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Development and Regionalism in South America: the cases of Energy and Infrastructure

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Introduction

The purpose of the paper is to contribute to the elaboration of a theoretical framework to the study of regionalism –state-led projects of regional cooperation- in developing regions with special focus on the contemporary projects being implemented in South America. The paper is a work in progress and is structured in three parts. In the first one I claim the necessity to link the study of regionalism with the study of development models (Phillips, 2004; Haggard and Kaufman, 2008; Pempel, 1998). My argument is that the variety of regional cooperation projects along the 50 years of history of South American regionalism is less an indicator of political incapacity or institutional shortcomings as some scholars coming from European studies have argued, and is more related to dramatic changes in the development strategies attempted in periphery regions, far from the relative stability brought about by the embedded liberalism in the European integration process. In a similar fashion, the variety of regional projects in the contemporary landscape of South America is fundamentally shaped by different models among countries going from new developmentalist states to liberal market economies.

In the second part I argue that European integration theories have to be “translated” to the context of developing and post-colonial regions in order to be applicable to the study of regionalism. A crucial part of this translation is to consider *interdependence* not as the starting point of regionalism (like in Europe or, arguably, in North America) but as the potential outcome of the process and, therefore, the purpose of regionalism. This theoretical assumption has methodological implications: interdependence is not an independent variable any longer (like in most if not all European integration theories), but the dependent variable to be explained.

Finally, I conclude the paper offering a process tracing model based on the previous assumptions. The model has the objective to trace the factors that explain divergence in increasing interdependence across countries in particular policy or functional areas. I preliminary apply the model to the areas of infrastructure and energy integration within the context of UNASUR. Even if no of them have been completely successful in bringing about high degrees of interdependence, infrastructure has managed to implement projects with potential effects on increasing cross-national transactions, while there are no outcomes in the area regional cooperation within the energy field.

I. Regionalism and development in South America

When we look at the projects of regionalism in South America from a historical perspective, it is quite evident that the purposes as well as their mechanisms of integration have changed dramatically from one period to another. Following Stephen Krasner (1983), it is possible to say that between the first attempt of regionalism (Latin American Free Trade Association, in 1960) until the contemporary schemes (UNASUR, ALB, Alliance of Pacific) there have not just been changes *within* the regime, but radical changes *of* regime.

These deep discontinuities among regional regimes which allow to identify three or even four different *waves* of regionalism (Dabène, 2012; Palestini, 2012) are related to equally profound changes of development models implemented along the second half of the past century in Latin American economies. Differently from Europe where the project of regional integration unfolded within a relatively stable model combining economic liberalism with domestic intervention on welfare and industrial relations (Ruggie, 1982; Streeck, 2011), in South America, like in other post-colonial regions, regional projects were embedded first within an Statist and inward-looking industrialization (1950-1970), then within a neoliberal and export-oriented model (1970-2000), and finally, during the last decade within models mixing social market economies and new-developmental states (2002 and thereafter). My argument is that in order to study regionalism in South America, is necessary to start from the premise that regional projects are shaped by the development models and economic ideas being hegemonic in a certain period of time: paraphrasing Alexander Gershenkron, *when* countries cooperate necessarily affects *how* they cooperate in which areas, and, actually, how do they define the cooperation itself.

The models of development have an effect on the way in which domestic elites define the international insertion of their economies, for instance to protect national economies, to integrate them within the regional space, or to integrate with external markets. Models of development also shape foreign policy: to cooperate with neighbors, to look for autonomy, to pool sovereignty, etc. For instance, under the Latin American Free Trade Association regime (from 1960-1980), the regional space was conceived as the market place of manufactures produced by the new national industries. To cooperate meant to reduce tariffs within the region, to keep high external tariffs protecting national and regional industries, and to build up regional production chains through industrial policy mechanisms (Phillips, 2004). In sharp contrast, under the first ten years of MERCOSUR (from 1991 until 2001), the regional space was conceived as the stepping-stone to external markets, and, therefore, cooperation meant progressive external tariff reduction, no industrial policy, and macroeconomic coordination (high interest rate, low inflation) aimed to attract foreign investment (Bowles, 2004).

The argument might look pretty constructivist: economic (development) ideas shape regional cooperation. However, ideas have to be understood as mechanisms that reduce uncertainty and deliver roadmaps in times of crises (Blythe, 2002), crises that in South America, like in other developing regions, were caused by external shocks coming from the international economy. In the '80s the liberalization of international financial markets (after the end of Breton Woods), caused a massive inflow of capital, flooding developing regions and indebted States. The debt crisis destroyed the industrial structure and unleashed neoliberal market reforms, changing the development paradigm in a dramatic way. In 2001, the Argentinean crises closed a sequence of financial crises in developing

regions (Mexico, 1995; Russia, 1997; East and Southeast Asia in 1997; Brazil, 1998), marking either the end or at least the revisionism of the neoliberal model depending on the country. Accompanied by a region-wide turn to the left and central left, new developmental ideas emerged mixing some elements of the old developmentalism (state intervention on markets, public welfarism, return of industrial policies within the narrow margins of the WTO regime), with elements of market economies (macroeconomic discipline and liberalization of trade) (Kurtz and Brooks, 2008).

How does regionalism look in contemporary South America?

Within the context of these new development models, regionalism and regional cooperation has been redefined. While some previous regional agreements have been maintained, though experiencing some institutional changes, other projects have been launched on quite different grounds. Currently, South American regionalist projects might be sorted out in three categories¹.

- Projects with emphasis on trade integration –Preferential Trade Agreements- as a stepping stone to global insertion. The Pacific Alliance with Mexico, under NAFTA, Chile, Colombia and Peru as member states.
- Projects politically driven aimed to increase intra-regional trade as well as non-trade cooperation. UNASUR, MERCOSUR and to some extent CAN.
- Projects aimed to social and political cooperation through non-market mechanisms (redistribution, solidarity) and welfare commitments ALBA integrated in South America by Venezuela, Ecuador and Bolivia, plus Cuba and Nicaragua in Central America.

Following the argument of the previous section, these regional projects are shaped by the different models adopted by their member-states. The Alliance of Pacific is driven by liberal market economies like Chile, Peru and Colombia, which are the most transnationalized and business friendly economies in the region. In the opposite extreme, ALBA is integrated by countries characterized by a strong state intervention in the economy, re-nationalized key economic sectors and, therefore, very badly scored by transnational private actors².

The first category is clearly embedded within a neoliberal model and corresponds to what ECLAC and the IDB called in the '90s open-regionalism (ECLAC, 1994; IDB, 1995; Phillips, 2004). In the same category are entailed inter-regional agreements like the EU-MERCOSUR currently in negotiation, as well as the US-driven Free-Trade Area of Americas, which was blocked by Brazil and eventually brought down in 2004. The second and third category though sharing some traits, strongly differ in

¹ I am considering just South America, excluding regimes in North and Central America, as well as Latin American-wide regimes.

² Chile, Peru and Colombia are positioned in the World Bank *Doing Business* Ranking as the positions 37,43 y 45 respectively. They have the higher degree of FDI penetration 67%, 28% and 28% of the GDP respectively. On the other extreme Ecuador, Bolivia and Venezuela (ALBA members) are positioned 139, 155, 180 respectively in the *ranking*. Ecuador and Venezuela have the lower level of FDI penetration: 18% and 14% of the GDP respectively (source: UNCTADSTAT and World Bank).

some others. An important common feature is that all of them have enhanced the scope of cooperation beyond trade and even beyond the economic realm as in the case of UNASUR and ALBA. They are also committed to increase both socio-economic development, as well as autonomy in the region vis-à-vis great powers, especially US. However, they differ in the mechanisms deployed to reach such goals: while MERCOSUR and CAN use essentially market mechanisms (imperfect custom unions, market regulatory convergence and the like), ALBA rests on redistributive and solidarity mechanisms mainly financed by Venezuelan Oil rents. In spite of being a process in the making, and due to the fact that is a more encompassing structure involving ALBA, CAN and MERCOSUR member-states, UNASUR is located somewhat in the middle using both market and non-market instruments.

Notwithstanding the difference among the second and third category, students of regionalism especially in South America has gathered both groups together in what has been called post-liberal regionalism, emphasizing the discontinuity with the arrangements in the 1990 and with multilateral preferential trade agreements currently in negotiation or implementation.

What is post-liberal regionalism? The concept is still not well defined, but based on the recent literature on regionalism in South America it is possible to distinguish three main traits. The main characteristic is that post-liberal projects seek to extend the scope of regional cooperation beyond trade (Veiga and Rios, 2007). According to Veiga and Rios, this attempt is a consequence of a common diagnose in many South American countries about the limits and shortcomings of regional trade agreements implemented during 1990. Accordingly, new areas of regional cooperation have substituted trade as the integration area *par excellence*, like security and defense, drug trafficking, energy, infrastructure and financial cooperation. A second characteristic is the re-politicization of regional cooperation in general. In fact, the state is central in all post-liberal projects and regionalism is inserted within the new-developmental agenda (Riggiozzi, 2012; Serbin, 2012). Finally, from an international relations perspective Antonio Sanahuja states that post-liberal regionalism is driven by the conscious search for greater autonomy on the international arena and in development policies, particularly in respect to the US (Sanahuja, 2012).

II. European integration theories and the study of regionalism in developing regions.

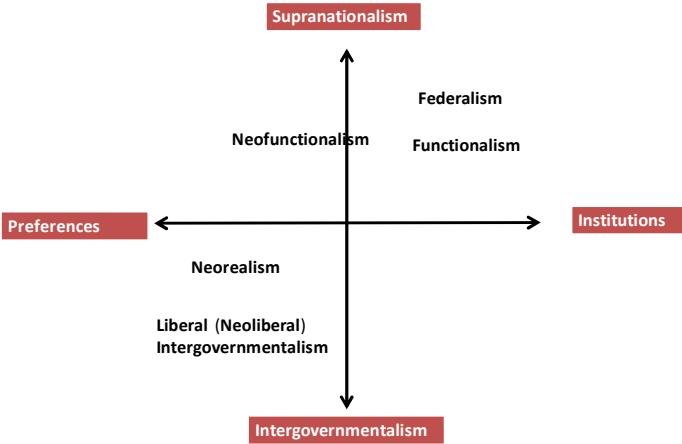
Integration theories and the place of interdependence

In a recent book, Tanja Börzel (Börzel et al. 2012) has summarized the agenda of regionalism and comparative regionalism in four main questions or as she have called them, “roads to regionalism”:

- i) how can we explain the emergence of regional organizations?
- ii) how can we study their institutions?
- iii) how can we account for member states’ behavior?
- iv) how is their impact on the domestic level?

The field of integration studies was born as an autonomous field within political science and International Relations, trying to address the two first questions, namely the emergence of regional organizations and their institutional design, related to the process of European integration. As I have argued elsewhere, (Palestini, 2012b; Wunderlich, 2007) the first generation of integration studies was structured around two main theoretical cleavages that are displayed in the Figure 1: The first opposition (in the vertical axe) **supranationalism/intergovernmentalism** corresponds to the spatial scale in which drivers of regional integration are located. While Federalism and Functionalism focus on the supranational level and the delegation of authority and functions to supranational institutions, liberal intergovernmentalism, focus on the state level and the government strategies. The second opposition (horizontal axe), **preferences / institutions**, has to do with the difference between an agency-based and a structural-based perspective. Some theories were agency-based and put the emphasis on preferences and strategies of states conceived as rational actors (liberalism, realism), while others do it on sets of formal rules and institutional mechanisms (federalism, functionalism and to some extent neofunctionalism) (see Schmitter and Malamud, 2007).

Fig.1



In spite of these oppositions that have structured the field defining the intellectual cleavages among approaches (especially around Ernst Haas’ and Andrew Moravcsik’s followers), European integration studies share a common basic assumption. All European integration theories start off from the assumption that regional integration processes are triggered by economic interdependence broadly understood as economic cross-border transactions among non-state actors (Mansfield and Solingen, 2010) and traditionally measured as intra-regional economic flows (trade, investment and intra-

industrial flows). European integration theories assumed that economic interdependence was a structural condition of integration since, indeed, it was rather high since the very beginning of the European Communities project when intra-regional trade flows were already about the 60% of total exports³. As a consequence, when European integration theories seek to explain the emergence and institutional design of (European) regional organizations they place economic interdependence as the independent variable, differing just at the level of intermediate and sometimes dependent variables.

Table 1: Approaches in European Integration Theory

Approaches	Independent Variables	Intermediate Variables	Dependent Variable
Neofunctionalism (Haas)	Interdependence	Integration (delegation or pooling of sovereignty)	Regional (Supranational) Institutions
LIG (Moravcsik)	Interdependence	Inter-governmental bargaining	Regional (inter-governmental) Institutions
Neo-Transactionalism (Stone-Sweet and Sandholtz)	Interdependence (transnational exchange)	Regional rules	Supranational / Intergovernmental Institutions
Walter Mattli	Interdependence	Commitment Institutions	Supply of Integration
		Undisputed Leadership	Success/failure of regional integration
		Potential market gains	Demand of Integration

Own elaboration, based on De Lombaerde, 2011; and Laursen, 2010.

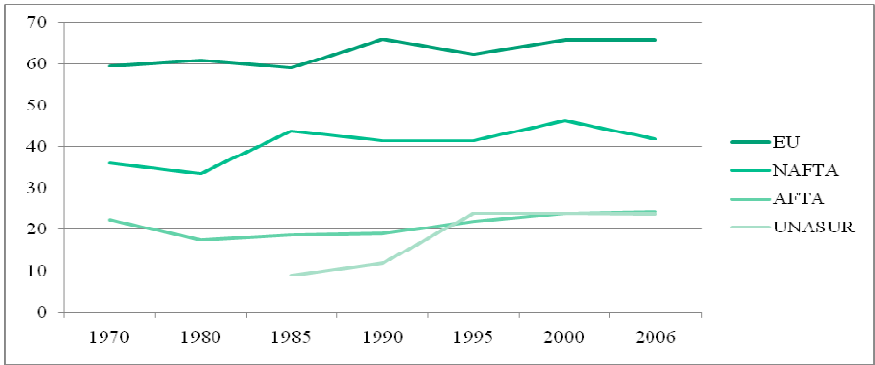
³ The integration of raw materials, goods and capitals was already considerable high before the First World War among industrialized European countries and especially between the industries of steel and coal, formalized in several bilateral treaties among Germany, Austria, Switzerland, England, France and Italy.

As it is possible to appreciate in Table 1, the divergence between models take place at the level of intermediate variables (and causal mechanisms), aimed to explain emergence and institutional design of regional institutions, while economic interdependence acts as the common independent variable and, therefore, unquestioned initial condition of the regional integration process⁴.

While this assumption is fine to explain the European integration process, it constitutes a theoretical problem when is transferred to the context of developing regions and, hence, an obstacle to move a comparative regionalism agenda forward. In fact, during the last two decades, there has been an expansion of regionalism and regional-building processes around the world, but most noticeable in post-colonial regions like South America, Southeast Asia, Western and Southern Africa. With some different patterns, all these economies are externally dependent characterized by a similar periphery pattern of international insertion, which is explained mainly by a common history of colonialism and a path dependent specialization in raw material production preventing any productive complementarities among economies located within the same region (Domínguez, 2012; Kropohl, 2013).

In the case of South America, intra-regional trade flows have been constantly around 10% of the total export along the trajectory of regionalism reaching it maximum level at the end of 1990s (25%) with the advancement of the custom union building under MERCOSUR, and mainly fostered by the liberalization of Argentinean economy and the strengthening of bilateral flows between this country and Brazil. Complex forms of economic interdependence, like intra-industrial flows are extremely low (around the 2% of South American exports).

Figure 2: Intra-regional trade flows (as% of the total trade flows)



Source: INTAL, ECLAC and WTO.

⁴ Implicit in the market-led approach to regionalism is the assumption that the goods exchanged have a wide enough impact to mobilise popular and/or elite group pressure for regional deepening. This in turn accepts as unquestioned two crucial propositions. First, that a variety of goods are traded, bringing the benefits of expanded regional market access to more segments of the national economy. Second, that the participants in the regional project are exporting products of interest to each other (Burgues, 2005: 440)

The conclusion that is possible to draw from this fact is that trade-integration is not a viable road to region-building in developing and post-colonial regions. Trade-integration might be a way to improve the competitiveness in international insertion of developing economies in external markets, and attempts like EU-MERCOSUR agreement and Alliance of Pacific are oriented in that direction, but trade integration is not the adequate way to contribute to the region-building process. However, students of comparative regionalism have drawn a different conclusion. Comparing developing regions with Europe and applying the European integration theories displayed in the table 1, they have conclude that regional projects in these regions are doomed to fail, due to the informal style of governance (see Ravenhill, 2008, for the case of ASEAN), the inter-presidentialism of regional organizations (see Malamud, 2005, 2010), and the lack of market gains or regional hegemons in practically all corners of the world out of Europe (see Mattli, 1999).

In my view, these factors might be relevant to describe and study region-building processes in developing regions; however they have to be put into a different perspective. I propose to take seriously the fact that developing regions are not interdependent but externally dependent and, in doing so, I propose to invert the order of factors. Hence, interdependence is not the pre-condition of regionalism any longer, but it constitutes its possible outcome. In fact, regionalism in developing regions has been essentially a political (and also cultural) project to bring about increasing regional transactions, and this is a core element that has been overlooked by approaches based on the European experience. What I propose is to consider different degrees of interdependence as the variable to be explained, instead of the *explanans*, and in that way we might contribute to the comparative regionalism agenda using productively conceptual tools elaborated by scholars not just in Europe, but also elsewhere.

In the next section, I would apply these ideas to the analysis of particular regional cooperation initiatives within the framework of UNASUR.

A model of regional cooperation in absence of interdependence

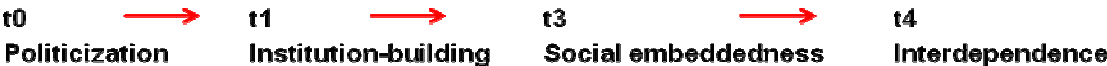
As I have argued, theories of European integration are not immediately applicable to contemporary regionalism in South America for two main reasons: first, because they conceive interdependence as a precondition, and second because they focus on trade-oriented initiatives, like preferential trade agreements or custom unions. Therefore, in order to go further in an agenda of regionalism in developing regions it is necessary to tackle the following problem: how to study regionalism when interdependence is not the precondition, but actually the purpose to be achieved. To address this problem in the specific case of South America is crucial since contemporary regionalism is mainly non-trade oriented targeting areas like defense and security, drugs trafficking, financial cooperation, energy integration and infrastructure integration (Serbin et al., 2012).

Based on insights from political economy in developing regions and assuming that interdependence is not a starting point but a potential outcome, I propose to elaborate an analytical model aimed to reconstruct the process of regional cooperation in non-trade areas. The model is conceived as a process tracing model oriented to identify steps in a causal process leading to the outcome of a given dependent variable of a particular case in a particular historical context (George and Bennett, 2005: 176; see also Hèritier, 2008). In this case the outcomes are different degrees of independence which is defined as “cross-border transactions”. The first step is, thus, to identify areas that present, nowadays, different

levels of cross-border transaction and then reconstruct the chain of causal elements that explain such a divergence. Proceeding that way, allow us to identify explanatory factors that enable or block regional cooperation not only at different moments of the process (time process), but also at different scales (spatial process). The model does not limit the concept of interdependence to mere “economic” cross-border transactions, but entail social transactions in general recovering the concept as was classically defined by Karl Deutsch (1957). In doing so the model is, in principle, applicable to any social dimensions in which there are formal regional initiatives different from trade or economic areas. To say it in other words, the universe to which the model is applicable is regionalism, defined as politically-driven projects oriented to foster cross-border and transnational relations (Hettne, 2000; Gamble and Payne, 1996; Breslin, 2002; Fioramonti, 2012; Börzel et al., 2012).

The model is theoretically guided and therefore I assume that steps in the process are not random, but patterned in four specific and consecutive stages that have been described by students of regionalism as well as political economists dealing with developing regions. Such a strategy allows me not just to make thick description of a particular regionalist project, but also to engage in broader debate in the field of comparative regionalism. The four stages are the following:

Figure 3: Stages in the process of regional cooperation.



Politicization: It is defined as the initial moment of political negotiation about a regional cooperation issue. According to Olivier Dabène, politicization implies that the political actors consider the objective to increase interdependence, as an instrument to reach political goals, such as crisis resolution or consolidation of democracy. It implies commitment of political actors sharing a conception of common interests, institutional building to embody common interests and possible participation of non-state actors (Dabène, 2012: 42)⁵.

Politicization processes are activated by a “political conjuncture” that might be an external shock (i.e. an international economic crisis; an international regime with negative effects on the region), or a regional crisis (i.e. a security conflict, political crisis in one member state, etc.). As Andrés Malamud has argued, politicization in South America has taken the form of “inter-presidentialism”, being the leaders of the executive power the main actors and being presidential diplomacy its main mechanism of coordination (Malamud, 2003).

Regional Institution-building: Process of creation of organizations, rules and procedures at a regional level. Institution-building at the regional level is always triggered by a process of politicization, fact that has been considered by European integration scholars as an indicator of lack of autonomy.

⁵ I agree with Dabène’s use of the concept. Nonetheless, I would stress that politicization is an initial moment of the process of regional cooperation and not the whole process itself, as sometimes is implied by Dabène and Malamud.

However, it is worth to note that once regional institutions are created they get a certain degree of autonomy since political actors delegate to technical bodies the design and management of the new regional structures. As I will argue, this autonomy might be reinforced or undermined depending on the capacity of regional organizations to tackle resistance and to establish links with societal stakeholders. This is an important point that has been overlooked by approaches stressing the supposedly intrinsic weakness of inter-governmental and especially inter-presidential structures (Malamud, 2005; Sandholtz and Stone-Sweet, 1997).

According to Jayasuriya (2009) and Nolte (2011), regional organizations might frame the regional discourse of member states, generating norms and rules for the region which contribute to the solution of collective problems or to the realization of common benefits and, in doing so, shaping the ideological representation of the region itself. In my view, this outcome shall depend again on the capacity of regional organizations to overcome conflict and to make links; therefore, it is more an open empirical question rather than an intrinsic property of regional organizations.

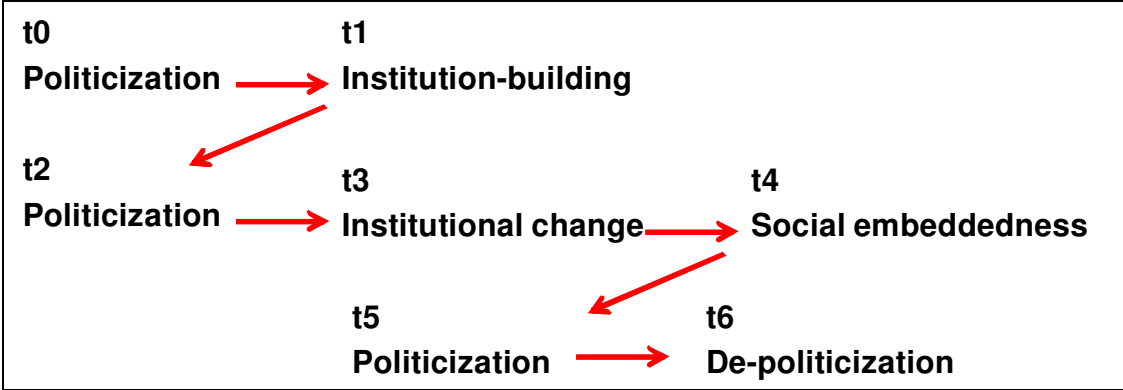
Social Embeddedness: Peter Evans has defined this concept as the concrete set of connections that link the state intimately and aggressively to particular social groups with whom shares a joint project of transformation (Evans, 1995). The concept is broad enough to be applied to other forms of governance different from the state as, for instance, regional organizations. Actually, the concept has been applied extensively by economic sociologists and economic geographers to different spatial scales and therefore Evans' use of the concept would constitute just one possible application. The relevance of the concept is that emphasizes a dimension that has been overlooked by most of regional integration theories coming from the international relations field, namely the crucial importance of enrolling societal actors within a regional project in order to succeed. This point is crucial in developing regions where there is not *ex ante* regional interdependence among social actors and, therefore, where there is no a strong demand of regional institutions. This demand has to be created through the enrolment of stakeholders around a cooperative issue.

It is noteworthy that what might be consensual at the inter-presidential level (first stage), might be highly contested at the societal one, either that the national or local scale. As I will show that was the case of infrastructure and energy integration in South America, inter-presidential consensus with social resistance. Regional cooperation, as a process, will continue just in the case that regional organizations become embedded within constellations of social interests groups.

Interdependence: Cross-border transactions among non-state actors (Mansfield and Solingen, 2010). If there is i) a durable commitment about a common interest issue at the inter-presidential level; ii) if regional organizations are brought about; iii) if regional organizations are able to overcome resistance and enroll societal stakeholders; therefore an increasing cross-border transaction among non-state actors should be expected. The factors explaining differences in the level of cross-border transactions among regional initiatives must be traced along the chain in one of the previous three stages. Positive feedbacks and positive spillover effects like those announced by Jayasuriya and Nolte, might be also expected: reinforcement of regional organizations, expansion of their autonomy vis-à-vis the states, and strengthening of the regional ideological representation.

However, this outcome, though possible, is hard to be achieved, and many hurdles might come up along the process. Figure XXX, shows some of the possible trajectories, no of them leading to the expected increasing interdependence.

Figure 4: Possible trajectories of regional cooperation.



We can summarize and phrase the possible trajectories as hypotheses:

- H1:** The starting point is an inter-presidential engagement on certain political goals (t0). If there is consensus on a common interest, therefore an institution-building process starts at the regional level (t1).
- H2:** There is political and/or social resistance to the regional organization, therefore the original consensus is broken and a new politicization process starts (t2). If a new consensus is reached, therefore an institutional change process starts (t3).
- H3:** The (reformed) regional organization is not able to enrol non-state actors, therefore there is no implementation and a new process of politicization starts (t5).
- H4:** It is not possible to reach a new consensus, or the original political goals are considered no longer reachable, therefore a de-politicization process take place and regional cooperation ceases (t6).

These hypotheses can be applied in order to explain failure in several previous experiences in South American regionalism and, arguably, in other developing regions. The attempt to build up regional production chains under the Latin American Free Trade Association regime in the 1960’s might be explained in a good part as the incapacity to enroll business associations and national public companies within the projects of cross-country productive integration during the import-substitution-industrialization period (H3). After several instances of politicization, the process ended up in de-politicization when international conditions changed: the prices of commodities in external markets increased, incentivizing an export oriented strategy, and public debt increased in Latin American countries making the ISI and regional productive integration neither sustainable nor reachable (H4). In a contemporary example, the Bank of the South initiative aimed to create a regional development bank as well as to create mechanism of financial cooperation in times of balance of payment imbalances,

faced a first round of political resistance mainly from Brazil when the first project was designed (H2). Now the project is in a new moment of politicization and the first project is being reformed in crucial issues such as the bank corporate governance, the type of guarantees, interest rates, and lending-conditionality. To the moment the Bank of the South is blocked at a re-politicization level, and is not clear if a new consensus is going to be reachable.

Three corollaries are worth to note. The first one is the fact that resistance at any stage gets the process back to inter-presidential negotiation requiring a new phase of politicization. The second point to be highlighted is the multi-scalar character of the model (Brenner, 1999). Our assumption is that regionalism –as a type of transnational phenomenon- is, by definition, multi-scalar, and is not possible to address it –even arguing parsimony- just looking to one scale. Admitting that is also important to situate accurately the effect of every factor along the chain of events, that is to say, in particular stages. For instance, international factors (extra regional shocks, international regimes, and the like) play a role in triggering and modifying the politicization stage. Regional factors (like the type of regional power) play a role at the region institution building stage and the preference for some particular form of governance. Domestic and local politics in turn, play a role at the stage of social embeddedness.

Finally, the third point is that regional organizations get autonomy just if they become socially embedded. If they are not able to link with societal actors, every change in the original consensus at the inter-presidential level, for instance motivated by a change in the international economy, or a radical shift of government in a member state and therefore changes of preferences, might de-politicize the process and eventually bring the regional organization down. We have reasons to suspect that such a de-politicization would hardly happen if the regional organization is socially embedded, since national governments had to face domestic resistance if they decide unilaterally to undermine the regional organization and, thus, touching interests already constructed. In other words, and following Evans, embeddedness provides autonomy to regional organizations even if they are inter-governmental and not supranational.

III. The cases of Energy and Infrastructure Regional Cooperation within UNASUR: a preliminary analysis

In this section I will outline a preliminary analysis of regional cooperation in the areas of Infrastructure and Energy using the process tracing model described above and data collected in Brazil in spring 2012. The selection of infrastructure and energy as case studies has to do with two main reasons, the first one substantive and the second one methodological. In substantive terms, both areas are at the core of the UNASUR post-liberal regionalist project from its very beginning when in 2000, during the first summit of South American Presidents, were chosen as priority areas of regional cooperation. The second reason is methodological because both areas diverge in the dependent variable: level of cross-border transactions. In fact, in the infrastructure area at present there is a consensual portfolio of more than 500 infrastructure projects, 10% already implemented. Among them there are in process to be implemented two bi-oceanic motorways, and one bi-oceanic railway is at the last stages of pre-implementation. It is true that the implementation of infrastructure projects is not immediately an indicator of “interdependence”. However, according to studies these projects have had incipient effects on straightening regional value chains and the increasing of economic as well as social cross-border transaction (IDB, 2012; IDB-INTAL, 2011). Energy integration, in turn, has not delivered any outcome

so far. Some important energy interconnection projects, like Itaipú-Asunción transmission line, have been the result of bilateral agreements and not of regional cooperation projects in the area. In sum, even if it is still too soon to conclude that regional cooperation in infrastructure has been successful in increasing interdependence, it is possible to say that such an outcome is more likely to be expected coming from the infrastructure cooperation initiatives, than from the energy cooperation ones.

Infrastructure

Politicization: first round.

The initial moment of politicization that triggers regional cooperation in infrastructure was the First Summit of South American Presidents in Brasilia in August of 2000. Before of this summit, infrastructure was not a regional issue. Many scholars and organizations like the ECLAC had claimed in the past the importance to include physical integration as part of regional projects for instance within MERCOSUR, however this did not occur due to lack of politicization. During the ISI period (1950-1970), trans-border infrastructure was result of bilateral agreements among governments (mainly military regimes), and later on, during the neoliberal decades (1980-1990), was result of the World Bank and the Inter-American Development Bank *finance product* model (Palestini, 2013; Oxilia, 2009). So, what happened in 2000? The whole region was facing a period of crises (first the Russian devaluation, then the Brazilian devaluation and finally the Asian Financial crisis) experiencing a decrease of growth rates, FDI inflows and intra-regional trade. In other words, the three pillars of the neoliberal and open regionalist model were significantly eroded.

In order to tackle the regional crisis, President Fernando Henrique Cardoso organized for the first time in the history of the region a summit of Presidents in order to make consensus about issues of regional interests which might foster socio-economic development in times of crises. One of the issues that gained consensus among the different countries was infrastructure fact that was reinforced with the successful experience of Cardoso with the own domestic infrastructure program – *Avança Brasil* – oriented to integrate the states of the continental-wide country. *Avança Brasil* was strongly influenced by the ideas of economic geographers about regional corridors and industrial clusters actively disseminated by the IDB which, in turn, had drawn the ideas from the experience of the Asian Development Bank in East Asia during the 1980s and 1990s (Tavarés, 2012). These synergies made possible the commitment of the 12 South American states to elaborate a regional project of physical integration including transport, energy and telecommunication, delegating formally the governance of the project to IDB plus two other multilateral banks the Andean Promotion Corporation (CAF) and the Financial Fund for the Development of the River Plate Basin (FONPLATA) for a period of 10 years.

Regional institution-building

In less than one year the new regional architecture was ready. The Initiative for Integration of the Regional Infrastructure of South America (IIRSA) was conceived as a flexible network of technical bodies managed and driven by a Committee of Technical Coordination composed by the three multilateral banks above mentioned but, in the practice, with the leadership of the IDB. After two years of working, the IIRSA delivered a large portfolio of projects to be implemented in the next ten years, distributed in 8 geographic axes of integration, most of them in the area of transport with few projects in the area of energy and practically no one in the telecom area.

Social embeddedness

After the promising first years of the IIRSA, the initiative started to get stuck and resistance emerged from political actors, especially Venezuelan government –in behalf of Bolivarian countries- and the new Lula’s government, as well as from societal actors especially environmental and indigenous movements. Venezuela declined to participate in the IIRSA meetings and get off from the process in an explicit opposition to IIRSA methodology –based on the idea of export-corridors- and IDB governance characterized by financial criteria in the selection of infrastructure projects. Lula, in turn, criticized the inefficiencies of IIRSA, arguing also about the necessity to transit to an integration process guided by governments and not by bankers. But, probably the main resistance came from social movements which were vocal critiques of IIRSA lack of environmental regulation, absence of participatory mechanisms, and the negative effects that some emblematic IIRSA project- like the Paraná-Paraguay waterway and the Madeira River dam- were causing to indigenous communities and natural environments.

Some institutional changes took place as an attempt to correct the failures of design. The figure of “national coordinators” was created in order to give more political backing to the initiative, and environmental issues were included into the design of projects. However, the IIRSA remained as a technical network des-embedded from potential stakeholders; in fact the engagement of the private sector in the financing of IIRSA projects was very low, being public spending the main source of financing. In a nutshell, South American states were financing with public resources integration projects designed by IDB (through its own criteria of profitability and viability), and facing domestic struggles with social movements. As a result the IIRSA became, about the middle of the decade, an inefficient, unpopular and expensive project.

Re-politicization: second round

Therefore in 2008 a new process of politicization started. There was a new consensus that infrastructure was still a common interest for all countries in the region and that the IIRSA had provided a good starting point (providing knowledge about the geography of the region, and providing a portfolio of consensual projects), but it should be radically reformed. In the summit of Quito in 2009, there was a consensus that governments, and not banks, should be the designers and drivers of the regional infrastructure project and, accordingly, it was decided to let expire the contract with the IDB and, instead, subsume IIRSA within the new Union of South American States (UNASUR).

Regional institutional change

In 2009 the IIRSA is absorbed into the new Planning Council (COSIPLAN) of UNASUR: the national coordinators network becomes the technical body of COSIPLAN which is governed by a council of ministries in the areas of transport, public works and planning. The IDB and the multilateral banks downgraded to the level of technical assistance of national coordinators.

COSIPLAN is more hierarchical and more political than the IIRSA, is regulated by UNASUR Treaty, and all the decisions have to be taken by consensus by the whole council of ministries that are advised by national teams of bureaucrats. Every country counts with a national representative, who in most of the countries is technical, and a political assistant, which normally is a member of the Ministry of

Foreign Affairs. This implies a dramatic change in comparison with IIRSA and a step forward in the politicization of the process. Furthermore, environmental and participatory issues became inescapable, and, thus, COSIPLAN created mechanisms and specific methodologies oriented to tackle these issues.

Social embeddedness

COSIPLAN is a recent regional organization and it is still soon for assessing its achievements. However, there are elements that indicate that in its 3 years COSIPLAN has shown a bigger capacity to enroll societal actors than the IIRSA in its 10 years of functioning. In first place it has implemented mechanisms of consultancy with environmental organizations; secondly, it has ensured political backing through the involvement of representative of the Foreign Affairs ministries of every South American country; third, it has created mechanisms of consultancy with the private sector and partnership with important business associations, mainly in Brazil as for instance the Federation of Industries of the Sao Pablo State, which is actively participating in COSIPLAN agenda (Palestini, 2013). But, probably the most important partnership is with the Brazilian Bank of Economic and Social Development (BNDES) which has become in the last 7 years a fundamental financer of regional infrastructure projects (FIESP, 2012).

Interdependence

Until 2011 COSIPLAN has implemented 63 projects with an investment of US\$ 10.408,9 million, and equivalent to the 11% of the total portfolio (531 projects) and the 9% of the total investment. 159 projects are in process of implementation equivalent to the 29,9% of the total portfolio. Many of these projects implemented and in process of implementation have an impact on the increasing of cross-border transactions, being especially relevant the Bi-oceanic motor and rail ways. The Bioceanic railway cover an area of 3.580.95km connecting the port of Paranaguá in Brazil with the port of Antofagasta in Chile and crossing Brazil, Paraguay, Argentina and Chile. The technical studies were financed by the Brazilian Bank of Economic and Social Development (BNDES), and were concluded in 2011. Currently, the project is being implemented and it will be concluded in 2014 (FIESP, 2012: 145). The so-called bi-oceanic motor way is, actually, a set of different project geographically distributed across Brazil, Peru and Bolivia. Many of these projects are already finished as the Motorway IIRSA North, other will be completed in the next years. Along these motorways and railways are located local industries that might benefit from the transport connections making possible the emergence of regional value chains (IDB, 2012). Other potential benefits are the increasing of tourism and transport facilities among the local communities.

Energy

Politicization

The history of energy as a “regional issue” starts off together with infrastructure during the already mentioned Brasilia summit of 2000. From the view of President Fernando Henrique Cardoso, energy and infrastructure had to advance together as functional areas with potential spillover effects, allowing moving the agenda of regional integration forward. At the beginning of 2000 several South American countries, including Brazil itself, were crossing by difficulties in energy supply, and therefore, was relatively easy to get a consensus that energy integration must be a priority. However, from the very

beginning was not clear what exactly energy integration it supposed to mean. Two different dimensions were associated to energy integration: the first was the interconnection of power plants in which the synergies with a broader physical integration project were quite evident; but the second dimension was quite more contentious, namely, the integration of energy market regulation, which implied a deeper commitment and more demanding coordination among countries. In spite of the difference around these two meanings of “energy integration”, it was decided that an energy agenda should be part of the new IIRSA structure.

Regional institution-building

I already described the IIRSA structure and some of its design problems. Here it is suffice to say that while the agenda of transport infrastructure moved on relatively fast, there were very few energy integration projects and from the very beginning was clear the misfits between interconnection and regulatory integration projects (just one project on regulatory integration was part of the IIRSA portfolio) (UNASUR, 2011: 23).

Social embeddedness

Energy faced the same political and social resistance to infrastructure projects. Especially the construction of dams was highly contested by environmental movements causing the discredit of the “IIRSA brand” among the public opinion. The press and social movements put IIRSA together with a set of “anti-environment” projects, like Belo Monte dam, and was considered as part of a broader transnational project driven by the IDB and aimed to extract raw material from inaccessible territories of South America in order to export to external markets, receiving the label of “extractivist”. At the middle of the decade, no one in the organized civil society in South America was considering IIRSA as an “integrationist” project, perception reinforced by the withdraw of Venezuela from IIRSA and the critiques coming for the President Lula da Silva himself.

Re-politization: second round

Due to the low degree of implementation and, especially, the high level of resistance, a new process of politicization started in order to reform the parameters of regional cooperation in energy. However, this time the initiative came not from Brazil, but from the other regional power, Venezuela, which organized another emblematic summit: the first South America Energy Summit in Isla Margarita in 2007.

This was a highly politicized event, in which Venezuela wanted to disentangle explicitly its own regional project (based on ALBA) from the Brazilian one which eventually would create the UNASUR. To do so, Venezuela proposed to take the energy agenda off from the IIRSA. Without a real consensus among countries, Venezuela created a new regional organization the Energy Council of South America (COSEAS).

Institutional change

COSEAS had a short life being more an idea that a concrete structure. The idea of COSEAS was to extend previous experiences of energy integration led by Venezuela with Caribbean countries (PETROCARIBE), and with Andean countries (PETROANDINA), to the rest of South America. The

emblematic project was the Great Pipeline of the South, a project designed by President Chávez and President Kirchner (bypassing Lula), and oriented to connect the lines of gas among Venezuela, Bolivia, Brazil y Argentina. The Great Pipeline of the South was supposed to be managed by Big Public Companies (called in Spanish GranNacional, in opposition of Transnational). The project failed because technical and political reasons and, importantly, by the lack of coordination between the Brazilian Oil Company (Petrobras) and the Venezuelan Oil Company (PDVSA).

Third round of re-politization

The project of energy integration faced a new crisis, and, therefore, a new process of politicization started this time in the UNASUR summit in 2010 in Los Cardales, Argentina. There was a consensus that energy should be part of UNASUR, and not an independent body like COSEAS, and it was created the UNASUR Council of Energy Integration with the difficult mission to write down a Treaty of Energy Integration in South America.

Second round of institutional change

The Energy Council of UNASUR was created with a similar structure of the rest of councils. It is an inter-ministries council without any link to other groups of society and its main goal is to write the Energy Integration Treaty which should be finished at the end of 2013. However, the Council is standing on a very weak consensus, and, therefore, the Treaty has few chances to succeed. Two positions structure the conflict of interests inside the Energy Council: the first one is the group of **integration maximalists** with countries like Venezuela and Ecuador which are pursuing a full harmonization of energy markets and the creation of Big Public Companies managing key energy resources (GranNacionales, in Spanish). On the other side, **integration minimalists**, like Brazil or Chile, pursuing, for different rationales, a limited integration of energy sources and power plants (interconnection) with limited regulatory convergence.

As a result there is no social embeddedness of the energy agenda, and no increasing interdependence is expected in the short to middle term. If the Energy Council eventually fail to propose and ratify an Energy Integration Treaty, is possible that a further process of politicization will start; however, the most likely outcome scenario is the des-politicization of the energy issue and the cease of regional cooperation in this field. If this is the case, Energy will be again a bilateral issue to be resolve case by case, driven by domestic instead of regional agendas, which will be an important setback for the energy security of a region that is highly asymmetrical in energy resources endowments.

Final remarks

In this paper I have advanced two main arguments. The first one is about the necessity to explicitly connect the study of regionalism with the study of models of development in South America and, arguably, in other developing regions (Palestini, 2012; Jayasuriya, 2003). The variety of regionalist projects currently being implemented in South America is mainly explained by the different conceptions of development and political economy arrangements among countries. The second argument is that interdependence, namely the increasing cross-border transactions among economic and social actors, is the purpose of regional initiatives and not their point of departure as was the case of the European integration process.

Drawing on these two arguments I have traced the processes which explain different interdependence outcomes in two functional areas: infrastructure and energy within the frame of UNASUR. In order to deliver regional public goods and, therefore, increase interdependence, regional initiatives need to pass through three multi-scalar stages. First, they have to achieve a durable commitment between national political authorities in what Olivier Dabène has called politicization moment. International factors, like economic or political crises, or the action of international regimes like for instance WTO Rounds, or the Free Trade Area of America initiative, are key factors to trigger any such politicization moments. Once an inter-presidential consensus is achieved, regional organizations are designed. As the literature on regional governance has shown, institutional designs have different effects on the performance of organizations. Finally, regional organization must be able to identify stakeholders and enroll social actors in order to embed the process of cooperation and deliver regional public goods.

Regional cooperation in infrastructure and energy were equally triggered by the successive crises of the neoliberal model and the exhaustion of the trade integration initiatives framed within the open regionalism paradigm. They have faced hurdles and resistance at the stages of politicization, regional institution building and social embeddedness. However, at the moment the UNASUR Council for Planning and Infrastructure (COSIPLAN) seems more able to mobilize social actors and embed the infrastructure agenda within social and economic interests. On the contrary, the UNASUR Energy Council remains blocked and unable to resolve inter-governmental differences regarding energy regulatory convergence, as well as isolated regarding social and economic actors.

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