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**Business regionalization
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Originally the main argument for studying regionalism in the South was the potential for south-south cooperation to create peace and prosperity. The current version of this argument is that regionalization has the potential of being a buffer against negative consequences of globalization (e.g., Hettne 1997). Latin America has come further than many other regions with regards to security cooperation and economic integration. Economic linkages are strengthening, formal integration agreements flourish, and parts of the region have been characterized as a “security community” (Buzan and Wæver 2003: 57). In spite of this, Latin America provides only a moderate basis for contending with Richard Falk’s conclusion that: “Little ground for optimism has been found with respect to regionalism as either a counterhegemonic democratizing influence or as a source of a new kind of benign hegemonic order” (Falk 2003:104). One explanation of this is offered by the World Order approach arguing that the move towards regionalism is a step towards global neo-liberalism, producing new tensions between different social groups (Gamble and Payne 1996; 2003).

This paper argues that such perspectives on the relationship between globalization and regionalization should be complemented by an account of the impact of the former on specific configurations of the state in the different regions. Thus, there is a need for including a mid-range and contingent theory of the state taking into account variations across regions of state forms as well as across time.

The paper focuses on one aspect of economic integration between Latin American economies, namely business integration. Over the last years Latin American economies have become integrated deeper into the global economy. This has been facilitated by recent processes of economic restructuring (including privatization and liberalization) and has involved significant direct and portfolio investment by transnational companies. However, parallel to the penetration by global multinational companies, there is currently a process of integration of regional businesses, involving new patterns of cooperation and domination. The emergence of regional business-networks and the rise of so called *Multilatinas* (Latin American firms with a multi-national regional reach) is to some extent related to the recent economic crises that have led some multinational companies to withdraw from the scene and thereby open up spaces for local capital (CEPAL 2004). However, they are also intimately linked to regional integration of Latin American economies and the transnationalization of the Latin American states. In order to understand this process, there is a need to look beyond the common distinction in regionalist theory between formal state led integration processes and spontaneous societal integration “from below”. The key to understanding the linkage between the two processes is the relationship between business and political elites in the states involved in the regional processes, and how this has changed over the last years.

In this paper I first discuss current processes of regional integration of business in Latin America, and how this impacts on state-led integration processes. I move on to discussing the nature of the Latin American states, and recent changes of Latin American states. This I characterized as a complex process of “transnationalization” and “privatization”. In the final section I draw some implications for regionalization theory from the example of Latin America.

The regionalization of Latin American businesses

A main aspect of globalization is that global capitalism is becoming increasingly concentrated. Global processes of deregulation and privatization have produced structural frameworks that are favorable to the expansion of large private corporations. Consequently, capital has become concentrated in the hands of a shrinking number of global corporations controlling ever larger shares of the global economy. This has occurred parallel to the rise to power of economic elites with a transnational orientation in different countries.

Since the nature of this integration is essentially global, its regional dimensions have been much less explored. However, it has become clear that territoriality is still an important factor in understanding patterns of economic integration, cooperation, competition and domination. In Latin America, the trend is that trade and investments intensifying across neighboring borders rather than with other regions.

From the mid 1990s, there was a steep increase in foreign direct investments into Latin America. This was related to the extensive processes of privatization, which put significant assets up for sale, but it was also related to the strategies of multinational companies in “emerging markets”. The Foreign Direct Investment (FDI) to Latin America increased from US\$6,845 million in 1990 to US\$31,006 in 2001 (CEPAL 2003). Particularly Spanish companies were an important newcomer in the region in the 1990s (Torralba 2001). Currently, Spanish companies are second only to the traditionally dominant player in Latin America, the United States, with regards to foreign direct investments representing 18% of total investments to Latin America, compared to 32% coming from the United States (CEPAL 2004).

Although non-regional companies dominated, during the 1990s, there was also a steep increase in Latin American investments to other Latin American countries. In 1997, Latin American investors committed US\$8,365 million in privatization deals and other purchases of local companies in several countries of the region (58% was accounted for by privatizations and the remaining 42% by the purchase of private sector properties). The phenomenon reflected the active internationalization of several Latin American companies. Chilean firms invested in other countries of the Southern Cone (representing 38% of the total), Mexican firms invested in Central America and some South American economies (representing 27%), and Argentinian companies invested in the Southern Cone (24%) (CEPAL 1998).

After 2001, foreign direct investment to Latin America declined significantly. From the peak year 2003, when the total value of investments amounted to US\$31,006 million dollar, they dropped to US\$14,939 million in 2003. There are several causes of this, including the phasing out of privatization programs. The economic crises that have struck the region –most prominently the crisis in Brazil in 1999 and Argentina in 2002 – made several companies change their strategies in the region and pull out of important markets. This opened up spaces for local companies that strengthened their position in the region. Therefore, the decline in FDI was not paralleled by a similar decline in intra-regional investments. This regional integration between firms has created new poles of domination – most notably Chile, Argentina, and Mexico.¹ There is, however, also integration between businesses originating in the smaller economies.

The trend towards increasing dominance of Latin American companies is particularly evident in the service sector. In the telecommunication sector, Teléfonos de México has followed the strategy to expand into the other Latin American countries since the early 1990s. In 2000, it separated out the mobile company América Móvil. Based on the decision by several

¹ Brazilian businesses have been more inclined to invest at home.

multinational companies to withdraw from the region due to economic turmoil, América Móvil applied an aggressive strategy to take control over the mobile business in Latin America. By 2004, it could count on a basis of more than 40 million clients in Mexico, Brazil, Argentina, Venezuela, Colombia, Ecuador, El Salvador and Guatemala. Thus, América Móvil has turned into a real Multilatina (CEPAL 2004).

A similar story can be told with regards to the retail trade in Chile. Due to the withdrawal of major foreign companies from retail trade, several Chilean companies have pursued a double strategy of horizontal integration nationally and expansion into new markets in the neighboring countries. The department store Falabella has been the Chilean flagship in this regard. Due to a series of acquisitions, it is now established in all the surrounding countries, and it is the second largest company in its sector in Latin America, only surpassed by Wall Mart Mexico (CEPAL 2004).

Among the new multilatinas there are both old and new companies, and a large share of them take the shape of economic groups and conglomerates. They are producing in several countries, but their assets and production are by-and-large Latin American. There are only a few regional giants, such as the Mexican cement company CEMEX, with substantive activities outside of Latin America. On the other hand, through exports, financial markets, and mergers and joint ventures, Latin America's large companies are increasingly linked to global capital and the global economy at large (Fernández Jilberto and Hogenboom 2004).

The majority of these large conglomerates originate in the larger and stronger economies of Latin America, particularly Mexico. In 2003, 217 of the 500 largest companies in Latin America were Mexican (increasing from 63 in 1991). Although, the list of Mexican companies also includes Mexican subsidiaries of US companies directed towards the Mexican domestic market, such as Wall Mart Mexico, and the Maquiladora industry, including global companies with production plants in Mexico, this signifies an upsurge of regional strategies pursued by Mexican firms (AméricaEconomía 2002).

In general it can be observed that non-regional direct investments have been heavily concentrated in a relatively small number of large-scale investments. This is explained by Young by pointing to the prevalent forms of business regulation and style of government: “[It] ... suggests that patrimonial styles of governance have been a significant barrier to a more regularized, low-level penetration by foreign capital beyond self-contained politically conditioned enclave activities” (Young 2003:249). He argues further that “in a culture where “know-who” is more important than “know-how” and where managers are selected by their relations rather than their talents, local entrepreneurs do have certain advantages over foreign investors” (Young 2003:244) Thus, the neo-liberal argument that the lowering of barriers to trade and investment under the regional integration schemes is the main driving force for intra-regional integration only provides a partial explanation for the current trend. In addition, one has to take into account that “there was a significant continuity in state elites, providing business with a perpetuation of pre-transition access to policy making structures” (Young 2003:244).

Nevertheless, in some cases sub-regional integration schemes have been an important impetus to business integration. For example, in Central America, business groups have engaged in a process of integrating with businesses in neighboring countries. The list of companies that have decided to take a Central American perspective is long. It includes companies like Grupo Gutiérrez in Guatemala which is the owner of several large food chains, Salvadorean Grupo Poma, with investments in tourism and hotels, and the regional airlines, Grupo Taca (AméricaEconomía 2003). Parallel with the integration of business, there was a regional

integration of stock markets, facilitating the melding of “national” and “foreign” property holdings into simply transnational ownership of the region’s capitalist assets (Evans 1998).

The driving force behind this integration in Central America is partly the anticipation of increased formal integration under the regional system of Central American Integration (SICA), and later the Central American Free Trade Agreement (CAFTA), signed between Central America and the United States in 2003. However, it is also a reflection of the partial failure of formal integration. According to AméricaEconomía “Many years ago the main economic groups in Central America got tired of waiting for the politicians to make a reality of sub-regional integration [...] They started to take positions in the other countries, through buying competitors, associating with these or install themselves from the position of zero. The prospect of an agreement with the US accelerated this tendency.” (AméricaEconomía 2003: 130).

Thus, there is a significant relationship between the formal integration processes and regional business integration. However, there are multiple causal links; regional agreements influence business and business influence regional agreements. Moreover, the nature of governance structures must also be taken into account in order to understand the regional strategies of business. In the following, I will first discuss the influence of businesses on state led integration, and thereafter the impact on regionalism of state-society relations, particularly state-business relations.

The influence of businesses on state led regional integration

It is commonly argued that the reduction of barriers to trade and investment that have taken place due to various regional integration schemes in Latin America is one of the main incentives to the regional business integration. It is an obvious and undeniable fact that the variety of regional integration schemes have facilitated cross border transactions and therefore encouraged regional integration between businesses. However, the relationship between regional integration and business strategies is more complex than this. Significant segments of private business groups have been important advocates of the new regionalism in the 1990s.

The “new regionalism” in Latin America is associated with the regional arrangements occurring in the 1990s, some entirely new configurations and some building on the old arrangements. Among the most significant of the former are Brazilian led Mercosur that was established in 1990, including Argentina, Brazil, Uruguay and Paraguay and with Chile and Bolivia as associate members from 1996. CARICOM and the Andean Community are other examples of new regional arrangements emerging from the South.²

Also the US has been an active region builder in the 1990s, pursuing hemispheric, bi-lateral and sub-regional agreements. The North American Free Trade Area (NAFTA) signed in 1994 is the most important agreement that has materialized to date. Moreover, the negotiations for a hemispheric wide Free Trade Area of the Americas (FTAA) have been the backdrop for both business and governmental strategies since the launching of the initiative in 1994. The failure of the Latin American countries to reach a consensus about the further process at the Miami ministerial meeting in November 2003, led to the adoption of a multi-track, light version FTAA. This led to a strengthening of the main opponent to an all encompassing agreement – namely Brazil. It also contributed to the enlargement of the “spaghetti-bowl” of criss-crossing bi-

² The Andean Community was established in 1995 on the basis of the free trade agreement of the Andean Group signed in 1990 between Colombia, Ecuador and Venezuela.

lateral and multi-lateral free trade agreements in Latin America (IDB 2002), as the US has negotiated free trade agreements with Chile (2002), Central America (CAFTA) (2003), and is pursuing bilateral negotiations with Colombia and Peru. But in spite of now being pursued in a light-version, it is still an important backdrop to regional strategies.

Although these agreements are called free trade agreements, one could argue that the most important aspects of them do not relate to lowering barriers to trade and investments, since most Latin American countries already have wide open borders both to flows of goods and capital; The Latin American countries unilaterally reduced the average external tariffs from 80 to 40 percent between 1985 and 1995. Moreover, Latin America as a whole has agreed to bind practically all tariff lines under the WTO scheme. The more important aspects of the agreements is that they provide protection for foreign investors, and that they open up sectors that hitherto have been called “strategic”, including agriculture and governmental service sectors.

However, integration does not only take place at the level of free trade agreements. There are a series of projects reconfiguring regional spaces, partly in response to trade liberalization, but partly also encompassing other agendas. One example of this is the Puebla-Panamá Plan (PPP) which seeks to integrate an area called Meso-America³ through the construction of infrastructure, facilitation of commercial exchange, and improvement of natural management and human development in the area. The PPP can be viewed as ‘preparatory regionalism’ aimed to enable businesses to take advantage of the lowering of trade barriers under CAFTA or FTAA. However, it is also aimed at staggering migration, and increasing control over natural resources in the region. Moreover, Meso-America is an area with a strategic location and resources: two oceans, extensive coastlines, soil varieties, vast forests, rich biodiversity, abundant water, minerals and oilfields, resources which will be more easily controlled by the foreign investors and Federal Mexican authorities. Finally, Meso-America encompasses Chiapas, and development of infrastructure may be related to governmental control over the areas (Bull 2005).

Business groups have been important in the drive towards both of these types of regional integration projects. Their participation has occurred at three levels: at the level of regional business organizations, often created as consultative bodies to the regional integration organizations, but at other times initiated independently; at the level of national and sectoral business organizations, and at the level of personal consultations with national policy makers.

One example of a regional business organization initiated by business itself is the Federation of Private Sector Entities of Central America and Panama (FEDEPRICAP). It was established by business associations in the Central American countries (and Panama) with the purpose of developing a single Central American private-sector platform on economic policies and political issues and coordinating initiatives regarding the region and its relation to the global system. In 1998, FEDEPRICAP drafted a comprehensive position paper endorsing liberalization and calling for the dismantling of remaining regional barriers to integration into the global economy. This regional unification of businesses is argued to be significant since historically, Central American integration has been characterized by conflicts between businesses based in each of the Central American countries (Robinson 2003:221).

Consultative private sector business forums have also been encouraged by the negotiators of the formal integration agreements. This was the case with the Consejo Industrial MERCOSUR

³ The Meso-America of PPP demarcates a region including 8 south-eastern states of Mexico, the five states normally included in the concept Central America (Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica), and Belize and Panama, normally only included in the concept Middle America.

(CIM), which is comprised of the peak industry associations in the four member countries. In relation to the Plan Puebla-Panamá a Network of Businessmen (Red de Empresarios), was created and it was given a permanent participation in the Consultative Council of PPP (Presidencia de la República de México 2001).

In the negotiations between Central America and the US for a free trade agreement in 2003, the regional private sector organizations were influential and managed to stay united to a higher degree than the regional governments (Central America Report May/June 2003). However, in general, the formal regional business associations have had little effect on regional integration. Schneider reports that business in Brazil and Chile had a similar disdain for CIM, claiming it met infrequently, discussed broad issues, and was not an effective conduit for channeling private sector representation (Schneider 2001:177). This does not mean that the private sector had little influence on issues of importance to Mercosur negotiations, or to other negotiations. It means rather that national peak associations, sectoral associations, and personal links have been more important channels of influence.

The direct influence of business on free trade negotiations was first seen with regards to NAFTA and Mexican businesses. When the Mexican government announced plans in March 1990 to pursue NAFTA, the peak association CCE (Consejo Coordinador Empresarial) quickly created COECE (Coordinadora Empresarial de Comercio Exterior). In the two years following the March 1990 announcement, various groups of representatives of business and government negotiators had 1,333 meetings or roughly a dozen a week. Business representatives were not allowed at the bargaining table with the United States and Canada but were figuratively, and often literally, “in the room next door” (Schneider 2001:171).

In the case of Mexico, the consensus building process related to NAFTA contributed to strong backing of businesses of the NAFTA process. However, in general businesses have favored Latin America led integration schemes over projects including the US. The picture is complex, and as noted by Fischer (1999), Latin American businesses have had less unified interests than US businesses. Nevertheless, in several cases the private sector has favored smaller scale regional integration.

This is the case with regards to Central American integration, where private sector organizations generally have been more supportive of intra-regional integration (Bull and López Mora 2002).⁴ In the case of Chile, the government considered two options when the regional agenda emerged in the 1990s: either entering into NAFTA or Mercosur. The initial inclination of the Aylwin government in Chile (1990-1994) was towards membership in NAFTA. However, Chilean businesses saw major business opportunities in the Mercosur area and in the end, Chile chose to associate itself with Mercosur instead of pursuing negotiations with the northern block. This choice was, according to Schneider (2001) another example of businesses’ influence on regional integration schemes. It was the Chilean private sector that “in fact led the charge for Mercosur and pulled the government along with it” (Schneider 2001:186).

In the case of Chile, the influence of businesses went partially through peak organizations and partially through sectoral organizations. However, research from other parts of the region shows the increasing prevalence of personal ties in the relationship between governments and businesses. This is not a new feature of Latin American politics, but one that

⁴ In spite of this they were initially supportive of CAFTA. However, towards the end of the negotiations, the Central American private sector was highly critical towards the inflexible position of the US with regards to trade liberalization (Comunicado Sector Privado Centroamericano ante el posible cierre del CAFTA, Washington, 12 Diciembre 2003).

has re-emerged in new forms related to the increasing transnationalization of the Latin American economies. In order to understand this dynamic, there is a need for understanding the evolving relationship state and society in Latin America.

Regional dynamics and the Latin American states

Some recent attempts exist to come to grips with the relationship between the international and regional relations and the changes in statehood. The question is how to conceptualize differences between states and how they are changing. Sørensen (2002) provides one attempt to go beyond the discussion of whether states are in decline or not and distinguishes how states are affected differently by processes of globalization. He argues that states differ qualitatively with respect to government (the institutions of the state), economy (the material basis of the state); and nationhood (the idea of the state), and identifies three ideal types: *the modern state*, fitting with the Westphalian model, with a Weberian understanding of the state and the economy, *the post-modern statehood*, describing primarily the European contemporary states, busy conferring authority to a supra national level of governance and with an economy embedded in cross-border networks, and finally *a post-colonial state*, with a state controlled by a narrow elite exploiting it for the benefit of its own interest, no monopoly on the use of legitimate violence, low level of national cohesion, and dependence on external actors for economic survival.

Buzan and Waver (2003) continue generally along the same lines (although terming post-colonial states, pre-modern). They argue that these forms of state face radically different threats from globalization. The strong postmodern states relate to globalization as its principal generator and beneficiary, but can also feel threatened about things such as migration, terrorism, economic cycles, 'democratic deficits', and sovereignty assets. For modern states, globalization poses the threat of both inclusion – arising from conflicts between their indigenous cultural and development projects on the one hand, and outside influences and penetrations on the other – and exclusion, meaning relegation to second-class status. For premodern states, the threat from globalization is broadly defined by an inability to measure up to international standards of good governance. Buzan and Waver also find a convenient geographical clustering of states according to these types, where they argue that South American states largely fit the modern state description (not commenting on Central America and the Caribbean).

These categories are in my view useful as ideal-types. However, in real-life states, it is the mix of modern, premodern and postmodern features that are the most interesting aspect and also the ones which determine current threat patterns and cooperation possibilities. In the case of Latin America, I will argue below that Latin American states have several post-modern features, but that these coexist on the one hand with modern states that never have really fit the Westphalian model but in which the "Weberian paradise of legitimate violence is ruptured by paramilitaries situated in 'the outer limbo' of 'unofficial' darkness" (Knight 2001). On the other hand, they coexist with features connected to post-colonial or premodern states, such as patrimonial state structures.

In order to understand the Latin American state, it is important to remember that it is not post-colonial in the same sense as many African or Asian states. The independence heroes of Latin America were mostly of Spanish decent and many features of the colonial states continued into the new era (Klor de Alva 2000). It ever fit the description of a Westphalian nation state either. The birth of the Westphalian state is often traced to the military revolution in Europe in the sixteenth and seventeenth century that made territorial consolidation of a state more feasible

and more imperative (Tilly 1990). Wars were no less rampant in Latin America, but they did not lead to the same results. According to Centeno (2002), there are several reasons for this. The wars fought in Latin America were of a different kind than those in Europe. Civil wars were rarely about delimiting internal or external frontiers, but about deciding who controlled the already defined territory. Moreover, Latin American conflicts did not generally embody the three critical characteristics of wars associated with the “military revolution”: (i) they did not accompany a shift from private to public control of violence, (ii) armies remained generally small and logistics severely constrained, and (iii) the vast majority of the wars did not emphasize or support the development of a national identity, but consisted of struggles where either such questions were irrelevant or where the very definition of that identity was at stake.

Part of the reason was that the Latin American militaries had been instituted for a completely different reason than the European ones. The military gained greater capacity, both militarily and administratively, but it remained largely removed from society. While developed as a response to external threat, was increasingly oriented inwards. The military was not the armed representative of the state, but fought for either its individual leaders or some vague notion of liberties. As argued by Centeno (2002) “armies were not under the domain of any central authority, but often under the control of precisely those who wished to be left alone by such powers. Armies, in this case, were not a way of establishing political authority, but keeping it at bay” (Centeno 2002:66).

Another reason was that rather than nationalism, Latin America was characterized by regionalism. The Creole elite was a regional elite, not a national bourgeoisie. This was a consequence both of the apparent cultural homogeneity in Latin America and the structure of the Spanish/Portuguese Empire, particularly after the Bourbon reform (Centeno 2002). The cultural homogeneity supported regionalism in a perverse fashion. Given the absence of obvious and strong distinctions across regions, the natural centrifugal attraction of the nation-state appeared less obvious. Also the independence movement that eventually ensured that Latin America got its independence was regional and local, and only in some cases, national. The regional ideas of Simon Bolívar competed with and finally lost to elites that sought sovereign rules over limited territories, but the groups were closely connected and were interacting on a regular basis (Skidmore and Smith 1992). Thus, Centeno (2002:6) argues that the Latin American independence project suffered from a critical contradiction at its core. “On the one hand, the independence of each region was always subordinated to the independence of the continent. No province was allowed to concentrate on its purely proto-national interests. The struggle was to free America. At the same time, however, the sovereignty of each region was never sacrificed to a central entity. Conquest was not allowed.”

Finally, the elites in most Latin American countries have been internally divided. There were divisions between church and state and between *Creoles* (Latin American born) and *peninsulares* (born in Spain or Portugal). Moreover, from the mid 19th century, Latin America was also torn in the struggles between the liberals and the conservatives espousing different ideas about the role of the state. Elite fractions were often led by *caudillos* (strongmen) seeking in most instances to appropriate the powers of the state. But they were not national strongmen, but had their basis in regional groupings. There are examples of caudillos that became state leaders, but these rarely survived their founders. In sum the wars did not provide opportunity for a single elite faction or family to impose its will on the others, but rather to perpetually maintain the possibility of rebellion.

The result of this process of state building was a continent of weak states, but strong elites and autonomous militaries. But most importantly for us here, the relative homogeneity of the elites across the continent in spite of political divisions, combined with localism, and autonomous militaries independent of states left a weak case for nationalism.

Moreover, as in other parts of the world, nationalism had to coexist with competing claims of traditional rights of communities (Lomnitz 2001). But Latin America inherited features from the Iberian states that contributed to constitutionally based contestation of state power. Wiarda (1998) argues that the crucial issue of the Iberian states that were hammered out and forged between the 12th and the 15th centuries was the struggle between developing absolutism on the one hand and the *fueros* (rights) of society's corporate units on the other. The autonomous corporate units (military orders, religious bodies, towns and municipalities, the economic corporations and the universities) had their own charters of independence and self-government. Thus, the autonomy of various groups at times competing with the central state was eventually constitutionally sanctioned. In Latin American society, this resulted in divisions according to different estates and corporations (in *ejidos*, *comuneros*, etc) and according to race (*metizo*, *castizo*, *morisco*, *chino* etc.). While departmentalization and corporativization of society in Spain had been balanced with constitutional collective rights and embedded in the legitimacy of the crown, the new states had little legitimacy and were rather based on a network of clientage, patrimonialism, and interconnected corporate bodies (Wiarda 1998).

These are among the origins of what we have come to know as persistent features of Latin American states – elitism, corporatism, weak state institutions, and strong autonomous militaries. However, the nature of the elites and the nature of the states have been transformed by various events, particularly changes in the world economy and the insertion of Latin America in it. The export economy introduced in the mid 19th century gave rise to national oligarchies based on agri-exports that at least in the smaller countries dominated the states for most of the 20th century. Also the oligarchies have been at the same time national and regional. The dominating oligarchic networks were joined together by a mix of marriage and other forms of mergers and acquisitions, with connections across the national borders (Stone 1990).

But the 19th century also brought Anglo-American ideas of liberal democracy to Latin America, and as argued by Teichman (2001), since then the Latin American states have been characterized by a continuous tension between these ideas and the Iberian heritage; an organic concept of state and society, hierarchy, order, corporatism and patrimonialism. Thus, at the same time as the Latin American constitutions are similar to the US constitution (with the exception of a stronger presidency) oligarchic politics have continued to produce an imperfect rule of law through the structural support it provides to clientelist politics. The pervasive presence of clientelism underpins patrimonial patterns of politics and it promotes a particularistic style of politics (Foweraker and Krznaric 2002). To the extent that the state has enjoyed relative autonomy, it has often been a patrimonial/parasitic autonomy geared towards the enrichment of state incumbents (Knight 2001:197). It is nevertheless important to emphasize that the elites that came to form the core of the Latin American oligarchies, derived their power over the state from the control over production, not as in the African neo-patrimonial states where elites derived their economic power from control over the state.

The *caudillo* is also still alive, basing his authority on a form of 'charismatic' legitimacy. The current populism brings further some of these traditions, as it is based on the belief in the rulers superior insight and ability to take decisions based on a divine knowledge. The source of legitimacy is the eternal, that which transcends day-to-day politics, the remarkable and the magic

(Weber 1971, see also Taussig 1997). This is important elements in modern populism, in which ‘a charismatic individual wins and exercises power by maintaining direct unmediated contact to a largely unorganized mass of followers’ (Weyland 2001:5).

However, in many Latin American states a significant rupture with the oligarchic state occurred in the mid 20th century, with the rise of large state bureaucracies established to manage the process of development based on a model of import substituting industrialization. In many countries, the economic crisis of the 1930s led to a shift in power from the oligarchies toward different coalitions variably supported by industrializing groups, emerging middle classes and labor. The following decades were the height of the process of nation building in Latin America, in which an extensive state bureaucracy was a main instrument for incorporating broad layers of society in the national project. This was the era of ‘classic’ populism, in which government policies facilitated rapid industrialization as well as income distribution. The stability of the political regime was considered to depend directly on the continuity of this distribution. “State companies indirectly supported and subsidized the development of the private industrial sector, while generating public resources for social policy. The privatization of the parastatal sector thus had a profound political impact as it brought an end to this type of state-society relations” (Demmers et.al. 2004:23).

The privatization and liberalization occurring in the 1990s contributed to weaken the national integration projects. It is my argument here that this has strengthened the regional feature of the elites; on the one hand it has strengthened large capital owning groups and on the other hand it has created a regional network of “technocratic elites”. The latter could be interpreted as “postmodern” elements that one could imagine would facilitate formal regional integration. However, the states are still trapped in a regional sovereignty game pertaining to a “modern era”; the national projects are still relatively weakly founded and therefore there is a necessity for the elites to “exploit their differences”. To this one could add significant post-colonial features, including patrimonialism and clientilism. The consequence is a complex process of transnationalization of the state.

The complex transnationalization of the Latin American states

The structural reforms that the Latin American states have undergone over the last two decades are well documented. What is less clearly understood is how these structural changes affect the states that are restructured. The intended “roll-back” of the state did not imply an overall reduction of the role of the state, but rather a reorientation. This has been interpreted within a Coxian International Political Economy perspective as a *transnationalization* of the state (Cox 1981). This means that states increasingly adjust national political practices to the exigencies of the global economy. The transnationalization of the state entails a *reorientation of state services to private capital*, and within private capital, a *reorientation of services from national to transnational fractions* (Robinson 2003:144). The idea of a transnationalization of the state is in other words connected to the idea of the rise of transnational classes that are involved in global production and manage global circuits of accumulation (Gill and Law 1989; Sklair 1997). This transnational class is argued to be class-conscious; it has become conscious of its transnationality and has been pursuing a class project of capitalist globalization. The transnational state is defined as “a particular constellation of class forces and relations bound up with capitalist globalization and the rise of a transnational capitalist class, embodied in a diverse set of political institutions [...] the rise of a TNS entails the reorganization of the state in each nation (national states) and it

involves simultaneously the rise of truly supranational economic and political institutions” (Robinson 2003:43).

The idea of the transnationalization of the state is based on a view of state forms as determined by capitalist forces, and it thus downplays the relationship between economic imperatives and security predicaments. It also tends to oversimplify the relationship between the state and global dynamics, and does not take into account that different states are affected differently by forces of transnational capitalism. Furthermore, there is no distinction here between regional projects and global projects (for example WTO); it is all viewed as part and parcel of the transnational elite project. Nevertheless, the idea of the transnationalization of the state captures an important dimension of the shift that has occurred in state-business relations in Latin America. An important aspect of this is the shift in the balance of power within the private sector between the locally based agribusiness groups and internationally oriented businesses. In other words, the transnationalization of the state does not imply a general favoring of the private sector, but rather a favoring of specific segments of the private sector that are connected to the global economy.

The transnationalization of the state has been connected to the rise of a transnational managerial class, or a transnational technocratic elite, which has been interpreted both in a critical and a not so critical perspective. The father of the Washington consensus, John Williamson, has defined a technocrat as “an economist who uses his or her professional and technical skills in government with a view to creating and managing an economic system that will further the general good” (Williamson 1994: 12). Technopols are “those technocrats who have taken the risk of accepting political appointments, with the responsibility that entails” (1994:12). Jorge Feinberg has argued that technopols combine “the introspection of the thinker with the sociability of the politician” (Feinberg 1997:xi). While viewed as the hope for sustained neo-liberal reform by the champions of neo-liberalism, they are viewed as a combination of a new “comprador class” and Gramscian organic intellectuals by those that oppose it. In my view, they represent one aspect of a broader shift that has moved transnationally oriented business closer to the government. This has meant that the political elite is increasingly recruited from business elites, and therefore made the need for distinguishing between the government and the State bureaucracy as political actors increasingly urgent, as the loyalties of the executive may indeed at times lie with the private sector and not with the state as an institution.

However, this shift has also involved what I would call the ‘privatization of politics’, meaning that the transnationally oriented private sector groups have achieved privileged access to the policy making process, but also that major policy decisions are taken outside of the public sphere. This has involved a transformation of the linkages between the state and the private sector. The national projects of capitalist modernization of the 1950s-1970s involved the erosion of earlier patrimonial linkages and the establishment of intermediary business organizations and corporatist structures. Describing the situation in Central America, Torres Rivas argues that “Though not a vertical integration of private interests, this state ‘corporatist’ tendency represented an unquestioned amount of influence” (Torres-Rivas 1993:106). However, this institutionalized relationship between the private sector and the state has changed with globalization. Rather than corporatist, propertied groups have developed an instrumentalist relation towards the state (Robinson 2003:220).

One feature of this process is that the informal ties between key ministries have become more important than formal consultation processes. The market oriented reforms have given large corporations privileged access to politicians and high level technocrats, decreasing the autonomy

of the states. In the case of Mexico: “Privatization in combination with other policies geared to stimulate manufacturing export activities has strengthened the country’s most powerful financial and industrial conglomerates and their transnational allies” (Teichman 1995:201). A general feature is that the informal ties between key ministries (for example SECOFI – the Ministry of Commerce and Industrial Development) have become more important than formal consultation processes. Generally, the market oriented reforms have given large corporations privileged access to politicians and high level technocrats, diminishing the autonomy of the states (Teichman 2002). An extreme case is Honduras, where it for example was reported from officials of the Flores Faccussé government (1998-2002) that governmental meetings were held in the board room of one of the country’s largest banks, of which the Minister of Governance was the director (Bull 2002).

The prevalence of such informal ties are far from the idealized idea of the operation of the technopols applying “a capitalist rationality in place of rentier state activities, patronage networks, clientilism, corporatist structures, “crony capitalism” and like forms of economic organization” (Robinson 2003:215). Whereas corporatism clearly is weakened in Latin America, the technocrat logic clearly coexist with personalist relations between business and state representatives.

Teichman uses the concept of ‘policy networks’ to describe the emergence of close personal networks with international ties that have become keys in the formulation and implementation of policy (Teichman 2001). Policy networks in her usage differ from the original usage by being based not on groups pooling their institutional powers, but on networks based on personal power and wide discretionality. Furthermore, Latin American policy networks often constitute a policy network before they obtain formal positions in the state, and networks may even survive after governmental network participants have lost their official positions. Members of the private sector are often brought into such policy networks, either informally through chats over lunch etc, or formal relations granted to trade associations or chambers. But according to Teichman, even these relationships tend to be highly personal interactions.

An important feature of this kind of the policy network is the international ties of the policy elite. These ties are with international institutions, such as the World Bank and the IMF, but they are also knit between policy networks in different Latin American countries, through the exchange of personnel as consultants, through common education in the United States etc. As such, the current policy elite is of a more regional nature than the policy elites that spearheaded the developmentalist policies in the 1950s and 1960s. While their developmental project was at the same time a national project, the current project is geared both towards development and internationalism.

The rise of such policy networks may partly be captured by concepts from international political economy such as transnational managerial classes. However, they also imply the continuation of traditional societal practices, leading to the strengthening of regional rather than general transnational ties. Thus, there is a need for complementing a World Order approach with a focus on the complex interaction between state and society, involving a more complex set of relations than what can be captured by the notion of the transnationalization of the state.

Concluding remarks: Implications for regionalization theory

The resurgence of scholarly interest for regions and regionalization in the 1990s is largely based on three different arguments. The first is that the regional level currently is an increasingly

important level of political action. This is the argument found in traditional regionalist literature and it is also found in much of the current literature on the new regionalism (Hveem 2003; Hettne 1997; Hettne 2003).

The second argument is that flows of people, goods, ideas, etc. travel easier over short than long distances. Therefore, a regional perspective is more useful in analyzing challenges to prosperity and security. In spite of technologies connecting people from different parts of the world, threats are more salient between neighboring countries than between countries situated far apart, and networks between people are easier built between groups situated in neighboring countries. This is the argument of Buzan's security complex theory (Buzan 1991; Buzan and Wæver 2003), and also the idea underlying the weave world perspective (Bøås, Marchand and Shaw 2004).

The third argument is more closely related to the argument for area studies, namely that there are features about states and societies in a region that are similar, and therefore can be understood through the use of similar analytical tools. This is an argument for the development of mid-range theory; theory that is not intended to be generally valid for all cases across the world, but also not only valid for one case.

The three arguments above are not mutually excluding, and my argument is that the inclusion of a focus of the nature and transformation of state-society relations based on mid-range theory developed on the basis on regional experiences could enhance both the attempts to account for the construction, deconstruction and reconstruction of regions as levels of political action, and the configuration of regions as "lived social space" (Bøås 2002). It would further add complexity to the notions of the transnationalization of the state involved in World Order theory, but what is sacrificed in terms of parsimony is gained in ability to grasp current processes.

Most traditional regionalist theory are state centric in the sense that states with a basic level of legitimacy and coherence are seen as the essential building blocks in regionalist arrangements (Hurrell 1995). Most current regionalist theory state that the intention is to move away from this state-centrism. However, this is not possible to do without accounting for the diversity of state forms.

Studying the emerging regionalization of business and the relationship between the state and regionally oriented business groups provides a good starting point in Latin America. Here a regional order is about to emerge which is closely related to the global economic order, but which at the same time involves its own dynamics and patterns of cooperation and domination. How this impacts on the regional arrangements with the stated aim to provide peace and prosperity for the region as such, remains to be seen.

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