THE POLITICAL IDENTITY OF MERCOSUR
A CONSTRUCTIVIST INSIGHT IN REGIONALIZATION PROCESSES

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INTRODUCTION

A great deal of literature has been produced in the last twenty years on the study of regionalism and regionalization, with the main object to study the formation of regional blocs where states are involved in various forms of cooperation at a regional level. The relevant differential in institutional and political development between the EU and the newer experiences of regionalization has generated a quite neat division in the theory between European Studies, which have started considering the EU as a unique case of supranational polity,¹ and the theories of new regionalism, which are mainly focused on finding a common theoretical explanation for different types of regionalism.²

This division, however, does not mean that the EU has been forgotten by scholars interested in new regionalism: on the contrary, the European experience still represents the main reference for those who study regionalism in other continents, and most analyses have been conducted by pointing out similarities and differences between the European model and other concrete cases. Indeed, the relationship between the two scholarships seems to be somewhat conflictual: scholars of regionalism often dedicate big efforts in claiming the autonomy of their studies from the European framework, while many European Studies scholars seem to remember quite seldom that the EU is not the only case of regional integration in the world.

In my argument, the division in the theory should be clarified as being not due to different research objects, but rather to a separation of tasks: on the one hand, European Studies represent a sort of avant-garde, following the fast developments of European integration and building the theoretical tools for their analysis: on the other hand, regionalization scholarship can apply those tools to the new cases of integration, with the opportune adaptations to the different contexts.

A misleading interpretation of such conception could make us think that, if a newer case of integration has not yet reached a level of development similar to that of the EU in the

¹ Caporaso, 2007
² Warleigh-Lack, 2006
specific area to be studied, it means that it is too early to make a comparison, or maybe that the analysis cannot be conducted with those analytical tools. My point is not only that different integration processes have different levels of development, but also that they can follow different pathways, so we cannot expect the same outcomes for processes that, although somewhat similar, take place in totally different political and geographical contexts.

The interactions between European studies and new regionalism, then, can be very fruitful, but need to be based on a certain degree of flexibility and openness: on the one hand, the application of European studies concepts to other realities cannot be literal and slavish; on the other, European studies scholars should not underestimate the new insights that they can obtain from a dialogue with new regionalism.

A concrete case to which the previous considerations are applicable is the one related with the political contents of new regionalization processes.

The first studies on European integration were aimed at explaining the reasons for the beginning and the dynamics of evolution of the integration. Only after the consolidation of the institutional structure and the development of a clear set of policy-making areas of Community competence (acquis communautaire), an increasing amount of investigation was dedicated to the actual political activity of the Community as a political subject.

What Caporaso (2007) identifies as the following development of European studies is the process of Europeanization, which can be understood both as “a transfer from Europe to other jurisdictions either of policy, institutional arrangements, rules, beliefs or norms”, and “as capacity building in Europe, which also involves a transfer of policy, institutional arrangements, rules, beliefs or norms” (Flockhart, 2010- p.3). In both cases, as Flockhart argues, what has to be explained is a transfer of ideas leading to institutional change through sociological processes.

Europeanization, then, represents the evidence for the activity of the EU as a political actor. A Latin saying states: “Sublata causa, tollitur effectus”. If we look at the effect of the EU political activity on another political subject (like a state), we can have an idea about the nature of such political activity.

The observation that gave birth to the present research is that there is very little correspondence for this kind of analyzes in the studies on new regionalism. This field of literature, in fact, mainly focuses on the explanation of the formation of new regional blocs, and often on the political interactions among their members, but quite little
progress has been made in the analysis of new regional institutions in their role of political actors as such.

My work represents an attempt to address this gap in the literature by proposing a convergence between the scholarships of European studies and new regionalism, pointing out their complementarities rather than their divergences.

The concrete problem I will focus on is what Hettne (1999) defines the political content of regionalism. With reference to the case of Mercosur, my main questions will be: which factors contribute to the configuration of the political paradigm for a regional organization? How do such paradigm affect its policy-making and political activity? How actively do citizens feel involved in the integration process? What is the impact of such process on the national political systems?

I will approach these research questions by integrating the mainstream explanations for regionalization, basing either on neofunctionalist or on intergovernmentalist arguments, with a constructivist perspective that takes into account concepts like regional identity or awareness, discourse and ideology.

My idea is that by reconstructing the South American process of regionalization through its dimensions of genesis, functionality and socialization, and analyzing the political discourse that characterizes each dimension in its configuration, one can define the political model addressed by my question. Finally, an analysis of the impact of Mercosur on a specific country, namely Argentina, will reveal if an effect similar to Europeanization, which we could define ‘Mercosurization’, can be identified in the context in question.

This latter variable will be the test-bed for the previous arguments: once defined the political identity of the regional actor and interpreted its political activity, I will be able to evaluate if the observed effects of integration are coherent with its hypothetical causes.

By referring to Europeanization theory, I will estimate to what extent domestic structural change was caused by Integration, and towards what direction such change was oriented.

The restriction of the focus on just one country was made necessary by the amount of time and resources available to this research. A single case study only allows to draw partial conclusions, but it can be useful if it opens up the field for further research, with

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3 As in the framework proposed by Warleigh-Lack, 2006
extended scope and deeper detail. Indeed, I argue that the proposed research design offers a valid multidisciplinary tool allowing to cover the great complexity of a phenomenon like Mercosur.

As a general aim, this work seeks to propose a new approach to the study of regionalization processes, completing their understanding based on economic interests with a view on political and identity-related factors. Indeed, due to the limited resources and space available for the research, in the necessary choice between wideness and deepness of the reasoning I rather leaned towards the former, leaving the deepening as a stimulating task for further investigation.
1. THEORY

This work collocates itself at the junction between the theories developed in the field of European studies and those related to the so called ‘old’ and ‘new’ regionalism. As I pointed out in the introduction, the great gap between the development of the European Union and all the other experiences of regional integration has determined the evolution of a specific scholarship that is generally defined European Studies, covering aspects from governance, law and jurisprudence, to sociology, linguistic and cultural studies in the EU context.

Another relevant divide, within the field of regionalization, is the one emerged between Old and New Regionalism, reflecting the two ‘waves’ through which the phenomenon was manifested, respectively in the 1960s and in the 1990s (Warleigh-Lack, 2006). I will show how such divisions in the theory do not allow a sufficiently wide and deep understanding of the processes of integration outside Europe, and in particular, how none of the approaches – taken individually – offers satisfactory tools for an analysis of what I called the political content of regionalization.

Once defined the keywords and the theoretical context for the studies of regionalism, I will present a common framework allowing to study regionalization as a dependent variable, and where four independent variables are defined through an integration of different theoretical approaches. A constructivist reading of the concept of interest will create a point of convergence between realist-intergovernmentalist and neoliberal-institutionalist theories. An analysis of discourse will allow to identify the ideological framework that guides the activity of regional institutions, and finally the adaptation of Europeanization theory to the experiences of integration outside Europe will show the effects of regionalization on the national governments.

Before starting a review of the theories that will support our analysis, it will be necessary to clarify the meaning of the key recurring terms.
1.1 KEYWORDS AND CONTEXT

Region

As it was pointed out by Foucault (1980),\(^4\) the origin of the word *region* lays in the Roman military jargon, as it derives from the Latin *regere*, to command. According to Neumann (2003), this etymology has historically characterized the concept of region as a “military theatre” or a “battleground”.

In the social sciences literature, the definitions of the concept of region have been various, but a basic distinction can be made between political and economic meanings of the word. The same division is found in the main approaches used for the study of the phenomenon that backs up such concept: as Väyrynen (2003 – p. 26) points out, “*the study of regionalism is undergoing a methodological renewal that is manifested in the new divide between rationalist and constructivist research agendas regarding the processes of region formation*”.

Scholars adopting a rationalist-economic approach have generally tended to take regions for granted, simply referring to an area that includes countries involved in preferential trade agreements, and focusing on what are the effects of such agreements on the international trade flows in general, like for instance if their overall effect is to create more or less trade both at the intra-regional and at the global level (Mansfield and Milner, 1999; Väyrynen, 2003).

Political scientists adopting a ‘classical’ IR angle, on the other hand, have typically defined a region as “*a limited number of states linked together by a geographical relationship and a degree of mutual interdependence*” (Nye, 1987). Scholars using a more constructivist approach added complexity to the definition including concepts like “common ethnic, linguistic, cultural, social and historical bonds” (Cantori and Spiegel, 1970). An attempt for a more exhaustive definition was made by Hurrel (1995), who differentiated regions in terms of *social cohesiveness* (ethnicity, race, language, religion, culture, history, consciousness of a common heritage), *economic cohesiveness* (trade patterns, economic complementarity), *political cohesiveness* (regime type, ideology) and *organisational cohesiveness* (existence of formal regional institutions).

In order to make the concept clearer and to reduce its complexity, Väyrynen (ibid. - p. 27) suggests to distinguish physical and functional regions, whereby “*physical regions*

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\(^4\) Quoted in Neumann, 2003
refer to territorial, military, and economic spaces controlled primarily by states, but functional regions are defined by nonterritorial factors such as culture and the market that are often the purview of nonstate actors”.

In line with this answer, but leaving the interpretation concept more open, is the solution proposed by Hettne (2005- p. 544): “today, researchers acknowledge the fact that there are no ‘natural’ regions: definitions of a ‘region’ vary according to the particular problem or question under investigation”.

This solution seems realistically useful since, due to the great number of studies in the field and the variety of the theoretical settings, it does not seem likely that scholars will naturally agree on a common definition. It seems necessary, then, to indicate an operational definition of the term “region” that suits the needs of the kind of analysis that is made.

The focus of this work – as suggested by my reference-case, Mercosur – will be on regions intended as “political areas where states have agreed to transfer part of their sovereignty to specific regional institutions”.

**Regionalism and Regionalization**

The term Regionalism refers in general to the political activities that have a region as their dimension and context.

According to Schultz et al. (2001- p. 5), “regionalism represents the body of ideas, values and concrete objectives that are aimed at creating, maintaining or modifying the provision of security and wealth, peace and development, within a region: the urge by any set of actors to reorganize along a particular regional space”.

Regionalization, more specifically, refers to the process of forming regions, be it due to a voluntary political decision or to a spontaneous convergence of transnational interests.

Hurrel (1995- p. 39-45) proposes an articulation of the concept in five steps: 1) regionalization (informal integration), 2) regional awareness or identity, 3) interstate cooperation, 4) state-led integration and 5) regional cohesion.

1) regionalization “refers to the growth of societal integration within a region and to the often undirected processes of social and economic interaction”;

2) regional awareness or identity is defined as “the shared perception of belonging to a particular community”, with reference to “common culture, history or religious traditions”;
3) interstate cooperation within a region can be formal or informal, can happen in a
great variety of fields and with many different degrees of intensity and
frequency: this makes it a broader and more inclusive concept than the one of
‘regime’;
4) regional state-led integration “involves specific policy decisions by governments
designed to reduce or remove barriers to mutual exchange of goods, services,
capital, and people”;
5) regional cohesion “refers to the possibility that, at some point, a combination of
these first four processes might lead to the emergence of a cohesive and
consolidated regional unit”.

As the definitions presented above suggest, the terms ‘regionalization’ and
‘regionalism’ are strongly interrelated and it is no surprise that in many cases they have
been used basically as synonyms.

As previously pointed out, this field of studies has experienced over the years an
increasing division between the so-called ‘Old’ (OR) and ‘New’ regionalisms (NR),
reflecting an historical evolution of the phenomenon that is generally described as
constituted by two “waves” (Warleigh-Lack, 2006).

The first wave of regionalism basically consisted, on the one hand, of geopolitical
alliances with security scopes in the Cold War context, and on the other, of the
enhanced cooperation in Europe, initially perceived as an attempt to consolidate a peace
system after the disasters produced by World War II (Haas, 1958).

These two versions of regionalism were addressed with approaches derived from the
classical IR tradition, which constituted the Old Regionalism: realist concepts of state
power and security were the typical key for intergovernmental explanations of the
alliance systems, while liberalist analyses of interdependence prevailed in the initial
explanation of European institutionalized cooperation that took the name of
functionalism (Hettne, 1999).

The developments of the world order in the following decades made such explanations
unsatisfactory, as they could not give account of the increasing complexity: since the
1960s, the prevalence of national interests over cooperation in European countries like
De Gaulle’s France or Adenauer’s Germany strongly undermined the fit between the
neofunctional description and the real world (Hettne, 1999). This crisis was accentuated
by the so called Eurosclerosis that affected the integration process from the 1970s to the
After enjoying their maximum popularity during these years, however, also neorealist theories had their crisis, due to the end of the bipolar system of world order and the increasing levels of interdependence among countries that constitute the core of what is now called globalization (Keohane 1986).

The studies of regionalism have been very sensitive to such changes, and the theories have followed the developments of reality with the same rapidity. The upturn of European integration in the 1990s, as well as the new experiences of regional integration in other parts of the world generated what scholars defined the new wave of regionalism, and new theoretical tools were developed for its study. A result of such developments was a quite neat division in the scholarship: some authors engaged in attempts to adapt their analytical tools to the new experiences of integration around the world⁵, while others focused on the specificities of the European case, elaborating specific tools to analyze its unique degree of institutional and political development, and constituting the field of European Studies (Graziano, 2007).

The New Regionalism approach was developed as an answer to the weaknesses of the previous theories: according to Söderbaum (2003- p. 4), “the new regionalism is both global and pluralistic, compared to the old regionalism, which was Eurocentric and narrow”. The category covers broad variety of theories, which are not always completely independent from the “old” ones and actually often keep referring to the same main concepts, but with a series of methodological distinctions that constitute the basis for a neat theoretical divide.

One of the most exhaustive and influential reviews in the theories of New Regionalism is represented by the book edited by Söderbaum and Shaw (2003), that collects contributions from the most important researchers within the field of NR. As Söderbaum argues, the study of regionalism is clearly dominated by rationalist and problem-solving theories, a category that includes both neorealists and neoliberal institutionalists. In spite of their traditional disagreement on the role of power and institutions in the international system, the author underlines how such theories share a common epistemology and some core assumptions, such as the anarchical system and self-interest as an engine for state action. (Mansfield and Milner, 1997; Moravcsik, 1998; Fawcett and Hurrel, 1995)

Criticisms to such theories were formulated since the mid 1990s with various reflectivist/critical approaches to regionalism. The main differences that these approaches had with the previous ones regarded the way interests, ideas and identities are formed: instead of taking for granted the maximization of utility as a guiding principle for all the actors on the international (or regional) stage, they seek different explanations and motivations.

1.2 FRAMEWORK

Quoting Hurrell (1995), Warleigh-Lack (2006) identifies five factors that traditionally distinguished New (NR) from Old (OR) Regionalism:

1) NR is very diverse in its nature, comprising a range of models/structures/processes of region-building rather than the single norm expected of, and advocated for, first wave of regionalism by neofunctionalists; 
2) it can involve partnerships between states in the North and South, whereas previous regionalisms supposed only North-North or South-South cooperation; 
3) NR varies enormously in the level of institutionalisation of the various regions, whereas ‘old’ regionalism had a very formal understanding of region-building that saw a lack of new joint institutions as a sign of weakness; 4) NR is multi-dimensional, and fundamentally blurs the distinction between the economic and the political, in contrast with its predecessor; 5) NR reflects, shapes and requires the development of a regional sense of identity, whereas first wave of regionalism, as represented by its European variant, notoriously underplayed and misunderstood issues of legitimacy, identity and popular support. (Warleigh-Lack, 2006- p. 752-753).

To these differences, other factors are added by Hettne (2000) and Soderbaum (2003): NR is not dependent on spillover for its survival or success; unlike its predecessor it is global in scope, based on economic openness/neoliberalism rather than protectionism, independent of superpower politics, and shaped voluntarily by actors from the bottom-up rather than imposed by foreign powers or cultivated by actors at the new centre. On the basis of this latter observation, some authors have also referred to the notion of “Open Regionalism”, to emphasize the orientation of the new experiences of regionalization towards a non-protectionist market economy based on neoliberal principles (Kuwayama, 1999).
The differences observed above are not as neat as they seem if one looks at the whole variety of examples available, and are anyway suitable to be framed in a typology, which takes into account various independent variables determining the dependent one of regionalisation.

The definition of such dependent variable is formulated as follows:

*An explicit, but not necessarily formally institutionalised, process of adapting participant state norms, policy making processes, policy styles, policy content, political opportunity structures, economies and identity (potentially at both elite and popular levels) to both align with and shape a new collective set of priorities, norms and interests at regional level, which may itself then evolve, dissolve or reach stasis* (Warleigh-Lack, 2006- p. 758).

Such definition is clearly very inclusive, and allows to put on the same level for analysis all the concrete experiences of regionalisation, which the author represents in the following table:

**Table 1: Typology of Regionalisation processes**

<table>
<thead>
<tr>
<th>Type of regionalisation</th>
<th>Features</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structured regionalisation</td>
<td>A complex multi-issue entity, using informal politics despite deep institutionalisation. No hegemon exists; substantial power is delegated to the new centre in many policy areas, and is costly to 'repatriate'.</td>
<td>European Union (EU); African Union (in aspiration)</td>
</tr>
<tr>
<td>Dominance regionalisation</td>
<td>An alternative to a global regime, established by regional/global hegemon to counter threats to its power from other regionalisation processes or states. Focuses on narrow range of issues, with emphasis on trade.</td>
<td>North American Free Trade Area (NAFTA)</td>
</tr>
<tr>
<td>Security regionalisation</td>
<td>Focus on security issues, either military or socio-economic. May be geographically contiguous or transregional in membership.</td>
<td>Euro-Mediterranean Partnership; North Atlantic Treaty Organisation (NATO)</td>
</tr>
<tr>
<td>Network regionalisation</td>
<td>Regional identity-driven response to globalisation. May acquire significant or more limited range of powers, but relies primarily on non-institutionalised or intergovernmental working methods.</td>
<td>Association of Southeast Asian Nations (ASEAN); African Union (in actuality); South American Common Market (Mercosur)</td>
</tr>
<tr>
<td>Conjoined regionalisation</td>
<td>Strategic partnership of one regionalisation process with either another such process or with key states outside the region, for the sake of economic or foreign policy advantage</td>
<td>Asia-Pacific Economic Cooperation (APEC); putative Free Trade Area of the Americas</td>
</tr>
</tbody>
</table>

In Warleigh-Lack’s hypothesis, Mercosur is configured as a “Network regionalization”, described as an “identity-driven” response to globalization relying primarily on non institutionalized and intergovernmental working methods.

In the conclusion of my analysis it will also be possible to verify such hypothesis, as its implications are convergent with my main research questions.

Being ‘regionalization’ the dependent variable, the independent variables which the author identifies in order to build the typology are four, namely Genesis, Functionality, Socialization and Impact.

Table 2: Independent variables for regionalization

<table>
<thead>
<tr>
<th>Genesis</th>
<th>Functionality</th>
<th>Socialisation</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why do states continue as participants?</td>
<td>Who makes day-to-day decisions? With which decision rules?</td>
<td>Transaction flows (social, cultural, economic)</td>
<td>On democracy in the component states</td>
</tr>
<tr>
<td>What are the stated purpose and objectives of the regionalisation process?</td>
<td>What role, if any, is played by non-state actors?</td>
<td>Popular awareness and understanding</td>
<td>On distribution of wealth (state-state, and intra-state)</td>
</tr>
<tr>
<td>How is the regionalisation process defined (inclusion/exclusion)?</td>
<td>Which policy issues are addressed, and why? Does this balance change over time?</td>
<td>Popular support (legitimacy)</td>
<td>On influence of the component states (both on each other and vis-à-vis third countries)</td>
</tr>
<tr>
<td></td>
<td>Is the regionalisation process stop-go, linear, reversible, or static?</td>
<td>Increase in trust (elite; mass)?</td>
<td>Are certain policy styles/types imposed or made impossible? Is there any policy learning (exchange of models/ideas, or convergence to new norm?)</td>
</tr>
<tr>
<td></td>
<td>Do the actors involved also collaborate outside the regionalisation process? If so, how and why? What mixture of informal and formal mechanisms?</td>
<td></td>
<td>Are the structures/constitutions of the component states changed?</td>
</tr>
<tr>
<td></td>
<td>Implementation and enforcement mechanisms Performance (output)</td>
<td></td>
<td>Does the regionalisation process take on more states over time?</td>
</tr>
</tbody>
</table>


Such theoretical setting, as the author argues, represents a framework where different approaches to regionalization can be integrated in a view that considers a wider variety of factors, is capable to correct the excessively *sui generis* assumptions of the theories of European integration, and at the same time to allow a clearer comparison between the new experiences of integration and the first – and most successful so far – of such experiences. Nevertheless, its nature of *framework* makes it a useful tool for theoretical discussion, offering a structure for reasoning methodically on the topic, and the identification of its conceptual contents remains quite open. The theories presented above find in this framework an effective “battlefield” that allows to test the explanatory power of each of them for a defined range of variables.
The most influential theory elaborated in the end of the fifties and in the sixties was **Functionalism**, which originally aimed at explaining the increased cooperation in Europe after the end of World War II: the initial cooperation in technical and economic issues made necessary the creation of institutions, which progressively extended the number of political issue areas they covered through spill-over effects (Schulz et al. 2001).

The main proponent of functionalism was David Mitrany, with his essay on “A working Peace System”, dating 1943. The idea on which his work was based was that the most effective way to pursue a situation of peace was to create ambits of cooperation among states, by transferring authority from the governments to common institutions. Such transfers were more likely to happen in the sphere of low politics – especially economic issues – than in the one of high politics, like security and more power-related issues (Mattli, 1999).

Functional theory is based on the hypothesis that cooperation is characterized by an autonomous trend of self-increase, by which every function that is attributed to a supranational level of government will generate more functions of that kind, and the authorities created for the management of some functions will expand their role over more tasks and responsibilities. In the words of Mitrany (1943): “Sovereignty cannot [...] be transferred effectively through a formula, only through a function. By entrusting an authority with a certain task, carrying with it command over the requisite powers and means, a slice of sovereignty is transferred from the old authority to the new; and the accumulation of such partial transfers in time brings about a translation of the true seat of authority”.  

As Schirm (2002- p.4) synthesises, the idea on which functionalism was based was that “cooperation occurs where it is functionally efficient – that is, where specific government functions can be exercised more efficiently by means of regional cooperation than by an individual nation”.

The major weakness of the functionalist theory was the assumed separability of politics from economics, and the proposition that functionalist integration would automatically spread (Schulz et al. 2001). Criticisms to such assumptions were based on the

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6 Quoted in Mattli, 1999
observation that the decision of what to include in the technical-economic realm for which the regional institutions are in charge is always a political decision (Haas, 1958), whereas the paralysis of European Integration in the 1970s represented the factual evidence against the presumed automatism of the integration process.

A more radical criticism to functionalism is the one made by Mattli (1999), who argues that it is not a proper theory of integration but rather a normative method, which describes how a peaceful coexistence should be pursued.

Some answers to such weaknesses were pointed out by the theories of neofunctionalism or neoliberal institutionalism, whose main theorist was Ernst Haas (1958; 1964).

According to Mattli (1999), neofunctionalism had in common with the previous theory the main assumptions, but refined its analytical tools, organizing them into a proper analytical framework, and especially shifted from the normative – teleological to a more utilitarian and realistic method.

The features of Haas’s neofunctional theory are clearly explained by Mattli, (ibid.) through a description of the actors involved, the motives that lead to integration, the characteristics of the process, and finally the context.

The actors who play the most important role in neofunctional theory are, rather than states, those operating above and below the state. According to such conception, in the European case, the Commission acts as a supranational political entrepreneur, shaping member states’ expectations and enjoying the relative autonomy that those leave to it, alimented by the political demands coming from transnational interest groups and elaborating the experiences of other technocrats in the various national governments. The European Commission and the European Court of Justice are so considered the main promoter and designer of further integration, in their role of articulating goals, proposing and brokering bargains: “once created, institutions generate an internal dynamic of their own” (Hurrel, 1995- p. 59).

A criticism to such idea is moved by Schirm (2002- p. 5), who points out that “neofunctional institutionalism cannot explain why the Commission was possibly able to promote cooperation in the mid-1980s but not in the previous decades, and why integration was suddenly accompanied by a liberalizing and deregulative economic strategy”.

The motives of the integration processes, according to neofunctionalism, are not anymore found in the utopian desire for a peaceful coexistence among the states, but
rather in a utilitarian concept of interest: in this conception, national interest is not the only effective engine for political actions.

In fact, there are interests which are shared by similar groups in different countries, and the common representation of such transnational interests is the strongest source of legitimacy for the supranational authorities.

In the description of the process, the concept of *spill-over effect* is still used, but a distinction is now made between *functional* and *political* spill-over. The former is based on the strong interdependence among economic sectors, so that the integration in one sector stimulates more integration in the entire economy, even in absence of specific group demands. The latter concept describes the increasing political expectations that are generated by a successful case of integration in one sector: the expansion of the process is not considered automatic, but it is rather based on a progressive modification of political behaviours and values.

Finally, a third element of the process of integration are *upgrading common interests*: when the cooperation among states becomes extended and continuous, states are likely to reach more easily a compromise in complex negotiations, basing on the consideration that if an actor accepts less favourable conditions in one occasion, then it will be able to claim a sort of credit in the following ones.

The context that Haas describes is “economic, social, and technical, that is, it is nominally apolitical” (Mattli, ibid.- p. 26). The importance of the political aspects is nevertheless mentioned as a reflection of economic matters: “the supranational style stresses the indirect penetration of the political by way of the economic because the ‘purely’ economic decisions always acquire political importance in the minds of the participants”\(^7\).

As argued by Schulz et al. (2001- p. 9), “Institutionalism in its various versions, mainly neoliberal institutionalism, has become the contemporary form of functionalism and neofunctionalism”. In the same contribution, the authors make a synthesis of the neoliberal-institutional approach in three points: 1) increasing levels of (regional) interdependence generate increased ‘demand’ for international (regional) cooperation, and therefore for international institutions and regimes; 2) institutions matter because of the benefits that they provide, and because of their impact on the calculations of the players and the ways in which they define their interests; 3) neoliberal institutionalism

\(^7\) Quoted in Mattli, 1999: 27.
is concerned with ways in which states conceived of as rational egoists can be led to cooperate.

A general critique moved to neofunctional institutionalism was its inability to explain processes of integration outside Europe: although some authors\(^8\) made relevant attempts to use the European Community as a paradigm for the study of other cases, a publication from the progenitor of this scholarship – E. Haas – declared the crisis of neofunctionalism with a meaningful title: *The Obsolescence of Regional Integration Theory* (1975). The reason for this crisis was the substantial failure to use the same theoretical tools developed for the European case in the study of the other integration processes. As it will be argued later, in the case of Mercosur, for instance, the level of interdependence among transnational societal actors was very low, and the process of integration is almost unanimously explained as a top-down initiative, led by governments and national diplomats (Malamud, 2003, 2005; Klom, 2005; Kaltenthaler and Mora, 2002).

Another factor that determined the theoretical ‘failure’ of neofunctional institutionalism, as it was mentioned above, was the evident prevalence of national interests over cooperation in periods like the 1970s, with the Eurosclerosis and the diffusion of the so-called Gaullism in Europe (Hettne, 2005).

1.4 INTERGOVERNMENTALISM

The main critiques to the neofunctionalist approach, though, were made by scholars inspired by the general theory of international relations known as **neorealism**. Coherently with the classical theoretical setting followed by this school, the processes of regional cooperation and integration were seen from a state-centric perspective: the convergence or divergence of national interests was held to be the decisive factor for the progress or paralysis of cooperation (Schrim, 2002).

Intergovernmentalism represents the main expression of realist thought in the theories of regionalism. In Mattli’s words (1999), “**intergovernmentalism holds that integration can be best understood as a series of bargains between the heads of governments of the leading states in a region**”.

As Schulz et al. (2001) point out, regional cooperation is seen first of all as a response to external challenges, especially in security-related fields and with similar dynamics to the processes of alliance formation. This stream of theory has also considered the existence of interdependence as a relevant concept for the study of states behaviour, but in this case such concept was rather intended as an underlying feature of the concept of ‘international regimes’ for regulating specific policy issues (Rittberger, 1993). According to Moravsik (1993- p. 474) “Regional cooperation is thus considered an intergovernmental regime designed to manage economic interdependence”.

Regional cooperation, then, is seen as a result of national interests which, based on a rational calculation, can be more effectively pursued together with other states than alone. The problem, though, is clearly expressed by Schrim (2002- p. 7): “the formation of national interests occurs in an analytical vacuum: there are explanations of how interests are articulated and shape foreign policy behaviour, but none of why interests emerge and which interests succeed in becoming driving forces”.

Another criticism to intergovernmentalism is brought forward by Mattli (1999), who notices that if interest bargaining among states is the main independent variable on which the theory is based, then there is no big variety of possible outcomes: basically the process is always described as a convergence of states preferences. In extreme synthesis, the intergovernmentalist reasoning can be simplified as follows: “if there was an agreement, that was because state preferences were converging; if there was no agreement, that was because state preferences were not converging”. Put this way, the theory does not seem to really explain the phenomenon, but just to offer a hypothesis that is supposed to auto-validate itself.

Moravsik (1995) seemed to be aware of such theoretical weakness, and tried to deepen the analysis by adopting a two-stage approach to describe the main decisions taken in the history of the European Community. In the first stage of what he defined liberal intergovernmentalism, national preferences are determined by the constraints and opportunities imposed by economic interdependence. In the second stage, “the outcomes of interstate bargains are determined by the relative bargaining of power of governments and the functional incentives for institutionalization created by high transaction costs and the desire to control domestic agendas”.

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9 Moravsik, ibid.- p. 517
Caporaso (2000) and Mattli (1999) seem to agree on the fact that such solution constitutes a substantial mediation with the neofunctional institutionalist approach: “the idea that domestic and transnational society starts the process of integration by expressing preferences which governments pursue in international bargains and through the creation of supranational organizations” (Mattli, ibid.- p. 30).

The mediation that this approach represents implies that the main problem related with the formation of national preferences is still unsolved: it keeps the same weakness of attributing the dependent variable, integration, to the independent one of national interests, and in the end the validity of the theory can still only be explained a posteriori: if an agreement among states is evidenced, then the reason for that is found in the convergence of national interests, but the theory does not allow to foresee such agreements from the analysis of the underlying interests.

1.5 EUROPEANIZATION

The general framework proposed by Warleigh-Lack (2006) identified impact as the last independent variable for regionalization. This represents another issue that regionalization theories alone are not able to explain. Regarding this aspect, the field of European Studies seems to have reached a development that has not yet occurred in new regionalism theories. In fact, neither Old nor New Regionalism focused on the effects that regionalization produce on its member states, whereas a relevant amount of literature has already been produced by European Studies Scholars on the theory of Europeanization.

Europeanization is defined as the process of “domestic adaptation to European regional integration” (Graziano and Vink, 2007- p. 7). This concept is a relatively new one in the European Studies scholarship, having it started enjoying some popularity since the late 1990s.

J. Caporaso (2007) collocates this theory at the final stage of the evolution of European studies, showing that the first wave of studies (1970s) was focused on the transfer of sovereignty from the domestic level to the EU, a second phase (1980s) was concentrated on the policy-making mechanisms within the new European polity, and that in the last decades the focus is shifting towards how the European structures of governance affect domestic structures and politics (Europeanization).
In this sense, Europeanization covers a dual function: “first, it highlights the role of European politics and institutions as an independent variable in domestic politics. [...] Second, Europeanization refers to the process by which domestic structures adapt to European integration” (Caporaso, ibid.- p. 27).

In the same contribution, Caporaso also elaborates a basic model showing that “integration leads to pressures to adjust (goodness of fit) which are then mediated by domestic-level factors, and finally to outcomes” (ibid.- p. 28).

**Figure 1: Conceptual scheme for Europeanization**

Between the first and the second step, the model allows to think about the level of pressure created by Europeanization. “This pressure is a function of the degree of fit (misfit) or congruence (incongruence) between “Europe” and the domestic level. If there is a good fit, there is little pressure for change at the domestic level” (Caporaso, ibid.- p. 29-30).

In the category of Mediating Institutions, the author puts formal and informal ones, meaning that also the presence of soft law or veto powers in some sectors of society, such as regions, unions, employers, consumer groups and so on, can intervene on the way the pressure from the European level is exerted towards the domestic one.

This model collocates Europeanization into a threefold framework for integration theory: “classical integration (the making of a whole out of the parts), Europe as polity, and Europeanization” (Caporaso, ibid.- p. 29).

Many interesting developments have been produced in this theory, allowing increasingly deep understanding of the mechanisms operating in the EU. Nevertheless, this basic formulation of the theory presents a fundamental advantage: it is easily applicable to other contexts, and fits our purpose to understand how Mercosurization (or the process of regionalization named Mercosur) affects the government structures of its member states.
1.6 CONSTRUCTIVISM

**Constructivist** theories “focus on regional awareness and regional identity, on the shared sense of belonging to a particular regional community, and on what has been called ‘cognitive regionalism’. They stress the extent to which regional cohesion depends on a sustained and durable sense of community based on mutual responsiveness, trust, and high levels of what might be called ‘cognitive interdependence’” (Hurrel, 1995, p. 64).

An interesting example of constructivist approach in the study of regionalism is the one proposed by Neumann (2003), who studies the construction of interests “where they are formulated”, through an understanding of the local social relations, ideas, identities and knowledge. In his *region building approach*, Neumann argues that in the formation of a region “similarities and dissimilarities are processed politically by [region-builders], and that these political actors are the ones to decide which similarities should henceforth be considered politically relevant, and which should not”. In this optic, interests still matter, but “instead of postulating a given set of interests that actors are supposed to harbour before their social interaction with other collectives, the region-building approach investigates interests where they are formulated, namely in discourse” (ibid., p. 161).

Neumann’s approach has definitely the merit to address a fundamental problem shared by both institutionalist and intergovernmentalist theories. In both cases, integration processes are explained on the basis of a convergence among interests, be they pre-configured for each state, as in the intergovernmentalist view, or built as a result of transnational networks of interdependence as in the case of liberal institutionalist theories. So the main distinction is about *which interests prevail*. None of the two, though, offers a satisfactory explanation of *how interests are formulated*.

Neumann’s answer is that the formulation of actors’ interests is strongly based on the *discourse* underlying the construction of a region. Such discourse can have two interrelated dimensions: the ‘inside-out’, which consists of the narration of the external environment that prevails among the region-builders, and the outside-in, made up of the perceptions that external actors have of the region.

In the case of Mercosur, I will analyze two influential narratives underlying the creation of the region: the inside-out one of the ‘US project of hemispheric hegemony’, and the outside-in one of the ‘Latin American identity’ (Ramos, 2003).
Neumann’s approach can be improved and completed by a deeper questioning on the concept of interest, which offers not only a better understanding of the discourse underlying the genesis of a region, but also some insights that will be useful in the subsequent analyses of functionality and socialization.

The definition of interests, both in neorealist and neoliberal theories, is based on the main assumption of rational choice theory: “individuals’ behaviours are rational”. This means that if an agent chooses X rather than Y, this is because his interest is better served by X than by Y.

As Blyth (2002) argues, in this view the agent’s interest is defined in terms of his observed behaviour, and the agent’s behaviour is explicable only in terms of his hypothesized interest, which is a self-confirmatory argument.

In addition, even accepting such argument, it would be hard for an external observer to say whether the behaviour in question was guided by “real” interests or not. In fact, the agent himself should be in possess of perfect information in order to know which choice really maximizes his benefit. So what determines the possibility of different behaviours in the same situation is not only informative asymmetry, but also the fact that different agents can elaborate differently and give different interpretations of the same amount of information.

The answer offered by Blyth for this problem is that interests are a function of beliefs and desires, and in situations of uncertainty – like the case of economic crises in his example – agents are not automatically aware of what their interests are, but they represent their interests to themselves on the basis of cognitive mechanisms or ideas.

Based on these considerations, ideas allow actors to reduce uncertainty by offering a representation of economic or political situations. Such representations are then able to generate collective action and coalition building: a representation of a situation allows an agent to determine what his interest is in that situation, and the adherence to the same representation allows the definition of a common interest to be promoted through collective action.

In the same way, following Blyth’s argumentation (ibid.- p.39), ideas also constitute critical weapons against existing institutions: “in order to replace [institutions], agents must delegitimate [them]by contesting the ideas that underlie them”. As a consequence, new ideas are the blueprints for new institutions.

For the case of regional integration, both neo-functionalism and the new regionalism theories, limit themselves to explaining the process of creation and configuration of a
regional union, pointing out the reasons for their development and for the institutional structure that they can eventually adopt, the possible increases in their range of action and their potential for vertical and horizontal enlargement. Intergovernmental theories, on the other hand, are able to explain decisions \textit{a posteriori} in terms of international power bargaining, including the decision to create supranational institutions, but an analysis of what political orientations are assumed by those institutions after their creation seems to be out of the intergovernmentalist research agenda.

What none of these regionalization theories can explain, however, is the political ideas to which, once created, institutions are inspired or what I defined with Hettne (2005) the \textit{political content} of regionalization. To say it with Blyth’s words, “structures do not come with an instruction sheet” (2002- p. 251).

The constructivist approaches proposed in this section will provide an analytical tool that can be used to address this issue. First, I will discuss the impact of ideas on the policy-making, as a tool allowing to analyze how regional institutions build their identity and, \textit{a fortiori}, how their functions are determined.

The consideration that ideas have an effect on the policy-making processes is intuitively quite convincing, as no one could deny that designing a policy is somehow related with a certain amount of mental activity. Nevertheless, as Campbell (2008)$^{10}$ points out, in order to turn this intuition into proper and systematic knowledge, it is necessary to make some conceptual clarifications.

First of all, the word \textit{idea}, which is very commonly used with various different meanings in everyday language, needs to be more specifically defined for the purpose of a scientific use of the term. Secondly, if it was previously stated that actors build representations of their own interests based on cognitive mechanisms or ideas, then it becomes necessary to explain where such ideas come from. Finally, in order to make these concepts coherent and useful for theory, it will be necessary to explain the mechanisms through which ideas affect policy making or, as Yee (2001) refers to the issue, “the causal effects of ideas on policies”.

The word \textit{idea} recalls one of the founding concepts of Western civilization. The Greek words \textit{išēa [idea]} and \textit{eîdōς [eidos]} are generally translated as “look”, “appearance” or “form”. They both derive from the verb ὁράω [oráo], “to see”, whose

$^{10}$ In Nedergaard and Campbell (2008)
past perfect, οἶδα [oida] was used in Ancient Greek with the very subtle – and hardly translatable – meaning of “I know (because I have seen)”. The term notoriously represented the central concept in Plato’s philosophy, where ideas (or forms in the most common English translation) constituted both the ontological and gnoseological foundation of reality. In particular, in his doctrine, “the Ideas or Forms are always spoken of as 1) the objects of intelligence, in contrast with the objects of perception; 2) things which truly ‘are’, in contrast with changing objects of perception, which are in a state of becoming; 3) eternal, in contrast with the perishable world of change”. It is only with Descartes that the term starts designating a mental activity. In the Meditations, he writes: “Quelques-unes [de mes pensées]sont comme les images des choses, et c’est à celles-là seules que convient proprement le nom d’idée”. So this conception of idea corresponds to a ‘mental representation’: thinking of something means referring back to a mental image that one has of that thing. In Kant’s Critique of the Pure Reason, though, the concept of idea is distinguished by the one of ‘representation’. He says: “I understand by ‘idea’ a necessary concept of reason to which no corresponding object can be given in sensation”. So in this meaning ideas constitute more the elements of a mental structure than the products of a mental mechanism.

In more recent times, the word has been nearly removed from the philosophical jargon, being replaced by more specific terms, pointing more precisely at the meaning that is being intended. Among the last philosophers who gave a central relevance to this concept, John Dewey and the American instrumentalists intended ideas as “tools for directing our activities, responses to sensation rather then sensations”. In the contemporary social sciences, scholars have seemed to follow this latter tendency, referring to the concept in a less speculative way and privileging its operationalization in order to build workable theories.

Campbell (in Nedergaard and Campbell, 2008- p. 166-167) distinguishes four different kinds of ideas along two dimensions.

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13 Ibid.- p. 119. Translation by author: “Some of my thoughts are like images of things, and it is to these alone that the name ‘idea’ properly belongs”
14 ibid.- p. 120
15 ibid.- p. 120
“First, whereas **cognitive** ideas specify causal or means-ends relationships, **normative** ideas specify how things ought to be. Second, whereas in politics some ideas are hotly debated and, therefore, are located in the **foreground** of political debate, other ideas are much more taken-for-granted and are located in the **background** of political debate.

Campbell’s conceptual scheme can be represented as follows:

**Table 3: Typology of ideas in relation to policy making**

<table>
<thead>
<tr>
<th></th>
<th>COGNITIVE</th>
<th>NORMATIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOREGROUND</strong></td>
<td>Policy Paradigms (Programs): Elite policy prescriptions that help policy makers to chart a clear and specific course of policy action</td>
<td>Frames: Ideas as symbols and concepts that help policy makers to legitimize policy solutions to the public</td>
</tr>
<tr>
<td></td>
<td><strong>BACKGROUND</strong></td>
<td>Public Sentiments: Ideas as public assumptions that constrain the normative range of legitimate solutions available to policy makers</td>
</tr>
<tr>
<td></td>
<td>Paradigms: Ideas as elite assumptions that constrain the cognitive range of useful solutions available to policy makers</td>
<td></td>
</tr>
</tbody>
</table>

Source: Campbell, 1998

Evidently this typology cannot be exclusive, considered that an idea cannot be quantitatively measured and univocally assigned to one category rather than another. Indeed, ideas are often at the borders between two or more categories and, according to Campbell (1998), it is when an idea gets wide and strong enough to cover all the spectrum of the typology that it becomes most likely to have a decisive impact on policy making.

The dynamic of such impact is described by the author as follows:

1) Given the perception of a problem, a **programmatic idea** must be credible to the policy makers in the sense that it fits the dominant policy paradigm
2) The idea provides an effective solution to a policy making problem
3) The idea is ‘packaged’ in simple enough terms for policy makers to understand and it provides clear policy guidelines
4) It must fit with prevailing **public sentiment**

Campbell’s typology has the merit to clarify the features of ideas and to specify how the presence and configuration of such features determine the likeliness that an idea achieves relevance for the policy making process. Nevertheless, the question of **how** ideas affect policies still remains open.

If we consider an institution that holds the authority to design and implement policies in a specific field, we can suppose that only a limited number of options, which can respond to the features of its environment, are available to such institution.
This situation is perfectly described by Kathryn Sikkink (1991), in her study on the adoption of developmentalist economic models in Latin America. According to the author, “only a few models were perceived as available to policy makers in Latin America in the post-war period: liberalism, developmentalism, national populism and socialism”. The question, then, is: “Given the universe of possible models, why was developmentalism adopted instead of an alternative model?” (ibid.- p. 3-5).

The above mentioned works by Sikkink and Blyth, among their various converging points, have as an explicit objective not to dismiss previous theories, but rather to improve them through the consideration of additional aspects and degrees of complexity. Sikkink, for instance, recognizes that the choice for an economic model can be strongly influenced by domestic constraints and opportunities, but this influence only exists in the form of the perceptions that policy makers have of such constraints and opportunities.

“The adoption of new models is the result of ideas of top policy makers, who respond to what they perceive as the constraints and opportunities in the international and domestic economic situation. [...] Successful implementation and consolidation of new models, however, requires that these ideas become embodied in capable institutions and that they receive broad support from societal groups” (Sikkink, 1991- p. 26).

Other authors have tried to adopt a deeper and more specific focus on the causal mechanisms through which ideas affect policy making.

Yee (1996) offers a rather detailed review of the main theories that have addressed the issue, and proposes a distinction between three general approaches.

Meaning-oriented behaviouralists have made attempts to determine a quantitative relation between ideas and policies, through statistical associations and quasi-experimental methods. Left aside the theoretical criticisms to the possibility of a “quantitative analysis of ideas” – which can look like a paradox to the eyes of those who are not experts in statistics (as in the case of who is writing) – the empirical failure of these attempts is testified in many cases by their authors themselves, as Yee (ibid.) clearly shows.

A more political approach is the one adopted by what Yee calls institutional ideation theories. These theories share the concept that ideas affect policy-making through the intermediation of some specific actors. Haas (1992), for instance, referred to the concept of epistemic communities, which he defines as “a network of professionals with
recognized expertise in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area”.

The influence of epistemic communities is indirect when they simply contribute to the diffusion of ideas that influence the choices of policy-makers, and direct when, as often happens, member of such communities acquire bureaucratic positions.

Among these theories, also the above mentioned work by Sikkink (1991) represents a second version of institutional ideation approach. In this case, the influence of ideas is exerted through their translation into legal mechanisms in place in institutions. In the case of newly created institutions, like in regional unions, or in moments of institutional change, the influence of ideas is not only exerted on the policy making activity, but also on the configuration (or re-configuration) of the institutional setting and culture.

A third version is the one presented by Hall (1989; 1992), which seems to conjugate and complete the previous two. In this case, institutions are considered “critical mediating variables”. Indeed, they are not just considered as passive receptors of ideas, or some sort of “materializations of ideas”. Rather, institutions play a dual role: on the one hand, they determine which ideas gain the access to policy making, and on the other, symmetrically, they also affect the access of policymakers to ideas. To put it in another way, not all ideas have the same potential for influencing policy making, but their persuasiveness depends, as Hall (1989) argues, on the shape of the ideas themselves.

Figure 2: Institutional Approaches to the causal linkage between ideas and policies

Source: Yee (1996)
What Yee (1996) indicates as a third approach to the causal effects of ideas on policies are the post-modern theories of symbolic languages, intersubjective meanings and discursive practices.

A common philosophical concept on which such theories are based is that the language or vocabularies within which actors operate are a first element influencing the interpretation of the situations, and limiting the range of ideas that policymakers can actually pursue. According to Hall (1989- p.383-84), by supplying the words and concepts, languages “define the terms of the political debate and provide participants in the political arena with a discursive repertoire to be used there”.

Ideas, then, can be understood through the Foucauldian concept of discourse, which “involves not simply a group of signs or symbols, but the overall social practices that systematically form societal subjects and the objects of what they speak”.

A definition of discourse that seems methodologically most useful – as it allows to ‘materialize’ the notion – is the one by Phillips and Hardy (2002- p.3) who define discourse as “an interrelated set of texts and the practices of their production, dissemination, and reception, that brings an object into being”.

According to George (1994), a discourse:

1) gives meaning to the way that people understand themselves and their behaviour;
2) generates the categories of meaning by which reality can be understood and explained;
3) makes ‘real’ that which it prescribes as meaningful;
4) establishes the sociolinguistic under which theory and practice can take place;
5) establishes that which, by discoursive definition, does not correspond with reality.

An idea intended as a discourse, thus, provides an interpretation of reality rather than an explanation. In line with post-modern thought in general, this approach refuses the possibility of a univocal and permanent determination of causal effects, especially in the realm of social phenomena, but offers what I consider the only possible way to address such an overwhelming issue like that of the relation between thought and action, or less generically, between ideas and policies.

The combination of institutional ideation approaches with the great conceptual research made by discourse and language scholars allows a deeper understanding of the linkages between ideas and policies: the former is very useful as it sets a framework that defines the actors involved and identifies the channels through which ideas can be transmitted.

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17 Quoted in Yee (1996)
to the policy making level, whereas the latter offers the adequate spectrum of conceptual shades to describe a relation that is all but mechanical and measurable.

The last point – and definitely the most complex – that is left to be addressed, is where ideas come from. A satisfactory philosophical treatment of such subject would lead far beyond the purposes of this essay, but it is nevertheless necessary to offer at least an orientation.

The solution proposed by Campbell (1998) is explained through the image of a collage: new ideas are basically the result of ‘cross-fertilizations’ among various existing concepts, as happens when a scholar reads other scholars’ works in preparation of his research. What is not convincing in this solution, though, is the risk to end up in a sequence of infinite causation: if new ideas are originated by ‘mixing’ old ones, then where do old ideas come from? The question remains unsolved.

A more philosophically founded answer, which however presents a level of theoretical complexity in line with our purposes can be found in the renowned essay by Ortega y Gasset, *The Sportive Origin of the State* (1924). The Spanish philosopher distinguishes two realms of human activities: “Una actividad originaria, creadora, vital por excelencia — que es espontánea y desinteresada; otra actividad en que se aprovecha y mecaniza aquélla y que es de carácter utilitario. La utilidad no crea, no inventa, simplemente aprovecha y estabiliza lo que sin ella fue creado.”

In Ortega y Gasset’s analysis, it is the primary and creative activities – conducted in the maximum freedom and just for the pleasure that they give – that defines the range of possibilities available to human action, while the second kind just operationalizes some of the possibilities previously discovered and uses them for the execution of a practical task. In the author’s example, the free and creative activity *par excellence* is sport, while the mechanic and practical one is work.

Applied to the case of ideas in relation with policy-making, the former are the result of a creative and free philosophical activity of reflection upon the reality, which individuates the possibilities for political action; the practical activity is then the transformation of such intuitions in concrete and structured policy plans, which happens in what we called epistemic communities and then in the institutional bureaucracies.

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18 For a deeper philosophical treatment of the subject, see Heidegger: *What is called thinking?* (1968) – Translation of *Wass Heisst Denken?* (1954)
19 Ortega y Gasset, 1924- p. 261. Translation by author: “One primary, creative and vital activity – which is spontaneous and disinterested, another that exploits and mechanizes the former and is of utilitarian nature. Utility does not invent, it simply avails itself of and stabilizes what was created without it”
2. METHODOLOGY

2.1 GENESIS

The *genesis* of Mercosur will be described through a confrontation between institutionalist and intergovernmentalist hypotheses. The weaknesses evidenced in the theory for such explanations will be addressed through an insight from a constructivist approach, which looks at the process from a region-building perspective and reformulates actors’ interests in relation with the ideas underlying them.

- The institutionalist hypothesis is formulated as follows:

*The genesis of the Mercosur integration process is the result of an increased interdependence among transnational actors, which generated a relevant demand for regional institutions. After their creation, institutions increased their power and scope through spill-over effects.*

The evidence required for the verification of such hypothesis can be found in the levels of economic interdependence among the members of Mercosur and in the identification of spill-over effects in the creation of its institutions.

The validity of an institutional explanation for the creation of Mercosur will be measured through an analysis of the levels of interdependence among its member countries. The low levels of interdependence shown by data and the weakness of societal actors in the representation of their interests at the regional level, will support an intergovernmental explanation based on power asymmetry and strategic interests.

- The intergovernmental alternative hypothesis, on the other hand, will be:

*The creation of Mercosur is the result of a bargaining among national interests, conducted by government representatives. Regional institutions are the result of smaller members’ attempts to defend their interests against the bigger members.*

This hypothesis will be sustained by a description of the role played by national governments, and especially Presidents, in the decisive moments of the history of

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20 See Schulz et al., 2001; Haas, 1958; Nye, 1970
21 See Moravcsik, 1993 and 1998
Mercosur. An analysis of costs and benefits encountered by each country in joining the integration project will prove the validity of such explanation.

Finally, a constructivist approach will show the limits of an explanation based on the concept of interest as their configuration is inferred from state behaviours rather than explained in itself. I will argue that the self-interpretation of the national interest by a government depends on the political *discourse* that characterizes it.

As argued by Burnham et al. (2008), discourses can be understood as ideal types by which political behaviour is inspired. In order to identify them, it is then necessary to single out documents where key political actors state – more or less explicitly – the political motivation for their choices. However, as Phillips and Hardy (2002) point out, we can never find a discourse in its entirety within one single text: rather, discourse is generated by *bodies* of interrelated texts, but also by the *context* within which these texts are produced. For such reason, discourse analysis is not just a technique for conductive structured, qualitative analysis of texts, but it involves assumptions concerning the constructive nature and effects of language.

In the previous theoretical considerations, it was pointed out how ideas can be constitutive of the political reality: discourse analysis represents the method through which such correlation can be put in evidence.

Phillips and Hardy (2002) describe the range of approaches to discourse analysis according to two dimensions: on the one hand, the analysis can be either more focused on text or on context; on the other, it can either privilege power dynamics – adopting a more critical angle – or social construction – from a rather constructivist perspective. Considered the nature of this distinction, which is rather qualitative and abstract, the field delimited by such dimension should be seen as a continuum, and every research project will be at an intermediate point between the four extremes represented as follows.

*Figure 3: Different approaches to discourse analysis*

![Discourse Analysis Diagram](source: Phillips and Hardy, 2002)
For the purposes of my analysis, Interpretive Structuralism is the approach that seems to offer the best insights, allowing to look at the social construction of a political subject like Mercosur with a main focus on the context of its creation.

Scholars who followed this approach recurred to a broad selection of texts that allowed them to have a “bigger picture” of the context, in order to identify the relations between such context and the discourse in question. Hirsh (1986)\textsuperscript{22}, for example, used this approach in a study of hostile takeovers among corporations. In order to understand the mutation in the social construction of takeovers over time, he recurred to three different sources: articles from three main American newspapers, transcripts of congressional reports and hearings and publications by experts on the field. His analysis of the texts revealed the recurrence of a series of metaphors, expressions and figures that revealed the configuration and evolution of a specific discourse on the topic.

In line with such considerations, my analysis on the genesis of Mercosur will be conducted primarily on official documents where the positions of the negotiating states were expressed, such as the Mercosur treaties and their preparatory agreements, declarations from exponents of the governments (mainly taken from newspapers) and decisions of the Common Market Council\textsuperscript{23}. Their interpretation will be then supported by the work of academic experts in the field, which will represent a secondary source of information. The main key for the interpretation, however, will be the political context within which the creation of Mercosur took place: a reconstruction of the economic policies implemented by the founding members in the beginning of the 1990s will give account of the prevalence of a neoliberal discourse over the developmentalist one in those years.

Evidently this explanation cannot count on the support from quantitative – or however measurable – data, but as a constructivist approach, based on a post-modern conception of research, it privileges interpretation over measurement\textsuperscript{24}. In our case, indeed, such approach is used to complete and integrate the findings that other theories have already produced in the same field. Its importance lies in contributing to a deeper understanding of the phenomenon, and it does not seem to be affected by the non-measurability of its arguments.

\textsuperscript{22} Quoted in Phillips and Hardy, 2002
\textsuperscript{23} \textit{Consejo del Mercado Común} (CMC): the superior organ of Mercosur, composed by the Ministries of Foreign Affairs and Ministries of Economic Affairs of all the member states.
\textsuperscript{24} As Chwieroth (2007- p.8) argues, “not all questions that concern ideational researchers are amenable to quantitative analysis”.

32
As a further advantage, an analysis of the political discourse underlying Mercosur will not only give account of the motivations for states to join the process, but also characterize politically the initial phase of the integration process. Such characterization will be then picked up by the following section, referred to functionality.

In my analysis, after defining the features of the discourses which seem to have had an effect on the creation of Mercosur, I will find evidence for their relevance in the evolution of economic policies in the initial years of the integration process.

As I will argue, the prevailing political paradigm among the governing elites was neoliberalism in its various applications in the national context. Indeed, relevant additional factors for regional cohesion were represented by a common desire for a consolidation of democracy and a shared sense of “Latin American identity”.

Table 4: Approaches and hypotheses for the formation of Mercosur

<table>
<thead>
<tr>
<th>APPROACH</th>
<th>HYPOTHESES</th>
<th>EVIDENCE</th>
<th>INDICATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neoliberal Institutionalism</td>
<td>Regionalization as a result of increased interdependence among transnational actors and developed through spill-over effects</td>
<td>Degree of economic interdependence, existence of transnational networks</td>
<td>Intra-regional trade volumes</td>
</tr>
<tr>
<td>Neorealist Inter-governmentalism</td>
<td>Regionalization as a result of converging state interests: - defensive strategy against external hegemonic powers; - offensive strategy for the stronger states to consolidate leadership in the region, and for the weaker states to maximize their gains from cooperation with the stronger partner</td>
<td>Convergence of state interests. - Influence of a hegemonic power on the region; - Degree of power asymmetry among the members of the regional project</td>
<td>Costs and benefits analysis; Dimension of the national economies and asymmetries</td>
</tr>
<tr>
<td>Constructivism</td>
<td>Regionalization as a process of region-building: the identity of a region is built in the inside-out and outside-in dimensions of the discourse prevailing among region-builders.</td>
<td>Compliance of actors’ behavior with discourse</td>
<td>Analysis of policies, documents, speeches, declarations</td>
</tr>
</tbody>
</table>
2.2 FUNCTIONALITY

The functionality of Mercosur will be studied on the basis of the previous observations: after a description of how the decision-making power is distributed among the actors, I will relate the activity of the regional institutions with the political paradigms that influence them. My hypothesis in this case will be that – at the present stage of the integration process – there is not just one paradigm inspiring the policy-making activity, since the reduced development of regional institutions restricts the ability for ideas to get embedded in their structure. Nevertheless, I will show that the political discourse by which the integration process is alimented, also determines the direction that institutions will follow in their development. In particular, I will argue that the prevailing discourse at the present stage is presenting a project of integration that is diverging from the neo-liberal paradigm, while increasingly concerned with social cohesion and inclusion.

A reference work for the analysis of how political discourses affect policy-making institutions is the one by V. Schmidt (2002), which investigates how political discourses related to globalization and europeanization generated and legitimated policy changes in three European countries. Her methodological setting seems also suitable for the purposes of our analysis. In Schmidt’s definition, a discourse “consists of whatever policy actors say to one another and to the public in their efforts to generate and legitimize a policy programme. As such, discourse encompasses both a set of policy ideas and values and an interactive process of construction and communication” (ibid.- p. 209).

As the author specifies, such definition allows to take account of two dimensions of political discourse:
- the ideational dimension covers its function to canalize and reconfigure interests for collective action\(^{25}\), its ability to (re)construct actors’ understandings of their interests and redirect their actions within institutions and its power to recall national identities, values, norms and collective identities (Schmidt, 2002).
- the interactive dimension of discourse is constituted by its capacity to provide a common language and framework for the construction of a policy programme, as well as a communication instrument for the presentation of such programme to the public.

\(^{25}\) See Blyth, 2002
In order to identify a political discourse, then, the author proposes a distinction between the two above mentioned dimensions, and a set of sub-distinctions within each of the dimensions.

The ideational dimension has two main functions: a cognitive one that serves to justify a programme by virtue of its technical superiority in providing an answer to concrete problems, as opposed to other programmes, and a normative function, aimed at legitimizing the policy programme by demonstrating its compliance with national values.

Table 5: Ideational dimension of discourse

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>FORM</th>
<th>IDEATIONAL CORE</th>
<th>REPRESENTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>COGNITIVE</td>
<td>Define policy programme’s technical purposes and objectives, offer solutions to problems, define policy instruments and methods</td>
<td>Principles and norms of (social) scientific disciplines</td>
<td>Narratives, technical /scientific arguments, paradigms, frames of reference, guidelines, techniques, recipes, metaphors, slogans, fundational myths, evocative phrases, images, etc.</td>
</tr>
<tr>
<td>NORMATIVE</td>
<td>Define policy programme’s goals and ideals, appeal to long-standing or newly emerging values</td>
<td>Principles and norms of public life</td>
<td></td>
</tr>
</tbody>
</table>

Source: Schmidt, 2002- p.214

The interactive dimension of discourse, as mentioned above, also has two functions: the coordinative provides policy actors with a common language and framework through which they construct the policy programme, debate it and agree on its implementation; the communicative function works as a means to persuade the public about the necessity and appropriateness of the policy programme.

Table 6: Interactive dimension of discourse

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>ACTORS</th>
<th>INTERLOCUTORS</th>
<th>GENERATOR OF IDEAS</th>
<th>PURPOSE</th>
<th>FORM</th>
</tr>
</thead>
<tbody>
<tr>
<td>COORDINATIVE</td>
<td>Policy actors</td>
<td>One another</td>
<td>Epistemic community, discourse coalition, policy entrepreneur</td>
<td>Construct policy programme, come to agreement</td>
<td>Provide language and framework for policy actors’ discussion and deliberation</td>
</tr>
<tr>
<td>COMMUNICATIVE</td>
<td>Political actors</td>
<td>Public</td>
<td>Policy actors, political entrepreneur</td>
<td>Communicate to public, provide orienting and legitimize information</td>
<td>Translate programme into accessible language for public discussion and deliberation</td>
</tr>
</tbody>
</table>

Source: Schmidt, 2002- p. 231

Coordinative and communicative functions of discourse are strongly interdependent, as the former produces the programme which the latter conveys to the public. The actors involved in the two functions are generally distinct, but some of them can actually operate in both areas.
In the picture presented above, solid arrows show the direction of ideas and discourse, dotted arrows show feedback, while overlaps show where some actors may operate in both spheres.

As a continuation of the analysis made for the genesis of Mercosur, through the dimension of functionality it will be possible to observe if its political activity is keeping an ideological orientation which is coherent with the original discourse, or if a paradigm switch has happened in the course of its evolution. My hypothesis will be oriented toward the latter option, seeing a possible change of orientation from a neoliberal paradigm of open regionalism to a more socially oriented form of liberalism.

In order to verify if a paradigm switch has actually taken place within Mercosur policy-making, I will analyze the evolution of the policy-making activity through the Decisions of the Common Market Council (CMC). This will show a gradual change in the main focus, from the regulation of intra- and extra-regional trade to more socially oriented policies, including the reduction of structural asymmetries, the safeguard of human rights and democracy, as well as interventions in the fields of education, culture and research.

The change of paradigm will then be interpreted in the light of the political changes that affected the region in the last decade, with a “leftist turn” in the national elections and a related change in the political discourse.
2.3 SOCIALIZATION AND IMPACT

The analysis of socialization will consist of verifying what aspects of the discourse underlying Mercosur – and to what extent – have had the best diffusion among civil society. In other words, the analysis will evaluate the effects of what was previously referred to as the ‘communicative’ function of discourse.

Being Mercosur presented as a basically intergovernmental and elitist process, this analysis will be important in order to point out if there is a convergence or a divergence between the discourse that elites are complying with and the social perceptions of the process.

The empirical basis for such analysis will be formed by statistic, mainly elaborated by Latinobarómetro and the ISSP, on the knowledge of Mercosur institutions among the civil society.

As argued in the theoretical section, the most effective tools to evaluate the impact of regionalization on the local polities have been developed by Europeanization scholars. In order to assess the effects of the EU political activity on the local levels of government, such theoretical approach starts from the individuation of ‘pressures for change’, exerted by the EU toward its member states. Such pressures can consist of compulsory regulations and decisions, but also of informal social mechanisms and discourse. The degree of ‘domestic structural change’ will depend on the ‘goodness of fit’ between those pressures and the national context, after the effect of mediating institutions, which can exert veto powers or just reduce the impact of the pressures (Caporaso, 2006; Radaelli and Pasquier, 2006; Haverland, 2006). In the case of Mercosur, my analysis will identify the sources of pressure and the mediating institutions, evaluating their role and activity. Regarding the institutions, it will be interesting to notice what are the implications of a process where regional institutions and national governments are almost coinciding: being Mercosur a strongly intergovernmental structure, in fact, regional institutions are constituted by representatives of national governments.

26 Contributions to Graziano and Vink, 2006.
3. THE GENESIS OF MERCOSUR

3.1 ANTECEDENTS

The most significant antecedents of the integration process in the specific area of the Southern Cone are generally found in the complex and fluctuating evolution of the bilateral relations between Argentina and Brazil. The first moves towards cooperation among the two countries were made during the Presidencies of Arturo Frondizi (1958-1962) in Argentina and Juscelino Kubitschek (1956-1961) in Brazil, who signed in 1959 a “Consultation Protocol”, by which both states committed to consult the neighbour before any substantial modification of their armaments (Arnaud, 1999).

It could sound like a paradox to European ears, but the most relevant moves toward constructive and positive cooperation between the two Countries were made in the 1970s, when both were governed by military dictatorships. The two governments signed important agreements on issues such as energy supply, nuclear energy, weapon industry and on the use of border water resources (Kalenthaler and Mora, 2002).

If the cooperation on strategic issues achieved good results during the period of the military dictatorships, the same cannot be said about economic integration: the debt crisis of the 1980s was faced with strong efforts to reorganize State finances, which resulted in an increased attention towards internal issues, to the detriment of bilateral and multilateral relations (Kalenthaler and Mora, ibid.).

A further wave of cooperation, though, took place in the ‘80s, when the two countries had eventually begun their democratic transition: in the period 1984-1989 the two Countries signed 24 bilateral protocols (Sabsay, 2006).

A first political event of great relevance was the Foz de Iguazú Declaration of 1985, which affirmed “the common will to accelerate the process of bilateral integration”, but the turning point was the Argentine-Brazilian Integration Act (Acta para la integración Argentino-Brasileña), endorsed in July 1986 in Buenos Aires, which established the Integration and Cooperation Program (Programa de Integración y Cooperación...
Argentino- Brasileño- PICAB) and can be seen indeed as the embryo of Mercosur (Malamud, 2003- p. 56).

3.2 THE CREATION OF MERCOSUR

Mercosur was formally created in 1991, with the expansion of the above mentioned agreements between Argentina and Brazil, and the participation of Paraguay and Uruguay to the process.

The founding Treaty of Asunción had as a main objective the expansion of national markets trough integration. The Treaty is structured in a relatively brief main text (only 24 articles), which describes Mercosur’s organs, functions, membership rules and basic principles, and five annexes titled as follows:

1. Trade liberalization program
2. General Regime of origins
3. Dispute resolution
4. Safeguard Clause
5. Working subgroups of the Common Market Group

The first “Considering” of the Treaty indicates in a nutshell the motivations for the member states to enter the integration process: “[...] the expansion of their domestic markets, through integration, is a vital prerequisite for accelerating their process of economic development with social justice”.

The initial institutional structure was described by the articles 9-15 of the Treaty, and only refers to two organs: the Common Market Council (Consejo del Mercado Común – CMC), integrated by the Ministries of Foreign Relations and of Economic Affairs of all member countries, and the Common Market Group (Grupo Mercado Común – GMC), also integrated by the Ministries of Foreign Relations. The former is the political organ, to which the main decisional power is conferred, while the latter has a faculty of initiative and is in charge for the accomplishment of the Treaty obligations, alimenting the institutional activity through the work of its Sub-groups.

The Treaty of Asunción determined the beginning of a ‘transition period’ for integration, up to December 1994. During this period, the Treaty also planned the creation of a General Rule of Origins, a system for the solution of controversies and safeguard clauses. The Brasilia Protocol in 1991 represented the first instrument for dispute settlement in Mercosur; however, the failure to establish a supranational juridical
institution, or a Court of Justice like in the European case, constitutes a main institutional weakness for Mercosur (Banega et al., 2001). The two main phenomena that characterized this period were the reduction of trade tariffs and the attempts for coordination of macroeconomic policy. The former can be considered an overall successful process, considered that tariffs were reduced for 85% of the goods between 1991 and 1994.

Regarding Macroeconomic policy coordination, the first attempts were not very successful: while Argentina chose to open very rapidly to the regional market in order to fight its hyper-inflation, Brazil adopted a slower pathway of reforms. As a consequence, in 1994 Argentina had the lowest inflation rate in the region (3.6%), and Brazil the highest (930.5%).

There are different and competing explanations for the creation of Mercosur. As discussed in the theoretical section, the main approaches refer to intergovernmentalism and neo-functionalism.

3.3 NEOFUNCTIONALIST HYPOTHESIS

As it was argued above, the neo-functionalist hypothesis for the creation of Mercosur sees it as the result of an increased interdependence among transnational actors at a social and economic level. Such interdependence represents a demand for integration towards governments, and the response to such demands are economic integration and the creation of regional institutions.

The requirements for the validity of such explanation, then, are essentially the existence of an high degree of interdependence among the national economies and the presence of transnational groups of interest who can represent their demand for integration.

Let us start by testing the first requirement: economic interdependence.

As a preliminary observation, it should be said that the economies of the four Mercosur founding Members, at the moment of its creation, were quite closed: between

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27 In Schulz et al. (eds), 2001
28 As provided by article 6 of the Asunción Treaty, Uruguay and Paraguay were involved in the process of tariffs reduction “at a lower speed”, enjoying exceptions to the Treaty provisions for a large number of goods.
29 Source: Gazeta Mercantil, 13 April 1997 – quoted in Banega et al., 2001
30 See Nye, 1970; Schulz et al., 2001
1991 and 1998, the total value of trade among the members grew from 7% to 11.5% of the GDP\textsuperscript{31}.

For what concerns the economic interdependence among Mercosur members, the picture is more diverse: following Grieco (1997)\textsuperscript{32}, this can be measured in terms of “trade encapsulation”, or the value of intra-bloc trade as a percentage of the value of total trade conducted by all members.

As one could expect, the smaller countries – Paraguay and Uruguay – are strongly dependent from the bigger members, both as providers of imported goods and as outlet markets for their products.

**Figure 5: Exports to Mercosur members on total**

![Figure 5: Exports to Mercosur members on total](image)

*Data source: CEI; elaboration by author*

**Figure 6: Imports from Mercosur members on total**

![Figure 6: Imports from Mercosur members on total](image)

*Data source: CEI; elaboration by author*

\textsuperscript{31} Source: CEI and IMF statistics

\textsuperscript{32} Quoted in Gomez-Mera, 2009, p. 748
Looking at the evolution of the level of imports and exports with the bloc, however, one can observe that the beginning of the integration process generated a steady increase in the level of intra-regional trade in its first six years. In the following decade, Brazil has returned close to the starting point, whereas Mercosur has become a more relevant trading partner for Argentina and Paraguay.

In the case of Uruguay, instead, regional integration has produced a neat worsening of the trade balance, since its imports have grown much more than its exports. If compared to the EU, the overall level of economic interdependence among Mercosur countries is quite low: if we consider the peak year for Mercosur – 1998 – only 2% of the regional production (1.1% of Brazilian, 3.2% of Argentinean, 5.7% of Paraguayan and 6.1% of Uruguayan) was exported within the bloc, as opposed to the EU where 16% of the output was destined to the regional market (Mukhametdinov, 2007- p. 210). In Mukhametdinov’s calculations (ibid.- p.208), “the degree of economic interdependence within the EU exceeds that of Mercosur eight times”.

According to the neo-functionalist hypothesis, the demand for further integration in Mercosur should grow proportionally with the degree of economic interdependence among its members: as argued by Malamud (2009- p. 121-122), “as transnational transactors perceive that their growing cross-border activities have significant costs, they request to national or regional authorities to lower them through the harmonization of domestic rules and the establishment of common regulations. By the same token, stagnating or even decreasing interdependence does not bode well for the prospects of integration.

Limiting the analysis to the initial stage of integration for the moment, we can conclude that the Southern Cone countries did not have such a level of economic interdependence to represent the main cause for the beginning of the integration process. However, one could hypothesize that, in spite of the low level of interdependence, the initial demand for integration was reinforced by a high level of influence by transnational economic groups, which managed to represent their preferences toward the government with more effective results than it would be suggested by the volume of transactions.

Referring to Phillips (2002), this hypothesis as well seems to be unsatisfactory: as he argues, business interests remain under-represented in the beginning of the Mercosur integration. Even after the creation of the Economic and Social Consultative Forum (Foro Consultivo Economico y Social) in 1994, “the preference has remained for informal bargaining channels and lobbying activities as opposed to further regional
institutionalization that would give more formal expression to business interests” (ibid.-p. 70).

Even more critical is the interpretation offered by Hirst (1996) who argues that the biggest enterprises in the area accepted the creation of Mercosur as an “unavoidable evil”, and only after a period of adaptation started to formulate new strategies for the intra-regional competition: nevertheless, this author as well points out how these actors privileged the adoption of informal mechanisms of pressure on the respective governments rather than the creation of formalized channels of interest representation – like the Economic and Social Consultative Forum.

Mukhametdinov (2007) identifies two main sets of reasons for the low level of interdependence among Mercosur members. The first one refers to the conditions of economic geography: the territory of Mercosur33 is almost three times the one of the EU, while the population of the latter is almost double than that of the former. The distances among the main economic centers of Mercosur are enormous compared to the European case, as well as the number and quality of transport infrastructures is incomparable.

The second set of reasons is related with the overall level of economic development: besides the fact that the GDP of the EU was six times the one of Mercosur in 2005,34 it should be noticed that South American economies in general are characterized by a low diversification of production, as a long-lasting heritage of their colonial history (Mukhametdinov, ibid.).

3.4 INTERGOVERNMENTALIST HYPOTHESIS

The intergovernmentalist hypothesis explains the genesis of Mercosur as a state-led process, whose motivations can be identified in a convergence among states’ strategic interests. Specifically, such strategic interests can be of a defensive nature, if the participation to the integration process is seen as a protection from the hegemonic influence of an external power (e.g. the USA), or have an “offensive” scope if they reflect the desire of a state to gain the leadership of the region (Gomez-Mera, 2005).

Presenting the result of a great amount of interviews made with relevant actors of the process (Argentine and Brazilian officials involved in the decision-making process),

33 Excluding Venezuela
34 Source: CIA – quoted in Mukhametdinov 2007
Kaltenthaler and Mora (2002) provide a significant test for the various possible explanations of Mercosur’s creation.

As a first important finding, they point out how the main motivation cited by their interviewees was referred to the desire to pacify the relations between Argentina and Brazil: in the authors’ interpretation, by generating more interdependence between the two countries, governments reduced the probability of a conflict.

A first strategic motivation, then, seems to be referred to the intra-regional axis Argentina-Brazil rather than to hemispheric relations. However, it is important to notice that the “security dilemma” in the area does not really represent a main concern for South American countries: it will be enough to consider, as Kacowicz (1998) points out, that such Continent represents a “Zone of peace in the international system”, as there have been no wars among its countries since 1883, with the only exceptions of the Chaco War between Bolivia and Paraguay in 1932 and the war between Ecuador and Peru in 1941.

The question about the importance attributable to the hegemonic influence of the USA in the region, instead, is more controversial. It is quite straightforward that the Southern Cone did definitely not represent a threat for the USA at the moment of the foundation of Mercosur: as opposed to the bordering Mexico, or to Colombia with its “narcos cartels”, the area at the center of our analysis has never manifested a significant opposition to the US (Russell and Calle, 2007).

What needs to be clarified, instead, are the economic aspects of the issue. The creation of a free trade area, by definition, determines an ‘inside’ and an ‘outside’; the institution of a CET (Common External Tariff) aims in general at making intra-regional trade more convenient than the extra-regional. In this sense, as argued by Phillips (2003b), the economic meaning of the integration in the Southern cone should be understood in relation with its alternative project, the FTAA – Free Trade Area of the Americas (or ALCA – Area de libre Comercio de las Americas) among 34 countries, proposed in the Miami Summit of 1994 and at the center of various rounds of negotiations, the last one of which was held in Mar del Plata (Argentina) in 2005.

The thesis presented by Phillips can be briefed as follows: if FTAA is an US hegemonic project oriented on market liberalism, Mercosur is a response whereby, even though the neoliberal creed was widely accepted in the beginning, all its members had a clear conviction of their need for economic development in order to face the global competition, and shared a widely accepted idea that some degree of protection is
necessary for economic development. According to this explanation, especially Brazil, as a regional leader, was pushed towards integration by the desire to gain economic independence from the US rather than by an interest in the Southern Cone, which represents a relatively small market.

Figure 7: Shares of Mercosur GDP - 1990

This explanation seems coherent with the available data: at the time of the Asunción Treaty, Brazil represented three quarters of the whole Mercosur’s GDP, and the same proportion applied to population and territory. For much of the 1990s, around 60% of Brazilian trade flows were with the EU and the rest of the world, which makes Brazil a global rather than a regional trader (Phillips, 2004).

“For Brazilian economic actors, the capture of 90% of the Uruguayan market is equivalent to an expansion just into 2% of the domestic market without the necessity to deal with foreign regulatory obstacles and cultural adjustment of their products. Adaptation to the Argentinean market is less costly. Yet, the Argentinean economy is only 75% of the single Brazilian state of São Paulo, and saturation of 80% of the Argentinean market is equivalent to the revenue from sales in a 20% segment of the Brazilian Market” (Simonsen Asociados, 1992 – quoted in Mukhametdinov, 2007).

Such considerations seem to confirm that the interest for Brazil to join the integration process was strategic rather than commercial, as it represented an opportunity to consolidate its role of regional and international power (Soares da Lima and Hirst, 2006).

Also authors like Duina and Buxbaum (2008) and Oelsen (2003) seem to agree that the main interests for Brazil to join the integration process were political and strategic rather than commercial: the creation of the CET did not produce an impressive effect on Brazilian economy, but the presence of a clause that prohibited bilateral negotiations
between Mercosur members and third countries made so that the four members presented themselves as a unitary bloc in international negotiations. This was the case for instance in 1994 during the FTAA negotiations.

For what concerns the other “big” member – Argentina – the economic motivations in the first phase of the integration process seemed to be stronger than for Brazil. One reason that derives immediately from the previous considerations is the dimension of the Brazilian market: if the Argentinean market is a relatively small one for Brazilian producers, Argentinean firms enjoyed a great extension of their markets with the integration. In addition, Argentina shared with Paraguay and Uruguay what they call a “brasildependencia”: a dependency from Brazil, considered that about 30% of Argentine, 35% of Uruguayan and 40% of Paraguayan exports were directed to Brazil during the whole decade of the 1990s (Phillips, 2004).

Indeed, a convergence between the interests of the two biggest members existed, and can be briefed into three main points: 1) political/security concerns; 2) expectations of gains from liberalizing international trade; and 3) expectation of gains from regionalizing production and the international transfer of production and technology (Manzetti, 1993).

Regarding the first point, it should be observed that after long years of military dictatorship in all of the four member countries, there was a strong desire for political stabilization and peace. This is the evident motivation for the so called “Democratic clause” in the Asunción Treaty, which set as a prerequisite for membership the democratic election of the government in the candidate country. An immediate positive result of cooperation for security in the region was also the Nuclear non-proliferation Treaty signed by Argentina and Brazil in 1991.

About the second point, it should be noticed that, despite the great difference already existing between the Brazilian and the Argentinean economy, they had common orientations for the economic policy in the previous decades. As clearly explained by Sikkink (1991), the two countries opted for a model of development centred on imports substitution and a strong protection of their national economies. The economic crisis that affected many Latin American economies in the 1980s, though, called into question the import substitution strategy and stimulated the adoption of neo-conservative policies to address foreign debt, high inflation and fiscal deficits (Manzetti, 1993). As argued by
Whiting (1993), liberalizing trade within the region first provided many benefits and at the same time ensured protection against more efficient global producers. The integration of the regional market, in fact, allowed producers to be less dependent on the fluctuations in their internal markets, boosting economic growth, and bringing stability to bilateral diplomatic relations and trade (Manzetti, 1990).

Finally, the gains from a regionalized production consist of scale economies, reduced transaction and transport costs, and just-in-time deliveries (Whiting, 1993). The savings so obtained can be then reinvested by companies in productive technology. In the first two years Mercosur’s life, 11 joint ventures between Argentinean and Brazilian producers were established, as well as more than a hundred agreements for cross-border cooperation in diverse industries, such as automotive, banking, steel, aluminium and plastic (Manzetti, 1993).

Based on such considerations, Phillips (2004) concludes that the economic element of Brazil’s interest in Mercosur was related with industrialization rather than trade: the economies of scale made possible by regional integration became an important attractor for Foreign Direct Investment in the Brazilian economy.

For what concerns the smaller members – Paraguay and Uruguay – the situation was quite different: as evidenced in the previous paragraph, their economies were strongly dependent from those of their bigger neighbours (Phillips, 2004). Richards (1997) quite convincingly recurs to the “qualified theory of dependency” to explain their situation, whereby the weaker countries stand in a subordinate relationship to the stronger ones, giving place to a “hierarchical regional division of labour”.

The case of Paraguay, indeed, is more complex: besides being the poorest country of the bloc, before the Asunción Treaty, it was the one with the most open economy towards the rest of the world, so that entering the common market actually determined an increase in its tariffs from non member states. The result of this decision was that the dependence of Paraguayan economy was diverged from a larger number of Latin American economies (Chile, Venezuela, Colombia) to the narrower group of the Mercosur members (Duina and Buxbaum, 2008). Such increased dependence made necessary a significant (and somewhat painful) restructuring of the economy, whereby the most complex productions, such as machinery, rubber products and oil refineries,

35 Quoted by Manzetti, 1993
were neatly downsized by regional competition, leaving room for more low-tech productions – especially land-related products (Duina and Buxbaum, ibid.).

A more specific motivation for Uruguay, instead, was referred to a geopolitical aspect: its position at the centre of the regional bloc represented a strategic advantage with the possibility to become the region’s hub in terms of infrastructure and transport, constituting a double corridor between the North and the South of the region and between the Atlantic and Pacific coasts (Phillips, 2004). It is not by chance that Uruguay was always the most active supporter of further institutionalization of Mercosur, and that Montevideo became the seat of the Secretariat.

A last aspect that should be pointed out for the case of the smaller economies is the one of the effects they would have incurred in if they did not join the integration process: “greater retardation and sharper divergence in productivity rates relative to large national industries that are exposed to the competition of each other. As production possibilities of small countries are limited, they are less self-sufficient and rely on imports more heavily. Integration is necessary to facilitate their exports and enhance production specialization in order to pay for imports” (Muchametdinov, 2007- . p. 213).

The following table sums up the costs and benefits met by Mercosur’s members, which justify an intergovernmental explanation based on self-interest.

Table 7: Costs and benefits of the integration process

<table>
<thead>
<tr>
<th>COSTS</th>
<th>BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brazil</strong></td>
<td><strong>Regional leadership</strong>&lt;br&gt;- Integration provides more economic benefit to the neighbouring economies than to the national one&lt;br&gt;- Political stability in the region&lt;br&gt;- Response to market fluctuations&lt;br&gt;- Industrialization and attraction of FDI&lt;br&gt;- Regional leadership</td>
</tr>
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</table>
3.5 A CONSTRUCTIVIST APPROACH

a) Neoliberalism in the Southern Cone

“Ninguno jamás ha negado la importancia del estado como centro regulador de la vida
de una sociedad. Lo que el liberalismo ha sostenido siempre es que el estado mientras
más pequeño es, es menos corrupto y más eficaz. Y en América Latina lo sabemos de
sobra: los estados crecen mucho, se vuelven corruptos y se vuelven absolutamente
ineficaces, paralizados por una burocracia ociosa e incapaz” (Mario Vargas Llosa, 2009)36.

The raise of neoliberalism in the 1970s was primarily the result of a challenge to the
Keynesian principles that constituted the main foundation of the development strategies
for many European countries after the World War II.

What is commonly referred to as the Washington Consensus is a political paradigm
developed among the International Monetary Fund, the World Bank and the US
Treasury (Krogstad, 2007). The economist who coined the expression, John Williamson,
summarized the paradigm in ten points37:

1. Fiscal discipline. The operational budget deficit should not be higher than 2 percent.
2. Public expenditure priorities. Spending should be reduced in “politically sensitive
areas which typically receive more resources than their returns can justify” and
reallocated to areas such as primary health and education to improve human capital.
3. Tax reform. The tax base should be broadened, and the marginal tax should be cut in
order to sharpen incentives and increase horizontal equity.
4. Financial liberalization. The ultimate goal should be to achieve market-determined
interest rates.
5. Exchange rates. Countries should have unified and competitive exchange rates.
6. Trade liberalization. Quantitative trade restrictions should immediately be replaced
by tariffs, which in turn should be reduced to a minimum as soon as possible.
7. Foreign Direct Investment. Barriers to foreign direct investment should be abolished.
8. Privatization. State enterprises should be privatized.

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36 Peruvian writer, politician, journalist and essayist. He ran for Peruvian presidency in 1990. Translation
by Author: “Nobody ever denied the importance of the state as a regulating centre for the life of a society.
What liberalism always maintained is that the smaller the state is, the less corrupted and effective. And in
Latin America we know it well: states grow a lot, they become corrupted and become absolutely
ineffective, paralyzed by a lazy and ineffective bureaucracy”. Interview for the Dutch television channel RNW, November 2009.
http://www.youtube.com/watch?v=z3G34Ea5e-c

9. **Deregulation.** Regulations that impede the entry of foreign firms should be abolished.

10. **Property rights.** Property rights should be guaranteed legally, also in the informal sector.

The spread of neoliberalism in Latin America was massive during the 1980s and 1990s. Indeed, as observed by Philips (2004), its diffusion was quite untidy and diverse among the countries, and in general the Latin American versions were quite divergent by what can be considered the academic ideal-type of the Washington Consensus. “Given the absence of comparable welfare state structures in Latin America, neoliberalism was articulated there in opposition to inward-looking development strategies and indeed a response to the perceived exhaustion of the post-war ISI model” (Phillips, ibid.- p. 60).

The adoption of neoliberalism in Latin America is generally explained as a result of external influences, among which globalization is the most relevant: in the most important agreement before the Asunción Treaty, the Buenos Aires Act of 1990, the Argentine President Menem and the Brazilian Collor de Melo point out the reason for the agreement in their ‘considerata’: “The recent evolution of international events, especially the consolidation of great economic spaces, the globalization of the international economic scenario and the crucial importance of achieving an adequate international insertion of our countries”.

A declaration by the former Brazilian president Cardoso from 1993 gives a clear idea of a common perception of the process among the leaders: “In the passage from the decade of the 1980s to that of the 1990s, during the boom of the so-called neoliberalism and in the reign of economic globalization, the convergence among national development policies in Argentina and Brazil suddenly – and in a form previously unsuspected – gave new breath not only to the practice of common trade policies and tariffs, but to a real ‘common market’. The presence of Uruguay and Paraguay in the Asunción Treaty, the interest from Bolivia and the permanent partnership with Chile seem to sustain today Raúl Prebisch’s dream: an enlarged, complementary, competitive market (internally and externally), capable of allowing specialization and to keep negotiating towards the outside with the world economy”.

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The high levels of capital mobility that have to be guaranteed in order to comply with globalization require transformations both in economic and social terms: in the first case with liberalizations, privatizations and deregulations; in the second with a reallocation of the tax burden from capital to other areas of the economy and society, which produces relevant distributive effects (Phillips, 2004).

All the four future members of Mercosur adopted their own sets of policies aimed at facing such challenges: the differences among the economic and policy models will allow us to understand how each government built a representation of its interests.40

Argentina is the case where the neoliberal paradigm was applied in the most orthodox version compared to the rest of the region. This can be explained with the severity of the crisis that hit the Argentinean economy in the late 1980s, which was interpreted as a sign of failure for the heterodox economic policies implemented by the Alfonsin government (1983-1989) after the end of the military dictatorship (Phillips, 2004). Its attempts to control inflation through wage and price freezes, elimination of indexation and monetary reform did not produce the expected effects, if one considers that inflation reached 5,000% in 1989, while the per capita income fell by 20% and foreign direct investment by 50% (Manzetti and Dell’Aquila, 1988; Phillips, 2004).

The season of neoliberal reforms started with the election of President Menem in 1989, but especially with the appointment of Domingo Cavallo – PhD in Economics at Harvard University and former Foreign Minister – to the post of Economy Minister in 1991. The first reform launched by the Minister was the Convertibility Plan, which established the full convertibility of the Austral (Argentinean currency in circulation from 1985 to 1992) with the US Dollar (IMF, 2004). One year later, with the reintroduction of the Peso as a national currency, the Government established a 1:1 parity with the US dollar. The plan also stipulated that the monetary base be fully backed by gold reserves and hard currency (Phillips, 2004).

As showed by the following figure, the convertibility plan was quite successful in reducing and then containing the inflation during the whole decade of the 1990s.
According to Krogstad (2007) however, this plan, dictated by the IMF, set the reduction of inflation as a goal in itself rather than a means to improve the performance of the economy in general. As a result, the unemployment rate rose from 5.8% in 1991 to 18.8% in 1995.41

Other liberalizations were promoted with the Decreto de Desregulación Económica in October 1991, which determined market deregulation and simplification of the tax system; the Ley de Comercio Exterior realized further removals of tariffs and administrative barriers to trade, also in compliance with the provisions of the Asunción Treaty; finally, the privatization process in Argentina was the most rapid and massive of the region (Manzetti, 1999).

“By 1995, very few of the 93 major state enterprises that existed at the end of 1980s remained in public hands, and some 70 per cent of total capital inflows between 1990 and 1995 were associated with the privatization process” (Phillips, 2004).

According to Phillips (ibid.- p. 70) “the Argentine version of neoliberalism is notable for the extent of its anti-statism, which emerges from a highly orthodox conformity with the prescriptions of the Washington Consensus. This anti-statism is evident not only in the vigour of privatization and deregulation processes but also in the almost complete absence of active state policies, including in areas such as industrial policy, export promotion and social policy”.

The wave of neoliberalism was milder in Brazil, where the strategies of Import Substitution developed in the previous decades were more successful than in Argentina (Sikkink, 1991). One structural reason was the greater availability of external financing to the Brazilian economy, as also during the crisis in the end of the 1980s the flows of foreign investment remained considerable (Phillips, 2004).

During the short Collor de Melo Presidency (1990-1992), two plans were launched to fight the hyperinflation that was affecting Brazil similarly to Argentina.

“Basing his campaign on the need to open the economy, privatize, and reduce the size of the state, Collor laid out a new basis for the restructured political alliance between the national elite and international capital” (Guedes de Oliveira, 2004 – p. 23).

The Collor plans – based on a contractionary fiscal policy and cuts on public spending – met a strong resistance from the opposition and could never be really implemented (Phillips, 2004). This was also one of the political reasons for the brief duration of the Collor government, which ended in 1992 with the impeachment of the President, accused of corruption.

The first successful neoliberal reforms were implemented under the presidency of Itamar Franco (1992-1995) and the mandate as a Finance Minister of Fernando Henrique Cardoso, eminent sociologist who contributed to the development of the Dependency Theory in International Relations.

The economic reforms operated by Franco and Cardoso were based on tax raises, public expenditure cuts and currency and exchange rate arrangements in order to contain inflation. As in the case of the Argentine Peso, the Brazilian Real was pegged to the US Dollar in 1994. As a result, the inflation rate was under 10% from 1996 onwards (Phillips, ibid).

Market liberalization, most part of which was realized within the Mercosur framework, consisted of the reduction of both tariff and non-tariff barriers, which determined an increase in the volume of external trade by 140% between 1990 and 1997.

Regarding the privatization of state-owned companies, the process was slower and moderate than in Argentina. In addition, the new Constitution of 1988 guaranteed an extensive set of welfare entitlements and labour rights, contained severe anti-monopoly provisions and protected strategic sectors such as mineral extraction and health provision (Panizza, 1999).

The features of Brazilian neoliberalism are summed up by Phillips (2004) in an emphasis on the use of economic reforms as a mechanism for restructuring the state rather than a tendency toward its reduction; a broadly social democratic framework that orientates the intervention in the economy towards less orthodox models; and the orientation towards the global economy, with the attempt to provide the markets with

42 Quoted in Phillips, 2004
products at higher value added rather than just primary goods as it is typical of developing countries.

As in the case of Brazil, some attempts were made in the last two decades of 1900 for neoliberal reforms in Uruguay, both under the two Sanguinetti governments (1985-1989) and 1994-1999) and under the presidency of Lacalle (1989-1994), but they were decisively obstructed by the opposition. One quite successful initiative was that promoted by the Lacalle government, with a continuous process of devaluation of the Dollar exchange rate. Although not as rapidly as in the case of Argentina, this manoeuvre allowed to sensibly reduce the inflation and achieve a satisfactory stabilization since the early 1990s (Phillips, 2004). The development model pursued by Uruguay is characterized by a vision of the state “as a monitor of the free market in the interests of social solidarity and tolerance” (Phillips, ibid.- p. 81-82).

Regarding Paraguay, the situation was quite different from that of the other members. According to Phillips (2004), after the end of the military dictatorship in 1989, the only relevant economic measure taken under the Rodriguez presidency (1989-1994) was freeing the exchange rate. As the same author points out, privatization was not a big issue since – due to the very limited dimension of the public sector – there was quite little to privatize. The limited resources of the public sector, however, did not impede a significant level of inefficiency and corruption, reflected in an increase of about 34% in central government employment between 1989 and 2000 (Nickson and Lambert, 2001).

The impact of the neoliberal paradigm on the national economies in the four states taken into consideration can be explained with reference to two factors: on the one hand, the elitist nature of their governments – also due to the moment of democratic transition, as it will be argued below – resulted in a great centralization of the decisional power, which made easier the adoption and switch of political paradigms within a government; the second factor, complementary with the former, was the strong influence of international institution on the adoption of political paradigms. For the case of Argentina, the role of the IMF in the definition of the economic policy was already mentioned (Krogstad, 2007); in the other cases as well, however, the external influences were quite strong: the IMF plans against inflation were in place in all the four members while – as pointed out by Sikkink (1997) – the Economic Commission for Latin

43 Quoted in Phillips, 2004
America (ECLA) had a very relevant role in the diffusion of a new idea of economic development, based on neoliberalism rather than import substitution and protectionism.

b) Democracy
Another important identity-related aspect to be observed regarding the construction of the region is the one of democracy. The democratization of the Southern Cone is quite recent and, according to Rocha Menocal et al. (2008), still far from complete. If one thinks about the four founding members of Mercosur, in Argentina, Videla’s Military dictatorship ended in 1983; in Brazil, the first President elected with regular democratic elections was Sarney in 1985; in Uruguay, President Sanguinetti won the first democratic elections in 1984; in Paraguay, the military dictatorship headed by General Stroessner only ended in 1989.

According to Rocha Menocal et al. (ibid.- p. 33), hybrid regimes are characterized by “populist politics, unaccountable ‘delegative’/strong-man leadership, and opaque decision-making processes”. Other features pointed out by the authors are also clientelism and elitism.

In the foundation of Mercosur, the need for a consolidation of democracy in the area was not only recognized, but over the years it came to represent a fundamental pillar for the integration process. Already in 1985, the Iguazu declaration between Argentina and Brazil emphasized the consolidation of the democratic process (Vigevani et al. 2004). In 1996, a joint declaration by presidents Menem (Argentina), Cardoso (Brazil), Wasmosy (Paraguay) and Sanguinetti (Uruguay) stated that “the full effectiveness of democratic institutions is an indispensable condition for the existence and development of Mercosur”. Two years later, in Ushuaia (Argentina), the four members signed a “Protocol on Democratic Commitment”, whereby if the “democratic equilibrium” in one of the member states was jeopardized, the other members can decide to exclude it from the representation in the regional institutions and cancel all the rights and obligations it had gained from the integration process. A decision by the Common Market Council from

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44 In Dominguez and Guemes de Oliveira, 1994
46 “Protocolo de Ushuaia sobre Compromiso Democrático en el Mercosur” – 24 de Julio de 1998.
2004 affirmed that in order to present the candidacy to join the integration process, third countries must subscribe the above mentioned Declaration and Protocol.\textsuperscript{47}

The relations between the neoliberal discourse described above and the democratization process are quite complex: as argued by Guedes de Oliveira (2004- p. 21), “\textit{neoliberal democracy is defined from the perspective of international market interests}”. The consolidation of formal democratic mechanisms has not resolved human rights issues, media manipulation, corruption, public inefficiency and social exclusion (Guedes de Oliveira, ibid.).

c) The construction of the regional identity

Based on the previous observations, the construction of the regional integration discourse in the Southern Cone can be referred to two dynamics, as suggested by Neumann (2003): on the one hand, there is the inside-out dimension of how the external environment is perceived and narrated in the region; on the other, the inside-out dimension of a regional political and cultural identity.

The name ‘South America’ represents by itself a relative definition, as it identifies a territory through the opposition with another: ‘North America’. The same can be said for the wider concept of Latin America, which includes all the countries where Latin languages are spoken, therefore also comprising Central America, but excluding the English speaking ones (once again mainly the US).

The geopolitical history of the region seems to follow the same conceptual order: as argued by Corrales and Feinberg (1999), the international relations of Latin American countries have been for many decades mainly – if not exclusively – hemispheric relations. The same authors (ibid.- p.18-20) offer an interesting review of the main intellectual traditions that characterized such relations.

- The \textit{no-benefit doctrine} was a tradition dating back to the 1810s in the US, based on the idea that “\textit{the US has nothing to gain, and probably a lot to lose, from ties with the nations of the hemisphere}” (ibid.- p. 18). A practical result of this tradition was the well known Monroe doctrine, followed by at least until the Cold War, whereby European states should abstain from intervening in South American affairs, leaving “America to the Americans”. The combination of these two traditions seems to explain the very limited number and impact of US interventions in the Southern Continent: knowing that

\textsuperscript{47} Decisión CMC – Consejo Mercado Común N° 18/04
Europe was keeping away from the region, the US could enjoy a sort of passive hegemony.

- Bolivarism, inspired by the historical figure of the Libertador Simón Bolivar, was based on the idea of the union of all Spanish-speaking countries of America, excluding therefore Brazil and the US. The narrative of Bolivarism is still the main propagandistic source for the government of Hugo Chavez in Venezuela.

- Latin Americanism is the idea that the Americas are divided into two groups: the Latin and the Anglo-Saxon. The basis for such distinction is found in ethnicity and cultural differences.

- Internalism is the idea that national issues should prevail on international relations: in this sense the relative isolation that characterized South America from the independence wars to the end of the Cold war is seen as voluntary rather than as an effect of its geopolitical peripheralism.

- Yankeephobia emerged in the second half of the nineteenth century, initially as a result of a conservative and Catholic rejection of the Anglo-Saxon Protestant and liberal values. In politics it also became a sentiment of hostility toward the US for their neutrality or disinterest towards the region, while in same countries like Mexico, Brazil and Argentina it was also alimented by a rivalry for the hegemony in the region.

As a characteristic of ideas – also discussed in the previous parts of this work – the borders between one an the other are blurred and permeable, so that, in order to understand the ideological perceptions of the hemispheric relations, one should take into account all of the traditions and operate a broad synthesis among them.

An interesting attempt to define the Latin American identity is made by the Venezuelan anthropologist Victor Ramos (2003- p. 122): “The Latin American identity is the continental representation of ourselves in a permanent construction-deconstruction, is the shared Cosmo- vision, asymmetric synthesis of different civilizations and different practices and actions lived and in progress, in function of common and different interests and challenges, even opposed but not necessarily incompatible, among countries, regions, peoples and classes of the continent, articulated around the resistance to foreign dominations and the share of a new civilization”.48

Referring back to the genesis of Mercosur, as it was showed previously, the beginning of the integration process took place in a period where its member countries

48 Translated from Spanish by Author
were undergoing a turn towards a neoliberal ideology, which, according to Grugel (2004) is “inextricably intertwined” with US hegemony. As the author argues, “the drivers behind the diverse patterns of regionalist associations are US hegemony, the responses of the US state to the challenges of globalization, changing notions of development within South America and, as a result, the urgent need of Southern economies to position themselves within the fabric of a globalizing political economy” (ibid.- p.606).

Manifestations of acceptance of the North American hegemonic role in that period were abundant: in 1990 President Menem revealed to the newspaper “La Nación” of a personal letter to Bush Sr. where he assured the full support from the Argentinean government to the FTAA project.49

The hyperinflation crisis that affected South American economies in the 1980s was a strong motivation for governments to abandon their developmentalist ideas and switch to the neoliberal paradigm, temporarily forgetting the hostility towards the US. According to Mukhametdinov (2003- p. 222), however, “As time passed, Mercosur discovered that the neoliberal strategy weakened Mercosur’s production bases and changed its overall trade balance from surplus to enormous deficit, causing greater dependence of the region from the compensations of the IMF”. The years from 1996 to the first half of the 2000s were signed first by a period of crisis that could be indicated as a “Mercosclerosis”, and then by a new paradigm turn that took distance from the neoliberal principles.

3.6 CONCLUDING CONSIDERATIONS

As a conclusion about the genesis of the integration process in the Southern Cone, it should be observed, first of all, that the intergovernmental explanation seems far more convincing than the neofunctionalist one. Nevertheless, the idea suggested by Malamud (2003) represents an interesting starting point for further research: if the integration process was initiated by the side of supply (governments), there is the possibility that this supply has stimulated or will stimulate an increasing demand for further integration, triggering a virtuous circle similar to the one that alimented the European integration,

49 “Menem comparte el Plan Bush sobre un mercado integrado”, La Nación, 6 de julio de 1990, p. 13
although based on a “supply → demand → supply” mechanism instead of the classic “demand → supply → demand”.

However, by crossing the intergovernmental explanation with a constructivist approach, other relevant clues can emerge. Looking at how states perceive their interests allows a better understanding for the beginning of the integration process. In the beginning of the 1990s, neoliberalism was definitely a “cognitive idea” (Campbell, 1998) through which interests were interpreted: the insertion in the global economy and the active participation to the increasing international trade flows were perceived as a fundamental step for the development of Latin American economies. Nevertheless, the moderate version of neoliberalism that prevailed in all Mercosur members besides Argentina made the integration process keep a protective role towards the regional economy, suggesting a paradigm whereby the insertion in the global economy should be gradual and precautious.

In this sense, from an economic point of view, the origins of Mercosur are quite coherent with the paradigm of Open Regionalism that was emerging around the world during the same decade (Kuwayama, 1999).

Besides economic development, though, there were other important factors which contributed to a narration that presented the interests of the four states as converging. The first one was the shared concern for the safeguard of democracy, after the devastating authoritarian experiences that all countries had during the previous decades. This factor especially helps to explain the participation to the project of a country like Brazil, whose economic advantage from the integration was minimal if compared to that of its partners.

Finally, the cultural aspect of the regional identity cannot be underestimated. In this factor, as argued by Mukhametdinov (2007), the degree of cohesion among Mercosur members (and Latin American countries in general) is certainly higher than in the EU, not only for the shared colonial origins, which determined a unique degree of linguistic and religious homogeneity (Spanish and Portuguese are the only two official languages in the region, while Catholicism represents 82% of the population50), but especially for a common dimension of the “self and other” that is expressed by the desire of autonomy from the hemispheric rival and self-determination.

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4. FUNCTIONALITY: THE POLITICAL ACTIVITY OF MERCOSUR

4.1 INSTITUTIONAL DEVELOPMENT AND COMPETENCES

The aims of the Asunción Treaty, as well as of the Ouro Preto Protocol in 1994, were basically limited to the creation of a customs union, which was supposed to evolve over time into a proper common market.

If, on the one hand, the process of economic integration is still imperfect – as a relevant number of exceptions still exists for the free circulation of goods (IDB, 2008), on the other hand, an increasing number of policy issues has entered the sphere of competence of the regional institutions. Regarding the institutional setting, although the intergovernmental nature of the organs is still prevailing, a great progress has been made during this first decade of the 2000s\(^5\):

- with the Decision CMC N° 30/2002, the Administrative Secretariat was upgraded to a Technical Secretariat, with an advisory function for the other Mercosur institutions and an independent staff of experts.

- In 2006, the Joint Parliamentary Commission was substituted by the Mercosur Parliament, as a result of the Decision 49/2004. Since 2011, the “Parlasur” will be integrated by members directly voted by the population of the five full members (including Venezuela). The role of this institution will be discussed below in further detail.


- The establishment in 2004 of Mercosur Structural Funds (FOCEM – Fondo de Convergencia Estructural en el Mercosur), with a budget of about 100 million US Dollars per year, aimed at reducing the asymmetries among the members and sustain the institutional development.

\(^5\) European Commission: Mercosur Regional Strategy Paper 2007-2013
Very recently, the Resolution GMC 06/2010 determined the creation of a “High Level Meeting for the Institutional Analysis of Mercosur, aimed at formulating proposals for the profundization of the integration process and the improvement of the institutional structure.

As a result of such continuous transformations and evolutions over the years, the institutional structure of Mercosur is nowadays on the following main organs: 52

- The Common Market Council (CMC) is the superior organ of Mercosur: it designs the general policy lines of the integration process and takes decisions in order to ensure the realization of the objectives defined by the Asunción Treaty. Its Decisions are binding for the member states and their formulation is conducted by the unanimity criterion. The Council is integrated by the Ministries responsible for Foreign Affairs and Economic Affairs from each of the members. Once every six months at least, also the Heads of State must participate in the meetings. The presidency is owned in turn by each of the members and is extended to all the other organs of Mercosur.

- The Common Market Group (GMC) is the executive organ of Mercosur. It also has the power to emanate Regulations, which also have binding power on the member states but, differently from the Decisions, they have a more general extent. The GMC also has the faculty to draft proposals for the Council.

- The Trade Commission (CCM) assists the GMC by monitoring on the application of the common commercial policies for the functioning of the Customs Union.

- The Mercosur Parliament or Parlasur is designed to give voice to the political and ideological diversity of the people in Mercosur member states. Since 2011, the election of its representatives will be direct, with universal suffrage among the citizens. The powers of the Parlasur in legislative issues are just limited to a consultations and proposals – not very differently from the role of the European Parliament in the first decades of its life (Dri, 2010). In addition, Parlasur also has a monitoring power over the budget of the other Mercosur institutions.

- The Consultative Social and Economic Forum (FCES) is the representative organ of economic and social sectors. It is composed by an equal number of representatives from each member state and can formulate by consensus recommendations for the GMC.

- The Commission of Permanent Representatives (CRPM) was created in 2003 by the Decision 11/03 of the CMC in order to give more institutional continuity in the

52 Based on the Ouro Preto Protocol and successive modifications of the institutional structure
transitions between the six-monthly presidencies. It has a President whose mandate lasts two years and is nominated by consensus by the CMC.

- Finally, the Permanent Tribunal of Revision is the judicial organ with the function to judge on claims against member stated for the incompliance with Mercosur norms.

The purely intergovernmental nature of Mercosur institutions, which determines very weak autonomy and reduced decisional power, is almost universally considered the main reason for the failure to realize a perfect customs union and a common market so far (Dri, 2010; Muchametdinov, 2007; Gomez Mera 2005; Phillips 2004). On the one hand, the Decisions taken by the CMC are always the result of a negotiation among state interests, since there is no actor representing the “Community interest” like in the case of the European Commission. The lack of supranational institutions also affects the credibility of the binding nature of decisions: as it will be shown below, the implementation of Mercosur norms at the national level has always been very slow and however “filtered” by political interests. On the other hand, the absence of an effective dispute settlement mechanism has impeded the enforcement of something like a “Community law” in Mercosur.
Figure 9: Organigram of Mercosur institutional structure

High-Level Groups:
- Structural Convergence and Financing of the Integration Process
- Mercosur Strategy for Employment Growth
- Examination of Consistency and Dispersion of the TEC Structure

Mercosur Parliament

Forum for Political Consultation and Conduction

Commission of Permanent Representatives

Mercosur Secretariat

Economic and Social Consultative Forum

Common Market Council (CMC)

Common Market Group (CMG)

Technical Meeting for Norms Incorporation

Mercosur Trade Commission

Working Subgroups:
1. Communications
2. Institutional Aspects
3. Technical Regulations and Conformity Guarantees
4. Financial Issues
5. Transports
6. Environment
7. Industry
8. Agriculture
9. Mining and Energy
10. Labor, Employment and Social Security
11. Health
12. Investment
13. Electronic Commerce
14. Follow-up of Economic and Social Conjuncture
15. Mining

Specialized Meetings:
- Science and Technology
- Tourism
- Social Communication
- Women
- Drugs
- Cooperatives
- Trade Promotion
- Municipalities and Intendancies
- Integration Infrastructure
- Family Agriculture
- Cinematographic and Audiovisual Authorities
- Public Officials
- Public Ministries
- Internal Control Organisms

Committees:
- Technical Cooperation Committee
- Customs Directors Committee
- Animal and Vegetal Health Committee
- Auto motion Committee

Ad Hoc Groups:
- Sugar Sector
- External Relations
- Consultation and Coordination for WTO and GSP
- Concessions
- Sanitary
- Biotechnology
- Tobaccos
- Borders

Groups:
- Perfectioning of Dispute Solution System
- Services
- Public Contracting
- Organizational Issues

Social-Labor Commission

Technical Committees:
1. Tariffs, Nomenclature and Classification of Goods
2. Financial Issues
3. Commercial Norms and Disciplines
4. Competitiveness-distorting Public Policies
5. Defence of Competition
6. Consumers Defence
7. Commercial Defence and Safeguard
4.2 POLICY COMPETENCES

As mentioned above, if the completion of the common market has encountered a series of difficulties in the search of a compromise among different national interests, the integration process has found other directions to proceed, incorporating an increasing number of policy areas in its sphere of competence.

The 2004- 2006 Work Program of Mercosur calls for the development of a “new integration agenda”, including mutual recognition of diplomas, promotion of industrial integration via strategic alliances, mutual technical assistance and strengthening of industrial policies, as well as promotion of physical integration projects.

According to Monsanto (2006), since 2003, a radical change has occurred in the policy-making activity of Mercosur, and it is based on three main aspects: the establishment of structural funds, the focus on the problem of civil society and the assurance of the efficiency and effectiveness of the juridical- institutional framework.

The creation of a mechanism for the correction of economic asymmetries among the members of Mercosur was not foreseen by the Asunción Treaty. The first Decision that took into consideration the realization of this policy at a regional level was the 27/2003 (CMC), which entrusted a commission to study the feasibility of the project.

The Mercosur Structural Fund (FOCEM – Fondo de Convergencia Estructural del Mercosur) was created with the Decision 18/2005 and entered into function since 2006. The projects eligible for financing from the Fund are 1) programs of structural convergence; 2) programs of competitiveness development; 3) programs of social cohesion; 4) strengthening of the institutional structure and of the integration process. The annual budget of the FOCEM is 100 million US Dollars, to which Argentina contributes for the 27%, Brazil for the 70%, Paraguay for the 1% and Uruguay for the 2%. The distribution of the interventions, instead, is divided as follows: Paraguay 48%; Uruguay 32%; Argentina 10%; Brazil 10%.

Similarly to the case of EU Structural Funds, Mercosur applies a principle of co-financing, whereby the state benefiting from the intervention must participate in its financial expense for 15% at least.

53 Decision CMC 26/2003
54 Decision CMC 18/2005, art. 2
55 Decision 18/2005, art. 6
56 ibid., art. 10
57 ibid., art. 11
Regarding the second aspect mentioned by Monsanto (2006), the focus on civil society has increased remarkably in the last years. The Decision 3/2007 (CMC) established the Mercosur Social Institute (Instituto Social del Mercosur), in charge for the design of regional social policies for the reduction of asymmetries, the collection and diffusion of best practices, statistics and indicators, the promotion of mechanisms for horizontal cooperation and the identification of sources for financing. The first budget for the Institute, approved with the Decision 31/2009 (CMC), only covers the start off expenses, with an amount of about 250.000 US$.

The attention for issues related to Human Rights has also increased in the last years: the Decision 14/2009 (CMC) and the Regulation 05/2010 (GMC) established the Institute for Public Policies in Human Rights (Instituto de Políticas Públicas de Derechos Humanos), dedicated to the design and follow-up of public policies aimed at strengthening the rule of law and the respect of Human Rights in the region. It will also work towards the harmonization of norms among the member states and offer technical assistance to public officials in the competent bodies.

Finally, concerning the last aspect related with the efficiency and effectiveness of the juridical- institutional framework, the first development was made with the Olivos Protocol in 2002, which created the Permanent Tribunal for Revision, aimed at “guaranteeing the application and compliance with the fundamental instruments of the integration process and of Mercosur normative structure in a consistent and systematic way”. More recently, the Decision 56/2007 (CMC) defined the guidelines for the institutional reform, which includes: 1) restructuring the decisional bodies of Mercosur and of its subordinate forums, including their competencies; 2) Perfectioning the dispute resolution system and strengthen its institutional organs; 3) Perfectioning of the system for incorporation, enforcement and application of Mercosur norms; 4) Establishment of a Mercosur Budget that the requirements of the Mercosur Secretariat and of the Permanent Revision Tribunal Secretariat.

4.3 A PARADIGM SWITCH?

The important changes in Mercosur policy agenda during the last ten years seem to suggest that, rather than just a moment of crisis, the integration process in the Southern Cone is undergoing a fundamental transformation, switching its orientation from mere
regulation of regional trade to a broader set of policy issues, and determining an increasing penetration of Mercosur in the national policy agendas.

It should be noticed, however, that these changes are being proposed in a context where the economic side of integration is still far from complete, and relevant obstacles are actually legitimating doubts on the possibility that this process will have a successful end (Carranza, 2006).

It seems, however, that the obstacles encountered by the process of economic integration have had the effect to deviate the integrating potential towards other directions: the pursuit of common strategies in social policy and in territorial cohesion is a sign of this redirection. According to Phillips (2004- p. 259), “The picture [...] is not one of a movement towards Anglo-American forms of ‘regulatory state’, but rather one in which quasi-developmentalist orientation coexist with [...] neoliberal market strategies”. The same author argues that – more specifically – a reconfiguration of the regionalist project is taking place, in the form of a shift away from the ‘open regionalism’ agenda “towards a project which emphasizes the strategic and political articulation of the bloc, along with its utility as an ‘incubator’ of industrial competitiveness” (Ibid.- p. 262).

At the level of the political discourse, this switch is quite clear: if one looks at the texts of Mercosur Decisions and Regulations during the past ten years, the prevalence of themes related to society and identity is impressive.

Figure 10: Areas of Mercosur legislation 2001-2010

As it can be seen from the figure above, from 2001 to 2010 the main objects of the CMC policy-making activity have been trade (with about 100 Decisions) and the consolidation of the Institutional- juridical structure, with about 80 Decisions.
If one goes into the detail of the annual evolution of the policy-making activity, however, the trend becomes evident.

**Figure 11: Policy-making areas. Trends 2001-2010**

As the representation of the trend shows, the number of interventions in the field of trade has considerably decreased in the last decade: in 2001, trade represented a 50% of Mercosur policy-making activity, whereas in 2008 it was only a 19% and it raised again to 33% during the following year. An opposite trend is clear if one looks at the activity related with the structural fund (FOCEM): since its creation in 2004, 46 Decisions have been emanated in the area related to it, bringing it to represent a 20% of the policy-making activity in 2008 and even a 41% for the first three quarters of 2010.

Finally, the trend followed by the policy-making activity related to institutionalization seems to be characterized by “waves”: from 2005 on, there was a “peak” every two years in the activities of institutional reform. However, it should be noticed that this activity always represented a relevant percentage of the CMC policy-making activity.

The switch in the political paradigm of Mercosur, evidenced from the evolution of the policy-making activity, can be explained through the modification of the *political discourse* related with the integration process.

Following Schmidt (2002), the first change to be identified is in the *policy actors*, which, in the case of Mercosur, correspond with the national governments represented in the CMC. To begin with, a relevant change has taken place in the political orientation of the governments: since 1998, with the election of Chavez to the Presidency of Venezuela, the whole region has experienced a “leftist turn”, continued with Lula in Brazil (2002), Kirchner in Argentina (2003) and Vázquez in Uruguay (2004), while in Paraguay the turn only happened in 2008 with the election of Lugo, who defeated the right-wing *Partido Colorado* after it had been in power for 61 years.
As argued by Hirst (1996), the integration process in Mercosur is run by a limited number of government officials who make part of specialized agencies in their government. Even though the intergovernmental nature of the process has impeded the formation of a supranational elite of technocrats like in the case of the European Commission, these officials are generally in charge in their ministries until a change in the political colour of the government takes place. In this sense, the transmission of the political discourse in its *coordinative function* (see Shmidt, 2002) from the governments to the Mercosur institutions is practically automatic.

The change in the *programmatic function* of the political discourse is also evident from the normative texts produced by the institutions. For instance, the Decision CMC 18/2005 – which enforces the Structural funds – affirms that “in order to consolidate the process of convergence towards the common market, it is necessary to trigger the integration process by strengthening the solidarity principle”. In the same document is affirmed that the benefits coming from the integration process cannot be fully enjoyed if conditions of asymmetry persist.

As argued by Hirst (2006), the achievement of Mercosur full membership by Venezuela in 2006 had an impressive effect on the politicization dimension within the bloc, turning the political axis towards a more autonomist relationship with the US, and counting on its economic power resulting from the oil industry to carve out a relevant role in the agenda-setting process, with the inclusion of elements of social equality, poverty reduction and education that are typical of Chavez’s populist program (Hawkins, 2010).

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58 Article for the Argentine newspaper Clarín: *Venezuela cambiará el equilibrio del Mercosur.* 16/07/2006.
5. SOCIALIZATION AND IMPACT

5.1 PERCEPTIONS OF MERCOSUR IN THE SOCIETY

The idea that smaller states have a greater interest towards the integration process than the bigger ones seems to be confirmed by the annual survey elaborated by Latinobarómetro. A common tendency among all the surveyed countries was a decline in the interest for the integration process in the first years of the 2000s: an association between this phenomenon and the setback of the Mercosur project in that period seems quite straightforward.

Figure 12: Knowledge of Mercosur among its citizens

Among the full members, Uruguay and Paraguay are the countries where the declared awareness of the integration process is constantly the highest, while Brazil is the one that shows the lowest interest.

It is interesting to notice, however, that when it comes to the perceived benefit from Mercosur the relation is inverted: Argentines and Brazilians are those who seem more

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59 Based on a survey among the population of the five countries. The interviewees were asked the following question: “Have you read or have you heard of the Common Market of the South or MERCOSUR?”. The possible answers were “Yes”, “No” and “don’t know”: the graph represents the percentage of “yes” on the total number of answers.
favourable to the process, while “Mercoscepticism” is more widespread in Paraguay and Uruguay. The association of these two trends suggests that the information sources might be quite critical about Mercosur in the smaller countries, bringing it in the foreground of the political debate, to say it with Campbell (1998). Confirming this hypothesis would represent a notably interesting starting point for a specific research. However, it should be noticed that the overall approbation for the integration process is quite high: in 1995, when this question was asked to the interviewees just in a “yes or no” form, the positive answers were above 70% in all the four samples.

In 1998, indeed, when a larger set of answer options was offered, the interviews revealed once again that Uruguayans and Paraguayans perceived a lower benefit from Mercosur than Argentines and Brazilians, the overall evaluation being nevertheless still largely positive.

Figure 13: Perceived benefit from Mercosur - 1998

Looking at the even more detailed data available for 2001, it seems important to notice that quite high percentages of the sample declared to have “no interest” (1) or “very little interest” (2) for Mercosur in Uruguay and Argentina. If we consider the overall distribution of the grades, however, Paraguay seems to be the most “Mercosceptic” country.

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60 See previous note. In this case the interviewees were offered the options “A lot”, “Quite”, “A little” and “not at all”.
If one excludes the median value (5), it can be noticed that the positive evaluations (between 5 and 10) exceed the negative ones in all cases, again with the exception of Paraguay.

The same trend is confirmed in 2003, with Paraguay being the only country where the negative evaluations are more than the positive ones. It is interesting to notice that in Argentina, after the great crisis of 2001/2002, the trust in the regional institutions remarkably increased, probably as a result of a conviction that integration could be a source of stability for the national economies.

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61 Evaluations from 1 to 10. Variable “Dislike” based on the percentage of the sample who gave a grade between 1 and 4 included; “Like” based on grades from 6 to 10.
62 Options offered for evaluation: “Very bad”, 1, 2, 3,…, 9, “Very good”. Variable “Dislike” sums the grades from “Very bad” to 4 (included); “Like” sums grades from 6 to “Very good”.
The data presented in the figure above show a considerable trend from the right to the left in the ideological self-positioning within the political spectrum. Such trend seems to be confirmed by the results of the political elections in recent years: as a matter of fact, all the Mercosur members are governed by left wing parties. Nevertheless, it is interesting to notice that a relative majority of the population keeps declaring a preference for the right. What is pointed out by the authors of the Latinobarómetro survey, however, is a general tendency towards the center of the spectrum (which is excluded by my representation), showing a decrease in the radicalization of the ideological positioning and a reduction of the political participation, especially in its non-conventional forms, tendentially approximating the conditions that Almond and Verba (1963) identify for a “consolidated democracy”.

The relevance of the democratization discourse is evident from the results of the survey: as a general observation, it should be noticed that the population still seems to perceive democracy as “one form of government among the others” rather than “the one”, as the next figure makes clear.

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63 Based on the declared self-positioning between the left and the right of the political spectrum, on a scale from 0 (left) to 10 (right). The percentages indicate the number of answers between 0 and 4 (left) and between 6 and 10 (right).
In the figure above, it is quite interesting to notice a tendency towards a loss of trust in democracy in Argentina, Brazil and Paraguay over the eight years taken into consideration. In order to understand this phenomenon, one should bear in mind the young age of Latin American democracies: as pointed out above, all Mercosur members - with the exception of Venezuela – overthrew their military dictatorships only during the 1980s. The following chart seems to explain the issue even more clearly: in moments of crisis, like 2001-2002 for Argentina, people seem to realize the deficiencies of their young democracies.

The results of the survey will be taken up in the concluding considerations of this work.

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64 Based on the question: “Is democracy the best form of government available?”

65 Data for 1999 not available
5.3 IMPACT

One important element that the four founding members of Mercosur have in common is a constitutional order based on a great autonomy of the local levels of government (Sabsay, in Bilancia 2006).

- Argentina, since the 1853 Constitution, is a Federal Republic. Its federal units are the 23 Provinces and the City of Buenos Aires. According to the Constitution, the Provinces exert all the powers that have not been formally delegated to the federal government. 66

- Brazil is also a Federal Republic, whose units are its 26 states plus the federal district which contains the capital city of Brasilia. Also in this case, the competences of the Federal government are residual to those of the confederated states. 67

- The territory of Paraguay is divided in 17 administrative departments, characterized by “political, administrative and normative autonomy”. 68

- The territory of Uruguay is the second smallest in the continent (only after the one of Suriname). Nevertheless, in its case as well there is a wide delegation of powers to the local levels of government – the Municipios – which enjoy political autonomy, but restrictions in the management of their finances, while Justice and Public security are competences of the national government. 69

For what concerns the internalization of Mercosur norms in the legal systems of the members states, it should be noticed that Argentina and Paraguay have adopted a “dualist” constitutional structure, which determines the immediate superiority of international law and treaties on national law, whereas Brazil and Uruguay have a “monist” system, which applies the classic principle of Roman law: “lex posterioris delegate legi anteriori”, whereby the most recent law is the one that prevails, regardless of the source (Mata Diz, 2005).

For these reasons, the inclusion of Mercosur norms into the national legal systems is not always automatic and in the cases of Uruguay and Brazil it can be affected by norm conflicts. In the other cases as well, however, the transmission of the norms can be problematic. In fact, only a part of the Mercosur legislation is equivalent to International Treaties, gaining therefore immediate application in the national law. The regulations emanated by other organs of Mercosur (like the GMC) are not directly applicable and

66 Constitución Nacional de la República Argentina – Titulo II, art. 121
67 Constituição da República Federativa do Brasil – Titulo III
68 Constitución Nacional de la República de Paraguay – Capítulo 4. art. 156
69 Constitución Nacional de la República Oriental de Uruguay
need to be formally ratified by the national parliaments. This process has often been slow and ineffective, in some cases for the inefficiency of the national congresses, in other occasions for a political will to delay the implementation of troublesome norms (Ventura and Perotti, 2006).

This section will propose some observations on the effects of the integration process on Argentine Provinces, in order to identify the main pressures that the former exerts on the local levels of government in general. After that, I will illustrate how the governments of Provinces and Districts are organizing themselves in order to respond to such pressures and try to influence the integration process in a way that is more favourable to their interests.

According to Almeida Medeiros (2004), the effects of the integration process on its two main members can be summarized in two points: on the one hand, the role of the federal state as a protagonist of regional negotiations delineates the activity of various domestic actors, forcing them to comply to what is agreed upon at the supranational stage; on the other hand, a continuous attempt to achieve more direct participation in the integration process from the sub-federal units has been clear since the beginning of the Mercosur project.

The Argentine Constitution was reformed in many substantial aspects in 1994, the initial period of the integration process. The influence of such process were evident in the reform. Article 75, par. 24 attributed to the National Congress the faculty to approve “treaties of integration that delegate competences and jurisdiction to supranational organizations in conditions of reciprocity and equality, that respect the democratic order and human rights”.

The constitutional reform of 1994 also opened the way for another important aspect of the relations between regional and local levels of government: paragraph 22 of the same article 75 modified the hierarchy of laws, introducing the primacy of international treaties over national law (Hernandez, in Bilancia 2006).

As the same author argues (Hernandez, ibid.), the effects of this provision for the Provincial governments are extremely relevant: since the power to sign international treaties is limited to the central government and the approval to the Congress, local governments end up being subjected to an external source of law on which they have

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70 In Dominguez and Guemes de Oliveira, 2004
very little influence. In this sense, the reform represents a subtraction of autonomy to
the Provinces by the state in what Hernandez defines a “centralizing stream”.
The counterbalance to this disadvantage is represented by article 124, which attributes
to the Provinces the faculty to participate in international conventions, as long as their
political activity does not interfere with the national foreign policy or affect the faculties
delegated to the central government. In addition, the same article allows Provinces to
create “Regions” for the social and economic development and establish organs with the
function to accomplish their objectives.
This norm represents the fundamental instrument for Argentine Regions and Provinces
to actively participate to the integration instead of just passively adapt to its effects. In
this sense, while the integration process remains *de jure* in the federal governments’
hands, *de facto* a procedure of consultation has been established between the federal
government and the sub-federal units.
As it was argued above, in fact, the first steps of the integration process in Mercosur
resulted mainly from the initiatives of the Presidents, with direct negotiations based on a
rather traditional view of diplomacy (Malamud, 2006).
Nevertheless, the local levels of government have been gradually included in the
decisional structure of Mercosur, originated by a bottom-up process of interest
representation.
In 1995, the heads of government of the districts of Asunción, Buenos Aires, La Plata,
Rosario, Córdoba, Rio de Janeiro, Curitiba, Florianópolis, Porto Alegre, Salvador and
Montevideo funded the “*Mercociudades*” network, with the objective to gain the
institutional recognition by Mercosur and the participation to the decisional process
regarding regional integration.  
The main result from the lobbying activity of this network was the creation of the REMI
– *Reunión Especializada de Municipios e Intendencias del Mercosur* (Specialized
Meeting of Municipalities and Intendancies of Mercosur) in 2000.
The general assembly of what is known as “*Mercociudades*” has annual meetings, while
its executive organ, the Council, has four sessions per year. In addition, the institution
has a permanent Secretary within the Mercosur Secretariat in Montevideo. The function
of Mercociudades is mainly related with two kinds of activities: on the one hand, it acts
as a source of political pressure towards the intergovernmental institutions, presenting

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71 See “Foro Consultivo de Municipios, Estados Federados, Provincias y Departamentos del Mercosur” –
Apuntes para una Agenda del Comité de Municipios, 2006
the issues raising from their level of government in a bottom-up dynamic, reflecting the conclusive phase of what Caporaso (2007) illustrated in his model for Europeanization.

According to Almeida Medeiros (2004), although its level of institutional development is still far from mature, Mercosur seems to be evolving in a system of multilevel governance, whereby “whereas the federal authorities are likely to be particularly involved in the broad institutional lines of the [integration] process, the sub-national units are supposed to be concerned with its local implementation thus becoming significant actors in the integration dynamic” (ibid.- p.88).

These observations seem to fit the framework proposed by Caporaso (2003) for the study of Europeanization. Through its regulatory activity, Mercosur produces for its member states a set of pressures for change in their institutional structure. In the Argentine case, the most evident result of such pressures has been the Constitutional reform of 1994, which determined the adoption of a dualist system, whereby the international treaties are automatically incorporated into the national law. A deeper and related impact, however, is the one on the overall structure of governance: the intergovernmental nature of the integration process was representing a centripetal force for the member states, as the central governments were collecting more and more authority to produce obligations which became binding for the Provinces regardless of their political will. The result of this pressure has been a notable counter-reaction by the local levels of government, which have reorganized themselves both at a national and at a trans-national level, carving out an increasing space for their representation within the regional decision-making process. This process seems likely to evolve into an embryonic form of multilevel governance pattern that reallocates authority upwards and downwards from central states (Hooge and Marks, 2003).

The success of this process will most probably depend on the activity of what Caporaso defines “mediating institutions”, which act as a filter between the supranational pressure and the national/subnational response. In the specific case, such institutions are the federal governments, which also integrate the regional intergovernmental institutions. As a matter of fact, the delegation of state authority in favour of higher and lower levels of government is a choice of the federal governments themselves. However, it does not seem unlikely that the governments will recognize the advantages of such delegation and favour this process in a collaborative and constructive way.
CONCLUSIONS

This work aimed at proposing a comprehensive framework for the study of regionalization processes, integrating the economic aspects with considerations about politics and region-building factors like identity and discourse.

The analysis I presented in the previous pages, although definitely susceptible of improvements in the amount of data, in the techniques used to identify discourses and in the contribution to theory-building, seems to offer an interesting and innovative view on the case of Mercosur, offering relevant clues for addressing the research questions stated in the introduction.

After being created as an instrument for the pursuit of economic growth in a neoliberal meaning, as a result of an ideological context marked by a general and quite full acceptance of the Washington Consensus principles, Mercosur has evolved over the years into a broader political project, but also its ideological character has been modified.

In the observation of the genesis it was pointed out that, besides increasing interdependence and a convergence among state interests, relevant factors affecting the formation of a political paradigm in regional institutions are the ideological self-interpretation of interests (based on the neoliberal paradigm in the case of Mercosur), the existence of senses of common identity, based on self-other contrapositions, as well as the degree of cultural and linguistic homogeneity.

The devastating economic crisis that affected the region in the first years of the present decade has been interpreted by both the governing elites and the civil society as a sign that a new paradigm was needed, which emerged from the region’s peculiarities rather than from an externally built model. Coherently with what was theorized by Blyth (2002), periods of crisis are also moments of paradigm change for institutions: in the last ten years, the evolution of Mercosur policy-making activity and the questioning on the role of its institutions suggest that such endogenous paradigm is still finding its way to emerge, but some of its features are already visible.
The concern for the consolidation of democratic institutions, for the safeguard of human rights and societal participation is a sign of the recognition that most Mercosur countries are still at a stage of transition towards a complete democracy, and a joint effort is necessary in order to dismiss the last enduring signs of the military dictatorships.
The focus among Mercosur policy-makers on a set of initiatives aimed at reducing the asymmetries in the region – both between richer and poorer countries and among the classes of the societies – is a sign that another way to development is being pursued, closer to the meaning proposed by Amartya Sen (1999), based on positive freedom, than to the classic neoliberal idea of economic growth.
The efforts made by governments to save the Mercosur project, even in its moments of greater crisis, demonstrate that regional integration represents more than just an economic strategy aimed at an immediate outcome. Rather, if it keeps being sustained by the political initiative, it can turn into a fundamental element of the political identity of its citizens.
The socialization dimension allowed to consider the degree of convergence between the ideas of policy-makers and those of the population: first, it was important to observe that especially in moments of crisis, Mercosur was perceived as the ‘way to go’ and enjoyed the favour of its citizens. Second, the switch towards a major consideration of the democratization issue seems to meet a widely recognized exigency, since the satisfaction with the levels of democracy in the region are currently considered insufficient by most of the population. This element certainly represents what Campbell (1998) identified as a factor allowing an idea to have a stronger impact on the policy-making activity.
Finally, in the observation of the impact, the analysis suggested the presence of pressures from the regional to the local levels of government towards the constitution of a multilevel system of governance. The limited extent of the study did not allow to evaluate the effects of such pressures in other contexts than the Argentine one, and also for this case a lot more should be stressed. However, the proposed method seems to offer an effective tool, capable of comprehending the most relevant factors contributing to the emergence of a regionalization process. The challenge for new research will then be the measurement of those factors and the study of their correlation in a more structured way.
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