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THE CASE OF UNASUR

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Abstract

This paper examines the formal features, the political rationale, distinctiveness, potential, and difficulties of post-liberal regionalism, with a particular focus on the case of UNASUR. Through this organization, traditional unionism and aspirations of Latin American regional integration are redefined in a South American geographic and ideational framework. Through this strategy South America became a political and economic construct in order to respond to globalization challenges and to achieve its members' goals in development, regional autonomy (particularly in regards to the US), international influence and at the same time domestic governance of the involved countries. Nevertheless, the limits of this project's future are being defined by nationalism, traditional visions of sovereignty and by a regional construction that involve significant institutional limitations, which are product of its intergovernmental logic, internal asymmetries and ambivalent Brazilian leadership

Keywords

Regionalism and International Identity in Latin America

Latin America's approach towards regionalism is not only a result of national interests, functional factors, or rational preferences, which often are used as explanatory factors in the theoretical debates about this issue. It also exist a "Latin American regionalism" that takes root in the identity and values that have traditionally defined politics throughout the region. It combines, by one hand, the Unionist and regional integration aspirations, and by the other hand, the traditional Latin American activism in universal organizations and in international law rule making. Unionism and integration have been key features in the region's foreign policy since its independence. Despite their failure, or perhaps because of it, the unionist projects of Bolívar and Morazán continue to be fundamental elements in Latin American identity, values and political culture. They provide a shared narrative and a common image of Latin American self-representation, and a guide for the principles and social practices that shape its foreign policy. Given this singularities social-constructivist explanations are also relevant when analyzing Latin American regionalism.

Nevertheless, the ideal image of the *"patria grande"* (the great homeland), whether Latin American, South American, or Central American, has always had a difficult relationship with the strong nationalism that arose during the post-independence nation building process and is still present in the identity and political culture throughout the region. Nationalism was the foundational discourse of the new post-colonial elites to legitimize the creation of new states in which those elites could dominate the indigenous and Afro-descendant populations. Nationalism was also a recurring debate in the power struggles between liberals and conservatives, which fractured the new republics since their origin. In the end, nationalism was a decisive factor in the construction of what the Guatemalan historian, Severo Martínez Peláez, called *"la patria del criollo"* (The Creole Homeland), which, since its creation, conspired against the "Great Colombia" and the Federation of United Provinces of Central America.

These political and ideological factors have produced an irresolvable paradox. On one hand, nationalism and the defence of sovereignty, both as discourse and practice in foreign and domestic policy, have been obstacles when attempting to construct strong regional organizations with pooled powers and a shared sovereignty. On the other hand, the defence of sovereignty was also a shared belief and a mobilizing factor against imperialism and foreign domination. This emancipative tradition has been an important source of Latin American ambitions of greater regional autonomy. These hopes continue to be a shaping characteristic of Latin American regionalism as a "defensive" or "autonomist" instrument against foreign forces.

As a result Latin America faces a permanent "trilemma" that entails three contradictory goals: first, the defence of the nation-state and national sovereignty; second, its traditional ambitions for unionism and regional integration; and third, the search for greater autonomy at the international level. Within this impossible "trilemma," it is possible to achieve one, or at most two of these goals, but it is not possible to achieve all three.[1]

This "trilemma" is tied to the ambivalent relationship between Latin America and the US. As a force of both attraction and rejection (and often the two simultaneously), the US has been a key referent for the formation of Latin America as idea and identity. This ambivalent relationship is evident when examining the multilateral organizations that have shaped Latin America's political history since the end of the 19th century. The rise of the "Pan-American Movement" and the Washington Conference in 1889-90 was the initial milestone in the formation of the normative and institutional framework of the so-called "Inter American system". On one hand, this was an instrument

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[1] To a certain extent this trilemma would be a Latin American variation of the one that nation-states find themselves facing in the broader context of globalization. See Rodrik 2000.

of US hegemony in the region; however, at the same time, it also was the scenario where Latin America and its nation-States set themselves up as international actors, formed their international identity, and defined a particular vision and praxis of foreign policy. The rejection of US interventionism in the Inter American system stands at the origins of a number of significant Latin American contributions to international law, such as the principle of non-intervention and the Inter American system of human rights.

This paper will analyze "post-liberal regionalism" as one of the Latin America's contemporary approaches towards regionalism and regional integration, and how it deals with the inescapable "trilemma" between nationalism, integration and international autonomy by using the Union of South American Nations (UNASUR by its Spanish acronym) as a case study. In doing this, the paper will make use of a social-constructivist framework with some elements of liberal institutionalism. It will be shown that through UNASUR, unionism and aspirations of Latin American regional integration are being redefined in a South American regional frame. It also meant a "post-liberal" strategy emerging from the rejection of the "Open Regionalism" strategies of the nineties. This "post-liberal" strategy is also driven by the conscious search for greater autonomy on the international stage and in development policies, particularly in respect to the US. Nevertheless, the outcome of this project will be determined by nationalism and traditional visions of sovereignty, as well as the choice for institutional designs that, taking into account the aforementioned principle, will have important limits *ab initio*, because of its intergovernmental logic.

"Old", "New", and "Open Regionalism"

Taking the identity and unionist narrative mentioned above into account, contemporary Latin American regionalism has traditionally reflected the region's ambitions for greater international autonomy of its countries.[2] However, important differences exist in the strategies followed since the 1960s, when regional integration emerged as a key element in development strategies and foreign policies in the region. The expression "Old regionalism" has been used in the Cold war era to describe, by one hand, economic integration strategies having certain degrees of autonomy to pursue its own development policies. By the other hand, it refers to the US-led security regional organizations established to sustain the military alliances and the balances of power of the bipolar world. Therefore, in the Latin American context, Old regionalism refers first to the Organization of American States (OAS) and the Inter American Treaty for Mutual Assistance (TIAR, by its Spanish Acronym). And second, to the economic integration and development policies proposed by the United Nation's Economic Commision for Latin America and the Caribbean (ECLAC) since the end of the 1950s until the economic crisis of the 1980s. They were based in the implementation of the import-substitution strategies of industrial development in a regional scale, in order to overcome obstacles to development as the small size of national markets, and to promote changes in production patterns and bigger efficiency gains.

A number of regional and sub-regional groups were set up on these grounds: the Central American Common Market (CACM) and the Latin American Free Trade Association (ALALC), both signed in 1960; and the Andean Pact established in 1969. However, only the CACM was truly successful. In spite of bilateral conflicts, such as the so-called "Football War" of 1969 between Honduras and El Salvador, the CACM gave impetus to the high rates of economic growth and industrialization of the small Central American economies until the arrival of the crisis of the eighties. In a marked contrast,

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[2] The objective of this paper is not to go into depth about the debate over "regionalism". This term usually refers both the institutions, rules and policies applied at the regional level (Payne and Gamble 1996: 2), as well as the policies that attempt to organize the international system through "regions" (Hurrel 1995; Hettne 2005). Although this is a controversial issue, it is important to differentiate "regionalization" from "regionalism". If the former refers to a process of trans-nationalization and de-territorialization at the regional level, the latter usually refers to the institutional and political dimensions of the process.

the Andean Pact never achieved high rates of intraregional trade because the similarities of its export structure and the absence of a true regional market. The ALALC, defined as a free trade area comprising South America and Mexico, failed to implement the agreements concerning trade liberalization and tariff reduction. In 1980 it was downgraded to the less demanding Latin American Association of Integration (ALADI). Finally, these schemes all but collapsed in the economic crisis of the 1980s.

However, in the 1980s Old Regionalism also began to erode in its geopolitical dimension. The Central American crisis demanded a more assertive and autonomous Latin American in the political and security realm. This search for autonomy in Latin American countries' foreign policies was increasingly visible from the mid 1980's on. Some contributing events were the discrediting of the Organization of American States (OAS) and the Inter American Treaty for Mutual Assistance (TIAR, by its Spanish Acronym), which were seen merely as anti-communist instruments of the US during the Cold War; the US support to the United Kingdom in the Malvinas War, breaking the mutual defence commitments of the TIAR; and the Reagan's Presidency strategy of aggression towards Central America. As a result, there were a number of Latin American initiatives for crisis management and conflict resolution outside the OAS. These would eventually lead to the creation of the Rio Group and the setting up of a Central American platform of political cooperation through the Contadora Process and the Esquipulas Peace Agreement.

Within this scenario, Latin American regionalism began to acquire a newfound political dimension. This multidimensional character is one of the feature characteristics of the post-Cold War "new regionalism," while in the "old" Latin American regionalism, economic and security dimensions were placed in different organizations, resulting in subordinate relation with the US (Hettne 2005). Finally, it is worth noting that the new regionalism of the 1990's was centred on a comprehensive strategy to improve the region's international stance, while at the same time it is aimed to reinforce their internal governance capacities. This was one of the Latin American responses when looking for the best position in the changing international system of the post-Cold War era (Arenal 2002, 2009).

Therefore, New Regionalism had strong political rationale. The agendas of the regional organizations and bodies created or revamped in this period were broadened for dealing with foreign policy coordination, regional security matters, environment and immigration, and other regional issues where there were converging national interests, and national policies were unable to respond effectively. In other words, New Regionalism was considered a strategy to deal with the dynamics of globalization by supporting the Nation-States capabilities for governance in a regional space, in those fields in which there was increasing regional and global interdependences, and some national interests were perceived and redefined as common interests (Söderbaum and Shaw 2003; Hettne 2005). Therefore, New Regionalism could be seen as an embryonic form of "multilevel governance". As it will be explained later, this meant a strained relationship with the nation-State and different trade-offs between the exercise of national sovereignty and the regional integration processes.

If new regionalism is the answer to the political and security challenges of post-Cold War era, "Open Regionalism" could be considered as the answer to the demands of the increasingly noticeable dynamics of economic regionalization and globalization. "Open Regionalism" aligned regional economic integration with the liberal policies of the so-called "Washington Consensus". It was based in regional trade agreements with low external tariffs and trade barriers and broad intra-group liberalization, aimed to give markets a bigger role in promoting efficiency and international competitiveness (Burki *et al*. 1996). However, in some versions of it, it has been also argued that "Open Regionalism" demands a comprehensive framework of institutions and public policies in the realm of R&D, infrastructure, and market regulation to encourage technological change and to increase productivity and competitiveness in front of the globalization process (CEPAL 1994, IDB 2002).

This cycle of Open Regionalism continued until mid-2000s and marked a relatively consistent period in Latin American regionalism and economic integration. However, this strategy entered crisis halfway through the decade due to the inherent limitations of its liberalization strategy (Sanahuja 2007) and the outright rejection of the Open Regionalism strategies by the leftist governments that took the stage in the latter half of the decade. These governments opened up an intense debate over the interests, rationale and objectives behind regional integration and about the ideas regarding development policies and international strategies.

An assessment of Open Regionalism in Latin America, 1990-2005

From 1990, the Latin American countries defined a new "map" on regional integration based in Open Regionalism strategies that has remained stable for more than 15 years. This map reflected dissimilar strategies: México broke away from Latin America to follow a pragmatic North American route through the first "South-North" trade agreement of this period. Walking alone and reaching bilateral trade agreements was the particular option of Chile. Other countries opted for regional economic integration, but four separate groups emerged from geography, economic interdependences, shared historical processes, or other factors. The Caribbean Countries, the Andean Group and Central America reactivated their integration schemes, and a new one appeared in South America. In 1989, CARICOM decided to start the process to establish a single market and economy. Between 1991 and 1993, the CACM became the Central American Integration System (SICA). Within a few years, SICA established a free trade area that recovered a significant level of intraregional trade and a wide institutional framework was created. The Andean Group was revamped in 1991 with the aim of restoring a free trade zone among its members, and redefined as Andean Community of Nations (CAN) in 1996. In addition, the Southern Common Market (Mercosur) was established in 1991 with the immediate aim to create a custom union.

It is not the place to describe the evolution of each one of these groups in detail, but some space will be devoted to mention their main outcomes and shortcomings. If intra-regional trade is taken as an indicator of their economic performance, in the nineties it grew faster than total trade in all the groups, although this trend changed later in the South American countries. The cumulative figures for Latin America as a whole show big increase —it multiplied by five from 1990 to 2005. The Regional market became more important than in the past for manufacturing, for SMEs and for manufactured goods and services with more value added, while exports to the rest of the world continued to be made mainly in commodities. However, despite the broad liberalization achieved in each regional group, intra-regional trade remained as a small and sometimes declining share of the total exports of each country. This decline was particularly noticeable in Mercosur and the Andean Community. Its performance has been highly pro-cyclical, as could be seen in the "twin crisis" of Mercosur in 1998 and 2001-2002. A number of causes have been pointed out to explain this adverse evolution: lack of economic complementarities; deficiencies in transport infrastructure and physical integration; unilateral measures; macroeconomic instability and the impact of financial crisis; the effect of non-tariff barriers; and the "re-primarization" or "re-commoditization" of the Latin American economies, drove by the strong growth of commodity exports to Asia, particularly from the Andean and South American countries.

In a general appraisal, the implementation of Open Regionalism has been in first place highly "partial" and "selective". Despite the widening of the agenda to different policy areas, trade liberalization has been the most important issue, and the results are dissimilar. Mercosur, CAN and SICA managed to establish free trade areas with a broad coverage in goods, but a number of exceptions and non-tariff barriers remain. Paying attention to custom unions, the results are mixed, and only Central America seems to accomplish this goal. In all the groups, the liberalization of services, public procurement or cross-border investment has been comparatively lower. To a certain extent, more emphasis has been put on the policy areas that Jan Tinbergen called the "negative integration" agenda, focusing in the removal of barriers to free trade, rather than on the "positive

integration" agenda, focusing in the setting up of common policies and institution building. Policy agendas have set aside the potential advantages of regional integration in fields like research, development and innovation, physical infrastructure, or energy cooperation[3]. This partial approach is very noticeable regarding the issues of social and territorial asymmetries. In all the regional groups the social agenda was weak.

Secondly, from the institutional perspective, it could be considered as "lite" regionalism. As it was said earlier, Latin American integration has been characterized by the primacy of intergovernmentalism and the entrenched rejection of supranationalism. For instance, some countries of Mercosur accept the primacy of Mercosur law over internal law, and others don't. The consequences are twofold: the lack of common legally binding rules and bodies with the powers to adopt them; and the weakness of decisions, rules and dispute-settlement mechanisms. The preference for decision-making processes under the rule of unanimity means very low effectiveness, lack of credibility, and legal uncertainty. Integration schemes have been also burdened by the refusal to set strong institutions. A common motto in some Latin American governments is "we don't want bureaucracies like the Brussels one"; but the reality of existing regional institutions suggests that worse yet is not having them, or creating institutions without the powers or resources to work satisfactorily.

But intergovernmentalism is more a symptom than a cause. An intergovernmental framework could be effective if there is a basic agreement for policy coordination, but frequently priority has been placed in domestic agendas, priorities and interests. The proliferation of institutions, bodies and decisions aggravates this problem and erodes the legitimacy and credibility of regional institutions. A revealing example can be found in a study commissioned by the Regional Program to Support Central American Integration (PAIRCA), funded by the European Commission. This study shows that in the last 20 years, the number of presidential meetings averaged from 6 to 11 per year. And around 85% of the decisions adopted have not precise terms about its outcomes, and 25% of them lack any institution or regional body in charge of them. Finally, only 54% were fully accomplished (SG-SICA 2006).

Third, this regionalism has been "disperse" and it has suffered from strong centrifugal forces. From the second half of the nineties, regional integration has been eroded by extra-regional commitments, particularly in trade. The main cause lies in the proliferation of trade talks, whether bilateral, inter-regional, multilateral and plurilateral. The uncertainty about the future of the WTO Doha trade talks and the expectations opened up by trading partners in other areas has encouraged this "multiple-level playing" by Latin American and Asia-Pacific countries, the US and the EU. Sometimes, the regional and extra-regional agendas and commitments overlap, so they can be contradictory or excluding, particularly in issues as tariffs or origin rules. The resulting "spaghetti bowl", in the words of Jagdish Bhagwatti, weaken the internal cohesion of each group and it could jeopardize the process of harmonization of rules among different groups, particularly between CAN and Mercosur.

An additional factor of crisis in regional integration has been the proliferation of North-South agreements. This is true particularly of the free trade agreements pursued by the US after the failure of the Free Trade Area of de Americas (FTAA), and the so-called "Partnership Agreements" proposed by the EU. The pursuit of these so-called "South-North" economic integration agreements could be explained by several causes. First, the WTO requirement to phase-out the regional non-reciprocal trade preferences granted by the EU and the US to Central America and the Andean countries, to be replaced by reciprocal RTAs. Secondly, the growing uncertainty about WTO trade talks after the failure of the 2003 ministerial meeting in Cancún (México). Third, growing doubts about the advantages of "South-South" regional integration schemes in the region. Lastly, the advantages of these North-South agreements when adopting export-led growth strategies: guaranteed market access

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[3] There are some exceptions, such as the electrical grid interconnection project of Central America (SIEPAC, by its Spanish acronym) initiated in the mid-eighties and now operational.

to the US and the EU; the broader coverage and deep liberalization commitments of "WTO-plus" agreements; and legally binding norms, wider and deeper than those created by the regional integration groups, capable to provide more certainty and legal guarantees for investors. They also establish a more competitive market and therefore, greater incentives for competitiveness and efficiency.

However, all these perceived advantages must be balanced with the potential and actual costs of the "North-South" agreements for development. The agreements are located in the realm of international law and its legal effects could mean an "external constitutionalization" of economic policy (Gill 1995, 1998). For this reason, these gains in certainty and confidence also imply a loss in autonomy in the design and implementation of development and economic policies. Furthermore, due the asymmetrical nature of the negotiations, the outcomes could be strongly unbalanced and biased towards the interests of the rich countries. If the potential impact of liberalization and the related adjustments costs are neglected, Latin American countries could suffer a heavy price in terms of productive capacity and employment with increasing poverty, inequality and social exclusion. These risks have been highlighted by a number of evaluations of NAFTA (Audley 2003; Hufbauer *et al.* 2003; Lederman *et al.* 2003; Kose *et al.* 2004; Reid 2006).

Regarding regional integration groups, the North-South agreements have caused major divisions among the members of the Andean Community. Three countries, Colombia, Ecuador and Peru (although Ecuador backtracks afterwards), pushed for a decision to delay an Andean custom union and later they discarded this goal, for making possible the bilateral FTA with the US. These agreements provided the immediate excuse for the Venezuelan government to abandon in 2006 the Andean Community and to ask for membership to Mercosur.

In the long term, the deepening of economic integration through bilateral "South-North" free trade agreements raises deeper problems for the future of regional integration in Latin America. They will drive to discriminatory effects against intra-regional trade, eroding the economic incentives for regional integration. Additionally, as stated above, the coverage of the South-North agreements is wider than regional South-South agreements, providing stronger legal guarantees and dispute-settlement mechanisms and norms. In the short term, the regional integration groups will be pushed towards an adaptation of its norms, toward those established by the "North-South" agreements. In the longer term, if regional integration schemes remain in its current design, in the face of North-South agreements they could became irrelevant. However, it could have an unexpected consequence: to encourage the adoption of competitiveness policies, and the refocusing of regional groups towards a "positive" integration agenda until now neglected.

Post-Liberal Regionalism: origins and characterization

Other external factors have also played an important role in the debate about Open Regionalism and its alternatives. Aside the proliferation of "South-North" integration agreements, Latin America faced the growing importance of Asian markets, especially China. Regarding the US, the "Global War on Terror" has shown that Latin America is increasingly less of a priority for this great power. Paradoxically, the combination of global US unilateralism, its neglecting attitude towards the region, and the emphasis in a "neoliberal" agenda of FTAs has created both the necessary conditions and incentives to encourage the search of greater autonomy, specifically for South American countries with progressive governments. With its attention focused on Iraq and Afghanistan, Washington has neglected a region where it perceived no terrorist threats. This left a political vacuum that was filled by regional leaders and projects that rejected the Bush era unilateralism, albeit using it to justify their aspirations of autonomy (Burges 2007, Serbin 2011).

This helps explain the marked differences in foreign policy and trade strategies throughout the region (Gardini 2011). In an attempt to expand the Open Regionalism model, some countries have

opted for radial or "hub and spoke" strategies, which are characterized by the proliferation of bilateral "South-North" free trade agreements and greater orientation towards external markets (Reza 2006). A North American integration area, including Mexico and other Central American countries, has been formed and is based on free trade agreements with the US, and to a lesser extent with the EU. Initiatives such as the Mexican *Plan Puebla Panama* of 2001 —in 2008 re-labelled as *Proyecto Mesoamérica*, have also been outcomes of this approach. Furthermore, a number of South American countries seeking to deepen their economic relation with the US and Asia are also adopting this strategy, as was seen in the "Pacific Rim Initiative" (Valladao 2007, Tussie 2008, Briceño 2010). For them, flexibility is imperative. It means rejecting custom unions or other deeper integration commitments beyond free trade areas. On the contrary, Mercosur countries remain committed with their current integration schemes, and the goal of establishing a custom union and a single market, therefore ruling out North-South trade agreements in a bilateral basis, and in its present WTO-plus model.

Beyond these divisions concerning trade policies, from 2005 onwards regionalism is being rethough in a "post-liberal" design that attempts to go beyond Open Regionalism (Chacón 2004, Motta and Ríos 2007, Sanahuja 2010, Gardini 2011). Two major examples would be the Bolivarian Alliance for the Peoples of Our America-Peoples' Trade Treaty (ALBA-TCP) and the Union of South American Nations (UNASUR) (Fritz 2007; Altmann 2011; Cienfuegos and Sanahuja 2010). ALBA-TCP highlights the anti-imperialist or "Bolivarian" ingredient of the Latin American regionalism. UNASUR Both UNASUR and ALBA-TCP could be seen as an interpretation of regionalism "anti" or "post" liberal, and neither of the two could be considered an integration initiative in the standard meanings of this term, whether in its economic, political or legal content. None come close to, nor try to adapt to, the traditional economic integration stages or taxonomies —free trade zones, custom unions or common markets…— as defined by Béla Balassa, neither there are any supranational design or purpose.

Despite having significant differences in their objectives and designs, both UNASUR and ALBA-TCP have the following features in common:

a) Both reflect a return to politics in foreign relations and development policies, focusing less on the economic liberalization and trade agendas that have dominated both in the past years. This is largely a result of the emergence of leftist governments, its nationalist discourses, and the Brazilian and Venezuelan attempts to exert their leadership throughout the region.

b) The return of the "development agenda" inscribed in the wider framework of the "Post-Washington Consensus". This entails policies that attempt to distance themselves from neoliberalism, Open Regionalism and its focus on trade liberalization.

c) Both reflect the "return of the State" to politics, particularly in foreign relations and economic and social development. It means a greater role for state actors, in a market contrast with the prominence of private actors and market forces of Open Regionalism.

d) The search for greater autonomy from the market, in the field of development policy, and from the US in foreign policy, is also an explicit goal of post-liberal regionalism. This has given rise to the appearance of a renewed agenda in issues like peace, security and defence, crisis management and foreign policy coordination.

e) There is greater emphasis on a "positive" integration agenda that focuses on the creation of institutions and common policies and an increase in cooperation in non-trade issues. This means an active agenda of South-South cooperation within the region, and new mechanisms and agendas of cooperation in fields like energy security, macro-economic coordination, monetary issues and development finance.

f) Increasing concerns on development "bottlenecks" such as the lack of regional infrastructure, with the objective of improving both the integration of regional markets and the access to external markets.

g) Increased attention on social issues and the reduction of development asymmetries, linking regional integration with poverty and inequality reduction in a context in which social justice has a newly acquired importance within the region's political agenda.

i) The search for ways to promote the participation of non-state actors and socially legitimize integration processes.

In many of these features, Latin America is clearly expressing its rejection of the neoliberal policies of the "Washington Consensus." A number of the region's leaders identify Open Regionalism with these policies, and do believe that external institutions such as the World Bank and IMF are their main promoters, making current regional integration a direct expression of this process. At times, groups such as Mercosur and the Andean Community of Nations (CAN) are also considered "neoliberal".

In the narratives and discourses of some progressive Latin American actors, neo-liberalism and globalization are synonymous and they both represent the latest expression of the ever-lasting threat of imperialism and/or foreign intervention. Open regionalism and other neo-liberal policies are part of the ideology of globalism, and therefore an attempt to weaken the nation-State and its capacities to promote development. Consequently, this critical view of globalization and regional integration claims for a "defensive" regionalist strategy based on the return of a strong and efficient State, and asks also for strong regional groups to rebalance the relation both with the US and the international financial institutions. Therefore, regionalism and regional integration is being redefined as a strategy to support the nationalist ideal of a "developmental State".

In this "post-liberal" vision of regionalism, there is not contradiction between nationalism and regionalism. It has encouraged —and it is also consequence of, neo-nationalist discourses and policies and the consequent revaluation of the principle of national sovereignty (Christensen 2007, Serbin 2010). As it has been said, the tensions between nationalism and regionalism are not new to the region. However, the neo-nationalism that is characterizing this new political cycle presents often-unavoidable dilemmas when trying to build up effective regional institutions and regulatory frameworks. Additionally, this neo-nationalist approach to regionalism also mean the rejection of other "cosmopolitan" visions of regionalism that sees regional groups as an instrument to manage globalization and enhancing its governance.

These ideas, while characteristic of this current political period that many Latin American countries are experiencing, goes beyond Latin America's borders. In other regions and countries, the "return of the State" is also being seen as a defensive mechanism to cope with globalism. In this context, integration in its traditional economic definition is rejected or it is redefined as an instrument to underpin the internal governance of the participating countries. In the EU, the difficulties of the Lisbon Treaty, the popular rejection of its constitutionalization, and the 2010-2011 euro crisis have also gave impetus to a view, both from the left and the right, which consider the integration process as an instrument of neoliberal globalization. "Energy nationalism," which has arisen out largely of security concerns, is currently taking place throughout the world (including the US), although its discourses and content could be diverse. The return to a robust State with strengthened regulatory capacities has grown in popularity due to the "market failures" on a global scale, being the 2008-2011 crisis one of the most severe examples of them.

UNASUR and South American Regionalism[4]

The Foundations of UNASUR: Brazilian Project, Converging Interests

UNASUR is largely a result of a Brazilian geopolitical design and owes much of its existence to Itamaraty[5]. This design responded to two constants in this country's foreign policy: its search for autonomy and its willingness to become a regional and global power. Furthermore, it arises from the Brazilian assumption that Mexico, the only country that could rival Brazil's leadership, is increasingly linked to the US and a North American geopolitical zone. Therefore, by redefining he Latin American regionalism in a South American frame and narrative, Mexico is removed as Brazil's only potential competitor, leaving the latter as the "natural" leader in the region. However, the feasibility of this geopolitical design not only depends on the resources or ability of Brazil. A major factor has been the self-marginalization of México from Latin American regional politics, the weakness of both Vicente Fox and Felipe Calderon foreign policy, and it almost exclusive focus towards the US that has resulted in Mexico's absence from Latin American and global affairs.

Does this mean that this newfound "South American" or "*Unasurian*" discourse and/or identity are a constitutive element of UNASUR? Probably not, but rather a redefinition of the Latin American unionist narrative has emerged, linking itself with the developments of UNASUR. This organization claimed for itself the traditional Latin America unionist ideals. For some members, such as Venezuela, UNASUR even could be an example of updated "Bolivarianism" now that Mexico and Central America have removed themselves from the ideal of a united Latin America by weaving closer ties with North America. The goals of regional autonomy in the fields of economics, politics, security and development that underpins the rationale and legitimizing narrative of UNASUR would became the updated version of the traditional Latin American integration ideals, now adapted to the contemporary pressures of globalization, and one of the instruments for constructing a multi-polar world less subject to the US.

UNASUR doesn't solely respond to Brazil's interests, nor was it created during the presidency of "Lula" da Silva. The early history of this project starts with the 1993 Brazilian proposal of a South American Free Trade Area (SAFTA). However, this free trade scheme did not result in a sub-regional organization and it moved through a series of bilateral and multilateral free trade agreements within the ALADI.[6] While the trade negotiations advanced slowly, the Cardoso Government attempted to strengthen the process' political profile and broaden its agenda at the 1st South American Summit (Brasilia August 31 and September 1, 2000). In this summit Guyana and Surinam joined the initiative, the Initiative for the Integration of Regional Infrastructure in South America (IIRSA, by its Spanish acronym) was launched, and the convergence process of the CAN and Mercosur in SAFTA was initiated. In the summit, this SAFTA process was highlighted as the "backbone" of South America. These objectives were reiterated during the 2nd South American Summit, held in Guayaquil (Ecuador) on July 26 and 27, 2002.

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[4] For a more detailed description of UNASUR, see the works included in the volume edited by Cienfuegos and Sanahuja 2010.

[5] Itamaraty is the name of the building that houses the headquarters of the Brazilian Foreign Ministry. It usually refers to the Brazilian Foreign service, composed of civil servants and traditionally seen as highly professional, i.e. non-political, but at the same time, with a high degree of autonomy in the design of the long-term goals of foreign policy, They are drafted at a big extent in the frameworks of geopolitics and the tradition of political realism, albeit adapted to the particular circumstances of Brazil.

[6] These were the agreements of Mercosur-Chile and Mercosur-Bolivia of 1997, and later the ACE-58 between Mercosur and Peru, and the ACE-59 between Mercosur, Colombia, Ecuador and Venezuela that came into effect in 2005. With all of these, around 90% of trade between Mercosur and CAN was already tariff-free in 2008, and according to the agreed timeframe, they would be liberalized in 2018. See Cienfuegos 2006.

The creation of the South American Community of Nations (CSN), immediate antecedent of UNASUR, took place during the 3rd South American Summit carried out in Cusco (Peru) on December 8, 2004[7]. During this summit, the three initial "pillars" of the South American project were established. The first was the coordination of national foreign policies with the aim of establishing South America as a regional group in the international system. The second was the convergence of the CAN, Mercosur, Chile, Guyana and Surinam into the SAFTA. The third was cooperation and integration in the fields of energy and communications through IIRSA. Finally, a broad "basket" of matters was added, including the treatment of regional asymmetries (Vaillant and Ons 2007; Ayuso 2010) and financial cooperation, with the proposal for the creation of the "Bank of the South" (Bacaria 2010).

With the creation of the CSN, and the later UNASUR, member states' interests began to converge (Cardona 2005). Although the sources of these interests are usually placed in each country's actors and political arenas, the CSN/UNASUR origins and early development could be seen as a "socialization process" prompted by the converge of ideology and discourses. The unionist narrative, revamped in the South American framework as "anti" or "post" neoliberal discourse, contributed to generate consensus and to shape a minimal basket of common interests, which could be better achieved through a regional framework.

In a brief analysis of these interests from a national perspective, it is worth mentioning the following. First, it gives Brazil a platform to exercise its regional leadership in political and security matters, embracing both the "destiny of greatness" ingrained in the diplomatic culture of Brazil, and the traditional geopolitical concerns of the Brazilian armed forces concerning the Amazonian basin, the Brazilian extended borders and the protection of its natural resources. It also could reinforce its international profile as a global player. Additionally the CSN/UNASUR would offer the country larger markets to export its manufactured goods, increased access to energy sources (especially gas), improved access to Pacific markets and ports. In this manner, UNASUR would allow Brazil to reconcile a number of conflicting interests in Brazil's foreign policy and international strategies. For example, Brazil's agro-industry and agro-exporters are interested in enhanced access to Pacific ports and Asian markets, while Sao Paulo's industrial corporations rely on regional markets and ask for a certain level of protection. Additionally, high-tech companies like Embraer are implementing global strategies and are more interested in the markets of richer countries and a growing global role for Brazil. Lastly, this project could reconcile the economic interests of the private sector, the geopolitical concerns of the armed forces and diplomacy, and the counter-hegemonic goals of the progressive actors supporting the Worker's Party governments (Giacalone 2006, Perrotta *et al.* 2010).

The interests and expectations of other South American countries also converged in UNASUR. For Chile, UNASUR could be a device to lessen the potential instability and conflict with Bolivia, to ease the complex bilateral relationship with Argentina, and help to solve its needs concerning energy security by working in a regional context. Furthermore, Chilean exports could reach the South American market through SAFTA, as a regional trade arrangement more flexible than Mercosur. For Bolivia, UNASUR would offer a regional market for its gas exports, giving support and stability to the Morales Government's project of social change, and facilitate access to Pacific ports in a regional organization that could lessen its long-standing antagonism with Chile. Peru would also reinforce its role and aspirations concerning its Pacific ports and its "hub and spoke" international strategy in support of its goals of economic growth. Furthermore, energy integration through UNASUR would create an important market for gas exports from the Peruvian Camisea fields. Colombia would be able to diversify its foreign policy, which is highly dependent on the US, while at the same time attempt to readjust its complex bilateral relations with Venezuela via a regional framework. Caracas has been seeing UNASUR as an opportunity to carry out its energy strategy towards South America and

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[7]   For a wider analysis about the objectives and initial evolution of the CSN and UNASUR, see, among others, Díaz Barrado (2005), Molina (2007), and Cienfuegos 2009.

promoting the President Hugo Chavez's "Bolivarian" project of regional integration. Ecuador, Uruguay and Paraguay would also increase their international stance and stature as members of this regional organization, in the latter cases rebalancing the power asymmetries that they bear in Mercosur. Lastly, UNASUR could improve stability and democratic governance (as Mercosur did with some of its members) and provide a new blueprint and agenda for integration and cooperation.

For all countries the most relevant factor probably is UNASUR low demands and flexibility concerning trade and development —probably one of the most contentious issues in the regional agenda of the second half of the 2000s, and consequently its ability to embrace the different strategies pursued by its members, and furthermore it focus in other agendas of sector cooperation beyond trade, making agreements more likely.

Indeed, the convergence of interests and expectations regarding CSN/UNASUR doesn't necessarily mean that there is a shared vision. At the Cusco Summit, the design adopted was an attempt to conciliate already existing institutions and frameworks —i.e., Mercosur and the CAN as "economic pillar" of CSN, at the expense of a weak agreement that did little to increase political coordination. In fact, CSN could be considered the "lowest common denominator" characteristic of summit's diplomacy, and it revealed deep discrepancies among the members concerning the project's nature and scope. Furthermore, the high political profile and media coverage of these summits could have exacerbated these differences, to the extent that disagreements could play a role in domestic politics.

The key difficulties and differences in institutional, economic, energy and infrastructure agendas would also not be overlooked (Bouzas *et al.* 2007). As an economic space, the convergence of CAN and Mercosur incorporates an important asset for the establishment of the SAFTA: the trade liberalization achievements of the two regional groups over the last fifteen years. However, further liberalization is being slow, it has low coverage, it does not take into account the deep asymmetries of the region and it could be slowed further in the event of a crisis, due to the highly cyclical nature of trade flows. Given the proliferation of free trade agreements, the necessity to speed up and simplify tariff cut schedules and the convergence of rules should be a priority (CSN 2006, Rosales 2008).

However the economic integration and trade dimension has lost ground due to a lack of consensus between countries. In fact, it was put aside in the 2008 UNASUR's Treaty that includes only a general reference to CAN and Mercosur. In the final design of UNASUR, economic integration and trade has all but disappeared before a number of objectives in other fields. The shift in UNASUR focus could be seen in the adoption of a "priority agenda" in the First Summit (Brasilia, September 29-20, 2005) and the definition of UNASUR's goals (13 in total) in the Second Summit (Cochabamba, Bolivia, December 8-9, 2006). Both meetings shown that UNASUR, in the shift from Open Regionalism to post-liberal regionalism has given preference to the political, social, defence and security agendas.[8]

Among the greatest challenges that the CSN and UNASUR have faced is the conflicting vision between Brazil, Venezuela and other countries relating to the organization's scope and nature. Both Brazil and Venezuela wanted to give the process a more prominent political profile and use it as an instrument to produce more inclusive development policies; however, they disagree on how this should be carried out. Additionally, the countries that remain committed with Open Regionalism and closer economic links with the US (Colombia, Peru and Chile) favour a flexible institutional design able to encompass different international strategies in economic matters. President Chavez, with the support of the Bolivian and at times the Ecuadorean governments, has promoted his vision of making UNASUR an "alternative" to the "neoliberal" model that both the CAN and Mercosur allegedly represents (Oliva 2007; Gómez Saraiva and Briceño 2009: 162-163). On the contrary, Brazil, with the support of other governments, believes that both CAN and Mercosur can be placed under the "umbrella" of UNASUR. This difference in visions has been visible in the presidential summits. In the First Summit in September 2005, President Chavez refused to accept the proposal to advance the 2010

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[8] A collection of CSN/UNASUR early declarations and agreements can be found at Díaz Barrado and Cano 2007.

tariff reduction schedule of the SAFTA. This and other disputed issues were postponed. It was then applied the usual diplomatic device for diluting an issue of creating a committee of experts, in this case called the "Strategic Committee of Reflection". This committee presented its report at the Summit of Cochabamba (CSN 2006b), but again no important decisions were made. In this same summit, despite objections from Argentina, Brazil and Bolivia, the Venezuelan president again expressed that the CAN and Mercosur were "useless." Once more the issue of how to integrate CAN and Mercosur in UNASUR was postponed. During the First Energy Summit on Margarita Island (April 17, 2007), which will later be described in detail, the confrontation between Brazil and Venezuela emerged again when the former expressed its desire to establish a strategic relation with the US regarding ethanol exports.

UNASUR: Early Evolution and Institutional Development

UNASUR's creation process continued throughout 2007 and 2008. During the Margarita Island Summit the CSN name was dropped and the initiative took officially the name of UNASUR. The Ministers of Foreign Relations were then entrusted with the mandate of drafting a Constitutive Treaty that would be presented and signed by the respective presidents during the Third South American Summit, scheduled for October 2007. Also, it was agreed that the position of Secretary General would be established in Quito (Ecuador), and Rodrigo Borja, ex-President of Ecuador, would fulfil the role.

The negotiations over the Treaty were prolonged throughout the year until it was finally approved on May 23, 2008 during the Third South American Summit in Brasilia. The text approved by the twelve member states made it clear that the organization's character would be eminently political and that there would be a specific focus on cooperation and common policies in non-trade areas.[9] As it was said, both the CAN and Mercosur are only mentioned in general terms in the Treaty's preamble, in order to avoid further disputes about trade and economic integration dimension of UNASUR and allowing the membership of countries with very different international economic strategies. This, coupled with intergovernmental character of UNASUR and the weak powers of the Secretary General position, resulted in Rodrigo Borja's decision to not accept the position just three days before the Brasilia Summit.

When examining the Treaty, UNASUR's economic and trade goals appear lost within a broad agenda of objectives. The wording is convoluted and cautiously avoids any mention of economic integration, stating its economic objectives as: *"Economic and commercial cooperation to achieve progress and consolidation of an innovative, dynamic, transparent, equitable and balanced process focused on an effective access, promoting economic growth and development to overcome asymmetries by means of the complementarities of the economies of the countries of South America, as well as the promotion of the wellbeing of all sectors of the population and the reduction of poverty;* later the text adds *"Industrial and productive integration."*

It is probably inadequate to consider UNASUR a framework of economic integration, especially when examining it through the traditional economic categories of it, or though the Latin American experience with regionalism and integration. It does not mention the usual typologies of market integration such as free trade zones and customs unions, nor does it entail the common policies associated with economic integration. Really, it could better be described as an organization of political cooperation according to the aforementioned description of "post-liberal regionalism." The fact that the CAN and Mercosur are legally or politically neither part of nor associated with UNASUR is an indicator of the lack of consensus regarding the organization's role in forming a South American

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[9] The 12 member states are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay and Venezuela. By December 2010, the necessary ratifications were already in place for the Treaty's validity, and by February 2011, eleven countries had ratifies it. On March 11, 2011, thirty days after the ratification of the ninth country, UNASUR started legally to exist.

economic zone. It highlights the nature of UNASUR as a political "umbrella" and foretells future difficulties that may arise when approaching the issue (Peña 2009).

What it is evident is UNASUR's member states' will to establish a permanent structure that will promote a stable and structured political dialogue and coordinate policies in different areas. This entails an institutional structure headed by a Council of Heads of State and Government acting as the "highest body"; a President *Pro Tempore* that will act as UNASUR's representative at international events and will be named annually by the member states in a successive manner by alphabetical order; a Council of Ministers of Foreign Affairs that serves as the main executive body and meets twice a year; a Council of Delegates that is composed of representatives from each country; and the Secretary General, with temporary headquarters in Brasilia, which will be permanently moved to Quito and will carry out the mandates from UNASUR's different bodies. The Secretary General must be chosen by the Council of Heads of State and Government for a two-year term, can be re-elected only once and cannot be succeeded by a person of the same nationality.[10]

The treaty also foresees the creation of ministerial councils by section and a UNASUR Parliament with its headquarters in Cochabamba, Bolivia that will be governed via an additional protocol to the treaty. In the end, the initial proposal for the creation of a UNASUR Court, which was proposed by Brazil, was not passed.

The treaty also gives UNASUR legal personality, and the capacity to adopt binding measures; however, in doing so, a consensus must always be reached. Given the need for a unanimous vote, much of the organization's decision making is subject to the members' veto rights. Its intergovernmental nature guarantees the principles of national sovereignty, non-interference in internal affairs and self-determination of the peoples that appear to have been assumed in its classic or "Westphalian" meaning.

This intergovernmentalism is also confirmed by the nature of UNASUR's adopted agreements such as the decisions made by the Council of Heads of State and Government, resolutions established by the Council of Ministers of Foreign Affairs, and the decisions taken up by the Council of Delegates. All of these are only obligatory after being passed by each member's internal legislative body. Nevertheless, there has been talk of a possible "variable geometry" which would be applied through a "reinforced cooperation" in certain areas for some member countries.

Some gains have also been made in the organization's international profile. Summits with the Arab League and the African Union have been carried out on a regular basis, and some cooperation programs in education and science and technology between Arab countries and UNASUR members were initiated in 2010-2011. These have attempted to increase South America's international stance within a multi-polar system and to speed up South-South trade relations. In October 2011, almost three years after its creation, UNASUR was granted Observer Status at the UN General Assembly.

However, UNASUR has not yet reached the partner status over its US and EU counterparts who continue to direct their relations through the traditional bilateral or sub-regional channels, or through other Latin American and Caribbean groupings. UNASUR has not yet contributed to a better participation of South America in the emerging structures of global governance such as the G-20. Two UNASUR countries (Argentina and Brazil) are also member of the G-20, but its membership is on an individual basis and there is not agreement for UNASUR to become the forum to discuss or adopt

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[10] After Rodrigo Borja's resignation, an agreement over the Secretary General position was not reached until mid 2009. At the Costa de Sauipe Summit (Bahía, Brazil), Néstor Kirchner, the ex-president of Argentina, failed to capture the unanimous vote that would have awarded him the position, due to Uruguay's veto. Kirchner was finally elected on May 4, 2010 once Uruguay retired its veto; however, his death on October 27 of the same year left the position vacant. For the next term, a power-sharing-agreement was reached to avoid a deadlock between the two aspirants, giving the first year to the Colombian contender, the ex-foreign Affairs Minister María-Emma Mejía, and the second year to the Venezuelan one, Alí Rodríguez Araque, former Minister of Energy and Foreign Affairs of this country.

regional positions towards the G-20. As regional leader, Brazil maintains an ambivalent relationship with UNASUR. At times it seems to recognize that assuming the role of regional leader —and the economic and political costs of this leadership, is a prerequisite to being an international leader; however, other times the country acts as a lone global player without representing (formally or informally) UNASUR and its partners.

Throughout its short existence since its creation in 2008, the role of UNASUR as a mechanism of crisis management has been confirmed. It has become an alternative to the Organization of American States (OAS), therefore strengthening South American autonomy from the US. It has also continued its institutional development with the creation of the South American Defence Council (CSD), the South American Council of Health (UNASUR-Health), the Council of Economy and Finance, and other specialized bodies, such the Electoral Council of UNASUR. At the same time, the member states have continued negotiating for the creation of the Bank of the South and have also maintained an ambitious agenda in energy cooperation via the South American Energy Council, which was created at the Isla Margarita in 2007 and has been incorporated formally to UNASUR.

Sector Cooperation in UNASUR: Infrastructure and Energy

The energy sector has become a central issue in UNASUR concerns. This has largely been a result of an international context marked by a long term increase of demand, the instability within the oil markets, a growing concern for energy security and the rise of "energy nationalism." A big potential for complementarities exist in South America between the countries with energy reserves and those whose lack of energy resources is a "bottleneck" for economic growth (Sennes and Pedrotti 2007; Bodemer 2010). The opportunity costs of "non-integration" can be great in this field. Bilateral disputes, uncertainty caused by the dependence on extra-regional suppliers, loss of income for exporters, the use of less efficient or damaging alternatives such as nuclear energy, extra-regional providers at higher cost, or the construction of large reservoirs in natural habitats are all examples. Brazil's energy crisis in 2001-2002 and Argentina's in 2007-2008, and the bilateral disputes between Argentina and Chile over the former's breach of supply contracts also illustrate these costs.

These issues, which are seen from different viewpoints, share a common characteristic in that they are perceived yet as national and not regional in scope. Chile shows the most pragmatic approach that sees regional integration as an instrument for energy security, but at the same times is looking for its own alternatives (large dams in southern Patagonia) or extra-regional providers of liquefied gas. Brazil follows a strategy of self-sufficiency based in ethanol and hydropower and continues to promote Petrobras as both a regional and global actor, and the oil discoveries of 2010 are a game-changer that could drive Brazil to the top league of oil exporters and technology expertise in offshore oil exploration and production. Meanwhile, Venezuela has launched a high-profile geopolitical strategy that is attempting to increase its autonomy in respect to the US by backing regional energy alliances (Honty 2006). To do this, Petrocaribe and the weaker Petroamerica have been created, along with joint companies with other countries. Venezuela also encouraged Bolivia's hydrocarbon nationalization, looking for a dominant position in this market for PDVSA. The *Gran Gasoducto del Sur*, a giant gas pipeline that would link Venezuela, Brazil, Uruguay and Argentina through the Amazon forest, was designed as another important step in Venezuela's strategy for controlling the region's main gas reserves and markets.

However, the Venezuelan strategy has proven to be unfeasible. The revision of concessions and gas contracts reached between foreign oil and gas corporations and the Bolivian government have preserved Bolivia's autonomy from Venezuelan tutelage, allowing the country to pursue its own objectives in energy policies. Aside is stratospheric costs and environmental damage the *Gran Gasoducto del Sur* pipeline was also a political failure. In retrospect, the Venezuelan-Brazil agreement to build this pipeline was intended to be more a Brazilian tactic to negotiate with Bolivia about the fate

of Petrobras, than a strategic alliance with Venezuela. This alliance started to falter when Brazil began to question the Venezuelan strategy in Bolivia because it would have harmed Petrobras.

Further disagreements emerged in UNASUR's First Energy Summit in Isla Margarita, Venezuela in April 2007, when President Chavez questioned the use of foodstuffs for ethanol production and the agreements reached over biofuels between Brazil and the US, given their potential impact on food prices. In November of the same year, the Brazilian Government announced the discovery of large oil and gas reserves in the Tupí oil fields. After that, continental energy integration plans seemed less attractive. Shortly after, Brazil withdraw from the joint gas project "Mariscal Sucre" with Venezuela, which meat the eventual abandonment of the *Gran Gasoducto del Sur* pipeline as the latter included the former.

The main question is: Is there the potential for energy cooperation and integration within the UNASUR framework, similar to Europe's experience in the 1950's? Could South American oil and gas play the same role for the region that carbon and steel did for European integration? Until now, this potential has not been reached, and it appears that energy could convert into a source of conflict between the countries in the region (Bodemer 2010).

UNASUR has focused on infrastructure as well, through the incorporation of the Initiative of the Integration of the Regional Infrastructure in South America (IIRSA), launched in 2000 in the first South American summit. The IIRSA has strong backing from the countries that have the most to gain from the inter-oceanic connection such as Brazil, Bolivia, Chile and Uruguay. Trade in all of these countries has been affected by the low quality of infrastructure and high cost of transport. In 2004 the "Consensus-based Implementation agenda" (*Agenda de Implementación Consensuada,* AIC) was approved for the period of 2005-2010 with 31 priority projects selected from a total of 348 proposed. IIRSA advanced slowly in its first years, and by 2010 only 2 of the 31 AIC projects were concluded. However, from 2005-2006 implementation accelerated with financing coming from the Inter American Development Bank (IDB), the Andean Development Corporation (*Corporación Andina de Fomento*, CAF) and the Brazilian State-sponsored *Banco Nacional de Desenvolvimento Economico y Social* (BNDES). It was in 2008, for instance, when the agreements for the financing of Bolivian highways were signed. This project, part of the "inter-oceanic central axis" of IIRSA, would unite the Brazilian port of Santos to the port of Arica in Chile, making it one of the IIRSA's most important motorway networks for linking the Atlantic and Pacific ports (CEPAL 2011).

According to IIRSA, in 2010 the Initiative portfolio included 524 projects, with a budget of USD 96.119 millions. 10% was completed, with USD 8.468 dollar million invested, and 175 were in process, with a budget of USD 45.853 million. In November 2011 UNASUR's Council of infrastructure ministers (COSIPLAN) met in Brasilia and adopted a new "Agenda of Priority Integration Projects" (*Agenda de Proyectos Prioritarios de Integración*) with 31 projects in the fields of transport, communications and energy, including a key gas pipeline between Tarija (Bolivia) and Argentina.

Moreover, the environmental costs are high and reasonable doubts remain about the selected projects. These projects could contribute to the interconnecting of the regional market, or add to the process of "re-primarization" being fuelled by growing Asian demand for commodities as well as the windfall brought by higher commodity prices (Fernández 2010). The potential environmental costs of these projects have been highlighted by the protests in 2011 in Bolivia against the construction of the highway Cochabamba-Beni through the Isidoro Sécure national park and Indian territories. Following Evo Morales' decision to stop the works, in September 2011 the BNDES cancelled the loans financing the project.

UNASUR's cooperation in finance and monetary affairs

Despite the fact that financial and monetary issues were not in the original blueprints of South American regionalism, the ALBA-TCP countries achieved to broaden the UNASUR agenda with the proposal of the "Bank of the South". Later, the economic crisis and the risks of a "double-dip" recession since August 2011 have prompted a broader agenda of financial and monetary cooperation, albeit still embryonic.

Venezuela an Ecuador was the first supporters of the Bank of the South as an ambitious alternative to the IMF, the World Bank, and other "neoliberal" development banks that work throughout South America, such as the Inter American Development Bank (ADB) and the Andean Development Corporation (CAF). According to President Hugo Chavez's original August 2004 proposal, the Bank of the South would be a device to support members' balance of payments, including the possibility of creating a regional currency, and financing development projects (Martínez 2007; Bacaria 2010). This bank would actively put to use the substantial currency reserves accumulated in the region thanks to the export windfall prior to the 2009 crisis. These reserves were often invested (at a loss) in US treasury bonds, therefore financing the US fiscal deficit that paradoxically fuelled the depreciation of Latin American reserves in dollars, and financed US foreign wars. The proponents of this powerful argument claim that the Bank of the South would be able to avoid the pressures from the IMF and the policies of the Washington Consensus. Given Latin America's history with the IMF, this argument holds serious weight for Latin America's political left.

These initial proposals were watered down by Brazil and other countries in the region that had no desire of breaking from the Bretton Woods institutions. Therefore, the initiative has had modest results and instead of being an "alternative" to the IMF and the World Bank, the Bank of the South, according to Brazil's Minister of Foreign Relations, Celso Amorím, should be "another alternative" when financing development projects. As a result, neither the roles of the IDB, the CAF or the Brazilian BNDES were diminished. The Brazilian National Development Bank's (BNDES) mandate continues to include South American integration through loans that support exportation of Brazilian goods and services and the realization of projects by Brazilian "multi-latino" corporations and construction and engineering companies, such as Odebrecht, Camargo Corrêa, OAS Group, Queiroz Galvao, AGSA and Alston.

After a long negotiation process, an agreement was achieved in December 2007 with an authorized $20 billion in capital, the majority of which would be provided equally by Argentina, Brazil and Venezuela. Its design was more in line with Brazil's demands than those of Venezuela and Ecuador. However, the agreement failed to nail down the key issues such as member state shareholding participation and voting rights. Both issues would be postponed for two years. Furthermore, countries such as Chile, Colombia and Peru decided not to participate. Two years later in September 2009 the Constitutive Treaty was signed. And at the end of 2011 five countries out of seven had ratified the Treaty, with Brazil and Paraguay being the two still awaiting approval.

More significant could be the cooperation proposals launched in 2011 in response to the growing risks of financial collapse prompted by the debt crisis in the US and the Eurozone and the short-term danger of a US default in its national debt, consequence of the debt-ceiling battle in the US Congress, and the mid-term risk of a "double-dip" recession in the OECD countries. This could weaken Asian growth and, consequently, damage South American exports of commodities, driving to balance of payment crisis in the most vulnerable countries of the region.

By initiative of the Colombian President, Ministers of Finance and Central Bank Governors of UNASUR countries hold a number of emergency meetings in July-August 2011 aimed "to shield" UNASUR member from any global economic downturn. In the meeting held in Buenos Aires in August 12th the Ministers decided to launch the technical studies needed for the possible creation of a USD 10 to 20 billion dollars emergency fund, to assist countries facing balance of payments crisis, in that that seems to be a South American Monetary Fund. The fund would be established by expanding

the Latin American Reserve Fund (*Fondo Latinoamericano de Reservas*, FLAR)[11]. The meeting also decided to bolster the regional market; to support trade in domestic currencies within the region, rather than in dollars, and the review of the Latin American Integration Association (ALADI), Payments and Reciprocal Credits system and the Unitary Regional Payments' Compensation System (Sucre, by its Spanish acronym) set up in 2009 by ALBA-TCP countries; to speed up the creation of the Bank of the South; and to study how to coordinate intra-regional contingency credit lines among the central banks, which have reserves of USD 550 billions, in order to enable a rapid response in the event of speculative attacks. The meeting also decided to establish the Council of Economy and Finance as a body of UNASUR. In November 2011 this Council held its second meeting for reviewing the technical work already done, noting in its final declaration the divergence of positions, and the extraordinary difficulties of implementing this ambitious agenda.

This is a noteworthy process because it reveals that UNASUR is expanding its areas of cooperation, although once more, Latin American regionalism seemed to advance in response to external threats, with a strategy of "defensive multilateralism". Nevertheless, it is too early to assess the compliance and effectiveness of financial and monetary cooperation and the real potential of intergovernmental cooperation in these fields.

Defence and Security in UNASUR

The strong political profile of "post-liberal regionalism" can also be seen in the creation of the "South American Defense Council" (CDS, by its Spanish acronym), which was proposed by President "Lula" da Silva in March 2008. This initiative was launched a day after the Colombian attack on a Colombian guerrilla encampment in Ecuador in which the commander of the FARC, Raúl Reyes, was killed. The attack was carried out two days before the Group of Rio Summit, which discussed the serious diplomatic crisis caused by the attack.

The Brazilian proposal was primarily in response to this crisis situation, which explains why its content and objectives were not immediately specified. However, a number of long-term factors also explain the initiative. On the one hand, it was a product of the long process of definition of new security doctrines and policies in a democratic matrix that began towards the end of the 1980's, aimed to discard the older "national security" doctrines of the Cold War. These new doctrines led to the establishment of confidence building regimes in the Southern Cone, and facilitated the creation on new crisis management mechanisms.[12] Another long-term factor was Brazil's ambition to become a regional leader and its traditional geopolitical concern about controlling its 17,000 kilometres of porous borders, threatened by guerrilla organizations, drug trafficking and other illicit activities. The instability in the Andean region has also been a concern of Brazil, at the extent that it aspires to strengthen its role as arbitrator in the region's conflicts (Gratius 2007). Finally, the CDS is also part of its broader global strategy as an emerging country.

In order to perform this role, the most suitable framework for Brazil would be a regional one, instead of the traditional US-led hemispheric security architecture based on the Organization of American States (OAS) and the Inter American Treaty of Reciprocal Assistance (TIAR). Given that

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[11] Support to balance of payments crisis had previously been carried out by the FLAR, which was created in 1978 as the Andean Reserve Fund (FAR). Transformed in 1989 in FLAR, it pooled foreign reserves of five Andean countries — Bolivia, Colombia, Ecuador, Peru and Venezuela— plus Costa Rica (accession in 2000) and Uruguay (2009). FLAR has its headquarters in Bogotá and a total of USD 2.300 million available. From 1978 to 2003, FLAR financing to the Andean countries was around 60% of IMF loans to these countries.

[12] These included the 1988 Ushuaia Declaration establishing the Mercosur Peace Zone; the Andean Charter for Peace, Security and Limits on Defence Spending and the Quito Declaration for the establishment and development of the Andean Peace Zone, both in June of 2002; the 2002 Guayaquil Declaration for the South American Peace and Development Zone, signed during the Second South American Summit; and the Bogota Declaration, adopted at the CSN Defence Ministers Conference in 2006. See Consejo de Defensa Suramericano 2009.

the US often has direct interests in the region's conflicts (the crisis between Colombia and Ecuador was no exception), Brazil often considers Washington to be a source of instability more than the opposite, and sees much better placed to take on the role of mediator or arbitrator. In this view, using regional regimes without the US participation could contribute more and better to regional stability and the pacific resolution of conflicts. Even when moving beyond Brazil's benevolent self-perception (Lafer 2002; González 2011), this vision seems to have both regional and international backing. The EU sees Brazil as an "anchor country" and has gone as far as proposing this country a "strategic partnership". This is coupled with the growing lack of confidence caused by both the OAS and the TIAR. Mexico withdrew from the latter in 2002. Furthermore, the Bush administration's overall foreign policy caused increased rejection to the hemispheric organizations it took part in.

At the same time, the Brazilian initiative and the eventual creation of the CDS cannot dissociate themselves from President Chavez's 2003 proposal to create a South Atlantic Treaty Organization (SATO) or "South American NATO" or the later proposal also from Chavez to establish a military alliance within ALBA. This was discussed during the ALBA Summit VI in January 2008. The CDS initiative seems to be another example of the Brazilian strategy of "regionalizing" President Chavez's proposals, redrawing —and often watering down them, in such a way that they could be compatible with Brazil's regional leadership. In this strategy Brazil is trying to sponsor a consensus-building process integrating the interests of other countries, and smoothing over the most radical edges of "Chavismo". But it also mean that ALBA-TCP is a relevant force within UNASUR, and its proposals, albeit softened, find their way in the broader South American policy-making process.

This strategy would also allow Brazil to achieve two of objectives that otherwise would not be possible. On the one hand, it would slowly reduce US political and military influence in the region, while on the other hand it would allow Brazil to maintain cordial relations with the superpower by positioning itself as a "moderate country." This would also give it a preferential position as mediator and negotiator in the eyes of external actors.

During the South American Summit of Brasilia in 2008, in which the UNASUR Constitutive Treaty was adopted, Brazil formally proposed the creation of the CDS. However, the proposal did not go over smoothly as it was immediately opposed by Colombia. President Uribe highlighted the different stances in respect to the FARC, particularly citing Venezuela's willingness to give the group "belligerent" status. This led Colombia to decline membership of the Council. Colombia also stated the requirement to preserve OAS as the main organization for crisis management in the region. 2011 Moreover, other countries that were suspicious of Brazil's intentions also expressed their inhibitions. As a result, the issue was postponed for 90 days to allow for an agreement to be reached.

Finally, on July 19, 2008, the Colombian President, Álvaro Uribe, announced his country's incorporation into the CDS after an official visit from President Lula. Brazil stated that the agreement to establish the CDS would include an outright objection to violent groups, a factor that caused Colombia's change of position. Brazil had previously met with Venezuela in June, and President Chavez, in a clear change of position, asked the FARC to abandon political violence. The success of Brazilian mediation is also explained by the setbacks suffered by the FARC and particularly the operation in which Commander Raul Reyes was killed. It also resulted in the capturing of archives in his computer that, whether real or faked, seem to show a supposed "Venezuelan connection" in support of FARC.

The December 16, 2008 Costa de Sauipe Summit in Bahia, Brazil confirmed the establishment of the CDS and defined and its nature and objectives. Additional details were added in the first meeting of the CDS Defence Ministers (Santiago de Chile, March 10, 2009). Both meetings explicitly stated that the CDS is the UNASUR body for political dialogue and cooperation in defence matters, based on an integral concept of cooperative and democratic security. Therefore, the CDS is not a military alliance nor a defence organization, as it does not contain a mutual defence clause. Much like

UNASUR, the CDS is based on respect for sovereignty and non-intervention and, therefore, cannot participate in UN peacekeeping missions.

Its objectives include the establishment of a South American peace zone free of nuclear weapons and other weapons of mass destruction, the making of a South American defence "identity", to reinforce regional cooperation in defence matters, particularly the sovereign control of the region's natural resources. The explicit rejection of "armed groups at the margin of the law" is included. This wording is intentionally ambiguous with the aim of avoiding the mention of "terrorism" and to satisfy the divergent positions of CDS members. More specific is the 2009-2010 Action Plan, in which the CDS will encourage the adoption of regional positions in multilateral defence forums, the reinforcement of crisis management mechanisms and broader cooperation in defence procurement and military training. It will also include the exchange of experiences in humanitarian action, mine removal, response to humanitarian disasters, UN peacekeeping operations, defence modernization and the incorporation of gender perspectives in defence.

The agreement between Colombia and the US (signed in August 2009), allowing the establishment of US military bases on Colombian soil, was the first "trial by fire" for the CDS. This isn't the place for a detailed discussion of these events, but a general appraisal could be made. In the beginning, the Washington-Bogota alliance and the fracturing relations between the Uribe Government and its neighbours seemed to break the fragile consensus reached in security and defence matters. However, this crisis also proved the collective will to preserve UNASUR and to place the discussion about security issues in the CDS. Moreover, Colombia accepted that its unilateral decision was also a legitime security concern for other UNASUR members, and those countries seemed to accept the Colombian stance about its bilateral alliances, given the internal conflict that it suffers. While Uribe's decision could not be immediately reversed, important agreements regarding transparency and confidence building measures were reached. Later, Juan Manuel Santos, the new Colombian President, decided not to ratify the agreement, in the broader context of an important change of focus towards South America in Colombian foreign policy (Ramirez 2011).

In just three years the CDS has been confirmed as one of the most active sectorial councils within UNASUR. Following the 2009-2010 Action Plan, technical work has been carried out for establishing a common methodology for reporting defence expenditure and assets, and there is a working group for drafting a Peace, Security and cooperation Protocol to the UNASUR Treaty. The Buenos Aires-based Center for Defence and Strategic Studies has been opened with the aim to work out studies in regional defence, security and confidence building. In November 2011 the Defence Ministers met to endorse the 2012 Action Plan. It include important initiatives in defence industry cooperation, such as the feasibility studies for a South American built basic training aircraft, led by Argentina; an unmanned aerial vehicle (UAV), led by Brazil; the armoured vehicles "Gaucho" and "Guaraní"; and further cooperation for the future Brazilian Embraer C-390 military transport aircraft. Other decisions were taken concerning a South American Spatial Agency, and the methodology to compare defence expenditures, a sensitive issue because some of the countries are purchasing new arms systems to modernize its armed forces, risking a new "arms race" in the region. In the framework of the CDS, other noteworthy cooperation initiatives include the 2011 bilateral agreement to modernize the Argentinean missiles with Brazilian technology.

The agendas, achievements and future plans of both the CDS and UNASUR concerning security and defence make clear that the region is focused in a partial approach to security and defence. The democratic nature of UNASUR approach to security is beyond doubt. It is also clear that UNASUR remain committed with the Latin American tradition of South America as a peace zone free of weapons of mass destruction. However, these visions are mainly concerned with the traditional agendas of military and territorial defence and cooperation in military matters. It seems to disregard transnational security issues like illicit drug trafficking or internationally organized crime. The most noticeable feature is the marked securitization of natural resources. CDS seems to be adopting an updated version of a resource-based geopolitical approach to world affairs born in the Brazilian

military establishment and shared by their Argentinean counterparts. This approach foresee a world of scarcity at the mid century in which the main threat will be related with undefined foreign attempts to control the oil, water, mineral and/o agricultural resources of South America. In the past, this view was centred in the Amazonian basin, but the *pré-sal* oil discoveries by Brazil have triggered strong demands from its military establishment to reinforce the air and naval power of this country, acquiring nuclear-propelled submarines and new fighters. In this context, the CDS and UNASUR seem to be the regional avenue to expand this particular vision[13].

Crisis Management by UNASUR: Regionalism and Democratic Compromise

Given the instability of certain countries, UNASUR has taken on a relevant role as a crisis management mechanism. The Union has already intervened on a number of cases such as the Bolivian crisis of August 2008, the Honduran coup in June 2009 and the Ecuador police uprising (which the government considers a coup) in September 2010.

A political crisis and upsurge of violence began in Bolivia after President Evo Morales's triumph in the recall referendum of August 2008.[14] For the first time, UNASUR had to urgently take action and test its abilities in this field. After various appeals by Venezuela, UNASUR Presidents met in Santiago de Chile, in "La Moneda Summit" on September 15, 2008. With the partial support of both Ecuador and Chile, Venezuela tried to gain UNASUR backing for Morales as he faced off with secessionist prefects and US interference. However, some countries, specifically Chile and Brazil, thought that this would only worsen the conflict. In their eyes, UNASUR should contain the escalation of violence, avoid either direct or indirect US involvement via OAS, and push for Bolivian stability, which would in turn secure gas supplies. At the same time, there was clear support in avoiding the risk of separatism and the "Balkanization" of Bolivia. The question of separatism is taboo in the region's political culture and institutional tradition. Indeed, distinct levels of centralization and the defence of the territorial integrity of each state have historically characterized South America. These beliefs existed since the adoption of the *uti possidetis iuris* principle of respect to established borders.

UNASUR's intervention would raise questions over several important issues. The first is related with the balance between Latin American intervention during crisis management —something that rarely existed in the past; and the principle of non-intervention in domestic internal disputes. Questions also arose over to what extent regional leaders such as Brazil should act as mediators, and the risk of perceiving this intervention as a result of particular interests or outright interference. The summit also had to deal with the difficult equilibrium between the need to respect the Bolivian government's legality and legitimacy and the government's responsibility in promoting internal dialogue with the opposition. Furthermore, it was not easy to lessen Bolivia and Venezuela's anti-US rhetoric and at the same time to avoid direct or indirect US involvement, alone or through the OAS.

These balances were achieved by way of the preconditions established by Brazil. They allowed the Summit to be defined by the terms that President "Lula" da Silva had established. Also important were the Chilean presidency's effective action in reaching consensus. To avoid accusation of foreign interference, Brazil demanded the acceptance of its role as mediator by both the Bolivian central and

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[13] "Veo a los ejércitos sudamericanos protegiendo los recursos naturales. Entrevista a María Emma Mejía, Secretaria General de UNASUR", *El País*, 23 de junio de 2011, p. 6. See also Raúl Zibechi, "South America consolidates its role as an emerging power", CIP Americas Program, Washington, posted in December 5th, 2011 [http://www.cipamericas.org/archives/5748, accessed 20th December, 2011].

[14] In August 2008, after Evo Morales's victory in the recall referendum, the conflict between the Bolivian central government and the country's eastern departments intensified. On September 11, the "Pando Massacre" was carried out and several government-supporting peasants were murdered. Autonomist militias killed no less than 30 people in the municipality of El Porvenir, Pando, and dozens disappeared. After the Bolivian government's state of siege declaration on September 12th, the prefects of the eastern departments called for armed resistance, leading many to fear an upscale in violent confrontations.

autonomist governments before talks began, threatening to block the summit if the confrontation continued. It also demanded that both parts involved in the dispute come to terms through dialogue and that the summit would refrain from criticizing and questioning the US.

When analyzing UNASUR actions during this crisis, it is worth highlighting the positive effects that collective action achieved when satisfying the diverse interests of the member states, in the vicinity or not, that sought Bolivian stability. It also revealed that Brazil only could act as a collective leader, which avoids the suspicions that unilateral action can arouse. The crisis also appeared to indicate that something is changing in UNASUR member states' relation with the traditional concept of sovereignty (Serbin 2010). Under the traditional view, UNASUR would have little room to achieve an agreement when managing a crisis and any action taken would require a general consensus that would be difficult to reach. However this case points out that external intervention is more feasible if it is regional. What is also significant is that UNASUR action could be seen as an instance of the "responsibility to protect" principle, which has been accepted by the United Nations, in its more important dimension: the prevention of conflicts that could lead to crimes against humanity.

While the Bolivian crisis is a clear example of success, the same cannot be said for UNASUR intervention in the 2009 Honduran coup. Despite the relative neglect of the US and Mexico's absence, UNASUR got in line behind Brazil and Venezuela's unilateral initiatives. Furthermore, it could do little in the face of the stubborn resistance of the Honduran oligarchy that supported the coup, as well as the ambiguous attitudes of some member States that were more fearful of an expansion of "Chavism" than they were of a setback to democracy in Honduras. In the end, once the US decided to return its attention to its "backyard," the limits to UNASUR actions were revealed. UNASUR was then left in a unpleasant position because of the failure of the October 2009 agreements to reinstate Zelaya, brokered by the head of the Bureau of Western Hemisphere Affairs of the Department of State, Thomas Shannon. UNASUR had questioned the legality of the elections and attempted to isolate Porfirio Lobo's Government (winner of the elections), putting itself it in position unbearable in the long term.

In the case of Ecuador, the doubts over the true nature of the police uprising did not prevent UNASUR from responding quickly and convincingly, in part because of what had previously happened in Honduras. The quick resolution of this crisis did not allow a proper evaluation of what role the organization could have played. However, what is most relevant is that a decision was made to endow UNASUR with a "democratic clause" in addition to the original Constitutive Treaty. This decision was made in the heat of the October 4, 2010 crisis and was formalized at the South American Summit of Georgetown (Guyana) on November 26 of the same year. The "Additional Protocol to the Constitutive Treaty of UNASUR on Commitment to Democracy" was then established, and once ratified it would be legally binding. The protocol entails rapid response consultative procedures for the deployment of diplomatic missions, the adoption of sanctions (including suspension from participation in the organization), trade sanctions, and even the closing of borders.

Additional decisions in support of democracy have been made, such as the creation of the Electoral Council of UNASUR in 2011. This council sent its first observation mission to the November 2011 elections in Guyana. Elections in 2012 in several UNASUR members, such as Venezuela, will be a text about the trustworthiness of this body.

All of these situations have shown the institutional and regulatory weakness of UNASUR and the risks that come with its strong presidentialism. UNASUR attempts to act as an alternative to the well-oiled machinery of the OAS and the Inter American system, which can quickly react to crisis situations through foreign minister meetings, have a Permanent Council, has increased its capacities to deploy diplomatic and electoral observation missions, and include a strong legal and institutional framework in defence of human rights, including an specialized Inter American Court. In contrast, UNASUR presidential meetings must reach unanimous agreements, which are often difficult to achieve, they have no institutional capacities beyond a weak General Secretary, and the visibility and

high political profile of its "summit diplomacy" is often a double-edged sword when confronting a crisis. On the one hand, if a consensus is reached the political agreements at the regional level will be more effective. However, as it was shown, there is also greater incentive to take up differing stances given the resonance they will have throughout the media if they yield benefits in the domestic political agenda. The adoption of UNASUR's democratic clause could reduce these shortcomings; however, this will have to be proven in practice.

UNASUR and the Future of Regionalism in South America

From UNASUR to CELAC: Geography, politics and ideas

ALBA-TCP and UNASUR are redefining the South-American political space, the Latin American identities and the own idea of "regionness" in this region. However, beyond their common "post liberal" features, both projects have important differences in their scope, political orientation and viability (Gardini 2011). It appears that ALBA-TCP will not be capable of building the required consensus to be a viable integration project due to its strong ideological orientation. Furthermore, it will be difficult to maintain from the alliance's political voluntarism as well as the limited resources that Venezuela provides, especially the oil-based model that it wishes to extend throughout the region (Romero 2006; Serbin 2011b). However, ALBA-TCP has been successful in widening the political debate over integration and its relation with economic and social development. It is also influencing the political discourses and narratives about regionalism, with a "Bolivarian" ideal and ethos that is closer to the Spanish-speaking countries of Latin America than o Brazil. As previously shown, the majority of the proposals suggested by Venezuela and its counterparts have been reworked into the wider framework of UNASUR, and although the final result does not correspond to Venezuela's original design, South American integration has acquired a more pronounced political and social profile.

UNASUR appears to be the most relevant and viable project within the South American space and has been a true "test case" of post liberal regionalism. However, it also contains a notable paradox. On one hand, UNASUR's appearance and institutionalization seems to show that a fairly robust regional consensus about regionalism and integration still exists. The revamping of the "integrationist reason", this being the fundamentals, objectives and agenda behind integration, also appears to be possible. But its design and evolution also reveal that the necessary consensus is still lacking on many issues and that the institutional framework necessary for making UNASUR a feasible project in the long run have yet to be established. Neither Venezuela's ideological vision nor the increasingly unpredictable combination of unilateralism and "benign hegemony" that characterize Brazil's foreign policy can achieve this, especially if the two countries fail to reach basic agreements and can't come to terms on strategic interests such economic and energy matters. As previously described, different interests from other countries in the region converge in UNASUR; however, even considering the Brazilian giant, none have the influence or the determination to lead the project.

The fate of UNASUR will depend on two major fault lines that are currently driving Latin American regionalism and integration. The first is the fracture between two integration strategies: by one hand, a strategy of endogenous development that is centred in a "wider-Mercosur" including its four members plus Venezuela and maybe Bolivia and Ecuador. By the other hand, a competing strategy increasingly focused in external markets, particularly towards North America and the Asia-Pacific area, assumed by Peru, Colombia, Mexico and the Central American countries. The former entails stricter rules, regulations and institutional compromises, and the latter has chosen the more flexible framework of Open Regionalism, that accommodates liberalized trade policies, "South-North" free trade agreements and more proactive attitudes in relations with Asian markets.

The second fracture is the growing division between North and South. By one hand, the countries increasingly linked to a North American geographical, economic and political space through NAFTA, the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) and the *Mesoamérica* Initiative. The second is being organized around UNASUR and post-liberal regionalism, and it is largely dependent on Brazil's leadership, and its ability to integrate in the same organization countries with quite different economic and foreign policies. As stated earlier, UNASUR is redefining Latin American integration within a South American frame, geographical and symbolic. This is causing Mexico and Central America to strengthen their links with the liberalized North American economic sphere and to reinforce their its own cooperation dynamics based on increasingly interdependent economies, migration flows, environmental issues and security problems.

Is it possible to overcome these fractures? In December 2008 the First Summit of Latin America and the Caribbean (CALC) was held in Costa de Sauipe. In February 2010, under the Mexican presidency of the Rio Group, the second summit, called "of unity" was held in the Mexican Riviera Maya. These summits started the process of creating the Community of States of Latin America and Caribbean (CELAC, by its Spanish acronym). Its nature, scope and content has been the subject of negotiations during 2011, being created at the Third Summit held in Caracas in December 2011.

With the decisions adopted at that Summit, the CELAC is configured as an instrument of policy dialogue and sectorial cooperation in the economic, social, environmental fields, as well as in science and technology and disaster management. Particular importance has the coordination of foreign policies, in order to increase the Latin American clout in international organizations and multilateral fora. In this sense, and so is explicitly acknowledged in the documents adopted at the Summit, the CELAC reflects the historical heritage of the Rio Group, whose work aims to continue with a higher political profile. It is also stated that CELAC will be the Latin American designed partner in the relations both with the EU and the US.

CELAC also assumes the same functions of crisis management and defence of democracy of both the OAS and UNASUR, thus giving the region more choices and room to work, but risking an additional overlapping of institutions and mandates. CELAC, as UNASUR, is configured as a tool to expand the autonomy of the region in its international relations, but has not been proposed as an alternative to the OAS. Through a "Special Statement on the Defence of Democracy", CELAC is adopting a democracy clause that includes a mechanism for consultation, and an array of policy options ranging from mediation to the adoption of sanctions.

Despite its rhetoric and bold objectives, CELAC is only a non-institutionalized mechanism for political consultation and cooperation, and in marked contrast with the OAS or UNASUR, it lacks a constitutive treaty ad it is not a formal international organization, which again expresses the region's preference for a "lite" regionalism with a low level of institutionalization. It is premature to assess the scope of this process, which can be an "enlarged Rio Group" focused on foreign policy, or become an effective coordination instrument in other policy areas, overcoming the divisions that have been brewing between the North and South American areas. However, it could also be seen as an attempt to convert UNASUR into the nucleus of a broader project of Latin American regionalism based on "concentric circles", bringing in the various sub-regional groupings of Central America and the Caribbean. But it his could also be seen as Mexico's desire to diversify its foreign relations and place itself in a wider Latin American framework (Costa Vaz 2010; Rojas Aravena 2011a, 2011b).

The key role of Brazil as a regional and global leader

Brazil is a decisive actor concerning the future of regionalism in South America. It's worth asking whether or not this South American giant has the capabilities, the will, or a detailed blueprint to become the regional "paymaster" and gathering the necessary backing to effectively lead an economically and politically viable South American project. Aside from its public actors (government and diplomacy) the country has important semi-public and private actors that are playing an important

role. This includes a manufacturing sector with a strong presence in the region (especially in the transport and automotive sectors), the Brazilian National Bank for Economic and Social Development (BNDES), and "multi-latinas" corporations like Itaú Bank, Petrobras and Odebrecht, that are driving a "de facto" economic integration process (Sennes and Tomazini 2006).

As a sign of Brazil's commitment and will to shape UNASUR and be a constructive leader, both the Cardoso and Lula governments have taken different steps in strengthening South American integration (Fortuna Biato, 2009). This includes Brazil's involvement in the Bank of the South, its contribution (albeit modest, higher than the smaller countries of this group), to the Structural Convergence Fund of Mercosur (FOCEM, by its Spanish acronym); its growing commitment (via BNDES) to the financing of the IIRSA regional infrastructure; its growing "South-South" cooperation; its involvement in security initiatives matters such as the CDS, and its complex relationship with Venezuela, in which the Lula Government and later Dilma Rouseff Government has tried to smoothen some of President Chavez's most radical initiatives driving them towards the regional framework.

The self-perception of Brasil as "benign leader" is not always matched with its neighbour's view, often characterized by distrust and resentment towards its power. Some neighbours consider Brazil's political and diplomatic stances "hegemonic". The behaviour of some of its public and private actors, such the BNDES, Petrobras or Odebrecht is often similar to other multinational foreign corporations. Brazilian diplomacy has earned an unfavourable reputation due to their unilateral moves. Brazil's South American commitment should not be taken for granted either. One example of this is Brazil's position in the World Trade Organization (WTO) and other international forums. Unlike Venezuela or Argentina, Brazil's stance is often based on a pragmatic cost-benefit analysis, and this behaviour is even more frequent with Dilma Rouseff's Presidency. Ideology or principles, despite their prominence in the Worker's Party governments, have not prevented Brazil from taking unilateral decisions when it considers its national interests to be at stake.[15]

Even the Brazilian commitments with Mercosur or UNASUR do not seem to reflect a broad consensus among the main political forces. For instance during the 2010 presidential elections the opposition candidate, José Serra, proposed to make Mercosur more "flexible" allowing Brazil to negotiate bilateral free trade agreements (whether with the US or the EU). He also expressed his will to make Brazil's international engagement less subject to regional commitments. Logically, Brazilian ambivalence could serve as an argument to support either favourable or unfavourable interpretations concerning its commitment with UNASUR and South American regionalism.

For a deeper understanding of this ambivalence a more detailed analysis of the country's political actors and foreign policy-making would be required. The different Brazilian governments and their diplomacy, the most professional in the region, constructed a foreign policy that is based on realist visions and clear concepts about the main national interests of Brazil. Given the huge asymmetries existing between Brazil and its partners, this country has a natural tendency to use its political and economic muscle to pursue its own interests and reduce costs. For some observers President Lula propelled a much more "ideological" rather than "realist" foreign policy (Ayllón and Viola 2006) and that the Dilma Rouseff Presidency is more "pragmatic." In fact, all the Worker's Party governments have held true to this realist tradition, and only a small circle of President Lula's advisers attempted to shift the focus towards social issues and "South-South" relations.

The Brazilian Government and its diplomacy, much like other countries in the region, remain opposed to deep commitments in trade, finance and foreign policy matters, and its regional vision

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[15] This ambivalence was seen when Brazil had to defend Petrobras's interests when Bolivia decided to nationalize the gas industry; in the controversy between the Brazilian construction company, Odebrecht, and the Ecuadorian Government by the construction failures of the San Francisco hydroelectric power station; and in the long-standing dispute between Paraguay and Brazil over the prices of Itaipú energy exports to Brazil. Regarding multilateral forums, we must also remember the Mercosur split created because Brazil's unilateral stance during the final stage of WTO Doha trade talks.

shows a clear preference for intergovernmental agreements with a low level of institutionalization.[16] It also appears that Brazil's elite have yet to accept the fact that the country needs its regional counterparts if it wants to achieve its global objectives, increase its status as a negotiator and sustain the modernization of a productive structure that will depend on a wider market to reach its objectives. These elites have developed a complacent and unrealistic view of Brazil's foreign policy, leadership and regional relations, a view that their neighbours do not share (González 2011). As previously mentioned, the international and regional strategy of the successive Workers' Party governments tried combine *realpolitik* with ideology, i.e., the traditional "Westfalian" approach of Itamaraty, and the "Porto-Alegre" vision of the Worker's Party. This policy matrix —it could be named "Southfalia" (Tokatlian 2011), is intrinsically contradictory and place Brazil in a very difficult balance.

However, Brazil is the only country with the economic and political capacities to become the region's *paymaster* taking on the real costs of regional leadership; however, this would entail a different strategy than it currently has in place. This strategy has yet to come, because prior to it, Brazil needs to build up a new consensus on foreign policy involving actors so diverse as the diplomatic service, the armed forces, the academia, political parties, private sector and other governmental bureaucracies. Ultimately, Latin American regionalism will be determined at a great extent by this design.

Final Considerations

This paper analyzes the case of UNASUR as an expression of the emerging "post liberal regionalism" strategies. Through this organization, the traditional unionism and the aspirations of Latin American regional integration are redefined in a South American geographic and ideational framework. Through this strategy South America became a political and economic construct in order to respond to globalization challenges and to achieve its members' goals in development, regional autonomy (particularly in regards to the US), international influence and at the same time domestic governance of the involved countries. Nevertheless, the limits of this project's future are being defined by nationalism, traditional visions of sovereignty and by a regional construction that involve significant institutional limitations *ab initio*, which are product of its intergovernmental logic, internal asymmetries and ambivalent Brazilian leadership.

Reaching the objectives set forth by UNASUR will require a political project and an international design that promotes effective political dialogue and policy convergence and cooperation in infrastructure, energy and finance, as well as other policies supporting international competitiveness and social cohesion. The project must also be flexible enough to allow the different economic and international strategies pursued in the region: from the "hub and spoke" strategies like those that some of South America's Pacific coast countries, to the more demanding model of Mercosur. It must allow a certain degree of political autonomy and the required economic incentives to attract and integrate all of the members. This is true particularly of Brazil, as it aspires to be a regional leader and global power. Furthermore, UNASUR will have to integrate and redirect Venezuela's initiatives in an attempt to avoid confrontation with ALBA-TCP. The union will also have to resolve the problems caused by its significant internal imbalances and asymmetries and calm down widespread concerns over Brazil's ambivalent leadership.

Relations with external actors, particularly the US, continue to be a key factor. While some countries opt to deepen their relations with the US through economic integration such as "South-North" free trade agreements, for others the search for autonomy continues to be a overarching goal. This desire for autonomy from global markets and US influence is one of the main arguments used

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[16] It is important to remember that Brazil's constitutional regulations reject the primacy of supranational norms over the domestic law.

when explaining why UNASUR or the CDS should exist. The concessions being made to assure the regional project's viability seem to coincide with this objective.

The case of UNASUR reveals that two hundred years after independence, nationalism and unionism, which are deeply rooted in the identities, political culture and collective subjetivities of Latin America, continue being axiological discourses in which political actors became socialized and domestic politics, foreign policy and the region's international projects are framed. Therefore, the analysis requires a theoretical framework beyond national interests, functional factors, rational preferences and institutional variables. These dimensions do exists, but they are framed and constructed by a combination of material and ideological elements (particularly identities and values) that pertain to the Latin American context, giving relevance of a social-constructivist approximation.

Hence the contradictory and paradoxical faces of post-liberal regionalism. By one hand, the participant countries seems to recognize that the interdependencies and risks derived from transnationalization dynamics and globalization processes demand regulatory policies and frameworks beyond the limits of the nation-State, and that regionalism and multilateralism are part of the answers. However, at the extent that these dynamics are depicted as neoliberalism, the answer is also the "return of the State" and the reinforcement of the deep nationalism present in the region's identities and socio-political culture, and the classic "Westphalian" discourses and practices of national sovereignty, that could be also named "Southphalian", in its Latin American redefinition. This ideational framework sets the potential and limits of regionalism. It determines its intergovernmental nature, limiting its effectiveness and scope.

Once again, it speaks of the classic Latin American "trilemma" between the nation-State, the desire for an effective regional integration and the search for autonomy on the international scene. In an apparent paradox, these three objectives demand the "de-nationalization" of the concept of sovereignty, space and the "locus" of politics and power, allowing further advances towards a "post-Westphalian" concept of state, and pooled sovereignty. UNASUR could prove to be a window of opportunity for this conceptual and political shift. Only through effective South American regionalism will the countries of the region be able to consolidate their internal capacities for governance while being also more active stakeholders of global governance in the post-hegemonic international system that appears to be emerging in the 21st century.

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