based on **Liberal Intergovernmentalism**, i.e. the **formation of national preferences, intergovernmental bargaining of substantive agreements and the creation of institutions enforcing the agreements** (Schimmelfennig, 2015). The instability of each country made the first and most crucial step of **forming national preferences** hardly possible and thus the further steps to comply with. One cause why national preferences were not manifested and fulfilled is the still ongoing power battle among local elites. Another reason which reflects much more the sphere of International Relations theory is the reluctance of giving up sovereignty to another institution. The newly created republics enjoyed their liberty and independence from the former Iberian colonies. This does not mean that the second step, the **intergovernmental bargaining of substantive agreements**, could not be done. Indeed, the delegates of the Panama Congress in 1826 and the further congresses negotiated throughout many weeks for finally reaching a mutual agreement. Nonetheless, the plenipotentiaries<sup>22</sup> did not ratify the agreements and the goal to create **an intergovernmental institution enforcing the agreements** (in fact it was proposed during the Panama Congress by Bolívar but rejected by the assembly) was missing (LI). After the Panama Congress scepticism grew among the countries, in particular against Bolívar and it was perceived that the countries would transfer their sovereignty to Bolívar if they ratify the union treaty, not to an intergovernmental institution decreasing further regional cooperation. Bolívar knew it and agreed with the *side-payment*, an element of **Liberal Intergovernmentalism**, of moving the negotiations to Tacubaya in Mexico although he disagreed with this idea. The other countries hardly were open to give up any sovereignty or to give in any payments, especially because the expected supporter and stabiliser of the region, Great Britain and the United States of America, either kept a passive stance or did even interfere the consolidation of a confederation because

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<sup>22</sup> i.e. delegates from each government (see Annex).



they saw the Bolivarian confederation as a threat. The later attempts failed due to the afore-mentioned particular interests of elite groups.

From a **Neofunctionalist** view the liberal *criollos* who mostly become the Head of State in their country after the war supported a confederation of the Hispano-American states. It was an elite project as **Neofunctionalism** is *per definitionem* and the liberal *criollos* still can be defined as a **supranational interest group**. The confederation with Gran Grenada and Venezuela was a blueprint for Bolívar's *Unión Americana*, and he wanted to apply the same method first through bilateral treaties with the Hispano-American republics during the 1820s and later with a multilateral conference, the Panama Congress in 1826.

The political turmoil in the entire region (including Brazil) led to a halt of regional cooperation. In fact, the region disintegrated even more. While in 1826 9 countries divided Latin America among themselves just a few years later in 1831 14 countries led to a stronger balkanisation of the country through local *caudillismo*. Sub-regional conflicts continued to intensify and attempt to pursue a Pan-American Union failed due to the lack of **political will, lack of mutual trust and lack of common interests** and participants (NF). After Spain dissolved the plan to reconquer Latin America a common interest of a common alliance ceased as well. This, however, was replaced by the emergence of **common economic interest** which started to shape the future course of regional integration throughout the 20th century.

Since 1889 the main driver of the regional economic integration became the United States of America through the creation of the Inter-American Conference. Its creation was based on the US American **national preference formation** of equilibrating the trade balance with Latin American states but also to continue its influence throughout Latin America. Nonetheless, Latin American countries saw themselves in a dilemma; on the one hand, they wanted to cooperate with the United States as a strong economy and importer of domestic goods. On the other hand, the historical tensions between Latin America and the United States of America prevailed. Furthermore, a customs union with the US would mean a certain transfer of sovereignty and restriction with whom to trade resulting in the long run for economic disadvantages (LI).

Nonetheless, the achievements of the First Inter-American Conference were for Latin America positive because it was the **first binding and constructive agreement** with

its northern neighbour. From a **Liberal Intergovernmentalist** point of view, the foundation of the International Union of American Republics was the result of US American foreign policies and a first step for the United States to step into Latin America in an economically sustainable manner. The resulting agency was the emanation of that **inter-regional cooperation**.

It is important to mention that Latin American cooperation and integration has been highly dependent from exogenous interventions, especially from the United States of America. This will be even more apparent throughout the 20th century.

<b>Actors</b>	Heads of Government of the Latin American republics (also as supranational interest groups; liberal <i>criollos</i> ; LI/NF) International Actors: United States of America, United Kingdom, Spanish Kingdom, France.
<b>Structural Factors</b>	<ul style="list-style-type: none"> <li>- Interest of peace and stability throughout the region (NF)</li> <li>- Independence from Spanish Crown/France</li> <li>- Security alliance and protection from foreign intervention (NF/LI)</li> <li>- Later: balkanisation of the region and rise of authoritarianism</li> </ul>
<b>Institutionalisation</b>	<ul style="list-style-type: none"> <li>- bilateral treaties (LI)</li> <li>- intergovernmental summits with the goal creating a supranational confederation (LI)</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>- Lack of ratification due to endogenous and exogenous conflicts (NF) and power battles among elites up to authoritarianism, Spill Around (LI/NF)</li> </ul>
<b>Effects</b>	<ul style="list-style-type: none"> <li>- Slow increase of regional cooperation</li> <li>- Later: inter-state confrontations creation of unstable republics, no regional integration</li> </ul>
<b>Interdependency</b>	<ul style="list-style-type: none"> <li>- Interdependence from the United States and foreign trade</li> </ul>
<b>Mode of Regional Integration</b>	<ul style="list-style-type: none"> <li>- First: Regional integration. Later: No integration.</li> </ul>

Table 6. Dimensions for Neofunctionalism (NF) and Liberal Intergovernmentalism (LI) during the (Bolivarian) Pan-American Movement (1826-1890), own elaboration.

## **b. 1890-1950**

### **i. US-Interventionism and the Pan Americanist Movement (1890-1950)**

The US American dominance in Latin American regional integration as exogenous factor kept rising during the 20th century while regional integration in Latin America came to a hold and scepticism against the northern neighbour rose. Due to that, the United States proposed to hold the newly founded International Conferences of American States in different Latin American capitals which led to regularly held conferences every four to five years. It dealt with topics, such as the hemispheric peace, forcible collection of debts, U.S. dominance of the organisation up to the intervention by one state in the affairs of another (Portland State University, n.a.). This can be considered as side-payments from the **Liberal Intergovernmentalist** theory for maintaining interest in **cooperation** between Latin America and the United States. For the latter setting, the conference in other Latin American countries is a minor effort with an efficient symbolic meaning of friendship and cooperation. Nonetheless, the exogenous effect of US-interventionism created the **convergence of interest** of Latin American countries to formulate common positions against the former (NF).

Meanwhile, socio-economic reform movements emerged in different intensities. The most famous one and one of the biggest in Latin America was the Mexican Revolution which was a rural revolution against the urban oligarchs increasing the wealth and social well-being of the population and the participation rights (Kittleson, 2006). As an implicit condition for **Neofunctionalist** integration is pluralism and democracy. Through these endogenous reforms in Latin America, convergence and approximation of the nations have increased (NF).

Nonetheless, after WWI national sovereignty arose again as an issue in Latin America, in particularly observing the war in Europe as a role-model for US interventionism in the southern hemisphere. This was the predominant reason why Latin American countries joined the League of Nations (LoN) with the expectation the United States would join them as well and to curtail their further ambitions in Latin America what never happened (Portland State University, n.a). Although just a few Latin American countries joined the LoN, it can be almost considered as a regional **preference building** from Latin America to contest the U.S. American foreign policy in Latin America (LI). In fact, this definition does not exist in **Liberal Intergovernmentalist**

theory because countries (or state representatives) are considered as the **main actors** and **domestic preference setting** is done individually by each state. However, in this case, most Latin American countries independently from each other considered the U.S. foreign policy as an immediate threat against each country and all Latin American countries were in one moment member of the LoN.

A policy shift from the United States happened with Roosevelt being elected as president in 1933. He declared in his inaugural speech to be a 'good neighbour' initially intended for the entire world but later on as foreign policy for Latin America (ibid). In the same year, the Montevideo conference reinstated the Monroe Doctrine (No state has the right to intervene in the internal or external affairs of another, LI). Additionally, it especially addressed the United States that actively intervened in Central America and the Caribbean and having built up a considerable military presence in the Dominican Republic, Haiti, and Nicaragua. Although the Latin American countries supported the end of US-interventionism, it did not lead to further cooperation or integration, on the contrary: Central American authoritarian leaders extended their presidential terms and Mexico's government expropriated private oil companies (ibid), a consequence after the global Great Depression and leading protectionism and rising nationalism worldwide. Again, exogenous shocks shaped **national preference setting** up to that point, that neither integration nor integration occurred and the formerly implemented reforms were replaced (LI). Trade between the United States and Latin America decreased drastically by 78 percent in exports, and 68 percent in imports (ibid), and the rise of communism, fascism and anti-imperialist and pro-nationalist movements in Latin America paved the way to further authoritarianism. Again, the United States fostered trade liberalisation with the Reciprocal Trade Agreements Act which passed in 1934 through the US Congress although it was a rather **domestic interest** than for the region's sake. Wherefore, just some of the Latin American countries, like Brazil, Colombia and most of the Central American states agreed upon the bilateral trade agreements with the US because they were heavily dependent on the latter while Argentina, Bolivia, Chile, Peru, Uruguay and Paraguay had a more diverse economy (ibid; LI).

Before and during WWII the fear of fascist, especially Nazi German influence throughout the region reanimated the idea of a common defence policy but including the United States as protecting power. During the second half of the 19th century,

many Europeans in particularly Germans emigrated to the Americas creating exclaves that got into the focus of Western Hemispheric agenda during the rise of Nazi Germany. Independently from that, fascist and socialist movements rose throughout Latin America and in some countries, like in Chile Batista with the socialists or in Brazil Vargas with an inherent fascist tendency, they even made up the government (Kittleson, 2006). Another time, Latin American governments considered these worries as pretexts to repeal the recent consented Montevideo agreement. This changed after the invasion of Poland by Nazi Germany in 1939 and after the last Inter-American Conference in 1938 in Lima, the foreign ministers of the Western Hemisphere gathered three times as reactions to the invasion of Poland (1939), the fall of France (1940) and the attack on Pearl Harbor (1941). Each incidence increased the **cooperation** among the states up to that point that most of the Latin American countries declared war against the Axis together with the United States. Argentina was the exception and its military supported Nazi-Germany which is eventually the reason why the Argentinian delegation was absent at the Inter-American Conference in 1945 (Portland State University, n.a). This short but intense period can be described both with **Neofunctionalism** and **Liberal Intergovernmentalism**. A common defence coalition against exogenous threats can be considered as common interests fostering cooperation (NF) and are effects of former **Spillover Effects** through economic cooperation between the United States and Latin America. At the same time, it can be explained as **national preference setting** where the United States pushes Latin American countries through intergovernmentalist organisations and conferences to join them in the scope of foreign policy against their enemies in Europe.

After WWII, Europe created a regional security and cooperation network for avoiding the horrors of the last decades, but also as the beginning of reconstructing Europe. It started on the one hand with the foundation of the North Atlantic Treaty Organisation (NATO) in April 1949 as a response against the Soviet Union and on the other with signing the Treaty establishing the European Coal and Steel Community (ECSC) in Paris in 1951 and later on led to the Rome Treaty and EURATOM in 1957 (NF as exogenous pressure to Latin America).

### 1. The Organization of American States (OAS)

The OAS is during that time, in fact, an organisation representing the same values as the European counterpart (Vera-Fluixa, 2000) and the continuation of an

**intergovernmental cooperation** between Latin America and the United States. Three different treaties formed the OAS and defined the new Inter-American system and its objectives (cf. Vera-Fluixa, 2000), chronologically with the

- Treaty of Chapultepec (1945): the creation of a Western Hemispheric intergovernmental body as part of a global intergovernmental framework (which will be the United Nations),
- Treaty of Rio (1947): the ideological definition of the intergovernmental body which would be democratic and against whatsoever communist infiltration. A non-military infiltration could cause an intervention.
- Treaty of Bogotá (1948): an institutional framework of the intergovernmental body which states all member states as equal, without the right to intervene in other affairs, a collective security framework, the recognition of representative democracy and human rights, the peaceful conflict solution and economic and developmental cooperation among the member states.

The United States emerged as new superpower besides of the Soviet Union led by Russia resulting in a further dependency economically, such as politically for Latin American countries and the creation of signing of the Inter-American Treaty of Reciprocal Assistance in 1947 and the Organisation of American States (OAS) in 1948 (LI).

The halt of regional integration in Latin America was caused by the US American predominance throughout the region and can be best explained by **Liberal Intergovernmentalism** theory. Although most Latin American countries agree upon foreign policies proposed by the United States in the Inter-American Conference, a common ground concerning crucial questions, such as trade, economy, democracy, and cooperation was not achieved due to US American intervention and its **domestic interest**. One example is the creation of the Panama Canal built by American engineers during the first decade of the 20th century and led to the secession of Panama from Colombia under the protection of the United States (The 1903 Treaty and Qualified Independence, 1903). Another is the Platt Amendment between the United States and Cuba in 1901 which was a *de facto* occupation of Cuba. A further cooperation with the northern partner was neither desired by **domestic pressure** nor based on a **voluntary process without military or economic pressure**, based on

Moravcsik (1993). From a **Neofunctionalist** point of view, one can argue that the U.S. fostered a Western Hemispheric defence and economic cooperation through a mixture of **Functional and Political Spillovers**. The continuation of the Inter-American Conference and International Union of American Republics<sup>23</sup> created a solid framework which neither Bolívar nor the successors were able to achieve and were the base for a continuous despite difficult relation between the United States and Latin American countries. During the Interbellum<sup>24</sup> until the end of WWII both intergovernmental bodies were the principal fora for **cooperation** between the Americas and the **exogenous threat** of fascist and socialist/communist ideology increased Western Hemispheric integration to that extent that Latin America and the United States supported each other in case of war and invasion; an aspect that was paramount for Latin American countries due to their highly valorised principle of national sovereignty which they struggled for decades.

<b>Actors</b>	- The United States of America, Latin American countries
<b>Structural Factors</b>	<ul style="list-style-type: none"> <li>- National interests especially of the U.S. (LI)</li> <li>- During Interbellum: U.S. intervention politics as exogenous events for joining the League of Nations (LoN; LI/NF)</li> <li>- During WWII: threat of fascism and communism as exogenous effects for creating a hemispheric security architecture (OAS, LI/NF)</li> </ul>
<b>Institutionalisation</b>	<ul style="list-style-type: none"> <li>- Several multilateral security agreements and conferences (LI):</li> <li>- 1923 Treaty to avoid or prevent Conflicts between the American States, Santiago</li> <li>- 1933 Reiteration of Roosevelt of the Monroe Doctrine</li> <li>- 1938 Inter-American Conference, Lima</li> <li>- 1939 Inter-American Conference, Panama City</li> <li>- 1940 Inter-American Conference, Havana</li> <li>- 1942 Inter-American Conference, Rio de Janeiro</li> <li>- 1945 Treaty of Chapultepec (the creation of a Western Hemispheric intergovernmental body)</li> <li>- 1947 Treaty of Rio (Inter-American Treaty of Reciprocal Assistance)</li> <li>- 1948 Treaty of Bogotá (creation of OAS)</li> </ul>

<sup>23</sup> An agency exchanging economic data between the member countries, see annex.

<sup>24</sup> Time between the two World Wars.

<b>Implementation</b>	- International Conference of American States as fora and monitoring body for compliance (LI)
<b>Effects</b>	- Convergence of security interests, increase of cooperation Intergovernmental Organisation (OAS; NF)
<b>Interdependency</b>	- Increase of security and economic dependence of Latin America to the United States of America (NF)
<b>Mode of Regional Integration</b>	- Regional Cooperation

*Table 7:* Dimensions for Neofunctionalism (NF) and Liberal Intergovernmentalism (LI) during the US-Interventionism and the Pan Americanist Movement (1890-1950), own elaboration.

### **c. Latin American era of economic integration (1950 – mid-2016)**

Although the OAS opened another chapter of Western Hemispheric cooperation, the Latin American bloc and the United States had (again) divergent interests. While the former expected a further economic cooperation and development agenda the latter maintained its objective to defend the Western Hemisphere from Communist infiltration and considered the OAS as an organisation predominantly related to security issues (Vera-Fluixa, 2000) that again justified several US interventions in Guatemala in 1954, the Dominican Republic in 1965 and Grenada in 1983 just to name a few (LI).

Especially after the creation of the NATO and the European Economic Community (EEC), which created **economic shocks** for Latin America (cf. Malamud & Gardini, 2012) but also a role model for Latin American technocrats (Dabéne, 2012) further economic regional integration emerged outside of the OAS (NF).

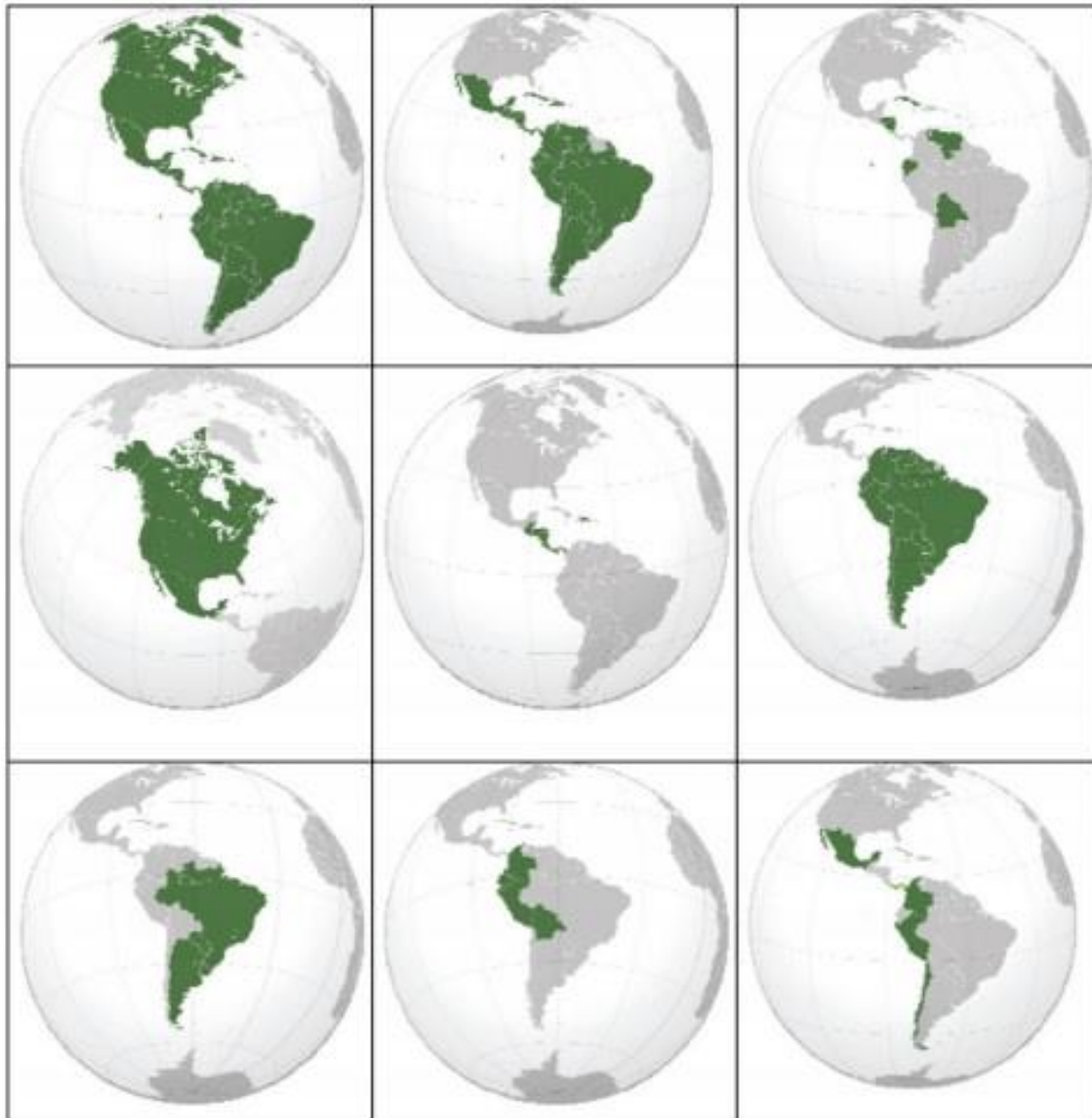


Contemporary Latin American regional integration after WWII is characterised by four waves of regional integration, see Table 8 (Dabène, 2012).

Waves	Years	Agreements	Acronyms	Antecedents
W <sub>1</sub>	1951	Organisation of Central American States	OCAS	
	1960	Central American Common market	CACM	
	1960	Latin American Free Trade Association	LAFTA	
	1964	Special Latin American Coordinating Commission	CECLA	
	1965	The Caribbean Free Trade Association	CARIFTA	
	1967	Eastern Caribbean Common Market	ECCM	
	1969	Andean Group	GRAN	
W <sub>2</sub>	1969	River Plate Basin Treaty		
	1973	Caribbean Community	CARICOM	CARIFTA
	1975	Latin American Economic System	SELA	CECLA
	1978	Amazon Pact		
	1980	Latin American Integration Association	LAIA	LAFTA
W <sub>3</sub>	1981	Organisation of Eastern Caribbean States	OECS	ECCM
	1986	Rio Group		
	1991	Common Market of the South	MERCOSUR	
	1991	Central American System of Integration	SICA	ODECA
	1994	Association of Caribbean States	ACS	
	1995	Group of three (Colombia, Mexico, Venezuela)	G3	
W <sub>4</sub>	1996	Andean Community	CAN	GRAN
	2000	Initiative for the Integration of Infrastructure in SA	IIRSA	
	2001	Puebla Panama Plan	PPP	
	2004	Bolivarian Alliance for the Americas	ALBA	
	2004	Community of South American Nations	CASA	
W <sub>4</sub>	2008	Union of South American Nations	UNASUR	
	2011	Pacific arch		
	2011	Community of Latin American and Caribbean States	CELAC	CASA

Table 8. Waves of regional integration in Latin America by Dabène (2012). Reprinted from *Explaining Latin America's fourth wave of regionalism - Regional integration of a third kind*, by Dabène (2012), retrieved from [http://www.sciencespo.fr/opalc/sites/sciencespo.fr.opalc/files/Explaining%20the%20fourth%20wave%20\(long%20version\).docx](http://www.sciencespo.fr/opalc/sites/sciencespo.fr.opalc/files/Explaining%20the%20fourth%20wave%20(long%20version).docx). Copyright 2012 by Olivier Dabène.

Contrary to Europe, Latin America had several (sub-)regional integration projects with different scopes of depth, i.e. **from bilateral trade agreements to highly institutionalised organisations including executive, legislative and judicial bodies plus free trade agreements**. Additionally, many projects ceded to exist and were eventually replaced by new organisations during a later period.



*Table 9. Latin America: decentralised regionalisms. From top left, reading-wise: (1) the Americas, (2) Latin America, (3) ALBA, (4) North America (NAFTA), (5) Central America (SICA), (6) South America (UNASUR), (7) Mercosur, (8) Andean Community, and (9) Pacific Alliance. Reprinted from “Has Regionalism Peaked? The Latin American Quagmire and its Lessons”, by Andrés Malamud and Gian Luca Gardini, 2012, *The International Spectator*, 47(1), 116–133. Copyright 2012 by Andrés Malamud and Gian Luca Gardini.*

### **i. The first wave of regional integration in Latin America (1951-1969)**

*The formation of a European Common Market [...] constitutes a state of near-war against Latin American exports. Therefore, we must reply to one integration with another one, to one increase of acquisitive power by inter-Latin American cooperation.*

- Benito Nardone, President of Uruguay from 1960-1961.<sup>25</sup>

The first wave of regional integration is best described as a paradigm of developmentalism and structuralism (Dabéne, 2012) and can be considered as a response to the creation of the European Economic Community in 1957 (Riggirozzi, 2010). Latin American *técnicos* pushed via **supranational organisations** and state-led initiatives, especially the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) political leaders to reform and modernise the regional economy based on the European role model (NF). This was done by a **highly technical agenda** of economic integration and import-substituting industrialisation (ISI) that is the replacement of imports with domestic production decreasing trade dependencies.<sup>26</sup> Regional integration was mainly of an economic nature without considering social or political integration (NF). As main actors and promoter of **Cultivated Spillovers** were ECLAC and domestic bureaucrats. European integration and US foreign policy in Latin America as **external factors** gave incentives, but also challenges for regional integration<sup>27</sup> (Dabéne, 2012). Regional cooperation changed rapidly in regional economic integration that emanated in different sub-regional projects with different intensities. The most notable projects of the first wave will be analysed shortly.

## 1. Organisation of Central American States (ODECA)

One of the first attempts was the sub-regional organisation ODECA founded in 1951. Besides of coordinating security and defence policies among the Central American member states<sup>28</sup> it had the goal of regional unity and featured executive, legislative and judicial and economic intergovernmental councils (NF). ODECA founded a decade later the Central American Common Market (CACM).

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<sup>25</sup> From Walter Mattli's book "The Logic of Regional Integration: Europe and Beyond" (1999).

<sup>26</sup> Furthermore, high inflation rates and increasing balance of payment deficits were characteristics of the ISI and reflect a rather Keynesian economic than of a free market school of thoughts that Hayek or later Milton Friedman proposed.

<sup>27</sup> e.g. the Inter-American reciprocal assistance (1947), Organisation of American States (1948), European Coal and Steel Community (1952), European Economic Community (1957), Inter-American Development Bank (1959), Alliance for Progress (1961).

<sup>28</sup> Which were Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

## 2. United Nations Economic Commission for Latin America and the Caribbean (ECLAC)

As part of the United Nations (UN), ECLAC was founded in 1948 and acted as their Asian and European counterparts as a driver for economic and social development. Raúl Prebisch, the head of ECLAC from 1949 to 1962 was one of the main drivers of the modernisation of Latin American economies and regional market integration (Malamud, 2010). The goal was to 'overcome traditional dependence on primary commodity export trade' (Malamud & Gardini, 2012) and was achieved by strong domestic interventionist modernisation policies which were elaborated by Prebisch, technocrats, and reformer (NF). The outcome was besides of domestic industrial modernisation the creation of the multilateral Latin American Free Trade Association (LAFTA) and Central American Common Market (CACM), both in 1960.

## 3. Latin American Free Trade Association (LAFTA)

LAFTA's<sup>29</sup> objective was to create a free trade area in 12 years and to stimulate intra-regional trade and economic convergence (Malamud, 2010). Although the association had major successes during the first years due to its institutional nature of 'periodical and selective negotiations' it lost its dynamics due to different domestic agendas and heterogenic economies (ibid). Furthermore, the organisation limited its coordination merely to the reduction of trade tariffs of goods and did not include a coordination of services or other political areas. Malamud (2010) indicates that there were no 'monitoring institutions' – a feature reflecting the **Liberal Intergovernmentalist** theory that considers an **international institution as supervisor of the agreements** among the member states. Additionally, he argues the divergence and dominant stance of more powerful states against weaker ones leading to the separation of some and the foundation of the Andean Group in 1969. Again, **Liberal Intergovernmentalist** theory puts emphasis on the **zero-sum-game** scheme for fruitful cooperation (and eventually integration). In this case, the countries founding the Andean Group<sup>30</sup> did not see any

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<sup>29</sup> The founding members were: Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay. Later on, Colombia, Ecuador, Venezuela and Bolivia joined LAFTA.

<sup>30</sup> It's founding members are: Bolivia, Chile, Colombia, Ecuador, Perú.

benefits being part of LAFTA anymore due to their personal disadvantage against the other countries.

#### 4. Central American Common Market (CACM)

The CACM was more ambitious and successful and led beside of the elimination of most of the internal trade barriers, trade between 1961 and 1968 increased among the member states up to 700% (Encyclopaedia Britannica, 2014). Additionally, a strong economic and monetary cooperation by the establishment of the Central American Bank for Economic Integration (CABEI) and the Secretariat for Central American Economic Integration (SIECA) fostered the goals of the ODECA of an 'integral union' (cf. Smith, 1969). The success was based on **highly technocratic and depoliticised areas of integration creating Functional Spillovers and a supranational technocratic elite** (Wynia, 1970). In the beginning, political administrators were not concerned about their personal political interests while the specialised *técnicos* were able to expand the scope of regional integration (Schmitter, 1970). An example is the multilateral financing of the CACM: The CABEI initially received 4 million USD from each member state. A few years later, the United States backed the project with 35 million USD while the member states increased their amount to 7 million USD. Other governments, such as Switzerland, Canada, Mexico or international organisations, such as the Inter-American Development Bank (IDB) increased further the capital (ibid). Schmitter (1970) considers the initial creation of the bank as a **Spillover Effect** because it would enable the essential resources for **regional convergence**, the modernisation of the industries and infrastructure. However, the expected outcome 'as an integral part of a coordinated integrationist strategy aimed at exploiting growing interdependence' was not fulfilled (ibid). Another remarkable **Spillover Effect** is the establishment of a Clearing House for regional payments which cleared about 95 per cent of regional payments (ibid). The fast expansion of regional integration started to become an issue for regional leaders due to the **lack of institutional authority** of these regional institutions (LI) leading to a Spill-Around (NF) which can be best described as the deficient further integration that emerge from spillovers due to "unintegrated national administrative structures, lack of autonomous, functionally specific, and influential interest groups, the prevalence of higher political elites who are preoccupied with their own insecurity of office and short-term survival" among other factors (cf. Schmitter, 1970). Additionally, the 'Soccer War' between Honduras and El

Salvador was the beginning of the end of the CACM that led to further tensions between the member states despite serious attempts to continue regional integration in Central America. Political tensions, imposing trade restrictions and protectionist policies induced the suspension of the organisation during the 1980s. Víctor Urquidí (1998), who worked as a civil servant for ECLAC, acknowledges that the *técnicos* underestimated the political dimension and acted in a **functionalist** way. This is noticeable because in fact the CACM can be considered as a functionalist approach based on Mitrany's **Doctrine of Ramification** where technocrats foster a highly depoliticised integration of policy areas while Haas' **Neofunctionalist** theory considers **political parties, interest groups and supranational institutions** as the main drivers of integration. The revival of the CACM during the 1990s was slowed down due to the NAFTA treaty between the US, Canada, and Mexico and due to a deficient institutionalisation process (cf. Malamud, 2010).

#### **5. The Caribbean Free Trade Association (CARIFTA) and Caribbean Community and Common Market (CARICOM)**

In the Caribbean, similar projects started in 1968 with the CARIFTA and later on in 1973 the Caribbean Community and Common Market CARICOM with, however, limited success (cf. Vera-Fluixa, 2000).

<b>Actors</b>	- ECLAC, U.S., EEC
<b>Structural Factors</b>	- Exogenous events: - 1948 OAS - 1952 ECSC - 1957 EEC - 1959 Inter-American Development Bank - Top-down modernisation (ISI) of national economies and economic integration by ECLAC <i>técnicos</i> through <b>Functional</b> and <b>Cultivated Spillovers</b> (NF)
<b>Institutionalisation</b>	- 1948 ECLAC - 1951 ODECA - 1960 LAFTA, CACM - 1965 CARIFTA
<b>Implementation</b>	- Several sub-regional treaties and organisations for mainly economic integration (NF)
<b>Effects</b>	- Convergence and sub-regional integration with different schemes and depths - Move towards Latin American Free Trade Area - Modernisation of Latin American economies
<b>Interdependency</b>	- Increase of security and economic dependence of sub-regions of Latin America
<b>Mode of Regional Integration</b>	- Regional Integration (NF)

Table 10: Dimensions for Neofunctionalism (NF) and Liberal Intergovernmentalism (LI) during the first wave of regional integration in Latin America (1951-1969), own elaboration.

## ii. The second wave of regional integration in Latin America (1973-1986)

While the first wave of regional integration in Latin America was promising for technocrats and etatist political leaders, reality has caught up with the proponents of a **(Neo)functionalist** regional integration doctrine. As shortly described in the CACM section political challenges (domestically and internationally) were underestimated, and an economic autonomy based on the ECLAC doctrine of industrial modernisation and regional protectionism was not achieved. Some of the **external challenges** were the end of Bretton-Woods System in 1971 and the oil crises in 1973 and 1979, but also

the lack of foreign investment and uncompetitive exchange rates for exports (Riggiozzi, 2010). The opening of the markets and strengthening of commodity exports like in Chile spilled over to other countries and rather bilateral than multilateral arrangements occurred. It also reflects Europe's foreign policy with Latin American countries where the former primarily signed bilateral agreements<sup>31</sup> while the latter individually represented their **domestic interest** in Brussels (LI), not through an **international/supranational organisation** (Vera-Fluixa, 2000). A **Spill-Around** sensation of **Neofunctionalism** expanded throughout Latin America and a loose **Liberal Intergovernmentalist** regional cooperation with advisory organisations, e.g. the Latin American Economic System (SELA) in 1975, the Latin American Integration Association (LAIA) in 1980 or the Contadora Group in 1983 dominated Latin American regional integration (LI). An important factor is that the private sector plays a bigger role during that wave paving the way for a **supranational interest group** pushing regional actors for further integration in the future (NF). It is worth to mention that during the *Eurosclerosis* (see the theoretical framework of **Neofunctionalism**) a similar halt of integration happened in Latin America which was, however, caused by economic crises and political turmoil involving military regimes and authoritarian rule in some Latin American countries.

### 1. Andean Group (GRAN)

The Andean Group consisted of Bolivia, Chile, Colombia, Ecuador, Perú and was founded in 1969 with the Cartagena Manifesto. Its goals were beyond the abolition of internal tariffs, but a customs union and harmonisation of social and economic policies. Furthermore, its institutional design was modelled on the European counterpart and had a **supranational institution** called the Commission that worked with a majority vote and a Secretary (*Junta*) working independently from their national governments (Dabéne, 2012). The Andean Development Corporation (CAF) which is the today's CAF - Development Bank of Latin America - played an important role, similar to the CABEL and improved the economic infrastructure of the member states and regional economic integration (NF; *ibid*). Additionally, sectoral programs incenting the **regional convergence** of the member states reflected the ECLAC doctrine of ISI, but at the

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<sup>31</sup> like with Argentina (1971), Uruguay (1973), Brazil (1973), Mexico (1975), Andean Region (1983).



same time a protectionist agenda (Vera-Fluixa, 2000). Chile, highly influenced by the Chicago Boys and their economic position promoted by Milton Friedman and Arnold Harberger of free market policies, privatisation, and deregulation reformed the country since Pinochet's rule and tried to modify the rather protectionist agenda of the Andean Group (Dabéne, 2012). Although the Chicago Boys were successful and made the institutional framework more flexible (ibid), Chile resigned from the organisation in 1976. Vargas-Hidalgo (1979) also mentions the **non-compliance of the member states** with the regional decisions (LI), the **politicisation of regional integration** (NF) and the **unequal distribution of costs and benefits** (LI) as reasons for the failure of the Andean Group. A revival in settling down differences between member states was the creation of a Court of Justice and an Andean Parliament in 1979 (NF) which, however, were ineffective (Malamud, 2010). This led to a temporary halt of the integration efforts until 1989 when the Heads of Governments gathered together and relaunched the project through the institutionalisation of the Andean Presidential Council (LI; ibid). The fate of GRAN resembles a bit the experience of the CACM where the **Neofunctionalist** theory best describes the sub-regional integration with a high degree of **supranational institutions**, a high level of integration in different areas and a promotion of **regional convergence** can be seen but where also the **politicisation of regional integration** (NF), the deficient design of the institutions (LI), the **lack of compliance and domestic turmoil** (LI) hindered further steps. In the case of GRAN, economic integration was less important than political and social cooperation.

## 2. Latin American Integration Association (LAIA)

Founded in 1980 the intergovernmental organisation<sup>32</sup> replaced the Latin American Free Trade Association (LAFTA) and constituted into three political institutions, namely the Council of Ministers of Foreign Affairs, the Evaluation and Convergence Conference and the Committee of Representatives (LI). Additionally, the General Secretariat functions as technical body **supervising the compliance** of the objectives of the organisation and provides information to the member states (LI).

Table X: Institutional structure of LAIA.

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<sup>32</sup> Its founding members are: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Perú, Uruguay and Venezuela. Cuba joined 1999 and Panamá 2011.

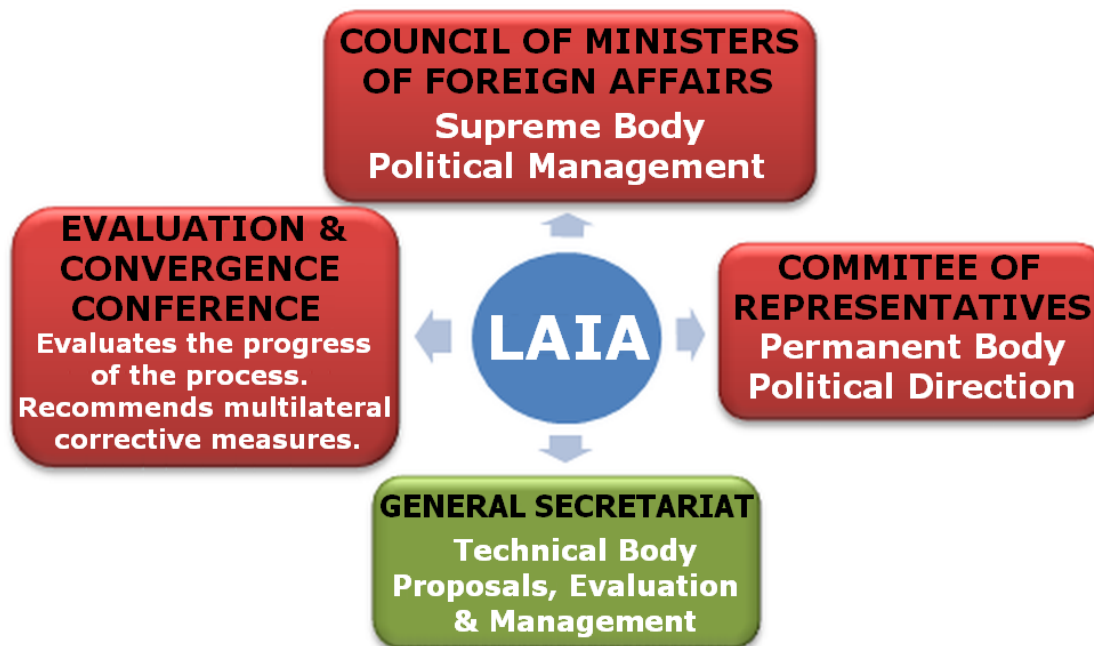


Table 11. LAIA - Institutional Structure. Reprinted from Latin American Integration Association in *Wikipedia*. Retrieved from: [https://en.wikipedia.org/wiki/Latin\\_American\\_Integration\\_Association#/media/File:ALADI\\_-\\_Institutional\\_Structure.png](https://en.wikipedia.org/wiki/Latin_American_Integration_Association#/media/File:ALADI_-_Institutional_Structure.png). Copyright 2014 by Creative Commons.

Its principles and objectives manifested in the Montevideo Treaty of 1980 are the creation of a Latin American common market, political and economic pluralism, flexibility, different treatment based on the economic development of each member state and multiple forms of trade agreements (Resico, 2011). In practice, its functions are the regulation of external trade including standards for environmental protection, quality control, price control and antitrust, among other (ibid). Additionally, it considers itself as a promoter of sub-regional integration projects as its predecessor LAFTA and also ECLAC for the entire continent, and any Latin American country can join the organisation. Furthermore, LAIA assists the so-called Relatively Less Economically Developed countries to converge with the region (ibid). LAIA had another strategy than its predecessor LAFTA: while the long-term goal of an FTA has been set LAIA promoted preference zones which promoted **bilateral agreements** that created a common ground for later **multilateral agreements** (LI). Although the organisation has **Neofunctionalist** elements like promoting regional integration in the region through **Functional Spillovers** and a supranational framework and in the end creating a self-sustaining dynamic, it is mainly a **Liberal Intergovernmentalist** organisation. It fulfills the principal conditions of LI theory, namely the voluntary process without military or economic pressure through the **voluntary accession** of each Latin American country,

information symmetry through the **General Secretary as agent** for the member states and political institutions and **low transactions costs** and sufficient opportunities to insert alternative proposals and to **negotiate 'side payments'** or create **'linkages'** through the political bodies and preferred treatment of Relatively Less Economically Developed countries. Also, the institutional framework resembles more a **forum where agreements are bargained and its compliance supervised by the organisation**. The step from regional cooperation to regional integration is facilitated by the organisation and paved the way for Mercosur (Malamud, 2010) that was founded in 1991 as part of the third wave of regional integration in Latin America.

### 3. Latin American Economic System (SELA)

The organisation was founded in 1975 by 28 Latin American and Caribbean countries and had the objective to create an advisory and coordination framework for a common economic strategy during bi- and multilateral negotiations with other organisations and/or states (LI). Furthermore, it should serve as a **forum** for exchanging experiences and knowledge promoting regional integration. SELA (and LAIA) specially set their scope in cooperating with the private sector, with entrepreneurs and trade unions (Resico, 2011). Its institutional framework is composed of the Latin American Council as a political body (LI), the Permanent Secretary as a functional institution and agent for the member states (LI) and temporary Action Committees which are established by two or more member states promoting cooperation in specific areas of interest. In fact, SELA replaced CECLAC as coordinating organisation of Latin American regional integration (Dabéne, 2012) and set a rather **Intergovernmentalist** approach than technical **(Neo)functionalist** one.

<b>Actors</b>	- EC, interest groups of the private sector (NF)
<b>Structural Factors</b>	<ul style="list-style-type: none"> <li>- Policy-Gridlock due to external events (NF)</li> <li>- Exogenous events: <ul style="list-style-type: none"> <li>- 1971 End of Bretton-Woods System</li> <li>- 1973/1979 Global Oil crises</li> <li>- 1971 Bilateral agreement EC-Argentina</li> <li>- 1973 Bilateral agreement EC-Uruguay</li> <li>- 1973 Bilateral agreement EC-Brazil</li> <li>- 1975 Bilateral agreement EC-Mexico</li> <li>- 1983 Cooperation agreement EC-Andean region</li> <li>- 1986 Single European Act</li> </ul> </li> <li>- Halt of regional integration due to the shortcomings of modernisation</li> <li>- Comeback of authoritarian regimes</li> <li>- Individual agreements with EC (LI)</li> <li>- <b>Liberal Intergovernmentalism</b> and participation of companies throughout SELA and LAIA</li> </ul>
<b>Institutionalisation</b>	<ul style="list-style-type: none"> <li>- Predominant intergovernmentalism</li> <li>- 1973 CARICOM</li> <li>- 1975 SELA</li> <li>- 1980 LAIA</li> <li>- 1986 Rio Group</li> </ul>
<b>Implementation</b>	- Creation of new integration initiatives, convergence of national government initiatives
<b>Effects</b>	<ul style="list-style-type: none"> <li>- Halt of regional integration</li> <li>- Spill Around (NF)</li> <li>- Latin American <i>Eurosclerosis</i> (NF)</li> <li>- Restricted regional coordination of policy areas</li> <li>- Exchange of national preferences (LI)</li> </ul>
<b>Interdependency</b>	- Common security issues (authoritarianism, intra-regional conflicts)
<b>Mode of Regional Integration</b>	- Regional Cooperation/No Cooperation

Table 12: Dimensions for Neofunctionalism (NF) and Liberal Intergovernmentalism (LI) during the second wave of regional integration in Latin America (1973-1986), own elaboration.

### iii. The third wave of regional integration in Latin America (1991-1996)

During the 1980s and 1990s, a paradigm shift emerged. During the 1980s a democratisation wave emerged in Latin America. Military dictatorships, like in Brazil, Argentina or Chile were overthrown and started to cooperate with each other<sup>33</sup> (e.g. the Argentina-Brazil Economic Integration Pact, ABEIP). With the end of the Cold War and victory of the United States a new unipolar world with a neoliberal emphasis started and **regional integration** in Latin America revived again. The United States fostered a global trade liberalisation agenda which also affected Latin American regional integration in its core leading to a record number of preferential trading agreements (LI). The U.S. provided a debt-relief, the Brady Plan in the late 1980s and the Washington Consensus, a 10-point reform plan for crisis-wrecked economies. In 1990, President George Bush Sr. proposed the “Enterprise of the Americas” initiative that should lead to a Free Trade Area of the Americas (FTAA) until 2005. The goal was to foster intra-hemispheric trade and to revive the Pan-American/Inter-American vision of **cooperation** under US-American hegemony (Riggirozzi, 2010). Additionally, the FTAA should **politically integrate** (NF) the member states through joint liberal democratic values and political structure plus economic liberalisation policies (ibid). Accompanied by that the U.S. initiated the Summit of the Americas that were held in 1994 and 1998 dealing with the strengthening of democratic values, the promotion of prosperity through economic integration and free trade, the eradication of poverty and discrimination and guaranteeing sustainable development and conserving the natural environment (cf. Dabéne, 2012). Latin American countries supported this new paradigm shift after their past experiences with protectionist etatist policies and the caused debt crises (ibid). Furthermore, the return of democracy led the new generation of Latin American leaders to **cooperate** much more intensely with each other regionally and to support their governments to strengthen the recently proclaimed democracies (Biswaro, 2011). Even ECLAC changed its agenda and promoted a new agenda of ‘Open Regionalism.’ Meanwhile, several sub-regional projects were created, e.g. the Common Market of the South (Mercosur) in 1991, the North American Free Trade Agreement (NAFTA) in 1994 or the Association of Caribbean States (ACS) in 1994 and existing organisations modernised themselves as ODECA as antecedent of the Central American System of Integration (SICA) in 1991 or the Andean Pact (GRAN)

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<sup>33</sup> Dabéne (2012).

becoming the Andean Community (CAN) in 1996 embracing the principles promoted by the United States. The idea of the FTAA and NAFTA were supported not just by politicians but also by businesses seeking new opportunities for their enterprises which can be considered as **supranational interest groups**, based on **Neofunctionalism**. Nonetheless, the U.S. American neoliberal agenda (**national preference** set by the United States, LI) that was also promoted globally created anti-globalist, anti-capitalist and left-wing movements throughout Latin America after the anticipated outcomes of prosperity and economic wealth were not achieved and the adverse effects, namely poverty and unemployment rose (ibid) and can be defined as endogenous pressure for **Neofunctionalism** or changes of national preference settings for **Liberal Intergovernmentalism**. In fact, the average growth throughout the 1990s was below of the growth figures during the 1960s and 1970s (Pribble, Huber, & Stephens, 2009). The deception from the absent neoliberalist effects paved the way for the fourth wave of regional integration, an ideologically leftist social and political integration as a response (NF). This new policy shift and a highly connected leftist movement can be described as another **supranational interest group**. In fact, the Brazilian President Itamar Franco proposed as a response to NAFTA a South American Free Trade Agreement (SAFTA) already in 1993 via Mercosur which has been unsuccessful during that period. It was seen as counter-balance to the U.S. hegemony in FTA negotiations, but also as an opportunity for Brazil to become a global player as a South American leader in regional integration (LI). Brazil became much more active after Franco's successor Fernando Cardoso has been elected as President and assembled the first South American Summit in 2000 (LI).

From a theoretical point of view, the third wave of regional integration in Latin America can be complementary described with **Neofunctionalism** and **Liberal Intergovernmentalism**. On the one hand, this time reflects the global trend of regional integration promoted foremost by the United States of America as ideological and political winner of the Cold War and the empowerment of neoliberalist international organisations, such as the World Trade Organisation (WTO) and the continuation of multilateral trade agreements fostering regional trade in Latin America (LI). Additionally, globalisation as external factor paved the way for **supranational interest groups** (NF), in particularly in the entrepreneurial and financial sector pushing domestic leader to apply trade liberalisation and privatisation reforms (as change of domestic preference setting, LI) and hence to ameliorate the business environment

throughout the region (convergence of interest and effect of supranational interest groups, NF). Internally as mentioned before, many Latin American countries democratised creating a new generation of democratic leaders as another **supranationalist interest group** supporting each other's governments and were willing to tackle poverty, debts and other economic deficits together through stronger regional integration (NF). On the other hand, Latin American countries and ECLAC reacted upon the American and European models of cooperation/integration and modernised and/or created new sub-regional organisations in accordance with the Washington Consensus goals (NF). While Mexico economically (and politically) increased its integration efforts with the United States and Canada through NAFTA, South American countries did so through Mercosur and CAN. After the economic shocks throughout many Latin American countries the economic and partially European model of integration were abandoned by most of the countries after the aforementioned leftist movements were elected as a result of discontent of the neoliberalist reforms (NF/LI). These leftist-movements rapidly connected regionally with each other and can be considered as another **supranational interest group** pushing a more Latin America-centric agenda including social and political integration (NF). Mexico, despite to also having a growing leftist movement, remained to have close ties to North America creating until now a different perception of Latin American concerning Mexico. The dominating organisations during the 1990s are analysed in the following paragraphs.

### 1. **North American Free Trade Agreement (NAFTA)**

The treaty was initiated by the Canadian Prime Minister Brian Mulroney and the Mexican President Carlos Salinas in 1990. The latter is considered as the protagonist of Mexican neoliberalism during that time privatising the energy and telecommunications sector, cutting political power of labour unions and at the same time investing in new technologies and research (Caulfield, 2010) during his presidency. Until today he is being criticised for its policy, the immediate events after the signing of NAFTA and to the lack of a significant salary increase in Mexico (cf. Villarreal, 2010). Before NAFTA came into force, the bilateral Canada-US Free Trade Agreement (1989) has been signed (LI). Besides of the removal of all trade tariffs by 1999 its objective was to liberate trade in services, government procurement and

investment (Mattli, 1999) increasing regional interdependence. NAFTA is an extended version of the aforementioned agreement with Mexico, including the dispute settlements of the US-Canada FTA and a transition phase for import-sensitive products (ibid), particularly in agricultural goods. Although it is considered as an FTA, it does not involve the freedom of labour movement, a highly disputed issue in the U.S. Since the treaty came into force trade between the signatory states 'has more than tripled to 1.1 trillion USD in 2013 and investment has risen fourfold' (The Economist, 2014). During the mid-1990s foreign trade investment (FDI) grew with the expectation the economic reforms Mexico made plus NAFTA the country's economy would grow. Notwithstanding, several political events, like the violent uprising of a Zapatista movement in Chiapas against the NAFTA treaty in January 1994, the assassination of the presidential candidate Luis Donaldo Colosio in March 1994, and the Mexican peso crisis later on in 1994 led to a financial crisis that was caused by capital flight and a devaluation of the currency by 50% hitting the poorest of the poor and the middle-class (Villarreal, 2010).

Nonetheless, NAFTA's effect on the Mexican economy has been moderately positive: 80 percent of Mexican exports went to the US in 2008 (Villarreal, 2010). Additionally, a 2003 World Bank Study estimates that NAFTA helped Mexico to become macroeconomically less volatile increasing its level of development to the U.S. and Canada and business cycles between the parties have become more synchronised (NF). Furthermore, the authors estimate that without NAFTA the FDI to Mexico would be 40 percent lower. Today, Mexico is one of the leading car manufacturers with production facilities of BMW, Mercedes, Honda and Toyota (Carrillo, 2004).

NAFTA became the most successful **economic integration** project in the Western Hemisphere. The power of NAFTA is the **convergence** of Mexico to Canada and the U.S., a benefit that most Latin American countries just barely have. The possibility for transnational companies to create efficient business cycles starting from gathering raw materials up to the final assembling of goods and the retail in one of the biggest markets makes NAFTA highly attractive for the private sector (NF). Furthermore, Aspinwall (2009) even describes a 'NAFTA-isation,' similar to the concept of Europeanisation leading to an improvement of cross-border bureaucratic communication, such as institutional, legal and civil society capacities in less-developed member states. The author also states that the NAFTA-isation created 'a hidden process of domestic adjustment in technical and specialised areas [...] 'despite



of formal policy or institutional development and the lack of legislative instruments' – a clear description of **Neofunctionalist** dynamics of integration which is sometimes also mentioned as 'integration by stealth' through **Spillovers**. Clarkson (2002) affirms that NAFTA induces 'supranational' regulations through for instance working groups creating common standards cross-border transport of chemicals (NF). Another **supranationalist** characteristic is Chapter 11 of the NAFTA treaty dealing with investor-state arbitrations, a provision designed to protect cross-border investors and influenced domestic legislation in several cases (cf. DePalma, 2001). Additionally, the chapters 19 and 20 enable further arbitration tools shifting **judicial review to a supranational level**, among other aspects (Carbaugh, 2011). One prominent case is the U.S.-Mexican Trucking Dispute in the year 2000 when the **Arbitration Panel** as watchdog (LI) ruled in favor of Mexico that submitted the dispute to the NAFTA resolution panel after the U.S: refused to comply with NAFTA's cross-border transportation provisions justifying "its position on the grounds of safety of trucks and drivers" (ibid). Environmental groups and labour unions opposed the Bush Jr. administration to comply with the NAFTA provisions and U.S. Congress formulated further conditions for entry of Mexican truckers increasing bilateral tensions during 2001 to 2006 (domestic preference setting from the United States, LI). The reasons are manifold and begin with the official health and safety concerns up to perceived security threat due to drug-related crime or the simple fact that labour unions in the transport sector opposed the open truck policy for preserving their jobs (ibid). Although NAFTA intends to establish common provisions in that field, neither Bush Jr. nor the Obama administration was able to fulfil these obligations with Mexico and Canada. The case exemplifies the competing supranational and national provisions and how **Liberal Intergovernmentalist** domestic preference building influences cooperation and integration, such as the power of intergovernmental institutions monitoring the compliance of treaties.

At the same time, a further political integration as The Security and Prosperity Partnership initiated by George W. Bush in 2005 had little success and turned into a regular trilateral meeting (The Economist, 2014).

What does it mean for the Latin American region? Politically, Mexico as the only Latin American country inside of NAFTA is being rather being considered as part of North America than of Latin America. A certain political division between Mexico, Central American and Caribbean countries and South America due to the "North-

Americanisation” as an emanation of US-American influence to its “backyard” can be observed through Latin American debates (LI). Hugo Chavez, former president of Venezuela, for instance, criticised Vicente Fox, President of Mexico and supporter of Bush’s hemispheric free trade area during the 2005 Summit of the Americas, stating: “It makes one sad to see the sell-out of President Fox, really it makes one sad. How sad that the president of people like the Mexicans lets himself become the puppy dog of the empire” (Fox, 2004). Meanwhile, the creation of the organisation Community of Latin American and Caribbean States (CELAC) in 2010 as a counter organisation of the US-dominated OAS can be considered as the recent attempt to diminish American influence and to deepen regional integration without the hemispheric framework. Economically, Latin American organisations since the 1950s were more regarded as tools for becoming independent from external markets (Malamud & Gardini, 2012). NAFTA in comparison **increased its intra-regional trade** (NF). Between 2000 and 2006 intra-regional trade in NAFTA was beyond 55 percent compared to the EU with 60 percent (ibid). Other organisations as Mercosur have a rather **low intra-regional trade because a high degree of economic divergence between the member states** (Brazil is the largest exporter of Mercosur and accounts about two-third of Mercosur’s trade; NF).<sup>34</sup> In CAN intra-regional trade is even lower.

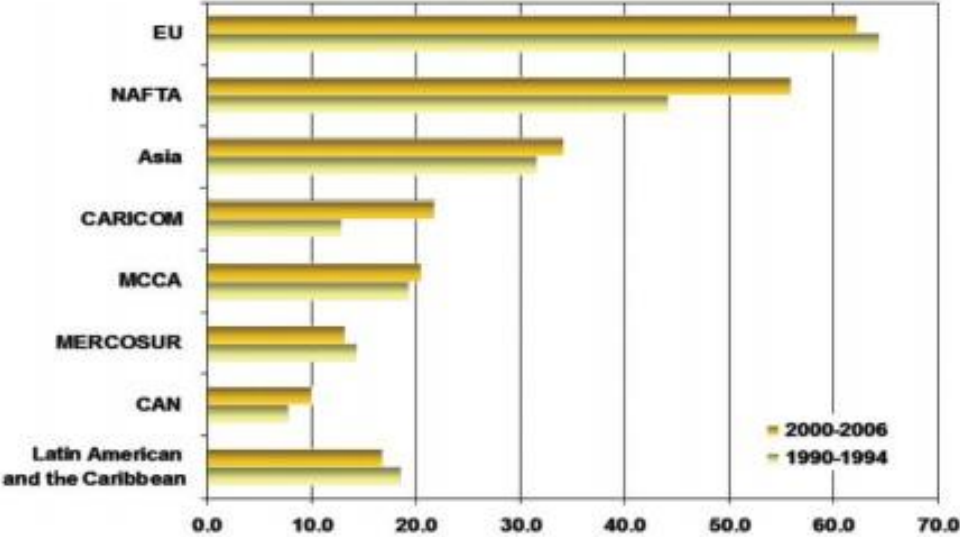


Table 13. Regional interdependence in several integration schemes. Reprinted from “Has Regionalism Peaked? The Latin American Quagmire and its Lessons”, by Andrés Malamud and Gian Luca Gardini, 2012, *The International Spectator*, 47(1), 116–133. Copyright 2012 by Andrés Malamud and Gian Luca Gardini.

<sup>34</sup> Cf. Malamud & Gardini (2012).

## 2. Mercado del Sur (MERCOSUR)

One of the most prominent Latin American integration projects started with a customs union between Brazil, Argentina, Paraguay and Uruguay with the Asunción Treaty in 1991 (NF) and was later on updated with the Treaty of Ouro Preto in 1994 granting the status of a legal person governed by public law (NF). Today, the afore-mentioned states plus Venezuela that joined Mercosur in 2012 are full members, Chile, Bolivia, Perú, Colombia, Ecuador, Guyana and Suriname are associated members and Mexico and New Zealand members with observer status. Its GDP is approximately one billion USD. Besides of implementing a single market (NF) Mercosur also has the objective to implement a monetary union and to foster political and cultural integration of the participating member states (NF). The Mercosur Summit in December 1999 with the outcome of a “Mini-Maastricht”, as former Brazilian President Henrique Cardoso named it based on the European convergence and stability criteria for a stable Euro-currency area, set even a fundament for a Mercosur-currency (NF) that, however, has not been implemented yet.

The creation of a single market is considered as the first step of Mercosur and has been pursued through a concrete agenda that reflects a sequence of **Functional Spillover Effects**: after consolidating a FTA, a customs union and common external tariffs should lead to a **harmonisation** of standards, procedures and quality which then deepens political and social integration (Resico, 2011:352). In fact, since 1995 Mercosur became an FTA and an (almost) customs union with common external tariffs, however with some exception for agricultural goods as protectionist measures for member states (NF). Additionally, citizens of Mercosur countries have a current Mercosur passport and the freedom to move, reside and work freely (NF).

Before the Asunción Treaty, several turning points between the Argentinean-Brazilian relations occurred due to **internal** and **external effects**. Both countries were since the 19<sup>th</sup>-century regional rivals fighting several wars. During the 1970s both countries were (as many other Latin American countries) military dictatorships and faced high external debts because of the world economic crisis and oil shocks. Furthermore, the Carter administration changed U.S. foreign policy against authoritarian regimes affecting both national nuclear programs (Gardini, 2010). Additionally, tensions between both countries and Paraguay increased because of mainly three factors: (1) a bilateral

agreement between Paraguay and Brazil to build the Itaipú Dam<sup>35</sup>, a hydroelectric dam in a tri-state-area causing fears in Buenos Aires that Argentinian ambitions to build their own facilities cannot be fulfilled (ibid), (2) nuclear rivalry between Argentina and Brazil and (3) a dispute how to influence their smaller neighbors, Bolivia, Paraguay and Uruguay, as buffer zones (cf. Hurrell, 1998:232-3). As Biswaro (2011: 222) sums it up: “Even if the hostilities between Argentina and Brazil did not lead to full-scale war, the rivalry had created a very gloomy, unstable and even explosive situation in South America, which for a long time prevented genuine and profound cooperation from taking place.” In 1979, the Itaipú–Corpus Multilateral Treaty on Technical Cooperation ended the dispute and can be considered as the beginning of the amelioration between both countries leading to a series of **cooperation** agreements and even the solidarization of Brazil with its neighbour during the Falklands War against Great Britain in 1982 (LI). In 1985 the *Declaração do Iguaçu* was signed by the Argentinean President Raúl Alfonsín and Brazilian President José Sarney proclaiming the bilateral integration project *Programa de Integração e Cooperação Econômica Argentina-Brasil* a year later. The goals were a gradual economic integration and cooperation manifested through a **common market**, the **prohibition of internal tariffs**, the harmonisation several policy areas such as customs, transportation, communication, industrial and science plus the coordination in monetary, fiscal, foreign exchange and investment policy areas<sup>36</sup> (NF). The outcome was the creation of Mercosur with the Asunción Treaty in 1991.

Biswaro (2011:227) points out that the signatory partners “emphasised that the individual states cannot generate economic growth on their own, separately from one another and that **regional economic integration** and the competitive involvement of the region in the global economy are preconditions for increased development and economic growth.” The willingness to cooperate and to accelerate a regional economic integration for improving its global standing has been a long-term vision since the foundation and is a sign of **Political Spillover Effects** and **convergence of mutual interests** leading to higher interdependencies (NF). The neoliberal rationale of trade liberalisation and economic integration leading to political cooperation was the driving

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<sup>35</sup> The Itaipú dam provides about 75% of the energy consumed in Paraguay and 15% in Brazil (Itaipú Binacional, n.a.).

<sup>36</sup> Tratado de Integración, Cooperación y de Desarrollo entre la República Argentina y la República Federativa de Brasil, Republic of Argentina-Federal Republic of Brazil (1986).

force during the 90s of Mercosur (ibid), but especially the **external threats** which just can be faced in a coordinated fashion.

From a theoretical point of view, it is interesting to analyse that the internal paradigm shift from military dictatorships to **external pressures** led from a near-war atmosphere to a deep commitment to cooperation and eventually integration for **converging common domestic interests (NF/LI)**. The creation of Mercosur including their goals and the formation of a legal person governed by public law are best described by **Liberal Intergovernmentalist** theory to that extent that the creation of a community a common interest benefits smaller countries economically and that these represent **strong intergovernmental institutions** maintaining a power balance while Brazil as regional power striving for **becoming a global player** and seeks to gain 'prestige' as a leader of a successful regional economic bloc **trying to avoid supranationalisation** to that extent that it eventually decreases its influence. Argentina meanwhile has lower global ambitions and focus on its **economic benefits** expanding and deepening Mercosur's regional integration (ibid). Through the lens of **Neofunctionalist** theories through **Political** and implicitly **Functional Spillovers** foremost by Brazil and later on partially by **Cultivated and Functional Spillovers** by the intergovernmental bodies of Mercosur which will be analysed shortly.

Like CAN, CARICOM and other regional integration projects in Latin America, Mercosur built its model of integration initially on the European model. The Council of the Common Market is a political body and was founded in 1991. It consists of the ministers of foreign affairs and economy and is considered as the body where decisions formulate regional integration policies. It can be best described as a **Liberal Intergovernmentalist** body where high officials debate the political agenda of cooperation/integration. This body does not necessarily promote further integration as far as the national representatives do not see it fitting in its **domestic agenda**.

The Common Market Group monitors the work of Mercosur working groups and also represents the organisation externally and negotiates treaties with third parties. Additionally, the Common Market Group can make resolutions which are legally binding as far as all member states vote unanimously on the resolution (see Article 37 Ouro Preto Protocol; LI) and can make recommendations to the Council of the Common Market. Members of the Group are representatives of the Secretaries of Economy, foreign affairs and the national central banks of the member states. Although

their representatives are more bureaucratic, they are mostly **directly dependent on their superior's policy agenda** whose are negotiated in the Council of the Common Market (LI). Nonetheless, a loyalty shift from national to the supranational Mercosur can occur after an **Elite-Socialisation** among common technocrats developed (NF). Besides of making *resolutions* and *recommendations*, it also passes the Mercosur budget and can create working groups (= Subgrupos de Trabajo, SGT).

The Mercosur Trade Commission, created in 1994 is a body responsible for trade, tariffs and the internal market supporting the Common Market Group at its work through **technical** commissions (comité técnico, CT), *directives* or *proposals* (NF). This group is highly **supranationalised** and principally seeks to further economic integration through **Functional Spillovers** on a **low political** level. Thus, resistance leading to **Spillbacks** are highly unlikely.

In 2003, the Commission of Permanent Representatives of Mercosur began its work as other institutions are the Mercosur Parliament constituted in 2005 and succeeded the Joint-Parliamentary Commission (NF). The parliament operates on a consultative basis and can formulate declarations and recommendations (Resico, 2011:353). The transformation from an **intergovernmentalist** style Joint-Parliamentary Commission to a **supranational parliament** can be considered as a step towards supranationalisation and thus the fortification of **Neofunctionalist** integration. However, power still lies in the aforementioned bodies that **directly depend on domestic preferences** keeping regional integration mostly on an **intergovernmentalist** dimension. Perez del Castillo (1993) even defined Mercosur as “negotiating structure.” Another consultative body, the Economic and Social Forum and the Administrative Secretariat, is responsible giving technical advises and supports the bodies with documents, norms, and the institutional framework.

Biswano (2011:229) notes: “all [...] bodies of MERCOSUR have been designed to **avoid the exercise of supranational decision-making and activities**”. In fact, all bodies (with Mercosur Parliament as an exception) require unanimous voting, a **Liberal Intergovernmentalist** feature that forces the participants to seek for compromise and to avoids outvoting. Contrary to the EU, Mercosur does not have an influential **supranational** promoter of regional integration such as the European Commission or European Parliament or European Court of Justice. Unlike to CAN,

treaties and negotiations led by Mercosur have to be **ratified by each member states** maintaining the “last word” to national legislation (LI).

What about the judicial dimension of Mercosur? The Treaty of Asunción and the Protocol of Brasilia feature a dispute settlement mechanism that is highly **Liberal Intergovernmentalist**: After the failure of negotiation concerning an issue, the Common Market Group acts as an arbiter and if this institution fails to solve the dispute the Council of the Common Market intervenes (ibid). In 2002 the Protocol of Olivos replaced this framework with a Permanent Tribunal that reviews the appeals of other arbitral tribunals. Private parties do not have the right to appeal, contrary to CAN (LI). Additionally, verdicts are not legally binding for none of the member states what means that dispute settlement in Mercosur **highly depends on diplomatic relations** and is based on inter-state disputes (ibid), compared to other regional organisations, such as NAFTA, EU or CAN that rely on more stringent legal tools and supranational features (LI). Again, similar to CAN, Mercosur fosters since 1998 a ‘peace zone’ free of nuclear weapons and fighting drug crime and arms trafficking (ibid). Recent ambitions try to focus more on social convergence creating a Social Fund and Social Institute tackling food insecurity, poverty, and issues of elder and young people (Robin, 2008). Although Mercosur’s main objective is a single market regional economic **convergence does not play a significant role** (NF). The member states proclaimed to implement incentives for national companies and to put efforts on the convergence of national economies. Although Brazil is for Argentina, Uruguay and Paraguay the first commercial partner **intra-regional trade relatively low** with 13,98% in 2013. The reason is that Brazil still has by far the biggest share of economic power with two-thirds of Mercosur’s trade and being the largest exporter, in fact, dominating a huge amount of regional trade in Mercosur (Malamud & Gardini, 2012).

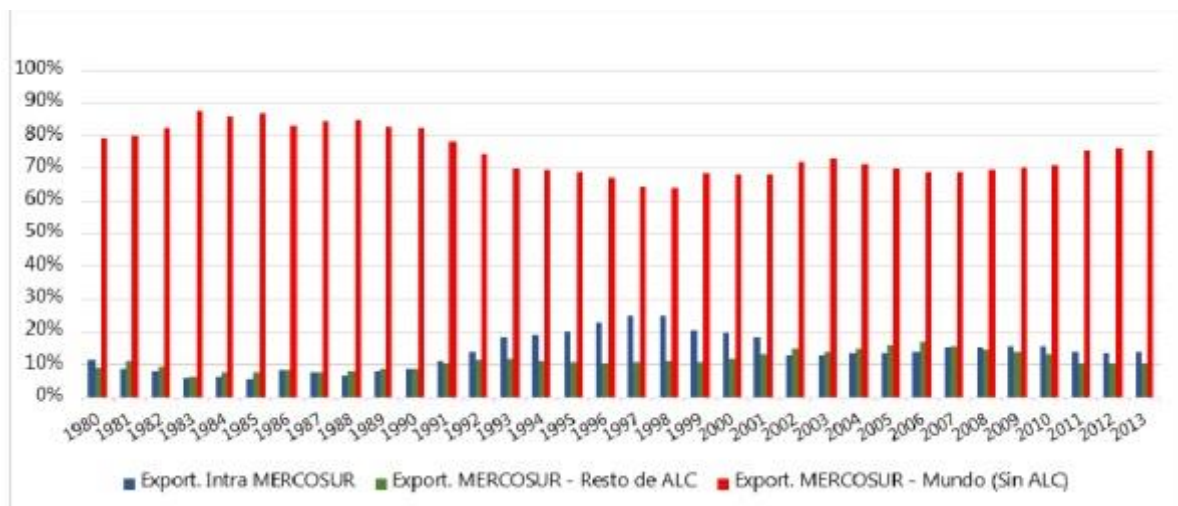


Figure 14. Mercosur: Intra-regional export, export to Latin America and the Caribbean and export to the world compared from 1980-2013. Copyright 2015 by Secretaria Permanente del Sistema Económico Latinoamericano y del Caribe.

Another reason is that, in fact, Mercosur does not contribute enough to regional policies and because the goods which are exported to extra-continental markets do not have the same demand, for example, minerals or fuels (ibid). Mercosur has signed a FTA with CAN in 2004 and in 2008 the agreement Venezuela's membership has been a highly disputed issue when the country asked in 2004 to join Mercosur and proclaimed its exit from CAN in 2006 becoming membership of Mercosur in 2012, the same year when Paraguay has been suspended from Mercosur because Fernando Lugo, President of Paraguay, has been removed from office by its national parliament. Uruguayan Vice President Danilo Astori commented that this action "could have important consequences for the future since the institutional framework of Mercosur is so weak that it becomes useless" (Renwick, 2012). Mercosur does not allow its members to be part of CAN or to have FTAs with other countries (NF) wherefore Bolivia seeks to become member state depending on the future of CAN and on bilateral tensions with Brazil concerning the privatisation of state-owned oil and gas in Bolivia.

Mercosur's institutional design shows that despite of declaring a gradual convergence in other policy areas than trade and economy, the organisation focusses on economic integration with an **intergovernmentalist** design and focusses on having stronger ties with the European Union with 20% of Mercosur's total trade going to the EU (European Commission, 2015), contrary to other regional integration projects that focus on the United States (Robin, 2008). The scope and depth of integration in Mercosur **rely heavily on domestic preference settings** and eventually will depend so in the long-



run (LI). Additionally, the concept of sovereignty and the reluctance of transfer of power prevails leading to concurring and inconsistent foreign policy agendas, for example, Brazil's ambition to have a permanent seat on the UN Security Council weakening Mercosur at its core (Hirst, 1999).

Another aspect is the Euro-crisis that had a significant impact on Mercosur's model of integration politically (NF). While Europe still struggles with its casualties, Latin American countries started their economic and financial regeneration after five months (Lazarou, 2013). For Brazilian leaders, the on-going crisis has been a confirmation of a power shift in the 21<sup>st</sup> century from Europe and North America to developing countries including Brazil (LI). Lula, former President of Brazil, went that far and declared the 21<sup>st</sup> century as the "Era of Brazil" in the Spanish daily *El Mundo* in 2009: *"I am convinced that the 21st century is the century of Brazil. We are living an exceptional moment. Despite the crisis, we are creating, this year, more than 1,4 million new formal jobs, while millions of work positions were and are being sacrificed in the rich countries"* (Lula da Silva, 2009). Mantega (2010) goes further and states: "We see that Europe is losing its expression. What is the reform about? It is about reducing the participation of advanced countries that are less dynamic, and enhancing the emerging countries, that are more dynamic." What does that mean for Mercosur? The admiration of EU-style regional integration changed into a delusion, and an ideological shift is **rejecting any further political or monetary integration and hence supranationalisation of regional organisations** (= Spill Around/Spillback, NF). In the view of Brazil, the **Neofunctionalist** model of integration became the cause of a policy gridlock in Europe and its lacking regeneration implicitly out of the crisis. As Lazarou (2013) comments: "Lula's 2008 suggestion that South America is heading towards a single currency is not likely to resurface anytime soon."

Where is Mercosur heading? One possibility is that Mercosur maintains its scope as an FTA and customs union with a **Liberal Intergovernmentalist** setting. That would mean the on-going dominance of Brazil. Another option is a gradual empowerment of central institutions, such as a Mercosur Court of Justice, the change from unanimous voting to majority voting or a stronger focus on economic convergence and thus a power-shift from Brazil to Mercosur (NF). Another possibility is the incorporation of the Mercosur "acquis" into UNASUR as the economic pillar. This, however, could eventually cause reluctance from UNASUR member states countries that take part in

various bi- and multilateral agreements, for example, the CAN-countries that harmonised many policy areas for decades.

### 3. Comunidad Andina de Naciones (CAN)

Being the Andean Group (GRAN) as its precedent, CAN was founded in 1996 by Bolivia, Colombia, Ecuador and Perú.<sup>37</sup> Amending Protocol of Trujillo which is the founding protocol of CAN modernised the Andean Group with the Andean Integration System, a newly created institutional framework with **supranational** (NF) and **intergovernmental** (LI) bodies. Additionally, CAN fosters economic and social integration involving civil society groups as advisory councils (see the Andean Business Advisory Council and Andean Labour Advisory Council; NF). The **intergovernmental** bodies of the Andean Presidential Council that is composed by the HoGs of each country meeting once a year, the Andean Council of Foreign Ministers and the Commission of the Andean Community are the principal political bodies of CAN formulating its objectives of the Andean Integration System, including regional integration, foreign policy and investment and market integration of CAN.

The General Secretariat monitors the compliance of the Cartagena Agreement which is the legal base of CAN and is considered as the executive body of the organisation (LI). The Secretary General is elected by consent of the Andean Council of Foreign Ministers (Resico, 2011). The Court of Justice of the Andean Community is a **supranational court** having its jurisdiction throughout the CAN territory and consists of four magistrates (NF). The Andean Parliament is a deliberative organ which has the right to propose suggestions to the bodies of the Andean Integration System such as the Andean Labour Advisory Council and the Andean Business Advisory Council. The members of the Andean Parliament are directly elected by the citizens of the member states (NF). Lastly, CAF – Andean Development Corporation/Development Bank of Latin America functions since its foundation during the era of the Andean Group as a multilateral development bank **fostering regional integration**. It is not by chance that the European Union models the Andean Integration System: in 1993, a Framework Agreement on Cooperation between the European Economic Community<sup>38</sup> and the

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<sup>37</sup> Associated members are: Argentina, Brazil, Chile, Paraguay, Uruguay; Member with observer status are Mexico and Panama.

<sup>38</sup> a few months later the European Union.

Cartagena Agreement (including its member countries) including among other aspects the support towards regional integration (1998). Although the EU signed several Framework Agreements on Cooperation with other political entities that do not reflect the EU model such as CAN does the pro-market euphoria and other positive circumstances during the first half of the 90s are crucial and may explain its setup. However, institutions such as the Andean Parliament do not have the same political power as its European counterpart.

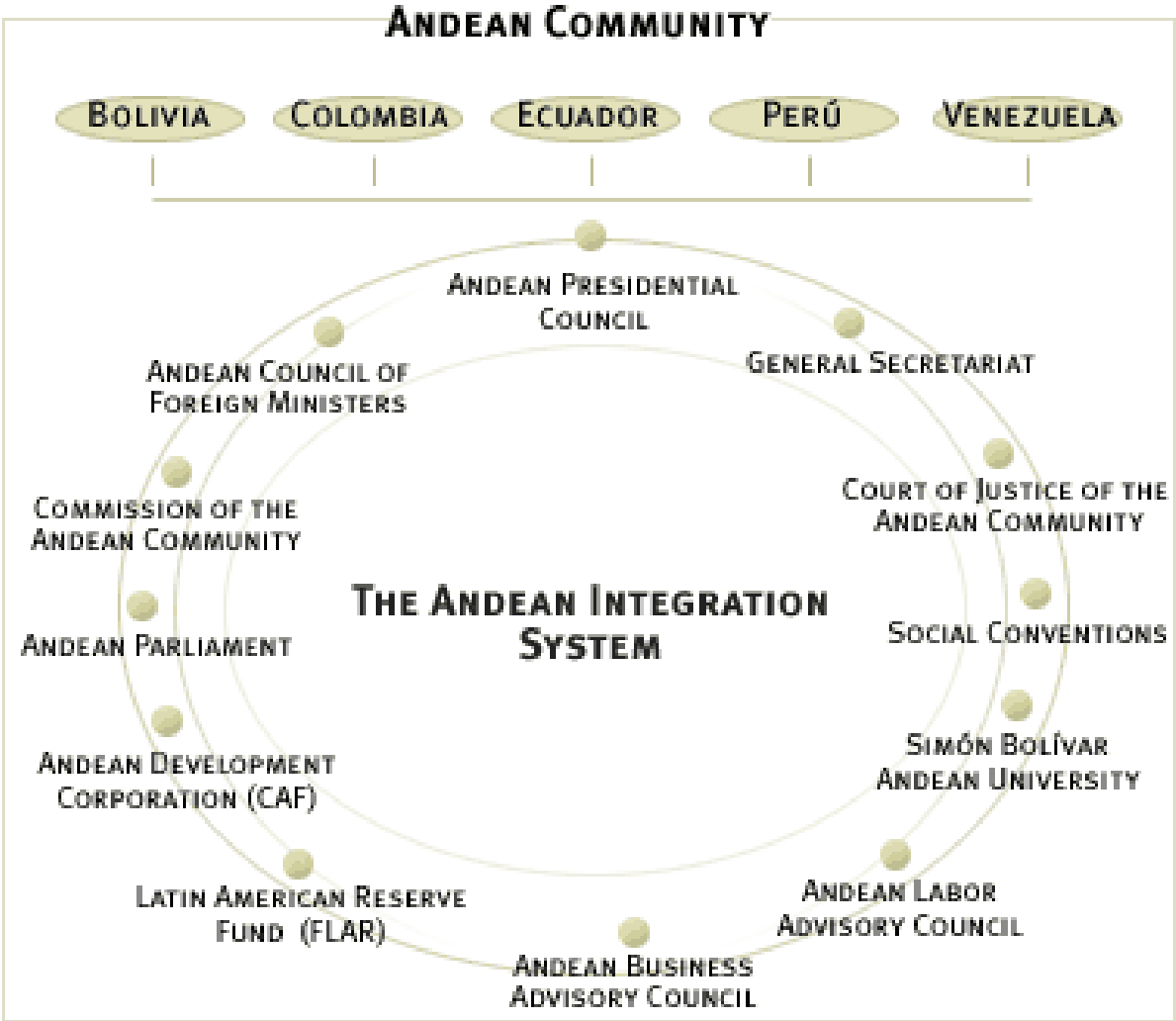


Figure 15. The Andean Integration System. Reprinted from The Andean Community celebrates its XXXV anniversary - Dispute settlement procedures at the heart of the Community since its founding, In Arbitraje y Mediación. Retrieved from: <http://adrresources.com/adr-news/180/dispute-settlement-procedures-andean-community>. Copyright 2004 by Arbitraje y Mediación.

Since 1996, CAN gained influence and power through **strengthening their institutional bodies** (NF). In May 1999, the Andean Council of Foreign Ministers established a Common Foreign Policy (= Lineamientos de la Política Exterior Común,

PEC) transferring significant national sovereignty to this body up to the negotiation of treaties with other international organisations (NF). Thus, CAN negotiated preferential trade agreements with Central American countries, but also with Mercosur for creating a South American Free Trade Area SAFTA) which practically has been signed in 2004 between CAN and Mercosur. During the subsequent years, political leaders of the member states adopted several harmonisation strategies (NF) such as the “Integrated Social Development Plan” or in 2005 the Lima Declaration on Democracy, Development and Social Cohesion (cf. European Commission, 2007).

An integration crisis occurred after the Andean Presidential Summit in July 2004 adopted the CAN Decision 598 that **allows individual member states to negotiate bilaterally with other countries while preserving the CAN provisions** (ibid; LI) and when Peru and Colombia signed FTAs with the United States after the Andean Trade Promotion and Drug Eradication Act (ATPDEA), a preferential trade agreement was expected to end by 2006. This led Venezuela to declare its termination of its membership of CAN in 2006 and its exit in 2011.<sup>39</sup> At the same time Chile, known as an advocate of free trade and open markets, joined CAN again,<sup>40</sup> but as associated member, in 2006.

As a sub-regional organisation, CAN is one of the most **supranationalised integration projects in Latin America** (NF). CAN legislation are directly applicable and do not have to be ratified by the national parliaments of the member states and prevail national law *ex-ante et ex-post* (European Commission, 2007), a **Neofunctionalist** feature which goes beyond the European model. Furthermore, the Andean Court of Justice has similar powers such as the European Court of Justice (ECJ) such as non-compliance judgements of member states, replying to requests for preliminary rulings and sanction countries **failing to comply** (as **Liberal Intergovernmentalist** watchdog) with the court’s judgements (NF). Individuals can also file complaints with the Andean Court of Justice. Again, the Andean Court of Justice has more powers than its European counterpart by ‘instruct[ing] countries to adopt legislation or to amend rules which are not in line with the Andean “acquis”’ (ibid). CAN goes beyond than for instance NAFTA and has a **single internal market**, including the free movement of goods, services, capital, labour and people (Andean

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<sup>39</sup> Venezuela joined Mercosur in 2012.

<sup>40</sup> Again because CAN is considered as the successor organisation of GRAN.

passport) and as afore-mentioned since 2005 an FTA with Mercosur (NF). Furthermore, the member states of can share **several harmonised policy areas** for instance technical, health, environmental or trade standards or common trade, tariffs, price or foreign policy and commerce.

However, there are still areas such as the foreign policy agenda that are rather in a *modus operandi* of **intergovernmentalist** cooperation than of **supranationalist** agenda-setting. Justice and home affairs have been added to a 'political cooperation in the framework of Andean integration' that still needs a higher internal convergence due to **divergent domestic preference settings** (LI). Nonetheless, recent ambitions of creating a common security and confidence-building policy and an Andean peace zone are highly ambitious goals that go far beyond **intergovernmentalist cooperation** including police and judicial cooperation in particular against the regional drug war (ibid; NF).

Depending on the further integration progress of Mercosur and UNASUR, the attractiveness of being a member of CAN may decrease and may lead up to a dissolution of the organisation (LI). Venezuela, as mentioned before, is a full member of Mercosur since 2012 while Bolivia is still waiting for becoming a full member. Furthermore, all CAN member states are at the same time full members of UNASUR.

<b>Actors</b>	- ECLAC, U.S., EU, São Paulo Forum (left supranational interest groups)
<b>Structural Factors</b>	<ul style="list-style-type: none"> <li>- Exogenous events (NF):</li> <li>- 1990 End of Cold War, globalisation</li> <li>- 1990 EU-Rio Group Dialogue</li> <li>- 1992 EU-Inter-institutional agreement (LAC)</li> <li>- 1993 EU-Framework cooperation agreement with Central America</li> <li>- 1993 EU-Framework cooperation agreement with Andean region</li> <li>- 1995 EU-Inter-regional framework cooperation agreement with MERCOSUR</li> <li>- 1997 EU-Economic partnership, political coordination and cooperation agreement with Mexico</li> <li>- Washington Consensus: Trade liberalisation and economic integration through creation of regional blocs and partnership with the U.S. and EU; Proposal of an American Free Trade Area – at the same time proposal of an SAFTA as reaction to NAFTA; Democratisation of Latin America</li> <li>- <b>Supranational interest groups</b> (neoliberalists, leftist)</li> </ul>
<b>Institutionalisation</b>	<ul style="list-style-type: none"> <li>- Economic integration, cooperation of different policy areas</li> <li>- 1991 MERCOSUR</li> <li>- 1991 SICA</li> <li>- 1994 US-North American Free Trade Agreement (NAFTA)</li> <li>- 1996 CAN</li> </ul>
<b>Implementation</b>	- Modernisation of sub-regional integration projects, more emphasis on trade liberalisation
<b>Effects</b>	- Tariff reduction, increased intra-regional trade, increased intergovernmental cooperation
<b>Interdependency</b>	- Convergence of economic interests (NF)
<b>Mode of Regional Integration</b>	- Regional Cooperation/Regional Economic Integration

*Table 16:* Dimensions for Neofunctionalism (NF) and Liberal Intergovernmentalism (LI) during the third wave of regional integration in Latin America (1991-1996), own elaboration.

#### iv. The fourth wave of regional integration in Latin America (2000-2014)

After the great deception of trade liberalisation, privatisation and the outstanding of neoliberalism concept for generating economic wealth, Latin America turned to the left (Castañeda, 2006; Weyland, 2010, Cameron & Hershberg, 2010; Levistky & Roberts, 2011). However, it would be wrong to state that there is a homogenous left in the region. In fact, Castañeda (2006:2) divides the Latin American left into two: “One is modern, open-minded, reformist, and internationalist, and it springs, paradoxically, from the hard-core left of the past. The other, born of the great tradition of Latin American populism, is nationalist, strident, and close-minded.” While the former is representative of left parties in Brazil or Chile, the latter has Hugo Chavez (Venezuela), Fidel Castro (Cuba), but also Evo Morales (Bolivia) and Néstor Kirchner (Argentina) as a reference. From a **Neofunctional** point of view, both lefts are individual **supranational interest groups** that partially collaborate with each other but are principally rivals struggling for regional dominance in the regional agenda-setting. This necessarily leads to a **politicisation of regional integration** (Dabéne, 2012). The main actors are Brazil (moderate left) with the IIRSA<sup>41</sup> – UNASUR<sup>42</sup> – CELAC<sup>43</sup> sequence of regional integration and Venezuela (radical left) with ALBA.<sup>44</sup> Calling the fourth wave as a post-trade wave (ibid) the focus from trade and economic integration shifted to social, security and defense, political dialogue, infrastructure, environment and finances although trade and economic integration still play an essential role (see FTA between CAN and Mercosur in 2004), and even a resurgence of the ECLAC design of the first wave can be observed (ibid).

##### 1. The rise of the lefts, two supranational interest groups striving for regional power

If the fourth wave of regional integration can be analysed with the **Neofunctionalist** feature of **supranational interest groups**, then it is also necessary to analyse the origins of both interest groups as they were the key actors during this wave of regional integration in Latin America. As mentioned earlier in the Mercosur section Brazil

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<sup>41</sup> Initiative for the Integration of the Regional Infrastructure of South America.

<sup>42</sup> Union of South American Nations.

<sup>43</sup> Community of Latin American and Caribbean States.

<sup>44</sup> Bolivarian Alliance for the Peoples of our Americas.

already gathered at the beginning of the 1990s the Latin American left to several summits to define a future roadmap after the end of the Cold War. In 1990 Lula and Castro invited 48 left wing parties to the **São Paulo Forum (SPF)** looking for alternatives to neoliberalism (Dabène, 2012). Among its members are from the moderate left (Partido Socialista de Chile, PS; Broad Front, Uruguay) to the radical left (Revolutionary Armed Forces of Colombia, FARC; MIR, Chile; National Liberation Army, Colombia).<sup>45</sup> The first SPF rejected Bush Senior's FTAA as anti-imperialist and demanded "new concept of unity and continental integration."<sup>46</sup> Anti-imperialism implies the preservation of power and especially of sovereignty which in fact can be deduced from the first declaration complemented with a socialist and third-world view (Dabène, 2012): "it entails the reaffirmation of sovereignty and self-determination of Latin America and our nations, the full recuperation of our cultural and historical identity and the spur of international solidarity of our peoples. It rests on the defence of our Latin-American patrimony, the end of capital flight from our continent, the collective confrontation and address of the external debt curse that is impossible to reimburse, the making of economic policies that yield positive outcomes for the majority and that allow to reduce poverty that affect millions of Latin Americans. It requires, lastly, an active commitment in favour of human rights, democracy and popular sovereignty, as strategic values, challenging the leftist, socialist and progressive forces to constantly renew its mode of thinking and acting" (Foro de São Paulo, 1990). Combining both quotations, it is clear that the participants of the SPF are drafting **an alternative regional integrationist roadmap** implying a much deeper **integration that involves high politics up to the "unity" of Latin America** – an ideal during the 19<sup>th</sup> century (NF). In 1991, the second SPF has been held in Mexico City fostering the conceptualisation of regional integration as "instrument to defend sovereignty against all imperialist dangers, to **coordinate** policymaking targeting the consolidation and deepening of democracy, and to build a consensus around core values" (Dabène, 2012). A year later, celebrating the 500<sup>th</sup> year after the discovery of the Americas, the third SPF in Managua, Nicaragua deepened further talks how the alternative regional

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<sup>45</sup> Other participants: Alternative Democratic Pole in Colombia, Workers' Party (Brazil), Cuban Communist Party, Socialist Party (Chile), United Left of Peru, Free Bolivia Movement, Socialist Movement of Bolivia, Ecuadorian Socialist Party, Fifth Republic Movement of Venezuela (now the United Socialist Party of Venezuela), Party of Democratic Revolution (Mexico), Farabundo Martí National Liberation Front (Nicaragua), Guatemalan National Revolution Unit, Democratic Revolutionary Party of Panama, Lavalas Movement (Haiti) (The Inter-American Institute, 2013)

<sup>46</sup> Foro de São Paulo (1990)



integrationist model should look like: ““alternative integration”,” peoples’ integration”, “from below”, and creating “networks of **exchange, co-ordination** and complementarity of productive, financial and social policies”. Beyond trade, the integration processes were to build on the “dynamic articulation of cultures” (ibid). It still appears more than populist rhetoric than real deep integration. Additionally, the concepts of cooperation, coordination, integration and unity are rarely defined into specific strategies as the SPFs can still be considered as **Liberal Intergovernmentalist fora**. The fourth SPF in Cuba in 1993 concretised how regional integration should look like: “only an economically and politically integrated Latin American and Caribbean community will have the strength to assert itself independently in a world controlled by big economic blocks and their policies totally adverse to our peoples’ interests” (Foro de São Paulo, 1993). Although economic integration has been mostly associated with capitalist and imperialist threat, this SPF acknowledges an **economic integration and political integration as preconditions** to pursue their goals (NF). This implies a much **deeper** and **supranationalist** dimension of regional integration and is justified by “our peoples’ interests”. It may sound paradox that an implicit Latin American Union is justified by **Liberal Intergovernmentalist** domestic preference arguments. However, socialist ideology implies the transcendence of nations and borders and thus considers the region as **global actor** against a capitalist world. In 1994, the SPF has been opted-out and the First Summit of the Americas, organised by the OAS, has been held in Miami (LI). Still being a communist country, Cuba was the only country not invited. In this historical summit Bush Senior’s Free Trade Area of the Americas has been agreed to be created. As a response, the fifth SPF in 1995 in Montevideo the Forum described it as “first stage of a process that aimed at implementing a new purpose of ‘collective security’ and at reinforcing an integration model even more subordinated and dependent on the U.S” (Dabéne, 2012). An alternative to the American model has been given by the socialists: “the ultimate goal of integration is a joint and complementary development of productive sectors and services of all countries in the region, in order to avoid the negative consequences of a world market dominated by multinational corporations” (ibid). It reminds to the old Prebisch/ECLAC-style import-substituting industrialisation (ISI) that is the replacement of foreign imports with domestic production decreasing trade dependencies during the 1<sup>st</sup> wave of regional integration (ibid) and implies **(Neo)functionalist Functional Spillovers** throughout the region. It was the last SPF

summit talking about regional integration while the trade blocs CAN and Mercosur deepened economic integration. However, the sixth SPF summit in El Salvador in 1996 again points out that “the integration does not exclude national interests” (LI) and that “only through sub-regional and regional integration schemes it is possible to gain the specific weight for negotiating successfully with economic blocs that consolidate the today’s world” (Sao Paulo Forum, 1996) again insisting that a transfer of sovereignty is not foreseen despite of the goal of a Latin American union (LI). Six years later in 2001, the tenth SPF in Cuba (again) proclaimed a deep integration of “Latin-American community of nations and peoples” (Dabéne, 2012) opposing the FTAA and proposed an “active role of the State, supplemented by civil society participation and granting the regional institutions with redistributive capacities” (ibid). This proposal is on the one hand highly **supranationalist** due to regional institutions with redistributive capacities and can be considered as a **Political Spillover** and on the contrary it is **Liberal Intergovernmentalist** in that way that the state as implicitly interventionist has still the last word. The tenth SPF is considered by Dabéne (2012) as turning point and roadmap for the Latin American left. Indeed, a year later in 2002, Lula da Silva literally reaps the fruits of his labour and becomes President of Brazil while Hugo Chávez already became President of Venezuela in 1999. His victory was celebrated by his comrades and during the eleventh SPF, urging to take this historical opportunity for deep regional integration with **supranational institution** building (ibid). It did not take long and the Bolivarian Alliance for the Peoples of Our America (ALBA) has been



*Figure 17.* Map of the Foro de São Paulo members in mid-2015. Red: currently in government; Pink: special relationship with governing party; Blue: opposition; grey: no representation. Reprinted from Foro de São Paulo, In *Wikipedia*, n.d., Retrieved from [https://en.wikipedia.org/wiki/Foro\\_de\\_S%C3%A3o\\_Paulo](https://en.wikipedia.org/wiki/Foro_de_S%C3%A3o_Paulo). Copyright 2007 by Creative Commons.

founded by Venezuela and Cuba 2004. The SPF in 2005 supported publicly ALBA and condemned U.S. bilateral FTAs with Latin American countries (see CAN section). Additionally, it considered the CAN-Mercosur FTA, the foundation of the Community of South American Nations (= CASA)<sup>47</sup> in 2004, as fundamental block for a deeper integration, especially in energy and social aspects. This implies that on the one hand the SPF supports ALBA as separate integration regime through hybrid **supranational**/state-owned redistribution mechanisms (see ALBA section) combating “social debts” and defending “the Latin American identity and solidarity” (Final Declaration of the 12<sup>th</sup> Sao Paulo Forum, 2005:162). On the other hand, the Community of South American Nations which will eventually become UNASUR by 2008 is considered as the **main regional integration mechanism** “up to the formation of the Community of Latin American and Caribbean Nations” (Final Declaration of the 12<sup>th</sup> Sao Paulo Forum, 2005:162). As being part of NAFTA, Mexico is considered in the context of the “North American Community” (ibid) and will be so as long as their “left brothers” may win the election (ibid). In 2015, almost every Latin American country is being governed by leaders and member parties of the SPF.<sup>48</sup>

Besides of the foundation of ALBA, CASA, UNASUR and CELAC, Venezuela (1999), Ecuador (2008) and Bolivia (2009) added a new concept of regional integration. While Venezuela included in Article 153 the objective of creating a “community of nations” and “granting **supranational** organisations, by means of treaties, with the exercise of necessary competencies to achieve regional integration”, Ecuador has the most “integrationist” constitution of Latin America aiming “at promoting regional integration in a wide array of issues (economy, environment, law, culture, identity...), and also mentions the possible creation of supranational organs” (Dabène, 2012). This domestic divergence of interests reflected in the different constitutions and the actions and implementations of HoGs inhibited the realisation of the majority of the SPF’s roadmaps.

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<sup>47</sup> CASA is not just the abbreviation of the Community of South American Nations, it is also the Spanish/Portuguese word for house.

<sup>48</sup> except of Mexico, Guatemala, Honduras, Costa Rica, Colombia, Guyana, Paraguay, Puerto Rico, Martinique and Bridgetown.

## 2. Bolivarian Alliance for the Peoples of Our America (ALBA)

Founded by Venezuela and Cuba in 2004, it is an ideologically-driven **intergovernmental** organisation with **supranational** features and consists of Latin American and Caribbean countries.<sup>49</sup> Its main driver is Venezuela (LI) promoting an alternative regional integration agenda focusing on social, political and economic integration through redistributive social welfare bartering and mutual economic aid (Resico, 2011). As a political answer to the US-led Free Trade of the Americas (FTAA) Hugo Chavez created the concept of People Trade Agreement<sup>50</sup> (PTA), an exchange of goods or services as a reaction to social needs instead of the commercialisation of them through bilateral trade liberalisation. The goal of PTAs is the (sub) regional independence from imports and a statist tool for solidarity and reciprocity among member states. Part of this concept is the Petrocaribe Cooperation Agreement established in 2005, an energy and infrastructure project led by Venezuela with Caribbean, Central, and South American countries. One example is the project “Misión Barrio Adentro” in 2005 between Cuba and Venezuela where the former sends doctors to Caracas and the latter in exchange petroleum to La Habana. Later on, other ALBA countries joined the initiative benefitting most of Venezuela’s oil. Another project of the “gran-nacionales”, the umbrella name for **transnational** projects in ALBA, is the alphabetisation initiative based on the Cuban project “Yo sí puedo”<sup>51</sup> (Gil & Paikin, 2013). Another experiment based on these principles is the creation of the virtual currency SUCRE (= Sistema Único de Compensación Regional de Pagos)<sup>52</sup> seeking to decrease the dependency on foreign exchange, especially the US-Dollar) for regional trade. Furthermore, the ALBA Bank works as a development bank for regional social inclusion initiatives (Gil & Paikin, 2013).

Principally, ALBA has a similar institutional framework as most of the Latin American regional integration schemes. The President’s Council of ALBA defines ideological, strategical and political guidelines and consists of the presidents of each member state. The Permanent Coordination of ALBA which is the executive secretary of ALBA is represented by a permanent coordinator with a two years’ mandate and another

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<sup>49</sup> Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Grenada, Nicaragua, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines and Venezuela.

<sup>50</sup> Tratado de Comercio de los Pueblos

<sup>51</sup> = Yes, I can!

<sup>52</sup> Named after Simon Bolívar’s closest ally Antonio José de Sucre. Besides of the ALBA currency, a Venezuelan state, a Colombian state department and the Bolivian capital is named after him.

coordinator for each member state. Their function is the administration of ALBA's institutions and projects which are ongoing. The Sectoral Council is similar to Council of Ministers implementing the President's Council of ALBA's guidelines (LI). The Council of Social Movements is a joint advisory body observing the organisation's work and giving impetus to the President's Council of ALBA for new initiatives.

As for Brazil UNASUR, Mercosur and CELAC are **fora** for its foreign policy agenda, so ALBA is for Venezuela. Chávez anti-American and anti-capitalist narrative manifested throughout the ALBA agreements and considered ALBA as the legitimate successor organisation for the Latin American Union since 19<sup>th</sup> century including Miranda's and Bolívar's letters and the Panama Congress in 1826.<sup>53</sup> Chávez radicalisation can be traced back since the beginning of the 2000s when a series of overthrow attempts by the opposition (coup attempt in 2002, civic strike in 2003, recall referendum 2004) failed and the U.S. publicly supported these plans (Dabène, 2012). Not just tensions arose between the Andean countries during the FTA negotiations with the U.S. during 2004-2006 leading to the withdrawal of membership of Venezuela from CAN (see CAN section) – even diplomatic tensions after several incidents<sup>54</sup> between Colombia and Venezuela close to war.

However, ALBA still did not achieve any of Bolívar's goals, not to mention to gather most of the Latin American countries most likely because of his original and controversial narrative rather scaring off the moderate left in Latin America than to cope with them (ibid). On the contrary: ALBA's *modus operandi* can be best described as a regional integration *à la carte* with economic carrots and ideological sticks for neighbouring states. There is no common treaty or constitution and agreements are signed bilaterally or multilaterally (LI). Furthermore, due to the absence of a common economic integration framework, neither common external tariffs nor a common market is established or explicitly planned. This leads to an absence of a one-speed integration and highly depends on the willingness to give in during the negotiations which are not that hard for most net recipients of Venezuelan cheap oil or foreign aid. In this case, the application of **Liberal Intergovernmentalism** can be considered as the best fitting theory to describe ALBA. Venezuela, driven by its Socialist, Bolivarian, and Chavist doctrine has a strong sense of mission to export its idea through the entire region and

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<sup>53</sup> See: ALBA (n.a.). Antecedentes Historicos del ALBA. Retrieved online: <http://www.portalalba.org/alba/antecedentes-historicos-del-alba> .

<sup>54</sup> See: Andean diplomatic crisis (2008), FARC Files (2010) and Venezuela-Colombia Border Dispute (2015).

uses its transnational leftist networks and domestic resources to expand its influence with economic, social (and monetary) incentives. The many Caribbean and Central American states rely heavily on oil and are highly vulnerable to external economic pressure. Additionally, most of these countries are affected by the leftist paradigm-shift having an ideological proximity to Venezuela and, thus, ALBA. The PTAs can be considered as **side payments** of Venezuela to its partners for obtaining ideological loyalty against capitalist countries, especially the United States. In comparison, these **side payments** are almost as a reform program free of charge and by far the cheapest way to import cheap oil (particularly when Venezuela is the principal donor for the energy infrastructure to the recipient countries) for relatively low compensation for agricultural goods or human capital (LI). In the end, it can be said that ideology and economic self-interest drive ALBA.

This leads to the significant challenges of ALBA. Regional integration driven by ideology is highly dependent on the continuity of the national government **as domestic preference building** may change after a political change (LI). After the last Venezuelan parliamentary election in December 2015 where the opposition obtained the two-thirds majority of the chamber, domestic pressure against Nicolás Maduro, Hugo Chávez successor, and its policies increased. Poverty, inflation, and social unrest rose to an all-time high, and it is highly questionable that ALBA's redistributive integration policies survive, keeping in mind the low global oil price and the domestic defect. Without ALBA's incentives, other member states of ALBA eventually decrease their interest in the organisation leading to withdrawals (LI). Additionally, regional integration projects, such as CARICOM, UNASUR or CELAC with a more pragmatic and less ideological approach may be **more feasible options** in the mid-term, independently whether or not Venezuela changes its foreign policy agenda in ALBA. Lastly, ALBA is not just based on its ideology a *sui generis* of regional integration but its constellation. While other models define their scope geographically,<sup>55</sup> ALBA is a "free-to-join" organisation as long as you are not capitalist. This implies several intra-regional trade difficulties due to the **lack of proximity** or of the inadequate infrastructure.

Although ALBA seems to become weaker due to political changes in Venezuela and Latin America it still shows that Brazil's regional integrationist hegemony is not

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<sup>55</sup> e.g. the European Union for Europe, UNASUR for South America/Latin America, African Union for Africa

uncontested (Dabène, 2012). Although Brazil is the forerunner for Mercosur, UNASUR and CELAC and thus the promoter of regional integration in Latin America, Venezuela has been able to take a tough stance and to gather several countries under the flag of Chavism and to implicitly oppose Brazil's mode of regional governance (LI).

### 3. Union of South American Nations (UNASUR)

The Union of the South American Nations, UNASUR was founded in 2007. Currently, it is mainly a South American organisation and one of the most promising organisations for applying integration theories. The following countries are permanent members of UNASUR: Argentina, Brazil, Bolivia, Colombia, Chile, Ecuador, French Guiana, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela. The Caribbean countries and most of the Meso-American countries are excluded from the organisation. However, Mexico and Panama have an observer status while Trinidad and Tobago were invited by the Venezuelan President Nicolás Maduro in July 2013 to join the organisation (John-Lall, 2013). Nonetheless, the Constitutive Treaty of UNASUR allows each Latin American and Caribbean nation to adhere to the organisation.

The geopolitical project mainly led by Brazil has its objective to **unite** the South American continent as eventually an alternative organisation to the US-led OAS (Smink, 2011). Furthermore, the **intergovernmental** organisation seeks to politically and economically integrate the member states. In fact, UNASUR is the fifth largest economic bloc on earth, right behind the United States, the EU, China, and Japan (World Bank, 2011).

UNASUR is the realisation of Brazilian President Itamar Franco's and later on of President Henrique Cardoso idea to create a South American Free Trade Agreement (SAFTA; LI). The latter convoked a summit in Brasilia in 2000 inviting the presidents of the member states of CAN, Mercosur plus Chile, Guyana and Suriname and formulating the Communique of Brasilia proclaiming not just an SAFTA but the move towards a **deeper integration** involving several policy areas (NF; Cf. Comunidad Andina, 2000). One action was the creation of IIRSA (Iniciativa para la Integración de la Infraestructura Regional de Sudamérica)<sup>56</sup> led by the *Banco Interamericano de*

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<sup>56</sup>= Initiative for the infrastructural integration of South America.

*Desarrollo* (BID)<sup>57</sup> and the *Corporación Andino de Formento* (CAF).<sup>58</sup> Its objective was of a highly **Neofunctionalist** nature: it was the infrastructural integration of South America through connecting the domestic infrastructure to a South American one and to create better networks from the east to the west coast of the continent (Sanahuja, 2008:31). This would eventually lead to an **increased intra-regional trade**. Two years later, in the Consensus of Guayaquil in Ecuador the presidents “reiterated their will to continue promoting actions of **coordination** and **cooperation** intending to create a **common South American space**” (Cf. Comunidad Andina, 2000). Additionally, the *Declaración sobre Zona de Paz Sudamericana*<sup>59</sup> was signed. Subsequently during the third Summit in Cuzco, Peru, in 2004 the *Comunidad Suramericana de Naciones* (CASA)<sup>60</sup> being the precursor of UNASUR was founded. It is worth to mention that both organisations reflected by their name their European counterpart (European Community to the European Union) and was in fact inspired by their common norms and goals (Sanahuja, 2008). Principally, CASA consisted of three pillars (cf. Sanahuja, 2008:31):

1. Cooperation and coordination of foreign policy to foster the political clout of South America,
2. Creation of the South American Free Trade Area (SAFTA),
3. Integration in transportation, energy and communication areas.

Pedro Seabra (2010) adds: “Highlighting shared values among state members, their interconnectedness, and the need to face several internal and external challenges, it was decided to gradually merge MERCOSUR and CAN, without institutional duplication, seeking greater political, economic, social and energy integration.” **Civil society and entrepreneurs** should participate during the integration process (NF), and later on, the financial sector became another policy area for regional integration (ibid). During the subsequent two years, summits in Brasilia and Cochabamba (Bolivia) deepened the implementation of the project of a **South American identity** (NF). During the 2007 first South American Energy Summit, Chávez proposed to rename the organisation to UNASUR with a one-year deadline to ratify it. This goal was barely failed due to the Ecuador-Colombia crisis during 2008 (ibid). On 23<sup>rd</sup> May the twelve

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<sup>57</sup> = Interamerican Bank of Development.

<sup>58</sup> Which is the Development Bank of Latin America.

<sup>59</sup> = Declaration of the South American Peace Zone.

<sup>60</sup> = Community of South American Nations.



founding members<sup>61</sup> signed the Constitutive Treaty of UNASUR leading legally to its birth in 2011 at a meeting of Foreign Minister in Quito, Ecuador.

The creation of CASA/UNASUR was, in fact, the **convergence of interest** of the signatory states but also of **supranational interest groups** such as national and multilatin corporations, for instance, the Brazilian Industrial Federation of the State of São Paulo (Fiesp) or the National Confederation of Industries (CNI).<sup>62</sup> Additionally, it is a classic example of the combination of **Neofunctionalist** and **Liberal Intergovernmentalist** integration with the slight difference that Brazil is the main driver of CASA/UNASUR besides of **supranational** interest groups (the Latin American left, corporations). The first South American Summit in 2000 can be considered as a **Liberal Intergovernmentalist** forum sorting out the interests of each member state leading to the proclamation of SAFTA until 2005, but also **Neofunctionalist** with the IIRSA initiative. Cardoso and later Lula da Silva saw the opportunity to take leadership and to pursue Brazil's interests as a regional power. Additionally, it became highly attractive for Brazil to move towards the CAN region, especially to Chile, Peru, Ecuador and Colombia due to their access to the Pacific Ocean and, thus, to trade partners in Asia like China, Japan, and Korea. The consequence is the **Political Spillover** in Guayaquil in 2002 focusing **to integrate further at technical policy areas** like infrastructure and energy for facilitating Brazil's access to the Pacific. The expansion to the foreign policy area (and partially interior due to the Peace Zone) is rather a challenge against the OAS and certain "emancipation" from the US. In 2007 the Bank of the South, an idea of Hugo Chávez, Lula da Silva and the Argentinean President Néstor Kirchner (known for their close connections), was officially founded and is considered as a monetary fund and development bank, independently from the IMF (NF). It is considered as a **driver for integrational projects** in the region and can be become the **foundation for a single currency** (NF). As Alí Rodríguez Araque, Secretary General of UNASUR in 2012 stated it should forward regional industrialisation and infrastructural modernisation (UPI Español, 2012). Until then, however, just Argentina, Bolivia, Ecuador, Uruguay, and Venezuela ratified the creation of the Bank (Flannery, 2012), and until now it is neither part of UNASUR, nor

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<sup>61</sup> Brazil, Argentina, Venezuela, Ecuador, Colombia, Chile, Paraguay, Uruguay, Bolivia, Peru, Guyana and Suriname.

<sup>62</sup> Ibid.

commenced its work.<sup>63</sup> The step towards UNASUR again can be considered as a **Political Spillover** and reflects the political will to increase the effort to deepen integration. The establishment of a permanent secretary instead of a pro-tempore secretary in Quito, Ecuador, but also the symbol of a **Constitutive Treaty and UNASUR as a legal person governed by public law** are emanations of an institutionalisation and **supranationalisation** of UNASUR (NF).

A key objective of UNASUR is the creation of a **single market** that is pursued through the convergence of both regional projects CAN and Mercosur (NF). Thus, it has been planned to **eliminate internal tariffs** for non-sensitive goods until 2014 and for sensitive goods until 2019 based on the WTO and GATT agreements under Article XXIV: 5. that is why UNASUR is not yet listed as a Regional Trade Agreement (RTA) at the WTO. As Ross (2014) observes it: “The understanding on the interpretation of Article XXIV clarifies, that a “reasonable length of time” should only exceed ten years in exceptional cases. Considering the schedule outlined by UNASUR for the eventual elimination of tariffs, it appears that this ten-year period will be surpassed”. A failure to create trade advantages to its member states may create a severe crisis for UNASUR, similar to CAN.

Additionally, it is planned to introduce a **common currency**, a **supranational parliament** in Cochabamba, Bolivia and a **common passport** (Resico, 2011:358). In fact, the incumbent Secretary General, Ernesto Samper who also was President of Colombia, supports the idea of an “institution with the capacity to enact laws with a regional scope” (UNASUR, 2015). For the latter, Samper remarks the implementation of a South American passport is accompanied by a “harmonisation of professional titles, university certificates and the mobility of tourism” (ibid), clear declarations for a **Neofunctionalist** mode of regional integration. In 2014, the Venezuelan Secretary of Commerce at that time, Dante Rivas, announced via Twitter the foundation of a **single market** of ALBA, Mercosur, CELAC, Petrocaribe and UNASUR (Kummetz, 2014) – a declaration based on negotiations during the first summit of the Secretaries of Economy, Commerce and Industries of CELAC in Costa Rica in the same year. Apparently, this announcement could be rather considered as a wishful thinking than reality particularly because of the lack of any reaction concerning this tweet.

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<sup>63</sup> This was in fact one of the main topics for the planned UNASUR summit on April 2016 which was canceled last-minute.

Nonetheless, the creation of the South American Defence Council, although it is still an **intergovernmentalist** institution, is a **Functional Spillover** as a response of a possible destabilisation of the region (and endogenous pressure). During the uprising against the Bolivian President Evo Morales in 2008, UNASUR's member states declared its solidarity with Morales deescalating the situation in Bolivia. As a result, the SADC was founded in March 2009. Since then the council deals with **regional security issues** such as the Ecuadorian-Colombian crisis, nonetheless with moderate success. Additionally, tensions and discord grew with the presence of US-American troops in Colombia. Besides of that, the two-pronged strategy of Venezuela through ALBA increases discord concerning the future path of UNASUR. It is unclear whether it becomes a NATO-like alliance, a continuation of Latin American multilateralism or a much deeper integration, similar to Bolivar's dream of a unified Latin American army.

Institutionally, UNASUR has its juridical source in the **Constitutive Treaty**, the decisions the member states make multilaterally at the Council of Heads of State and Government, the resolutions made at the Council of the Foreign Affairs Minister and to an extent decisions made by the Council of Delegates (LI).<sup>64</sup> Its headquarters is in the Ecuadorian capital Quito where the Permanent Secretary has its office. As Paredes (2011) states: "It is not one of the goals of UNASUR to increase bureaucracy, or to compete with the secretariats of CAN and MERCOSUR. Its aim is to create an institutional entity that reflects the existence of a newly articulated body with specific mandates and goals for the region."

Council of Heads of State and Government:<sup>65</sup> As the promoter of regional integration in UNASUR it elaborates the political agenda, action plans, and priorities. Decisions are taken by consensus, and they meet once each year (LI).

Council of the Foreign Affairs Minister:<sup>66</sup> As a complementary body, it formulates and concretises the actions of the Council of Heads of State and Government and monitors the integrational progress. Additionally, it approves resolutions and regulations and can create working groups. As in other Latin American regional integration organisations, the body meets twice a year (LI).

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<sup>64</sup> See Constitutive Treaty of UNASUR, Article 11.

<sup>65</sup> = Consejo de Jefes y Jefes de Estado y de Gobierno.

<sup>66</sup> = Consejo de Ministras y Ministros de Relaciones Exteriores.

Council of Delegates:<sup>67</sup> is represented by delegates from each member state and meet twice a month to supervise the progress of projects of UNASUR. Additionally, it coordinates the working groups and builds up communication channels with other regional groups to avoid duplications of institutional settings. Furthermore, it promotes public dialogue with the public and civil society (LI).

General Secretary:<sup>68</sup> It functions as the technical body for the other institutions but can also propose initiatives similar to the European Commission. In fact, it is the only permanent UNASUR body. The Secretary General is elected for a two-years-term (NF).

Pro-Tempore Presidency. Serves in a one-year-term and is a rotating presidency. The Pro-Tempore President represents the organisation at international events (LI)

South American Defence Council: Since 2009 the SADF, consisting of the Secretaries of Defence of each member state discusses regional defence policies (LI).

Electoral Council: In 2012 the Council, composed of four representatives for each country, monitors the election process. One of its most prominent missions was the election in Venezuela in 2012 (LI).

In sum, the institutional structure of UNASUR almost does not differ to other Latin American regional projects. The lack of **supranational** institutions and at least the will to create them leads to a **Spill Around** (cf Schmitter, 1970) which can be best described as the deficient further integration that emerge from **Spillovers** due to “unintegrated national administrative structures, lack of autonomous, functionally specific, and influential interest groups, the prevalence of higher political elites who are preoccupied with their own insecurity of office and short-term survival” (ibid) among other factors. Indeed, the **politicisation** of integration on the one hand via both leftist factions in Latin America, but also throughout the multilateralist structure of regional integration in the region (LI) also creates policy-gridlocks in UNASUR. The Council of Head of States and Government remains the most powerful institution without an equally strong **supranationalist** counterpart as a parliament or a commission. Decision-making is still done via unanimous voting (LI) creating a poor record of substantial initiatives for a deeper integration due to **divergent national interests**. It

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<sup>67</sup> = Consejo de Delegados y Delegadas.

<sup>68</sup> = Secretaría General.

is unlikely that this will change soon especially considering that Article 12 of the Constitutional Treaty manifests this mode of decision-making as the only mode. Additionally, the participation of businesses or civil society is still restricted to the national level (NF). Neither the planned **supranational** parliament has come into force being a method to increase civic participation through direct elections nor is civil institutions such as in ALBA or CAN visible as viable **fora** for interest groups although it is stated several times throughout the Constitutive Treaty that it wants to foster civic participation.<sup>69</sup>

Where is UNASUR heading? At first, the Caribbean, Central America, and Mexico were left out although the latter expressed its interest in becoming a member of the bloc (El Universal, 2012). However, Article 20 of the Constitutive Treaty enables the possibility to all Latin American and Caribbean countries to join UNASUR expanding its scope not just to South America but everything south of the Rio Grande (LI). UNASUR, thus, can become to the biggest regional project on earth. The presiding Secretary Samper tries to set **Neofunctionalist** impulses to strengthen UNASUR as a **supranational** institution. These impulses are mostly done through **low political harmonisation measures** for avoiding discord between the HoGs of UNASUR. Nonetheless whatever **supranationalisation** or **harmonisation** is just possible with Brazil that is not just facing political turmoil due to the biggest corruption scandal in its history, but it is also hit by a political shift in Latin America where citizens are becoming more and more discontent with left governments. Besides of that, the Brazilian constitution does not foresee any transfer of sovereignty to any **supranational** body (LI). Just a reform of the constitution could empower UNASUR to act more independent from **national preferences**. It is highly unlikely that Brazilian legislators would propose such an initiative that would be as to shoot oneself in the foot.

Currently, UNASUR faces the same problems such as LAFTA during the 1960s, CAN with the fragmentation or the EU during the Empty-Chair-Crisis because of the **divergence of national interests**, but also to not implement the measurements to eliminate trade barriers and to become a fully functioning single market. UNASUR can break through the Latin American *Eurosclerosis* as being the most promising integration project of the region if it learns from the errors of the past in Latin America and also in Europe.

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<sup>69</sup> See Articles 2, 3p, 9g, 14 and 18.

A key to a successful regional integration is institution building and the complete economic integration. The Single European Act in 1987 declaring the creation of a European Single Market became the backbone of the European project and the elementary part of the economic integration of the continent. The failure in LAFTA was the absence of the immediate tariff reduction and further integration that has been pompously declared but never implemented. Nonetheless, UNASUR benefits also from the merger of CAN and Mercosur and ALADI's framework (Ross, 2014). However, the creation of the Single European Market has been done during the emergence of globalisation. The forces of globalisation increased tremendously, and the establishment of a South American Single Market is not necessarily feasible for the entire continent. Chile for example as one of the most liberal countries in Latin America ratified several FTAs and has a much more open economy than for instance Venezuela (LI). A harmonised single market would eventually restrict Chile's choices with whom to trade, and to countries like Venezuela, the single market may become an ideological battle decreasing the attractiveness of an RTA. Thus, it is paramount that UNASUR meets the trade integration until 2019.

The foundation of the European Parliament in 1979 was a reaction to legitimise the project for the European citizens but also as a **supranational** institution besides of the European Commission to foster regional integration through **Spillovers**. The European Court of Justice as arbiter, but also as **legal integration motor** is another institution mostly judging for **supranationalisation**. Other supranational legal institutions like in NAFTA confirm these claims. UNASUR, in that case, relies on the feasibility of a **brokered negotiation** based on Article 21 of the Constitutive Treaty – a mode of governance highly dependable on the **preference setting** and a regional alliance of national governments (Ross, 2014). The enforcement of decisions and other legal provisions as defined in **Liberal Intergovernmentalist** theory is absent and disciplinary measures are barely existent leading to the risk of a lax implementation of UNASUR provisions. The Bank of the South could also become as a strong body for regional integration decreasing economic divergence among the member states and increasing **infrastructural integration**.

UNASUR does not have these institutions and the General Secretary does not have the power such as a European Commission has to enforce norms or directives – the source of power still lies with the Council of the Presidents and HoGs (LI). The Latin American people consider themselves as part of a Latin American community implying

that a UNASUR parliament would support further integration and even transference of sovereignty to UNASUR (NF), eventually as a **mediator** between the people and their governments (LI). A great hindrance of a further integration is, nonetheless, the reluctance of the transference of sovereignty to a **supranational** organisation, ideological differences between the two lefts and the pro-liberal faction, but also personal disagreements between the Heads of States. The only way to decrease these divergences is common successes, for example, the relaxation of the tensions between some CAN members, but also through the improvement of prosperity through an efficient economic integration agenda.

It can also expand its function as an **inter-governmental mediator** through the SADF which would benefit the entire region as a stabiliser which increases the attractiveness for investors, businesses and, thus, creates new jobs for the region. The pacification between Venezuela-Colombia-Ecuador would mean the creation of a true South American Peace Zone instead of one just existing in the paper. One successful example is the pacification between Argentina and Brazil through the establishment of Mercosur. Nonetheless, this would mean to challenge the power of drug warlords, of militant left groups and the web of corruption in Latin America – a challenge that a **supranational** and **technocratic** body could successfully accept through **Functional Spillovers**.

UNASUR has the possibility to become the EU of Latin America. The organisation has the great advantage to learn from several historical cases and to avoid the same errors again. Member states would do well to improve its efforts in building strong supranational institutions and to focus on the harmonisation of policy areas where the convergence of interest is already high. Through the democratisation of regional integration via a supranational parliament the legitimacy of UNASUR would increase and thus its efficiency.

It is too soon to judge whether or not UNASUR will succeed with its objectives. Nonetheless, regional integration throughout the last decade was promoted by the two lefts in Latin America which held most of the governmental offices throughout the region. This is about to change and thus the dynamics how the Heads of States will negotiate the further course of Latin American regional integration.

#### 4. The Community of Latin American and Caribbean States (CELAC)

The forum was proposed during the XXI Summit of the Rio Group, also called *Cumbre de la unidad de América Latina y el Caribe*<sup>70</sup> in 2010 in Playa del Carmen, Mexico. As predecessors, the *Rio Group* and the *Cumbre de América Latina y el Caribe sobre Integración y Desarrollo* (CALC)<sup>71</sup> paved the way to CELAC.

CELAC declared its goals to be the “creation of a common space for deepening the political, economic, social and cultural integration of our region via the establishment of compatible objectives and mechanisms [...] and the establishment of solidarity and cooperation linkages between Latin America and the Caribbean” (CELAC, 2012). For understanding the origins of CELAC its predecessor organisations are briefly presented.

The *Rio Group* was an **intergovernmental** consultation mechanism between the presidents of Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay and Venezuela and originates from the *Contadora Group* and the *Contadora Support Group* as predecessors. Its main goal was the pacification of the Central American Crisis between El Salvador, Nicaragua and Guatemala and also winning ground against the United States’ influence in the sub-region. After successfully settling the dispute and the will to continue to cooperate mutually, the Rio Group formalised itself in 1990 in Rio de Janeiro.

The *Cumbre de América Latina y el Caribe sobre Integración y Desarrollo* was established in 2008 in Salvador de Bahía, Brazil, to tackle the aftermath of the financial crisis and to promote further regional integration. Besides of improving mutual policy coordination in different policy areas such as poverty and hunger reduction, infrastructure, natural disasters among others, it also declared its support to Argentina in the Falkland conflict and against the U.S.-embargo against Cuba (Gil, Paikin, 2013).

In December 2011 in Caracas, Venezuela, the III CALC Summit and the XXII Summit of the Rio Group founded CELAC involving 33 Latin American and Caribbean countries as a **forum** for common political exchange and political coordination (LI). In its eponymous declaration with the subtitle “*En el Bicentenario de la Lucha por la*

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<sup>70</sup> Summit of the unity of Latin America and the Caribbean.

<sup>71</sup> Summit of Latin America and the Caribbean for Integration and Development.



*Independencia hacia el Camino de Nuestros Libertadores*<sup>72</sup> the common history of the American people and the bicentennial of independence under the spirit of the Amphictyonic Congress of Panama in 1826 and Bolívar's vision of a historical, political and cultural union of Latin American and Caribbean nations is regarded as the common ground for future integration (CELAC, 2011). It also stresses out the different sub-regional projects and the need for a flexible and voluntary model of integration for the functioning of the region. The following values and principles are manifested in point 23 of the Declaration:

- respect for international law,
- peaceful settlement of disputes,
- prohibition of the use and threat of use of force,
- respect for self-determination,
- respect for sovereignty,
- compliance with territorial integrity,
- non-interference in the internal affairs of each country and
- protection and promotion of all human rights and democracy.

It is worth to mention that these principles are mainly manifested in the OAS Charter. Although CELAC officially does not confirm to be an alternative project to the OAS, leaders of the radical left, namely Evo Morales of Ecuador and Hugo Chávez of Venezuela, openly welcomed it as such (TeleSUR, 2010). Additionally, the explicit formulation of "Latin-American" instead of "American," the factual exclusion of the U.S. and Canada, the membership of Cuba (and its *Presidency pro-tempore* in 2013) and the foundation of CELAC in the capital of Venezuela<sup>73</sup> speak for itself.

CELAC is explicitly stated as the principal actor for representing the region's interests with the EU and the U.S. In fact, the former inter-regional partnership between the EU and Latin America and the Caribbean (EU-LAC) has already become the EU-CELAC (European External Action Service, n.a.). The *Troika*, the executive body of CELAC, also built its contacts to Russia, China and in the Middle-East since 2013.

The CELAC organs principally rely on consensual decision-making, *id est* a typical **Liberal Intergovernmentalist** approach (cf. Charles de Gaulle and Empty-Chair-

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<sup>72</sup> = In the Bicentennial of the Struggle for Independence to the Way of Our Liberators.

<sup>73</sup> Although it has been justified for being the homeland of Bolívar, see point 40 of the Declaration.

Crisis) and a presidential or ministerial level. The participation of other political, social or business stakeholder is not foreseen.

The *Cumbre de Jefes y Jefas de Estado y de Gobierno*<sup>74</sup> is an **intergovernmental** body, similar to the Council of the European Union and the backbone of CELAC where annually the Heads of Government (HoGs) gather together to discuss the political and strategic guidelines of the community. Additionally, it discusses its standings with third countries, other **intergovernmental** organisations and changes of the statutes of the functioning of CELAC.<sup>75</sup> Lastly, it defines the location of the future summit. The summit is chaired by a *pro tempore* presidency that implements the decisions of the summit.

The *Reunión de Ministros y Ministras de Relaciones Exteriores*<sup>76</sup> is a biannual meeting of the Secretaries of Foreign Affairs that prepares the guidelines formulated during the *Cumbre de Jefes y Jefas de Estado y de Gobierno*. Furthermore, it can formulate resolutions for implementing decisions or declarations at the *Cumbre de Jefes y Jefas de Estado y de Gobierno*, create task-force groups for specialised areas, prepare common positions in international summits, increase sub-regional exchange and approve common regional integration initiatives that later on will be adopted at the Summit.

The *Presidencia pro tempore*<sup>77</sup> is a *novum* in Latin American regional integration politics. As administrative and technical support unit, it prepares and chairs the summits, maintains the continuity of the agenda and can invite for a summit of the regional and sub-regional projects to share their information to facilitate regional integration for avoiding duplications in the scope of integration. It is worth to mention that each *Presidencia pro tempore* is obliged to pay for their upkeep and is responsible for creating a CELAC web page providing information to the public and the members of the community.<sup>78</sup>

The *Reunión de Coordinadores Nacionales*<sup>79</sup> is a representative and supportive body for the member states that keep in contact with the *Presidencia pro tempore*. It consists

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<sup>74</sup> = The Summit of Head of State and Governments.

<sup>75</sup> = Estatutos de Procedimientos para el Funcionamiento Orgánico de la CELAC.

<sup>76</sup> = Meeting of the Secretaries of Foreign Affairs.

<sup>77</sup> = Presidency pro tempore.

<sup>78</sup> It is highly doubtful that it promotes the aspired common identity having already four to five CELAC homepages, unlinked to each other and partially with outdated information. Additionally, based on Liberal Intergovernmentalist theory, intergovernmental/supranational institutions need to exercise its duties and to monitor a ratified agreement that is presumably hardly achievable with insufficient funds.

<sup>79</sup> = Meeting of National Coordinators.

of an individual representative for each country and meets before of the Meeting of the Secretaries for Foreign Affairs. It assists the latter in their work and coordinates the communities' agenda on a national level.

The *Reuniones Especializadas*<sup>80</sup> are special task-force groups that are implemented for specific areas of interests.

The *Troika Ampliada*<sup>81</sup> is another new feature in Latin American regional integration politics. Although it is the body with the shortest definition of its rights and obligations in the statutes (cf. CELAC, 2012), it is one of the most influential. Similar to the Council of the European Union, the Summit of Head of State and Governments has a Troika consisting of the former, the current and the future *Presidencia pro tempore* and since the 2013 plus a CARICOM member (CELAC, 2013) that are defined by rotation. This change can be considered as a **supranationalist** step advantaging the Caribbean states in comparison to the Latin American ones implicitly decreasing their influence. The Troika represents the community, supports the *Presidencia pro tempore* and sets a coherent agenda including the experience of the former *Presidencia*.

As guidelines, the "Caracas Action Plan 2012" seeks to promote the construction of an agenda of common work at the regional level, where mechanisms to overcome the international financial crisis, to protect migrants, to fight hunger and poverty, and to seek ways to advance energy integration and infrastructure based on existing agreements stand in the focus. Additionally, the participants want to accelerate the **convergence** of regulatory systems and the control of multimodal traffic, road, air, seaport, river and railways through national best-case practices (NF). The results are, however, modest such as the results of future Action Plans. As the members implicitly admit to themselves during the III Summit in Belén, Costa Rica in 2015, CELAC is "a mechanism for consultation and political dialogue in the process of integration and coordination of common policies and actions in the region" (CELAC, 2015) and less the realisation of Bolívar's dream of a Latin American Union. Additionally, the goals to avoid duplications of integration efforts in Latin America and the Caribbean and of (sub) regional projects occur on a regular base. CELAC's Agenda 2020 (Pro Tempore Presidency CELAC 2015, 2015), for example, involves the plans:

- reduction of extreme poverty and inequalities,

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<sup>80</sup> = Special Meetings.

<sup>81</sup> = Extended Troika.

- education, science, technology and innovation
- sustainable development and climate change
- infrastructure and connectivity

Many of these policy areas are already covered by several (sub) regional projects.

A **political forum** that unites all 33 countries of the region is a good start for a more efficient management of regional integration efforts in Latin America in particularly uniting the regional leaders Brazil, Mexico, and Venezuela. CELAC can become a way to convey a common Latin identity that has not been possible through the geographically limiting sub-regional projects or the suspicion of U.S. foreign affairs. This, however, will also cause ideological conflicts as it does already. The radical left ALBA bloc around Venezuela has a rather different vision of what CELAC may be and how it should present to the world. Mexico as part of NAFTA is already highly vinctuated with the United States and Canada, such as its partner in the Pacific Alliance with Chile, Colombia, and Peru (that also ratified the Trans-Pacific Partnership)<sup>82</sup> and Brazil still did not decide whether it wants to become a regional power or a world power. This is also the reason why CELAC's institutional framework lacks a common constitution treaty as well as of a strong intergovernmental/supranational body and appears to be more a Latin American and Caribbean club of presidents and high officials than a Panama Congress 2.0. The remarkable occasion of the bicentennial anniversary of independence is more ideological and, alas, an outgrowth of the currently dominating supranationalist interest group of the left trying to gain even more influence.

The biggest challenge for CELAC will be to puzzle together the hotchpotch of numerous sub-regional entities, beginning with NAFTA in the north, SICA and CARICOM in Central America and the Caribbean and ALBA and CAN to UNASUR in the south. The scopes of integration are highly diverging, the modes of governance distinct from a loose **Liberal Intergovernmentalist** trade agreement to highly **supranationalised** organisations with its *acquis*, powerful regional courts and common agreements with other blocs.

From now, it looks in fact like this club of presidents and high officials.

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<sup>82</sup> Except Colombia that, however, already announced interest to join the TPP.

<b>Actors</b>	- Brazil, Venezuela, Sao Paulo Forum (Supranational Interest Group; NF)
<b>Structural Factors</b>	<ul style="list-style-type: none"> <li>- Exogenous events:</li> <li>- 2003 US-Free Trade agreement with Chile</li> <li>- 2004 US-Free trade agreement with Central America</li> <li>- 2006 US-Free trade agreement with Peru</li> <li>- 2006 US-Free trade agreement with Colombia</li> <li>- 2007 US-Free trade agreement with Panama</li> <li>- 2015 TPP</li> <li>- Reaction to wave three</li> <li>- Political shift with leftist leaders governing most of the Latin American countries (Sao Paulo Forum)</li> <li>- Ideological struggle between radical left (Chavism) vs. moderate left vs. neoliberals</li> <li>- US trying to export its NAFTA model throughout Latin America</li> </ul>
<b>Institutionalisation</b>	<ul style="list-style-type: none"> <li>- Deepening of economic integration, unification of sub-regions, further cooperation in security, infrastructure, and social areas</li> <li>- 2004 ALBA</li> <li>- 2004 CASA</li> <li>- 2008 UNASUR</li> <li>- 2011 CELAC</li> </ul>
<b>Implementation</b>	- Creation of intergovernmentalist organisations and bodies
<b>Effects</b>	- Increased cooperation
<b>Interdependency</b>	- Convergence of security issues and commerce
<b>Mode of Regional Integration</b>	- Regional Cooperation (LI)

*Table 18: Dimensions for Neofunctionalism (NF) and Liberal Intergovernmentalism (LI) during the fourth wave of regional integration in Latin America (2000-2014), own elaboration.*

## VI. Conclusion, Reflection and Policy Implications

### a. Summary of Findings

Ernst B. Haas and other regional internationalists during the 1950's tried to formulate a universal approach to explaining regional integration. During the 1960's, Haas even compared Latin America's regional integration with Europe. Latin America has since the colonialization in the 15th/16th century strong bonds to Europe. As Vera-Fluixá (2000:3) asserts that the historical and cultural similarities among Europe and Latin America are thanks to an 'inclusive colonialization' and to mass emigration of Europeans to Latin America during the 19th and 20th century. Nonetheless, integration among both continents happened in different time-spans and velocity.

In fact, since the independence of the Latin American nations, the desire for a deeper cooperation and integration has always existed. Bolívar's idea of a Latin American Union is still present in most of the existing regional integration organisations of Latin America and is partially manifested in their names.

While the European Union is a highly institutionalised entity which emanated from the ECSC and EC and the experience of two World Wars, Latin America still struggles to find its mode of regional integration and institution. This has several reasons. José Antonio Sanahuja (2012) writes about the 'Southphalian' notion of national sovereignty or 'trilemma' of regional integration which is directly connected to US foreign policy in Latin America. While Latin American nation-states seek to defend its national integrity, the resurgence for unionism and regional integration and international autonomy and influence stay in a paradoxical relation to each other. Sanahuja concludes that just two components of the trilemma can be fulfilled but not all of them. National preference setting is the principal factor and ideological differences still inhibit a convergence of interest and thus an acceleration of regional integration instead of cooperation.

In this thesis, I was able to confirm the main hypothesis (H1):

*(H1) The European integration theories Neofunctionalism and Liberal Intergovernmentalism can be applied to describe and explain the dynamics of Latin American regional integration.*

And at the same time to answer the research question: “To what extent do Neofunctionalism and Liberal Intergovernmentalism explain regional integration in Latin America?” which I want to summarise shortly. While Bolivar’s dream failed due to rivalries among the new republics, the regional integration from the 1890s until 1950s was influenced by the United States of America domestic preference settings and can be best described with **Liberal Intergovernmentalism**. During the 1950s until the 1970s the First Wave of Regional Integration as **Neofunctionalist** approach led by ECLAC and its *técnicos* planned the first steps for a deeper economic integration of the region that, however, underestimated the power of national governments like the EEC since the Empty-Chair-Crisis. Afterwards, external economic shocks and authoritarianism in Latin America led to a halt of regional integration although individual member states initiated own **intergovernmentalist** groups to tackle common issues, such as the Contadora Group in 1983. After the fall of the Berlin Wall and the emergence of globalisation, Latin America democratised, and the new neoliberal leaders as **supranational interest groups** embraced trade liberalisation, privatisation and **economic integration of the region for incrementing welfare**. Nonetheless, the outcomes were absent, and as a response, the already well-prepared **supranational left** was ready to take over Latin American governments and to apply its own mode of regional governance dealing with post-trade issues. New regional integration projects, foremost led by Brazil and Venezuela, like UNASUR, CELAC, and ALBA emerged, and although the goal was the Bolívar-like Latin American Union, real politics remained on a highly **intergovernmentalist** level.

While Brazil wants to foster its role as a global player through the creation of IIRSA-UNASUR-CELAC, Venezuela’s agenda emerged from Hugo Chavez ideology and anti-imperialist doctrine. The mode of regional integration in Latin America is highly influenced by **national preference settings** and thus reflects mostly a **Liberal Intergovernmentalist** approach confirming Hypothesis 3 (H3):

*Heads of Government are the principal actors in regional integration in Latin America and decide to cooperate through intergovernmental institutions or to not cooperate/integrate (LI).*

Nonetheless, the dynamics of Latin American integration can be analysed through the lenses of **Neofunctionalism**, especially in Central America, the Caribbean and in the Andean sub-region. Sub-regions, where economic divergence is higher, more powerful

nations take the lead and use regional projects for fostering its position throughout the region and eventually globally, such as Brazil or Venezuela. Besides of that, supranational interest groups, such as the Sao Paulo Forum (SPF) were able to be in most of Latin American governments during the 4<sup>th</sup> wave of regional integration pushing post-trade issues through the continuous formulation and implementation of regional integration programmes. The results, however, remain sparse and were not able to resolve imminent regional problems, such as drug crime, violence, poverty, among others leading to a political change towards pro-market forces and a temporary halt of regional integration in Latin America. This is why hypothesis 2 (H2) can be partially confirmed:

*Supranational interest groups are the principal actors in regional integration in Latin America creating supranational organisations (NF).*

#### **i. Overview of similarities and differences of regional integration organisations in Latin America from 1950 - mid-2016.**

As an overview, the similarities and divergences of regional integration organisations in Latin America from 1950- mid-2016 are displayed. Although the European Union has not been analysed in this paper it is been displayed as benchmark compared to other regional integration organisations in Latin America. As the European Union is being considered as one of the most institutionalised regional organisations a similarity to EU characteristics is being considered as more Neofunctionalist and regionally integrated and Liberal Intergovernmentalist. In Latin America, CAN is the most similar institution compared to the EU with 14 of 17 common characteristics while ECLAC (1 of 17) and CELAC (3 of 17) are the least similar regional organisations.



	EU	<a href="#">ODECA</a>	<a href="#">ECLAC</a>	<a href="#">LAFTA</a>	<a href="#">CACM</a>	<a href="#">CARICOM</a>	<a href="#">GRAN</a>	<a href="#">LAIA</a>	<a href="#">SELA</a>	<a href="#">SICA</a>	<a href="#">NAFTA</a>	<a href="#">MERCOSUR</a>	<a href="#">CAN</a>	<a href="#">ALBA</a>	<a href="#">UNASUR</a>	<a href="#">CELAC</a>
Parliament	✓	x	x	x	x	*	x	x	x	✓	x	✓	✓	✓	*	x
Supra-national Agent	✓	x	✓	x	x	✓	✓	x	x	x	x	x	✓	x	x	x
Intergovernmental Agent	✓	✓	x	x	✓	✓	x	✓	✓	✓	x	x	✓	✓	✓	✓
Court	✓	x	x	x	x	✓	x	x	x	✓	✓	✓	✓	x	x	x
Council of HoGs	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	✓
Council of Ministers	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	✓
Majority Voting	✓/x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Infringement Procedures	✓	x	x	x	x	✓	x	x	x	✓	✓	x	✓	x	x	x
Central Bank	✓	x	x	x	x	x	x	x	x	x	x	*	x	*	*	x
Own Currency	✓	x	x	x	x	x	x	x	x	x	x	*	x	✓	x	x
Customs Union	✓	x	x	x	*	✓	*	x	x	*	x	✓	✓	x	x	x
Free Movement of People	✓	*	*	*	*	✓	*	*	x	✓	x	✓	✓	✓	x	x
Free Movement of goods, services and capital	✓	*	*	*	*	✓	*	*	x	✓	✓	✓	✓	✓	x	x
FTA	✓	*	*	*	*	✓	*	*	x	✓	x	✓	✓	✓	x	x
Community Funds	✓	x	x	x	x	✓	✓	x	x	✓	x	✓	✓	✓	✓	x
Acquis Communautaire	✓	x	x	x	x	✓	x	x	x	✓	x	✓	✓	x	x	x
Common Security Policy	✓	✓	x	x	x	✓	✓	x	x	x	x	✓	✓	x	✓	x
Common Foreign Policy	✓	✓	x	x	x	✓	✓	x	x	x	x	*	✓	x	*	x
Common Citizenship	✓	x	x	x	x	x	x	x	x	✓	x	✓	✓	x	x	x
Advisory Bodies	✓	x	x	✓	✓	✓	x	✓	✓	✓	x	x	✓	✓	✓	x

✓: Given    x: Not given    \*: Planned

*Table 19.* Overview of similarities and differences of regional integration organisations in Latin America from 1950 – mid-2016 compared with the European Union. The more aspects are given the more an organisation is similar to the European Union and thus institutionalised. Own elaboration.

## **b. General Conclusion and Policy Implications**

*“The signing of an integration treaty does not establish integration.”*

- Walther Mattli in: ‘Ernst Haas’s Evolving Thinking.’

During the fourth wave of regional integration in Latin America, several new regional projects were founded, most of them with highly supranationalist objectives from economic and fiscal, up to the political union. Malamud and Gardini (2012:16) state for Latin American leaders that: “regionalism is a foreign policy resource used to achieve other ends such as international visibility, regional stability and regime legitimacy, as well as to please domestic and foreign audiences and mobilise support for the incumbent administrations.” In fact, recent progress can be seen as projections of national foreign policy agendas, mainly emanating from Brazil and Venezuela. Although Mexico has expressed its interest in joining UNASUR, it “has lost ground in most of South America for its approximation to the US” (ibid). Brazil has to struggle with its own role as a regional or global player and restricts itself in its constitution to further regional commitment. Venezuela’s regional effort is a heritage of Chavez administration that tries to uphold the socialism of the 20<sup>th</sup> century having strong bonds with the Cuban Castro regime. It is open whether or not CELAC will be successful as a new attempt to create an organisation of the United Latin American states. Its success after almost a decade is limited.

### **i. A fifth wave of regional integration in Latin America?**

The fourth wave was a contestation of the failures of the third one. The expected outcomes of prosperity and wealth could not be pursued, and as an endogenous paradigm shift the supranational interest group of the Sao Paulo Forum took over. Since 2014, however, another paradigm shift is occurring and most Latin American citizens do not support leftist parties anymore due to their failure to tackle domestic problems in a possible manner. Drug crime, violence, hunger and poverty are after almost two decades of leftist governance still existent, in some areas even worse than before despite ALBA’s TCPs and CELAC’s intergovernmental declarations of eliminating hunger. In Argentina, Mauricio Macri as leader of the centre-right party *Propuesta Republicana* came into office as President in December 2015 while in the

same month the opposition party of Venezuelan's President Nicolas Maduro, *Mesa de la Unidad Democrática*, won two-thirds of the parliamentary seats. Meanwhile, Brazilian's President Dilma Rousseff of the *Partido Trabalhador* (Lula's party) has been impeached by the Parliament and the Senate for investigating her role in the nation's biggest corruption scandal in the nation's history. In Peru, presidential candidate Keiko Fujimori, known as pro-market, won the first round of voting for the election year of 2016.

However, this opportunity can also be undermined by the rise of disintegrationist movements in different countries or by an increased polarisation between the left and the right. As the Brazilian Senator and eventually new Minister of Foreign Affairs, José Serra calls Mercosur as a "megalomaniac delirium" and states: "Do you know what a customs union is? It is the resignation of the sovereignty of trade policy" (Castro, 2016). At the same time, Mauricio Macri hopes that Mercosur opens itself to the Pacific Alliance; a step that Brazil, Venezuela, and Uruguay rejects (Dinatale, 2016). A failure of the recent negotiations between Mercosur and the European Union for a Free Trade Agreement would put Mercosur's existence after 25 years into question.

A new paradigm shift would just not imply national policy changes; it would also lead to a new opportunity for Latin America. A moderate and pragmatic leadership in Latin America could focus on regional convergence and thus strengthen the region as a bloc. Nonetheless, this implies three basic assumptions to be fulfilled: "the relation with the international leading power(s), the role of the regional leader(s), and the economic model to be adopted" (Gardini, 2010). It is neither clear what relation Latin America has with the United States of America, nor which role Brazil wants to play and whether Brazil or Venezuela or Mexico will take the lead. ALBA's TCP model and the animosity towards free markets in Latin America additionally hinder a common economic model for the continent. Under these conditions, regional integration is unlikely to happen, and cooperation is the maximum output that can occur (Malamud, Gardini, 2012). This implies an answer of the 'Southphalian' notion of national sovereignty or 'trilemma' of regional integration in Latin America and, thus, the political will to integrate and to build strong supranational institutions that go beyond the establishment of a loose forum for intergovernmental bargaining without monitoring the compliance of agreements.

Two scenarios are proposed here putting emphasis on the **Neofunctionalist** school of thought and the other on the **Liberal Intergovernmentalist** one.

## 1. UNASUR as the Latin American EU

Currently, UNASUR is the most promising organisation to deepen regional integration in Latin America. Nonetheless, it faces the same problems such as LAFTA during the 1960s, CAN with the fragmentation or the EU during the Empty-Chair-Crisis because of the divergence of national interests, but also to not implement the measurements to eliminate trade barriers and to become a fully functioning single market. UNASUR can break through the Latin American *Eurosclerosis* as being the most promising integration project of the region if it learns from the errors of the past in Latin America and also in Europe.

A key to a successful regional integration is institution building and the complete economic integration. The Single European Act in 1987 declaring the creation of a European Single Market became the backbone of the European project and the elementary part of the economic integration of the continent. The failure in LAFTA was the absence of the immediate tariff reduction. Nonetheless, UNASUR benefits also from the merger of CAN and Mercosur and ALADI's framework (Ross, 2014). A harmonised single market would eventually restrict Chile's choices with whom to trade, and to countries like Venezuela, the single market may become an ideological battle decreasing the attractiveness of an RTA. Thus, it is paramount that UNASUR meets the trade integration until 2019.

Additionally, the Bank of the South could become a regional development bank fostering infrastructural integration decreasing economic divergence among the member states and being a complementary part of the economic integration, similar to the EEC's transport policy (cf. Schot et al. 2010).

The foundation of the European Parliament in 1979 was a reaction to legitimise the project for the European citizens but also as a supranational institution besides of the European Commission to foster regional integration through Spillovers. A strong UNASUR Parliament, similar to its European counterpart would strengthen Latin American identity and would promote harmonisation in several policy areas. A General Secretariat analogous to the European Commission with a bureaucratised administration and own budget would become the main driver of regional integration. It would lay out the political agenda and would be voted directly by the citizens of UNASUR. The UNASUR Parliament would become a natural ally of the General

Secretariat as a counterpart to the Summit of the Heads of Government and State as intergovernmentalist counterpart. Because most Latin American countries do have a bicameral system, it would be useful to apply the same system to UNASUR meaning that the lower chamber would be the UNASUR Parliament and the upper chamber the Summit of the Heads of Government and State.

The European Court of Justice as arbiter, but also as legal integration motor is another institution mostly judging for supranationalisation. Other supranational legal institutions like in NAFTA confirm these claims. UNASUR, in that case, relies on the feasibility of a brokered negotiation based on Article 21 of the Constitutive Treaty – a mode of governance highly dependable on the preference setting and a regional alliance of national governments (Ross, 2014). A UNASUR Court supervising the compliance of the treaties, as arbiter and eventually as a supreme court for the UNASUR member states could increase the Rule of Law and the credibility of the institution as such. Several conflicts and issues would be ruled there as last resort avoiding civil unrest similar to Bolivia. The enforcement of decisions and other legal provisions as is currently absent and disciplinary measures are barely existent leading to the risk of a lax implementation of UNASUR provisions.

It can also expand its function as an inter-governmental mediator through the SADF which would benefit the entire region as a stabiliser which increases the attractiveness for investors, businesses and, thus, creates new jobs for the region. The pacification between Venezuela-Colombia-Ecuador would mean the creation of a true South American Peace Zone instead of one just existing in the paper. One successful example is the pacification between Argentina and Brazil through the establishment of Mercosur. Nonetheless, this would mean to challenge the power of drug warlords, of militant left groups and the web of corruption in Latin America – a challenge that a supranational and technocratic body could successfully accept.

UNASUR has the possibility to become the EU of Latin America. The organisation has the great advantage to learn from several historical cases and to avoid the same errors again. Member states would do well to improve its efforts in building strong supranational institutions and to focus on the harmonisation of policy areas where the convergence of interest is already high. Brazil can become a global player through becoming the leading regional player. If Mexico would join UNASUR, it could become an even more significant regional bloc.

However, this institutionalisation effort will be very slow and incremental and highly depends on national preference settings and external events.

## **2. CELAC as intergovernmental forum for Latin America and the Caribbean**

CELAC declared its goals to be the “creation of a common space for deepening the political, economic, social and cultural integration of our region via the establishment of compatible objectives and mechanisms [...] and the establishment of solidarity and cooperation linkages between Latin America and the Caribbean” (CELAC, 2012). In fact, CELAC can become a successful continuation of Latin American cooperation as far as a rivalry organisations like UNASUR, MERCOSUR, and ALBA decrease their efforts to become the unique mode of regional governance and subordinate themselves to CELAC.

As implicitly being a contestation to the OAS the members of CELAC have a common objective: to maintain the United States out of Latin America and to formulate their own, independent policies. It can become an intergovernmental forum seeking to exchange national policy preference but also to coordinate sub-regional organisations, for instance, UNASUR representing South America, SICA Central America and CARICOM the Caribbean. It would decrease regional tensions concerning ideological divergences for example between Venezuela and other CAN members regarding their FTAs with the United States and would give the necessary flexibility and respect for national sovereignty. Furthermore, CELAC can serve as gatherings for preparing a common position for other intergovernmental summits, for instance, the United Nations.

However, the *Troika Ampliada* needs a bureaucratised body plus a budget to guarantee a coherent and efficient work. Additionally, it should be granted sufficient competencies to at least monitor the compliance of the agreements.

## VII. Scientific and Social Relevance

The European integration theories of **Neofunctionalism** and **Liberal Intergovernmentalism** are one of the richest theoretical frameworks for regional integration. At the same time, it is one of the most contested by a different school of thoughts and even by themselves. This created a rich compendium of scientific literature and improved these theories throughout time. Despite that, the fame of European integration theories, i.e. to describe and explain the dynamics of regional integration and cooperation of Europe, is at the same time its curse. Just rarely scholars try to apply these theories on other regions and mostly in its traditional version with all its deficits.

For policy-makers and politicians, this paper should be an example that in fact, both theories are applicable to other regions. The insights Moravcsik et al. describes in his theory of **Liberal intergovernmentalism** are useful for future intergovernmental bargaining and how actors could and should behave for achieving the best results for regional cooperation. At the same time, civil servants and decision makers can use **Neofunctionalism** for creating Spillover Effects to foster regional convergence and to create stronger bonds among supranational interest groups. Additionally, policy recommendations for a more efficient regional integration and cooperation of UNASUR will be proposed.

## VIII. Possibilities of Further Research & Limitations

The conceptual framework leads to the possibility to formulate and to test an infinite number of different Hypotheses supporting or rejecting the expectations of this thesis. Researchers and policy-makers can formulate plenty of hypotheses testing both theories in much more detail analysing whether or not, for instance, the Latin American defence policy has been supranationalised by UNASUR's efforts as a supranational actor through Cultivated Spillover Effects (NF). Another hypothesis may be whether or not economical powerful states side payments or linkages to economic weaker countries lead to an intergovernmental agreement (LI).

Nonetheless, case studies, in general, can hardly be applied to a categorical rejection or a non-rejection of a hypothesis but more in generating a new hypothesis.

Furthermore, the results of this paper highly depend on the operationalisation of the observation and data collection. Because both theories are not uncontested and were operationalised in different ways, there is a limitation of the reliability of the conclusions due to the personal codification and the codification of secondary sources.



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## X. ANNEX

### Historical context 'From a disintegration of colonial empires to regional integration – the Independence Wars of Latin America (1810-1825)'

#### Hispanoamerica

In the majority of the Latin American countries, the independence war started around 1810 while riots against the colonial powers anticipated in the second half of the 18<sup>th</sup> century. It was accompanied by a period of global transformation starting with the Declaration of Independence of the United States of America in 1776 and its war against the British crown until 1783 and the French Revolution in 1789 until 1799. The *criollos*, the local elite who were descendants of Spaniards but born in America, were dissatisfied by the political exclusion and by the commercial monopoly accounted by the *peninsulares*, Spaniards born in Spain. It was fostered by Bourbon absolutist reform coming from Spain (O'Brien, 2002: 191). The North American fight for liberty and independence and the *Déclaration des droits de l'homme et du citoyen* of the French National Constituent Assembly were ideals that the independence leaders as Francisco de Miranda, applied for their struggle for independence (Boscán, 2006). Especially Miranda studied the independence of the United States, its constitutional framework and institutions. He had met George Washington, the German expeditioner and scientist Alexander von Humboldt and the French aristocrat and general Marquis de Lafayette (ibid) who also influenced the *Déclaration des droits de l'homme et du citoyen* together with Thomas Jefferson (Fremont-Barnes, 2007).

In 1800, the Napoleonic Wars started in Europe, and eight years later, Napoleon invaded and occupied the Iberian Peninsula and undermined the central government by forcing 'the Spanish King Ferdinand VII to abdicate his throne for Joseph Bonaparte (Napoleon's brother). Spaniards on both sides of the Atlantic refused to recognise this cession of authority and concluded that in the absence of the King (Ferdinand VII was imprisoned in Bayonne), sovereignty reverted to the people' (Espejo, 2012).

The question is: 'which people?' During the Independence movement, Ibero-America used the concept of *El Pueblo* which has an 'abstract unitary' connotation while *Los Pueblos* has a 'concrete' and 'exclusive' definition (ibid) and reflects the deep tension

among different geographical, cultural and social backgrounds. Although during the 20<sup>th</sup>-century nationalism was a wide-spread political idea in the 19th century, it was an elitist conception (Rivera, 2014: 12) and rather an expression of liberty and against the absolutist monarchy. The combination of rejecting absolutism and the place of birth created a Latin American conscience of unity and fraternity against the Iberian Peninsula. While the four Hispano-American Viceroyalties are rather connected to the Spanish Crown and its colonial traditions, the Brazilian Kingdom was mainly influenced by the Portuguese monarchy. Nonetheless, local elites in for instance the Virreinato de la Nueva España may be totally different than in the Virreinato del Rio de la Plata. Additionally, one must keep in mind that the independence movement emerged in the 19th century where communication through such a great distance was a big challenge and strategically important.

The reaction to the Abdications of Bayonne was the emergence of several *juntas* in Spain and in Latin America, ones claiming to represent the crown and others rejecting them later on. The rejection of the appointed French governor was omnipresent. These *juntas* were organised and led by *criollos* and *peninsulares*. The fear of a major riot by the indigenous and *mestizos* created conflicts among the elite leading to different outcomes in Mexico or Peru. They kept their loyalty to the Spanish crown until the latter was liberated by Bolívar's and San Martín's troops compared to other coastal regions which had a lower degree of indigenous population (Tobler, 2009) and better methods of communication to British and American allies. In Mexico for example, Hidalgo and Morelos led a rural revolution but failed due to the lack of the support of the *criollos* (Rinke, 2010) resulting in the end of Spanish rule in 1821 after the growing discontent of local *criollos* concerning the reinstatement of the Constitution of Cadiz in 1820.

The first division of two elites emerged between the royalists who wanted to maintain the absolutist monarchy and empire of King Ferdinand VII who feared in prison that his empire disintegrates and the *patriotas* who demanded the proclamation of independence. This rupture also led to regional rivalries among *juntas* and even armed conflicts. During the first years of the independence war, a successful independence of the *juntas* was hindered due to a lack of a shared vision and due to the goal of local elites to profit from the royal crisis and to improve their local power (see the junta in Quito). Bolívar and other patriotic leaders were able to proclaim in several regions their independence and to create republics and partially with the help of the United States

of America and Great Britain. (Secretaria de Relaciones Exteriores de México, 2010; Berger, 2003). This has been made possible due to major setbacks from royal forces and the decrease of royal support after the reinstatement of the Spanish King Ferdinand VII in 1814 who tried to regain his absolutist power back from the regional *criollos*. Furthermore, in 1810, the junta in Caracas (Venezuela), which was, in fact, Bolívar's junta, ratified Venezuela's Declaration of Independence putting emphasis on the defence of sovereign rights with 'the great work of the Spanish-American confederation' (de la Reza, 2006: 2). Although one may say it is more ethos than reality, it shows the grand plan of Bolívar and other *libertadores* to become independent from the Spanish Crown and to create a confederation, thus, an alliance against post-colonial ambitions.

## **Brazil**

Around 1822 almost the entire Latin America was liberated with the exception of modern Bolivia. Brazil proclaimed in the same year its independence from Portugal contrary to the Hispano-American part without violence. It is worth to mention that a representative parliamentary constitutional monarchy was installed in Brazil by the prince of Portugal, Dom Pedro I. who fled with his father, King Dom João VI. from French invaders during the Napoleonic war in 1808. As Maxwell (2000) states it:

'The important point about Brazil, therefore, is that it became economically and politically emancipated between 1808 and 1820 while acting as the centre of the Luso-Brazilian Empire. It became "independent" in 1822 only after the experience as an "imperial centre"—to which subjects of the Portuguese monarchy in Europe, Africa, and Asia looked for leadership—had failed. This unusual circumstance explains why in 1820 it was Portugal that declared "independence" from Brazil, and only afterwards, in 1822, that Brazil declared its "independence" from Portugal. The "Manifesto of the Portuguese Nation to the sovereigns and peoples of Europe," which was issued by the rebels in Oporto in 1820, reads very much like other such declarations of independence from colonial status and contained the same complaints; the only difference was this manifesto came from rebels in a European city, not rebels across the Atlantic in a colonial port city. [...]

The 'exile' of the Portuguese monarchy was both a blessing and a curse for the empire. Brazil as the biggest Portuguese colony institutionalised a centralised government including bureaucratic and administrative institutions after King Dom João VI changed the status of Brazil from a colony to an equal part of the United Kingdom of Portugal, Brazil, and the Algarves. Even 'superior law courts; a public library and an academy of fine arts; a school of medicine and law; a national press and national bank; and a military academy' (ibid). The rulers even fostered their diplomatic relations with their British ally and managed a marriage between Prince Pedro I. to an Austrian princess, Leopoldina of Habsburg, which created stronger bonds to one of the mightiest aristocratic families of Europe, the Habsburg. Maxwell (ibid) refers to George Canning, a British Statesman who was deeply involved in Latin American affairs, who reported the British Cabinet in November 1822:

'To refuse to recognise Brazil would not be, as it has hitherto been in the case of the Spanish colonies, an act merely negative. For we have with Brazil established relations, regulated commercial intercourse, and agencies if not actually political, affording channels of political correspondence. We cannot withdraw our consuls from Brazil. It is obvious that we must continue to cultivate the commercial relations of that country.'

In 1820 a constitutional revolution in Portugal emerged and the constitutional assembly called *Cortes* demanded the return of the Portuguese King Dom João VI. His son Prince Pedro I. was named by his father to rein Brazil in 1821. The *Cortes* feared the increasing influence of Brazil. Later, his son Dom Pedro I. waged war against Portugal and founded the Brazilian Empire being the first emperor of Brazil in 1822. It is worth to mention that Prince Pedro I., who became Dom Pedro I., considered his father, King Dom João VI, as the legitimate ruler (Vianna, 1994). Furthermore, the title emperor was deliberately chosen by demonstrating the break with the absolutist monarchy and referred to the popular title in the Ancient Roman Empire (Lima, 1997).

The Portuguese independence movement happened gradually and 'by stealth' by institutionalising their centre of power in Brazil and by creating a centralised administration and fostering progressive and liberal values which the independence movements in the Americas tried to implement, for example abolishing slavery. The

*Reconquista* was the trigger for Brazil to declare its independence, especially with the help of British and American foreign policy.

## **The (old) Pan Americanist Movement (1826-1865)**

It was Simon Bolívar who proposed in his Cartagena Manifesto in 1812 a united front against Spain and later on a series of Pan-American conferences for uniting Latin America in a confederate union. In his manifesto which was written during the war of independence, he reassessed the causes why the Latin American liberation did not succeed yet. Nonetheless, Bolívar managed to create a political strategy to promote a:

‘Discourse of a United Spanish America in the face of European threats was inspired partly by the example of the Congress of Vienna, but it was also the first Spanish American use of a regionalist foreign policy aimed at guaranteeing the sovereignty and autonomy of individual Spanish American states. Regional unity of several states in the face of foreign threats became a key element of the Spanish American diplomatic style throughout the 19th century, as demonstrated through the 19th century Congress movement’ (Meyer McAleese, 2014: 7).

Only a few years later, Bolívar wrote his *Carta de Jamaica* in 1815 while he was in the capital of Jamaica, Kingston. In his letter he wrote about the future of Latin America and why the continent should become independent from Europe. Additionally, he writes about a union of Hispano-American republics into a single political body (de la Reza, 2006: 9):

‘I should like more than anything else to see America take the form of the greatest nation in the world, less by its size and wealth than by its liberty and glory. Although I aspire to the perfection of my country’s government, I cannot persuade myself for now of the New World being ruled by a great republic; as it is impossible I dare not desire it; and even less do I wish for a universal monarchy of America, because such a project, apart from being useless, is also impossible.’

In another part, he proposes an alternate form, namely a confederation of ‘republics, kingdoms and empires’. De la Reza (2006: 10) clarifies it: ‘his vision is never continental in geographical terms: “America” or “South America” is always Hispano-

America'. It is important to mention this because it explains the later relations between Hispano-American countries and Brazil. It also becomes clearer that Bolívar's goal is to create a military alliance against the European *reconquistadores*: In December 1819 at the Congresses of Angostura, 'he proposes to the Venezuelan Congress the founding of the "Gran República de Colombia." He does not seek to revive the New Granada federation, but to create an entity that constitutes "the guarantee of liberty in South America," the platform for the struggle for Independence and the creation of the new states' (*ibid.*). Does it mean that Bolívar's dream was rather a precedent version of a South American NATO or much more? The creation of Gran Colombia with Simón Bolívar becoming the first president of Venezuela in 1819 united Colombia, Ecuador, Panamá, Guayana Esequiba (part of today's Guyana) and Peru with Venezuela (see Map 2) is considered by Malamud (2010) and Malamud and Schmitter (n.a.) as the first attempts of regional integration. He called it one of the two Pan-American congresses (relating to the other in Panama 1826). It was the first step of a United States of South America although differences emerged between the type of governance between federalists and centralists. Bolívar saw centralism as a stabiliser and more efficient leading to 'internally strong states, united via a law that respects their sovereignty' (*ibid.*), but also accepted the federalist approach as a way to 'unite the republic more flexibly' (*ibid.*). This led to the compromise that Venezuela creates a union with New Granada while it had federal elements.





Figure 20. Map of Gran Colombia, 1824. Reprinted from Organización territorial de la Gran Colombia, In Wikipedia, n.d., Retrieved from [https://es.wikipedia.org/wiki/Organizaci%C3%B3n\\_territorial\\_de\\_la\\_Gran\\_Colombia](https://es.wikipedia.org/wiki/Organizaci%C3%B3n_territorial_de_la_Gran_Colombia). Copyright 2012 by Creative Commons.

The United States of America supported the independence movement in Latin America and was one of the first states recognising the independent states during the 1820s. Great Britain recognised Mexico, Gran Colombia and Río de la Plata in 1824 (Rinke, 2010: 254). It was paramount to the newly established states to get recognised as independent and equal partners and not as colonies which have to be reconquered by Spain/France and Portugal. The most powerful and influential partner was Great Britain who had a particular commercial and political interest to foster its naval monopoly and to weaken his arch-rival Spain. Furthermore, in 1823 the Monroe Doctrine by US President James Monroe who warned European states to intervene in the Americas and created the first significant foreign policy of the US protecting Latin American interest reduced the risk of a large-scale *Reconquista* of Spain/France.

Bolívar knew it and started 1821 with Francisco de Paula Santander and Pedro Gual bilateral mission to the newly founded Latin American nations to establish a basis for a future confederation via bilateral treaties. This confederation should be created in the so-called Amphyctionic Body which will be the Panama Congress in 1826. It becomes even clearer that the confederation is not just a military alliance against Europeans, but also an internal security framework among the new Republics. In 1823 Gual explained the necessity of captaincies and viceroys at the Congress of Gran Colombia:

‘The following were adopted [...] as the basis of the new system: first, that the American States<sup>83</sup> be allied and confederated perpetually, in peace and in war, to consolidate their liberty and independence, mutually guaranteeing the integrity of their respective territories; and second, to make that guarantee effective, they would abide by the *uti possidetis juris* of 1810, according to the demarcation of each General Captaincy or Viceroy established as a Sovereign State’ (de la Reza, 2006).

Bolívar et al. knew that regional tensions existed and besides of the external threat coming from Europe and even bigger internal threat could endanger Bolívar’s dream of a union. The mutual recognition of the borders from 1810 should avoid regional rivalries. It is interesting to see the parallels between the function of these bilateral treaties and the similar policy UNASUR implements 200 years later.

Indeed, their endeavour was successful and Peru, Mexico, Chile and Rio de la Plata signed the Treaty of Union, League and Perpetual Confederation<sup>84</sup> bilaterally with Gran Colombia in 1822/1823. The most important points (ibid) were:

1. to increase the relations between the parties and to create embassies in each State of America,
2. to name plenipotentiaries<sup>85</sup> who will represent their country in the general assembly of the American States and
3. to cooperate with the general assembly of the American States.

While Gran Colombia, especially Bolívar, was apparently the main driver of the Hispano-American union, Santander followed a different strategy. He invited besides

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<sup>83</sup> Hispano-America

<sup>84</sup> with minor deviated versions which, however, were insignificant

<sup>85</sup> = delegates

of the Hispano-American partners also secretly the United States of America and the Brazilian Empire to participate in the Panama Conference as external actors which guarantee the sovereignty and integrity of the Confederation (de la Reza 2006: 15, 45). Additionally, Santander tried to change the agenda of the conference, namely to exclude the internal security framework combined with the principle of *uti possidetis juris* of 1810 and to reduce the ambitions of a union to a mere military alliance (*ibid.*). Bolívar disapproved these plans especially because it was a direct challenge to vice president Santander against Bolívar as president of Gran Colombia and because Bolívar saw Brazil neither as part of Hispano-America nor ideologically similar due to the monarchic regime and being in favour to slavery (de la Reza, 2006: 37).

In 1826 the first Panamerican Conference was initiated by Bolívar with the intention to create the United States of South America. It was the first formalised attempt of Intergovernmentalism with the intention of creating a political union with the particular focus on security and defence in Latin America. The following countries participated: Gran Colombia, The Republic of Perú, The Republic of Chile, The Republic of Bolivia (absent), The United Provinces of Río de la Plata (= Argentina), The United States of México, Central American Federation, United Kingdom, United States of America and even a Dutch<sup>86</sup> representative which, however, was not invited but participated. However, Rinke (2010: 225) describes the starting point of the congress as complicated (translated from German):

“The Congress of Panama that gathered in 1826 was burdened since the beginning. At that moment, the United Provinces of Río de la Plata and Brazil waged war for dominance in Uruguay. Civil War strikes Chile. Haiti has not been invited due to racist objections, Paraguay’s Dictator Francia due to political concerns either. The Bolivian representatives such as the US American set out too late. The Brits were by far not willed to enter into further commitments beyond their role as observer.”

In fact, one of the US delegates died during his voyage while the other arrived when most of the topics were discussed and the Bolivian delegates even did not participate (de la Reza, 2006: 39).

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<sup>86</sup> Jan van Veer.

The congress was divided into ten sessions and discussed in each session different topics, namely (*ibid.*):

- the renovation of the bilateral Union, League and Confederation treaties,
- the publication of a manifesto denouncing Spanish action and the damage it did to the New World,
- decide whether or not to assist the independence of Cuba, Puerto Rico, the Canary Islands and the Philippines,
- establishment of trade agreements and free navigation among the Confederate States,
- the involvement of the United States of America to reinforce the Monroe Doctrine to hinder the Spanish *Reconquista*,
- the establishment of an international body of norms and international law,
- the abolishment of slavery in the Confederate territory,
- the contribution of military contingents for a mutual defence pact,
- finding ways to force Spain to recognise the independence of the new Republics and
- the establishment of the national territories based on the *uti possidetis juris* of 1810.

The objective of the hosts of the Panama Congress is very explicit: Bolívar et al. had the ambition to institutionalise a United States of (Hispano-) America based on the model of the United States of America and using the Pan American Congress as a permanent forum for the confederation. In fact, in 1775 the Continental Congress of the United States of America was the principal organisation for coordinating the political and defence policies during the war for independence (Rivera, 2014: 12). In Article 11 of the treaty, it was manifested that the Congress will meet annually during wartimes and every two years in time of peace. Besides of creating a military pact a supranational body of norms and international law should settle down disputes among the member states and enforce the interstate treaties. This would involve a high degree of sovereignty transfer of the newly proclaimed republics and is rather a federation than a confederation. It was for that period very ambitious; maybe too ambitious: “Nonetheless the Congress created a Treaty of Union with a commitment to perpetual friendship of the participating states albeit only was ratified by Colombia. Ideas of, for instance, an inter-American army for protecting the continent and for liberating the Spanish Caribbean Islands [i.e. Cuba, Puerto Rico], could not be implemented” (Rinke,

2010: 225). Rivera (2014: 70) writes: “An analysis of the proposed treaty immediately reveals that there were hardly any provisions for the settlement of disputes between the signatory states except articles 11<sup>87</sup>, 12<sup>88</sup> and 13<sup>89</sup>, which really served as objectives.” Some scholars (Chaunu, 1977; de la Reza, 2006) even show up that the delegate of the United Kingdom, Edward J. Dawkins, had the objective to sabotage the congress and to keep Latin America politically fragmented. A few years later, in fact, British intelligence and military was highly involved in Latin American politics and fostered a destabilisation of the continent, especially before Gran Colombia’s dissolution by 1830 (de la Reza, 2006). It is worth to mention two articles of the treaty which show that one of Bolívar’s main objectives, a united supranational military alliance against foreign powers, failed. Article 28 states: “This Treaty of Perpetual Union, League and Confederation will never interrupt in any way the exercising of sovereignty on the part of each of the republics”. Additionally, Article 4: “The military contingents will come under the direction of and be subject to the orders of the government to whose assistance they have come; it remains clearly understood that auxiliary corps, under the leadership of their natural commanders, must retain the organisation, regulations and discipline of the country to which they belong.” The reluctance of Latin American governments to transfer sovereignty to a supranational body prevailed. If the signatory states would have ratified the treaty at least an intergovernmental solution would be imaginable.

The plenipotentiaries from Mexico and Peru proposed the relocation of the congress to the small Mexican town of Tacubaya which was just a few miles away from the Mexican capital due to the lack of infrastructure and to communicate with each other (de la Reza, 2006: 46). The delegates from Gran Colombia suspected that the movement farther from the Hispano-American capitals to the north will deteriorate the negotiations and additionally decrease Colombian influence during the process. Nonetheless, to avoid calamities, Gran Colombia agreed upon that, and the congress continued a few months later in Mexico. Additionally, tensions among the delegates occurred, such as scepticism grew among the participating countries against Bolívar’s ambitions. Pedro Gual, who represented Gran Colombia in Mexico, was disappointed

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<sup>87</sup> i.e. the continuation of the Pan-American Congress and the rules concerning the delegation of plenipotentiaries.

<sup>88</sup> i.e. the mutual hospitality and assistance of the plenipotentiaries in the respective host country.

<sup>89</sup> i.e. the principal objectives of the assembly which are the negotiation of treaties, maintenance of peaceful relations, mediation between parties in dispute and assistance during wartimes.

that the Mexican plenipotentiaries did not inform about the results of the Panama Congress and that Gran Colombia already ratified the treaty. In May 1827 Gual wrote in a commentary (Rivera, 2014: 73):

“It is a complete calamity for the Spanish speaking states of America that at the time they were to have created the most beautiful institution that has ever been seen, an institution that would have consolidated her political existence forever; they [the states] have for the most part fallen into horrible confusion... How is it possible to establish a confederation from discordant and disorganised parts? Is it possible that the confederation can restore the internal health of each state? Alternatively, should the same confederation be the result of established order and profound calculation on the part of each one of them?”

In fact, Mexico was dealing with its political stability while in its southern neighbourhood the Central American Confederation faced a civil war. Additionally, messages arrived that Peru also did not ratify the treaty and that Gran Colombia is falling apart. In 1827 Peru even attacked Bolivia and Gran Colombia (de la Reza, 2006: 48).

Just a few years later, in 1831 Gran Colombia was dissolved in Nueva Grenada (= Colombia), Ecuador and Venezuela. The Central American Federation balkanised into Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. In Mexico, a short-lived declaration of independence of the peninsula Yucatán emerged, and Spain started a *Reconquista* while as afore-mentioned the northern parts were conquered by the United States.

Further attempts, the Confederation of Peru and Bolivia (1836), the First Congress of Lima (1847/1848), the Congress of Santiago (1856/1857) and the Second Congress of Lima (1864/1865) failed due to the lack of willingness to transfer sovereignty, to implement the negotiated treaty and/or to gather all states. However, although there were still interventions partially from Europe, but in particularly from the United States through the phenomenon of filibustering, id est private military expeditions to Latin America and to conquer territories for creating English-speaking territories (see William Walker in Central America in Germán de la Reza’s book “El Congreso de Panamá de 1826 y otros ensayos de integración latinoamericana, 2006”), the Hispano-American states focused more on economic integration.

The grand plan of Spain to reconquer Latin America was dissolved in the 2<sup>nd</sup> half of the century. Latin American statesmen perceived that economic cooperation through the improvement of intra-regional infrastructure, a common framework for trade, commerce, tariffs and the usage of seas and ports would foster the integration of the region and its wealth and prosperity. An ideal was the German version of the *Zollverein* (= customs union). José María Torres Caicedo who also was the “inventor” of the term “América Latina” (Streckert, 2013) proposed a confederative model including diets, Supreme Court, common army and a harmonised legal framework (de la Reza, 2006: 56) which, again, never has been realised. Meanwhile, the War of the Triple Alliance (1865-1884) between Paraguay and the countries Argentina, Brazil and Uruguay and the War of the Pacific (1879-1884) between Chile and Bolivia and Peru diminished any hope of a Latin American union. Further attempts in creating a regulatory framework during 1877 to 1889 (*ibid*) implicitly led to the first Inter-American Conference in Washington in 1889 which is called in the Anglo-American Sphere Pan American Conference. In this paper, the Conference and its following conferences will be labelled as Inter-American Conferences for the matter of understanding. The main driver was the United States of America that faced an increased trade balance deficit with Latin America importing raw materials and had the intention to recompense it with trade liberations (Portland State University, n.a.). While the military focus and political union, highly sensitive political areas, were the focal point of the agenda, the American-led Pan Americanism focused on low political areas, such as trade and tariffs. Indeed, the goal of James Blayne, secretary of state of the US, was looking for a customs union with Latin America (*ibid*). The Latin American delegates of the First Inter-American Conference anticipated the objectives of the US while they were participating in a six-thousand-mile railroad tour through the industrial centre of the US (*ibid*) and rejected the goal of a customs union. The benefits for Latin American countries were insufficient for creating a customs union with the United States of America while the countries established trade agreements with European countries. Nonetheless, the Inter-American Conference created the International Union of American Republics which was an exchange agency for commercial data of the participating countries. It was the first intergovernmental body for the Western Hemisphere (= the entire American continent, including the Caribbean) and was founded the 14th April 1890, which is until today celebrated as the Pan-American Day (*ibid*).

Why did the signatory states which all shared the common idea of a united Hispano-America against foreign intervention, common culture and language did not ratify the treaties but started to attack each other or to fall apart? Scholars share different points of view concerning the causes. Rinke (2010: 255) explains that internal rivalries among the *criollo* elite of each state were too strong. After the failed consolidations of a United States of South America, the former rivalry among royalists and *independistas* changed to a dualism among conservatives and liberals.

The constitutional ideal with the *fontes juris* from the United States is confronted with the authoritarian reality of arbitrary rule by local elites, the so-called *caudillos* who pursued by charisma and brutality allegiance to their cause and were highly influential as local patrons. Sub-regional conflicts among states hindered any further regional cooperation, especially between Brazil and Rio de La Plata (= Argentina and Uruguay) and Mexico against the United States. In the latter, Mexico lost vast northern territories, namely parts of the today's California, New Mexico, Arizona, Colorado, Wyoming, Utah and Texas during independence movements beginning around 1836. The component of secularism in the enlightenment was hard to implement, and the church as European heritage maintained strong (O'Brien, 2002: 193).

De la Reza (2006: 49) implicitly supports Rinke's analysis by stating that: "the atomisation of Hispano-America seemed to be guided by the unleashed power of provincialism of the elites, the limited resources of each state and external intervention." However, he adds that US American intelligence accelerated the balkanisation of Latin America. While Joel Poinsett tried to influence Mexican politics and sought to weaken the bonds between Mexico - Great Britain and Mexico – Latin America, William Tudor agitated the Peruvian government to start the war against Gran Colombia. Additionally, William H. Harrison who was later president of the United States of America was delegated to Gran Colombia to mediate the conflict between Gran Colombia and Peru. However, Harrison established an anti-Bolivarian network which later was responsible for the dissolution of the Republic (*ibid*).

Malamud (2010) justified it by the different colonial systems. The Spanish crown centralised the colonial administration and infrastructure and focused on the extraction of raw materials for importing and trading them in Europe. The Vice-Royalties were barely connected (as mentioned before) which led to social tensions and elite rivalries



in post-colonial Hispano-America. Just Mexico as the former Vice-Royalty *Nueva Hispania* conserved at least most of its former territory.