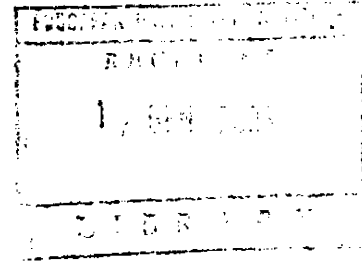




EUROPEAN UNIVERSITY INSTITUTE  
Department of Political and Social Sciences



**PRESIDENTIAL DEMOCRACIES AND REGIONAL INTEGRATION.  
AN INSTITUTIONAL APPROACH TO MERCOSUR (1985-2000)**

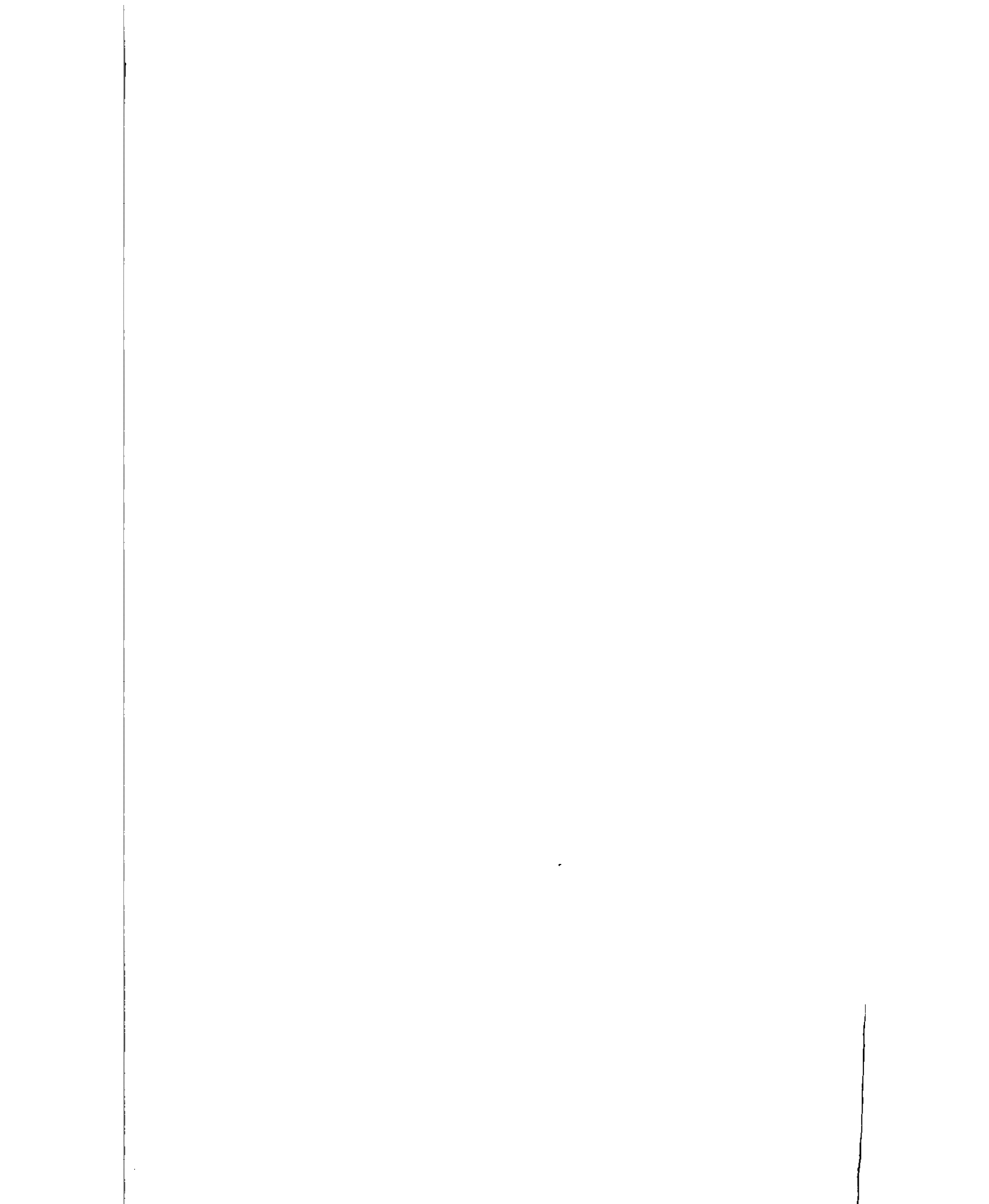
by

**Andrés Malamud**

Thesis submitted for assessment with a view to obtaining the degree of  
Doctor of the European University Institute in Political and Social Sciences

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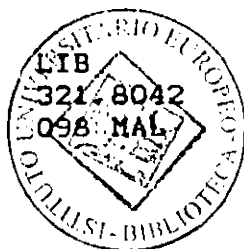
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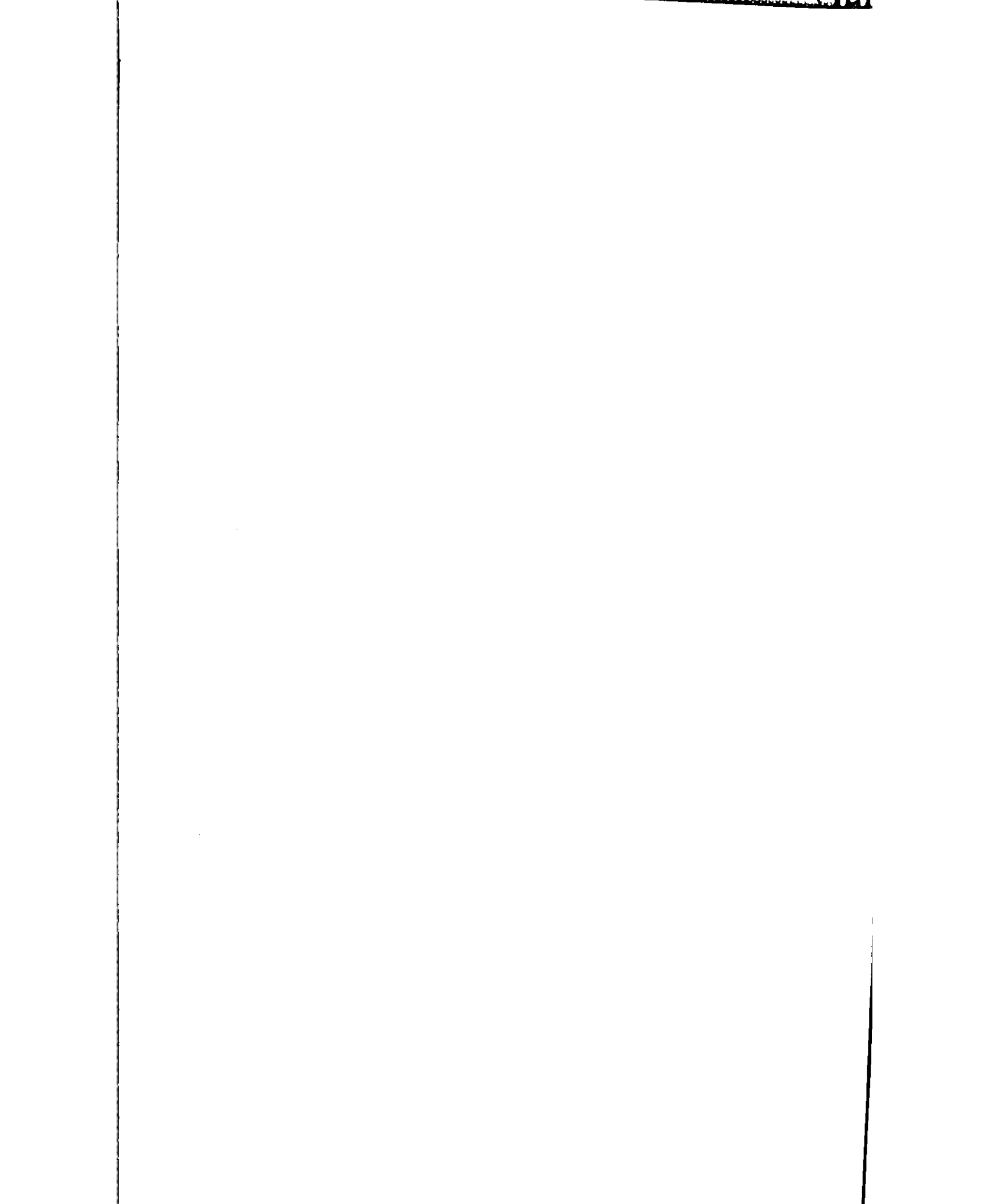


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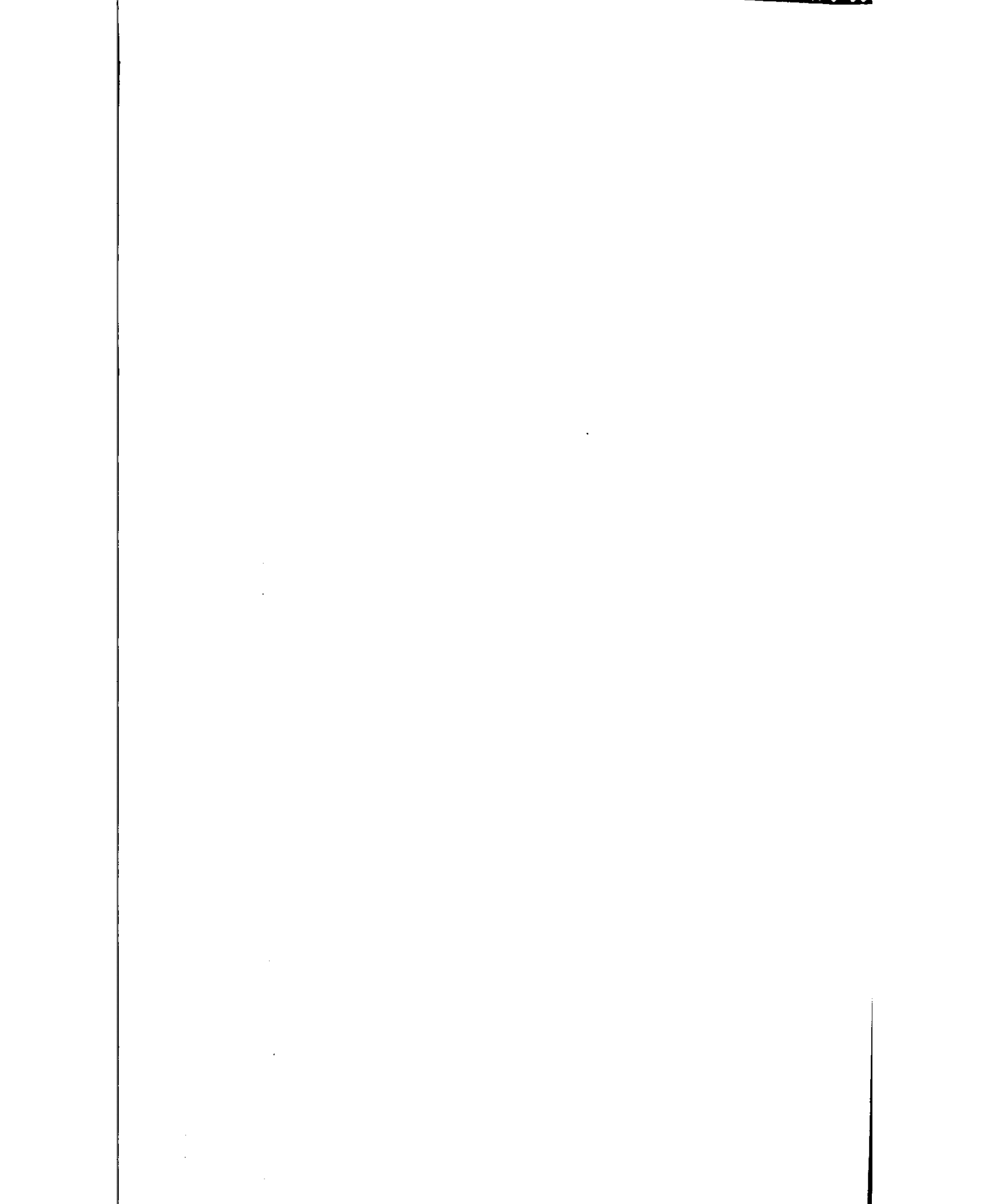
Examining Jury:

Prof. Stefano Bartolini (EUI, supervisor)  
Prof. Philippe C. Schmitter (EUI, co-supervisor)  
Prof. Félix Peña (Universidad Nacional de Tres de Febrero, Argentina)  
Prof. Giorgio Alberti (Università degli Studi di Bologna, Italia)

Florence, February 2003



To Homer, Marge, Lisa and Maggie.



## PROLOGUE AND ACKNOWLEDGMENTS

When I first arrived at the EUI, political parties were my main concern. I was dazzled by the existence and development of the European Parliament, as well as by the ties that related almost every European national party to an international party family. Since party coordination appeared to be a significant advantage for furthering regional integration, the transnational 'family vessels' came into sight as a strong asset for the building of the European Union.

In contrast, South America did not feature anything alike. Its national parties had been shaped under differentiated national environments, and they took pride in representing the alleged uniqueness of their respective countries—not the national section of any international tendency. European-style party labels only developed in Chile, although for some time Venezuela could also be considered as featuring a party system structured along the 'left-right' continuum. Conversely, in Mercosur—my second area of concern—party families were absent altogether. Neither Argentina nor Brazil, even less Paraguay and Uruguay, presented a common matrix or significant historical linkages among their parties—except for some very loose ties between the main Argentine and Uruguayan parties. If integration was to prosper in the Southern Cone—and provided that parties were a useful tool thereof—it would be necessary to build party linkages out of nothing. In short, the task would be to establish party families without any family history, every effort addressed towards the future. I was fascinated about the possibility of studying such a process.

Pretty soon I found out, thanks to Stefano Bartolini and Philippe Schmitter, that my topic would probably develop any substance much later than my dissertation deadline. As I already was at the EUI, supposedly thought the research center of the world foremost integrating region, I decided to keep integration (i.e. Mercosur) in the agenda and drop parties. Yet my personal interest for institutions remained, so I moved on to pick a topic that was typically Latin American and appeared to be influencing the integration process. I do not remember exactly how I came across presidentialism, but I owe a great deal to Marcelo Oviedo for having called my attention to how national institutions may relate to integration. This research is the outcome of such a new concern.

The dissertation combines two different fields of scholarly work, namely government institutions and regional integration. Since some readers might not be familiar with both, a few chapters briefly introduce concepts and debates just to subsequently build my argument upon them. I am also aware that the subject matters I dealt with here are controversial. On the one hand, in claiming that presidentialism had a positive impact on integration I may displease those who see parliamentarism as an always better arrangement. On the other hand, in explaining how integration succeeded despite the lack of regional institutions I might annoy those who assert the indispensability of such institutions. Ironically, I do believe in the convenience of creating supranational institutions; it was the mismatch between what I thought and what I was seeing what fed my desire for a better understanding.

Many people helped me to carry out this research. Apart from Stefano Bartolini and Philippe Schmitter themselves, without whose support and insights this dissertation would hardly exist, I am particularly grateful to Félix Peña for sharing his knowledge and experience, and to Nélide Archenti, Marisa Von Bulow and Daniel Chasqueti for the research support they gave me in Buenos Aires, Brasilia and Montevideo respectively. Furthermore, I want to express my appreciation to the Language Center, paramount institution of the EUI and indispensable resource for obtuse non-polyglot freaks. I lay particular emphasis on the efforts done by Cecilia Picchi, Nicki Hargreaves, María Pinto and Nicky Owtram.

A pool of compassionate institutions and people secured my subsistence. I am indebted to the European University Institute, the *Ministerio de Cultura y Educación de la República Argentina*, the *Universidad de Buenos Aires (UBA)*, the *Universidad Nacional del Centro de la Provincia de Buenos Aires (UNiCen)*, Buenos Aires legislators Mario Lázaro and José Eseverri, and former Argentine Secretary of Justice, Melchor Cruchaga.

I also wish to thank Helena Carreiras, Julián Messina, Yael and Mariano Aguas, and the usual suspects for a too-long-to-call number of reasons they all know fairly well. Last but not least, I thank Pedro for rushing me to finish the thesis instead of changing his diapers.

# **PRESIDENTIAL DEMOCRACIES AND REGIONAL INTEGRATION. AN INSTITUTIONAL APPROACH TO MERCOSUR (1985-2000)**

**Andrés Malamud  
European University Institute  
Florence, February 2003**

## **ABSTRACT**

Regional integration has become a need for national states to face the challenges of globalization. However, the ongoing integration processes are not alike, and neither are their outcomes. This research outlines the political differences concerning a few of them, particularly the two blocs that have reached the customs union stage: the European Union and Mercosur. Whereas the former features a pattern of increasing institutionalization at a regional, often supranational level, the latter does not progress along the same path but through intergovernmental mechanisms, in a more politicized –as opposed to institutionalized— shape.

This research tackles two main puzzles. The first is the success of Mercosur in a region where previous attempts at integration had systematically failed. The second is the unexpected characteristics of Mercosur operation, which challenge both established theories and the archetypal model of the European Union. The main hypothesis suggests that Mercosur *success-without-regional-institutions* can be partially explained by the domestic institutional settings of its member countries. Executive format is thus addressed in order to appraise whether presidential democracies have been able to back up an integration process in a previously unsuspected way. Through the empirical analysis of seven regional processes that took place between 1985 and 2000, this research looks into the extent to which national instead of regional institutions provided for decision-making, dispute settlement and rule enforcement. The conclusion arrived at is that, in the absence of regional institutions, a specific combination of national institutions with presidential diplomacy has supplied effective bases for regional integration.

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## INTRODUCTION

## CHAPTER 1

### THE PUZZLE OF MERCOSUR

#### *Introduction*

In December 2001, the Argentine economy collapsed. The combination of complex economic difficulties with unable political management ended up in the largest debt default and the greatest economic depression of any country in times of peace. It may take years for Argentina to recover, and so it might for the regional bloc it integrates: Mercosur. But such a failure cannot hide the fact that, just until a few years earlier, Mercosur had turned out to be the most successful attempt at regional integration in the history of Latin America. This research aims to explain Mercosur's unexpected success from a comparative perspective.

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The consolidation of European unity since the signing of the Single European Act and the Treaty of Maastricht, between 1985 and 1992, illustrates the strategy most states choose to deal with new challenges. As economic growth and trade soars unevenly and complex interdependence increases, nation-states feel the need for policy coordination as ever before. The end of the Cold War has witnessed the re-emergence of regional integration "as a *conscious policy* of states or sub-state regions to coordinate activities and arrangements in a greater region" (Wyatt-Walter 1995: 77, original emphasis; cf. also Grugel and Hout 1999b).

In addition to the European Union, among the largest regional blocs line up the North Atlantic Free Trade Agreement (NAFTA), the Association of South-East Asian Nations (ASEAN), and the Common Market of the South (Mercosur or Mercosul). All of these initially aimed at becoming free trade zones –sometimes, this was the utmost aspiration—, in order to increase both intra-regional trade and investment flows and the competitive position of the member countries in the global marketplace. Building on these common goals, some of the new regions have attempted to go further, Mercosur being the most ambitious in this respect. Table 1 presents some of Mercosur basic figures in comparative perspective.

Mercosur was formally created in 1991, when previous agreements between Argentina and Brazil were expanded and Paraguay and Uruguay joined in the venture. Later on, Bolivia and Chile were accepted as associate members, and other South

American countries expressed their wish to apply. One decade after its foundation, Mercosur had reached the customs union stage, albeit imperfect, and was sketching the blueprint for enlargement to the rest of the sub-continent while furthering the scope and level of the current stage (Grugel and Almeida Medeiros 1999; Peña 1999b; Roett 1999b). Simultaneously, hemisphere-wide meetings were being held with a view to establishing of a Free Trade Area of the Americas (FTAA or *ALCA*) from Alaska to Tierra del Fuego,<sup>1</sup> and like-minded negotiations were taking place with the European Union (Grabendorff 1999; Lafer and Fonseca Jr. 1999; Peña 1999a; Roett 1999a). As a telling indicator of Mercosur ambitious objectives, an increasing number of informal talks concerning monetary unification have taken place since 1998. Shortly thereafter, the Brazilian currency crisis of 1999 triggered a heated discussion on the need to take a jump forward instead of delaying or receding the process.

**Table 1.1**  
**Mercosur in comparative perspective**

	Area (thousand sq. km)	Population (millions 1996)	GNP (\$ billions 1996)	GNP per capita (\$ 1996)	Exports \$ 1995	Exports %	Imports \$ 1995	Imports %
Argentina	2,737	35	295	8,380	20.4	0.4	18.4	0.4
Brazil	8,457	161	710	4,400	46.6	0.9	49.5	1.0
Paraguay	397	5	9	1,850	1.2	0.0	5.2	0.1
Uruguay	175	3	18	5,760	2.1	0.0	2.9	0.1
Mercosur	11,766	204	1,032	5,060	70.3	1.4	75.9	1.5
Bolivia	1,084	8	6	830	1.2	0.0	1.4	0.0
Chile	749	14	70	4,860	16.5	0.3	15.3	0.3
Latin America & Caribbean	20,064	486	1,804	3,710	221.7	4.5	233.4	4.6
ASEAN	4,347	489	684	4,111	318.6	6.4	362.1	7.1
EU	3,136	372	8,827	23,363	1,959.2	38.5	1,901.5	37.2
NAFTA	20,289	388	8,345	21,508	852.5	17.2	1,006.7	19.7

SOURCE: own elaboration, from data of World Bank report (1997 and 1998), and IRELA (1997). Aggregated figures have been calculated using the available data.

According to most of the literature concerning regionalization, mainly based on the European case, the goal of creating a common market and especially an economic union implies, sooner or later, the setting up of regional institutions. Such institutions are

<sup>1</sup> Two summits of chief executives from the Americas have already taken place, the first one in 1994 in Miami and the second in 1998 in Santiago de Chile (Roett 1999c).

supposed to deal with two main dilemmas of collective action, i.e. decision-making and dispute-resolution. To date, however, Mercosur has not built any significant institutional structure. Its decisions are instead taken through purely intergovernmental mechanisms, requiring unanimity in every case. The only decision-making organization consists of three regional bodies made up of either national officials of the member states or nationally appointed technicians with low-level responsibilities. Two advisory forums, several working commissions, and a minimum administrative Secretariat located in Montevideo complete the picture.

A great deal of political and technical debate has been fostered with regard to the need to establish supranational institutions. Government officials, professional associations –especially lawyers’ ones—, academics, businesspeople, and a myriad of other groups have postulated the need of supranational institution-building, strongly focusing on the creation of a Court of Justice of Mercosur (Calceglia 1997 and 1998; Oviedo 1998) or a likewise mechanism to settle on controversies (Mattli 1999).<sup>2</sup> Some have even argued that Mercosur development would follow the European model, but neither the former claims nor the latter expectations have come true (Cavarozzi 1998). Nonetheless, progress in many integration indicators –such as commercial interdependence, investment flows, and business strategies— was evident to observers, what puzzled analysts and practitioners alike.

This research attempts to explain the mismatch between the ambitious aims proclaimed by Mercosur –whether through official documents or public declarations— and the scarce development of its regional institutions, which goes against both previous experiences and established theories. Therefore, it will address not only the ambitions but also the actual performance of Mercosur in relation to, on the one hand, the previous failure of integration attempts in Latin America, and on the other, the success of the highly institutionalized European model.

I advance a main hypothesis in order to account for this novelty, namely successful integration without significant regional institutions. It posits that Mercosur has not grown out of an institutional limbo, but was upheld by other kind of institutions that

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<sup>2</sup> In Argentina, for example, the *Alianza* (ruling coalition between 1999 and 2001) issued public declarations favoring institutionalization even when in the opposition (*Clarín* 09-03-1999). On the contrary, the previous administration (1989-1999) had maintained that no stronger institutionalization was needed for the time being (Andrés Cisneros and Jorge Campbell, “El Mercosur no necesita de la burocracia para crecer”, *Clarín* 18-05-1999).

are less visible than regional ones. In short, I make the point that the coexistence of progress in integration with a minimum set of regional institutions has been possible due to the local shape of one national institution, specifically executive format. This research is designed to test the extent to which the interaction of a particular type of executive format, i.e. presidentialism, has managed to operate as functional equivalent to regional institutions.

### ***Mercosur in a world of regions***

In the 1960s a thrust towards regional integration encompassed almost all the geographical areas over the planet. The decolonization process in the context of the Cold War fostered a series of attempts at cooperation among close states, in an era of nationalist restoration and protectionist economies. Some years later, despite such a general trend, most efforts at regional integration had failed and their demise seemed permanent.

In the 1980s, a revival of the integration enterprise flourished everywhere. It was different from the earlier wave in that the so-called 'new regionalism' was generally conceived of as open, thus not aiming at closing the region in a defensive way but at improving national competitiveness in an advancing free-trade environment. Therefore, the concept and fears of a world divided into several 'fortresses' became obsolete, and new regionalism began to be thought of as a main feature of the wider globalization process. As for other features of this phenomenon, some authors noted, "an important characteristic of the new regionalism is the very wide variation in the level of institutionalization, with many regional groupings consciously avoiding the institutional and bureaucratic structures of traditional international organizations and of the regionalist model represented by the EC" (Fawcett and Hurrell 1995: 3).

Regionalization can be seen as an attempt to rebuild the pervaded national boundaries at a higher level. Viewed in this light, it can be interpreted as a protective maneuver by those nation states that cannot by themselves guarantee either their own interests or goals. This brings to mind the contractualist approach to the genesis of both society and state. Following parallel lines of thought, some argued that regions would become new states in the same way as federations and confederations were formed by their member units. Others supported an approach to regions as intergovernmental associations, therefore weaker than, and dependent on their member states. Still others

have argued that regions are likely to develop along a path different from any historical experiences; rather, they will constitute new political entities to which no national feature can be transposed without altering its very nature (Abromeit 1998; Bartolini 1998; Schmitter 2000).

Given that there are few clues highlighting the general developments of the regions, the research strategy followed here stems from a comparative analysis, taking the most advanced event of regional integration as a leading case. The European Union will henceforth act as a referential frame, allowing us to assess whether Mercosur's characteristics and prospects are common or peculiar traits.

So far, both the concepts 'Europe' and 'political integration' are closely linked. As Haas and Schmitter put it, "most of the important European works lack a broad comparative basis; they dedicate themselves to theorizing about integration in one of the regions of the international system, vis., Western Europe; and the absence of cases comparable to supranational integration in the EC has led neo-functionalism to establish its list of conditions through a comparative analysis of organizations of cooperation-integration that vary strongly in terms of types of integration, institutions, final objectives, geographical contexts, socio-cultural conditions, and economic as well as political factors" (Haas and Schmitter 1964, as cited in Michelmann and Soldatos 1994: 6). Further political developments and corresponding research will shed more light on whether the region is becoming a new political entity different from the nation state from which it emerges, thus definitively changing the nature of both international and national politics (Schmitter 2000). Alternatively, if Bacon was right and "all novelty is but oblivion" (Bartolini 1998), it might not be a new phenomenon but a larger expression of local politics. It is therefore crucial to isolate some variables in the first place, as this may afterwards allow us to appraise if supranationalism is to become a homogeneous political phenomenon or, instead, if each region will be unique with characteristics that depend only on its particular components. These issues must be dealt with cross-regionally in order to control their influence upon the ongoing processes effectively.

For the purposes of this research, the main issue is that all Mercosur member states are presidentialist. Hence, the present approach takes the democratic type of member states as an independent variable of the regional construction. It consequently seeks to explain some of the differences concerning supranational institution-building, the development of a regional bureaucracy, the legitimacy of the integration, and the

decision-making process *vis-à-vis* the EU as a partial function of the executive format.<sup>3</sup> In the Table 1.2 the differences featured by the EU and Mercosur regarding institutions in both regional and national levels can be seen.

**Table 1.2**  
**The European Union and Mercosur: comparative political features**

Level	Dimensions	European Union	Mercosur
Regional	Integration stage	Economic Union (in process) Political Union (partially)	Customs Union (imperfect)
	Institutional structure	Mixed intergovernmental and supranational	Intergovernmental
	Decision-making	Complex mechanism (unanimity and qualified majority voting, co-decision procedures)	Unanimity rule (national representatives)
	Regional bureaucracy	Extended, authoritative, sometimes strong	Negligible
	Conflict-resolution	Judicial (European Court of Justice and national courts)	Diplomatic (with ad-hoc arbitration as last recourse)
	Norm internalization	Direct effect	National internalization required
	Norm hierarchy	Supremacy of Community Law	No supremacy of regional norms
	Common policies	Binding, sectoral, deeply developed in some areas	None
	Election of regional decision-makers	2 <sup>nd</sup> (national executives) or 3 <sup>rd</sup> level election (European Commission)	1 <sup>st</sup> level election (national executives) or their subordinates
	National	Executive format	Parliamentary: all 15 cases (albeit Finland and France mixed)
Executive accountability		Before the national assembly (Parliament)	Before the citizenry
Cabinet autonomy vs. chief executive		Wide-ranging	None
Assembly role		Intervention (except direct effect and European-law supremacy)	Ratification (except executive protocols)
Referendum required		In some national cases	No
Resistance to further integration		Moderate, uneven across countries	Minimum, unarticulated

The theoretical orientation here proposed is encouraged by previous analyses, dated between the launching of the democratization processes in the mid-1980s and the

<sup>3</sup> Very much as Haas put it as early as 1967, "we are on the search for features in Latin America which can perform for regional integration the functions carried out in Europe by effective national

creation of Mercosur in 1991. For instance, Schmitter analyzes the newly inaugurated democracies and infers that “the future of international interdependence, cooperation, and integration in Latin America, and even more specifically, in its Southern Cone may depend *less* on heterogeneity between its regime type and *more* on diversity among its democracies” (1991: 121, original emphasis). Even when he was alluding to social and not to institutional types, namely “class” and “populist” democracies, I contend that the type of democracy remains significant as an independent variable for integration. Therefore, this research focuses on the relation between the domestic features of individual countries and the operation of regional blocs.

### ***Presidentialism as independent variable***

This thesis deals with phenomena that are entangled with integration processes, whether as cause or consequence: political institutions. Henceforth, it will focus on these to explain the development and achievements of Mercosur. In what theoretical assumptions regard, the departure point is that institutions do matter; the goal of the present research is to explain how they do so, in an integration process that has taken place in a region where institutions have been traditionally weak and unstable.

Institutions are viewed as significant for political processes by most western political science literature. They are conceived of as either structures of incentives or constraints to individual and collective action, as patterned behavior, or as crystallized values. For the purposes of this research, however, their uppermost feature is the impact they make upon decision-making procedures. Following Rockman (1993: 62), “institutional structures are important for the decisional characteristics that may accompany them (e.g. multiplication of veto points).”

Despite the increasing attention paid to institutions in general contexts, especially in developed countries, the case made here attributes to them more particular tasks. Notably, respect for institutions and their enforcement cannot be taken as a given in all the Mercosur countries. On the contrary, a long history of democratic instability and economic disarray does not give rise to a favorable picture for institutionalized proceedings. The fact that nowadays a successful political construction is likely to be explained through institutional performance adds to our case: there seems to exist a

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bureaucracies, pragmatic interests groups, parliamentary government and a supranational technocracy” (Haas 1967: 316).



direct co-variation between newly institutionalized features and positive outcomes. In short, the stability of the region's political regimes appears to be a novelty that may well bring about other novel consequences, which may in turn transcend the national borders.

Political regimes have been widely studied through history. From the early works of Plato and Aristotle up to the contemporary analyses by Linz, Sartori and Lijphart, passing through classics like Machiavelli, Montesquieu and the Federalist authors, many typologies have been proposed, dismissed and enhanced. Even the change of regime, especially from authoritarian rule to democratic government over the last decades, has been the object of detailed studies and academic classification. Whilst the classical historical questions have tended to be whether rulers are a minor or a major part of the people, or whether they rule according to any pre-established criteria or at their personal will, nowadays the focus has become narrower.

As democratic regimes have spread all over the world, what increasingly matters is no longer if a polity exhibits an elected government or a dictatorial one, but what kind of process it applies to elect –and control— those who rule democratically. In Latin America, one of the regions where the third wave of democratization impacted the most, a great deal of research has been carried out, focusing on the transition and consolidation processes, and taking into account the many paths, facilitating conditions, and constraints for the lasting of the new regimes (Morlino 1980; O'Donnell, Schmitter and Whitehead 1986; S. Valenzuela 1990).

While these transitions have been taking place, some authors have begun to stress the different outcomes that institutional design can bring about in terms of democratic stability and governability. A common point they generally support is that the constitutional provisions for the nomination of chief executive officers are significant regarding efficacy, representativeness, flexibility and rapid response in case of crisis (Linz 1990a; Linz and Valenzuela 1989 and 1994; Mainwaring 1990b, 1992 and 1993; Mainwaring and Shugart 1993; Shugart and Carey 1992). Whether they were in favor of or against the prevailing arrangement in all Latin America, i.e. presidentialism, they agree upon the systemic consequences of the institutional design and have produced several research works, which have greatly benefited the state of the knowledge on the field.

However, there is still a considerable lack of information regarding other consequences of the institutional design –especially executive format— in the new democracies. Some recent studies aim to fill this gap: for instance, Deheza's thesis on

coalitions in presidential regimes (1997) and Zelaznik's dissertation on party systems in a presidential context (1997), as well as their followers. Regardless of these efforts, all concerned with the national political system, little –if anything— has been written about the effects of presidentialism upon integration processes (Malamud 2000a, 2000b).

This research claims that *interpresidentialism* may be the reason behind the success or failure of an integration process. Such insight was originally based on empirical observations regarding the role played by the national presidents in the process pursued by Mercosur, and was later widened by the understanding that presidents do not act as mere individuals in an institutional vacuum but are backed –and constrained— by a specific institutional format. For this matter, it is necessary to take into account the historical-cultural peculiarities of Latin American presidentialism as the archetypical American case presents significant differences, as also do the so-called hybrid or mixed types. Basically, the difference is that Latin American presidentialism accentuates the concentration of power, whereas American type separates it. In brief, the hypothesis could be stated as follows:

'Mercosur presidents, acting within an institutional framework that concentrates executive power in accordance with historical legacies and political practices, have proved to be well equipped to back integration in a context of scarce regional institutionalization'.

Two examples of the impact that 'concentrationist' presidents may have for integration can be drawn from outside the region under study. In the first place, the influence of De Gaulle over European integration in the 1960s is undeniable<sup>4</sup> (Moravcsik 1998); and it is no coincidence that France was the only presidential-like state in the European Community at that moment. This is not to say that De Gaulle's intervention was beneficial for integration –certainly, it was not for supranational institutionalization—; the case I want to make is that his being a president permitted him to intervene in a stronger way than any other European chief executive would have found possible. In the second case, last year's attempt by Clinton to obtain the so-called "Fast Track"<sup>5</sup> from Congress manifests his perception that an empowered chief executive

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<sup>4</sup> De Gaulle strongly promoted an intergovernmental "*Europe des patries*" –as opposed to both supranational governance and governance "of the parties".

<sup>5</sup> The Fast Track is a congressional act that allows the president to negotiate foreign agreements without their being revised by the Congress but as a whole. Otherwise, the possibility of partial congressional

is more able to advance integration policies. On the other hand, his failure to obtain this also reveals that American presidents are not powerful enough to accomplish such tasks without congressional authorization.

The Southern Cone democracies have built a different pattern of relations between presidents and integration. This process began formally in 1985 triggered by the Alfonsín-Sarney rapprochement, continued in 1991 during Menem's and Collor's tenures, and was deepened later on through Menem's and Cardoso's mandates. This is not to say that presidentialism was a sufficient condition for the progress of Mercosur integration; but it seems that it acted as a necessary one. Therefore, it will be asserted here that presidentialism as executive format, along with the active intervention of presidents in the context of highest concentration of power in presidential office ever – the so-called *hyperpresidentialism*—, gave rise to certain patterns of decision-making under which the integration took place. It is hard to conceive how Mercosur nations would have accomplished their goals in such a short time had their executive format been different; however, what can –and should— be explained is how national institutions actually provided support for integration in the absence of any supranational settlement.

Any generalization derived from the analysis of Mercosur should be cautious. It cannot be claimed that any president or any presidential regime has similar incentives, attributions, legitimacy or restrictions anytime. Instead, there may well be the two strong contra-hypotheses already sketched above. On the one hand, the literature on presidentialism has increasingly highlighted that such a format is not homogeneous, and some cases are even said to be contradictory with respect to others. For example, autonomy with respect to the assembly is very different between the United States and the vast majority of Latin America; this is due to the prevalent political practices, however, rather than to any institutional design. On the other hand, even assuming a great deal of autonomy, this fact could be used either to back or to weaken regional integration. In that case, one could reasonably argue, what does presidentialism explain?

The argument supported here is that not all presidentialisms are alike. There are some crucial differences, embedded in the historical practices and the social context of Latin American politics. To define and characterize them require going beyond mere institutional design, and instead treating the many interactions which have developed

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amendments may generate distrust on the part of other negotiating governments, thus discouraging them from signing treaties with a not-able-to-comply president.

among relevant actors, political culture, and written norms, also reconstructing the chronological path that explains their concrete manifestation. Only after this can the empirical research be conducted, in order to test the intuition that institutions not only matter but can also explain an integration process that, according to all the sources, has developed over an inexplicable institutional nothingness.

### ***Structure of the dissertation***

This work is divided into three main parts. The first part deals with the history and theory of integration. The second part analyzes the typologies and debates regarding executive format, as well as the shape it displays in the Southern Cone. The last part empirically probes the interplay between integration and executive format in Mercosur, in order to test the hypotheses here advanced. In turn, each section is subdivided into several chapters. To properly account for integration, a first chapter addresses the European experience as leading case and referential framework, underlining the role played by national governments alongside the process, with a special focus on the heads of government. A second chapter goes into the theorization of integration, revising the many explanations given to cope with the EU emergence and their plausible generalization; conveniently, the place that different theories and approaches give to the role played by chief executives is emphasized. The following chapter offers a historical review of integration in Latin America, in order to examine some of its previous and most remarkable attempts, and the causes accountable for their general failure. Finally, chapter five carries out an analysis of Mercosur, outlining its evolution, estimating its progress, and assessing the performance of variables that, in all likelihood, may have conditioned and allowed success. It also approaches some institutional aspects, preceding the third section in which the different patterns of institutional development between Mercosur and the EU will be more clearly established.

The second part of the research regards executive format, and is in turn divided into three chapters. The first one delineates the state of the arts concerning the conceptualization of presidentialism, while especially underlining the late developments that displays nuances and differences within the pure types of presidentialism and parliamentarism. It continues by offering an innovative framework to classify Latin American presidentialism, to finally outline the linkages between executive capabilities and integration. The next chapter goes further into some regional peculiarities, seeking to

explain the particular practices and cultural traits in which the otherwise “standard” presidential institutions are historically embedded. Last, the institutional configuration and actual functioning of presidential government in all four Mercosur countries is addressed, with a special emphasis upon Argentina and Brazil, in order to trace the roots of executive capacity and autonomy for dealing with the integration endeavor.

The last part consists of an empirical test of the hypotheses linking executive format to regional integration. The first chapter focuses on Mercosur institutional-building, reviewing the main treaties –or *grand bargains*— that led to the set off and consolidation of the process. It especially concentrates on the role played by the presidents and their foreign ministers in the operations of regional architecture. The remaining chapter analyzes three cases of policy-making and conflict resolution, expected to be vastly representative as they analyze the two most important special regimes: automobile and sugar, as well as the 1999 *grand crisis*. It carries out a comparative assessment of the role the presidents played as makers and guarantors of the regional agreements, so as to appraise the impact of executive format upon the performance of Mercosur.

The research winds up by advancing some conclusions intended to draw preliminary lessons out of the observed processes for both integration practitioners and theoreticians. In so doing, it forecasts the scenarios that may derive from the mechanisms through which Mercosur has effectively progressed –and without which it seems unlikely to keep on operating.



**PART I**  
**INTEGRATION PROCESSES**

## CHAPTER 2

### THE REFERENTIAL FRAMEWORK OF THE EUROPEAN UNION

#### *Introduction (what?)*

Jacques Delors used to define the European Union as an OPNI (*objet politique non-identifié*). Such sarcasm caught thoroughly the trouble in which both actors and analysts are involved when it comes to describe the ongoing process of unification of Europe.

The EU is hard to define for a series of reasons, not the least important being its unfinished state. As a matter of fact, its current reach and shape were unthinkable not only fifty years ago, when it got started, but also by the middle 1980s, before the Single European Act was signed. The European founding fathers could neither imagine how many countries it would one time encompass nor how deep the regional grasp over each member state would become. Furthermore, the European leaders who are currently driving the process of integration have not –and cannot have— a common idea as to what the EU will be like either, even in the short run.

Another reason for the difficulty to define the European Union derives not from the uncertain scope of the term *Union*, but of *Europe* itself. As a geographic expression, the European boundaries are usually defined as the Mediterranean, the Atlantic, the Arctic, the Ural Mountains –in the east— and the Caucasus Mountains and the Bosphorus –in the southeast. This means, on the one hand, that Russians and Turks alike have good arguments to claim to being European; and on the other hand, that there are as many Europeans living outside the EU as within it (McCormick 1999). As a cultural expression, in turn, Europe can hardly be accurately defined by Christendom any better than by Christian inner divisions; moreover, the subnational heterogeneity adds up to the multiplicity of ethnic groups and languages already visible at the nation-state level. How many countries does Europe encompass, how far will the EC extend its territorial limits, what is the meaning of “Europeanness”? These questions come out as much from European history as from the continuing evolving nature of the EU.

However ambiguous the EU shape may result, it has already introduced a new – and, so far, unique— political feature: the major voluntary surrender (albeit partial) of



sovereignty by part of independent nation states ever.<sup>6</sup> This is a huge change relative not only to the Cold War order, but also to political underpinnings much longer rooted in history. It signals the exhaustion –in Europe— of the geopolitical tenets defined, after the Thirty Years' War, through the Peace of Westphalia, which as early as 1648 set the bases for the sovereign rights acknowledged to the nation states. “The most radical infringement of the accepted concept of sovereignty”, according to a specialist, was “the effective establishment of the supremacy of Community law” (W. Wallace 1999: 510).

The main explicative dichotomy, in what the EU nature regards, currently confronts traditional or liberal intergovernmentalism with some kind of raising supranationalism. The former, taken to an extreme, conceives of the EU as little more than an international regime (Hoffmann 1995). The latter, on the contrary, sees it as a new polity in which domestic politics has become at least as important as diplomacy and international relations (Hix 1994; Schmitter 2000). Many theories find their place in the middle ground, such as the Multi-Level Governance approach (Marks 1993) –which entangles the national level with both the supranational and subnational ones— and the Variable Geometry framework (Ehlermann 1999) –which stresses the different speeds that European integration may assume according to different functions and countries alike. Against the mainstream, reluctant to consider the EU as a form of state, Caporaso (1996) has argued that it could well be conceived of as a blend of three different forms of state, namely Westphalian, regulatory and post-modern. Differentiating state (as structure) from government (as actor) and governance (as process), he claims that this mixed European State might endure in its somewhat amorphous current shape.

This chapter focuses on the history and features of the European Union. However, its main goal is not descriptive but introductory. On the one hand, it opens the door for further discussion on integration theories, which have mostly drawn on the European experience (chapter 3). On the other hand, it provides a reference for other processes of integration, like those that took place in Latin America over the last half century (chapter 4) and, in particular, Mercosur (chapter 5). The debate mounted around the evolution and perspectives of the EU will thus be scrutinized in the light of its utility for these comparative purposes.

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<sup>6</sup> As two authors have stated, “the extent to which governments have sacrificed their legal freedom of action –sovereignty in the operational sense— is remarkable” (Keohane and Hoffmann 1991: 7).

### **History: foundation and crucial stages (when?)**

The unity of Europe is an idea as old as the consciousness of Europe itself (Bartolini 1998). From Charles Magnus onwards, there have been many attempts to submit the peoples of the continent under a single rule. Before World War II, however, all attempts failed since they were carried out as conquest campaigns and by military means. Likewise, peaceful attempts such as many inter-war pan-European movements – the most important of which was founded by Hungarian Count Richard Coudenhove-Kalergi— did never take root. The *Treaty of Paris*, signed in 1951 by Germany, France, Italy, the Netherlands, Belgium, and Luxembourg and giving birth to the European Coal and Steel Community (ECSC), was the first substantive venture that aimed at a collective agreement while rejecting the armed way to the same extent.

There were economic as well as political causes among the many that fostered the foundation of the Communities. The former included basically the necessity of cooperation to afford the reconstruction of Europe after the war, but also France's need to gain access to the German coal and steel fields. The latter implied the prevention of another war, by integrating Germany with its neighbors in a cooperative game.<sup>7</sup> Integration, thus, meant more than mere coordination; it was conceived of as the means to avoid the repetition of both the armed peace that preceded the World War I and the tragic conditions which, brought about by the Treaty of Versailles, followed the end of that war (Dedman 1996; Nelsen and Stubb 1994). Germany, in turn, advanced the choice of friendly cooperation as a re-legitimizing device, to avoid the isolation that either the fear or the retaliation feelings of its neighbors would occasion.

While integration, either as a federal or as a functional process of national convergence, was in the mind of the Founding Fathers of the European Communities, the creation of a unified supranational entity seemed just a whimsical idea to many. In the beginning, regional institutions were thought of as mechanisms of national contention rather than international expansion, by binding the European countries among them through the progressive construction of common interests. Somehow paradoxically, the first step towards national coordination was propelled by the United States, when in 1947 they asked for the establishment of a common European organization to plan the distribution of American aid under the European Recovery Program (the Marshall Plan).

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<sup>7</sup> In Jean Monnet's words, it would make war between France and Germany "not only unthinkable but materially impossible" (quoted in Wegs 1991: 154).

In 1948, seventeen European countries set up the Organization for European Economic Cooperation (OEEC, later Organization for Economic Cooperation and Development – OECD) to distribute the funds and promote trade among the member nations. The rejection of ingression by part of the Eastern European countries, pressured by the Soviet Union, entrenched the division of the continent in two halves for almost the rest of the century.

In 1957, through the (two) *Treaties of Rome*, the same countries established the European Economic Community (EEC) and the European Atomic Energy Community (Euratom), aiming at common development in wider areas while following the same cooperative pattern as in Paris. Few years later, in 1964, the executive organ of the ECSC was merged with the equivalent bodies of the two newer institutions, giving way to the complete embryo of the future European Union.

Between the signature of the treaties of Paris and Rome, European integration exhibited some progress and two sounded defeats. It was a progressive step, in effect, the meeting that ECSC foreign ministers held in Messina in 1955, where the decision to deepen the process of integration was taken. But, instead, the attempts at creating both a European Defense Community (EDC) and a European Political Community (EPC) —as drafted in 1952 and 1953— collapsed in 1954. These failures brought about two main consequences. In the first place, the defeat of the EDC made the integration of Western European states into the North Atlantic Treaty Organization (NATO) the only way to deal with the partial rearmament of Germany —and, to be sure, to face the Soviet Union threat. Secondly, a great deal of supranationalism displayed in the Treaty of Paris was downplayed in both Treaties of Rome. This trend towards intergovernmentalism would consolidate during the 1960s, when France claimed the nation-states rights to have primacy over any community decisions.

The process of integration developed step by step until the 1960s. Then, stemming from De Gaulle's commitment to the French State sovereignty, the process stopped its pace and remained almost stalled for a decade. The crisis of the "empty chair", as it got to be known, was set off by France when it challenged the Community by rejecting to participate in its meetings, therefore blocking the decision-making mechanism. The dispute was solved through the Luxembourg compromise, an informal agreement that demanded unanimity —thus conceding unilateral veto power— for any proposal in the Council of Ministers that may affect any "vital national interest." The so-

called Eurosclerosis marked the following two decades, but under the apparently quiet surface some consequential processes were under way. Thereafter, subsequent to three stages of enlargement that raised the member countries up to twelve, the integration recovered momentum from the signature of the *Single European Act* in 1986.

In the meantime, however, very important events had occurred. One of the most remarkable was the creation in 1974 of the European Council, a summit institution intended to bring together the heads of government of all member countries. Not less significant was the first direct election held for the European Parliament in 1979, which strengthened a supranational institution intended to legitimate the overall project. The renewed Parliament joined the Court of Justice, which had been created in 1952 –and, since 1989, was aided by the Court of First Instance. Incidentally, the Court of Justice played a crucial part to strengthen the Union by banning unilateral restrictions on trade, through the establishment of the principle of mutual recognition in a 1979 case.<sup>8</sup> Last but not least, the European Monetary System was created in 1979, setting limits for currency fluctuation within EU members.

The *Treaty on European Union* (or Maastricht Treaty), enforced in 1992, crowned the meeting of the goals established by the SEA, and transformed the European Communities into the European Union.<sup>9</sup> The EU came to be based on three “pillars”: a reformed and strengthened European Community –mainly featured by supranational procedures— and two areas in which there was to be more regularized intergovernmental cooperation: a Common Foreign and Security Policy, and Home Affairs and Justice. The Treaty also established a timetable for the creation of a single European currency –which, together with a European Central Bank, came into being in 1999—, new rights for European citizens, more regional funds for poorer EC states, the extension of EU responsibility to new areas such as consumer protection, public health, transportation, education and social policy. Besides, it empowered the European Parliament and created a European police intelligence agency (Europol) and a new Committee of the Regions (McCormick 1999).

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<sup>8</sup> The “direct effect” of community law and its supremacy over national legislation had already been established between 1963 and 1964, through two highly consequential rulings.

<sup>9</sup> In 1990 the Federal Republic of Germany had reunified with the Democratic Republic, thus accomplishing a de facto enlargement that added up about twenty million more people to the EU.

Successive to the enlargement up to fifteen members in 1995, the *Treaty of Amsterdam* was signed in 1998. It constituted the last Grand Treaty until 2000, and besides the simplification and updating of the previous treaties on which the EU is based, it has strengthened the power of the European Parliament, the Commission, the Social and Economic Committee and the Committee of the Regions. It extended the competence of the Court of Justice as well as the qualified majority vote within the Council, thereby deepening the province of supranational procedures. The Treaty also broadened citizenship and social rights, guaranteed the subsidiarity principle, and aimed at a better coordination in foreign policy. Finally, the Treaty guaranteed larger participation to national parliaments in European affairs, in response to rising criticism concerning EU democratic deficit and distance from the citizenry.

### ***Evolution and institutional structure (what like?)***

The importance that parliamentary institutions had for the architects of Europe is evident in many aspects. Robert Schuman, for instance, had been not only a prominent member of the French Assembly but also became the first president of the European Parliament from 1958 to 1960. Despite the significance that Schuman himself and Jean Monnet acknowledged to this representative institution, democracy as a ruling system of the new Community was alien to their design.

At present, the institutional status of the EU is a blend between communitarization (supranationalism) and intergovernmentalism (Weiler 1994a; Scharpf 1996).<sup>10</sup> The successive agreements deepening the Union have conceded the member countries the opting-out choice, thus allowing them to keep out from determined common areas of policy. This was the case, for instance, with the Schengen agreement and the so-called Third Pillar. In other cases, it is the EU itself to select whether or not an associate state will be accepted in a particular accord, as occurred in the EMU. Nonetheless, every relevant crisis since the SEA seems to be faced by means of a leap forward through the strengthening of the Union, not by a halt or, even less, a back-step.

Keohane and Hoffmann argue that "intergovernmental bargains, based on a convergence among the leading states of the Community, are the fundamental explanation of the Single European Act, although spillover of the neofunctionalist kind

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<sup>10</sup> Ostensibly, this blend is exclusive to the EU since it is the only region in which some degree of supranationalism has taken place.

and pressures from the international political economy were also important” (quoted from Mutimer 1994: 37). Moravcsik (1991), from a realist standing point, emphatically supports this view. Undoubtedly, this bargaining is also responsible for the further developments undergone by the EU, including the Maastricht and Amsterdam Treaties and the agreements on the EMU. On the other hand, it is also true that the regular performance of the regional institutions has opened up the way, facilitating the otherwise much more difficult understanding (Sandholtz and Zysman 1989). The cumulative effects of day-to-day politics, as well as the key role played by some so-called *supranational activists* holding institutional office –such as Commission President Jacques Delors— have resulted in a positive feed-back over the integration process (Cram 1997 and Pierson 1998; Keohane and Hoffmann 1991).

The success of the Single European Act may well be considered as based over many columns. Among them, Bonvicini (1997) remarks three: (a) the entanglement between the enlargement and the deepening processes instead of their separate treatment, (b) the bargaining “*em pacote*”, i.e. not issue by issue, and (c) the citizenry rather than the elite support. To be sure, the last feature was not present in the following stages.

Some authors have argued that the EU only built supranational institutions when it had to face the German question. From this view, “decision-making was only pooled in a supranational organisation when (the economic and commercial) interests (of the nation states) depended on links with Germany” (Dedman 1996: 130). The same standing point rejects that federalism has had something to do with European integration. Regardless of these and other pessimistic conceptions about the EU, it continues to develop into a new entity with little precedent in history, if any.

Unlike Caporaso (cited above), many other authors coincide with Majone that “the Union is not, and may never become, a state in the modern sense of the concept” (1996: 287). However, the more discussed issue by both scholars and politicians in the EU is currently the need of democratizing its operation. Even if democracy is not a necessary characteristic of the state, its common meaning applies to the state rather than to any other association. As had been long previewed by Weber at a national level, the tension between the technical logic of bureaucracy and the political logic of democracy also embeds the dynamic of the European integration. In the next chapters it will be shown that this trait is not common to every process of the sort.

It is worth calling the attention on a controversial point, which may furthermore cause confusion when referring to Mercosur. In the direction of Weber proposals and contrary to Majone's (Weber 1994; Majone 1996), politicization –not technical approach— is widely considered today as the best remedy against the democracy and legitimacy deficit of the EU. It is thus conceived of as an improvement in the participatory and representative quality of the polity. For the purposes of this research, politicization will be understood as a logic opposite to technical rule when applied to the EU, but as a logic opposite to institutional decision-making when applied to Mercosur. This distinction will be advanced later in chapter 3.

Another issue to reckon is the current and future role of national parliaments. Common sense would indicate that they should be the most interested actors in developing an intergovernmental Europe, to allow their control of the process through the command over the national executives. However, the growing supranationalism of Europe was not blocked at the parliamentary level, but rather delayed at the plebiscitarian level. Its comparison with the behavior of congresses and public opinion in Mercosur may, later on, shed some light upon these events, as well as upon the real influence that national institutions have over the integration process depending on the regional institutional design.

At present, the European Union is structured upon five main institutions: the European Council, the Council of Ministers, the European Commission, the European Parliament, and the Court of Justice. The first two agents are intergovernmental in nature, while the other three are supranational. The Court is the judicial organ of the EU, all the rest sharing some degree of legislative authority –except for the European Council, whose decisions do not fall within the jurisdiction of the Court. The Council of Ministers and the Commission perform the executive tasks of the EU, but strategic decisions about the EU developments are only taken through either the European Council or especially called *intergovernmental conferences*. It is worth noting that, since their creation, all five institutions have increased their power and competencies over time. The corollary is that the strengthening of EU agencies has not been a zero-sum game, but they have rather extracted their power from the national arenas –thus depriving domestic agencies from previous attributions. How this deprivation has impacted on the domestic distribution of power will be addressed in the last section of this chapter.

To summarize, let us resume the evolution of European integration by briefly displaying their treaties' preambles. A first shift emerges from the signature of the ECSC to the EEC treaty, "where 'economic and social progress' seems to take precedence over preserving and strengthening 'peace and liberty'" (Nelsen and Stubb 1994: 13). A second and more radical shift is exhibited by the SEA preamble. It is gone "the vision of a united Europe important primarily as an alternative to war. In its place is a vision of an evolving 'European Union' ready to act in the world as a single entity to protect the common interests of its members, promote democracy and human rights, contribute to the 'preservation of international peace,' and 'improve the economic and social situation in Europe.' The preamble assumed that the European Communities resembled a sovereign entity more than a mere collection of individual states, an evolution the signatories believed corresponded to the 'wishes of the democratic peoples of Europe'" (Nelsen and Stubb 1994: 43). Ultimately, the Treaties of Maastricht (1992) and Amsterdam (1998) endorse the preeminence of the EU institutions over issue areas previously reserved for national governments. With respect to the professed values, the new ones are "increased accountability, and faithful application of the principle of subsidiarity" (Nelsen and Stubb 1994: 65), in order to preserve democracy and diversity within Europe.

A firm trend finally seems to impulse Europe in a no return direction. However, even if accepted the irreversibility of the integration, its future shape is open. As Bonvicini (1995: 147) pointed out, "*o futuro da Europa será o resultado de uma combinação ad hoc dos diferentes critérios acima descritos (uma mistura de procedimentos institucionais, aplicação do princípio da subsidiaridade, percepção pública das garantias dadas pela participação num processo de integração). Diferentes combinações produzirão diferentes resultados*".

### **Current features and processes (how?)**

Winston Churchill's appeal for a European Court of Justice goes as far back as to 1933 (Tamames 1994: 6). De Gaulle stand against supranationalism reached its zenith in 1966. By the turn of the century, much has been realized and the process of European unity is still in progress. But how is it actually working, and what are its prospects?

The EU has gone through three clear stages since its inception. From a first supranational platform in the beginning (Treaty of Paris, article 9) it took an increasing intergovernmental approach during the following decade (Merger Treaty, article 10).



From mid-1960s to mid-1980s it crossed along the “dark ages” of stagnation, although this is now seen as an era of hidden fermentation. From the SEA in 1986, the relaunching of the Single Market and the project of political union made intensive use of intergovernmental tools, while simultaneously and progressively eroding pure intergovernmentalism.

Regarding the nature of its institutions, the EC has been characterized “as a network whose operations are well described as “supranational” in a specific sense but that have always rested on a set of intergovernmental bargains” (Keohane and Hoffmann 1991: 4). The concept of *network* is alternative to both *international regime* and *emerging state*, and involves the pooling of sovereignty;<sup>11</sup> furthermore, it encompasses not only public but also private bargaining. The term *supranationality*—as used by Ernst Haas in the 1960s— refers to the political process of the EU, while the *intergovernmental bargains* are assumed to be the necessary steps to build up the structure of the community.

Nowadays, any assessment of the EU is more than ever related to effective governance, thus beyond *just* integration (Gabel 1998). The EU has developed a “variable geometry” structure, meaning that different speeds may be allowed both to its members and to eventual applicants. This entails the possibility for some countries to opt-out from some common policies, and for the EU core to continue its march without being slowed down by reluctant states. In addition to subsidiarity and multi-level governance, the variable-geometry characterization has given way to a broad discussion concerning EU modes of governance.

Federalism—or confederalism— has been the usual way of thinking about the EU in state-like terms (McCormick 1999). As this label fell short of capturing the real functioning of the EU, some others were coined or adopted from different fields. Consociationism is an illustrative case of adoption. Its proponents expect to give count of a segmented polity, in which political elites negotiate among them to make the system work, but proportionality, autonomy and minority veto power are essential background conditions (Gabel 1998).

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<sup>11</sup> *Pooling of sovereignty* means here “the transfer of states’ legal authority over internal and external affairs to the Community as a whole, although not to supranational organs as such” (Keohane and Hoffmann 1991: 35, n. 11).

If the EU nature and shape are quite elusive, its policy processes are slightly more apprehensible. Although the EU has no direct powers of enforcement and implementation and has a very small budget, it has developed progressive intervention in some crucial policy areas. "From a time when the EU dealt only with coal and steel policy, the member states have transferred so many powers that the EU now touches (to varying degrees) on most aspects of economic, foreign, social, agricultural, and environmental power" (McCormick 1999: 194). This apparent mismatching between low—and ambiguous— institutional capabilities and increasingly strong public policies has mainly been managed through voluntary compliance. Seen as one of the utmost achievements of the EU, the dependence on voluntary compliance is also one of the weaker points of the whole process. It has permitted a satisfactory performance in many policy areas so far, but has reached narrower limits in some others—especially in defense and foreign affairs, but not only.

Recent events, such as the Gulf War and the intervention in Kosovo, have exhibited the EU as a *civilian*—thus limited— *power*; on the other hand, it has become a security community as defined by Deutsch (1957). Today, war in Western Europe is unimaginable. However, to account for such *Pax Europea* it is necessary to refer to the military alliance in which European integration is embedded: NATO. So much is the Atlantic umbrella significant to EU identity and integrity that some applicants—e.g. Spain— considered accession into both organizations in parallel, giving way to what has been called "double-membership" (Buhigas Viqueira 1993; also Rodrigo 1995). As shown by the contrast between the remarkable performance regarding economic and social figures and the contemporary failure concerning military coordination, the EU is still unable of managing autonomously the latter. The question whether integration would have proved possible in Europe without NATO as parallel counterpart is even more compelling when posed to other regions, which do not necessary count with such a powerful guard.

### ***National institutions and the EU (why so?)***

According to some authors, integration is deemed to failure—or will simply not take place— if it is not based on previous economic cooperation (Tamames 1994) or interdependence (Moravcsik 1998). This is considered the reason why pre-war attempts at European integration failed to succeed, since they were oriented toward ambitious

political goals but fell short of achieving a preceding level of economic integration. However, once economic interdependence and cooperation have been met, some kind of institutional arrangement is needed to overcome emerging problems of coordination, externalities, and collective action (W. Wallace 1999). The Treaty of Rome and the earlier one of Paris, among other more encompassing agreements such as NATO, originally provided such arrangement to Western Europe.

Most theories of regional integration reckon two conditions, economic cooperation and (at least minimum) common institutions, as necessary for the integration to proceed. Concerning the relation between regional and common institutions, however, Claude has pointed out that “the... achievements of the (EU) are attributable less to the formal capacity of its institutions to function without the cooperation of governments than to their success in stimulating that cooperation” (Claude 1971: 111-112). Regional institutions have been, in this light, a “facilitating condition” for states to perform integration, not a reason *per se*.

When it comes to appraise the role played in integration processes by the national states, a new dilemma arises. It concerns inner division of functions and latent interests of office holders, especially regarding the leading agency in foreign affairs –the executive branch. In the EU, “state executives play a major role ... and much lobbying is channeled through them, but the Commission and the European Parliament (and on occasion the European Court of Justice) are also worthy targets for subnational governments” (Marks et al 1996: 45). This acknowledgment raises a further question: what would happen in a region that lack common institutions such as the Commission and the Parliament? Would state executives concentrate upon themselves all the social pressures?

Since “executive control over foreign policy depends to a large degree on the nature of the political institutions and domestic structures” (Risse-Kappen 1996: 57), the case of France acquires a particular exemplarity in the European context. Although French regime type is now considered as little different from classical parliamentarism (see chapter 6), in the beginning the 5<sup>th</sup> Republic was closer to a presidentialist design. From such institutional platform De Gaulle advocated an intergovernmental Europe, and for the Bonn conference of 1961 proposed a Foreign Ministers standing meeting. In 1962 he regretted the “statelessness” approach of the EC, and in 1963 rejected the first application of Britain (Salmon and Nicoll 1990: 80/1). It is ironic, for the hypothesis of the current study, that it was the head of the only “presidential” government of Europe

who once hindered and jeopardized the integration process –even willing, Thatcher could never produce a similar impact. On the other hand, this fact highlights the wide margin of maneuver that presidents may hold with regard to integration.

While some authors have stated that ‘Europeanization’ implies power transfer from national states to the (albeit fuzzy) European level of governance (W. Wallace 1999), others claim that it may well strengthen national states (Milward 1992). Most, however, agree that it has tended to remove domestic issues from domestic controversy and into the arena of executive control (Risse-Kappen 1996; Moravcsik 1998). The convenience of formally acknowledging the authority of national executives over the integration process led to the belated creation of the European Council –the European executive summit—, which was established in 1974, only twenty years after the EC was founded! It is worth underlining how the temporal progression displayed by the EU is turned around in other regions, notably Mercosur, where national executives commanded the process from the very beginning.

In what follows, I will pinpoint some paradoxes that feature the EU, in the expectation that they may shed some further light on other cases of integration. The first paradox has been defined by Wallace, who emphasizes how “governance is becoming increasingly a multi-level, intricately institutionalized activity, while representation, loyalty and identity remain stubbornly rooted in the traditional institutions of the nation state” (1999: 521). Streeck and Schmitter (1991) observed a second paradox, as they were puzzled by the development of a pluralist organization of interests in a regional arena that consists of a majority of states featuring corporatistic forms of intermediation. A third paradox is likely to rise from a growing unrest concerning the way of election of the Commission. Some authoritative scholars (e.g. Hix 1997), as well as noted politicians –among whom Giuliano Amato and Felipe González—, have recently advanced proposals for a direct, popular election of the President of the Commission. The *Americanization* of European politics would reach its peak if a fourth paradox comes true: the consolidation of a European party system following either an American or a Canadian scenario, as suggested by Katz (1999). He argues that the superior level of party interaction need not be dominant, and that cartellization may well be a response to a federal-like European constitution.

There exists another interesting puzzle concerning federalism at the national –not regional— level, as soon as other regions are brought to the fore. In the EU, federalism

and regionalism are said to have given rise to multilevel governance; this is so because some regions skip the national level to deal directly with the regional center –i.e. Brussels. But what would the impact of federalism be upon integration when no such center exists? In Mercosur, for instance, federal regions are likely to alternatively impinge upon the national decision-makers in order to exert any influence over the integration process. If this is so, the link between presidentialism and federalism may acquire an increasing relevance for the purposes of this study (see chapter 8).

Concluding from the beginning (still another paradox?): while the forces which set off European integration have been allocated either to an external threat (the USSR) or an internal threat (Germany); to an external push (the USA) or an internal pull (reconstruction), nowadays it seems impossible to untangle security from economic motives. The EU has neither had a hegemon nor a defection ever –despite some arguments on the contrary (Mattli 1999). Its success is due to both its institutional strength and the considerable commitments of its members (Keohane and Hoffmann 1991); elsewhere, instead, only the latter can account for success. Although the EU has been catalogued as *introverted* (H. Wallace 1992), a balance of its unfolding process is unavoidable to address political integration, whether theoretically or comparatively.

*Regional integration* can be succinctly defined as “the process whereby an international organization acquires responsibility for taking an increasing number of decision in areas which were previously reserved to the state” (Taylor 1983: 26). *Political integration*, in turn, is “the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdiction over the pre-existing national states” (Haas 1958: 16). As above reviewed, only partially did the latter occur in Europe. Further reflection is required to deal with this matter, and such is the task of the next chapter.

## CHAPTER 3

### COMPETING THEORIES OF REGIONAL INTEGRATION

#### *Introduction*

This research conceives of institutions as a two-sided phenomenon, hence focusing on their both faces: as cause and as consequence of other political phenomena.<sup>12</sup> It is thus intended to explain the process of *institution building at the regional level*—or its absence— as a dependent variable of political action already framed by *existing national institutions*. Therefore, it approaches simultaneously the integration process as aimed at, and constrained by, institutional arrangements.

The concept of integration is usually accompanied by one of two adjectives: regional or economic. The former refers to a territorial criterion, the latter to a functional one. Initially, it is necessary to clarify the meaning and scope of these subtypes of integration, and only then to go on further in its theorization. The next section will thus deal with those subtypes' features.

As for the integration issue itself, many theories have been devised to cope with it—in addition to the general theories provided in the area of International Relations. Among the most significant should be listed *federalism*, *functionalism*, *neofunctionalism*, *communicative interactionism*, *intergovernmentalism*, and *neo-transactionalism* (Mutimer 1994; Nelsen and Stubb 1994; Schmitter 1996a; Moravcsik 1998; Sandholtz and Stone Sweet 1998). The first was developed principally by Altiero Spinelli; the second, by David Mitrany; the third, by Ernst Haas; the fourth, by Karl Deutsch; the fifth, by Andrew Moravcsik; and the sixth, by Sandholtz and Stone Sweet. They are discussed in the following sections, in order not to choose or dismiss any but to draw some insights from all of them. In addition, every review of each theory will be concluded by briefly highlighting the conceivable links between national institutions and regional integration, and their eventual application to the case of Mercosur.

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<sup>12</sup> I mainly follow a new-institutional approach to institutions (March and Olsen 1984, 1989), as eclectically applied as possible in order to allow a combination of two different academic fields: international relations and comparative politics. To put it in Hix's apt terms, "the key agents in this approach are the leadership elites; ... and the key structures are the formal decision-making rules (political institutions), the social group bases of political support (social institutions), and the political value traditions (ideology). In more formal terms, therefore, this approach treats... leaders as *strategic actors* who are *bound* by organisational, sociological and normative *institutions*" (Hix 1995: 33-34).

### ***Regionalism and economic integration***

The very concepts of region and regionalism are controversial (Russett 1969; Fawcett 1995; Hurrell 1995; Gamble and Payne 1996). However, they have undergone a positive rehabilitation over the last decade, regardless of the debates surrounding their conceptualization. From a macro perspective, regionalization began to be seen from the middle 1980s as a parallel –i.e. not contradictory— process to worldwide multilateralization, thus becoming an aid rather than a foe for more global processes such as trade liberalization and security arrangements. On the other hand, from a micro perspective, individual nation-states recognized that a regional framework enabled them to face tasks that would otherwise remain beyond their reach.

Many factors were at work to account for the renaissance of regionalism, after the failed wave in the 1960s whose only survivor was the European Community –even this being strongly compromised by nation-state pressures and their effects, in the form of the Luxembourg Compromise of 1966. Among these factors, the end of the Cold War and huge economic changes –those of so-called globalization— ranked at the top of the list. The former was accompanied by parallel developments, such as the definitive demise of Third Worldism, the decentralization of world politics after the melting of the bipolar spheres of influence, and the spread of democratic regimes especially in Latin America and Eastern Europe. The latter included the cure along with the disease; that is, the EC was taken as the model because it was in the process of facing the challenges posed by increasing globalization, thus showing that adaptation to the new scenario was possible – and clearly preferable to rejection and isolation (Fawcett 1995).

New regionalism was rapidly defined as ‘open.’ Drawing on Nye’s definition of an international region as “a limited number of states linked together by a geographical relationship and by a degree of mutual interdependence”, and his consequent conception of regionalism as “the formation of interest groupings on the basis of regions” (Nye 1968: vii), open regionalism aims at achieving “compatibility between the explosion of regional trading arrangements around the world and the global trading system as embodied in the World Trade Organization” (Bergstein 1997: 5). Therefore, it constitutes the opposite of the old, closed region conceived as a ‘fortress,’ which tended to foster fragmentation instead of integration.

Contemporary regionalism can be seen as an umbrella concept, covering a multiplicity of distinct phenomena. Hurrell (1995) enumerates five of these, arguing that

none should be given the exclusive use of the term: (a) regionalization, (b) regional awareness and identity, (c) regional interstate cooperation, (d) state-promoted regional integration, and (e) regional cohesion. The first meaning –regionalization— could be understood as interdependence, whereas the second –regional identity— conveys a rather cultural than political or economic notion; their common feature is that none is produced intentionally but are brought about by unintended factors –such as increasing interchange flows or common historical roots. The next three subtypes respond to another logic: they are either the outcome of state decisions –cooperation and integration— or its consequence –regional cohesion. This research deals particularly with integration and cohesion, the latter meaning that “the region plays a defining role in the relations between the states (and other major actors) of that region and the rest of the world”, while constituting “the organizing basis for policy within the region across a range of issues” (Hurrell 1995: 44; cf. Gamble and Payne 1996; Grugel and Hout 1999).

With regard to the economic dimension of regional integration, there are four progressive levels of achievement. The simplest, the *free-trade zone*, is an area in which domestic obstacles to trade are dismantled; this means that customs tariffs are not imposed on the products of any member country. Distinctively, a *customs union* moves one step further: at this stage a common external tariff is established, fixing the amount that products coming from the rest of the world have to pay to enter the region. This implies that the member countries form only one entity in the arena of international trade. The third step, a *common* or *single market*, is a customs union to which the free mobility of productive factors between the member countries and a common trade policy are added. It also contemplates the coordination of sectoral macro-economic policies among its members, and requires the harmonization of national legislation. Fourth, an *economic union* appends centralized monetary institutions and common financial policies to the single market. It goes beyond simple coordination and harmonization among the member countries, to establish unified supranational agencies –such as a central bank— and a single currency.

Despite the economic goals of regional integration as conceived above, the entailed necessity of establishing some kind of common institutional arrangement fosters linkages other than the purely economic. In the wake of higher levels of state-promoted economic integration, increasing flows of trade and investment are likely to manifest, i.e. growing regionalization in the sense of the first subtype defined by Hurrell. Likewise,



increasing flows of people and communications are able to nurture a regional awareness, like the second subtype previously noted. To grasp the potential features and likelihood of further developments for any given region, it is necessary to assess the causes, scope, depth, type of institutionalization, and degree of centralization of its integration process. For this task, several competing general theories are advanced in the field of International Relations. After briefly discussing them, I will turn to a number of theoretical approaches that have been offered to specifically cope with integration.

### ***General Theories in International Relations: Neo-realism, Neo-rationalism, Constructivism, Neo-idealism***

Regional integration can be considered as a small sub-area in the broader field of world politics, despite the fact that it has grown strongly –yet not steadily— over the last half century. This development has been unexpected for most analysts and theoreticians; furthermore, it was often at odds with the many theories that deal with international relations in a more general manner. These internationalist theories can be fruitful however, and account for some aspects of the new phenomenon. Therefore, they will be briefly revised before moving on to the specific theories of integration.

Since being updated by Kenneth Waltz (1979), as a result of which the prefix *neo* was added, the realist theory originally sketched by Hans Morgenthau (1944\*) has dominated the field of IIRR, either as an outright approach or as the firmest target for opposite schools. World politics are conceived of as taking place in an anarchic environment, where sovereign nation-states are the only key actors. As no legitimate monopolist power is at work, self-help is the only behavior that states may count on; hence, the different interests and capabilities of the actors will mould their interactions, giving rise to a dynamics of international alliances and oppositions resulting in a balance of power. National interests are defined in two layers, high politics –politico-territorial and military issues— and low politics –economic and other issues. The former are crucial, thus rendering the world an arena determined by security concerns and power politics.

Neo-realism “has little interest in *regionalization* or *regional economic integration*” (Hurrell 1995: 53). Instead, it focuses on the concept of regime, defined as “explicit or implicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area of international relations” (Krasner 1983: 1). In this view, “any action which either diminishes that capability deliberately or

assigns it irrevocably to another polity is (theoretically) incomprehensible” (Schmitter 1996a). Consequently, neo-realism does not aim at explaining international arrangements that “may involve institutional structures very different from the traditional idea of a coalition, alliance, or traditional international organization” (Hurrell 1995: 53).

Unlike neo-realism, neo-rationalism –also called institutional neo-liberalism— claims that cooperation among states is not only possible but also expectable, given certain conditions (Axelrod 1984; Keohane and Nye 1989). As national *interests* are translated into national *preferences*, by way of opening the black box of the state, institutions manage to play a crucial role in facilitating agreements, guaranteeing compromises through monitoring and supervision, reducing transaction and information costs, and generally orienting behavior. The zero-sum game of realists thus becomes a positive-sum game, and the issue-linkage allowed by the dilution of the high/low politics distinction gives place to a complex interdependence. In this context, subnational agencies and transnational actors are recognized to play a relevant role that is neglected in neo-realist theory.

Interdependence “consists of (a) economic interpenetration in terms of international trade and financial flows; (b) nation-states’ collective interest in avoiding a major nuclear war; and (c) nation-states’ collective interest in avoiding ecological catastrophe” (Sanders 1996: 444). Despite this threefold definition of interdependence, the main emphasis falls on mainly one of the mentioned factors –intensive economic exchange, “which may influence political relationships but does not necessarily elicit an integrative response from those most affected” (Webb 1977: 32). Consequently, interdependence is not a sufficient condition for –nor is it the same as— cooperation, centralized decision-making, policy harmonization, common institutions, or the like.

A third model, constructivism –or reflectivism (Keohane 1989)— lies on less material or concrete foundations than the above theories. Instead of drawing on either political or economic factors, constructivists “are interested in the construction of identities and interests, and, as such, take a more sociological than economic approach to systemic theory. On this basis, they have argued that states are not structurally or exogenously given but constructed by historically contingent interactions” (Wendt 1994: 385). Consequently, they “emphasize the importance of shared knowledge, learning, ideational forces, and normative and institutional structures” (Hurrell 1995: 65). Although there are many orientations within the constructivist label, such as

“cognitivists, post-structuralists, postmodernists, critical theorists, and structurationists” (Hix 1994: 9), all of the various approaches reject both neo-realism and neo-rationalism for their positivist and rationalist assumptions.

Integration is, in the constructivist framework, a possible response to the transformation of national identities and expectations. As interchange between different peoples grows, new collective identities are believed to emerge from previous allegiances; supranational institutions are thus created in order to encompass and contain the most recent loyalties.

Finally, one of the first but, strangely enough, newest theory of international relations is neo-idealism. Its origins go back at least two centuries to Kant’s speculations on world peace ([1795] 1985), but its latest rediscovery dates from the 1970s and especially the 1980s, when the third wave of democratization acquired momentum. Neo-idealists claim that domestic factors are neither secondary nor complementary for international politics but instead they are fundamental, and regime type is among the most determinant of them (Nye 1988; Schmitter 1991; Maoz and Russett 1993). As first evidence, these approaches underline that democracies do not wage war with each other. From this peaceful assumption, it has frequently been concluded that some kind of cooperative behavior will arise –and indeed, this has happened in many regions worldwide. However, democracy has not yet proven that it is either a necessary –see the case of Mexico in NAFTA, or the more complex instance of ASEAN— or a sufficient condition for regional integration, and this is even less so for regional or global institutionalization.

### ***Integration Theories: Federalism***

As regards political integration, the idea of federalism goes a long way back. However, although some medieval thinkers developed this idea –and even so the ancient Greeks—, modern federalism is a newer device. Kant in principle, and the American founding fathers in practice, devised a model that evolved successfully and was thus admired and emulated elsewhere. Almost two centuries later, the idea migrated back to its original continent to sustain Europe’s nascent self-consciousness. Altiero Spinelli, the Italian leader of the European Federalist Movement, was the firmest advocate of a federal pan-Europeanism; he “believed that only a dramatic leap to federalism would succeed in unifying Europe” (Nelsen and Stubb 1994: 69). Many European constructors

adopted originally this idea, including Jean Monnet and Robert Schumann. However, when federalism proved unable to support the Council of Europe as the embryo of an integrated continent, in 1949, most of them turned to an incremental approach (Mutimer 1994).

One of the strongest federalist assumptions is that of the interchangeability between the national and the supranational dimensions. It thus presupposes that “the political postulates concerning identity, action and loyalty are the same regardless of the level of institutional formation. Hence, the principles underpinning federalism at the national level apply equally to federalism at the world (level)” or, more restrictively, at the regional level (Hix 1994: 11). As an illustrative example of the latter, the archetype of the Swiss Confederation has been lately offered as a prospective model to explore for the institutionalization and democratization of the European Union (Blondel 1998). Furthermore, other authors would argue that “federal politics” is an already appropriate label for the European Union (Sbragia 1992), or even that federalist features resembling German federalism are currently at work at the expense, not to the benefit, of optimal policy outcomes (Scharpf 1988).

International federalists see their object as a process rather than as a static endpoint. The federal theory admits two ways to advance integration: either through intergovernmental constitutional bargaining or through the call of a constituent assembly. Both paths lead to the establishment of a federal state, and both are driven from above. In what regards Mercosur, the mechanism of intergovernmental bargaining, as well as the top-down methods of procedure, might be considered as features revealing an ongoing process of federalist integration. However, it overly differs from federalism in that no constitutional goal is aimed at, and even less the constitution of a supranational state.

### ***Integration Theories: Functionalism***

Functionalism, in contrast to federalism, was conceived quite recently: it came into being by the end of World War II, and was advanced as an alternative mechanism to international politics for safeguarding world peace. However, it shared with federalism its prescriptive elements and aims. David Mitrany, who first proposed it, viewed it as a pragmatic, technocratic, and flexible system to overcome the problems raised by nationalism and “competing political units”. The functional approach, instead, would “overlay political divisions with a spreading web of international activities and agencies,

in which and through which the interests and life of all the nations would be gradually integrated” (Mitrany 1943).

Despite its recognition of a dynamics of integration, thereby accepting integration as a process, functionalism was an ideological tool aimed at a static objective (Hix 1994: 11). That end was the construction of a final *super-partes* world entity. To achieve a supranational state that would prevent war, the element of conflict, which is tantamount to saying any theory of politics, was clearly put to one side. This neglect was especially stressed by further critics of functionalism, and would subsequently be addressed by the approach following it, neofunctionalism.

Mitrany’s proposal was based on the experience of the American New Deal. He supposed that a decentralized area-by-area and issue-by-issue treatment of questions would increasingly drain the states’ capacity, while building non-political organs and bodies capable of dealing with administrative tasks (Mutimer 1994). Mitrany also deeply distrusted in a potential central authority. It is interesting to note that this was the path chosen by Mercosur countries, although the goals were entirely different: for Mercosur leaders, the technical and decentralized approach was not intended to undermine the political supremacy of the states, but to reinforce them. As will be shown further on, Mercosur is acknowledged as a region where both technical and political –i.e. presidential— competencies are stressed *vis-à-vis* other national and supranational institutions.

### ***Integration Theories: Neofunctionalism***

As pointed out by Nelsen and Stubb, “functionalism failed as a theory for several reasons, but one stands out: it contained no theory of politics” (1994: 99). When economic problems proved to be unmanageable by technical experts, and theory could not explain why certain choices had been made, a new approach was taken to understand the development of the European Community by addressing the deficiencies of functionalism. It was therefore in this context that a group of scholars from the University of Berkeley, led by Ernst Haas, developed the neo-functional theory.

Haas carried out much of his work in the 1950s and 1960s, when he supported the idea that technological and scientific changes would produce incentives and pressures for international institutional innovation. In turn, this innovation would lead to political “learning” by political leaders, national bureaucracies, and international organizations. In

sum, the neo-functionalists, just like the functionalist and other pluralist approaches, argue that “what matters most is a utilitarian calculus on the part of actors, and not a dramatic or passionate commitment to a new order” (Haas 1975: 12). The theory conceives of integration as an open *process*, characterized by the *spillover* from one area to another. Although the ending point is supposed to be open, “it is clearly intended to be institutional” (Mutimer 1994: 31).

Spillover, the central metaphor of neo-functional theory, is the process whereby “a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more, and so forth” (Lindberg 1963: 9). One major shortcoming of neofunctionalism was that it “always had more to say about the ongoing role of institutions than about the factors that explain the birth of regionalist schemes” (Hurrell 1995: 60). Although it recognized the difference between background conditions, conditions at the time of union, and process conditions –thus allowing that different variables have a different weight according to the stage—, the main accent and stronger predictions were oriented towards the process. Once integration had started, neofunctionalism saw it being fostered by two sorts of spillover: functional and political –unlike Mitrany’s purely technical conception. This two-fold mechanism predicted that integration would become self-sustaining. This expected capacity of prediction was what neo-functionalists authors believed to be one of the most salient features of their theory.

The spillover process did not however take place. What first appeared as a more complex and unavoidable process changed afterwards into an extremely contingent phenomenon, of little use for understanding general events. As a consequence, Haas began to stress the role of ideas and “consensual knowledge”, thus paying more attention to the relevance of political leaders and their goals (Waltz 1991).

The change of focus, from an “inevitable” and incremental evolution of international complexity toward a less-determined process, led to the modification of some previous assumptions. Consequently, the role that individuals can play in the international arena, and the institutional contexts that may provide incentives for or constrain their actions, should be highlighted as key elements of a more general development. De Gaulle’s outstanding example was decisive for Haas’s theoretical reformulation (Haas 1975).

It is within this framework that the executive format acquires a greater relevance. If the leadership and the leaders' goals are to influence the integration process, then the mechanisms by which national leaders are appointed –and the institutional resources with which they count or by which they are limited— cannot be neglected. Hence, one of the main claims of this research is that the executive format, as a given structure of incentives and restrictions, affects the opportunities and features of the integration process.

### ***Integration Theories: Communicative Interactionism***

Communicative interactionism, also called transactionalism, was a theoretical tool developed by Karl Deutsch in the 1950s, aiming at the explanation –and the creation— of a “security community”. This means that, among a number of countries that feature similar substantive attributes in a given region, the possibility of making war against each other becomes entirely unthinkable (*Gemeinschaft*). The theory suggests that an increasing pattern of communication and interchange between neighboring societies will give rise to a growing sense of community, regional awareness and supranational identification. The departing point was is the homogeneity among mass societies that share common values, such as capitalism and liberal democracy<sup>13</sup> (Deutsch 1953, 1957; Hurrell 1995). By the same token, elites and organized groups are considered of minor importance for this process.

The assumptions of transaction theory stress the importance of intra-regional communications such as trade flows, telephone calls, post-mail and even tourism, all measurable variables that render the theory easily falsifiable. In addition, there have been difficulties in establishing a correlation “between ‘behavior’ and ‘identity’ –the defining characteristic of a ‘community’” (Hix 1994: 4).

In what the organizational aspects of integration concerns, the theory requires the development of common identities among the people of the integrating areas prior to any formal institutionalization. Therefore, institutions were considered to be a dependent variable. In many respects, this vision has been supported –whether aware of their theoretical basis or not— by most of the protagonists of Mercosur's construction, who

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<sup>13</sup> Deutsch's cases comprised the Hanseatic League, the union between Norway and Sweden, the relations among cities and regions in Germany and Italy, the formation of modern Switzerland from smaller, autonomous cantons, and the emerging pre-national capabilities of the American colonies –and later states (Deutsch 1957).

were unwilling to create institutions before a certain level of social and economic indicators of integration had been reached.

### ***Integration Theories: Intergovernmentalism***

Intergovernmentalism is the tangible form that the realist approach takes to integration (Hix 1994; Schmitter 1996a). However, its most sophisticated versions add more than nuances to the plain neo-realist conception. Moravcsik, for instance, deliberately denominates his framework as “liberal intergovernmentalism”, because it does not assume the state as a unitary actor but considers that domestic politics have a decisive impact on subsequent interstate relations (Moravcsik 1998). In this sense, he makes a concession to the many criticisms received by realist authors regarding their neglect of subnational processes, and accepts the idea of opening up the black box of the state, as neo-liberal institutionalism had already proposed (Keohane 1989; Keohane and Nye 1989). However, this acquiescence does not imply a compromise; it leads instead to the reaffirmation of all the intergovernmentalist tenets as far as the international level concerns.

One of the first authors to call attention to the domestic level was Bulmer (1983). He intended in this way to restore the primacy of the nation-state, not to undermine it. His point was that “member governments, pursuing their own interests, were the ‘central actors’ in the EC policymaking process” (Nelsen and Stubb 1994: 141). Domestic politics was thus the source for explaining regional policy-making, and also integration itself; yet Bulmer thought his theory had “a mixed intellectual parentage” with “the transnationalist study of the international political economy” (Bulmer 1983: 363). This rather eclectic and empirical analysis would be deepened and enriched in the next decade.

What constitutes the leading intergovernmentalist study so far was however published in 1998 (Moravcsik, 1998). It is a piece of work in which a framework for understanding European integration is offered, together with an in-depth examination of the so-called five major bargains<sup>14</sup> that arguably defined the features of the EU. Since a

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<sup>14</sup> Each one of these turning points roughly characterizes a decade in the existence of the European Union. They are the *Treaty of Rome*, the consolidation of the *Common Market* (comprising the Common Agricultural Policy, the implementation of the CM, the veto of British membership, and the Luxembourg Compromise), the *European Monetary System*, the *Single European Act*, and the *Treaty on European Union*.



bundle of general theories are used, and the scope of the framework is said to be generalizable to other integration processes, it is worth briefly reviewing its main points.

Moravcsik presents a three-stage approach to regional building. In the first stage, national preferences are defined by each state based on its economic interests; consequently, the theory dismisses the view that geopolitical interests may hold the same importance as economic ones to explain the formation of national preferences –thereby detaching itself even further from neo-realism. The second step consists of the negotiations between national governments, to fulfill their nationally defined preferences; these negotiations depend on the asymmetrical interdependence existing between the bargaining states, and not on any kind of supranational entrepreneurship –a point that makes a crucial difference with the neo-functionalist assumptions. The last phase involves the establishment of common institutions, according to intergovernmentalism, to ensure the credibility of the commitments achieved; along the same lines as before, Moravcsik concludes that the choice for the transfer of sovereignty to international institutions is due neither to federalist ideology nor to centralized technocratic management. In turn, the option between pooling and delegation of decision-making competence varies across both countries and issues and responds to the equilibrium reached by national preferences in each bargain.

Many intergovernmentalists see integration as a limited –regional– international regime. Thereby, their institutionalization is not reckoned as endangering the primacy of the signatory nation-states. In other words, “intergovernmentalism argues that supranational integration will be limited to areas which do not affect the fundamental issues of national sovereignty” (Hix 1994: 6). However, it is not easy to understand how a state could undo its compromises once its ties with the neighboring countries have reached a certain level of interdependence. Institutions have effects and these effects are cost reversible: that is precisely the function of institutions, to make compromises credible through raising the costs of non-compliance. The relativization of institutions on the part of intergovernmentalism –whose argument, taken to one extreme, should question the very existence of international institutions instead of their importance alone– sheds some shadow on the potential to generalize conclusions anywhere else than Europe. Mercosur, for instance, has successfully resisted any thrust towards supranationalism, showing that regional institutionalization must not be taken for granted

–even if some intergovernmentalists may do so as a concession to other competing approaches, simply in order to then disregard the substantive relevance of institutions.

### ***Integration Theories: Neo-transactionalism***

The last theory specifically dealing with integration to be treated here will be labelled “neo-transactionalism”, although its main supporters have timidly called it a “transaction-based theory of integration” (Stone Sweet and Sandholtz 1998). Others have preferred instead the term “supranational institutionalism” or “supranational bargaining theory” –as opposed to Moravcsik’s “intergovernmental bargaining theory”.

This approach is explicitly crafted to explain the rise and shape of the European Union, although its using of general theories to account for integration allows for its generalization and application elsewhere. The fundamentals of neo-transactionalism draw on two of the previously reviewed theories, i.e. transactionalism and, especially, neofunctionalism. It assumes that the increase of transnational transactions between neighboring countries leads to the development of a more complex pattern of relations, both social and economic, within and among countries. The resulting increase in complexity cannot be managed satisfactorily by existing norms and regulations, thus the costs of information and transaction will rise. In turn, the need to reduce these costs will drive transnational transactors to claim for the establishment and standardization of rules.

According to the neo-transactionalist view, the main actors of integration are national states –as for intergovernmentalism— but they feature at the same level transnational transactors, the European Commission and the European Court of Justice (Stone Sweet and Sandholtz 1998). In short, all the four national, transnational and supranational actors must be reckoned as playing a part in determining the outcome of the European Union. The starting point for the process is, however, regarded as clearly institutional, since the Treaty of Rome established the two supranational bodies in 1957.

The theoretical roots of neo-transactionalism are made explicit by Stone Sweet and Sandholtz, who observe that “the three constituent elements of our theory are prefigured in neofunctionalism: the development of transnational society, the role of supranational organizations with meaningful autonomous capacity to pursue integrative agendas, and the focus on European rule-making to resolve international policy externalities” (Stone Sweet and Sandholtz, 1998: 6). They also claim to agree with Haas “that there is a logic of institutionalization” (Stone Sweet and Sandholtz, 1998: 16).

However, it is at the institutional level that they advance significant modifications to previous theorization.

While the influence of institutions is simultaneously determining of and determined by other feedback factors, there are two logics that underlie the process and keep it far from the mechanical or political automatism of simple spillover: "the first has to do with path-dependence, the second with principal-agent relations" (Stone Sweet and Sandholtz 1998: 19). Based on these logics, neo-transactionalists distance themselves to some extent from neofunctionalism and, especially, from intergovernmentalism, since both logics reinforce their argument that "institutionalization in the EC is not reducible to the preferences of, or bargaining among, member governments. The expansion of transnational society pushes for supranational governance, which is exercised to facilitate and regulate that society"<sup>15</sup> (Stone Sweet and Sandholtz 1998: 19).

The concept of governance as a continuum between an intergovernmental and a supranational pole is not new. However, the novelty offered by neo-transactionalism is the possibility that changes can occur at different speeds, or even in opposite directions, regarding different issue areas. Therefore, many EUs are possible depending on the matter at stake (telecommunications, monetary union, security, defense, and the like). The disaggregation of a given region's governing processes by policy sector may well tell us more than its characterization as a whole, or the search for an average measure. Therefore, the disaggregation strategy will be used to analyze Mercosur in the last chapters of this research. However paradoxical it may seem, a pure intergovernmentalist approach to an intergovernmental region such as Mercosur is not productive, since no major interstate bargaining (such as the *Treaty of Asuncion* of 1991 or the *Ouro Preto Protocol* of 1994; see chapters 5 and 9) has led to either institutional pooling or delegation.

Another crucial feature of integration is its possibility of developing in either a negative or positive way (Stone Sweet and Caporaso 1998). Negative integration refers to the dismantling of national restraints on trade and distortion of competition, while positive integration implies common policies that shape the conditions under which markets operate (Scharpf 1996). This distinction is highly significant because the former

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<sup>15</sup> Stone Sweet and Sandholtz (1998) define supranational governance as the competence of the European Community to make binding rules, for its member states and citizens, in any given political sector.

may be attained through intergovernmental proceedings, while the latter may require to be enforced by supranational organizations and rules. Since negative and positive integration are generally sequential, the use of this criterion supports the view of those who see the passage of intergovernmentalism to supranationalism as progressive over time; however, progressive does not mean irreversible. Mercosur is still completing its negative stage of integration, while having already started arduous negotiations to advance through the positive phase.

### ***Recapitulation and perspectives***

There are some conclusions that are worth reviewing in the above theories. Whether theoretical or empirical, these conclusions may prove fruitful for the analysis of Mercosur developed below. First of all, not all the authors agree on calling his or her conception of integration a “theory.” Among them, Schmitter (1996b) and Moravcsik (1998) stand out for designating theirs as an “approach” and a “framework” respectively. This attitude is alleged to be a recognition of the complexity of the subject matter; however, their capacity for both explanation and prediction is no more limited than those schools that call themselves “theories”. As this research is not intended to go any further in the meta-theoretical field, all of the above listed conceptions will be designated from now on as *theories*, *approaches* or *frameworks* indistinctively in the more general meaning of each term—except when a different meaning is specified.

A second key element for assessing the reach of these theories is the role allocated to the economy. Most of the approaches recognize a central position to economic aspects such as commercial flows and trade interdependence, while others still hold a more culturalist or even institutionalist accent. Among the former (the economically driven), an emphasis on political economy is particularly given by intergovernmentalism. Likewise, the so-called convergence theories—stressing the convergence towards more liberal, deregulated, open, and market-oriented policies on the part of previous divergent national economies—acquire great importance in explaining the push for integration in many sub-versions of diverse theories. On the contrary, classic neo-realism is unable to account for processes where the economy appears as the highest priority—instead of security and power concerns—, just as it is when dealing with those that feature non-power values at the top—such as becoming a peace and security community, thus eliminating the possibility for any player to lose.

Regardless of the approach, Mercosur provides challenges to most of the above economic assumptions. As Hurrell points out, "it is worth stressing that liberal theories (both neo-functionalism and institutionalism) which see co-operation as a response to the problems generated by increased interdependence have little to say about the moves towards subregional co-operation that gathered pace in the second half of the 1980s. Indeed state-led co-operation was a response to *declining* levels of trade interdependence" (Hurrell 1995: 258). Although neofunctionalism did never intend to explain initiation, its logic does not adequately fit Mercosur's further steps either.

A third distinction between contending theories has been that which contrasts politicized processes to technical-economic processes. While it is true that the neo-functionalists have been the main supporters of this distinction, intergovernmentalism has also seemed to accept the dyad simply to turn it upside-down, emphasizing the major importance of asymmetrical power over technical management. In contrast, my research advances a different continuum, running from the politicization pole on one side to the institutionalization pole on the other (see Figure 3.1). This choice is due to the particularity of the concerned subject matter, Mercosur, which presents a process of non-conflictive complementarities between politicians and *técnicos* —although notably featuring a sharp supremacy of the former over the latter— but without supplying it with a consistent institutional framework.

**Figure 3.1**  
**Different uses of the concept "politicization"**

Theory	Context	Continuum and emphasis	
Neo-functionalism	European Union	Politicization	———— Technical management
Intergovernmentalism	European Union	Politicization	———— Technical management
Inter-presidentialism	Mercosur	Politicization	———— Institutionalization

Assuming the first above-mentioned use of *politicization* —as opposed to technical management—, Caporaso argues, "power has been strangely downplayed in the EC. I can see two reasons for backgrounding power. The first reason is that integration studies, as a field, has a 'technicist' orientation in a certain sense... The second...has to do with the nature of the EC itself" (Caporaso 1998: 347). However, the mechanism through which political leaders agree on general principles and leave the drafting of the

detailed rules to leading national and supranational technicians is previous to the development of any EU *nature*: it was the process –lately known as the ‘Messina method’— eventually used in the drafting of the Treaties of Rome (Haas 1967: 340). In contrast, the second meaning of the concept politicization –as opposed to institutionalized proceedings— better suits the operation of Mercosur. Whether this is due to Mercosur *nature* or to its *immaturity* –hence temporary— is one of the puzzles that drive this research.

I am aware that *politicization* may be given somewhat different meanings by neofunctionalism and intergovernmentalism. However, what I am highlighting here is not nuances of meaning but emphasis within each theory, along with its contrasting concept. In next chapters I will also focus on whether there is any movement along each continuum, what are the respective sequences if so, and what the presumed feedback that each theory predicts –and reality verifies.

The issue of *institutionalization*, as discussed above, is certainly not missing in the debates on European integration. The role played by the Court of Justice has been recognized as crucial to foster integration, especially during the seeming stagnation ages of the 1970s and early 1980s (Weiler 1994b; Stone Sweet and Brunell 1998). Moreover, some authors have arrived to the extent to explicitly propose “an institutionalist theory of European integration” (Tsebelis and Kreppel 1998) –albeit still shortly developed and empirically feeble. The difference between the two regions under scrutiny, however, is that what must be explained in the European Union is the presence (and shape) of institutions, whereas in Mercosur the question to be accounted for is their absence.

Until a few years ago, a major difficulty in studying integration was “the single-case issue” provided by the European experience (Caporaso 1998: 343). Now that integration seems to have settled its roots elsewhere, comparative studies have become possible. However, while most theorists concerned with integration are now switching from international relations to a comparative politics approach, they are doing so conceiving the EU as a novel “national case” instead of approaching it by contrast to other regions (Hix 1994; Caporaso 1998; Schmitter 2000). This may be fruitful for a better understanding of the *European domestic politics* or the *Europeanization* of the European national polities, but does not add very much to the understanding of integration processes as such. Likewise, the contributions made in the field of public

policy (Heritier 1996) and regulation theory (Majone 1993) are not yet generalizable to other regions in the world.

What are the perspectives, therefore, for the theoretical debate on integration? It is highly likely that it will widen up over the next few years, along with the expansion of the object itself. The consolidation of regions other than Europe, whether following the European model or not, will demand further research to cope with this. However blurred this development may appear at present, some of the major debates it will raise are foreseeable: a) the prior relevance of micro or macrofoundations; b) the relationship between transnational society and supranational institutions; c) the relevance of history and path-dependence (Caporaso 1998); d) the scope, limits, and shape of regional institutionalization; and e) the role and extension of democracy (at both levels), (Bartolini 1998; Schmitter 2000).

**Figure 3.2**  
**Regional Integration Theories: some comparative features**

	Federalism	Functionalism	Neo-functionalism	Communicative Interactionism	Intergovernmentalism	Neo-transactionalism
Main actors	States	Technical bodies	States, Supranational bargainers, National and regional economic elites	Mass societies	Mightiest states	States, Supranational bargainers, Transnational transactors
Central mechanism	Constitutional convention	Technical needs	Spillover	Transnational transactions	Interstate bargaining	Transnational transactions, Supranational bargaining
Domain	Region/World	World	Region	Region	State/Region	Region
Role of institutions	Independent variable	Unnecessary	Independent and dependent (feedback)	Dependent variable	Subsidiary	Independent and dependent (feedback)
Role of identity and values	Intervening variable	Irrelevant	Dependent variable	Independent variable	Subsidiary	Subsidiary

NB: *interdependence*, another key variable, will be dealt with in Chapter 5.

Let us finish this chapter by briefly comparing the theories discussed above on the basis of some key variables, as displayed in Figure 3.2. Whereas all these theories have been devised to understand the EU evolution, and thus become part of the decision-makers' background in a feedback process, none of this has yet occurred in Mercosur. Neither federalism nor neo-functionalist spillover was in the minds of the founders, nor

have they found their way into the founding treaties. Rather, it seems that the eventual analyses and decisions profited from the failure of past Latin American experiences, which were seen as excessively ambitious in terms of institutions, and naïve regarding the faith on supranationality. The dichotomy, in practice if not in theory, opposed supranationalism to intergovernmentalism; and the former was clearly defeated by the latter. Whether it has worked well so far, and whether it is likely to be sufficient in the future, is the central matter of the following chapters.



## CHAPTER 4

### THE LATIN AMERICAN NOT-SO-SUCCESSFUL EXPERIENCES

#### *Introduction (early antecedents)*

The unity of Latin America has long been an ubiquitous component of the regional political discourse. As Mace (1988: 404) points out, “the wars for independence were not yet over before proposals for political unity began to be heard throughout the newly independent territories.” Simón Bolívar, the Venezuelan liberator, established his belief in a sort of United States of *Hispanoamérica* in his messages to the Congresses of Angostura (1819) and Panama (1826), which can be fairly considered as the first attempts at regional integration in the continent.

As omnipresent as the idea of a continental union could appear, the real unity of Hispanic Latin America was never but a myth. Although it was true that most of the region shared a common culture, language and religion,<sup>16</sup> the divisive factors at work long outweighed those pushing toward unity. Among the natural obstacles, large distances were paramount –be they by ground or by sea. Geography made communications extremely difficult, and contemporary technology was not enough to overcome such a shortcoming. Still, the social obstacles were even more serious: Spain had developed an administrative system aimed at extracting resources and controlling the territory from a single center, that of Spain itself. Consequently, its American colonies were seldom connected to one another, and territorial as well as regulative disputes were conducive to jealousy, rivalry and competition between them. This is why the end of the independence wars frequently led to civil strife, and conflict over borders has become an enduring source of problems that some Latin American countries still face today.

Administrative necessities, along with the impossibility of arriving at any kind of confederate arrangement, ended up in the division of Hispanic South America into nine independent countries out of the originally established Viceroyalty of Peru. Central America, though of a much smaller size, followed a similar pattern of fragmentation, Mexico standing as the only original viceroyalty that managed to conserve most of its territory. On the other hand, Portugal’s larger colony –Brazil— kept its unity in spite of

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<sup>16</sup> Ernst Haas has turned this apparent advantage upside down, in affirming that while “Europe is divided by language and religion, but united by regionally similar social and economic conditions and institutions, Latin America is united *merely* by language and religion” (Haas 1967: 333, emphasis added).

its huge extension and its many internal differences. In part, this was due to the fact that the Portuguese Imperial Court was directly transferred to Brazil between 1808 and 1821, thus contributing to the centralization of power –and to the legitimization of the hence strengthened central government.<sup>17</sup>

The numerous obstacles to cultural and economic interrelations faced by the Latin American countries, combined with the failure of the attempts at political unification throughout the nineteenth century, led to a decline in support for the idea of integration. It was later replaced by pan-Americanism, a water-downed concept of continental unity for the management of international relations in the region, from the 1870s to the late 1950s. After World War II, the emphasis was dramatically changed from political unity to economic integration.<sup>18</sup> Many factors were responsible for this turn, among them the functionalist theory's argument that international organization – aimed at world peace as ultimate goal— would be better served by functional arrangements in economic, social, and cultural affairs than by political or federal integration. Such reasoning notwithstanding, the decisive thrust toward Latin American integration came from the newly instituted United Nations Economic Commission for Latin America (ECLA, or *Comisión Económica para América Latina - CEPAL*) (Wionczek 1970; Versiani 1987; Mace 1988).

ECLA's proposal was aimed at the enlargement of national markets through the constitution of a Latin American common market. The coalition of technocrats and reformist politicians led by Raúl Prebisch, then the Commission's executive secretary, considered that economic cooperation was the only means to overcoming traditional dependence on primary commodity export trade. The rationale behind such project was the understanding that the heretofore model of development –so-called import-substitution industrialization (ISI)— was reaching its limit of exhaustion within the national markets. Therefore, larger markets entailing economic diversification and

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<sup>17</sup> Even after declaring its independence from Portugal in 1822, Brazil kept the imperial form of government until 1889, when the First Republic was instituted and a federal constitution was sworn.

<sup>18</sup> One of the first projects of economic integration in the twentieth century dates back to 1909, when a group of politicians and businesspeople proposed the creation of a Southern Customs Union in which Argentina, Bolivia, Chile, Paraguay, and Uruguay would participate. Between 1933 and 1935, Argentina's Justo and Brazil's Vargas signed nineteen protocols in the framework of reciprocal presidential visits. Around 1950, Argentina's Perón dreamed of the ABC triangle as a strategic alliance with Chile's Ibañez and Vargas himself –just returned to power in Brazil. In the early '60s, Argentina's Frondizi and Brazil's Quadros signed the *Declaración de Uruguayana* in an attempt to foster and coordinate their developmental policies (Fraga 1999). However, none of these attempts flourished.

technological modernization were an urgent need in order to advance further development across the region (Wionczek 1970; Versiani 1987). A second, rather political goal sought by the proponents of integration, was to build regional blocs able to counterbalance US dominance in the region (Grugel 1996). Other accounts also mention the creation of the European Community as triggering the integrative efforts, on grounds that the resultant trade diversion having place in Europe was damaging Latin American countries that were primary-commodity exporters (Mattli 1999).

The drive for regional integration brought about two waves of integration efforts in the following two decades. The first one saw the establishment of the broad Latin American Free Trade Association (LAFTA) and the narrower Central American Common Market (CACM) in 1960; the second one led to the creation of the Andean Pact (CAN) in 1969 and the Caribbean Community (CARICOM) in 1973 (Mace 1988). Although some of these processes reached an apparent success during their early years, and most of them are still in existence –whether slightly or radically changed—, none achieved the initial objectives. By the beginning of the 1990s Latin America still was an underdeveloped and highly unequal region, and its national economies had neither grown enough to improve most of its population's living standards nor become complementarily specialized as planned. Moreover, the dependence on, and unbalance to the United States had not withered away but deepened further. The next sections revisit the historical process of each of the four mentioned associations, to finally draw some general conclusions regarding the causes of their failure.

### ***Broad experiences: LAFTA and ALADI***

Shortly after the creation of the European Coal and Steel Community (1951) and the European Economic Community (1957), Latin America was already beginning to take its first substantial steps towards regional integration. In 1960 the Latin American Free Trade Association (LAFTA, or *Asociación Latinoamericana de Libre Comercio - ALALC*), that in 1980 would become the Latin American Integration Association (LAIA, or *Asociación Latinoamericana de Integración - ALADI*), was instituted. The Treaty of Montevideo, giving birth to LAFTA, was subscribed by six South American countries — Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay— plus Mexico, aiming at a Latin American common market through a progressive process of 'articulation and convergence' of the sub-regional integration initiatives. Colombia and Ecuador joined

LAFTA in 1961, Venezuela in 1966, and Bolivia in 1967, raising regional membership to eleven.

The LAFTA agreement provided for the creation of a free-trade zone, by means of periodical and selective negotiations between its member states. This choice – negotiation at the discretion of the member states rather than automatic reduction of import duties— made LAFTA trade opening program develop reasonably well in its first years, lose impetus as of 1965, and almost come to a complete standstill in the 1970s. Thus, despite its having stimulated mutual trading between member states, the distance between its original objectives and the results obtained was badly large. To make things even worse, multilateralism –a mechanism that obliged countries that reached a bilateral agreement to expand it further to all the other partners— reduced the advantage of making concessions, as it would carry no compensation by third countries who would also benefit from such concessions.

One of LAFTA's proclaimed principles was reciprocity. It was understood as the obligation by the member countries to expand their imports to the same extent as their exports increase. However, the nonexistence of institutions able to monitor and enforce reciprocity, together with the high asymmetry between the partners, turned the principle into dead letter. LAFTA was indeed composed of three groups: the semi-industrial 'giants' Argentina, Brazil, and Mexico; a middle group led by Chile, Colombia, and Venezuela; and the group of least-developed economies that included Bolivia, Ecuador, and Paraguay. As the benefits of integration were soon perceived to favor predominantly the larger countries at the expense of the smaller ones, the latter started to raise complains that would further lead to the constitution of a subregional group within LAFTA: the Andean Pact.

According to Wionczek (1970: 64), the causes for the failure of LAFTA were “[a] large differences in development levels in the area; [b] the existence of a sizable margin for national import-substitution policies in the large and middle-sized republics; [c] the defence of the status quo by domestic industrial groups thriving behind national tariff walls; [d] the improvement of the traditional export sector leading to a relaxation of the pressure for structural modernization; [e] the aid and credit practices of the capital exporting countries; and, finally, [f] the fear of the predominance of foreign private capital in an expanded regional market.” The first three causes alongside the fifth one have all a common element, namely regional heterogeneity. Such absence of convergence

among Latin American economies, coupled with shared economic and ideological factors cited as causes [d] and [f], would finally decide the fate of LAFTA. As Mace (1988: 413) put it, LAFTA “never really got off the ground and this spill-around situation was maintained throughout the 1970s until the member countries decided to transform LAFTA into the Latin American Association for Integration.”

The Latin American Integration Association (ALADI), created in 1980 to replace LAFTA, used other means to pursue integration. In place of the free-trade zone established by LAFTA, an economic preference zone was established creating conditions favorable to the growth of bilateral initiatives –as necessary prelude to the institution of multilateral relationships in Latin America. ALADI thus made possible subregional agreements limited to the countries wishing to carry out joint action, without compelling them to extend the accorded benefits and concessions unto third countries. Although the establishment of a common market still was a long-term objective, the new Treaty of Montevideo displayed more realism and modesty than the older one. Among its guiding principles, flexibility and gradualism substituted for fixed reciprocity and automatic extension to all partners (García Martínez 1987).

Not only did ALADI favored the internal clustering of countries according to subregional criteria, but it also fostered integration limited to branches or sectors of production. This *fragmentative* spirit aimed at building up the region from its components toward the whole rather than the other way round. Departing from either geographically or sectoral limited agreements, the process would thus progressively converge into a broader uniting (Versiani 1987).

ALADI was (only) slightly more fruitful than its predecessor LAFTA. It simultaneously framed and constituted part of the third wave of regional integration in Latin America, of which Mercosur was to represent the most visible outcome. The renewing of the integrative thrust provided by ALADI also helped reinvigorate hitherto dying regional blocs such as the Andean Pact. The next sections undertake an assessment of the real performance and likely perspectives of the aforementioned subregional attempts at integration, namely those taking place in Central America and in the Andean region.

### ***Subregional experiences: the Central American Common Market***

The Treaty of Managua, signed by El Salvador, Guatemala, Honduras, and Nicaragua, established the Central American Common Market (CACM) in 1960. Costa Rica joined the bloc in 1963. Not only were economic reasons at the origin of the agreement, but also utmost political causes. Among them, the perceived threat put by the Cuban revolution was highly significant (Schmitter 1972), and it partly explains the greater support the new region received from the US respective to that enjoyed by LAFTA.

Created at the same time as LAFTA as part of the first wave of regional integration in Latin America, the CACM "went much further and... was much more responsive to ECLA's proposals than LAFTA" (Mace 1988: 411). By the late 1960s it was widely recognized as "the underdeveloped world's most successful regional integration effort" (Wynia 1970: 319). Measured by the growth of trade within their respective areas, the achievements of the CACM long exceeded those of LAFTA. However, it would not last much longer: the so-called Football War of 1969 between El Salvador and Honduras unleashed a severe blow upon the process –whose difficulties had started before the war in any case.

Initially, the CACM performed remarkably well. By 1965 the level and scope of integration approximated that of a customs union: most internal tariffs had been abolished and a common external tariff on most items had been created (Wynia 1970; Mattli 1999). Furthermore, a number of complementary regional treaties had been signed, and the institutional structure of the bloc was acquiring an ever-growing complexity. This progress was basically due to technical –i.e. non-politicized– management (Wynia 1970), and to the low political and economic costs of integration – since it did not threaten any powerful interests, while the administration expenses were paid by foreign sources (J. Nye, as cited in Wynia 1970; cf. also Mattli 1999). However, the actual fragility of the achievements became apparent as the task of holding the integrative structure together, instead of expanding it, turned out to be the principal concern of regional leaders after the boom of the first years. The result was an expansion in the scope of the tasks performed by an increasing number of regional institutions, without a concomitant increase in the authority of such institutions –that is, in the level of regional decision-making. Schmitter (1970) called this mechanism *spill-around*, to

distinguish it from the expected *spillover* with which neofunctionalists described European integration.

The reasons for CACM failure are still controversial, although most analysts agree that its previous attainments had been overpublicized (Wynia 1970; Wionczek 1970). According to Wionczek (1970: 64), "many of CACM's difficulties prior to the Honduras-El Salvador war were due largely to an overemphasis on regional trade liberalization on the one hand, and, on the other, to a neglect of joint industrial policies." The latter was mainly due to the domination of the regional market by foreign capital, which limited the margin for maneuver of the already weak central institutions –thus turning them unable to develop any kind of special treatment for the less developed members of the integration scheme (Mace 1988: 414). On the contrary, Mattli (1999) claims that it was precisely the role played by a foreign country –namely the US— what explains the initial success of the process. Through the supply of leadership (and resources), the US eased the process of policy coordination and facilitated the reaching of agreements, turning integration into a positive-sum game. However, this argument contradicts accepted accounts on Latin American integration as a means of counterbalancing US dominance (Grugel 1996) without providing conclusive evidence, and does not adequately explain why the process finally failed. At any rate, it is clear that the costs that national governments had to pay for the integration to start were growing over time, until they turned to be unbearable for domestic leaders. In acknowledging this oblivion, Wynia has claimed for bringing the nation-state back in.

**Table 4.1**  
**Central American Common Market: national figures and democratic stability**

	Population (millions)	GNP (\$ billions)	GNP per capita (\$ PPP)	Regime breakdown	Democratization
Costa Rica	4	9,8	5,812	--	1948
El Salvador	6	11,2	4,008	1979	1984
Guatemala	11	17,8	3,474	1963 and 1982	<i>1966 and 1985</i>
Honduras	6	4,6	2,338	1963	1981
Nicaragua	5	1,8	1,896	1979	1990

NB: The bloc was founded in 1960; Costa Rica joined in 1963. Dates in italics designate an elected government that held power by extra-constitutional means. For some countries such as El Salvador and Nicaragua, the 1980s witnessed the first wave of authentic democratization ever.

SOURCE: own elaboration; economic data, corresponding to year 1998, from World Bank Development Indicators 2000.

Local circumstances were decisive for the fate of the CACM. Table 4.1 shows, alongside basic current figures, how all members except Costa Rica have suffered from permanent instability ever. (It should be remarked that, unlike the Andean countries, many Central American countries did not enjoy democratic regimes before the dates signaling a breakdown, regime change therefore meaning an alternation between authoritarian governments.) Traditional authoritarianism, together with political instability and civil strife, made a great deal to hinder the integrative efforts. Wynia (1970: 331) thus focuses on national policymaking in order to challenge the conventional wisdom that depicted "Central American presidents as 'strong men' rather than as insecure leaders constantly harassed by competing power contenders." He insightfully suggests to explore "the effects of the national political roles of presidents on their implementation of regional commitments" (Wynia 1970: 331), an aspect that had been long overlooked –and, strange enough, would continue to be.

In the early 1990s, pacification and democratization led to a revival of the once-moribund CACM (Grugel 1996; Mattli 1999). This time, however, the US would constitute a direct threat to the region instead of a leader, hegemon, or donor, since its participation in NAFTA jeopardizes the position and markets of the CACM by privileging partnership with Mexico. To make things worse, the institutional configuration of the group is so cumbersome as to turn policy coordination and regional decision-making into a colossal feat.

The mechanism of spill-around activated forty years ago has marked Central American integration ever since. As far as regional integration concerns, this is certainly the most disordered and confusing area in the continent. The process of institutional development has been accumulative and non-centralized, and only in 1991 the Protocol of Tegucigalpa –enforced two years later— included all but a few existent organizations under the umbrella of the Central American Integration System (SICA). As late as 1996, however, the region featured eight different levels of country participation in schemes of cooperation and integration, with associations ranging from two through nine countries without solution of continuity (see Table 4.2).



**Table 4.2**  
**Level of country participation in Central American schemes of regional cooperation and integration, 1996**

Integration scheme	Number of members	Member countries
Customs Union	2	Guatemala and El Salvador
Northern Triangle	3	+ Honduras
Central America-4 (common parliament)	4	+ Nicaragua
CACM	5	+ Costa Rica
Central American Integration System	6	+ Panama
ALIDES (Sustainable Development Alliance)	7	6 + Belize
CORECA (Council of Agrarian Coop.)	8	6 + Mexico and Dominican Republic
OIRSA (Agrarian Health)	9	6 + Belize, Mexico and Dominican Republic

SOURCE: CEPAL-BID 1998: 30.

The fact that Central American institutions did not emerge as a coherent system, but were built along disparate stop-and-go processes, left as imprint a still messy and mostly inefficient web of entities (CEPAL-BID 1998). Schmitter (1970) thought such a muddle was a feature of the whole process, not just of its institutions. In his words, “the Central American process has never... been a movement rooted in widespread satisfaction, identity of purpose or consensus on basic values. Rather it has developed from a series of crises related to uneven performance, periodic dissatisfactions and conflicting purposes” (Schmitter 1970: 48). As early as 1970, his prognosis was that *economic* integration in Central America would probably survive the Football War, but *political* integration would probably not. By the late 1980s, it was not exaggerated to affirm that he might have been too optimistic. However, only shortly thereafter, Central America would undergo a firm shift toward both democratization at the national level and the relaunching of integration at the regional level. The institutionalization of the presidential meetings as of 1991 was, according to a joined report by the CEPAL (ECLA) and the *Banco Interamericano de Desarrollo* (1998: 35), “*un factor clave en el renovado dinamismo del proceso de cooperación e integración en Centroamérica, y ha ... permitido lograr avances de significativa importancia para el desarrollo regional.*” So-called ‘collective presidentialism’, if something, has given an important contribution to the revival of Central American integration; however, it still is a languid process with much way to go before becoming what it once aspired to be.

### ***Subregional experiences: the Andean Community***

The Andean Pact (or Andean Group), predecessor of the Andean Community (CAN), was established in 1969 within the framework of LAFTA. Together with CARICOM, it formed part of the second wave of integration processes in Latin America and the Caribbean. Its goals were to improve the conditions for participation of the less developed countries encompassed by the LAFTA agreements, while simultaneously aiming at the gradual formation of a Latin American Common Market. Five countries signed its founding treaty, the Cartagena Agreement: Bolivia, Colombia, Chile, Ecuador, and Peru. Venezuela joined the group in 1973, but Chile withdrew in 1976. The Andean Group constituted an agreement stemming from, and depending on, the Treaty of Montevideo, and would not acquire juridical autonomy until 1983, when the *Tratado de Creación del Tribunal de Justicia del Acuerdo de Cartagena* entered into force. In the 1990s, after a period of stagnation and crisis, the integration process was relaunched and its institutional structure was strengthened.

The emergence of the Andean Pact was a direct response to LAFTA's failure, and its integration scheme was more far-reaching than anything ever before realized in this field in all of the Third World (Mace 1988). Two main features characterized it. At the economic level, it relied on two parallel processes: inter-regional trade liberalization and regional industrial planning. At the political level, it created a decision-making structure including two main institutions, the *Commission* and the *Junta*, whose respective majority-rule voting and binding supranational authority were as ambitious as exceptional.<sup>19</sup> An additional element was an extensive program of special treatment for the less developed countries in the group (i.e. Bolivia and Ecuador).

The process of Andean integration had started in 1966 when two democratic presidents, those from Chile and Colombia, invited their counterparts to examine alternative courses of action to LAFTA. The subsequent instability of democracy in most partner countries would become a major liability for the process, whose origin and development were boldly marked by the character of the domestic political regimes.

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<sup>19</sup> Within the intergovernmental Commission, responsible for all the major decisions concerning the integration process, no member country was allowed to unilaterally veto community decisions except on very important subjects. In turn the Junta, endowed with administrative, agenda-setting, and decision-implementation functions, enjoyed supranational powers that entitled it to take resolutions binding on all member countries—at least formally (Mace 1988).

Table 4.3 shows, alongside basic current figures, how all founding members except Colombia were undergoing democratic breakdowns around 1970.

	Population (millions)	GNP (\$ billions)	GNP per capita (\$ PPP)	Democratic breakdown	Democratic restoration
Bolivia	8	8,0	2,205	1971	1982
Chile	15	73,9	8,507	1973	1990
Colombia	41	100,7	5,861	--	--
Ecuador	12	18,4	3,003	<i>1970/72</i>	1979
Peru	25	60,5	4,180	1968 and 1992	1980 and 1994
Venezuela	23	82,1	5,706	<i>1999</i>	--

NB: The bloc was founded in 1969; Venezuela joined in 1973, Chile withdrew in 1976. Dates in italics designate an elected government that held power by extra-constitutional means.

SOURCE: own elaboration; economic data, corresponding to year 1998, from World Bank Development Indicators 2000.

Although the Andean Pact performed quite satisfactorily in its early years, the enlargement to Venezuela and the withdrawal of Chile generated a succession of major crises. Given the complexity of the Andean integration scheme, those events led to the renegotiation of some important mechanisms of the process and, in the end, to the complete abandonment of the original integration schedule (Mace 1988). Apart from the rigidity of the Agreement, the failure was given many other reasons: (a) unequal distribution of costs and benefits, (b) politicization of integration issues, (c) incompatibility of national policies, (d) non-compliance of the member countries with the Andean Decisions (Vargas-Hidalgo 1979), (e) great political instability, and (f) lack of regional leadership (Mattli 1999). While causes (c –incompatibility) and (e –instability) were basically domestic, the others were intrinsic to the integration endeavor. Among them, two variables were related to power issues –both (a -distribution) and (f - leadership)— and still two to institutional issues –both (b -politicization) and (d -non-compliance). One of the recipes proposed to overcome the crisis was to build regional institutions able to settle conflicts between members, and so was done. The result was the creation of the *Court of Justice* and the *Andean Parliament* in 1979.<sup>20</sup> However, this institutions lacked real weight –due to, in neofunctionalist terms, the precedence of form

<sup>20</sup> The Court entered into activity in 1983; the Parliament is still comprised of representatives of the national congresses, but plans are laid for that they be directly elected by 2002.

over function. The integration process would not see the light at the end of the tunnel until 1987, when the Quito Protocol was signed in order to flexibilize the working mechanisms of the bloc.

**Table 4.4**  
**Andean Integration System**

Ruling Bodies	Community Institutions
Andean Presidential Council (intergovernmental)	Andean Business Advisory Council
Andean Council of Foreign Ministers (intergov.)	Andean Labor Advisory Council
Commission of the Andean Community (supranat.)	Andean Development Corporation (CAF)
General Secretariat (supranational)	Latin American Reserve Fund (FLAR)
Andean Parliament (supranational)	Simón Bolívar Andean University
Court of Justice (supranational)	Social Conventions

The renewed institutional structure of the Andean Pact was broader and deeper than that of any other region in Latin America –incidentally, as it had also been since its very origins. Nevertheless, it was not until all presidents met in 1989 that the region firmly embarked on a process of deepening and opening; and the setting of the *Andean Presidential Council* in 1990 was to consolidate such a bid. The Presidential Council is comprised by the presidents of the member countries, and constitutes the highest-level body of the Andean Integration System (AIS). In turn, the AIS is the series of bodies and institutions that, working in coordination, directs the process of integration and governs over its operation (Table 4.4).

In 1997 the Junta became the *General Secretariat of the Andean Community*, the executive body of the renamed bloc, while the *Commission* kept its role as central rule-maker. Today, the legal principle of direct effect and the preeminence of the community law make the Andean Community the second region in the world according to the level of *formal* institutionalization, only behind the European Union. Its economic record, however, is far less impressive. Although a free trade zone is in force since 1993 –first between Bolivia, Colombia, Ecuador and Venezuela, with Peru being incorporated later— and a common external tariff is operative since February 1, 1995, not economic development but social turmoil, political instability and economic failure have been the mark of the region. Furthermore, a brief war between Ecuador and Peru was waged in 1995 on grounds of territorial disputes. The balance of the process could not be more ambiguous: despite the highly institutionalized organization and the commitment to

establish a common market by the year 2005 at the latest, the Andean countries have not yet succeeded in creating a region of peace, stability and development. As a result, some of them have opted for negotiating complementary agreements with third countries or regions (e.g. Colombia and Venezuela with Mexico, and Bolivia with Mercosur).

The stages of the Andean integration process can be summarized as follows: a first, brief period of progress from 1969 to 1973; a long period of stagnation and crisis between 1973 and 1987/89; and the relaunching of the process since then. Yet the last two stages were not homogeneous: while the apparent failure of the earlier covered a wide process of broad institution-building, the apparent success of the later disguised a serious crisis between 1991 and 1994, a series of democratic comedowns, and even a war between two member states.

Whatever the appraisal regarding the performance of the Andean Community may be, most authors agree that any lately success should be acknowledged to one major institutional actor: the Andean Presidential Council. Lloreda Ricaurte, who served as General Director of the Andean Secretariat, observed that *“la participación activa de los presidentes [en el Consejo Presidencial Andino] ha sido un factor de primer orden en la consolidación y la profundización del proceso andino de integración”* (Lloreda Ricaurte 1988: 121). Likewise, Majluf (1999: 84) pointed out that *“esta instancia fue la responsable de la reactivación del proceso de integración a partir de 1989.”* It came as no surprise that the crisis undergone by the region between 1991 and 1994 coincided with the lapse in which the Presidential Council did not meet –basically due to the temporal suspension of Peru in the wake of Fujimori’s 1992 *autogolpe*. From 1995, *“el Consejo Presidencial Andino se reúne nuevamente retomando el liderazgo del proceso de integración, lo que se plasmó posteriormente en la reforma institucional del sistema de integración andino, en la creación de la Comunidad Andina, y en la profundización y aceleración del proceso de integración”* (Majluf 1999: 84). Along the same line, da Cruz Vilaça remarked on the crucial role performed by the presidents in supporting the process and reforming the regional institutions. In his words, *“após uma fase ‘convulsiva’ de 1991 a 1994, a melhoria do clima de confiança entre os países andinos, a realização da integração econômica através da instauração de uma zona de comércio livre, a adoção de uma tarifa exterior comum e a decisão de arrancar para a harmonização das políticas macroeconômicas e o início da participação activa dos presidentes andinos no processo de integração criaram o incentivo e as condições*

*contextuais para a reforma das instituições andinas”* (da Cruz Vilaça 1999: 429/30). As in the Central American case, democratic presidentialism seems to have provided a basis for the region to overcome some of its traditional weaknesses –although the Andean Community still remains far from a wholly successful one.

**Conclusion (on scarce convergence and inadequate institutionalization)**

Before the 1990s, all attempts at integration in Latin America failed due to different factors. Summing up, as most significant among them can be cited (a) the low level of prior interdependence, (b) the scarce convergence regarding levels of development and economic policies, (c) the political instability brought about by the frequent breakdowns of democracy, and (d) the adoption of either too weak or too rigid regional institutions. As will be dealt with below, Mercosur also suffered from the two former drawbacks, but was still able to overcome them –at least in part— via the stability of democracy and the prudence in choosing an adequate and flexible institutional structure. The case I make is that the latter two were somehow connected, since a specific institutional type of democracy articulated with a loose regional institutionalization to bolster the process. Both the Andean and the Central American region started to follow a similar path after years of unequivocal failure.

**Table 4.5**  
**Historical factors for integration failure**

		Character	
		Political	Economic
	Domestic	Democratic instability	Underdevelopment and zigzagging policies
Scope	Regional	Inadequate institutionalization	Low interdependence

Table 4.5 classifies the four factors of failure above cited according to two criteria: character (either political or economic) and scope (either domestic or regional). What strikes the most is that recent progress in Latin American regionalism was due to political factors, not to economic ones –which have not changed a great deal. This come back of politics should not be such a surprise though. Haas (1967: 338-9) had already called attention to the fact that, given that political parties and parliaments were not regarded as “sufficiently central to the political process in some Latin American countries to serve the function their counterparts played in Europe”, technocrats were frequently encouraged to take their place as brokers within the integration process. Henceforth, it

was the failure by Latin American *técnicos* to accomplish such role what led to the stagnation or reversal of most integrative endeavors until the late 1980s, when leading politicians decided to take the task on them.

**Table 4.6**  
**Outcomes of integration schemes**

		(Uncontested) regional leadership	
		YES	NO
(Potential) market gains from integration	Relatively significant	3 European Union NAFTA Zollverein EFTA (until 1973)	2 EFTA (after 1973) Asia Pacific Economic Cooperation Forum (APEC) MERCOSUR
	Relatively insignificant	2 CACM (until 1969)	1 Bavaria-Württemberg Customs Union Middle German Commercial Union Economic Community of West African States ASEAN CACM (after 1969) Andean Pact Caribbean Community LAFTA

REFERENCES: success rate: 3 = highest; 1 = lowest.

SOURCE: Mattli 1999: 66.

The historical mismatching between economic interests and political arrangements has frequently been noted, especially along the last two decades. Grugel and Almeida Medeiros (1999: 56) argue that “integration in LAC failed in the past because of a lack of real economic interests between LAC firms, despite the complex *de jure* structures of integration that were created.” Likewise, Mattli focuses on demand and supply of integration as *sine-qua-non* conditions for success, the latter being indisputable political. He argues that, once “political leaders are willing to initiate an integration process, chances of sustained success are greatest if two strong integration conditions are satisfied: first, a regional group stands to reap important gains from integration; second, the group is led by a country able to serve as an institutional focal point and regional pay-master” (Mattli 1999: 64-5). The classification of integration schemes according to Mattli’s criteria is displayed in table 4.6. This typology has two main drawbacks though: first, it does not account for differences concerning the level of integration; to cite an instance, NAFTA cannot be plausibly compared to the European

Union as if they were equivalent entities –not to speak of the Zollverein. Second, the model does not explain the character of regional institutionalization either; in so doing, it neglects the crucial difference between the presence and absence of supranational decision-making bodies. Besides, the argument stating Germany’s role as the so-called ‘benign hegemon’ in Europe is quite controversial –as developed in chapter 2; and so is his interpretation of the US as regional paymaster in the first years of the CACM. Finally, Mattli does not measure the ‘success rate’ of the regions but offers instead a rather impressionistic valuation, thus diminishing further the accuracy of his insights.

Be that as it may, the turn of the last decade meant a watershed in what Latin American integration regards. The birth of Mercosur in the first place, but also the relaunching of both the Andean and the Central American regional efforts, may well be marking a new beginning –although it is still too early to say. Many were the factors that brought about such a revival; crucial among them were the restoration (or inauguration!) of democracy all across the region, the resolution of border and military conflicts, and the homogenizing constraints that the national economies ought to face in the wake of global processes. And still, economic interdependence was absent from the picture. As illustrated above, what accounted for the relative success of the new attempts was a political variable, not an economic one. In short, it was the direct involvement of the national presidents the institutional novelty accompanying the regional renaissance. Table 4.7 displays the key dates of all three subregional processes, showing how their momentous transformations took place only after the establishment of decision-making bodies made up of the national presidents.

**Table 4.7**  
**Latin American sub-regional institutionalization**

Start of regional integration	Momentous transformation of the process	Foundation of Regional Parliament	Foundation of Regional Court of Justice	Establishment of Presidential Summits
1960	1991	1987	1992	1987/91
1969	1996	1987	1983	1989
1991	--	--	--	1991

NB: Mercosur data is spelled out in chapter 5.



Even close witnesses to the events failed to foresee the possibilities opened up by the direct intervention of the presidents as a working mechanism. For instance, Carlos García Martínez (1987), who served as president of the Argentinean delegation to LAFTA-ALADI from 1976 through 1986, believed that the absence of *homogeneity* (“the most fundamental law of integration”) between Argentina and Brazil exceeded the limits of the flexible framework provided by ALADI. According to his view, the Treaty signed in 1985 between Argentina and Brazil went beyond the real possibilities of these countries to enforce and accomplish it, and slipped back into some of the false beliefs that led to the building and failure of LAFTA. In fighting against “the myths of Latin American integration” he fell into the same pitfall he was intended to disclose, since even the myth of Latin American eternal failure could sometime be proven wrong.

## CHAPTER 5

### THE SUCCESSFUL EXPERIENCE OF MERCOSUR

#### *Introduction (what?)*

Mercosur, Spanish acronym that stands for *Mercado Común del Sur* (Common Market of the South), is a political and economic association consisting of Argentina, Brazil, Paraguay, and Uruguay as full members. These countries share the territories located in the southern extreme of South America, the so-called Southern Cone, along with Chile –which is also an associate member of Mercosur. The other associate member, Bolivia, is socially and economically split between an Andean and a Southern alignment, the latter gaining weight lately. The region mainly develops toward the South Atlantic Ocean, despite Brazil's vicinity to the Caribbean basin and Chile's increasing interaction with the Pacific rim countries.

Established in 1991, Mercosur is one of the most notorious members of the third wave of integration throughout the Americas. Its sister region, as far as timing regards, is the North American Free Trade Agreement (NAFTA), located at the other extreme of the continent. However, whereas the latter comprises three countries with different levels of development, Mercosur gathers only developing countries. In addition, it is a pure Latin American group, what plausibly makes its success even more puzzling.

Mercosur has changed, by the mid-1990s, what was a free-trade zone among its member countries into a customs union, with a long-term goal of becoming a common market. Such an organization constitutes one of the most developed forms of regional integration, only transcended by the economic union. Beyond this broad substantive classification, it should be noted that the shape assumed so far is distinctive of the region, thus different from any previous or contemporaneous experience. As observed by Peña (1998a: 2), Mercosur is “*un caso de regionalismo abierto en el marco de la Organización Mundial de Comercio,...un proceso de integración original que no sigue necesariamente una metodología similar a la empleada en Europa.*”

In 1999, Mercosur covered an area with over 205 million inhabitants and has an overall Gross Domestic Product (GDP) of nearly 1,100 billion dollars –more than 50 percent of the Latin American GDP<sup>21</sup>. It has become the most successful case of

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<sup>21</sup> Latin America consists of nineteen countries, including Cuba and excluding Puerto Rico. The figures are from the World Bank report, 1997.

integration among developing countries, due to its concept of open regionalism as much as to its members' performance regarding rapid economic growth, inflation taming, and structural reform (privatization, deregulation and trade opening). As for the credibility of the new policies, it is not of little importance that they were accomplished within the framework of sustained processes of democracy consolidation.

The most evident accomplishments of Mercosur have been a notorious increase in intra-regional trade –along with a parallel increase in extra-regional trade (see Tables 5.1 and 5.2)—, a strong augmentation of direct foreign investment (see Table 5.3) and a growing international interest in Mercosur by investors as well as by governments and technicians (Nofal 1997b). Whilst the first indicator shows that trade creation surpassed trade diversion (see Table 5.2) –thus denying the negative visions of some World Bank reports (Yeats 1997)—, the latter ones show how Mercosur opened its way through the global economy, becoming a target of greater interest for businesses and impinging on the strategies of enterprises and governments from outside the area. As the two largest economies of Mercosur, Argentina and Brazil, are reckoned as global traders, any restoration of the policies of economic closure would harm them rather than benefit. Such an objective fact bestows additional credibility to the integration project. Furthermore, the region's new orientation made that its constituent countries be seen under a new light. As acknowledged in *The Economist*, “in just five years Mercosur has already done much to help its members feature on the world's map for the new century” (Reid 1996: 30).

**Table 5.1**  
**Mercosur: Indicators of Interdependence**

	Intra-zone exports as a proportion of GDP		Intra-zone exports as a proportion of total exports	
	1991	1997	1991	1997
Argentina	1.04	2.86	16.5	36.2
Brazil	0.60	1.17	7.3	17.1
Paraguay	4.18	7.48	35.2	62.0
Uruguay	5.58	6.67	35.4	51.4
Mercosur	0.86	1.80	11.1	24.7

SOURCES: Informe Mercosur N° 3 (1997: 7) and Bouzas (1998: 219).

**Table 5.2**  
**Mercosur trade (imports) 1985-1996: creation, not diversion**

	US\$ millions			Percentage of variation		
	1985	1990	1996	1990-85	1996-90	1996-85
Intra-Mercosur	1.848	4.241	17.060	129.5%	302.3%	823.2%
Extra-Mercosur	17.418	25.061	67.370	43.9%	168.8%	286.8%
Total	19.266	29.302	84.430	52.1%	188.1%	338.2%

SOURCE: Nofal (1997b: 74).

**Table 5.3**  
**Share of Mercosur and others in direct investment flows to developing countries**  
 (percentage over DIF to Developing Countries excluding China)

	1984-1989 (annual average)	1991	1995	Variation 95/91
Mercosur	10.6%	9.9%	14.7%	48.8%
Chile	3.1%	1.4%	4.9%	243.4%
Mexico	12.2%	12.8%	11.2%	-12.4%
India	0.7%	0.4%	2.8%	637.8%
Thailand	3.4%	5.4%	1.0%	-81.1%

SOURCE: Secretaría de Relaciones Económicas Internacionales de la República Argentina (1996: 14).

Despite its definite economic dimension, Mercosur has since the beginning had broader aims. It was conceived as more than merely business. Its founding members saw the future of Mercosur including the consolidation of a peace and security community in the subcontinent, the development of a social and cultural area that shares common historical roots, and an area capable of responding to global challenges—such as the debt crisis of the 1980s—in a coordinated way. In the short run, however, the main political stress was placed on the guarantees for democracy that such a rapprochement between Argentina and Brazil, the two strongest powers of the region, could bring about (Schmitter 1991; Hurrell 1995; Lafer 1997; Fournier 1999).

The success of Mercosur can be seen as the firmest step towards the achievement of the *libertadores*'s dream: a free, united and borderless Latin America. Government officials, as well as local analysts, frequently say that the four countries' giving birth to the region have not only responded to the new challenges they faced, but also to their huge history in common. It is, however, difficult to sustain that integration was a firm goal for generations of descendants of Portuguese and Spanish conquerors and settlers –

or indeed for the first original inhabitants of these lands and those brought later from Africa. Given that previous attempts at integration have all failed forcibly, it should be assumed that the success of Mercosur so far depends on more recent developments; among them must be especially underlined those which have taken place since the end of the last dictatorships (Lafer 1997; Peña 1998b).

***History: antecedents and early evolution (when?)***

The current integration process can be reckoned as beginning in the 1980s, when the democratization processes were initiated in the region. Democracy would consequently become one of the main goals as well as an indispensable condition of support for the reached agreements. However, the first steps were taken in 1979, under the military presidencies of Jorge Videla in Argentina and João Figueiredo in Brazil. That year both countries, together with General Ströessner's Paraguay, signed a trilateral agreement regarding the Paraná basin. This agreement settled many disputes on the use of hydric resources in the region, including the inconveniences and perceived threats to Argentina that would have been created by the construction of the giant Itaipú dam (Lafer 1997).

The Malvinas/Falklands war allowed for a second crucial stage –the building of confidence and the emergence of a shared self-perception *vis-à-vis* world politics (Peña 1988; Lafer 1997). In that occasion Brazil assumed a position that, despite its reluctance to support the use of force, explicitly endorsed Argentina's right to the islands. Such a stand was in harmony with most of Latin America –except Chile; but it was all the more significant because Brazil was not only the largest Latin American power, but also Argentina's traditional rival.

The third step, giving rise to lasting cooperation ranging from economic matters through issues such sensitive as atomic power, was set off by the new democratic leaders of the 1980s. Elected in 1983 and 1985 respectively, both Argentina's Raúl Alfonsín and Brazil's José Sarney decided to engage themselves in a process that would have been unlikely to succeed without their strong commitment. Within the frame of the more general treaties, Argentina and Brazil signed twenty-four bilateral protocols with the purpose of improving trade between 1984 and 1989. In 1985, they signed the *Declaration of Foz de Iguazú*, which laid the bases for future integration and created a High Level Bilateral Commission to foster the process. The crucial Argentine-Brazilian

Integration Act (*Acta para la Integración Argentino-Brasileña*) was endorsed in July 1986 in Buenos Aires, setting the Integration and Cooperation Program (*Programa de Integración y Cooperación entre Argentina y Brasil - PICAB*). As widely acknowledged later, this agreement constituted a turning point in the history of relations between these two countries, and in fact can be seen as the embryo of Mercosur. The change was substantially due to the role the newly appointed democratic presidents had decided to play in the regional scenario. Arguably, neither the globalization pressures nor the bare democratization process would have been sufficient to overcome the secular distrust between Argentina and Brazil, including as it did military cooperation and the mutual inspection of their nuclear installations.<sup>22</sup>

In 1988, during the same presidential tenures, the Treaty on Integration, Cooperation and Development (*Tratado de Integración, Cooperación y Desarrollo*) was signed. Conceived of as the culmination of a process of mutual recognition and confidence building, it instead turned out to be a crucial step into the next phase of the new relationship. Towards the end of 1990, Argentina and Brazil signed, and registered with ALADI, an Agreement on Economic Cooperation (*Acuerdo de Complementación Económica*) that systematized and deepened pre-existing bilateral commercial agreements. That same year, representatives of both countries met with Uruguayan and Paraguayan authorities, which expressed their willingness to participate in the ongoing integration process. The result was an agreement to create a common market among the four nations.

During the period running between the signature of the PICAB and the creation of Mercosur in 1991, a versatile institutional arrangement was settled in order to keep the process working. Its main features were the direct participation of high officials in the negotiations, under the coordination of the Foreign Ministries; the meeting of a six-monthly presidential summit; the high profile of bilateral diplomatic channels, especially the ambassadors in every capital; and the nonexistence of common bodies integrated by independent experts (Peña 1998b). Most of these characteristics, imprinted by maximum pragmatism and flexibility, were to maintain along the further stages of the process despite the endowment of some formal structures.

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<sup>22</sup> Along with the main Treaty the presidents signed a Joint Declaration on Nuclear Policy (*Declaración Conjunta sobre Política Nuclear*). For further developments on nuclear cooperation, cf. Hirst and Bocco (1989).

### ***The institutional structure of Mercosur (what like?)***

Three main documents established the normative structure of the nascent region: the Treaty of Asuncion, the Brasilia Protocol, and the Ouro Preto Protocol. The first defined the general criteria of Mercosur, leaving open its definitive profile and linking it to the results of the negotiations to be carried out during the transition stage. The second set up a mechanism for the resolution of controversies, instituting as highest instance an *ad-hoc* arbitrage system instead of a permanent Court of Justice. The last settled the current bodies of Mercosur, and rendered the association an international juridical actor. These institutions are briefly reviewed in the remainder of the section.

On March 21, 1991, the Presidents and Foreign Ministers of Argentina, Brazil, Paraguay, and Uruguay signed the Treaty of Asuncion, for the "constitution of a Common Market" between their countries. This treaty included the elaboration of a trade liberalization schedule, the coordination of macro-economic policies, the setting of a Common External Tariff and other commercial norms and regulations, all to be in force from January 1, 1995.

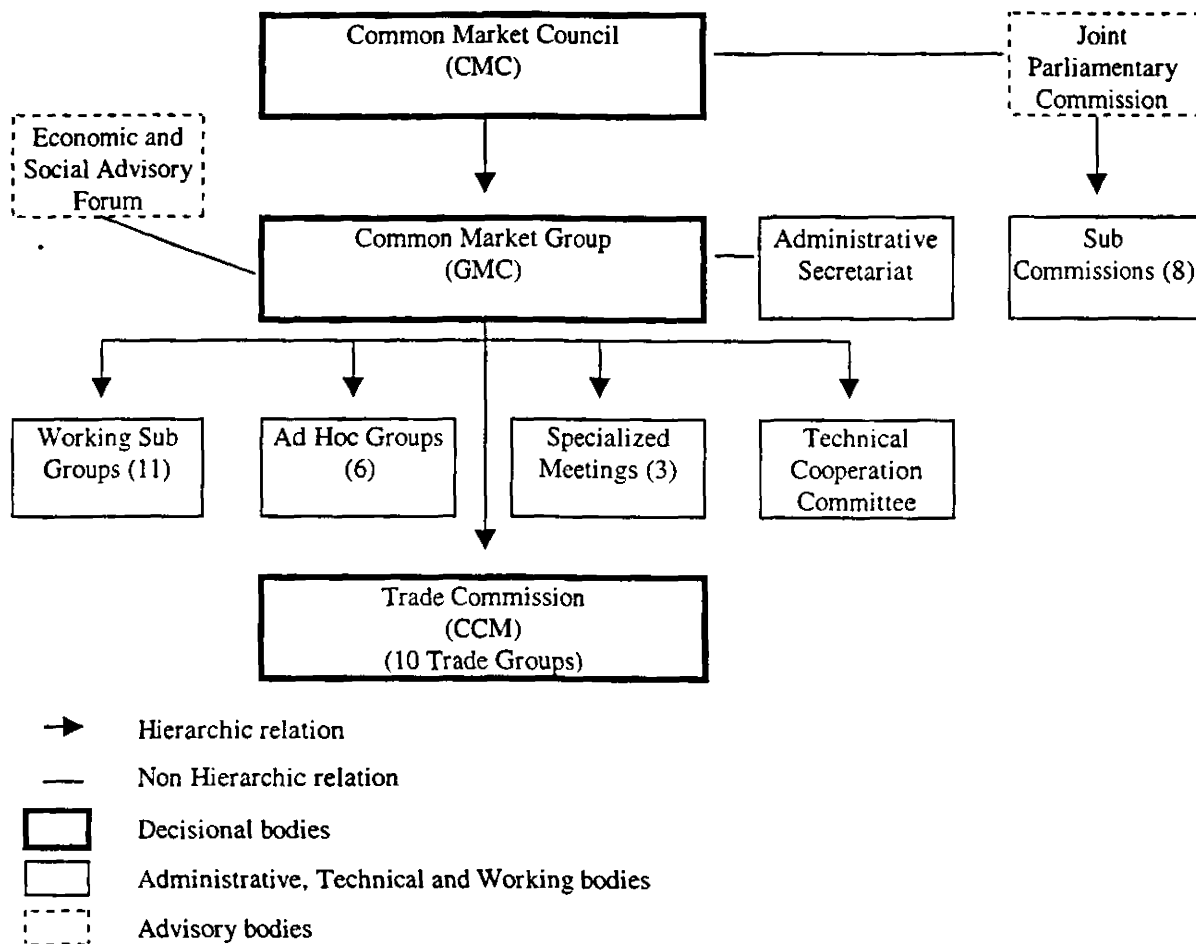
However, this "framework agreement" goes beyond mere economics, and in fact covers other areas such as the environment, education and health. The democratic ideal is also deeply embedded in the text, and "economic development with social justice" together with "the improvement of life conditions of their inhabitants" are emphasized. The principles underlying this quadrilateral treaty were explicitly based on the goal of achieving the common welfare of their populations. Last but not the least, the agreement was made with broader regional vocation, thus leaving open the possibility of future adhesion to the other ALADI member countries.

To fulfill the Treaty of Asuncion, in December of that same year Mercosur countries signed the Brasilia Protocol, technically called Dispute Settlement System (*Sistema de Solución de Controversias*), as the highest means to solve disagreements within Mercosur. It established a three-instance mechanism of conflict resolution: direct negotiations, the GMC intervention (see below), and the call of an arbitrage procedure to be carried out by an *ad hoc* tribunal of experts.

Until December 31, 1994, Mercosur had a temporary institutional structure that comprised the transition period established by the Treaty of Asuncion. Therefore, on December 17, 1994, the incumbent Presidents and the Foreign Affairs Ministers of

Argentina, Brazil, Paraguay and Uruguay signed the Ouro Preto Protocol, which established Mercosur administrative and political bodies.

**Figure 5.1:**  
**Mercosur institutional structure (1998)**



At the highest level of this hierarchic structure is the Common Market Council (*Consejo del Mercado Común - CMC*), consisting of the Foreign Affairs and Finance Ministers of each member country. A step below, playing the role of executive power, it is the Common Market Group (*Grupo Mercado Común - GMC*) composed of 16 members representing the Foreign Affairs and Finance Ministries and the Central Banks of each country. Below this is the Mercosur Trade Commission (*Comisión de Comercio del Mercosur - CCM*), in charge of helping the GMC and watching over the application of the instruments of common trade policy. The Joint Parliamentary Commission (*Comisión Parlamentaria Conjunta - CPC*) is the representative agency of Mercosur national parliaments. The Economic and Social Advisory Forum (*Foro Consultivo Económico y Social - FCES*) represents the economic and social sectors of each member



country. Last, the Mercosur Administrative Secretariat (*Secretaría Administrativa del Mercosur - SAM*), with a permanent seat in the city of Montevideo, gives operative support and is responsible for the coordination of the other Mercosur agencies (see Figure 5.1).

Another transcendental decision that arose from the Ouro Preto Protocol was to confer legal personality to the Mercosur, transforming it into a subject of public international law and allowing it to relate as a bloc with third countries, economic groups and international organisms. The four countries also agreed on the ultimate version of the Common External Tariff (CET, or *Arancel Externo Común*), with convergence schemes for common exceptions, and other necessary instruments for the establishment of the Free-Trade Zone and the Customs Union from January 1, 1995.

With the signing of the Treaty of Asuncion, the member countries had committed themselves to establishing the Common Market as from December 31, 1994. The Ouro Preto Protocol reset the original, narrow timetable and, in acknowledging the constitution of a Customs Union among the four nations, made the integration process more flexible. The Union, albeit incomplete, started to work on January 1, 1995, as an intermediate step to the expected conformation of the Common Market.

It was impossible to immediately apply all the principles of the new Customs Union, as the national economies needed time to adapt to the new rules. The member states therefore agreed on a transitory regime (*Régimen de Adaptación*) and a number of Exception Lists (*Listas de Excepción*), by which some products in the commerce between the four countries would continue to pay tariffs for a limited time. According to the established schedule, the major convergence was to become effective in 1999 for the two larger members, and in 2000 for the rest of the member countries; the Customs Union was expected to be in full effect on January 1, 2006.<sup>23</sup>

Regarding Mercosur associates, on their way to further engagements in the eventual enlargement process, a free trade agreement with Chile came into being as from October 1, 1996, and with Bolivia as from February 28, 1997. A similar accord with the Andean Pact was expected to become effective by 2000, but this deadline was later

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<sup>23</sup> As from 1995, the CET comprised the 85% of the trade universe, featuring an average of 14% and a maximum of 20%. The remainder ranges from 0% to 35%, the main exceptions being capital goods, computing equipment, and telecommunications; the data of convergence on a single tariff were stipulated for 2001 for the former and 2006 for the latter two, as already mentioned (Ferrer 1995).

extended. As for bilateral and multilateral relations with the outer world, Mercosur has signed general agreements (*Acuerdos Marco*) of association with the United States on investment and trade in Washington on June 19, 1991, under the so-called “4+1” arrangement; with the European Union on inter-regional cooperation and political coordination on December 15, 1995; and with the Central American Common Market (*Mercado Común Centroamericano*) on trade and investment on April 18, 1998. Mercosur is currently negotiating, together with the thirty other countries of the western hemisphere, the constitution of the Free Trade Area of the Americas (FTAA, or *Área de Libre Comercio de las Américas - ALCA*), to enter into force in 2005.

Thus, at the threshold of the new century, Mercosur was facing the challenge of perfecting the Customs Union and deepening the integration process towards the Common Market. Until 2000, the many hazards it had confronted—the Tequila crisis in 1995, the Asian crisis in 1998/9, the Brazilian and Paraguayan presidential impeachments in 1992 and 1999 respectively—were due to either international crises or national turmoil or both, not to the integration process *per se* (Nofal 1997). Worse, stagnation in the current stage could not only jeopardize the very core of the project but also reverse it. For Mercosur to subsist a progressive inertial dynamics is needed, as expressed by the bicycle-tricycle metaphor (Schmitter 2000); otherwise, it risks becoming a replication of the EFTA (European Free Trade Association) rather than of the European Union.

The next tasks will be to confront the sensitive issues of discipline concerning incentives and fiscal harmonization, reciprocal opening for services and governmental purchases, stronger macroeconomic coordination, and more reliable treaty and regulation enforcement (Bouzas 1996; Lavagna 1996; Nofal 1997; Peña 1998b). As to the enlargement to new partners, the fear of the “*aladización*” of Mercosur<sup>24</sup> is likely to keep the issue frozen in the short run. Nevertheless, the strengthening of the links with Bolivia and Chile may prepare the field for their future incorporation as full members; in fact, since the signing of the association agreements all six countries have participated in the main conferences and summits of the bloc. The hardest endeavor to be dealt with appears to be monetary convergence. As Europe did in Maastricht, Mercosur countries

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<sup>24</sup> The concept makes reference to ALADI, and evokes periphrastically the preoccupation about the neutralizing consequences for the integration that an enlargement, previous to a stronger consolidation of the region, could bring about. Mentioned by former Argentina’s president Raúl Alfonsín in *Clarín* (March 1999).

will probably need to set some common economic criteria that allow them go further in the process of integration.

***The particular origin and development of Mercosur (how?)***

To account for the emergence of an integrating region is not the same as to explain its further progress (Haas 1964). On the contrary, many approaches would argue that any concession on sovereignty could be seen as the consequence of a contingent necessity, brought about by a temporary weakness in the nation-state power that needs to be overcome. Consequently, no subsequent progression is to be assumed from regional agreements –states do not go bankrupt, it is said; nor do they commit suicide, delivering their sovereign powers to other entities if they can avoid it. Other theories stress instead the feedback effect of the first moves towards integration, whether it be called spillover or not. However, none of these theories attempts to allocate the same causes to the origin and the continuation of an integration process.

While the factors that set off a process are not necessarily equal to those that keep it going, other variables likely to have a relevant impact on both stages may either change or hold. Many were ignored or at best taken for granted in the first theorizing efforts to grasp the move towards integration in Europe; among the most significant was the democratic condition of the contracting states. Later studies (Karl 1989; Schmitter 1991) demonstrated that this neglected factor was not trivial but crucial. Further research has been conducted in order to appraise the extent to which domestic regimes impinge upon international cooperation and regional integration (Putnam 1988; Schmitter 1991; Russell 1992; Remmer 1994; Moravcsik 1997). Yet the main distinction was made between democratic and authoritarian rule, somehow overlooking the differences within each type of regime. In this respect, as long as the homogeneity of these types was presumed, the kind of democracy –whether presidential or parliamentary, consociational or majoritarian— was ignored. Lately, new democracies and new regions, increasingly widespread over the last decade, allow –or indeed demand— us to test the accuracy of such an assumption.

In order to understand the reasons for the creation of Mercosur and its progress, many theories of integration should be considered. It is worthwhile reviewing the most plausible of them while offering empirical evidence to check their applicability.

Intergovernmentalism has a strong case to make, Moravcsik being its main defender. He applies “an alternative theory of foreign economic policy” (1998: 6) to explain the emergence of integrative efforts. In this approach, economic interdependence is seen as a strong condition for integration. The working mechanism would consist in the impact that increasing exchange has on the capability of single states for individually managing higher levels of complex interaction. Export dependence and intra-industry trade are thus reckoned to generate the strongest pressures for trade liberalization, which in turn is the main cause for integration. Although Moravcsik himself recognizes that the empirical data “are more suggestive than conclusive” (1998: 496), he argues against geopolitics as alternative explanation, and especially against regional particularities as a reasonable basis for explaining regional integration. Table 5.4 gives the data that support the political economy hypothesis, by showing that Europe is the most natural region to embrace integration, and Pacific Asia the least likely to set off a similar process.

**Table 5.4**  
**Regional trade dependence of Germany, United States and Japan as a proportion of GNP, 1958 and 1990**

	Intra-Regional Trade/GNP (1960)	Intra-Regional Trade/GNP (1990)	Intra-Industry Trade/Regional Trade (1980s)
Germany (vis-à-vis EC6 then EC12)	6%	21%	66%
United States (vis-à-vis Canada & Mexico)	1%	2%	60%
Japan (vis-à-vis Northeast Asia, ASEAN and India)	2%	3%	25%

SOURCE: Moravcsik (1998: 495).

Intergovernmentalists do not, however, provide any reason for the further development of integration. According to their standpoint, each decision regarding integration is seen as independent from any preceding agreement. States would face a “blank” situation whenever they engaged in negotiations for reaching an international accord, and the goal to grant new “credible commitments” is not thought to build accumulative constraints for autonomous state action.

With regard to origin and development, neofunctionalism may be considered the opposite of intergovernmentalism: neofunctionalists do not fully explain the starting up of an integration process, but advance a hypothesis on the causes for further expansion.

Their central mechanism, spillover, departs from either or both the extension of the area scope and the deepening of the authority level required to sustaining the process once initiated (Schmitter 1969, 1971). Increasing technical necessities are seen as demanding further intervention and regulation over wider areas, in turn generating new necessities. Unlike sheer functionalism, neofunctionalism accords a role to politics: supranational bargaining and interest group lobbying influence the dynamics of integration, being crucial factors for the reproduction of the spillover logic. In short, the principle is that what fosters the process is, in due time, fostered through feedback, therefore keeping the wheel spinning. The logical corollary of this continuing movement approach is that the cessation of the expansion would jeopardize the process.

The neofunctional approach stresses the interaction between integration and institutions, rather than that between interdependence and integration (as intergovernmentalism does). However, its supporters do not deny the same basic sequence: both theories<sup>25</sup> agree on the order of precedence, in spite of underlining different dyads according to their theoretical assumptions and heuristic goals.

Neotransactionalism, to give a label to an extensively developed but so far unnamed theory (Sandholtz & Stone Sweet 1998), draws centrally on neofunctionalism. It consequently highlights the “inherent expansionary” nature of integration processes, sustained “by means of policy feedback” (1988: 25), and the role of supranational organization. However, it does not dismiss the power of national governments and the primacy of intergovernmental bargaining in a number of areas. The relation stressed by this theory is that between interdependence —called exchange— and institutions —the process of institutionalization included. Integration as a voluntary state policy is therefore seen as an intermediary transmission level, a sort of crossing point between the actions carried out by transnational transactors and the institutional channels that are developed in their wake and in turn regulate them. Briefly, increasing transnational transactions make the first move, the consequent demands for facilitating and regulating the transnational society gives rise to an institution-building process, and the new institutions keep the cycle going and growing.

The first grand theory that calls into question the sufficiency of the tripartite sequence has come to be called neoidealism. Drawing on the thought of Kant ([1795]

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<sup>25</sup> The discussion on whether the label of theory fits these theoretical stands or rather approach (Schmitter 1996) or framework (Moravcsik 1998) would do better is dealt with in the previous chapters.

1985), it not only focuses on inter-state relations but also on intra-state structures and processes. According to this theory, the type of political regime influences the kind of link that countries may develop with one another. Moreover, the coincidence of one of these types –namely republican for Kant and democratic for his followers— in two or more countries has definitive and dramatic effects; among them, the impracticability of war (Schmitter 1991). It is true that other theories had also recognized the importance of societal actors and their subnational or transnational links; none of them, however, had emphasized these points so strongly, nor considered the relevance of the political regime as such.

Empirical evidence is frequently displayed in order to prove that democracy accounts for cooperation among countries that feature such regime, and even for integration (Schmitter 1991; Sorensen 1992; Dixon 1994). In contrast, other studies call into question the very tenets of neoidealism with statistical data (Remmer 1994). What is surprising is that both assertions, despite their opposition, are defended with evidence derived from the Southern Cone. Furthermore, not only is it difficult to verify the neoidealist hypotheses, but their claim to explain the causes of cooperation/integration is also incomplete: as intergovernmentalism, they account for the origin but not for the subsequent steps of integration. Regarding the purposes of the present research, however, the crucial novelty of this approach is that it adds a stage at the beginning while simultaneously keeping the rest of the sequence untouched.

**Table 5.5**  
**Regional trade dependence of Mercosur countries as a proportion of GDP, 1986 and 1997**

	Intra-regional trade/GDP (1986)	Intra-regional trade/GDP (1997)
Argentina	1.5%	5.1%
Brazil	0.9%	2.4%
Paraguay	11.0%	24.5%
Uruguay	12.5%	14.7%

SOURCE: own elaboration, from data of the World Bank report (1997) for GDP and INTAL databases for intra-Mercosur trade. Uruguay's small increase is due to the large augment of its GDP along the decade, thus not to stagnant trade. Data regarding Paraguay are not highly reliable.

However, none of these theories fits Mercosur developments. According to the data shown in Table 5.5, the sequence of interdependence-integration-institutions simply did not take place. Instead, as can be seen in Table 5.6, interdependence had been

declining for some years by the time the first steps toward integration were taken, and only started to rise from then on (Hurrell 1995; Nofal 1997b; Peña 1998a). It is also noteworthy that regional institutions came into being as mere intergovernmental fora, where national representatives were constrained to reach unanimity as the only means to take a decision.

**Table 5.6**  
**Interdependence between Argentina and Brazil, 1980-1996**

	Exports (in M \$)	Imports (in M \$)	Exchange (in M \$)
1980	765	1.072	1.837
1985	496	612	1.108
1990	1.423	718	2.140
1995	5.484	4.161	9.645
1996	6.615	5.326	11.941

SOURCE: Nofal (1997b: 67).

The evidence shows, in the first place, that interdependence was not a precondition for integration in the case of Mercosur. Furthermore, the largest Mercosur economy –Brazil— hardly exceeds at present one third of Germany’s figures in the 1960s. So relevant for the objection of major integration theories as it could appear, such a claim is just half of the news. The remaining half goes beyond the mere invalidation of the causal relation between interdependence and integration, turning it upside-down: in the Southern Cone, the moves toward integration actually brought about increasing interdependence (see Tables 5.2 and 5.5 for the data, and Figure 5.2 for a comparative theoretical framework).

Having put into question the mainstream theories on integration, which underline interdependence as the determining variable, it is now necessary to examine the role played by the institutional variables at their two levels: national and regional. While the former is considered either irrelevant or independent depending on the theory used, the latter is always reckoned as dependent on the other variables. There is little to say in this exposition about regional institutions: Mercosur countries have been regularly and consciously reluctant to set up any kind of institutional arrangement that could restrain national sovereignty. And they have certainly succeeded in this respect. Although the building of regional institutions has been verified only in the European Union thus far, many authors have used this case to elicit conclusions and generalize hypotheses

(Mitrany 1975; Haas 1961, 1964, 1975; Deutsch 1969; Sandholtz and Stone Sweet 1998; Moravcsik 1998). Some form of institution building was, therefore, believed to be a logical consequence –and a support means— of regional integration. However, the region coming right behind the European experience –in terms of accomplished stages of integration— contradicts this inference.

The many approaches to the rationale of Mercosur emergence draw either on external causes or internal ones. The former stress in general the pressures coming from the globalization of trade and investment flows –since regional interdependence cannot be seen as a cause for Mercosur, as shown above—, and in particular those rising from the costs that NAFTA threatens to impose on non-cooperating and isolated countries in the western hemisphere (Bouzas 1996). The internal causes involves instead more heterogeneous sources, ranging from regime change –democratization (Schmitter 1991)— to economic change –from inward to outward looking economies (Foders 1996). Regarding the nature rather than the source of the process, Hurrell (1995: 253; also Peña 1996) arguably claims, “the first moves towards regional co-operation were essentially political.” Yet they were due to a shared sense of vulnerability rather than strength on the part of the newly established regimes.

Be it cause, consequence, or feedback effect, as the political movements that fostered the emergence of Mercosur got stronger the region was definitely becoming a “pluralistic security community” (Deutsch 1969). The most stunning effects were the nuclear agreements and the cooperation on security and defense policies.<sup>26</sup> These decisions were certainly an output of the confidence-building measures practiced by the incoming democratic authorities, but also of the new vision they shared about the ongoing changes “out there” in the world. Therefore, to allocate the causes exclusively to one level, either external or internal, would not capture the whole picture.

Besides the factors that led to the integration in the first place, and kept up the momentum of the process later on, there is one element omnipresent throughout the history of Mercosur: the high profile of national presidents. The role performed by these agents was not casual, but responded to the very logic of the region. As a key actor of

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<sup>26</sup> “The 1990 Declaration on a Common Nuclear Policy created a system of jointly monitored safeguards and opened the way for full implementation of the Tlatelolco Regime” (Hurrell 1995: 259-260). In addition to nuclear cooperation, military spending and arms imports started to decline steadily after democratization in all of Southern Cone countries, and augmented the decreasing rhythm from 1990 onwards.



the negotiations put it, the flexibility of the *diplomacia presidencial* manifested a clear political motivation and “*comprensión frente a las dificultades coyunturales de los socios*”, proof of the “*lógica política*” rather than “*jurídica*” of the integration (Peña 1996). Unlike the European Union case, no Court of Justice was at work more or less subtly to sustain and deepen the integration, nor were day-to-day politics adding to an increasing regional power.

The role of the presidents to keep integration from stalling is an outstanding characteristic of Mercosur. However, it is even more bewildering that it has also proved decisive in the other crucial stage of integration, i.e. its origin. It could be said that the process shows no sign of completion yet, and next stages may observe a diminution in the presidential importance; however, it is still true that without the presidents’ action neither the initial impulse nor the solution of the main crises would have been accomplished (Peña 1996). A more accurate appraisal of the difference between presidents as individuals and presidentialism as an institution is developed in the next section.

Another particular feature displayed by Mercosur, concerning its flexibility as well as its informal complexity, is the contrast between its political inspiration –public, or state-driven— and its microeconomic implementation –private (Lafer 1997: 261). This brings us to the role played by firms, interest groups and, in the language of a theory, transnational transactors. In Europe these actors are recognized for having claimed common institutions, in order to reduce the costs of information and transactions through single rules (Streeck and Schmitter 1991; Sandholtz and Stone Sweet 1998). The uncertainty and sub-optimal outcome of multiple national institutions, they believed, hindered the realization of the customs union first and, later, the single market. Today, the economic union would be unthinkable without supranational rules.

The reality of Mercosur is still far from that of the European Union. On the contrary, national businesses in the Southern Cone are used to the “institutional deficit” already prevalent in their countries. Such a reality had accustomed them to addressing directly the core of decision-making power in the case of necessity, instead of going through the less trustworthy institutional channels. As far as the political regime was concerned, this aspect was called “other institutionalization” rather than institutional deficit (O’Donnell 1996). Nevertheless, what matters here is that national regime institutions were already perceived as ineffective when it came to taking rapid decisions

and solving problems fairly. From this judgment on domestic institutions to a similar one regarding eventual regional institutions the distance was very short –i.e. the only reliable authorities would be the same ones that resolved problems at home: the presidents. It is not only metaphoric but also heuristically provocative to derive that, from *delegative democracies*, Mercosur might have engendered a *new regional animal* –paraphrasing O’Donnell (1994)—: *delegative integration*.

**Figure 5.2**  
**Integration theories: sequence of phases and core relationship**

<b>Intergovernmental sequence</b>	<b>Neofunctionalist sequence</b>	<b>Neotransactionalist sequence</b>	<b>Neoidealist sequence</b>	<b>Interpresidential sequence (Mercosur)</b>
---	---	---	<b>Democracy</b>	<b>Democracy (presidential)</b>
Interdependence ↓	Interdependence ↓	Interdependence (transnational exchange) ↓	Interdependence ↓	Integration ↓
<b>Integration</b> ↓	<b>Integration</b> ↓	Integration ↓	<b>Integration (cooperation)</b> ↓	Interdependence
Regional Institutions	Regional Institutions (supranational)	Regional Institutions	Regional Institutions	---

NB: The core relationship (dyad of variables) for each theory is marked in bolded letters.

### ***National institutions and the features of Mercosur (why?)***

As noted above, Mercosur was born as a consequence of certain national processes underwent in Brazil and Argentina: re-democratization, the removal of old hypotheses of conflict between the two neighbor countries, and a new, more outwardly oriented, economic profile. It is worth underlining that Argentina exhibited the most radical changes, since Brazilian political transition and foreign policy distinctness had started much earlier, in the 1970s.

Along with these transformations, as previously underlined, the role of the new presidents was crucial for setting off the integration project. This “presidential protagonism” was not a purely individual feature but instead was institutionally grounded, as theoretically supported by other studies. Lijphart, for instance, asserts that American presidents compensate their institutional limitations in other areas by stressing their direct link to foreign policy. Therefore, “the general pattern is that, during their terms of office, they tend to direct more and more of their attention and energy toward foreign policy issues” (1994: 102). Danese (1999), following Barilleaux, goes further in

the appraising of the phenomenon as he distinguishes five areas of the decision-making process where it is possible to assess the performance of chief executives regarding foreign policy.<sup>27</sup>

In the Southern Cone, the pattern described was reinforced by the new democratic regimes. As observed by Silva, in Sarney's Brazil "the process of democratization has produced a major 'politicization' of the Foreign Ministry" (Silva 1989: 94). In Argentina the effect was similar in terms of presidential involvement, but in contrast with Brazil—where foreign policy defined in Itamaraty was held without significant breaks since 1971—the new regime improved the country's historically erratic line. For the first time in sixty years, it was recognized that the "central coordination of international relations within one ministry has given Argentina's foreign policy a higher degree of coherence and predictability. However, the power of decision is still concentrated too much in the hands of president Alfonsín and his minister of foreign affairs, Dante Caputo" (Silva 1989: 91). This characteristic continued with the subsequent presidency. Hence, while stressing the central part played by the presidency, another key feature of the regional game emerges: the role of the *Cancillerías*.

Whereas Mercosur was intentionally created and kept as an intergovernmental process, the actual feature of the region appears to be its extreme type: let us call it "inter-presidentialism". As an analyst has pointed out, "*el proceso del Mercosur está, a nuestro juicio, bajo el signo de un apriorismo ejecutivista y tecnocrático, que los partidos y las representaciones parlamentarias han tolerado, hasta el presente*" (Pérez Antón 1997: 19). This unique aspect brought about a kind of spillover that is not that one predicted by the neo-functional theories, but a different one driven from above.

The celerity of its development and the exiguousness of the norms that rule its proceedings distinguish Mercosur from other processes of integration (Pérez Antón 1997: 16-7). Both traits, velocity and political action regardless of the presence of regulations, are characteristics of Latin American presidentialism, as will be shown later on. The beneficial paradox of the Southern Cone novelty is thus that the national and regional levels converge now towards a minimum and flexible institutionalization.

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<sup>27</sup> The five areas are (a) foreign policy formulation and direction, (b) organization and constitution of foreign policy teams, (c) administration and supervision of foreign policy (especially in case of crisis), (d) skill to build and maintain consensus on foreign policy, and (e) accomplishment (Barilleaux 1985: 114; Danese 1999: 394). The performance of Mercosur presidents across these areas is analyzed in chapters 9 and 10.

Whereas past failures of democracy and integration in Latin America were allocated to deficit or excess of formal institutionalization respectively, Mercosur had apparently reached an equilibrium until external causes put the process at risk by 1999.

Another lasting, sometimes misleading attribute of Mercosur is decentralized bargaining as a basic mechanism. Once the bulk of any given bargain has been done, presidents exert a decisive influence to get their preferred outcome –sometimes even in contradiction with the proposals drafted by the national negotiators. As unified actors, they can capitalize better on their resources facing a spread arena with many protagonists than a narrow one with fewer key players (see chapter 6). This occurrence is not exclusive of foreign politics: analyzing national politics in thirty-six democracies, Lijphart (1999) finds a strong positive correlation between the degree of pluralism of organized interests and the level of executive dominance. A last peculiarity favoring presidential power, especially of the largest countries, is that there are no overlapping cleavages in the region as there are in Europe. Instead, the axis Argentina-Brazil catches all the attention while in the European Union this is divided among the oppositions between, say, Germany and France, the big and the small countries, the Nordic and the Southern, the supranational and the intergovernmental, and the like. Lane and Maeland (1998) have shown how, depending on decision rules, the more the members the less the power each one wields; in Europe, larger numbers concur with crosscutting cleavages to diffuse power, whereas in Mercosur those conditions are radically different.

The perspectives for the forthcoming years seem to be quite stable. Only the enlargement towards medium size countries such as Chile may dissipate the risk of a “diarchy of authority”; but this is not likely to happen soon. With respect to the internal organization, as one of the main specialists on the region has put, “*o modelo intergovernamental deverá assim ser mantido e o futuro de curto e médio prazo do Mercosul dependerá da capacidade de negociação de diferenças mais do que da identificação de interesses comuns*” (Hirst 1995: 195). In short, the negotiation over different positions has no higher and, thus far, more suitable channel than the inter-presidential one.

**PART II**  
**EXECUTIVE FORMAT**

## CHAPTER 6

### CONCEPTUALIZING PRESIDENTIALISM

#### *Introduction, or why institutions matter*

The main hypothesis of this research is that presidentialism<sup>28</sup> made Mercosur possible. This argument focuses primarily on the institutional dimension of such executive format, and only thereafter on its behavioral dimension. It does so by means of underlining the structure and properties of constitutional design before analyzing the actual performance of those leaders that happen to serve in office. Presidents are understood as acting within a given framework of incentives and constraints, to which they can give their particular imprint –but in no way neglect. In the first place, it is necessary to precise the meaning of institution, to subsequently define executive format and presidentialism.

Political institutions are generally conceived of as “the rules of the game” (Rothstein 1996: 145). In other words, they establish what moves are formally allowed to the players –political actors— and which are not, through the provision of punishments and rewards. Once political institutions have been set up and consolidated in any given polity, and their enforcement and extensive respect are taken for granted, they have the power to define how winners and losers become such. Punishments are furnished by increasing the restrictions to any given action, raising the costs of action for players choosing that move. Rewards, on the other hand, may consist of either lifting of costs or direct gains for actors following suit. However, “institutions provide risks and opportunities, not certainties. They facilitate or hinder, but do not directly determine outcomes. Their effects are thus indirect” (Rockman 1997a: 22). This is so also because institutions are not just formal structures, rules or procedures, but also a collection of values by which decisions and behaviors of members are shaped (March and Olsen 1984; also Peters 1998).

Formal political institutions are devised to perform three main tasks: decision-making, administration, and representation. As to the former, Rockman stresses that “institutional structures are important for the decisional characteristics that may

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<sup>28</sup> In the sake of simplicity, I will further use the adjectives *presidential* and *presidentialist* as synonyms, to define a regime that adopts *presidentialism* as constitutional format –against Riggs’ (1994) claim, who makes a difference between them. The term *president*, except otherwise indicated, will refer to the head of state of either presidential or semi-presidential regimes, not of parliamentary ones.

accompany them (e.g. multiplication of veto points)" (Rockman 1997b: 61). Hence the importance of the distinction between concentration and separation of power –as treated below—, the latter entailing a higher number of decisive instances to come to a decision.

Informal institutions such as values and patterned behavior are generally crystallized in more formal and consolidated institutions, and molded thereof. In turn, they fine-tune the general features and performance of formal structures, giving to each particular case its peculiar features –notwithstanding the usually standardizing effects of similar formal institutions. Non-institutional factors also interact with institutional ones, profoundly conditioning the effectiveness of institutions (Putnam 1993). Dimensions such as the economy, history and culture, diversity and social cleavages, inequalities, habits (the impact of time), communication technologies, size and geography can affect governmental capabilities and policy outcomes in several ways (Weaver and Rockman 1993b, Rockman 1997a). The quality –and vagaries— of leadership are still additional paramount aspects of political life that impact on, and are impacted by, institutions.

The effects of specific institutional arrangements depend on a number of intervening factors. They are thus contingent, differ across policy areas, are channeled through different governmental decision-making characteristics, and present direct trade-offs between institutional capabilities (Weaver and Rockman 1993c). Henceforth, a comparison between cases along any single institutional dimension must prove insufficient, if one were to infer regime stability consequences or policy outcomes from only such institution. Government capabilities and government effectiveness should be given count through a complex, multidimensional, not linear approach.

As Rothstein posits, three different but interrelated questions about political institutions may be raised. "One is normative: Which institutions are best suited for creating 'good' government and societal relations. The other two are empirical: What explains the enormous variation in institutional arrangements? And what difference those differences make for political behavior, political power and the outcome of the political process?" (Rothstein 1998: 135/6). Since a particular institution, namely presidentialism, is the independent variable of this research, what matters is its impact on the dependent variable, i.e. integration. Thus, I aim to answer the third question above, leaving mostly apart both normative concerns and explicative approaches to the *explanans*. However, it is still necessary to address the latter's features, in order to account for their particular

consequences over the *explanandum*. This chapter and the following two are intended to accomplish such task.

### ***Executive format***

This research deals with democratic regimes. It is assumed that no integration process of this magnitude would have taken place, either in Europe or in the Southern Cone, should dictatorships or any other kind of non-democratic regime have remained in power (Schmitter 1991, 2000). Likewise, there is little doubt that a reversal in the democratic system of any of the member countries would provoke either its expulsion from the regional group or the breakdown of the whole integration process. Therefore, 'executive format' in this paper refers only to a democratically elected –or appointed– executive. For all purposes, it is worth adding, democracy will here be understood as modern, liberal, and thus representative (Morlino 1991).

Contemporary democracies, or polyarchies in Dahl's more exact term, can be classified according to many different criteria. The most traditional of these is the institutional one, which catalogues democracies as a function of their inner organization of power, whether separating or concentrating it. This originated from Montesquieu and the Federalist writings, although they referred more to the government and its institutional control and less to the people's right to self-government. Henceforth, the distribution of competencies among the executive, the legislative, and the judicial branches, and their mutual autonomy or dependency, would define the nature of the overall regime, whether presidential, parliamentary, or a blend of both.<sup>29</sup>

Lijphart (1984), dissatisfied with the inability of the previous theory to account for the effective functioning of some polities –particularly the small European countries–, developed a further taxonomy of democracies. Lijphart's model is more complex than the above, and is based on different levels of analysis such as the socio-cultural, as well as the political and institutional. It respectively considers the economy in terms of its impact upon the electoral dimension, the social features regarding the degree of homogeneity within the polity, the cultural traits with respect to the ethnical, religious and linguistic cleavages, and the institutional constraints by keeping some aspects raised

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<sup>29</sup> It is worth noting, however, that the judicial branch "is substantially independent in all democracies, regardless of whether they are parliamentary or presidential" (Lijphart 1992). Therefore, the relationship between the executive and the legislature is the defining feature of any democratic system.



by the institutional model, such as the fusion or division of powers –plus others, like the electoral system.

Recently, the two approaches aiming at the comprehension and classification of the democratic regimes have converged into a comprehensive approach. At present democracy is seldom examined, either theoretically or empirically, without taking both aspects into consideration. Regardless of many other aspects they also agree upon, the most relevant point for the present work is clearly captured by Linz and Valenzuela (1994: x), when they argue that “the most important difference among democratic regimes concerns the generation and accountability of executive authority.”

Generation and accountability of executive authority are different categories, although both are interconnected within the overall system they are embedded in. A democratic government should not only hold power, but also be accountable (responsible) for its exercise before the people and the constitutional organs. An authoritarian government, on the other hand, wields power not subject to either popular will or institutional restrictions. However, within each camp there are several ways of organizing the access to, and control of, executive power. The most widely used category to account for such ways is that that runs from the fusion –or concentration— to the separation of powers.

Despite the fact that the axis fusion/separation of power is seen as the crucial issue in distinguishing between democratic regimes, the most widely used empirical category focuses on the presidential/parliamentary dichotomy. This is so because it favors an institutional approach, what increases the potentiality for operationalization, measurement and, thus, comparison. I only partially agree with Rockman when he argues that “the reality is that the distinction between parliamentary and presidential systems masks a far more vital distinction, namely the capacity to concentrate or diffuse power” (Rockman 1997b: 60). Instead, my point is that regardless of how much one duet may mask the other, it is neither the same thing nor a less ‘vital’ one. The difference between the dichotomy *presidentialism/parliamentarism* and *concentration/diffusion* is still significant. The choice to begin by the former stems from methodological considerations –albeit not only. As Riggs points out, “comparison of political institutions should begin with basic regime types, the constitutional principles that determine how a government is organized” (Riggs 1994: 75). The degree of concentration of power, instead, is also

determined by political practices and informal institutionalization (O'Donnell 1996a) rather than by formal-legal, i.e. constitutional design.

In the next sections of this chapter, I disaggregate the concept of presidentialism to render it applicable and, above all, meaningful. I follow three steps in order to accomplish this task: first of all, I present the definition of presidentialism as a *contested concept*, thus in opposition to its confronting term, parliamentarism. Subsequently, I advance the progression of the debate, in which more specific aspects are dealt with and more empirical cases are brought to bear. Finally, I face the question of the many subtypes of both presidentialism and parliamentarism, and set up a matrix that allows the understanding and classification of executive formats beyond the pure formal features.

### ***Presidentialism versus parliamentarism***

In the last decade, the academic discussion concerning the virtues and defects of both presidential and parliamentary regimes has reached a peak. The mushrooming of democracies, borne by the crest of the third wave, offered the possibility to choose –and fostered the need to set up— the most adequate institutions, thus emphasizing as never before the role of political engineering. Although scholars are still far from agreeing, two important goals at least have been achieved. First, the increasingly sophisticated analyses have greatly enriched the topic, by calling into examination a cluster of intervening variables such as the party system, the electoral regime and cycle, and the constitutional attributions of the presidency, all of which affect the way in which any type of democracy actually works. In the second place, a rough agreement has been reached regarding the wide definition of the terms in question, as well as the conceptualization of the hybrid and other not-so-clear cases. However, remaining disagreements have proved to be resilient, and many of them still are of considerable importance. These disagreements cut across most of the specialists in the topic, whether they are supporters of presidentialism or not. Some of the contributions made by this research stem from these disagreements, as will be showed further in this chapter and more broadly addressed in the third part.

The classical definitions of presidentialism and the initial debates running through the 1980s are advanced below. Afterwards, the critiques received by such institutional arrangement will be discussed, to further move somewhat backwards to the disagreements concerning the *essence* –the defining properties— of the concept. Finally,

the particular characteristics of presidentialism that may affect the process of regional integration will be addressed.

Among the many relevant scholars concerned about the institutional features of democracy, Lijphart has been one of the most influential. He defined presidentialism as the political regime that features two characteristics: a) the chief executive shall not be dependent on legislative confidence, but rather shall sit for a fixed term; and b) shall be elected by popular vote (Lijphart 1984: 68-69). Ten years later, once the discussion had been enriched by both the theoretical debate and the empirical research focusing on the new wave of democratization, he added a third point stating that its overlook had been an important flaw of his previous characterization. Thus, the presidency c) shall consist of a one-person executive (Lijphart 1994: 93).

Table 6.1 displays Lijphart's eightfold typology of forms of democracy as advanced in 1992, and his grouping of the existing cases according to such typology. Apart from the fact that many empty cells put into question the consistency of the typology, there are some strange bedfellows –like 5<sup>th</sup> Republic France brought together with the U.S. and most Latin American democracies!— that are difficult to sustain, both on theoretical and empirical grounds. Further in this chapter, I advance an alternative typology with a view to overcoming these pitfalls (Table 6.3).

**Table 6.1**  
**A typology of forms of democracy and some empirical examples**

	Collegial executive		One-person executive	
	Dependent on legislative confidence	Non dependent on legislative confidence	Dependent on legislative confidence	Non dependent on legislative confidence
Executive selected by legislature	<i>Parliamentary:</i> Most West European democracies Most Commonwealth democracies Japan ...	Switzerland	No empirical examples	Lebanon
Executive selected by voters	No empirical examples	Cyprus (1960-3) Uruguay (1952-67)	No empirical examples	<i>Presidential:</i> Most Latin American democracies United States France (5 <sup>th</sup> Rep.) ...

SOURCE: Lijphart 1992: 6.

In the wake of the democratic processes inaugurated in Latin America in the 1980s, however, it was Linz who paved the way for the institutional debate. By judging presidentialism as troublesome, rather than by defining it, he called the attention of

politicians and statesmen, as well as academics. The critiques he made will be dealt with afterwards; at this stage, what matters most is the degree to which his definition resembles Lijphart's. He stated that a presidential system is that in which: a) "both the president, who controls the executive and is elected by the people (or an electoral college elected by the people for that sole purpose), and an elected legislature (unicameral or bicameral) enjoy democratic legitimacy. It is a system of 'dual democratic legitimacy'; and b) both the president and the congress are elected for a fixed term, the president's tenure in office is independent of the legislature, and the survival of the legislature is independent of the president. This leads to what we characterize as the 'rigidity' of the presidential system" (Linz 1994: 6).

It is evident at first sight that both points are quite the same as above, though inverted –and elaborated in a more complex shape. This consonance is present again in Shugart and Carey's definition of presidential government, which follows closely Linz's while adding little modifications to make it more precise (Shugart and Carey 1992: 19). They underline as key features: a) the popular election of the chief executive; b) the terms of the chief executive and assembly are fixed, and are not contingent on mutual confidence; c) the elected executive names and directs the composition of the government; and d) the president has some constitutionally granted lawmaking authority.

The two characteristics they add to the definition allow them to proceed further on. First, it permits the creation of a typology of democratic regimes, based on both the freedom consented to the chief executive for cabinet appointments and its competence about legislation. Second, the types derived from the typology proved empirically adequate to explain the performance of the overall regime, concerning its stability and effectiveness. The conclusion they draw is that little power in presidential hands may drive to deadlock and stalemate, yet large lawmaking authority of the presidency do not improve the efficacy of the system but militates against its persistence.

There is an author, however, who has questioned the increasing stress put on *non-defining criteria*, the broad agreement reached in the field notwithstanding. Riggs convincingly argues that it is sufficient to define *presidentialism* as "*those representative governments in which the head of government is elected for a fixed term of office; that is, he or she cannot be discharged by a no-confidence vote of Congress*" (Riggs 1994:

77, original emphasis).<sup>30</sup> Hence, specifications such as that of *one-person-executive* or the *popular election* of the president refer to *accidental* rather than defining properties, since under presidentialism there have been cases both of collective executive responsibility and of presidents appointed through non-popular elections. By the same token, *direct election* is a *redundant* characteristic, as many non-presidentialist (i.e. parliamentary) presidents are directly elected as well (Riggs 1994: 142 n. 4). Riggs turns someway back to the original definition by Lijphart –though by no means to the most recent one (Lijphart 1999)—, yet obtaining some further gains regarding parsimony. His effort has proven remarkably fruitful to clarify the distinction between parliamentary and presidentialist regimes.

**Table 6.2**  
**Conceptualizing presidentialism**

	Fixed term	
Head of government selected by	Yes	No
Voters	Presidential	Hybrid (Israel)
Legislators	Hybrid (Switzerland)	Parliamentary

SOURCE: Shugart and Mainwaring 1997.

More recent analyses have also contributed to the conceptualization of presidentialism by improving the degree of specification and detail, underlining differences within the type –not just between types. Mainwaring (1992, 1993), Sartori (1991, 1994) and Mainwaring and Shugart (1993) have firmly remarked on the importance of distinguishing among different presidential polities. As the Westminster model of parliamentarism has little to do with the assembly system of the French Third Republic, or even with the strong federalism of the German chancellor case, they analogously argue that distinct institutional aspects along with other features of the political system decisively affect the overall outcome. The party system, party discipline, the electoral regime, and the electoral cycle are key factors influencing the way in which presidentialism works.

The literature also raises a rather wide disagreement concerning the democratic ‘virtues’ of presidentialism. The bitterest –albeit civilized— disputes date back to the

<sup>30</sup> In this regard, Norway stands out as a notable exception to standard parliamentary rule since its

middle eighties, departing from the above cited article in which Linz launched a forceful assault against presidentialism, accusing its disfunctional impact upon democracy. He made four main critiques concerning its characteristics: a) dual democratic legitimacy; b) temporal rigidity (election for a fixed term); c) winner-take-all politics; and d) political style.

The first three characteristics are not always reckoned to be negative; it has even been argued that they should be considered advantages instead of pitfalls (Shugart and Carey 1992; Mainwaring and Shugart 1993). Riggs (1988) and M. Jones, for example, view the first one as inevitably leading to immobility and paralysis, while they consider the other two as inherent virtues of presidentialism –since they “enhance accountability and identifiability” (M. Jones 1995: 3). By contrast, their strong accusation points to the feature originally considered as the principal virtue of presidentialism, i.e. the separation of powers that gives rise to the mechanism of checks and balances.

The fourth point, political style, is more difficult to evaluate, because personalism and decisionism can be seen as features of the politics –or the persons themselves!— where presidentialism is implanted and not of the design itself. Perhaps the bitterest debate has arisen around the validity of the third point: whereas Lijphart sustains that presidentialism definitely supports majoritarian instead of consensual tendencies, Mainwaring and Shugart straightforwardly question this point.<sup>31</sup> In turn, Horowitz has argued that Linz’s analysis rests “on a mechanistic, even caricatured, view of the presidency” (Horowitz 1990: 73). This accusation of oversimplification has been taken on frequently since originally advanced, and Linz itself has paid some heed to it and developed limited corrections or additions. However, he kept the core of his argument.

The conceptual controversy regarding presidentialism, as sketched above, hinges on two main axis. In the first place, the flaws are not always such; in the second place, there are different forms of organizing a presidential system –and they make a difference concerning advantages and disadvantages of the whole type. Among the advantages that are likely to prosper because of presidentialism, and not despite it, Shugart and Carey

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legislature is elected for a fixed term and cannot be dissolved by the executive.

<sup>31</sup> Deheza (1997) and others (Altmann 2000; Amorim Neto 1998; Chasqueti 1997/8) have shown, through empirical research on South America, that party coalitions under presidentialism –both at legislative and cabinet levels— are more frequent than expected; hence, the seeking of consensus becomes a crucial task for presidents.

(1992: 44) mention: a) accountability; b) identifiability; c) mutual checks; and d) an arbiter.

In addition to the conceptual critiques advanced against the original 'anti-presidentialist' allegation, Horowitz earlier and Shugart and Mainwaring later contended Linz's claims on grounds that they were not empirically sustainable. The former underlined that they were "based on a regionally skewed and highly selective sample of comparative experience" (Horowitz 1990: 73), while the latter showed how "presidentialism is more likely to be adopted in... parts of the world... [that] have more formidable obstacles to democracy regardless of the form of government. On the other hand, parliamentarism has been the regime form of choice in most of Europe and in *former British colonies* (a large percentage of which are *microstates*), where *conditions for democracy* may be generally *more favorable*" (Shugart and Mainwaring 1997a: 29, emphasis added) —meaning by *conditions for democracy* income level and living standards.<sup>32</sup>

Through questioning the correlation between constitutional form and democratic success, the mentioned analyses have opened the door to more specific —and specialized— research. In the first place, they compelled to have another look back to the conceptual field, giving rise to fruitful attempts at redefining the very concept of presidentialism. In the second place, they contributed to turn the focus from exclusive *maintenance capabilities* of presidential regimes to consider also *goal attainment capabilities*, allowing comparisons of performance —and not just of durability— between regime types. Finally, it led to a richer and more realistic approach that focused on the inner differences of each regime type.

As Weaver and Rockman have pointed out, "highlighting the consequences of parliamentary and presidential differences is...not the end point of analysis, but rather a place to begin what is inevitably a more complex and subtle analysis of institutional influence on government effectiveness" (Weaver and Rockman 1993b: 8). In order to assess the impact of presidentialism upon integration processes, such 'more complex and subtle analysis' should be accounted through a more detailed reconceptualization in the first place, an overall appraisal of capabilities afterward, and subsequently the identification of differences within each regime type.

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<sup>32</sup> Lipset (1994) has gone even further regarding the influence of cultural and economic aspects on the stability of democracy, as far as neglecting any significant role to institutions.

### ***Deepening and aftermath of the debate***

Presidential government was born in Philadelphia in 1787. Successful as it turned out to be, the model was replicated elsewhere, with notable frequency in Latin America. However, recent studies have insisted on the sharp differences that dissociate the original model from its followers. Riggs (1988, 1994), for instance, claims that the American case is an exception rather than the rule, as far as regime performance is concerned. His argument sustains that the United States achieved a successful political record in spite, not because, of presidentialism. According to his reasoning, it was the para-constitutional practices –such as loose political party structures, the utilization of long ballots, a tendency toward involvement in private rather than public organizations, and the common law tradition— what guaranteed regime stability and average effectiveness.

Riggs strongly advocates parliamentary forms of institutional organization. He claims that the success or failure of democratic regimes is closely linked to contextual and environmental conditions, which should not be attributed to regime types. However, certain types are more likely to foster conflicts and malfunctioning, whereas others may lessen or limit damages, providing institutional frameworks more able to process conflicts and get to effective decisions.

The argument advanced by Riggs can be carried further, beyond the simple analysis of advantages and disadvantages of presidentialism and parliamentarism. One of his main points is the exceptionality of American presidentialism, and this entails that there are –at least— two kinds of presidentialism: the successful one and all the other cases. Charles Jones (1997) has provided a reason, and a definition, to give count of such distinction: in his view, American government is separationist rather than presidentialist. The operative rule of the system is the relative symmetry of power between the executive and legislative branches, not the preeminence of one of them –although the label of the system, *presidentialism*, may conceal this fact.<sup>33</sup> As Dahl has pointed out, somehow after Woodrow Wilson, “one might better call it the presidential-congressional system, because probably no other national legislature in the world is as influential as the U.S Congress” (1997: 14). This feature differentiates the American system from the British,

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<sup>33</sup> Of course, there have been a deep enlargement of presidential power and room of maneuver in the last century, especially after F. D. Roosevelt presidency (Schlesinger 1974; Neustadt 1980). However, the Congress is still powerful enough as to keep a strong hold on governmental decisions, and the president is not able to disregard it –particularly, but not only, in the case of divided government, which has been the norm in the last decades.



since the latter –also despite the misleading label of *parliamentarism*— exhibits a full primacy of the executive; but also from most –if not all— Latin American presidentialisms. Be this last contrast due to different institutional arrangements or to other variables, such as the presence or absence of a liberal, democratic, or pluralistic tradition, the conclusion is that Latin American democracies should not be considered within the same institutional set as the United States. In fact, the label *presidentialism* fits better the former than the latter. This case for reconceptualization and sub-classification of the presidential type will be advanced in more depth later in this chapter.

The identification of two main kinds of presidential democracy has significant consequences regarding regime characteristics and capabilities. By way of illustration, the case made by Mettenheim to defend presidentialism shows this clearly. He remarks on three sorts of opportunities raised by presidentialism, which are usually overlooked: they link presidential institutions to (a) political theory, (b) tensions between liberalism and democracy, and (c) divided government. He claims that “liberty, the dispersion of powers, and effective government are mutually reinforcing; ... traditional liberal theories of representative government with the direct popular appeals typical of mass politics... are reconciled; and... legislatures remain productive when U.S. presidents lack legislative majorities” (Mettenheim 1997b). However, almost all evidence is drawn from the American and French –as in Lijphart (1992, 1999), too strangely considered as presidential— cases, while it is far from proving true in other cases, notably Latin American democracies.

The case of France is somewhat difficult to address. This is so because of two reasons: first, it is a quite new system, and is still evolving; second, the literature is openly divided concerning not just the properties, but the very nature of the French system and its followers. Duverger (1980) first called it semipresidentialism. Thereafter, it received the several names of dual leadership (Blondel 1984), hybrid type (Linz 1990), premier-presidentialism (Shugart and Carey 1992), semiparliamentarism, and even hyperpresidentialism! (Mettenheim and Rockman 1997b). Although it was by and large well considered, and widely proposed as a model to follow for the Latin American new democracies of the 1980s, there are just a few cases in the world, none of them in the Americas.

There are two main ways to understand semipresidentialism: as a mixed type or as an alternating one. The former means a stable mixture, a medium point between

presidentialism and parliamentarism. The latter entails the oscillation between the two main types, depending on whether the elected president enjoys a majority in the assembly and is thus able to appoint a chief of government of his own party or coalition or, on the contrary, the opposition holds the majority and selects the chief of government among its ranks, thus different from the president's –a phenomenon called *cohabitation*. Cohabitation can be thought of as a particular form of separation of powers (Mettenheim and Rockman 1997b); however, it is not always so since, at least in principle, the president and the prime minister do not share competencies but have reserved domains –if ill-defined. Therefore, executive division in semipresidential regimes does not necessarily denote checks and balances or subordination, but it may entail conflict over the constitutional interpretation of each part's domain.

At any rate, most authors agree that semipresidential government is slowly leaning towards the parliamentary pole of the continuum, thus becoming detached from its original design<sup>34</sup> –notable exceptions still being Mettenheim and Rockman (1997b) and Lijphart (1999). Some sustain that it has never been much more than a variation of parliamentarism (Nohlen and Fernández 1998b) –since presidential powers are constitutionally limited everywhere except (perhaps) in Finland. More recently, though, also Finland and Portugal started to follow the French trend back to parliamentary government (Ignazi 1997). In fact, the fixed term constitutionally attributed to the head of state is not extendible to his or her eventual position as head of government, since the latter function automatically stops when the parliamentary majority corresponds to a party or coalition other than the president's. On the other hand, Israel became the latest institutional novelty with the introduction of a popular election to select the prime minister –in the framework of a parliamentary democracy, in all other respects.

### ***Different presidentialisms***

As seen before, Weaver and Rockman (1993b) assess the effects of institutional design in terms of its impact over government policy-making capabilities. They introduce a three-tier model to explain differences in such capabilities, and place the category

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<sup>34</sup> Charles De Gaulle established semipresidentialism in France between 1958 and 1962, and its blueprints were overtly designed to fit his charismatic leadership. Once De Gaulle left the government, it started to gradually develop a more parliamentary profile. A crucial stage was the cohabitation between Socialist president Mitterrand and center-right Prime Minister Chirac, between 1986 and 1988; but the trend continued also thereafter, cohabitation becoming a frequent event. I am thankful to Jean Blondel for having called my attention to this point.

presidentialism/parliamentarism at the top. The second tier accounts for the inner differences of both first types –although they underline differences just within parliamentary systems<sup>35</sup>—, and is determined by the interaction of the first tier with other institutional constraints –such as the electoral rules, and the rules and norms of government formation. The third tier refers to broader framework institutions, secondary characteristics of legislatures, political conditions and policy-makers' goals, socioeconomic and democratic conditions and past policy choices. Since the first tier was dealt with above in this chapter, and the third one is mostly matter of the following one, in the remaining of this section I will concentrate in the differences within systems that are likely to impinge upon the overall system capabilities.

Weaver and Rockman split the second tier into two subtypes, labeled *regime type* and *government type*. The former is defined as a modal pattern of government formation, the latter as the variations likely to occur to the modal pattern within any individual country. While regime type accounts for categories such as multiparty coalition, party government, or single party-dominant, government type includes minority government, oversized coalition, coalition government by opposition parties, and the like. The name they give to their subtypes is unfortunate, and as misleading as the very matter the subtypes are intended to define; therefore, I will not make further use of them. What is however important is that the distinction they make among parliamentary regimes leads them to define a set of attributes to qualify internal decision-making processes, and this set is adequate to scrutinize further the differences between presidential systems.

Weaver and Rockman list a series of four attributes of decision-making processes that are allocated to the overall system (whether presidential or parliamentary), and a second series of five attributes originated from the second tier institutional constraints. The global attributes are: a) level of party discipline in legislature; b) recruitment processes for government executives; c) degree of centralization of legislative power in cabinet; and d) degree of centralization of accountability, while those derived from their subtypes are: a) cohesion of government elites; b) existence of veto points within government; c) stability of government elites; d) elite autonomy from short-term electoral and constituency pressures; and e) level of interest group access and influence.

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<sup>35</sup> This is so because they introduce only one presidential system, the United States.

Departing from this three tier taxonomy, parliamentary systems are classified into three groups: the first, labeled *multiparty coalition*, includes most of Western Europe; the second, *party government*, does so with Britain and other Commonwealth countries; and the third, *single-party-dominant*, comprises Japan, Sweden (pre-1970s), and Italy (pre-1976). Given that, nowadays, the latter has virtually no members, there are two groups left. As can be seen, this classification supports intuitive wisdom and traditional accounts, which have historically distinguished Anglo-Saxon parliamentarism from all the other cases. On the contrary, differences within presidentialism have been traditionally neglected, therefore disregarding any subtypes other than the successful American one. This trend has progressively changed along the last decade, mostly due to the persistence of presidential democracies in Latin America and elsewhere.<sup>36</sup>

Some efforts have been devoted, though, to differentiate between presidential democracies and pseudo-democracies that allow some kind of election of authoritarian executives. To avoid this pitfall, Mettenheim appeals to a minimal definition strategy, stating that “the central characteristic of presidential government is the separate election of the executive and the legislature for fixed terms” (Mettenheim 1997b: 2). This strategy contrasts with others that stress the direct election of executives, while underestimating the separation of powers. Hence, this definition coincides with Jones’s and applies mainly to the United States.

Unlike Jones and Mettenheim, Riggs considers the separation of powers not as the main feature of presidentialism, but as a result of a single rule: the fixed term of the president (Riggs 1994: 76). Separationism, therefore, is a consequence of presidentialist design instead of its essence. Such elucidation opens way to another possibility: that a presidential regime might not be separationist in practice! Since separationism is visualized as a practical consequence, not as a rule, it is conceivable that a more ‘concentrationist’ presidentialism may find its way under certain conditions. I will argue that this apparent possibility, for long time overlooked, is the form presidentialism has assumed in Latin America. In fact, the concentrationist perspective of presidentialism bridges the gap (the philosophical contradiction) between presidential government and

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<sup>36</sup> Carey and Shugart (1998) and Eaton (2000), for example, have highlighted some differences between presidential regimes such as the eventual delegation of powers by the legislature to the president, and the degree to which internal congressional institutions are developed. Chapter 8 deals with these intervening variables in more depth, as they are apt to understand certain political practices of the Southern Cone countries.

separation of powers highlighted by Lijphart (1992: 4, original emphasis), namely that a “unipersonal president means the concentration of power *within* the executive –the very opposite of limited and shared power.”

Many authors have acknowledged the differences between the existing presidential regimes. Nohlen and Fernández (1998b: 24), for instance, have argued that there are four subtypes of presidentialism: “1... *reforzado*, 2... *puro*, 3... *atenuado*, y 4... *parlamentarizado*” determined by purely constitutional considerations. The typology I am advancing goes much further since, in the first place, it takes into consideration political practices in addition to institutional design. Additionally, it does not just offer a continuum along which presidential regimes can be ordered according to the president’s power, but a typology that allows a comparison with parliamentary regimes as well (see Table 6.3). Within this framework, the claim that “the U.S. system does not stand out from all parliamentary systems in its pattern of capabilities, but rather tends to cluster with coalitional systems on many of those capabilities” (Weaver and Rockman 1993c: 460) acquires greater sense.

**Table 6.3**  
**Proposed typology of democratic regimes, regarding executive format**

Head of government	Real concentration of power		
		Executive concentration	Equilibrium executive-legislative
Fixed term	Yes (presidentialism)	Concentrationist Presidency (Argentina) [a]	Separationist Presidency (USA) [c]
	No (parliamentarism)	Cabinet government (UK) [b]	Coalitional parliamentarism (Italy) [d]

NB: each cell label defines an ideal type, the countries between brackets being the closest case to each ideal type. Most Latin American countries would cluster just behind Argentina, while many Western European countries would rather rank near Italy.

To make my case, I stem from the fact that “both parliamentary and presidential systems are generic types that conceal a great deal of variation in the extent to which they concentrate or disperse power” (Rockman 1997a: 25). Consequently, “the extent to which power is concentrated or diffused... appears to be a dimension relatively independent of whether the system is parliamentary or presidential” (Rockman 1997a:

27). In Table 6.3 this *independent dimension* finds its place.<sup>37</sup> As strange as it may seem, the *concentrationist presidency* has tended to present itself as a coalitional executive, at least in South America (Deheza 1997; Amorim Neto 1998; Altman 2000). This occurrence resembles the coalitional parliamentarism cell at the opposite corner rather than the American model of presidentialism.<sup>38</sup> However, as will be examined later, it would be a mistake to assume that the presence of coalition governments has reduced the paramount capacities of the executive *vis-à-vis* other key institutions and actors.

To assess the degree of concentration/diffusion of power I will use the veto player theory and the agenda setter approach (Tsebelis 1994, 1995, 1999). According to the former, “a *veto player* is an individual or collective actor whose agreement (by majority rule for collective actors) is required for a change in policy” (Tsebelis 1995: 301). Such analysis leads to the conclusion “that the policy stability of a political system [*i.e. the preservation of the status quo*] increases when the number of veto player increases, when their congruence decreases and when their cohesion increases” (Tsebelis 1995: 322). This is so since “a significant policy change has to be approved by all veto players, and it will be more difficult to achieve the larger the number of veto players, ... the greater the ideological distance among them”, and the less cohesive they are (Tsebelis 1999: 593). There are two main categories of veto players: institutional and partisan.<sup>39</sup> While the former are typical of presidentialism –via the separation of power principle— and multicameralism –usually due to federalism—, the latter would be typical of parliamentarism and multipartism.

Regarding agenda-setting, the property is that “the veto player who has the power to propose will have a significant advantage in policy making” (Tsebelis 1995: 325). Although the theoretical argument is impeccable, its empirical evidence is faulty. Tsebelis claims that “in parliamentary systems the executive (government) controls the agenda, and the legislature (parliament) accepts or rejects proposals, while in presidential

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<sup>37</sup> Although this four-cell grouping apparently coincides with Lijphart’s (1995), his second category considers the electoral system –whereby the assembly is elected— instead of the degree of power concentrated in the presidency. Hence, his resulting table equates Latin American presidentialism with Western European parliamentarism, which is at odds with the case made here.

<sup>38</sup> As in a looking glass, the other diagonal –linking cells [b] and [c]— brings together the cases of single party executives.

<sup>39</sup> Tsebelis (1995: 323) also recognizes other categories of institutional and *de facto* veto players, such as “courts, super majorities, referendums, corporatist structures of decision making, local governments and other institutional devices.”

systems the legislature makes the proposals and the executive (president) signs or vetoes them (Tsebelis 1995: 325). The latter claim –even if restricted *with respect to legislation*— is erroneous, the source of the mistake being –again, as in Weaver and Rockman (1993a)— the generalization of presidential features from the single American case.

The main advantage of Tsebelis's formulation is heuristic: it paves the way for cross-institutional comparison, thus adding refined complexity to a simple institutional analysis. The main disadvantage is of substance: it is biased towards parliamentary regimes (see Tsebelis 1999), whether for insufficient data or for inaccuracy in the empirical appraisal of presidentialism. Be it as it may, its main insights are fairly coincident with those advanced here, not the less important of which is the counter-intuitive categorization of Italy and the United States as members of the same grouping (multiple veto players) against the United Kingdom (with only one).<sup>40</sup>

Italy, the US and the UK may well be seen as archetypes of three of the four cells delimited in Table 6.3 –respectively [d], [c], and [b]. To build up a theoretical ground for cell [a], I draw upon two elements. In the first place, I reinstate a category that Tsebelis dramatically downplayed after having introduced it as a pillar of its model: the veto player cohesion. In the second place, I correct his inaccurate perception of presidentialism as an executive format that intrinsically concedes agenda-setting power to the legislature. Following these steps, the presidential executive emerges as a veto player “with very high cohesion,”<sup>41</sup> which increases its power *vis-à-vis* other veto players. Furthermore, the agenda-setting power with which many constitutions –and political traditions— entitle the president adds still another determinant factor to out-power the contrasting veto players.

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<sup>40</sup> Lijphart's index of executive dominance, based on cabinet durability, also clusters Italy with the United States at the 'balanced' extreme, while keeping Britain as utmost example of the opposite 'dominant' extreme. However, his index is assumedly built to fit parliamentary government, hence the values of presidential regimes are “impressionistically, ...arbitrarily” assigned (1999: 128). All this notwithstanding, Lijphart's classification –albeit not his personal *impressions*— tendentially agrees with the point made here, as it ranks South American executives as more dominant than the American's –in spite of just considering two of the weakest cases, Colombia and Venezuela. Had Argentina and Brazil be included, they would conceivably stand even closer to the dominant pole –at least the former.

<sup>41</sup> Tsebelis (1995: 315) himself originally acknowledged this fact.

**Table 6.4**  
**Enlarged typology of democratic regimes**

Head of government: fixed term	Reelection	Executive concentration (a)	Multiple, asymmetric veto players (b)	Multiple, balanced veto players (c)
Yes (presidentialism)	Yes	Argentina	Brazil	USA
	No	Mexico	Uruguay Costa Rica	Chile
No (parliamentarism)	Yes	UK New Zealand	France Portugal Germany	Italy France (4 <sup>th</sup> Rep.) Switzerland

(a) Executive stronger than legislative; executive as agenda-setter; weak or non-activist judiciary

(b) Executive as agenda-setter; strong judiciary; it may include strong federalism

(c) Equilibrium executive-legislative; strong or activist judiciary; it may include strong federalism

An enlarged and more detailed framework of Table 6.3, as resulting after having considered the veto player and agenda-setting arguments, is displayed in Table 6.4. It incorporates such features as presidential reelection and federalism, which will be further analyzed in more depth. The following chapters are to provide empirical support to this typology. A crucial question can now be raised: to what extent do different types of executive format affect government capabilities?

### ***Conclusion, on presidentialism, performance capabilities, and integration***

The strongest charges against presidentialism were made as a consequence of its –supposedly– poor record concerning democratic stability. By the end of the century, an ample majority of the democracies inaugurated in the last two decades seem appreciably consolidated. It is thus reasonable to change somehow the approach to the different institutional formats, considering their performance in other areas, apart from regime survival, in order to appraise further advantages and disadvantages.

Presidentialism, due to its usual practice of popular elections for the head of government, has been said to provide additional democratic legitimacy for the system and, hence, for the overall decision-making process. This is so because it offers a more direct mechanism of *vertical accountability*, together with a greater identifiability of its top official, than parliamentary regimes. The other advantages advanced by Shugart and Carey –the presence of checks and balances, and the role of arbiter–, however, are not present in every presidential regime: in fact, most Latin American democracies do not have them. In O’Donnell’s terms, they lack *horizontal accountability* (O’Donnell 1998).



What presidentialism is supposed to feature, regardless of its subtypes, is predictability – based on a fixed term for office that allows relevant social and economic actors to plan their activities and investments over a known timetable. Taking democracy for granted, it is often harder to get rid of a president than to dismiss a prime minister. The former requires an election, an impeachment, or a serious disease. On the contrary, the strongest chief executive in the most concentrating and bipartisan parliamentary regime, Margaret Thatcher, was ousted without undergoing any of these circumstances.

Latin American recurring turmoil since the 1990s somehow questions this assertion. The successful impeachment of Brazil's Collor, Ecuador's Bucaram and Venezuela's Pérez, along with the anticipated resignation or ousting of Argentina's De la Rúa, Bolivia's Siles Suazo, Ecuador's Mahuad, Paraguay's Cubas Grau and Peru's Fujimori are proof that institutional instability is far from over. However, it is worth noticing that its return is due to policy failure rather than to policy deadlock –as the traditional argument claimed. It could be said that, in many concentrationist presidencies, concentration stays as presidents go.

In addition to the characteristics proper to the general type, the *concentrationist* subtype –i.e. most Latin American cases— also involves the reduction of veto points, thus potentially increasing the capacity for individual initiative, rapid response, and executive-driven decision-making. These characteristics are more likely to be effective in certain policy-areas than in others, depending on a set of diverse variables. Blondel and Cotta (1996) underline three cases in which the government acquires greater autonomy with respect to the supporting parties: emergencies, technical cases, and implementation. As seen in chapter 5, presidents tend to enjoy greater room for maneuver from both institutional and political constraints as foreign policy regards. Schlesinger (1974: 279) has underlined how, even in separationist presidentialism such as the American, “it was from foreign policy that the imperial Presidency drew its initial momentum.” Rogowski (1999) hypothesizes that more secure terms of office enhance foreign credibility. Although he acknowledges that the presence of less veto points may undermine such credibility, this would be compensated by improved stability and policy coherence.

Beyond their differentiated performance across issue areas, concentration and diffusion of power also impact diversely upon general governmental capacities. As Weaver and Rockman (1993c: 454) have stated, “those arrangements that concentrate power... tend to perform better at the steering tasks of government than those that

diffuse power.” Concentration of power is seen as more able to deal with active policy-making; whereas, its diffusion is more closely related to maintenance –stick to commitments— and political –wide representation and social peace— capacities (Rockman 1997b). The application of these propositions to Latin America may well be a fruitful endeavor: when the region was suffering from political instability and lack of legitimacy, preeminent or *concentrationist presidencies* were unable both to solve social conflicts and persist. Once traditional causes of conflict had receded –whatever the reasons had been— and new challenges for governance had to be faced, *steering capacity* (effective decision making) developed an increasing importance –sometimes even more remarkable than *political capacity* (legitimate representation). Only recently did some scholars begin to pay greater attention to the link between presidentialism and public policy (Haggard and McCubbins 2001), although they do not focus on foreign policy but on budgetary and regulatory policies.

As for regional integration, a renewed formidable task for Latin American democracies, some considerations are in order. What institutional capabilities would foster higher effectiveness in this field? There are at least three domains involved in it: foreign affairs, trade policy, and maintenance of international commitments. Although the former may be considered as encompassing the other two, I refer by foreign affairs to the overall capacity of targeting priorities and selecting macro-orientations in world politics. On the other hand, maintenance of international commitments means continuation rather than targeting, whereas trade policy implies micro or meso-orientation at the most.

In one of the few investigations linking executive format with international performance, Helen Milner has argued that “differing political institutions in Great Britain, France, and the United States have not led to major differences in their ability to make and maintain international commitments in the trade sector” (Milner 1993: 347). The fact that the United States do not outperform their contrasting parliamentary democracies is not contradictory with my point above, since presidentialism is not better equipped than parliamentarism regarding maintenance capabilities. However, two significant questions rise from Milner’s conclusion: in the first place, regional integration is much more complex and daunting an enterprise than just sticking to commitments already attained. In the second place, only three out of four of the executive types above defined –i.e. separationist presidentialism, parliamentary cabinet government and parliamentary coalitional executive— were analyzed. A logical interrogation rises: how

would the type left apart –i.e. concentrationist presidentialism— have performed, even regarding just maintenance rather than steering capacities?

The argument advanced here is that the essential characteristic of the presidential type, that is fixed term of the president, working together with the characteristic of the concentrationist subtype, that is executive concentration, allows *higher certainty*, along *certain areas* –usually held distant from the assembly—, that a given policy or orientation will be kept without reversal or institutional blockades *in the medium run*. Simultaneously, it provides relevant actors with *direct access* to top decision-makers and permits a *rapid response* from the latter. In the Southern Cone, as I will show, concentrated rather than separated power has proved better suited to deal with integration.

In sum, a given government's capabilities are an outcome of the fit among three factors: "the nature of its policy challenges, its institutional arrangements, and the conditions that facilitate and limit institutional effects" (Weaver and Rockman 1993b: 40). The remaining chapters of this section deal with the latter two factors in Latin America, while the third section is intended to cope with the policy challenges derived from the newly process of regional integration in the Southern Cone.

## CHAPTER 7

# PRESIDENTIALISM AND POLITICAL CULTURE IN THE SOUTHERN CONE

### *Introduction*

The goal of this chapter is twofold. On the one hand, it aims at controlling for the non-institutional factors that may affect presidential performance. On the other, it amounts to a contextual comprehension of actual institutional attainment. If the contents presented here turned out to be crucial, this dissertation would substantially lose sense – inasmuch as it holds institutional design as the main independent variable. However, other elements that additionally influence institutionalized behavior should not be dismissed beforehand.

As late as 1990, an author could claim that all “what does exist concerning the presidency in Latin America consists largely of chapters in country studies covering formal-legal aspects of presidential power. Missing are examinations of the philosophical, intellectual, cultural and historical bases of presidential power” (Sondrol 1990: 416). Today such an assertion is no longer valid, but still many times both lines of analyses are carried out in parallel – what is tantamount to saying that they rarely converge. At any rate, their reciprocal influence is hardly ever disregarded at present. As Weaver and Rockman (1993a: 11, emphasis added) argue, “such factors as the histories of programs, successful responses in the past, dominant beliefs among leaders, and the *political culture* of the society may be especially vital in determining how institutions actually function.” Mainwaring and Shugart (1997: 436, emphasis added) support the same claim when they state that “the quality of leadership, the nature of social cleavages and political conflicts, the level of economic development, and the *political culture* strongly affect how democracy works, ... how presidentialism functions.” Martz (1994: 251, emphasis added) goes as far as to assert, “in the 1990s, any contemporary reassessment of comparative politics must embrace *political culture* as an important dimension.” Furthermore, Seligson (1996) displays empirical data in order to show how *political culture* accounts for the difficult combination between Latin American politics and democracy.

It has been noted that, even for the American government, the rather insubstantial differences exhibited across periods of unified government and divided government have

to do with a "component of deep-seated individualism among American politicians... [that] seems to be a matter of *political culture*" (Mayhew 1991: 199, my emphasis). However, the relation between political institutions and political culture varies according to the type of society. In Dahl's terms (1989: 252), "a modern dynamic pluralist society disperses power, influence, authority and control away from any single center toward a variety of individuals, groups, associations and organizations". Hence the less modern, dynamic and pluralist the society, the less dispersed the power. As dispersion is the opposite to concentration, to focus on these societal features amounts to highlighting even further the contrast between American polities relative to their location either northwards or southwards from the Rio Grande.

The next sections are intended to come to terms with some historical features of political culture in the Southern Cone. It should be noted, however, that Latin America – not the Southern Cone— is usually considered as a single object of reference when this topic is analyzed. Therefore, many concepts such as populism, clientelism or *movimientismo* have also been applied to contexts that are ostensibly different from those approached here. Some main differences between the Southern Cone and the rest of Latin America are that the former countries have a much smaller proportion of peasant and native-Indian population, a higher level of economic development, and a higher rate of literacy and educational attainment. This gap has extended steadily along the last two decades, distancing Argentina, Brazil, Chile and Uruguay from the Andean and Central American countries. Mexico, due to its vicinity with the U.S., is experiencing instead a similar division within its own territory, undergoing a fragmentation between an underdeveloped South and the richer and better integrated Center and North. Paraguay, as seen in the next chapter, presents characteristics closer to the Andean countries, but its participation in Mercosur has kept it somewhat tied to its wealthier neighbors.

### **Historical roots**

Latin American presidentialism stemmed from a series of European traditions rather than from a pure North American model. Hence Nohlen and Fernández (1998: 111-115) argue, "*el presidencialismo latinoamericano, por lo tanto, en su origen es un producto sui generis, en cierto modo un híbrido producto de varios componentes, tanto doctrinarios como empíricos, de la teoría y de la práctica de los procesos políticos. Entre ellos es posible destacar los siguientes: doctrina de la separación de poderes*

*versus tradición monárquica centralista, ... constitucionalismo versus autoritarismo ... [y] soberanía popular (nacional) versus gobierno oligárquico”.*

This blend of local traditions and imported institutions reflected the complex situation faced by the nascent countries: not only had they to create a political regime but the state itself and, furthermore, the very identity of each new nation. As the subsequent developments have shown, the persistence of borbonic traditions and monarchical ideas proved much stronger than the liberal elites had initially thought. It has been consequently argued that “a clash of values occurred in the importation of a new, alien, liberal and secular constitutional arrangement juxtaposed to the feudal, organic, aristocratic and Catholic cultural traditions of Latin America” (Sondrol 1980: 419). The latter description is however somewhat exaggerated, and it must be tempered especially regarding the Southern Cone. The Catholic influence, for example, was not actually significant in Uruguay ever or in Argentine national politics until the 1930s (Zanatta 1996). Moreover, neither in these countries nor in southern Brazil have the larger cities been exposed to feudal arrangements, and it should be remembered that the urbanization rate of this region is higher than both the European and the American cases. Finally, Latin America has also developed a tradition of liberal thinkers, however minoritarian, and their ideas have not been ignored by and large. Irrespective of these specifications, the general claim concerning the clash of values still holds.

There are two additional features of Latin American politics that are usually reckoned as being both strong and enduring: the lack of distinction between state and society and the influence of *militarismo*. The former has its main expression in Brazil – featuring the phenomenon of *coronelismo*<sup>42</sup>—, whose pattern of political development in the 19<sup>th</sup> century “*terminou inviabilizando... a distinção, crucial para as sociedades modernas, entre a esfera pública e a esfera privada*” (Tavares 1998: 157). This amalgam, which was not exclusively Brazilian, gave birth to a compromise between two contradictory logics: “*a do patrimonialismo estatal estatizante e centralizador e a do feudalismo descentralizador e anárquico*” (1998: 160). Militarism, in turn, emerged as a consequence of the military path to independence followed by many of the young

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<sup>42</sup> Coronelism was “a system of local bossism that bridged levels of government and organized intergovernmental relations” (Hagopian 1996: 47). It was based on pacts between public authorities and local private power holders, known as *coroneis* because of ancient titles given to their forerunners.

republics, and its hierarchy and personalism are thought to be simultaneous with, and influential over presidentialism (Nohlen and Fernández 1998: 117).

One of the most traditional labels put to the Latin American societies has been that of *populismo* (Germani 1962). Many others followed, either referring to global features or to political patterns, such as *caudillismo*, *movimientismo*, plebiscitarianism, corporativism, authoritarianism, delegative democracy, new populism, and the like (Wiarda 1973; Dix 1989; Sondrol 1990; Alberti 1991 and 1996; O'Donnell 1993, 1994, 1996 and 1998; Malloy 1996; Philip 1998). What stuns along most of the literature is that the usual patterns observed by western, liberal societies do not apply straightforwardly in this region. All those descriptions converge, one way or another, into a general conclusion: the institutional weakness is a ubiquitous and persisting characteristic of these countries, and not a temporary 'disease.' Given the institutional approach of this research, some of the above interpretations deserve a brief attention. The remainder of this section will focus on traditional populism, caudillism, movimientismo, and also personalism; the next section is to deal with corporativism, authoritarianism, delegative democracy, and new populism.

Sondrol (1990: 417) has distinguished the unique tradition of Latin America as made up of three key aspects: caudillism, personalism and elitism, whose outcome would be an *ejecutivismo* allegedly intrinsic to the region. According to this approach, which follows the nation/state-building pattern mentioned above, "*ejecutivismo* in Latin America has been a device to guide and control the extremist and centrifugal forces characteristic of the region, and to forge unifying symbols essential to nationalism in lands rife with separatist tendencies and political factions" (Sondrol 1990: 419; also Botana 1977; Mayer and Gaeta 1998).

*Caudillism* can be defined as a type of charismatic leadership exerted by a landowner or likewise grand man over his subordinates or neighbors, based on *de facto* power and personal worship. *Personalism* consists in the identification of the caudillistic leader with the state itself, thus erasing any difference between the person and the institution and paving the way for clientelism—as a particular social structure founded on personal, dyadic and asymmetric relationships. *Elitism*, on the other hand, refers to the intellectual orientation of most Founding Fathers of the Latin American countries; in their view, the only conceivable rule was the rule of reason, an idea that distanced them from a pure democratic conception and dragged them closer to a more aristocratic one.

The concept of *populism*, as already mentioned, has a long history and many allocated meanings. Some times understood as a multidimensional notion that combines political, economic, social and cultural characteristics (O'Donnell 1973; Germani 1978; Conniff 1982), in other occasions defined in economic terms (Sachs 1989; Dornbusch and Edwards 1991), both interpretations have lately lost much of their conceptual grip. Weyland's (1999: 381) definition of populism as a political strategy seems more suitable, provided that three characteristics are present: "a personal leader appeals to a heterogeneous mass of followers who feel left out and are available for mobilization; the leader reaches the followers in a direct, quasi-personal manner that bypasses established intermediary organizations, especially parties; if the leader builds a new or revives an old populist party, it remains a personal vehicle with a low level of institutionalization."<sup>43</sup> This definition comprehends both variants of populism, namely old –or classical— and new, to which I will return later.

Finally, Alberti calls for the rehabilitation of the political culture approach as the necessary one to account for *movimientismo* in Latin America. He argues that "movement and institution are two different, contradictory and mutually exclusive principles of social life" (1996: 261). *Movimientismo* is thus defined as "a particular way of playing politics in which all major interests in society are expressed and loosely organized in movements led by charismatic leaders, which claim to represent the 'true' interests of the nation... and identify personal leadership with State institutions" (1996: 254). McGuire (1997: 7) similarly defines political movements as "a set of people who share a common political identity and whose leaders aspire to full and permanent control of the state through the most readily available means, electoral or not." It is simple to conclude that all the above described phenomena are tightly related –when not overlapped— to each other, all them stemming from a common denominator: particularism, the hard core of Latin American politics.

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<sup>43</sup> Notwithstanding the distrust that populists generally feel toward institutions, populist movements varied widely. They ranged from the highly personalized style of Argentina's Perón and Brazil's Vargas to more organized movements such as the *Alianza Popular Revolucionaria Americana* (APRA) in Peru, the *Acción Democrática* (AD) in Venezuela and the *Movimiento Nacionalista Revolucionario* (MNR) in Bolivia (Malloy 1996). All too strange, Southern Cone populism showed less 'institutional orientation' than its Andean counterpart.



### **Recent trends**

Particularism is logically antithetic to universalism, yet it could also be conceived of as opposite to organicism; however, the latter is not necessarily the case. Latin American ideological melting pot has gone as far as to reconcile some of its most particularistic features with the typically rationalistic pattern of bureaucratic administration, if only in the Southern Cone. Corporatism has ever become more of a technical-managerial device rather than a harmonic model of social organization. Between the 1960s and the 1970s, traditional authoritarianism and corporatism mixed up with somehow new bureaucratism to give way to a singular novelty: bureaucratic authoritarianism.

First theorized by O'Donnell (1973), bureaucratic authoritarianism—or BA, as it came to be known—was a new conceptual framework intended to give count of Brazilian military rule after 1964 and its Argentine correlate from 1966. Later in 1973, also Chile and Uruguay joined the group. The BA took place not in the less developed countries, but in those whose modernization processes were more advanced—and therefore, were more disruptive to the traditional society. It differed from other authoritarian types such as traditional—e.g. Paraguay—and populist—as in previous Argentina and Brazil—, drawing on Weber's typology of legitimate domination while re-adapted to illegitimate contexts. However, not all the BA cases were alike, the basic difference concerning corporatism. Whereas both Argentine and Brazilian dictatorships developed a functional approach to socio-political organization, the Chilean military under Pinochet carried out a neoliberal economic program based on free market and foreign investment.

Analysts have given two main meanings to the concept of corporatism: either they refer “to a pattern of interest group politics that is monopolistic, hierarchically ordered, and structured by the state” or “to a broader cultural and ideological tradition of the region that they viewed as patrimonial and statist” (Collier 1995: 135). In turn, the former can be further subdivided into two components: a type of interest intermediation—as opposed to pluralist intermediation—and a type of policy formation—as opposed to pressure politics (Schmitter 1979, 1982; Collier 1995). While this meaning of corporatism belongs to the decades coming after the 1950s, the other definition bears older connotations. As one of the latter's main supporters has stated, “the ‘corporate framework’ ... refers to a system in which the political culture and institutions reflect a

historic hierarchical, authoritarian, and organic view of man, society and polity” (Wiarda 1973: 222). Whether seen as consecutive, contemporary or competitive, the two types of corporatism have lost significance even before the last wave of transitions to democracy took place. Indeed, Malloy (1996, first published in 1977) had already categorized corporatism as a subtype of authoritarianism, and neither all 1970s dictatorships<sup>44</sup> nor the 1980s democracies intended to foster it any further. On the contrary, after the late 1970s most Southern Cone administrations advanced either market-oriented policies or modes of pluralistic representation, or both.

Working on democracy just as he had done on authoritarianism, O’Donnell (1994, first published in 1991) advanced a concept to explain the singularities of the new South American regimes: *delegative democracies*. Within such a framework, “whoever wins election to the presidency is thereby entitled to govern as he or she sees fit, constrained only by the hard facts of existing power relations and by a constitutionally limited term of office” (O’Donnell 1994: 59). Although O’Donnell originally highlighted the relevance of cultural factors, in further works he reconsidered the weight of institutions to properly account for the political processes throughout the region (O’Donnell 1993, 1996a, 1996b). In his later conclusions he recognizes some persistent non-institutional characteristics of Latin American politics, but at the same time acknowledges that some degree of institutionalization –albeit atypical—has been reached (O’Donnell 1996a, 1998). At least, leaders’ actions are now performed with regard to the institutional frame, be them channeled within or aside it. It may still be a paradox that *delegative democracies* –i.e. different from *institutionalized democracies*— took place precisely in the same countries where *bureaucratic authoritarianism* –i.e. the most *institutionalized subtype of authoritarianism*— had flourished two decades before: Argentina and Brazil.

Regarding democratic politics, Dix (1989) has described another particular feature of the region, namely that its national party systems are culturally rooted on different cleavages from Europe. Hence, it makes little sense to approach Latin American politics in terms of the right-left dimension, for the regional cleavages were due to

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<sup>44</sup> For example, after the 1976 coup the Argentine military government married the Chilean option for neoliberal policies, although with much less success. Few alternatives could have been farther from the corporatist orientation adopted by the previous military rulers after the 1966 coup (Schamis 1991; Malamud 2001b).

conflicts other than class-based ones. A major consequence is that Latin American parties do not appear as capable of aggregating interests, representing the people, recruiting leaders, and governing the state as in the countries where party models originated. Rather, their 'inefficiency' gave way to other forms of accomplishing those tasks, like already mentioned corporatist intermediation or chief decisionism. In this line, Mainwaring asserted for the case of Brazil, "the counterpart to the individualism of politicians is the atomization of interests in Brazilian civil society. Interests are not aggregated in political parties, and the parties do not express social cleavages to the same extent as they did in the classical European cases" (1990a: 29). Accordingly, "the loose relationship between presidents and parties in Brazil has made politics more ad-hoc, more personalistic, and less institutionalized. It has also contributed to the possibility of institutional deadlock and immobilism" (1990a: 22-23).

The mixed social bases of party politics, together with the economic crises underwent through the 1980s, are among the main causes for the emergence of a late phenomenon: the so-called *new populism*. It differs from traditional populism in many respects, especially since the latter was 'statist' –though not socialist. Its declared goals were to assert national economic independence –namely anti-imperialism—, to break local semi-feudal structures so as to liberate human and material resources for economic development, and to promote social justice for all sectors of the nation (Malloy 1996: 129). New populism, in contrast, takes an-opposite stand in its approach to the economy. As a matter of fact, it is tightly associated with cases of structural, market-oriented reforms such as those implemented by Argentina's Menem, Brazil's Collor de Mello, Peru's Fujimori, Venezuela's Pérez and Caldera, and also Russia's Yeltsin and Ukraine's Kuchma (Philip 1998; Weyland 1999).

If particularism was the strongest constant of regional politics since the independence wars, the new one seems to be neoliberal policies, a rather universal and universalistic phenomenon. The emerging dilemma is how both features came to be compatible, bringing not just popular support but even reelection to most populist reformers. The reasons must be looked for at three different levels: *economic* – particularly regarding hyperinflation crises and global forces—, *institutional* –especially concerning presidentialism— and *cultural* –mainly respecting the persistent demand for strong and personal leadership.

### ***Political culture and presidential leadership***

Bolívar early noted that “the new states of America, originally Spanish, need kings with the title of President” (cited by Sondrol 1990: 426). Presidentialism in South America was originally designed to concentrate more power on the executive than the North American model. Historical developments, among them war, military rule and economic crisis, increased instead of lessening such concentration. Underlying both institutional design and historical practices was political culture, acting as subtle but permanent reinforcement of the concentrationist forces any time at work.

Although there were sporadic attempts at regime change,<sup>45</sup> “every Latin American nation which experimented with other forms of the executive invariably returned to the strong presidency, concentrating power in the hands of one individual who had virtually *la suma del poder*” (Sondrol 1990: 418, original emphasis and Spanish). Although most of these experiments did not actually imply a drastic change away from presidential design –and being aware that *la suma del poder* is a rather exaggerated concept—, the recurrence of presidentialism as the only plausible choice is apparent to observers. And so is presidential preeminence: as an analyst stated by the early 1960s, “the most widely professed fact in the field of Latin American politics is unquestionably the dominant role of the president” (Gomez 1961: 81).

The diffusion of bureaucratic authoritarianism in the region became still another thrust for executive centralization. In Brazil, “*o alto nível de tecnificação e de centralização e concentração da estrutura de poder, do planejamento e das decisões estratégicas, ao redor da Presidência militarizada, levou esta última a empenhar-se na articulação de governos estaduais que... assegurassem a adequada implementação, no nível regional, das metas do planejamento nacional*” (Tavares 1998: 224). Argentine federalism, traditionally weaker than Brazilian, was undermined even further by the centralization brought about by military governments, be them bureaucratic-authoritarian –from 1966 through 1973— or openly neoliberal –from 1976 through 1983.

The fact that neither authoritarian nor democratic presidents could make sure that they would accomplish their tenures without being violently ousted resulted in high levels

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<sup>45</sup> Among others, Peru (1822 and 1823) and Uruguay (1918-1934 and 1951-1966) tried diverse forms of collegiate executive, and Brazilians rejected via referendum a shift into parliamentarism on April 21, 1993. Furthermore, throughout the 1980s Argentina, Bolivia and Peru either appointed commissions or held official conferences in order to draft projects on constitutional reform toward more parliamentary forms of government.

of uncertainty. As pointed out by Wynia (1984: 37), "what is intriguing about Latin America is not the amount of power [the presidents] appear to wield, but how they use their power to cope with the uncertainty that arises when a consensus on political rules is lacking." By the same token, he noted that "what limits the exercise of presidential power is the ability of other players to constrain the president by using their political resources against him" (1984: 37); that is, not institutions but social and political actors themselves used to be the sole limit to presidential power. Whereas in the past not such a mighty actor existed but the military, what fostered great uncertainty about democratic stability, for the time being powerful economic agents seem to have assumed that role. This is good news for democracy, though it may not be so for social justice.

Despite the new conditions for the exercise of executive power, Latin American traditions are far from disappearing –although they might be gradually fading, at least at the centers. As Dix noted, not just the head of government is the locus of personalistic authority. Rather, even political parties "have centered around key personalities, not only in their formative years, but often for a long time thereafter as well" (Dix 1989: 82), in contrast to the European pattern. Although local tyrannies can exist in a system that disperses authority such as the American (Rockman 1997a: 31), when authority is concentrated the top office cannot be much different from local structures. The persistence of such ubiquitous traditions led Wynia (1995: 73) to argue, specifically referring to Argentines, that they "became accustomed to a very personalistic, hyperpresidential regime."

Constitutional presidentialism, populist practices, and economic crisis set the stage for the emergence of new populism. Be it successful, as with Menem, or failed, as with Collor, this new brand of populism did not jeopardize formal democracy –regardless of how much it affected its substantive performance. Philip (1998) remarks the symbiotic relationship between populism, whether old or new, and presidentialism. Similarly, he raises a similar point to that supported here: that in Latin America during the 1980s, "a temporary period of hyper-presidentialism was much less damaging to democracy than would have been the likely alternative –namely prolonged institutional crisis of a kind threatening democratic stability" (1998: 82). Next chapters will discuss the extent to which a likewise beneficial influence was to support regional integration, besides just national democracies.

Presidential defenders, populists and neoliberal supporters would find a solid common ground to agree on. As Weyland (1999: 389) states, “populist leaders and neoliberal reformers need a strong institutional base. Despite their current anti-state rhetoric, both populists and neoliberals therefore seek to concentrate power at the top of the state, especially in the presidency.” To be sure, institutions are not enough to determine any given outcome; it is thus at this point that leaders’ ability comes into the scene. Philip (1998: 91) observes that, to account for different results among the several new populist experiences, “the key factor seems to be the ability of some individuals to enhance the powers already vested in the presidential institution.”

***Remarks, on presidentialism (design) and concentrationism (practice)***

In a masterful book, Neustadt (1980) defined the approaches that could best scrutinize presidential performance. According to him, “there are two ways to study ‘presidential power.’ One way is to focus on the tactics, so to speak, of influencing certain men in given situations: how to get a bill through Congress, how to settle strikes, how to quiet Cabinet feuds, or how to stop a Suez. The other way is to step back from tactics on those ‘givens’ and to deal with influence in more strategic terms: what is its nature and what are its sources? What can *this* man accomplish to improve the prospect that he will have influence when he wants it? Strategically, the question is not how he masters Congress in a peculiar instance, but what he does to boost his chance for mastery in any instance” (Neustadt 1980: 4). The latter, the strategic approach, is what justifies to look beyond institutional design into behavioral choice. The matter of this chapter has accordingly been how political practices, embedded in political traditions, combined with *executivist* constitutions to produce a *concentrationist* presidency in South America.

Table 7.1 shows the variety of regimes that Southern Cone countries have featured along the last half-century. Two broad patterns are so delineated, namely civil and military rule. Each type features three subtypes, half of which are concentrationist-like irrespective of its broader type. Most of these regime patterns are rooted in the political culture and practices of these countries, and certainly not in their institutional design. Even along classic democratic periods, the ‘routine’ of executive concentration has conditioned effective performance as much as institutional provisions.

**Table 7.1**  
**Regime types in the Southern Cone between 1940 and 1999**

	Military rule			Civil rule		
	Traditional (or populist*)	Bureaucratic- Authoritarian*	Neoliberal	Old Populism*	Classic Democracy	New Populism*
Argentina	1943-46 1955-58	1966-73	1976-83	1946-55	1973-76 1983-89	1989-99
Brazil	-	1964-85	-	1930-45 1950-54	1954-64 1985-90	1990-92 (1992-99)
Chile	-	-	1973-90	-	1950-73 1990-99	-
Paraguay	1954-89*	-	-	-	1989-99	-
Uruguay	-	1973-85	-	-	1942-73 1985-99	-

\* Most concentrationist subtypes.

SOURCE: own elaboration, based on criteria from O'Donnell 1973, Schamis 1991, Philip 1998, and Weyland 1999.

As can be seen from the figures, Argentina –especially– and Brazil clearly take the lead in what diversity regards, but also concerning regime quality: most of the last half century they have lived under concentrationist subtypes. Chile, in turn, is the opposite case, with Uruguay ranking somewhere in the middle<sup>46</sup> and Paraguay exhibiting a long-lasting concentrationist –albeit quasi-traditional– dictatorship. The case of Brazil since 1992 is rather atypical, as president Cardoso was not a populist nor was his party, but he was supported by regional populists –such as PFL leader from Bahia Antonio Carlos Magalhães– in order to implement thorough neoliberal policies.

It has been recognized that a “fixed term in office allows presidents to employ populist tactics and maintain distance from parties without endangering their continuation in power” (Weyland 1999: 389). This has not always been the case, since constitutional impeachment is still a powerful arm that parliaments can appeal to.<sup>47</sup> Therefore, “populist presidentialism is... more likely to succeed where non-presidential institutions are seen by their electorates as corrupt and self-interested and the populists as sincere reformers” (Philip 1998: 94). In such case, presidents may enjoy a further delegation of legal, and even constitutional, powers.

<sup>46</sup> Analytical labels notwithstanding, Chile’s ‘neoliberal’ dictatorship was not less concentrationist than the Uruguayan BA though.

<sup>47</sup> Three successful impeachments have taken place in South America during the 1990s: besides Brazil’s Collor de Mello, also Ecuador’s Abdalá Bucaram and Venezuela’s Carlos Pérez were dismissed through congressional decision –or resigned shortly before.

Why do assemblies delegate authority –be it decree authority or other kind— to executives? Drawing on Carey and Shugart, Power (1999) advances a cluster of hypotheses. To start with, there are two collective action problems: “The first is that legislative decision making is generally a slow process and that delegation to a unitary executive could be an attractive option; the second is that legislators seeking policy change have a difficult time deciding among various acceptable initiatives to the status quo, and thus they may choose to assign the final decision to the executive” (Power 1999). A third reason is that “legislatures may delegate decree authority on issue-areas in which information and policy expertise are concentrated in the executive branch.” Finally, “assemblies may delegate authority to the executive to avoid responsibility for policies that they believe to be necessary but expect to be widely unpopular.” A last hypothesis, rather ‘genetic’ than process-oriented, is that not only parliaments but also constitutional assemblies delegate power, since they do not act in a vacuum but pressured by the urgencies of the moment. Henceforth, countries perceived to be permanently in crisis –like Brazil— will have more delegative constitutions (Power 1999: 221/2).

Cavarozzi (1998) has also remarked on the depth of the crisis to account for the new political patterns. In his view, the emergency has its roots in the retraction of the state after the crisis of the accumulation model –the so-called import-substitution industrialization. As main consequence of the dilution of the state-centric matrix, politics became de-centered. Accordingly, hyperpresidentialism would be a reorganizing response to such turmoil in reestablishing its latitude to politics. Just as the presidency assumes the domestic role of the utmost institutional rule-maker, it does so regarding the new integration tasks at a regional level. Cavarozzi, in consequence, sees the institutional features –institutional deficit— of regional integration as mirroring the domestic processes of Mercosur member countries.

In his later works, O’Donnell (1996a) has reached another conclusion though. In his view, countries like Argentina and Brazil are “informally institutionalized democracies” rather than non (or weakly) institutionalized ones. He sets forth that informal/particularistic practices are indeed institutions, and in so doing he calls attention to the fact that traits such as corruption, nepotism, and clientelism are not isolated episodes in specific governments, but a long-standing and stable features of several new democracies. Drawing on O’Donnell’s insights, it follows that Mercosur actual



proceedings would be better scrutinized in a different light from that illuminating its alleged institutional deficit. Instead, inter-presidential operation could be thought of as an informal institution, a subtle but semi-routinized mechanism through which the region managed to work out its way.

One of the conditions Haas (1968: xxxvi) claimed –long ago— to be necessary for the formation of regional political communities is that the joining societies “are governed by the traditions and assumptions of parliamentary (or presidential) democracy and constitutionalism.” Why would he write “presidential” between brackets? Irrespective of the reasons, the historical circumstances raised what may be called ‘the presidential paradox’: whereas for many analysts this institution has traditionally constituted a risk for national democracy, it seems to have actually functioned as safeguard of the integration process. Thus, through a feedback effect, it has provided national democracies with indirect support.

## CHAPTER 8

### PRESIDENTIALISM IN MERCOSUR COUNTRIES

#### *Introduction*

Institutional instability has been a historical constant in Latin American until the middle 1980s. Since then, market-oriented leaders with popular support have been a factor as significant as institutional procedures in order to complete the political transition and face the economic emergency—as seen in the previous chapter. Since both the lack of efficient national bureaucracies and the urgency to recover the lost decades were strong constraints, the appeal to a rapid mechanism of decision-making and problem solving appeared to have been the only way to deal with those drawbacks. However, while charismatic leaders worked well in the short run as the main support and safeguard of economic reforms and regional integration, the demand for stronger institutional respect—e.g. *seguridad jurídica*—has remarkably increased along the last decade, aimed at diminishing the risks of discretionality.

This chapter focuses on the governmental institutions and processes of the Southern Cone countries, especially those of Mercosur. Most of the general dynamics analyzed here are common to Argentina, Brazil and Uruguay, but also to Chile. Unlike them, Paraguay would more properly cluster with the Andean nations, concerning both socio-economic indicators and political (in)stability. In the following country sections, I will revise the political situation of each Mercosur member in order to give count of national differences as well as regional commonalities.

The polities under scrutiny have become democratic through the formal respect of a minimum set of institutions: regular elections, congressional representation, and judicial review. Nevertheless, the most powerful institution continues to be the presidency. This specific power site, under democratic conditions, is the convergence point of the popular legitimacy with the authority of command, the intersection between citizenship and leadership. All over the region, the stable exercise of presidential power submitted to institutional restrictions is a novelty; and so is regional integration. However, while today the consolidation of democracy seems to be out of question at the

*national level*,<sup>48</sup> at the *regional level* the problem does not regard democratic accomplishment but institutional void.

Coping with institutional issues in Latin America was a rather daunting –and useless— effort some decades ago. Now, it appears not only worthy but also necessary. The problems related to the creation, persistence and functioning of institutional arrangements are increasingly relevant in the region, and so will be the answers offered to face them. As far as this research is concerned, one of the first emerging questions is whether the *institutional deficit* of Mercosur will be addressed or neglected by its member countries. If the latter becomes true, the following question is whether it may result innocuous to integration or, far worse, bring about the reversal of the process. Hence, the dilemma would be if any kind of linkage is likely to emerge between presidential power, needed so far to *propel* and *direct* the integration process, and the institutional mechanisms –be them national or supranational— required to *stabilize* it. Only after having assessed the effective power of the presidents will be possible to relate it to regional integration, in order to assess their reciprocal impact.

### ***Categories for assessing presidential power***

The most refined typologies for assessing presidential power were advanced by Shugart and Carey (1992) and Shugart and Mainwaring (1997). Whereas the former is more comprehensive in accounting for regime types other than sheer presidentialism,<sup>49</sup> the latter is especially devised to cope with presidential regimes. Moreover, it focuses particularly on Latin America.

Shugart and Carey appraise presidential capacities as composed of two sets of properties: legislative and non-legislative powers. In turn, the latter are further divided into two subsets: separate survival from the assembly and control over the cabinet. So-called presidential regimes are characterized by separate survival and full control over appointment and dismissal of ministers, whereas hybrid and mixed types –president-parliamentary, premier-presidential, and assembly-independent— lack of at least one of

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<sup>48</sup> Despite the criticism that the regime performance may deserve regarding corruption, poverty, clientelism and the like, there is a broad consensus that democracy will both persist and handle political conflict in a quite acceptable way. This judgment should be suspended as far as Paraguay regards, as already mentioned. In Chile, the wide powers constitutionally recognized to the Armed Forces spells out the still unfinished state of its transition.

<sup>49</sup> This framework is as comprehensive as to include every regime type whose chief of state is called *president*, irrespective of his or her real powers –thus including many pure parliamentary systems.

these characteristics. Except for Bolivia and Peru, the authors include every *presidential* regime –understood as that in which the heads of state and government coincide in the same person— within the broad *presidential* category—regimes that feature an official called *president*. It thereby goes from the USA to Nigeria, passing through the Philippines and all Latin American countries –even Cuba! Such an encompassing typology renders itself of little use when it comes to distinguishing among full-fledged presidential regimes.

Shugart and Mainwaring offer a more suitable taxonomy for the purposes followed here. They differentiate between constitutional and partisan powers of presidents. The former are basically the above-mentioned legislative powers, although they incorporate an extra variable, namely agenda-setting, in addition to legislative initiative, decree power, and veto power. While the last attribute is typically reactive, the first three pave the way to proactive presidential intervention. Partisan powers, on the other hand, depend on both the number of parties (broadly speaking, the party system) and party discipline (relative to party structure and organization, but also to institutional determinants). Accordingly, the size of the presidential party –or coalition— in Congress,<sup>50</sup> the fragmentation and polarization of the party system, and the degree of party discipline strongly condition the capacity of the president to push ahead his or her agenda. The distinction between constitutional and partisan powers –along with the consideration of agenda-setting capacities— is remarkably coincident with Tsebelis's veto player theory. However, while Tsebelis considers constitutional powers as intrinsic to presidentialism and partisan powers to parliamentarism, Shugart and Mainwaring combine both in order to account for different cases within presidential regimes.

Table 8.1 presents a typology to assess presidential powers in Latin America. While Argentina is undoubtedly located in the 'strongest' corner (upward right four cells), Brazil –since 1988—, Paraguay –since 1991— and Uruguay appear within either of the 'medium' corners (upward left and downward right). In sum, no Mercosur country is currently located in the 'weakest' corner, where the U.S. would fit if it were to be included in the sample. This typology measures potential power, not actual performance. However, "when observers classify presidents in terms of being 'strong' or 'weak,' they tend to mean presidents' ability to put their own stamp on policy –to get an

<sup>50</sup> In a still exploratory research, Altman (2000) argues that the number of effective opposition parties is more significant than the size of governing parties to account for coalition formation and survival.

agenda enacted” (Shugart and Mainwaring 1997: 40). It thus may be that presidents ‘outperform’ their predicted powers –i.e. they get a better outcome than expected according to the typology. I will argue that this is the case of Brazil, and will elaborate it further in the pertinent section.

**Table 8.1**  
**Relationship between presidents’ constitutional and partisan powers in Latin America**

Constitutional powers over legislation	Presidents’ partisan powers			
	Very low	Medium low	Medium high	Very high
Potentially dominant	Chile (1989) Ecuador	Colombia (1968)	Argentina	
Proactive	Brazil (1988)	Colombia (1991) Peru		
Reactive	Brazil (1946) Chile (1925)	Bolivia	El Salvador Uruguay	Dominican Rep.
Potentially marginal			Costa Rica Paraguay (1991) Venezuela	Honduras Mexico Nicaragua

SOURCE: Mainwaring and Shugart 1997b: 432.

If it is correct to affirm that presidentialism performance is affected by party configuration, the reverse is also true. Presidential design is likely to have an impact on the number of parties by changing the relative importance of other institutional determinants. As Mainwaring and Shugart (1997b: 417-8) point out, “although magnitude has been termed the ‘decisive’ factor in determining the number of parties, ... the data sets on which such conclusions have been based have overwhelmingly consisted of parliamentary systems. In presidential systems, on the other hand, the importance of the presidency serves to reduce the number of parties, at least when the president is not elected by majority runoff and elections are concurrent. Thus, the special features of presidentialism override the impact of magnitude”. However, they would “not characterize magnitude as irrelevant in presidential systems –just less important than the electoral cycle and the means of electing the president, and also less important than the presence or absence of party lists” (Mainwaring and Shugart 1997b: 418). Concurrent elections and presidential plurality rule are, therefore, paramount factors in increasing the partisan powers of the president.

In addition to constitutional and partisan constraints, in some countries presidential power faces still another mighty institutional constraint: federalism. The

literature recognizes three main forms of organizing territorial politics in a federal way: the American, Canadian and German models (Scharpf 1988; Sbragia 1992; Katz 1999). In the American model, members of the Second Chamber (the Senate) represent the electorate *cum* individuals of their respective states; they do not represent the corporate interests of the government of their respective state. Canadian federalism, unlike the American, does not stem originally from constitutional provisions but has grown out of historical practice. Besides, although the provinces do not empower their representatives with an indivisible mandate either, they keep a crucial veto power since unanimity among provincial governments is required to approve amendments to the constitution – contrasted with the three-fourths majority required in the United States. Finally, German federalism differs from the previous types in that it endows the Länder with competence over national policy-making. While the federal level –in which the Länder are represented *as such* in the Second Chamber (*Bundesrat*)— legislates, administration falls under the states' jurisdiction. *Politikverflechtung*, as it has come to be known –or interlocking politics— furthermore refers to the “horizontal and vertical linkages among state and non-state actors on the regional and national levels” (Risse-Kappen 1996: 61). It entails the direct involvement of the Länder in the federal process of government.

Argentine and Brazilian federalism resemble the American model more than any of the others. The provinces of the former and the states of the latter do not participate *as such* in national policy-making. Nor do they implement policies decided at that level. In contrast, responsibilities are divided by policy areas, and federal and subnational governments carry them out autonomously from one another. The primary characteristic of federalism is “a guaranteed division of power between the central government and regional governments. The secondary characteristics are strong bicameralism, a rigid constitution, and strong judicial review” (Lijphart 1999: 4). Later on in this chapter, I will show that the only of these characteristics at work in Argentina has been strong bicameralism –and, to a lesser extent, division of powers. Brazil, on the other hand, has turned out to be much more strongly federal.

An additional feature often runs parallel to federalism: the degree of independence or autonomy of central banks (Lijphart 1999). Such independence has not been the case in Argentina or in Brazil throughout the 1980s. Lijphart (1999: 233) claims that “central banks that are subservient to the executive fit the concentrated-power logic of majoritarian democracy.” In the index developed by Cukierman, Webb, and Neyapti

(1992: 380-81), Argentina and Brazil –unlike Uruguay— are ranked at the bottom of a scale that measures central bank independence in seventy-one countries. In contrast, the likewise presidential U.S. is at the top of the ranking together with the also strongly federal states of Germany and Switzerland. This contrast partially accounts for the inclusion of Argentina and Brazil within the ‘centralized federalism’ category defined by Lijphart. Although both countries have conceded an increasing independence to their central banks throughout the 1990s, when the first steps toward Mercosur were taken the presidents still held paramount authority over monetary policy.

It would be misleading, however, to limit the analysis of South American presidentialism only to its institutional connections. Mettenheim and Rockman (1997b: 239) point that, while presidentialism “provides a forum for executive leadership to rise above the hurly-burly of particularistic interests, this form of government also normally requires that executives come to terms, at least partially, with the claims of these interests, which are often articulated in the legislative arena.” Often is not always, though; in South America, as shown in chapter 7, large interest groups were seldom represented in the legislative arena. Instead, corporatist pressures and ‘praetorian’ interventions have frequently been directed to the executive in search of response (Huntington 1968; Collier 1991; De Luca and Malamud 1994). Such a situation increases the number of contingent, usually not institutional, players while reducing the veto power of each –as a consequence of greater dispersion. The executive, on the contrary, remains a single, unified site of power –whereas social groups have frequently colonized the state apparatus.

Presidential cabinets deserve a final word. It has been accepted, at least since the Roosevelt administrations in the U.S., that cabinet members are no longer the main assistants to the president. They have been displaced by other organizations such as the Executive Office of the President, especially the White House Office (Milks 1993; Virgala Foruria 1994). Their members neither respond to parties nor to pressure groups, but only to presidential confidence. Nor do they need congressional approval. South American cabinets, by contrast, usually reflect the electoral and partisan distribution of power (Deheza 1997). However, formal representation should not conceal the fact that, frequently, the principal ministers are appointed and dismissed in accordance with the will of the president. Only rarely does a minister achieve as high a profile as to deserve an independent analysis within the executive.

The next sections are devoted to a more specific study of executive capacities in each Mercosur country, paying heed to constitutional as well as party features, and also to other characteristics such as the impact of federalism –when present— on government capabilities. In addition, further emphasis will be placed regarding the roles lately played by the presidents and their foreign ministers.

### ***The larger countries: Argentina***

#### **Constitutional powers**

As in every presidential regime established during the 19<sup>th</sup> century, the Argentine constitution was replicated from the American one. However, its Founding Fathers decided to increase presidential powers in order to empower the chief executive with the capacities necessary to drive the process of socio-economic development (Botana 1977; Mayer and Gaete 1998). The president was thus entitled to initiate legislation, remove or suspend provincial governments (*intervención federal*), and declare a state of siege (*estado de sitio*). Added to the political practices described in the previous chapter –such as the iterated *coups d'état* and the recurrent state of emergency from 1930 onwards—, these institutional features led to the progressive strengthening of the executive office.

During the fifty-three years running from 1930 to 1983, Congress was at work only during thirty one years. The executive and judicial branches did not cease to exist as institutions and managed to preserve a legal<sup>51</sup> and working continuity. Although each military take-over entailed the removal of the president, his cabinet of ministers and, usually, all judges of the Supreme Court, the number of ministers and justices was kept the same. This *rutina golpista* induced an extra-constitutional increase of the already strong constitutional powers of the presidency, since it amounted to a tighter control of the administration while simultaneously preventing the legislature from institutionalizing any effective supervision –by banning elections and closing Congress. Even limiting the analysis to constitutionally endowed powers, the paramount role historically played by the presidency led Carlos Nino to label Argentine political system as hyper-presidentialist (Nino 1992). However, presidential powers had not yet achieved their maximum score when Nino coined this sometimes-abused category.

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<sup>51</sup> The decree-laws (*decretos-leyes*) issued by the military rulers would be numbered following the regular legislative sequence and later recognized as constitutionally valid by the Supreme Court.



It was only after 1989 that Menem's extensive use of decree power "transformed the Argentine president's legislative powers from being 'reactive' to being 'potentially dominant'," whereas "the constitution-based classification... correctly labels the Argentine system as 'reactive'" (Jones 1997: 288). Such a mismatch between presidential powers *de jure* and *de facto* was bridged shortly later. As two analysts have pointed out, "President Carlos Saul Menem's tenure, which began in 1989 and [was] characterized by an increasing concentration of power in the executive branch, consummated in the adoption of a new constitution in 1994" (Ferreira Rubio and Goretti 1998: 33). Decree authority, hitherto delegated or usurped, gained strength and legitimacy through constitutionalization. This event crowned the historical process of strengthening the power of the presidency.

### Partisan powers

Regarding the Argentine party system, not only its nature but also its very existence has long been called into question (Cavarozzi 1984; De Riz 1986). De Riz supported such a claim on the basis that parties never considered each other as legitimate parts of the same competitive arena, but adopted strategies aimed at excluding each other. Cavarozzi, in turn, agreed about the weakness of the party system, yet he argued that it coexisted with a strong identification of social groups around parties. More recently, however, Mainwaring and Scully (1995a) have classified the Argentine party system as an institutionalized one, according to four criteria: (a) regularity in the patterns of party competition, (b) stability of party roots in society, (c) perceived legitimacy of parties as means of determining who governs, and (d) solidity of party organization. Within this frame, Mark Jones (1997) has not drawn on Catterberg's (1989) simplified category of two-party system but rather on Grossi and Gritti's (1989: 53) innovative concept of a "*sistema a doble partido con intención dominante*." Accordingly, he described Argentina as having a "two-party-dominant system." McGuire (1995: 226), in turn, strictly applies Sartori's typology to argue that "Argentina would fall somewhere between the 'moderate multiparty' and the 'two-party type'," while recognizing some particularities regarding strong sub-cultural—rather than ideological—polarization.

Regarding the effective number of parties and party discipline, Argentina displayed between 1983 and 1989 an average of 2.5 for the former and a qualification from moderate to high level for the latter (McGuire 1995; Jones 1997). By year 2000,

the level of party discipline has not changed, but the effective number of parties has slightly increased with the emergence of the *Frente por un País Solidario* (FREPASO, with a center-left orientation). For the first time since mass politics was introduced in 1912, a genuine coalition has been governing since 1999, yet the dynamics of party competence remain bipolar. It is thus necessary to illuminate the process by which presidential rule and congressional activity have accommodated to one another.

According to Mustapic (2000), executive-legislative relation in Argentina should be constitutionally and historically understood as role-complementary, under the formula “*liderazgo presidencial, fiscalización parlamentaria*.” She calls into question M. Jones’s figures for party discipline, and argues that parliamentary discipline was not a given but was produced by the congressional process. Her figures slightly vary from government to opposition and from the *Unión Cívica Radical* (UCR, a center party) to the *Partido Justicialista* (PJ, or Peronist party) –showing more discipline in the former case of each dyad. Nonetheless, she recognizes that presidents have been relatively successful in carrying forward their agendas, and this tempers the significance of potential party indiscipline. Bipartisan competition and informal rules give priority to presidential legislative initiatives, which –unlike Brazil and Chile— lack any constitutional preference. Mustapic concludes by recognizing that presidential preeminence holds as far as general policies are concerned, while affirming its compatibility with a large room for maneuver by legislators to respond autonomously to their constituencies respecting particular issues –thus, limiting presidential leadership to a lesser extent.

### Federalism and other features

Jones (1997: 290) has pointed that, “between 1983 and 1994 the combination of three (under Alfonsín) then five (under Menem) principal partisan and institutional factors made the Argentine president extremely powerful: (1) a large and relatively well-disciplined partisan legislative contingent, (2) the federal government’s strong position vis-à-vis the provinces, (3) strong veto and partial veto powers, (4) the ability to issue decrees of urgent necessity (Menem), and (5) a co-opted Supreme Court (Menem).” The first part of this section will consider factors two and five, since the others were previously examined.

In Argentina, the federal government has historically been much stronger than the provincial ones –as seen in chapter 7. Table 8.5 shows how, despite being ranked as the

second most federal country in South America, Argentine figures for central government revenues and expenditure are much higher than Brazil's. The limited autonomy of the provincial governments has become a crucial factor in strengthening presidential powers (Jones 1997). Furthermore, the 1994 constitutional reform that opened the possibility of presidential re-election slightly undermined the political power hitherto held by the provinces.<sup>52</sup> While some analysts, such as Jones, consider that the reform could reduce the zone of presidential discretion in the future, this has not occurred during Menem's second period.

Regarding the submission of the Supreme Court to the executive, Larkins (1998) considers that it is by reason of the 'delegative' features of Argentine democracy. Following O'Donnell, he claims that the lack of impartiality of most judges, along with the broad institutional scope of their authority, is due to the characteristics of such type of presidential regime. On the contrary, it could be argued that Menem's control over the judiciary was built upon institutional measures, quite similar to those attempted by Franklin Roosevelt and later American presidents to enlarge the Court in order to prevent it from blocking their policies. It is true, however, that the subordination of the Court's judges to the executive was apparent during Menem's presidency; yet this was due to the economic emergency, and to the perception that the president was the only one able to face it. The best proof that subordination is not an enduring regime feature is that President De la Rúa, when elected in 1999, managed to govern with the same composition of the Court and did not even attempt to change its members.

As for the use of complementary mechanisms in order to foster the participation of other social actors, such as socio-economic concertation, Argentina's democracy has exhibited a poor record. Haggard and Kaufman (1995: 341) have pointed out, as a general rule, that "the organizational weakness of the relevant players, including both interest groups and parties," makes concertation very difficult –thus increasing the room for the executive to decide alone. In Argentina organizational weakness and pluralism were more evident as far as interest groups regard –especially on the business side—, unlike Brazil where it is the parties that were highly fragmented and organizationally weak.

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<sup>52</sup> The reform went as far as to change the rules for electing the president. The new system establishes a popular and direct election, what greatly dilutes the power previously yielded by the provinces through their overrepresentation in the Electoral College intended to elect the president.

Throughout the 1980s and especially the 1990s, the pluralism of organized business interests increased (Acuña 1995, 1998) and trade unions became progressively weaker and more fragmented. Pluralist concertation failed during Alfonsín's tenure (Portantiero 1987) and was informally achieved during Menem's (Etchemendy and Palermo 1998). Argentina's so-called 'corporatism' has evolved into a pluralist system of oligopolistic lobbying, rather than either a traditional or a neo-corporatist system (Ducatenzeiler 1990). Since the executive is always the strongest power site, it is also the priority target for interest groups —unlike the U.S., where Congress and its committees offer attractive sites for exerting influence.

### The Cabinet and the Foreign Minister

According to the Argentine constitution, ministers are not formally part of the executive power (arts. 94-99). They are advisers to the president and are appointed and dismissed by him or her, to whom they respond by their actions. The cabinet does not exist as a collective body, although the 1994 reform created the figure of a Chief of the Cabinet of Ministers, who is appointed by the president but may be dismissed by an absolute majority of each chamber. This office is too recent to assess its performance, but thus far it does not seem to have changed the position of the president as *primus solus* —nor is this likely to occur in the short run.

**Table 8.2**  
**Cabinet Stability: Argentina 1983-1999**

Ministry*	Alfonsín (1983-1989) 66 months	Menem I & II (1989-1999) 126 months
Foreign Affairs	2	2
Interior	3	6
Economy	4	5
Defense	4	6
Education	4	4
Health	4	7
Labor	5	6
Public Works (1983-1991) Justice (1991-1999)	5	6

\* The denomination of some Ministries has changed slightly along the periods under consideration.  
SOURCE: own elaboration upon data from Molinelli, Palanza and Sin 1999: 588-89.

Within the cabinet, the Ministry of Foreign Affairs has been the most stable position in both presidential tenures since the re-democratization (see Table 8.2). Alfonsín and Menem had just two Foreign Ministers each, and in either cabinet the longest-lasting member was one of these. This *durability* record may be assigned to many causes, the most plausible being the lower degree of conflict concerning this area and the strong interest, on the part of the presidents, in leaving their personal imprint in the international field. Be this as it may, one of its most consequential effects was the high level of continuity that foreign policies exhibited within presidential tenures –if not always across them. The special relation with Brazil was one of the few crucial issues in which both administrations coincided.

Both presidents sought to exhibit a high profile in the international arena. Alfonsín developed somewhat radical politics: he founded, together with other five world leaders,<sup>53</sup> the *Group of Six* aimed at worldwide nuclear disarmament, integrated the *Grupo de Apoyo a Contadora* for peace in Central America, carried out an independent policy on nuclear research and trade, and went as far as to defy the president of the United States with an improvised speech at the White House. Furthermore, his foreign minister Dante Caputo was nominated to the presidency of the United Nations assembly, over which he presided between 1988 and 1989 with the support of most Third World countries.

In contrast, Menem high profile was based on an openly admitted subordination to the United States. Accordingly, he offered to mediate personally in the Middle East process, sent troops to the Gulf War (Argentina was the only Latin American country to do so), proposed the creation of the White Helmets corps in the framework of the United Nations, dismantled the plans for developing an autonomous missile launcher, and retired Argentina from the Non-Aligned Movement, receiving in exchange the category of Extra NATO Partner of the U.S. His foreign ministers, Domingo Cavallo and Guido Di Tella, were both economists and intended to give the *Cancillería* an economic emphasis that it had never had until then. It is no clear whether they succeeded in doing so, since for president Menem politics were always above economics.

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<sup>53</sup> They were the chief executives of Greece, India, Mexico, Sweden, and Tanzania.

### ***The larger countries: Brazil***

#### Constitutional powers

The concentration of power in the Brazilian presidency is also rooted in the 19<sup>th</sup> century. As heir to an empire, the successive Brazilian Republics since 1889 were historically marked by the central role of the head of government relative to the legislature. However, this supremacy was not always absolute with regard to the federal units of the country: the states. Some specialists have even argued that federalism, not the traditional organization inherited from the empire, is the foundations of the Brazilian institutional matrix. Teixeira Neves de Pinho Tavares (1997: 14) contends that “*é fato notório que a grande movimentação política ocorrida no fim do Império teve uma conotação muito mais federalista do que, propriamente, presidencialista... Sendo federativa a escolha política, a opção presidencialista foi dela corolário.*”<sup>54</sup>

Just as in Argentina, Brazilian political history passed a watershed in 1930. The ascent of Getúlio Vargas to the presidency led to a populist, direct relation between the state and most social actors, in a country that –unlike Argentina— had not yet developed a structured civic society. The ephemeral *Estado Novo*, whose institutional arrangements were left undismantled by the governments of 1946-64 (Stepan 1989), and much later the bureaucratic authoritarian regime between 1964 and 1985 (O’Donnell 1988; Skidmore 1989), contributed to centralizing power simultaneously in the state and, within the state, in the executive –as happened in most of the Southern Cone. However, when compared to similar dictatorships at the same time (e.g. Argentina, Uruguay, Greece, Spain and Portugal), Brazilian military rule featured a striking exceptionality: the coexistence of an authoritarian, non-elected executive with a working –albeit weak— Congress and indirect popular, local elections. However controlled the latter were, these institutions would condition the democratization process and its institutional aftermath.

The continuity of congressional activity was parallel, during the military rule, to the survival of traditional elites (Hagopian 1996). Congress was a channel that allowed rural landowners to keep alive patronage and intimidation practices, which their representatives safeguarded giving the national assembly a particularistic stand. The slow liberalization process set off in 1974 led finally to the indirect, parliamentary election of

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<sup>54</sup> “It is a known fact that political actions that took place by the end of the Empire had a more federalist than presidentialist connotation... Having chosen federalism as the first political option, the presidentialist option was but a corollary” (author’s translation).

Tancredo Neves in 1985, a popular politician who might also have won a direct election. However, Tancredo's sudden death before his inauguration left José Sarney, a conservative politician, elected vice-president as the factotum of the democratization process. Most political actors soon saw the reform of the constitution as a necessary device for drawing a clear distinction with the past.

The constitutional reform of 1988 granted Brazilian presidents the strongest institutional autonomy in Latin America (Shugart and Carey 1992: 155; Mainwaring and Shugart 1993; Deheza 1997).<sup>55</sup> This autonomy comprises both proactive and reactive powers, and provides the executive with more resources than the previous constitution did (although the latter also established solid presidential powers). The president is allowed to enact legislation alone (*medidas provisórias com força de lei*) “*em caso de relevância e urgência*” (art. 62 of the Constitution). As Power (1999) sustains, the ‘transplant’ of the Italian *provvedimenti provvisori* from a parliamentary to a presidential arrangement virtually left the assembly without resources to control the executive. The president also holds exclusive prerogatives concerning the initiation of budget and taxation legislation, and has the right to demand urgency procedures in bringing bills up for a vote (Mainwaring 1997; Power 1999; Figueiredo and Limongi 2000). As observed by Tavares (1998: 271), “*o resultado líquido consiste em que o espaço de poder do presidente nesta matéria torna-se praticamente ilimitado.*”<sup>56</sup>

Power (1999: 222) highlights the continuity of the Brazilian political tradition according to which “the executive acts and the legislature reacts.” The impeachment that led to the conviction of Collor de Mello must be considered an aberration rather than a systemic change. During the democratic period that began in 1985, “executives took what was already a broad delegation and tried to expand it further” with ample success (Power 1999: 224). Having reviewed in this section the constitutional basis of such a broad delegation, let now turn to the partisan determinants of its further expansion.

### Partisan powers

The Brazilian party system has been classified as “inchoate,” due to its almost zero degree of institutionalization (Mainwaring and Scully 1995). Mainwaring (1995a:

<sup>55</sup> As far as legislative powers regard, it was only surpassed by the Chilean presidency under the 1925 Constitution.

<sup>56</sup> “The result is a jurisdiction in which the power of the president becomes virtually unlimited” (author’s translation).

354) goes as far as to argue that Brazil “may be a unique case of party underdevelopment in the world,” since its parties are identified by “their fragility, their ephemeral character, their weak roots in society, and the autonomy politicians of the catch-all parties enjoy with respect to their parties.” Moreover, the fragmentation of the party system has soared since the inauguration of the New Republic, increasing the effective number of legislative parties from 3.2 in 1985 to 6.9 in 1997 –and peaking at a striking 9.4 in 1992 (see Table 8.3). Polarization, on the other hand, was not meaningful in traditional ideological terms. It has though been moderately significant since the first presidential ballottage took place in 1990, when Collor de Mello defeated labor leader Lula, and during the former’s following tenure until his impeachment.

**Table 8.3**  
**Effective Number of Legislative Parties: Brazil 1985-1997**

1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
3.2	3.3	2.8	4.1	5.5	7.1	8.7	9.4	8.5	8.5	8.1	7.1	6.9

SOURCE: Amorim Neto 1998: 101.

Regarding the actor level rather than the systemic one, Mainwaring (1990b: 5) has pointed out how “the extremely loose nature of Brazilian parties has added to the problems caused by the permanent minority situation of Presidents’ parties. Presidents could not even count on the support of their own parties, much less that of the other parties that had helped elect them.” Although Mainwaring’s claim is coincident with a number of scholarly analyses –among them, those by Sartori (1994) and Linz and Valenzuela (1994)— and has become common knowledge, recent investigations by Figueiredo and Limongi (2000) strongly question it. They show that party discipline is actually high in the Brazilian Congress –about 85.6% for the presidential coalition. Due to institutional variables, as Mustapic argues for the Argentine case, “party discipline is enforced in the legislative arena” (Figueiredo and Limongi 2000: 152).

The combination of presidentialism with multipartism has usually been thought to be problematic for democratic stability and governability (Mainwaring 1993 and 1995b). However, this combination has become both predominant and sustainable all over Latin America. The problem has been apparently overcome through the expedient of governmental coalitions. Coalition government is one of the resources that presidents have in a multiparty system to build support in the Congress (Abranches 1988; Deheza 1997; Mainwaring 1997; Chasqueti 2000; Figueiredo and Limongi 2000). However,



coalition government in a presidential system is not identical with a parliamentary coalition: in Brazil, “*por decisão solitária, o presidente compõe ou recompõe o ministério. E precisamente porque a Presidência se define como uma entidade extrapartidária o superpartidária, os partidos e seus representantes parlamentares não se consideram, em regra, vinculados ao presidente nem responsáveis por seu governo*”<sup>57</sup> (Tavares 1998: 261). This phenomenon led Abranches (1988) to define Brazilian presidentialism as “imperial,” while simultaneously –not contradictorily— labeling it “*presidencialismo de coalizão.*” In this kind of ‘coalitional presidentialism,’ the president becomes, at the same time, the ‘arbiter’ and the ‘target’ of divergences between the parties –and, eventually, between the regions— making up the coalition.

As Mainwaring (1997: 75-80) notes, “a multiparty government in a parliamentary system differs in three ways from a multiparty presidential government. First, presidents are generally freer to dismiss ministers and rearrange the cabinet than prime ministers are... Second, (in parliamentary systems) individual legislators are more or less bound to support the government unless their party decides to drop out of the governmental alliance... Third, (in parliamentary systems) the parties themselves are co-responsible for governing”. Presidential coalitions are more unstable, less ‘fair’, and less ‘binding’ –both for the president and for each participating party— than their parliamentary counterparts (Chasqueti 1997/98; Amorim 1998; Altman 2000). This is so because, while the latter depend basically on institutional rules, the former depend on a combination of institutional rules and agent behavior.

Mainwaring (1997: 80) reasonably claims, “regardless of the system of government, party indiscipline is inimical to stable coalition building.” What Figueiredo and Limongi prove is that Brazil displays a high level of party discipline (see table 8.4). Moreover, presidential coalitions effectively support presidential initiatives. Such support is fostered by (and not despite of) presidential legislative powers, which the president utilizes in order not to circumvent but to control the legislative process. With regard to the executive structure, the president performs the pivotal role and usually keeps a positively disproportional share of the cabinet and the most significant ministries, either for his party or for technicians that respond solely to him (Deheza 1997; Altman 2000).

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<sup>57</sup> “The President alone nominates and reshuffles his cabinet. It is precisely because the presidency is defined as extra-partisan or supra-partisan that parties and legislators do not consider themselves linked to the president nor responsible for his government” (author’s translation).

By these means, Brazilian presidents have developed along the last decade a cooperative rather than a conflictive strategy *vis-à-vis* Congress. Mainwaring (1997: 74) has even argued that “the breadth of the parties represented in the cabinet obeyed a logic closer to consociational than majoritarian democracy.” Nevertheless, presidents have not resigned their preeminent attributions. As Figueiredo and Limongi (2000: 168) show, “in Brazil the president controls the legislative agenda.” This contradicts Tsebelis’s case concerning presidentialism, but coincides with the argument advanced in chapter 6.

**Table 8.4**  
**Average Proportion of Disciplined Votes by Political Party: Brazil 1989-1998**

Party	% discipline	N° of registered roll calls
PT	98.4	533
PDT	92.1	505
PSDB	90.7	538
PMDB	85.0	538
PTB	87.9	506
PFL	93.1	531
PPB	87.4	509

SOURCE: Figueiredo and Limongi 2000: 159.

#### Federalism and other features

The significance of federalism in Brazilian politics is larger than in any other country of the continent. As Tavares (1998: 174) put it, “*foi... o federalismo, e não a república, a idéia força que, associada ao ressentimento do escravismo contrariado, derrubou o Império.*”<sup>58</sup> Although Brazilian federalism is *institutional* rather than *contractual*—the latter a feature of the U.S. and Argentina alike— and, therefore, has a constitutional nature instead of a pre-existent one, the indissolubility of the federal state has not been challenged in practice.

The clearest indicator to measure the strength of Brazilian federalism is shown in Table 8.5. It ranks as the only Latin American country in which the share of both total government tax revenue and expenditure are higher at the intermediate level than at the central one. As a corollary, central government controls less than half of overall public resources. This feature of Brazilian politics, unlike those concerning party system and

<sup>58</sup> “It was federalism, not republicanism, the ideal that—along with the resentment of former slave owners— brought down the Empire” (author’s translation).

discipline, clearly has a much more negative impact on presidential power. Even so, some authors underline the “executivecentric character” of Brazilian federalism to distinguish it from the American one (Mettenheim 1997).

**Table 8.5**  
**Distribution of Resources by Level of Government, Six Latin American Countries**

	Share of Total Government Tax Revenue Collected by Level of Government				Share of Total Government Expenditure by Level of Government			
	Central	Intermedi ate	Local	Total	Central	Intermedi ate	Local	Total
Chile 1992	100.0	-	0.0	100	87.3	-	12.3	100
Venezuela 1989	96.9	0.1	3.1	100	77.7	15.7	6.5	100
Mexico 1992	82.7	13.4	3.9	100	87.8	9.5	2.8	100
Colombia 1991	81.6	11.1	7.3	100	67.0	15.7	17.3	100
Argentina 1992	80.0	15.4	4.6	100	51.9	39.5	8.6	100
Brazil 1988/93	47.1	49.4	3.6	100	36.5	40.7	22.8	100

SOURCE: Garman, Haggard, and Willis 1999: Table 4.

This dissertation supports a two-fold argument concerning the Brazilian presidency. First, it argues that it should be considered a strong institution, especially when compared to other presidential offices –especially the separationist ones such as the American, though not only. Second, it claims that such strength has been a paramount factor in the success of Mercosur. By the same token, I will argue that Brazilian federalism is one of the major restrictions both to presidential power and to smooth integration. The negative impact of federalism upon integration is due to a double effect: first of all, it directly undermines intergovernmental agreements, which cannot be enforced against the constitutionally recognized autonomy of the states/provinces.<sup>59</sup> In the second place, federalism hinders regional integration indirectly by means of weakening the presidency (Mainwaring and Samuels 2000).

<sup>59</sup> After the so-called ‘*Caipirinha*’ crisis of 1999, some Brazilian states initiated a race to outbid rival units regarding the location of firms within their territories, through granting tax exemptions and other privileges. Argentine response, both at the national and provincial levels, and its consequent impact on Mercosur are analyzed in chapter 10.

Just as strong federalism undermines presidential power, so bureaucratic centralization has contributed to empower the presidency –albeit with legislative assent (Mainwaring 1997). Amorim Neto (1998: 181) affirms that, “given that the Brazilian legislature in particular, and Latin American legislatures in general, are weaker than the American Congress in terms of oversight capacity, a presidential strategy of bureaucratic aggrandizement aiming at bypassing partisan constraints is more likely to succeed in the former countries than in the US.” The expansion of and control over the bureaucratic apparatus of the state become other ways for presidents to carry out non-statutory or non-partisan strategies.<sup>60</sup> This process and its consequences were described by Alimonda (1998: 145-6): *“un perfil de actuación estatal que, al mismo tiempo en que se automutila como estructura y se retira de sus funciones reguladoras, adopta un estilo decisonal altamente centralizado... Esta centralización... implica inclusive un refuerzo del predominio del Poder Ejecutivo sobre el Legislativo y el Judicial. Así, el proceso de Reforma del Estado acaba reforzando vicios tradicionales de la cultura política latinoamericana.”*<sup>61</sup>

### The Cabinet and the Foreign Minister

An eloquent circumstance that illuminates the potency of Brazilian executive is the repeated instance of a president who, not having been elected as such but as vice-president, was still able to endure and finish the constitutional period without major inconvenience. Although both José Sarney and Itamar Franco<sup>62</sup> lacked popular support and an automatic majority in the Congress, they could perform their constitutionally prescribed tasks in a regular way. Their situation somewhat resembled Gerald Ford’s, although American democracy was never thought to be endangered by a constitutional procedure that, in most Latin American cases, was previously deemed much more hazardous.

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<sup>60</sup> This is also the conclusion arrived to by Milkis (1993) regarding the strategies of the American presidents since the New Deal. However, the American Congress is still much stronger than its Latin American counterparts.

<sup>61</sup> “A mode of state intervention that, while self-damaging as a structure and retiring from its regulation functions, adopts a highly centralized decision-making... This centralization entails the strengthening of the Executive predominance over the Legislature and the Judiciary. The process of state reform ends up by reinforcing traditional vices of Latin American political culture” (author’s translation).

<sup>62</sup> Unlike Altman (2000), I do not see Franco as a caretaker but as a full-fledged constitutional president. His position was in no institutional sense inferior to that of Sarney after Tancredo’s decease. Moreover, it was during his administration that the ambitious –and successful— economic plan of Minister Cardoso was launched.

**Table 8.6**  
**Cabinet Stability: Brazil 1985-1998**

Ministry	Samuel (1985-1990) 60 months	Collor (1990-1992) 30 months	Franco (1992-1994) 27 months	Cardoso I (1995-1998) 48 months
Foreign Affairs	2	2	3	1
Agriculture	2	2	7	2
Communications	1	-	3	2
Culture	5	-	3	1
Education	5	3	1	1
Environment and Urbanization	3	-	3	1
Finance	5	2	6	1
Health	4	2	2	3
Industry and Commerce	4	-	3	3
Justice	4	3	2	4
Labor	4	4	3	2
Mines and Energy	3	-	4	1
Science and Technology	5	-	1	1
Social Security and Welfare	4	2	4	2
Transportation	2	1	3	2
Others	(Interior) 3 (Agrarian Reform) 7	(Infrastructure) 3	(Regional Integration) 3	(Budget) 3 (State Reform) 1

NB: Military and extraordinary ministries are not included.

SOURCE: own elaboration upon data from *Governos da República* (1997) and <http://www.georgetown.edu/pdba/Executive/Brazil/cardoso94.html>, accessed 15/01/00.

In Brazil, ministers are part of the executive power, as in Bolivia, Colombia, Peru, Uruguay and Venezuela (Deheza 1997). Two cabinet posts are usually considered the strongest: Finance and Foreign Affairs. Whereas the former has taken the lead regarding Brazilian economic reforms (and they have been many along the last fifteen years), the latter is the head of the most efficient bureaucracy in Brazil and the continent: Itamaraty, as the Brazilian diplomacy is known. In contrast with the zigzagging Argentine foreign policy, Brazil has defined a foreign policy direction since the early 1970s and has not failed to meet it. Whether under military or civilian rule, the predictability of Brazil's international stance –albeit not its rigid definition of interests—has become an assumption with which the integration process can count on.

The link between cabinet stability and executive success may be inferred from the list of policy areas that Mainwaring (1997: 99/101) offers to show the degree to what presidents were unable to implement their preferred policies between 1985 and 1994. The inability of presidents was basically limited to socio-economic areas and even this has progressively changed since then.

### ***The smaller countries: Paraguay***

#### **Constitutional powers**

That the Treaty founding Mercosur is named after the Paraguayan capital city, Asunción, is both a paradox and a telling occurrence. It is a paradox since Paraguay is clearly the weakest member of the bloc, concerning economic development as well as geopolitical influence. It is a telling occurrence because the Treaty was signed there precisely to bolster the incipient process of democratization, set off in 1989 with the ouster of Stroessner. Democracy was a necessary condition to join the group, and so was symbolized through the election of Asunción as city of birth of Mercosur.

Ten years later, Paraguayan democracy has not improved its record a great deal. However, its constitutional rule has been decisively supported by the Protocol on Democratic Compromise, signed in 1998 in Ushuaia by all Mercosur members –both full and associate. Enduring political turmoil, along with the difficulties of the incumbent party to process democratically its internal differences, have ended up in the assassination of vice-president Argaña in 1999 and, shortly thereafter, the destitution of president Cubas. Only the decisive action of the United States and Mercosur partners prevented democratic breakdown in that occasion; nevertheless, Paraguayan democratic stability remains fragile at the best.

In 1992, the Constitution was reformed with a view to attaining political equilibrium through banning consecutive reelection to the president, while simultaneously establishing concurrent elections for the chief executive and both chambers of Congress. The aim was that an elected president could enjoy as much of a supportive legislative contingent as possible, yet limiting his or her power via the restriction to one term in office. As far as legislative capacities regard, the president did not benefit from any exclusive power concerning initiation. On the other hand, he or she was entitled to issue decrees countersigned by the respective minister, and the Constitution is ambiguous as to the character of such decrees –whether regulatory or

legislative (Carey, Amorim Neto and Shugart 1997). In Congress, the legislators required to override a veto are equivalent to the absolute majority in each house. Congress, both chambers acting together, is also able to summon and interpellate ministers and even to recommend that the president remove them; however, cabinet appointments and dismissals are only subject to presidential will (Simón 1998).

Concerning the territorial form of the state, Paraguayan citizens are enabled to elect directly the governors and legislatures (*Juntas Departamentales*) of the seventeen departments. However, each governor “*representa al Poder Ejecutivo en la ejecución de la política nacional*” (art. 161), unlike Argentina and Brazil where governors represent the *federal government* in order to *enforce the federal law*. The difference is not lesser: the executive power is more restricted than the federal government, which also implies congressional acquiescence; likewise, to enforce the federal law comprehends a wider range –more institutional and less partisan— than to merely implement national policies. Finally, the central bank participates with other governmental organisms in the formulation of the monetary policy and leads its implementation, yet always in accordance with the economic policy of the administration (art. 285).

### Partisan powers

The Paraguayan party system, as Abente (1995: 298) points out, “is one of the most underresearched and misunderstood in Latin America.” Yet its parties rank among the oldest in the continent, behind only to those of Colombia and Uruguay. Departing from the Constitutional reform of 1870<sup>63</sup>, a two-party system was born in 1877 after the foundation of the *Asociación Nacional Republicana* (or *Colorado* party) and the *Liberal* party. Both parties governed a civilian-ruled Paraguay –with only minor interruptions— until 1954, when General Stroessner took over power and established a regime based on the fusion between the government, the Colorado party and the military, regime that would last thirty five years. Along this period, formal congressional activity was kept and fraudulent elections were held; the president was granted indefinite reelections, and non-permitted opposition was persecuted and thrown into exile. The party system thus turned into a pragmatic hegemonic one (Abente 1995; Simón 1998).

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<sup>63</sup> The reform was one of the outcomes of the Paraguayan defeat in the War of the Triple Alliance, fought against Argentina, Brazil and Uruguay.

The *coup d'état* of 1989 paved the way to the implementation of legitimate elections, which were held the same year, and for a constitutional reform carried out in 1992. After the latter, consecutive presidential reelection was forbidden and new electoral rules were established. The president is now elected by plurality rule, whereas proportional representation is utilized to elect senators –in a countrywide single district— and deputies –distributed across the seventeen departments on a demographic basis.

The resultant party system, after three post-democratization elections, is still developing. New forces have grown up, especially based on the urban social classes, and even managed to win the city government of Asunción. However, the capital city represents no more than one third of the electorate, and rural regions are mostly under Colorado control. Although the *Partido Liberal Radical Auténtico* –heir of the old Liberal Party—, the *Febrerismo*, *Encuentro Nacional* and some other minor parties are permitted free participation and elections are relatively fair, the party system is still strongly dependent on the majoritarian Colorado party and the vagaries of its inner divisions.

The present fragmentation of the Colorado party makes impossible for the president to count on a unified legislative support. In fact, the parliamentary bloc is as divided as the extra-parliamentary party leaders, and many times one of the groups votes together with the opposition –thus leaving the government with a parliamentary minority. Such situation brings about a permanent instability in the cabinet, as parties and fractions alternate support with opposition to the government. Another enduring feature of Paraguayan politics is the influence of the military, some of whose leaders have not accepted to resign the power they held until 1989 –and even thereafter, since first democratic president Andrés Rodríguez was also an army general. The rebellion of General Oviedo in 1996, his consequent imprisonment and later escaping, along with the political unrest that all these events generated, are a symbol of how feeble the Paraguayan civilian rule still is.

### ***The smaller countries: Uruguay***

#### **Constitutional powers**

The many particularities of the Uruguayan political system have turned this country into an object of heated debate both among politicians and academics. Its form



of government has been catalogued as presidentialist (Buquet, Chasquetti and Moraes 1998), quasi-presidentialist (González 1995), and even semi-parliamentary or neo-parliamentary (Casinelli Muñoz 1971). Some authors have opted for including it into a hybrid category (Lijphart 1992). I will argue here that Uruguay features, and has continuously featured since 1830, an essentially presidential system, according to both constitutional design and political practices.

The reasons for considering Uruguay a presidential system are lucidly displayed by Buquet, Chasquetti and Moraes (1998). In the first place, the president (as both head of state and government) is elected for a fixed term –what would be enough to define the system as presidentialist according to the minimal definition provided in chapter 6. In the second place, the president is directly and popularly elected, and enjoys significant powers over legislation.

The reasons that led some authors to classify the Uruguayan system otherwise than presidentialist were also constitutionally embedded. The Constitution effectively kept, regardless of the multiple reforms of 1918, 1934, 1942, 1952 and 1966, *“algunos de los aspectos secundarios del parlamentarismo, como por ejemplo el derecho de las Cámaras de interpelar o censurar a los ministros”* (De Sierra 1998: 440). Sundquist (1993, cited in Rockman 1997a: 25) would also agree on the ‘quasi-parliamentary’ label on grounds that the system brings the legislative and executive branches into electoral synchronization and political harmony, aiming at a greater concentration of political power. Lijphart (1992) and others were driven to appraise the system as hybrid by the fact that the executive was not unipersonal but collegiate between 1918 and 1934, and again between 1952 and 1966. However, as discussed in chapter 6, a unipersonal executive is not a necessary condition of a presidential system. The 1966 reform abolished the nine-member collegiate and granted the president stronger powers than ever before. He won the right to nominate and dismiss the ministers, who are constitutionally considered as part of the executive branch, and was enabled to dissolve the Parliament without any consequence for the duration of his term –even if defeated in the new parliamentary elections (De Sierra 1998; Buquet, Chasquetti and Moraes 1998). Although dissolution could be seen as a parliamentary feature, the truth is that the unidirectional power to dissolve the other branch breaks every institutional equilibrium, granting the preeminence to the executive. Uruguay is still the one presidentialism, only together with the U.S., in which the selection of ministers is not an exclusive attribution

of the president. However, the latter keeps his primacy over Congress through the right to nominate the new minister in case of congressional dismissing, and even to dissolve the Legislature should an insoluble conflict arise.

As in the cases of Argentina and Brazil, military rule exacerbated the powers of the executive, which had nonetheless began strengthening its might short before the *coup d'état* of 1973 –especially since the constitutional reform of 1966. Such reform empowered the president with attributions such as “*iniciativas reservadas, leyes de urgencia, [y] vetos totales o parciales a leyes votadas por el parlamento*” (De Sierra 1998: 446). It also provided him with budgetary initiative, together with the capacity to establish deadlines to automatically convert into law those executive initiatives that are not treated by Congress during a given period. The latter feature leaves a door open for the executive to legislate by default (Buquet, Chasqueti and Moraes 1998). By the same token, the ability of Congress to control presidential power was reduced by increasing the majorities needed to override a veto and the quorum required to pass some legislation.

All the above said calls forth a question: why is Uruguayan presidentialism considered as reactive instead of proactive, as shown in Table 8.1, if presidential powers are as strong as claimed here? The reason is that the *reactive* label does not correspond only to the constitutional attributions of the presidency relative to the legislature, but also takes into account the many other veto players present in the Uruguayan system. Among them the citizenry is especially significant, since it is always likely to be convoked to referendum by non-majoritarian political actors in order to oppose crucial government decisions.<sup>64</sup> The limited control of the president over the parties, along with the presence of other strong veto players, gave way to what has been called “*un Poder Ejecutivo institucionalmente fuerte, pero políticamente débil*” (Buquet, Chasqueti and Moraes 1998: 61).

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<sup>64</sup> The Constitution establishes in its article 82 that national sovereignty “*será ejercida directamente por el Cuerpo Electoral en los casos de elección, iniciativa y referéndum, e indirectamente por los Poderes representativos que establece esta Constitución*”; thus, it widely differs from cases such as the Argentine, whose Constitution mandates that “*el pueblo no delibera ni gobierna sino por medio de sus representantes*” (art. 22). Article 79 of the Uruguayan Constitution also establishes that “*el veinticinco por ciento del total de inscriptos habilitados para votar, podrá interponer, dentro del año de su promulgación, el recurso de referéndum contra las Leyes y ejercer el derecho de iniciativa ante el Poder Legislativo*” –albeit it further temperates such franchise through disallowing referendum in cases where initiative right is exclusive to the Executive.

### Partisan powers

The Uruguayan party system is one of the most institutionalized in the continent, together with those of Chile and Costa Rica (Mainwaring and Scully 1995).<sup>65</sup> However, it has undergone important changes since the early 1970s, changes that grew in extent after re-democratization took place in 1985. Henceforth, what had traditionally been a two-party system became a limited –yet still moderate— party system, the effective number of parties growing from about 2.5 in 1942 up to 3 in 1994 (Buquet, Chasquetti and Moraes 1998: 36 and following).

Since 1942, the Uruguayan electoral system remained essentially unmodified until 1996, when it was radically changed via constitutional reform. Therefore, the presidential elections of 1985, 1990 and 1995 took place under the old system, which is the one considered here. It has been described as composed of four features: (a) plurality applied to the presidential election, (b) proportional representation applied to the legislative election, (c) multiple simultaneous vote (also called double simultaneous vote –DSV), and (d) closed and rigid lists, that ban any possibility of ticket-splitting whether vertically –between national and local elections— or horizontally –between branches (González 1995; Buquet, Chasquetti and Moraes 1998). The former two are common all over Latin America, whereas the latter two are an Uruguayan peculiarity. The DSV converted the general elections into contemporary primary elections, thus affecting intra-party behavior; in turn, the closed and rigid lists transformed the competition for the first prize –i.e. the presidential election— into the driving force of the system.

As Chasquetti (1997/98: 36) noted, “*el sistema electoral uruguayo configuró efectos contradictorios: por un lado, estimuló la fragmentación del sistema de partidos, pero por otro, lo contuvo e impulsó hacia la competencia bipolar.*” The long lasting “fractionalized two-party system” worked well until 1971, when it started to expand as mentioned above. The current blend of presidentialism, proportional representation for the legislature, a multiparty system, and party fractionalization has led the president to a situation of increasing dependency relative to other political agents (Chasquetti 1997/98). However, dark prognosis regarding system performance as those forecasted by González (1995) did not become true, and successive presidents proved able to deal

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<sup>65</sup> Although Colombia and Venezuela were catalogued within the same group when Mainwaring and Scully first published their book, it is no longer the case. Argentina already was a borderline case, yet it is still valid to consider its party system as institutionalized.

with an increasing number of parties –though displaying a steady level of fractionalization. How did they manage to do so?

It has been acknowledged that, in spite of all his institutional attributes, the Uruguayan president is structurally just one fraction’s leader, the only group over which he wields control and enforces discipline. However, Buquet, Chasquetti and Moraes have proved that party discipline is consistently high (see Table 8.7), and that the Legislature has been far less restrictive for presidential projects than popular referenda –the latter usually bringing about a defeat for the president’s stand, irrespective of his party. From Bordaberry on, cabinets always featured members that did not belong to the presidential party, and were appointed in exchange for parliamentary support (Mancebo 1991; Chasquetti 1998; Buquet 2000). Since the last democratic restoration, the consecutive presidents conformed an uninterrupted series of coalitional cabinets. In 1985 it was the *Gobierno de Entonación Nacional*, in 1990 the *Coincidencia Nacional*, in 1995 the open coalition between *Colorados* and *Blancos*, to end up in 2000 with the two traditional parties running together in the second turn of the ballottage.

**Table 8.7**  
**Party Discipline in Significant Legislation: Uruguay 1985-1995**

	P. Colorado	P. Nacional	F. Amplio	N. Espacio
Sanguinetti	0.91	0.94	1	-
Lacalle	0.87	0.90	1	1

SOURCE: Buquet, Chasquetti and Moraes 1998: 74.

It is not exaggerated to affirm that the Uruguayan political system is, in South America, the one that diffuses power the most –thus the least concentrationist. The president is not the leader of a party but a fraction, what necessarily entails a congressional minority situation; he may also face binding referenda that, more often than not, have turned out in defeat for the president’s stand. Furthermore, he lacks the possibility of consecutive reelection. Since the Constitutional reform of 1996 has not changed the structural underpinnings of Uruguayan institutions, this situation is not likely to change in the short run. If Uruguay had accomplished a key role in Mercosur creation and performance, the outcome may have well been different. The next chapters will show how most Mercosur processes were actually handled by Argentine and Brazilian governments, which only later on participated their minor partners of their decisions.

### Conclusion

To put it succinctly, the already strong constitutional powers of Mercosur presidents have been strengthened lately through constitutional reforms in Argentina (1994), Brazil (1988 and 1997) and Uruguay (1996). The Paraguayan reform (1992) stands out as the only exception to this trend, although it did not weaken the presidency as much as it just tempered the extreme authority hitherto granted to the office under Stroessner. Partisan powers, in turn, are remarkably strong in Argentina and, to a lesser degree, in Brazil, while they are somewhat weaker in Paraguay and Uruguay. Finally, other relevant veto players are present in Brazil (the most powerful states), Paraguay (the military) and Uruguay (popular referenda). The bigger Mercosur countries seem therefore to concentrate more power in executive hands than the smaller states, but even the latter present a mixed picture of concentration and balance. Table 8.8 displays such picture through gauging executive capacities relative to those of other significant veto players.

Veto players	Concentrationist presidency: ideal type	Argentina	Brazil	Paraguay	Uruguay
Number <sup>a</sup> (significant players)	Low	Low	Medium	Medium-High	Medium-High
Congruence <sup>b</sup> (other players)	High	Medium	Medium	Low	Medium
Cohesion <sup>b</sup> (the Executive)	High	High	Medium	Medium-Low	Medium
Cohesion <sup>c</sup> (other players)	Low	Low	Low	Low	Low
Agenda-setting <sup>d</sup> (the Executive)	High	High	High	Medium	Medium

a - Apart from the presidency. *Low* ranges from 1 to 2; *medium* from 3 to 4; and *high* from 5 on.

b - By the negative, ideological or value-oriented distance between veto players (higher congruence = closer distance).

c - Internal cohesiveness of veto players (average).

d - Capacity to establish the public agenda and/or to initiate legislation.

\* *Other players* refer both to institutional (Congress, the judiciary, the states or provinces in federal countries) and non-institutional players (parties, interest groups, exceptionally the military) as developed in the accompanying text.

NOTE: Criteria concerning categories and country qualification are spelled out in chapters 6 and 8 respectively.

The widespread strengthening of Latin American presidential powers, during the last two decades, was mainly due to the presidents' strategies to manage the economic crisis and conduct structural reforms. Building upon a tradition of already strong executives, many heads of government sought the capacity to formulate and enforce technical measures through confidential planning and circumventing both public and legislative debate. However, when consensus was considered to be necessary, presidents proved usually able to build coalitions in support of their policies.

As the number and consistency of veto players varies across policy areas, so does presidential margin of maneuver. Although strengthened by the economic emergency, presidents enjoyed larger room for autonomous decision-making in foreign as opposed to domestic issues. This was also due to the fact that constitutional provisions were more relaxed and public interest and knowledge farther away from foreign affairs. Therefore, international cooperation and integration itself virtually became an executive domain, where presidents felt freer to decide policy orientations and abler to achieve (at least) symbolic success. Since the president is the only politician whose constituency is the whole nation, he is better equipped than Congress to provide the impulse for a policy entailing diffuse benefits and specific costs. This has been the case of Mercosur every time that economic turmoil put into question its *raison d'être*. For many observers it is clear that Collor "y Menem alteraron sustantivamente los parámetros de la integración de sus países... Sin duda, los principales actores de esa historia han sido los presidentes de Argentina y Brasil" (Cavarozzi 1998: 13). What is more, Cavarozzi extends his argument to also encompass the two following Brazilian presidents, thus noting how it was the institution that kept playing a role and not its contingent agents.

Governors and congresses blocked both Argentine and Brazilian presidents from time to time during the last fifteen years. Such blockages did not affect substantially, however, the steering capacity of the presidents regarding foreign affairs. Moreover, even regarding the most obstructive area of domestic politics: the constitutional domain, Menem and Cardoso managed to have their respective Constitutions reformed in order to permit their previously banned re-election. Since written constitutions are admittedly a consensual feature of political regimes, given the super-majorities usually required changing them (Lijphart 1999), the Argentine and Brazilian cases show how fragile such a restriction was in these countries. It was unable to prevent majoritarian-like concentrations of power. The way in which both presidents obtained Constitutional

reform and, subsequently, their own re-election, is revealing about the extent to which political power is effectively –and increasingly— concentrated in presidential hands.

Consecutive reelection is in fact becoming a common landscape throughout South America. Originally allowed only in Paraguay (yet afterwards prohibited by the constitutional reform of 1992), the recent incorporation of Argentina and Brazil are not an exception but rather a trend. Also Peru, and shortly later Venezuela, have joined the club during the 1990s. Even in Chile there has been some debate about the possibility to allow reelection, but so far it has not prospered. This continental trend, fostering constitutional reforms everywhere, makes even more explicit the extent to which governmental powers tend to concentrate in the executive branch.

Some may maintain the opposite thesis, that is, that presidential offices are not increasingly concentrating power but relinquishing it to coalition partners. Thibaut (1998), for instance, compares Argentina, Brazil, Chile and Uruguay and argues that only Argentina under Menem can be considered a case of presidential supremacy, while all other cases are better understood as having ‘coordinated’ rather than ‘subordinated’ relations, given the president’s need to reach agreements with parliamentary parties. However, if my argument is correct, coalitional presidentialism is precisely an expression of concentration of power in the executive, rather than the contrary. This is so because, in separationist presidentialisms such as the American, coalitions are not only unnecessary but also contradictory, since they entail a linkage between both branches of government –and not their separation. South American presidents build coalitions in order to govern effectively, not to give up the power to do so. *Subordination*, so to speak, would be achieved through *coordination*. Whereas in most parliamentary democracies coalitions are formed as a functional response to the logic of the system –in order to establish a government and make it function—, in most presidential democracies coalitions have strategical rather than functional causes –in order for the entering parties to take advantage of the resources that only the executive holds.

Shugart and Mainwaring’s (1997) claim that the fragmentation of the party system is a key factor to explain the performance of presidential regimes is significant, and extremely useful to analyze Mercosur actuality. At the turn of the century, all four full members plus the two associate ones have left behind any –previous or not— two-party format and feature coalition governments without exception. However, no presidency seems to have diminished its grasp whether over politics or policy. On the

contrary, as a bipolar mechanics of competence consolidates in Argentina, Brazil and also Chile, the negative impact of party system fragmentation upon presidential power turns weaker.

As reviewed throughout this chapter, Mercosur countries are no longer an exception to the claim that “institutions matter.” Presidents have, nonetheless, managed to promote their agendas regardless of institutional and non-institutional impediments. Presidents have not become all-mighty rulers though, as the *delegative democracy* label may have led us to believe. Przeworski (1999: 15) has spelled out this situation by affirming that, “*aún cuando los presidentes brasileños y argentinos parecieran conseguir la mayor parte de lo que desean, es dudoso que se encuentren menos restringidos institucionalmente que los primeros ministros de España o Inglaterra.*” However, it is also dubious that either the Spanish or the English premier would have been able to afford such a significant endeavor as integration with the same freedom of maneuver that Mercosur presidents have displayed so far. The remainder of this dissertation is to analyze how presidents effectively performed to make Mercosur possible.



**PART III**

**THE IMPACT OF THE EXECUTIVE FORMAT UPON THE  
INTEGRATION PROCESS**

## CHAPTER 9

### INSTITUTION BUILDING

#### The creation and development of Mercosur

##### *Introduction*

This chapter and the following one carry out an empirical assessment of Mercosur actual proceedings, focusing respectively on institution building and policy-making. Having analyzed the structure and practice of presidential government in each member country in the previous section, the current goal is to gauge the influence that the presidents have effectively had over the process of regional integration. In order to do so I have drawn on three main sources: official documents (i.e. Mercosur treaties, main resolutions and declarations), other documents produced by key politicians or negotiators (i.e. unofficial reports, speeches, public interviews, or publications), and personal interviews conducted in the frame of this research.<sup>66</sup>

These two empirical chapters are considerably different from one another, both theoretically and substantially. In this chapter I follow a *grand-bargain* approach, *alla* Moravcsik, thus concentrating on the succession of four main treaties that led to institutional change. In the next chapter I will focus instead on two specific policies and one grand crisis. The two policy areas, the automobile and sugar regimes, have become central issues of Mercosur –and automobiles are usually said to be the equivalent to coal and steel for the early European Community. While the negotiation of an international treaty chiefly belongs to the sphere of diplomacy –so-called *high politics*–, the

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<sup>66</sup> The interviews referred to in chapters 9 and 10 were carried out by the author between 1998 and 2001. The quotations are thus extracted from the following sources: Félix Peña (former Argentine Undersecretary of Foreign Trade, interviewed in Buenos Aires in August 1998, December 1999 and February 2001), Monica Hirst (Director of the *Centro de Estudos Brasileiros* in Buenos Aires, August 1998 and March 2001), Norberto Moretti (Secretary of the Brazilian Embassy in Buenos Aires, September 1999), Dante Caputo (former Argentine Foreign Minister, Buenos Aires, September 1999), Juan Manuel Casella (appointed Argentine ambassador to Uruguay, Buenos Aires, September 1999), José Alfredo Graça Lima (Brazilian Undersecretary of Regional Integration, Brasília, December 2000), Carlos Márcio Cozende (Director of the Brazilian *Divisão do Mercosul*, Brasília, December 2000), Mauricio Fávero (*Divisão do Mercosul*, Brasília, December 2000), Celso de Tarso Pereira (*Divisão do Mercosul*, Brasília, December 2000), Evandro de Sampaio Didonet (advisor to Brazilian Deputy Foreign Minister, Brasília, December 2000), Carlos Da Fonseca (*Divisão do Mercosul*, Brasília, December 2000), Ruy Pacheco de Azevedo Amaral (advisor to former Brazilian President José Sarney, Brasília, December 2000), Sérgio Danese (minister of the Brazilian Embassy in Buenos Aires, February 2001), Jesús Sabra (Argentine diplomatic, Buenos Aires, February 2001), Luis Alberto Lacalle (former Uruguayan President, Montevideo, May 2001), Julio María Sanguinetti (former Uruguayan President, Montevideo, May 2001), and Diego Guelar (former Argentine ambassador to Brazil, the European Union and the United States, Buenos Aires, June 2001).

bargaining of sectoral trade agreements are more clearly rooted in the sphere of commerce —or *low politics*. Although both spheres are likely to overlap or mix up over time, I attempt here to disaggregate them for analytical purposes. As for the grand crisis, I so refer to the one set off by the Brazilian currency devaluation in 1999, its tortuous management and its aftermath.

Even the crudest intergovernmentalists accept that some degree of supranational or bureaucratic bargaining may be performed in the face of non-strategic issues. Likewise, whole-hearted supranationalists concede that intergovernmental bargaining is the prevailing rule for arriving at momentous agreements. What this research attempts to prove, still and all, is that the politicization generated either by actual presidential intervention or by its possibility, outweighed both diplomacy in the political sphere and technical management in the commercial sphere, thus becoming the engine as well as the steering wheel of the integration process.

**Table 9.1**  
**Mercosur: fundamental treaties**

Stage	Date	Treaty	Institution	Signatories
I	November 30 <sup>th</sup> 1985	Declaration of Iguazú	High Level Bilateral Commission	Argentina, Brazil
	July 29 <sup>th</sup> 1986	Argentine-Brazilian Integration Act	Program of Economic Integration and Cooperation (PICAB or PICE)	Argentina, Brazil
II	November 29 <sup>th</sup> 1988	Treaty on Integration, Cooperation and Development	12 sectoral protocols	Argentina, Brazil (Uruguay)
III	July 6 <sup>th</sup> 1990	Act of Buenos Aires	Agreement on Economic Complementation (with ALADI)	Argentina, Brazil (Uruguay)
	March 26 <sup>th</sup> 1991	Treaty of Asunción	MERCOSUR: Common Market Council and CM Group	Argentina, Brazil, Uruguay, Paraguay
IV	December 17 <sup>th</sup> 1994	Protocol of Ouro Preto	Customs Union, legal personality and Commission of Trade	Argentina, Brazil, Uruguay, Paraguay

The four sections that come next stem from and enlarge some contents already discussed in chapter 5, and follow a chronological order. The first section deals with the grand bargain that would lead, some years later, to the creation of Mercosur: the path to the Argentine-Brazilian Integration Act. The second, analyses the bargain that transformed the previous agreements from a set of sectoral protocols into a more general framework for cooperation and integration. The third, describes the bargain that ended up in the signature of the Treaty of Asunción, entailing the formal creation of Mercosur

with the inclusion of Paraguay and Uruguay into the bilateral association and the remaking of both objectives and deadlines. The fourth, tackles the bargain conducive to the Ouro Preto Protocol, which protracted the previously established terms and settled down the current structure of Mercosur. Table 9.1 shows the main benchmarks of Mercosur since its primitive inception in 1985 up to 1995, when the transition period concluded and the customs union was established.

### ***Grand bargain: the genesis (from Iguazú, 1985, to the PICAB, 1986)***

What and who?

The inauguration of Brazil's Tancredo Neves on March 15<sup>th</sup>, 1985, was the last move to complete the democratization of the three countries of the Plata basin. However, Tancredo was seriously ill and could never take office, dying a few days afterwards. His vice-president, José Sarney, succeeded his running mate and initially kept Tancredo's cabinet and policies. Together with Alfonsín and Sanguinetti, with whom he would build a lasting friendship, he shared the conviction that their countries had a superficially divided past but a common destiny, and was decided to work out such a destiny. In his words, with Argentina "*nunca tivemos divisões de fundo, problemas de fronteira, guerras; sempre foram rivalidades superficiais: não existia o que houve entre a Alemanha e a França. Estava na minha cabeça o Tratado Franco-Germânico*" (Danese 1999: 376, n.117).

Sarney's (2000) preferences towards Argentina ("*siempre fui un brasileño que tuve un gran amor y admiración por la Argentina*") and his convictions about regional integration were decisive to set off the process. As an Argentine negotiator has observed, the choices faced by the Argentine government were quite reduced, and most diplomats and public officials shared a positive orientation towards Brazil (Campbell 1999). Instead, Brazilian options were wider and its leadership was not yet defined; in this context, Sarney gave a strong support to the Latin-Americanists in Itamaraty and became "*uno de los principales motores del proceso de integración*" (Campbell, Rozemberg and Svarzman 1999: 62).

The main advisors to Sarney were experienced diplomats such as Rubens Recúpero and Luiz Felipe de Seixas Corrêa initially, and foreign minister Roberto de Abreu Sodre and Francisco Thompson Flores later. Many years thereafter, the Brazilian deputy foreign minister Seixas Corrêa would express the importance they accredited to

the process by stating that "*el Mercosur es el proyecto más importante de política exterior de Brasil*" (Seixas Corrêa 1999: 229).

Evandro Didonet, advisor to Seixas Corrêa, observed on Sarney "*uma disposição presidencial, uma forte inclinação pessoal de um presidente que promove a aproximação com a Argentina*" (Didonet 2000). He reported that, in a personal conversation, Thompson Flores had corroborated the crucial role accomplished by Sarney in bringing together the two countries. Sarney and his advisors always took pride on being the ones that changed Brazil's foreign orientation regarding South America in general and Argentina in particular.

Sarney's first international trip was to Uruguay, from August 12 to 14, 1985, where he met Sanguinetti. On November 29 and 30 he met Alfonsín in Iguazú for the inauguration of the international bridge between Foz de Iguazú (Brazil) and Puerto Iguazú (Argentina), which was named after Tancredo Neves. Both presidents signed the *Declaration of Iguazú* and a *Joint Declaration on Nuclear Policy*, and later that very day Alfonsín paid an unscheduled visit to the Itaipú dam (Seixas Corrêa 1999).

Alfonsín (2001: 4-5) would later remember, "*desde un primer momento se desarrolló una profunda amistad personal [with Sarney,] basada en la mutua comprensión de los serios problemas y enormes desafíos que debíamos superar juntos ambos países... Recuerdo que yo deseaba dar una muestra clara de nuestra decidida vocación integradora, por lo que le sugerí al presidente Sarney visitar la represa de Itaipú,... actitud que le produjo una agradable impresión*". Such a move, involving the object of historical disagreements and taken against the opinion of some of his advisors, was intended to increase the process of confidence building between both countries and their rulers. It worked: Sarney would later acknowledge that, "*aquel día, Alfonsín dio el primer paso importante para cambiar la imagen de nuestras diferencias. Fuera del programa, contra los consejos de sus asesores, visitó Itaipú. Fue apenas una foto, pero sepultó la guerra por las aguas del Paraná*" (La Nación 15-10-1999). In his opinion, the subsequent agreement "*marcó el inicio del proceso histórico más importante de Sudamérica desde la independencia*" (Sarney 2000).

Alfonsín had always been a persuaded Latin Americanist. So recalls Félix Peña, who served on Mercosur related issues and foreign trade with both Alfonsín and Menem, drawing from his personal experience with Alfonsín as a young politician that dated back to the 70s. Raúl Alfonsín "*era alguien que hacía mucho tiempo venía pregonando la*

*necesidad de una fuerte dimensión latinoamericana de la política exterior argentina... Era y es un hombre plenamente convencido de que, en la estrategia de inserción exterior argentina, América Latina y Brasil en particular ocupaban un lugar prioritario*" (Peña 2001). As to his motivations, Peña (2001) argues that "*por experiencia, Alfonsín debía saber cuán importante era el factor militar en la desestabilización política y en la institucionalidad democrática en la Argentina*". Argentine diplomat Jesús Sabra (2001) supports the claim that one of the main motivations underlying the change of foreign policy between Argentina and Brazil was the need for the new governments to reduce not only the power but also the substantial budgets of their armed forces. All in all, personal disposition and political reasons were tantamount on the Argentine side, just like they were in the Brazilian case.

Diego Guelar, former Argentine ambassador to Brasilia, Washington and Geneva, affirms that "*todavía no ha habido ningún hecho posterior a los acuerdos Alfonsín-Sarney que tenga la importancia de ese gesto inaugural*" (Guelar 2001). He goes further to say that "*el hecho más importante de la integración regional ha sido la apertura de los programas nucleares*". Guelar's vision is significant, not only for his familiarity with the issue but especially for being a well-known representative of the PJ – then in the opposition. Therefore, he may hardly be suspected of exaggerating Alfonsín's credits.

As for the institutional instruments crystallized in the agreements, the Declaration of Iguazú established the *Comisión Mixta de Alto Nivel para la Cooperación e Integración Bilateral*, which would be integrated by public experts and business representatives and presided over by the Foreign Ministers. According to Oscar Romero (1988), a key Argentine negotiator, the intention was that those people who took over the follow-up of the process should hold effective power, avoiding bureaucratic and time-wasting intermediation.

After the signature of the Declaration, the rapport between Argentina and Brazil steadily continued to improve. The crucial next step was the Argentine-Brazilian Integration Act (*Acta para la Integración Argentino-Brasileña*), which was endorsed on July 30, 1986, in Buenos Aires and set up the Integration and Cooperation Program (*Programa de Integración y Cooperación entre Argentina y Brasil*, known as PICAB or PICE). In that occasion, Sarney became the first Brazilian president to be received by the Argentine Congress after Getúlio Vargas in 1935. Alfonsín paid it back from December 9

to 11. On December 10, they signed in Brasilia the *Acta de Amistad Argentino-Brasileña*, which is, according to Alfonsín (2001: 6), “*el documento que de manera más fiel traduce [la] aspiración transformadora ...de construir una verdadera comunidad y no sólo una asociación*”. Uruguay’s Sanguinetti was also present, and from then on he was to attend every meeting to be held by his colleagues (Danese 1999: 379) – consistently involving Uruguay into the hitherto bilateral process.

In spite of Alfonsín’s claims, the *Acta para la Integración* turned out to be more consequential than the *Acta de Amistad*. Its outcome, the PICAB, was the successful result of a demanding bargaining. Four commissions (Economy and Trade, Transport and Communications, Science and Technology, and Energy) carried out the negotiations and previous work that would conduct to the agreement. The Act was complemented by twelve protocols –ten on economic issues, one on nuclear accidents and emergencies, and one on aeronautic cooperation—, which were instrumentally conceived of as the main pillars of the accord. Four years (1986/1989) and five meetings later, the protocols would add up to twenty three, six of which regarded productive sectors, other six regulated commercial issues, four were linked to science and technology, four to infrastructure and the other three to diverse topics (Campbell, Rozemberg and Svarzman 1999: 65).

The Declaration of Iguazu had called for the participation of all social sectors in the process of integration. In contrast, the Act signed in 1986 downgraded such a call and just mentioned the businesspeople as an active element of integration (Vigevani et al. 2000: 17). The low level of regional interdependence had brought about a negligible commitment to the integration project from main national social forces –even though, apart from minor exceptions, resistance to integration was also negligible. Henceforth, the launching and progressive affirmation of the process was exclusively due to the political will of the two governments (Seixas Corrêa 1999: 234) –thus barely different from the previous steps towards regional cooperation.

### Why and how?

The rapprochement between Argentina and Brazil was not written in the stars. There were little incentives to change the traditional pattern of mutual indifference. Therefore, to account for the new moves toward regional cooperation it is necessary to

understand the motivations, institutional resources and personal dispositions that drove and shaped the process.

As seen in chapter 5, the Argentine-Brazilian agreements in the first place, and Mercosur later, were built upon political rather than economic reasons –albeit they sought economic, not political, integration as main instrument (Baptista 2001). The goal to protect the newly inaugurated democracies led their leaders to try to reduce external threats in order to diminish the domestic role of the military. Consequently, the private sector had little –if some— influence along the first stages, and commercial agreements were but a political instrument to get the neighbors closer and to discourage attempts at fostering rivalry. Carlos Márcio Cozendey, Director of the Mercosur Division at Itamaraty, explicitly supports this view, as he states that “*el periodo iniciado en 1985/86 tiene, evidentemente, una motivación política y una acción directa de los presidentes muy importante..., pero el instrumento que se utilizó para hacer esa consolidación [política] fue comercial*” (Cozendey 2000).

Despite the consensus about the purposes underlying the first moves, some disagreement has been raised about the motivations that kept the process in motion. On the one hand a key protagonist, Dante Caputo, affirms that Brazil has always conceived of Mercosur as a platform for an enhanced insertion in the political and international arena, whereas Argentina usually held a double standard, seeking Brazil for commercial ends while aligning with the US in political and military issues. On the other hand, a likewise crucial actor such as José Graça Lima –later Brazilian undersecretary of regional integration— presents a more tempered view on such divergence, as he believes that “*á sobretudo razões políticas por detrás dessa busca de maior aproximação que tem, já no final dos anos 80, raízes num passado até recente de uma certa confrontação, de uma certa disputa...*” (Graça Lima 2000).

Regardless of the divergence between Argentina and Brazil concerning the utility of the association, the main protagonists acknowledge the primacy of politics. Alfonsín remembers that, “*cuando junto al presidente José Sarney iniciamos el proceso de integración, estaba claro el sentido político del proyecto*” (Alfonsín 2001: 3). The vision of the economy as instrumental to such a project was also clear: “*el presidente José Sarney quería a la Argentina, comprendía cabalmente sus necesidades y estaba dispuesto a hacer gestos de significación... La primera medida que tomó como presidente en 1985 fue precisamente ordenar la importación de 1,3 millones de*



*toneladas de trigo... a los efectos de reducir el déficit de la balanza comercial que tenía nuestro país con Brasil*" (Alfonsín 2001: 4).

Sérgio Danese, a Brazilian diplomat who interviewed Sarney for his book "Diplomacia presidencial", recalls that "*conociendo un poco como fue el inicio del proceso, se nota que hubo mucho de voluntad presidencial en eso. Los presidentes de los dos países tenían, en aquella época tal vez más que hoy día, un control sobre las máquinas, sobre el aparato del Estado...*" (Danese 2001). The presidents seemed to be aware of their control over the process, and "*Sarney lo muestra de manera muy clara como algo que tenía que ver con una inspiración personal de él*". However, Danese tempers Sarney's claim by affirming that there were also objective conditions for the rapprochement to be effective, and most of them laid on economic grounds.

Partly due to the subjectivity of the actors, who tend to present a magnified version of their personal role, it is hard to find out where the idea of strengthening ties between the two neighbors originated. Peña (2001) believes it possible that the Argentine-Brazilian conversations between the newly elected presidents began with Alfonsín and Tancredo Neves, previous to the inauguration of Sarney. Unfortunately, Neves lived not enough as to explicitly manifest what his view was concerning regional integration, but his legacy was clear as regarded good vicinity with Argentina. Brazilian scholar Monica Hirst, unlike other Brazilian observers, considers that the initiative "*fue mucho más argentina que brasileña, [pero Sarney] muy rápidamente se entusiasmó*" (Hirst 2001). Along with Danese, she reckons that there were some objective conditions that fostered the process, but locates them on political grounds (i.e. democracy), timing, and personal dispositions rather than on the economy. She remarks that the initial economic conditions were terribly bad to support integration, so it should come as no surprise that the first solid advances took place in the area of foreign policy –as opposed to economic policy. This fact would long shape the integration process, whose matrix continued to be politicized and highly dependent upon the presidents and the foreign ministers ever since.

Evandro Didonet concurs with Hirst's stance regarding politicization and foreign policy. He claims that, "*no inicio, o Mercosul foi claramente um projecto dos presidentes e das chancelarias..., [que] precisavam vender o projecto do Mercosul aos outros ministérios, á sociedade...*" (Didonet 2000). Such an occurrence is more visible when compared to the situation ten years later; as he remarks, "*no Brasil o Mercosul*

*está hoje na agenda de todos os ministérios, não e mais apenas um projecto da chancelaria como foi no inicio”.*

Former Argentine foreign minister Dante Caputo corroborates the crucial task accomplished by the *cancillerías* in the design and launching of the process. He remembers the probability of failure as one of his main concerns: *“a mí, particularmente, me preocupaban mucho las experiencias fallidas... Entonces uno se preocupa de no empezar una tarea que culmine en el mismo fracaso que ya vio, esto de subir sin llegar. Mi evaluación era que en la etapa de despegue, si se independizaba el sistema de dirección de la voluntad política más directa, el riesgo de burocratización primero y desaceleración para culminar era alto”* (Caputo 1999). By fostering a “direct political steering” of the process, Caputo intended to avoid two visible drawbacks that burdened other integration projects: alleged excessive bureaucratization as in the European Union, and early but feeble institutionalization as in the Andean Pact.

The decision not to create regional institutions was all but intentional. Its deliberate consequence would be to allocate every controlling and management responsibility in top executive offices. Caputo (1999) declares that, *“para sobrevivir durante un lapso más o menos considerable... me pareció que era muy importante no institucionalizar. Y la contrapartida de la no institucionalización era que la decisión política no era delegada y, por lo tanto, quedaba al más alto nivel, ministros de Hacienda o Economía y Exteriores y presidentes. Si uso la primera persona para hablar de estas cosas es porque fui un activo militante de esta visión del asunto contra una visión más institucionalizada que podía haber en algunos lugares, y yo activamente me opuse a esto. La institucionalización corre el riesgo de desplazar la voluntad política directa, de presidentes y ministros, y si no hay voluntad política directa las fuerzas dispersantes van a tener más capacidad que las centrípetas. Hasta que no se diera cierta altura de cruceo la institucionalización no debía tener lugar”.*

Graça Lima (2000) agrees with Caputo on that institutional flexibility (or plain institutional absence) was an intended feature, so decided by the initiators of the project in order to keep control over it. The decisions concerning institutional design were certainly motivated by learning from other regional experiences, but also responded to the wish of executive officials not to give in the operation of the new creature to other unpredictable actors.

So far, this section has discussed the motivations for the actors to start the process and the reasons that explain institutional choice. Now it turns to another sensitive issue, which is to elucidate why the first agreements did not remain limited to Argentina and Brazil but went on to include Uruguay first and Paraguay later. What is at stake, apart from substantive matters regarding regional geopolitics and economic goals, is the part that the presidents of the smaller countries –especially Uruguay— played on the history and configuration of Mercosur.

Julio Sanguinetti, the first Uruguayan president after the military rule, underlines the importance of regime change for the rapprochement between the newly inaugurated authorities. As he describes, *“el proceso de democratización en los años 80 generó un clima de aproximación entre los países, de solidaridad entre los líderes democráticos que emergían luego de un proceso de internas militares”* (Sanguinetti 2001). Strengthening the ties between the neighboring countries was also a historical and personal mandate: Sanguinetti takes pride to vow that, in his case, *“la integración como concepto es una prédica de toda la vida”*. His claim cannot go overlooked, as his regional vocation is widely recognized as a significant push towards increasing cooperation in the Plata basin. Alfonsín (2001: 3) straightforwardly recognizes that *“la incorporación del Uruguay [al bloque regional fue] resultado del inteligente impulso del presidente Julio Sanguinetti”*.

Personal relations between the presidents were paramount. Sanguinetti (2001) recalls that with Alfonsín *“existía una empatía natural que venía de la época de la lucha contra la dictadura, donde nos habíamos conocido, y luego nos encontramos con un Sarney con el cual no teníamos una relación anterior pero que pasó a ser para nosotros una agradable sorpresa”*. Sarney won his colleagues respect *“porque fue un hombre que aplicó, primero, un gran esfuerzo en entender al Río de la Plata, hizo el esfuerzo de aprender español y de decir sus discursos en castellano en las visitas que hacía a nuestros países y, en segundo lugar, [porque era] un hombre de cultura, de formación histórica que, por lo tanto, tenía una actitud abierta”*.

Led by Sanguinetti, Uruguay would accomplish a crucial function in the relation between Argentina and Brazil. In his words, *“nuestro rol fue de articulación, un rol activo de bisagra”*. As a hinge, this buffer state would mediate and moderate the tensions as they arose. According to Sanguinetti (2001), *“la presencia de Uruguay actuaba como un agente catalizador. Algo que le daba a la relación Argentina-Brasil*

*no el carácter de una negociación cerrada, entre dos partes que llegaban allí con prejuicios frente a la otra, sino realmente la naturaleza multinacional. Esto es un cambio cualitativo sustantivo*". Sanguinetti considers that there was a trilateralization of the regional relations since the very beginning, as explicitly acknowledged in the Declaration of Alborada.<sup>67</sup>

From a different standpoint, the significance of the Uruguayan part in general, and of Sanguinetti's role in particular, would be later lessened by next president Luis Alberto Lacalle. In his view, the agreements signed before 1990 and the role played by Sanguinetti accounted for no more than the follow-up of the previous bilateral agreements that Uruguay had signed with Argentina (CAUCE) and Brazil (PEC) (Lacalle 2001). Lacalle's stance opposes Alfonsín's and Sarney's, who concede Sanguinetti more credit in bringing their countries together. In fact, there existed an Argentine and Brazilian request for increased Uruguayan participation; this request was channeled through "*las diplomacias y los presidentes*", and positively responded by Uruguay.

It is significant that Sanguinetti underlines the importance of presidential and diplomatic channels, as some observers believe that other public officials and social actors may have played a greater role. Regarding the division of functions within the presidential cabinet, the Uruguayan president affirms that the ministers of economy "*nunca son los que articulan estos procesos, pero sí los que administran sus impedimentos*"; on the other hand, "*las cancillerías siempre están listas a negociar*" (Sanguinetti 2001). As to the social actors, he plainly denies having received any demand for integration emerging from the civil society. Politics, once again, carried the day vis-à-vis economics and society –although political parties were absent.

Guelar (2001) agrees with the description made by Sanguinetti, and offers a coincident analysis for understanding the articulation between the large and small states in the integration process. He criticizes the mercantilist vision of Mercosur that conceives of it as merely business. In his view, the fundamentals of the region stem from the need of stabilizing the Argentine-Brazilian relation and the will of denuclearizing the zone, turning it into a security community after decades of harsh rivalry. The inclusion of

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<sup>67</sup> In April, 1988, the presidents of Argentina, Brazil and Uruguay signed in Brasilia the *Acta de Alborada*, establishing the conditions for the incorporation of Uruguay to the integration project. The Act stated gradualism, flexibility and equilibrium as ruling principles of the process.

Paraguay and Uruguay was not accidental in this context, but responded to the logic of “buffer zones” expected to moderate the conflicts between the bigger states.

Some years later, Guelar would wonder why the region lacks a clear destiny. His answer is that “*no existe [el] pensamiento de Estado, o sea, el pensamiento de Estado apareció como flashes, fue un flash que tuvieron, indudablemente, Alfonsín y Sarney*” (Guelar 2001). The absence of leaders with either a region-wide vision or a regional responsibility, such as Schuman and Monnet, left every thrust towards regional integration in the hands of national executives, Alfonsín and Sarney being their utmost expression. Many observers call their names when asked about Mercosur Founding Fathers, and only a few times do somebody equals Menem and Collor to them. Notably, neither bureaucrats or technicians nor politicians other than the presidents appeared to have individually accomplished more than a minor role in building integration.

### ***Grand bargain: a leap forward (Treaty of Integration, 1988)***

What and who?

On November 29, 1988, in Buenos Aires, Alfonsín and Sarney manifested their decision to consolidate the rapprochement between their countries through the signature of the Treaty of Integration, Cooperation and Development (*Tratado de Integración, Cooperación y Desarrollo*). Of the many sectoral protocols signed thus far, the most important referred to capital goods and trade on wheat and oil. However, the coincidences between both governments had grown farther at the political and international sphere rather than at the economic and commercial one; therefore, the presidents now aimed at reinforcing the latter. The Treaty contemplated the lifting of all tariff and non-tariff barriers and the coordination of macroeconomic policies within a period of ten years. The subsequent treaties, signed in 1990 and 1991, would ultimately anticipate the former goal –barrier lifting—, henceforth making more evident the failure to meet the latter –macroeconomic coordination, what would still remain unaccomplished at the end of the ten-year period.

The economic turmoil and political uncertainty that the Argentina and Brazil were undergoing by 1988, added to the near end of Alfonsín’s and Sarney’s tenures, were limiting the capacity of the presidents to actively further the integration process. The new Treaty was therefore interpreted as a leap forward (Campbell, Rozemberg and Svarzman 1999), setting the conditions that would permit their successors to advance

steadier and faster. It is conceivable that the metaphor of the bicycle and the tricycle usually employed to analyze the European Union may also be applied to this case: had it not been for the decision to go ahead, in spite of all the domestic tribulations, the process may have resulted enduringly endangered.

Apart from the deepening objectives settled by Argentina and Brazil, there was a parallel –yet less visible— process taking place: inchoate enlargement. Remarkably, the Uruguayan president Julio Sanguinetti participated in a meeting with Alfonsín and Sarney the day after the signature of the agreement. In this occasion, the three presidents issued a declaration expressing the common will of associating Uruguay to the process as soon as the circumstances were deemed convenient. The formal document was still two-sided, but the door was open for third countries to join up with the venture.

The bilateral accord started a drastic change of approach *vis-à-vis* the previous steps, though this would not be completely evident until the following agreement –signed by the subsequent presidents— ratified the new direction in 1990. The importance of the Treaty of 1988 as a defining moment has not been fully recognized yet, although some authors single it out as a major underpinning of Mercosur (Baptista 2001). The twelve-article agreement kept the principles of gradualism, flexibility, equilibrium, and symmetry (art. 2), but foresaw the gradual switch from partial and sectoral agreements to the progressive establishment of a common economic space (art. 1). Although Alfonsín (2001) remarks that the common market was only foreseen as a second stage, that should take place after the ten-year period, the definition of a “common economic space” suggests that the signatories were aspiring to go much beyond the PICAB. In order to monitor compliance, an executive commission, made up of four ministers per country and coordinated by the foreign ministers, was created. Later on, with the signature of the Act of Buenos Aires in 1990, the presidents of Argentina and Brazil would be appointed as co-presidents of the commission.

Celso Lafer (1997), an academic who was Brazilian foreign minister with both Collor and Cardoso, is among those who consider this agreement as one of the main benchmarks in the Argentine-Brazilian relationship. In his view, it is at this point that a new phase in regional cooperation is set off, as the mutual objectives go deeper than the previous bilateral accords and prefigure the following steps that would push integration forward. Also Jorge Campbell, Argentine negotiator and Secretary of International Economic Relations at the foreign ministry between 1994 and 1999, sees the Treaty as

involving “*un drástico cambio de enfoque y un salto cualitativo en la marcha del proceso de integración iniciado tres años antes*” (Campbell, Rozemberg and Svarzman 1999: 103).

In sum, the late 1980s were characterized for a historical turnaround, as expressed by the Argentine-Brazilian rapprochement. This process may be understood as unfolding through two main instruments of regional cooperation, therefore being characterized by the ensuing combination of liberalization and public steering. As Lavagna (1999: 6) puts it, the key was a *methodological principle* “*que básicamente consistía en una combinación de liberación comercial automática y políticas sectoriales, de comercio y eventualmente de inversiones.*” The national governments would therefore keep a firm grasp on sectoral policies, while tying themselves to the commitments arrived at with the regional partner. This formula was supposed to bring together the better of two worlds: a wide room for maneuver along with a strengthened foreign and domestic credibility.

#### Why and how?

The agreement of 1988 explicitly displayed much of the spirit that had inspired the previous steps since 1985. The presidents were proud of what they had accomplished regarding regional cooperation, and aspired to leave a lasting legacy by pushing the process still further. Their successful example and point of reference was the hitherto most ambitious attempt at integration: “*en cierta forma, la Comunidad Europea nos empujaba hacia la integración regional*”, as Alfonsín (2001: 4) would later recall. Both Alfonsín and Sarney conceived of as their primary national mission to consolidate the democratic institutions at home, and only secondly to advance economic reforms. Therefore, it is no surprise that their regional priorities resembled very much their domestic ones. The primacy of politics and institutions over the economy was plainly acknowledged: “*el Tratado de Integración era mucho más que un acuerdo económico. Se preveía la constitución de una Comisión Parlamentaria Conjunta de Integración asociada al proceso de toma de decisiones*” (Alfonsín 2001: 6).

At the domestic level, the background conditions for the politicization of the relation had clear institutional expressions. In Argentina, the team that had negotiated the first protocols and bilateral agreements was being gradually dismantled. Simultaneously, the competence and responsibilities were being transferred from the Secretary of

Industry to the foreign minister, what resulted in a *“devaluación del contenido económico-comercial de la iniciativa en favor de su componente estrictamente político”* (Campbell, Rozemberg and Svarzman 1999: 102).

Alfonsín and Sarney had crafted the process following the Monnet method of integration. They believed in the necessity of taking few and firm steps at the time, *“dejando de lado de manera definitiva las quimeras de los grandes proyectos de integración que sólo condujeron... a la desilusión depresiva de los visionarios”* –as Thompson Flores put it (Campbell, Rozemberg and Svarzman 1999: 66). In order to do so, they planned that the process be oriented to the common market and based upon sectoral integration, looking for successive advances that would prevent *impasses* to occur. They were thinking of positive, not just negative, integration; therefore, negotiation –as opposed to automatism— was the key concept (Sarney 2000).

The choice for an incremental strategy was perceptible in the substantive continuity of the agreements. In this respect, Cozende (2000) observes that *“el movimiento desde 1985 hasta 1988-89 es una continuidad, una profundización de un mismo movimiento y de un mismo tipo de acuerdo... Tiene la forma de una serie de acuerdos sectoriales”*. Didonet also sees the 1988 accords as a step forward in the established direction. As he observes, *“tampouco eu via motivos de política interna mas sim uma disposição de acelerar a integração sobre a base daquilo que já havia”* (Didonet 2000). It is no wonder that Brazil’s Samuel Pinheiro Guimarães, who had crafted the process since the beginning together with Argentina’s Roberto Lavagna, was among the main writers of the treaty, as he advocated –and continues to advocate— a sectoral and gradual strategy instead of a more general and liberal one. Both Pinheiro Guimarães and Lavagna would therefore become distressed with the later developments of the integration project, as they interpreted that the strategy adopted from 1990 on was at odds with the originally planned.

Nostalgia for the allegedly missing original design has been widespread ever since. Not even Alfonsín, unquestionably one of the strongest defender of Mercosur, is exempt from feeling so. In spite of the fervent tribute he dedicates to the process, he laments some features it has acquired. As he regretfully puts it, *“a pesar de recibir la aprobación de los Congresos y entrar en vigor, serán otros protagonistas, con otras ideas, quienes retomarán el proceso de integración a principios de la década de los 90”* (Alfonsín 2001: 7).



### ***Grand bargain: the change of strategy (from Buenos Aires, 1990, to Asunción, 1991)***

What and who?

In the wake of the presidential elections held in Argentina in 1989 and in Brazil in 1990, both new governments converged on the implementation of market-oriented policies based on liberalization, deregulation and privatization. Regional integration would become an instrument for facilitating and locking-in domestic reforms, driving presidents Menem and Collor to the signature of the Act of Buenos Aires on July 6. Through this agreement, the deadline for the constitution of a common market was anticipated to December 31, 1994, and the nature of the 1986/88 treaties resulted modified.<sup>68</sup> From this stage on, integration would become characterized by automatic, linear and progressive liberalization, with the outstanding exception of sugar, the automobile regime, and a few other areas.<sup>69</sup> The Treaty of Asunción would crown this 'negative integration' approach shortly thereafter (on March 26, 1991) via twenty-four articles and five annexes, all of which dealt exclusively with economic, commercial or administrative issues (Vigevani et al. 2000). This is to say that cultural, social and even political issues were kept out of the institutional agenda.

The signature of the Act of Buenos Aires in 1990, instituting the Agreement on Economic Cooperation (*Acuerdo de Complementación Económica*) between Argentina and Brazil, entailed the virtual enlargement of the still formally bilateral process. This was so because the president of Uruguay, Luis Alberto Lacalle, took part in the encounter together with Menem and Collor. The Uruguayan participation was not yet on an equal footing with the two original partners, so at first Lacalle decided not to sign the resulting document (Lacalle 2001). However, the declared intention of all participants was to incorporate Uruguay, as well as the recently democratized Paraguay, into the regional agreements. The subsequent registration of the Act with ALADI made clear that the signing states conceived of the nascent association as both part of a broader region and an open step toward further integration, hopefully aiming at encompassing most of Latin America.

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<sup>68</sup> Whereas some scholars and protagonists believe that the agreements between Menem and Collor implied a drastic reorientation of the project, others understand them as the relaunching of a stalled process rather than a change in its direction. The ensuing debate is dealt with next.

<sup>69</sup> Among them, information technology, capital goods, and a few items contained in the Exception Lists that would expire by 1999 for Argentina and Brazil and by 2000 for Paraguay and Uruguay.

Despite the formal text, neither the Act of Buenos Aires nor the Treaty of Asunción instituted a common market. Instead, they established the mechanisms and deadlines for its creation by the end of 1994 and set the procedures that would direct the process during the so-called transition period. If the proclaimed objective of the agreements was to establish a common market within a short deadline, the main instruments to reach such goal were four. Together with trade liberalization, it mentioned the coordination of macroeconomic policies, the setting of a common external tariff (CET), and the adoption of sectoral agreements. The mechanisms through which the instruments were to be applied were stipulated in the annexes. The first annex established the deadlines for tariff liberalization, the second dealt with rules of origin, the third sketched the draft for a dispute settlement system, the fourth instituted safeguard clauses, and the fifth created ten working subgroups within the GMC. The decision-making structure, limited to the CMC and the GMC (already sketched in the Act of Buenos Aires), kept a mechanics of administration by unanimity and full presence quorum, based on strictly intergovernmental principles. The supreme body of Mercosur, the CMC, would meet as many times as it deemed convenient, but at least once a year it should gather with the participation of the presidents of the member states (art. 11). As it turned out to be, presidential summits would finally take place twice a year ever since (see Table 9.2), following the track of the European Council since its creation in 1974. Furthermore, some key joint presidential decisions would be taken before similar measures were sanctioned in the European Union. As an example, the democratic clause, establishing sanctions that arrived up to the exclusion from the bloc for those countries that underwent an insurrection against the constitutional order, was instituted in 1996 – to be later expanded to Bolivia and Chile in 1998. In the EU, such a clause would only be incorporated by the Treaty of Amsterdam in 1997 and entered into force one year later.

**Table 9.2**  
**Presidential Summits at Common Market Council meetings (1991-1999)**

Year	Place and date	Presidential declaration or new institution
1991	Asunción, March 26	Treaty of Asunción
	Brasília, December 17	Protocol of Brasília
1992	Las Leñas, June 26 and 27	
	Montevideo, December 28	
1993	Asunción, July 1	
	Colonia, January 17	
1994	Buenos Aires, August 4 and 5	
	Ouro Preto, December 16 and 17	Protocol of Ouro Preto
1995	Asunción, August 4 and 5	
	Punta del Este, December 6 and 7	
1996	Buenos Aires and San Luis, June 24 and 25	Mechanism of Political Consultation
	Fortaleza, December 16 and 17	
1997	Asunción, June 18	
	Montevideo, December 15	
1998	Buenos Aires and Ushuaia, July 23 and 24	Democratic Clause and Peace Zone
	Rio de Janeiro, December 10	
1999	Asunción, June 15	
	Montevideo, December 7	

The Treaty of Asunción also institutionalized other features that had been previously materialized in the daily operation of the PICAB. Among them, the direct participation of top governmental officials –especially from the highest ranks of the foreign and economy ministries— and the nonexistence of common bodies integrated by independent experts significantly added momentum to the presidential summits. Informally, the operation of bilateral diplomatic channels –especially through the respective ambassadors in Buenos Aires and Brasília— for the administration of the relationship and the solution of commercial conflicts was also maintained.

Between the signature of the Act of Buenos Aires and that of Asunción a febrile schedule was met. The Act was approved in Buenos Aires on July 6, and from then on a series of crucial encounters took place until the meeting in Asunción on March 26. In

August, Paraguay and Uruguay were invited to join the process. On September 5 and 6 the four countries met together, and all the four would participate in the regional gatherings always since. On October 22 and 23, the partners met in Rio de Janeiro and on December 13 and 14 they did alike in Buenos Aires. On December 20, the ACE 14 (*Acuerdo de Complementación Económica 14*) was registered with ALADI in the presence of representatives of all four countries.

### Why and how?

In the ceremony of signature of the Asunción Treaty, Menem (Instituto de Relaciones Internacionales 2000) categorically underlined the reasons behind the project: *“nuestra apuesta en favor de la integración no es ideológica; por el contrario, se trata de un medio para sumar eficiencia”*.<sup>70</sup> Regionalization was thus instrumental to implementing domestic market-oriented reforms, as it should enlarge markets, improve business opportunities and attract foreign investment. In order to reach its goals, the accord needed to differ from traditional Latin American pattern of ambitious engagement and poor accomplishment. As a result, the Treaty was deliberately short and simple, aiming at attaining credibility after years of undelivered promises concerning integration. In Peña's view, the agreements should depict a clear goal and design specific instruments to achieve it, rather than pretending that the objective would be reached by a mere act of political will. The initial stage has therefore been imagined as four years long, *“sabiendo que era un periodo corto pero que era la única manera en que podíamos mandar una señal fuerte”* [both to countries and markets] that this time integration was there to stay (Instituto de Relaciones Internacionales 2000).

The main reason for anticipating the deadline that established the settlement of a common market was to secure credibility for the regional commitments, since such a short timetable was coincident with the tenures of the incumbent presidents –who would therefore officiate as personal and institutional guarantors.<sup>71</sup> In turn, regional commitments were oriented to securing domestic reforms through external compromises.

The link between the domestic and regional levels appears clear in Hirst's accounts. In her view, the exhaustion of the *dirigista* (state-centered) model led to

<sup>70</sup> Notwithstanding Menem's downplaying of ideology, Peña (2001) remarks that he had traditionally had an inclination for Latin America similar to Alfonsín's.

<sup>71</sup> The ulterior impeachment and removal of Collor came unexpected in 1992, but his successor in the presidency stuck with the accorded timetable.

dismissing the strategy of sectoral and partial agreements. Therefore, the establishment of Mercosur would express the regional response to recurrent economic crises, sided by the predominance of the Washington Consensus as main recipe to handle greater policy changes. However, Mercosur was far from an altogether neoliberal project; instead, it was seen as a “shortcut” –especially by the Brazilian businesspeople, who preferred a gradual and limited openness rather than a more general one. In Hirst’s (2001) words, “*hay, en un primer momento, la idea de que es un proyecto que va a doler poco. Lo que duele es todo lo demás [the economic reform], y esto incluso puede aliviar un poco el dolor*”.

President Lacalle presents the expanding regional integration since the 90s as a surprising novelty –thus neither a direct continuation nor a turning point of previous endeavors. He tells the story in a peculiar way: “*llegamos al gobierno, empezamos a ocuparnos de la tarea gubernativa y en julio de 1990 nos enteramos que la Argentina y el Brasil tenían pronto para firmar un tratado de formación de un mercado común sin conocimiento previo del Uruguay*”. His decision was to send his chancellor, Héctor Gros Espiell, “*a golpear la puerta a Brasilia [where an Argentine-Brazilian meeting was taking place], porque Uruguay no puede quedar ajeno*” (Lacalle 2001).

The presence of Paraguay and Uruguay in the bloc deserves closer scrutiny. According to Lacalle (2001), the very name of Mercosur was suggested by himself to the Uruguayan ambassador Bertet\*, who wrote “Mercomsur” on a napkin. (Later that day, the press would take the name and inadvertently drop the cacophonous “m”). The Uruguayan president wanted his country to play the role of “*bisagra integradora*”, much in the same vein as previously defined by Sanguinetti. However, it is conceivable that Lacalle (2001) exaggerates his personal part when he affirms that “*el hecho de que fuera el presidente y la vieja relación con el Paraguay, de muchos años de Partido Nacional y de mi familia, creó las condiciones para que Paraguay ingresara*”. In any case, it is clear that key decision-makers in both smaller countries had in mind what came to be known as “*la política de los meridianos*”, which attempted to go beyond the Argentina-Brazil axis to build up stronger links between Uruguay, Paraguay and Bolivia. This horizontal axis would act as buffer and facilitator of the relation between the bigger countries, and simultaneously would provide an opportunity for the hinterland countries to improve their access to the sea.

The level of consensus reached by the Uruguayan elites and society to integrate the bloc was remarkably high. Lacalle's (2001) narration is eloquent: "*cuando se firma el Tratado de Asunción y es necesario ratificarlo, nosotros consultamos a todas las fuerzas políticas del Uruguay; en la casa de gobierno estábamos todos, el General Seregni, el Doctor Vázquez, el Doctor Batlle, el ex presidente Pacheco Areco, el ex presidente Sanguinetti, todo el partido Nacional, todos los líderes colorados*". Sanguinetti tells a somewhat different version: in his view, "*Lacalle no era un militante de la integración; él asumió primero una actitud de mucho recelo ante el Mercosur, ... y fue recién sobre el final que Uruguay se incorpora*". Unlike Menem and Cardoso, who willfully continued the strategy of integration already outlined by their antecessors, Lacalle needed to be pushed into the process by most national political leaders. Once inside, he took the flag and followed suit.

As seen before, Peña asserts that the original motivations that led to the creation of Mercosur in 1991 were political rather than economic –just like the previous stages undergone since 1985. The similitude also holds with the driving forces that originally backed the European Union; moreover, the timing between the settlement of the European single market –planned for 1992— and the creation of Mercosur was not casual, as the former acted as a model for the latter.<sup>72</sup> However, Peña (Instituto de Relaciones Internacionales 2000) departs from the European parallel when describing the formula of Mercosur as a deliberate equilibrium between institutional flexibility and political will, therefore leaving little room for spillover or any kind of automatic or feedback mechanisms. Peña (1998: 51/2) is crystal-clear about what he believes to be at the underpinnings of Mercosur: "*iniciativa presidencial, audaz como la que caracterizó a los procesos nacionales de reforma*". If it is true that both spheres, i.e. regional integration and domestic economic reform, were subject to the initiative of the presidents, it is also true that personal audacity may not have sufficed. After being elected under populist manifestos and campaigns, the popular legitimacy of Menem and Collor and the institutional autonomy of the presidency vis-à-vis the Congress helped both presidents to turn upside down most of their policy programs. They could consequently pursue and secure policies that might have encountered greater resistance in a parliamentary environment, as the party or parliamentary coalition that supported the

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<sup>72</sup> Bush's Initiative for the Americas also acted as direct stimulus, since it pushed the Southern Cone countries to join efforts for the upcoming hemispheric negotiations.

chief executive would plausibly be more committed to their electoral manifesto and could therefore have blocked or vetoed the executive turnaround.<sup>73</sup>

There is little debate about the conditions of possibility of Mercosur. According to Cozendey (2000), it became possible “*en la medida que hubo un cambio de política comercial que vino con el presidente Collor y su equipo*”. As already seen, the same can be said on the Argentine side. A greater discussion has instead unfolded around the nature of the Treaty of Asunción, whether it is conceived of as continuity or rupture with respect to the preceding process. Didonet (2000), for example, asserts that “*os acordos de 90 e 91... mudam o ritmo e a perspectiva do projecto*”. The two main protagonists of the previous stages bitterly agree: whereas Alfonsín (2001: 7) bemoans that, “*lamentablemente, con la firma del Tratado de Asunción en 1991 el hilo conductor político se diluyó*”, Sarney goes still further. He rhetorically asks, “*¿dónde nos equivocamos?*”, just to immediately reply, “*cuando en julio de 1990, por el Acta de Buenos Aires, los presidentes Collor y Menem decidieron cambiar los rumbos, y en lugar de trabajar por un mercado común, le dieron prioridad al área de libre comercio y a la unión aduanera*” (Sarney 2000).

In contrast, Peña (2001) declares, “*no estoy de acuerdo en que hubo un cambio de objetivo, hay que ser realistas... En 1989, lo hecho a partir de 1986 estaba en estado de hibernación... Esa idea de que en 1990 se cambia el rumbo de un barco que iba en una cierta dirección es como mínimo discutible, porque el barco estaba en puerto, estaba parado*”. For its part, Danese agrees that regional integration was stalled in 1990, and suggests that the process crowned in 1991 with the signature of the Treaty of Asunción was somehow automatic, a continuation of the original boost given by Alfonsín and Sarney. Yet he reckons that this process was not automatic but needed the presidential intervention, at first provided by Collor and later by Franco. Both of them lacked past Sarney’s “*fuera inspiradora*” or next Cardoso’s “*political will*”, but played nonetheless a critical role (Danese 2000). The personal involvement of Collor should not be overlooked: the very day after his inauguration, he agreed with Menem on the institution of an executive commission as established by the Treaty of 1988, and signed a joint declaration expressing the historical relevance of such agreement.

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<sup>73</sup> Even though New Zealand offers an exceptional example to the contrary (see Vowles and Aimer 1993).

It appears somewhat puzzling that the two Brazilian presidents who signed the two most important agreements (i.e. Collor the Treaty of Asunción, and Franco the Protocol of Ouro Preto) were less personally engaged with integration than both their predecessor Sarney and their successor Cardoso. Two reasons may help explain such phenomenon: first, the continuity of Brazilian foreign policy as guaranteed by Itamaraty's direct involvement; second, the institutional resources of the presidency, that allowed the presidents to extract political benefits from a policy area that they could command notwithstanding their previous lack of concern. If it is true that the national negotiators played a remarkable role, it is equally true that the presidents increased their level of engagement as the culminating moment got closer. Danese (2001), although downplaying the importance of Collor and Franco, cannot help arguing that "*el Mercosur es una obra de diplomacia presidencial... En todos los grandes momentos del Mercosur hay alguna forma de diplomacia presidencial*".

Little contest has been raised concerning the superior role played in Mercosur by top executive officials with respect to other actors. However, some controversy exists as regards the relative importance of the presidents vis-à-vis their foreign ministers. On the one hand, Hirst (2001) claims that "*el Mercosur es un proyecto de cancillerías que poco a poco se transformó, creó una dinámica intergubernamental, interburocrática, pero todavía muy dissociada de los intereses reales [económicos]*". On the other, Danese (2001) recognizes that "*es necesario que haya un cierto liderazgo, imponer ciertas voluntades, y para eso funcionan los presidentes bastante bien hasta cierto punto*", only to subsequently state that "*los cancilleres funcionan como agentes directos de los presidentes*". As seen in chapter 8, ministers in the Southern Cone presidential systems lack autonomous capacity and, all the more important, their legitimacy emanates from their appointment by the president.

If the primacy of the presidents over their cabinets and other governmental branches is clear, the predominance of the public sector over the civil society is even more impressive. Raúl Rocatagliata, representative of the Sociedad Rural Argentina – peak association of the larger rural owners— affirmed that "*el Mercosur comenzó y parecía una propiedad del gobierno; el sector privado no existió al principio*" (Instituto de Relaciones Internacionales 2000). In the same vein, César Tortorella from the Confederación General Económica (association of the small and medium businesspeople) would later claim that "*nos hemos quejado muy duramente... porque han desconocido*



*realidades del sector privado, y esto se ha pagado caro*” (Instituto de Relaciones Internacionales 2000). As regards Mercosur routine operation, Jorge Zorreguieta from the Unión Industrial Argentina (peak association of the big national businesspeople) sorrowfully recalled, *“hemos pedido intervención antes, durante y después de las reuniones del GMC... Por las normas del Mercosur, no podemos estar en la misma habitación donde se desarrollan las discusiones..., o sea, estar integrados al proceso”* (Instituto de Relaciones Internacionales 2000). Also Guelar (2001) suggests that no significant role was played by the private sector before the 1990s, as he explains that *“el Mercosur generó un mecanismo muy fuerte de encuentro de las sociedades civiles: empezó a funcionar muy bien la frontera, empezó a haber rasgos importantes de integración cultural, de acercamientos que nunca habían existido”*. Integration, as delineated in chapter 5, turned out to be the cause –not the consequence—of interdependence.

Although the political nature of Mercosur has been extensively illustrated in the precedent sections, a paradox still remains. According to Guelar (2001), *“en Asunción existía espíritu fundacional pero ya estaban las limitaciones planteadas, es decir, el miedo a la integración política”*. Hence, politics simultaneously shaped the inner core and the external limits that were defining the integrative enterprise.

### ***Grand bargain: the latest structure (Ouro Preto, 1994)***

What and who?

On December 17, 1994, the current features of Mercosur were established through the signature of the Ouro Preto Protocol. The Protocol resolved over a broader domain than planned, since it validated the modifications that some CMC decisions had *de facto* made to the Treaty of Asunción –such as keeping non-tariff restrictions or protracting the deadline for the exception lists. Despite this broader range, its accomplishments fell short from originally expected –e.g. the goal of the 1995 deadline was downgraded from a common market to an (incomplete) customs union. As for the institutional structure, the reforms were only a few and mainly ordered and formalized the procedures developed throughout the transition period.

Since 1995, the regional operation and procedures rest on three pillars: *intergovernmentalism* concerning the institutional structure, *consensus* –what is tantamount to unanimity— regarding decision-making procedures, and *ad-hoc*

*mechanisms* respecting dispute settlement. The Protocol also rendered Mercosur a subject of international law by means of granting it legal personality, and established the procedures for rule-making at the regional level –linking them to the mechanisms for rule-internalizing required by national legislation. In addition, it institutionalized the Commission of Trade in order to deal with commercial policies and controversies between the member states, and created the Joint Parliamentary Commission and the Social and Economic Advisory Forum.

The creation of the Commission of Trade aimed at securing a more technical management of commercial issues, including decisions on common rules and resolution of controversies. It was therefore expected to reduce politicization, both at the decision-making and dispute-settlement levels, by requiring member states to go through an additional administrative stage previous to escalating to upper power sites. On the other hand, the Social and Economic Advisory Forum was not intended to either make decisions or arbitrate conflicts, but to involve the civil societies in the integration process. The fact that its creation was only accomplished after the process had advanced a long way manifests the scarce engagement reached thus far by the main social actors – who were not even the main supporters of the new institution but rather their passive beneficiaries. The Commission and the Forum were important additions to the structure of Mercosur, but as it turned out, they would not acquire as much weight as foreseen.

Conceivably, one of the most consequential arrangements of the Protocol was the decision to institutionalize the practice of twice-a-year presidential summits (art. 6) – although the supreme regional body, the Common Market Council, was exclusively composed of the Foreign and Economy Ministers of each member country. Very soon, however, the CMC rather became a presidential forum, their ministers accomplishing a narrower role as presidential aides (Almeida Medeiros 2000a). This should hardly be a surprise, since ministers in presidential systems lack the autonomy and legitimacy that their parliamentary counterparts enjoy –which is one of the reasons why the Council of Ministers has been able to play a first-line role in the EU. As Mercosur impact on domestic politics increased, the presidents got ever more involved in running personally a highly visible body where top decisions were made (Peña 1998: 100b).

The negotiations that led to Ouro Preto were long and difficult. The process of confidence-building between Argentina and Brazil had been quite successful, and an intimate three-day meeting in a Buenos Aires ranch –“*una 'internación' de tres días*”, as

Campbell called it (Campbell, Rozemberg and Svarzman 1999: 164)— helped ease the understanding. However, the uncertainty originated in the Brazilian situation –both political (the presidential election) and economic (the hyperinflation)— did not facilitate the choice for either a FTZ or a CU. Besides, the temptation for Argentina to await for a US invitation to join the NAFTA was still another obstacle. Finally, the American president’s failure to obtain the *fast track* instrument from Congress, the success of Cardoso’s *Plan Real* to stabilize the Brazilian currency, and his electoral victory paved the way for the regional agreement (Seixas Corrêa 1999).

### Why and how?

Most reports agree that the final outcome of the Ouro Preto meeting was either accidental or deceitful. Didonet (2000) supports the former, as he argues that “*Ouro Preto foi possível por causa de uma confusão muito favorável de factores. 92-93 não tinha sido um período muito fácil para o Mercosul a nível de desequilíbrio da balança muito forte em favor do Brasil, ...havia uma preocupação com a saúde da economia brasileira na Argentina, e havia preocupação também pelo que poderia resultar da eleição presidencial de 1994 no Brasil*”. Notwithstanding the lengthy negotiations, the decision to push Mercosur forward and its final shape were undecided up to the end. “*O Mercosul estava travado, as negociações pouco avançavam e de repente, no ultimo momento, os acordos de Ouro Preto desbloqueavam [a situação]*”, Didonet (2000) explains. In his view, it was the electoral result in Brazil what paved the way for the final understanding, since “*a eleição de Fernando Henrique Cardoso foi vista como algo positivo, o presidente Menem explicitamente demonstrava a sua preferencia... Então se chegou aos acordos, mais uma vez com o empenho pessoal dos presidentes*” (Didonet 2000). On the contrary, Domingo Cavallo, Argentine foreign minister in the time of the signature of the Treaty of Asunción and minister of the Economy in 1994, allocates the responsibility for the contents of the Protocol on Itamaraty and the foreign ministry staff. He believes that the Brazilian diplomatic structure took advantage over their newly elected president in order to settle a customs union that was neither wanted by Cardoso nor convenient for Argentina.<sup>74</sup> However, Campbell maintains that the choice to go beyond the free trade zone was explicitly made by the Argentine government.

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<sup>74</sup> Cavallo expressed his viewpoint before the author in the “*Encuentro de líderes políticos de América Latina*”, organized by the Argentine government and the PNUD (*Proyecto de las Naciones Unidas para el Desarrollo*) in the Hilton Hotel, Buenos Aires, from March 12 to 14, 2001.

Furthermore, he claims that his being appointed in office by foreign minister Di Tella was due to his stand for the customs union (Campbell 1999: 11).

The effective role of the presidential cabinets is underscored by many accounts. Cozendey (2000) acknowledges that *“la parte institucional básicamente se genera a partir de las cancillerías”*. He mentions the key intervention of José Artur Denot Medeiros and Winston Fritsch, and recalls the issues at stake: *“en ese momento se planteaban distintas opciones: respecto de la personería jurídica, la autoridad de negociación externa, el proceso decisorio, la naturaleza intergubernamental o supranacional, el principio de decisión (mayoría ponderada o consenso)”* (Cozendey 2000).

When analyzing the role played by the Brazilian presidents during the transition period (1990-1995), Peña remarks the active intervention of both Itamaraty and the cabinet by comparing the styles of Collor and Franco. He starts by underlining the audacity and histrionics of Collor: as he liked Sarney’s legacy concerning regional integration, he acted the script that was being written by the Brazilian diplomacy. In addition, his cabinet was notoriously pro-Mercosur: made up by ministers like Marcilio Marques Moreira, Celso Lafer and Helio Jaguaribe, *“era un gabinete de lujo desde el punto de vista de la definición de Brasil a favor del Mercosur”* (Peña 2001). In contrast, Franco was a less lively politician and was aware that he would rule for a period shorter than a whole presidential term. However, he appointed a cabinet in which ranked such figures as Celso Amorim, Rubens Ricupero and Fernando Henrique Cardoso, all of them openly aligned with Mercosur. Besides, he approved of Itamaraty to continue designing and furthering the blueprints of what would conclude in the signature of the Protocol. The influence of Itamaraty is also stated by Lacalle (2001), who deems that, *“del lado de Brasil, yo digo que tanto en el periodo de Collor como en el de Itamar Franco fue Itamaraty la que llevó la conducción de la política exterior”*. The coincidence between Lacalle and Cavallo stems from their rejection to consider Mercosur as anything else than a free trade zone. Hence, they see the political leadership (the presidents) as defenders of a commercial, intergovernmental project, and blame the public bureaucracies (the diplomatic officials and their grasp over the *cancilleres*) for the supranational bias that the bloc allegedly suffered.

Also Peña believes that the foreign ministries accomplished a crucial task in negotiating the agreements and organizing the meetings, although he underlines the part

taken by the Ministries of Economy. In his words, “*la participación de los ministros de Economía fue muy fuerte. Nosotros, como GMC, participábamos de las reuniones formales e informales... Por cierto, las informales eran las que realmente importaban entre los ministros, de donde surgía el impulso económico que le daba contenido al impulso político que venía de los presidentes*” (Peña 2001). Ten years later, presidential thrust and informal meetings were still working as the heart of the process.

The shape of the agreement was not defined until the last minute. Lacalle remembers that in 1994 there was a heated discussion in Olivos concerning the final draft. He was there together with his foreign minister Abreu and, irritated by a mistreatment provided by the Argentine foreign minister Cavallo, decided not to sign. What was at stake was the unanimity rule, required by the smaller countries. Finally, the quarrel was solved and the agreement reached. Lacalle’s (2001) description of his negotiating team is eloquent: “*Uruguay tuvo una muy buena conjunción: un presidente al que le gustan estos temas y que es hiperactivo, un canciller de una gran lucidez [Abreu] y un ministro de Economía de un vuelo intelectual muy grande [Posadas]... Creo que el equipo uruguayo era, desde el presidente hasta los negociadores, muy trabajador*”. It is remarkable that the president himself was negotiating. The presidents of the smaller countries exhibited a high profile, by all accounts not inferior to that of the larger ones. As to Paraguay, Lacalle (2001) affirms that “*el presidente Wasmosy fue un gran motor de la integración*”, just to immediately add that, “*normalmente, en las reuniones procurábamos los dos chicos estar de acuerdo*”.

Institutional choice was not easy in 1994, and its evaluation is not consensual today. It is arguable that gradualism in the means went side by side with ambition in the ends. Cozendey (2001) explains that, “*en la visión de las autoridades brasileñas, en ese momento de Ouro Preto no se negaba la posibilidad de llegar a tener una institucionalidad más desarrollada u órganos más evolucionados, sino que la idea era hacerlo conforme fuera necesario por el avance del proceso de integración*”. The most critical proceeding, he states, was the negotiation over the CET, as it would define the character of the process: either a free trade zone or a customs union. Guelar (2001) sees the final decision as continuity rather than either rupture or a leap forward, since “*la decisión de la unión aduanera fue la confirmación del espíritu inicial*”.

The consequential decision not to create a tribunal aroused from the juridical nature of Mercosur. No organ was needed to rule on a basis if, as Pereira (2000) claims,

*“o Mercosul não tem direito comunitário (since there are neither direct effect nor supremacy of regional law over domestic law) mas, em todo o caso, direito da integração”*. Not all analysts usually acknowledge the absence of community law.

The institutional drawbacks of the structure defined in 1994 are not limited to dispute settlement but they also affect decision-making. Graça Lima (2000) grieves over the fact that *“o Mercosul sofre do facto de que não se logra um executivo do Mercado Comum, nem sempre é possível tomar decisões consensuais... Os técnicos... precisam consultar ao superior”*. The political escalation of technical issues has weakened the institutional structure of Mercosur.

The appraisal of Ouro Preto's aftermath is not conclusive yet. Sanguinetti, for example, believes that the 1994 Protocol constitutes one of the most positive benchmarks. In his words, *“yo no creo que en el 89-90 haya habido un cambio significativo”*; only in Ouro Preto does Mercosur acquire *“una configuración mayor”*, becoming the actual turning point of the project (Sanguinetti 2001). In contrast, Alfonsín laments that the outcome of the process is far from inclusive and participatory. According to him, *“la actual estructura institucional del Mercosur excluye en gran medida la infraestructura de participación: los partidos políticos, las asociaciones intermedias, los sindicatos y la principal expresión de la democracia representativa que son los parlamentos”* (Alfonsín 2001: 7). Guelar even questions the whole significance of the developments occurred throughout the 1990s. In this decade, he says, *“se perdió esa esencia, por eso yo pienso que la esencia del Mercosur es recuperar ese espíritu fundacional que todavía no está patentado ni en Asunción ni en Ouro Preto. Asunción y Ouro Preto son mucho más expresiones del segundo andarivel que del primero y fundacional”* (Guelar 2001).

### **Conclusion**

The first stages of Mercosur were relatively smooth partly because they entailed negative rather than positive integration (Bouzas 2001) –except for the CET. Intergovernmental bargaining was the mechanism employed to advance the process through momentous agreements. Henceforth, the process would not require decision-making institutions or even regulatory ones, since deadlines were agreed and fixed in advance and were expected to enter into force automatically. Likewise, the European Union leaders had chosen the easier path by mid-'80s when they relaunched integration

aiming at the single market –thus reducing barriers— rather than at economic union – what would have implied positive and dramatic measures. The main difference between both regions stems from the previous institutionalization of the EU, which allowed a combination –albeit variable over time— of positive and negative procedures.

One of the remarkable characteristics of Mercosur is the difficulty to single out its founding fathers. No leader accomplished the task that Jean Monnet, Robert Schuman, or Altiero Spinelli had played in Europe. When asked, some protagonists or observers would mention Alfonsín and Sarney, others Menem and Collor de Melo. Their roles were mixed and quite more complex though. Danese recognizes that presidential summits, for which bureaucracies work hard, were benchmarks of the process. However, he underlines that *“la diplomacia presidencial no es un hecho de política externa sencillamente, es un hecho de política interna”* (Danese 2001).

The presidents faced the challenge of creating an international organization without limiting their future room for maneuver. Students of institutions recognize the importance of political elites and their goals but, as Milner (1993: 347) points out, they do not always discuss “how to reconcile the influence of elites and institutions when they conflict.” In Mercosur, the political elites –especially presidents and chancellors— prevented such conflicts from arising by not creating institutions that could restrain them further.

It is somehow bewildering that liberal intergovernmentalism was crafted to account for a partially supranational European Union, but cannot fully explain a pure intergovernmental phenomenon such as Mercosur. Likewise, neither delegation nor pooling were chosen as preferred institutional arrangement, since institutions were kept negligible. Regarding the European construction, Moravcsik (1998a) claims that economic interests prevailed over geopolitical or ideological reasons even in the “least likely” case as De Gaulle’s policy toward European integration. This chapter is intended to show that Mercosur did not follow such a path, but a more politics-oriented one that depended heavily on political motivations and executive leadership.

After the transition stage was accomplished, in January 1995, Mercosur would undergo almost five years of cyclical stop-and-go. Bouzas (2001) calls the 1995-1998 period as “the age of the markets”, and depicts it as a time in which politicization receded as business carried the day. In contrast, Seixas Corrêa (1999) distinguishes two periods between the establishment of the customs union and the beginning of the crisis in

1998, and characterizes them by the sustained involvement of the presidents oriented towards the implementation of the agreements and the deepening of the process. Next chapter will assess the degree to which missing regional institutions and proactive presidents –backed on domestic institutions— continued to characterize Mercosur’s operation.



## CHAPTER 10

### POLICY-MAKING AND CRISIS MANAGEMENT

#### The special regimes (automobiles and sugar) and the 1999 crisis

##### *Introduction*

This chapter focuses on three main events along the short history of Mercosur. Two of them regard the special regimes that were established since the beginning of the process and are still in force, i.e. automobiles and sugar. The third one concerns the outburst and management of the most serious crisis that the bloc had to face so far, the one triggered by the Brazilian devaluation of 1999. The methodology draws to some extent on the neo-transactional approach that Sandholtz and Stone Sweet (1998) have developed in order to assess integration, as it is especially sensitive to different policy areas and day-to-day politics. However, it also benefits from the liberal approach to preference formation, as developed by Moravcsik (1998).

As discussed in chapter 5, Mercosur is as uneasy a matter for neotransactionalism as it is for intergovernmentalism. This is so because neotransactionalism regards society as the departure point for integration, as transnational transactors increase their exchanges and demand that national or transnational authority accommodate regulations and policies to the new situation. Mercosur, instead, is an outcome of the political will of national governments, which only thereafter brought about demands for further action.

Originally conceived of to account for European integration, neotransactionalism stressed the significance of four main actors in pushing forward the process: national states, transnational transactors, the European Commission, and the European Court of Justice. The latter two are supranational institutions that do not exist in Mercosur, a fact that, added to the prevailing lack of importance of transnational transactors, leave national states alone as main actors.<sup>75</sup> Therefore, no supranational bargainers but national officials have accomplished most crucial roles, and this chapter attempts to determine the role played by each of them in some key events.

In order to explain supranational governance in the European context, Stone Sweet and Sandholtz (1998: 19) call on “the rule-centered logic of institutionalization,” by which transactors would demand clearer and more predictable rules as

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<sup>75</sup> The main contrast with liberal intergovernmentalism is that national governments respond neither to domestic pressures nor to increasing interdependence but instead take the initiative of pursuing integration.

interdependence increases. In Mercosur, although increasing interdependence has created the need to manage a growing number of crises and coordination problems, transactors seem to demand (particular) decisions rather than (general) rules. For such a task –the argument of this research goes—, national presidents were by and large perceived as abler –more accessible, more responsive, more effective, faster— than any other actors or channels to get decisions made. Therefore, this chapter looks for traces of presidential intervention as both policy-crafters and dispute-settlers, in order to assess the real magnitude of the role played by the chief executives.

### ***Special regime: automobiles***

There are many reasons why cars have become a central issue to the integration process. In the first place, the national bases of the automobile industry are being undermined everywhere by global competition. Furthermore, it would be improper to speak of an integrated world automobile market, as the sector is developing in a set of sub-regional processes –organized into regional clusters rather than worldwide (Bastos Tigre et al 1999). In the second place, cars are believed to be for Mercosur the equivalent to coal and steel for the early European Community. This is so for it is the sector in which intra-industrial complementation have developed most, and also because it is a dynamic sector as regards the expansion of both investment and labor markets. In the third place, the automobile industry acquired a special status as the only sector that, established since the first integrative steps, persisted despite all the subsequent changes. As key Argentine negotiator Roberto Lavagna pointed out, this is “*el único acuerdo sectorial que sobrevivió al cambio metodológico de 1990, [constituyendo] un ejemplo exitoso de expansión de la producción, modernización tecnológica y modernización de productos y procesos con un razonable equilibrio entre las partes*” (Lavagna 1999: 7-8). According to the same analyst, the reason for this outcome was that “*el sector automotriz tuvo fuerza política suficiente como para impedir que se destruyera el proyecto sectorial*” (IRI 2000). Whether sectoral interests had the political strength that Lavagna claims or not, the decision to continue with the sectoral agreements in this area was not politically contested. Instead, there was a coincidental decision by Argentina and Brazil to go on with such a sectoral strategy that was heralded, defended and rescued –when in jeopardy— by the national executives.

The automobile industry represented huge investments and many thousands of jobs for Argentina and Brazil.<sup>76</sup> Its relevance for and impact on Mercosur becomes clear when analyzing the whole process of negotiations and renegotiations that established and kept working the special regime. Both the weight of the actors concerned and the massive investments in the area have turned it into a very sensitive issue for Argentine and Brazilian national governments –especially for the former, as the performance of the automobile industry accounted for half the increase of the whole Argentinean industry between 1990 and 1994.

The foundations that foster integration between the national automobile industries were established by Protocol 21, included in the Economic Complementation Agreement N° 14 that Argentina and Brazil signed at the end of 1990. It was explicitly defined as provisory and its terms were supposed to be renegotiated in a few years. Indeed, Protocol 21 was eliminated four years later, when the signature of the Ouro Preto protocol in December 1994 established the customs union. In its place, the CMC's Decision 29/94 created an Ad Hoc Technical Committee that was requested to elaborate, before June 1, 1995, a proposal for a Common Car Regime that should come into force on January 1, 2000. Meanwhile, a bilateral agreement between Argentina and Brazil, added to Decision 29/94, guaranteed reciprocal acknowledgment of the national regimes still in force in Argentina and Brazil.<sup>77</sup> Both partners also agreed not to introduce unilateral restrictions on trade within the Free Trade Zone. From June 1995 on, bilateral agreements could be modified only in order to increase intra-regional trading exchanges, but not to bestow advantages to the respective industries with the purpose of attracting investment. However, this story would dramatically change shortly afterwards.

According to Eaton (2000: 363), “the first step in policy analysis is identification of all the relevant actors who have stakes in and the power to affect the outcome of a policy process.” Therefore, the following part presents the sequence of the crisis and its negotiation process, to subsequently single out the actors that took part at every time

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<sup>76</sup> According to ADEFA's (*Asociación de Fábricas de Automotores de Argentina*) figures, investment in the sector reached 20.000 million dollars between 1991 and 1998 –only in Argentina and only considering terminal plants (Sajem 1999).

<sup>77</sup> The Argentine Special Regime, implemented in 1991, consisted of compensating imports with exports and was expected to last until the end of 1999. The regime encouraged the assembly plants to register a fair balance of trade through levying a tariff of 2% for each non-compensated dollar. For its part, the Brazilian Popular Car Regime was admitted to endure until December 1996 (Sajem 1999).

and analyze the role played by businesspeople, bureaucrats and government officials. The goal is to determine the veto power held by each player and to evaluate their strategies and impact, in order to gauge the relative importance of the actions taken by the presidents and their effective consequences.

#### The remaking of the automobile regime and the 1995 crisis

Between 1990 and 1996, there was a blossoming increase of intra-regional trade of cars as a consequence of tariff lifting and the agreements aimed at balancing imports and exports (see table 10.1).<sup>78</sup> However, by mid-1995 Brazil was suffering from economic distress as a result of the Mexican crisis. Also Argentina was facing economic turmoil, although its public and financial sectors were more solid than Brazil's. Automobile production remained stable in Argentina just because of its exports to Brazil, what generated a growing imbalance that exceeded the proportion accepted by the treaties and raised bitter complaints by Brazilian producers. The government was expected to take protective measures, but these were supposed to contemplate the Mercosur agreements and to be addressed toward extra-regional trade.

**Table 10.1**  
**Evolution of bilateral trade in the automotive sector between Argentina and Brazil (in units of vehicles)**

Year	From Argentina to Brazil	From Brazil to Argentina	Volume of trade
1990	0	350	350
1991	3,900	17,000	20,900
1992	13,200	64,500	77,700
1993	23,700	39,500	63,200
1994	35,200	31,000	66,200
1995	32,600	20,300	52,900
1996*	36,800	15,600	52,400

\* First semester.

SOURCE: *Gazeta Mercantil Latinoamericana*, December 15-21, 1996: 9-I.

The crisis was finally triggered in June 13, Tuesday, when Brazil announced that it would limit imports of automobiles in the second half of the year to 50 percent of the total of imports in the first half of the year. Surprisingly, the Provisional Measure 2410 considered no exception regarding Mercosur. This fact caught observers unaware and

<sup>78</sup> It should be noted that, besides free trade, there were other reasons contributing to a surprising performance, such as macroeconomic factors and economic recovery (Bastos Tigre et al. 1999).

angered the Argentine authorities. The Brazilian presidential spokesman, Sergio Amaral, communicated the decision to two Argentine negotiators that had flown to Brasilia, Jorge Campbell and Carlos Magariños. The Brazilian cabinet itself was divided about the decision, as finance minister Pedro Malán opposed restrictions to trade whereas planning minister José Serra supported them. Both were close aides to the president so he usually mediated between them, but this time the hard-liners carried the day.

Next day, Argentine papers covered their front pages with the alarming news: "*limitó Brasil la importación de autos argentinos.*"<sup>79</sup> Actually, the quotas were not limited to Argentina; the issue became highly sensitive to the health of Mercosur because Argentine officials and producers considered that Cardoso's decree violated the Ouro Preto protocol, which guaranteed free trade between all Mercosur partners. However, this protocol also set up the requisite of balanced trade, so the Brazilian government justified the measures on the lack of equilibrium concerning imports and exports.

The conflict was one of the most serious that Mercosur had faced thus far, and was furthermore exacerbated by the proximity of the Mercosur Economic Forum. This was a gathering organized by the World Economic Forum, and was scheduled for later that very week –from June 18 to 20 in São Paulo. On June 14, Menem threatened to boycott the summit meeting of Mercosur presidents that was to take place as the highest happening of the Forum. Menem's menace brought about febrile negotiations aimed at preventing such a negative incident for the reputation of Mercosur.

Cardoso ultimately decided to postpone the entering into force of the decree for 30 days, faced with Menem's strong stance. It is somewhat puzzling that either second level officials or the presidents themselves carried out the negotiations. Argentine foreign minister Torcuato Di Tella was stuck in Rome due to an air strike, but his deputy Fernando Petrella did not take part in the process either. Only the number three of *Palacio San Martín*, Jorge Campbell, got involved. The presidents went directly to the point and held conversations in order to work out a solution. As spelled by an Argentine journalist, "*más allá de los problemas de transporte de Di Tella, lo concreto es que desde un principio la crisis fue manejada personalmente por Menem con más asesoramiento del ministro de Economía, Domingo Cavallo, que de la cancillería.*"<sup>80</sup>

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<sup>79</sup> *Clarín* 14-06-1995.

<sup>80</sup> *Clarín* 16-06-1995: 5.

According to public sources, Cardoso himself called Menem on the phone at 5 PM on Thursday 15, and sent him a personal letter at 8 PM. This time, direct presidential intervention was not limited to the main countries: Paraguay's Wasmosy and Uruguay's Sanguinetti also offered themselves as personal mediators in the dispute between their bigger partners.

Over the weekend, Menem responded to Cardoso through another letter, in which he accepted to concur to the regional meeting. It was formally agreed that all presidents would meet together, and thereafter Menem and Cardoso would hold a bilateral summit. In spite of the provisional accord, Brazil ratified the validity of the restrictions but accepted to negotiate them with Argentina. Strange enough, no partner ever mentioned the possibility of appealing to the Protocol of Brasilia, the institutional instrument by which Mercosur partners are supposed to solve their controversies.

Shortly afterwards, the discussion leaked into the Brazilian administration. While the official stand was to insist on the establishment of a national automobile regime, the cabinet hawks criticized the negotiators who, at Ouro Preto, agreed to a regional regime with a country (Argentina) that already had a domestic one at work. On Monday 19, Menem and Cardoso finally held the bilateral summit but only agreed to sign a declaration asking to keep on with the negotiations. The discussion was made public, and neither Wasmosy nor Sanguinetti were able to stop it. Cardoso explicitly asked Menem to act "*políticamente, para que las partes se equilibren. Lo más importante es la voluntad política*". Again, no mention to institutional procedures was made. In turn, Menem replied that "*podemos negociar, pero en el marco de los acuerdos firmados en el Mercosur, [que son] inmodificables porque en la Argentina son ya una ley superior de la Nación.*"<sup>81</sup> The Argentine position was vocally more institutional, whereas the Brazilian kept focusing on the political will.

Next day, the situation took a dramatic turn around. Menem and Cavallo admitted that the negotiations of 1994 had left Brazil disadvantaged and slowed down with their accusations, while a heated discussion arose within the Argentina cabinet. Di Tella and Cavallo blamed each other, and the latter should acknowledge the reasonability of Brazil's claims when, during the bilateral negotiation, he was informed that Mercosur

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<sup>81</sup> *Clarín* 20-07-95: 2-3.

technical committees had never met in order to adjust and enforce the automobile agreement.

President Cardoso finally pledged a negotiated settlement of the dispute and suspended application of the quotas to Mercosur partners. Negotiations proceeded and resulted in a two-party agreement: Brazil would not apply the quotas to Argentina for the remainder of 1995, and the two countries would begin negotiations to establish a definitive common regime that would last until the year 2000 (Cason 2000). Menem officiated as the only spokesman of the accord.

### Who and how?

The automobile issue was considered by both Argentina and Brazil as highly sensitive because it meant much more than commerce. As the Argentine industry secretary Carlos Magariños noted, "the real dispute is over investments" (Cason 2000: 31). Therefore, not only trade balance but also industrial planning and even macroeconomic stability were at stake. This fact explains why national governments were so receptive to the arising conflicts and so eager to solve them promptly. What it does not explain, however, is why it was the presidents themselves who got directly involved in an area that could be plausibly managed in a technical way by lesser public officials and domestic bureaucracies –whether diplomatic or technical.

In spite of the economic importance of the sector, the negotiation of the common automobile regime was called "a case with no economic groups involved" (Sajem 1999: 71). This does not mean that vested interests were absent, but instead that they lie on a few huge transnational companies that pursue their goals with little coordination with each other –rather than on a set of firms among which a formal and enduring link exists so as to permit a common policy. The transnational companies were not preexistent to the integration process, so they designed their strategies on the basis of the process but were used to dealing directly with the national governments since the beginning. For their part, governments had been quite receptive to the companies' demands and kept aligned with the companies' preferences, as was manifest in the maintenance of the automobile regime. As a result, the companies used to get what they looked for: direct links with the decision-makers and active policies in their favor. Also governments were satisfied, as they desired to attract investment and create jobs. Brazilian Provisional

Measure 2410 disrupted the cross-the-border alignment between governments and companies, splitting up the interests along national lines.

The automobiles market was anything but free. Government intervention guaranteed not only positive incentives but also protective measures, both against extra- and intra-regional competition. Such intervention was not only accepted but demanded by auto firms: as a former Brazilian minister put it, “the auto firms *love* quotas” (Cason 2000: 30). On the Argentine side Oscar Salvi, director of Toyota Argentina, defended the protective measures as he stated that “the traditional policies of Brazil... have been, if not imperialistic, at least overwhelming” (Cason 2000: 31).

Therefore, carmakers’ strategies were not market-oriented but government-oriented. The Brazilian government was well aware, and it feared that current trade regulations for automobiles would influence transnational companies’ investments in Mercosur to Argentina’s benefit. On the other hand, many in Argentina feared that their country would become a “province of Brazil” had the situation not be reverted, as bluntly stated by well-known political journalist Mariano Grondona.<sup>82</sup> The only surviving sector of the original integration project was, paradoxically, one of the most deeply rooted in national sentiments.

The dynamics of conflict and conflict-resolution in the automobile sector was the outcome of the interests at stake and the strategies of the involved actors. Systematically, the preferred option was the constant delay in the fulfillment of treaties, along with the protraction of the negotiations aimed at settling up a permanent agreement. Likewise, the favored course of action was always based on informal, bilateral (i.e. Argentina-Brazil) negotiations, never the request of formal procedures. Any time that the option to recur to the mechanisms established in the Protocol of Brasilia or the Ouro Preto Protocol arouse, businessmen insisted on the impossibility of respecting them “for the time being, at least” (Sajem 1999: 79).

The 1995 crisis in the auto sector ended up in the same way as all the subsequent conflicts in the sector would: the procedure was informal and bilateral negotiation – ultimately, presidential diplomacy—, the result was the maintenance of the status quo. Neither buildup nor spillover turned out, but for most observers the preservation of

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<sup>82</sup> “La Argentina, provincia de Brasil” (*La Nación* 28-01-1996).



Mercosur was good enough –given the poor regional antecedents and the magnitude of the conflicts.

After only four years in place, few people were ready to consider Mercosur institutional performance as satisfactory. Fernando Henrique Cardoso himself would strongly criticize some of its features: *“nós, brasileiros, inventamos a teoria de um Mercosul não institucional, baseado na relação direta dos governos e, fundamentalmente, dos presidentes. Quando há crises, eu, Menem, Wasmosy e Sanguinetti conversamos. Decidimos até problemas menores, como, por exemplo, se se pode ou não financiar a produção disso ou daquilo. Bobagem. Presidente não tem que se meter nisso. Se diminui o aumenta a cota de automóveis, isso acaba na nossa mão. Tive de resolver um problema desses com o Menem, em São Paulo”* (Cardoso and Toledo 1998: 126). What Cardoso calls a Brazilian-crafted theory, only to subsequently qualify it as a mistaken one, is not other thing than the way Mercosur has operated since its inception. Interpresidentialism, the term here coined to identify such an operation, accomplished the function to keep Mercosur working –however despised it uses to be. The presidents, because of their institutional capabilities and the traditional role of the presidential office, were targeted as the only plausible suppliers of rules, enforcement and dispute allocation. Therefore, every demand –from the most significant to the most trivial, either coming from national producers or from foreign governments— was channeled directly to the president. As regards the 1995 automobile crisis, this was a predictable, reasonable, and successful procedure.

### ***Special regime: sugar***

The choice of the sugar regime as a leading case for gauging presidential intervention in Mercosur was not made by accident. Since it has often been selected as an issue for underlining the importance of either national parliaments (Vigevani et al. 2000) or social actors (Vigevani et al. 2000; Lucca 2001; Romero 2001) in Mercosur, the hypotheses advanced in the present research face a direct challenge. Hence, the measurement of the relative weight of each actor –i.e. executives, legislatures and social actors— in shaping the final outcome is likely to feed controversy and, by so doing, stimulate research and shed further light upon the operation of Mercosur.

The presidential communiqué issued in the wake of the CMC meeting held in Buenos Aires on June 30, 2000, comprised thirty-one items. Two of them referred to

cars and sugar respectively, and they manifested the differences that still remained between both issues. Paragraph 14 celebrated the progress done in the negotiations regarding the consolidation, complementation and productive specialization of a regional automobile policy. Subsequently, paragraph 15 advocated that a similar agreement was reached for the sugar sector, with a view to integrating sugar to the free trade zone and the common tariff. However, the requirement for any proposals was delayed to the next CMC meeting. Between 1985 and 2000, no improvement in either cooperation or integration had been achieved in this area. Stagnation was evident; its causes were not.

### The sugar regime: nature and conflicts

Sugar was a hot issue since the beginning of the negotiation process. Argentina and Brazil had, and still have, opposing interests deriving from a high differential of productivity. Such differential is not due to a diverse utilization of technology, as it is similar in both countries, but to the indirect subsidies that Brazil allocate to the production of sugar cane.<sup>83</sup> This policy dates back to 1975, when the first oil crisis led the Brazilian government to encourage the use of cane alcohol as a proportion of gasoline –the so called *Programa Proálcool*, considered a strategic choice of paramount importance by the military administration (Fávero 2000). Although the proportion varied over time, it never ranked below 20%. As a result, the usual share of alcohol in the sales of any given sugar plant jumped from 8% to 40%, distorting both costs and prices. Henceforth, the production of sugar was artificially increased, and it became not the main product of cane but a byproduct tradable at marginal prices (Lucca 2001).

The commercial effects of the differential of productivity are sizeable. The subsidies to cane croppers have rendered Brazil the first producer of sugar in the world, its share in world trade ranking close to 30%. To properly assess the magnitude of this figure, it should be taken into account that sugar is one of the most protected commodities in world trade (Fávero 2000; Romero 2001). On the other hand, Argentina faces a difficult situation originated in the tough world competition and aggravated by the domestic conditions in which the production of sugar takes place. Argentine crops mainly spread over five provinces, the most important of which are Tucumán, Salta and

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<sup>83</sup> Although it is also true that economy of scale, transportation infrastructure, and the weather are more favorable to Brazil than to Argentina as regards sugar production.

Jujuy –all of them located in the poor Northwestern region.<sup>84</sup> Sugar constitutes the basis of the regional economies in all three provinces, and it is the most significant source of employment –both direct and indirect— only after the public administration.<sup>85</sup> Given the federal arrangements established by the Argentine constitutional regime, and in the wake of the social and economic reasons just mentioned, the senators and deputies representing the Northwestern provinces make up one of the most solid political blocs when it comes to defend their constituencies in Congress.

The Brazilian position has always insisted on the prompt inclusion of sugar into the Mercosur free trade zone. To the contrary, Argentina has delayed such an occurrence through diverse strategies. Hence, the most conciliating sectors in Argentina have claimed to only gradually incorporate sugar into the free trade zone. Their project was to establish a transition period spanning over ten years, in which the sector should create protective mechanisms that guarantee the supply to the domestic market —as no economic restructuring was planned. On the other hand, Brazil's proposal called for a transition period no longer than twelve months; the two stances were impossible to reconcile. Furthermore, time was not the only source of disagreement between the two countries. Some of the Argentina's toughest sectors have even asked Brazil to abolish the *Proálcool* system, a demand that was straightforwardly rejected. Brazil claims not only economic reasons but also strategic, political and ecological motivations for sustaining this plan, so it is not likely to give it in anytime in the near future.

Much as happened with most of the issues and controversies raised along the short history of Mercosur, Uruguay and Paraguay stayed out of the front line. The former did never represent a problem, since it imported all the sugar for domestic consumption from Brazil. Uruguay only produced a minimum amount of sugar, just enough to cover the American quota of imports. Instead, it preferred to increase its productivity by substituting crops, while importing refined Brazilian sugar (Fávero 2000). On the other hand, Paraguay recently started to constitute a minor problem, as its sugar plantations were expanded in the last years and its government and croppers are decided to keep on with the activity. Paraguay supports a program similar to the Brazilian *Proálcool*, even if its dimensions are quite more reduced (Fávero 2000).

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<sup>84</sup> To the contrary, in Brazil sugar is mostly grown in the wealthy states of the South.

<sup>85</sup> Tucumán alone accounts for about 60% of the overall national production. The activity is calculated to generate some 50.000 direct jobs and 500.000 indirect jobs, over an area of roughly 27.000 kms<sup>2</sup>.

Given the complexity of the issue at stake and the contradictory interests that had prevented any agreement, the CMC resolved to create a unique ad-hoc committee in 1994 and established the sugar special regime. Through three decisions taken between August 1994 and December 1996,<sup>86</sup> the so called *Grupo Ad Hoc* was commissioned to define a regime that should adequate the sugar sector to the customs union –i.e. to the common external tariff and the intra-zone free trade zone. The parameters were two: first, the proposal should aim at the gradual liberalization of intra Mercosur trade of sugar; second, it should seek the neutralization of distortions stemming from the asymmetries between different national policies regarding the sector. The deadline was originally set to November 1, 1995, but it was later protracted to May 31, 1997. The latter date would bring about the first of the two serious crises that Mercosur would face as a consequence of the sugar issue; the second one would take place in 2000. Both are analyzed in the following section.

#### Who and how?

Between 1995 and 1997, Argentina acrimoniously questioned the ‘Mercosurness’ of Brazilian subsidies to sugar. According to senator Alberto Tell (PJ, Jujuy), “*contra el azúcar subsidiado la Argentina no puede competir, porque tiene un régimen desregulado y de libre competencia.*”<sup>87</sup> Cane croppers and their representatives were demanding no additional protection, but instead that sugar imported from Brazil be charged as much as the one coming from any other country. In the same vein, Brazilian deputy Paulo Bornhausen (PFL, Santa Catarina) would counter that “*Argentina exporta trigo a partir de una cultura fuertemente subsidiada. Esta característica da sua produção de trigo torna inviável para os produtores brasileiros terem condições de competição justas ou ao menos razoavelmente aceitáveis para permitir que concorram no mercado interno com as importações advindas da Argentina.*”<sup>88</sup> These positions delineated the scenario in which both congresses would confront each other, embracing defensive strategies on behalf of their respective interest groups.

In May 1997, the Argentine Congress passed a bill (*Ley 24.822*) charging imports of Brazilian sugar with the same tariff as non-Mercosur countries. It was intended to be

<sup>86</sup> CMC Decision 7, August 5, 1994; CMC Decision 19, December 17, 1994; and CMC Decision 16, December 16, 1996.

<sup>87</sup> *Clarín* 04-09-1997.

in force as long as the asymmetries caused by the subsidies to the *Proálcool* Program subsisted. Although the Brazilian authorities deny to have exerted any pressure on the Argentine government,<sup>89</sup> Menem vetoed the law through decree 471/97. The alleged reason was that it opposed Mercosur treaties, a coincident stance with the position officially expressed by Brazil (Vigevani et al. 2000).

Some months later the dispute over the status of sugar trade was back, and by September 1997 the crisis reached a peak. On Wednesday 3, the Argentinean Senate rejected the executive veto, following the House's position adopted earlier in June. Notwithstanding the opposite stance manifested by economy minister Roque Fernández and foreign minister Guido Di Tella, the congressional insistence was decided by unanimity. The electoral campaign was under way, and no legislator intended to be exposed to criticism by leaving a free road to sugar imports from Brazil.

The argument escalated bitterly after the overriding of the veto. Reaction on the Brazilian side needed not be waited for long. In the Brazilian congress "*hubo amenazas de represalias, dirigidas a limitar las importaciones de trigo argentino. Además de su importancia económico-social, el episodio repercutió de forma especialmente intensa por haber ocurrido en un contexto político delicado, marcado por divergencias públicas entre Brasil y Argentina respecto de la reforma del Consejo de Seguridad de las Naciones Unidas*" (Seixas Corrêa 1999: 252). By public divergences, Seixas Corrêa referred to the obstacles that Argentine diplomacy was putting to Brazil's securing of a permanent chair at the UN Security Council on behalf of Latin America and the Caribbean, should an institutional reform finally came into being. However, these divergences were no more than a background condition: the real issue rested with conflicting sectoral interests and their parliamentary echoing.

The Brazilian executive kept a prudent stand all along the conflict. Cardoso and his aides were aware that the Argentine legislators were acting under the pressures of the electoral campaign, so they opted to trust the efforts the Menem administration was doing to reduce the damage. The Argentine executive publicly condemned the congressional position, and eschewed plans that went from proposing a new bill revoking law 24.822 to appealing the constitutionality of the law before the Supreme Court.

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<sup>88</sup> *O Estado de São Paulo* 06-09-1997.

<sup>89</sup> *Gazeta Mercantil* 25-05-1997

Simultaneously, it requested its Brazilian counterpart more time to solve the problem. There were some officials on the Brazilian side –notably foreign minister Lampreia—<sup>90</sup> who were not convinced about the authenticity of the Argentine executive, but the presidential choice was to concede some more time.

The situation seemed to be in a dangerous deadlock. According to Danese (2001), *“en la reunión del Copacabana Palace ... se vio que las cosas estaban llegando a un punto que era insoportable, y que sería necesaria una intervención presidencial muy firme para que las cosas pudieran avanzar; entonces se concertó (un encuentro presidencial)”*. On November 10, Menem traveled to Brasilia. This trip was not an isolated gesture but a pattern, of which observers would come to notice in due time. In a later occasion, Brazilian deputy foreign minister would testify that *“se observa ... un padrón de comportamiento según el cual las crisis comerciales en el Mercosur han sido superadas por entendimientos políticos en los más altos niveles, que invariablemente reafirman el compromiso común con la integración subregional... La visita de Estado del presidente Carlos Menem a Brasil, el 10 de noviembre de 1997, revertiría el clima negativo nuevamente creado con la crisis del azúcar en septiembre de 1997”* (Seixas Corrêa 1999: 252/3). However, the controversial law was still in force and a formal solution had not been found. Instead, the Argentine president was just adapting to a practice dating back to the *Virreinato del Río de la Plata*: *“acátese, pero no se cumpla”*. In ancient times such a practice worked against the rulings coming from Spain; now, they did alike against laws coming from the Argentine Congress.

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The preeminence of the national executives *vis-à-vis* the Joint Parliamentary Commission and the national Congresses are better underscored by a further incident concerning the sugar issue. In August 24, 2000, the Argentine Congress passed a bill that, based on the usual arguments, aimed at protecting Argentine cane croppers from Brazilian competition. The law protracted the validity of Decree 797/1992, which had established a protection regime for the sugar industry and was to expire in December 2000, and set no new deadlines. Brazilian officials issued condemnatory responses, whereas the Brazilian congress menaced to limit imports of food containing sugar from Argentina. President De la Rúa was upset about the legislative decision. He was

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<sup>90</sup> *Gazeta Mercantil* 05-09-1997.

expected in Brasilia on August 31, when a South American summit would take place, and he was not pleased to be received by an unfriendly climate. After a bitter cabinet meeting, he sent his foreign minister<sup>91</sup> to negotiate with the deputies from the northwestern provinces in order to avoid a “*guerra entre los congresos del Brasil y la Argentina*”.<sup>92</sup>

If in November 1997 only the visit of president Menem to Brazil had allowed the softening of tensions raised by the disputes between the two assemblies, providing a temporary resolution for the crisis, in 2000 the risk of an outbidding conflict that could jeopardize the whole process looked greater. Mercosur had not yet overcome the effects of the 1999 crisis, and legislators from both countries were menacing retaliation even when no electoral campaign was underway. Members of the Joint Parliamentary Commission also played a part on the issue, but they could not reach an agreement (Mustapic 2000). On September 1, De la Rúa promised Cardoso that his government would not endorse the controversial law, taking the risk of bringing about a domestic conflict of power.

When things seemed to get worse, the Gordian knot was cut by President De la Rúa: on September 4 he vetoed the law, just to subsequently sign a resolution with the same contents! (Although it additionally established a limit of five years of validity.) The goal was twofold. On the one hand, the decision prevented an open-ended outbid between congresses through the expedient of taking the issue out of the legislative arena. On the other hand, a decree in place of a law would improve the executive power of negotiation, since it turned the Argentine president able to guarantee its Brazilian counterpart that the decree would be lifted as soon as an agreement was reached –thus, without the need of going through a neither secure nor rapid legislative process.<sup>93</sup> Subsequently, both presidents agreed to initiate a round of negotiations with a view to incorporating sugar into the free trade zone, in the line they had manifested in the communiqué of Buenos Aires on June 30 (paragraph 15).

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<sup>91</sup> The fact that it was the Argentine *cancillería* –and not other cabinet offices— which was handling the situation was acknowledged and welcomed by the Brazilian administration (Fávero 2000), as it highlighted the political relevance of the conflict.

<sup>92</sup> “Ley de protección a la industria azucarera. El azúcar amargó al gabinete” (*Clarín* 30-08-2000).

<sup>93</sup> “De la Rúa firmó una resolución y vetó una ley. El azúcar, protegido hasta el 2005” (*Clarín* 05-09-2000).

This event shows how the presidents have chosen to take all responsibility –and power— whenever Mercosur undergoes a serious conflict. They have done so even at the expense of relinquishing the likely benefits they could extract out of a two-level game (see Putnam 1988). To be sure, the presidents may no longer argue that domestic institutions keep their hands tied in order to obtain concessions from each other, since they have made plain that no actor stands over the presidential will.

Vigevani et al. (2000) argue that the sugar issue seems to expose the inadequacy of Mercosur structure to overcome the threats posed by negatively affected interest groups. They describe the process by which “*grupos sociais e econômicos argentinos e brasileiros organizaram-se em articulações políticas nacionais identificadas com a questão para garantir seus interesses. Sua pressão buscou influir nas decisões dos respectivos parlamentares, ocasionando o enfrentamento entre os legislativos dos dois países, gerando uma crise diplomática*” (Vigevani et al. 2000). As much as the evolution of the crisis illustrates the limitations of Mercosur institutional structure, its resolution similarly illustrates the extent to which the recurring mechanism for dealing with such events was interpresidentialism.

### ***The grand crisis of 1999: management and outcomes***

This section looks upon the crisis triggered by the 1999 devaluation of the Brazilian currency and the ensuing reaction by the Argentine government. Its aftermath would drive Mercosur members to the conclusion that a tighter macroeconomic coordination and a more effective overlooking and implementation of the common agreements were needed –hence, to further efforts at relaunching the process as defined in the summits of Buenos Aires (June 2000) and Florianópolis (December 2000).

### **The Brazilian devaluation and its aftermath**

Along the 1990s, both Argentina and Brazil experienced periods of domestic turbulence, either due to political –uncertain electoral outcomes— or economic –inflation or recession— reasons. However, such difficulties were never undergone at the same time, what allowed integration to proceed as the largest Mercosur partners compensated each other in times of trouble. In 1999 the situation radically changed: both economies were simultaneously in recession, and Brazil was furthermore compelled to devalue its currency in January, thus threatening to alter dramatically intra-regional trade and investment flows.



Affected interests and receptive political leaders fostered a heated discussion in Argentina. The main request was that the government close the borders so as to prevent a flood of Brazilian exports from entering the domestic market –as well as a reciprocal runaway of local investments towards the now more profitable neighbor. As a result, by mid-1999 the government made resort to protective instruments at disposal according to WTO regulations and, especially, to those provided by ALADI. Brazil considered such resources to be a direct violation of Mercosur agreements, and vigorously menaced retaliation. Additionally, Brazilian officials charged the Argentine government with carrying out a foreign policy that directly undermined the regional unity, through an outspoken political and military alignment with the United States that went against Brazilian aspirations to regional coordination –and hereby, against its aimed regional leadership.<sup>94</sup>

The 1999 regional crisis had, as usually in Mercosur, national underpinnings. After a tough struggle against market forces that pushed for a devaluation of the Real, the Cardoso administration gave in and decided to float its currency on January 13<sup>th</sup>. There were also political factors concurring to define the final outcome: some days earlier, former president Itamar Franco –by then governor of the key state of Minas Gerais— decided to default the debt his state had with the federal government. Although the defaulted amount was not large, the plausibility of a widespread fiscal disobedience alarmed foreign investors and creditors, further feeding the uncertainty and accelerating the crisis.

When the Brazilian decision to devaluate was taken, Menem was in the United States in an official visit. In Argentina, some criticism was raised pointing to the fact that the Cardoso administration had neither consulted nor informed its partner's government about a decision that was so influential for Argentina. Both Menem and his economy minister, Roque Fernández, disregarded the critiques with two different arguments: for Menem, the measure was not technically a devaluation; for Fernández, a devaluation should logically be undertaken without previous warning. In any event, the contact between both presidents was so close that Menem received a phone call from Cardoso

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<sup>94</sup> The Brazilian government was upset by three stances of Argentine foreign policy: the status of extra-NATO military allied conceded to Argentina by the US government, the Argentine resistance to support the Brazilian claim for a permanent chair at the UN Security Council, and the Argentine permission for the deployment of American military troops in joint exercises near the Brazilian border.

on January 14, while he was conceding an interview to an Argentine newspaper, to explain the situation and expected outcomes of the ongoing domestic process.<sup>95</sup>

The reaction in Argentina to the Brazilian decision was heterogeneous. Whereas the government remained calm and comprehensive of its counterpart, many representatives of the industrial sector and the media warned about the possibility of an “avalanche” of cheap goods from the giant neighbor.<sup>96</sup> Fears of invasion of Brazilian products was first called “*efecto Brasil*”, to be later renamed “*Brasil-dependencia*”. The former label, somehow neutral, denoted a likely danger by contagion; the latter connoted a sentiment of subordination that would subsequently call for a protectionist reaction. The Menem administration took some rapid measures to relieve its domestic pressure, such as reducing some taxes, diminishing import tariffs for sensitive goods coming from non-Mercosur countries and asking the Brazilian government to eliminate distorting subsidies. Nothing was enough to dissipate the public concern, and the *Unión Industrial Argentina* (UIA) insisted to ask for a tariff raise.<sup>97</sup>

The months following the devaluation witnessed an increasing tension between the largest Mercosur members. All South American countries except Bolivia—the smallest economy in the region—and Argentina had adjusted their exchange rate after Brazil, but the Convertibility Plan prevented a similar response from Argentina. In February, the presidents and ministers of Argentina and Brazil met twice: first in Mexico, in the frame of a Rio Group meeting, later on the 12 in São José dos Campos, Brazil. These summits, along with the ongoing Brazilian instability, were not enough to ease the apprehensions, so in April the Argentine government should act to appease its domestic front.

Between April and July, the Argentine executive issued three rulings aimed at balancing trade with Brazil. On April 19, Resolution 458 put in motion an antidumping procedure against steel imports; on July 14, Resolution 861 fixed import quotas for textiles; finally, on July 26, Resolution 911 incorporated to the Argentine legislation a norm of ALADI that would allow Argentina to apply safeguard measures. It did not mention any exception for Mercosur members, so it could be interpreted as an attempt to

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<sup>95</sup> “Menem prometió a los inversores que la Argentina no devaluará” (*Clarín* 14-01-1999).

<sup>96</sup> “Efecto Brasil: temen avalancha de productos brasileños por la devaluación. Los industriales pedirán medidas de protección” (*Clarín* 17-01-1999).

<sup>97</sup> “Los industriales insisten con subir los aranceles” (*Clarín* 22-01-1999).

establish barriers to trade via the setting of import quotas –what was in open conflict with Mercosur rules. The Brazilian government reacted strongly: for the first time since the creation of the bloc, it announced –through undersecretary of foreign trade José Alfredo Graça Lima— that all negotiations were suspended.<sup>98</sup> One year later Graça Lima (2000) would diplomatically downplay these events, preferring to speak of “commercial confrontation” rather than political crisis. However, the magnitude of the controversy can hardly be overlooked, as most key protagonists lived it as the most critical ever since 1985.

During the hard times running between the Brazilian devaluation in January and the Argentine Resolution 911 in July, some progress had been made though. On April 28, the first ruling of the Ad Hoc tribunal settled up after the Protocol of Brasilia was issued, generating expectations for a juridical institutionalization of Mercosur procedures. Shortly later, on June 7, Menem and Cardoso held a meeting in Olivos –first alone, then with their foreign ministers— in which they seemed to reach key agreements on fiscal responsibility and macroeconomic coordination. One week later, on June 14, they met again in Asunción in the friendly context of the Mercosur biannual summit, together with the presidents of Paraguay and Uruguay. However, by the end of July the dialog between Argentina and Brazil was dramatically broken. Domestic pressure for tougher measures was mounting on both sides and the prospects for Mercosur looked desperate. Paulo Skaf, chief of the Brazilian *Asociación de Industriales Textiles*, went as far as to state that “*éste es el primer paso hacia el fin del Mercosur.*”<sup>99</sup> Could anybody prevent such a cheerless end?

#### Who and how?

In a letter sent to the temporary presidency of Mercosur in Montevideo, the Brazilian government accused Argentina of perpetrating “an explicit violation of the Treaty of Asunción,” and denounced “an alarming retrocession in the development of the integration process”.<sup>100</sup> After declaring a halt on all negotiations, Itamaraty asked for an urgent bilateral meeting to protest against the establishment of quotas and to preclude its

<sup>98</sup> “Presión por las medidas “proteccionistas” de la Argentina. El gobierno de Brasil pidió una reunión urgente del Mercosur” (*Clarín* 27-07-1999).

<sup>99</sup> *Idem.*

<sup>100</sup> “Maratón de reuniones en Buenos Aires. Argentina discutirá con Brasil la crisis comercial” (*Clarín* 28-07-1999).

generalization. In this regard, both administrations were internally split. The Argentine foreign ministry blamed secretary of industry Alieto Guadagni for promoting the controversial resolutions, whereas the latter accused *canciller* Guido Di Tella for nurturing Brazilian distrust by unilaterally applying to NATO. In Brazil, hard-liners and soft-liners were inverted: while ministers of economy, Pedro Malán, and of industry and trade, Clovis Carvalho, showed comprehension towards Argentina, foreign minister Luiz Felipe Lampreia was extremely harsh. Knowing that Menem was planning to travel to Brazil in August, Lampreia discouraged the attempt by publicly declaring, on Tuesday 27, that the political climate was not good for a presidential summit. On Wednesday 28, Cardoso's spokesman Georges Lamaziere added that the presidential visit "should be postponed for better times".<sup>101</sup>

On Thursday 29, the Argentine presidential plane *Tango 01* landed in Brasilia; Menem was on board. After having dinner with Cardoso in the presidential residence, the two presidents went out to a press meeting where they denied that there were any differences between the two countries. What factors explain such a sudden transit from bitter anger to intimate friendship?

Menem arrived in Brasilia from New Orleans, USA, where he was taking part in a hemispheric conference of energy ministers. The trip back home contemplated a technical stop in Manaus, in the north of Brazil, late on Thursday. On Wednesday morning, however, Di Tella suggested to Menem—when the latter was boarding towards New Orleans—to arrange a summit with Cardoso. Menem accepted. Di Tella was planning a non-conclusive meeting, in which both countries would harmonize positions while Argentina might also take advantage of the stormy situation. The secretary general of the Argentine presidency, Alberto Kohan, had other plans.

Kohan was one of the closest men to the president. He was known for his disputes within the cabinet, in which he had confronted many ministers aiming to surround Menem with his own people of confidence. Menem's style of command was shaped on a double-checking basis: he used to separately instruct two subordinates to carry out the same mission, so he would be able to control them both through one another. Kohan was his preferred emissary to command these parallel political

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<sup>101</sup> "De Manaus a Brasilia" (*Clarín* 30-07-1999).

operations, although usually such operations were kept at the domestic level. Parallel international diplomacy seemed a higher step, but this time such step was taken.

Kohan bypassed foreign minister Di Tella and called Lampreia by phone. On Wednesday evening, on route to the USA, he communicated to the Brazilian minister that Menem had decided to exclude Brazil from the scope of Resolution 911. They subsequently agreed that next day the stop from New Orleans to Buenos Aires would be done in Brasilia instead of Manaus, so as to allow for a presidential meeting. Notwithstanding his previous warnings against Menem's visiting Brazil under the current conditions, Lampreia diplomatically accepted the unexpected decision. Also Di Tella, who had stayed in Buenos Aires, had to come to terms with the *fait accompli*, although not only was he skipped but also his substantive plans had been changed. In his view, the conditions accorded by Kohan were closer to capitulation than to negotiation. However, he called in his associates and decided to adapt his strategy to the new situation, preparing to travel to Brasilia the following day.

On Wednesday, Di Tella, Guadagni and Peña arrived from Buenos Aires and met with Lampreia before the arrival of Menem. The climate was tense. The Argentines informed about the lifting of safeguards against Brazil and asked for special treatment given the exceptional situation brought about by the devaluation, but Lampreia showed little concern. Instead, he claimed that Argentine had "crossed the red line" and reaffirmed that Mercosur would be destroyed if the decision were kept. Later on, the foreign ministers participated in the presidents' meeting, and Lampreia repeated his vigorous complaints before Menem and asked for a written document, to which request Menem responded that his word was sufficient guarantee. In this opportunity, President Cardoso mediated in the argument and sided with his Argentine counterpart to ease the debate.<sup>102</sup> At the end of the day, both presidents appeared together for the picture and their foreign ministers gave details of the agreement to the press.

The efforts of the Argentine diplomacy calmed down the Brazilian government, but they were not enough to avoid an unwelcome interpretation. On Friday, the newspapers in Buenos Aires considered that Argentina had given up, entitling "*Argentina cedió y bajó la tensión en el Mercosur.*"<sup>103</sup> Argentine officials made their

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<sup>102</sup> "Entretelones de un día muy agitado. El palo y la zanahoria" (*Clarín* 31-07-1999).

<sup>103</sup> *Clarín* 30-07-1999.

best to counter such a view, but their efforts were not rewarded. Eventually, when the following extraordinary meeting of the CMC took place a few days later in Montevideo, Menem had already issued Resolution 955 exempting Mercosur countries from the effects of Resolution 911.

In the episode just related, Menem affirmed his supremacy vis-à-vis the cabinet and the diplomacy. Under his personal supervision, his man of confidence skipped both the political and bureaucratic line in order to arrange a meeting with the Brazilian president—a meeting that, incidentally, also went against the explicit wish of the Brazilian foreign minister. Presidents alone thus proceeded to settle the dispute. When asked the reasons why Di Tella accepted Kohan's parallel diplomacy without a complaint, a chief Argentine official replied—off the record—that Di Tella was ready to accept any conditions so as to stay in office. Therefore, he once more accommodated to a presidential *fait accompli*, as he always had.

As Moretti (2000) underlines, the condition that allowed Menem to stop at Brasilia was the previous decision to withdraw Resolution 911. He would pay a domestic cost for such a decision, as the industrial sector and most congressional groups were demanding for more, not less protection against the Brazilian 'menace.' But, advised by Jorge Campbell, he decided to prioritize Mercosur over any transitory domestic issues, and he held the political resources to act in conformity.

### **Conclusion**

The three cases analyzed above show the extent to which presidential intervention boosted the process of integration and shaped its outcome, by acting not only as decision-makers but also as dispute-settlers. The presidents were perceived as efficient problem solvers because they had popular legitimacy and the determination to intervene, but the tasks they performed were not merely based on charismatic leadership but on institutional capabilities. In order to negotiate and secure agreements with their counterparts, Menem, De la Rúa, Franco and Cardoso made extensive use of the attributions that the Constitutions and the law granted them.

There are additional reasons that explain the large room for maneuver that the presidents enjoyed. Among them, the tradition of executive supremacy in domestic politics was not lesser. A second cause was the feeble institutionalization of Mercosur, which featured neither veto points nor veto players that could either make the necessary

decisions or block the presidents' intervention. Finally, the absence or weakness of relevant social actors claiming for enhanced participation facilitated the predominance of presidential decisions.

State-led –presidentially driven— integration was a homogeneous feature of Mercosur dynamics, as the low level of involvement of business organizations was similar in all four members –especially in Argentina and Brazil (Schneider 2001). It was already said that such a fact diverged from expected theoretical outcomes, since both liberal intergovernmentalism and neotransactionalism predicted governmental action as a result of sectoral or functional demands. In Mercosur, the evolution of business involvement in the integration process also diverged from other Latin American paths towards regionalization. Schneider (2001) demonstrates that both Chilean and Mexican business organizations took a much more active part in fostering and shaping open regionalism than their equivalents did in Argentina and Brazil. The absence of businesspeople and business associations in the process –even when they were invited to participate (Schneider 2001)— did little to curtail the power held by the presidents. On the contrary, *“la escasa participación del sector privado en la estructura institucional derivó en que su presencia se dio a través de las presiones ejercidas sobre los negociadores nacionales, antes que en forma orgánica”* (Redrado 1999: 3). Informal lobbying through direct executive agents was thus another relevant factor to account for executive supremacy.

Some believe that Mercosur troubles do not stem from the integration process itself but from the recurring crises of its member countries. Therefore, a stronger institutionalization would not have solved such troubles; instead, it may have accentuated them by adding institutional discredit to enduring ineffectiveness (Pereira 2000). To accomplish a common market might require stronger institutions, but until 2000 the customs union seemed not to need them. However, by 1999 there was a growing awareness of the overwhelming position reached by the presidents, what ignited public reflections on the issue. In 1999, former Uruguayan president Lacalle stated that the Mercosur secretariat should be reinforced in order not to erode the presidents' image.<sup>104</sup>

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<sup>104</sup> “Mercosur: Lacalle pide no desgastar la imagen de los presidentes” (*El Observador* 03-08-1999). The reason for Lacalle to protect the presidential image was not to diminish presidential power but to preserve it for crucial issues. Coherently, he later advocated the direct effect of regional normative in order to increase the power of regional –executive— decisions vis-à-vis domestic institutional actors – such as the Congress (Lacalle 2001).

In 2000, Chilean president Ricardo Lagos was even more explicit: “*Cuando hay dificultades entre nuestros países la política del teléfono presidencial no funciona. No es posible que los presidentes se agarren a telefonazos para resolver los conflictos.*”<sup>105</sup>

It might have been undesirable, but it was certainly possible. And, above all, it was accepted and stimulated by the presidents of the larger partners.

In January 2000, the Brazilian government created, within the executive jurisdiction, the office of *Embaixador Especial para o Mercosul*, appointing ambassador José Botafogo Gonçalves for the post. The intention was to demonstrate the priority Mercosur had in the agenda of the Cardoso administration, in order to reassure the other partners that unilateral decision-making –such as the devaluation— had been a consequence of market pressures, not of the government preferences. Up to that moment, it was the foreign ministry’s undersecretary of *Assuntos de Integração Econômica e de Comércio*, ambassador Alfredo Graça Lima, who had conducted the Brazilian commercial coordination within Mercosur (Costa Lima 2000: 18). Since 2000, he would be in charge of the bloc’s external negotiations. Graça Lima (2000) makes clear the institutional location of Botafogo’s office: “*é um órgão da presidência da república, está fora da estrutura do Ministério de Relações Exteriores,*” what meant that even in the country with the most professional diplomacy the president decided to keep direct command in what regarded Mercosur.

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<sup>105</sup> “El Mercosur tiene que integrarse en serio” (Ricardo Lagos in *Clarín* 14-05-2000).



## CONCLUSION

## CHAPTER 11

### REGIONAL INTEGRATION, PRESIDENTIALISM AND MERCOSUR

#### *Description of a process*

The creation and performance of Mercosur have been studied in different lights and from a variety of approaches. A number of works have been produced, alternatively focusing on civil society and Mercosur working groups (Grandi and Bizzozero 1997; Bulow and Fonseca 2000), social actors and interest groups (Vigevani 1998; Sajem 1999), political parties and the Joint Parliamentary Commission (Medeiros 2000b; Vigevani et al. 2000; Vazquez 2000; Caetano and Perina 2000), and so forth. Few of them would deny the substantial role played by the national executives on Mercosur proceedings; most of them, however, just overlooked it by the expedient of either concentrating on marginal processes or emphasizing secondary players. Some of these analyses, I contend, were led by wishful thinking, namely the hope to overcome the alleged *democratic deficit* through increasing social participation and/or promoting an institutionalizing process *alla* European Union. Still and all, as this research is intended to show, the operation of Mercosur is different from the expectations or desires of most observers –and even protagonists.

As successor to the Argentine-Brazilian rapprochement, Mercosur was impelled by convergent national interests. Unlike the European Union, it has not created a base for common regional interests, as it lacks a common budget and, therefore, can neither finance common policies nor allocate resources. However, it has established a customs union, its figures regarding intra-regional trade have tripled whilst extra-regional trade has also increased, and its development attracted both third states and business attention that rapidly translated into important amounts of foreign investment. Despite the progress Mercosur has shown in a decade, its member countries have not felt the need to build up the institutional structure, originally crafted as intergovernmental and minimal. Nevertheless, significant decisions were made and critical conflicts were solved along the 1990s. Behind every one of them was the intervention of the chief national executives.

The first moves toward regional integration in the Southern Cone were fueled by geopolitical –i.e. defense coordination, nuclear security— as well as domestic-political – i.e. consolidation of democracy— reasons. Economic reasons also were certainly present, but they were not the driving force. Hence, political actors enjoyed a larger

room of maneuver than they did in other regional contexts, as they faced no social or economic balancing counterparts. The supremacy of politics notwithstanding, a distinctive feature of Mercosur is that political parties were not among the significant political actors. Instead, it was the national governments that directed the process. They did so through the national presidents, whose decisions were mostly independent of the respective congresses, cabinets, parties and civil societies. In 2000, a working group comprised of prominent diplomats and representatives of Argentina and Brazil issued a document assessing the state of the relationship between the two countries. They concluded that *“la construcción gradual, a partir de 1986, de una alianza estratégica entre las dos naciones, ha sido el producto de una fuerte voluntad política, liderada por una activa diplomacia presidencial que ha interpretado corrientes profundas que operan en la realidad internacional, los propios intereses nacionales de cada uno de los países, y una opinión pública favorable al entendimiento recíproco”* (D’Alessandro, Peña, Subiza, Lafer, Teixeira da Costa and Thompson Flores 2000). In other words, Mercosur was not in the nature of things: in spite of the mentioned international forces and domestic interests, its construction was a product of direct presidential intervention.

Chapter 9 reviewed the evolution of Mercosur through the analysis of the grand bargains that ended up in the key treaties. In turn, chapter 10 examined the processes of decision-making and dispute-settlement in three representative areas or events. Both chapters showed that the same mechanisms whereby Mercosur was brought to life kept operating thereafter, thus becoming a permanent characteristic of the region. These mechanisms were not only different from the European Union’s, but rather opposite – allegations of institutional mimetism (Medeiros 2000b) or replication (González-Oldekop 1997) notwithstanding. The main difference has to do with the nature of the societal contract: while the EU has built a triadic structure that includes some kind of authority *supra-partes*, Mercosur has not moved beyond a dyadic structure. This is so even though four –not two— members formally integrate the bloc, and that a specific mechanism was instituted in order to settle controversies between the partners.

Stone Sweet has pointed out that, “in dyads, conflict can be debilitating, but conflict is constitutive of the triad” (Stone Sweet 1999: 150). As a consequence of this understanding, “dispute resolution, the cornerstone of diplomacy, is being gradually substituted [worldwide] by juridical processes under the regulatory and legislative dimensions of international law creation” (Weiler and Motoc 2000). In Mercosur,

however, triadic dispute resolution (e.g. *ad hoc* arbitration) has rarely been called into play,<sup>106</sup> and dyadic proceedings have become the rule. Therefore, conflict has never been formally institutionalized as a constitutive part of the process.

As Mercosur has no community law but integration law, every decision made at the regional level should be internalized through domestic procedures in order to come into force –thus becoming national rather than communitarian. Likewise, the absence of a supranational tribunal allowed national courts to keep a strong grip on the evolution of regional jurisprudence (Oviedo 1998).<sup>107</sup> No underground spillover such as the one described by Weiler (1994b) as a consequence of supranational judicial activism has therefore taken place. Despite the frequent disputes, a litigation spirit never managed to permeate Mercosur; and neither did private conciliation.

The absence of spillover could have been compensated by either spillover – fostered by increasing activity of transnational transactors— or buildup –driven by governmental efforts at the expansion of regional institutions. Neither occurred. Instead, progress toward completing the customs union and the multiplication of trade and investment flows was accompanied by little institutional development, whereas the frequent crises did not set off a spillback but rather a retrenchment around the core countries: Argentina and Brazil.

### ***The disclosure of Mercosur working mechanisms***

The procedures through which Mercosur was built and actually operated were informal, bilateral, politicized, and executive-driven. In short, they were interpresidential. They were informal because Mercosur treaties and protocols established formal procedures (i.e. intervention by the Trade Commission, CMC meetings, calling of an ad-hoc Tribunal) that did not contemplate direct presidential intervention. They were bilateral because Argentina and Brazil would systematically strike an agreement before

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<sup>106</sup> The dispute settlement procedure established by the Protocol of Brasilia was activated only five times in a decade: twice in 1999, once in 2000 and twice in 2001 (<http://www.mercosur.org.uy>, accessed October 14, 2002). In contrast, the European Court issued 349 rulings only along its first decade, running between 1953 and 1963 (<http://curia.eu.int/common/recdoc/indexaz/en/c1.htm>, accessed October 14, 2002).

<sup>107</sup> In 2001, the Brazilian press reported that, having to decide between the jurisdiction of the Brazilian legislation and the one established by either Mercosur or related bilateral treaties, the *Supremo Tribunal Federal do Brasil* (STF) and the *Superior Tribunal de Justiça* (STJ) gave precedence to the latter in just two cases out of 30. In addition, it should be noted that the author of one of those two cases was Paulo Costa Leite, at the same time president of the STF (“Juizes do Mercosul debatem legislação”, *Valor Econômico* 27-06-2001).

calling in Paraguay and Uruguay –unanimity rule notwithstanding. They were politicized because governments negotiated neither on technical grounds nor through institutional channels, but instead they went forward through presidential diplomacy. And they were executive-driven because domestic institutions were backing presidential diplomacy, thus providing both legitimacy and efficacy-improvement tools to presidential involvement.

Many hypotheses may be brought to fore to account for Mercosur success with scarce institutionalization. Among the classical ones are the insufficient demand for institutions rooted in the low level of interdependence, the small number of member countries and the imbalance of power created by the Brazilian outweighing of the other members. These hypotheses might explain the scarce institutionalization, but they can hardly illuminate the actual provision of decision-making and dispute-settlement that was present in Mercosur and turned out to be necessary to keep it working. Indeed, the national executives provided decisions –leadership— rather than rules –common institutions— to the project. To act differently would have resulted in relinquishing presidential power.

Direct presidential intervention became an all-pervading thrust whenever the Mercosur machinery needed. The presidents were perceived as trustworthy brokers and guarantors as long as they enjoyed popular support and faced no significant veto players in the domestic arena –given their institutional position. In countries where leadership had been traditionally stronger than formal institutions, the presidents of the new democracies appeared to combine the better of the two worlds: robust leadership with simple, straightforward institutional design. The most important veto player that the Argentine and Brazilian presidents confronted was defined by the federal organization of both countries, but the presidents usually managed to handle emerging troubles by means of their control over the federal budget –even though the Brazilian states enjoy greater financial autonomy than the Argentine provinces. If, until mid-80s, the literature considered that those presidents who lacked Congressional support were deemed either to blockade or downfall –the latter meaning democratic breakdown—, between 1985 and 2000 democratic stability –entailing a fixed presidential term— ensure that presidents kept their office regardless of congressional support. Their reduced dependence on a majoritarian legislative coalition endowed the presidents with greater political autonomy.

The working relationship established between the presidents gave rise to a win-win dynamics based on a divide-the-difference basis, which especially involved the larger

member states. This dynamics is usually deemed as having worked satisfactorily along the first years of Mercosur, but some authors consider that it lost leverage and even became counterproductive after 1998. Bouzas has called this phenomenon the politicization bias, which turn from positive to negative was arguably one of the causes for the crisis of Mercosur (Bouzas 2001). A different argument, supported by key Mercosur negotiators (Caputo 1999; Cozendey 2000), states that an early institutionalization may have had even worse counterproductive effects –as those underwent by the Andean experience.

The different meanings of politicization were analyzed in previous chapters. Whereas the mainstream theories of regional integration politicization conceived it of as opposed to technical management –regional institutions being an intermediary between them—, interpresidentialism depicts it as an alternative to institutionalized proceedings. The relation between politicization and technical management is therefore not mediated, and the latter remains subject to the former without developing any autonomous margin. Furthermore, neither social actors –as in neotransactionalism— nor wide national elites – as in liberal intergovernmentalism— but specifically the top executives are responsible for the initiation and operation of the process, which undergoes no significant feedback effect (see Table 11.1).

**Table 11.1**  
**Theoretical uses and working mechanisms of politicization**

Theory	Context	Mechanisms
Neo-transactionalism	EU	
Liberal inter-governmentalism	EU	
Inter-presidentialism	Mercosur	

[a] By social actors, around special interests  
 [b] By elites, around national economic interests  
 [c] By presidents, around national political interests  
 —→ Causal effect  
 - - - -> Feedback effect

It is worth comparing the operation of Mercosur with the two regions against which it is usually weighed. The European Union is “a consensus seeking system based on rational deliberation, appeals to evidence, and suasion strategies. These strategies are even hardwired into formal voting rules, especially in areas where unanimity is required. Unanimity voting provides the procedural guarantee of the Pareto principle, assuring that no change takes place if even one actor opposes a new legislation” (Caporaso 1998: 347). Following Caporaso, status quo is expected to be the most likely outcome of the EU highly institutionalized procedures. And still, the EU has evolved and continues to do so. In turn, the Andean Community has reformed its proceedings from previously supranational features in favor of a more intergovernmental and politicized profile. Cruz Vilaça (1999: 432) argues that “*é patente na reforma andina a preocupação de reforçar a iniciativa política na condução do processo, através do reforço do papel dos chanceleres e, sobretudo, da intervenção regular e institucionalizada dos presidentes.*” Consequently, the role of the Andean judicial system has resulted undermined by the reform—as well as by sub-utilization. The transformation of the CAN, alike the EU, was the consequence of political decisions and not of any kind of spillover. Furthermore, it seems to be routed towards interpresidentialism.

Between 1985 and 2000, Mercosur resembled the last stage of CAN. It featured, as Moretti (1999) put it, “*una superutilización de las instancias políticas y una subutilización de la instancia arbitral.*” In his view, “*se trata no tanto de una deficiencia institucional sino de una insuficiente utilización de las instituciones que hay.*” The conclusion is that the frequent complaints about the institutional deficit miss the point, as the real deficit is, if something, normative (Redrado 1999). Interpresidentialism became the routine mechanism as it provided a substantial, institutional locus for Mercosur to operate.

The impact of presidentialism over the effective performance of Mercosur goes beyond the materialization of direct presidential intervention, executive-legislative relations or presidential control over the diplomacy. There are additional indicators that reveal clear differences from the way that parliamentary democracies would have worked out political negotiations and emerging problems. First, cabinet ministers were often impotent to authoritatively settle disputes or make binding decisions on key issues, as their decisions—and their positions itself—unconditionally depended on the presidential approval. Second, the presidents frequently entrusted negotiators in whom they confided

regardless of their governmental position, and independent of the party or coalition that supported the chief executive. The political and economic turmoil that shook many Latin American countries and their presidential democracies since the 90s raises the question whether interpresidentialism is likely to last or change, as it accommodates to the new phenomenon of unstable governments within stable political regimes.

### ***Perspectives for further developments***

Following Bulmer-Thomas (1998), it can be said that the success of a regional agreement depends on its capacity to fulfil its goals, which may be variable. Therefore, there is not a unique way to evaluate integration, as each case creates its own yardsticks. According to the objectives established by its founding treaties, after 15 years of integration efforts Mercosur had achieved a reasonable degree of success. Its performance is even more remarkable when compared to previous and contemporary Latin American experiences. A successful outcome was far from granted, and the procedures whereby it was attained were unexpected.

A low number of key member countries, democratic stability and the presidential format of the national executives became the non-economic backbone of Mercosur. It developed a new sort of “interpresidential” integration that departed from the European experience as much as from mainstream theorization. Liberal intergovernmental approaches could explain certain features, but they fall short of accounting for the autonomy of the national executives –vis-à-vis domestic interests— that eventually brought about not-demanded integration. Likewise, neo-transactional approaches may help to understand some sectoral processes, but they fail to shed light on how integration proceeded in an environment where protectionist interests widely prevailed over transnational transactions –and that conspicuously lacked any kind of supranational brokers. Rather, Mercosur became a case of supply-side integration, the presidents being the core suppliers (Malamud 2002; Perales 2003).

Weaver and Rockman find that a given government’s capabilities are an outcome of the fit among three factors: “the nature of its policy challenges, its institutional arrangements, and the conditions that facilitate and limit institutional effects” (Weaver and Rockman 1993a: 40). In Mercosur, the *integration* endeavor (policy challenge) found unanticipated support on the coupling between *concentrationist presidentialism* (institutional arrangement) and *activist presidents* (condition). It is true that some



analysts regard presidentialism as a potential obstacle for the advance of the process. According to Hirst, Mercosur may face drawbacks precisely because its member countries are "*democracias presidencialistas, nas quais as simpatias e os humores dos respectivos mandatários correspondem a uma variável interveniente em qualquer tipo de iniciativa governamental*" (Hirst 1995: 194). However, it is hard to see how four parliamentary democracies could have scored better. In any event, the evidence shows that, between 1985 and 2000, *interpresidentialism* fostered integration instead of hindering it—in spite of the turbulences manifested over the last years of this period.

In the EU, parliamentary-shaped politicians built up an intergovernmental supreme body (the European Council) to be sided with the common, supranational organs (the Commission, the Parliament and the Court). Whereas the former makes the decisions that determine the nature and scope of the polity—in a state-like manner—the latter rules over day-to-day politics and only exceptionally concurs to modify the "constitutional" structure of the EU. Hence, the roles of supreme authority and daily administration are kept separated, as they usually are in semi-parliamentary systems such as the French. In contrast, a presidentialist format does not consent to the separation of roles between chief of state and chief of government. The indivisibility of the chief executive in Mercosur's domestic polities has pervaded regional politics: either each president makes the decisions himself or his aides—accountable only to him—do. The constitutional restriction for the presidents to either share or delegate his responsibility as chief executives transcended the national borders, becoming a constraint for regional decision-making. In Mercosur, supranational delegation would not only require national cession of sovereignty but also executive cession of constitutional powers. Hence, supranationalism and presidentialism appear as an institutional contradiction.

The impact of domestic politics upon regional integration has been extensively studied in the European case, and some conclusions may also fit Mercosur. Risse-Kappen stated that "*the more fragmented and decentralized the political institutions, the stronger the organization of societal interest representation, and the greater the consensus requirements in state-society relations, the less capable are national governments to pursue independent and autonomous policies on the EU level*" (Risse-Kappen 1996: 64, emphasis added). *Mutatis mutandi*, in Mercosur the high concentration of power in hands of the chief executives turned them more capable of pursuing their autonomous policies at the regional level. Furthermore, not just the

institutional dimension but also the other two assessed by Risse-Kappen –weakness of societal interest representation and little demand for consensual politics— have rendered Mercosur executives more autonomous regarding both vested interests and non-executive veto players.

Regional integration in the Southern Cone took off simultaneously with democratic transition and economic reform, presidential institutions remaining a constant along all these processes. It has been said, regarding the influence of neoliberal populism on the launching of market reform under democracy, that “a brilliant solution for an immediate problem... may turn into a birth defect” (Weyland 1999: 398). A similar wariness should encourage further research as to the unfolding relationship between presidentialism and integration. If and when Mercosur is to build stronger regional institutions, its architects will have to carefully take into account the member countries regime type. Whereas parliamentary European countries have given birth to a much less parliamentary-like European Union, Mercosur may probably resemble its national political institutions, especially concerning presidentialism and federalism. It is also likely to remain attached to domestic actors such as the presidents themselves, the states/provinces, and the courts of justice. The so-called democratic deficit will hardly be bridged through the creation and empowerment of a regional parliament, since authority and legitimacy, in presidential systems, do not emerge from –and are not accountable to— the legislative assembly.

The future profile of Mercosur rests on some key political decisions, of which Peña underlines four: the definition of economic preferences under a multiple-speed, variable-geometry shape; the establishment of collective disciplines that refrain unilateral behavior; the improvement of the dispute settlement mechanisms; and the nurturing of a climate of mutual confidence among the partners as well as among them and third countries.<sup>108</sup> To accomplish these goals, increasing delegation to non-politicized agencies may become convenient –and even unavoidable. Excessive politicization may prove counterproductive and lead to the reversal of integration, especially in the case of continuous domestic turmoil. But, if failure is to be prevented, those who decide over the areas, level and nature of future delegation should not neglect the interpresidential dynamics of Mercosur.

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<sup>108</sup> Peña Félix, “A diluição dos sucessos político-econômicos obtidos com o Mercosul não é recomendável” (*Valor Econômico* 09-10-2002).

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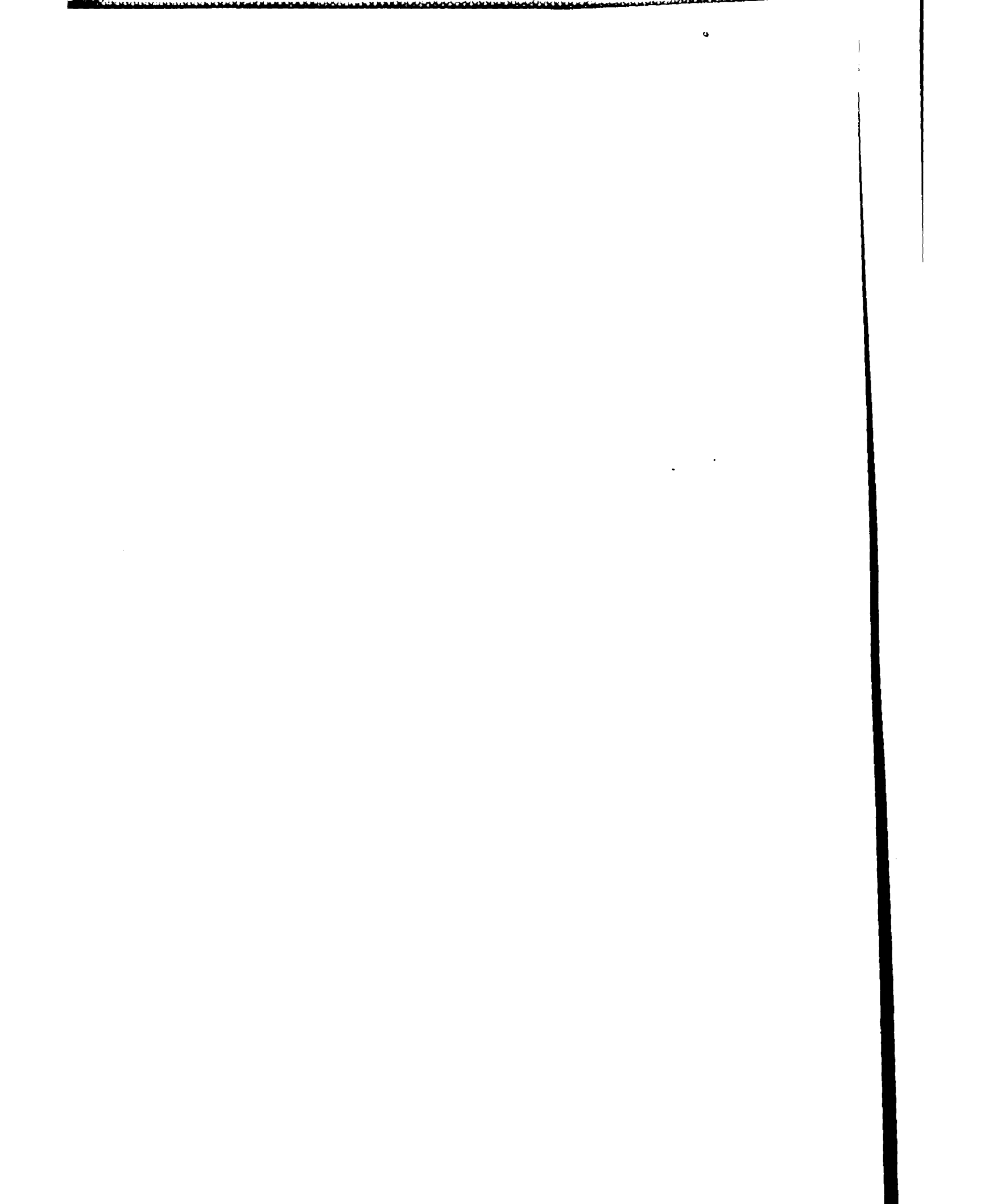
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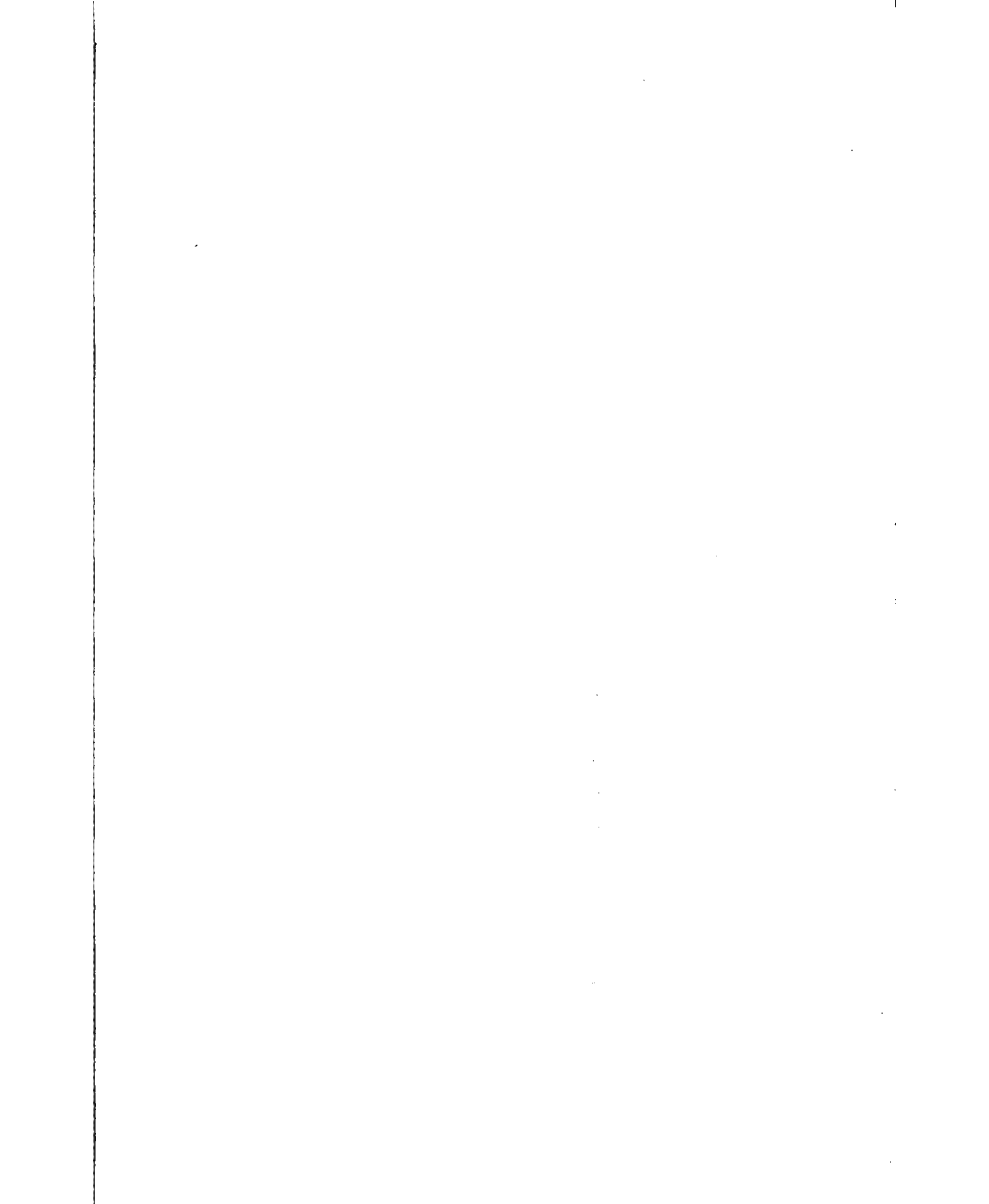
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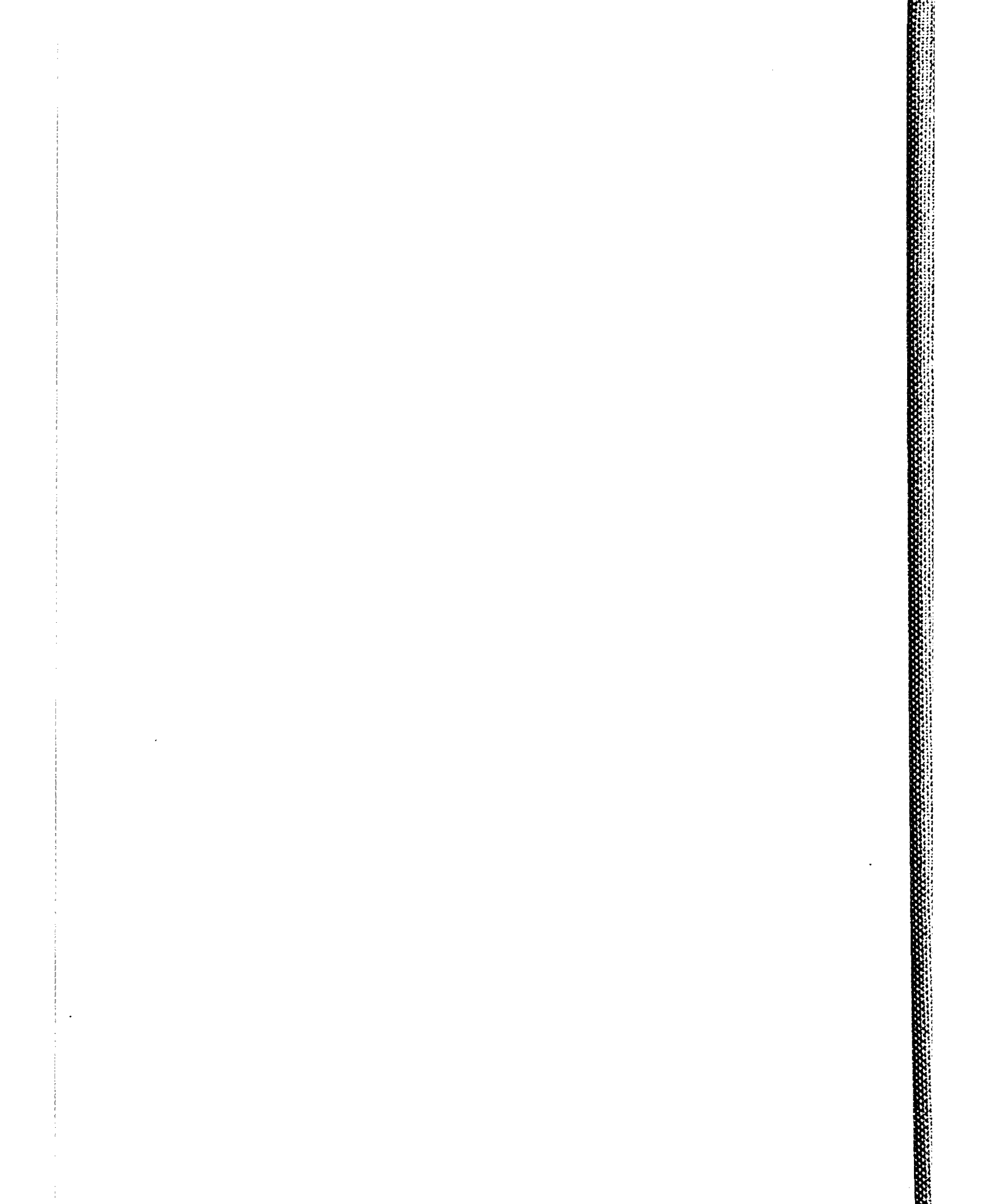
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